

KEEPING PACE

WHERE NEXT FOR PUBLIC SECTOR COLLECTION PRACTICES?

February 2025

W: www.csa-uk.com / LinkedIn: [credit-services-association](#) / LinkedIn: [csa-learning](#) / YouTube: [Credit Services Association](#)



“It is right and proper that people should repay money they owe. But everyone’s circumstances are different, and this should be done in a way that is fair, compassionate, and appropriate for those in debt, taxpayers, and the government.”

Economic Secretary to the Treasury Fairness Charter

When it comes to the recovery of public sector debt, balancing the interests of those in debt, taxpayers, and the government has long proven a tricky needle to thread. For a long time, the balance largely leaned in the government’s favour, prioritising repayment over the best outcomes for all parties.

We now have a new government in place, one which has given clear signs of intent that it will recover money due to the public purse, such as its budgeted investment in 5,000 additional HM Revenues & Customs (HMRC) staff and the appointment of a Covid Corruption Commissioner. It is therefore an opportune moment to think about how it can make sure that its collection practices are modernised to achieve the desired equilibrium in balancing the interests of those in debt, taxpayers and the government.

The difficulty the public sector has had in striking that balance perhaps stems from the underlying pressures in the recovery of public sector debt, which differ markedly to those in the private sector. Today, local authorities are more stretched than they have ever been¹ and that brings a degree of urgency for them to recover outstanding monies, as taxpayers are relying on them to

provide essential services and gaps in funding have consequences for the delivery of those services. Equally, central government departments have ever-tighter budgets and are subject to the priorities of the prevailing government of the day – although one Secretary of State may choose to direct resources toward benefit fraud or overpayments, another may choose to target unpaid taxes or the misuse of government-backed Covid business loans.

The private sector has various options to mitigate the risk of non-payment – they can price default rates into products and services; they can assign debts to debt purchasers; they have greater capacity and flexibility to agree longer-term and more sustainable repayment arrangements – but the public sector has not developed the same options to offset the impact of non-payment.

Where the public sector has an edge on the private sector in terms of collections, however, is in its ability to enforce repayment of arrears through swifter and more aggressive measures, such as liability orders and attachments of earnings, which can be obtained with far less administrative burden than the private sector. The state also has the luxury of legislating for measures that

strengthen its own recovery powers and designate public sector debt as a priority.

The combination of increased pressure to collect, limited flexibility to accommodate arrears, and enforcement measures at their fingertips, has seen the public sector slower to adapt its approach to the recovery of debt. It is only as practices in the private sector have improved considerably over the last couple of decades that local and national government have come under more pressure to address the gap in standards between public and private sector debt recovery.

The launch of the Fairness Charter² by the Government Debt Management Function (GDMF) in March 2024 was a significant step towards consistent standards and fair treatment in public sector debt collection. The GDMF’s Fairness Group, which comprises a range of stakeholders including debt charities, government officials, and trade bodies, developed the Charter with the aim of delivering more consistent and appropriate treatment in the recovery of government debt.

¹ [Local Government Association: 1 in 4 councils likely to need emergency government support – LGA survey \(October 2024\)](#)

² [Government Debt Management Function: Debt Fairness Charter \(March 2024\)](#)

There have been several other meaningful developments in enhancing public sector debt collection.

- Alongside the Fairness Charter, the GDMF recently updated the Government Functional Standard³, which sets expectations for the management and resolution of debt owed to government organisations.
- In 2025, Crown Commercial Services will launch a revamped version of its Debt Resolution Services framework⁴, which will enable government departments and arms-length bodies to access approved debt-related service providers.
- The Fairness Group has also been instrumental in developing government toolkits on vulnerability and economic abuse, with work currently underway on a communications toolkit.

It is fair to say that there are a number of commendable initiatives in existence or in progress focused on improving public sector collection practices. But there is still some way to go before the general public can be confident in receiving equivalent treatment in relation to their government debt as they do for their financial services debt.

We applaud the work of the GDMF, the Fairness Group and all other stakeholders, in accomplishing so much. In the spirit of continued progress, we feel it is worthwhile and constructive to set out some of the things we'd like to see next.



³ [Government Debt Management Function: Government Functional Standard – GovS 014: Debt \(May 2020\)](#)

⁴ [Crown Commercial Services: Debt Resolution Services 2 \(accessed November 2024\)](#)

1. Expand the scope of the Fairness Charter

Presently, the remit for the work of the Fairness Group is limited to central government debt collection and does not extend to local government, which means that local government debt collection practices are beyond its remit and local authorities are out of scope for the Fairness Charter.

Local government debt covers a range of debt types but, most notably, it includes council tax, where arrears are reported to have jumped by 69% between 2018 (£3.2bn) and 2023 (£5.5bn), according to recent research by the Money and Mental Health Policy Institute (MMHPI)⁵. In its 2024 report, *Still Collecting Dust*⁶, the Centre for Social Justice (CSJ) also reported that cases of council tax arrears are “becoming more severe in terms of their complexity and total amount owed”, with the CSJ’s analysis suggesting that the £5.5bn in council tax arrears was now concentrated across a smaller percentage of households.

In the same report, MMHPI also note that 25% of households behind on their council tax have a gross income below £9,500 a year and 82% have an income under £29,999, which the Joseph Rowntree Foundation cites as “roughly the level that a single person needs in order to achieve a minimum acceptable standard of living.”

All local government debts are a major challenge in themselves, given their impact on councils’ abilities to deliver essential services, but it is apparent that council tax is becoming particularly problematic. It is, therefore, disappointing that the Fairness Charter does not extend to local government. It is not unreasonable for the general public to expect to receive similar treatment and similar standards, regardless of which part of the government they are dealing with. We believe an important next step for the Fairness Charter is to expand its remit to encompass local government. We recommend that the Secretary of State for Housing, Communities & Local Government raise this as an urgent agenda item at their next meeting with the Local Government Association.

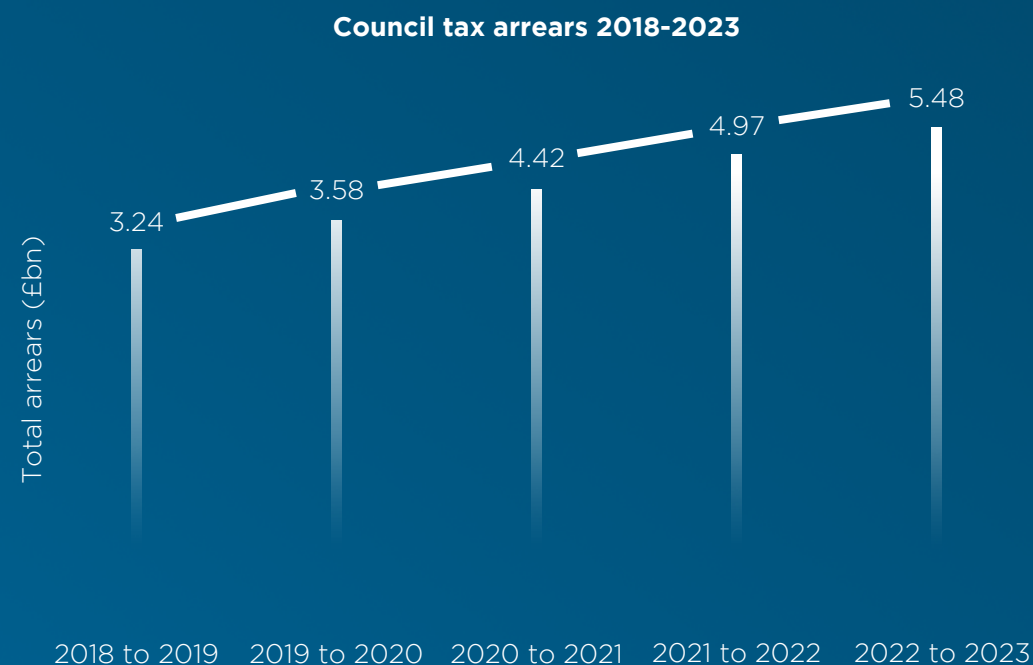


Fig 1. Department for Levelling Up, Housing and Communities: Council tax arrears and write-offs 2018-19 to 2022-23⁷

⁵ Murray T and Smith F. In the public interest? The psychological toll of local and national government debt collection practices, Money and Mental Health Policy Institute (September 2024)

⁶ Centre for Social Justice: *Still Collecting Dust: Ensuring fairness in council tax collection* (August 2024)

⁷ Department for Levelling Up, Housing and Communities: Council tax arrears and write-offs 2018-19 to 2022-23 (June 2023)



“...public sector communication is often criticised for falling short of the standards seen elsewhere.”

2. Rethink communications

Content, tone and method of communication can be crucial in engaging with people in debt and great effort has been put into building fair, transparent and effective communication strategies across the debt collection and debt purchase industry. But public sector communication is often criticised for falling short of the standards seen elsewhere.

Fortunately, there are steps being taken to enhance public sector contact, particularly with the Fairness Group's communications sub-group in the midst of developing a 'communication toolkit', which gives us cause to be optimistic that change is on the horizon. As with the Fairness Charter, we would like to see the toolkit adopted on both a local and national scale, although we appreciate that at present the scope is limited to national government. Incorporating local government into the toolkit may also necessitate some tailoring in the design phase of the toolkit.

Digital contact

We would like to see modernisation of both local and national government's approach to communications. While there is a place for postal contact, the majority of people expect to be able to communicate digitally with their creditors, including the government.

Tighter budgets across government perhaps make it more challenging to devote the necessary investment to ever-evolving communication tools, especially when this may also warrant an accompanying awareness-raising campaign. But if you want to engage those that are in debt, efforts must be made to enable them to interact via the mechanisms and methods they are most comfortable with.

Outsourcing

If investment in infrastructure is beyond the public body, or is not deemed cost-effective, consideration should be given to outsourcing at an earlier stage in the arrears cycle.

Modern collection agencies have invested considerably in communications to ensure that a range of options are available to the public, including webchat, social media, and online portals for managing their accounts. This kind of outsourcing would enable public bodies to deliver a better customer journey while also accessing the sector's expertise in recovery.

Communication of consequences

Councils have also faced criticism about the way in which they communicate the consequences of non-payment.

In late 2024, reporting in the media focused on the fact that councils can demand the full amount of a year's council tax bill within a short space of time after an individual has missed a payment. Similar to statutory notices under the Consumer Credit Act, this appears to be a legislative problem that does little to help either party – it causes confusion and anxiety for the recipient, and it makes it harder for the council to communicate a more compassionate and engaging message at the outset of their contact.

Alongside this, there has been public criticism by the CSJ and MMHPI about the sanction of imprisonment for non-payment of council tax. Although use of the sanction itself is incredibly rare, the possibility of this consequence is referenced in correspondence to those in debt.

When setting out potential consequences, a balance has to be struck between what a customer legitimately needs to know and what could be damaging to engagement or inconsistent with fair customer treatment. The CSA Code of Practice⁸ has long prohibited CSA members from referencing litigation or insolvency proceedings, unless commencing those proceedings is genuine and intended.

The FCA also has similar expectations⁹ of regulated firms and it seems unlikely that existing council communication practices could be considered compatible with the FCA's 'Consumer Duty' were it applicable to the public sector. Government should therefore consider altering the way in which the consequences of non-payment are communicated to the general public, to ensure that they are not misleading or unduly causing anxiety, fear and stress.

For the threat of imprisonment, this could be accomplished by requiring councils to reserve reference to the most extreme consequences for later in the recovery process and only where it is a legitimate possibility.

With the demand for full payment of a year's council tax, it seems unlikely that those missing a payment are going to be in a position to pay the full amount, nor is it likely to be the best outcome for the individual. It is evident from successes in the private sector that early contact should take a more compassionate approach, aiming to understand the individual's circumstances and why they have been unable to meet their payments, and encouraging engagement to discuss mutually-beneficial solutions. Demanding the year's bill in full does little but create a more adversarial situation and damage chances of meaningful engagement. Councils should consider ceasing this practice and focusing on how their communication can most effectively engage the individual and resolve the situation.



⁸ Credit Services Association: Code of Practice (May 2024)

⁹ FCA: Consumer Credit Sourcebook: CONC 7.11 (accessed November 2024)

3. Explore increased use of debt collection agencies

One of the most frequent critiques of public sector collection is the pace at which the recovery process escalates, with enforcement agents routinely involved a lot earlier in the process than would occur in private sector recovery processes.

The first thing to note here is that there is, of course, nothing wrong with utilising the services of an enforcement agent when required. Even the most ardent critics of the enforcement sector now acknowledge that practices have improved considerably over the years and the launch of the Enforcement Conduct Board (ECB) in 2021 signaled the further professionalisation of the sector. That progress was echoed in the data that came out last year from ECB-commissioned research¹⁰ into the enforcement sector, which found that 94% of enforcement was carried out compliantly.

However, the Civil Enforcement Association (CIVEA) reports¹¹ that around 40% of overdue council tax debt is collected at the compliance stage, effectively the first contact by the enforcement agent, which could suggest that recourse to an enforcement agent is not immediately necessary and could instead be reserved for carrying out actual enforcement activity. Inserting a preliminary debt collection stage into the recovery process – even if only on a trial basis for early arrears – would give public sector bodies access to specialist expertise in collections engagement, including the identification and treatment of vulnerable customers, the negotiation of sustainable repayment arrangements, and accommodating a range of forbearance measures, all while reserving enforcement agents for circumstances that require an escalation in the process.



¹⁰ enforcementconductboard.org/wp-content/uploads/2024/10/Research-into-enforcement-doorstep-interactions.pdf

¹¹ Civil Enforcement Association: The reality of enforcement operations and outcomes (accessed November 2024)

With the Crown Commercial Service in the process of developing its Debt Resolution Services 2 framework to facilitate cross-government access to approved service providers, we hope that it will become much easier for both national and local government bodies to access debt collection specialist support and explore the benefits of incorporating their expertise into the recovery process.

In the Autumn 2024 Budget, the Chancellor announced a very significant investment into an additional 5000 staff for HMRC to enhance tax collection processes, which they predict will bring in up to £2.7bn by 2029/30¹², a return of more than half a million pounds per new appointment. The investment makes sense, when you consider that more than £44bn is currently due to HMRC - equating to approximately £1,180 per UK working-age adult - but if this vast resource is not used to commission smart engagement and specialist dialogue and communications with the general taxpayer, it will be a wasted opportunity. We urge HM Treasury and HMRC to set out their operational proposals for the deployment of this additional investment and to incorporate measures that emulate best practices in financial services collections.

HMRC total debt balance 2023/24¹³:

£44.6bn

UK working age adult population¹⁴:

37.5m

Average amount due to HMRC per working age adult:

£1,189

Fig 3. Average amount due to HMRC per individual, based on HMRC total debt balance 2023/24 and government-reported figures on UK working-age adult population

5,000 additional HMRC staff Predicted cumulative return 2024-2030

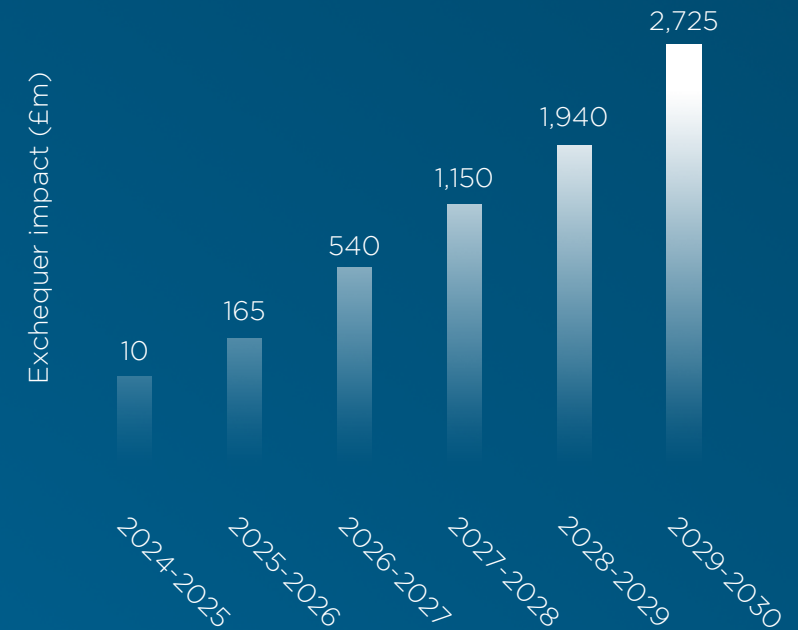


Fig 2. HMRC predicted cumulative return from recruiting additional 5,000 staff, Autumn Budget 2024

¹²HM Treasury: Autumn Budget 2024: Policy Costings (October 2024)

¹³HMRC annual report and accounts: 2023 to 2024 (July 2024)

¹⁴Ethnicity facts and figures: Working age population (March 2023)

4. Invest in education and awareness initiatives

In our 2024 report, Tackling the Engagement Gap¹⁵, we highlighted the need for financial education. Building on those recommendations, we believe that a key part of an individual's personal finances is understanding their obligations to the government – and their own entitlements as a citizen and taxpayer. In the interest of creating a better-informed society, the government should explore opportunities to enhance awareness and education of taxes, benefits and support.

Incorporating this more effectively into the national curriculum (beyond niche Politics 'A' Level courses) would better prepare young people for the realities of the working world and enhance national literacy on the subject of taxes and benefits. Without needing to stray into politics, the national curriculum ought to incorporate a basic factual explanation of the UK government's revenue and expenditure process, better illustrating the purpose of taxes, the benefits that they deliver, the problems that arise when people do not contribute, and the support that is available when someone cannot contribute.

This does not have to be limited to educating young people; this is information that is of value to all, and any initiative could be broadened out into national and / or local awareness campaigns, better informing the public about taxes and benefits. While there is a risk of simply generating government propaganda, there is also a need to counter assumptions that paying taxes is just a needless burden we must bear, instead of something that does in fact provide a range of essential services. Making clear what is funded and, consequently, what could be lost where taxes go unpaid, may drive a more personal stake in repayment of what is due.

Additionally, ensuring people understand the types of benefits and support available to them, and how to access this, can be critical in helping those that are struggling. As we have seen with the recent decision to means-test the Winter Fuel Allowance, there are hundreds of thousands of pensioners entitled to Pension Credit but not accessing it¹⁶. A recent report from Policy in Practice¹⁷ suggests that there are millions of other UK adults not accessing benefits to which they are entitled. Better communicating entitlement, and better educating the nation on what it is entitled to, would go some way to supporting those in most need.

Ultimately, the point remains as set out in Tackling the Engagement Gap – a better informed populace will be better equipped to manage their finances.



¹⁵ [Credit Services Association: Tackling the engagement gap: Addressing the reluctance of consumers to discuss debt \(September 2024\)](#)

¹⁶ [Policy in Practice: 2024 Unclaimed Pension Credit: value by local authority \(accessed November 2024\)](#)

¹⁷ [Policy in Practice: Missing out 2024: £23 billion of support is unclaimed each year \(April 2024\)](#)

Conclusion

There are other potential changes that could and should be made to improve public sector collections – improving accountability, broader access to a wider range of forbearance measures, more proactive identification of vulnerable customers.

The changes proposed in this paper are just a selection of the changes where we think progress is viable and which we think will bring about meaningful improvement in the quality and effectiveness of public sector collections.

The private sector did not become the benchmark for collections activity overnight – it took time, effort and a sector-wide commitment to change. Change in the public sector will demand the same perseverance and commitment, but the good news is that with the leadership of the GDMF and the cross-sector participation in the Fairness Group, there are allies intent on advocating continued modernisation, higher standards – and improved collections effectiveness as a result.

1. Expand the scope of the Fairness Charter

2. Rethink communications

3. Explore increased use of debt collection agencies

4. Invest in education and awareness initiatives



Previous Report

The compliance conundrum: The challenges of a rising regulatory bill

As the cost of doing business in the collections and purchase sector continues on its ever-upward trajectory, it is an opportune moment to reflect on how the first decade of FCA-led consumer credit regulation has contributed to that rise and to contemplate the damage that further squeezing firms' finances could have on consumers, the market, and the availability of credit.

[Read the report here](#)



voice of the collections industry