



Registered Charity Number 1023552

# UNISON welfare factsheet

Issue No. 4  
Dec 2002

## Debt advice service:

### **UNISON Welfare Debtline Freephone 0800 389 3302**

**Purpose:** to provide free, confidential and impartial debt advice and other support and solutions to UNISON members and their dependants who are experiencing debt problems.

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This factsheet has been designed to provide information on the new debt advice service. It explains how to access the service and describes what is available. There is also background information on Federated Credit Ltd who are providing the service; what is involved in the debt advice process and some of the problems associated with fee charging debt management companies.\*

If you have any questions arising from this factsheet, or it does not cover the information you require, please contact UNISON Welfare on 020 7391 9170 and ask to speak to a caseworker. Alternatively, please write to us at UNISON Welfare, 1 Mabledon Place, London WC1H 9AJ or e-mail: [welfare@unison.co.uk](mailto:welfare@unison.co.uk).

*\* Please also see Guidelines for Branch Welfare Officers (39 pages) for useful information on helping members with debts. Available from UNISON Communications (stock no. 0203) max five copies per order.*

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## 1. INTRODUCTION

Many people with debt problems do not know where to turn for help. The secrecy of debt often leads to further borrowing, making the problem worse. Debt affects relationships, work performance and health. UNISON Welfare's free debt advice referral service offers UNISON members and their dependants quick access to a way out from the downward spiral of debt.

The service is needed because of increasing demand for free and impartial debt advice. This has become difficult to obtain in recent years, particularly for those in work. The alternatives provided by debt management companies who charge an up-front fee are often inadequate or inappropriate to the needs of those in debt.

The service is provided by FCL (Federated Credit Limited) a free national debt advice company. FCL work closely with the voluntary money advice sector and other organisations. They provide continued personal support to their clients, assigning each with a case officer who is readily available to help with problems or concerns that may arise. The service is completely confidential and members will be offered a solution that best meets their individual circumstances.

## 2. WHO CAN APPLY?

UNISON members and/or their dependants who are experiencing debt problems.

## 3. HOW TO APPLY

Members can now telephone a new UNISON dedicated freephone number at FCL for immediate access to debt advice without the need for completing UNISON Welfare's application form or contacting their branch. Called **UNISON Welfare Debtline** the freephone number is **0800 389 3302** and lines are open 8am to 9pm Monday to Friday and 9am to 1pm on Saturdays.

FCL will conduct a telephone assessment of the member's circumstances and a strategy for addressing the problem will then be recommended. FCL's advisers are aware of the type of help UNISON Welfare can offer and will refer the caller to us if they feel we can make a grant (see 'additional help' below).

Alternatively, members in contact with UNISON Welfare's national office can be

referred to FCL as appropriate.

## **4. WHAT IS AVAILABLE?**

### ***i. Informal arrangement through Payplan***

In most cases the best solution to a debt problem is to establish a debt repayment programme. FCL can offer Payplan, a free 'one stop' debt repayment system.

Payplan reduces multiple debts to a single payment and communicates with creditors on-line making the debt advice and repayment process faster. After negotiating and agreeing the arrangement, Payplan distribute the 'pro-rata' sums to creditors via electronic banking.

For those who are cash based a PayPoint card allows members to make convenient and regular cash payments at over 8,000 outlets throughout the UK.

Payplan is free because it is paid for by the credit industry and so 100% of members' repayments go towards reducing their debts unlike fee charging debt management companies. In summary members get:

- Reduction of multiple debts to a single payment
- Choice of payment methods including PayPoint cash option
- An assigned case officer to call for advice throughout the repayment programme
- Supported self-help if they prefer
- A completely free service with no hidden charges

### ***ii. Supported self help***

If the member prefers to deal directly with creditors FCL/Payplan will offer advice and information to facilitate this.

### ***iii. Insolvency***

In a few cases, where a member has larger debts, or is in effect insolvent, FCL will refer them to an Insolvency Practitioner who can provide either an IVA (Individual Voluntary Arrangement) for members in England or Wales, or a

Protected Trust Deed for members in Scotland. These are alternatives to bankruptcy. Such an arrangement means members avoid the fear of home repossession, possible repercussions at work and the stigma of bankruptcy.

Both IVA's and Protected Trust Deeds are legally binding agreements. A proposal is made to the creditors on behalf of the member with repayments usually being an affordable monthly contribution from their income. This sum is distributed between the creditors.

An IVA normally lasts five years, a Protected Trust Deed three years. For IVA's FCL refer members to their own in-house Insolvency Practitioners, Shaws Insolvency Services. Unlike most insolvency practitioners Shaws charge no 'up-front' fees for their work, taking fees from the full and final settlement figure agreed by creditors. This means they have an extra incentive to ensure the arrangement works. A case officer will guide members through the IVA process and provide ongoing support throughout the period of the arrangement.

Protected Trust Deeds must be set up by Scotland based Insolvency Practitioners. FCL have an established relationship with a firm of Scottish IPs who provide the same no 'up-front' fee service as Shaws do for IVA clients.

#### ***iv. Additional help from UNISON Welfare***

Although we cannot normally provide assistance with a member's consumer debts (see Criteria for Financial Assistance Factsheet no.2) we may be able to identify other areas where a grant can help to ease their situation. A special aspect of the service is that by working in partnership with FCL we can maximise the effectiveness of any additional help. For example, FCL may suggest that a grant to deal with rent arrears for a member with multiple debts allows their position to be stabilised sufficiently for a repayment programme to be established for unsecured borrowings. Members applying for financial assistance will be asked to complete our application form in the usual way.

### **5. ABOUT FEDERATED CREDIT LIMITED**

Federated Credit Limited is the name of the parent company providing free debt advice and solutions. Payplan is just one of the services they provide under their umbrella although for the vast majority of members needing help with debts this will be the most likely service they receive. Payplan is administered by the Paylink Trust a not-for profit organisation. Paylink is quickly establishing itself as the preferred debt management provider for both the advice sector (National

Debtline, Citizens Advice Bureaux, etc.) and the credit industry. It enjoys widespread support and is overseen by an independent board of trustees comprising representatives from the money advice sector including the Money Advice Trust, Money Advice Scotland, National Debtline, National Association of Citizens Advice Bureaux (NACAB) as well as the credit industry. FCL employ trained money advice professionals and is the UK's leading providers of debt solutions for individuals. They provide a free-phone advice line and can help with any level of debt from utility arrears to major insolvency problems. They work with clients from many organisations including trades unions and employers. They have close links with the Money Advice Association, a respected independent body concerned in consumer rights issues and changes in social policy, and are governed by the Joint Insolvency Monitoring Unit, complying with the highest industry standards.

FCL:

- Offer immediate advice to all clients.
- Ensure clients understand the options open to them in order that debt-repayment programmes are realistic and achievable.
- Offer advice without asking for sensitive personal information.
- Provide continued personal support and advice, assigning each client a case officer who is available throughout the repayment programme for help with concerns or problems that may arise.
- Give clients a specific date by which they will have cleared their debts.
- Offer a nationwide network of support with home visits arranged in circumstances where this is felt necessary.
- Provide benefits and CSA advice.
- Employ trained money advice professionals.
- Never take any up-front fees and never issue an invoice to clients.

## **6. BACKGROUND INFORMATION**

### ***i. Why the debt advice service is needed***

UNISON Welfare is used to helping members who are struggling to cope with the stress and worry of debt. Many branch welfare officers will have referred members to a recognised debt advisory service such as a local Citizens Advice Bureau or the National Debtline (free telephone advice service).

The problem is growing and the huge demand for debt advice means many traditional sources of help are restricting their frontline services to those out of work or in receipt of statutory benefits. Other difficulties include long waiting

times for appointments, restricted 'opening hours' and/or the advice given is of a self-help nature, which is not suitable for everyone. The alternatives provided by commercial concerns who charge a fee are often inadequate and the charges made can worsen the situation (see below).

UNISON Welfare can often help members in financial difficulty with a grant. However, in many instances without the possibility of debt advice providing a longer-term solution to financial hardship the effectiveness of such grants is reduced to little more than applying a 'sticking plaster' to the problem.

## ***ii. Factors affecting debt problems and solutions***

### **The debt problem –**

Credit is easily available and most people have borrowings of some kind. However it only takes a change in circumstances such as:

- Divorce
- Bereavement
- Ill Health
- Disability
- Loss of Job or second income

To turn a manageable situation into a debt problem.

### **The debt solution –**

The solution to a particular debt problem will depend on a variety of factors but in general these include:

**The amounts owed and to whom** i.e. are they a *priority creditor* whereby the client may lose their home or incur another penalty for non-payment.

**The client's income and their expenditure.** Is their income likely to remain at the same level and if so for how long? What does the client realistically need to live on and support their family? Can any savings be made or benefits applied for?

**Other factors such as the client's job or social status** – could these be affected if they were to be made bankrupt?

Once the facts have been established FCL will recommend and advise an appropriate course of action.

- Negotiating with creditors to pay reduced amounts to cover a short term problem
- Applying for benefits or other allowances
- A debt management plan
- An Individual Voluntary Arrangement (IVA)
- Bankruptcy

### ***iii. Fee-charging debt management companies***

There are many debt management companies who advertise their services on TV or in the back pages of the tabloids. The majority of these companies charge up-front fees and also monthly management fees to the clients. Very often this makes a bad situation worse as the client is then paying back even less to their creditors than before. FCL do not charge up-front fees to clients, their role is to negotiate an arrangement with the creditors involved to offer a realistic amount either over a fixed period, at the end of which the debt is written off or, again over a fixed period, until the client's situation improves and they can resume their normal payments. In addition there are many other problems with these fee-charging firms:

- They make no effort to freeze interest because it is in their own interest for the debtor to pay the debt for as long as it takes.
- They do not contact the creditors until their up-front fee is paid so in many cases they will have received three months payments and the creditor has received nothing. This can often result in the creditor taking enforcement action in this period.
- They will not consider any alternative courses of action open to the client, which might be more appropriate.
- They never attempt to maximise income using the welfare benefits system and all the other methods available.
- It is estimated that only 10% of clients who contact them are suitable and the rest are not referred to a more appropriate agency.
- Clients are expected to pay their debts off in full when money advisers would say this was too punitive if say more than seven years and they would be asking for the remaining debt to be "written off".

- There is no regulation of the service and standards vary enormously.
- They would never represent or advise a client if court action was threatened.
- Some companies have contracts with their clients committing them to a full year's fee, making them yet another creditor.

#### ***iv. UNISON campaigns***

The debt advice referral service complements UNISON's campaigning work to combat the growing problem of debt and financial exclusion in the UK. As well as participating in fuel, water and food poverty campaigns UNISON also works with 'Debt on Our Doorstep'. This is an alliance of voluntary/public sector groups and organisations who are campaigning for change to relieve the burden of debt on low income households and to promote solutions to financial exclusion. To find out more about UNISON campaigns contact Christine Durance of UNISON's Policy & Public Affairs Dept:

Tel: 0207 5511 1400

e-mail: [c.durance@unison.co.uk](mailto:c.durance@unison.co.uk)

## **7. PUBLICISING THE SERVICE**

A one-third A4 leaflet for members and an A4 noticeboard poster are available for branches to order from UNISON Communications:

- Welfare debt advice service leaflet - quote stock no. 1975
- Welfare advice service poster – quote stock no. 1976

Further copies of this factsheet (which can also be photocopied) and a branded folder containing additional text about the service are available from UNISON Welfare only – maximum five copies each per order.

Further tips about publicising UNISON Welfare's services can be found in the Guidelines for Branch Welfare Officers (39 pages) also available from UNISON Communications – stock no. 0302 – maximum five copies per order.

Do tell your employer's Personnel Department about the service – they may help you to publicise it.



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