



- [About us](#)
- [Our work](#)
- [Grants](#)
- [MAT Business Plan 2012](#)
- [My Money Steps](#)
- [Common Financial Statement](#)
- [CASHflow](#)
- [Training and Adviser Support](#)
- [Bailliff blags - share your experiences](#)
- [Media](#)
- [News](#)
- [MAT comments on payday lending compliance review](#)
- [MAT welcomes BIS announcement on credit card reform](#)
- [Debt charities call on credit industry to share best practice in debt collection](#)
- [Money Advice Trust urges 'crackdown' on CMCs](#)
- [MAT comments on the 'Real cost of Christmas' report](#)
- [Private tenants hit hard by recession as 1.3 million struggle to stay afloat](#)
- [CASHflow - New debt advice pilot goes live](#)
- [Half of adults in debt may have a mental health problem - new report out today](#)
- [A growth industry? An independent review of the fee-charging debt management industry](#)
- [MAT & NEA research on new fuel payment methods](#)
- [Money Advice Trust announces new trigger figures for the Common Financial Statement](#)
- [Better protection for those struggling with debt](#)
- [National debt advice charity supports new legislation to protect consumers.](#)
- [Archived news](#)
- [Press Release: ASSISTED SELF HELP SCHEME 'CASHFLOW ROLLS OUT NATIONWIDE](#)
- [Press Release: Money Advice Trust boosts its governance](#)
- [CASHflow partnership scheme wins prestigious awards](#)
- [New guidelines to help people in debt](#)
- [MAT appoints new Head of Research and Policy](#)
- [Money Advice Charity Chief Awarded OBE](#)
- [PRESS RELEASE: Business Debtline helps 10,000 Businesses in 2010](#)
- [PRESS RELEASE: Money Advice Charity chief says homeowners in need of more support than ever](#)
- [PRESS RELEASE: MAT Welcomes Government response to helping over indebted consumers report](#)
- [MONEY ADVICE TRUST ANNOUNCES NEW LOOK COMMUNICATIONS TEAM](#)
- [A VICTORY FOR BUSINESS DEBT ADVICE](#)
- [INSOLVENCY FIGURES REMAIN DEEPLY CONCERNING](#)
- [DUCHESS OF YORK'S DEBT WOES REFLECTED AROUND THE COUNTRY](#)
- [LEVEL OF UNEMPLOYMENT ADDS TO DEBT BURDEN](#)
- [POSITIVE SIGNS FOR MORTGAGE DEBTS](#)
- [MONEY ADVICE TRUST ANNOUNCES NEW 2010 TRIGGER FIGURES FOR THE COMMON FINANCIAL STATEMENT](#)
- [COST OF CONSUMER CREDIT 'ENTIRELY DECOUPLED' FROM BASE RATE](#)
- [Difficult times for workless households](#)
- [MAT comments on the Bank of England's Lending to individuals figures](#)
- [BUSINESS DEBTLINE TAKES CALLS FROM 50,000 SMALL BUSINESSES SINCE THE START OF THE CREDIT CRUNCH](#)
- [The Evaluation of the IVA Pilot at National Debtline](#)
- [MONEY ADVICE TRUST ANNOUNCES NEW PRESIDENT](#)
- [FREE INDEPENDENT ONLINE ADVICE TO HELP BRITS TACKLE £1.5 TRILLION PERSONAL DEBT](#)
- [FORECAST UNEMPLOYMENT INCREASE WOULD SEE DEBT ADVICE DEMAND SOAR TO RECORD HIGH](#)
- [MAT comments on December's unemployment figures](#)
- [MAT WARNS OF DANGER THAT THE PUBLIC'S RECESSION STARTS HERE](#)
- [FIT FOR PURPOSE?](#)
- [MAT COMMENTS ON 2010 REPOSSESSION FIGURES](#)
- [MAT comments on the 2011 Budget](#)
- [Business Debtline comment on the 2011 Budget](#)
- [MONEY ADVICE TRUST RELEASES REPORT INTO MEN AND DEBT](#)
- [BDL comments on the launch of StartupBritain](#)
- [DIFFICULT TIMES FOR PUB LANDLORDS](#)
- [55,000 UNEMPLOYED YOUNG PEOPLE STRUGGLING WITH DEBT](#)
- [FUEL DEBTS 'HAVE BECOME A MAJOR PART OF OUR DEBT LANDSCAPE' WARNS MAT](#)
- [MAT comments on the release of draft OFT debt management guidance](#)
- [MAT comments on August unemployment figures](#)
- [MAT comments on a rise in water debts](#)
- [MAT WARNS OF 'HAVOC' OF UNEMPLOYMENT](#)
- [DEALING WITH ROGUE DEBT MANAGEMENT COMPANIES 'LIKE WEEDING A BAD PATCH OF GRASS'](#)
- [84 PER CENT INCREASE IN PEOPLE STRUGGLING TO PAY THE RENT](#)
- [UNEMPLOYMENT FIGURES MEAN MORE FINANCIAL HARDSHIP ACROSS THE UK](#)
- [MAT COMMENTS ON OCTOBER 2011 INFLATION FIGURES](#)
- [FACING THE SQUEEZE: WHAT IT'S REALLY LIKE TO BE IN FINANCIAL DIFFICULTY](#)
- [MONEY ADVICE TRUST WARNS THAT MANY 'AVOIDABLE'](#)
- [MAT comments on November 2011 unemployment figures](#)
- [MAT COMMENTS ON REVISED OBR ECONOMIC FORECASTS](#)
- [Press releases 2008 - 2010](#)
- [Water debts up by one third in 2011](#)
- [MAT comments on the latest personal insolvency statistics](#)
- [BUSINESS DEBTLINE TAKES RECORD CALLS IN 2011](#)
- [MAT COMMENTS ON BAILIFF CONSULTATION](#)
- [2011: A RECORD YEAR FOR FUEL DEBTS](#)
- [MAT WARNING ON TELEPHONE CONTRACTS](#)
- [MAT comments on misleading trading names](#)
- [UK PUBLIC HAS SUFFERED RECESSION FOR YEARS](#)
- [BUSINESS DEBTLINE COMMENTS ON INSOLVENCY FIGURES](#)
- [Money Advice Trust Comments On Insolvency Figures](#)
- [CATALOGUE DEBT WARNING](#)
- [MAT comments on the Government's payday loans announcement](#)
- [MAT comments on the Joseph Rowntree Foundation Minimum Income Standards report](#)
- [MAT comments on the Q2 Scottish insolvency statistics](#)
- [National Debtline takes 9,500 calls for help with payday loans in just six months](#)
- [Money Advice Trust Comments On Insolvency Figures](#)
- [CHARITY WARNS OF RENT DEBT SPIRAL](#)
- [MAT WELCOMES NEW MORTGAGE RULES](#)
- [MAT comments on personal insolvency figures](#)
- [Business Debtline comments on company insolvency figures](#)
- [The best things in debt advice are free](#)
- [Support us](#)
- [Fixed-Rate Mortgages](#)
- [Debt and Mental Health](#)
- [Mental Health Training for Recovery Staff](#)
- [Useful contacts](#)
- [Vacancies](#)
- [Debt advice quality](#)

[home](#) > [news](#) > the best things in debt advice are free

[print page](#)

The best things in debt advice are free

Monday 5th November 2012

- [Lloyds Banking Group and Money Advice Trust research raises serious concerns over the practice of some fee-charging debt management companies](#)
- [The same research finds that half the people paying for a debt management plan were not aware of the free alternatives](#)

Research launched today by Lloyds Banking Group and the Money Advice Trust has raised several concerns over the practice of struggling households being charged fees for debt management plans.

The research, conducted by the Centre for Research in Social Policy at Loughborough University, suggests that debt management plans set up by fee-charging companies were more likely to fail as arrangements were no fee is involved. Other findings from the research suggest this is likely to reflect the poorer practices of fee-charging companies, as well as the additional cost of fee-charging plans.

Particular concerns have been raised about the nature and level of fees often charged to people struggling to make ends meet. The survey findings showed around one in ten (nine per cent) paid all of their fees up front, a practice the research argues should be banned. In general, people were unclear in their understanding of what they had signed up for, particularly in terms of the level of fees and charges applied. One interviewee was paying £400 each month into a debt management plan, £300 of which was being kept as a fee by the debt management company. There were also examples of high levels of upfront charges. One interviewee with a fee-charging DAS had made two payments of £662 for setting up the plan.

Additionally the research found that half of those who were being charged fees for a debt management plan were not aware that such plans could be set up for free. People struggling with debt were found to be making distressed decisions and not shopping around for the best solution. The absence of any objective or regulated means of comparison makes it difficult to choose between competing debt management companies.

Graham Elson, Group Director for Responsible Business at Lloyds Banking Group, said:

"Today's research lays bare how many people in financial difficulty are completely in the dark when it comes to getting free, practical debt advice. Whilst Lloyds Banking Group has trained advisors to deal with such customers sympathetically and positively and who will work with customers to get them back on track, our concern remains for those customers who do not approach us first, but end up paying for debt advice, because they are not aware of alternative, free options.

"We are proud of our own financial education programmes that aim to help people become more financially capable. Working with Money Advice Trust, via this research, we hope to further raise awareness of the free and independent support that is available. We are determined that those that need help the most, know how to get it, to allow them to make informed decisions about their financial future."

Joanna Elson, Chief Executive of the Money Advice Trust said:

"People deal with unmanageable debts in a variety of ways, but far too few people take the one step that stands the best chance of making a real difference, that is seeking free, independent advice. When people do take the brave step of confronting their financial difficulties, we owe it to them to ensure they stand the best possible chance of finding a fair and sustainable way back to financial health.

"We have long held the belief that, whilst people should be free to pay for debt advice if they choose, that decision should only be made from a truly informed position. The research makes clear that around half of those paying for debt help are not aware of the free alternatives. In times when free, charity providers of advice are facing tight budget squeezes, whilst the marketing budgets of fee-charging debt management companies seem to grow exponentially each year, we have to be very careful that this 50 per cent figure does not grow any further."

Other key findings:

- Fee-charging DMCs adopted a more 'surface' approach to budgeting, there had often been little or no discussion about affordable levels of repayment, and some companies had taken paperwork from participants and come back to them with the repayment level.
- There is a clear danger of private companies organising debt management plans going bankrupt, disappearing, or simply being bogus companies, before any monthly payments are passed on to creditor.
- There was little evidence of discussion of other options for addressing unmanageable debts and little support offered to individuals to improve financial capabilities such as money management or budgeting.

- People with free DMPs were clearer about repayment levels and plan length. Individuals with fee-charging DMPs generally had a less clear grasp of what their plans entailed.

[back to top](#)