Standard Financial Statement

User Guide

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Introduction

The purpose of this guidance is to explain the format of the Standard Financial Statement (SFS) and the intentions behind the categories contained within it.

In the event that there are differences between this guidance and regulatory requirements, such as the FCA rulebook and insolvency law, the regulatory requirements must always take precedence.

Principles

The SFS is underpinned by the following set of principles, which users of the tool must adhere to:

- A commitment from organisations representing clients or assisting them in completing a financial statement that they will provide a meaningful explanation if spending guidelines have been exceeded. This will enable consideration of exceptional circumstances.
- A commitment from creditors not to challenge statements where expenditure falls within spending guidelines and to accept advisers' reasonable explanations, unless they have reasonable cause to believe that the customer's income and expenditure statement may be incomplete or inaccurate.
- A commitment to use the latest version of the SFS and spending guidelines.
- A commitment to a partnership approach that improves transparency between advisers, clients and creditors.

1 Section one: general

1.1. This guidance sets out an approach to achieve consistency in the application of the SFS and client contribution calculations that are fair to all parties concerned.

1.2. The guidance recognises that circumstances will be different for each individual client and it sets out some key guiding principles, while still allowing for reasonable adviser and agency level discretion. The guidance follows the structure of the SFS and provides general information on what is required to support the financial and household information recorded.

1.3. The income and expenditure information gathered from the client will be input to create a two-page Standard Financial Statement. In the first instance, this should be returned to the relevant creditors who will take it as an accurate reflection of the client's circumstances, unless there are clear and exceptional reasons not to do so. If a creditor has a query or requires more detail on a given point, it is expected they will contact the advice agency to discuss further or the client directly where they are negotiating with creditors themselves.

1.4. The data must be input using the most up-to-date version of the SFS, including the most up-to-date spending guidelines.

Timeframes

1.5. When entering figures directly into the SFS Excel tool, there is the functionality to enter amounts as weekly, fortnightly, monthly, quarterly or annual figures. Resulting totals will be calculated by the spreadsheet as a monthly figure.

Additional information / use of notes

1.6. The SFS provides an area for notes against each individual entry to the tool and a larger section for general notes at the end of the statement. Examples of detail that may be added include meaningful explanation of spending above guidelines, exceptional client circumstances, explanation of vulnerability and expected first payment date, if appropriate. Please note this is not an exhaustive list.

Self-help clients

1.7. Where organisations provide a self-help tool to support clients in resolving their debt problems and assist them in creating a financial statement, the agency providing the tool should have a SFS membership code number However, members of the public using these tools will not require their own code number.

1.8. Agencies offering self-help advice should take reasonable steps to encourage clients to provide creditors and others with adequate information to support their financial statement.

1.9. For self-help clients, the fields 'contact / team name', 'agency', 'agency address', 'membership code number' and 'case reference number' may not be required. However, in these cases, it should be made clear where the SFS has originated from and where queries should be directed.

2 Section two: completing the client / agency details

2.1. All fields in the client / agency section at the beginning of the form are mandatory to create a compliant SFS, aside from those marked '(if applicable)', which can be left blank if appropriate.

Adding a partner

2.2. Details for an additional client should be added when a joint application is being made. A financial statement can be prepared based on a client's sole income even if they have a partner.

2.3. In the SFS Excel tool, two sets of tick boxes are provided under the 'Employment' category to record a partner's employment status if applicable.

Other dependants

2.4. It is important to account for any household contribution from or any expenditure by other dependants. Accordingly, a category is included to list 'other dependants' in the introductory section.

2.5. For many organisations, they will only record dependants and non-dependants, creating some confusion over the definition of 'Other dependants'.

2.6. The intention for this field is to capture household members who, while they may have their own income and possibly contribute towards household expenditure, would still be considered dependent on the head of household's income. The addition of an 'Other dependant' would be considered as an additional adult in terms of the application of spending guidelines.

Number in household

2.7. This number cannot be less than the total number of people entered for dependent children, other dependants and the applicant(s). It can, however, be more; for example, where there are non-dependants in the household who are impacting on household income or expenditure.

Number of vehicles in household

2.8. For clarity, vehicles subject to a Statutory Off Road Notification would not be included here but may still be considered an asset.

Assets

2.9. Assets can have a significant impact on advice given. Advisers should therefore adhere to their organisational policies on treatment of assets and the relevant statutory insolvency requirements. Users should tick the box confirming that use of assets to make lump sum payments has been considered. However, advisers must respect the boundaries regarding regulated advice for assets such as property and pensions.

Contact / team name, agency and agency address

2.10. This should be completed so recipients of the SFS can see where the statement has originated from and where to direct queries.

Membership code number

2.11. A valid membership code number must be entered, which can be obtained from the SFS website by completing the application form and agreeing to the SFS Code of Conduct. This number must be the one given to the organisation and enables anyone to look up the validity of the membership code using the search functionality on the SFS website. Failure to enter a number in this field may result in a creditor or other relevant body rejecting the financial statement.

Date of statement

2.12. This should be the date the budget was last agreed by the client as an accurate reflection of their financial situation.

Self-help clients

2.13. Some fields in this section may not be relevant for self-help clients. Please see paragraphs 1.7, 1.8 and 1.9 for further guidance.

Date of review

2.14. If appropriate, advisers can add the date when they expect to review the client's financial situation.

Self employment

2.15. The SFS does not include budgeting categories for business-related expenditure. As business and trading cases can be complex in nature, appropriate clients should be signposted to an adviser with relevant skills.

3 Section three: overview and monthly income

3.1. An overview section is included at the beginning of the SFS.

3.2. If an adviser is entering data using a digital system or the SFS Excel tool, these fields will automatically populate as the income, expenditure and savings details are completed.

Earnings

3.3. The 'Earnings' category includes 'Salary or wages (take home)' and 'Partner salary or wages (take home)'. Therefore, the amounts included in the SFS should be after all deductions direct from pay have been made for example auto-enrolment pension contributions, childcare vouchers or healthcare schemes – with the exception of direct from earnings deductions on priority debts, as per point 3.7 below.

3.4. The deductions should not be included as expenditure in the SFS, to avoid double counting.

3.5. Advisers should provide comments where necessary.

3.6. Advisers should refer to their organisational policy on what may or may not be reasonable direct deductions from earnings and discuss with the client as appropriate. Where these relate to pension or other financial services product contributions, advisers must avoid providing any regulated financial advice.

3.7. Arrears on priority debts subject to direct from earnings deductions (such as Direct Earnings Attachments, Deduction from Earnings Orders, Attachment of Earnings Orders, Conjoined Arrestment Orders and Earnings Arrestment) should be listed in the debt section as a priority debt.

3.8. The amount being deducted should not be included in the fields under 'Earnings' but alongside the listing of the arrears in the priority debt section, under the 'Offer' column.

3.9. This is to give clarity to clients and creditors around deductions in place and visibility of when they are likely to be cleared.

3.10. For example, in a household earning £2000 per month, paying £200 tax and £75 national insurance, and with a priority debt of £800 with a £40 attachment of earnings:
Net income:
(2000 – 200 – 75) = 1725
Debt listing:
Priority debt / Owed – 800 / Repayment (via attachment of earnings in comments) - £40

Partner salary or wages

3.11. This field should only be completed in joint applications. In sole applications, contributions from a partner should be included as 'Other income' in the 'Other income' section with an explanatory note if required.

Other earnings

3.12. All other earnings should be included in this section, along with comments if necessary.

Benefits and tax credits

3.13. Disability Living Allowance (DLA), Attendance Allowance (AA) or Personal Independence Payment (PIP) should be included under the 'Disability Benefits' field in 'Benefits and tax credits'. Advisers should add a note to explain the amount paid under each allowance / payment and may wish to add a note to explain if both mobility and care components are awarded.

3.14. The intention behind these payments is that they will be used for specific disability costs and related expenditure should be recorded as appropriate. Disability related expenditure should be listed under 'adult-care costs', while expenditure relating to mobility needs should be included within the 'transport and travel' category. However, it should be noted, clients may also choose to use DLA, AA or PIP payments to repay debt, where appropriate.

3.15. Advice organisations may differ in how they record Local Housing Allowance (LHA) in income and expenditure. Advisers should therefore refer to the guidance from their own organisation when considering how to record LHA and associated outgoings.

3.16. Where deductions for priority debts are being made direct from benefits, please treat benefits the same as any other earnings in regards to these deductions (see point 3.4-3.10).

Other income

3.17. Any other income not listed elsewhere on the statement should be included in this section, along with comments if necessary. For clarity, any contribution towards household costs by a dependant should be listed in other income and a note added if appropriate.

4 Section four: monthly outgoings – fixed costs

4.1. The SFS groups spending into two sections; fixed and flexible outgoings. Items in these two sections are further grouped under headings.

Gas and electricity

4.2. In many cases, gas and electricity will be combined in a 'dual-fuel' bill. Where possible, these payments should be separated and included in the corresponding expenditure categories. If it is not possible to obtain the separate figures, the expenditure should be included in 'Gas'.

Water

4.3. Water has been included as a standalone category with sub-categories for water waste and water supply. This is because clients in some regions may be billed separately for these two services.

4.4. In some areas of the UK, water and water supply will be included with council tax payments. Where possible, these payments should be separated and included in the corresponding expenditure categories. If it is not possible to obtain the separated figures, the expenditure should be included in 'Council tax / rates' and a note added to reflect it also includes water costs.

School costs

4.5. For clarity, private school fees should not be included under this heading. See paragraph 5.10 for further guidance.

Other essential costs

4.6. Any items of additional fixed costs not captured under the given categories should be included in this field along with any relevant comments.

4.7. For clarity, court fines being repaid in instalments should be included in this section. The exception to this being where these are directly deducted from earnings or benefits. In these cases, refer to the guidance given in points 3.7 to 3.10.

Items deducted directly from salary, wages or benefits

4.8. Clients may have items deducted direct from their salary, wages or benefits. Where these deductions are expenditure items such as pension contributions, childcare vouchers, insurance contributions, these should not be listed in expenditure but simply reflected in the take-home pay and commented accordingly. This is to avoid these outgoings being counted twice. Where these deductions relate to payments on arrears, guidance points 3.7 to 3.10 should be followed.

5 Section five: monthly outgoings - flexible costs

5.1. The SFS includes a set of pre-agreed spending guidelines associated with the three areas of flexible spending costs.

5.2. The spending guidelines are a set of figures derived from Office of National Statistics data that provide a benchmark for typical flexible or discretionary monthly spending based on household composition.

5.3. The guidelines cover three spending categories:

- 'Communications and leisure'
- 'Food and housekeeping'
- 'Personal'

Updates to spending guidelines

5.4. The spending guidelines will be updated periodically to reflect changes to expenditure patterns and any significant fluctuations in the Consumer Price Index. This will ensure that the real value of the expenditure figures is maintained over time.

Discussing spending guidelines

5.5. The SFS spending guidelines must not form the starting point for any assessment of expenditure. Only in circumstances where spending guidelines have been exceeded or where an adviser believes further reflection on expenditure is required, should they be used as guidance around levels of expected spending.

Exceeding spending guidelines

5.6. In circumstances where spending guidelines need to be exceeded, a comment should be added in the notes and any evidence of why this expenditure is required should be provided, where possible.

Spending categories

5.7. While not an exhaustive list, further detail of expenditure included within each area of flexible spending is included as an appendix.

Home phone, internet, TV package and mobile phone

5.8. In some cases, expenditure across both these categories will be presented as part of a combined bill. Where possible, the mobile phone elements should be separated and included in the corresponding expenditure category. If it is not possible to obtain the separated figures, the expenditure should be included in 'Home phone, internet, TV package'.

Smoking products

5.9. It is important that offers of payment submitted to creditors using the SFS are realistic and sustainable. For this reason, smoking has been included in the budget. Costs for 'smoking products' should be included under 'food and housekeeping' in the 'monthly outgoings: flexible costs' section. If the total housekeeping amount does not exceed the spending guideline for this category, it should not be queried by creditors. If spending on cigarettes and tobacco is significant, this may lead to the spending guideline being exceeded. In these cases, an explanation should be included in the notes as creditors and other relevant bodies vary in how they consider smoking related costs.

Private school fees

5.10. In exceptional cases, it may be appropriate for a client to pay private school fees. These costs should be included under 'Other costs' in the 'Personal costs' section and a note added to explain the specific circumstances.

6 Section six: savings category

6.1. The savings category is a standalone category within the fixed costs section of the SFS and is separate from the income and expenditure outlined in other categories. The primary purpose of this category is to foster a habit of regular savings for clients; the advantages of which include:

- Providing a protective element for clients against unforeseen financial shocks;
- Providing an enabling element for clients, such as saving for a goal;
- Decreasing the chance of disruption to agreed repayment plans;
- Fostering positive financial behaviour.

Savings level

6.2. The savings level is can be set at any amount up to a maximum level of 10% of the client's available income (the income left after outgoings have been paid but before payments to creditors are made), with a cap of £20 per month. For clarity, the maximum levels of saving are per SFS and would not, for example, be doubled in a joint budget. When using the SFS Excel tool, users will be able to enter any value agreed with the client, though a warning will show if the £20 limit is exceeded. There is no restriction on the total amount which can be saved on an ongoing basis within the limits described above. An exception to this is if the client is entering an insolvency solution. In which case, insolvency rules and procedures should be followed.

Other considerations

6.3. Clients should be given all of the information in relation to the benefits of savings and an explanation of how this would impact on their repayment plans and debt solutions, for example highlighting the consequences of reducing the amounts available to offer to creditors. Ultimately, if a client chooses not to save then this should be accepted.

6.4. Given the recognised benefits of savings, reviews of client circumstances may be an opportunity to revisit the savings category. This is particularly the case where a client's available income has increased, and/or their expenditure or repayments have decreased.

Priority debts

6.5. Arrangements to deal with any priority debts the client has should take precedence ahead of the savings category. However, if it is not practical to obtain agreements with all priority creditors immediately, then advisers may use discretion to include savings if it is considered that reasonable offers on the priority debts are being made. This will avoid possible delays and enable the financial statement to be sent to all creditors at the earliest possible time. As with other changes in circumstances, if arrangements are subsequently refused or fail, the savings allowance may need to be revisited.

Debt administration fees

6.6. Any debt management administration fee should be subtracted after the savings contribution has been considered. Please see section 7 for further guidance.

Products

6.7. Whilst a debt adviser must not compel a client to save in any particular product, advisers should note that introducing clients to deposit accounts, and enabling the client to make an informed choice about using that deposit account, is not a regulated activity. A client should be advised to set up a standing order, where possible, to pay the savings contribution into the deposit account.

6.8. Advisers should be aware that there are no regulatory barriers to making a client aware of the HMRC Help To Save Scheme, which will give a 50% bonus on savings within the scheme. Please note that only certain clients will be eligible, this eligibility criteria and further information on the scheme can be found at: https://www.gov.uk/get-help-savings-low-income.

6.9. Advisers should recommend that clients save in an account with a savings provider to whom they do not owe money (or with a creditor who has formally agreed not to exercise their right of set off on any credit balances held).

6.10. Clients should also be encouraged to deposit their savings in an account which is covered by the Financial Services Compensation Scheme.

7 Section seven: debt admin fee

7.1. A field is included to record debt administration fees if applicable. For clarity, this would not include fees associated with formal debt solutions, such as a payment distributor fee in a Debt Payment Programme in the Debt Arrangement Scheme or a supervisor fee in an Individual Voluntary Arrangement, as these are dealt with as part of the formal process.

7.2. If appropriate, advisers should add a note to explain the breakdown of any administration fees and any likely changes, such as when a set-up fee paid in instalments concludes.

8 Section eight: debts

8.1. Individual debt listings should be made in the corresponding priority or non-priority section. If using the SFS Excel tool, a free text field is provided for listing the name of the creditor. If the originator or type of debt is not clear from the current creditor name, then a note should be added in the comments box.

8.2. The outstanding amount owed, and the repayment offer, should be entered in the corresponding columns as appropriate.

Priority debts

8.3. Arrangements to deal with any priority debts the client has must take precedence ahead of non-priority debts. In some cases, it will not be possible to obtain agreements with all priority creditors immediately and therefore advisers may use discretion to calculate and make offers on non-priority debts if it is considered that reasonable offers are being made on priority debts. This will avoid possible delays and enable the financial statement to be sent to all creditors at the earliest possible time. As with other changes in circumstances, if arrangements are subsequently refused or fail, the offers on non-priority debts may need to be revisited.

8.4. To avoid double counting of payments towards priority debt, only the arrears amount should be listed in the 'owed' column in the debt section, along with any offer of payment already made. The ongoing liability should be recorded in the outgoings section where appropriate.

8.5. Arrears on hire purchase and conditional sale items are sometimes treated as priority debts, such as those related to a vehicle which is essential for work. In these cases, only the arrears amount should be included, rather than the full amount outstanding, as the usual contractual payment should be recorded in the outgoings section.

8.6. Please also see paragraph 3.5 with regard to repayment of arrears on priority debts made through direct deduction from earnings.

Non-priority debts

8.7. Where pro-rata payments are appropriate for all non-priority debts, all creditors should be listed, along with the full amount outstanding. If using the SFS Excel tool, the financial statement will automatically populate the repayment offer column with pro-rata amounts by balance owed. As agencies may differ in how they pro-rata non-priority debts, the tool provides the functionality to override these amounts for organisations using a different calculation method.

8.8. Where a CCJ is in place for a non-priority debt, the tickbox should be checked alongside the debt listing. Advisers should override the pro-rata amount to reflect the requirement of the CCJ.

8.9. If using the SFS Excel tool, advisers can use the red boxes against 'Token Payments' or 'Round to the nearest' to set an appropriate value for these overriding calculations.

Appendix

When inputting a client's expenditure to the flexible outgoings section, a breakdown of items which may be included under the three main categories are listed below for reference. Please note this is a guide and not an exhaustive list.

Communications and leisure

Home phone, internet, TV package (including film subscriptions)

- Telephone account
- Telephone purchase
- Answering machine, fax machine etc
- Telephone coin and other payments
- Satellite subscription
- Rental for TV/Satellite/DVD players
- Cable subscription
- TV slot meter payments
- Entertainment rental (video cassettes, DVD rental, library hire)
- Internet subscription fees

Mobile phone

- Mobile phone purchase
- Mobile phone - other payments
- Mobile telephone account

Hobbies, leisure or sport (including socialising, outings and clubs)

- Spectator sports, participant sports, equipment hire
- Subscriptions to sports and social clubs
- Leisure class fees
- Cinemas and live entertainment: theatre, concerts, shows
- Museums, theme parks, houses and gardens
- Social events and gatherings
- Subscriptions for leisure activities and other subscriptions
- Eating out
- Games, toys and hobbies
- Computer software, consoles and games
- Gardening materials

Gifts (including birthdays, festivals and charitable donations)

- Money/presents given

Pocket money

- Money given to children for specific purposes
- Pocket money

Newspapers, stationary and postage

- Diaries, address books, cards etc.
- Cards, calendars, posters
- Newspapers
- Postage

Food and housekeeping

Groceries (including food, pet food, non-alcoholic drinks and cleaning)

- Food and non-alcoholic drinks
- Pet food
- Hot / cold take away meal eaten at home

Nappies and baby items

- Baby toiletries and accessories

School meals and meals at work

- School meals
- Meals bought and eaten at workplace

Laundry and dry cleaning

- Dry cleaners
- Laundry, launderettes
- Detergents, washing-up liquid and washing powder

Alcohol (consumed at home)

- Spirits and liqueurs
- Wine
- Beer and lager
- Ciders
- Alcopops

Smoking products

- Cigarettes
- Cigars
- Other products

Vet bills & pet insurance

- Veterinary and other services for pets

Maintenance and repair of dwelling

- Central heating repairs
- House maintenance
- Other services for the maintenance and repair of the dwelling
- Paint, wallpaper, timber etc.

Personal costs

Clothing and footwear (for men, women, children and infants)

- Clothing and underwear
- Footwear
- Repair and hire of footwear
- Accessories

Hairdressing

- Hairdressing and beauty treatment
- Hair products

Toiletries

- Toilet paper
- Toiletries
- Cosmetics and related accessories
- Electrical appliances for personal care, including hairdryers, shavers etc

Version Control: v2.3

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Date of Last Update: 25/04/2019