



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

We Are Debt Advisers
c/o 27 Cambridge Street
Leicester
LE3 0JQ

21 January 2021

Dear Damon,

Thank you for your letter of 12 January about the breathing space scheme. The Government recognises the vital work done every day by debt advisers to support people in financial hardship, particularly at this difficult time, and is grateful for your thoughtful engagement in these matters.

The Government wants breathing space to work well for everyone involved, including debt advisers, whose expertise is so crucial to its success. Extensive consultation and engagement has been undertaken in recent years, including publishing detailed consultations and responses on the policy to seek views and set out the rationale for the choices made. [Guidance to support debt advisers](#) in understanding the regulations was published by the Insolvency Service in December 2020, reflecting further engagement with representatives from the debt advice sector, creditors, regulators and trade bodies over the last year.

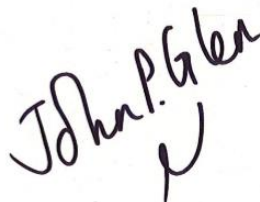
I appreciate the concerns expressed in your letter about the circumstances that different clients experience and the challenges that debt advisers face in supporting them. Your letter asks for a number of flexibilities for debt advisers, including greater discretion to determine the length of a breathing space beyond 60 days, and to offer clients more than one breathing space each year.

The Government set out its rationale for its policy on each of these issues in its [June 2019 consultation response](#). A fixed duration appropriately balances the interests of debt advice clients and the rights of their creditors, and a limit on the number of times an individual can enter a breathing space is an important safeguard against abuse of the scheme. Greater flexibility is built into the mental health crisis breathing space, reflecting the nature of mental health crisis treatment and also the particular challenges that are likely to arise in supporting those clients, but the Government's view is that these measures are needed in the rest of the scheme.

You also suggest that the midway review could create a disproportionate burden for debt advisers. The June 2019 consultation response explained the Government's view that the midway review is essential to ensure the scheme works as intended. The Government agrees that debt advisers need to retain their professional discretion to determine when it is best to contact clients. The debt adviser is not required to contact their client during the midway review, but can make their own judgement about what appropriate client engagement will mean in each individual breathing space. I hope that the publication of the debt adviser guidance has helped further to clarify the Government's intentions for the midway review.

Turning to the choice of debt solutions available to individuals after a breathing space, I can reassure you that the Insolvency Service regularly reviews the insolvency framework to ensure it remains fit for purpose. On 12 January 2021 the Government launched a [consultation on the monetary eligibility criteria for individuals to enter a Debt Relief Order \(DRO\)](#), which would give more people in serious financial difficulty access to debt relief. I hope that you will agree that this is a helpful and practical step.

I am very grateful to We Are Debt Advisers and the individual signatories to the letter for sharing these proposals and the accompanying detailed briefing. With less than four months to go until the scheme's start date, I am also mindful of the need for certainty and stability in the requirements to allow organisations across the economy to make the appropriate preparations. While I am not able to commit to the changes you have requested at this stage, I can assure you that the Government has every intention of making this scheme a success, and will keep these matters under review. Although a meeting will not be possible due to diary pressures, I would encourage your continued engagement with my officials on these matters.

A handwritten signature in black ink that reads "John P. Glen" with a stylized flourish underneath.

JOHN GLEN