

On the front foot

Developing
financial capability
propositions to
support the debt
advice journey

A formative study
with Aperture IVA



Aperture | IVA

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Executive Summary

The Money Advice Service (MAS) plays a key strategic role in both financial capability and debt advice. It is the statutory body for financial capability and co-ordinates the UK Financial Capability Strategy. It is also the largest single funder of debt advice in the UK and has a statutory remit to improve the availability, quality and consistency of debt advice.

The potential for a more joined-up approach in the delivery of debt advice and financial capability is something MAS has been considering for some time. As such, blending financial capability and debt advice was made one of 6 key areas of focus in the Debt Commissioning Strategy that MAS launched in 2017.¹

Many practitioners of both debt advice and financial capability have also considered the potential for synergies and have developed and piloted joint offerings.

Individual Voluntary Arrangement (IVA)² provider Aperture IVA is one such organisation. In 2015, staff at Aperture began a programme of work to better understand the specific financial capability needs of their client base and test out new ways of working.

A series of informal learning exercises culminated in the pilot of a budgeting-focused intervention to make the case for, and ultimately inform, a potentially larger-scale piece of work. This formative stage was deliberately small-scale and low-budget.

Aperture IVA extended an invitation to allow MAS to share in this learning and development exercise. For MAS this also presented an opportunity to inform a wider programme of work to explore ways in which client outcomes might be improved through tailored financial capability interventions designed to support the debt advice process.

The overarching aims of this wider work are to:

- identify and understand the specific financial capability needs of debt advice clients, how these evolve through their debt advice journey and/or differ between client groups;
- start to quantify the degree to which financial capability interventions aimed at meeting these needs might amplify successful outcomes for debt advice clients;
- understand the degree to which such interventions synergise (or not) with the existing debt advice/debt solution journey.

The formative work undertaken by Aperture showed promise and certainly made the case for further studies. Furthermore, it shed light on the budgeting issues faced by clients as they enter an IVA, highlighting how the destructive money behaviours that develop during the journey into problem debt can persist following set up of a debt solution.

The study also showed that a light-touch financial capability intervention to encourage clients to adopt a forward planning approach to budgeting, has the potential to significantly improve their ability to make expected monthly IVA payments.

¹ A Strategic Approach to Debt Advice Commissioning 2018–2023 (Money Advice Service, 2017).

² An Individual Voluntary Arrangement (IVA) is a formal debt solution that allows debtors to make reduced payments towards debts for a fixed period of time (usually 5 or 6 years), after which unpaid balances will be written off.

The budgeting intervention produced an 11% uplift in on-time IVA payments. Furthermore, clients who received the intervention sustained higher payment rates throughout the first year of their IVA compared to a control group of clients who received no additional budgeting support.

Not only were clients who received the budgeting intervention more likely to make their IVA payments on time, but where arrears did occur, these were less likely to be for avoidable reasons such as budgeting mismanagement. Missed payments were more likely to be due to unavoidable reasons such as direct debit processing errors or a lasting change in circumstances. Call data from customer services teams also indicated that clients benefited from a better understanding of their household income and expenditure, with fewer budget related queries received from pilot clients.

Options for next steps include undertaking a larger-scale, more rigorous piece of work to ensure replicability of the findings as well as test variations on the intervention to optimise delivery.

This work was not originally intended for publish. However, both MAS and Aperture saw benefits in sharing the story of this early development work to demonstrate how evidence-based change can be progressed within the confines of a live operational environment and with minimal resource.

Recognising the existence of similar efforts across the debt advice and financial capability industries, MAS are about to embark on an exercise to map practice, evidence and thinking in joined up delivery of debt and financial capability advice.

In 2018/19, MAS will launch a new round of What Works funding, which will contain a stream aimed at strengthening the evidence in joint debt advice and financial capability practice.

Insights gathered through the mapping exercise will help inform research priorities and inclusion criteria for this fund.

We would like to thank Aperture IVA for inviting us to share in the development and trialling of this approach, and in particular Nancy McMullan and Karol Wilson for their support throughout this project.

1 Introduction

This pilot set out to examine the effectiveness of providing a financial capability intervention to clients as they enter into an Individual Voluntary Arrangement to help them transition from a state of reactive money management (juggling) to proactive planning. It was developed and implemented in partnership with Aperture IVA.

With minimal departure from existing process and without increasing client contact points, the pilot sought to enhance client-facing written and verbal communications (see section 5) to improve the three behaviours essential to managing money well day to day:

- paying bills on time;
- making money last from one pay day to the next;
- saving for expected, occasional costs.

The assumption was that clients who received the intervention would be more likely to stick to their budget and therefore less likely to contact Aperture with queries relating to their expenditure or miss IVA payments, especially for avoidable reasons, such as budget mismanagement.

Delivering such an intervention was a new venture for Aperture IVA. With no similar practices from which to draw insights, guide process development or inform a hypothesis on potential impact, this small formative pilot was conducted as a precursor to a potentially larger, more rigorous piece of work.

This project started in 2015 when both MAS and Aperture IVA were starting to develop thinking on how the debt advice process might be enhanced to help clients develop skills to better succeed in their debt solutions and improve longer-term financial resilience.

Although there was no original intention to publish findings, the project delivered some interesting results and may serve as a good case in point of how informal learning can provide a cost-effective foundation to test for signs of promise when developing initiatives entirely from scratch.

The work with Aperture IVA has helped MAS take an important step in its endeavours to align the delivery of financial capability and debt advice. The Next Steps section of this report contains suggestions on how this work should progress.

2 Background

MAS has a strategic role in both the debt advice and financial capability sectors across the UK. It has a statutory remit to co-ordinate and fund debt advice and in 2016 launched the Financial Capability Strategy for the UK.

However, historically, debt advice and financial capability have been regarded by some as two distinct disciplines, often delivered by separate adviser cohorts, funded through separate funding structures and adhering to different regulatory regimes.

Since acquiring its remit for both specialisms, MAS has been considering the synergies and commonalities between each.

Debt advice and financial capability interventions often share many of the same features, such as the drawing up of a household budget, and have similar target audiences. Furthermore, from a client perspective, as someone in need of help to better manage finances, there is often no perceivable distinction between both services.

However, each advice discipline has a very different focus. Financial capability is a **'prevention'**-focused interaction, helping clients achieve financial goals and avoid falling into difficulty. Improving mindset as well as skills and knowledge is key to improving an individual's financial capability.

At the core of debt advice is a focus on **'cure'**. Few debt advice sessions contain provision to address client skill and mindset, instead the primary function is often to deal with crises such as court action.

Despite these structural differences, there are indications that debt advice clients do experience some incidental improvement in financial capability as a result of receiving debt advice.³ Furthermore, provision for a small savings amount within the Standard Financial Statement (SFS) which launched in March 2017, brings further alignment between debt advice and financial capability.⁴

But there is evidence to suggest that debt advice could still go further in the way it supports clients to improve their wider financial behaviour during and after delivery of crisis interventions. For example, use of financial capability solutions to support the debt advice process could be one possible mechanism to address the following common challenges:

- **The high prevalence of temporary debt solutions (such as token payments).**⁵ The financial capability function of reviewing spending to make money go further could (for some) open up the possibility of a sustainable debt solution with a defined end-point.
- **High incidence of 'repeat clients'.**⁶ Helping to embed the behaviours that lead to long-term financial resilience could reduce the proportion of clients that fail to stabilise their situation following advice and return for multiple sessions.
- **Higher breakage rates in the early stages of repayment solutions.** Improved money management could help a greater number of clients stay on track.

³ 78% of clients who received debt advice from MAS-funded services in 2016/17 reported higher levels of financial confidence as a result of the advice they had received.

⁴ The Standard Financial Statement (SFS) is a single format for financial statements, used by the debt advice sector and creditors to objectively assess a debt advice client's financial position.

⁵ Temporary Token Payments can be offered if a client does not fit the criteria for a debt solution immediately or their situation is likely to change quickly.

⁶ **An Unavoidable Challenge? Repeat Clients in the Debt Advice Sector** (Money Advice Service, 2017).

3 Summary of the challenge

Having conducted a review of the end to end IVA journey, Aperture IVA concluded that helping clients overcome 'teething' problems in the early stages of their IVA was a priority for improvement.

By the time they receive debt advice (usually a year or longer after the onset of financial difficulty),⁷ clients 'juggle' rather than plan spending, leading to increased borrowing, arrears or running out of money.

Aperture advisers reported a sense that this reactive ('juggling') approach appears to persist following set up of the client's IVA, leading to preventable arrears cases, requests for payment holidays that could be avoided, as well as enquiries from clients that demonstrate a lack of understanding of their budget

Trends observed in several of the performance indicators routinely measured appeared to corroborate these anecdotal reports (although any correlation would require further exploration before a definitive link could be drawn). For instance:

- Over half of arrears cases are classified as 'short-term issues' as opposed to a lasting change in circumstances. These short-term issues often relate to a client's inability to cover one-off costs, some of which are items that have been accounted for in the client's budget.
- As with arrears cases, many payment holiday requests are made for items of expenditure that have been included in the client's income and expenditure and ought to be covered without the need to miss IVA payments.
- Analysis of calls and emails received by Aperture's Customer Services team shows a significant proportion of client contact in the early months of an IVA is for queries relating to budget items. For instance, enquiries into how IVA payments are calculated are relatively frequent.

A clear need to provide support to help clients improve their understanding of their budget and move from a reactive approach to money management to forward planning expenditure emerged. A review of client facing communications, both written and verbal, during the set-up stage of the IVA was conducted to identify opportunities to influence client budgeting behaviour.

⁷ Personal Debt Statistics Yearbook 2013 (StepChange Debt Charity, 2013).

4 Opportunities for change

To allow the adviser to assess the suitability of an IVA and then present a proposal to creditors, an income and expenditure is drawn up using the SFS. This is done through an advice session with every client, who then receives a copy of the resulting financial statement.

This information is used for two main purposes:

- to assess the suitability of an IVA; and
- to use as a basis for negotiation with creditors in the IVA voting process.⁸

The SFS and previous income and expenditure formats have always served these purposes well, and when launched in 2017, the SFS contained features to further improve its effectiveness in this regard.⁹

However, the possibility to use this interaction as a mechanism to improve client budgeting behaviour has hitherto remained under-utilised. Neither the advice session nor the SFS overtly 'repackage' the financial information supplied by clients in a format that is conducive to behavioural change.

It was clear that the set-up process could place more focus on helping clients develop the knowledge, skills and motivation to adopt the three behaviours essential to managing money well (paying bills on time; meeting everyday living costs; and saving for expected occasional costs)

⁸ An IVA can only be made if 75% of creditors by value agree to the proposal at the Meeting of Creditors.

⁹ The SFS is the first income and expenditure format used in the debt advice process to contain capacity to allow debt advice clients to accrue a small amount of savings.

5 Intervention design

Improving client-facing budget documentation

The SFS contains approximately 50 lines of data, which can appear complicated to clients who may not be used to reading financial information. In addition, it reports all spends by calendar month, which often doesn't reflect actual spending frequency and it groups spends into logical spending categories rather than by behaviour.

An example of the SFS can be found below.

The screenshot shows a financial statement form with the following sections:

- Personal Details:** Name, D.O.B., Application type (Single or Joint), Partner's D.O.B., Partner's address, Contact team name, Agency, Agency address.
- Dependent children:** Number of children under 16, Other dependants.
- Income:** Total income, Income minus outgoings, Savings contributions, Total available for non-priority creditors.
- Monthly Income:** Earnings, Benefits and tax credits, Pensions, Other income.
- Monthly Outgoings - Fixed Costs:** Home and council, Utilities, Loans, Car and health costs, Transport and travel, School costs, Pensions and insurance, Professional costs, Other essential costs.
- Monthly Outgoings - Flexible Costs:** Communications and leisure, Food and housekeeping, Personal costs.
- Summary:** Total monthly outgoings (fixed and flexible), Savings.

A 'budget summary' was proposed to complement the SFS and act as a practical guide to help clients turn their budget into a way of life.

Specifically, the budget summary:

- groups expenditure by budgeting behaviour rather than spending category, reducing the amount of financial data displayed from over 50 entries to 3 personalised totals;
- provides practical instruction on how to manage the 3 different types of spending;
- displays relevant costs calendar monthly, weekly and daily to reflect true spending frequencies;
- deploys behavioural change devices such as checklists and 'norming' to encourage positive action.

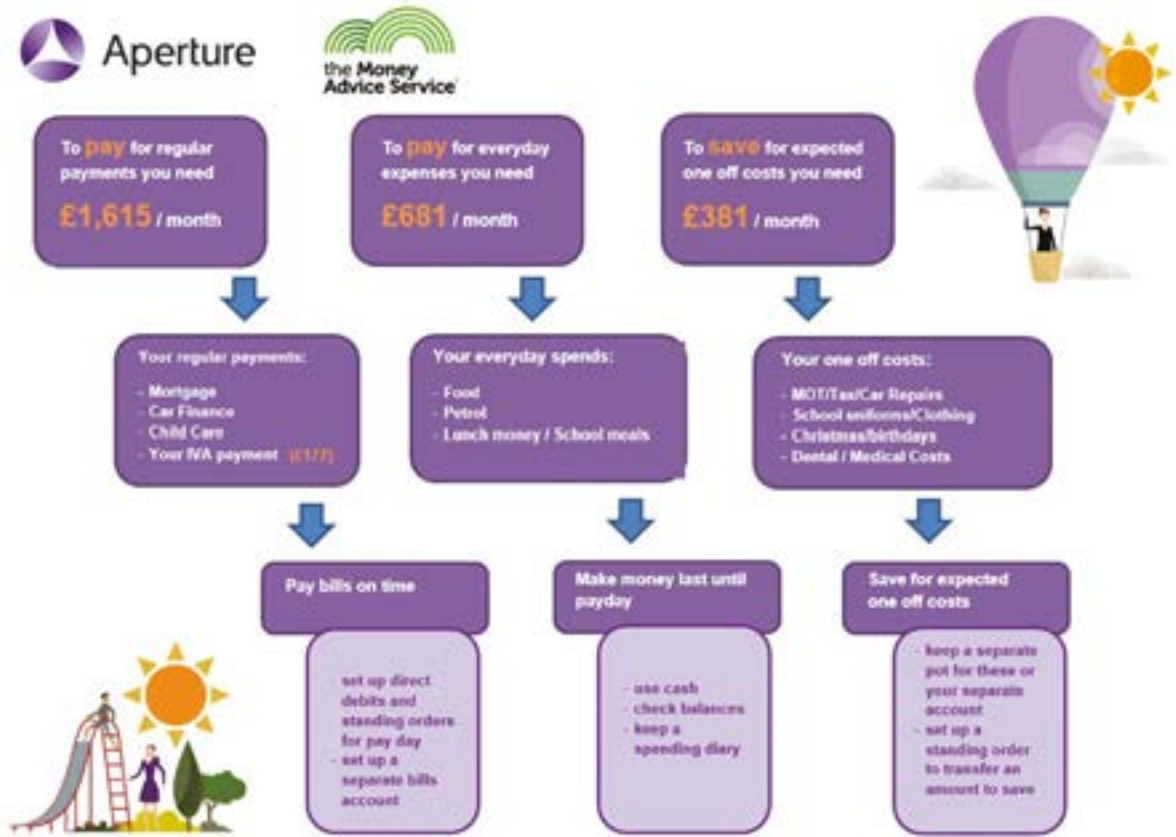
An example of the budget summary that was sent to clients alongside their copy of the SFS can be found opposite.

Improving budget-focused conversations

The structure of relevant client conversations during the IVA set up process was altered to reflect the format of the budget summary and promote its use as a budgeting tool.

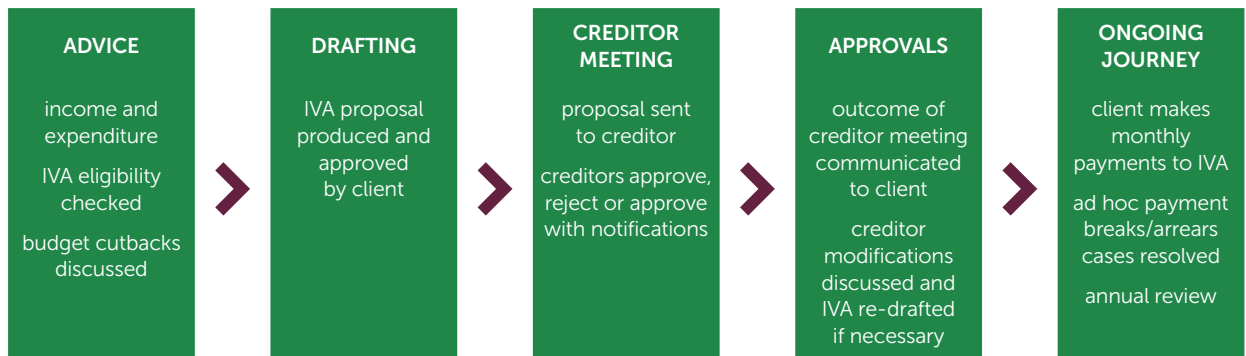
Advisers were trained to enhance budget related conversations to:

- give greater prominence to the explanation of the role played by the client's income and expenditure in the creditor voting process;
- ensure that clients understand the relationship between sticking to their budget and succeeding in their IVA;
- probe clients for any existing money management strategies they use to ensure bills are paid on time, money lasts from one pay day to the next, and expected occasional costs are met;
- use this information to identify areas in which clients may be 'mismanaging' spending;
- where appropriate, provide practical instruction on how to improve budgeting skills;
- do so using proven behavioural science techniques.



Implementation of the intervention

The set-up process contains several client contact points providing several options for deployment of the intervention. These are summarised below:



In deciding where to deploy the intervention, the project team considered the following:

- synergies with existing conversations and process; and
- synergies with evaluation methodology (see section 7).

While the advice stage contained greater synergies with existing conversations, it is already approximately 40 minutes long and ‘information heavy.’ This is the point in the process with the most detailed discussion of client income expenditure and results in the greatest number of follow-up actions to be completed by clients.

Two client contact points were considered for delivery of the intervention – the **advice** stage and the **approvals** stage.

It was felt that there was a risk that delivery of an additional intervention at this stage could 'overcrowd' the call, taking the client beyond their natural attention span and adding to an already substantial list of follow-up actions.

Furthermore, clients progress through the subsequent set up stages at varying paces, which would complicate sample collection for evaluation.

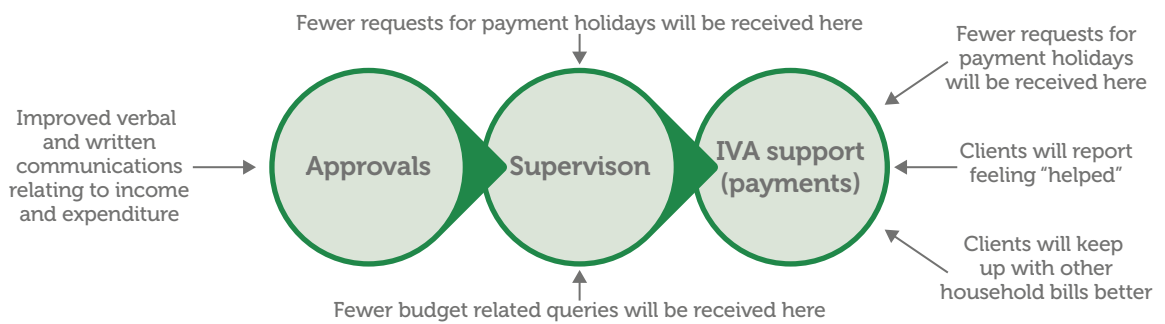
The approvals stage was chosen as the point of delivery as there was sufficient synergy between the intervention and existing conversation, particularly in relation to setting up and managing payments to the IVA.

Furthermore, all clients need to make their first IVA payment within one month of approval, meaning that all clients progress through subsequent milestones at a similar pace, making sample collection and data capture easier.

6 Hypothesis

It was hoped that by providing support to help clients transition from reactive (juggling) to proactive money management, beneficial outcomes for both clients

and Aperture IVA would be observed. These are summarised in the diagram below:



Outcomes for clients

By improving a client’s understanding of their budget and their budgeting behaviour, it was hoped that clients would be better able to:

- maintain payments to their IVA;
- keep up with other household bills;
- forward-plan everyday and one-off costs;
- enjoy the emotional benefits associated with remaining in control of finances.

A theory of change is contained in Appendix 1.

A larger study would contain a variety of data sources allowing for overt measurement across all of these outcomes. However, to reduce the complexity

of analysis during this formative stage, only data routinely collected by Aperture IVA was included for measurement. It was assumed that movement against these routine business KPIs was a good indicator for changes in wider behaviour and wellbeing.

The KPIs used to measure success were:

- arrears rates;
- payment holiday requests;
- Customer Services call reason codes relating to budgeting/budget items.

The table contains a summary of the outcomes that were observable at this formative stage and those that require overt measurement in future studies.

OUTCOME	MEASURABLE DURING FORMATIVE STUDY?	REQUIRED MEASURE
Clients maintain payments to their IVA	✓	Aperture IVA performance data (arrears rates)
Clients keep up with other household bills	✗	Client survey
Clients have an improved understanding of their budget	✓	Aperture IVA customer service data (call reason codes)
Clients forward plan regular household spends as well as one off costs	✗	Client survey
Clients experience higher levels of financial wellbeing	✗	Client survey

Outcomes for Aperture IVA

For Aperture IVA, the main driver for this piece of work was improved client experience. However, there was naturally a need to ensure fit with the existing operating model and ensure new processes were efficient.

The desired outcomes for Aperture IVA were:

- reduction in arrears processing as more clients make their IVA payments on time;
- reduced processing of both calls and ‘catch-up’ payments due to fewer requests for payment breaks;
- fewer inbound calls and emails to query expenditure items, amounts or payments as more clients understand their budget;
- in combination, the efficiencies above result in an overall time saving.

The latter aim of delivering an overall time saving is a longer-term aspiration as this can only be measured once processes have been refined for maximum efficiency. For this reason, any overall calculation of ‘cost benefit’ would need to be included in future studies and was not measurable at this stage.

Furthermore, the scale of the study meant that the quantity of data relating to the processing of payment breaks was too small to draw definitive conclusions.

The table below summarises the measurable and non-measurable outcomes at this formative stage:

OUTCOME	MEASURABLE DURING FORMATIVE STUDY?	REQUIRED MEASURE
Reduction in arrears processing	✓	Aperture IVA performance data (arrears rates)
Reduced processing of payment break requests and catch up payments	✗	Aperture IVA customer service data (call reason codes)
Reduced processing of inbound queries relating to client budgets	✓	Aperture IVA customer service data (call reason codes)
Overall time saving	✗	Aperture IVA performance data

Although not reflected in this report, steps were taken to capture anecdotal feedback from Aperture staff involved in pilot processes to help inform any future optimisation of the intervention tested.

7 Evaluation Approach

In line with the scale of the pilot, a simple approach to evaluation was taken in order to gain an initial indication as to whether the intervention showed promise before committing to a more in-depth study.

To allow for comparison, clients were allocated to one of two populations:

- a pilot group who received budgeting advice and a copy of the budget summary delivered by an adviser who had been trained on pilot processes; or
- a control group who followed 'business as usual' (BAU) processes and were dealt with by an adviser who had not received training on the pilot intervention.

A total of 114 clients were allocated to the pilot group and 670 to the BAU group.

In order to understand whether the budget summary led to an improvement in client money management skills, clients were monitored against the KPIs listed in the tables in Section 6. Overall performance between the pilot and BAU group was then compared.

Demographic data for each group was also monitored and analysed to allow the comparability of each population to be established. Greater parity of demographic make-up between both groups increases confidence that any differences in payment or customer service activity may be due to the pilot intervention.

More detail on the demographic analysis of each group can be found in Appendix 3.

Analysis of Aperture IVAs performance data

Aperture IVA supplied collated performance data for the 12 months following the clients' initial IVA approval. This included data on missed payments and customer service data.

All data was assessed on a monthly and cumulative basis. Statistical significance testing was then carried out.¹⁰

¹⁰ In statistical terms, a significant difference between two research results is a difference that is large enough that it is highly likely it didn't arise by chance. This is indicated by the 'P' value quoted next to some of the results in this section.

8 Findings

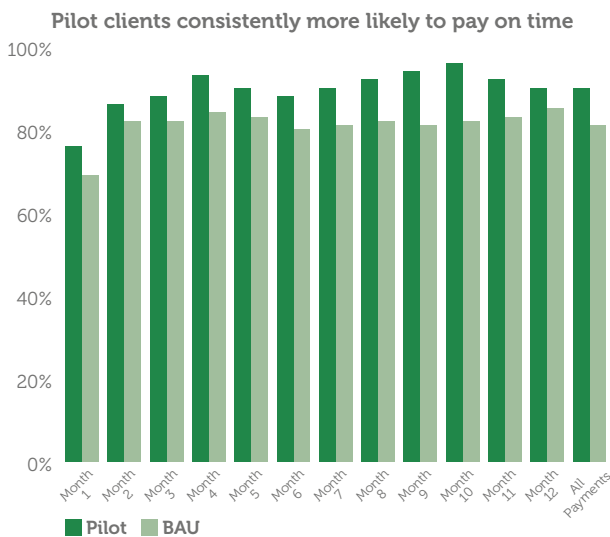
Analysis of payments and arrears

Analysis of Aperture IVA’s performance data found that clients who had received the budget summary were 11% more likely to make their IVA payments on time than those who had not.

Pilot clients consistently made more on-time monthly payments over the 12-month study period than BAU clients.

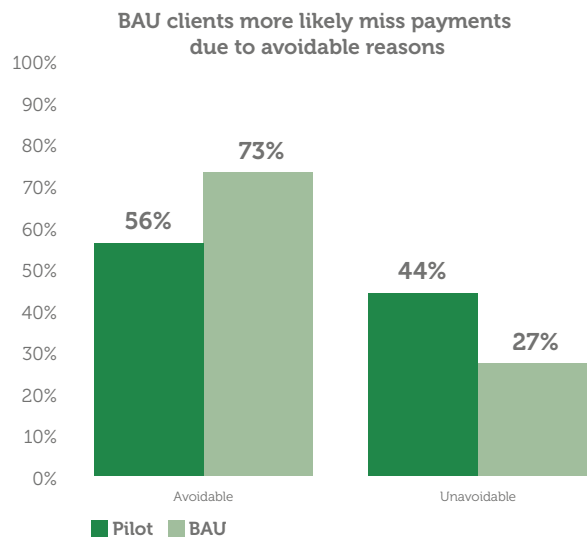
Over the cumulative 12-month period, pilot clients paid 90% of all payments on time (1231 of 1375 payments due), compared to 81% of payments (5909 of 7260 payment due) owed by clients who had not received the intervention. (p<0.01)

Both the monthly and cumulative payment rates are shown in the graph below.



Not only were pilot clients more likely to pay on time, but where missed payments did occur, these were likely to be for reasons unrelated to client budgeting, such as administrative errors in processing direct debit payments.

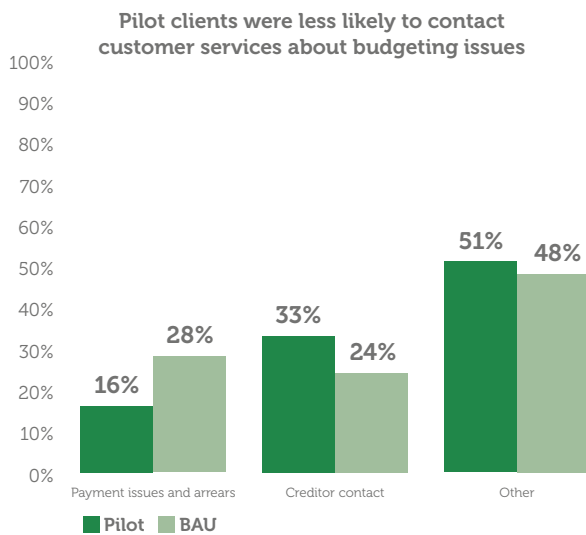
BAU clients were more likely to miss payments for ‘avoidable’ reasons – that is, due to budget mismanagement – than pilot clients. This increases confidence that any difference in repayment rates among pilot clients was linked to better money management and not any other reasons. This is demonstrated in the graph below.



Total pilot payments missed = 139
 Total BAU payments missed = 1270

Analysis of contact reasons including payment holiday requests

Analysis of reason codes assigned to inbound calls and emails shows that pilot clients were 43% less likely to contact Aperture IVA regarding matters relating to their budget. Along this measure, it appears that the pilot has had some effect on a client’s understanding of their budget as demonstrated in the graph below.



The ‘payment issues and arrears’ category in this graph includes calls relating to requests for payment breaks. Although these figures showed that pilot clients were less likely to request payment breaks than those in the BAU group, the numbers are too low to draw any definitive conclusions. Two calls about payment breaks were received from the pilot group (or 1% of total calls received by pilot clients) and 31 calls were received from the BAU group (or 5% of total calls).

While the analysis of call reasons suggest that pilot clients understand their budget better than clients who passed through BAU processes, analysis of total call volumes shows little difference between the two groups. Both were equally likely to call Aperture during the first year of their IVA.¹¹ It is worth noting that

call data was supplied for analysis on an aggregated basis making it impossible to de-duplicate. As a result, averages may be skewed by outliers in either group (ie, individuals who have made very large numbers of calls).

Future studies should include provision to track this data at a more granular level so as to enable more in-depth research to understand any differences in the nature of these calls.

Outcomes for clients

The 43% reduction in budget-related queries together with the 11% uplift in on-time payments observed within the pilot group indicates that this intervention shows promise. As a result of receiving budgeting advice and a budget summary, pilot clients are likely to have an improved understanding of their budget and appear better able to maintain payments to their IVA.

Outcomes for Aperture IVA

In terms of desired outcomes for Aperture IVA, the pilot did result in a reduction in IVA arrears which is likely to have resulted in a reduction of arrears processing time for Aperture IVA. Until processes are optimised, it is impossible to calculate any overall time saving.

The reduction in queries relating to budgeting and spending is also an encouraging observation. However, more work needs to be done to understand why this did not translate into an overall reduction in call volume.

If the initial indication of reduced requests for payment breaks also holds true in a larger sample, this could lead to further process efficiency, both in terms of reduced handling of requests and in the processing of ‘catch up’ payments at a later stage in the client’s IVA.

¹¹ Totalling inbound calls from all relevant departments, pilot clients made an average of 2.5 calls within the first year of their IVA compared to an average of 2.3 calls per BAU client.

9 Conclusions

This formative work indicates that a simple money management intervention delivered as clients enter their IVA shows promise in terms of improved client budgeting behaviour as well as operational efficiency. The pilot delivered against almost all of the desired outcomes that were measurable at this formative stage.

The pilot makes the case for continued development of joined-up debt advice and financial capability solutions within Aperture IVA and the wider debt advice industry so as to further develop understanding.

Future studies should contain measures from a range of sources in addition to Aperture IVA's routine performance data to enable definitive conclusions on the replicability of successes, attribution and ability to up-scale to be drawn. This is discussed in more detail in the 'Next Steps' section below.

10 Discussion of limitations

The findings of this evaluation are based solely on one data source. As such, care should be taken in any inferences made. Future studies should use a wider range of methods to explore attributions and process evaluation to explore how change occurs.

Clients were assigned to either the pilot or control group based on the adviser they spoke to. Clients who spoke to an adviser who had been trained on the pilot process were assigned to the pilot group and vice versa.

It is therefore possible that some of the differences observed between the two groups could be attributed to adviser skill rather than the budgeting advice and budget summary clients received. This would be useful to explore in future studies.

Due to volume and operational constraints, only one format of the intervention was tested. Although this made a difference, we are yet to discover if alternative formats, delivery channels or an alternative point in the journey might produce an enhanced result.

11 Next Steps

There are several directions in which MAS, Aperture IVA and the wider industry could take this work next.

Aperture IVA And The Debt Advice Industry

This work suggests there could be significant client and operational benefit in shifting focus and resource from solving issues (arrears; payment holiday requests; queries from clients on their budget) to delivering preventative advice.

The findings make the case for allocating resource to a bigger piece of work, involving larger-scale studies and a wider range of debt advice partners.

In the first instance, focus should be placed on ratifying the formative findings of this small study, continuing to gather insights to further understand client need, then refining and optimising the intervention accordingly.

Any such study should contain provision to collect qualitative and client's self-reported data so as to better determine causal links, better understand the impact of the intervention on the totality of a client's household budget, and check for unintended consequences.

For instance, it may be beneficial to understand which of the three behaviours the intervention sought to encourage (paying bills on time, meeting regular costs, and saving for one off purchases) was most affected.

In terms of unintended consequences, the intervention would not be considered a success if it were discovered that the increase in on-time IVA payments observed within the pilot group was as a result of a higher instance of arrears on household bills.

Some of the performance data routinely collected by Aperture IVA was available for analysis in aggregated format only. Development to improve flexibility of reporting so that call data, payment trends and client demographics could be better linked would also help to improve understanding of how and why the intervention appeared to work and for whom.

In the longer term, Aperture IVA could use these additional insights to optimise delivery of the intervention. Alternative formats of the budget summary could be tested as well as different delivery points and delivery channels to determine whether the positive outcomes observed could be further amplified.

Money Advice Service

Blending debt advice and financial capability forms one of six key commissioning intentions within the Money Advice Service's Debt Commissioning Strategy.

The Money Advice Service recognise that, like Aperture IVA, many other debt advice organisations have developed, tested and adapted financial capability interventions aimed at supporting clients through the debt advice process.

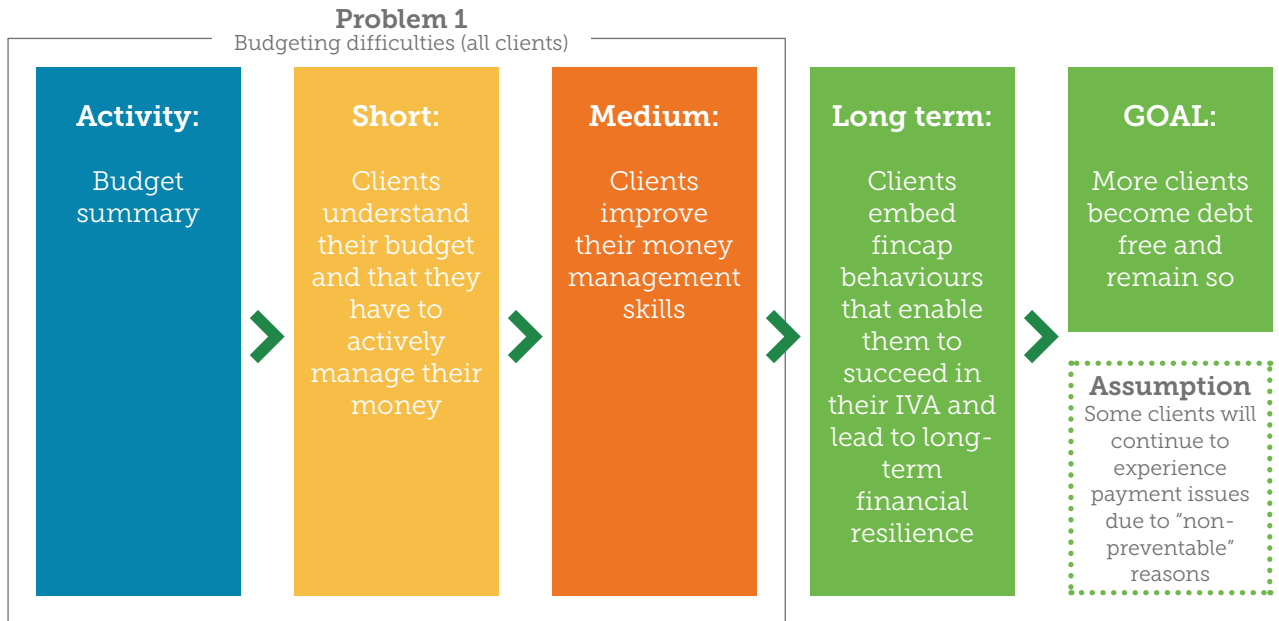
Gathering and using this existing learning will be key to developing this area of the strategy as well as other related workstreams across the Money Advice Service.

In the coming months MAS will start to map this existing practice, evidence and thinking and will invite interested stakeholders to share details of their projects.

MAS will use the insights gathered from this exercise to inform a small funding stream within its What Works project aimed at filling knowledge gaps and establishing 'what works' when offering blended debt advice and financial capability interventions.

The evidence mapping exercise will be launched in Q1 of the business year 2018/19 with the subsequent What Works fund' launching later the same business year.

Appendix 1 Theory of change



Appendix 2 Project Structure

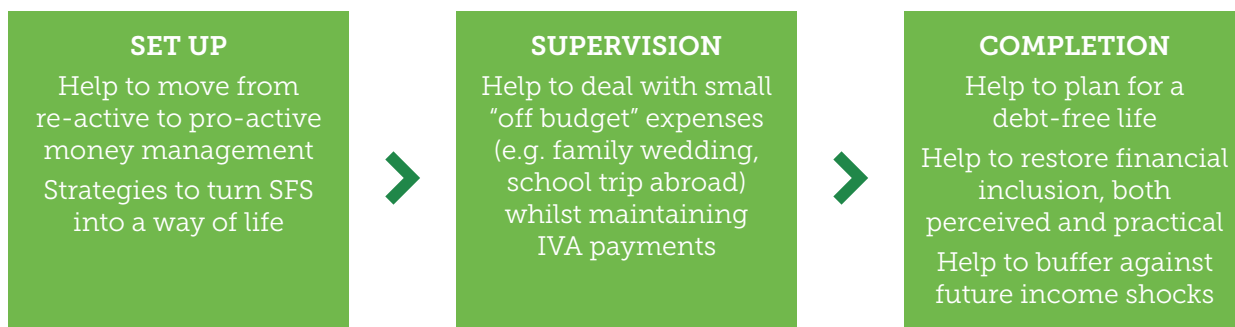
The project was structured into several phases: a scoping phase to gather insights; a design phase to develop the intervention to be tested; an implementation phase where the intervention was deployed; then an evaluation phase to determine how effective this had been.

The scoping exercise consisted of:

- adviser focus groups (with approx. 10 advisers);
- review of data and MI routinely collected by Aperture IVA;¹²
- live call listening (approx. 15 calls);
- review of client-focused documents and materials sent out by Aperture IVA; and
- review of client research projects previously undertaken by Aperture IVA.¹³

This scoping exercise provided an opportunity to assess the full IVA journey to identify specific financial capability challenges for clients. It was also used to gather evidence and ideas to inform development of potential interventions during the design phase.

Clients experience different financial challenges at each stage of their IVA meaning that each phase presents opportunities to improve different aspects of a client’s financial capability. This is summarised in the diagram below:



Scoping phase findings

The IVA process

IVA clients pass through 3 main stages in the IVA journey:

- **Set-up.** This is where a tailored income and expenditure is produced and suitability for an IVA assessed. A proposal is then sent to creditors who vote on whether to accept. Upon approval, further communication with clients takes place to set up payment and communicate terms of the IVA.
- **Supervision.** On each anniversary of the client’s IVA, an annual review of the client’s financial situation takes place. Continued suitability of the IVA is assessed. Calculation of any ad hoc payments due (overtime/bonuses) is completed. Where circumstances have changed significantly ‘re-proposal’ of new IVA terms takes place. On an ad hoc basis, payment breaks and arrears are processed if necessary.
- **Completion.** Homeowners are assessed for potential for equity release (in line with standard IVA requirements), arrangements are made for the collection of any outstanding payments, completion certificates are issued (usually about 6 months after IVA payments cease to fall due).

The scoping phase revealed a failure to adopt a forward-planning approach to money management was among the most prevalent financial capability challenges for clients in the early stages of their IVA.

¹² Includes payment and arrears data, average call handling times, reasons for inbound and outbound client contact.

¹³ **Emotional Links with Psychology of Debt** produced for Aperture IVA by Dr Aidan Feeney, Queen’s University Belfast, 2012. Customer engagement research, conducted by Boxclever for Aperture IVA, 2013 (unpublished). ‘Life After Debt’, produced by Dr Aidan Feeney, Queen’s University Belfast, 2014 (unpublished).

Appendix 3 Demographic analysis of sample populations

Demographic make-up

Aperture IVA shared demographic data on the two groups to allow us to explore whether the two groups were broadly similar and that there were no significant differences in the demographic make-up which may explain any differences in the performance data we analysed.

Aperture shared data on: gender, age, location, family size, income, IVA contribution, level of debt and number of creditors.

We used this data to compare the make-up of both samples on the basis of age, gender and income-to-debt ratio. We chose not to compare the family size of the two samples as it was not possible to distinguish the household composition (ie, a three-person family could consist of a single parent with two children, two parents and a child, or three adults).

We found that there were some differences between the demographic make-up of the two groups, which we have described below. Due to the nature of the study, it is not possible to ascertain the extent to which these demographic differences may influence the outcome indicators we selected. Further research would be necessary to understand this.

Age:

A higher proportion of BAU clients are within the pre-retirement (50-64) age group, resulting in lower proportions across other age groups.

	BAU	Pilot
Under 30	6%	6%
30-39	23%	26%
40-49	34%	39%
50-64	28%	16%
65+	8%	13%

Gender:

Closely aligned, although the pilot group is skewed towards female.

	BAU	Pilot
Female	29%	32%
Male	71%	68%

Income to debt ratio:

The table below shows the total amount of debt as a ratio of annual income – ie, if the individual earns £10,000 per year and their debt is £25,000 their debt would equate to 2.5 years' income. The pilot group has a higher proportion of clients who owe between 1 and 5 years' worth of income, and therefore lower proportions at the highest and lowest ratios, particularly 10+ years.

	BAU	Pilot
Under 1 year	21%	15%
1-<2 years	21%	29%
2-<5 years	31%	36%
5-<10 years	19%	17%
10+ years	8%	4%

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