

Consultation response on Request to Pay system

Citizens Advice believes the provision of a flexible payment system will be of particular benefit for many customers who currently choose to opt out of using direct debit systems and face financial penalties as a result.

Our research indicates that people's finances are more unpredictable than ever. Falling wages, growing levels of debt, low levels of saving and the high prices people pay for essentials mean that people have little room for manoeuvre when faced with volatile earnings or a loss of income. Analysis conducted by the New Policy Institute of panel data from the Living Costs and Food survey 2015/16 found that 21% of households (5.6 million) have a current income below their normal income. Of these, 45% reported a weekly shortfall of over £100. This means that households are unable to regularly predict their weekly budget and may be unable to commit to an ongoing direct debit.

Request to Pay is an opportunity for people to respond directly to changes in their financial circumstances. It would provide greater flexibility for households struggling to make payments, allowing them to smooth their expenditure during times of illiquidity. It could also help to address in some way the common issues experienced by some households in financial distress, including unnecessary overdraft fees and the stress associated with financial difficulty. A nationally representative poll commissioned by Citizens Advice found that, at present, people whose income varies substantially from month to month are twice as likely to have paid overdraft fees in the past 12 months - 37.1% compared with 16.8% amongst all UK adults.

We also identified that people who said they had struggled to make a payment on a bill because they could not afford it were more than twice as likely to have experienced mental health problems over the past 12 months - 42.9% compared with 19.1% amongst those who had not struggled. Allowing customers greater control over bill payment will help to ease the burden of overdraft fees and give customers greater control over their finances. To that end the system addresses consumer detriment and the challenges experienced by many of our clients. Inevitably, a system which relies on interactions with prompts or alerts either online or through mobile technology will represent a barrier to digitally excluded people. These customers should have continued access to payments systems that they are familiar with.

One suggested amendment to the system outlined in the document which could be explored is the development of a prompt or reminder for customers who repeatedly

defer a bill payment that free debt advice is available. The effectiveness of different methods for such a prompt could be piloted. One method may be to link customers to the government's Money Advice Service online free debt advice locator or other equivalent advice portal. In the long-term, customer access to appropriate debt advice would potentially help firms to bring administrative costs down as they would likely spend less money on enforcement action.



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