

**Response to Consultation Paper CP70: Consultation on the Authorisation Requirements and Standards for Debt Management Firms and the Amendment of Minimum Competency Code 2011:**

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**Background:**

Gregory Pennington Limited was established in 1993 to offer financial management, budgeting and debt help services to consumers experiencing financial difficulties. Since that time we have helped over 200,000 clients on their journey to becoming debt free and we currently provide ongoing informal debt management services to around 46,000 individual clients; helping them to manage their finances on a day to day basis; assisting with their priority bill arrears repayments; negotiating with their unsecured lenders; collecting and distributing payments to their unsecured creditors and helping them move to a more sustainable financial future.

We are part of the Think Money Group Limited, which provides a range of debt, money management, finance and insurance services.

Gregory Pennington is also a founding member of the Debt Managers Standards Association (DEMSEA); the only trade body (in England, Wales, Scotland & Northern Ireland) within the debt sector to have gained approval for their Code of Conduct through the Office of Fair Trading (formerly) and now overseen by the Trading Standards Institute. DEMSEA was established in 2000 to help raise standards within the debt advice and management sector.

Through the Group we provide access to the full range of informal and statutory debt solutions, we are also a designated Competent Authority in England & Wales; as well as in Northern Ireland, with responsibility for authorising and monitoring Approved Intermediaries; who provide access to Debt Relief Orders.

Gregory Pennington is also one of only four Payment Distributors, contracted by the Accountant in Bankruptcy (in Scotland) to collect and distribute client monies in connection with the Debt Arrangement Scheme.

**Response to consultation:**

We are broadly supportive of the proposals outlined and are particularly pleased to see the intention to ensure activities of debt management providers (and their representatives) are appropriately authorised and scrutinised. Consumers have the right to expect a high quality of service and appropriate competency and redress; where this falls short.

We do however have some concerns with the extent of the regulatory requirements proposed, which we have provided commentary on below:

**State offices:**

We do not believe it is necessary for a firm to have head offices within the State, in order to demonstrate appropriate controls and compliance monitoring functions. Through the Group we

have operational services within Scotland, Wales and Northern Ireland, with our main compliance and governance functions located within our head office in Salford, England. We have operated in this way for a number of years; always ensuring appropriate controls and compliance monitoring regardless of where services are being provided. Gregory Pennington is a telephone based debt management provider and whilst we would always accommodate face to face support for our clients; in reality this is very rarely wanted or needed.

Qualifications:

Whilst we understand the need to ensure firms and individuals are appropriately qualified and competent to offer debt advice; we do not believe this should be targeted solely where remuneration from clients is intended. The risk to consumers in receiving inappropriate or misguided advice is not diminished simply because they are not directly paying for it. We do however acknowledge that where there is profit motivation; some firms or individuals may be misguided by their own interests rather than those of their clients. However all consumers deserve the right to professional advice from a suitably qualified provider. We would therefore like to see all firms and individuals, regardless of funding sources, to be subject to the same level of competency requirements.

Subject to the above comments, we welcome the proposed qualification and minimum competency requirements outlined.

Insurance:

We have some concerns with the level of Professional Indemnity Insurance proposed. Whilst we fully appreciate the need to ensure appropriate advice is provided and where this proves not to be the case, consumers are able to obtain adequate redress and compensation, we do feel that the requirement to hold cover to the extent of clients combined overall indebtedness is unnecessary and potentially may prove to be a barrier to entry. The likelihood of an individual or firm providing poor advice to *all* of their clients is unrealistic. We do however support the need to ensure adequate consumer protection, but believe the level of insurance required should reflect a proportion of the overall indebtedness that the firm is advising on; not the total amount. We also believe that all providers of debt advice should be required to hold adequate Professional Indemnity Insurance (regardless of who they are funded by) to ensure all consumers are afforded the same level of protection and financial remedy.

Conclusion:

With the exception of the points outlined above, we are fully supportive of the additional measures intended to enhance consumer protection and bring greater professionalism and accountability to the debt management sector.

We would welcome the opportunity of discussing these proposals further and contributing to the shaping of the new regulatory framework.

Yours sincerely

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