



Institute of Money Advisers Annual Conference & AGM 2018



Money advice: credit where credit's due



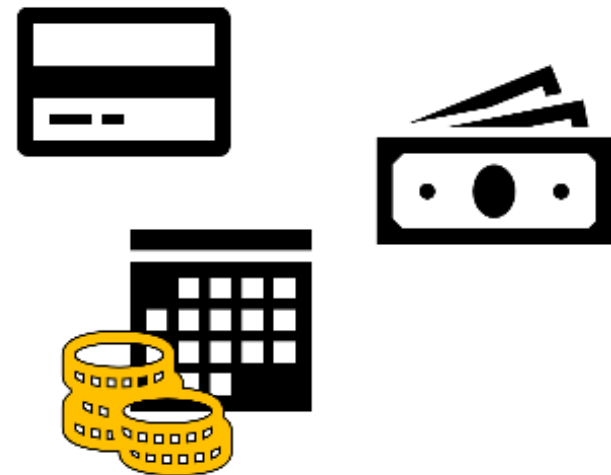
Square Peg Debts

The 'classical' model of priority

Priority



Non-priority





Square Peg Debts

What is a 'square peg' debt?



Square Peg Debts

Key points to consider:

- Sanctions available
- Stage of enforcement
- Client circumstances
- Client preferences



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CONC 8.3.2 R

A firm must ensure that:

- 1) all advice given and action taken by the firm....:
 - a) has regard to the **best interests** of the customer;
 - b) is appropriate to the **individual circumstances** of the customer;



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CONC 8.3.4 R

A firm must ensure that advice provided to a customer....:

- 5) takes proper account of the **individual needs** of, and **any requests made** by, a customer;



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CONC 8.3.7 R

A firm must:

- 2) before giving any advice or any recommendation on a particular course of action in relation to the customer's debts, carry out a reasonable and reliable assessment of:
 - c) **any other relevant factors**



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MAS Peer Review – Section 8

- Taking appropriate account of **client's personal circumstances** when assessing what goods and services are essential
- Status of priority debts.. e.g. any **enforcement action**
- Advice given appropriate to the **level of priority** of the problem
- Any possible challenges used appropriately to **reinforce negotiating stance**



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Scenarios

Think about:

- Personal circumstances
- Stages of enforcement
- Risks and consequences to client
- Your justification



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Penalty charge notices

- Difficulty negotiating
- Limited options once registered for enforcement
- No process to suspend
- Vehicle almost always at risk!



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Benefit debts

- Rates of recovery
- Recoverability and 'excess of entitlement'
- Universal Credit advances
- Limitations Act – can you ever be free?
- Insolvency options



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Guarantor loans

- Relationship between borrower and guarantor
- Effect on guarantor of default
- Aggressive collection practices
- The guarantor usually has a house!



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Catalogue / mail order

- Consider client's circumstances – are they vulnerable / cannot leave the home?
- The availability of goods elsewhere
- Difficulty in negotiating
- What about budgeting?



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Family / friends

- Moral obligation
- Risks to relationships and friendships
- Difficulty discussing with the 'lender'
- Difficulties with other lenders accepting
- Beware – is it a loan shark?



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Education debts

- Grades might be withheld
- Academic sanctions being applied to non-academic debts
- Services being limited to the student



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