

SL(5)635 – the Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020

Background and Purpose

These Regulations establish a debt respite scheme for people in problem debt.

The scheme gives eligible people in problem debt who receive professional debt advice access to a 60-day period in which interest, fees and charges are frozen and enforcement action is paused. This moratorium period is often referred to as 'Breathing Space'.

For people receiving mental health crisis treatment, the scheme establishes an alternate route by which the protections of a moratorium may be accessed and ensures that the protections are in place for the duration of their crisis treatment.

Procedure

These Regulations are made by the Treasury, but must be laid before and approved by a resolution of the Senedd and each House of Parliament.

Scrutiny under Standing Order 21.7

We note and welcome the intention of these Regulations, namely to incentivise more people in problem debt to access professional debt advice, to do so sooner, and to enable them to enter the debt solution that is most appropriate in view of their individual circumstances.

We also note that these Regulations are made by the Treasury under Part 1 of the Financial Guidance and Claims Act 2018, to which the Assembly gave its legislative consent on 13 February 2018. During the Assembly debate on consent, the Minister for Housing and Regeneration at the time, Rebecca Evans MS, said of any future debt respite scheme:

This is still some way off, but we will continue to work closely with the UK Government and the SFGB, when it's established, in addition to advice providers and other stakeholders to influence the development of any scheme and determine whether it meets the requirements of Wales.

We would be grateful if the Welsh Government could:

- (a) set out how the debt respite scheme has been developed to meet the requirements of Wales;
- (b) confirm whether it is content that these Regulations do not generally come into force until 4 May 2021.



Implications arising from exiting the European Union

None.

Government response

(a) set out how the debt respite scheme has been developed to meet the requirements of Wales:

Since 2018, Welsh Government officials have worked closely with HM Treasury on the policy for the debt respite scheme. Officials also facilitated an event in Wales, where key Welsh stakeholders provided feedback to policy makers on the proposals for the scheme. In addition, stakeholders across Wales were encouraged by officials and the National Advice Network for Wales to respond on the proposals during the HM Treasury public consultation exercise.

Welsh Government lawyers assessed the draft regulations for the scheme and UK Government made amendments to the regulations to ensure they aligned with Welsh legislation. Officials continue to engage with HM Treasury on the production of guidance materials for debt organisations and health professionals.

Through our engagement, we have ensured the debt respite scheme is aligned to the specific needs of people in Wales. For example, we advised HM Treasury that to be effective the gateway to the debt respite scheme must involve a person having engagement with a professional debt advisor and the protections offered by the scheme must cover a wide range of debts and not exclude public debts. The policy makers agreed and people in Wales accessing the scheme will benefit from accessing professional debt advice and from protections on personal finance debts, household debts and debts owed to central and local government.

(b) confirm whether it is content that these Regulations do not generally come into force until 4 May 2021:

The Welsh Government recognises that getting help to people who are struggling with debt is important and it is disappointing that the progress on the development of the debt respite scheme was delayed on two occasions. Firstly due to the 2019 General Election, and secondly because of the onset of the Covid-19 pandemic in March.

The Welsh Government appreciates that there is a lot of work still to be undertaken on the operational processes that are necessary in order to implement the scheme and that this will be challenging work, especially for the key stakeholders who are also dealing with many impacts generated by the Covid-19 pandemic.

Whilst it would be welcomed for the debt respite scheme to be implemented before the 4 May 2021, it is more important that when the scheme is implemented, it is working properly with all the protections in place. The Welsh Government therefore accepts the



implementation date of 4 May 2021 is the earliest date by which a fully functioning debt respite scheme could be implemented.

Committee Consideration

The Committee considered the instrument and Government response at its meeting on 2 November 2020 and reports to the Senedd in line with the reporting points above.

