





The content

Debt Advice Handbook 15th edition

Description

With living costs and unemployment rising, budgets squeezed and problem debt on the increase, no adviser should be without this essential guide to the practice and process of giving money advice in England and Wales.

Who's this book for?

It is essential for debt advisers, welfare rights advisers, lawyers, local authority and housing association staff, social workers and union official.

What does it do?

The handbook provides the most comprehensive information needed by advisers on the key stages of money advice, including interviewing clients, establishing liability, prioritising debts, preparing a financial statement, negotiating with creditors and dealing with bailiffs. Fully indexed and cross-referenced to law, regulations and official guidance, and to court and tribunal decisions Includes tactical guidance and examples

What's new?

Fully updated to cover all recent changes to legislation, caselaw and court procedure and practice Emphasis is placed on taking due care of vulnerable clients and making sure that any payment arrangements agreed are appropriate. There is a focus on sustainable credit arrangements that do not affect a client's abilities to pay essential living expenses and priority debts.

Properties

Author(s):
CPAG

This content was last updated:
2025-06-26

Print publication date
Feb, 2024

Print ISBN
978 1 915324 11 5

5. Listing expenditure

Items of expenditure

Housing

Childcare

Fuel

Furniture and bedding

Health costs

Transport

Hire purchase

Fines

Laundry and dry cleaning

Telephone, television and broadband

Other household items, toiletries and food

Clothing and shoes

Gifts, charitable donations, and religious and cultural activities

Other costs

Bank accounts

The next stage of the debt advice process is to list everything on which the client is currently spending their income. The client's expenditure should include the items listed on here.

The budget sheets used with the standard financial statement (see [here](#)) are comprehensive and useful as a checklist to ensure that nothing is missed. Most people spend money on different items in different periods of time, and it is important to standardise everything to a particular period – generally weekly or monthly. Predictable events such as Christmas, birthdays, holidays or school trips are not unreasonable items of expenditure, but they must be budgeted for.

The Financial Conduct Authority requires advisers to take reasonable steps to verify the client's expenditure and ask for explanations not only of any expenditure that is particularly high but also of any expenditure that is particularly low, but says that estimates are acceptable if precise figures are not available. Alternatively, industry-recognised standard expenditure guidelines (eg, the standard financial statement's spending guidelines (see [here](#))) can be used as an indicator of the client's expected outgoings. However, the client's individual circumstances must still be taken into account. ¹ Although standard figures should not be used if actual figures or accurate estimates are available, they are useful as a 'benchmark' against which to test the client's level of expenditure and as a tool with which to challenge creditors who claim that the client's expenditure is too high.

By this stage, it should be clear why the debts have arisen, and how the client's circumstances have led to their financial difficulties. This information is essential when negotiating with creditors.

At this stage, you can also discuss overall income and expenditure with the client. Investigate examples of unusually high levels of surplus income (which may indicate that items of essential expenditure have been underestimated or possibly omitted altogether) as well as deficit budgets (which may well be due to low household income or deductions from income to pay debts, but could also indicate that income has been underestimated or possibly omitted altogether). Use Chapter 7 to increase their income wherever possible, and discuss which, if any, items of

spending could be reduced, either permanently or temporarily. This should be done in a sensitive and non-judgemental way, and any items of high or unusual expenditure should be explained to creditors in a covering letter. Clients are not required, and should not be expected, to live on the breadline and are entitled to a reasonable standard of living. However, although it is not part of the adviser's role to dictate to clients how to spend their money, clients should be warned that excessive expenditure is likely to be challenged by creditors. If you know that creditors are likely to challenge an item of expenditure and it cannot be justified, point this out to the client and explain that, as a consequence, creditors or the court are unlikely to accept the client's offer based on it. In addition, be aware of what a court may consider reasonable for the client to spend on a particular item if it is being asked to agree to the client paying the debt at a particular rate – especially, for example, in possession proceedings where the client's home is at risk (see Chapter 13).

See Chapter 6 for information on how to minimise debts.

1 *FCA Handbook*, CONC 8.5.4R and 8.5.5G

Items of expenditure

Housing

Childcare

Fuel

Furniture and bedding

Health costs

Transport

Hire purchase

Fines

Laundry and dry cleaning

Telephone, television and broadband

Other household items, toiletries and food

Clothing and shoes

Gifts, charitable donations, and religious and cultural activities

Other costs

Housing

Costs include:

- rent/mortgage repayments;
- other secured loan repayments (there may be several);
- council tax;
- water charges;
- ground rent;
- service charges;
- an amount for household repairs and maintenance, based on a full year's expenditure if possible;
- household insurance for both buildings and contents;
- any insurance linked to a mortgage, if not already included in mortgage expenses.

Childcare

Full-time childcare may cost over £250 a week. Help with these costs may be available. See gov.uk/help-with-childcare-costs.

Fuel

Fuel costs include charges for electricity, gas and other fuels. In order to account for seasonal spending variations, take an annual cost and divide it into weekly or monthly figures.

If payments to fuel suppliers include an amount for items other than fuel (eg, payment for a cooker), these should be deducted and only the fuel expenditure listed here.

Furniture and bedding

Costs should be separately itemised. This item may require research by the client or discussion with others with whom they live.

Health costs

Costs include:

- prescriptions;
- dentistry;
- optical charges.

These are often high and you should check the client's entitlement to reduced or free treatment, and free prescriptions.

Transport

Costs include:

- public transport;
- the cost of owning a car or motorbike. In this case, the amount spent on tax, insurance, repairs, MOT and petrol should be included. If a car is essential (eg, for travel to work), the cost of its hire purchase (but not any credit sale) agreement should be included, with a note to explain why the item is essential.

Hire purchase

The hire purchase or conditional sale costs of any items that are essential for the individual family to own should be included, if their loss would cause serious problems – eg, a washing machine.

Fines

Instalments payable on fines should be included. See Chapter 14 for ways of reducing these.

Laundry and dry cleaning

Costs should be averaged over the previous couple of months.

Telephone, television and broadband

These costs should be converted into weekly or monthly figures.

Other household items, toiletries and food

The adviser should ensure that the individual circumstances of the client dictate the amount allowed for these items. Other household items, toiletries and food include:

- housekeeping;
- cleaning materials;
- meals outside the home, such as school lunches or meals at work;
- expenses incurred in children going to school or being given pocket money;
- nappies and baby items.

Clothing and shoes

These are often bought seasonally and so costs must be estimated annually and divided. It is important to include all small items in this category.

Gifts, charitable donations, and religious and cultural activities

Costs include:

- donations that are an essential part of a person's membership of a religious community;
- classes for children in religious institutions (particularly mosques).

This is potentially a sensitive area. If a person is committed to such payments, they should be protected to ensure that debt does not further exclude individuals or families from community life and support.

Other costs

Other costs include:

- maintenance/child support payments;
- self-employment costs not taken into account when calculating the client's net income;
- spending for exceptional circumstances – eg, special diets or extra heating because of illness. Apparent 'luxury' items need to be explained.

Bank accounts

It may be necessary to advise the client to change the bank account into which their wages are paid to prevent the bank (a non-priority creditor) taking control of their income by exercising its 'right of set-off'. ¹ If a client finds it difficult to open another account (eg, because of their credit reference details), they may find the MoneyHelper list of basic bank accounts useful. See moneyhelper.org.uk/en/everyday-money/banking/basic-bank-accounts.

If it is not possible to open a new bank account immediately, the client may have to consider exercising what is known as the 'first right of appropriation'. ² This gives an account holder the right to earmark funds paid into the account to be used for specific purposes. This process can also be useful as a temporary measure on overdrawn accounts in order to prevent the bank from appropriating the funds to the debit balance.

The client should inform the bank in writing (before funds are paid in) specifically where they should be applied – ie, how much and to whom. The bank must honour such instructions, but it will continue to charge interest on the overdraft and may refuse to undertake further transactions.

-
- 1** See also S Edwards, 'Of some account?', *Adviser* 173
 - 2** See also J Wilson, 'First right of appropriation', *Adviser* 98

Printed from CPAG (<https://askcpag.org.uk>). (c) Copyright CPAG 2025. All Rights Reserved.

Please be aware that welfare rights law and guidance change frequently. This page was printed on Friday, October 17, 2025 and may go out of date.