

Joint work to address concerns on debt packager companies



Update: The Financial Conduct Authority (FCA) has today (17 November) published a [consultation](#) which proposes banning debt packager firms from being paid to refer customers on to other firms. The Insolvency Service continues to work closely with the FCA on this issue.

The [FCA has announced](#) that it has written to five debt packager firms identifying “significant concerns over their practices”. These five companies have now stopped providing regulated debt advice until further notice, and the watchdog used its formal powers to remove another company’s permission to give advice.

Debt packager firms advise consumers on how to deal with their debts, often referring them to an Insolvency Practitioner or debt management firm, for which they receive referral fees.

Both the FCA and the Insolvency Service have been concerned that these fees can be many times higher when the firms refer consumers to an Insolvency Practitioner potentially to enter into an Individual Voluntary Arrangement (IVA), or Protected Trust Deed (PTD) in Scotland, than for other debt solutions.

It is important that people in financial difficulty can access assistance in managing problem debts, and an IVA is one of a number of debt solutions to help; but businesses providing debt solutions must put the needs of their customers first.

Together with the FCA and other partners, the Insolvency Service is working to better protect consumers who need debt advice, and their creditors, to ensure that only fair and reasonable payments are charged for work.

The Insolvency Service is working with the Recognised Professional Bodies to challenge payments made for the introduction of work, and the extent to which this presents a conflict of interest.

[Guidance](#) has also been issued to Insolvency Practitioners that sets out the

remit of both insolvency and FCA regulation in this area, examples of poor practice, and Insolvency Practitioner responsibilities under the Insolvency Code of Ethics.

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1. 17 November 2021

Updated on 17 November 2021 to include details of new FCA consultation.

2. 21 July 2021

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