

17th April 2026

Dear DWP and PSFA Debt Policy Teams,

Public Authorities (Fraud, Error and Recovery) Act 2025 Recovery Regulations: Joint PSFA and DWP Consultation

Introduction

All Together Money welcomes the opportunity to respond to the joint DWP and PSFA consultation on regulations made under the Public Authorities (Fraud, Error and Recovery) Act 2025. As the leading representative body for credit unions in Great Britain, we recognise that the structure and operation of any system of Direct Deduction Orders (DDOs) will significantly influence the ability of credit unions to continue serving as trusted, community-based financial service providers.

The regulatory framework should remain proportionate, fair, and transparent, ensuring that recovery mechanisms do not inadvertently increase financial vulnerability or weaken the resilience of credit union members. Where credit unions are required to implement DDO notices or orders, the associated timelines should reflect the operational capacity and resources of institutions of varying sizes and structures.

Although the Act permits institutions to apply capped administrative charges, even modest deductions may have a greater impact on financially vulnerable members, who are well represented within credit union membership. We also note that DWP and PSFA may prioritise engagement with banks and building societies ahead of credit unions; however, as the regulatory duties apply equally, their design should take appropriate account of the differing operational models and capacities across deposit-taking institutions.

Furthermore, while requiring three months of statements may support affordability assessments, it may not fully reflect the circumstances of members with irregular or

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seasonal income. We therefore emphasise the importance of incorporating considerations of affordability and financial vulnerability throughout the regulations, alongside recognition of the distinct role of credit unions. This should be accompanied by clear signposting to appropriate support where appeals or representations are made.

Section One – How Notices and Orders Are to Be Given by DWP and PSFA

The consultation sets out a consistent approach for serving notices and orders, allowing for delivery by post or secure electronic communication, with service deemed to occur based on the method of dispatch rather than receipt. While these provisions are intended to support timeliness and clarity, deeming notices as “given” on the next working day for electronic communications, or after two or five working days for post, may present operational challenges for smaller credit unions, reflecting their member-focused service models. This is particularly relevant where resources are more limited, as compressed timelines may be more challenging to accommodate in practice.

The introduction of new forms of secure electronic communication should follow meaningful engagement with the credit union sector, with full consideration of cost, proportionality, and accessibility.

We also emphasise the need for built-in flexibility to account for operational constraints such as opening hours, staffing availability, the needs of vulnerable members, joint account arrangements, bank holidays, and potential technology-related delays. A fair and workable notice framework should remain transparent, adaptable, and responsive to the differing capacities and operating contexts across institutions.

Section Two – How Notices and Information Are to Be Given to DWP and PSFA

The consultation states that institutions must send notices and information to DWP or PSFA by post or secure electronic communication, with new methods expected as technology advances. While this offers flexibility, allowing DWP or PSFA to specify particular methods in individual notices could lead to inconsistency and operational

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unpredictability, particularly for smaller credit unions relying on established secure email systems.

We therefore recommend that the regulations define a clear and standardised set of acceptable communication channels, ensure proportionality in information-sharing requirements, and include flexibility to account for operational constraints within credit unions.

Section Three – Duties of Banks in Relation to Direct Deduction Orders

The duties set out in the consultation impose strict timelines on institutions, including a 10-working-day deadline to respond to Account Information Notices, General Information Notices, and Further Information Notices; a requirement to safeguard funds within 2 working days for LSDDO pre-deduction notices; and a further requirement to notify DWP within 5 working days of the safeguarded amount.

While these timeframes may align with more automated processing environments, they may present practical challenges for credit unions, where activities such as extracting statements, verifying account information, and processing orders and transactions may involve a greater degree of manual handling and resource coordination.

Additional duties, including providing information on legal restrictions, reporting Power of Attorney or deputy details within 7 or 10 working days, retrying failed deductions, and ensuring the accurate handling of weekly deductions, may introduce further operational demands.

All Together Money supports a proportionate, phased, and flexible approach to implementation that reflects the operating context and distinct role of community finance providers, while safeguarding members from unintended detriment. While effective debt recovery is important, the regulatory framework should remain proportionate and responsive to the needs of financially vulnerable members, who are often served by credit unions.

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Section Four – Costs Which a Bank May Recover

The consultation proposes that institutions may recover reasonable administrative costs from account holders where a DDO deduction is successfully made, capped at £10 per RDDO deduction (up to £40 per month) and £55 per LSDDO deduction, aligned with existing government approaches.

All Together Money supports the principle of cost recovery but notes that even modest deductions may have a disproportionate impact on financially vulnerable credit union members. Clear communication will be important, including explanation of the discretionary nature of any charges, the basis on which costs are applied, and the available routes for support or appeal.

We encourage close monitoring of the impact of cost recovery to ensure fairness and to mitigate unintended consequences, while also safeguarding the financial resilience of the communities served by credit unions.

Credit unions are fundamentally built on the trust and confidence of their members as community-based, socially purposed financial service providers. Even limited application of charges directly to members' accounts in connection with government debt recovery may risk undermining that trust, particularly where members are financially vulnerable and where modest deductions can contribute to financial pressure or distress.

To conclude

All Together Money welcomes the opportunity to engage with DWP and PSFA as these important regulations are developed. To maintain fairness, transparency, and effectiveness while safeguarding financially vulnerable communities, the framework must incorporate proportionality, realistic timelines, clear communication standards, and robust protections for members.

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While we recognise the need to address fraud and error within the system, we remain concerned that overly prescriptive or inflexible recovery measures may exacerbate the financial vulnerability the consultation seeks to address. Accelerated processes and strict statutory deadlines, if implemented without adequate safeguards, could inadvertently undermine the Government's objectives of promoting affordable, sustainable repayments and protecting the most vulnerable.

We look forward to working collaboratively with Government to ensure that debt recovery processes strengthen, rather than compromise, the financial wellbeing of households, while also supporting the sustainable growth of the credit union sector across Great Britain.

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