

# Standard Financial Statement



The Standard Financial Statement (SFS) will deliver, for the first time, a universal income and expenditure statement, together with a single set of spending guidelines.

This Money Advice Service initiative, developed in partnership with advice providers, creditors, trade associations and others brings greater consistency to the debt advice process and a smoother transition through the experience for consumers, advisers and creditors.

## Background

Currently, there are multiple versions of affordability assessments in place, although the Common Financial Statement (CFS) and StepChange Debt Charity guidelines are generally considered to be industry best practice. This can potentially result in different outcomes for debt solutions depending on where a client seeks debt advice.

The Money Advice Service is mandated to improve the quality and consistency of debt advice in the UK – this is why we have been leading a project to instil a single financial statement for the debt advice sector.

## What is the SFS?

The SFS is a new, single industry standard financial statement for assessing a client's affordability during periods of financial difficulty. The SFS includes guidelines on household expenditure, sometimes known as 'trigger figures'.



The SFS should be used by debt advice providers and embedded into creditor debt collection processes and procedures.

We expect that the SFS will be used and recognised by all types of creditors including FCA regulated consumer credit lenders but also, central and local government creditors, utilities, and debt collection agencies.

## Savings category

A savings category has been introduced into the SFS, recognising the benefits of building additional financial resilience for debt advice clients. The savings allowance is designed to encourage savings behaviour and to increase the chances of sustainable repayments during debt solutions and creditor payment arrangements.

Many debt advice clients will not have the necessary disposable income to save. This is why the savings category will be optional and reliant on the recommendation of the debt adviser. Savings are limited to 10% of monthly disposable income, capped at £20 per calendar month.

## What does this mean for debt advice providers?

Having one standard financial statement should streamline the process when transferring client details between agencies, such as from debt advice agencies to insolvency practitioners. For example, there will no longer be a need to transfer a client's income and expenditure information from a CFS statement to StepChange Debt Charity guidelines.

For many clients, this will reduce the number of times affordability assessments are completed and makes the journey through debt advice smoother and more straight forward.

The Money Advice Service will release a set of SFS spending guidelines which will include flexible spending household spending categories to licence holders ahead of the SFS launch.

Debt advice providers with case management software should update internal case management systems with SFS spending categories and trigger figures. An optional SFS Microsoft Excel tool will also be made available for use.

Debt advice agencies can apply for SFS licencing via [sfs.moneyadvice.org.uk](https://sfs.moneyadvice.org.uk) from January 2017.

## Creditor use of the SFS

Lenders will start to receive SFS payment proposals from 1 March 2017 when many debt advice agencies will start using the tool. Others will follow over the course of 2017 and lenders will see a transitional period where they will receive payment proposals assessed via SFS, CFS, StepChange Debt Charity guidelines and other formats currently in use.

Creditors should embed SFS spending guidelines and household expenditure categories into all debt collection processes and policies where an affordability assessment is used. This will reduce the risk of discrepancy between a customer's affordability assessment with their creditor and a financial statement prepared by a debt advice agency. Again, the greater consistency the SFS brings should allow for smooth transfer of affordability assessments between providers.

The Money Advice Service do not expect creditors to provide customers with advice on savings provision when assessing affordability as part of debt collections processes. However the customer should be given the option to use the savings category if disposable income allows.

Lenders requiring support with process changes should contact Gary Harvey or Kevin Shaw at The Money Advice Service via

[sfs.support@moneyadviceservice.org.uk](mailto:sfs.support@moneyadviceservice.org.uk).

## SFS website

The new standalone SFS website with secure login offers information, including:

- the SFS format;
- an Excel tool;
- spending guidelines;
- guidance for advisers; and
- general info and FAQs.

## Contact us

We are always keen to receive feedback on our work and will need to be in close contact with advice providers, creditors and other relevant bodies as the roll-out continues. Please do not hesitate to get in touch with us on

[sfs.support@moneyadviceservice.org.uk](mailto:sfs.support@moneyadviceservice.org.uk).

## More on the Standard Financial Statement

Download the 2014 consultation paper

[moneyadviceservice.org.uk/sfs-consultation](http://moneyadviceservice.org.uk/sfs-consultation)

Download the consultation response

[moneyadviceservice.org.uk/sfs-consultation-response](http://moneyadviceservice.org.uk/sfs-consultation-response)

Visit the SFS website

[sfs.moneyadviceservice.org.uk](http://sfs.moneyadviceservice.org.uk)

Find out more about our debt work

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