



Extra breathing space for people with debt

On 4 May 2021, new legislation came into effect helping people living in England and Wales and struggling with debt. The new Debt Respite Scheme (Breathing Space) provides individuals with problem debt the right to legal protection from their creditors.

These new rules have come due to the lobbying of Money Saving Expert's founder Martin Lewis <https://www.moneysavingexpert.com/> and the charity StepChange <https://www.stepchange.org/>.

What does this protection mean?

Provided under this scheme there are two types of breathing space, a standard breathing space and a mental health crisis breathing space.

A standard breathing space is available to anyone with problem debt and provides legal protection from creditor action for up to 60 days. Protection includes pausing most types of enforcement action and contact from creditors, together with freezing most interest and charges on their debts.

A mental health crisis breathing space however, is only available to individuals receiving mental health crisis treatment. As might be expected, this breathing space provides stronger protection and lasts as long as the person's mental health crisis treatment, (no matter how long that takes) plus an additional 30 days.

The Government estimates that this new help will assist 700,000 people in year one, rising to 1.2 million by the tenth year of the operation. The Government also estimates that between 25,000-50,000 of the individuals helped, will be recipients of mental health crisis treatment.

Not all debt is covered

You can only get a breathing space for some debts not all. These include:

- personal loans
- payday loans
- overdrafts
- utility bill arrears
- mortgage or rent arrears (but not future payments)
- council tax
- credit/store cards arrears

However, secured debts including mortgages, car hire purchase agreements, debts incurred through fraud, any liabilities to pay fines imposed by a court for an offence and some other kinds of debt are not included.

How to apply

The help under the Debt Respite Scheme (Breathing Space) is not automatic so anyone with serious debt would need to apply for this breathing space. You cannot apply for this direct but must go through a debt help service including charities, local councils, where they provide this help or, through commercial debt advice companies. Good options to try include:

- Citizens Advice Bureau <https://www.citizensadvice.org.uk/>
- StepChange <https://www.stepchange.org/>
- National Debtline <https://www.nationaldebtline.org/> and,
- CAP <https://capuk.org/>

If you are receiving mental health crisis treatment then you should ask a mental health professional about a breathing space and they will be claim this on your behalf.

Further information is available on the Government website, the Money Saving Expert website and StepChange, amongst other charities helping those in debt. The help is not provided as a payment debt holiday but a respite for those with a serious debt problem. Anyone who needs this help is advised to read up on and consider the rules of the scheme.

Advice for Creditors

The legislation this guidance references is The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020. Further details and guidance for creditors and money advisers can be found here: <https://www.gov.uk/government/publications/debt-respite-scheme-breathing-space-guidance>