

The Common Financial Statement

A Partnership Approach to Dealing with Debt

British Bankers' Association and Money Advice Trust, 2005

1. Introduction – the background

Helping customers to manage their finances is core business for creditors, and this applies in good as well as bad times. When people experience an unexpected change in their circumstances, their financial plans can be disrupted and it may become difficult for them to pay back money they have borrowed. In such situations, it is important that creditors work with customers and their money advisers to help them through their difficulties.

In 2000, the British Bankers' Association (BBA) and some of its members worked with the Money Advice Trust (MAT) and its Partner Agencies to pilot a 'Common Financial Statement' (CFS) to standardise the way money advisers and their creditors communicate with each other about repayment offers.

Members of the BBA have agreed to accept the MAT/BBA financial statement principles and will accept offers (see explanatory note 7 on the back of the Common Financial Statement) when statements are sent by independent money advisers using these guidelines. Members of the Finance & Leasing Association (FLA) are piloting the CFS for a year which commenced in April 2004.

Please be reassured that those who have used the CFS, both advisers and creditors, have found this system to work very well. We are confident that new users will be encouraged by the improvements it brings and will commend it to both advisers and creditors.

IAN MULLEN
CEO, BBA

ROBERT SKINNER
DIRECTOR GENERAL, MAT

MARTIN HALL
DIRECTOR GENERAL, FLA

2. How to use the material

The issue

Historically, a variety of formats have been used for drawing up financial statements and this has sometimes made it difficult for creditors to deal with repayment offers in a consistent way. The purpose of the CFS is to make the financial statement easily identifiable (the CFS currently carries the MAT/BBA logos), and to introduce the 'fast track' system of trigger figures (see page 4). The logic of this partnership approach is to speed up the process and reduce correspondence between creditors and advisers, benefiting creditors, advisers and, most importantly, the clients.

If you would like further information on using the CFS, please contact the Money Advice Trust on 020 7489 7796, www.moneyadvicetrust.org or info@moneyadvicetrust.org

If you are an adviser...

If you are an adviser, the CFS is available in a format to suit your needs (see page 5 for further details). In addition, most of the information listed at the top of page 3 is available on the following websites:

www.moneyadvicetrust.org

www.wiseradviser.org

www.bba.org.uk

www.flas.org.uk

- **Guidance notes** (Outline the process)
- **Common Financial Statement** (Form with MAT/BBA logos – to be sent to creditors)
- **Budget forms** (Comprehensive checklist for advisers)
- **Trigger figures** (Figures to facilitate 'fast track' acceptance of offers)
- **Frequently asked questions** (Answers to many of the questions that have been raised by users)
- **Contact details** (For positive and negative feedback)
- **Different formats** (Paper version/software/spreadsheet – see flow chart on page 5)
- **An explanation of the FLA pilot and what you can expect from FLA members**

If you are a creditor...

When you receive a financial statement that has been compiled using the CFS (in any of the formats listed in the flow chart) you can be confident that a proven and consistent method has been used by the adviser in helping the client to make a sustainable repayment proposal. Paper and Excel versions should display the MAT/BBA logos as on the attached sample. The 'PGdebt 8' software incorporates the MAT/BBA logos, and CASE versions (Citizens Advice's software) will also be clearly identified as being based on the MAT/BBA principles.

If you have any queries, please contact MAT or BBA.

3. The Trigger Figures

For areas of discretionary expenditure and to speed up the process, 'trigger figures' have been devised. It must be stressed that the trigger figures are not target spending levels (budget figures). They represent what research shows to be average spending for the category in question. As such, the figures serve, in cases where the client has higher than average spending levels, as an indication to the adviser that it would be useful to the creditor if additional information was supplied that explained why the client's higher spending was necessary. The trigger figures have been agreed by money advisers and creditors. They represent the maximum amounts that can be accepted without question or explanation and are based on monthly expenditure.

Where expenditure falls outside of the trigger figures, creditors may ask the adviser for an explanation. In some cases, it may simply be that these ranges do not take into account specific details such as, for example, families with lots of children, retired people, people with disabilities. Where this is the case, it is vital that advisers make clear the circumstances.

It is important that advisers complete the budget forms with the client without reference to the trigger figures, as there is no point trying to fit within these ranges unless this is realistic for the client. Trigger figures can be shared with clients once the budget forms have been completed.

Not all areas of expenditure have set triggers. Mortgage and rent payments have been excluded, for example. This is because areas of expenditure such as these are likely to vary widely. It is also unlikely that clients will have any real control over these expenditure levels.

The CFS working party, made up of money advisers and creditor representatives, has agreed revised trigger figures, which came into effect on 1st April 2005. They have been based largely on data from

the Family Expenditure Survey compiled by the Office for National Statistics (ONS). There are four sets of figures for different household types. Advisers will tell clients where comment is necessary.

The CFS working party has made the following assumptions/recommendations:

- the housekeeping and children trigger figures need reviewing. The figures reflect an average of 1.9 children per household. Feedback suggests that this leads to additional letters/comments to help explain excess expenditure. Research is needed to provide a multiplier for more than 1.9 children
- there has been a lot of positive feedback about the CFS but there is still lack of awareness/ understanding on some of the issues. Communication of the CFS needs to filter through to the relevant networks for both advisers and creditors
- MAT/BBA needs to continue to take forward proposals by the Department for Constitutional Affairs (DCA) and the court service to incorporate the CFS into debt relief remedies. Encouragement for the DCA to buy into the CFS is needed
- self-help material needs to be reviewed with a medium/long term aim of better alignment with CFS without compromising its principles

The new trigger figures are based largely on data from the Family Expenditure Survey compiled by the Office for National Statistics. There are four sets of figures for different household types. Money Advisers will advise clients where comment is necessary.

Non-discretionary expenditure

There are a number of other categories of expenditure on the Financial Statement for which there are no trigger figures. This is because it is considered that clients would not have discretion or control over these categories and, so, the actual level of expenditure would have to be accepted.

These items are:

Rent	Pension payments/AVCs
Mortgage	Life assurance
Other secured loans	HP/Conditional sale
Council Tax	TV licence
Other housing costs	Pension payments/AVCs
Court fines	Maintenance/child support

**Are you a money adviser who uses the
MAT/BBA Common Financial Statement?**

No

Yes

What format do you use?

Software

Paper version

Excel
spreadsheet

Do you use PGdebt, EIS or CASE?

PGdebt 8

PGdebt 7

PGdebt 5 or 6

EIS

CASE

Two methods to update
trigger figures:
a) Automatically
b) Manually

Visit:
www.pgcomputing.co.uk

See EIS
13.15.14.11
(B)

CASE includes a Money
Advice module
incorporating the CFS.
Refer to BMIS website for
current Trigger Figures
(search for "Trigger
Figures")

Visit the Money Advice
page in
CABLINK under
CASE-Citizens Connect /
Using CASE

Free upgrade
to PGdebt 8 incorporating the
CFS

Contact:
PG Computing Ltd
Agdon House
Warmington
Banbury
Oxon OX17 1BU
Tel: 01295 690647
Fax: 01295 690110
www.pgcomputing.co.uk
email: info@pgcomputing.co.uk

Upgrade possible
to PGdebt 8
incorporating the CFS

For details and cost,
contact
PG Computing Ltd

Visit:
www.moneyadvicetrust.org
www.wiseradviser.org
www.bba.org.uk
www.fla.org.uk
to download CFS Excel
spreadsheet and budget forms

Contact **MAT** to
obtain a
copy

Yes

No

Do you have internet access?

To find out more, contact:
Money Advice Trust (MAT)
Bridge House
181 Queen Victoria Street
London EC4V 4DZ
Tel: 020 7489 7796
Fax: 020 7489 7704
www.moneyadvicetrust.org
email: info@moneyadvicetrust.org

Money Advice Trust (MAT)

MAT is a registered charity (number 1099506) founded in 1991 to increase the quality and availability of free, independent money advice in the UK. It works in partnership with government, the private sector and the UK's leading **money advice agencies** to:

- increase the availability of money advice
- improve its quality
- improve the efficiency and effectiveness of its delivery

For further information on MAT and our work, visit our website at www.moneyadvicetrust.org



British Bankers' Association (BBA)

The British Bankers' Association is the principal representative body for the banking and financial services sector in the UK. The diversity of its membership – encompassing over 295 banks from 60 countries – reflects the varied nature of the UK banking market. We work with our members to create a competitive environment in which financial services can prosper and are valued.

For further information on the BBA and our work, visit our website at www.bba.org.uk



Finance & Leasing Association (FLA)

The FLA is the major UK industry body for the asset finance, consumer finance and motor finance sectors.

Our full members provide asset finance to business, consumer credit, point of sale, credit card and instalment finance. Our associate members provide services or goods to those industries and support the Association's vision. FLA's mission is to advance the interests of its members and their customers by promoting an open, competitive and fairly regulated marketplace.

Members of the FLA's consumer finance division are piloting CFS for a year which commenced in April 2004. At the time of going to print the FLA were drawing to the end of this pilot and hope to provide feedback in June 2005. The objective of the pilot is to establish the CFS within member firms, to assess whether there are any issues that need to be resolved before the Statement is adopted fully, and to compare use of the Statement against existing procedures for accepting offers from their customers.

The FLA would like to be clear that the pilot procedure might not at this stage generate the kinds of benefits that might be associated with full adoption of the CFS procedure. The FLA does wish to approach this process openly, which is why their involvement has been recorded in this brochure. For further information on the FLA and our work, visit our website at www.flas.org.uk



See over for explanatory notes and space to provide additional information

Explanatory notes to Common Financial Statement (CFS)

- 1. Trigger figures of expenditure are available for shaded items.
- 2. If you need to add any comments, please asterisk the relevant section and write comments in the space provided below. If necessary continue onto a separate sheet of paper and attach sheet to the CFS before sending to the creditor.
- 3. BF numbers relate to the Budget Forms which can be found at www.moneyadvicetrust.org, www.wiseradviser.org, www.flc.org.uk and www.bba.org.uk
- 4. BF85 (Total travel) relates to all expenditure relating to travel – fares and motoring.
- 5. BF95 (Total housekeeping) includes clothing and footwear.
- 6. BF124 (Total other expenditure) relates to items such as membership/professional subscriptions, postage, hairdressing/haircuts, TV/video/satellite/cable, other appliance rental, pub/outings, lottery, hobbies (e.g. gardening), religious and charitable giving, gifts (e.g. Christmas, birthdays, etc).
- 7. Banks will accept offers which are made via the CFS where the expenditure limits fall within the expenditure (trigger) figures set out in the CFS (provided there is no legal or regulatory impediment to doing so) unless the bank is aware of a history of fraud or other information which would raise concerns about the validity of the information in the CFS. In the latter case banks may request further information to establish the true financial position of their client.

If you have additional information relating to your client’s expenditure, please give details here.