Appendix A – Painting a picture of the population of debt advice providers in the UK, 2017-18

1. Introduction

This document describes the approach taken by the research team at the Personal Finance Research Centre (PFRC) to understand the number and nature of organisations that provide debt advice services in the UK.

By 'debt advice services' we mean the provision of detailed advice on resolving debt problems. This support could include putting together a budget or payment plan for clients, helping them to identify a suitable debt solution (e.g. DMP, DRO), or contacting creditors on their behalf. Debt advice can be offered by itself, or as part of a wider discussion.[1]

This work was conducted in order to help the research team identify appropriate methods for achieving a representative survey sample of debt advisers in the UK, as part of their study into debt advisers' experiences of working with clients in vulnerable situations. This was necessary as there is no publicly-available list of all organisations that provide debt advice in the UK.

2. Methodology

In this section we describe the process taken to construct the 'population' of debt advice organisations in the UK.

First, it is necessary to understand that the UK debt advice sector can be divided into two main constituent parts, as follows:

- **Fee-charging debt advice providers** – these organisations charge their clients a fee for their services.

- **Free-to-client debt advice providers** – these organisations do not charge their clients a fee for their services. Such organisations are usually funded via the Money Advice Service (which is funded from a levy on financial services organisations), through FairShare (an arrangement whereby creditors contribute a percentage of payments they receive from clients in Debt Management Plans set-up by advisers), through contributions from public funders or through voluntary donations from charitable or private organisations.

In order to construct the population of debt advice organisations, a different approach is required for each of these parts of the sector. Below we describe the methods used for each in turn.

2a. Constructing the population of fee-charging debt advice providers

At the time of the research the vast majority of fee-charging debt advice providers in the UK were members of one of two main trade bodies representing the sector: the Debt Resolution Forum (DRF), or DEMSA (Debt Managers Standards Association Limited). Each trade body included a list of their members on their website, from which organisation names and contact details could be obtained by the research team.[2]

In total the research team identified 18 DEMSA members to include in the fee-charging population and 11 members of DRF. Two organisations were members of both DEMSA and DRF, leaving a total of 27 organisations for inclusion.

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[1] This definition of 'debt advice services' matches that used by the Money Advice Service in their annual Supply Survey.
[2] A list of DRF's members is available at: http://www.debtresolutionforum.org.uk/about/members/, while DEMSA's membership is available at: http://www.demsa.co.uk/members/.

After discussions with the sector two further significant providers were identified that are not members of either DRF or DEMSA. These were therefore added to the list, leaving 29 organisations in total.

2b. Constructing the population of free-to-client debt advice providers

The basis for the population of free-to-client providers was an extract from the Financial Services Register (FSR), which was provided to the research team in July 2017.[3] This extract lists every organisation on the FSR, with contact details for most, divided into those with 'limited permissions' and those with 'full permissions'. In total there were 18,101 organisations on this list; however, many of these clearly were not providers of debt advice.

A two-stage approach was therefore taken to ensure this list included only debt advice providers: the first stage involved 'trimming' down the extract, while the second involved merging it with other data sources. Each stage is described in more detail below.

'Trimming' the Financial Services Register extract

As mentioned above there were a total of 18,101 organisations on the FSR extract provided to the research team. This needed to be 'trimmed' down to ensure that all remaining organisations were likely to be providers of free-to-client debt advice. As such, the following steps were taken:

1. Filter out any organisation with 'Full Permissions' from the FCA, as debt advice providers are not typically required to obtain full permissions. [4] [5] This excluded 6,728 organisations, leaving 11,373 organisations on the register.

2. A further 5,008 organisations were then excluded because they had previously been identified as 'motor dealers' by the research team at the Money Advice Service. This left 6,365 organisations.

3. It was then necessary to begin categorising organisations based on their name. This allowed the research team to identify organisations that were likely to be involved in debt advice and equally those organisations that were unlikely to be so.

   First, we established that organisations with the following words in their name should be included in the sampling frame, as it was likely that they had obtained FCA permissions for the purposes of providing debt advice:

   - 'Advice centre' / 'Advice service' (88 organisations)
   - 'Advice' / 'Charit[y][able]' / 'Communit[y][ies]' / 'Debt' / 'Family' / 'Forum' / 'Project' / 'Rights' / 'Trust' (689 organisations)
   - 'Age UK' / 'Age Concern' (11 organisations)
   - 'Church' (34 organisations)
   - 'CIC' / 'Community Interest Company' (12 organisations)
   - 'Citizens Advice' (373 organisations)
   - 'Housing' / 'Homes' (134 organisations)
   - 'Law centre' / 'Legal centre' (40 organisations)
   - 'University' / 'Student' (48 organisations)

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[3] The Financial Services Register is publicly-searchable at: https://www.fca.org.uk/firms/financial-services-register

[4] Excluding organisations with full permissions did exclude one large provider of debt advice who are a subsidiary of another company which requires full permissions. This organisation was therefore later re-added to the sampling frame.

[5] For more information on which organisations are and are not required to obtain full permissions from the FCA please see their guidance at: https://www.fca.org.uk/publication/publications/credit-ready-not-for-profit-limited-or-full-permission-decision-tool.pdf

In total, 896 organisations fell into one or more of these categories and were therefore eligible for inclusion in the population (although these organisations were all later checked individually to ensure that their inclusion was warranted). This list of organisations was then put aside until later.

4. This left 5,469 organisations that were as yet uncategorised, the vast majority of which appeared to be individuals or commercial companies that were unlikely to provide free-to-client debt advice. To exclude individuals and commercial companies from the population, the following search terms were used and the results manually checked:

    - 'Mr' / 'Mrs' / 'Dr' / 'Doctor' / 'Miss' (this produced a list of 49 organisations, 47 of whom were clearly individuals and two of which were commercial organisations)
    - A list of 142 common surnames obtained online.[6] The list originally included 150 common surnames; however, eight were removed because they were likely to also be the names of places, e.g. 'Wood', 'Lane' and 'Green'. (This produced a list of 976 organisations, of which 966 were judged to be individuals or commercial companies.)
    - A list of 98 of the most common first names for males born in Britain in 1954.[7][8] This list originally was 100 names long and included the names 'Roy' and 'Christian'; however, both of these would have been problematic, e.g. 'Roy' would exclude any place name or organisation with the word 'Royal' in the title, while 'Christian' might exclude certain religious community groups. (This produced a list of 1,844 organisations, of which 1,842 were judged to be individuals or commercial companies, rather than providers of debt advice.)
    - 'Bike' / 'Commercial' / 'Company' / 'Cycles'/ 'Garage' / 'Insurance' / 'Investment' / 'Leasing' / 'Leisure' / 'Motor' / 'Office' / 'Plant Hire' / 'Supplies' / 'Van' / 'Yacht' (this produced a list of 253 organisations).

    This process led to the exclusion of a further 2,409 organisations, which could reasonably be presumed not to offer free-to-client debt advice.

5. Following this, there was now a list of 3,060 as yet uncategorised organisations. The research team manually went through these searching for any organisation that appeared as though it may offer debt advice. Where any ambiguity existed the research team searched online for the organisation in order to discover what services the organisation offered. This resulted in the identification of 128 charitable organisations, while the remaining 2,932 organisations were deemed not to be possible providers of debt advice. These 128 organisations were added to the previous list of 896 organisations that were identified as probable providers of debt advice, leaving 1,024.

6. At this stage, all 1,024 organisations were checked to make sure that organisations had not erroneously been included. A total of 10 organisations were therefore removed (because for example the name of the business owner was 'Churchill', which includes the word 'Church').

7. The list was then checked for duplicates, resulting in the removal of one duplicate entry.

8. Finally, two national providers of debt advice, which were not in the sampling frame for different reasons, were included. The first of these is a subsidiary of another company which has 'full' FCA permissions and had therefore previously been excluded, while the second had received authorisation after the date that the extract was sent to the research team. This left a total of 1,015 organisations.

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[6] The list of surnames was obtained from: http://surname.sofeminine.co.uk/w/surnames/most-common-surnames-in-great-britain.html.

[7] The list of first names came from: http://www.babynames.ch/Info/Hitparade/poUkEnglandWalesDec1954m.

[8] The vast majority of organisations named after an individual appeared to be named after men. It therefore unfortunately seemed unnecessary to repeat this task with a list of female names.

Merging the FSR with other data sources

Having created a list of organisations in the UK that are registered by the FCA to provide debt advice, it was necessary to start merging the dataset with other sources so as to build a more complete picture of the debt advice sector. This also had the benefit of identifying possible avenues of recruiting different providers into the study. The following sources were used, all obtained by the research team in November 2017:

- A list of 665 members of Advice UK, which was provided to the research team by Advice UK.
- A list of 158 members of Community Money Advice (CMA), obtained from the CMA website.[9]
- A list of 43 members of the Law Centres Network, obtained from their website.[10]
- A list of 20 Local Authorities in Scotland that provide debt advice, provided by the Improvement Service.
- A list of 76 organisations in Scotland that are funded by Scottish Local Authorities to provide debt advice, provided by the Improvement Service.
- A list of Local Authorities and Registered Social Landlords that have staff who are members of the Institute of Money Advisers (IMA).

For each data source, the research team began by identifying whether there were any organisation names in the FSR Extract that were an exact match with any of the organisations in the other data sources. Upon identifying a match, the address details on both data sources were cross-checked to ensure that the organisations are a true match and not just ones with the same name but in different parts of the country. If they were a true match then the research team would note which data sources the organisation appears on and would ensure that as many details as possible were captured about that organisation; for example, the majority of organisations on the FSR extract did not have a postcode when the data was provided to the research team, so it was necessary to add this from other sources where possible.

After performing this match, it was necessary to then manually go through each of the organisations listed on the other data sources and check whether they appeared on the FSR extract but with slightly different wording; some organisations, for example, appear on the FSR extract with 'Ltd.' at the end of their name, while appearing on other sources without this.

If no similarly-named organisation could be found the research team then checked whether the organisation shared address details with any on the FSR extract and performed an online search to establish whether the two organisations were the same or different.

If this failed, then it was judged that the organisation was not on the FSR. However, where it could reasonably be expected that such organisations might provide debt advice, these organisations were added to the population list under a different category. Following this process, there was a total of 1,198 organisations on the list. These, it could be argued, covered the vast majority of organisations which offer free-to-client debt advice services in the UK.

2c. Post-survey refinement

Prior to conducting the survey, the research team had identified a total of 1,227 organisations in the UK that can and/or do provide debt advice (1,198 free-to-client organisations and 29 fee-charging providers). Throughout the course of conducting the survey, however, advisers from 50 previously 'unknown' organisations completed the survey. These mostly appeared to be from organisations that were newly created, or had received FCA authorisation after the date that the FSR extract was obtained.

This resulted in a total population of 1,277 debt advice organisations in the UK.

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[9] The CMA membership can be obtained at: https://www.communitymoneyadvice.com/searchforcentre

[10] A list of law centres can be found at: http://www.lawcentres.org.uk/about-law-centres/law-centres-on-google-maps/alphabetically

3. Results

Here we present some initial results showing the types of organisation that the UK debt advice population is comprised of.

All of the 1,277 organisations identified were manually categorised by the research team into one of several 'types' of debt advice organisation, the results of which are shown below in table 3.1:

Table 3.1 – Types of organisation within the debt advice population

Type of organisation	Frequency	% of all orgs.
Citizens Advice	384	30%
Other charitable organisations or student advice service	335	26%
Advice centres or legal centres	264	21%
Housing association	176	14%
Local Authority	77	6%
Fee charger	29	2%
National provider	8	1%
Unknown	4	0%
Total	**1277**	**100%**