

# New scheme to give people in problem debt breathing space launched

- around 700,000 people struggling with problem debt to benefit from Breathing Space this year
- scheme will give those facing financial difficulties 60 days to get finances back on track – without debts piling up, worrying letters or enforcement action
- people will also have access to professional debt advice, with stronger protections for people in mental health crisis treatment

Breathing Space will give those facing financial difficulties space to receive debt advice, or mental health crisis treatment, without pressure from creditors or mounting debts.

Under the scheme, people will be given legal protections from their creditors for 60 days, with most interest and penalty charges frozen, and enforcement action halted. They will also receive professional debt advice to design a plan which helps to get their finances back on track.

And recognising the link between problem debt and mental health issues, these protections will be available for people in mental health crisis treatment – for the full duration of their crisis treatment plus another 30 days.

People across England and Wales who are struggling to repay their debts could be eligible, and the Government expects 700,000 people to benefit in the first year of the scheme.

John Glen, Economic Secretary to the Treasury, said:

We're determined to tackle problem debt, but it is incredibly hard to get your finances back on track when your debts are piling up and you've got creditors at the door.

This scheme will give people a breathing space from charges, distressing letters and bailiff visits, so they can tackle their problem debt with support from a professional debt advisor.

And to help people going through a mental health crisis, which is too often linked to financial problems, we're bringing in stronger protections lasting beyond the end of their crisis treatment.

The standard Breathing Space can be accessed by contacting a professional debt advisor. Given this may not be possible for someone in mental health crisis treatment, an approved mental health professional can certify they are receiving treatment and then a debt advice provider can consider whether they are eligible for the scheme.

The announcement builds on other recent government work to alleviate problem debt – and the associated mental health problems – including introducing new rules to make debt letters less threatening, funding a no-interest loan pilot, maintaining record levels of debt advice funding for the Money and Pensions Service in 2021-22 and looking at raising the financial threshold criteria for individuals to enter a Debt Relief Order.

The scheme is also expected to benefit creditors, with over £400 million in extra debt repayments expected in the first year of the scheme, as people are supported to get their payments back on track.

Joanna Elson CBE, chief executive of the Money Advice Trust, the charity that runs National Debtline and Business Debtline, said:

We are pleased to be supporting the launch of the Breathing Space scheme, which is a major milestone in improving the help available to people struggling with debt. Breathing Space will provide a powerful incentive for people in debt to seek free debt advice – with vital protections from interest, charges and creditor action to give people the time and space they need to begin to deal with their financial difficulty.

Free debt advice has never been more important than in helping households to recover from the impact of Covid-19 – and Breathing Space will strengthen our ability to help people at this crucial time. We look forward to playing our role in making the scheme a success.

Martin Lewis, founder of MoneySavingExpert.com and the Money and Mental Health Policy Institute, said:

Debt is far more than just a financial issue. It's a major cause of relationship breakdown, can hugely diminish people's well-being, and sadly leaves 100,000s at risk of taking their own lives. That's why Breathing Space is so important. It's a win-win-win; for individuals who get their finances back on track, creditors who'll recoup more cash in the long run, and the economy as there will be less financial catastrophe.

I'm especially thrilled that our Money and Mental Health Policy Institute suggestion for Recovery Space is coming into fruition as part of this. That means from now on, everyone receiving NHS crisis care for their mental health can recover without being hassled for escalating debt, fees and charges. Finally, people returning home after being hospitalised for their mental health, can do it safe in the knowledge there's no threat or reality of bailiffs knocking.

Phil Andrew, CEO of StepChange Debt Charity, said:

We are delighted to see Breathing Space going live. Giving people the statutory protection of a time period to help them begin to deal with their debts is a huge step up from the previous voluntary, patchy approach. StepChange has been at the forefront of campaigning for Breathing Space since 2014, and we are pleased the Government has taken our evidence and client experience on board when putting the scheme into practice.

This is the latest piece in the jigsaw of safeguards for people experiencing problem debt, with more to come. Statutory Debt Repayment Plans, when they come into being, are set to give further, much needed protections. We look forward to working closely with the Treasury to ensure they are successfully implemented.

#### **Further information:**

- Most debts will qualify for a breathing space, including credit and store cards; personal and payday loans; overdrafts; utility bills, rent and mortgages arrears; and government debts like tax and benefits.
- Universal Credit overpayments will be included in the Breathing Space scheme from day one and Universal Credit advances and third-party deductions will be included on a phased basis as early as possible after the policy starts.
- Although interest and fees are frozen, a Breathing Space is not a payment holiday. People entering a Breathing Space will need to keep paying for any debts and ongoing liabilities they have – like their mortgage, rent and bills – whilst they work with a debt advisor to find a sustainable debt solution. If someone in a standard Breathing Space fails to comply with these obligations, then a debt adviser has the discretion to cancel their Breathing Space.
- The Insolvency Service is HMT's delivery partner for Breathing Space – it has developed and will maintain an electronic service used by debt advisers for starting, updating and ending a Breathing Space. The Insolvency Service will send notifications to creditors and their agents about a Breathing Space. It is also responsible for maintaining a private register of individuals in a Breathing Space or whose Breathing Space ended or was cancelled in the past 15 months.