

Background

- ✓ Originally founded by British Banking Association (BBA) and Money Advice Trust (MAT)
- ✓ First version of CFS published November 2002.
- ✓ In 2004 the Finance and Leasing Association joined BBA and MAT to become the third sponsor.
- ✓ Purpose of CFS is to create a uniform approach to preparing budgets.
- ✓ Designed to improve communication between advisers and creditors and to support fair, consistent and sustainable outcomes for people in debt.
- ✓ Originally intended solely for casework (adviser negotiating on client's behalf).
- ✓ Recently, the style and format of CFS has been adapted for self-help, i.e. [CASHflow](#), [My Money Steps](#) and [National Debtline](#) personal budget.
- ✓ Further information, e-learning and resources are available at the dedicated [CFS website](#).

Governance and development

- ✓ CFS is a working sector tool and is developed in consultation with stakeholders.
- ✓ A CFS Good Practice sub-group made up of advice sector and credit industry representatives is responsible for overseeing this. Sub-group has representatives from BBA, FLA, Building Societies Association, Citizens Advice, Advice UK and MAT, among others.

Methodology

- ✓ CFS is based on the average expenditure of people responding to the Living Costs and Food Survey (LCF).
- ✓ The LCF collects information about spending patterns and living costs to reflect household budgets across the UK. It is conducted by the Office of National Statistics and is the most significant consumer survey conducted in the UK.
- ✓ The LCF splits the respondents into five quintiles. The CFS uses average income data from the lowest LCF income quintile.
- ✓ John Gathergood, independent data analyst from Nottingham University developed a model to pull non-discretionary spending data from the LCF and put it into categories: Housekeeping, Phone, Travel, Other. The average spending data from the lowest income quintile is then used to establish the trigger figures for these four categories.
- ✓ The trigger figures are based on a building block approach dependent on household size. There is a trigger figure for the first adult, onto which amounts for additional adults and children are added.
- ✓ The trigger figures are designed to give advisers and creditors a guide to reasonable spending amounts for a household.

- ✓ The trigger figures provide a guideline maximum figure. There are no guideline minimum figures or ranges.
- ✓ The basic principle is that spending should ordinarily be accepted as reasonable if it is within the relevant trigger figure amount. Spending above the relevant trigger figure *may* be reasonable depending on the circumstances (advisers should include a note to explain such circumstances and creditors should take this information into account when deciding whether to challenge an offer).

Licensing and usage

- ✓ The CFS is provided free of charge but organisations must hold a licence issued by MAT.
- ✓ Most licence-holders are advice agencies, debt management companies, creditors and debt collection agencies.
- ✓ The CFS has [good practice checklists](#) for advisers and creditors, setting out the standards licence-holders are expected to observe.
- ✓ The creditor checklist specifies that creditors should not *challenge* CFS based offers. It does not use terms like 'agree' or 'accept' which some creditors reserve for formal payment plans.
- ✓ The CFS has two parts. The first part is a detailed budget sheet which captures full details of a client's income, assets, spending and debts. The second part is a summary financial statement containing a condensed overview of the client's financial situation.
- ✓ This two-part approach allows the CFS to support both the debt advice process (where lots of detail is needed) and the negotiation process (in which a streamlined summary is more appropriate).
- ✓ Advisers are expected to record reasons for trigger figures being exceeded on the client's financial statement, to help creditors make a decision.
- ✓ Since 2013, there has been [free e-learning](#) to support use of CFS.

Things CFS cannot be used for

- ✓ CFS trigger figures are not in the public domain. Licences are not granted to members of the public. CFS figures are built into self-help tools to provide guidance without disclosing the CFS figures directly.
- ✓ The CFS should not be used to make lending decisions or to determine eligibility for social assistance.
- ✓ CFS does not provide guidance on minimum necessary spending levels. It cannot be used to determine whether a household has enough income for an adequate standard of living. The Joseph Rowntree Foundation's [Minimum Income Standard \(MIS\)](#) is a suggested tool for this purpose.

Recognition

- ✓ The CFS is recognized in industry codes such as the Lending Code and the Finance and Leasing Association Code.

- ✓ The CFS is embedded into the Financial Conduct Authority Consumer Credit Sourcebook (CONC).
- ✓ The CFS is the mandatory Common Financial Tool for access to statutory debt remedies in Scotland.
- ✓ The CFS forms part of the guidelines to intermediaries for Debt Relief Orders in England and Wales.
- ✓ The CFS is recognized in the Simple Consumer IVA Protocol in England and Wales.
- ✓ The CFS is recognized in the Trust Deed process in Scotland.
- ✓ The CFS is widely used in the energy and water industries and by some local authorities and housing associations.
- ✓ The principle targets for CFS recognition are public bodies – Insolvency Service, DWP and HMCTS.

Trigger figure updates

- ✓ The CFS trigger figures are reviewed annually and updated in line with inflation (CPI) to ensure that they are current.
- ✓ The annual update is generally published in April each year, via the CFS website and ebulletins.
- ✓ Following publication, there is a two-month window to allow licence holders time to update their systems and introduce the new figures.
- ✓ The rules allow for an additional in-year review of the trigger figures if CPI fluctuates between 3-5%.

The Money Advice Service and the Standard Financial Statement

- ✓ MAT has been working with the Money Advice Service to create a Standard Financial Statement for universal use, as part of a working group which includes MAT, StepChange Debt Charity and Citizens Advice.
- ✓ The Money Advice Service issued a [consultation](#) on the Standard Financial Statement in October 2014.

Further information

- ✓ Further information, e-learning and resources are available at the dedicated [CFS website](#).
- ✓ Apply online for a [CFS licence](#)
- ✓ For technical issues or to request a reminder of your licence details, email cfs@moneyadvicetrust.org

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