

A thoroughly modern outlook

Marston Group's **Gareth Hughes** envisages a bailiff sector that has complete transparency. He tells **Deniz Huseyin** how he plans to make his vision a reality

Though under no illusions about the tough challenges facing the bailiff industry, Gareth Hughes appears resolutely upbeat about its future. As deputy chief executive of Marston Group, he has ambitions to turn the business into a corporate concern. And he sees a more professional approach becoming the norm for the industry as a whole, with public perceptions changing for the better. He points out that enforcement agents act as appointed officers of the court, performing an important and often undervalued role in society, and are part of an industry that collects over £600m on behalf of the tax payer each year.

Hughes describes Marston Group as a modern and forward-thinking operation. He takes pride in pointing out that the senior management team now has more female representation, a trend he expects to continue.

He recounts a recent visit to a Citizens Advice Bureau (CAB) event accompanied by Marston enforcement agent Kim Holmes. "Many of the delegates were creditors, banks and debt advisers. We got chatting with some of them over lunch and I introduced Kim as one of our most successful bailiffs. They were quite taken aback, as she did not conform to their preconceptions. Kim is 25, was previously a lettings agent, is a swimming champion and works with disabled children in her spare time.

"I hope that in five years we won't get the same sort of reaction. I want our workforce to accurately reflect the society from which it is drawn – not only in terms of the male-female ratio and ethnic diversity, but also in terms of encouraging applicants from a wide range of professions and academic backgrounds.

Sound advice

Hughes has been striving to forge stronger ties with the advice sector. This includes

exchanges with the Consumer Credit Counselling Service (CCCS). "A group of us, including contact centre managers and client service operators, spent a day at the CCCS head office in Leeds," says Hughes. "We listened in as they took calls and evaluated the correspondence they received. A reciprocal visit is now being arranged to one of our contact centres, so that they can learn more about the way we operate."

He adds: "We engage with half a dozen of the leading debt advice charities on a weekly basis. It's a significant commitment, but it is so important for us because of the benefits that accrue from increased awareness and understanding."

Hughes notes that debt advisers will explain to their clients that they need to prioritise their debts. "They help debtors to understand why it is important to deal with priority debts such as criminal fines and Council Tax payments before non-priority debts such as store or credit cards."

The advice sector understands that enforcement of court orders has its place in society, insists Hughes. "But we want to see it undertaken professionally and responsibly. Marston is not interested in going after people who do not have the means to pay. Our challenge is to effectively distinguish between those that can pay, those that can't pay, and those that are potentially vulnerable — as quickly and efficiently as possible. Working with the advice sector helps us to achieve these objectives."

Employment tribunal awards

Marston helps people that have won employment tribunals but have not been paid by their former employers. A 'fast track' system, introduced last year, speeds up the process from unpaid award to enforcement. Marston has worked on a large number of these cases over the last year and reports that the recovery rate has improved by 50%.

"It is completely unfair for a company to avoid paying a tribunal award to an employee," says Hughes. "It amounts to misconduct towards the employee, perhaps in order to pay other debts, to maintain a dividend payout policy or to support a particular lifestyle.

"A lot of these awards were not getting enforced before the system changed last year. Under the fast track system, the employee has access to justice in weeks rather than months. We enforce the case as a High Court writ. We can often gain access to company premises within a short timeframe and ask for the full payment due to the employee.

"If it is not forthcoming, and if a payment arrangement is not agreed, then we will take legal ownership of goods where we are able to do so. As you can imagine, this usually pushes the debt to the top of the employer's priority list."

On the shop floor

In order to keep abreast of the firm's range of operations, Hughes goes on field visits every six to eight weeks. "It's important for me to get out there to see the many different types of enforcement we're involved in; arrest warrants, criminal fines, Council Tax recovery, commercial rent recovery, parking penalties, congestion charges, High Court writs and other business debts.

"We operate across England and Wales, so I try to make sure I go out with agents from different regions. Going on-street with enforcement agents helps me to better understand the issues they're facing."

Hughes recognises that life out in the field can sometimes be tough for agents, but says they take pride in their work – and that the company does its best to support them.

"We pay people on time, train them well and keep them up to speed with the latest developments in the profession. We have also brought in an independent support

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organisation that our agents can turn to if they ever feel under pressure or want to have a confidential chat with someone."

Staff turnover at Marston Group has halved in the past two years, says Hughes. "The turnover of bailiffs in the industry has historically been high. If you wanted to be a bailiff ten years ago, you turned up and got work if the firm liked the look of you. At Marston, all applicants now have to go through two or three interviews, attend a City & Guilds-accredited training course, undertake a psychometric assessment and sit a written exam. After that, they are supported on-street for the first couple of months through a mentoring system whilst learning the process. This helps to make sure we get the right people through the door – and also that we hold on to them once they've completed their training."

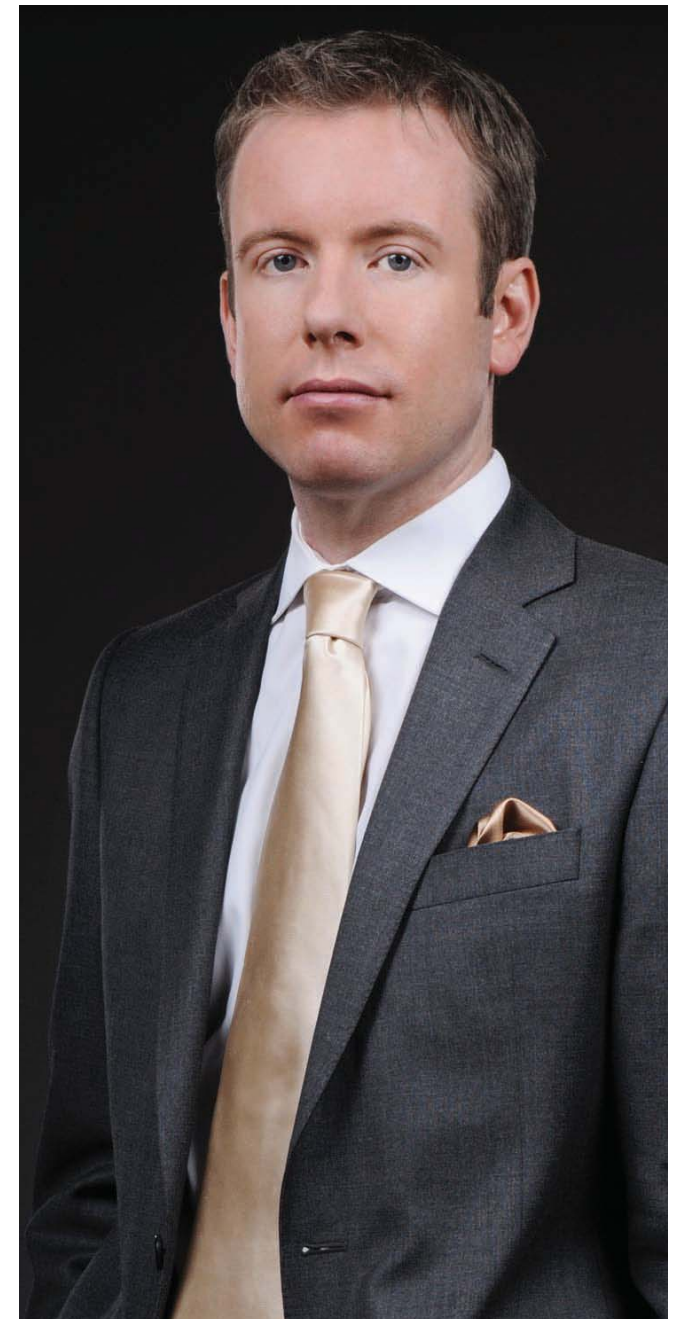
Greater transparency

Marston Group also supports its agents by investing in new technology. All 380 of Marston's agents are now being provided with personal alarms, which can be discreetly activated in potentially dangerous situations. Another innovation already being trialled is the video ID badge.

Hughes says: "We have already found that the video badge is reducing the scope for dispute on the doorstep. Reminding debtors that they are being filmed has been shown to moderate the interaction, whilst giving both parties assurance that there is independent evidence of the encounter. This evidence is also available for our clients to review upon request.

"We inform the debtor that the visit is being recorded for their benefit. We do stop recording if strong objections are raised, but we also state that the fact we are being asked to stop recording will be taken into account if a complaint is subsequently made."

Hughes predicts that these innovations will





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have the same impact as contact centre recordings. "Within six months of recording our calls, the volume of complaints dropped by 70%," he reveals. "People had been making spurious complaints about contact centre staff, but they became a lot more circumspect once they realised we could play back the call."

Such innovations not only further reduce scope for complaint, but also encourage bailiff firms to operate in a more professional, ethical and transparent way. Marston Group is constantly thinking of new ways to reduce risk and increase transparency, says Hughes. For example, it recently became the first bailiff firm to publish its client account audit certificate. Audit firm Grant Thornton formally

confirmed in September that the balances held in Marston's client accounts were equal to, or greater than, the sum owed to its clients.

Hughes says: "Full disclosure builds public trust and confidence, and it is essential that clients have confidence that their monies are properly protected. We demonstrate this by having these accounts reviewed on a quarterly basis by a leading audit firm, and by publishing the results."

In the same spirit of openness, Marston has set up an independent advisory board that will meet several times a year - providing advice to, and oversight of, the executive team. The board members include Clae Lloyd-Jones, chief executive of the Tenants Services Authority; Mark Glover, chief executive of communications agency Bellenden; Richard Bailey, PA Consulting Group management consultant; and Mark Watts, founder of the corporate finance boutique Dow Schofield Watts.

Hughes says: "Enforcement companies sometimes talk about ethical conduct without taking concrete steps to embed the right values in their organisation."

"Building a truly ethical enforcement brand requires significant investment and takes a lot of time - to get the right people into the business and to ensure that the culture of the organisation reflects and promotes the right behaviour. What we're seeing now at Marston Group is the result of five years' hard work."

The problem with capping

One of the burning issues of the moment in the bailiff sector is fee reform (see panel below). Hughes has long voiced his concerns

about the shortcomings of the current fees system. He notes that some local authorities have resorted to capping fees, often in response to political pressure.

Hughes supports capping up to a point, but says that councils are increasingly setting levels that are too low. He argues that this is placing a financial strain on smaller bailiff firms, not least due to rising fuel, staff, insurance and technology costs. "The bigger companies can get by on economies of scale, but it means that more and more smaller firms are making a loss. More firms may go under as a result, or may be forced to make changes that adversely affect the debtor."

"I want to see a market that has big, medium and small companies. Whilst I can see that the market will consolidate, some clients clearly prefer small companies to work for them. Clients should have choice. If the exercise of that choice results in a smaller market then that's one thing, but a smaller market brought about by fee capping is not a desired outcome."

There is nothing unhealthy about the profit motive, says Hughes. On the contrary, he considers it essential that any new system of bailiff regulation is founded on a sensible economic basis — in order to attract investment and to encourage talented personnel into the industry.

Marston's strategy is based on increased collection rates and ever-reducing levels of risk, says Hughes. "The business is not without its challenges, of course, but it's an industry that I believe in and am passionate about. I never stop thinking about what will be around the next corner, and also the corner after that. This is what drives me forward."

FROM FISCAL BEGINNINGS

Marston Group's deputy chief Executive Gareth Hughes started his career in the finance sector in 1996, joining KPMG London and working for Natwest and Coutts Bank, before transferring to KPMG Australia.

He joined the corporate finance division of Old Mutual Securities on his return to the UK, where he worked on a number of AIM flotations and private equity fundraisings.

He joined Drakes as finance director in 2002, and played a key role in the acquisition and integration of John Marston & Co into Drakes to form Marston Group in 2008.

Hughes is a private member of the Enforcement Law Reform Group, a founding member of the Enforcement Regulation Group, became an authorised High Court enforcement officer in October 2010, and is an individual partner of the Reform think tank.

Credit Today named him as one of the Top 100 most influential people in the wider credit industry in December 2010.

The compelling case for fee reform

One of the big unresolved issues hanging over the civil enforcement sector is bailiff fee reform. Hughes has long argued for a simplified and harmonised fee structure.

He wrote a detailed paper in 2008 that put forward a compelling case for a simplified fee structure — one that would completely engineer out the capacity for excessive fees being charged to the debtor. The paper was endorsed by the Enforcement Services Association and the Association of Civil Enforcement Agencies (which have since unified to form CIVEA), and was submitted to the Ministry of Justice (MOJ).

Prior to last year's general election, the previous government had appeared on the verge of launching a consultation on Part 3 of the Tribunals, Courts & Enforcement Act, which included the question of bailiff fee reform. The change of government stalled the process, although the coalition Queen's Speech contained a commitment to deal with the perception of aggressive bailiffs. The long-awaited consultation was then due

to start in July, before being pulled due to concerns about the potential impact on bailiff businesses themselves. Hughes says: "A simplified, reformed fee structure will do more than anything else to engineer out reputational risk, whilst providing an economic basis for a professional enforcement approach. The current system, which results in more than a third of small bailiff companies generating losses, does not help anybody."

Despite the protracted delays, Hughes is confident that the consultation will take place. "The bailiff industry and the advice sector both want it to happen, and we know from many meetings with MPs over the last 18 months that it has cross-party support."

"There is also strong backing for the concept of a simplified fee structure, due to growing awareness that charges per action undertaken will always lead to disputes on the doorstep. One fee for a compliance stage and one for the enforcement stage is the best solution."

You can see exactly what we're made of ...



Marston ensures complete transparency and ethical responsibility through:

- ♦ Committing to **open book accounting** by having our client accounts reviewed on a quarterly basis by a leading audit firm, and by always publishing the results online.
- ♦ Constituting an **independent Advisory Board** comprising well-known and respected individuals across the fields of corporate governance, law, politics and public affairs.
- ♦ Proactively investigating and deploying **cutting edge technology**, including a £3.5m bespoke IT system and video-badge recording of enforcement visits.
- ♦ Employing **outstanding training practices** through our in-house City & Guilds accredited training academy.

Full disclosure builds public trust and confidence, and reduces risk. It is also why Marston has won the Enforcement Team of the Year Award for the last two years, and why we have been shortlisted for the 2011 Awards in November.



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