ACCOUNTANT IN BANKRUPTCY
SCOTLAND'S INSOLVENCY SERVICE

Common Financial Tool

Bankruptcy (Scotland) Act 2016 &
Bankruptcy (Scotland) Act 1985, as amended

November 2016
(Revised April 2019)

1 PENNYBURN ROAD
KILWINNING AYRSHIRE KA13 6SA
T 0300 200 2600 F 0300 200 2601
WWW.AIB.GOV.UK

The Common Financial Tool

Guidance

1. Introduction

1.1 The Bankruptcy and Debt Advice (Scotland) Act 2014 and The Common Financial Tool etc. (Scotland) Regulations 2014 (the CFT Regulations) introduced some important changes to the process of personal insolvency administration in Scotland. One of the primary changes was the adoption of a Common Financial Tool (CFT) for the purpose of assessing a debtor's contribution in all of the available statutory debt solutions.

1.2 The requirement to use the CFT was continued with the implementation of the Bankruptcy (Scotland) Act 2016 and the Bankruptcy (Scotland) Regulations 2016.

1.3 The policy aim of the legislation and the use of a single tool are to help achieve consistency and transparency in relation to any determination of the level of contribution that a debtor might pay in respect of Scottish statutory debt solutions. This supports one of the core policy principles that underpin the Scottish Government and Accountant in Bankruptcy's (AiB'S) programme of bankruptcy reform - namely that those who can pay their debts, should pay.

1.4 Money advisers, who advise debtors on Scottish statutory debt relief and management options, are obliged to use the CFT when assessing a debtor's financial situation and their ability to pay a contribution. A trustee must use the CFT to determine the amount of contribution payable in a protected trust deed and bankruptcy and a money adviser must use the CFT to determine the expected contribution payable under the Scottish Government's Debt Arrangement Scheme and on submission of a debtor's application for bankruptcy.

1.5 The CFS is a partnership initiative facilitated by the Money Advice Trust (MAT), supported by UK Finance. The CFS was published in 2002 and represents a commitment from its sponsors in the credit and advice sectors to create a uniform approach to how individual and household budgets are prepared and to encourage consistent responses from creditors to offers of debt repayment.

1.6 Regulation 15 of the Bankruptcy (Scotland) Regulations 2016 and Regulation 3 of the CFT Regulations set out the basis of the contribution payable by a debtor in a Scottish statutory debt solution. This stipulates that the contribution shall be the debtor's whole surplus income in excess of the lower of the debtor's expenditure, or the "trigger figures" which are maintained by the Money Advice Trust.

The debtor may be allowed an amount of expenditure that exceeds the trigger figures. However, in these circumstances the money adviser/trustee is required to demonstrate the rationale for the increased expenditure by providing an explanation for each individual occurrence. Evidence should be retained and made available on request by the Accountant in Bankruptcy (AiB). There is a requirement to obtain primary evidence associated with the categories included with Essential Expenditure during the pre-application stage.

1.7 Regulation 15 of the Bankruptcy (Scotland) Regulations 2016 and Regulation 3 of the CFT Regulations also make reference to the need for any person applying the common financial tool to have regard to guidance issued by AiB on –

a) the treatment of types of income and expenditure to be taken into account;
b) how income and expenditure are to be verified by the money adviser and the trustee; and
c) the conduct of money advisers in carrying out their functions under the Bankruptcy (Scotland) Act 2016 or the Bankruptcy (Scotland) Act 1985 (as amended) in relation to the CFT.

1.8 This Guidance sets out an approach that is designed to help achieve consistency in the application of the CFT and debtor contribution calculations, that are fair and reasonable to all parties concerned.

The Guidance was co-produced by a Working Group including representation from Citizens Advice Scotland, Money Advice Service, Money Advice Scotland, the Insolvency Practitioners' Recognised Professional Bodies (IPA and ICAS), the Local Authority Money Advice Service; StepChange and the Association of British Credit Unions (ABCUL). We are very grateful for their assistance, and their commitment to help oversee the document's evolution over time.

The minutes of the Working Group's meetings are published on the AiB website here.

1.9 The Guidance follows the structure of the CFT and provides detail on the information requirements and evidence that should be obtained to support the financial and household information recorded within each section. The Guidance recognises that circumstances will vary in each individual case and aims to set out some key guiding principles rather than prescriptive or legally binding rules.

1.10 Individual circumstances may impact on a client's ability to provide evidence or information to support the income and expenditure calculation. Factors including a debtor's physical or mental health problems or learning difficulties can impact on the ability of the money adviser/trustee to obtain all information required. In these circumstances, an explanation of the client's circumstances should be provided by the adviser.

Applications for bankruptcy

1.11 AiB recognises there are situations where it is not always possible to evidence fully a debtor's income and expenditure due to a number of factors. For this reason AiB recommends Money Advisors use the "Additional Information" section available in BASYS, to provide an explanation of any income or expenditure that cannot be evidenced.

This will provide AiB with a fuller picture of the prevailing circumstances and should help prevent any unnecessary delays in processing a debtor's application for bankruptcy.

It should be noted in MAP (Benefits only) cases, there is no requirement to evidence expenditure.

1.13 Where no explanation has been provided and in the absence of evidence, AiB may seek to contact the money adviser by phone to speed up the process and reduce delays.

1.14 A money adviser can contact AiB at any stage of the application process to discuss and hopefully quickly resolve any application matter.

The AiB contact number is: 0300 200 2850.

1.15. Where sufficient evidence/explanation has been provided to satisfy AiB that an award of bankruptcy is appropriate, but additional work will be necessary to confirm income and expenditure, to establish the amount of the Debtor Contribution Order (DCO), the award of sequestration may still proceed.

In these circumstances, the DCO amount will be set at the appropriate level based on the information available at the point of award and a post-award check will be undertaken to seek additional evidence/explanation.

2. Household Composition

(i) Couples

2.1 Experience has shown that a comprehensive understanding of the household income and expenditure position leads to the most effective outcome and accurate determination of the available income for any contribution. It is in the interest of both creditors and debtors that an accurate calculation is completed.

If an accurate calculation is not confirmed, this may lead to a contribution amount being set that is either, too large and unsustainable and therefore, unfair to the debtor, or less than could be paid, which would deliver an unfair outcome for the debtor’s creditors.

2.2 The CFT is designed to capture the full household income and expenditure including that attributed to a debtor’s partner or other non-dependant household members.

It is desirable to obtain these details in each case and money advisers/ trustees should explore the entire household financial position in each case and obtain this wherever possible.

2.3 Circumstances do vary from case to case and it may not always be possible or practicable to obtain the full household income and expenditure details. As an example, money adviser/trustee may encounter circumstances where the partner of a debtor might be dis-inclined to volunteer information relating to their own income or expenditure as they feel that they have no part in the debtor’s financial position. In these circumstances, money advisers/trustees should record, as part of the CFT assessment, the reasons that the full household circumstances have not been used in calculations.

It is important that any decision not to use the entire household financial position should result from individual circumstances rather than the standard practice adopted by any money adviser/trustee or organisation.

2.4 It is feasible that two similar household circumstances may be encountered, with partner income information not available in only one case. The approach adopted may result in quite different outcomes in terms of level of surplus income. In the interest of fairness for all parties, it is important that reasonable efforts are taken to achieve an assessment that is both transparent and based on a clear methodology.

2.5 A clear rationale must be set out advising the basis of the income and expenditure calculation relating to the debtor. Where the partner's income is not available, a calculation must be completed and set against the First Adult household allowance for the purposes of establishing whether trigger figures have been breached. However, the amount allowed for essential expenditure must reflect a reasonable contribution for the debtor which takes account of the household composition. For example, it may be reasonable to assume a 50% contribution to housing and utility costs if the debtor has a partner but details of their partner's income are not known.

This approach also applies in cases where all that is known is that the debtor makes a lump sum payment towards the general running costs of the household.

2.6 Where the entire household income is known, the CFT assessment will reflect the household position. However, the excess income figure calculated relates to the household and does not indicate the contribution that would be expected from the debtor. A fair and reasonable approach in these circumstances is to compare the debtor's income to that of the total household, producing a percentage figure. That same percentage would then be applied to the total household income surplus to calculate the debtor's surplus income.

This approach results in a proportionate allocation of surplus income and ensures that the debtor isn't prejudiced in circumstances where a partner with a higher income creates an inflated household excess income figure.

(ii) Non-dependants

2.7 Where an adult non-dependant with earnings does not contribute towards household income, it may impact on the debtor's current position. Circumstances should therefore, be explored through further discussions with the debtor. For example, the existence of an adult non-dependant in a household disqualifies the debtor from a single person's council tax allowance, resulting in a greater liability. It may, therefore, be appropriate for an adult non-dependant with earnings to assume responsibility for these costs.

If the adult non-dependant has no earnings, they may have the characteristics of a dependant on the debtor. If this impacts upon the allowances used for calculating a contribution, an explanation of the circumstances should be provided.

(iii) Single person in a household

2.8 Where the debtor is a single non-householder, living in the family home and contributing towards the household income, the calculation should demonstrate how that income contributes towards each of the individual trigger figures.

If the combined household income is known, an assessment should be made based on the full household position. Where it is not known, the assessment should be made based on a First Adult's allowance.

The example below is based on a debtor living at home with parents where the total household income is not known.

Single person living at home with parents

HOUSEHOLD EXPENSES			
Budget Field	**Monthly Claim**	**Amount Approved**	**H/hold Allowance***
			(based on First Adult)*
Essential Expenditure	£330.00	£330.00	£330.00
Phone	£40.00	£40.00	£42.00
Travel	£58.00	£58.00	94.00*
Housekeeping	£400.00	£340.00	£340.00
other expenditure	£120.00	£120.00	£171.00
Total	**£948.00**	**£888.00**	*(no vehicle)

CONT CALCULATION - MONTHLY	
Total Income	£1,028.35
Total Expenses	£948.00
Total Approved Expenses	**£888.00**
Surplus Income	**£140.35**

(ii) Dependent children

2.9 The definition of a dependent child for the purpose of assessing household income has been agreed as follows:

- A child under 16 (or older if they have remained in approved education or training) that a debtor is entitled to claim child benefit for;

- A child under 16 for whom a debtor which has shared caring responsibilities for but doesn't reside in their home on a full-time basis.

2.10 A dependent child does not include any young adults in the household who have access to their own means of support.

This includes, for example, a family member who has been denied access to certain state benefits through a sanction or any other restriction resulting from their own actions.

3. Income

3.1 Money advisers/trustees should obtain documentary evidence to support the debtor's whole household income. In keeping with current practice, verification of income from 3rd party sources, for example, proof of housing benefit confirmed by local authority housing office or, benefit entitlement confirmed via systems, is sufficient.

3.2 Where the debtor's current income is derived from a salary, wage slips over a period of three months should be obtained. In circumstances where the debtor's income may vary (e.g. seasonal work, limited period of overtime etc.), it may be in the debtor's interest to obtain an average over a longer period of time up to a maximum of 12 months.

Any change in income after the Debtor Contribution Order (DCO) is fixed should be reviewed and, if the overall impact on the debtor's income and expenditure is that the DCO amount is no longer appropriate, reported to the trustee and a payment variation sought.

Any non-mandatory deductions should be questioned – these could include, for example, an employer voluntary savings scheme or additional private pension contributions.

Money advisers/trustees should take account of any deductions taken through an earnings arrestment that would be defeated through entry into a statutory debt solution. It is not appropriate to verify wages from bank statements alone as these do not provide a comprehensive picture of the gross salary and any statutory or voluntary deductions that have been applied.

3.3 The CFT does not include budgeting categories for business-related expenditure. As business and trading cases are generally complex in nature, clients should be signposted accordingly to an adviser with relevant knowledge and experience. In self-employed cases, a business budget sheet will need to be compiled to account for the costs of running their business.

The debtor can then work out how much money they can 'draw' from their business and this amount can be included as income in the CFT. If the debtor does not have an accountant to prepare a business budget sheet, they can contact Business Debtline on 0800 197 6026 or visit their website at www.businessdebtline.org to obtain support.

3.4 Pension contributions that have been increased recently, that could be considered excessive, should be questioned and the money advisers/trustees should establish if the debtor obtained regulated pension advice prior to increasing the pension contributions.

If the pension contributions are considered to be excessive, the debtor may be required to pay a higher contribution amount.

It is important to note that advice on any decision to reduce or increase pension contributions falls within the boundary of regulated pension advice and is therefore outside the remit of advice from money advisers/trustees. If the debtor has any queries regarding their pension contribution, they should be referred to an appropriate adviser.

3.5 Where income is derived from state benefits, evidence should be obtained in the form of recent award letters or other written confirmation from the relevant department.

It is also possible to verify income from bank statements where this provides clarity over the specific award and the amount and frequency of payment. Where income is derived solely from state benefits, no contribution will be taken during a bankruptcy or Protected Trust Deed.

However, a voluntary contribution can be made by the client from benefits if repayment of debts through the Debt Arrangement Scheme is the preferred option.

3.6 Where the debtor has income derived from a bursary, it may be possible to take a contribution from the bursary if there is a calculated surplus income. However, this will be dependent on the circumstances of each case.

Money advisers/trustees should take into consideration any rules and conditions governing the bursary award and it will be acceptable to exclude the bursary as a source of a contribution payment, where the bursary is for a specific purpose (such as funding specific expenditure) or where a condition of the bursary will determine that the bursary will be reduced as a direct result of taking a contribution from it.

The money adviser/trustee must explain how they have treated a bursary and why they have adopted that approach.

3.7 Entitlement to Disability Living Allowance (or Personal Independence Payments) is not based on a debtor’s other household income and is assessed against specific mobility or care needs. These payments must be taken into account in any assessment of income and expenditure.

However, money advisers/trustees should take account of any related increase in expenditure that may arise to meet these transport or care needs. If it is the wish of the debtor, this income can be off-set against any additional expenditure in these categories.

Similarly Carer’s Allowance should be taken into account for income purposes, although it is expected that the actual expenditure for the person’s caring responsibilities will match or exceed this Allowance.

3.8 Household income may include housing benefit which provides assistance with rental or Council Tax liability. Discretionary housing benefit should be shown separately. In assessing the household position, the simplest and most transparent way to record information is to show the housing benefit in full as an income, with associated housing costs shown in full as expenditure. This will help reach a true assessment of the actual amount paid towards housing costs.

3.9 Other income should also be verified from bank statements or other documentary evidence.

These income sources could include, for example, maintenance payments from an absent parent or financial contributions from non-dependants within the household.

3.10 If a debtor declares they receive income payments from a third party e.g. from a relative for the purpose of helping to pay debts, the money adviser/trustee must verify the amount being paid and if this income will continue to be paid if the debtor enters a statutory debt solution. This must be done before deciding if this income is to be included when determining if the debtor can pay a contribution.

The money adviser/trustee should obtain written confirmation from the third party about the source and amount of income payments, or provide an explanation if written confirmation cannot be obtained.

If it is proposed that a contribution can be paid in full, or part, from income from a third party, the written confirmation/explanation must be included with the documents sent to the debtor's creditors, if they are notified about a proposed DAS DPP or protected trust deed (PTD). No contribution in a bankruptcy or PTD can be paid from any person's Social Security benefits.

3.11 Child maintenance payments should be included as an income from which a contribution may be deducted, if the child maintenance is being paid to the debtor. This payment is paid to the adult for the maintenance of the child, with any outgoings being deducted for the child as per the appropriate trigger figures.

Evidence of maintenance contributions can be provided in the form of a court award, notice from the Child Support Agency, from bank statements, or by a note provided by the debtor/contributor, confirming the amount and frequency of the payments received. This evidence should be retained.

3.12 The contribution assessed from the debtor's surplus income must not exceed the total earned income as this would result in a contribution being deducted from the debtor's benefits. It should also be noted that the introduction of Universal Credit will bring together elements of the debtor's income based benefits.

3.13 A list of incomes from which a contribution can, and cannot, be deducted is available in Appendix A to this document. This is not an exhaustive list, and may be subject to change.

4. Assets

4.1 Consideration of the valuation of assets is particularly important if debtors are considering statutory insolvency solutions as these may vest or be conveyed to the trustee appointed.

(i) Heritable Property

4.2 Prior to establishing if a debt solution is the appropriate action, the equity position of the debtor's property should be ascertained. This allows the debtor to obtain a realistic valuation and potentially safeguard their home. If a debtor enters into the Debt Arrangement Scheme (DAS), the property is excluded from the arrangement and a valuation is not required.

Where a trust deed is the selected option, the valuation costs are absorbed by the trust deed and the debtor is not liable to pay these. An up-to-date valuation and current security statement should be obtained to calculate the equity.
This will ensure the debtor has a full understanding of the possible outcome with regard to their property, should they apply for a trust deed or bankruptcy.

It may also allow them the opportunity to avoid a statutory debt solution if equity release is an option. Establishing this information at the out-set is a key element in the provision of best advice and will apply irrespective of whether the debtor is accessing this advice from the free or paid money advice sector.

4.3 This should apply to any property which the debtor owns or has part-ownership - not only their residential property.

4.4 Verification of secured debts must be provided. In all cases, a mortgage statement should be requested from the lender. Statements for any other loans secured against property must be provided.

4.5 Where no security is held on the property, it may be beneficial for the debtor to seek further independent financial advice before deciding whether to enter into an insolvency debt solution. Further information can be obtained by visiting the Financial Health Service website at: www.scotlandsfinancialhealthservice.gov.uk

(ii) Vehicles

4.6 A valuation of the debtor's vehicle(s) should be obtained from an independent recognised source such as Glass's guide, Parkers, or car dealership. The Accountant in Bankruptcy may also obtain a vehicle valuation. If the car valuation is lower than could be expected for the make, model and year of the vehicle, i.e. due to damage to the car, or excess mileage, an explanation for the low valuation and the source of the valuation, must be provided.

Additionally, money advisers/trustees should confirm why use of the vehicle is required. This could include the need to travel to work or a vehicle required for a specific reason (e.g. ill health impacting on mobility). Other factors including rural location and access to amenities/shops can also be taken into account.

The cost of keeping and running a vehicle provided through the Motability scheme in lieu of Personal Independence Payment (PIP) or Disability Living Allowance (DLA), should be included in the DLA expenditure calculation.

4.7 The valuation of a vehicle is important as bankruptcy legislation only provides for debtors to retain ownership of a vehicle of up to £3,000 in value and where it is reasonably required. Incorrect advice at the out-set may result in the vehicle being sold by the trustee in bankruptcy.

(iii) Insurance Policies

4.8 Money advisers/trustees must obtain documentary evidence of all insurance policies held and establish whether there is any immediate realisation value.

The onus is on the debtor to clarify the position. It is important that the surrender value of any life insurance policy is established prior to a bankruptcy application as this may impact on the debtor's criteria for applying through the Minimal Asset Process (MAP). If the surrender value of the policy exceeds £1,000 then the debtor will not be eligible for bankruptcy through MAP.

4.9 Maintenance of insurance policies is acceptable if each policy is relevant and the cost is not excessive. Debtors should be advised that if insurance policy premium costs are excessive, the debtor may be asked to pay a higher contribution amount.

It is important to note that advice on any decision to change life cover provision or to dispose of an insurance policy falls within the boundary of regulated financial advice and therefore outside the remit of advice from money advisers/trustees.
If the debtor has any queries regarding their life insurance policies, they should be referred to an appropriate adviser.

5. Expenditure

5.1 Expenditure categories set out within the CFT are as follows:

- Essential Expenditure
- Phone costs
- Travel costs
- Housekeeping
- Other expenses

5.2 There are "trigger figures" for each area of expenditure with the exception of "Essential Expenditure". The Trigger figures are determined and set by Money Advice Trust.

They assist money advisers/trustees to determine whether the amounts included in the financial assessment are acceptable or whether they should be subject to further investigation or the provision of additional evidence of expenditure.

Money Advisers and trustees should always investigate if a debtor's declared expenditure could be considered too high, or too low.

Trigger figures take account of household composition and include allowances for dependents and other adults in the home. Expenditure levels that fall within the trigger figures would not normally require further explanation in submitting proposals to creditors.

5.3 The trigger figures are calculated using research from the UK Government's Living Costs and Food Survey (previously known as the Family Expenditure Survey). These figures are updated annually and each organisation should ensure the appropriate allowances are applied.

The trigger figures are derived from the Office for National Statistics Living Costs and Food Survey (LCF). The LCF collects information on spending patterns and the cost of living that reflect household budgets. Respondents to the LCF are split into five income quintiles. The trigger figures are based on spending levels observed within households in the lowest income quintile.

5.4 It is important that the CFT trigger figures do not form the starting point for any assessment of expenditure. The CFT assessment should include details of the debtor’s actual circumstances.

Only when the full expenditure has been established and relevant evidence, or explanation, obtained where appropriate, should the debtor’s financial circumstances be compared to the corresponding trigger figures.

Regulation 15(3) of the Bankruptcy (Scotland) Regulations 2016 and Regulation 3(3) of the CFT Regulations, include provision for AiB, the trustee or trustee acting under a protected trust deed, to allow expenditure which is in excess of the trigger figures.

However, in these circumstances, an explanation of why this expenditure is required must be provided along with suitable evidence to support the allowance made. Consideration will be given to whether this allowance is reasonable in the circumstances given.

6. Essential Expenditure

6.1 Bankruptcy applications submitted to AiB in which the debtor’s sole income is derived from state benefits will not require evidence supporting the expenditure in the CFT.

Only proof of benefits will be required. In every case the supporting evidence should, however, be obtained and retained by the money adviser/trustee as per regulatory requirements.

6.2 The essential expenditure category does not include a set trigger figure. Money advisers/trustees must verify all of the expenditure that falls within this category (except for evidence of a TV licence) as relevant documentation should be available.

Advisers should use their judgement in determining accurate essential expenditure figures. Only in exceptional circumstances, for example where energy costs are deemed excessive in relation to property type, should further checks be made.

6.3 Essential expenditure includes the main elements of housing costs including rent (with any service charges and factor fees), mortgage payments, Council tax, buildings and contents insurance and utility bills.

The following categories should be evidenced by original documentation from the appropriate authority or company, or by examination of payments made from the debtor’s bank account:

- Rent
- Ground rent, service charges, factor fees
- Mortgage
- Other secured loans
- Mortgage Endowment/Mortgage PPI
- Council Tax
- Building and contents insurance

6.4 Evidence, or written explanation, to support declared utility spend – gas; electricity, and others (coal, oil, Calor gas, solid fuel etc.) can include:

- future consumption estimates determined by a qualified fuel advisor,
- annual consumption projection statements obtained from the fuel companies,
- historic utility bills and
- direct payments recorded in bank statements.

AiB will only require sight of supporting evidence/estimates, if it has been determined that the spend will exceed £120.00 per month.

6.5 It is beneficial for the debtor's Council tax payments to be calculated over a 12 month period rather than a 10 month period. This will ensure a more accurate monthly expenditure throughout the term of a possible Debtor Contribution Order (DCO). A request can be made to a local authority for the debtor's council tax payments to be made over a 12 month period.
However, such a change will be at each local authority's discretion and may be dependent on the method of payment of Council tax.

A council may suspend a debtor's right to pay their Council tax by instalments if the debtor is made bankrupt or grants a trust deed. If this happens, their DCO amount may have to be varied, if Council tax was originally included in the debtor's expenditure calculation.

6.6 Essential expenditure also includes other costs not directly related to housing costs. As with housing costs, evidence should be available for the following expenditure items from either correspondence/bills from the organisations involved or from evidence available form bank statements:

- Pension and life insurance
- Magistrate or sheriff court fines
- Maintenance or child support
- Hire purchase / Conditional sale
- Childcare costs
- Adult care costs

6.7 Careful consideration must be given to any hire purchase or conditional sale agreements that are in force. Checks should be made to establish if there is a clause in any agreement whereby the agreement will become null and void if the holder is made bankrupt or subject to insolvency proceedings. Money advisers/ trustees must ensure that they obtain proof of the type of agreement the client has entered into, as some debtors are not aware of the distinctions between differing types of credit agreements.

This expenditure may be allowed if the items included are essential and the payments being made are reasonable in the circumstances. An explanation of the expenditure allowed should be included as part of the CFT to highlight the items and the reason for the expenditure. Whether items bought on this type of credit agreement are essential will depend on the debtor's situation (for example, a car providing the only way of travelling to work would be deemed as essential).

If an item included is considered not essential, money advisers/trustees should refer the debtor to a specialist organisation, such as Citizens Advice Consumer Service or Trading Standards, who will be able to provide advice regarding cancellation rights and any costs involved.

6.8 If the debtor has declared they are making a payment towards a third party's HP agreement, or paying a reasonable amount directly to a third party, for the use of a vehicle that they will not own, these payments may be treated as a legitimate expenditure provided the debtor can evidence the payments made and reason for the payments.

However, consideration must also be given to the need for the debtor to make the payments and they may be disallowed if the payment amounts are in excess of the debtor's needs.

7. Phone Costs

7.1 Money advisers/trustees should obtain evidence of expenditure relating to home and mobile phone contracts. This should be available from sources including original correspondence/billing from the company, on-line account information or through other evidence such as the purchase of pay as you go top up credits.

It may be more difficult to verify pay as you go credit than contract information, but information should be available from bank statements or the mobile phone company records.

7.2 If mobile phone costs are high, the reason for this should be explored and consideration must be given as to whether the existing expenditure is allowable or sustainable in the future. Where trigger figures are breached, evidence must be obtained and options to reduce future expenditure explored with the debtor.

8. Travel

8.1 Verification of travel costs is more challenging than the categories included in essential expenditure as individual costs are likely to be paid in cash with little or no evidence retained.
Consequently, a more flexible approach should be taken in assessing travel expenses. It is reasonable to assess a debtor's travel costs based on their particular circumstances (location, health, mode of transport utilised, proximity to work/amenities etc.) and agree what is reasonable in the circumstances.

It may be possible to verify expenditure in specific circumstances – e.g. where season ticket purchase is the most cost effective way for someone to travel to work or where a motor vehicle is used and purchase of petrol can be verified through bank statements.

8.2 Supporting evidence and/or explanation must be provided for a breach in the trigger figures for travel costs. This must be provided by the money adviser/ trustee, to support both the reason for the required travel and the amount of expenditure declared. If evidence of expenditure cannot be provided, the reason for this must also be given.

The adviser/trustee should also ensure that they discuss with the debtor any on-going maintenance and servicing costs for any vehicle and ensure such costs are included in the CFT expenditure figures.

9. House-keeping

9.1 Housekeeping covers most of the day to day living expenses including household food, provisions and consumables that are required. The evidence relating to this set of expenditure would normally be obtained through scrutiny of bank statements. However, this will not cover all expenditure items, as many transactions within this category will involve smaller cash purchases or transactions in a range of different shops.

9.2 Where the final assessed house-keeping expenditure is within the trigger figure limits, trustees and creditors are unlikely to query the allowance or seek further evidence and therefore, the money adviser/trustee does not need to obtain evidence of smaller amounts of expenditure include in the figures, if this is not easily forthcoming. However, any excessive spending or breaches of trigger figures should be documented and evidence provided.

Expenditure on tobacco and alcohol is allowable, although the money adviser/trustee should negotiate with debtors to try and minimise the costs and it is possible that an allowance may result in a debtor having to make some concessions in other areas of expenditure.

9.3 Where additional spending is required on medical grounds that will not be funded from a declared disability benefit, either a breakdown of spending, with details of any items purchased that relate specifically to the medical requirement, or a summary explanation from the money adviser, should be provided.

This guidance has highlighted that an award of DLA (or PIP) will act as an indicator to increased expenditure in other categories.

9.4 Where pet costs are included, an explanation, and evidence where possible, should be produced to support the information provided. If pet insurance is being paid for, this must be evidenced.

10. Other Expenditure

10.1 Other expenditure includes a range of expenditure that would not be categorised alongside general house-keeping. As is the case with house-keeping, absolute verification of such expenditure may be difficult to obtain through documentation or examination of bank account activity.

10.2 Evidence will be available to support certain items within the other category. This includes the amount paid towards cable, satellite and internet access. These items should be supported by original documentation from the companies providing the service/insurance.

10.3 A more flexible approach should be adopted in assessing the expenditure associated to the other items within this category. Similar to other categories of expenditure with associated trigger figures, any expenditure where the trigger figure is breached will require suitable evidence and/or explanation of the expenditure.

11. Contingency Provision

11.1 Debtors will be allowed to have expenditure of up to 10% of the surplus income calculated, allocated as a contingency allowance or saving provision. A maximum contingency allowance of £20 per month is permissible for each assessment. For example, a CFT assessment which results in surplus income of £100, with no contingency provision, can be recalculated with up to £10 included in the other expenditure category, resulting in a revised surplus of £90.

Money advisers/trustees should consider including the contingency allowance in every case, as it is in all parties’ interest that the debtor has funds available to meet the cost of unexpected future liabilities.

11.2 Any breach of the relevant trigger figure arising from the inclusion of this contingency element will be considered acceptable, unless any of the other expenditure is deemed unreasonable.

Common Financial Tool Guidance

Appendix A

Income sources from which a contribution can be taken.
This is not an exhaustive list.

Earnings
Private pension
*Annuities
*Grants
*Trusts
Rents
Maintenance or child support paid to the debtor
Boarders or lodgers
Non-dependant contribution
*Bursary
Foster Care professional fees (excludes Foster Care allowance)

*Please note that in some cases, the individual terms and conditions of an agreement/award may indicate that a contribution cannot be taken.

Non-deductible state benefits - from which a contribution cannot be taken
This list is not exhaustive and benefits and benefit titles will change:

Bereavement Allowance
Bereavement Payment
Best Start Grants
Category A Retirement Pension (Including Additional Pension)
Category B Retirement Pension
Category C Retirement Pension
Category D Retirement Pension
Carer’s Allowance
Carer’s Allowance Top-Up
Child Benefit
Child Tax Credit
Council Tax Benefit
Disability Living Allowance or Personal
Independence Payment
Employment and Support Allowance (ESA)
Foster Care allowance
Graduated Retirement Benefit
Guardian’s Allowance
Housing Benefit
Incapacity Benefit
Income Support
Industrial Injuries Disablement Pension

Invalid Care Allowance
Jobseeker’s Allowance (Contribution-Based)
Jobseeker’s Allowance (Income-Based)
Kinship Allowance
Maternity Allowance
Personal Independence Payment
Social Fund Payments
State Pension Credit
Universal Credit
Widowed Parents Allowance
Working Tax Credits

Benefit includes any increase of benefit for an adult or child dependant

1 PENNYBURN ROAD
KILWINNING AYRSHIRE KA13 6SA
T 0300 200 2600 F 0300 200 2601
WWW.AIB.GOV.UK

Debt Arrangement Scheme

INVESTORS IN PEOPLE | Gold

An agency of
Buidheann le

The Scottish Government
Riaghaltas na h-Alba