

The Eligible Loans Deductions Scheme

Welcome to the Eligible Loans Deductions Scheme (ELDS). The information contained in this pack will provide you with some background details on the scheme as well as your roles and responsibilities and instructions on how to refer a case to us here at the Department for Work and Pensions (DWP).

The Background

ELDS is a joint DWP/Treasury initiative to support the expansion of affordable credit to people on low incomes as part of the Government Strategy for tackling Financial Exclusion.

The scheme aims to increase the supply of affordable credit for people on low income, including people on benefit. The rationale for offering access to benefit deductions in certain circumstances is to reduce the risk of default and therefore the cost of lending to people in such circumstances.

The participating organisations will come from the not-for-profit or third sector i.e. credit unions and community development finance institutions. Those organisations taking part will be referred to as 'lenders' and will have demonstrated to DWP that they meet approved responsible lending criteria.

How the scheme will work

The scheme will enable lenders to apply to DWP to recover from benefit loans which have fallen into arrears and normal repayment arrangements have broken down, provided they meet approved responsible lending criteria. Before deductions can be considered lenders will also have to demonstrate that they have tried other reasonable means to collect repayments.

Eligible lenders who have referred a case to DWP, and recovery is able to be made by deduction from benefit, will receive payment into their bank account on a four-weekly basis.

Making an application to join the Scheme

To be eligible to take part in the scheme you must demonstrate that you meet the criteria required by DWP. The enclosed application form outlines the lender criteria and the supporting evidence that you need to provide.

Eligible lenders must also enter into a Memorandum of Understanding (MoU) with DWP. The MoU is a document that details the level of service that you must meet, your roles and responsibilities and the terms and conditions you must comply with.

Read the [Memorandum of Understanding](#) before making your application.

If you want to be considered for inclusion on the scheme please complete the [ELDS application form](#) and return it to us. The application form must be signed by the Managing Director, Chief Executive or person of similar authority.

If you would like to make an application to join the scheme via email, please send your application form to Alyson Longstaff at Alyson.Longstaff@dwpgsi.gov.uk.

If your organisation meets the required criteria and DWP can accept you onto the scheme, a MoU will be sent to you to sign.

Once you have signed and returned the MoU and application form to us there is no need to complete another unless there are any changes to your organisation or the processes that you currently follow.

We will review each lender's MoU annually to confirm any changes that may have occurred. We will also carry out visits to a sample of lenders to ensure conformity to the lender process.

Note: The details supplied in your application will be maintained on a central database of all lenders taking part in the scheme. This is solely for the purpose of management information.

When to make a referral to DWP

Deductions can only be considered where loan repayments are in arrears. This means that the borrower has failed to make (and has not resumed) payments, either as originally agreed or as agreed in a subsequent re-negotiation for a period of 13 weeks prior to the date of referral to DWP. In addition, the lender must have made reasonable action, short of going to court, to persuade the borrower to resume payments.

Before referring a case to DWP the lender must take steps to contact the borrower to discuss the debt and to negotiate alternative repayment arrangements and should, as a minimum:

- write to the borrower outlining the arrears position and the amount of the debt;
- if there is no response, write a second time;
- if there is still no response, write a third time, explaining that unless payment is resumed within 14 days, the case will be referred to DWP for consideration of deductions from benefit to recover the debt, stating the amount of outstanding debt.

How to refer a case to DWP

When you have identified a loan balance you wish to refer to DWP you should complete the [DWP referral form](#) and send it to the address shown. This cannot be sent via email.

When you refer a case to DWP you must supply all of the details requested on the referral form. Failure to do this will result in the referral form being returned to you for completion. This will delay implementation of recoveries from benefit.

Deductions cannot be guaranteed and can only be made where all the appropriate benefit rules are satisfied e.g. there is sufficient benefit in payment.

DWP may have to return the referral without a full explanation of the reason why deductions cannot be taken.

DWP is bound by the terms of the Data Protection Act and will treat all information in the strictest confidence.

How do I notify DWP of any changes?

Any changes to the details that you provided at the time of application should be reported to DWP on the [change in lender details form \(EL7\)](#).

If you require any further information about any aspect of the scheme then please contact either Alyson Longstaff 0191 22 52139 or Tracey Scott on 0191 2247673