

Understanding the Impact of Debt Advice

Evaluation of Money Advice Service funded debt advice

Initial research findings

January 2017

At MAS, we continually evaluate the impact of the debt advice services that we fund; this is crucial to understanding client outcomes achieved and identifying areas for improvement.

An independent research agency (Optimisa Research) conducts telephone surveys with clients of our projects every quarter, to understand the impact of the advice.

Full analysis of the 2016 data is underway, and headline findings show that MAS-funded debt advice is having a positive effect on the lives of the majority of clients:

Debt advice resolves clients' critical issues

- Nearly all clients (93%) **agree actions to take** following advice, with 94% of these subsequently taking *at least one* action (and with 55% taking *all* actions agreed). This is crucial, as initial analysis suggests that agreeing actions is the **most influential predictor** of positive outcomes overall.
- Over two-thirds (68%) say the advice **resolved the problems** they asked about completely or to a great extent.

Debt advice gives clients the knowledge they need to deal with their financial difficulties

- It helps them **understand how to resolve their current difficulties**: 88% say they now know more about the options for sorting out debt problems, while 93% say they understood the steps they needed to take either 'very well' or 'quite well'.
- It also explains **what people can do in future situations of difficulty**: 89% now know more about the steps they should take if they are unable to pay creditors, while 81% know more about the rights they have if creditors try to recover debts.
- **Feelings of confidence and control increase**, with 81% now feeling more confident dealing with creditors and 83% feeling more in control of their financial situation.

Debt advice improves clients' financial capability

- After receiving advice, clients **engage with their finances** more: 89% check their income and expenses more regularly and/or more thoroughly and 85% are more likely to open their post.
- **Financial planning improves**, with 86% now having a plan to pay their bills in a priority order and 84% keeping to a plan for spending money.
- It also **helps them to make savings**, with 83% reducing expenditure or saving money in other ways.

Debt advice helps clients take steps to address their overall financial situation

- 3–6 months after advice, nearly two-thirds (65%) of those with debts are either **currently repaying** them or have already **repaid in full**.
- The majority (59%) feel their **financial situation is better** than it was previously, with around a third (32%) saying it is **much** better.

Debt advice improves clients' personal well-being

- Debt advice provides **relief from the strain of problem debt**: 73% of clients are now less stressed about dealing with their finances, while 62% say they now sleep better as a result.
- It can lead to **improved health**: 63% feel their mental health has improved, while 55% say their physical health has improved.
- It also improves relationships and productivity: 69% feel that **relationships with friends and family** have improved while 71% say they are **performing better at work**.

We believe these results are promising, and demonstrate the impact that quality debt advice has on people's lives.

However, there is still work to do if we are to ensure that as many clients as possible reach the best possible outcomes.

The initial analysis has highlighted a number of areas that we would like to explore further:

- While the vast majority of clients agree actions to take following advice, a small group (7%) do not. We need to understand more about why this happens, and what can be done to ensure that *all* clients agree and take actions following advice, if they need to.
- Clients who enter formal solutions (e.g. bankruptcy, Individual Voluntary Arrangements, Debt Relief Orders) have slightly better outcomes than clients who take out informal solutions. Whilst this may be explained by the greater level of intervention that formal solutions provide, we need to understand whether clients taking out informal solutions require any additional support.
- Some actions are less likely to be followed up, particularly the action of pursuing bankruptcy. We need to understand more about the barriers to following through on these actions, and how these can be overcome. This is particularly important for formal solutions, given the slightly better outcomes that clients on these solutions experience.
- Whilst most clients report positive outcomes, some have not seen improvements on a number of measures. For example, while over half (59%) report an improvement in their financial situation, the remaining 41% have not seen an improvement. Similarly, while two-thirds (68%) say the advice resolved the problems they asked about, only 42% said they were resolved 'completely'. Additionally, 21% have fallen further behind on existing debts. We need to understand whether improvements to the advice process could help address these points.

Our priority now is to understand more about which clients do not have positive outcomes, the types of situations they are in, and the factors linked to poorer outcomes. Debt advice should be able to help with some of these – such as unclaimed benefits, gaps in financial knowledge, or over-spending. However, others will be outside its power to remedy – for example unemployment, relationship breakdown, low literacy and/or numeracy.

We will use these insights to identify any improvements or additional support that could help more clients achieve more comprehensive resolution of their debt problems. This might be support which debt advice itself could provide, or it might be support which would require greater collaboration with organisations which help people with other issues – for example mental health conditions, which over half of our clients have been diagnosed with.

Other projects we are currently conducting will also help us identify potential improvements: for example, *Best Practice Advice* (which is investigating how debt advice delivery varies and the impact this has on outcomes) and *Effectiveness of Current Debt Solutions* (which is examining the extent to which debt solutions meet clients' needs).

The full Debt Advice Evaluation annual report will be published early in 2017.