

# News story: Individuals to be protected from 'devastating impact' of problem debt

A new Breathing Space scheme will protect individuals with problem debt, with those in mental health crisis to get further protections while they receive treatment.



- new Breathing Space scheme will protect individuals with problem debt by freezing interest payments and halting enforcement action from creditors
- those in mental health crisis will see further protections while they receive treatment
- scheme will cover wide range of debts, including local and central government debts

Individuals and families struggling with problem debt will be given extra help and time to get their finances under control, City minister John Glen announced today.

The new plans will see the introduction of a 60-day Breathing Space period from 2021, where people with problem debts will be protected from enforcement action from creditors and will see their interest frozen.

During this period individuals must engage with professional debt advisers, so they can find a long-term solution to their debts and get back on track with payments.

As part of these plans, and to acknowledge the links between problem debt and mental health issues, the government is also confirming that individuals receiving NHS treatment for mental health crisis will not need to seek debt advice during the 60-day period. This will remove a key barrier to access for this group. They will continue to receive the same Breathing Space protections, which will last for the whole of their treatment.

City minister, John Glen, said:

Problem debt can have a devastating impact on people's lives, putting a huge burden on individuals which can lead to family breakdown, stress and mental health issues.

No one should be stuck in an endless cycle of debt and facing the ever-looming threat of invasive debt collectors.

That's why I'm introducing this new scheme, giving everyone access to the advice, time and support they need to both get their finances under control and get away from the perpetual stress and worry debt can cause.

Helen Undy, Chief Executive of the Money and Mental Health Policy Institute, said:

This scheme could genuinely save lives. Everyone experiencing a mental health crisis should have the opportunity to recover free from escalating debt fees, charges and the threat of bailiffs arriving at their door.

We are delighted that the government acted on our call to protect people from being hassled about debts while they're receiving crisis care, and we look forward to working with ministers to put these plans in place over the coming year.

Phil Andrew, CEO of StepChange Debt Charity, said:

People looking for a sustainable way to repay their debts have traditionally had little protection, leaving them vulnerable to inconsistent approaches by different creditors that can harm their chances of recovery – something as a debt charity we've long felt needed reform.

Breathing Space and statutory debt repayment plans will fundamentally improve how people seeking to repay debt are treated, putting them in a far less precarious position. We're particularly pleased to see the Government's confirmation that debts owed to government itself will be included in the scheme.

Accessing Breathing Space through debt advice also adds a valuable incentive to help ensure more people in debt get the support they need.

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

Breathing Space will provide a powerful incentive for people to seek debt advice, safe in the knowledge they will be given the time and statutory protections they need to begin to resolve their financial difficulty.

The decision to include local authorities and other public sector creditors is particularly welcome – and means this new scheme could well be a game-changer in our efforts to tackle problem debt as a society.

We look forward to working with government and other partners to ensure that Breathing Space is implemented successfully, and to continue to contribute to the government's plans for Statutory Debt Repayment Plans as these are developed further.

Crucially, the scheme will cover a broad range of debts including arrears owed to central and local government. This will mean council tax arrears, personal tax debts and benefit overpayments will be included.

As well as Breathing Space and the support for those in mental health crisis, the package also includes a Statutory Debt Repayment Plan for those with problem debt, which offers similar protection to the Breathing Space scheme, helping individuals to repay their debts over a manageable timeframe. The plan will adjust as people's life circumstances change, which could mean decreasing monthly payments if their disposable income has changed.

The announcement follows the recent consultation on these proposals and the regulations on the Breathing Space scheme will now be put to Parliament before the end of the year, so that it can be implemented in early 2021.

The announcement builds on previous government work to alleviate the impact of problem debt, including reforming the regulation of consumer credit, widening access to professional debt advice and help to build individual financial capability.