

PSC MANAGEMENT CONSULTANTS



OFMDFM

Personal Problem Debt in Northern Ireland: A Qualitative Study



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The views contained in this report reflect those of the researchers and not of The Office of the First and Deputy First Minister

1. Executive Summary

This report seeks to complement previous research undertaken within OFMDFM in 2006 into 'Personal Over-indebtedness in Northern Ireland' (Woods, 2006), which undertook a quantitative analysis of data drawn from the Northern Ireland Omnibus Survey. This qualitative research endeavours to describe the debtor's experience of problem debt and views of the money advice sector.

Telephone consultations were carried out with thirty-two individuals who have experienced or are currently experiencing problem debt. PSc Management Consultants carried out two in-depth interviews with representatives of the advice sector including the Citizens Advice Bureau (CAB), the Consumer Credit Counselling Service (CCCS) and Advice NI. In addition, three group discussion sessions were held with advice sector representatives at Belfast and Limavady.

Key issues examined by the research included: the reasons for and duration of problem debt; levels of financial literacy and awareness of sources of support; and the impact of problem debt on family and dependents.

Impact of problem debt

- For those individuals who find themselves with problem debt, the research reveals that the experience is hugely traumatic, massively stressful and frequently drives people to the brink of suicide. Problem debt often results in relationship breakdown and other negative life events from which people may never recover.
- The research shows that problem debt is a hideous experience which can impact upon the lives of anyone regardless of social background.
- Those experiencing problem debt reported both personal and familial costs. Most mentioned depression. Almost one third of those interviewed mentioned suicide. Within families the greatest concern was with the impact on children.

Causes of problem debt and duration

- Key themes for those who participated in this research included the ease with which people get into debt through the multiplicity of lenders and relative ease of access.
- The majority of responses emphasised unforeseen circumstances that prevented the management of existing debt and, in some cases, necessitated further borrowing, which for many would not be the most sensible solution.
- From those interviewed, it would appear that financial preparation for a change in circumstance was either limited or non-existent.
- An additional cause of problem debt was essentially individual and related to irrational borrowing facilitated by easy access to credit, in effect, spending beyond one's means for extended periods.



- It is interesting to note that about two thirds of those interviewed reported that debt problems started when employed.
- The duration of problem debt amongst those interviewed fell into three broad groups: one year or less; more than one year and less than three; and three years or more. This finding clearly suggests the potential impact of a system of early intervention, although that is clearly dependent on the willingness of debtors to come forward and the consensus of those with problem debts was of the need to seek early advice/support.
- There is a huge demand for both face to face and telephone-based problem debt support with apparently little particular 'competition' or duplication between those agencies which provided telephone or on-line support and those which specialised in face to face provision. The consensus was that those who required face to face support were frequently individuals who had reached an extremely serious stage of their problem debt.
- There appears to be a shortage of money advisors who can provide face to face support through agencies such as CAB, and Advice NI. While CCCS receives its funding support through the lending sector, and also provides a very substantial amount of unpaid 'added value' work including assistance with Individual Voluntary Arrangement (IVA's), etc., there is an acknowledgement that the remainder of the advice sector receives very little financial support from the lenders who are pursuing the debt.

Levels of financial literacy

- About a quarter of those interviewed professed an understanding of banking rules and procedures. The remaining three quarters professed either complete ignorance or, at least, some confusion. Amongst this group, it would appear that ignorance of financial regulations could have been a contributor to problem debts.

Awareness of sources of support

- This research would appear to indicate that there is an extremely low level of general awareness regarding the sources of available support concerning personal problem debt particularly outside the main sources of support such as the CAB; CCCS; and Advice NI.

Legislation

- Given that the outcomes of the Consumer Credit Act 2006 are not yet fully realised it was not surprising that amongst those interviewed, there appears to be limited awareness of the impact of the Act. The Act provides for the comprehensive regulation of creditors and credit agencies. The Act additionally provides redress for those subject to irresponsible or discriminatory lending and for the improper behaviour of creditors.

Prevention

- **Education:** A striking feature of those interviewed was the lack of awareness regarding the protocols surrounding borrowing and repayment, particularly with respect to the income limits on repaying large loans. Equally striking was the large degree of ignorance of the very terminology used in standard credit agreements. There is a role for education in income management. Handling finances has been included in the school curriculum. However, while of long-term value, this offers little to the range of adults currently experiencing debt

problems. There is thus an equal requirement to ensure that this material is included in appropriate adult and community education programmes.

- Despite the difficulties in implementation, there is a strong case for robust **lending guidelines** – which set out appropriate lending and other financial product procedures for individuals, and to which the lending agencies are committed, if only as a code of practice. Such a code might also refer to the ways and means by which lending opportunities are advertised.
- Moreover, if lending agencies were committed to **responsible lending**, there would be an obligation for checks on customers' financial position and the need to install in borrowers the risks at the outset. Finally, there should be constant monitoring of debt levels with an emphasis on indicators of problem debt such as the numbers seeking help or availing of legal remedies such as Individual Voluntary Arrangements (IVAs) or bankruptcy. If guidelines were seen to fail in preventing the growth of problem debt, then more **effective regulation** should be considered – e.g. legislative regulations with penalties for institutions which persistently breach the guidelines

Treatment and 'Cures'

- **Redress Structures** – Individual rights may not be properly protected in the processes of lending and debt recovery. There is thus the need for a framework within which individuals can complain about a specific case and ultimately apply for compensation or other redress. Existing institutions like the Consumer Council or the Small Claims Court work for many, but the most vulnerable require a stronger redress mechanism.
- **Debt Solutions** - additional structured solutions to problem debt are required. Currently, the main structured solutions to debt include, bankruptcy and an IVA.
- Many people will not file for bankruptcy because of the long-term implications and stigma attached to this route, while the IVA has no maximum or minimum debt thresholds, in practice the debt should be at least £15,000 with individuals having at least £200 available per month to service the debt. For those with debts less than £15,000 or without any available funds, there are currently few structured solutions. A debt relief order is presently being discussed which would structure debts less than £15,000 with the exception of debt management plans.
- **Debt Advice** – continued and additional resources for those agencies such as CAB which provide excellent face to face debt advice. Debtors universally report the value of the advice and support received. Of some importance is the need for early intervention. This requires publicising and destigmatising the services offered. The importance of this measure is that it speeds up the process of recovery for debtors and thus, in the longer term, reduces costs. In a world of greater financial stringency within the voluntary and community sector, consideration should be given to how such services can be maintained and developed.
- The following diagram is a pictorial representation of the two-pronged approach to problem debt. For the purposes of the diagram, those who experience problem debt are classed in terms of the length of time during which a debt is a problem. Clearly, there is a huge amount of movement between the categories with individuals moving in and out of problem debt situations. The important issue is not the accuracy of the categories below but the fact that there is a continuum of severity of problem debt which is related to a very many factors

including the duration of the debt, personal circumstances and amount of debt. Just as there is an almost limitless number of reasons why individuals find themselves experiencing problem debt, there must also be a variety of preventative and treatment measures which can be used to alleviate the problem and some of these are depicted in the diagram below.

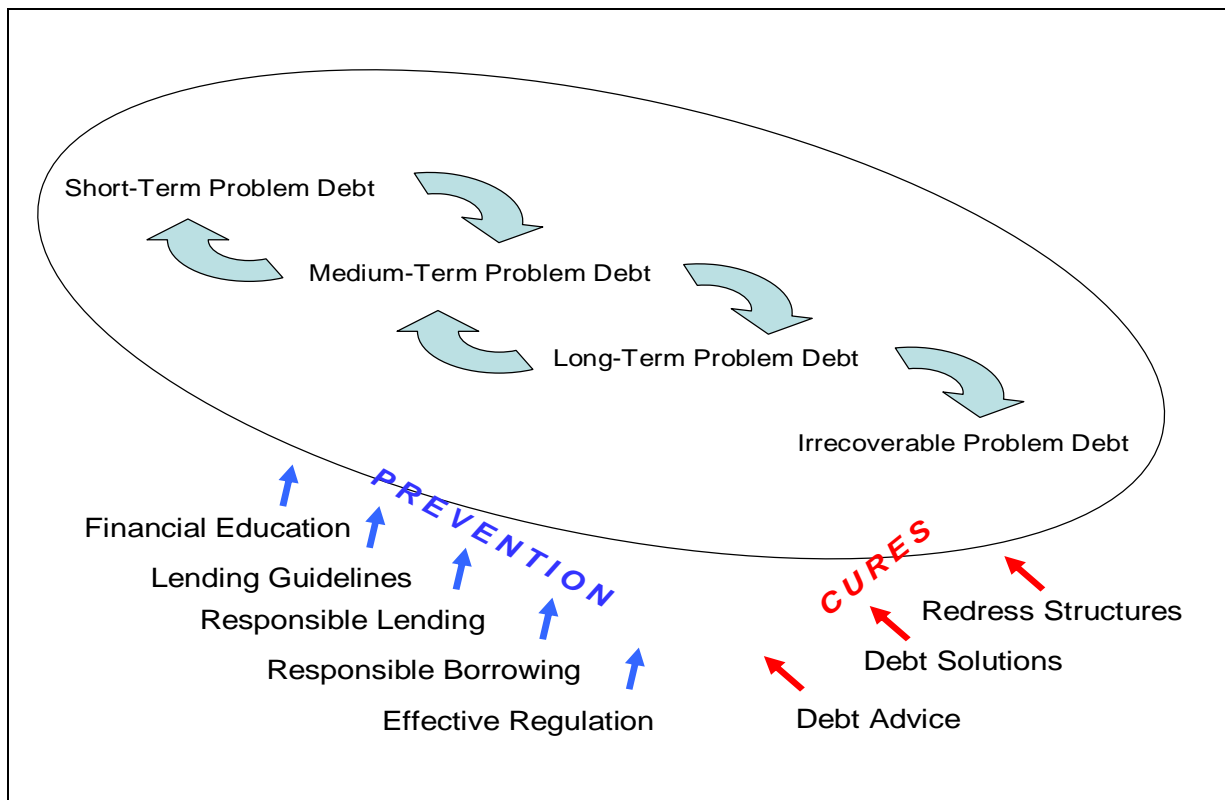


Fig. 1: Preventative and curative response to problem debt

- Measures which are primarily suited to helping to prevent people from falling into problem debt include financial education, lending guidelines for financial institutions, responsible lending on the part of banks and other lending institutions, responsible borrowing on the part of customers and more effective regulation/legislation regarding the lending process. Measures which are more appropriate to assisting people once they have fallen into problem debt include legal structures for individuals to complain and seek redress in relation to a debt, alternative solutions to bankruptcy and IVAs, and independent debt advice.

Conclusion

Debt in all its facets impacts on Government departments in many ways and is therefore an extremely complex issue to co-ordinate strategic and legislative responses. As a result, Government currently has a range of various departments and agencies which are concerned with particular parts of the problem debt issue. For example, part of the funding of specific debt advice is channelled through DETI, while the strategic response is led by DSD and also considerable funding through Local Authorities and education is sited in DEL.

In addition, the variety of reasons for problem debt, when combined with the very personal and individual nature of each problem debt, results in the necessity for a highly tailored and frequently multi-agency response when appropriate. The complicated nature of the problem and the variety of solutions must be balanced with the need not to stifle people's abilities to secure appropriate credit in order to fuel the market economy. In addition, the treatment of problem



debt must not make it too easy for individuals to 'extract' themselves from the debt, thereby resulting in a vast increase in unscrupulous borrowing.

Given all of the above, there is a clear need for Government to assume responsibility as the lead stakeholder in co-ordinating a joined up response to problem debt. It is however essential that the individual debtor remains at the centre of any responses developed through a multi-agency approach, and that the lender does not take precedence in terms of protection and regulation.

2. Introduction

This report seeks to complement previous research undertaken within OFMDFM in 2006 into 'Personal Over-indebtedness in Northern Ireland'¹ (Woods, 2006), which undertook a quantitative analysis of data drawn from the Northern Ireland Omnibus Survey. The purpose of that research was to assemble hard evidence on over-indebtedness amidst concerns that consumer borrowing had dramatically increased and was not sustainable in the long-term. It provided valuable evidence, particular on debt levels and the factors associated with the risk of over-indebtedness.

However, amidst the voluminous debate about debt and credit, the voice of the debtor is rarely heard. What is it like to go through the experience of problem debt? Why, in the debtor's view has it come about? What is the impact on families? Are there sufficient mechanisms to advise and support those with problem debt? How do debtors assess the kind of help received? In short, this exercise attempts to supply a missing part of the jigsaw. It reports the answers given by thirty-two individuals who are currently or have recently experienced problem debt to these and other questions. It is not a representative sample nor was it designed to be such. Access to people facing these circumstances, even on a confidential basis, can be understandably extremely difficult.

Individuals were contacted and encouraged to participate in the exercise by CAB/Advice NI and CCCS to whom PSc Management Consultants expresses its thanks.

The responses of group participants are reported below and the project could not have been attempted without their support and co-operation. PSc Management Consultants is extremely grateful that people with many, many problems were prepared to talk about their experience of debt.

Legislative Context

The following short section provides a brief description of recent legislative developments in relation to personal debt and is included in order to set the context within which governmental responses to personal problem debt are currently implemented.

One of the interventions which is promoted by government departments is the Money Advice Programme which was contractually awarded to Citizens Advice in 2006 through DETI. This contract aims to provide face to face money advice across Northern Ireland and enables CAB to support fourteen money advisers across the Province including posts in Omagh Independent Advice Service and Housing Rights Service.

Interviews with debtors showed evidence of both ignorance of the full implications and responsibilities associated with taking on debt and complaints that creditors made credit too easily available to vulnerable borrowers. The crisis in the sub-prime lending market in the United States with its roll-over effects on the world economy and the corresponding evidence of too easy access to credit in the UK suggest there is some substance to the second problem.

Recently enacted legislation sought to address the imbalance in relationship between creditor and debtor. The Consumer Credit Act (2006) explicitly amended the existing 1974 legislation to take cognisance of this issue. Section 104 A deals specifically with 'unfair relationships between

¹ <http://www.ofmfmni.gov.uk/personal-over-indebtedness.pdf>

creditors and debtors and conveys robust powers upon the courts. The powers are widely interpreted relating to the terms of the agreement, the manner in which it is enforced or 'any other thing done (or not done) by, or on behalf of, the creditor'. The court may take into account any matter it thinks relevant to creditor and debtor or those acting on their behalf. Moreover, a determination can be made even if the debt relationship has ended. The Act further conveys substantial powers of sanction including: the reduction or discharging of any sum payable by the debtor; the return of a surety or property provided as security; the setting aside of any duty imposed on the debtor, and; altering the terms of the agreement.

Operation of the legislation is initiated when a debtor makes an application to the High Court or the County Court where the credit agreement refers to a sum of £15,000 or less. Thus, if a debtor feels that they have been unfairly treated and can substantiate the claim, he/she has legal redress against the creditor. The technicalities of doing so suggest that recourse to a debt advice agency is desirable, if only to arrange for legal aid. In short, the legislative provisions relating to debt reinforce the need for debtors to contact advice agencies as quickly as possible.

Simultaneously, the legislation imposes a duty on those engaged in consumer credit, consumer hire, credit brokerage, debt adjusting, debt counselling, debt collection/administration and credit references to apply for a licence from the Office of Fair Trading (OFT). In obtaining a licence, the person has to satisfy the OFT that 'he is a fit person to carry on that type of business'. In judging a 'fit person' the OFT has to pay regard to; the skills knowledge and experience of the applicant or any other person participating in the business; evidence of a previous offence involving 'fraud, dishonestly or violence' or any other contravention of the relevant legislation; evidence of discriminatory behaviour; evidence of 'deceitful or oppressive or otherwise unfair or improper' practices.

The regulation of creditors and credit agencies is thus comprehensive. The legislation provides redress for those subject to irresponsible or discriminatory lending and for the improper behaviour of creditors. As will be seen later in this report, the answers provided by participants to this exercise both people experiencing problem debt and debt advice agencies indicates there would appear to be considerable ignorance of this legislation and the rights it conveys on debtors.

In determining whether a person is a fit person, the business practices which the OFT may consider to be deceitful or oppressive or otherwise unfair or improper include practices in the carrying on of a consumer credit business that appear to the OFT to involve irresponsible lending. This is the first time that a measure of statutory control has been imposed on irresponsible lending.

3. Methodology

The following describes the methodology employed through the research.

Phase one - Project Initiation

The assignment was commenced with a Project Initiation meeting with the Research Steering Group on Wednesday 31st January 2007 which produced an agreed methodology for the project.

Phase Two – Assessment of Strategic Context

Several key informant meetings were held with staff members from OFMDFM Research Branch and debt practitioners. The purpose of the meetings was develop the interview aide memoires for the personal interviews and focus group sessions, to gather contact details for consultees, and to obtain key documentation to inform the research including agreement of the comprehensive sources of assistance and support concerning problem personal debt.

Contact details for the following groups were secured:

- Individuals experiencing personal problem debt;
- Practitioners from the debt advice sector including CAB, CCCS and Advice NI;

Phase Three – Qualitative Consultation

Individuals experiencing personal problem debt

Telephone consultations were carried out with thirty-two individuals who have experienced or are currently experiencing problem debt. PSc Management Consultants requested that the advice sector agencies endeavoured to identify the following numbers of males/females within the specified age groups, as per the OFMDFM research into personal problem debt.

	50% Measure			Focus Group					
	Measure	Interviews 30	Rounded	Rounded		Rounded		Rounded	
Gender									
Male	27.4	8.2	8			13.7	14		
Female	72.6	21.8	22			36.3	36		
Total	100		30				50		
Age				<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>	<i>Female</i>	<i>Female</i>
16-24	4	0.32	0	0.88	1	0.56	0	1.44	1
25-49	77.1	6.17	6	16.98	17	10.80	11	27.78	28
50-64	0.4	0.03	0	0.09	0	0.06	0	0.14	0
65 and over	18.4	1.47	2	4.05	4	2.58	3	6.63	7
Total	99.9	8.00	8	22.00	22	14.00	14	36.00	36

In terms of what was actually achieved in the research, the following table compares the targeted numbers in terms of gender and age profile, with those secured through the telephone interviews:

	50% Measure	Interviews		Achieved	
		30		32	
Gender					
Male	27.4	8		11	
Female	72.6	22		21	
Total	100	30		32	
Age					
		<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>
16-24	4	0	1	0	3
25-49	77.1	6	17	10	12
50-64	0.4	0	0	0	5
65 and over	18.4	2	4	1	1
Total	99.9	8	22	11	21

This aspect of the research sought to ensure an appropriate socio-economic and demographic range of individuals consulted based on the OFMDFM research profile. Structured interview guides were developed to include discussion of:

- The range of reasons for problem debt;
- The duration of problem debt;
- The range of problem debt advice practitioners used;
- The quality and effectiveness of solutions proposed/developed through the advice services;
- The level of financial literacy for each individual;
- The awareness of assistance and support sources;
- The existence of barriers to accessing support;
- The impact of problem debt on family and dependents;
- The experiences of individuals using various problem debt solutions;
- Any other issues identified with the research steering group.

Advice Practitioners

PSc Management Consultants carried out two in-depth interviews with representatives of the advice sector including CAB, CCCS and Advice NI. In addition, three group discussion sessions were held with advice sector representatives at Belfast and Limavady. As with the individuals' interviews, structured interview guides were developed.

4. Qualitative Research Analysis

Three discussion group sessions were held with Advice Practitioners from Advice NI, CCCS and CAB, in Belfast and Limavady. The following numbers and attendees were present at each session:

Belfast. Advice NI: Fiona Magee Advice NI, Geraldine Martin Lower North Belfast Community Council, Cathy Hobson Housing Rights Service, Joanne McCoy Advice NI, Rita Turley Springfield Charitable Association.

Limavady. CCCS: Debbie Mills, Yolande Butcher, Myra McKeown, Claire Reilly, Nuala Thompson, Francis Steele.

Belfast. CAB: Scott Kennerly, Sam Walker, Rosemary McCormick, Gerard Quinn, Claire Green.

The practitioner discussion sessions followed an agreed structure with fourteen areas for debate. Not all areas were covered in each session because of the need to permit flexibility in exploring practitioners' opinions on particular issues. The discussion facilitator took notes during the sessions which form the basis of the following section.

Those Advice Practitioners who were consulted as part of the research were in agreement that many wide and varied life events result in problem debt. Some of those life events which were identified included relationship breakdown and job loss. Practitioners felt that individuals who were subject to low wages over extended periods of time were particularly vulnerable to problem debt, especially when low levels of income are combined with a lack of financial knowledge.

Advice Practitioners felt that there is now a vastly greater number of credit card companies in the marketplace in comparison to say twenty years ago. This increase in the number of credit card companies has clearly created a large degree of competition for customers and in addition has resulted in particularly skilful marketing which targets a whole range of customers with tailored credit products. For example, particularly high interest rates might be applied to those customers who perhaps want quick decisions on their credit and rapid access to finance, with some companies appearing to specialise in targeting what might be described as the more vulnerable members of society who could be more susceptible to promises of quick access to money. Advice Practitioners cited examples of people on benefits who had been given credit cards with large limits. This type of lending was identified as being extremely irresponsible on the part of the lending company.

The societal and marketplace changes which have occurred during the last twenty years in relation to debt do not simply end with a greater number of competing credit card companies. Various other additional pressures exist today which were not prevalent in the past. Notwithstanding the fact that our attitudes to debt appear to be much more relaxed, technological changes such as the advent of e-bay and 'addictive' 24-hour shopping channels and on-line bingo, poker and gambling websites have all increased opportunities to spend money, and in particular, 'plastic' money. Advice Practitioners concurred with many of the personal interviewees who identified the fact that individuals, especially those who are young, frequently have very little experience of budgeting with credit cards. In other words, there appears to be a consensus that managing finance with cash in your pocket is in some ways easier than keeping control of credit card spending. Indeed, debt advice specialists often advise

clients not to purchase anything without having the cash in order to do so and in this way curtail impulsive or unnecessary spending.

I advise not to spend a single pound unless they have it in their pockets and then it's easier to manage how much is actually going out. For young people who are trying to manage credit cards with no experience, it's very hard. Group discussion comment.

There was also a consensus that problem debt did not respect social standing and that the vast majority of people in society were indebted with many living very close to their financial limits in terms of their capacity to repay. The feeling was that the more money an individual had, the more was required to be spent in order to maintain a particular lifestyle. These factors often become problematic very quickly if a negative change in circumstances occurs. There was some agreement that a very large proportion of people who live in today's society are vulnerable to even slight changes in income or expenditure. In many respects, we are all exposed to the macro economic vagaries of the global marketplace based on the price of oil, particular foodstuff harvests, international conflicts or the US sub-prime mortgage market. The key point here is that external factors over which the individual has absolutely no control or knowledge, frequently impact either positively or negatively upon that person in a way that can be life changing.

Practitioners agreed generally that there is an enormous current need for the various strands of 'hands-on' advice which includes face to face, telephone and on-line support. While particular agencies specialise in specific forms of advice, for example CCCS exclusively provide telephone and on-line assistance while CAB provide most of their advice face to face, there was broad agreement that there was little or no competition or duplication between the various advice forms. Practitioners were clear that those clients who needed face to face support were almost always individuals who had reached an extremely serious stage in terms of their problem debt. While this statement is in no way intended to minimise the value of telephone or internet support, it acknowledges that different levels of severity of problem debt appear responsive to different approaches in the delivery of debt advice.

There is a shortage of money advisors who can provide face to face support through agencies such as CAB and Advice NI. While CCCS receives its funding support through the lending sector, and also provides a very substantial amount of unpaid 'added value' work including assistance with IVA's, etc., there is an acknowledgement that the remainder of the advice sector receives very little financial support from the lenders who are pursuing the debt. In group discussions, it was felt that this situation, where the finance sector does not contribute to money advice would appear on the face of it, to be rather inequitable.

Money advice by its nature is extremely personal and as such, advisors usually build up a long-standing and trusting relationship with their clients. Individuals frequently come to rely very heavily on the advisor and remain as clients for extended periods of time. Advisors agree that this relationship of trust is an essential part of money advice and that clients often are unable to fully open up and identify the full extent of a problem debt until the second or even the third visit when a degree of confidence has been achieved. Because of the volume of clients, money advisors must always set parameters in terms of the duration of each advice session and often have to limit the number of sessions available to each client. Clients frequently have to wait for extended periods of time before an appointment becomes available with a money advisor, and this lack of staffing resources means that the sector as a whole is reluctant to put any significant effort into publicising the services for fear of being completely swamped with requests for support. Practitioners felt therefore that the money advice sector is caught between the

concerns of uncertain and frequently inadequate funding sources on the one hand, and the inability to promote its services, develop strategy and operations.

A further issue which was identified through the research was that when people get into problem debt, they often turn to their banks for assistance, in the belief that the bank is an 'honest broker' in terms of financial support. Practitioners indicated that modern banks are clearly highly commercially focussed, and instead of providing a piece of strong advice with regards to budgeting, can make the situation worse by simply extending the loan:

There is a naivety regarding people going to financial institutions – they don't give you advice – they sell you products, they are called 'Mortgage Advisors' – not Sales Reps. You know these people are trying to meet sales targets, people often get products that aren't suitable for them.
Group discussion comment.

There needs to be a two pronged approach to problem debt including the prevention of debt, and a treatment of those individuals who fall through the preventative net. The following diagram was developed during the CAB discussion session and represents a consensus of practitioners' opinions in terms of those individuals who experience problem debt and the types of preventative measures and solutions which should be used in combination to tackle the issue:

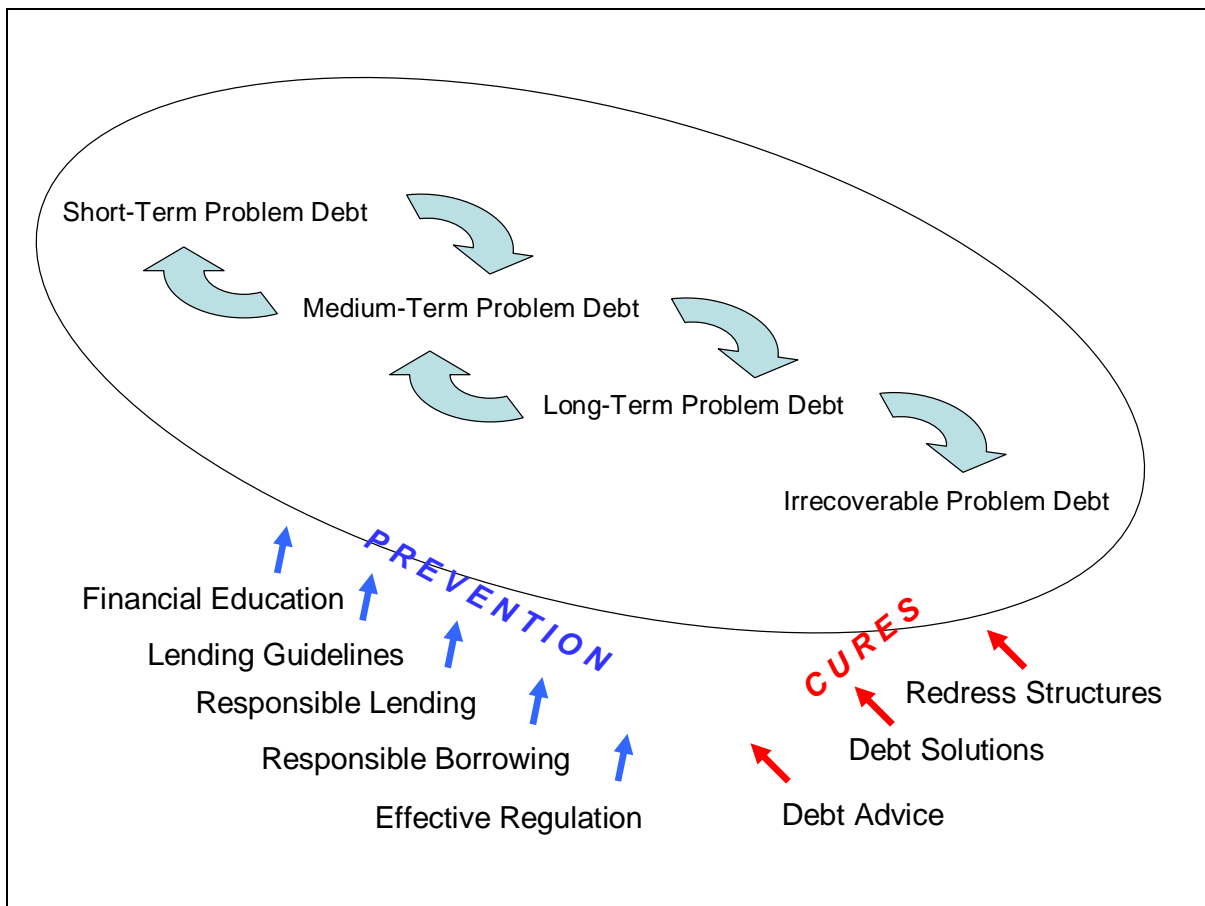


Fig. 2: Preventative and curative response to problem debt

The diagram above is explained in some additional detail within the conclusions and recommendations section of this report.

Analysis of Personal Interviews

The interviews were conducted with a sample of people who had been in contact with the advice agencies about their debt problems in order to capture a sense of the experience of being in debt. Confidentiality of the information provided was guaranteed to each respondent.

In total, 32 individuals were interviewed who had experience of personal problem debt. These individuals' contact details were provided by CAB, CCCS and Advice NI as follows:

CAB provided 31 names from which 25 interviews were secured.
 CCCS provided 6 names from which 2 interviews were secured.

In addition, Advice NI provided 10 names through their affiliated organisations as follows:

Housing Rights Service provided 7 names from which 3 interviews.
 Springfield Charitable Association provided 3 names from which 2 interviews were secured.

The following diagram represents the percentage interviews secured through each organisation:

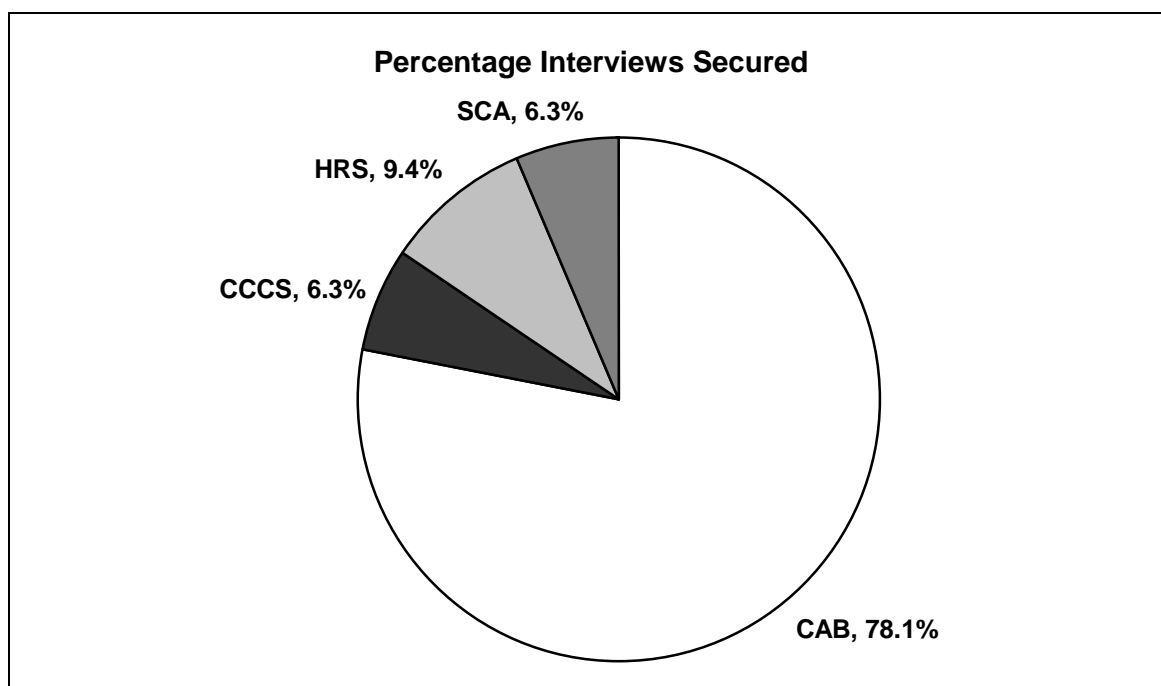


Fig. 3: Percentage interviews secured through the various organisations

Profile of Respondents

While the intention within this research had not been to interview a representative sample of people experiencing problem debt, the following section details some of the key characteristics of participants.

The following diagram represents the age profile of those individuals who participated in the research and shows that almost 70% of contributors were aged between 25 and 49 years.

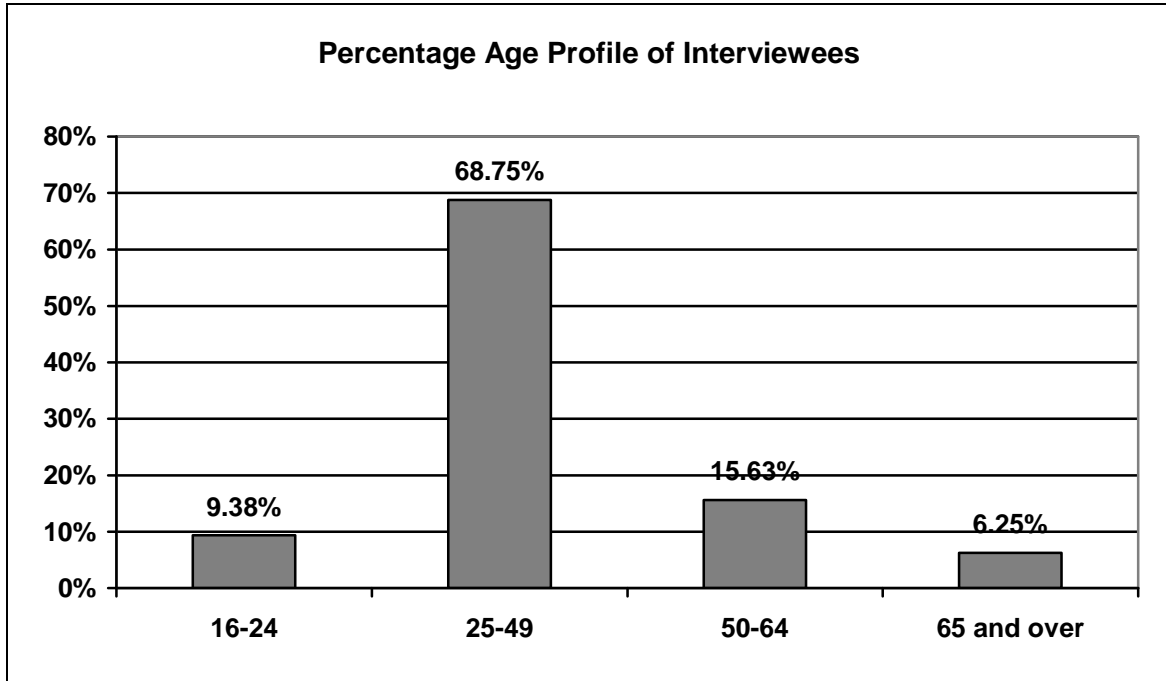


Fig. 4: Percentage age profiles of interviewees

In terms of gender, the diagram below shows that 65.6% of participants were female while 34.4% were male.

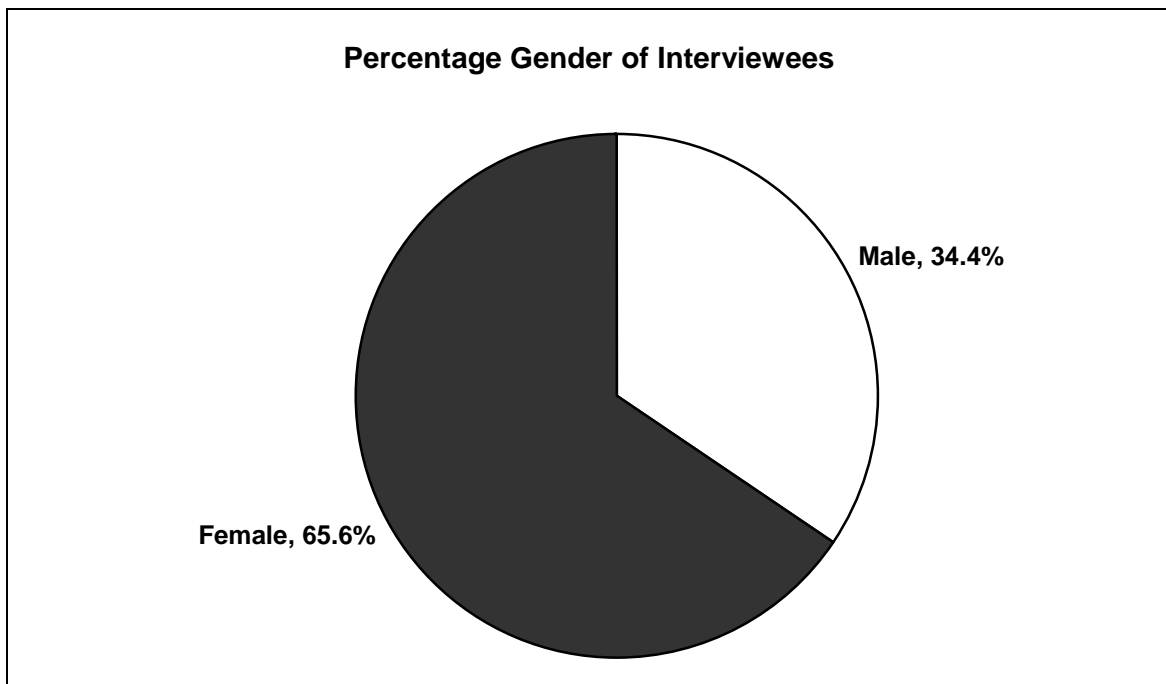


Fig. 5: Percentage gender breakdown of participants

Approximately 38% of interviewees stated that they were married or co-habiting, with the same percentage describing themselves as single or never married. Perhaps somewhat surprisingly given the apparent pressures which problem debt seems to place on relationships, only 18.8% of respondents stated that they were divorced, with 6.3% widowed.

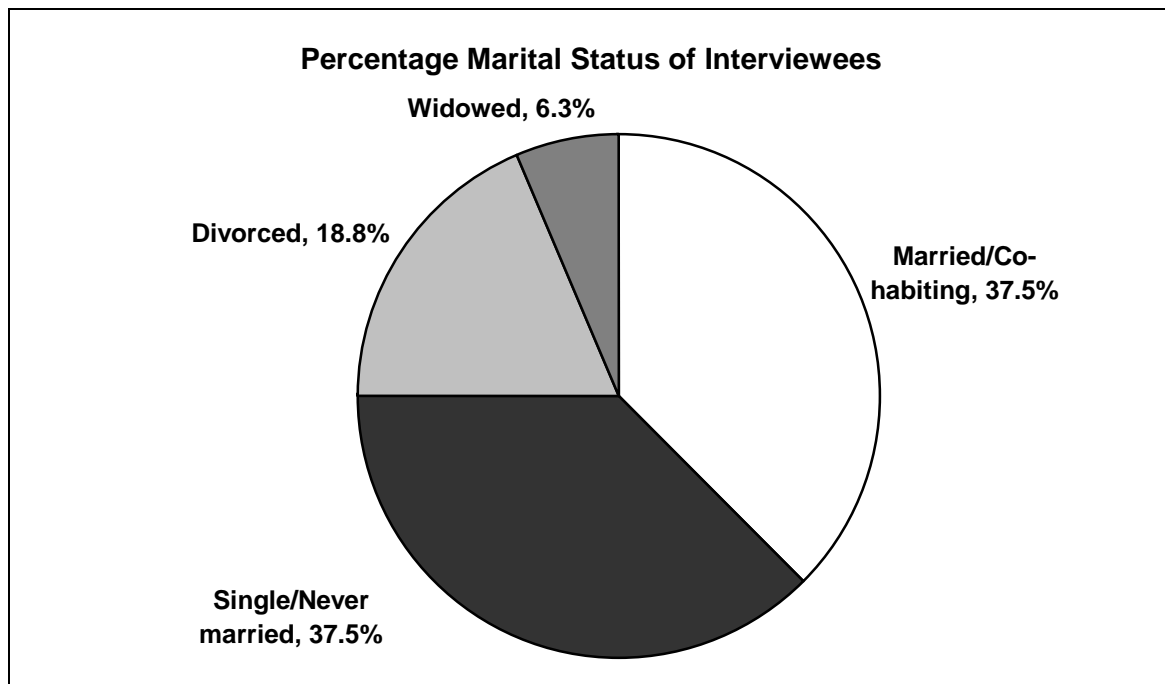


Fig. 6: Percentage interviews secured through the various organisations

The most frequently cited highest educational achievement for participants (37.5%), was level two which encompasses five or more CSEs (grade 1), five or more GCSEs (grades A-C), five or more 'O' level passes, Senior Certificate, one 'A' level, one to three AS levels, Advanced Senior Certificate, NVQ level 2, GNVQ Intermediate or equivalents.

Approximately one in three respondents stated that they had no formal qualifications, while just under 30% had achieved level three which encompasses two or more 'A' levels, four or more AS levels, NVQ level 3, GNVQ Advanced or equivalents.

The following key details the various educational achievements within each band as illustrated in the bar chart below.

- (1) GCSE (grades D-G), CSE (grades 2-5), 1-4 CSEs (grade 1), 1-4 GCSEs (grades A-C), 1-4 'O' level passes, NVQ level 1, GNVQ Foundation or equivalents.
- (2) 5+ CSEs (grade 1), 5+ GCSEs (grades A-C), 5+ 'O' level passes, Senior Certificate, 1 'A' level, 1-3 AS levels, Advanced Senior Certificate, NVQ level 2, GNVQ Intermediate or equivalents.
- (3) 2+ 'A' levels, 4+ AS levels, NVQ level 3, GNVQ Advanced or equivalents.
- (4) First degree, NVQ level 4, HNC, HND or equivalents.
- (5) Higher degree, NVQ level 5 or equivalents.

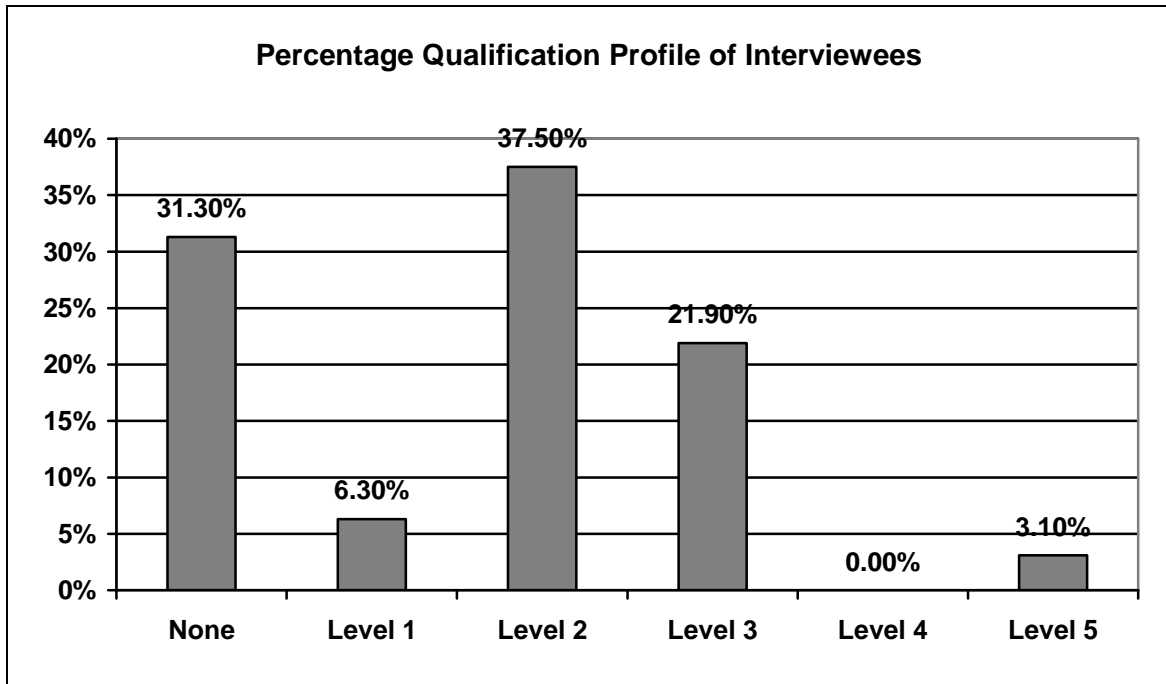


Fig. 7: Percentage highest educational qualification

Almost 47% of participants were currently in work, while the remaining 53.1% were presently not in employment.

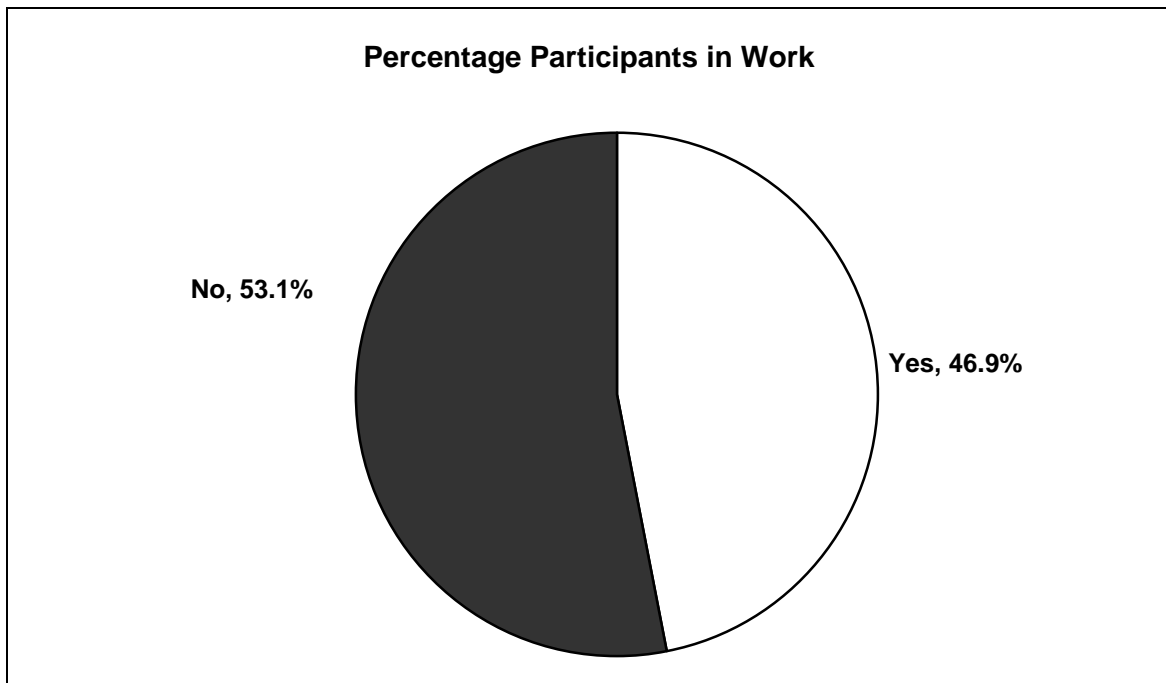


Fig. 8: Percentage of participants in work

In terms of the values of participants' problem debts, the diagram below shows that the vast majority of individuals (a combined 75.1%) had very significant debts of over £10,001. The highest percentage of debt at 62.5%, fell within the £10,001 to £50,000 range. The results



below suggest that most of the participants who have had cause to consult money advisors, have very serious debts in terms of values of much more than £5,001.

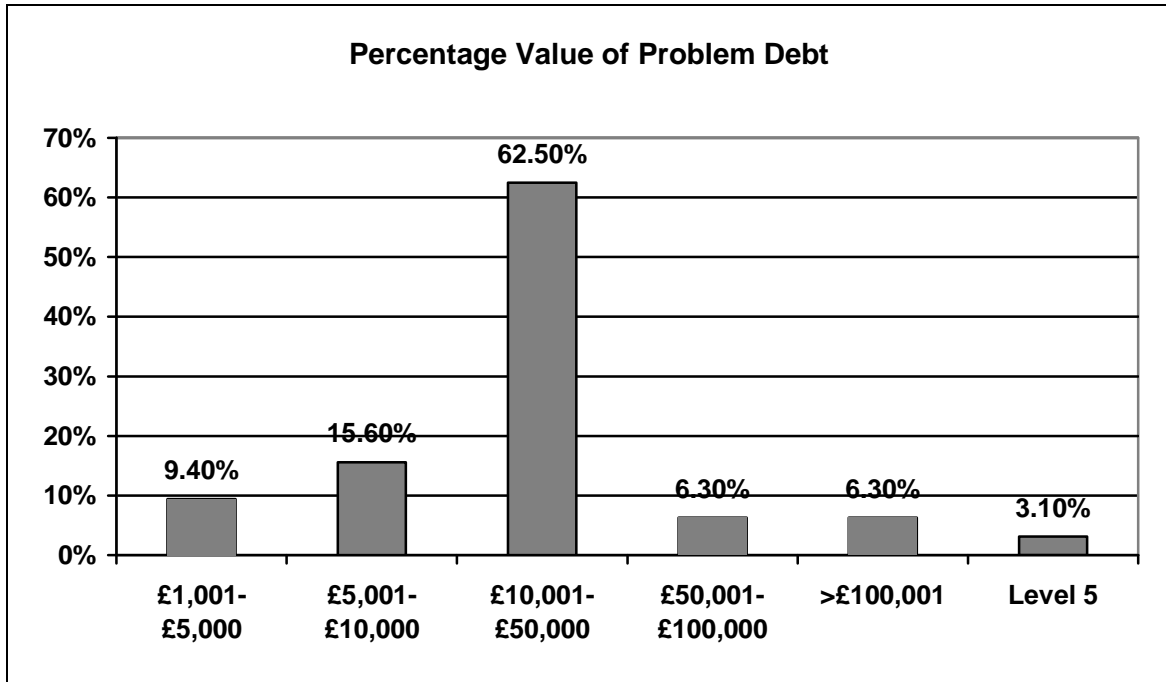


Fig. 9: Percentage shares of the value of problem debts

The diagram below shows that 40.6% of participants had monthly repayments of between £201 and £500 in relation to their problem debt. A combined 18.8% had monthly payments of at least £1,001 which by any standards, represents a huge proportion of any family’s monthly income going to service debt.

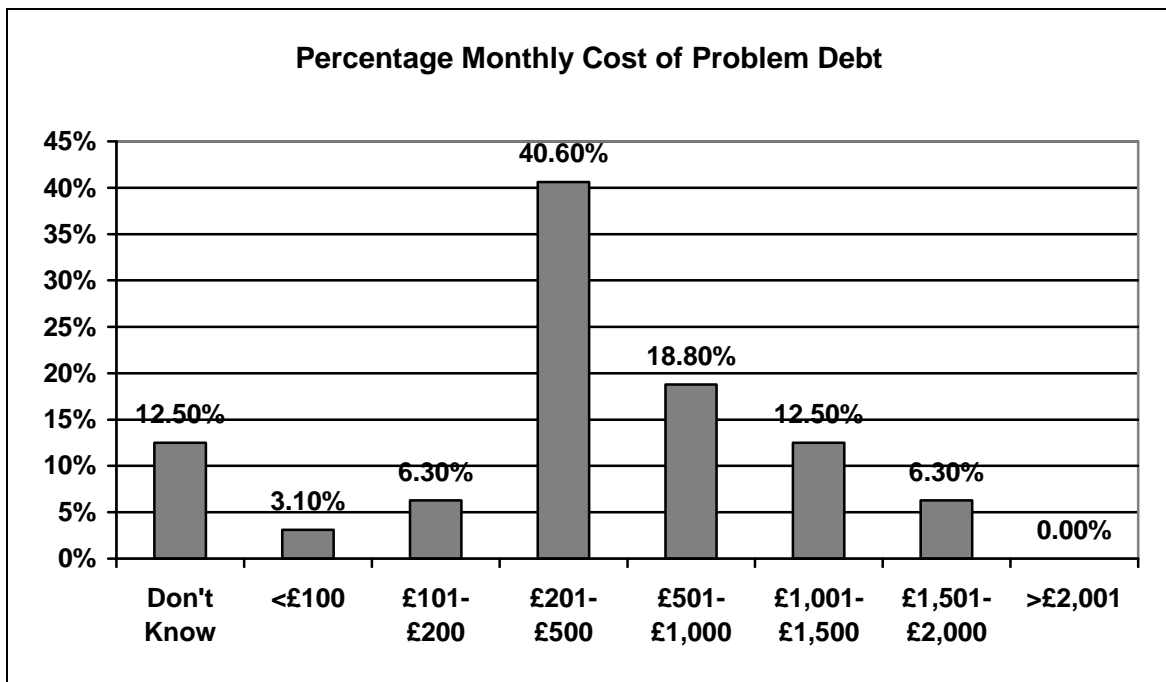


Fig. 10: Percentage shares of monthly repayments

Analysis of Interviews

The interviews were conducted by telephone and followed an agreed structure of twenty questions as well as a brief profiling section. All interviews were transcribed.

Question 1: Reasons why people got into Debt

Summary Responses

- *I was offered credit and took it and got into debt because I wanted to get things for my kids.*
- *I am a lone parent and my salary was too low and because I broke up with my partner. Loans were too easy to get and I didn't think of the implications of paying it back – you don't think about if you can afford it.*
- *I gave up work to look after my child because the cost of childcare was too expensive.*
- *I'm a single parent with 2 kids – I can only do 16 hours and I'm working to pay my rent – so it doesn't make sense to work.*
- *The cost of living in Northern Ireland for young people and minimum wages for young people. These two factors combine to put a lot of financial pressure on young people.*
- *Too easy for young people to get a credit card and it spirals out of control.*
- *Too easy to get credit, especially for young people. Then every six months they write to you to ask you to take more money from them. There is something very wrong about this.*
- *When you buy stuff and can't pay it back, financial institutions are making it too easy for people to borrow money.*
- *It is too easy for people to get money through credit cards and too easy for it to get out of control.*
- *Credit cards keep offering higher credit and people take it up – it's too easy to get money.*
- *Too easy to get credit cards and people get into debt.*
- *Credit companies don't look into people's ability to pay.*
- *Because you have cards in your pocket and it's too easy for people to get credit.*
- *Store cards are too easy to get.*
- *It is too easy to get.*
- *Very easy to get credit – you're not asked enough questions regarding catalogues and store cards.*
- *Too easy to get into debt, credit card companies are too easy giving credit.*
- *It is too easy to get credit and then people just get in too deep.*
- *A lot of it is depression.*
- *Because of stress.*
- *Desperate for money and got into debt.*
- *Unforeseen circumstances, people loose their jobs, or something changes.*
- *I was off sick and then changed jobs to a monthly payment from a weekly payment.*
- *Because I was off sick for a while I had a drop in income which got me into debt. The bank charges then made things much worse.*
- *In my case my wife had cancer and I couldn't work.*
- *I don't know but they are very stupid.*
- *Stupidity is the main reason I think.*
- *They think they can handle the debt but inevitably some people can't and they live beyond their means.*

- *People don't think of the long-term and no thought put into the repayment and credit is too easy to get.*

Analysis

The responses to question 1 have been grouped in broad categories. In summary, respondents gave five broad reasons for getting into debt:

1. Some households are constantly living at the limits of their resources. Those with children, particularly lone parents, reported that the pressures of everyday life were such that the risk of getting into debt was persistent, particularly to provide children with special items. The pressures on young people on the minimum wage were also mentioned;
2. By far, the biggest group of responses focussed on the easy availability of credit. There is too much credit and credit is too available. Being pressed to accept store cards was frequently cited. This resonates with the current debate about sub-prime mortgages taken out when interest rates were considerably lower with the active encouragement of brokers;
3. Further, there was a suggestion that debt was an outcome of other problems, particularly in the field of mental health – stress or depression;
4. Unforeseen contingencies – job loss or sickness of individual or partner. Arguably, this is a subset of group one and is captured by the phrase “*we are all just three wage packets away from losing our home*”; (Simon Community 2002).
5. Finally, some respondents cited foolishness – a lack of understanding of the implications of a borrowing decision.

Although not directly expressed, implicit in some of the answers was the issue of modern lifestyles and pressures to consume.

Question 2: Can you tell me why your debt became a problem?

Summary Responses

- *Well I was thrown out of home and forced to live on my own. This meant that I had great difficulties in paying my bills.*
- *A change in our family circumstances.*
- *Because I split up from my husband and with 2 boys I felt I had to buy them things.*
- *An accumulation of several different factors - I became sick from work. My policy only covered me for one year. I had been getting money from the DHSS to pay interest on my mortgage and they stopped my payments.*
- *I had a part-time job which I lost and it became a big problem.*
- *I had a few deaths and I was depressed and didn't even need the stuff.*
- *Because when I turned 60 and my income was reduced I also got a credit card and at the time I thought it was great.*
- *It was too easy to get a hold of money and you then rob Peter to pay Paul, I over estimated my wage. I also went through a divorce.*
- *I took ill and now on kidney dialysis and couldn't work.*
- *I am a lone parent and my salary was too low and because I broke up with my partner. Loans were too easy to get and I didn't think of the implications of paying it back – you don't think about if you can afford it.*
- *Being out of work and can't meet the payments when I got sacked.*
- *I took other debts to pay off the first debts. I split up with my partner and he wasn't paying it. I am an alcoholic and this made things much worse.*

- *I became pregnant and my hours were lowered.*
- *Credit card money appears like not real money and I ended up getting pregnant and lost my job so it became very difficult to cope.*
- *I set up a business which went bad and I had to borrow to keep it afloat.*
- *I moved house 3 times because of my husband's health – it was just stupid what I did. There were weeks I didn't have money and I bought groceries with the credit cards.*
- *Due to overspending and getting sick – both my wife and I.*
- *I was getting bonuses and when I got sick and couldn't pay my debts I started to get into debt.*
- *I had to stop work because I was sick and the sick pay was not enough for 28 weeks. I left work and only the pension. My loans through the catalogues were then causing me difficulties.*
- *Because my wife had cancer and I was taxiing and couldn't work and things built up. I couldn't pay our debts because she was very sick and I didn't want to work.*
- *I couldn't deal with people, I was unemployed after losing my job.*

- *Over spending and not keeping an eye on it.*
- *The cards were too easy to get.*
- *Because I kept borrowing to feed the debts but it just got worse and it spiralled.*
- *I had a store card and was able to use it anywhere and I couldn't control it. It got very bad.*
- *My debt became a problem because it was just too easy for me to get credit.*
- *I was making the minimum payments and was enough. I was offered credit and took it and got into debt because I wanted to get things for my kids. It was too easy to get.*
- *I was very young and very silly – took out a visa card and went mad and struggled to pay it.*
- *Credit is easy to get – if people aren't financially conscious, people just go for the easy life. I just spent way beyond my means for about 20 years.*

Analysis

The majority of responses emphasised unforeseen circumstances that prevented the management of existing debt and, in cases, necessitated further borrowing, which in many cases would not be the most sensible solution. In short, modern life is rarely debt free. Informal calculations are made about the level of debt that is reasonable in relation to the individual's / household's financial circumstances. It would appear that preparation for a change in circumstance is either limited or non-existent. When circumstances change, managing existing debt becomes more difficult with the added temptation of easy borrowing as a short term solution. If the changed situation persists for more than a short period, financial circumstances become critical.

The second group of responses referred to irrational borrowing facilitated by easy access to credit – e.g. spending beyond one's means for two decades.

Question 3: Were you in employment when you got into debt?

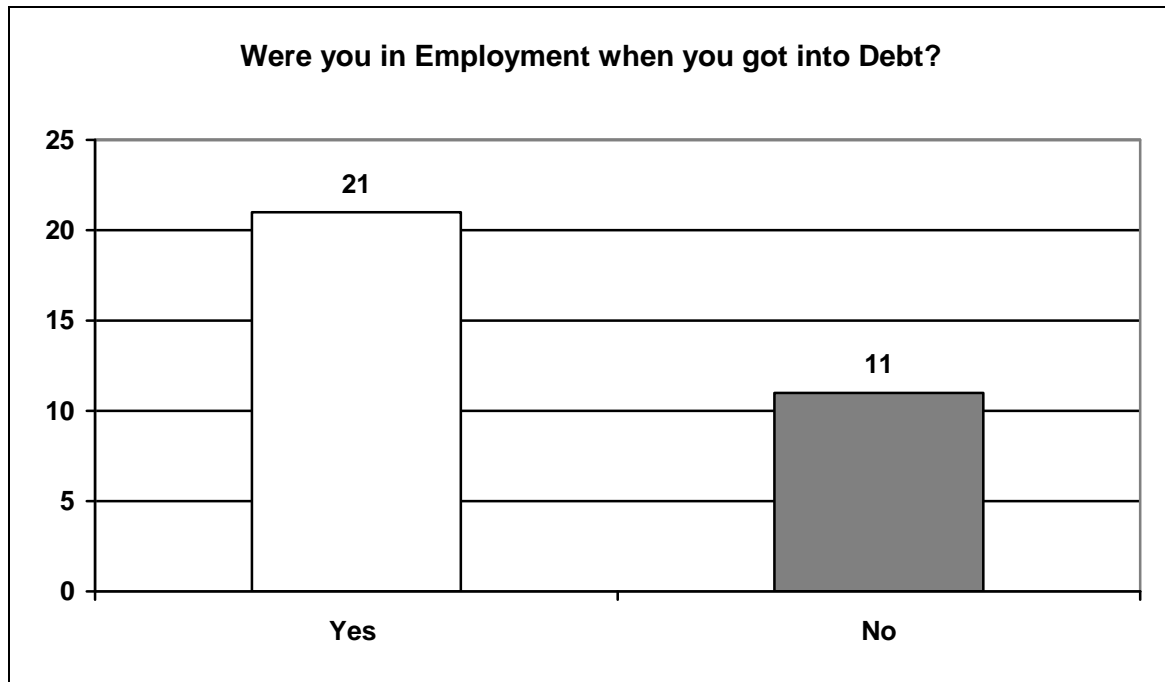


Fig. 11: Numbers in employment when they got into debt

About two thirds of those interviewed reported that debt problems started when employed.

Respondents were then asked if the debt problem had an impact on their job:

- *I started to become unhappy in my job because of the debt because my wages didn't go up. I was more and more resentful about my job because the wages were not getting any better, so I suppose it did affect my job.*
- *Yes I was worried about the debt and therefore not doing my job as well.*
- *Yes – my mind wasn't on the job. I couldn't concentrate on what I was supposed to be doing because my debt was causing me such terrible worry.*
- *Because I was stressed I had to take time off work.*
- *It affected my personality – I went on the sick.*
- *I got sick and this started to cause me problems.*
- *The worry and the stress of it had a big impact – I thought of coming out of work.*
- *Yes – I worked in a bank and the manager saw the cheques and he said I was spending beyond my means. They took my cheque book off me and I got into a lot of trouble.*

- *Not really, the job had no overtime.*
- *No not really, because I was paying only the minimum payment.*
- *No not really.*
- *No*
- *No not really – except in the end I couldn't concentrate on anything really.*
- *No – I had sleepless nights and worried an awful lot.*
- *Not really.*

Analysis

About half of those in employment indicated that their debts had an impact on their work. The primary mechanism appeared to be worry and stress that, in some cases, meant that individuals



became sick or dependent on sickness-related benefits. With two respondents, there was an indication that the debt problem impacted on their employment because of the nature of their occupations. A smaller number said that their debt did not affect their employment, although two of these pointed to worry and sleepless nights.

The analysis points to an impact on the economy through days lost through for example debt related stress. Secondly, debt related problems clearly impact on the National Health Service budgets in dealing with the health consequences and also in relation to the provision of welfare benefits in compensating for any lost of employment.

Those not in employment were asked whether their joblessness had contributed to the debt problem:

- Yes – *the government ganged up on me and stopped my income support payments. I haven't had any since February which is not on.*
- Yes because *if I has been working I would have had more money to pay my debts.*
- Yes – *because we had less money to pay any debts.*
- Yes because *I had less income. I got a credit card through the door which I didn't ask for*
- Yes.

- *Not really because I retired on medical grounds a while ago.*
- *No it was just that my husband left me.*
- *My mum was living with me at the time, but when my mum died I thought about committing suicide*

Analysis

The majority answered 'yes' although two respondents did not elaborate. Within that group, most answers referred to lower incomes while out of work while one indicated benefits' stoppage. Other answers referred more to sets of personal problems rather than the condition of being unemployed.

Question 4: For how long would you say that your debt was a problem debt?

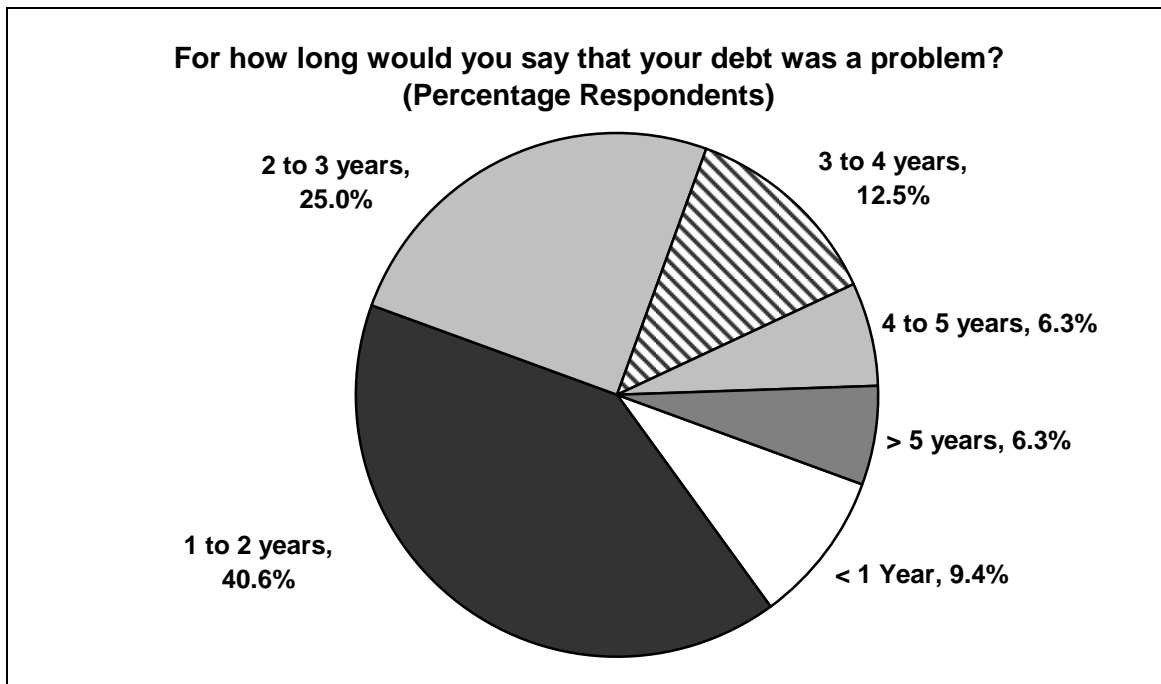


Fig. 12: Duration of debt by percentage of respondents

Summary Responses

- 3 months.
- 6 or 7 months as far as I can remember.
- Since February 2007.
- 1 year.
- 1 year.
- Probably one year.
- 1 year before I tried to sort it to be honest.
- About a year.
- About 1 year.
- Around about 1 year

- Over a year
- For about 1.5 years after my marriage broke up.
- For about 1.5 years I would say that my debt was a problem.
- This past year and a half.

- About 2 years.
- About 2 years.
- Nearly 2 years.
- A couple of years.
- Probably very quickly, only a couple of years.
- A couple of years – maybe three.

- About 2 or 3 years – still even now – I'd only missed 2 payments of my rent and it ended up over £1,000.
- 2 or 3 years.
- It is still ongoing, but I would say around 3 years. I am still not clear of debt
- 3 or 4 years.
- Over 3 years.
- More than 3 years.
- About 4 years.
- 4 or 5 years.
- 4 or 5 years.
- Around 5 years.

- Last 10 years.

Analysis

Of the 32 responses, 10 (31%) reported problem debt for a year or less. The same number indicated that the period was more than a year and up to two years. A further 11 (35%) gave a period of three to five years and one indicated problem debt for a decade. Thus, three similarly sized groups indicated three key periods – up to a year, up to two years and up to five years. With more than two thirds of the sample pointing to a problem period of more than a year, the impact on the individual is likely to be considerable. This suggests the need for a system of early intervention, although that is clearly dependent on the willingness of debtors to come forward. For example, the CAB briefing paper 'Deeper in Debt, May 2006 states that on average it would take CAB debt clients who were able to make a repayment to their non-priority creditors, 77 years to repay the debts at the amount offered.

Question 5: What did you do first when you realised you had a problem debt?

Summary Responses

- I talked it over with my sister and she made an appointment for me for CAB.
- I went immediately to CAB.
- I had a CAB close by and I went immediately. The credit card company told me to go to CAB
- Went to CAB immediately
- I rang my best friend and she advised me to go to CAB for help
- I tried to let it go and cope myself. When there was no food on the table I went straight to CAB.
- We struggled on for a while and didn't want to do anything about it. We contacted CAB about 6 months ago.
- When I couldn't make the payments, I tried to sort it out by myself and after a couple of months I went to CAB. My biggest problem was DHSS, the government caused me the problem, nobody else.
- I started to be very frightened about losing our house. I went to see a financial advisor – he told me to go to CAB which was very good of him because he didn't try to sell me anything.
- I contacted CCCS and told them I needed help. I had already been with my own bank and they said they couldn't help me at all.
- I discussed it with my husband and then went for help.
- I tried to make arrangements with the creditors to pay back.
- I spoke to my accountant to see if there was any way to sort the problem out.
- I tried to contact the credit companies to work out a payment I could afford. This was ok until interest and fees were put on to it.
- I spoke to one of the firms and this didn't work, they didn't want to help and I thought that I was on my own.
- Tried to sort it out myself – I tried to speak to my creditors but they wouldn't listen to me – I didn't seem to have very much clout on my own.
- I tried to sort myself out but it didn't work – I couldn't do it on my own.
- I tried to get a loan to take the interest rate down on my credit cards. I only went to seek advice recently, within the last couple of months.
- I contacted fold and they put me in touch with Housing Rights Service – but I first tried to ignore it but it didn't get any better.
- I struggled on my own and borrowed off people and tried to cope.
- Panic, ended up borrowing more. Robbing Peter to pay Paul. I tried for too long to try to cope on my own and this just didn't work.
- I buried my head – you keep borrowing more and they keep giving you more - it just gets worse.
- January 06 because I took out a lot of credit cards, but they became unmanageable. You get a good deal at the start but once that goes you're in trouble.
- I put wages in and they disappeared and then buried my head in the sand hoping they would get better, it didn't of course. At first I tried to ignore it which is a bad idea.
- Not opening letters and ignoring them – I didn't go for advice for about a year.
- I stopped answering the letters and became a recluse.
- There was so much happening that I couldn't tell you what I did.
- I got depressed and tried to take my own life – I ignored it.

- Ignored it to be honest.
- Nothing – I let it get to me and looked for another loan – re-mortgaged the house.

Analysis

Debtor responses fell into three broad groups. In the first, contact with an advice agency was initiated either immediately or after a period of time. A total of six respondents (less than a fifth of the sample) made immediate arrangements to see CAB or CCCS. The universal advice for those with debt problems is to see a specialist agency as quickly as possible. Given that contacts with the individuals were arranged by such agencies, all of those in the sample had been in some kind of contact, but for the majority after delays and the search for other remedies. The second group made other contacts or attempted to resolve the problems themselves. Some voiced discontent about the lack, or inappropriateness, of help. Others expressed the view that they were powerless to resolve their situation themselves. The final group attempted either to ignore the problem or compound it by further borrowing and this was made up of about a third of respondents. Serious debts brings with it serious threats, particularly of repossession. Panic is a natural response to that situation, but is fundamentally unproductive. Managing problem debt fundamentally depends on enabling debtors to make contact with the appropriate specialist advice agencies.

Question 6: (Other than CAB/Advice NI/CCCS/Springfield Charitable Association) did you seek advice from any other organisation regarding your problem debt?

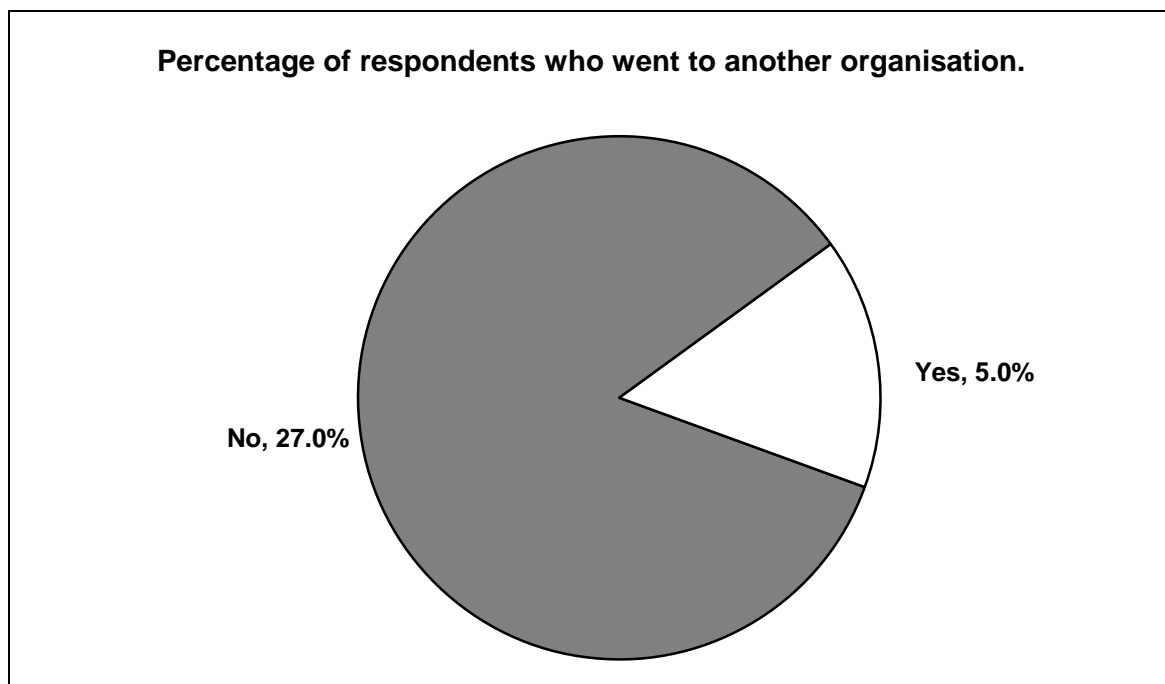


Fig. 13 Percentage of respondents who went to another organisation

The following comments were made by the five respondents (15.6%) who stated that they did approach another organisation about their problem debt:

- I tried to go to CAB but couldn't get an appointment – couldn't see anyone quickly and I then went to Springfield Charitable Association (SCA).
- I tried to go to the 'Debt Buster' place but didn't get anywhere and they wanted me to give them money up front and sign a contract with them.
- I went to an independent advice centre, but after this I heard from my neighbour (about Housing Rights Service) so I went to HRS.
- I went to my bank who weren't helpful.

- I spoke to my accountant and a business recovery agency.

Question 7: What was the solution/advice which you were given by the organisation?

Summary Responses

- They (CAB) are going to contact the credit card organisations to get the rate down and get me to pay the minimum payment.
- To try to get the payments down and take the interest off.
- They told me not to use the store card, to cut it up and CAB wrote asking the company to stop charging interest on the debt.
- CAB wrote letters to all the credit card companies and halted the interest on each debt and I now pay £11.00 to each.
- They contacted the credit card companies and worked out a payment plan which I could afford.
- They got debt management programme – a list of income and outgoings and provided a budget. They also negotiated on my behalf and got the interest stopped.
- She dealt with the creditors starting with the housing accommodation, and then the other creditors. Some creditors haven't come back to us.
- They did a financial statement and contacted all the creditors and I had a voluntary arrangement.
- They wrote to the creditors and made my payments less and stopped the interest. It was fantastic and I now have my debt reduced by about £3,000.
- I was in intensive care and my family went to CAB and the girl there took it on and sorted out a minimum payment.
- An expenditure form and contacted the creditors to try to get them to accept less.
- She got the debt on hold and one was cancelled and 2 on hold – 1 that I pay £4 per month.
- They helped me to approach each creditor and to make a financial plan of my outgoings and income.
- CAB wrote to creditors explaining what the situation was.
- To set up a debt management plan. We wrote to all the creditors to ask for the interest to be stopped.
- They did a debt management programme and wrote to all creditors.
- They wrote to the credit card companies to get the interest stopped.
- I was told to pay what I could and CAB wrote to the companies

- They recommended bankruptcy
- They looked at the problem debt and they advised me to go down the bankruptcy route.
- Bankruptcy and in the end this was the route which I decided to go down.
- They advised Bankruptcy route which I did.
- Bankruptcy or an IVA – I went down the bankruptcy route.
- Bankruptcy.
- There were a couple of options to contact creditors and another one was bankruptcy – which I did.

- We worked out my weekly income and expenditure and we worked out what I could afford. I have now got a budget and don't use cards anymore.
- Very good – to talk through my income and expenditure and we made a budget. CAB then took control and I wasn't receiving threatening letters
- They did a debt management plan and got my payments down for the long term.

- CAB did a financial statement and we looked at the priority debts and worked out what I could pay. I was trying to pay off unimportant debts and CAB told me to pay the important ones first.
- They worked out our budget which we tried to keep to.
- HRS calculated my income and expenditure and they advised me the amount to pay off the arrears.

- It is still ongoing – no resolution yet.

Analysis

The services delivered by the specialist advice agencies came in three broad groups, although there was some overlap:

1. First, to intervene with creditor organisations to relieve the pressure on the individual and, in several cases, have the accumulated interest stopped. Being able to do so, required expertise and organisational status lacking in individual debtors;
2. Second, to work with debtors on a debt management programme that prioritised debts and sought to match payments with income and other necessities;
3. Finally, in very serious cases, to recommend a legal resolution, bankruptcy or IVAs

Question 8: What did you think of the quality and effectiveness of any solutions developed through the advice services which you consulted?

Summary Responses

- Absolutely brilliant and magistrate in bankruptcy was female.
- Absolutely brilliant second to none.
- Absolutely brilliant, I have no complaints.
- Brilliant.
- Excellent, a brilliant release.
- Excellent.
- Excellent.
- Good advice – right for me.
- Great.
- **** was unbelievable and took all the pressure off me – such a great thing.
- **** was fantastic.
- Spot on. I would recommend them
- They lifted the burden off my shoulders. They were excellent.
- Very good – it stopped all the phone calls and all the letters. CAB filled in forms for me for DLA and I got it also for housing benefit.
- Very good – it stopped the stress. The harassment stopped, it was a big help to me.
- Very good – they kept in touch with me and made sure I was ok.
- Very good and I am now able to sort myself out. They acted on my behalf, which to be honest, was the biggest relief.
- Very good indeed.
- Very good.
- Very good.
- Very good.
- Very, very good.
- Very, very good.
- I am now coping, but companies keep looking for more.
- Very good, but I'm still having trouble with one or two of the companies.

- I thought they were very good – they have done a couple of things for me.
- I was very depressed and drinking very heavily and CAB gave me a solution – it has been a saviour and I don't worry about the debt any more. I have someone to talk to.
- It suits me now – when I start work I want to pay
- It took a big weight off our minds. There are more important things in life.
- It was very good.
- Nothing has actually happened but it has helped with my panic attacks and I believe they are going to do something.
- Quality was good but effectiveness wasn't just quite as good.

Analysis

There was almost universal appreciation for the help received. Respondents pointed to less pressure from creditor organisations and greater peace of mind. Two suggested that creditor organisations had continued to seek more repayments, one described the end to panic attacks although the problem debt had not been resolved and one hinted at a lack of effectiveness. Despite these qualifications, it would appear that the debtors were happy with the type and quality of services they received

Question 9: Can you tell me what you understand by the letters APR which banks use for a loan? What does this mean – lending rate, interest charged, Bank of England base rate, total repayable, repayment term, etc.?

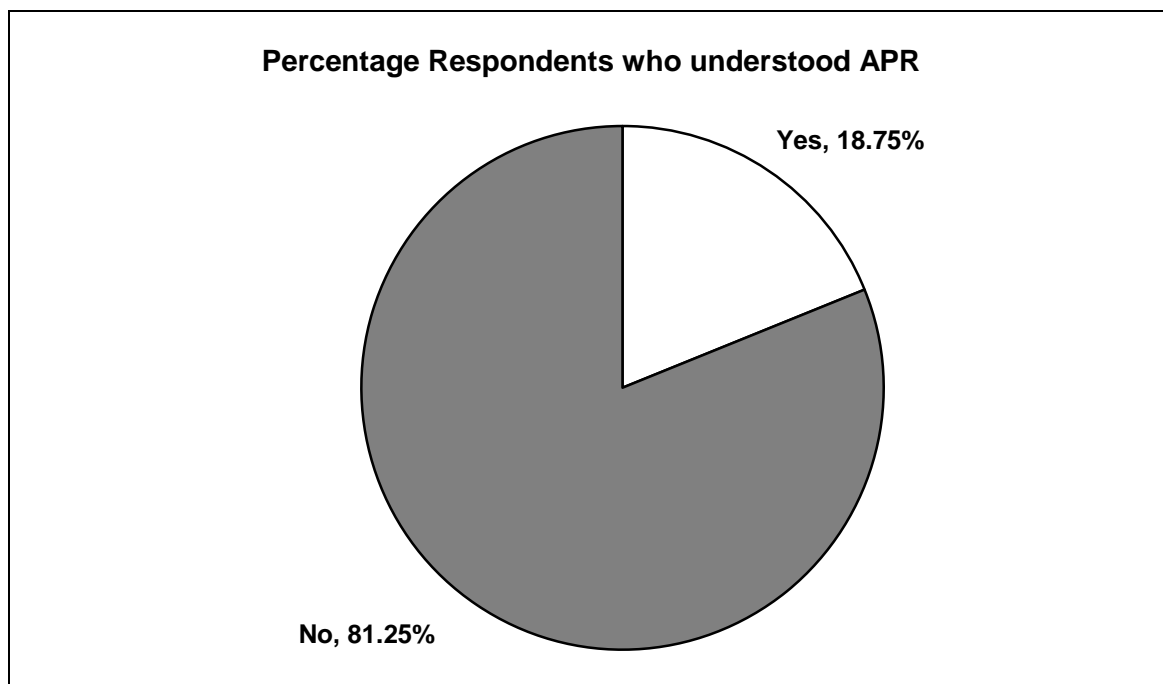


Fig. 14: Percentage of respondents who understood APR

The diagram above shows that less than one in five people stated that they understood what the letters APR meant. This is significant given that the annual percentage rate is a very fundamental element of financing debt and is perhaps symptomatic of a wider basic lack of comprehension regarding the terms and policies which financial institutions use when dealing with customers who borrow money or use credit.

Question 10: How would you describe your level of knowledge about the rules which banks apply to people when they take out a loan? - the security on property banks take for a loan, defaulting on repayments, total amount payable, repayment term, etc.

Summary Responses

- Not good at all.
- Not good – they are quick to loan but not so quick to explain.
- Not very good.
- Not good.
- Very low – they don't explain the small print.
- No clue.
- Not a lot to be honest.
- I wouldn't be good at all that stuff.
- Not very good to be honest.
- Not a lot.
- Very little.
- Not very good.
- Not good.
- Not great – when we started to struggle they only kept telling us to take out another loan. It seemed too easy to take out another loan.
- Non existent.
- Not very good.
- Not very good.
- No not very good.
- I honestly have no idea.
- Not great – I'm not sure about small print.
- Not great to be honest.
- Not great – a bit confused.
- Not really.
- Some of it is in such small print and I don't understand it.

- I have good understanding now but at the time it was low.
- I understand fairly well.
- It is quite good.
- I understand it.
- Good. It was not as a result of any ignorance on my part that debt became a problem for me.
- I would rate my knowledge very high – I don't read the small print.
- Pretty good to be honest, I know I should shop around and look out for the interest charged etc
- Good. I understand because I worked in a bank.

Analysis

About a quarter of the sample professed an understanding of banking rules and procedures. The remaining three quarters professed either complete ignorance or, at least, some confusion. Amongst this group, it would appear that ignorance of financial regulations could have been a contributor to problem debts. Nevertheless, a minority of the sample did indicate that ignorance was a contributor to their problems.

Question 10a: Was there anything about your own debt that you didn't understand or made things worse? For example how long you had to make repayments for, the repayment rate, payment protection insurance, etc.

- I borrowed £10,000 and after actually paying it for about a year, I actually owed more than the 10 thousand. I paid an extra £30 for insurance but this didn't pay off the loan when I was sick – I didn't know this.
- I didn't understand the rates of interest.
- You don't think about APR until there is a problem – by then it is too late. The bank made things worse by charging exorbitant interest rates.
- I didn't understand the interest

- When they changed minimum repayment and I couldn't pay it I was in trouble. I didn't know they could change the minimum amount I could pay.
- I couldn't understand why when I was trying to make some kind of a payment and they didn't want this – they wanted all of their money and weren't satisfied with me trying to pay something.

- I had a loan with [a bank] and they wanted to take my home and I wasn't aware this could happen with an unsecured loan.
- Yes – the pressure which I was put under for repayment.
- Apart from the dates of direct debits which messed me up.
- The bank charges – if a Direct Debit (DD) fails then they charge you and then it can be requested within 14 days after original and then if it fails charged again. This could be around £200.

- I was just ignorant and I was in jail for 2.5 years and now can't really cope with money. Before I went to jail I think I was ok with money, but after I came out, I didn't seem able to manage my income and expenditure. I don't understand why it is not coming down any and I am paying my rent.
- When you get one credit card and take another one to pay for the 1st and you get into a vicious circle, which I didn't really realise.
- When I started out my store card limit was £200, it was then upped to £8,000 at the end.
- They write you letters with numbers which I don't really get.
- I understood what I was doing but I just kept digging a deeper hole.

Analysis

This question generated a diverse range of responses that were difficult to group into categories. However, the categories suggested above point to the following problems:

1. A lack of understanding about the nature of interest rates and how they operate;
2. A lack of understanding about minimum payments;
3. A lack of understanding about the risks of taking out loans;
4. A lack of understanding about bank charges;
5. A miscellaneous group of responses broken down into those who failed to cope with their debts through other kinds of ignorance and those who proceeded to accumulate problem debt even when they knew what they were doing.

Question 10b: Financial Literacy Scale

The following scale was marked by the interviewer based on answers above, and represents the percentage of respondents in terms of their financial literacy knowledge:

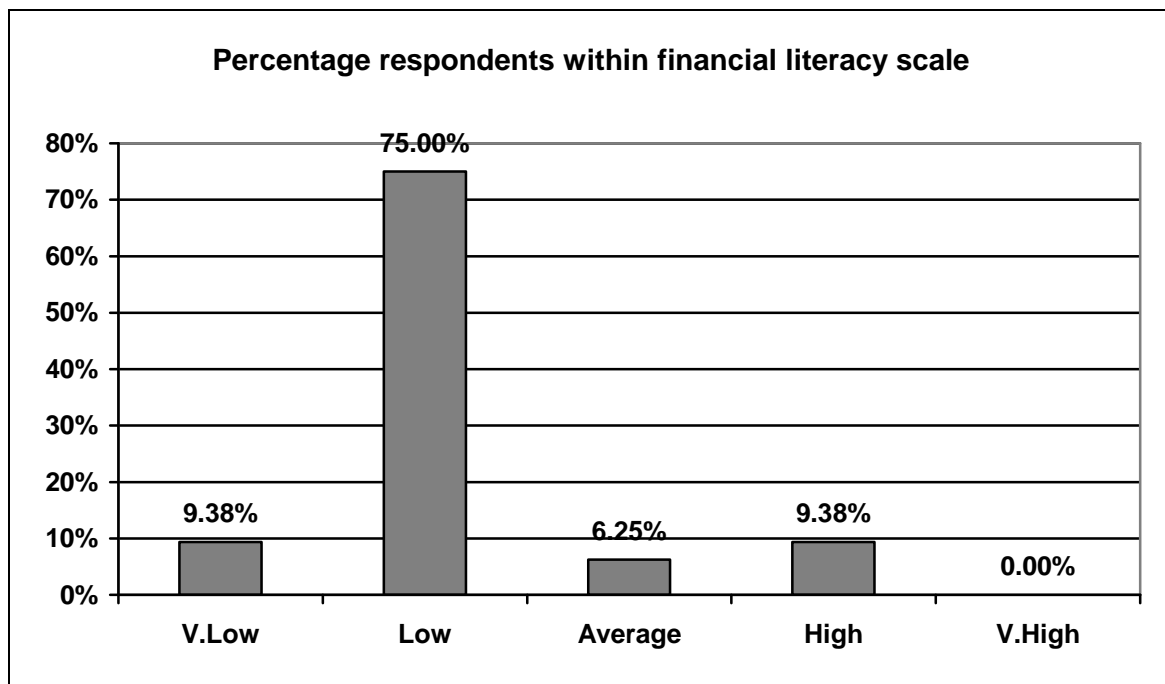


Fig. 15: Percentage respondents within financial literacy scale

The diagram above shows that the vast majority of those who participated in the research displayed low or very low financial knowledge (84.38%). Indeed, only less than one in ten were described as having a high level of financial literacy.

Question 11: How would you describe your level of awareness of assistance and support sources for people experiencing problem debt?

Summary Responses

- There is very little support available for people as far as I am aware.
- Until we went to CAB, I thought it was only our problem – it was very low at the time.
- I didn't even know about CAB – so very poor.
- I only stumbled across CAB because my friend was with them – only for him I would still be in trouble. My awareness was very low of other organisations.
- Not very knowledgeable.
- Not very good.
- Not very good – only know of CAB.
- There is not a lot – I'm not aware of too many other than CAB.
- Only CAB – low. I'm not really too familiar with too many other sources which give help to people in debt.
- Not great.
- Not great.
- Not very high.
- I know there are not a lot of people to go to.

- Good – it was a bit of complacency on my part and the fact that I was mis-sold a particular financial product.
- I realise now that there is a lot of support if you're willing to go but I just buried my head.

Analysis

Given that the individuals in sample had been in contact with an advice agency, they were aware of support and advice. Some referred to an ignorance of organisations other than the CAB and that their contact happened by chance. Others expressed a general lack of knowledge. Three responses indicated a knowledge of support services, but one indicated some difficulty in doing so.

Question 12 How did you find out about the agency that you approached for help regarding your problem debt? (Detail.)

Summary Responses

- It was a family member who told us about CAB.
- My friend used them.
- One of my daughters told me.
- Had heard from my family.
- My sister told me.
- A friend told me about CAB and I went straight away.
- My daughter told me because she did her work experience there
- My mother and father advised me to go.
- Through my sister – she told me to go.
- A friend of mine told me.
- A friend told me.
- It was my family who went – I was in a coma.
- My friend advised me.

- Through Financial Advisor.
- Credit card company told me to go.
- I was referred through my solicitor, that was how I found out about any help.
- I looked through the phone book and a company called **** advised me to go to CAB, so that's what I did.
- Through Fold who I owed the money to.
- I was with the Simon Community and they put me in touch with SCA.

- I used to work for CAB in Lurgan many years ago and so I know about CAB.
- I had heard of them and I rang them.
- I went in to CAB to see about something else and happened to notice a poster on the door about debt advice.
- I had been with them about a cooker that I had and they were great and I went back to them.
- I used CAB before and my friend suggested them.
- Always knew they existed and when I thought about it, I just contacted them.
- Was with them before.
- They are opposite my work place and saw sign. Because they are just across the road from me, I just went in and asked them about my problem.
- When I complained to CAB they put me on to them.(CCCS)
- SCA – I was on dole and doing a scheme and I talked to **** at SCA who helped me brilliantly.
- I was just walking past their office and I went in.

- Through advertisement on TV.

Analysis

Essentially, respondents gave three sets of answers about the information that led them to a debt advice agency. In the first, the importance of friends and family is emphasised. Individuals received help from those close to them in the form of information. In the second set, the individual was advised to contact the agency through some other agency or professional. Thus, in two cases, solicitors referred clients onward as did a financial advisor. In some cases, the reference came from another voluntary sector agency. Finally, individuals knew about the agencies either from chance or because of an earlier association. The wide spectrum of advice given by these agencies makes them more visible in the field of debt relief. Only one individual claimed to be responding to advertising.

Question 13 (Other than CAB / Advice NI/ CCCS) do you know of any other advice/support organisations regarding problem debt? (What are they?)

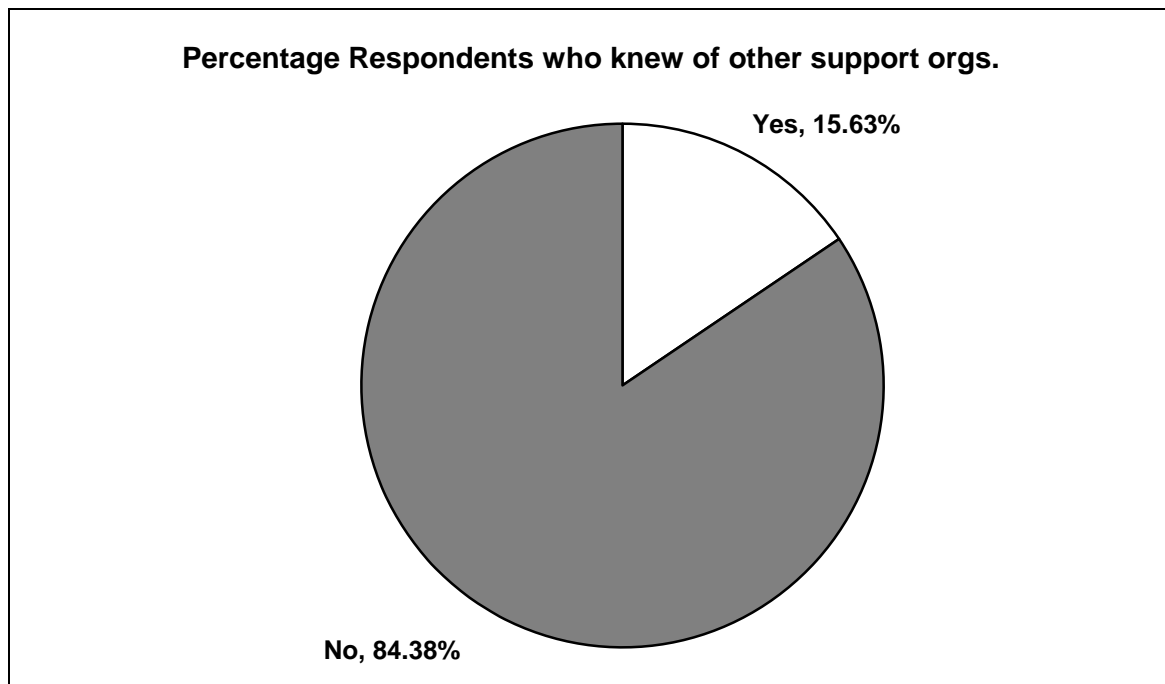


Fig. 16: Percentage of respondents who knew of other support organisations

Summary Responses

- Blackhorse do it.
- Solicitors sometimes give advice
- (CCCS client had heard of) CAB.
- (SCA client had heard of) CAB.
- (HRS client had heard of) CAB.

Analysis

Twenty seven respondents were not aware of any advice agency other than CAB, Advice NI and CCCS. This would appear to indicate that there is an extremely low level of general awareness regarding the sources of available support concerning personal problem debt.

Question 14 Can you tell me what you think are the kinds of things which stop people from getting support around a debt which has become a problem?

Summary Responses

- Because you don't want people to know you are in debt. There is such stigma associated and pressure on people to have the latest things.
- Because it's a personal matter people are reluctant to talk about it.
- Because she knows people in CAB and people are ashamed of being in debt. People experience shame and stigma about debt.
- People are embarrassed about being in trouble – the fear is terrible.
- Embarrassment is the main one.
- Depression and sickness. I played the ostrich and hoped it would go away.
- People are so embarrassed about letting debt get out of control.
- Embarrassment more than anything.
- Embarrassment I think is one of the main reasons why people don't go and get help about debt.
- Embarrassment – they don't want other people to know.
- Just so embarrassed.
- Embarrassment – people don't want other people to know what is going on.
- Shame is a big thing – and you become stressed and you are not able to think straight. It is too easy to get loans and they don't tell you the interest rate.
- Afraid of everybody knowing your problems and the stigma.
- Pride – my mum is in debt and I am trying to get her to go to CAB.
- Because they are worried and don't want to admit they made a mistake.
- Because they are afraid and a bit embarrassed and don't know where to go.
- Feel ashamed and embarrassed about it.
- Fear.
- Embarrassment is a big one and little knowledge of where to go.
- They think they can get out of it themselves and embarrassed – women not telling their husbands.
- Because of the worry and stress – only for my family helping me I would be in big trouble

- Maybe don't know where to go to get help.
- You don't know the support is there – you try to handle it yourself because I didn't think the support was out there. But most people can't handle debt by themselves.
- A mixture of not knowing where to go and pride and embarrassment. I think more thought should be put into it because of suicides and the ease of getting credit.
- I thought that there was no help.
- Ignorance and being unaware of the help.
- People don't realise how much organisations can actually help you and fear of facing the truth and not burying it.

- For a while you avoid the situation but you can't cope on your own.
- People think they can cope with on their own.
- I don't know.

Analysis

A large group of responses pointed to the embarrassment/stigma/fear associated with problem debt. Paradoxically, as personal over-indebtedness in the UK increases, the stigma of problem debt remains. Moreover, the primary outcome of stigma is powerlessness – people become

helpless in the face of problems to the point where the problem worsens. Answers also pointed to the effect on relationships 'women not telling their husbands'. The next large group of responses pointed to ignorance of where to get help or, tellingly, ignorance of the fact that debt advice agencies can help the debtor to face rather than bury the debt problem. A final small group of responses suggested that some people do not realise that they need help to manage the situation. One respondent claimed not to know why people had difficulty in seeking help.

Question 15 Did you go immediately to get advice/support about your problem debt? (If not, why?)

As the next diagram indicates, only about a fifth of respondents went immediately to get support to deal with their debt problem. Yet, speed is of the essence in resolving such problem because of the accumulating interest and penalties associated with unpaid debt.

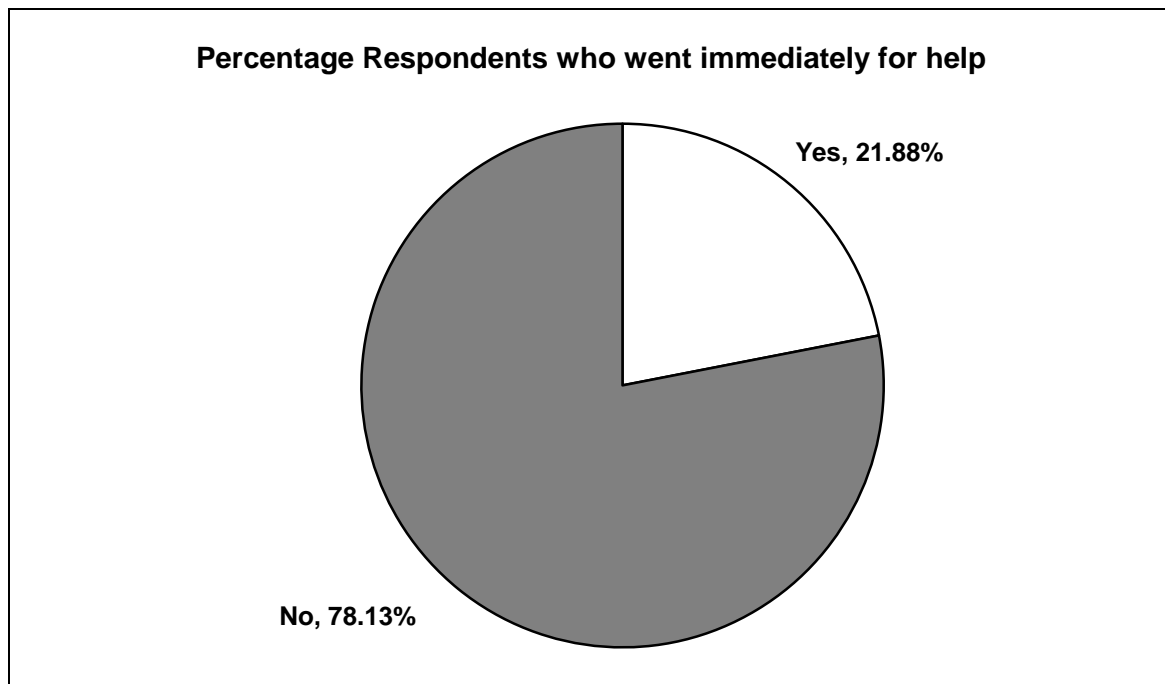


Fig. 17: Percentage of those who went immediately to get help

Summary Responses

- I didn't know CAB could help, and it took me almost three years to go and get help.
- No – because I didn't know that there was support – I also thought that I didn't need support (pride).
- No – because I didn't know that there was help out there for me.
- No – because I didn't know.
- No – I didn't know what was available.
- No – because I wasn't aware of help. The one time that I did go to an independent advice centre my business was broadcast.
- No – because of fear of unknown and not knowing where to go.

- We just struggled on because we didn't want to admit defeat.
- No – it went on for a while and I thought I could work it on my own.
- No – because I hoped that I could sort it out on my own but I was wrong.
- No – because I tried to struggle with it myself.
- No – because I thought I could cope myself. I was living from day to day.
- No – I tried to handle it myself but things got worse. I just tried to do it by myself.
- No – I thought I was on my own and had to pay the debts off.

- I struggled for about a year because I didn't admit it was a problem and didn't know where to go.
- No – after a few months I talked it over with a friend and I still thought I could get by on my own, but I couldn't.
- No – I said I was going to sort myself out but I just couldn't manage on my own.
- Pride – I thought I could sort it out but I was just banging my head against a wall.

- No – because you try your best to keep it within your 4 walls.
- No – because I was so embarrassed.
- No – embarrassment stopped me from going right away. I regret that.
- No – because I was embarrassed and I thought I was going to be judged.

- No – I was afraid to face it and deal with it.
- No – I was aware but hoped that it would go away

Analysis

Respondents gave four sorts of reasons for failing to seek immediate help. As before, two emphasised lack of knowledge about how a debt advice agency could provide help. The other important response referred to the belief that the individual could cope on their own. Even though previous responses suggested some ignorance of the technical details associated with borrowing and, accordingly, considerable underestimation of the risks involved, individuals felt they could cope with seeking professional help. The role of stigma and embarrassment was also reported in this set of answers.

Question 16 How did the debt affect you?

Summary Responses

- I panic a lot more and I am stressed out and don't go out because I am so conscious about money. I have no social life because of the debt.
- It stressed us out and worried us, even now it is still not completely over.
- I was very depressed, drinking and smoking and shopping too much. I wasn't nice to my children and I wasn't a nice person to be with.
- It put me under a lot of stress and came to a head over Christmas.
- I couldn't cope and kept up a brave face but I wasn't right. I couldn't sleep or eat and I had to go to the doctor and I am now on anti-depressants. I was using the store card as a comfort because my mother passed away.
- Awful – it made life very hard and always thought about.
- A lot of stress – I like to pay my bills. A lot of worry and sleepless nights.
- It was terrible, I hated getting up and seeing the postman.
- My nerves were shattered.
- The worst part from I took ill was the financial difficulty, it was worse.
- We were very worried, but once we talked to CAB we were relieved.
- It left me drained, I wasn't sleeping, constantly worried and put onto anti-depressants.
- I was depressed and very worried and I was very down.
- It was always on my mind, worrying me and causing me stress.
- I couldn't sleep – worried all the time.

- My stress levels went up through the roof. I was living on beans and toast for 8 months, I didn't have a penny to myself.
- It restricts your lifestyle because you watch your spending. I was stressed and pretty down
- Afraid to go out in case I spent any money and always on edge and stressed.

- Almost drove me to suicide with all the worry. I think I'm very lucky to be alive.
- I would have committed suicide if my daughter hadn't saved me – I didn't want to go out, I wouldn't answer the phone. I lay in my bed all day and wouldn't change my clothes.
Breakdown.
- I was depressed and felt very close to committing suicide.
- I was at the point when I couldn't cope and took myself to suicide.
- I self harmed a few times and was totally stressed at work and at home. I turned to alcohol.
- I was suicidal – I was depressed and no way back.
- I was depressed and tried to commit suicide.

- My health and my job because I was very worried and couldn't concentrate on my work.
- I was very depressed and had to stop work.

- It broke my marriage up.
- The debt affected my DHSS Income Support because they cut me off. I was depressed and very worried.

- The credit companies were continually ringing – I slept very little and ate very little.
- I now can't get any credit or higher purchase.
- I was frightened to answer the phone – once I tried to get another loan for £15,000 and couldn't get it – I cried and was like a cornered rat.

Analysis

The reporting of worry and depression was universal with mention of the need for anti-depressant medication in some cases. There was mention of suicide in seven cases. Other respondents claimed that their levels of depression made it difficult to work – presumably accelerating the problem debt. Others pointed to the requirement for substantial reductions in life quality via long-term reduced expenditure. A number of respondents pointed to a loss of credit status or harassment by debtors. In short, respondents reported major impacts on their lives with the major effect substantial levels of depression.

If these health problems prove common amongst people with a personal problem debt then there are obvious implications for Health Service provision.

Question 17 In your experience, did the problem debt have any impact on your family or dependants?

Summary Responses

- Yes – when bank needed a guarantor my family wouldn't do it and this caused a rift between us.
- My mother's credit rating went down because they were at same address.

- It got to the point where we were struggling to feed the child.
- Yes it affected my relationship with the children.
- My kids are gone, everybody has been affected.
- It did with my young son – my dad was ill and worried about me.
- I lost my child and now it is a custody battle.
- It meant that normal summer holidays and treats are out of the question – second-hand clothes for kids, no family outings.
- When parents are worried, children are also worried, so it affects your kids as well.

- Yes – they were missing out in a lot of ways because I couldn't spend money on them.
- Yes because you can't do what you want to do and it caused a lot of friction with our families. We have actually split up since.
- Problems with my husband because of it.
- It did with my husband and he was very annoyed.
- On my wife yes there was a big impact.
- Exactly the same, it almost split my wife and I up.
- It made us constantly fight – I was irritable.
- Not on the kids but I had rows with my own family which I shouldn't have had.
- I was depressed and worried and it affected my family relationships.
- Yes they knew I was struggling and it caused a lot of stress.
- Mum and dad were very worried about me.
- They suffered money wise and my mood was very bad.
- Yes – my father knew that I cut my brother out of my father's inheritance and didn't talk to me for months.
- I didn't tell them other than my brother.
- I didn't tell my family.
- I didn't go out much, but I didn't talk about it to my family.
- We didn't tell them – so no.
- My family didn't know anything about it.
- They didn't know anything about it.
- No.
- None.
- No.

Analysis

Three respondents claimed that their debt problems had no familial impact. Two of these respondents were single/never married, while the third stated that he was married/co-habiting. It is not known whether or not these individuals had children. A further four concealed their problems from other family members. Of the remainder, the dominant response concerned the impact on children. This ranged from inability to spend on children (even foodstuffs) to actual loss of custody. This was an area of particular concern. The second big concern was with impact on partners, in one case to the point of splitting up. Impact on other family members fell into two groups: first, family members (particularly parents) were worried about the situation of the debtor; second, the debt problem created family frictions via refusal to act as guarantors or even disputes over inheritance funds. Altogether, over 90% of those interviewed reported impact on family members. This highlights that the impact of problem debt often spirals outwards from the individual to have severe negative impacts in the family setting. Quantifying the number of individuals in personal problem debt will underestimate the overall impact as no account is taken of the wider familial impact.

Question 18 How would you describe the overall experience of dealing with (CAB/Advice NI/CCCS) about your problem debt?

Summary Responses

- 110% they were great.
- Brilliant – they phoned us regularly.
- It was very relieving to see the light at the end of the tunnel.
- 10 out of 10.
- Very good because they helped me a lot.
- I believe without them there would be more suicides.
- It was good in that they were supportive and helpful within the parameters of what they could actually achieve.
- Very, very good.
- Very, very good. Anything I needed they did it.
- Very good, I would recommend them.
- Very good, I can't complain about anything.
- They were really fantastic – no judgement.
- Brilliant.
- Brilliant.
- Absolutely fantastic – I couldn't have got by without them.
- Excellent.
- Very good – second to none, always there for me.
- Very, very good.
- Very good – they gave me all the information.
- Pretty good – I had a review with them recently.
- Very, very good – it is they who have made me better.
- Excellent.
- Very good, they were really brilliant.
- Excellent.
- Great.
- Very, very good.
- Excellent.
- Excellent.
- Great.
- Very helpful, great, I was glad of the help – **** was very understanding.
- Excellent – they saved me.

Analysis

This is simply a list of superlatives. There was universal acclaim for the advice and support received from the debt advice agencies. However, the enthusiasm expressed during the interviews for the level of support received suggests a deep appreciation for that help.

Question 19 If you could change one thing about your experience after your debt became a problem, what would it be?

Summary Responses

- I wish I knew sooner that I was not on my own and organisations to help were on my doorstep.
- I wish I had gone for advice sooner.
- I would have sought help and got support earlier. My husband used to deal with all the money but after he was gone I had to do it all by myself.
- Get advice sooner.
- Try to seek advice earlier instead of borrowing more.
- I wish I had got in contact with CAB immediately.
- Gone earlier for help – I wish I had gone much earlier instead of letting things get out of control.
- To go sooner to get advice.
- I would have acted 2 or 3 months quicker to get help.
- I would have gone to CAB straight away.
- Ring sooner and quicker.
- Not to bury your head in the sand because it doesn't go away.
- To manage my debt better and to get advice earlier – I should have acted sooner instead of waiting.
- Go sooner and seek help – it doesn't go away.
- I should have gone sooner to get help for my debts.

- Get rid of the debt.
- I should have put money aside to pay for the credit cards.
- Never to get into debt again – I would stop taking out credit cards.
- Never to have a store card again or catalogues.
- I wish I had not taken on more debt to pay the debt off.
- Never do it again.
- I would not spend one penny unless I had it in my pocket and not to get credit.
- I should have stopped using the credit cards completely and this was still very silly.
- I would pay as I go along and not get into debt.
- I would have saved money and I lived for the day – it was bad financial practice.
- I wouldn't have taken other loans and I would get advice earlier.

- The money I borrowed from family relations, I would have got my mother to do it directly and not have been up front about it.
- If setting up a business I would have been sure I had money behind me.
- Not to make it so easy for people to get a loan. More information for people.
- Unfortunate that debt counsellor has gone on maternity leave and I will miss her. I want to be able to talk to the person who knows about my case and who I have built a relationship with.

- Don't know.
- Nothing.

Analysis

From hindsight, there was a natural determination not to get into debt again or, at least, to ensure that sufficient resources were available to manage debt repayments. This might be seen as hindsight being perfect vision, but all of those interviewed experienced demanding times over

their debts and might show greater caution in the future. At the same time, the greatest number of answers focused on seeking help earlier. This suggests a recognition that the optimum response to problem debt is to act quickly and to seek professional help. People with these types of debt problems rarely have the resources to employ professionals and this underscores the need for free professional help with debt problems. Unfortunately, in at least one response there was less clarity about this issue with the suggestion that friction with relatives could have been avoided if a more indirect route had been employed to borrow money from them.

Question 20 Is there any other comment you would like to make concerning problem debt?

Summary Responses

- They should have more notices in banks to let people know of sources of help if debt becomes a problem.
- The one thing I regret is the credit cards – to give someone seven credit cards is almost criminal. It is just too easy to get into debt.
- I hope that people in debt will go for help earlier but it is too easy to get loans.
- I wish people had more sense than me. It is too easy to get loans and harder to pay back.
- They should make it harder for young people to get a credit card.
- Companies give you money too easy over the phone. This is just not right, it is too easy for people not to fall to temptation of what appears like “free money.”
- The companies have a lot to answer for and they knew I was having problems and they kept offering me more money when I was very vulnerable. They just offered me the money.
- The banks are crooks, plain and simple, because bank charges are ridiculous. I feel that the bank charges made things much worse for me.
- If you have a current account which is overdrawn, the banks charge £15 per letter and maybe £15 for a direct debit which is rejected. These fees are ridiculous and they don't tell you about them.
- It is too easy for people to get into debt and they don't think about the consequences.
- They keep selling on the debt to other companies and getting red letters. They shouldn't be so aggressive.
- It's too easy to get credit.
- I can see why people take their lives and I feel sorry for people who maybe only have £3,000 debt and take their own lives because of aggressive letters from the banks and financial institutions.
- Don't go into debt because it is far too easy for people to get easy money

- No – I want to thank CAB.
- I would like to say that the local branch of CAB in Coleraine is absolutely magnificent.
- If people do feel the debt is a problem they should get help.
- CAB is underestimated by everyone.
- CAB was brilliant.

- No – just it has given us a lot of hardship.
- No – if you can't afford it don't bother buying it.
- I don't think that people are aware of help and companies don't want to negotiate with you.

- There is a lot of debt out there and people living beyond their means because of bonuses – if something happens you should seek advice immediately.
- When you work out total income for a month, but sometimes a two year old child needs more than you have budgeted for. [a bank] – I took out insurance policy to pay my debts but they refused to pay up.
- They are trying to force single parents back to work and then when they are working they get no benefits.

Analysis

Additional comments fell into three broad groups: the ongoing theme that borrowing was too easy and that creditor companies were too aggressive in pursuing debtors was reiterated; the same was true for the appreciation for the help given by the advice agencies; the last was a miscellaneous group referring to the hardships associated with problem debts, for example the problems of living beyond means and the need to budget properly. These answers were solicited by a general question, and given that in the main responses replicated previous analysis it is suggestive that they represent the key issues for respondents.

Overview of Findings

It should be understood that this group of individuals does not make up a representative sample of all those experiencing problem debt. Rather, they are just some of the individuals who have been helped by advice agencies. Their responses come from their experiences. The value of the information they provide is the perspective of the debtor, illustrating the experiences of those who have been through / are going through the turmoil of problem debt.

When asked about why people got into debt, they provided a relatively sophisticated picture of the dynamics of debt risk – an environment in which borrowing had become progressively easier; low income levels that create a constant temptation to borrow; unforeseen changes like job loss, and; irresponsible borrowing. In short, this sample did not simply blame others for their problems, but recognised the interplay of structural and personal factors in generating problem debt.

The majority of those interviewed confessed to ignorance or confusion about the protocols and regulations associated with borrowing. There was a constant theme that borrowing had been made too easy and that vulnerable people were at risk of 'predatory' lending. Even if this has been exaggerated given that the sample consisted exclusively of people with severe debt problems, it remains an important issue

The time periods for problem debt varied. For around a third of respondents, the crucial period was about a year. A similar proportion indicated two years, while another third indicated three to five years. With more than two thirds of the sample pointing to a problem period of more than a year, the impact is likely to be considerable. This suggests the need for a system of early intervention, although that is dependent on the willingness of debtors to come forward. Moreover the research highlights the need for preventative measures to attempt to stop debt becoming a problem in the first instance.

The need for early intervention was emphasised by the numbers in the sample who did not contact a debt advice agency immediately, hoping either to cope themselves or simply ignoring the problem. A worrying response was to seek further borrowing to meet existing debt repayments, ultimately compounding the problem. The universal advice for those with debt

problems is to see a specialist agency as quickly as possible. Managing problem debt fundamentally depends on enabling debtors to make contact with the appropriate specialist advice agencies.

Responses here pointed to a well-tested method once debtors do contact an agency involving: engagement with creditors to obtain favourable repayment regimes; working with debts on personal debt management, and; in serious cases pointing to legal instruments like bankruptcy. There was almost universal appreciation for the help received. Respondents pointed to less pressure from creditor organisations and greater peace of mind. It would appear that the debtors were happy with the type and quality of services they received.

Responses also emphasised the role of family and friends in enabling contact with a debt advice agency. It would appear that informal networks within the community are important in leading debtors towards seeking help. Yet, many acknowledged that ignorance of the kind of help available was not the sole reason for failure to seek help. Embarrassment and the stigma of problem debt paralysed people from seeking sensible remedies. Paradoxically, as personal indebtedness in the UK increases, the stigma of problem debt remains. Moreover, the primary outcome of stigma is powerlessness – people become helpless in the face of problems to the point where the problem worsens. Compounding this problem was the belief that individuals could cope without help.

Debtors reported both personal and familial costs associated with debt. Most mentioned depression. Almost a third mentioned suicide. Within families, the greatest concern was with the impact on children.

Many respondents declared that they would not get into problem debt again. Others, however, found their personal lesson in seeking professional help immediately

5. Summary and Conclusions

For those individuals who find themselves with problem debt, the research reveals that the experience is hugely traumatic, massively stressful and frequently drives people to the brink of suicide. Problem debt often results in relationship breakdown and other negative life events from which people may never recover. The research shows that problem debt is a hideous experience which can impact upon the lives of anyone regardless of social background.

Themes for those who participated in this exercise included the ease with which people get into debt through the multiplicity of lenders and relative ease of access, as well as the difficulties of managing debts, particularly as circumstances change in unforeseen ways. As the OFMDFM report (2006²) demonstrates, consumer credit dramatically increased over the past decade. Just over 60% of the UK economy is driven by consumer spending and a significant share of that spending remains credit financed. Historically, this has been a period of low interest rates and rising house prices that, together, have enabled owner occupiers, in particular, to borrow easily against rising assets. Others have been less fortunate and have not been backed by significant capital assets. Such individuals would always be vulnerable to changes in circumstance while simultaneously feeling excluded if denied the high consumption levels of others. Large scale debt generates large scale risk and the issue of more responsible lending has been raised several times by those who participated in the study. With the functioning of the economy so dependent on consumer spending, there are real difficulties in the excessive tightening of credit regulations, particularly while interest rates have also been rising. The more practical alternative is to strengthen the systems of support for those who get into debt. Moreover, the emerging consensus for those with problem debts was of the need to seek early advice/support. This suggests that the advice agencies have a key role.

The advice practitioners who were consulted as part of the research were in broad agreement that there was a huge demand for both face to face and telephone-based problem debt support. The advice sector representatives also felt that there was little particular 'competition' or duplication between those agencies which provided telephone or on-line support and those which specialised in face to face provision. The consensus was that those who required face to face support were frequently individuals who had reached an extremely serious stage of their problem debt. This, in no way, minimises the value of telephone support, it merely acknowledges the essentially different nature of and the limitations of, advice provided over the telephone.

There is a shortage of money advisors who can provide face to face support through agencies such as CAB and Advice NI. While CCCS receives funding support through the lending sector, and also provides a very substantial amount of unpaid 'added value' work including assistance with IVA's, etc., there is an acknowledgement that the remainder of the advice sector receives very little financial support from the lenders who are pursuing the debt.

Money advice by its nature is extremely personal and as such, advisors usually build up a long-standing and trusting relationship with their clients. Individuals frequently come to rely very heavily on the advisor and remain as clients for extended periods of time. Advisors agree that this relationship of trust is an essential part of money advice and that clients often are unable to fully open up and identify the full extent of a problem debt until the second or even the third visit when a degree of confidence has been achieved. Because of the volume of clients, money advisors must always set parameters in terms of the duration of each advice session and often

² <http://www.ofmdfmi.gov.uk/personal-over-indebtedness.pdf>

have to limit the number of sessions available to each client. Clients frequently have to wait for extended periods of time before an appointment becomes available with a money advisor, and this lack of staffing resources means that the sector as a whole is reluctant to put any significant effort into publicising the services for fear of demand exceeding supply to an even greater degree. The money advice sector is caught between the concerns of uncertain and frequently inadequate funding sources on the one hand, and the inability to promote its services, develop strategy and operations.

An issue which was identified through the research was that when people get into problem debt, they often turn to their banks for assistance, and believe that the bank is an 'honest broker' in terms of financial support. Modern banks are clearly highly commercially focussed, and instead of providing a piece of strong advice with regards to budgeting, make the situation worse by simply extending the loan:

There is a naivety regarding people going to financial institutions – they don't give you advice – they sell you products, they are called 'Mortgage Advisors' – not Sales Reps. You know these people are trying to meet sales targets, people often get products that aren't suitable for them. Group discussion comment.

Accordingly, there needs to be a two pronged approach to problem debt that focuses on measures to help prevent problem debt and, where this has failed, ensuring widespread access to the forms of help available.

Prevention

Education: A striking feature of those interviewed was the lack of awareness regarding the protocols surrounding borrowing and repayment, particularly with respect to the income limits on repaying large loans. Equally striking was the large degree of ignorance of the very terminology used in standard credit agreements. There is thus a role for education in income management. Handling finances has been included in the school curriculum, and this will be implemented in the near future. However, while of long-term value, this offers little to the range of adults currently experiencing debt problems. There is thus an equal requirement to ensure that this material is included in the adult and community education programmes run in Further Education (FE) colleges and in the voluntary sector.

Despite the difficulties in implementation, there is a strong case for robust **lending guidelines** –parameters which set out appropriate lending and other financial product procedures for individuals, and to which the lending agencies are committed, if only as a code of practice. Such a code might also refer to the ways and means by which lending opportunities are advertised. For example, credit consolidation advertisements tend to concentrate on monthly repayments and under-emphasise the very-long term repayment periods. It should be noted the number of occasions on which respondents referred to credit/store cards rather than actual loans. These are, by far, the easiest to obtain and abuse through multiple use and, often carry the most punitive interest rates. This is a crucial area for lending guidelines.

Furthermore, if lending agencies were committed to **responsible lending**, there would be an obligation for checks on customers' financial position and the need to instil in borrowers the risks in an up-front and above-board way.

Finally, there should be constant monitoring of debt levels with an emphasis on indicators of problem debt such as the numbers seeking help or availing of legal remedies such as IVAs or bankruptcy. If guidelines were seen to fail in preventing the growth of problem debt, then more

effective regulation should be considered, for example, legislative regulations with penalties for institutions which persistently breach the guidelines.

Treatment and ‘Cures’

Redress Structures – Individual rights may not be properly protected in the processes of lending and debt recovery. There is thus the need for a framework within which individuals can complain about a specific case and ultimately apply for compensation or other redress. Existing institutions like the Consumer Council or the Small Claims Court work for many, but the most vulnerable require a stronger redress mechanism.

Debt Solutions - additional structured solutions to problem debt need are required. Currently, the main structured solutions to debt include bankruptcy, an Individual Voluntary Arrangement (IVA). Many people will not file for bankruptcy because of the long-term implications and stigma attached to this route. While the IVA order does not stipulate a maximum or minimum debt figure before becoming effective, in practice the debt typically is at least £15,000 with individuals having at least £200 available per month to service the debt. For those with debts less than £15,000 or without any available funds there are currently few structured solutions. A debt relief order is presently being discussed which would cancel debts less than £15,000.

Debt Advice - continued/additional resources for those agencies such as CAB which provide excellent face to face debt advice. Debtors universally report the value of the advice and support received. Of some importance is the need for early intervention. This requires publicising and destigmatising the services offered. The importance of this measure is that it speeds up the process of recovery for debtors and thus, in the longer term, reduces costs. In a world of greater financial stringency within the voluntary and community sector, consideration should be given to how such services can be maintained and developed.

The following diagram is a pictorial representation of the two-pronged approach to problem debt. For the purposes of the diagram, those who experience problem debt are classed in terms of the length of time during which a debt is a problem. Clearly, there is a huge amount of movement between the categories with individuals moving in and out of problem debt situations. The important issue is not the accuracy of the categories below but the fact that there is a continuum of severity of problem debt which is related to many factors including the duration of the debt, personal circumstances and amount of debt, etc.

Just as there is an almost limitless number of reasons why individuals find themselves experiencing problem debt, there must also be a variety of preventative and treatment measures which can be used to alleviate the problem and some of these are depicted in the diagram below.

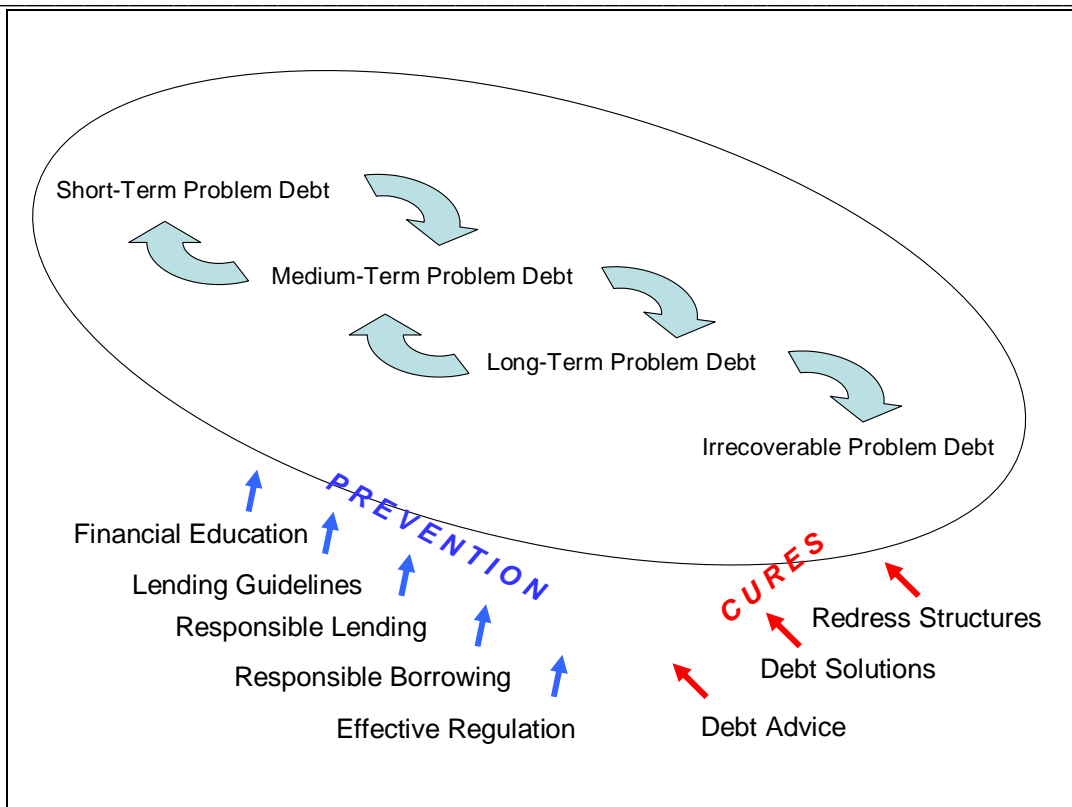


Fig. 18: Preventative and curative response to problem debt

Measures which are primarily suited to helping to prevent people from falling into problem debt include financial education, lending guidelines for financial institutions, responsible lending on the part of banks etc, responsible borrowing on the part of customers and effective regulation/legislation regarding the lending process. Measures which are more appropriate to assisting people once they have fallen into the problem debt situation include legal structures for individuals to complain and seek redress about a debt, alternative solutions to bankruptcy and IVAs, and independent debt advice.

Recommendation

The Government currently has a number of departments and agencies which are concerned with particular aspects of the problem debt issue. For example, part of the funding of the advice sector is channelled through DETI, while the strategic response is sometimes led by DSD and education is sited in DEL. In addition, the variety of reasons for problem debt, when combined with the very personal and individual nature of each problem debt, results in the necessity for a highly tailored and frequently multi-agency response. The complicated nature of the problem and the variety of solutions must be balanced with the need not to stifle people’s abilities to secure appropriate credit in order to fuel the market economy. In addition, the treatment of problem debt must not make it too easy for individuals to ‘extract’ themselves from the debt, thereby resulting in a vast increase in unscrupulous borrowing. Given all of the above, it is necessary for Government to assume responsibility as the lead stakeholder in co-ordinating a joined up response to problem debt.

It is however essential that the individual debtor remains at the centre of all responses developed through this multi-agency approach, and that the lender does not take precedence in terms of protection and regulation.

6. Appendices

Appendix 6.1: Interview aide memoires

Debt Sector Focus Group Aide Memoire

Attendees:

Date:

Name	Organisation
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	

Interviewee: PS / PdeM / MM* delete as appr.

1. What do you think are the main reasons why a debt can become a problem for some people?
2. What are your views on the relationship between debt and poverty?
3. What did you think of the quality and effectiveness of debt management solutions developed through the advice services?
4. What is your opinion on the effect of levels of financial literacy and money management in avoiding/exacerbating problem debt?
5. Do you think that there is adequate awareness of the sources of support for problem personal debt?
6. Can you tell me what you think are the kinds of things which stop people from getting support around a debt which has become a problem?
7. Do people usually go immediately to get advice/support about problem debt? (If not, why?)
8. How does problem debt affect the individual?



9. How does problem debt impact on family or dependants?
10. If you could change one thing about the reasons why people get themselves in debt, what would it be?
11. If you could change one thing about the structures to support people if they find themselves in debt, what would it be?
12. What is your opinion on the role of government in helping individuals to avoid/exacerbate problem debt?
13. What is your opinion on the most effective forms of support for personal problem debt?
14. Are there any other comments you would like to make concerning problem debt?



Individual Personal Interview Aide Memoire

Ref:		Date:	
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Referring Agency: CAB / Advice NI / CCCS* delete as appr.

Interviewee: PS / PdeM / MM* delete as appr.

Location:		Travel expenses?	Y		N	
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1. What do you think are the main reasons why a debt can become a problem for some people?

2. Can you tell me why your debt became a problem?

3. Were you in employment when you got into debt?

Yes	No

3.a. If 'yes' – did the debt have any impact on your job?



3.b. If 'no' – did the fact that you didn't have a job create or help to create the problem debt?

4. For how long would you say that your debt was a problem debt?

5. What did you do first when you realised you had a problem debt?

6. (Other than CAB/Advice NI/CCCS* ~~delete as appr.~~) did you seek advice from any other organisation regarding your problem debt?



7. What was the solution/advice which you were given by the organisation?

8. What did you think of the quality and effectiveness of any solutions developed through the advice services which you consulted?

9. Can you tell me what you understand by the letters **APR** which banks use for a loan? What does this mean – lending rate, interest charged, BoE base rate, total repayable, repayment term, etc.

10. How would you describe your level of knowledge about the rules which banks apply to people when they take out a loan? - the security on property banks take for a loan, defaulting on repayments, total amount payable, repayment term, etc.



10a. Was there anything about your own debt that you didn't understand or made things worse? eg how long you had to make repayments for, the repayment rate, payment protection insurance, etc.

10b. Scale to be marked by interviewer based on answers above:

Financial Literacy Scale				
V.Low	Low	Average	High	V.High

11. How would you describe your level of awareness of assistance and support sources for people experiencing problem debt?

12. How did you find out about the agency that you approached for help regarding your problem debt? (Detail.)



16. How did the debt affect you? (Some detail)

17. In your experience did the problem debt have any impact on your family or dependants? (Some detail)

18. How would you describe the overall experience of dealing with (CAB/Advice NI/CCCS* ~~delete as appr.~~) about your problem debt?

19. If you could change one thing about your experience after your debt became a problem, what would it be?

Personal details and travel expenses receipt form

1. Ref:	
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2. Age:	16-24		
	25-49		
	50-64		
	65 & over		

3. Gender:	M		F	
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4. Marital Status:	Married/Co-habiting	
	Single/Never married	
	Divorced	
	Widowed	

3. What is the highest educational qualification that you have?

	No qualifications	
1	Highest qualification attained: Level 1 ¹	
2	Highest qualification attained: Level 2 ²	
3	Highest qualification attained: Level 3 ³	
4	Highest qualification attained: Level 4 ⁴	
5	Highest qualification attained: Level 5 ⁵	

(1) GCSE (grades D-G), CSE (grades 2-5), 1-4 CSEs (grade 1), 1-4 GCSEs (grades A-C), 1-4 'O' level passes, NVQ level 1, GNVQ Foundation or equivalents.

(2) 5+ CSEs (grade 1), 5+ GCSEs (grades A-C), 5+ 'O' level passes, Senior Certificate, 1 'A' level, 1-3 AS levels, Advanced Senior Certificate, NVQ level 2, GNVQ Intermediate or equivalents.

(3) 2+ 'A' levels, 4+ AS levels, NVQ level 3, GNVQ Advanced or equivalents.

(4) First degree, NVQ level 4, HNC, HND or equivalents.

(5) Higher degree, NVQ level 5 or equivalents.

4. Are you in employment?	Y		N	
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5. What was the total value of your problem debt?	£	
6. What was the monthly cost of your problem debt?	£	per month

Received £10.00 for travel expenses

Ref: _____

Location: _____

Date: _____