

# Indebtedness: Breaking Down The Barriers

**Uncovering the true scale of over-indebtedness in the UK and exploring the potential solutions**

**10<sup>th</sup> March 2016**

## **Morning session**

**Introduction** – Mel Mitchley (MAS)

**A Picture of Over-Indebtedness** - Karen Kelly (CACI) and Colin Kinloch (MAS)

**What does over-indebtedness feel like?** – Client perspective

**Who is currently seeking advice (and who isn't)?** – Sarah Little (MAS)

**What are the barriers to seeking advice?** – Rob Hartley and Sammy Warrens (2CV)

**Lunch (12.30)**

## **Afternoon session**

**What impact does advice have?** – Dan Bicknell (Talking Money)

**How do we increase advice seeking?** – Peter Tutton (StepChange)

**What actions are necessary to improve engagement?** – Panel session

# A Picture of Over-Indebtedness

What is over-indebtedness, and where is it?

**Karen Kelly (CACI)**

**Colin Kinloch (Money Advice Service)**

## A Picture of Over-Indebtedness



# Why did we do this project?

To increase engagement we need to increase insight

To commission effectively we need up-to-date data

To achieve large scale change we need to share  
what we know

# The Challenge

## A Picture of Over-Indebtedness



- To use the surveys undertaken by Money Advice Service to model over-indebtedness at a local level
- To combine a robust methodology and detailed local data
- To ensure that both the methodology and the data would be straightforward to explain and understand

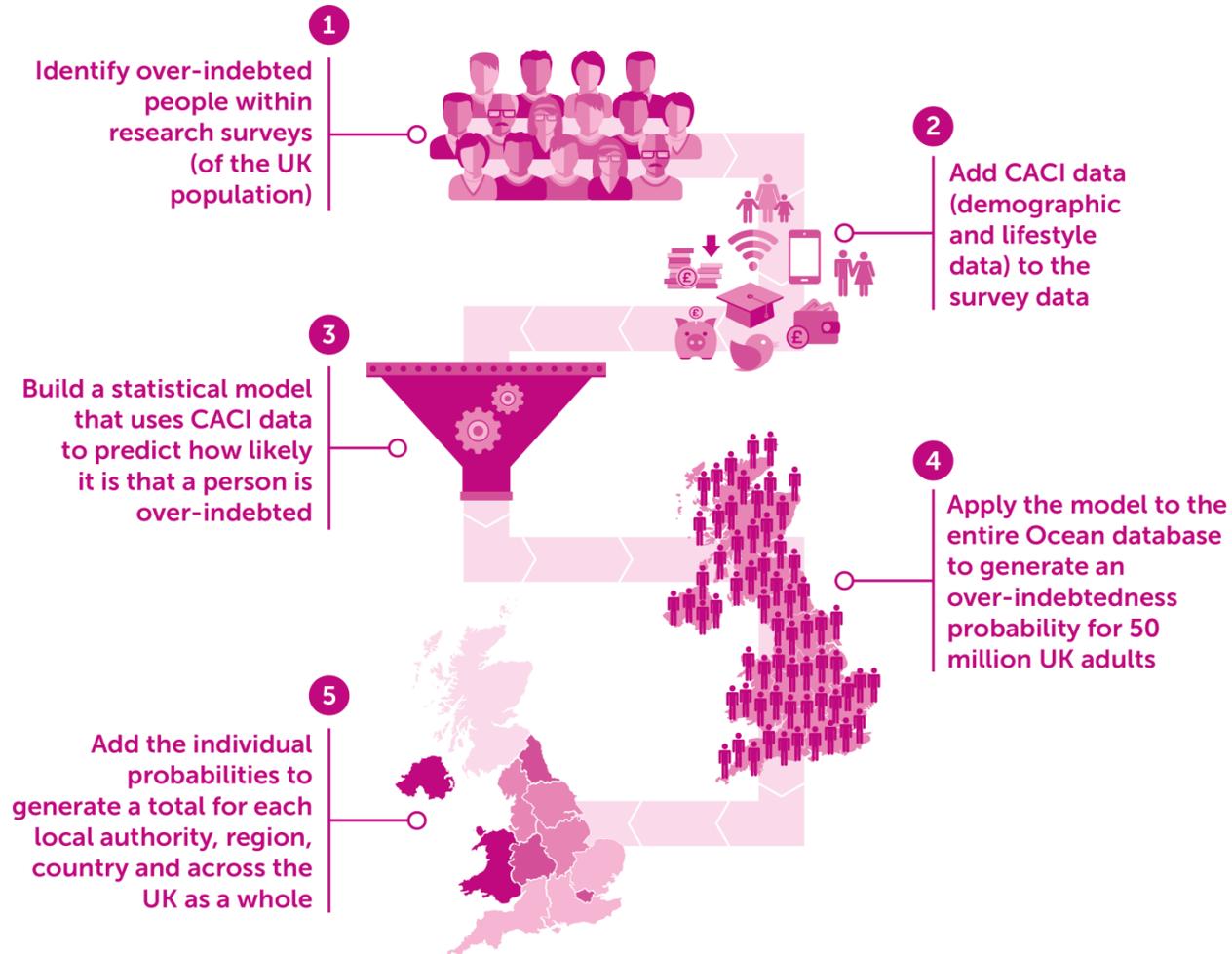
# Our Approach Combines

- Robust survey data and a clear definition of over-indebtedness



- CACI's wealth of robust local data derived from
  - Government released open data and Census data
  - Lifestyle surveys
- Our broad expertise in modelling survey data out onto the population at individual level which can then be aggregated to an level of geography

# More Detailed Methodology



# There Are a Number of Key Predictors of Indebtedness

- There are four key predictors of over-indebtedness
- Each of these increases a person's risk of financial difficulty

Age

Income

Family

Renting

# Age



- Young people are more likely to be over indebted
- Least likely to be financial sophisticated
- Most likely to miss credit payments and use payday lenders

Individuals are much more likely to be over-indebted if their household income is below



# £10,000

Age

**Income**

Family

Renting

- As shown in a number of surveys, low household income is related to indebtedness
- With more affluent groups, other factors come into play, with this group it is a key driver

# Family Make-Up



**1 in 5**

adults with children are over-indebted

this rises to



**1 in 4**

among adults with three or more children



**28%**

of single parents are over-indebted

compared with



**18%**

of two-parent families

Age

Income

**Family**

Renting

- Having children increases the risk of over indebtedness by half (13% to 20%), more children increase the risk further
- Being a single parent also increases the risk, with a third of large single parent families being over indebted

# Renting



25%

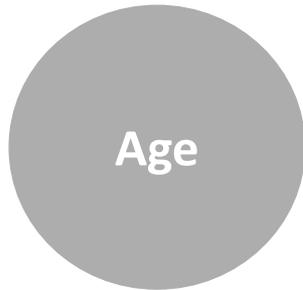
of renters are over-indebted

compared to



12%

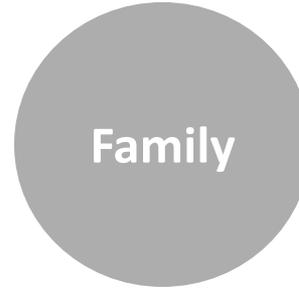
of home owners



Age



Income



Family



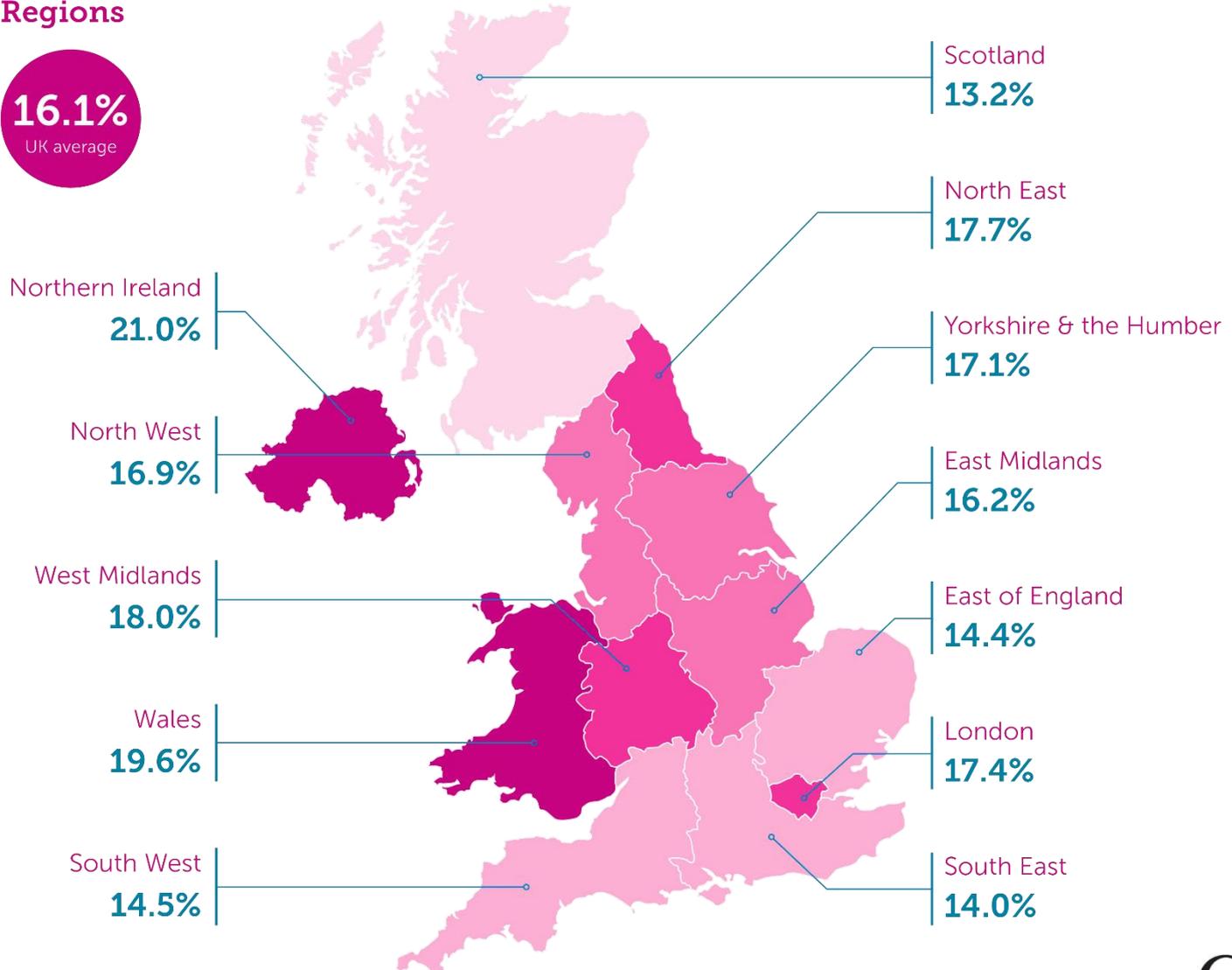
Renting

- One in three people rent in the UK, nearly 50% of Londoners rent
- Social renting is more directly correlated with over-indebtedness
- Private renting less so, except in London where high rents directly affect indebtedness

# The National Picture

## Regions

**16.1%**  
UK average



# Let's Contrast Two Centres

10.1%

## East Dorset

### South West

Adult population

**73,000**

Over-indebted population

**7,400**

East Dorset is a rural authority situated just outside the New Forest and to the north of Bournemouth. It contains the small market towns of Verwood and Wimborne Minster.

**22%**

UK = 32%



are renting  
their  
home

**4%**

UK = 7%



of adults  
are single  
parents

**5%**

UK = 6%



of adults  
have 3+  
children

**6%**

UK = 9%



of households  
have income  
<£10K

**11%**

UK = 17%



are  
aged  
25-34

# Let's Contrast Two Centres

21.9%

## Kingston upon Hull

### Yorkshire and The Humber

Adult population

203,000

Over-indebted population

44,500

Kingston upon Hull, commonly known as Hull, is an industrial port situated on the Humber estuary. The city has a rich legacy of fishing, maritime trade and military supplies. In 2017 Hull will become the UK City of Culture.

46%

UK = 32%



are renting  
their  
home

8%

UK = 7%



of adults  
are single  
parents

7%

UK = 6%



of adults  
have 3+  
children

16%

UK = 9%



of households  
have income  
<£10K

20%

UK = 17%



are  
aged  
25-34

# Two Constituencies in London



24.6%

## West Ham

13.9% earn under £10k  
12.8% 3+ children  
11.2% single parents  
36.7% social renting  
31.4% private renting



11.6%

## Richmond Park

5.9% earn under £10k  
5.6% 3+ children  
7.5% single parents  
12.1% social renting  
26.5% private renting

# Implications

Prevention should focus on groups at greatest risk

Partnerships may need strengthening

Forecasting is the next priority

# Understanding non-advice seekers

**Sarah Little**

**Insight Manager**

**Money Advice Service**

## The challenge:-

- 8.2m UK adults are over-indebted
- But only 17% seek debt advice, and we want to **double this** by 2020

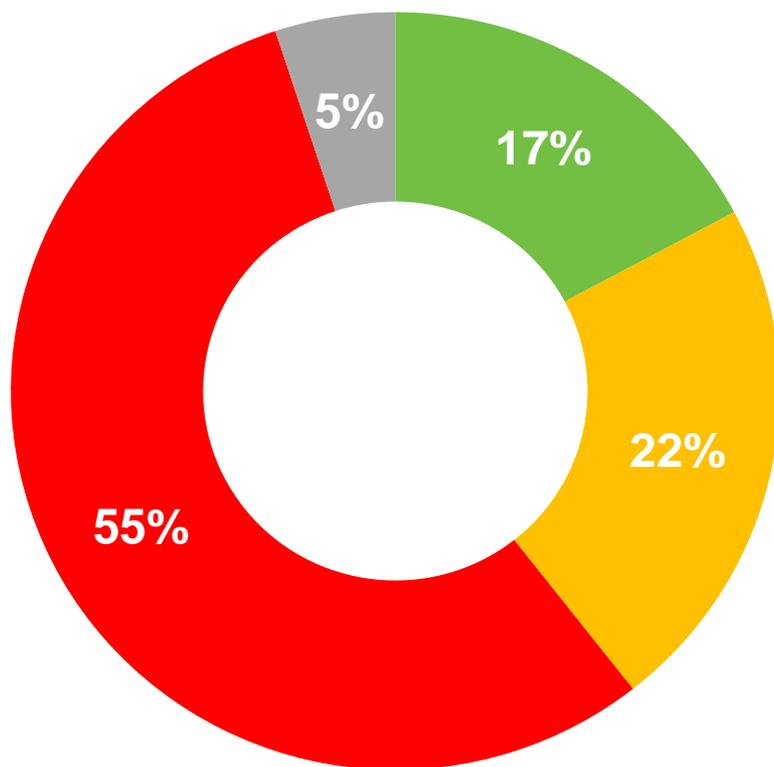
## The focus of this presentation:-

- Differences between **advice seekers** and **non-advice seekers**

## Drawing on research from:-

FinCap (2015)

Indebted Lives (2013)



**“Users”**  
Already seeking

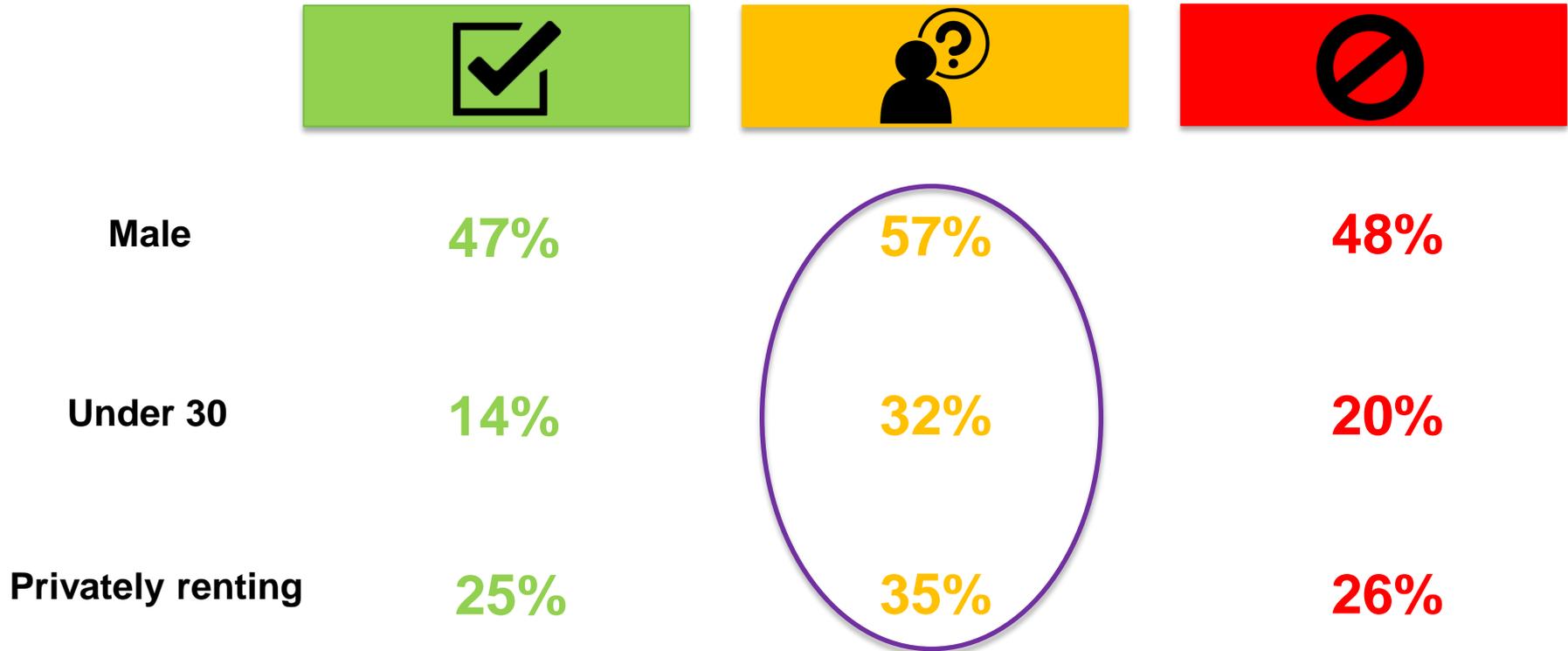


**“Potentials”**  
Planning / thinking of  
seeking



**“Rejecters”**  
No plans / wouldn't  
consider

# Potentials are more likely to be male, under 30 and privately renting



# What prompts advice seeking?

### Actual

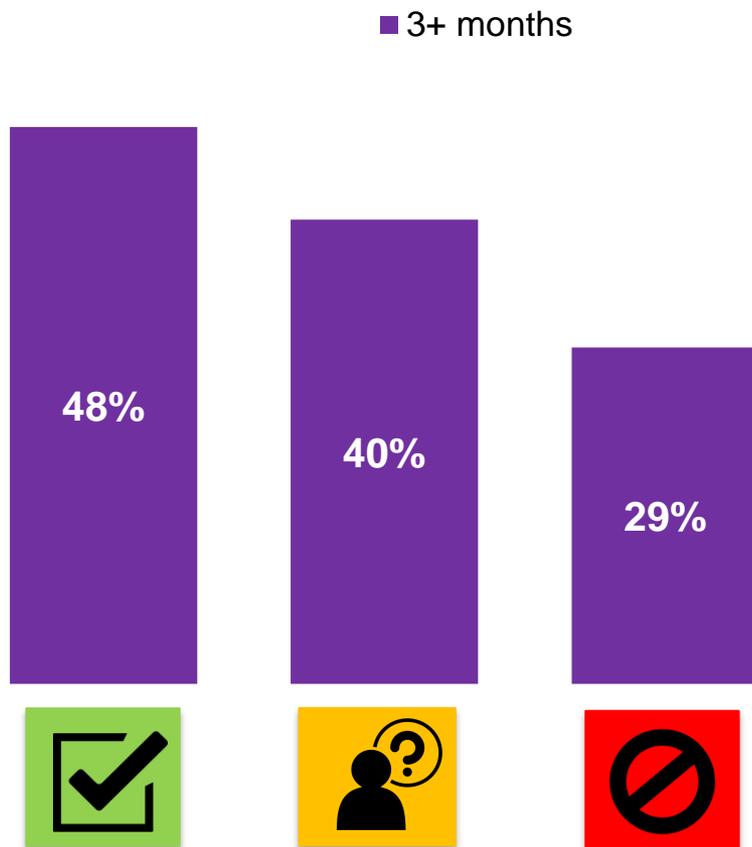
- ✓ Higher debt to income ratios
- ✓ Credit problems
- ✓ Missing payments
- ✓ Being pursued by creditors

### Perceived

- ✓ Describe themselves as 'in debt'
- ✓ Believe debt is 'more than average'
- ✓ Recognise they need help

# Users & Potentials have larger debts and more credit pressure ...

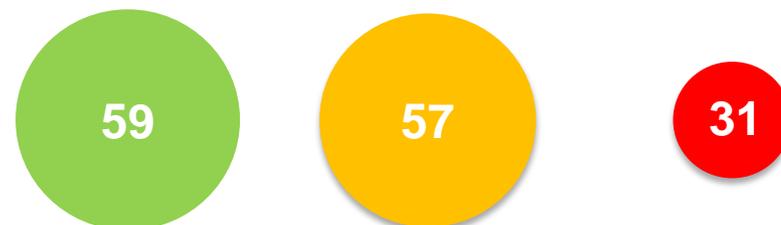
## Debt-to-income



## Found it difficult to get credit



## Receiving creditor letters / calls

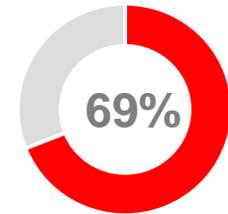
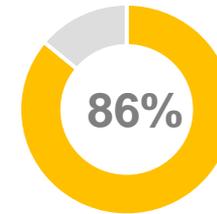


## Missing bills / credit commitments

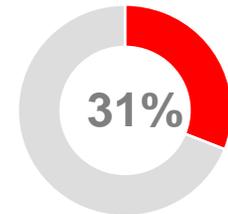
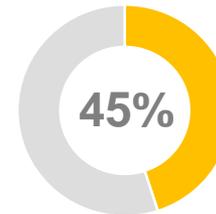
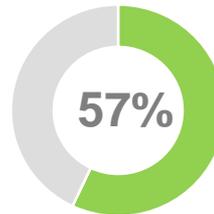


# ... and are more likely to perceive themselves as having problems

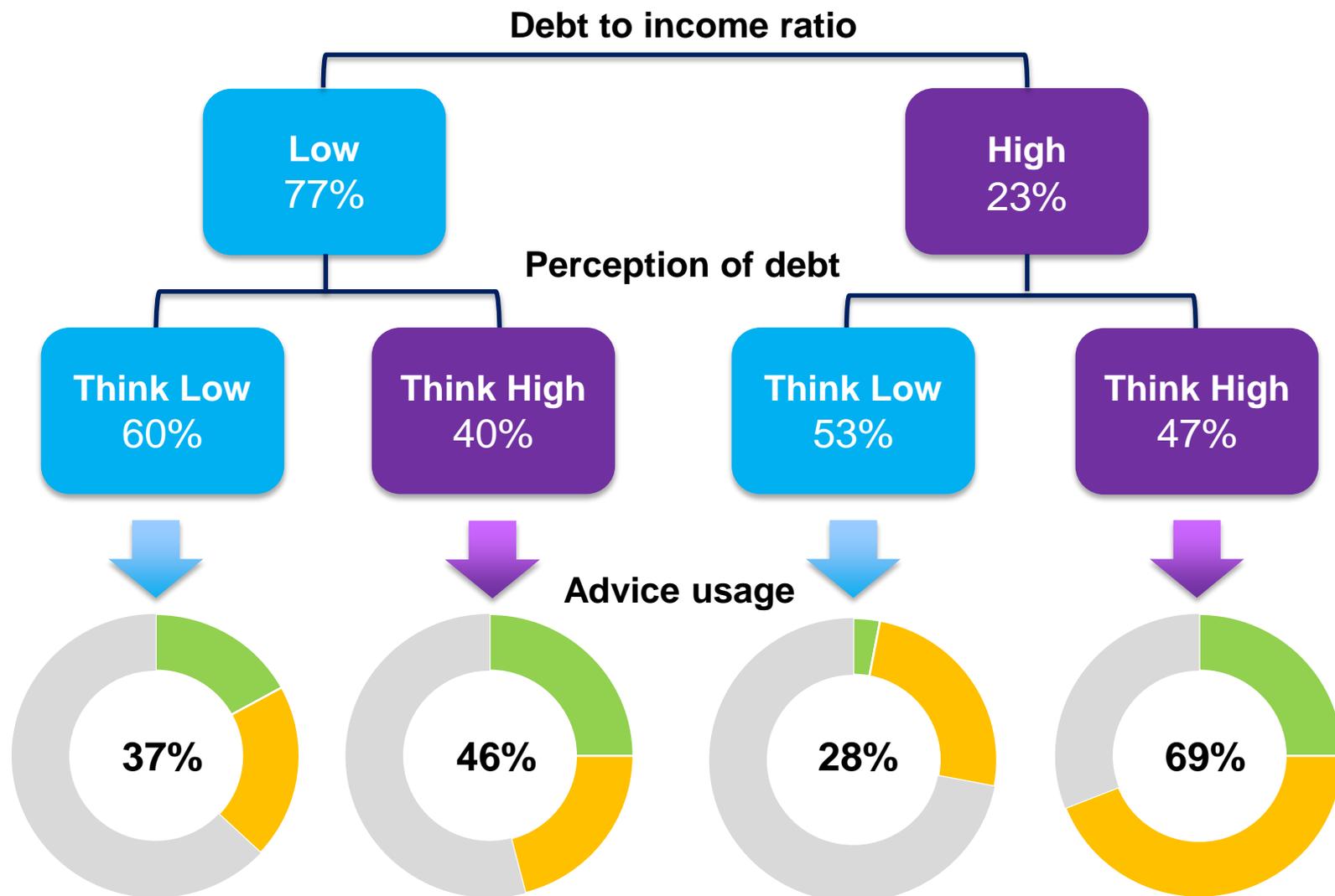
Would you describe yourself as being in debt? (% yes)



Debt is more than average (% much more/ slightly more)

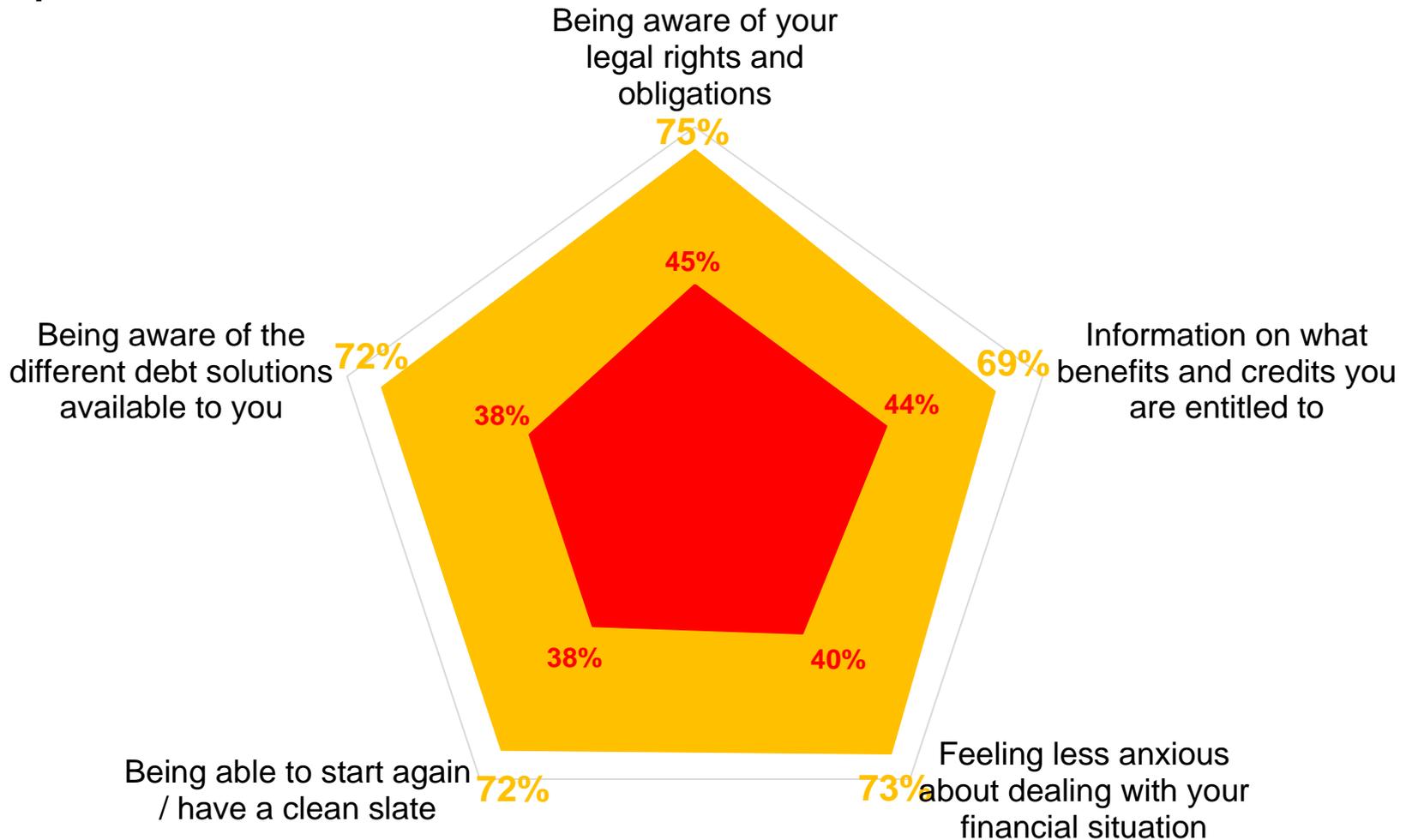


# Perceptions are hugely influential



# 'Potentials' say they need a lot of help

## Top 5 needs



# What is preventing Potentials from seeking advice?



They **want** to be debt free

*It is important to me that I am  
**debt free***

81% Agree

Though they feel debt is **unavoidable**

*In the current economic climate  
**living in debt is inevitable**  
for people like me*

68% Agree



*Being in debt **does not**  
**worry me***

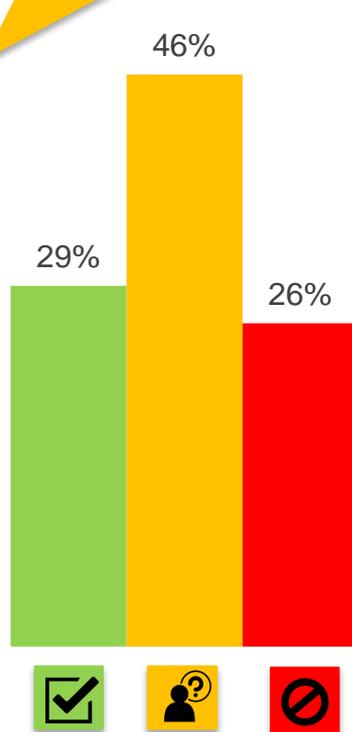
Only 16% Agree

*Living in debt is something that  
**I am used to***

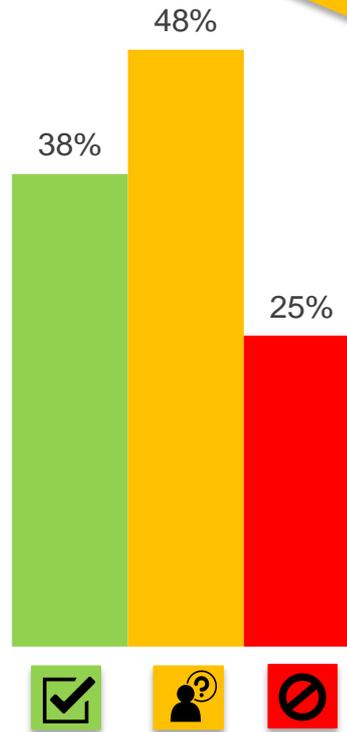
45% Agree

# But they are paralysed by their problems

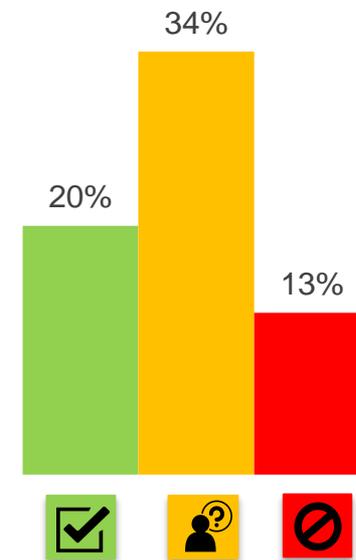
I haven't really added up how much I owe because I **can't face** finding out the total sum



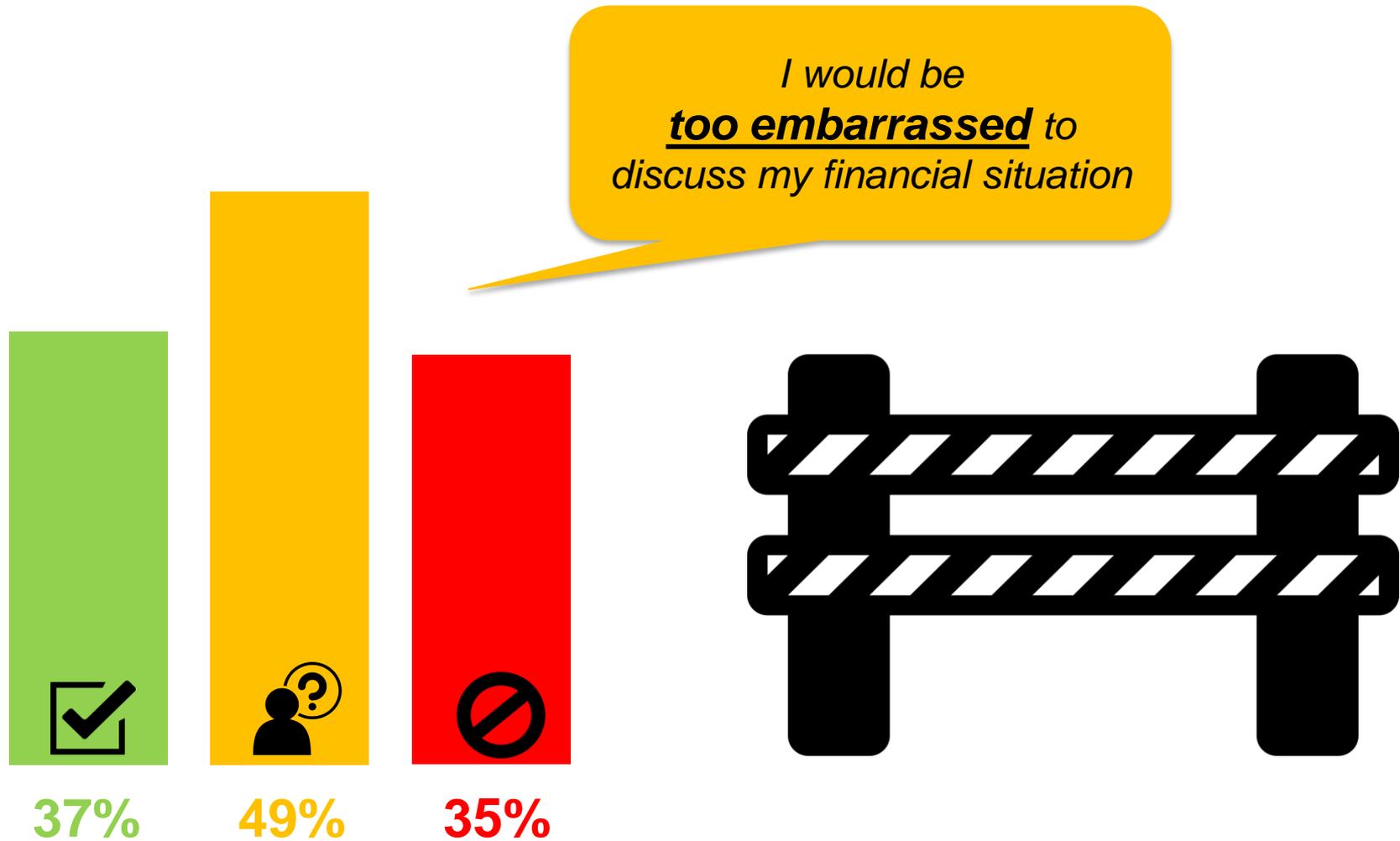
Sometimes I **don't open letters or answer phone calls** in case they are to tell me that I owe money



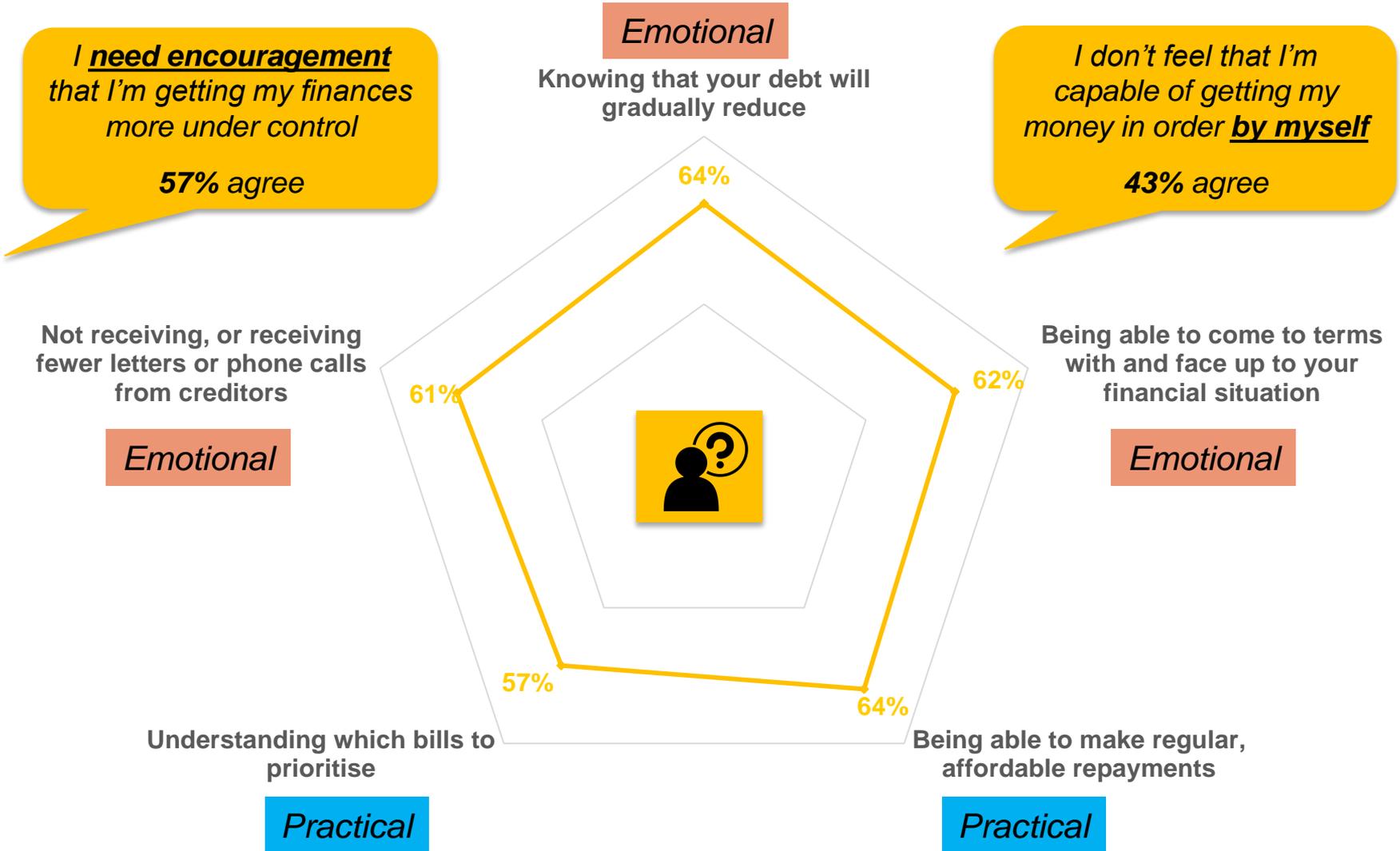
If I try to sort out my money problems I'll probably just **make matters worse**



# And are particularly prone to embarrassment and stigma



# They have a strong need for emotional support



# Conclusions & Implications

## Individuals need to:

**Realise** they  
have a  
problem



**Deal** with  
problem



## The **debt sector** needs to:

- **Understand symptoms** that can indicate a problem
- **Deploy interventions** to prompt realisation
- **Overcome barriers** to seeking advice
- **Increase appeal** of advice

Non-advice seekers are **not one group**

Different groups have different needs:-

Practical

Emotional

Potentials should be a key focus



Approach through:

- Targeted media

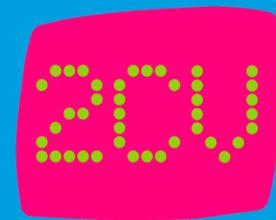
Focus on:

- Overcoming stigma / paralysis
- Emotional support

# What are the barriers to seeking advice?

**Rob Hartley (2CV)**

**Sammy Warrens (2CV)**



**What are the barriers to seeking debt advice?**



# Debt intervention research – November 2015

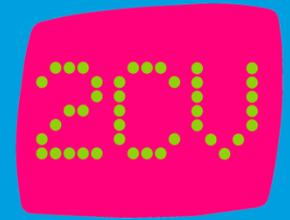


**Business objective:** To increase the number of over-indebted individuals that seek debt advice in the UK by targeting those groups most in need

Our research aimed to help overcome barriers too seeking debt advice through interventions devised by the debt advice operational group

We explored and evaluated the interventions with 3 over-indebted audiences:

1. Optimistic young workers
2. Benefit dependent single parents
3. Parents who have recently separated / divorced from partner

A large, stylized yellow arrow graphic pointing to the right, composed of several overlapping, slightly offset rectangular shapes.

# The personal perspective



# People often don't realise their debt is a problem until far too late



# People don't want to think about debt, so don't think about debt advice



- **Debt is still a great taboo** - many don't acknowledge it and very few talk about it
- **There is clear embarrassment around being in debt** - it's not something people want to admit to others, or even themselves
- **'Hiding' from debt seems a safer option than facing up to it** - seeking debt advice is a social and emotional wrench and seen as a last resort

*There is such a taboo around debt. No one talks about it.*



*Asking for help around debt is basically admitting you've failed*

# Getting debt advice is not anticipated to be an easy ride



- Few have much idea of what debt advice is or looks like prior to seeking it and their assumptions are often negative:

*"It's going to take a lot of work to resolve my situation"*

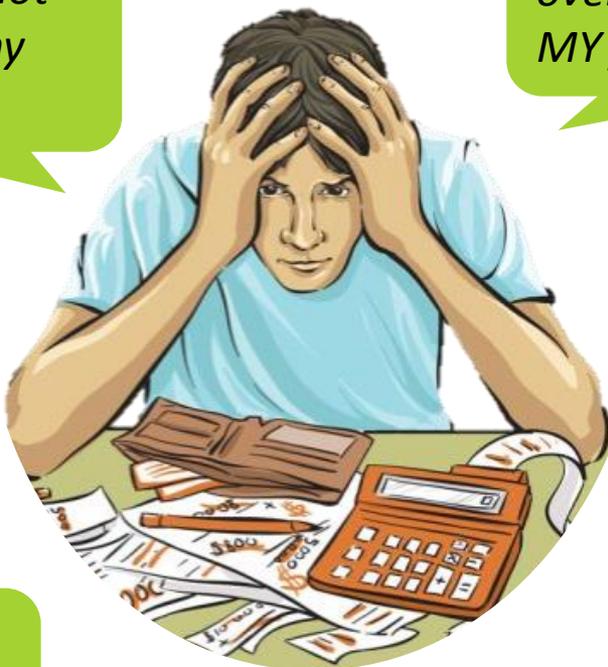
*"I don't want to hand over control, these are MY finances"*

*"There are going to be some tough decisions to make, like no holidays this year..."*

*"It's such a personal thing to talk to a stranger about"*

*"I don't want to feel humiliated in front of my bank"*

*"I'm just so worried that they will suggest bankruptcy"*



# What people really want is unobtainable...



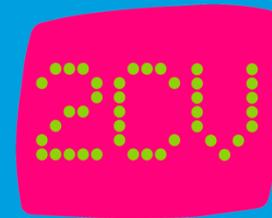
*"I just want it to all go away, I can't handle this"*



*"I want to be free from this, I want to click my fingers and be free"*

*"I can't face the world, I'm scared, I'm scared to open the door, I want to escape this"*

When people know that what they want is unrealistic, it's hard to know where to start...



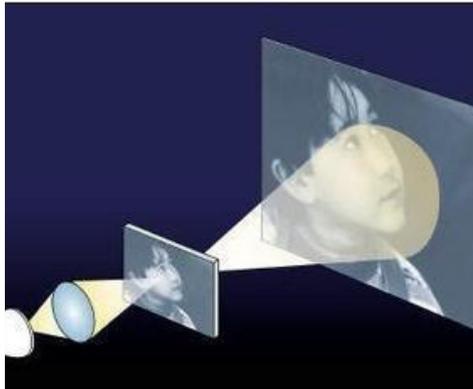
# Behind the scenes



# People fall into a number of subconscious 'psychological traps'

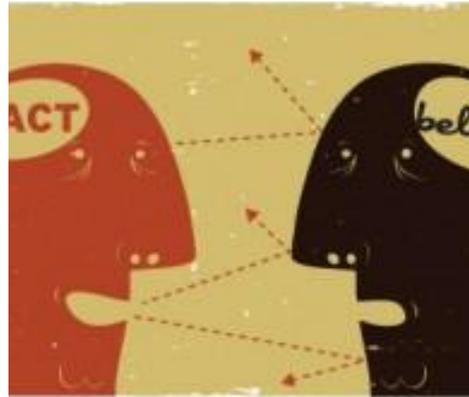


## Projection bias



People 'mis-predict' their future self, typically being overly positive or negative

## Confirmation bias



Only paying attention to perspectives that fuel our pre-existing views, while ignoring or dismissing those that threaten our view

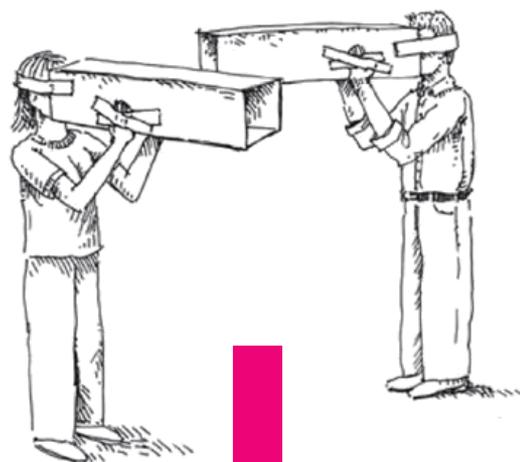
## Hyperbolic discounting



Forsaking long term goals for instant gratification

These all make it harder for people to realise they have a problem and seek debt advice

# Tunnelling and juggling are everyday and ordinary, seeking advice is not...



## Tunnelling

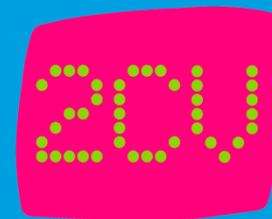
- Scarcity makes us tunnel-visioned
- We focus on the most pressing issues ...and neglect others



## Juggling

*“When you’re focused making ends meet this week, you’re not dealing with the details of what next holds”\**

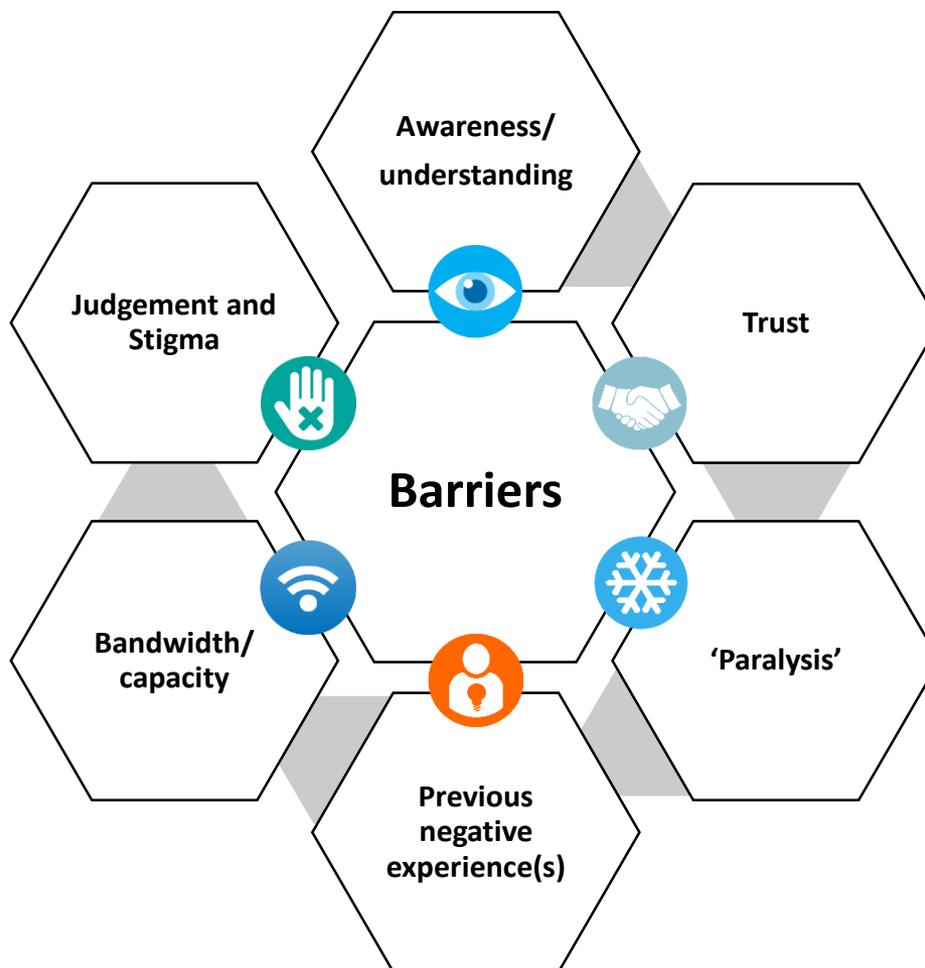
\* Drawn from 'Scarcity' by Sendhil Mullainathan and Eldar Shafir



## Summary of barriers

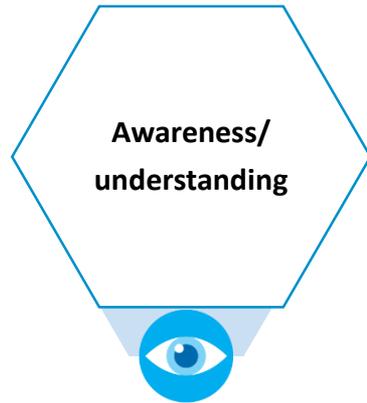


# There are various barriers to seeking debt advice



Each of these things can contribute to people putting their heads in the sand

# Barriers to seeking debt advice are many and varied



Awareness/  
understanding

*“I don’t have problem debt,  
yes I’m in debt but I don’t  
think it is a problem yet”*

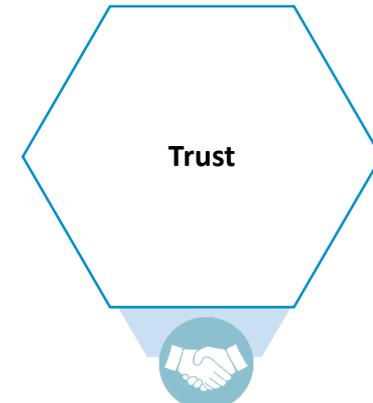
*“I didn’t know even to look  
for advice”*



Judgement and  
Stigma

*“There is definitely a  
stigma about getting  
help for debt”*

*“It’s the fear of being  
judged... by anyone!”*

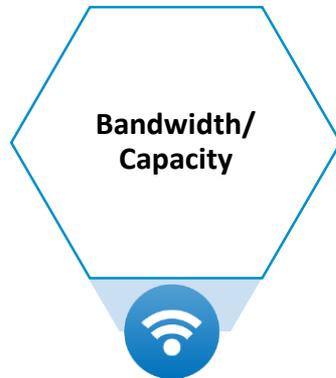


Trust

*“How do I know they  
have my best interests?”*

*“It could just be a ‘free’  
scam”*

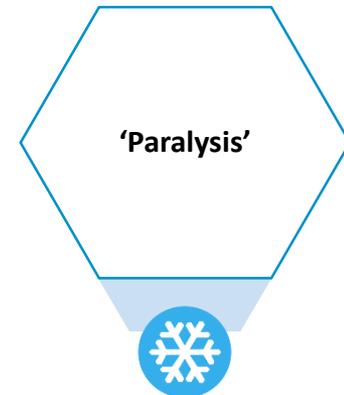
# Barriers to seeking debt advice are many and varied



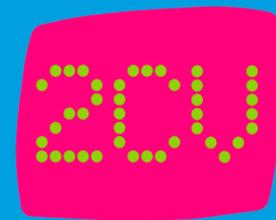
*“I don’t have the headspace to deal with this right now”*



*“I got rejected from advice because they said I should just pay a debt management firm to handle it and move on”*



*“I’m scared about the future after getting advice, it’s a bit like a trap”*

A large, bright yellow arrow graphic pointing from the left side of the slide towards the center text.

## Overcoming the barriers



# Interventions have great potential to lead consumers to debt advice sooner



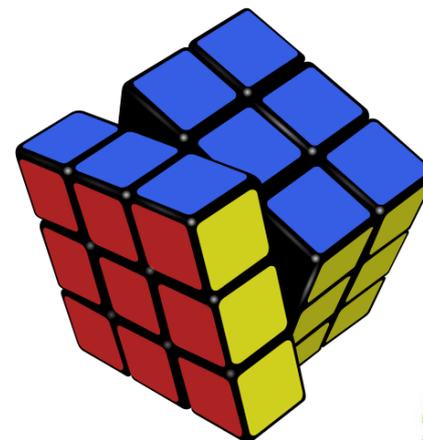
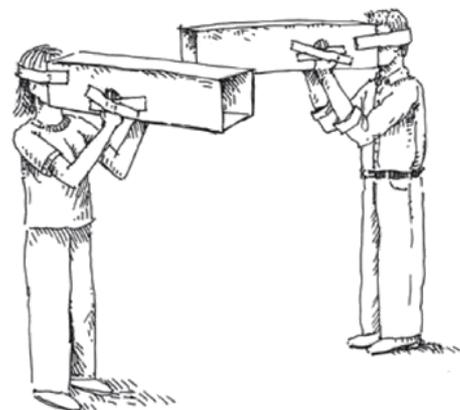
- For an intervention to have the best chance at leading a person to debt advice, there are a number of success criteria to consider...



# Any intervention needs to consider the single-minded 'tunnel vision' that those in debt experience...

*The intervention and subsequent advice experience must:*

- Not be too cognitively challenging
- Break the cycle of juggling
- Offer long term financial advice
- Relieve the pressure
- Solve the problem
- Tackle emotional and practical needs
- Start with their personal situation



# The UK needs to talk about debt in a different way...



- Being in debt is overly normalised; talking about it still seems strange
  - This needs to change
  - The 'debt conversation' needs to be something that people feel able to join without embarrassment or stigma

## Average UK household to be £10,000 in debt by end of 2016

Report warns that people's complacency over their ability to manage their borrowing could lead to resurgence in bad debt

## New year brings financial headache for millions of British families

Separate research from National Debtline and Shelter shows how millions will struggle to pay their mortgage and rent as credit card bills start to arrive

## Plastic fantastic: debit card spending soars in Britain

Shopping on bank cards more than doubled between 2005 and 2014 to £566bn - more than entire Dutch economy in 2014

# 'Debt' need not be a dirty word...

- Reducing the stigma of talking about debt and seeking advice serves as a long term goal
- For now, it is worth considering whether 'Debt advice' is the right 'place' to lead consumers to

## Financial / money advice

*"It sounds  
more  
sophisticated"*

*"It feels  
trustworthy"*

*"It's a far more  
desirable idea"*

## Debt advice

*"It's scary"*

*"It's for  
people who  
have failed"*

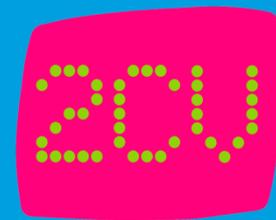
*"It's  
embarrassing"*



2. A conversation or debate about  
typically in order

Everybody in the world almost has some sort of debt





**Thank you**

[Rob.Hartley@2cv.com](mailto:Rob.Hartley@2cv.com)

[Sammy.Warrens@2cv.com](mailto:Sammy.Warrens@2cv.com)



# The impact of debt advice: an adviser's perspective



Dan Bicknell

Debt adviser

[dan.bicknell@talkingmoney.org.uk](mailto:dan.bicknell@talkingmoney.org.uk)

Talking Money

[www.talkingmoney.org.uk](http://www.talkingmoney.org.uk)

# Talking Money

- Talking Money (formerly *Bristol Debt Advice Centre*) was registered as a charity by a group of legal professionals in 1990 to help local people suffering as a result of the 80's recession
- Based in the Old Market area of Bristol. Part of the Lawrence Hill Ward, one of the 10 most deprived areas in the UK
- Clients are given specialist debt, energy, financial capability and benefits advice by a team of **19** legally trained advice workers



# Talking Money

## Talking Money



(Bristol & South Glos.)  
0800 1214511 / 0117 9543990  
[www.talkingmoney.org.uk](http://www.talkingmoney.org.uk)

## South Bristol Advice Service



(South Bristol)  
0117 903 8358  
[www.southbristoladvice.org.uk](http://www.southbristoladvice.org.uk)

## St Pauls Advice Centre



(East Bristol)  
0117 940 5406  
[enquiry@stpaulsAdvice.org.uk](mailto:enquiry@stpaulsAdvice.org.uk)

## Citizens Advice Bureau



(Bristol)  
0117 946 2588  
[www.bristolcab.org.uk](http://www.bristolcab.org.uk)

## North Bristol Advice Centre



(North Bristol & South Glos.)  
0117 951 5751  
[www.northbristoladvice.org.uk](http://www.northbristoladvice.org.uk)

## Citizens Advice Bureau



(North Somerset)  
03444 111 444  
[www.nscab.org.uk](http://www.nscab.org.uk)

## GL Communities



(Gloucestershire)  
01452 306581  
[www.glcommunities.org.uk](http://www.glcommunities.org.uk)

- Talking Money is the lead agency for **Money Advice West (MAW)**, our debt advice partnership established in 2006, consisting of 7 advice agencies
- Covering Bristol, South Gloucestershire, Gloucestershire and North Somerset, MAW receives funding from MAS to provide debt advice to over 7000 people each year

# My journey

- Background working with people face to face
- Family member had some problems with their employer
- One line of advice from a friend made all the difference!
- This helped reach a positive resolution for my family member
- Inspired by this, I started to volunteering at my local advice Centre
- After some time, it became clear that my skills, attitudes and interests were leading me towards debt advice
- Also, I had a lot of empathy for those dealing with debt after leaving university with debt – I appreciated the worry, the feeling of being burdened and that your options are limited



# Debt advisers

- This is a common story for debt advisers
- Can be motivated by a sense of vocation and job satisfaction
- Non-judgmental - separate client from their circumstances
- This is reinforced by the fundamental belief that a simple change of circumstances for a person can lead to serious and significant consequences – it can happen to anybody
- Potential impact for a client who receives debt advice and advocacy can be significant and life changing. Also, it can empower and enable clients
- Opportunity to identify and address social issues and social injustice
- Often the first person a client has been able to talk to – the role can be supportive and involve a level of therapeutic counselling
- Hence the skills needed include empathy, active listening and more generally, the ability to build a rapport



# Debt advisers

- Debt advice is stimulating, challenging, technical and can involve a lot of exploration and investigation
- The debt adviser receives a high level of training to give legal advice, and receives Continual Professional Development training each year
- This is recognised through the Institute of Money Advisers Certificate of Money Advice Practice



# Debt advisers

- More need for debt advice service than ever before
- Cyclical nature of our economy
- UK personal debt levels increasing beyond the pre-recession amounts
- Talking Money is seeing a wider demographic, significantly people who are working full-time but struggling with the essential costs of living, as opposed to consumer debt. Some research also suggests this<sup>1</sup>



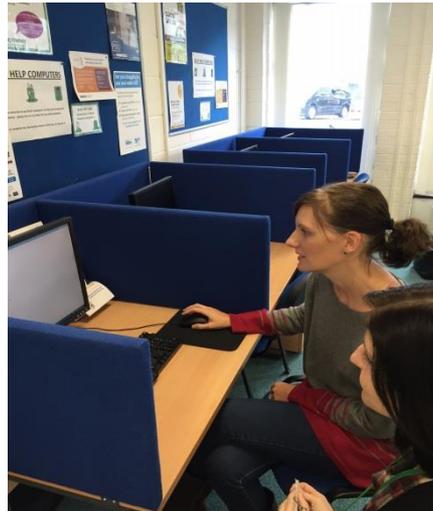
1. e.g. Joseph Rowntree Foundation *Households below a Minimum Income Standard*

# Frustrations

- Lack of job security in the advice sector due to short term funding
- Challenging and ever-increasing targets! While recognised as a necessary part of any effective service, it is not an end-in-itself
- This leads to not having enough time to spend with clients
- However, the converse of this is there are clients who are 'hidden'
- This is because we haven't had capacity to see them, or
- They have not accessed our services at all
- This can be for a variety of reasons; for example, pride, the stigma of debt, not being aware of the help available, or us not having the capacity to run a service in their community

# Clients' experience

- Clients' experience will of course vary
- A Debt Adviser however will often see a client in despair – unsure of where to turn and what to do
- They are worried about being judged
- They will usually feel completely disempowered



# Clients' experience

- The process of simply talking about the state they are in and the problems they have can be very significant
- It can often have as much of an impact as the advice given!
- Knowing that the debt issue is not unsolvable, and indeed not uncommon, and that there is someone on hand to help them, and to advocate, can be invaluable
- This is supported by research, e.g *Policy Bristol 3/2015 – the 2008 Global Financial Crisis: effects on mental health and suicide*

# Client story

- John had a long history of alcohol abuse
- In the past he had managed his addiction while working and supporting his family
- However in the two years before seeing me his addiction had worsened, leading to the loss of his job, then his home and the break up of his family
- His circumstances had deteriorated very quickly, and he was homeless for over a year, suffering from anxiety and depression
- When he saw me he had engaged with an addiction recovery charity, who had started to support him and found him a hostel to live in
- However once he had a registered address again he was pursued by a debt collector for a £59,000 mortgage shortfall from the repossession of his home
- This was causing him a lot of stress and risk of relapse

# Client story



# Client story continued

- John and I discussed his circumstances and the options available to him
- John did not want to pursue bankruptcy – the shame and stigma associated with it, the cost involved and attending court he found very difficult to deal with
- He was worried that this in itself would trigger a relapse
- We compiled medical evidence and supporting statements from the addiction recovery agency
- A supporting letter was sent to the debt collector requesting that the debt was written off, given John's circumstances
- After several months of correspondence, the debt collector agreed to write off the £59,000

# Client story continued

- This had a great impact on John. He could not believe the result.
- When closing his case, he was training at a local college in woodwork and joinery so that he could start work again
- He told me that without our help, he is certain he would have relapsed into alcohol addiction again and would be homeless again, if not worse
- While not representing an example of every client who seeks debt advice, this is an example of the work a Debt Adviser can do, the reason why the work is so vital and the satisfaction it can bring to those involved

# Contact details

Talking Money  
1 Hide Market  
West Street  
St Philips  
Bristol  
BS2 0BH



Tel: 0117 954 3990  
Fax: 0117 954 3992

Email: [mail@talkingmoney.org.uk](mailto:mail@talkingmoney.org.uk)

Website: [www.talkingmoney.org.uk](http://www.talkingmoney.org.uk)