the Money Advice Service

An Unavoidable Challenge?
Repeat Clients in the Debt Advice Sector

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REVEALING REALITY

Contents

Foreword

Understanding why people return to debt advice is important for two related reasons – impact and efficiency.

We estimate from our face to face advice projects that within any given 12 month period around one in five clients return for debt advice; this rate has remained stable each time we have measured it. This percentage does not, of course, differentiate between client needs and we expect there will be clients who are not returning to advice when this may, in fact, be their best option.

We want as many people as possible to get all the advice they need first time round. Our aim is that when people's circumstances trigger further advice needs they return quickly and receive an effective and efficient service. We are really interested in identifying the characteristics and causes behind repeating clients and believe this will lead us to improvements in the design of debt advice services and consequently better outcomes for clients.

The findings presented here contribute to our understanding of some of the reasons why clients return to debt advice. A qualitative approach was taken to enable the differences among the subgroups identified to become clear. Repeating clients move across channels and free and fee-charging organisations. This research suggests that the answers to reducing avoidable repeating may be found through focusing on standards of advice practice, the effectiveness of solutions, the culture of advice provision and client attitudes towards the advice provided. As such, progress will only be possible through a collaborative effort by all participants in the debt advice sector.

The hypotheses developed here will be explored through a quantitative study, which will allow us to estimate differentiated incidence rates and root causes across the groups of clients that repeatedly access advice relative to their outcomes, expectations and models of advice delivery. This in turn will inform our new strategic approach to the commissioning of debt advice. We thank all those organisations, advisers and clients that collaborated with us in this research.

Dr. Jair Munoz Bugarin

Debt Advice Innovation Executive

Thank you

We would like to thank all the organisations who opened their doors to our research team, enabling us to observe and understand the reality of experience for debt advisers and support the end goal of driving innovation in the sector. We are grateful for your willingness to be open and transparent for the future benefit of the sector and your support in helping us to recruit your clients into the research. Thanks also to the advice recipients who gave their permission for us to speak with them at moments when clearly, research was not their main priority.

Thank you to all those who took part & contributed to this research. This includes:

Advice providers

- Talking Money
- Scottish Legal Aid Board
- Citizens Advice
- Citizens Advice Northern Ireland
- Citizens Advice Scotland
- Oasis Charitable Trust
- Harpenden Money Advice Service
- Nucleus Advice Centre
- StepChange
- PayPlan
- Christians Against Poverty
- Toynbee Hall
- Debt Counsellors Charitable Trust
- Harrington Brooks
- Angel Advance
- Money Village
- Baines & Ernst
- GL Communities
- Bournemouth Citizens Advice Bureau
- Rhondda Cynon Taf Citizens Advice Bureau
- Swansea and Port Talbot Citizens Advice Bureau
- South Liverpool Citizens Advice Bureau
- Hamilton Citizens Advice Bureau
- North Staffordshire Citizens Advice Bureau
- Shelter UK British Gas Energy Trust
- Community Help and Advice Initiative
- National Debtline
- Community Advice Law Service
- Debt Advice Foundation
- East Midlands Money Advice
- Northumberland Citizens Advice Bureau
- Airdrie Citizens Advice Bureau
- Debt Advisory London
- East Dunbarton Citizens Advice Bureau
- Horsham Money Advice
- Money Advice Scotland
- Motherwell and Wishall Citizens Advice Bureau
- Nairn Citizens Advice Bureau
- Shelter Scotland
- Atlantic Financial Management
- Fife Citizens Advice Bureau
- Northumberland Citizens Advice Bureau

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Executive summary

Project overview

This research was commissioned by the Money Advice Service (MAS) to build a deeper understanding of who is returning to debt advice and why. The overarching aim was to develop a greater understanding of what could be done to prevent 'unnecessary' and 'avoidable' repeating – thereby making existing debt advice visits more efficient or by freeing up capacity to serve more clients with problem debt.

The research method was qualitative and consisted of several strands, including:

- 24 days of observational fieldwork in debt advice organisations
- 10 tele-interviews with experts within the debt advice sector
- 40 depth interviews with repeat clients
- 4 nationwide adviser workshops with a total of 30 advice organisations participating

Background

One of MAS' key objectives is to increase the proportion of the over-indebted population who seek debt advice. In order to meet this objective, funded-debt advice services need to operate as effectively and efficiently as possible. For MAS, successful and efficient debt advice not only relieves an immediate financial pressure but supports clients to build the skills, confidence, attitude and capabilities to manage money in the long-term. Without building this ability to manage money and the motivation to deal with debt, MAS recognises that clients are likely to become over-indebted again, and will therefore be more likely to return to debt advice.

While some clients may be returning to advice for reasons outside of the control of the debt advice sector, and indeed their return visit may be a positive preventive measure, it is currently unclear who is returning to debt advice and why. MAS further recognise that the current definition of repeat clients as **'someone whose case has been closed either after going through the debt advice process and being given a solution, or someone whose case is closed for administrative reasons (i.e. didn't come back to finalise their advice process) and then has returned for additional advice'** requires further investigation to establish who is returning and why. Furthermore, MAS recognise that without establishing the extent to which repeat visits could be prevented or avoided, they would be unable to effectively allocate resource across the debt advice providers they fund.

In seeking to answer these questions, this research observed the structure and delivery of debt advice across both the free-to-consumer and fee-charging debt advice providers. It also mapped the service experiences of repeat debt advice clients.

Looking ahead, this research shows that the cause of repeating not only involve a client's personal circumstance and the impact of the wider system on their ability to manage, but also extends to the structure and delivery of debt advice. More specifically, the combination of factors includes:

- A client's objective financial situation i.e. their income vs. expenditure
- A client's attitudes towards money management and debt
- A client's expectation of the advice process and what it entails / their involvement within it
- The current framework and system in which debt advice is delivered
- Adviser's perceptions of and attitude towards debt advice delivery

A common but unavoidable challenge?

It was clear throughout this research that debt advisers were aware that they had repeat clients. In fact, many could spontaneously recall and recognise who their repeat clients were. Advisers across the free and fee charging sector further recognised that repeat clients were the result of several intersecting factors – largely relating to an individual's personal circumstance and the impact of wider systems on their ability to manage financially. This was often explained as necessary if organisations were to receive funding based on numbers of clients seen. Throughout this research it became evident that many clients were indeed struggling with complex and challenging personal circumstances which impacted on their need for debt advice. These issues were related to unstable employment and housing, poor health conditions and fractious personal relationships. Given the complexity of these issues, debt advisers struggled to identify how they could support clients to address these issues as well as alleviate an immediate debt problem.

While advisers were confident that they could recognise these triggers and reasons for repeating, some found it more challenging to be more nuanced in their identification of different cohorts of repeat clients. When prompted, most advisers instead recognised three typologies of repeat clients as those who either **'lacked the mental capacity'**, were simply **'not advice ready'** or had experienced an **'unexpected shock to their income'**. While these cohorts were indeed identifiable and distinct, there was a sense that those immediately recognised by advisers were those for whom their main reason for returning was the result of systemic or unexpected pressures and were therefore largely unpreventable. Systemic issues often played a part in causing people to return for advice, for example the process itself often incentivised cases being closed, prior to an actual resolution of an issue, meaning repeat clients were inevitable.

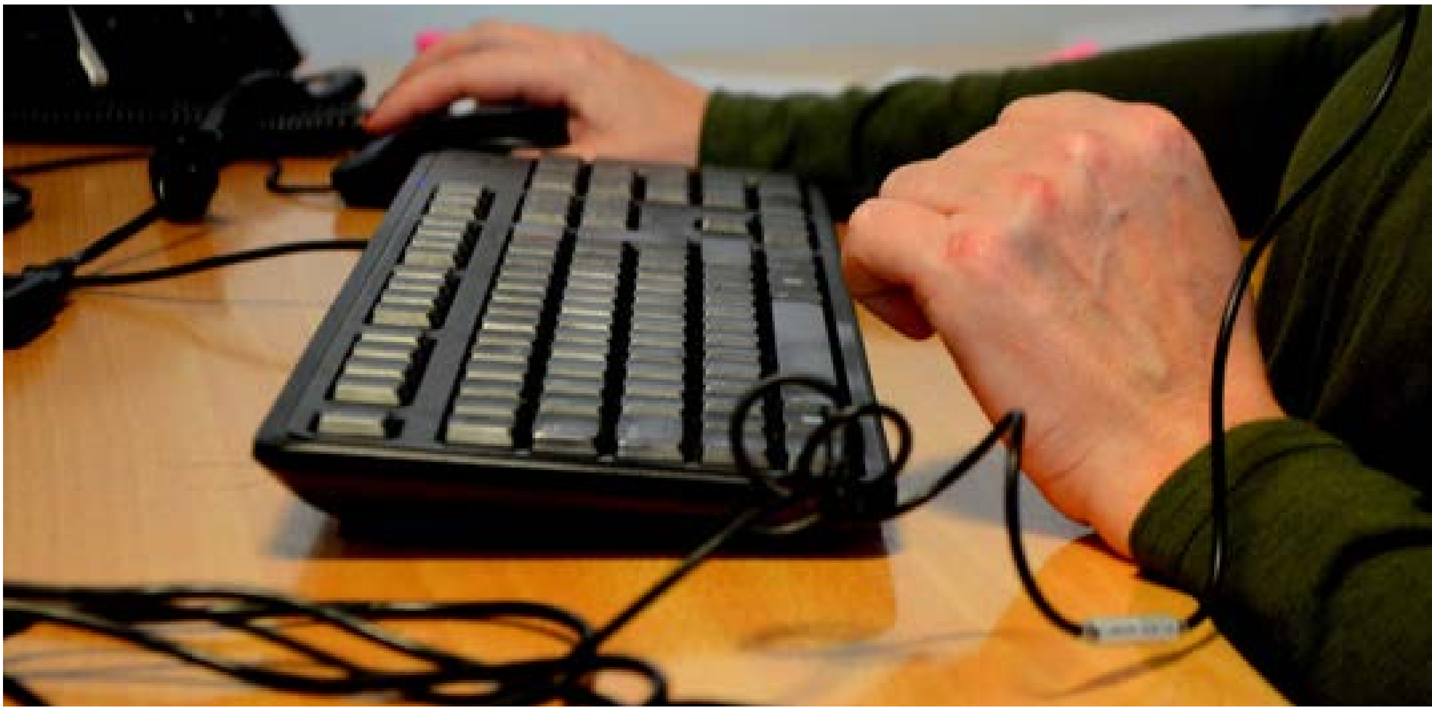
This inability to recognise how they could support clients to effectively deal with both 'money matters' and the root cause to their indebtedness, points to an overarching problem with the way in which debt advice tends to focus on the relief of an immediate financial pressure. This issue is further exacerbated by the fact that clients rarely present for advice until their situation has become completely unmanageable or immediate legal action has been taken against them. For some advisers, given the current structure and processes they work within, it was also challenging for them to recognise why a client may be returning to advice. In some cases, this can lead to advisers hypothesising that repeat clients are individuals who are unable to manage independently – meaning that repeat visits are a common and unavoidable challenge.

In order to focus efforts on how to reduce unnecessary or avoidable repeat clients, this research therefore points to the need to develop a common understanding of, and language for, recognising and describing these clients.

Despite the challenge in recognising the individual circumstances of repeat clients, through observational research and mapping debt advice service journeys, this research identified ten typologies of repeat client. These typologies reflect the various needs, attitudes and experiences of clients who have returned for debt advice on more than one occasion. The typologies have been created through the triangulation of findings from adviser workshops, expert interviews, observational work and client interviews.

These typologies of client can be further broken down into those who are deemed 'largely preventable,' from those who are 'largely unpreventable.' Some clients fall under the three 'largely unpreventable' typologies because they struggle to manage independently, they are not ready to process debt advice, or they have experienced an unexpected income shock.[1] In many ways, their return visits are positive, given that accessing support mitigates any further risks associated with indebtedness. In contrast to this, the remaining seven typologies have been deemed 'largely preventable' – meaning that their repeat visit has been classified as 'avoidable.' **Distinguishing between 'largely preventable' and 'largely unpreventable' client types is an important step as it helps to differentiate between clients and why they have returned.** The ten typologies highlighted in this report are therefore a useful tool to begin categorising clients, and thinking about ways in which the debt advice sector can support clients in different ways to provide better outcomes.

It is important to recognise that while these typologies are mutually exclusive, specific challenges and experiences may be common across all ten. Furthermore, **clients may not remain in one typology indefinitely, but move between them depending on their current circumstance.**



All photographs come from fieldwork and have been used with permission

1 Income shocks could include a loss of employment, a change in employment (e.g. reduction in hours); a change in household circumstance & expenditure; un-costed for bills/expenses (e.g. overpayment of benefits)

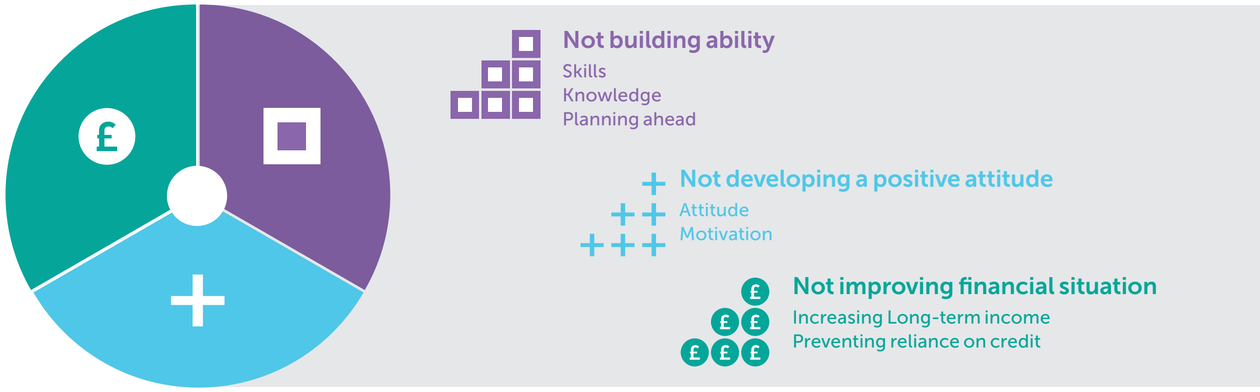
Typologies

	Most recurrent advice channel: Face-to-face / Telephone
Largely unpreventable repeat clients	
Lacking capacity (Face-to-face)	Tend to be long-term unemployed and in receipt of incapacity benefits. Presents as chaotic and finds it very difficult to manage finances (may suffer from long-term mental health issues or have learning difficulties).
Not advice ready (Face-to-face)	Tend to be experiencing several other challenges which are taking priority over dealing with their debts. Often drop out of the advice process relatively early and return when their financial situation is no longer avoidable.
Additional income shock (Face-to-face, Telephone)	In lacking a "financial buffer", these clients tend to return to advice after an additional shock to their income.

Largely Preventable Repeat Clients	
Capable but overwhelmed (Face-to-face)	Tend to have spent most of their adult life managing independently, but present as anxious, overwhelmed and fearful of what will happen next – often difficult to differentiate from "lacking capacity" typology.
Post-insolvency (Face-to-face, Telephone)	Tend to return to advice after insolvency - whilst the insolvency has rid them of the immediate debt, they may struggle to sustain themselves financially in the long-term.
Avoiding Responsibility (Face-to-face, Telephone)	'Savvy' individuals who have learned how to put-off repayment through debt advice. Tend to shop around or manipulate their income and expenditure assessment.
Protecting Assets (Face-to-face, Telephone)	Want to protect their assets, such as homes, and so take up short-term solutions which results in them returning for advice.
Fire-fighting arrears (Face-to-face)	Tend to have become trapped in a cycle of only paying back their rent or council tax arrears. Generally due to unsustainable repayment plans made in court with local authorities/councils/housing associations.
Adding on debts (Telephone)	Tend to have built up debts after their solution has been implemented, due to unaffordable repayment plans and an inability to move from reactive to proactive money management. This could be down to a client not accurately disclosing the extent of their debt problem, a change in circumstance or an affordability assessment which hasn't managed to capture the extent of a debt problem. As a result, these clients may want to add on additional debts to their current plan or switch providers and set up a new one.
Repeating households (Telephone)	Multiple clients living at the same address, suggesting that whilst one client is on a repayment plan, the other has been sustaining the family by accessing credit.

Three root causes of repeating

While three of the ten of these typologies are deemed largely 'unpreventable,' this research found that all ten typologies are unified by the fact that their repeat visits are the result of three root causes (shown below).



These three root causes all play a role to increase the likelihood of clients returning for debt advice, and whilst they do work together, in each situation one is usually more of a drive for repeating than the other two. The first, that post-advice, individuals have **Not built the ability to manage money** is a huge contributing factor to repeating. In practice, this means that often clients have not had the chance, motivation or disposition to develop the skills to plan, think ahead or prioritise when it comes to money management, as they have often been given a 'sticking plaster' – a short-term solution instead. Clients may also **Not have developed a positive attitude** towards debt and money management in general, which can often be due to subtle adviser tone or a lack of focus in the importance of this area during the debt advice process. The final root cause, that a client's **Financial situation has not improved**, is an obvious cause of repeating, and one that is usually cited by advisers as the main issue. A lack of improvement in financial situation is obviously influenced by money management skills and mindset, but certain solutions or advice can also inadvertently prolong debt. By tackling the other two causes, financial situation is likely to be improved.

While these three root causes impact on the likelihood of a client typology repeating in various ways, this research points to specific opportunities within the advice process where these causes could be addressed, in order to reduce or avoid the likelihood of a client needing to return to debt advice.

Improving the structure and delivery of advice

In addition to recognising specific opportunities within the debt advice process, this research points to an overarching need to reframe not only the current structure and processes of debt advice, but also the training and support delivered to its advisers. More specifically, this research aims to provide advisers, policy makers and researchers with a common language and framework for recognising and supporting repeat debt advice clients.

To do so would not only ensure that debt advice is serving the purpose of improving financial resilience and capability, but would also enable MAS to support as many people as possible to access high-quality debt advice.

1. Conclusion and opportunities

Conclusion

It is evident that some clients are returning for debt advice due to factors immediately outside of their own, and the debt advice providers', control. In fact, given the complexity of issues which many clients face, it may be incredibly challenging to ensure that all clients remain debt-free indefinitely after accessing debt advice. It is important that, where possible, clients are helped to build a 'financial buffer' to help them cope better during sudden changes in financial circumstance. However, within the current structure and delivery of debt advice, it appears that all repeat clients are often viewed, falsely, as expected and unavoidable. Because of this, there has been little innovation in the sector to address this issue.

Other specific challenges highlighted in this research include:

- There is no common language or framework for distinguishing between clients – including those who are returning and why
- There is little distinction made between those who are experiencing temporary financial hardship from those who are genuinely unable to manage or retain information/advice
- Long-term behaviour change is often deemed impossible to achieve in short, advice sessions, which are often geared towards alleviating an immediate financial pressure
- Some funded organisations are under perceived pressure to close cases prior to resolution – meaning that repeat clients have become a natural by-product of resource pressure. This means that in some cases the process itself often inadvertently incentivises repeat clients.

This report recognises that there is potential for the number of repeat clients to be reduced by gaining a better understanding of why people seek repeat advice, through examining clients' situations, attitudes, behaviours and advice needs. Distinguishing between 'largely preventable' and 'largely unpreventable' client types is an important step. The ten typologies highlighted in this report are a useful tool to begin categorising clients, and thinking about ways in which the debt advice sector can support clients in different ways to provide better outcomes.

Common to all ten of these typologies are three root causes to repeating, which all need to be addressed in order to support clients to build the skills, capabilities, attitude and finances, not to return to debt advice. However, interestingly, the diagram below highlights how for the most commonly seen typologies – fire-fighting arrears; not advice ready; capable but overwhelmed and additional income shock, the main cause of their repeat visit was because they had not built the ability to manage their finances effectively[2].

The recommended opportunities on the following page centre around these three root causes, to ensure continuity in findings and solutions.

2 It must be noted that this a qualitative research project and these would need to be tested on a larger scale to work out the commonality of each across the sector

Hypothesis of typology prevalence

Most common	Not advice ready	☐	Go to case study →
	Additional income shock	☐	Go to case study →
	Capable but overwhelmed	+ ☐	Go to case study →
	Firefighting arrears	£ + ☐	Go to case study →
	Post insolvency	☐	Go to case study →
	Repeating households	£ + ☐	Go to case study →
	Protecting assets	£	Go to case study →
	Adding on debts	£ + ☐	Go to case study →
	Lacking capacity	☐	Go to case study →
Least common	Avoiding responsibility	+	Go to case study →

Opportunities

This research has identified several opportunities within the advice process, which could support clients to build the capabilities they need – not only to not return to debt advice, but to remain as close to debt-free as possible, after receiving advice. These opportunity areas seek to address the three root causes of repeating through suggestions to improve both the structure and delivery of debt advice, as well as the ways in which advisers are trained to support their client base - including the solutions which are offered to them.

Example recommended opportunities include the following[3]:

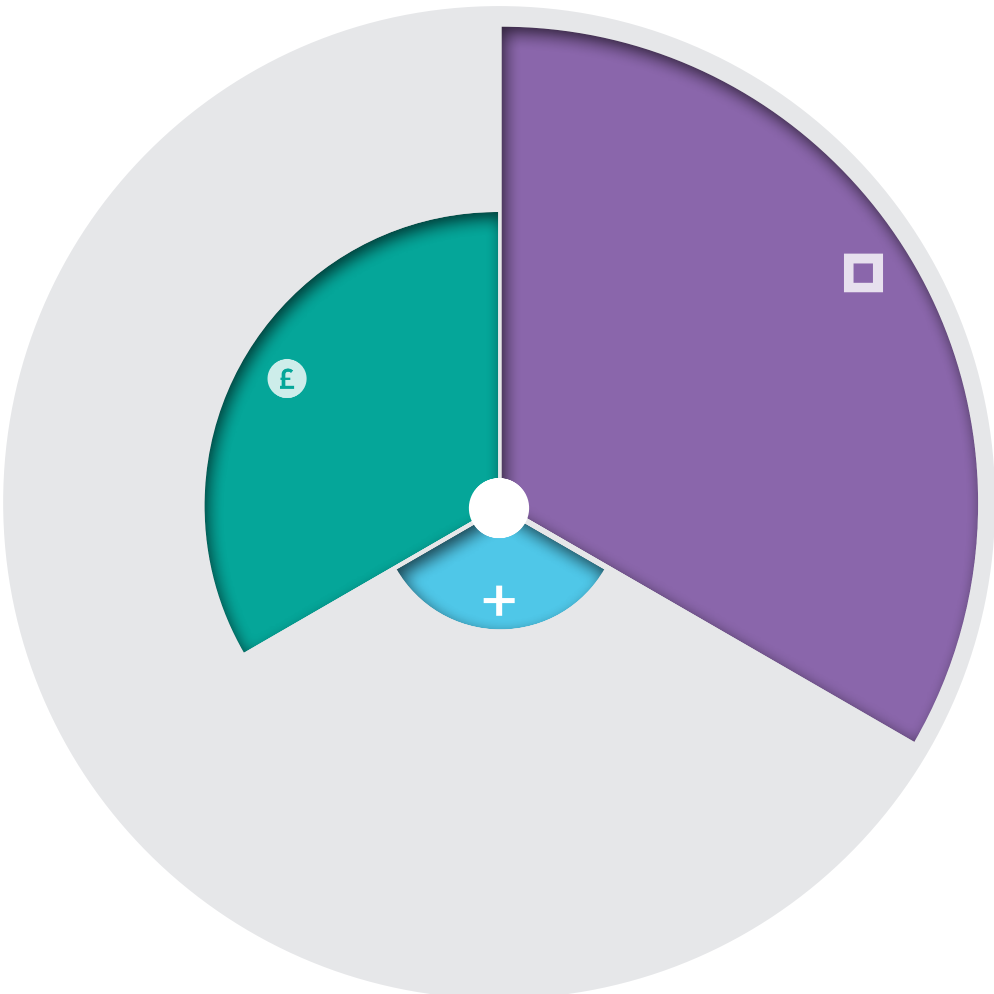
- Ensure that recommendations should offer a short-term relief to financial distress, they need to be ultimately future-focused
- Provide accessible and engaging forms of information on managing money
- Promote an approach whereby clients independently complete tasks as part of the advice process – instead of an adviser 'doing this all for them'
- Provide clients with information on their obligations to creditors while on the recommended solution
- Begin advice sessions with a brief discussion about a client's aspirations, before discussing money matters and debt
- Share the financial statement with clients and use this as a as a tool to help the client identify where they could increase their income, reduce their expenditure and be aware of the level of debt[4]

This research recognises that many providers across the sector are already taking the approach or actions advised. Furthermore, many of the actions outlined above and more specifically below are based on the ideas generated by advisers within the adviser workshops. Therefore, not all recommendations and opportunities outlined are applicable to all. Nevertheless, this research also points to the need to share these ideas; develop a more consistent programme of adviser training and ensure that quality standards are reached on advice provision, and a more thorough assessment of client needs. This would ensure that not only is the sector more integrated and coordinated, but would ensure that the challenge of repeat clients is effectively dealt with across the sector.

3 Please see *'Opportunities and Challenges in Debt Advice Sector Today'*, Money Advice Service, 2017, for further detail

4 It must be noted that some clients simply aren't served by existing solutions and new solutions may be required to help them deal with their debt

Specific opportunities & recommendations



Building ability to manage money

Opportunity area	Approach	Actions
Recommendations for clients	• Ensure that recommendations are future-focused, and are not just offering a short-term relief to financial distress	• Ensure clients are always asked what their preferred method of communication is • Where applicable, ensure recommendations are not only communicated verbally but are explained using engaging & easy-to-understand visual formats – these could include solution 'myth-busting' exercises
Quality of information	• Provide accessible and engaging forms of information on managing money • Provide future focused post-solution support (i.e. for post-insolvency clients)	• Provide clients with a digestible number of factsheets, of reasonable length • Create websites offering clear and accessible information for clients • Provision of information on saving
Tone and language	• Ensure advisers recognise the goal of debt advice, which is about empowerment and building long-term capability, not just the immediate relief of a financial pressure on behalf of a client • Ensure that advice is guided by ability not inability – recognising that asking clients to take control of actions early in the process can be beneficial to them longer term	• Begin advice sessions with a brief discussion about a client's life goals, before discussing money matters and debt • Funders to provide greater clarity of the role & responsibilities of the adviser and how this matches with funding allocations • Establish a programme of adviser training which includes a focus on soft-skills and managing clients with various capabilities e.g. mental health, experienced domestic violence, have low level literacy and numeracy • Provide materials to support the identification of 'root-causes' to indebtedness
Referrals and signposting	• Promote the view that other forms of advice or support could be explored prior to taking a client through the debt advice process (e.g. employment support) and to do so may ensure clients are advice ready	• Where possible, ensure clients are directly referred to external support agencies, instead of just sign-posted • Promote greater collaboration across the sector – including between free and fee charging organisations and between related support services
Practical actions undertaken by client	• Promote an approach whereby clients independently complete tasks as part of the advice process – instead of an adviser 'doing this all for them'	• Build in client-led actions into the debt advice journey e.g. online check ins pre-appointment • Encourage self-completion of the income and expenditure sheet • Share the financial statement with clients and use this as a budgeting sheet, or 'live document,' as opposed to just a static agreement with creditors • Promote the development of interactive tools to be used across the sector – these could include actions to complete vs. completed

Not improving financial situation

Opportunity area	Approach	Actions
Recommendations for clients	• Maintain that token offers are not a long-term solution to be recommended alongside or in lieu of formal solutions • Ensure advisers understand the implications of advising solutions on a negative surplus income & when a household will be impacted on	• Provide clients with information on how to budget & plan once a solution has been recommended • Provide recommendations via various channels or formats (based on their preferred method of communication)
Quality of information	• Provide information about client's obligations to creditors	
Tone and language		• Provide advisers with a clear guide on their legal obligations towards creditors as well as clients – including the impact of non-payment of non-priority debts
Referrals and signposting	• Recognise that supporting clients to maximise income includes through employment/ changing household etc. instead of purely accessing further benefits • Ensuring clients have been referred on to additional support to meet other needs once insolvency has been signed	
Practical actions undertaken by client		• Encourage self-completion of the income and expenditure sheet • Develop tools which support advisers to recognise other income maximisation opportunity areas

Developing a positive attitude

Opportunity area	Approach	Actions
Recommendations for clients	• Provide information and delegate responsibility in a progressive way understanding the capabilities of the client	• Provide clients with information on their obligations to creditors while on the recommended solution
Quality of information		• Ensure that information generated about debt advice/solutions/actions to be taken by a client are not sent via formats similar to those from a creditor
Tone and language	• Using upfront assessment to understand motivations beyond money and/or breaking up the fact-find • Ensuring that advisers make clients aware of the legal responsibility of priority debts, without de-emphasising the importance of repaying non-priority debts	• Provide advisers with a clear guide on their legal obligations towards creditors as well as clients – including the impact of non-payment of non-priority debts • Ensuring advisers do not openly discuss elements of the process with clients (e.g. how income and expenditure processes/spending guidelines are worked out) • Establish a programme of adviser training which includes a 'how to' on managing difficult client conversations

2. Introduction & background

Background

The purpose of this research

Between July 2016 and June 2017, MAS conducted a quarterly quantitative survey of 1,864 past clients of MAS funded debt advice. They found that nearly 37% of these clients had either accessed debt advice previously (at some point in the last 5 years) or had subsequently sought further advice after their case was closed (within 3-6 months) and 21% had returned for debt advice within the year. MAS recognised that while some of these clients may have returned for reasons outside of the advice sector's control, these statistics could also indicate that some client's financial situations had either not improved, or even got worse.

This finding and limitations[5] in the survey highlighted the need for qualitative research into the experiences of repeat clients. In the longer-term this would enable MAS to recognise how the debt advice providers could better support clients to build financial capability – thereby reducing the risk of indebtedness and freeing up capacity in the sector to support other clients in need.

The objective of this research was to provide MAS with additional comprehensive evidence into the profile, experiences and needs of 'repeat debt advice seekers' to help them identify specific opportunities for innovation in the debt advice journey. Through observational research within debt advice centres, and depth interviews with repeat clients, this research specifically aims to:

- Identify the full range of reasons why clients may repeat – building up a more detailed profile of who repeats and why they come back
- Understand the root causes of repeating and potential mitigations by:
  - Observing & mapping a variety of existing service experiences & journeys in a range of different advice-giving contexts
  - Studying in detail the wider debt journeys of 'repeat clients' and the extent to which debt advice effectively tackles the longer-term drivers of over-indebtedness
  - Understanding centres' existing processes for defining / identifying potential or actual repeat customers – and adapting their processes to meet their needs
- Identify & prioritise different areas of opportunity for improving and innovating the debt advice journey to reduce the need for repeated advice giving
- Help MAS to formulate hypotheses that will be tested in a quantitative study – including testing and validating the typologies of repeat client identified. This will provide MAS with a greater evidence base of the size and prevalence of repeat client and will support the development of specific interventions

5 Recognised limitations include: The survey consisted only of clients from MAS face to face debt advice funded projects; clients were interviewed between 3 to 6 months after their case was closed by the debt advice agency – therefore the survey may have underestimated the number of people that seek advice post MAS; it doesn't uncover the discrepancy between what clients perceive their advice experience to be in relation to advice and clients were asked if they had received advice in the last 5 years, which may overestimate the current and future of repeats since the quality of advice has improved.

Methodology

The research method for this project was qualitative and multi-phased and consisted of:

- 24 days of observational research in debt advice centres across the UK. 18 organisations were visited in total, with 6 visited twice:
  - Split between those with local, regional & national coverage
  - Split between those which provided one-off assistance vs. case-work and outreach
  - 16 free-to-consumer organisations vs. 2 fee-charging organisations
  - 6 MAS-funded vs. 12 non-MAS funded organisations
  - 7 telephone and online providers vs. 11 face-to-face organisations (although many organisations provided advice through more than one channel)
- 40 depth interviews with repeat clients recruited during visits to advice centres and through a sample list supplied by MAS[6]:
  - 20 telephone interviews
  - 20 face-to-face interviews
- 4 nationwide adviser workshops with a total of 30 advice organisations participating:
  - Two out of four of these workshops included advisers from both the fee and free charging sector
- 10 tele-interviews with stakeholders and experts across the debt advice sector

The research sought to understand how different advice services understood and identified repeat clients; their processes for advice giving and referring to external teams or agencies; the ways in which advisers delivered recommendations and solutions and the general approach and attitudes towards advice giving amongst management and front-line staff. We gained an initial understanding of the debt advice sector though a series of phone calls with stakeholders and experts. The insight from the observational research was matched up with the experiences of clients, as in many cases clients were recruited to take part in the research after a researcher had witnessed their advice session. This provided researchers with a full picture of what the client had communicated about their situation to an adviser; what the adviser had recommended as a result, and how this impacted on a client in the month following.

In addition to these observational visits and interviews, nationwide workshops were carried out towards the end of the research. These workshops provided an opportunity for researchers and advisers to work through the emerging findings, and more specifically, to work through the ten typologies identified in the research.

As this study is qualitative it is important to recognise there are inherently a number of challenges – specifically related to ensuring samples are directly proportionate. These challenges have been listed below.

- Most clients interviewed were recipients of face-to-face support – meaning that the experiences of telephone provider clients (and Debt Management Plan customers) were not as well understood
- As the research was qualitative, findings and typologies were extrapolated and established from a relatively small sample of participants then triangulated using adviser interviews, workshops and observation. Quantitative research will shortly begin to test the hypotheses suggested by the typologies and robustly estimate the size of the repeat client base.
- Not all client's advice sessions were observed meaning there were gaps in insight between participants

6 This sample included a range of ages, demographics and debt specific criteria – including a range of time elapsed between advice sessions, number of advice sessions & also included recipients of advice from both MAS and non-MAS funded organisations. Although many repeat clients came from the MAS sample list, many of them had repeated through other organisations so it became a more heterogenous sample.

3. Recognising repeat clients

Defining repeat clients

The dominant narrative around repeats

Repeat clients were often viewed by advisers as just being part and parcel of the debt advice process, with free, face-to-face debt advice services often highly aware of returning clients through the identification of 'familiar faces.' Telephone services were often aware of repeating through hearing about clients previously accessing advice from another organisation prior to themselves. Despite the large and varied client base across the sector, advisers often articulated the individual reasons and triggers for repeating as an extremely narrow set of issues. This includes a lack of client engagement, their difficulty in understanding and interpreting information, as well as more overarching issues related to clients simply not having enough money, experiencing a sudden job loss or being charged for benefits overpayments.

While advisers were confident that they could recognise these triggers and reasons for repeating, some found it more challenging to be more nuanced in their identification of different cohorts of repeat clients. When prompted, most advisers instead recognised three typologies of repeat clients as those who either 'lacked the mental capacity', were simply 'not advice ready' or had experienced an 'unexpected shock to their income'. While these cohorts were indeed identifiable and distinct, there was a sense that those immediately recognised by advisers were those for whom their main reason for returning was the result of systemic or unexpected pressures and were therefore largely unpreventable.

"I'd say 80% of our clients are lacking capacity"

Debt adviser, Free, Face-to-face

As many advice services operate from within relatively deprived communities where clients tend to struggle with both priority as well as non-priority debts, they were faced with these pressing issues on a regular basis. Supporting clients with priority debts often requires advisers to act as advocates and key intermediaries – with some advisers acting as representatives at court hearings. This continuing level of involvement in a client's personal circumstance leads many advisers to feel as though the issues are down to difficult circumstances in a client's life, and are largely unpreventable. In many ways, the approach of these advisers is indicative of the culture of the agencies they are operating within – which requires them to respond rapidly to immediately presenting issues. Because of this focus and culture, it was clear that advisers had not been provided with a framework in which to distinguish their client base from each other – with phrases such as 'lacking capacity' and 'not advice ready' being used to describe most clients in a blanket fashion.[7]

"I've helped her through all sorts of stuff.
We've known each other years"

Debt adviser, Free, Face-to-face

7 Please see *'Opportunities and Challenges in the Debt Advice Sector Today,'* Money Advice Service, 2017, for further information and clarity on this.

An unavoidable challenge?

As mentioned, repeat clients were often seen as an inherent part of the debt advice process. This research found a significant cohort of individuals for whom the reasons for being indebted were closely linked to other issues within their lives, and for many, it was impossible to disentangle personal experiences and issues from sustained financial hardship, meaning that debt advice seemed like an inevitable part of their future lives.

Supporting clients to address these issues and generate long-lasting capabilities, as well as offer immediate relief to a debt problem was a significant challenge for advisers, given the current structures they are expected to deliver advice within. For instance, many advisers recognised that:

- Clients often present for advice in a heightened state of anxiety
- Clients may not be prepared to engage with the process (both emotionally & practically)
- Clients are often seeking a quick fix to an immediate financial pressure – instead of trying to focus on how to change their behaviour and approach to money management
- Clients may have solutions 'in mind' and be actively seeking these out – which some less experienced advisers may not know how to respond to
- Advice sessions are often short, making it hard to establish 'the full extent' of the problem
- It is often unclear whether clients are disclosing the full extent of their problems

No common language for 'repeats'

So, as we can see, advisers find it difficult to identify the complex variety of reasons for repeat clients, and therefore often fit a large and varied cohort of individuals, with complex lives, into three typologies. Although prior to this research, MAS have attempted to define a repeat client as: **'Someone whose case has been closed either after going through the debt advice process and being given a solution, or someone whose case is closed for administrative reasons (i.e. didn't come back to finalise their advice process)' and then has returned for additional advice,'** it is clear from our research that a huge amount of ambiguity still exists around this definition.

Whilst MAS have also recognised four types of repeat client, and several specific reasons why clients may return to debt advice[8], the relative ambiguity of what constituted a 'repeat client' became apparent from early on within the research process itself – for instance, advisers were relatively unsure on what grounds a client could be classified as 'repeat', given that in some instances:

- Management information data was not routinely collated
- Cases were shut before completion
- Some cases remained open indefinitely
- Many clients could be on solutions which require regular support (e.g. Token Payment Plans)

8 From existing knowledge and research, MAS further recognised four types of repeat client. This includes clients who completed all advised actions but fell back into new problem debt; those who completed all actions but the problem wasn't resolved; those who did not complete all advised actions and those who were in a debt solution which required regular support. In addition to these cohorts, MAS acknowledged several specific reasons why clients may return to debt advice. These reasons include challenges associated with recommending solutions and providing information to clients who are often difficult to engage, as well as more specific issues related to creditors refusal to accept agreed solutions or updates from clients.

- The process itself often incentivised cases being closed, prior to an actual resolution of an issue, meaning repeat clients were inevitable. This was often explained as necessary if organisations were to receive funding based on numbers of clients seen.

"It's just part of balancing the books"

Debt adviser

These challenges in securing a definition on what constitutes a 'repeat client', along with advisers' difficulty in understanding the nuances within the diverse cohort of repeat clients, points to the need to develop a common language and framework for identifying and supporting those clients which are returning to debt advice.

4. Understanding repeat clients

Identifying 10 typologies

Separating the 'unpreventable' from the 'preventable'

This research identified ten typologies of repeat client– each with various needs, attitudes and experiences. Through a process of analysis, both within the research team and with advisers, we broadly separated these into two categories; those which are 'largely unpreventable' and those which have been deemed 'largely preventable.' However, this distinction is not clearly defined, and there is a degree of fluidity between them – for instance, clients may move between typologies depending on their current situation and present several similar attitudes, behaviours and characteristics. The table below details these typologies, which will be presented on the following pages.

Largely unpreventable repeat clients	
Lacking capacity	Tend to be long-term unemployed and in receipt of incapacity benefits. Presents as chaotic and finds it very difficult to manage finances (may suffer from long-term mental health issues or have learning difficulties).
Not advice ready	Tend to be experiencing several other challenges which are taking priority over dealing with their debts. Often drop out of the advice process relatively early and return when their financial situation is no longer avoidable
Additional income shock	In lacking a "financial buffer", these clients tend to return to advice after an additional shock to their income

Largely preventable repeat clients	
Capable but overwhelmed	Tend to have spent most of their adult life managing independently, but present as anxious, overwhelmed and fearful of what will happen next – often difficult to differentiate from "lacking capacity" typology
Post-insolvency	Tend to return to advice after insolvency - whilst the insolvency has rid them of the immediate debt, they have not learned how to sustain themselves financially in the long-term
Avoiding responsibility	'Savvy' individuals who have learned how to avoid repayment through debt advice. Tend to shop around or manipulate their income and expenditure assessment
Protecting assets	Want to protect their assets, such as homes, and so take up short-term solutions which results in them returning for advice
Fire-fighting arrears	Tend to have become trapped in a cycle of only paying back their rent or council tax arrears. Generally due to unsustainable repayment plans.
Adding on debts	Tend to have built up debts after their solution has been implemented, due to repayment unaffordability. Want to add on additional debts to their current plan or switch providers and set up a new one.
Repeating households	Multiple clients living at the same address, suggesting that whilst one client is on a repayment plan, the other has been sustaining the family by accessing credit.

This research further recognised that returning for debt advice is not itself a negative act, and in some cases, it should be actively encouraged. For instance, those typologies which are 'largely unpreventable' are representative of a group of individuals for whom the ability to manage independently is either relatively more difficult to establish, or the reason for their return visit is outside of both their own and the advice system's control. For these clients, engaging with advice can be an entirely positive act – given that to not do so could lead to significant financial hardship. On the other hand, those which are 'largely preventable' reflect a group of individuals who are returning to advice, often due to an incorrect or unsuitable solution or through a failing to capitalise and build on their skills, attitude and capabilities. Over time, this could decrease their ability to manage independently – further heightening the risk of indebtedness and resource pressure on advisers.

While this research makes a clear distinction between these two groups, it also acknowledges that those clients which are classified as 'largely unpreventable' should also be empowered and supported to build financial capabilities and resilience in whatever capacity is manageable for them. Furthermore, this research recognises that despite individual circumstance, all repeat clients are unified by the fact that their repeat visits are the result of - to varying degrees - three root causes.

Three root causes to repeating

In addition to the typologies of repeat client, this research found a wide-ranging number of individual reasons and causes to repeating (as outlined below.) While these are numerous – through a process of triangulating data from observations within in debt advice centres, depth interviews with repeat clients and insights from the workshops, these causes to repeating could be broadly clustered into three root causes. It must be noted that this qualitative study has not provided a sense of scale for each of the typologies of repeat client – these will be tested and validated within a quantitative study

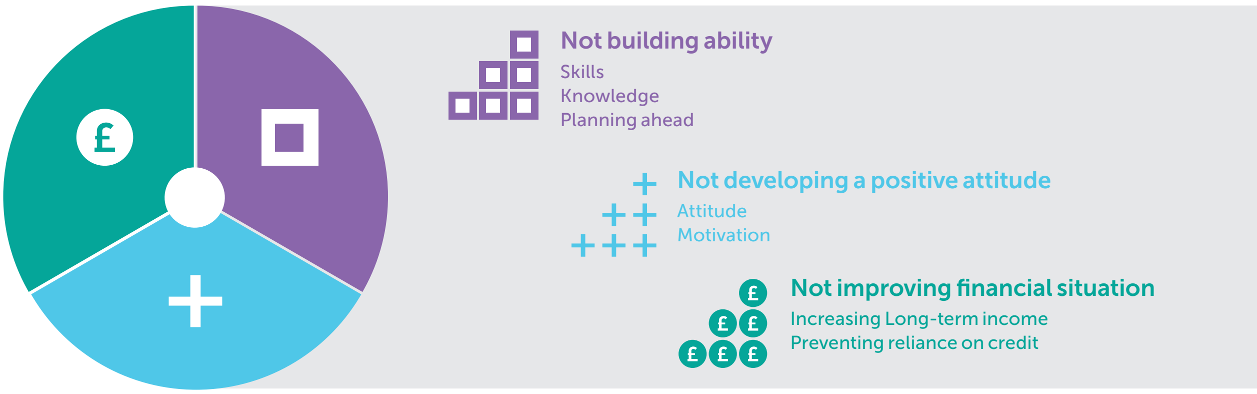
Advice has not prepared people	□		
Clients lacking capacity	□		
Fear from letters resulting in retreating	□		
Failure to build capacity	□		
Creditor management not effective	□	£	
Sudden job loss	□	£	
Poor referrals/signposting	□	£	
Bailiffs		£	
Not enough money		£	
Client not disclosing information			+
Client 'playing system'			+
Hand-holding			+
Framing for advice			+
Lack of engagement	□		+
Lack of change	□	£	+
Poor planning	□	£	+

These root causes show that after receiving advice, clients have either not developed an ability to manage money, they have not developed a positive or sustainable attitude towards their finances or more fundamentally, their financial situations have either not improved or got progressively worse. In most cases, the reason for returning for debt advice involves a combination of these three causes. However, across the typologies one root cause tends to take precedence over the others in terms of being the catalyst for why a client has returned for debt advice.

This research has analysed the causes of repeating in relation to each typology and has identified opportunities within the advice process, in relation to the root causes of their repeating, to mitigate the risk of this cause impacting on them again in the future.

Presenting the typologies

As outlined above, this research presents each of the typologies one by one (below) – with a breakdown of who they are, example demographics, the root causes to their repeating and opportunities for prevention. These are presented in two groupings, those deemed 'largely unpreventable repeat clients,' and those recognised as 'largely preventable repeat clients.'



It is important to note that the example demographics are meant as a point of reference for advisers – however, these will be tested quantitatively to ensure they are directly applicable to each grouping. Furthermore, the size of the circle of each root cause represents the amount to which it was a factor in their repeating. Again, the prevalence of each root cause, as well as the actual prevalence of each typology will be tested and validated.

Type 1
'Lacking Capacity'

Example Demographics
- Single, 40+ year old
- Tends to be long-term unemployed and in receipt of incapacity benefits

Attitudes and Behaviours
- Presents chaotically and may suffer from long-term mental health issues or have learning difficulties.
- Struggles to keep up regular payments for housing, utilities and bills
- Concerned about ability to manage independently

Advice Channel
- Free, face-to-face providers

Not building ability

These clients are often known by advisers, and are usually helped often with financial, or other, difficulties they are facing at the time

Advisers know they would find it hard to cope alone, and so often become a parental figure for the client

Not improving financial situation

These clients are likely to receive benefits and be out of work, but may have increased debts due to a lack of understanding or financial abuse

Not developing a positive attitude

Often want to pay debts back but may not feel like they know how

About them

According to advisers, the most common repeat clients were those who were 'vulnerable' and 'lacking mental capacity.' Yet, given the complexity of challenges these clients face, it was perhaps difficult for advisers to separate vulnerabilities – often related to health and employment - from an actual inability to manage independently. This research recognises a need to distinguish between clients who genuinely lack capacity to act on their own behalf, due to for example having learning disabilities, and clients whose life situation is temporarily overwhelming, affecting their cognitive capacity and attitudes towards advice.

Opportunities for Change

Building ability to manage money:

- Ensure that clients are referred directly on to other support services
- Provide clients with practical, easy to understand information about their finances and easy ways to save (including simple tips and tricks on saving)
- Ensure all clients – regardless of their situations and concerns - are given easy to follow, practical actions to take if a creditor gets in contact

Improving financial situation:

- Ensure clients are not advised to go on a solution which may be difficult for them to manage e.g. token payments
- Ensure that clients who are offered a solution are required to review progress – including those on formal/informal/short and long-term solutions (i.e. where possible, ensure that clients are not on token payment plans on a long-term basis)

Case study: **Jack, 54, Birmingham**

"I send my uncle my money and he sends it back to me when I need it. I don't get money things, I am always just really confused when they talk to me about it"
Jack, 54, Birmingham

Jack lives alone in a one bedroom flat in Birmingham. He owes a small amount of money on a catalogue, for a social fund loan and a credit card. He has always struggled to understand how his finances work and still receives financial support from his elderly uncle. Jack first presented for debt advice after he was financially abused by an ex-partner and has since returned to the same face-to-face organisation on numerous occasions. Jack struggles to maintain payments to creditors, as well as his day to day bills and utilities and is grateful to his local debt advisers for their support and encouragement in helping him manage.

Names and photographs have been changed to protect the identities of the respondents.

Type 2
'Not Advice Ready'

Example Demographics

- 20+, range of relationship statuses, could be in and out of employment but struggling to maintain a stable income

Attitudes and Behaviours

- May be living relatively chaotically or experiencing several other pressing challenges which is impacting on their current ability to manage
- May be unwilling to accept true extent of 'debt problem'
- May insist they have strategies for coping – which may or may not come into fruition (e.g. about to receive new benefit, apply for a new job, will be receiving an unspecified sum of money from friends or family)

Advice Channel

- Free, face-to-face providers

Not building ability
Don't feel able to take in advice
Advisers don't feel it's appropriate to take them through full advice process
Often given no practical steps on how to minimise or cope with debt until they are 'ready'

Not improving financial situation
Debt may increase as no steps are taken to minimise overall amount – only to 'hold off' creditors

Not developing a positive attitude
Feel they have a duty to deal with debt

About them

As with 'lacking capacity,' 'not advice ready' was a phrase regularly heard amongst advisers. The relative ubiquity of this term meant that deciphering the specificities of this typology was relatively challenging. For this research, 'not advice ready' is reflective of those clients who are experiencing several other challenges which are taking priority over dealing with their debts. These clients often drop out of the advice process relatively early into the journey, often to return when their financial situation has worsened or it is no longer avoidable – such as after being issued with a county court judgement. While these clients are 'largely unpreventable' it is important to recognise that there are opportunities to ensure they are effectively dealing with their immediate priorities in between advice sessions. For instance, it was clear that these clients often left their advice sessions with no practical steps on how to manage their debt until they were ready to fully engage with the advice process. In a minority of cases this may be because advice agencies which relied on funding for the numbers of clients seen, may have felt unable to spend resource on those individuals who would not eventually transfer into actual clients.

Opportunities for Change

Building ability to manage money:

- Ensure other options for clients are explored first – including given them the option to be referred on to other support agencies/services to help them with other issues which may be more pressing to the client
- Provide clients with practical steps on how to minimise or cope with debt until they are 'ready' to engage with the process e.g. advice on how to contact creditors, change providers (e.g. gas/electricity/television), links to savings websites, put together a weekly budgeting sheet
- Place flags on client data to ensure follow up appointment after they have been given practical steps to become 'advice ready'

Improving financial situation:

- Ensure that token payment offers are not set up for longer than 3 months to prevent long-term dependence and debt

Case study: **Len, 40, Manchester**

"I wasn't in the right place when I went to a local advice agency. I didn't take in a word they were saying. They did help me set up token offers but then the creditors started hounding me again after a year."
Len, 40, Manchester

Len was recently made redundant from his job. At the same time, he has been coming to terms with the end of his marriage. Len owes money on three credit cards and for two bank loans but has found the prospect of dealing with these debts incredibly overwhelming. He first presented for debt advice after receiving calls from a creditor. At this point in his life, Len had a lot to deal with, and he didn't feel ready to engage with the process. The adviser he spoke to set Len up on a token payment plan after he was told he needed some time to 'get back on his feet.' However, after a year of paying token offers Len began to receive letters and calls from his creditors. Overwhelmed and anxious Len decided to contact another free provider who set him up on an affordable debt management plan and referred him on to an employment support charity. He has been paying this off ever since.

Type 3
'Additional Income Shock'

Example Demographics
- 40+, in a range of living circumstance, often with dependents

Attitudes and Behaviours
- May be living relatively 'hand-to-mouth' and struggles to effectively plan-ahead
- Understands the importance of repaying debt but relatively unsure how to go about this in practice
- Relatively pessimistic about future financial prospects

Advice Channel
- Free
- Face-to-face and telephone providers

Not building ability
Often leave their first advice process with limited knowledge of how to manage creditors independently
Only present in crisis moments
Regularly get adviser to open letters

Not improving financial situation
Solutions offered often 'cleared' first debt

Not developing a positive attitude
Relatively positive attitude towards money & repayment, but bury head until crisis

About them

Many advisers recognised that due to an increase in unstable or temporary employment contracts, many more clients were returning due to an additional shock to their income. For these clients, in the absence of any 'financial buffer,' they are unable to sustain these changes to their financial circumstance. While this research recognised that these shocks are ultimately outside of the debt advice sector's control – there are opportunities within the initial advice process to prepare them, both mentally and financially, in case of a future change of circumstance. This is especially the case where employment and living circumstances are known to change – such as a reduction in child benefits, an increase in council tax, or an employment contract coming to an end.

Opportunities for Change

Building ability to manage money:

- Provide clients with practical actions to ensure that they are planning-ahead – including thinking about any expected future changes to their circumstances (e.g. change in household, end of employment contract)
- Supporting clients to maximise income in other areas of their life – e.g. through selling/sub-letting/down-sizing property/looking for full-time contracts where possible
- Advisers to always ask clients about future changes to ensure this is factored in to advice and recommendations – including recognising common 'money moments' e.g. Christmas/birthdays
- Encourage clients to think about developing a financial buffer where possible – including tips on saving / setting goals

Developing a positive attitude:

- Advisers need to explain to clients the implications of 'burying head in sand' e.g. what actions creditors could take against them, and the severity of this, if they do not engage

Case study: **Martia, 58, London**

"I found the approach of coming around my house too much and I didn't really feel like they helped me manage."
Martia, 58, London

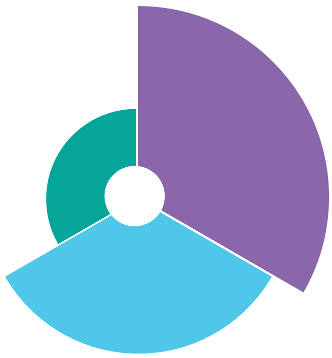
Martia, a mother of nine, was made redundant for a second time in 2016. She owes money on numerous credit cards and has a car on finance. She first contacted a free telephone provider in 2014, who set her up with a debt management plan. However, Martia found their approach too intrusive and was not offered any practical advice on budgeting. Martia opted out of this DMP because of this intrusion and set up token offers through a local face-to-face provider instead. While she kept up these offers for some time and managed to regain stability, her situation began to change after she was made redundant in 2016. After this redundancy, Martia began to borrow from various creditors and accrued further, unmanageable debt. She returned to the same face-to-face provider who supported her to draft a budget and payment plan which she has been using to both repay her debt and manage her day-to-day finances.

Type 4
'Capable but Overwhelmed'

Example Demographics
- 30+, in a range of living situations but often in employment and have been for most of adult life

Attitudes and Behaviours
- Susceptible to 'burying head in sand' through non-payment of priority bills and/or using credit to maintain payments
- Often keen to repay debt but feels increasingly concerned about ability to manage independently without the support of an adviser advocating for them

Advice Channel
- Free, face-to-face providers



Not building ability
May not be encouraged to take control of any aspect of the process (e.g. Contacting creditors, having an active role in their budgeting sheet in line with their income & expenditure)
Ultimately increases adviser dependency

Not improving financial situation
Overall debt may reduce but they start to question ability to sustain this

Not developing a positive attitude
Become increasingly anxious and unmotivated that they won't be able to cope themselves

About them

These clients often present for debt advice in an incredibly anxious state – making them difficult to differentiate from those clients who are genuinely 'lacking capacity.' For instance, they are often unclear as to their immediate needs, they are overwhelmed by creditor contact and they are fearful of what will happen to them. Given the way they immediately present, they are often deemed incapable of managing advice-related tasks themselves. This is despite having spent much of their adult lives managing independently. Within the current structure of debt advice, which involves relatively short interactions between advisers and clients, it is understandable that their level of capability may not be accurately assessed. However, given this assumption that they cannot manage independently, they may be deemed incapable of taking control of tasks, such as dealing with creditors. In the long-term this can deskill clients and increase adviser dependency and the likelihood of repeating.

Opportunities for Change

Building ability to manage money:

- Should be encouraged to take control of aspects of the advice process e.g. managing own income & expenditure sheet
- Ensure that responsibility is transferred over to clients gradually – e.g. through the development of an independent action plan with tasks
- Should be given access to simple, practical information & their financial statement to be used as own budgeting tool
- Provide simple guidance on how to communicate with creditors themselves

Improving financial situation:

- Need to be told of long-term financial implications to accessing credit

Developing a positive attitude:

- Explore other areas of their life they manage/ have managed independently as a key point of reference to encourage independence
- Need to be actively encouraged to take control & told that they are able to manage

Case study: **Raja, 60, Liverpool**

"I have an adviser who I always go to. She helps me to manage creditors and their offers. I know I was an adviser but creditors have begun to really scare me"
Raja, 60, Liverpool

Raja is a self-employed insurance adviser who has struggled to find work. As a result of this, he has fallen behind on his mortgage payments and has taken out a number of credit cards to sustain himself and his family. Raja first visited a free, face-to-face debt advice organisation in 2009 after falling behind on his mortgage. He set up a repayment plan and the advisers took control of all creditor contract for him. After failing to sustain this plan, he returned to the same advice agency who set him up with token offers. Raja has returned to the same agency continuously over the last eight years as he doesn't know how he would manage creditor relationships, or cope more generally, without his adviser Sally.

Type 5
'Post-Insolvency'

Example Demographics

- 35+, in a range of living situations but often struggling with unstable employment

Attitudes and Behaviours

- Unsustainable attitude towards borrowing & may have obtained credit despite a poor credit score
- May have begun to view insolvency as an easy option
- Likely to inform peers of their own experiences and recommend insolvency

Advice Channel

- Free, face-to-face providers

Not building ability
Haven't developed any skills or ability to manage independently since original solution was provided

Not improving financial situation
May leave some clients financially worse off in the long-run (despite immediate debt relief)

Not developing a positive attitude
May start to see insolvency as a long-term solution to ridding debt

About them

These clients have returned for debt advice after an insolvency – such as a Bankruptcy or Debt Relief Order (DRO). While the insolvency option has rid them of the immediate debt, they have not learned how or been able to sustain themselves financially in the long-term. In some cases, this is because clients have been initially advised to go insolvent with a negative surplus income – meaning that further debt is inevitable. In a minority of cases, clients may have begun to view insolvency as a quick solution to debt. For instance, advisers consulted as part of this research expressed their concern that they had clients returning to them for 'a second DRO.' This typology represents a worrying fact; that debt is inevitable when insolvency is advised for clients with little or no financial buffer. It is important to note that these clients differentiate from 'avoiding responsibility' in that while they have become relatively about how to put-off repayment or stop creditor contact through debt advice, this was not the case prior to their insolvency solution.

Opportunities for Change

Building ability to manage money:

- Need to be given support to manage/budget once they have been made insolvent
- Ensure clients have set long term financial strategies /have a plan for how they will cope beyond the insolvency (e.g. through providing action templates)
- Recognise whether clients financial strategies are based on accessing credit to ensure that alternative strategies are explored and front of mind (e.g. employment/changing household set-up and contributions)

Improving financial situation:

- Advisers should not recommend insolvency when a client has a negative surplus income

Developing a positive attitude:

- Advisers should ensure that clients understand the risk and severity of insolvency – including how it will impact on their ability to lead sustainable financial lives
- Ensure clients who have specifically asked for insolvency options (e.g. DROs) are fully aware of the implications beyond ridding debt

Typologies
1
2
3
4
5 Post-Insolvency
6
7
8
9
10

Case study: **Lorna, 38, London**

"The DRO was amazing. It got rid of everything. I would get it again tomorrow if I could. The only thing is I have started to build up debt again..."
Lorna, 38, London

"We are getting people who now qualify for their second DRO. They've unfortunately become the easy way out for people with limited income"
Debt Adviser, Free, Face-to-face

"We only do DROs here. I know immediately that a client isn't going to qualify for anything else just by looking at them..."
Debt Adviser

Lorna is a mother of two from London who first visited free face-to-face debt advice organisation in 2014 as she was struggling to pay back her credit card, catalogue and water bills with limited income. She was advised to apply for a DRO, despite having a negative surplus income. While on her DRO she obtained further credit through high-cost credit cards and struggled to keep up her rent and utility payments. She returned to the same organisation a year after her DRO had come to an end and was advised to begin token offers to her creditors. Lorna is keen to apply for another DRO once she becomes eligible again.

Type 6
'Avoiding Responsibility'

Example Demographics

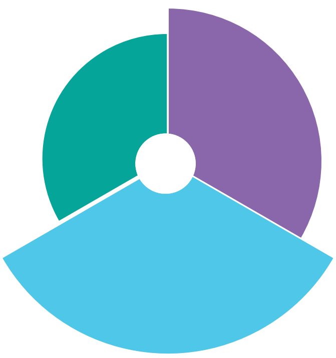
- 20+, single, often without dependents but in stable employment

Attitudes and Behaviours

- Have little 'moral obligation' towards debt repayment
- Often accessing credit through a variety of mediums and avoid repayment through a variety of strategies (e.g. ignoring contact, changing contact details)
- May present as relatively confident and aware of the intricacies of the debt advice process (e.g. how an income and expenditure form is used to calculate repayment amounts)

Advice Channel

- Free and fee-charging providers
- Face-to-face and telephone



Not building ability
Leave advice with limited ability to budget, despite having a good knowledge of debt advice industry and being more than capable of developing these skills

Not improving financial situation
Financially OK – may return for advice because 'they have to'

Not developing a positive attitude
Don't believe they have a duty to repay debt
Attitude may be encouraged by advisers speaking openly about how internal systems work and what you can get away with (e.g. manipulating the income & expenditure process)

About them

While potentially only in the minority, these clients are reflective of a group of 'savvy' individuals who have learned how to put-off repayment or stop creditor contact through debt advice. Interestingly, despite existing across the sector, these clients were most readily identified by telephone providers. These advisers were aware of behaviours such as 'shopping around' for a solution and clients who attempt to manipulate the income and expenditure assessment to obtain the solution they want (e.g. through hiding assets.) Their readiness to identify these clients may be the result of differences in agency culture. For instance, this research found that telephone providers were, in some cases, more likely to view their clients as customers of a service, who may be actively involved in seeking a resolution to their debt (including finding the most affordable solution.). Our research found that these clients may not necessarily be confined to these providers and they present both a challenge and a risk – given that their attitude towards borrowing and repaying debt has direct implications for the effective allocation of adviser resource and the financial system as a whole.

Opportunities for Change

Building ability to manage money:

- Need to be provided with practical information (usually in a digital format) about ways to improve their finances
- Advisers to recognise/ask whether clients financial strategies are mainly geared accessing further credit and encourage exploration of other means to improve finances

Developing a positive attitude:

- Advisers should be made aware in training that they should not discuss elements of the advice process openly with clients – e.g. spending guidelines ('the trigger figures')
- Advisers should make clients aware of their rights and responsibilities with managing and repaying debts – including legal obligations towards creditors and impact on non-payment on themselves and others

Case study: **Lee, 27, Glasgow**

"I haven't signed and sealed my bankruptcy yet because I've been racking up money on credit cards. I'm just going to include them in."
Lee, 27, Glasgow

Lee is a single, council-employed removals officer. He owes money for council tax arrears, numerous unpaid credit cards, catalogues and phone contracts. Lee has spent most of his early twenties ignoring creditor contact and feels relatively confident in his ability to avoid repaying debt. In 2015 Lee sought out debt advice after receiving a County Court Judgement. He decided to pay off his arrears but not his current tax. In 2016 his wages were arrested and he was forced to return to an adviser. After speaking to his friend, he decided to apply for a bankruptcy. Despite beginning the application, Lee has decided to withhold 'signing on the dotted line' and has taken out new credit cards in the hope he can roll these debts into the bankruptcy application.

Type 7 'Protecting Assets'

Example Demographics

- 40+, often married, with dependents and in employment

Attitudes and Behaviours

- These clients understand the importance of debt repayment but are concerned and conflicted about what is the best course of action
- They are often more concerned about the impact of their choices on others, and so may decide to put off decision-making by opting for short-term solutions and strategies instead

Advice Channel

- Free and fee-charging providers
- Face-to-face and telephone

Not building ability
Often seen as 'too difficult' to advise
Means they leave advice with limited perspective on managing money in the long-term

Not improving financial situation
Over time debts may get increasingly worse as 'less pressing' creditors are either ignored or dealt with using token payments

Not developing a positive attitude
Want to pay but see no way out

About them

Clients with assets, such as homes, struggle to find a debt solution which both protects their asset and enables them to deal with their debts. Advisers recognise that these clients can present a real challenge, given that their desire to protect an asset is often very closely tied up with their responsibilities towards others (e.g. their partners and children.) Because of this, these clients are often unwilling to take up solutions such as insolvency, through a fear that they will lose their asset. In many cases these clients opt for short-term solutions, such as token payment plans, instead. While token payments hold off creditors, they are only short-term 'sticking plasters,' meaning that clients are at risk of falling into further debt – increasing their likelihood of needing to return to debt advice. This research recognises that relinquishing an asset may not be the right option for an individual – especially if this puts themselves and others at risk of homelessness. However, it is important that the risks associated with either decision are appropriately reflected on within an advice session.

Opportunities for Change

Building ability to manage money:

- Advisers to begin advice sessions with 'fact-find' about life goals, priorities and ambitions
- Should be provided with simple, easy to digest information on the short and long-term advantages and disadvantages of each solution. E.g. more focused information about the trade-off in protecting assets

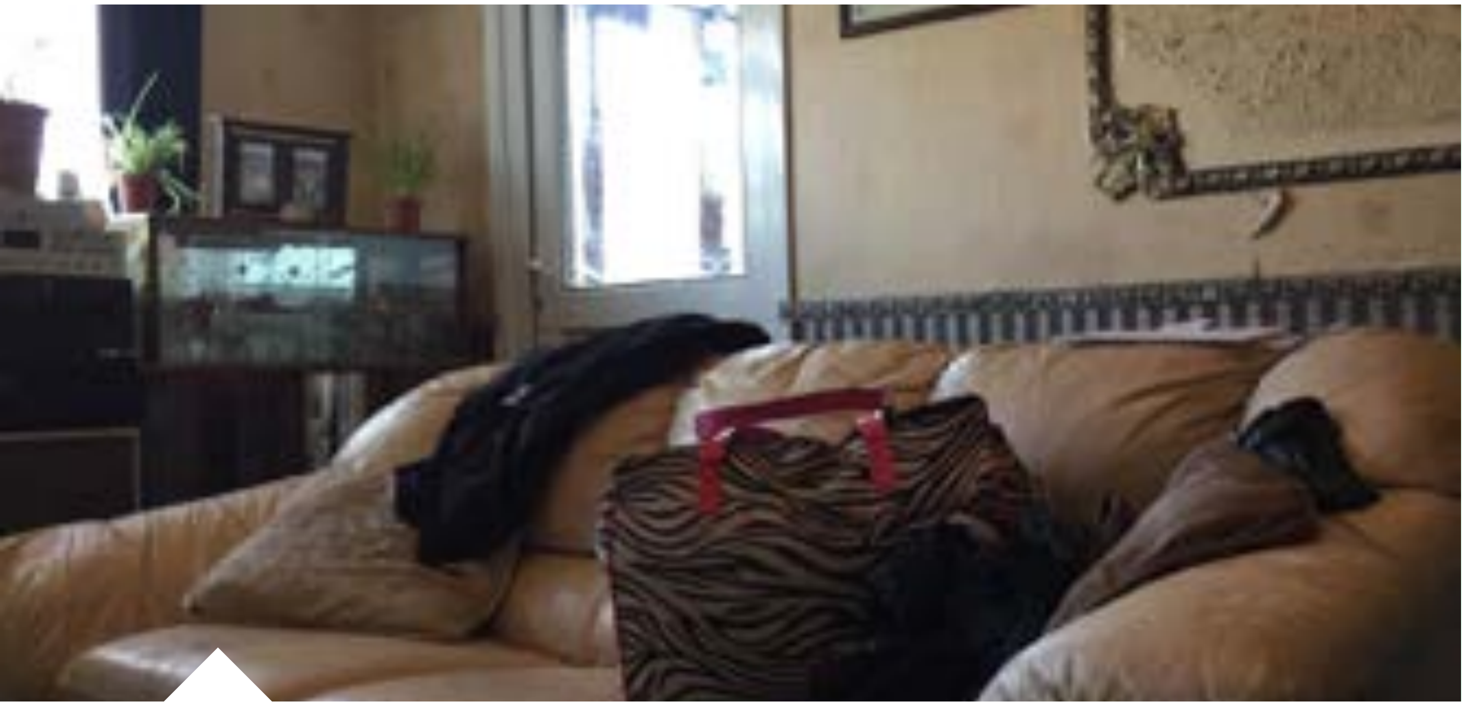
Improving financial situation:

- Ensure that when a token payment solution is offered that the client is made aware of other long-term solutions that may be available to them if their circumstances change

Developing a positive attitude:

- Advisers are better informed of advantages / disadvantages of Insolvency options as a debt solution e.g. IVA, DRO, and Bankruptcy

Case study: **Jenny, 62, Manchester**



"I wouldn't give up my house for anything, I'd rather just keep trying to pay the debts off"
Jenny, 62, Manchester

"You get a lot of failed IVAs. I don't know whether they've been assessed badly or the firm who have offered it has been poorly regulated. On the other hand, advisers are often bad at recommending IVAs and letting clients know that it could be just the solution which will help them protect an asset"
Debt Adviser , Free, Face-to-face

Jenny lives in a property in Manchester and works as a carer for the elderly in the community. She first presented for debt advice in 2008 after mounting mortgage arrears became unmanageable. This face-to-face organisation supported Jenny to set up a small repayment plan to her mortgage company, while she dealt with her other creditors through minimum repayments. Jenny has been returning for debt advice continuously since then as she has been struggling with managing ongoing creditor contact. For years, Jenny has struggled with the idea that she cannot manage her debts while keeping her property, but has been reluctant to relinquish her one asset. Jenny finally sold her property through the mortgage to rent scheme in 2016 and is relieved she can stay in her home while paying off her debt finally.

Type 8
'Fire-Fighting Arrears'

Example Demographics

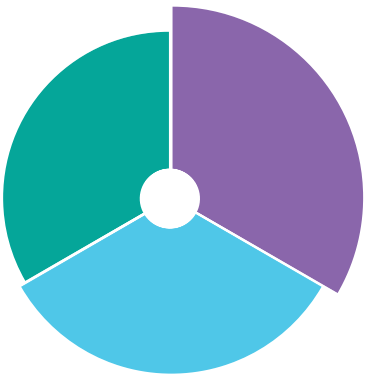
- 25+, range of living circumstances but often in unstable employment or transitioning on to new benefits

Attitudes and Behaviours

- These clients are relatively unmotivated about debt repayment as they do not see how they could ever 'get out of a cycle of arrears'
- They may become increasingly likely to ignore contact from councils, landlords and housing associations – preferring a debt adviser 'deals with them for them

Advice Channel

- Free, face-to-face organisations



Not building ability

Haven't developed any skills or ability to manage independently

Some advisers may see these client's situations as 'outside of their control'

£ **Not improving financial situation**

Become increasingly worse off after each advice session as no long-term financial solutions are recommended

+ **Not developing a positive attitude**

Do not see how they can ever get out their situation so become increasingly unmotivated

About them

These clients are a large and concerning cohort, given that they have become trapped in a cycle of only paying back their rent or council tax arrears. These clients were most commonly identified at free, face-to-face organisations. This is perhaps due to several factors, including the fact that some telephone providers refer clients to free face-to-face services to deal with their priority debts first, as it is these organisations who are deemed to have established contact with local councils and housing associations. Of concern is the way in which these clients become 'trapped' in a cycle after making unsustainable repayment plans with local councils and authorities – often during an eviction court hearing. These plans may not be assessed for client affordability and ultimately break down – meaning that arrears are rarely fully repaid and clients continuously return to advice services for support. Given the number of stakeholders involved in these scenarios, it is relatively challenging to pinpoint who is taking responsibility for which parts of the process and at which points systems overlap. However, this research found that when clients make unsustainable offers of repayment at court, they often rely heavily on debt advice services to support them afterwards. By this point, there is little debt advisers feel they can do.

Opportunities for Change

Building ability to manage money:

- Advisers to provide clients with budgeting sheets & clear guidance on difference between arrears & current payments

Improving financial situation:

- Whole sector to ensure clients do not make repayment offers in court without income & expenditure assessment first

Developing a positive attitude:

- Advisers to encourage clients that they will be able to get in control of current situation and that avoiding contact is not the best strategy

Case study: **Samantha, 50, Edinburgh**

"I don't really see what I'm supposed to do – I know I have to prioritise but how can I pay both the existing bills and my arrears? I feel like I'm in a cycle I will never get out of."
Samantha, 50, Edinburgh

Samantha, is a mother of six and on a zero-hours cleaning contract. She is in council tax and rent arrears and is struggling to pay these off and keep up with her current payments. She first visited a local charity, with a debt and housing team, after she was issued with a court order in 2012. Her debt adviser helped her access the benefits she was entitled to and set her up with token offers to her catalogue creditor. When Samantha presented at court she was so concerned about being evicted that she agreed to repay an amount she knew she couldn't afford. Samantha was unable to keep up these payments and was called back to court weeks later. Again, Samantha agreed to repay an amount she couldn't afford and has returned to her adviser for support multiple times since.

Type 9
'Adding on Debts'

Example Demographics

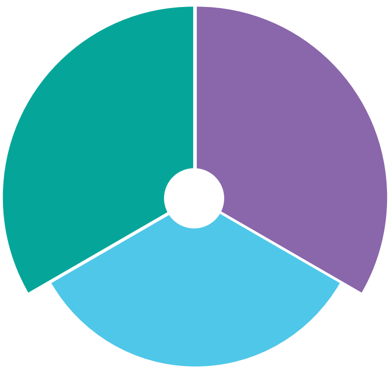
- 30+, in a range of living situations but often experiencing a change in circumstance impacting on a solution affordability e.g. loss of job/new baby

Attitudes and Behaviours

- Often experiencing a change in their personal circumstance which they do not know how to manage/budget for
- May be embarrassed about having obtained further credit and worried about the consequences ('getting in trouble with their provider')

Advice Channel

- Free and fee charging organisations
- Telephone providers



Not building ability
Leave advice with limited ability to budget or manage money

Not improving financial situation
First advice may have left them with an unaffordable plan – meaning some debts may go down while others begin to build ...

Not developing a positive attitude
Despite wanting to pay, they become increasingly unmotivated & despondent

About them

These clients were largely identified by both free and fee-charging telephone providers who had recognised that several of their clients on debt management plans had either been attempting to add on additional debts to their existing plans or were looking to switch providers as they didn't want to approach their existing provider. Across the sector, providers take a different approach to this issue – with some assessing on a 'case by case basis,' and others taking a 'zero tolerance policy' to adding on debts. These clients are relatively difficult to monitor, especially given that not all providers record information on the provider and solution history of their clients. These clients also perhaps reflect an issue of solution affordability and the veracity and effectiveness of provider assessments and reviews. For instance, it is evident that despite providers recognising that they need to ensure solutions are regularly reviewed, clients may not view these discussions as an opportunity to have an open and honest discussion about what they can and cannot afford. The existence of these repeat clients is also reflective of the fragmented nature of the sector and its policies – given that providers take a different stance on what they will and will not change within a plan.

Opportunities for Change

Building ability to manage money:

- Advisers to provide clients with practical advice or tips and tricks on savings in formats that are engaging and directly applicable to circumstance or challenges (e.g. related to employment changes, new dependents, change in housing)

Improving financial situation:

- Advisers to ensure clients are assessed on whole household cost

Developing a positive attitude:

- Clients to be encouraged to get in contact with provider if circumstances change & not to view further debt as only option

Typologies
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Case study: **Rob, 37, Leicester**

"We did an assessment on the phone and they told me I had to pay a certain amount. I had a few other debts I wanted to include a year later but they wouldn't let me so I moved elsewhere."

Rob, 37, Leicester

Rob is a married, father of two, from Leicester. He set up his first DMP in 2014, which at the time he found relatively affordable. However, two years into his plan, Rob had to take time off from his job on a construction site, due to a back injury. It was during this time that Rob began to find his DMP unaffordable and he began to take out a number of high-cost credit cards to support himself and his family. Rob contacted his provider to ask whether he could add these debts on to his original DMP. His provider refused and so Rob shut down this plan and set up a new DMP with another provider.

Type 10
'Repeating Households'

Example Demographics

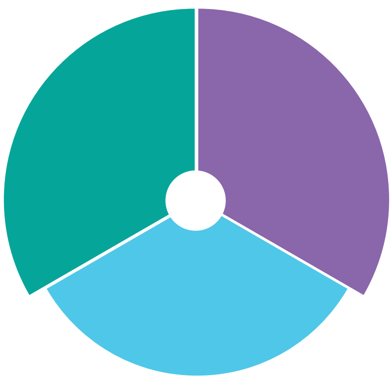
- 30+, in a relationship and with dependents – often with children of school age

Attitudes and Behaviours

- Become increasingly uncertain how they can manage without credit – often because they are not effectively recording expenditure & budgeting
- Want to provide family with good standard of living and will do anything to achieve this / may speak of not wanting their children to 'stick out' through not having the right uniform, toys, or not being able to afford school trips

Advice Channel

- Free and fee charging organisations
- Telepho ne providers



Not building ability
Leave advice with limited ability to budget or manage money as a whole household

Not improving financial situation
First advice may have left them with an unaffordable plan – meaning some debts may go down while others begin to build elsewhere in the house

Not developing a positive attitude
Despite wanting to pay, they become increasingly unmotivated

About them

This research identified an increasing tendency amongst telephone providers to recognise that they had married couples on their client database – living at the same address but with different debt management plans. Advisers noted how these plans were often running concurrently, but with one having begun a year or so before the second. This suggests that while one half of the couple has been on a DMP, their partner has been sustaining the household living costs through accessing credit. In many cases, this may be because clients have not accurately disclosed their whole household expenditure during their DMP assessment or subsequent review calls, or indeed the assessments have failed to effectively capture this information. In any case, these clients point to an issue where clients have made the judgement that accessing credit is a more viable option than reassessing the affordability of a plan.

Opportunities for Change

Building ability to manage money:

- Advisers to provide clients with budgeting sheets/practical advice on how to manage as a whole household – including encouraging clients to involve partners in advice sessions

Improving financial situation:

- Ensure clients are assessed as a whole household – and are asked to think about costs they might not themselves manage, for example bills that their partner may in fact pay

Developing a positive attitude:

- Clients to be encouraged to think about implications of 'buying now' to keep up perceptions as opposed to long-term benefits of saving – for instance, by encouraging clients to write necessities vs. wish lists and set themselves goals of obtaining these wishes
- Encouraging clients to involve children in financial decision making – such as through family challenges or by making them in charge of specific household decisions (e.g. buying dinner with set amount of money) to help communicate the value of money

Case study: **Gill, 38, Birmingham**

"My husband started a DMP a few years ago. We were always relying on his credit card so I started taking a few out to keep us going as a family."
Gill, 38, Birmingham

Gill is a married dinner lady, with one daughter. Gill's husband, Richard, set up a DMP in 2008, which included credit cards and loans from his 'student days.' When Gill and Richard had their first daughter in 2012, they began to struggle financially – this was due to a change of household expenditure and unstable employment. Due to her husband's poor credit history, Gill took the decision to take out a number of credit cards to sustain the family. At no point did the couple think it was appropriate to reassess the affordability of the DMP, as they thought it was better 'to get this over with as quickly as possible.' In 2015, the family began to struggle again and creditors began to contact Gill for payment. Gill contacted the same provider as Richard and set up her own DMP. The family now has two DMPs running simultaneously.

The Money Advice Service

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