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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

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4. Listing and maximising income

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After identifying and dealing with any emergencies and obtaining details of the client's creditors (including checking liability), the next stage is to list all possible income for the client and, if

applicable, their family.

Whose income to include

Creditors are likely to expect the income and debts of a couple (particularly if they are married or civil partners) to be dealt with together, although there is no basis in law for this expectation (unless they are jointly liable for the debt). The overriding consideration must be the best interests of the client – the final decision rests with them.

A decision must eventually be made about whether to include the income of a partner or spouse or, rarely, someone else living in the client's household (although any contribution they make to the household expenditure shown in the financial statement must be taken into account). This depends on several factors.

- If all the debts are in the name of one person only (or are in the joint names of the client and a previous partner) and they have little or no income or property against which action could be taken, the other person may be unwilling to contribute from their income.
- If one person has a number of debts and a partner also has a number of debts, it might be more convenient to deal with both partners' debts in one set of strategies.
- If only one person has sought advice without the knowledge of their partner, find out why and encourage both partners to be involved. The person who seeks advice may not know details of their partner's income or may not want their partner to know about the debts – eg, if they fear violence from them. If there is a jointly-owned property, it is important to stress the possibility of a creditor applying for a charging order and, as the court contacts the client's partner, the likelihood of them finding out.
- Many partners wish to pool their income and help with each other's debts, irrespective of their legal liability – eg, if they themselves could face dire consequences (eg, eviction) if they failed to do so or if all members of the household have benefited from the debt being incurred. At this stage it is, therefore, important to note the income of all household members if possible, so that a decision can be made later about which to use to implement any strategy.

What income to include

Capital

- All benefits and tax credits. **Note:** a client may decide not to use any disability benefit they get (eg, personal independence payment, disability living allowance and attendance allowance) to make payments to creditors, as these benefits are intended to meet only the additional costs of disability. However, any disability benefit should be included in the list of income and in the financial statement. Usually, the disability benefit is offset by associated items of

expenditure, such as mobility or care costs.

The decision whether or not to use any unallocated disability benefit to make offers to their creditors is ultimately the client's, not the adviser's.

The fact that the client is in receipt of a disability benefit should always be disclosed to creditors, as the fact that they are a disabled person is likely to be a relevant factor.

- Earnings – ie, net pay from full-time and part-time work.
- Self-employed earnings, net of estimated tax and national insurance contributions.
- Regular maintenance/child support payments received. Include for what and for whom they are paid.
- Investment income – eg, from savings.
- Contributions from other household members – eg, adult children living with the client.
- Occupational and other pensions.
- Any other income received by the client.

If income has recently been unusually high or low, this should be noted and the basis on which it is assessed should be clear – eg, the average of wage slips for a representative period. Only include regular sources of income. If the chosen strategy is to pay the debts, any offer of payment must be realistic and sustainable.

The Financial Conduct Authority (FCA) requires advisers to take reasonable steps to verify the client's income. It says that what is reasonable depends on the circumstances and the type of service the agency offers. ¹ For instance, advisers working at court duty desks or providing telephone or email advice will, in practice, be unable to do this.

Verifying the client's income may also disclose that deductions are being made to pay off debts – eg, benefit or tax credit overpayments that the client has not previously disclosed, because they did not regard this as a 'debt'. It is usually possible to ask the creditor to reduce the rate of deductions where it can be demonstrated that these are currently unaffordable and are leaving the client unable to meet their essential expenditure.

Note any future changes to the client's income and/or circumstances, such as any benefits recently claimed but not yet awarded, or if a member of the household is about to start or end paid employment.

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

Capital

The client may have capital or potential capital in the form of realisable property or other assets that it would be reasonable for them to use. Discuss this with them and make a separate note of any such items. Unless the circumstances are exceptional, creditors are unlikely to accept that a client is unable to pay their debts if they have capital, and may even refuse to accept nil or token offers of payment if they believe it would be reasonable to expect them to dispose of an asset.

Clients who are aged 55 or over may be entitled to take money out of their pension and may consider using some, or all, of this to either pay off their debts in full or make an offer in full and final settlement (see here). A client considering this should be advised to obtain financial advice first – eg, from Pension Wise. They must consider how much they will receive after tax and any other charges have been deducted and whether they will have enough money left for their retirement. FCA rules prohibit creditors from pressurising clients to raise funds to repay a debt, with specific reference to raising a lump sum from a pension scheme. ¹

¹ *FCA Handbook*, CONC 7.3.10 and 7.3.10A

Maximising the client's income

Follow the advice in Chapter 7 to maximise the amount of money the client has coming in. Also check whether the client is eligible for a Warm Home Discount and whether they would benefit from switching fuel supplier. Check whether the client is eligible for a grant from local or national charities or an energy company.

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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.