COUNTING THE COST

Minimising debt in your funeral business

The cost of a funeral can weigh heavily on the minds of both funeral directors and families; families, who may need assistance in meeting the costs, and funeral directors, who may end up chasing unpaid bills when those costs can't be met.

Government support is limited. As we reported last month, the Social Fund funeral payment (SFFP) might be about to have its first set of changes in many years, but they are only minor and the fact remains that the SFFP is paying out less money in total and to fewer people, year-on-year.

In pursuit of alternative options for families and assistance for funeral directors when there is a problem, this month, *Funeral Director Monthly* spoke to Redwood Collections, Braemar Finance and The Debt Recovery Bureau to explore solutions.

Consumer debt is changing

For Debbie Mynott of The Debt Recovery Bureau, which runs the NAFD Fast Track Debt Recovery Service, consumer behaviour in relation to debt is changing and the macro-economic climate is having a big impact upon consumer debt.

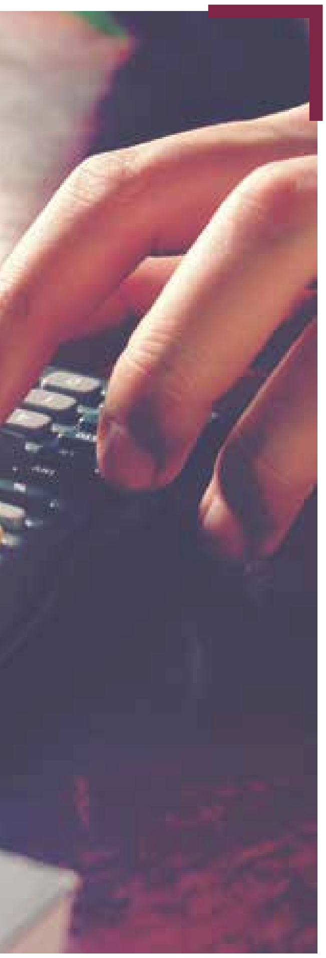
"There are economic changes which are significantly affecting consumer behaviours," says Debbie. "In particular, for those on benefits, changes to the system such as the roll out of Universal Credit and the introduction Personal Independent Payments (PIP) for people with disabilities impact on low income customers and their ability to maintain payment plans. This is reflected in an increase in Individual Voluntary arrangements (IVAs).

"Figures show that the number of people entering IVAs is increasing rapidly. A report, released by the Insolvency Service in 2017 found that the total number of personal insolvencies rose for the second consecutive year, going back to levels previously seen in 2013 and 2014. This increase was driven by an increase in individual voluntary arrangements, which reached the highest recorded number. Individuals are becoming more aware of the options available to them and where to go to for advice.

"So what does this mean for funeral debt? We are certainly seeing an increase in the number of customers who have set up payment plans but, in the short term, are unable to sustain payments because of changes, or often halts, to their benefit payments. It is those who live in rented properties, are living on benefits and where the deceased had no estate that are most likely (though by no means exclusively) to default on payments."

Grant Murray, a senior manager at Redwood Collections, agrees, but he also sees an impact on consumer debt coming from much closer to home too. "The reason for non payment is often rooted in family disagreements. One family member may take it upon themselves to arrange the funeral having had assurances, or made assumptions, of being reimbursed by other members of the family. When this turns out not to be the case, the person who arranged the funeral is quick to shrug their shoulders or point their finger.

"From the funeral director's point of view this situation is, of course, completely unreasonable. The bill should simply be paid and the dispute sorted out within the family



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privately. After all, the funeral director has handled the funeral arrangements expertly and compassionately (often paying out disbursements to crematoria, etc) and is entitled to timely payment in return."

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Continues Debbie Mynott: "Changes to the SFFP are welcome but, as the various analyses of the changes show, they are unlikely to make a huge difference. The payments are still nowhere near covering the average cost of a funeral. The welcome addition of allowing crowd-funding appeals and family contributions to a maximum of £700 may help in a small number of cases. However, we have seen examples of crowd-funding money 'disappearing' and not being paid to the funeral director. Unfortunately, there is little recourse for funeral directors in this instance as they are not the direct beneficiary of the appeal. There are, of course, limited grants available but they tend to support only the most vulnerable.

"Many consumers are struggling to make payments, and keeping communication lines open and working with them to maintain affordable payments is important for ensuring eventual payment of the debt, and it is what debt recovery agencies do every day."

However, even when professional debt recovery firms are working to recover consumer debt, it can take a long time for there to be a result, and this can create frustration among funeral firms.

"When all efforts to mediate, grant further time or arrange payment over a few instalments have failed, a funeral director will often look to the court system to try and enforce the now overdue debt," says Grant Murray. "Redwood Collections has found that many of our 600 plus funeral director clients have grown frustrated at the length of time a typical county court action can take."

Get your credit control processes in order

The advice of both Redwood Collections and The Debt Recovery Bureau is to have a robust paper trail, concise documentation, properly signed and completed agreements by all parties.

Says Debbie Mynott: "In this day and age it is vital to have a signed contract. Consumers are becoming more aware of their rights. Having a clear audit trail of evidence is crucial if you need to pursue a debt.

"The contract signing is, of course, part of the funeral arrangement process, and it is useful to see this as an information-gathering exercise. Obviously the customer name, address and contact details will be gathered, but have you considered asking for a date of birth for the customer? This may seem intrusive but the information may be invaluable if that customer becomes a debtor, moves home, needs to be traced to a new property or to pursue legal action.

"Do you ask how the balance will be paid, eg is there an estate or not? If someone defaults on their funeral payment it is going to cost you time and possibly money to recover the outstanding payments. These are difficult questions to ask but, at the end of the day, you are in the funeral trade, not in the loans business."

It is also advisable to make sure your terms and conditions are up to date and properly drafted, as the costs associated with legal action or referring the debt to a debt collection agency may be reclaimed if covered in your contractual terms.

If you do decide to pursue the debt through the courts system, Grant Murray cautions that funeral firms will need plenty of patience. "Winning judgment in your favour is often the easy part," he says. "The process will often be slowed down with the myriad of excuses a debtor can throw at the system to deter the creditor, including spurious defences, adjournments, multiple court attendances and then a high volume of enforcement failures.

"Another factor is the little-known, but very important, Pre-Action Protocol for Debt Claims which came into force in October 2017, making it more time-consuming to take debtors to court. If a county court judgment (CCJ) is obtained, funeral directors may find that court bailiffs possess little incentive to recover money from the debtor, their efforts usually resulting in an all-too-easy application being made to waive the bailiff's warrant and pay the debt via instalments at a derisory rate."

Is outsourcing an option?

So, what's the solution for a busy, small to medium-sized funeral firm that would rather spend its time caring for clients than chasing overdue payments? This is a service provided by both The Debt Recovery Bureau and Redwood Collections. One option is to outsource credit control, which can take away the hassle of constantly chasing the same individuals again and again, granting more time to focus on business development and other important factors.

Says Grant Murray: "One good telephone call from an experienced collector can be worth a handful of letters or a premature legal action.

"More often than not, an experienced debt collection agency can set up and monitor an agreeable repayment plan without recourse to law. Redwood Collection's approach is to engage the debtor in dignified and constructive discussion from the outset. This puts an intermediary between the funeral firm and the debtor and helps to eliminate invalid reasons for non payment. In many cases, Redwood's team can resolve issues and recover debt immediately, or arrange instalment plans designed to suit both parties.

"In persistent cases there is an alternative approach to the county court to achieve maximum value for money when issuing legal action. We continue to see great success with county court claims but, sadly, it seems the stigma that was once associated with the burden of carrying a CCJ has waned slightly.

"For those debtors out there that seemingly work hard to avoid their responsibilities the personal service of a Statutory Demand, issued in accordance with the Insolvency Act 1986, could prove an effective step. This is reserved for cases exceeding £5,000 and is the initial stage towards a personal bankruptcy petition."

In summary, if funeral directors are armed with modern credit control tools, up-to-date documentation and access to a professional debt collection agency, as and when they need them, a great deal of hassle and money can be saved down the line - both in terms of the prevention and recovery of unpaid debt.

Fast Track flexibility – a valuable option for clients

Another valued tool in the funeral director's armoury against consumer debt is having a financing package available to help clients that do intend to pay, but may need a little assistance in doing so.

NAFD member Braemar Finance provides an online client finance facility, Fast Track, which provides funding options for families to help them meet the cost of funerals. These can be incorporated into each NAFD member's business and offers clients funding for unforeseen expense at a time of need.

Aileen Boyle, Managing Director of Braemar Finance, explains how the process works: "Applications are submitted online and can be requested while on the business premises or at home at a time that suits them. The entire application process only takes a few minutes and the decision is received within seconds, with loans available from £250 to £60,259. Each application is considered on its own merit and can assist with the cost of a funeral service, coffins, headstones, memorials and funeral related expenses.

"Importantly, the loan removes the financial risk of non payment from your business while providing your clients with funding options to spread the cost of a loved one's funeral.

As a sector specialist, Braemar Finance works to understand funeral businesses and can also provide funding for other aspects of member businesses.

Adds Aileen Boyle: "We are long-standing members of the NAFD and recognise that as, a funeral director, members will have unique challenges and may need support to start-up or buy into a business, to refurbish premises or purchase new funeral or mortuary equipment. They may also need finance for the purchase of limousines and hearses, or simply to fund their tax bill."

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