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Keeping you informed

DRILLING DEEPER

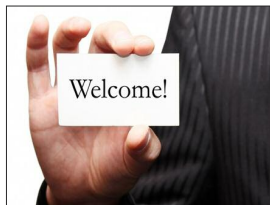


TO MAXIMISE REVENUES

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Welcome



Welcome to the Summer 2015 edition of our briefing for our Local Authority clients.

Focusing on our most recent Local Authority Forum held in Edinburgh at the end of May. We were delighted that Judith Hartshorne, DWP, Kelly Jones, Grant Thornton and Chris Batt from the Callcredit Information Group could all participate in this event, each of whom delivered a very informative presentation with a range of insights, discussion points and ideas on how we can improve collection performances and maximise revenues in the year ahead. I do hope you find the follow-on articles in this edition, as well as the key points which were debated during the workshop discussion sessions, to be a useful summary and reminder of the day.

It's fair to say that Judith's talk which focused on Water Direct deductions and Universal Credit created the most discussion at the workshop sessions on the day.

Whilst there were a valid frustrations and concerns raised by a number of Councils about Water Direct deductions, more specifically the lack of resource which was available in DWP to cope with the volume of cases Scottish Local Authorities have been passing to the DWP and intend passing this year, it was reassuring to hear that Judith is fully aware of the pain points and the knock-on issues this was creating for Councils.

I got the distinct impression from Judith that she is determined to sort out the resource and procedural issues which are being experienced by Councils and she took away a number of actions points, including setting up a working group, which she invited the Councils in the room to join.

Ideally, this working group will provide an established forum to discuss and resolve working practices and the everyday problems encountered by your personnel. This has to be a positive step in the right



David Walker
Managing Partner,
Walker Love

direction. I'd be very interested to hear your views on how this develops. We will of course invite Judith back to speak at the Forum again in 2016 to provide us with an update on progress.

If you are interested in joining the group, send Judith an email:

Judith.hartshorne@dwp.gsi.gov.uk.

Walker Love was proud to host the inaugural Credit Services Association (CSA), Scottish Compliance Forum in March this year at our Glasgow office. The CSA is the trade association for the debt collection and debt purchasing industry. The new regulatory regime which is being implemented by the Financial Conduct Authority (FCA) was the main focus of the talks and discussion at the Forum.

Another hot topic discussed at this recent Forum, relates to the FCA's dislike of commission based feeing arrangements in the debt recovery market. As many of you will be aware, the commission based arrangements in the financial services (IFAs, investment managers, fund management etc.) industry are being phased out in favour of fixed fee arrangements.

Whilst the FCA has no authority in respect of Council recoveries at this time, this regulator is very busy setting new standards of compliance which are being emulated in other sectors such as utilities collections. For this reason we are working with the CSA and other consultants to make sure Walker Love are ahead of the game in terms of business processes, infrastructure, reporting and most important of all, customer care.

The concept of Treating Customers Fairly (TCF) is very much the ethos of our Judicial Appointment and we therefore anticipate no difficulty in demonstrating a progressive customer centric culture within our business.

The FCA is also very keen on more accountability and transparent ownership structures in firms that operate within the industry. They also place great emphasis on how firms recruit, manage, develop and reward their people. We at Walker Love have

been quietly working away in the background on these very issues for some time.

The FCA will soon conduct a comprehensive audit of all our compliance policies and procedures which is the most critical phase in upgrading our Interim Permission to the full FCA Authority. This will have a direct benefit on our Council clients as will deploy the very same professional standards to our Council Tax and NDR recoveries, as we would for a financial services regulated debt.

Walker Love will never rest on its laurels. Our sustained commitment to absolute customer care is well demonstrated by our recent **Silver Award** under the Investors in People Options programme. This significantly more arduous IIP standard complements our existing UKAS/ISO 9001 and 27001 standards.

We strongly believe that there will always be room for improvement in collection performance. The challenge is to find new ways to accelerate the finite annual collection cycle. In this regard we will continue our work with established Credit Reference Agencies to help sort the "can pays" from genuine hardship cases which require a significantly different and more supportive approach. Please read the article on p6 for more information on this highly innovative project.

Finally, reflecting on the ongoing improvements in collection performance for our Local Authority clients, I am delighted to report that a 7% increase in collections was achieved in 2014 with a 14% increase recorded for the year to date for 2015. When this uplift is coupled with a slight decline in the overall aggregate of debt passed in the same period, it does truly represent a great performance for our clients during an extremely difficult economic period which is being further impacted by the effects of welfare reform – see p7 for the latest changes announced in the July Budget to welfare reform.



We now look forward to building on this performance throughout the remainder of this financial year and on to 2016/17 as we work together with you and our other service delivery partners to deliver the very best collections, enforcement and Sheriff Officer services to all our Local Authority Clients across Scotland.

E: david.walker@walkerlove.com

New Bankruptcy Act: what are the changes?



Kelly Jones, Grant Thornton provided us with an update on what has changed in sequestration since the Bankruptcy & Debt Advice (Scotland) Act 2014 came into force, some of the practical experiences to date and the significant change in the pre-award procedures.



Kelly Jones
Associate Director,
Advisory,
Grant Thornton UK LLP

Minimal Asset Process (MAP)

MAP replaces LILA and can be used if the debt does not exceed £17,000 or fall below £1,500. There are a number of other criteria that must be satisfied before this process can be selected.

For instance, there must not have been another MAP in last 10 years or regular bankruptcy in the last 5 years.

MAP is aimed at those debtors who have low income and a low asset position. Their total assets must not be worth more than £2,000 and no single asset should be worth over £1,000 (subject to an allowance of £3,000 for a motor

vehicle if it is reasonably required).

MAP has a lower debtor application fee of £90, as opposed to the higher charge of £200 for full bankruptcy. The debtor will be discharged after 6 months however will face credit restrictions for a further 6 months. The Accountant in Bankruptcy (AIB) will always be the Trustee on MAP cases. If the debtor's situation changes or if they have provided false information in order to obtain a MAP bankruptcy they can be 'upgraded' to full bankruptcy.

There is a fear that the reduced discharge period of 6 months sends the wrong message in terms of the seriousness of bankruptcy. Also the further credit restrictions will not impact on the debtor's ability to continue to incur council tax arrears. As such this may be detrimental to Local Authority collection attempts.

PRE-AWARD CHANGES

Moratorium on Diligence

The moratorium on diligence is the most significant pre-award change for creditors. It is similar to the situation with



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the DAS intimation but extended to cover seeking advice on all formal insolvencies. The moratorium is recorded on the Register of Insolvencies (ROI) and the DAS register. The debtor will receive protection for 6 weeks following the submission of the application form on the AIB website. this can only be done once in a 12 month period.

There is no application criteria and the debtor does not need to provide any documentation to evidence their position.

Before taking recovery action, Local Authorities should check if a moratorium is in place.

There is some debate around what is and what is not classed as diligence in the context of the legislation. In terms of summary warrants, the view is that the moratorium will not prevent a creditor from obtaining a summary warrant but that this cannot then be enforced.

It was also noted that the ROI has been changed significantly and that this was causing searching problems. Kelly advised that the AiB are working on 'fixes' to a number of these problems.

Compulsory Money Advice

Individuals are now no longer able to apply for their own bankruptcy without seeking money advice from an approved adviser to ensure that they are fully aware of the consequences of bankruptcy.

This could result in delays in individuals accessing bankruptcy due to the perceived resource issues in the money advice network.



Common Financial Tool

The new legislation has introduced a common financial tool to assess an individual's income and expenditure in all formal debt remedies. This is currently the Common Financial Statement (CFS). Creditors are entitled to access these guideline figures so Local Authorities could look to obtain this if they do not already have access.

Previously the different tools and various measurement

criteria that were being used by different money advice organisations were proving inconsistent resulting in people being assessed differently.

The introduction of a common financial tool should bring more clarity, fairness and standardised measures. Individuals will

also be required to evidence most of their household expenditure to ensure there are no errors.



POST-AWARD CHANGES

Contributions & Acquirenda

The contributions period has increased from 3 years to 4 years. This should provide creditors with increased dividends as the payment period is longer. The period to claim Acquirenda (assets acquired after the date of sequestration) has also increased to 4 years from the date of sequestration.

Under the old system, acquirenda was linked to discharge which was typically 1 year. Acquirenda is now 4 years regardless of discharge. As such, if a debtor acquires an asset after their discharge this asset can now be 'caught' by the sequestration regardless of whether the case is closed. If Local Authorities become aware of additional assets they can notify the former Trustee and they can reopen the case if appropriate.

Deferral of Discharge

A debtor's discharge will no longer be automatic after 1 year and instead there is an onus on the debtor to rehabilitate and 'earn' their discharge. The Trustee will issue a report on whether the debtor should obtain their discharge or not and creditors have the opportunity to make their views known on the subject.

It is also worth noting that if a debtor cannot be traced there is an indefinite deferral of discharge. This does not however stop creditors (including Local Authorities) from petitioning from sequestration again in relation to new debt the debtor has incurred post sequestration.

Creditor Claims

Creditor claim forms must now be submitted within 120 days of the Trustees notice to creditors. This notice must be sent to creditors within 60 days of the award of sequestration so the maximum time period creditors will have is 180 days unless there are exceptional circumstances. This could cause problems if notifications are sent to different departments and are not dealt with promptly. If a creditor is not advised of the sequestration at the outset then their 120 days will run from the first notification they receive.



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Other points to note

There is now an ability to shorten the first accounting period which should result in creditors being paid earlier where there are funds in the case.

Also, a lot of standard bankruptcy functions are being moved to the AIB instead of the court. The view behind this is that it will reduce cost and improve response times.

There has also been a new BASYS system introduced for Trustee's and Money Advisers.

This is likely to be available to creditors in the future however the date is unknown. It was noted that there have been some teething problems with the implementation of the system to date which the AiB are working on to resolve.

Kelly has advised that she is happy to discuss any element of the changes or issues Local Authorities may be facing with the new online searching facilities and she can be contacted on 0141 223 0623 or at:

E: kelly.m.jones@uk.gt.com

Water Direct - Workshop Discussion



Facilitated by Jill Hepburn, Keylink Partnership and with discussions at each table recorded by Walker Love partners, David Walker, James Walker, Dorothy Lowe and Chris Bell, six separate groups debated the following questions and provided their responses.

1. Are Local Authorities in favour of the prospects of water direct deduction in parallel to a Council Tax direct deduction?

Yes in principle. Some of the Councils are already doing this and it has raised additional revenues.

However, practical experiences have proven this method to be more cumbersome to manage.

Concerns expressed as to the time delay, resourcing issues at DWP/Water Direct and the potential hardship it may cause.

The £3.70 deduction would rise to a deduction of £18 – how would individuals on a low income be able to afford this?

2. Is the preferred option to have one rolled-up package for all outstanding debts, or to keep Council Tax deductions separate?

Rolled up applications can have an adverse impact on cash-flow.

In the absence of a corporate debt policy, this does create



James Walker
Partner,
Non-Domestic Rates
Walker Love



Dorothy Lowe
Partner,
Business Development
Walker Love

issues when distributing and allocating payments to different departments within the Local Authority.

What's the priority debt? Council Tax, Housing, etc

Payments are normally allocated to in-year collection, but what about prior years debt?

Returned payment files need to be separated to make them easier to classify.

There can often be issues with systems interfaces and integration when attempting to roll-up debts into 1 package.

3. What are the positives and pitfalls of a combined scheme?

Positives

- Lower priority debts get bounced.
- Creditors receive monies owed in one single payment.
- Can improve cashflow.

Negatives

- Issues relating to payment distribution & proportionate allocations between Council departments.
- Sometimes difficult to tell which debts are being paid and from which year.
- Lack of data.
- Lack of resources.
- Requires integrated IT systems



E: james.walker@walkerlove.com

E: dorothy.lowe@walkerlove.com



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Callcredit has been providing services to clients in the public sector for the best part of 15 years. Many of the team which provide guidance and services to Scottish Local Authorities have themselves spent large parts of their careers working inside Central & Local Government and Housing Departments across the UK.

With Scottish LAs experiencing an ongoing reduction in their budget allocation from the Scottish Executive, it is vital that the revenues collected from Council Tax, Non-Domestic Rates and other sundry debts are maximised over the next couple of years.

Working with 16 Local Authorities, Callcredit is committed to helping our clients to make up their budget shortfall by providing best value, innovative methods and knowledge exchange.

We are committed to helping Scottish LAs trace more debtors, recover more monies from existing debtors, especially those who we know could pay, but refuse to, and working with Local Authorities and their recovery partners, like Walker Love, to use all the legal means possible to maximise the opportunities to increase revenues.

Granting Access to SHARE

As Scottish LAs will be aware, the intelligence and data Callcredit can provide to public sector organisations goes far deeper and wider (SHARE) than what we are legally allowed to provide to commercial organisations like Walker Love.

However, exemptions under the DPA 1998 do allow LAs to grant their recovery partners access to SHARE data who are not themselves SHARE subscribers. We have a number of these agreements in place in England between Local Government organisations and commercial recovery partners and they are working to everyone's benefit.

I would recommend that you discuss granting your recovery partners with access to SHARE with your legal



Chris Bell
Partner,
Revenues & Collections
Walker Love



Chris Batt
Callcredit
Information Group

departments. I would be happy to discuss the experience in England with you in terms of the benefits to the bottom line this has provided to those Councils who have opted to work in a closer partnership with their recovery agents.

ThreeSixty Collect

A batch processing product which is tailored specifically to Local Authority clients needs and requirements.

ThreeSixty Collect helps you to trace debtors and to segment them based on their likelihood of collection. This enables LAs to allocate their resources more appropriately and more directly at the areas that are more likely to produce a positive outcome.

ThreeSixty Collect has built in indexes to ensure that when you segment the data that vulnerable customers and those with special conditions that require a different approach to collection and recovery are highlighted within the data sets.

Ultimately, ThreeSixty Collect will help you to collect more revenue and gain the confidence that you need prior to write off and enable you to ensure that every member of your community is segmented into the appropriate customer socio-economic groups to allow you to develop your recovery strategies and tactics appropriately – and at the best times.



Designed to ensure Compliance

ThreeSixty online has been designed to help you remain compliant under the Data Protection Act.

For instance, exempted trace – tracing duty or benefit over-payments; exempted searches – determine strategies to collect duty or benefit payment. Exempted searches will not leave a footprint on the individual's credit file and they can ONLY be conducted in accordance with the applicable legislation.

Stop Fraud and Save Cost

It will help you to prevent, detect and pursue debtors through a range of search purposes. It will help you



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make identity checks, including those who may be living together. It will also help tracing for taxes (DPA exempt) and sundry debts and ThreeSixty will provide you with a full exempt credit report, including occupier lookup and issuing bank/account number as standard.

When you couple this with the ResidencyPLUS technology and an innovative information display and intuitively built online interface it provides the user with an easy to use one hub solution for all profiling, tracing, intelligence gathering

and sharing platform for your commercial recovery partners.

Prevention and detection is key and with access to over 400m financial accounts covering the vast majority of banks, building societies and other card issuers in the UK, including full electoral roll, address links, lookups, residency plus for frequent movers and occupancy counts, it's a tool that a Local Authority cannot do without.

E: chris.bell@walkerlove.com

Case Study

| | | | |
|--------------------------|--------------|--|----------|
| Case load: | 2000 debtors | Total number of individuals traced: | 1000 |
| Total debt value: | £1,000,000 | Total debt recovered to date: | £300,000 |

Information returned on 1000 records included: address, telephone numbers, lit segment, credit report summary.

Welfare Reform



A summary of the key changes announced in the July Budget 2015

Tax credits income thresholds and universal credit work allowances - the tax credits income threshold will be reduced from £6,420 to £3,850 a year from April 2016. Work allowances in universal credit will be abolished for childless claimants who are not disabled and will be reduced for many other claimants.

Child element in tax credits and universal credit - the child element of tax credits and universal credit will no longer be awarded for third and subsequent children born after 6 April 2017. This will also apply to families claiming universal credit for the first time after April 2017. Transitional protections will be introduced to cover children with disabilities, temporary claims interruptions, multiple births and other special circumstances. Consequential changes will be made in housing benefit from April 2017.

Employment and support allowance - from April 2017 new claimants of employment and support allowance who are placed in the work-related activity group will receive the same rate of benefit as those claiming jobseeker's allowance.

Tax credits, universal credit and housing benefit: first child - from April 2017 the family element in tax credits and the equivalent in universal credit will no longer be awarded when a first child is born. Transitional protections will be introduced to cover children with disabilities, temporary

claims interruptions and other special circumstances.

Parent work conditionality - from April 2017 parents claiming universal credit, including lone parents, will be expected to prepare for work when their youngest child turns 2, and to look for work when their youngest child turns 3.

Housing benefit entitlement for young people - those out of work aged 18 to 21 making new claims to universal credit will no longer be automatically entitled to the housing element from April 2017.

The household benefit cap - the benefit cap, which puts a ceiling on the amount of benefits out-of-work working-age families can receive, will be lowered to £20,000. The current exemptions to the cap will continue to apply.

Benefits and tax credits uprating - Most working-age benefits, child tax credit and working tax credit (excluding disability elements) will be frozen for four years from April 2016.

National living wage - a new premium will be introduced for those aged 25 and over starting at 50p an hour leading to a new national living wage of £7.20 an hour in April 2016. The government's ambition is for the national living wage to increase to 60% of median earnings by 2020, by which time it is expected to reach over £9 an hour.

For a full summary of the welfare reform changes announced in the July 2015 Budget please visit the latest news section on www.walkerlove.com

Walker Love, 16 Royal Exchange Square, Glasgow G1 3AB T: 0141 248 8224 E: sheriffofficers@walkerlove.com
34 Sheriff Officers and offices in 10 cities and towns across Scotland
Offices in: Aberdeen, Dumbarton, Edinburgh, Glasgow, Hamilton, Hawick, Inverness, Kilmarnock, Kirkcaldy and Paisley

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