



IFF Research

Research Report

User Needs from Debt Advice: Individual and Stakeholder Views

Prepared for Money Advice Service
By IFF Research



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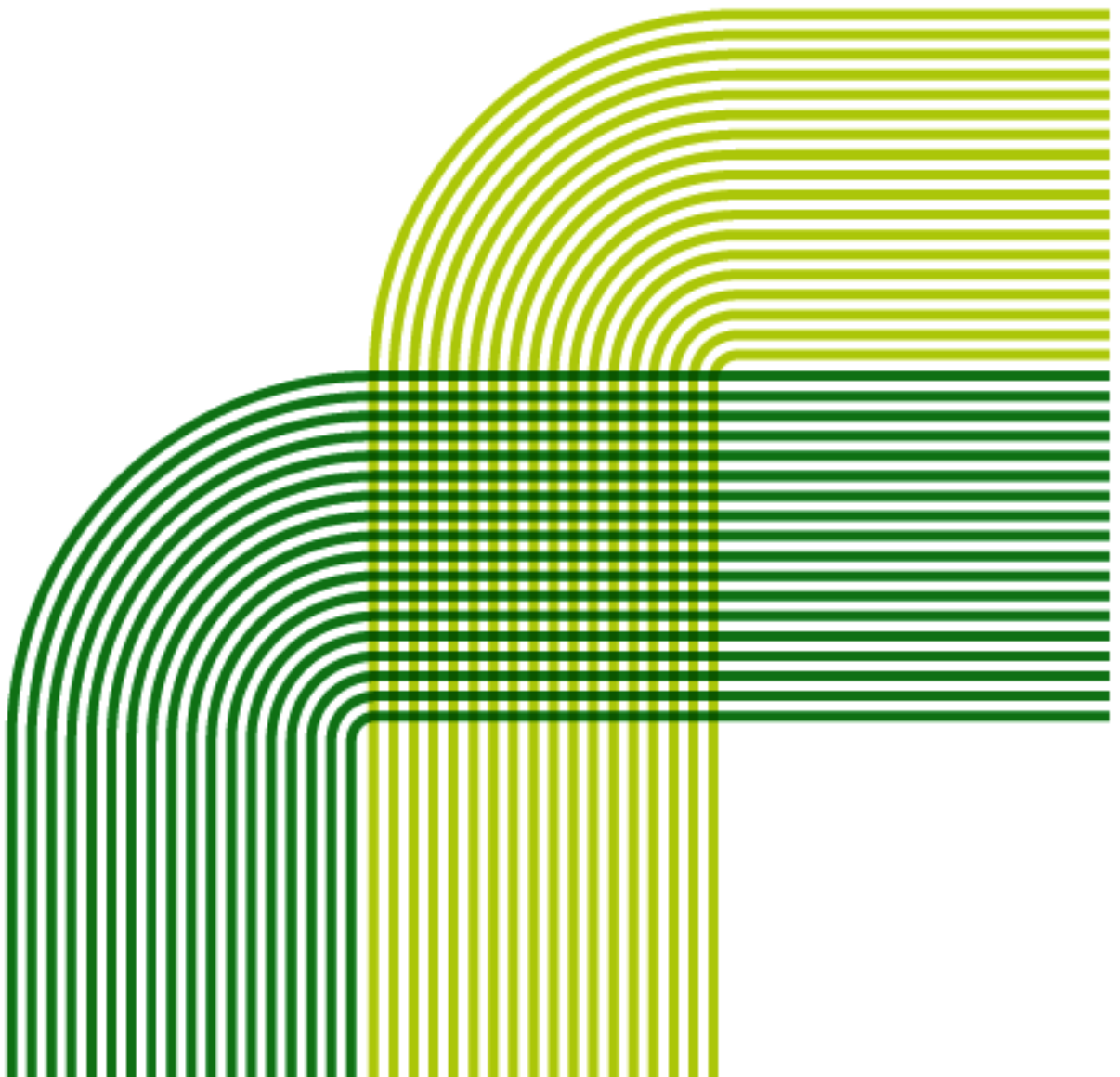
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Project Overview

This report details the findings from a research programme conducted to understand user needs from debt advice and how these can inform the delivery of debt advice in the future. The report is structured into two core sections each of which can be read as a stand-alone report.

1. The first section covers the user perspective and explores the different needs from and experiences of debt advice among over-indebted/over-committed individuals¹ and the potential size of the over-indebted/over-committed population. This section draws on findings from a brief literature review of previous debt research to inform research design and a sequential programme of qualitative and quantitative research amongst users and potential users of debt advice;
2. The second section covers the stakeholder perspective on the challenges of debt advice delivery and possible changes to the sector that would lead to more user-centred delivery. This section draws on findings from a series of qualitative interviews with providers, creditors and funders of advice and also a workshop session.

This rest of this chapter outlines some of the key findings from both strands of the research.

Overview of findings

The indicators used (which combine subjective and objective measures) produce an estimate of 43% of the 18+ adult population as „over-indebted“. This equates to 18.6 million adults. Of these, around 6.7 million people are experiencing advanced creditor action, early creditor action or non-payment of bills, and hence could be considered to be in relatively urgent need of debt advice.

Just over a quarter of the over-indebted/over-committed population have sought debt advice in the last 3 years (equating to an estimate of around 5.4 million people or 11% of the UK population aged 18+). Most of these (70%) have only sought debt advice from one organisation in this time and for most people this was the only time in their life that they have engaged with debt advice. Evidence from the qualitative research demonstrates that individuals do not think of debt advice in terms of a sector with a number of providers and have very limited understanding of the different types of advice on offer. This often means they take the first option that presents itself to them. This difficulty in the ability of over-indebted/over-committed individuals to navigate the sector was also recognised by stakeholders.

Those who have taken up debt advice are more likely to be those who have experienced creditor action or non-payment of bills indicating that individuals tend to wait until their financial situation is relatively serious before seeking out advice. Generally those who have sought advice are happy with the advice that they received and found that their debt was reduced as a result.

The remainder of those who are over-indebted/over-committed (just under three-quarters) have not sought advice so there is a large potential demand. However, around a quarter of these individuals reject the concept of debt advice and do not envisage ever making use of it. Many individuals report feeling embarrassed and frightened about seeking advice, and as a result, reluctant to approach the debt advice sector whereas others do not feel their financial situation is serious enough to warrant seeking advice.

Successful debt advice delivery for users needs to meet both emotional and practical needs. As individuals slip deeper into financial difficulties, their need for emotional as well as practical outcomes increases considerably. Over half (52%) of over-indebted/over-committed individuals stated that they

¹ MAS/IFF definition of „unsecured credit commitments“ is wider than used in other research studies as it includes bills and other commitments

had a need for some preventative advice to help to avoid future problems indicating considerable appetite for financial capability advice as part of a debt advice offer. The need for holistic solutions tackling a range of customer needs was also recognised by stakeholders.

Confidentiality and financial expertise are prerequisite requirements in the delivery of debt advice – the majority of these individuals would not consider accessing debt advice unless they could be assured of these two elements. For a large proportion, a case management approach where they see/speak to the same individual on each occasion would be important (very important for 54% and quite important for 34%).

In addition, a high proportion of participants feel that a debt advice service should include some form of on-going contact. For example, half felt that regular updates or information on repayments and creditor dealings would be very important and 35% felt that follow-up contact to check on their emotional wellbeing would be very important. Qualitative interviews with customers suggested that this type of follow-up contact was rarely provided and indeed providers often commented that they did not have the resource to deliver this.

Stakeholders generally feel that the debt advice sector is not working as effectively as it could and should. They feel that the sector is fragmented and that a number of conflicting priorities result in provision that is stakeholder-centric rather than user-centric. Challenges identified include:

- Funding can be a barrier to effective delivery of free-to-client services through restrictions on the types of customer that can be helped and how they are helped;
- An inability of free-to-client advice providers to meet demand for face-to-face debt advice;
- Ineffective regulation and quality control mean that customers can receive an inconsistent service;
- Fragmented provision – involving multiple entry points to debt advice – makes it harder for customers to navigate the sector;
- Limited collaboration between stakeholders. Creditors often lack a complete picture of the individual customer's financial situation, and so sometimes question the fairness of how debt repayment plans are agreed;
- Failure to address the root cause of some customers' debt problems which can ultimately lead to recurrence of problems.

Although the challenges are broad ranging, there is considerable agreement between stakeholders on the opportunities for tackling these and moving the sector towards user-centred delivery. Across the different stakeholder groups, there is enthusiasm for change and a willingness to try to work collaboratively to place user needs at the heart of the sector. The steps that stakeholders would like to be able to take include:

- Ensuring that funding mechanisms do not dictate the channel or type of help given to customers;
- More effective regulation and quality control;
- Centralising how customers access debt advice;
- Ensuring that there is enough funding to meet customer demand, for example by widening the pool of creditors who contribute to the funding of debt advice;
- Further improving collaboration, e.g. by improving data sharing;
- Delivering a holistic service to address the root causes of over-indebtedness where appropriate;
- Encouraging advice providers to monitor outcomes (what is achieved for the customer) rather than activity (e.g. number of clients seen).



1 Individuals Research: Executive Summary

- 1.1 This report details findings from research conducted to understand user needs from debt advice. The research was designed to provide information on;
- the potential demand for debt advice;
 - practical and emotional needs of current and potential customers;
 - to what extent, and how, users engage with debt advice;
 - users' requirements from a debt advice service.
- 1.2 The research comprised three parts:
- literature review of previous debt research;
 - sequential programme of qualitative and quantitative research amongst users and potential users of debt advice; and,
 - complementary qualitative research among stakeholders.

Literature Review

- 1.3 A literature review was undertaken to explore approaches that had previously been taken to defining over-indebtedness in other comparable studies to avoid „re-inventing the wheel“ in defining the population of interest and also to allow some potential for comparing findings from this research with previous work in the field.
- 1.4 A number of different approaches have been taken to identifying over-indebted individuals in quantitative surveys. Recent studies have converged on a set of 5 objective and subjective measures reflecting different aspects of debt:
- experiencing debt as a heavy burden,
 - ratio of all debt repayments to gross monthly household income exceeding 50%,
 - ratio of unsecured debt repayments to gross monthly household income exceeding 25%, income
 - being in credit arrears, and
 - number of credit commitments outstanding,
- 1.5 It was decided to use this basket of measures (indicators) for defining „users and potential users“ of debt advice for the quantitative element of this study but to exclude the last measure. The project team for this study were concerned that the use of credit had changed quite a lot since this indicator was first identified² and that defining over-indebtedness purely on the basis of volume of credit commitments might be an out-dated approach.
- 1.6 In using these definitions, the intention was to include both current and potential future users of debt advice and hence the intention was to keep the definition of „over-indebtedness“ relatively broad.

² Personal Finance Research Centre (2002) „Over-indebtedness in Britain“

Defining over-indebtedness

- 1.7 Hence, to define the population eligible for the quantitative survey, 4 indicators of over-indebtedness were used:
- Whether individuals view keeping up with commitments as a heavy burden;
 - Whether commitments on unsecured credit equated to 25% or more of gross monthly income;
 - Whether commitments on secured and unsecured credit equated to 50% or more of gross monthly income;
 - Whether individuals are or have been recently behind on payments on credit commitments (for a period of 3 or more months within the last 6 months)³.
- 1.8 Each of the 4 indicators captures different groups of people and estimates of the scale of over-indebtedness varies considerably by which of these are included in the definition. Findings from the research indicate that around 43% of the population meet at least one of the 4 over-indebtedness/over-commitment indicators. Using this definition implies an overall size for the over-indebted/over-committed population of 18.6 million adults in the UK with an estimated 13.9 million „debt issues“ when considering household debt⁴.
- 1.9 Within the „over-indebted/over-committed population“ defined as those meeting any one of 4 indicators, a relatively small minority are currently experiencing advanced creditor action – court summons and/or visits from bailiffs (7%) but considerably more are experiencing early creditor action – „red“ letters/telephone „chasing“ calls from creditors (14%) or are not paying bills and hence likely to experience creditor action in the near future if their situation does not improve (15%). Hence around a third of the „over-indebted“ are in immediate need of advice on managing their debts (this equates to around 6.7 million people).

Customer needs from debt advice

- 1.10 Complex customer needs ranging across both the emotional and the practical have been identified by over-indebted/over-committed individuals related to dealing with debt and trying to find a resolution.
- 1.11 Emotional needs include reassurance, encouragement, help with building confidence, overcoming fear and tackling embarrassment. Overall, two thirds of these individuals reported that they had some form of emotional need in relation to addressing their financial situation (65%).
- 1.12 Across all over-indebted/over-committed individuals, two thirds (63%) indicate they have at least one practical need in relation to addressing their financial situation that they need help to tackle. Individuals have a range of practical needs including outcomes related to prevention (52%), understanding options (46%), gaining control (34%), acceptance of the severity of their situation and/or that they need to tackle it (27%) and creditor containment (26%).
- 1.13 Some of those with practical needs could benefit from sign-posting towards „money-advice“ rather than „debt-advice“. Within the over-indebted/over-committed population, individuals are at different stages of „need“ in terms of the outcomes that they would like to secure from debt advice. In analysing the

³ Note that the MAS/IFF definition of „unsecured credit commitments“ is wider than used in other research studies as it includes bills and other commitments. We therefore use the phrase „over-indebtedness/over-commitment“ to describe this population throughout the remainder of this report.

⁴ See Appendix A for discussion of whether debt should be viewed as an individual or household issue.



information from the survey we have characterised the journey into a series of sequential stages and placed individuals into categories according to the stage of the journey that they are at from:

- acceptance of current situation;
- understanding the options available;
- creditor containment; to,
- debt prevention.

- 1.14 This analysis indicates that around a quarter are at the point of needing help with acceptance, 17% need to understand the options open to them, 7% need assistance with creditor containment, and 9% need help with taking measures to limit/prevent debt problems in the future. This latter category in particular could perhaps benefit from „money advice“ rather than „debt advice“.

Demand for debt advice

- 1.15 Just under a third of over-indebted/over-committed individuals report using debt advice in the last three years, with 11% engaging with advice services at the time of interview. Hence, a large proportion (two-thirds) of this population have not had any contact with debt advice services and arguably the current provision landscape is only engaging with a relatively small proportion of potential users.
- 1.16 In addition to the 11% of current users, a further 12% are planning to make contact at some point in the future but the rest do not have concrete plans to access advice. In fact a quarter of individuals identified as over-indebted/over-committed reject the concept of debt advice and do not envisage ever making use of it. The most common reasons given for not envisaging using debt advice services related to a lack of perceived need with individuals stating either that they felt they were managing to keep up with their commitments without problems or that they were capable of sorting out their money/debt issues themselves but there were small proportions of those rejecting debt advice who cited reasons relating to issues such as previous bad experiences of perceived cost of debt advice.
- 1.17 While it is possible that those who do not see a need for debt advice will never need any form of guidance with their financial affairs, there could be benefit in encouraging greater proportions of the „over-indebted“ to consider debt advice earlier. Findings from the research show that individuals often leave it until they are deeply entrenched in debt before they seek advice at which point they require intensive support. For example, while across over-indebted/over-committed individuals as a whole, only a minority (13%) state that they would wish to hand over total control of the process and decisions to a debt advice service if they were to use one, this rises to 30% among individuals who are currently using debt advice. Encouraging individuals to seek advice earlier in the debt cycle might mean that their needs could be met through a less intensive service.
- 1.18 Evidence from the qualitative research shows that users are relatively unaware of the different debt services available to them, and often choose the first or only option presented to them rather than „shopping around“. A better understanding of the types of services available and indeed that some are paid for and some are free-to-client would have resulted in more informed decisions about where to seek advice from for a number of customers.

Debt advice delivery

- 1.19 Qualitative research revealed a number of principles that are key to the delivery of debt advice, comprising: trustworthiness, being non-judgmental, simplicity, personalised, accessibility, and solution/outcome focused. For users and potential users the most important service attribute is confidentiality which three quarters (74%) of over-indebted/over-committed individuals report being „very important“.



- 1.20 Over-indebted/over-committed individuals automatically associate debt advice with face-to-face delivery although this is by and large based on limited exposure to / knowledge of the range of delivery channels available for debt advice. This preference is particularly notable early on in the debt advice journey, when users need to disclose financial information and later when discussing options for addressing debt. Overall, users of debt advice are open to other *personalised* delivery channels (mostly telephone or e-mail) – only a small minority would only consider face-to-face delivery and reject debt advice if this were unavailable.

In Summary:

- Around half of the over-indebted/over-committed population (22% of the overall adult population) meet only one of the commitment:income ratio indicators and many of these individuals do not consider themselves to be in debt. These individuals appear to have less appetite for, and potentially be less in need of, debt advice and may be more suited to targeting for more general money advice. .
- Findings from the quantitative survey indicate that 6.7 million people are experiencing advanced creditor action, early creditor action or non-payment of bills, and hence are in immediate need of debt management advice.
- Successful debt advice delivery for users needs to meet both emotional and practical needs. As individuals slip deeper into financial difficulties, their need for emotional as well as practical outcomes increases considerably.
- As individuals become more entrenched in debt, the intensity of support and advice needed to help them to remedy their situation increases. As the period over which individuals have struggled with their finances increases, so their inner capacity for self-help reduces. Accessing debt advice earlier in the debt cycle is likely to reduce the level of advocacy required from debt advice services.
- Further evidence of the high dependency state that individuals are often in by the time they seek out debt advice was evident from the fact that a high proportion of participants feel that a debt advice service should include some form of ongoing contact and follow-up rather than a one-off service.
- Around two thirds of the over-indebted/over-committed population accept that there are some areas of their finances where they would benefit from receiving practical assistance. These individuals do not always identify themselves as being in debt.
- Helping individuals to understand some of the key features of the sector e.g. that there are paid for and free-to-client services and that advice is available through a range of channels so that they can make the best choice for them will require considerable education.

2 Individuals Research: Introduction, background and methodology

Introduction to the Money Advice Service

- 2.1 The Money Advice Service is an independent organisation set up by government and paid for by a levy on the financial services industry.
- 2.2 The purpose of the Money Advice Service is to help everyone in the United Kingdom manage their money better as a matter of course, by providing clear and unbiased advice to help people make informed choices about their finances. The advice is free of charge and available either over the telephone, online, or face to face by trained money advisers.
- 2.3 In addition to direct delivery of a range of products and services, the Money Advice Service also works with partners from a range of sectors, including government, financial services, regulators and consumer groups - to make money management and financial choices clearer for individuals.

Background to the research

- 2.4 The Government has asked the Money Advice Service to take on a new co-ordination role for the delivery of debt advice services in the United Kingdom. The role has two main aims
 - The development and implementation of a strategy for the delivery of debt advice;
 - Secure sustainable funding for debt advice services from the financial services industry.
- 2.5 The debt advice sector has been in existence for many years and there exists a range of tools, solutions and delivery channels/mechanisms to aid customers with their debt issues. To develop a strategy for future debt advice provision, it is first necessary to understand the provision currently.
- 2.6 For this reason, the Money Advice Service has completed research to investigate the diverse debt advice sector as it stands, in order to fully understand how the various delivery channels, tools and solutions operate, and the extent to which they meet current demand from customers.

Objectives of the research

- 2.7 The overriding objective of the research was to define the outcomes desired by individuals and stakeholders which will be used to inform a new debt advice delivery strategy. Within this, the research sought to understand
 - Practical and emotional needs of customers
 - To what extent, and how, users engage with debt advice
 - Users' service requirements
- 2.8 The core research questions that the work with individuals looked to answer were;
 - What is the potential demand for debt advice?
 - When and how does the need for debt advice manifest itself?
 - What process do customers go through when seeking debt advice?



- What are their experiences of using debt advice services?
- What is the awareness and perception of debt advice services?
- What are the desired outcomes of using debt advice services?
- What practical and emotional support do individuals require to achieve their desired outcomes?
- What are individuals' expectations in terms of channel of delivery?
- What other service delivery requirements do they have?

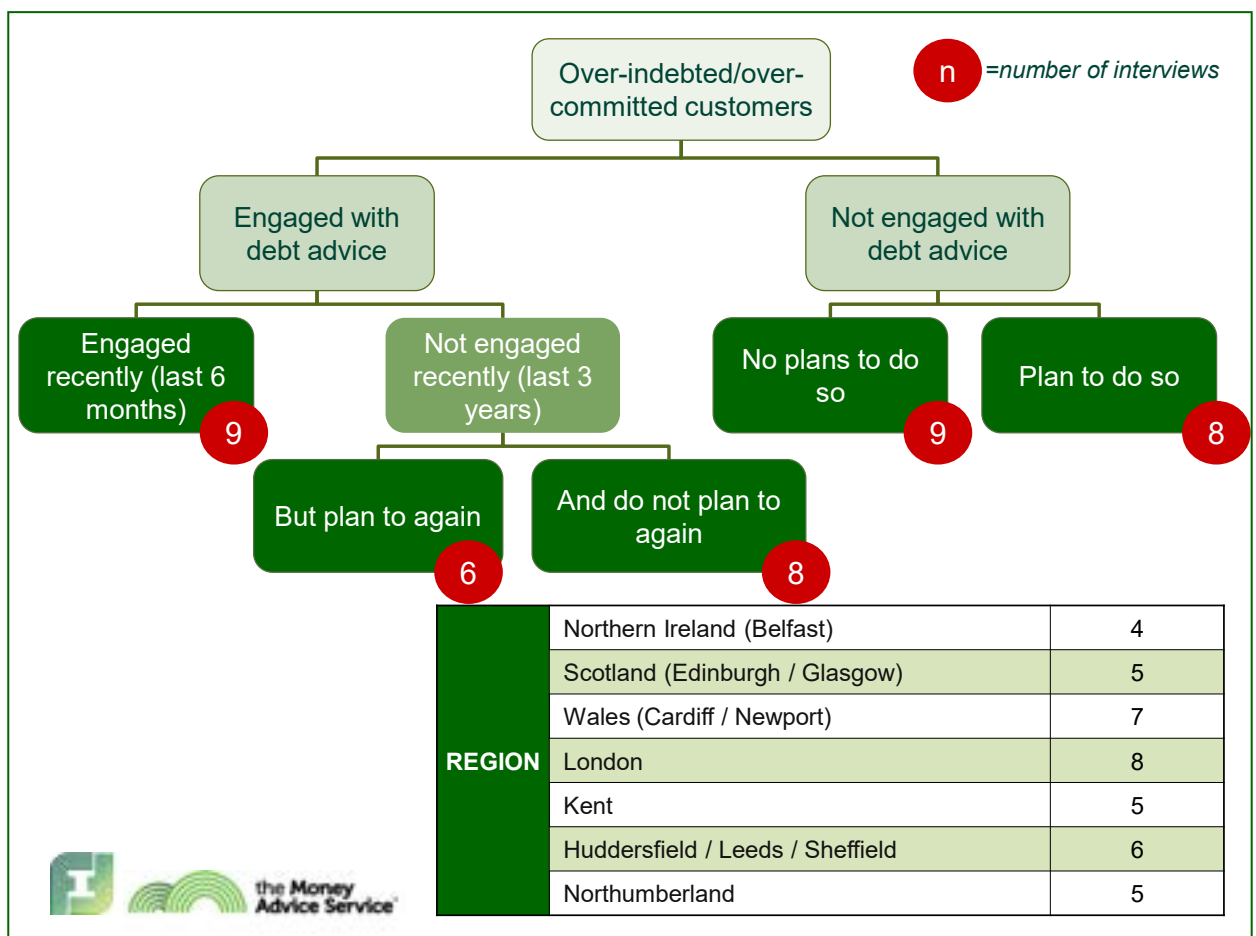
Methodology

2.9 The research among individuals consisted of qualitative and quantitative elements.

Stage 1: Qualitative interviews with potential customers

2.10 Forty face to face interviews, each lasting about 1 hour, were conducted with users and potential customers over a three week period during July and August 2011. Users and potential customers had a range of debt advice experiences. This breakdown, along with the regional split, is shown in Figure 2.1.

Figure 2.1: Potential customers - qualitative sample breakdown



- 2.11 As well as providing valuable information to add explanatory depth to the core research questions, the qualitative findings were used to input into the design of the quantitative questionnaire used for Stage 2 of the research.

Stage 2: Quantitative interviews with potential customers

- 2.12 In September and October 2011, 2707 quantitative interviews were carried out with over-indebted/over-committed potential customers. The quantitative study used a mixed methodology. An online component was used for the majority of interviews (2506) since this offered the advantage of both cost-effective data collection and a self-completion approach appropriate to the collection of sensitive information possibly more readily disclosed in a non-mediated interview (particularly given the need to screen on financial information to reach the over-indebted/over-committed population).
- 2.13 Members of an online panel were screened to identify over-indebted/over-committed individuals using 4 indicators (the rationale for the use of these indicators is explained in paragraphs 1.3-1.6);
- Whether individuals viewed debt as a „heavy burden;
 - Whether commitments on unsecured credit equated to 25% or more of gross monthly income;
 - Whether commitments on secured and unsecured credit equated to 50% or more of gross monthly income;
 - Whether individuals were experiencing structural arrears on credit commitments.
- 2.14 Online interviews were supplemented with a telephone boost exercise consisting of 201 interviews with older indebted individuals. While the „online population“ represents a high proportion among younger age groups (90-99% for all age groups below 55), it represents fewer of those above 55 (79% of 55-64 year olds, 57% of 65-74 year olds, 24% of those aged 75+). The telephone exercise focussed just on individuals aged over 65 meeting the same over-indebtedness/over-commitment criteria outlined above. To make weighting the data more straightforward, the telephone survey *only* included those who were not online i.e. those who could not be covered by an online panel.
- 2.15 As mentioned above, only those who met one of the 4 indicators qualified for the quantitative survey but a general population sample was screened to find eligible individuals. A small amount of information was recorded about those who did not qualify for the survey (age, gender and country of residence) which enabled us to use this screening data to make some estimates about the incidence of people meeting the over-indebtedness/over-commitment indicators used within the population as a whole. It is worth bearing in mind that, because they are based on screening data, these figures should be treated as indicative only⁵.
- 2.16 A total of 7,251 individuals were screened to reach the target sample size for the survey. At the analysis stage, data from the screening exercise were weighted to the overall profile of the 18+ UK population using an age by gender by country grid (allowing separately for the „online“ and „offline“ population in the older age groups) using Office of National Statistics (ONS) population estimates⁶. This produced an approximate estimate for the profile of the over-indebted/over-committed population which was then used to apply weights to the survey data. .

⁵ At the screening stage of an interview (and particularly an online interview), there is scope for individuals to self-select out of the survey on the basis of their assumed likelihood to qualify or assumed survey relevance. In some cases individuals also provided incomplete responses to survey questions.

⁶ ONS 2010 estimate of the UK 18+ adult population is 49.122 million people

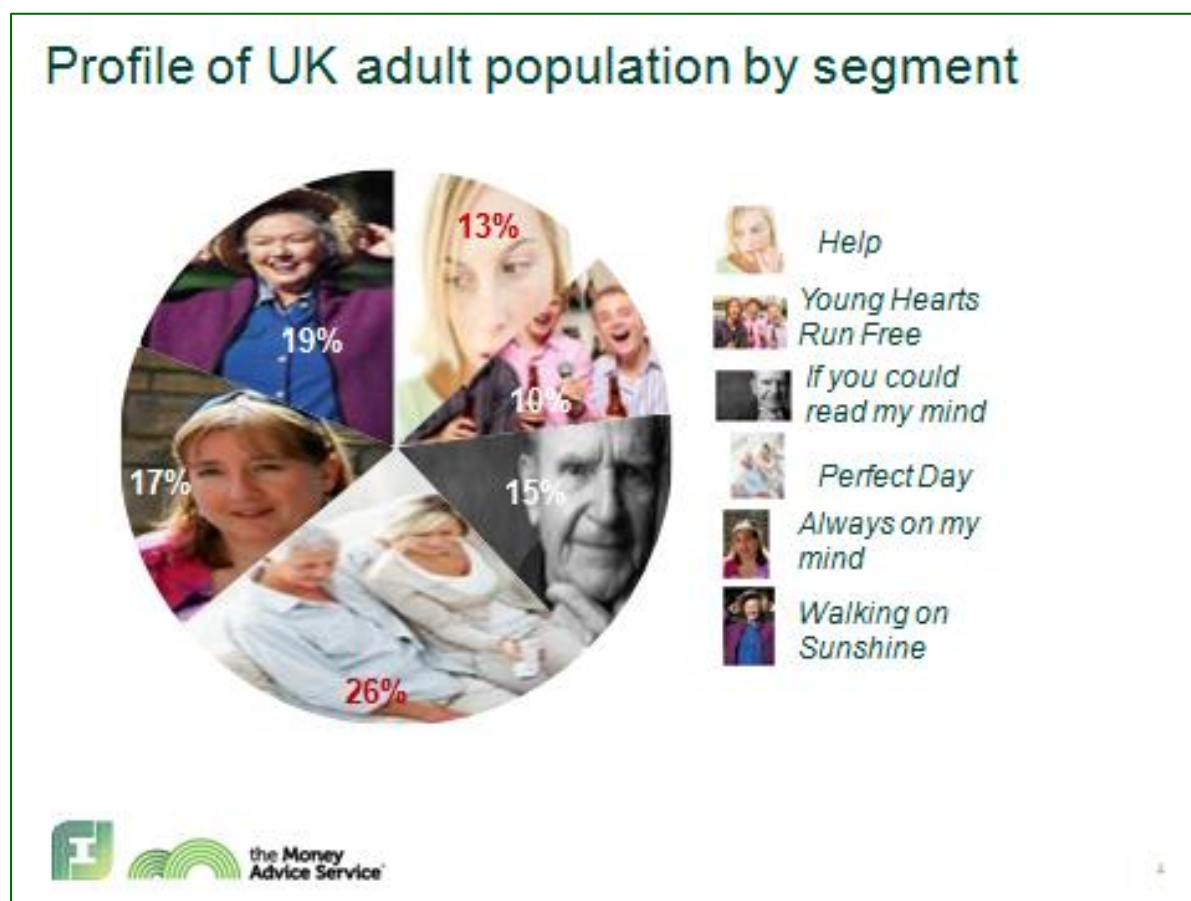


- 2.17 After completion of the main fieldwork, a follow-up exercise was conducted among individuals who had used debt advice to explore the extent to which the debts involved were individual or household issues⁷.

Segmentation of respondents

- 2.18 The Money Advice Service classifies people as falling in to one of six attitudinal segments, shown in Figure 2.2 and explained further below. Potential customers are allocated to a segment based on their agreement or disagreement with 14 attitudinal questions.

Figure 2.2: Six Attitudinal Segments



The segments explained/described

- **Help (H) – 13% of population:** Predominantly young and slightly down market, with a female bias. Not in control of their finances and it worries them – they are more vulnerable, less capable and also less happy than the average
- **Young Hearts, Run Free (YHRF) – 10% of population:** Young, single respondents, loving life. Their finances might not be up to much, but they're happy, enthusiastic and enjoying themselves. They don't feel stressed about their finances – but a "major lifestyle change" could change this.

⁷ This follow-up exercise is discussed in Appendix A.

- **If You Could Read My Mind (IYCRMM) – 15% of population:** Male group, slightly older, and socio-demographic groups D or E. Don't have a very positive outlook on life – not that happy, enthusiastic, sociable or curious. Feel in control of day to day finances, but signs not sure what to do – or who to trust
 - **Perfect Day (PD) – 26% of population:** Affluent, upmarket, enjoy managing their finances, do it well, and don't really need any help.
 - **Always On My Mind (AOMM) – 17% of population:** A slightly female, middle aged, C1 group. Their finances are well organised and they are financially capable, but they worry about the future and their finances – due to a lack of funds rather than a lack of confidence.
 - **Walking On Sunshine (WOS) – 19% of population:** Older group, more retirees and few dependents. Very happy with life, like routine, not worried about life or their finances, and live for today. Finances are OK, but don't really have time to think about them, and it's a boring topic.
- 2.19 Each respondent was assigned to a segment, both in order to ensure the study encompassed a broad range of financial attitudes, and to enable examination of any differences between segments.
- 2.20 Within the quantitative research, analysis was carried out to establish whether there were significant differences by segment (along with many other demographic variables for example age, gender, etc). Where any significant differences by segment were identified, these are mentioned in the report.
- 2.21 Participants in the qualitative research were also assigned to a segment, and where quotes from the qualitative research are given in this report, their abbreviated segment is also given (e.g. IYCRMM, WOS, etc).



3 Defining and understanding over-indebtedness

- 3.1 This chapter looks at estimating the size of the over-indebted/over-committed population. Figures for the incidence of over-indebtedness/over-commitment have been generated using data from the screening phase of the quantitative survey while the remainder of the chapter reports findings from the survey itself. As we discussed in the previous chapter, this information should be treated as indicative only. However, in the absence of more recent robust data, it provides useful ballpark estimates of the extent of over-indebtedness/over-commitment using a range of indicators.

Chapter Summary

Size of the over-indebted/over-committed population: Findings from the survey indicate that 43% of the UK population meet one of the 4 indicators. This would imply an overall size for the over-indebted/over-committed population of 18.6 Million people.

Feeling in debt: Only half of those meeting the indicators associate themselves with the concept of being in debt.

Impact of the commitment:income ratios: Around half of those meeting the definition of „over-indebted“ meet one of the commitment:income ratio indicators only. Hence the estimate of the size of the over-indebted/over-committed population is reasonably sensitive to the way in which these are defined. Given that these individuals are not experiencing arrears and do not see their commitments as a „heavy burden“ then they may be some time off needing debt advice (and indeed some may never get to this point).

Creditor action: A small minority of the over-indebted/over-committed are currently experiencing advanced creditor action (7%) but considerably more are experiencing early creditor action (14%) or are not paying bills and hence likely to experience creditor action in the near future if their situation does not improve (15%).

Previous approaches to defining over-indebtedness

- 3.2 The purpose of the literature review was to explore approaches that had previously been taken to defining over-indebtedness in other comparable studies.
- 3.3 While there is no universally accepted definition of over-indebtedness, most UK public sector bodies who have conducted research in this area have tended to use a definition along the lines of *“when consumers are unable to meet credit commitments from available income, taking account of minimal necessary expenditure”*. Some stipulate that this should be the case *after* any possible steps to reduce expenditure have been taken.



- 3.4 A number of different approaches have been taken to translating this definition into indicators that can be measured in quantitative surveys. Recent studies⁸ have largely converged on a set of 5 objective and subjective measures reflecting different aspects of debt:
- experiencing debt as a heavy burden,
 - ratio of all debt repayments to gross monthly household income exceeding 50%,
 - ratio of unsecured debt repayments to gross monthly household income exceeding 25%,
 - being in credit arrears, and
 - number of credit commitments outstanding,
- 3.5 Some thought was given to replicating an approach used for a recent NAO study⁹ which just used the first of these indicators. This was used by the NAO to identify current and potential users of debt advice on the basis that only those who recognised their outgoings as a „heavy burden“ would be likely to seek out advice. However, for this particular study, the project team were keen to include those who might be latent users of debt advice who do not yet recognise the severity of their situation.
- 3.6 On this basis it was decided to use the basket of measures (indicators) outlined above for defining „users and potential users“ of debt advice for the quantitative element of this study but to exclude the last measure (number of credit commitments outstanding). The project team for this study were concerned that the use of credit had changed quite a lot since this indicator was first identified and that defining over-indebtedness purely on the basis of volume of credit commitments might be an out-dated approach.
- 3.7 In using this definition, the intention was to include both current and potential future users of debt advice and hence the intention was to keep the definition of „over-indebtedness“ relatively broad.
- 3.8 Hence, the quantitative survey used 4 indicators of over-indebtedness¹⁰ and an individual qualified for the main survey if they met any of these 4. The indicators combined both subjective and more objective indicators. The table below summarises the 4 indicators and the question responses that they were derived from.

⁸ For example: Personal Finance Research Centre (2002) „Over-indebtedness in Britain“; DWP (2004) „Over-indebtedness in Britain: A DTI report on the MORI Financial Services survey“; BIS (2011) „Credit, debt & financial difficulty in Britain 2009/10“. <http://www.bis.gov.uk/policies/consumer-issues/consumer-credit-and-debt/real-help-now-for-those-in-difficulty/over-indebtedness>; BIS (2010b) „Over-indebtedness in Great Britain: an analysis using the Wealth and Assets Survey and Household Annual Debtors Survey“

⁹ NAO (2010): Business, Innovation and Skills: Helping over-indebted consumers
http://www.nao.org.uk/publications/0910/over-indebtedness_report.aspx

¹⁰ A discussion of the rationale for deciding on these indicators is included in paragraphs 1.3-1.6.

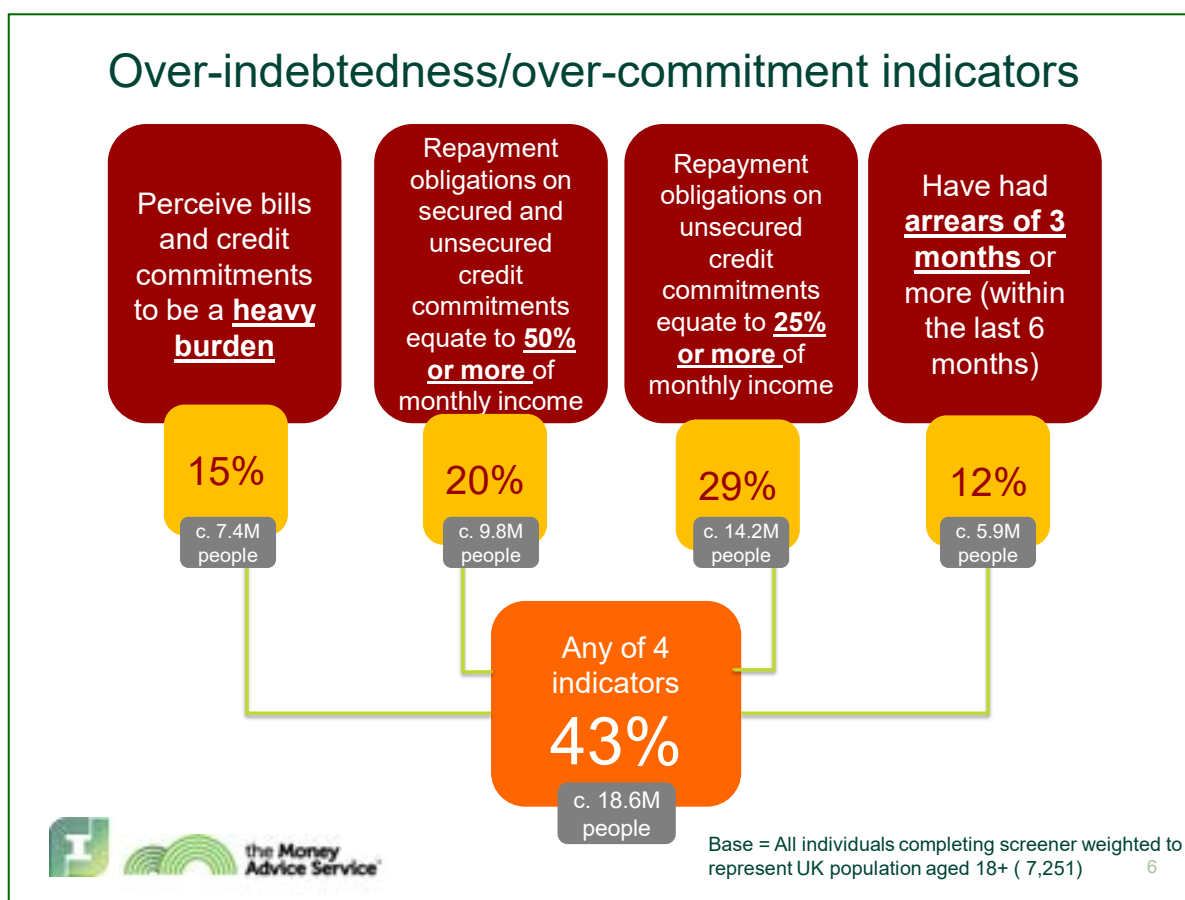


	Indicator	Definition
1	Perceive debt as heavy burden	<p><i>And can we ask, if, or to what extent you feel that keeping up with your bills and credit commitments is a burden?</i></p> <p><i>Responses: heavy burden, somewhat of a burden, not a burden at all, don't know</i></p>
2	Unsecured credit commitments equate to 25% or more of gross income	<p>Calculation based on responses to following questions to establish level of secured and unsecured credit commitments (which are then expressed as a proportion of monthly gross income)¹¹.</p> <p><i>You mentioned that you have the following credit commitments or responsibilities [LIST OF SECURED CREDIT COMMITMENTS]. On average over the last 3 months, what was the value of your repayment obligations on these commitments <u>each month in total?</u></i></p> <p><i>Thinking about all your credit commitments or responsibilities, [IF HAS SECURED DEBT: excluding your mortgage or personal loan secured against your house or car loan secured against your car]., on average over the last 3 months, what was the value of your repayment obligations on these commitments <u>each month in total?</u> By commitments, we mean all the things you mentioned earlier such as credit cards, household or utility bills, council tax, hire purchase agreements, catalogues, court fines, child maintenance, etc.</i></p>
3	Secured and unsecured credit commitments combined equate to 50% or more of gross income	
4	Have had arrears for 3 months or more at some point within last 6 months	<p><i>In the last 6 months, have you fallen behind on, or missed, any payments for credit commitments or domestic bills for 3 or more months?</i></p> <p><i>Please consider any household or utility bills; TV or phone bills; mortgage, rent or council tax payments; or any type of loan, credit or other payment.</i></p> <p><i>Responses: yes, no, don't know</i></p>

- 3.9 Figure 3.1 below shows the survey estimates for the proportion of individuals within the UK population aged 18 and over who meet each of the 4 over-indebtedness/over-commitment indicators. The grey boxes give an estimate of the overall number of people meeting each indicator derived by grossing the survey results up to ONS 2010 estimate of the UK 18+ adult population (49.122 million people).

¹¹ MAS/IFF definition of „unsecured credit commitments“ is wider than used in other research studies as it includes bills and other commitments

Figure 3.1: Proportion of UK population meeting over-indebtedness/over-commitment indicators



- 3.10 Findings from the survey indicate that just over two-fifths of the population meet at least one of the 4 indicators, an estimated 18.6 million people.
- 3.11 Whether debt is experienced as a personal or household issue was explored in a follow-up exercise which suggested that these 18.6 million people would be dealing with around 13.9 million „debt issues“¹².
- 3.12 People are most likely to meet one of the commitment:income ratio indicators; almost a third have a commitment:income ratio for both secured and unsecured credit of 50% or more of the household income.
- 3.13 The methodology for our quantitative study is described in detail in chapter 2. Conscious that our sample was largely drawn from an internet panel we also ran the four „over indebted“ indicator questions on a face to face national omnibus study¹³ for comparison purposes.

¹² See Appendix A.

¹³ Omnibus methodology is described in Appendix B.

- 3.14 The table below compares findings for the incidence of individuals meeting each of these indicators in the MAS/IFF survey with the results from the omnibus study and those from other previous surveys using similar definitions. These comparisons are made with some caution as the approaches used for each vary considerably – in particular some use an individual-based approach while others take a household-based approach.

Table 3.1: Comparison of indicator figures with those from previous research

	MAS/IFF study 2011		Other recent studies			
	Core online/telephone survey	Face-to-face omnibus	Kempson 2002 (household) ¹⁴	MORI 2004 (individuals) ¹⁵	BIS (YouGov) 2009/10 (household) ¹⁶	WAS 2010 (household) ¹⁷
View debt as a heavy burden	15%	11%		5%	15%	14%
50%+ all commitment:income ratio	20%	24%	6%	9%		8%
25%+ unsecured commitment:income ratio	29%	23%	5%	8%	8%	9%
Structural arrears	12%	6%	13%	4%	9%	10%
Any of 4 indicators	43%	38%				

- 3.15 As the table shows the proportions meeting the „heavy burden“ and „structural arrears“ indicators are in line with those reported in the most recent studies.
- 3.16 Proportions meeting the commitment:income ratios are higher than previously measured, by other studies, but relatively consistent between the two MAS surveys, suggesting perhaps that current economic circumstances have raised the number of people now meeting these criteria. The questions used relating to the commitment:income ratios were slightly different between the two MAS surveys to

¹⁴ Personal Finance Research Centre (2002) „Over-indebtedness in Britain“

¹⁵ DWP (2004) „Over-indebtedness in Britain: A DTI report on the MORI Financial Services survey“

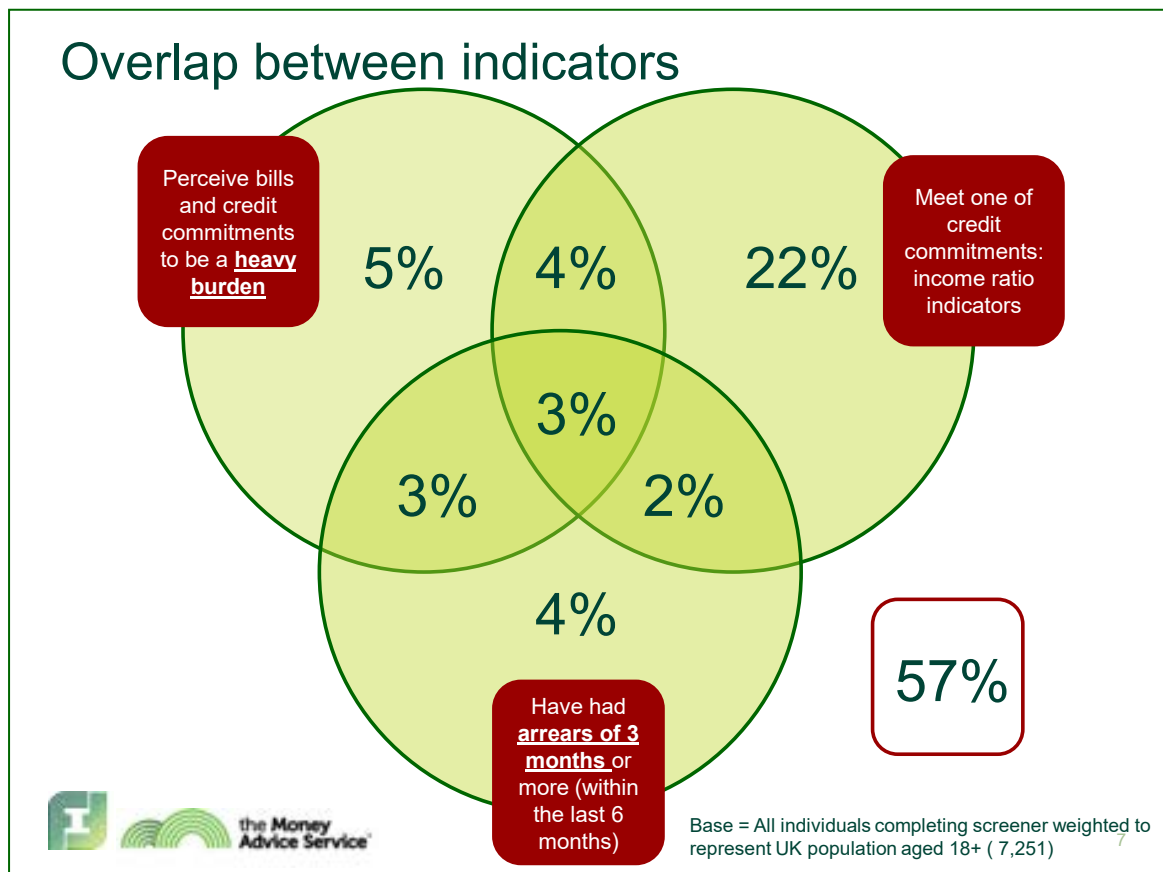
¹⁶ BIS (2011) „Credit, debt & financial difficulty in Britain 2009/10“ . <http://www.bis.gov.uk/policies/consumer-issues/consumer-credit-and-debt/real-help-now-for-those-in-difficulty/over-indebtedness>

¹⁷ BIS (2010b) „Over-indebtedness in Great Britain: an analysis using the Wealth and Assets Survey and Household Annual Debtors Survey“

accommodate the different methodologies and the slight difference in the incidence measured can largely be accounted for by this difference in question wording¹⁸.

- 3.17 It is also worth bearing in mind that the overall methodologies employed for the previous surveys vary and that the structure of the questions used were also different, making comparisons, at best, indicative.
- 3.18 The Venn diagram in Figure 3.2 below shows the overlap between each of the indicators. For ease of presentation we have combined both the commitment:income ratios into a single category.

Figure 3.2: Overlap between indicators



- 3.19 This analysis highlights that:

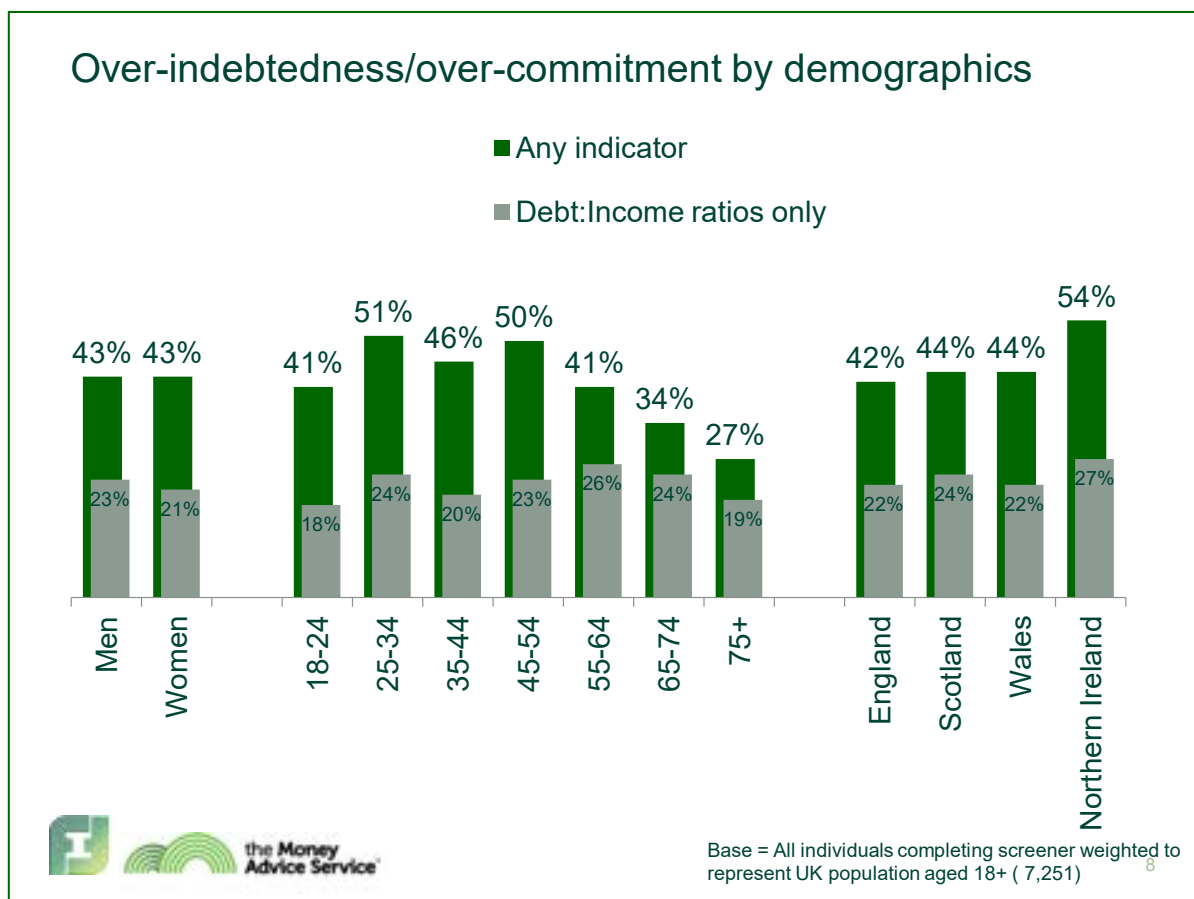
- Only a very small proportion of the population meet the burden, arrears and at least one of the commitment:income ratio indicators (3%);
- Around three-quarters of the population that we have defined as over-indebted/over-committed meet only one of the indicators (treating the commitment:income ratios as a single indicator for this purpose). A total of 31% of the population meet only one indicator against an overall penetration of 43%;

¹⁸ See Appendix C for a detailed discussion of this issue

- The majority of those who meet only one indicator meet just the commitment:income ratios so these indicators have quite a big impact on the estimated size of the over-indebted population. Overall an estimated 22% of the population are defined as „over-indebted/over-committed” simply on this basis;
- Not all those who have experience of arrears consider debt to be a heavy burden (half do so);
- There are some people who consider debt to be a heavy burden who do not meet either of the other over-indebtedness/over-commitment indicators – 5% of the population in total or a third of those meeting this indicator (although the majority of those experiencing debt as a heavy burden do meet one of the other indicators).

3.20 As shown earlier, at an overall level, an estimated 43% of the population meet the definition of over-indebtedness/over-commitment. Figure 3.3 shows how this estimated penetration varies by age and by country (the green bars). The grey bars in the figure show the proportion of the population who meet only the commitment:income ratio indicators.

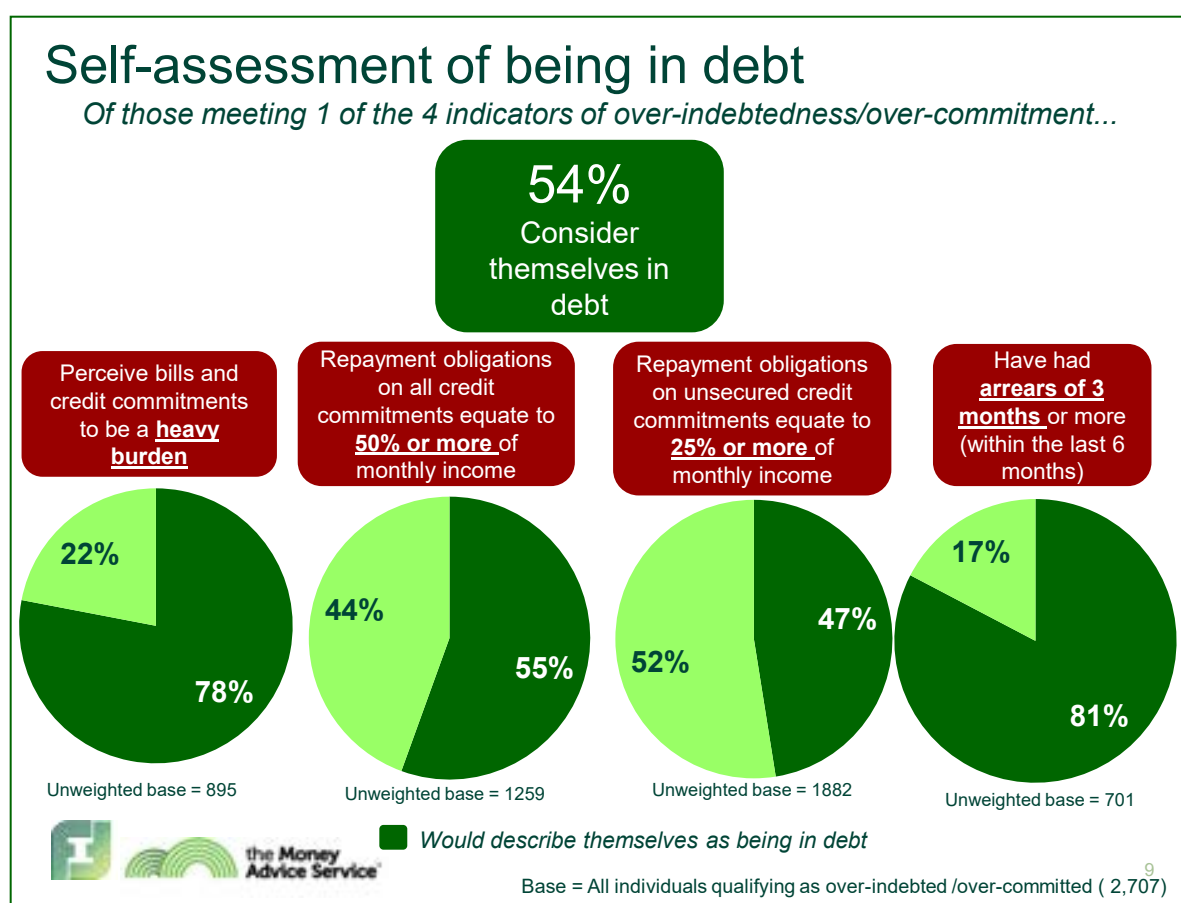
Figure 3.3: Variation in level of over-indebtedness/over-commitment by age and country



3.21 As the figure shows there is no difference in the proportion of the population meeting these indicators by gender. By age, the penetration reduces considerably among the population aged over 65. The proportion of the population meeting only the commitment:income ratio indicators (and not the burden or arrears indicators) is however reasonably consistent across age bands. This means that among the older age groups, a higher proportion of all those meeting the over-indebtedness/over-commitment definition do so just on the basis of meeting one of the commitment:income ratios. The findings indicate that the proportion of the population meeting the indicators is slightly higher in Northern Ireland than in the other countries of the UK.

Self-assessment of being in debt

- 3.22 All eligible for the quantitative survey i.e. those meeting at least one of the over-indebtedness/over-commitment indicators were asked whether they would describe themselves as being in debt. Overall just over half of over-indebted/over-committed individuals (54%) consider themselves to be in debt. This proportion varies considerably by which of the 4 indicators are met as shown in Figure 3.4 below.

Figure 3.4: Self-assessment of being in debt by indicator met

- 3.23 The vast majority of those meeting the burden or arrears indicators associate themselves with being in debt. However, only around half of those meeting the commitment:income ratios feel that they are currently in debt. Furthermore, only 35% of the group of individuals meeting **only** one of the commitment:income ratios consider themselves to be in debt. This would perhaps indicate that the use of these indicators to identify an over-indebted/over-committed population incorporates quite a large number of individuals who are quite a long way from seeking debt advice (in that they do not associate themselves with the concept of debt at all). Some of these individuals may well never reach the point of needing debt advice but it is likely that some will.
- 3.24 Within this population, older individuals are less likely to consider themselves in debt (33% of those aged 55 or over compared with around two thirds of younger age groups).

Other measures of severity of debt experienced.

- 3.25 As well as whether individuals would define themselves as being in debt, the survey collected two other measures of the extent to which individuals meeting the over-indebtedness/over-commitment definition were experiencing difficulties in managing their finances;
- Assessment of difficulties in keeping up with credit commitments;
 - Relationships with creditors

- 3.26 Using a question adapted from one used in the Financial Capability Baseline questionnaire¹⁹, the survey asked individuals which of a series of statements best described the extent to which they were keeping up with their current credit commitments. Table 3.2 below shows responses to this question at overall level and by over-indebtedness/over-commitment indicator met.

Table 3.2: Ease of keeping up with current credit commitments by indicator met

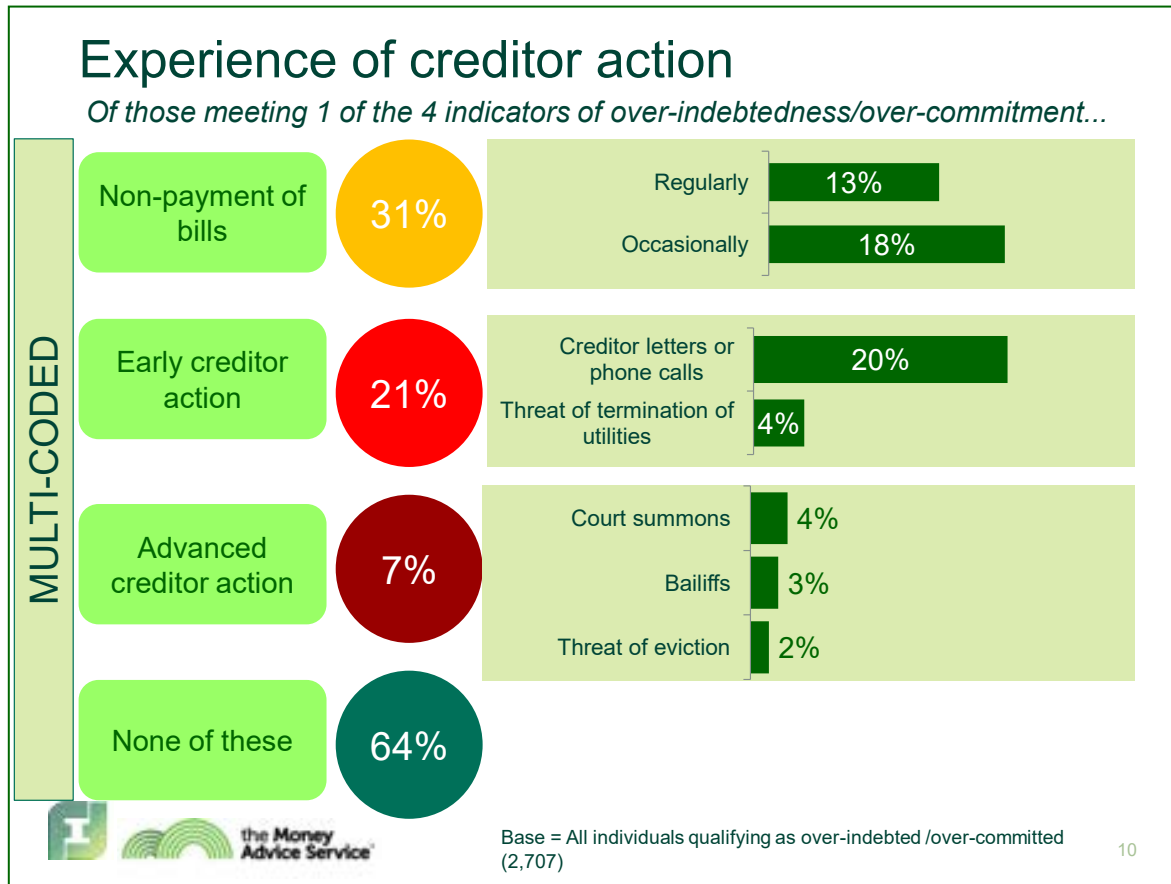
	Total	Indicator met			
		Heavy burden indicator	Commitment: income ratio of 50% across all debts	Commitment: income ratio of 25% for unsecured debts	Structural arrears
<i>Base (unweighted)</i>	(2707)	(895)	(1264)	(1886)	(701)
<i>Base (weighted)</i>	(2707)	(899)	(1272)	(1870)	(718)
	%	%	%	%	%
Keeping up with bills and credit commitments without any difficulties	20	2	19	26	5
Keeping up with bills and credit commitments, but it is a struggle from time to time	41	19	42	42	32
Keeping up with bills and credit commitments, but it is a constant struggle	28	54	28	23	27
Falling behind with or missed some bills or credit commitments	8	17	7	6	25
Having real financial problems and have fallen behind with or missed many bills or credit commitments	3	8	3	3	11
Don't know	*	*	*	*	*

- 3.27 The over-indebted/over-committed population split into 11% who are falling behind with their credit commitments, 68% who are keeping up with commitments but finding it a struggle and 20% who feel that they are keeping up without any difficulties. Almost by definition, the proportion who are struggling is higher among those meeting the structural arrears indicator (35%). Very few of those who meet the heavy burden or structural arrears indicators consider that they are keeping up with their commitments without difficulties although this increases to a quarter of those meeting the unsecured commitment:income ratio of 25% or more.

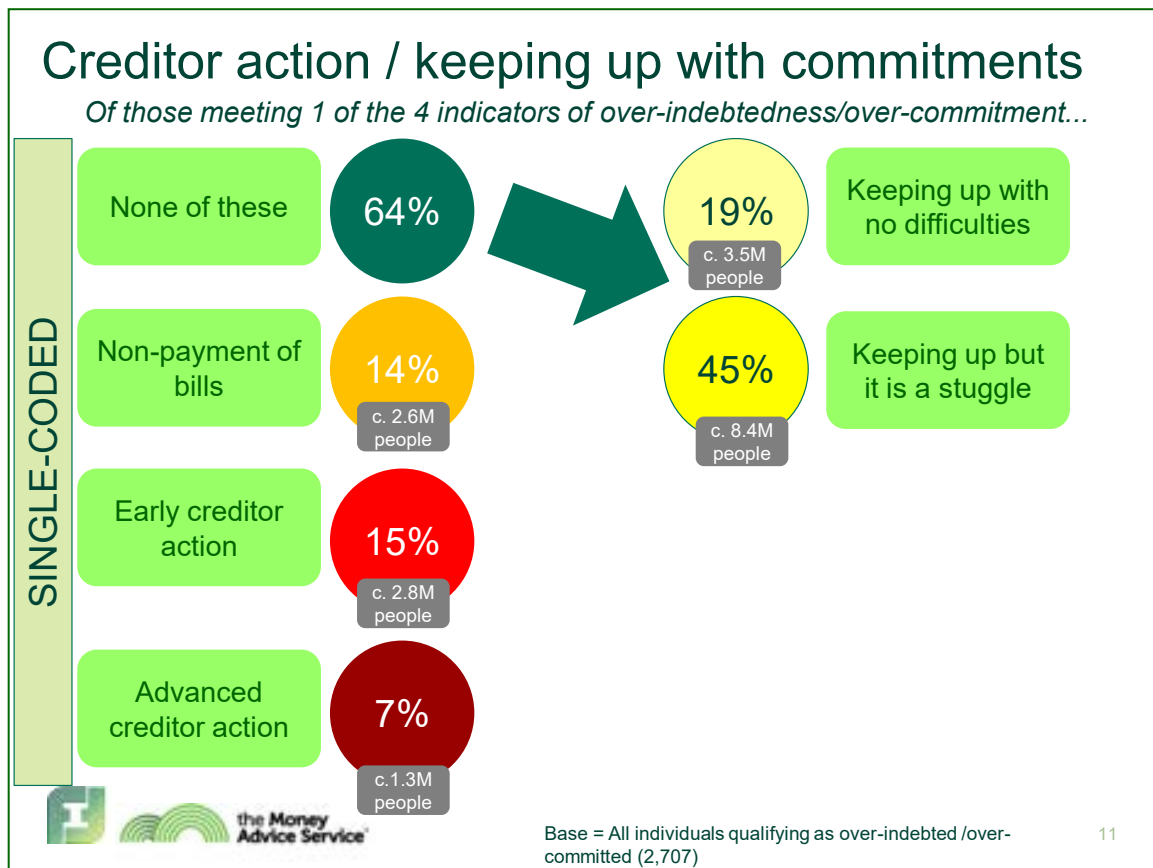
¹⁹ FSA (2006) Financial Capability Baseline Survey: Methodological Report: <http://www.fsa.gov.uk/pubs/consumer-research/crpr47a.pdf>

- 3.28 Individuals were also asked whether they were having difficulties meeting their bills and/or had experienced creditor action to recover debts. Figure 3.5 below shows the proportion of over-indebted/over-committed individuals experiencing each of the types of creditor issues explored. The responses shown are not mutually exclusive as individuals were able to mention more than one type of creditor action.

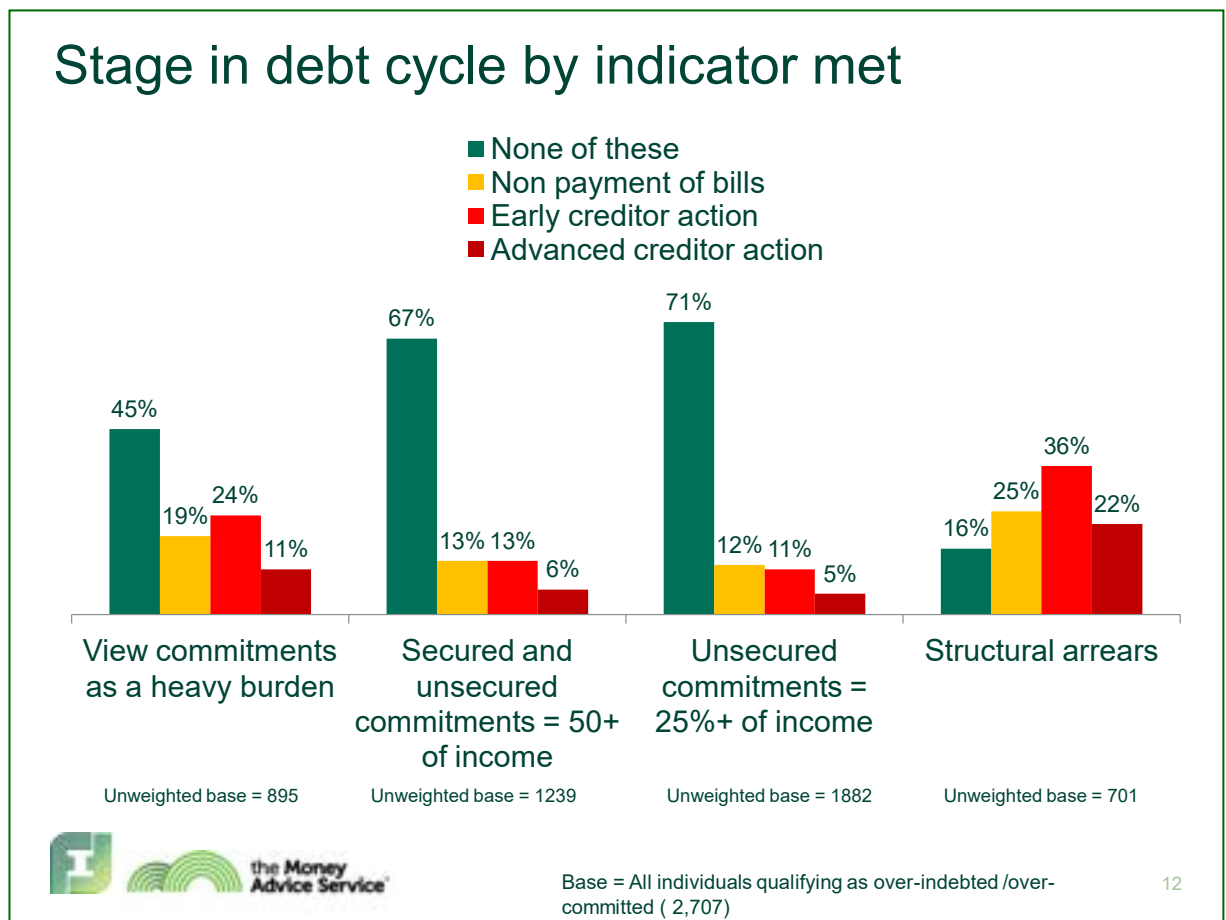
Figure 3.5: Experience of creditor action (multi-coded)



- 3.29 Almost two thirds of the individuals meeting the over-indebtedness/over-commitment indicators are not experiencing any of these difficulties in their relationships with creditors although a third are not paying bills (13% regularly and 18% occasionally). We have grouped creditor letters/phone calls and threats of termination of utilities as „early creditor action” – overall a fifth of these individuals are experiencing one of these difficulties. A minority – 7% - are experiencing more advanced creditor action involving either court summons, visits from bailiffs or threats of eviction.
- 3.30 In the previous figure there is overlap between the categories. Prioritising the most serious creditor action that individuals are experiencing so that each person only appears in one category (advanced creditor action, early creditor action, non-payment of bills and no action) produces the figures shown in Figure 3.6 below. As the figure shows, the 64% of individuals who are not experiencing any creditor action split into 19% who state that they are having no difficulties keeping up with their bills and commitments and 45% who indicate that they are struggling to keep up with their commitments (either from time-to-time or constantly). The figures in the grey boxes show the estimated volumes of the population falling into each of these groupings produced by scaling up survey findings to the estimated 18.6 million over-indebted/over-committed population. This categorisation is used throughout this report as a means to understanding how experiences and attitudes vary by stage in the debt cycle.

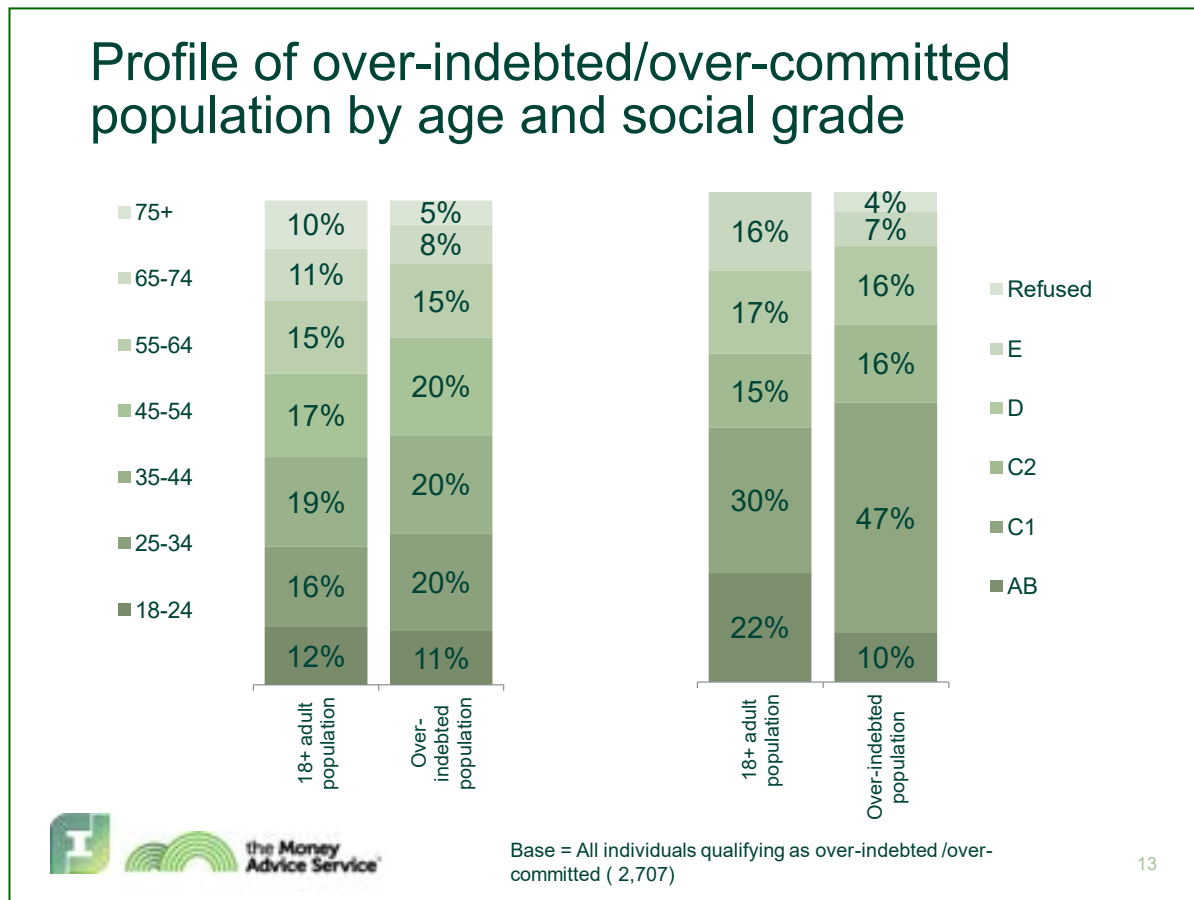
Figure 3.6: Stage of debt cycle (single-coded)

- 3.31 In total just over a fifth of the over-indebted/over-committed population are experiencing some form of creditor action. A further 14% had missed bills and hence were likely to be on the edge of experiencing creditor action of some sort .
- 3.32 Figure 3.7 shows how the stage in the debt cycle varies by which of the 4 over-indebtedness/over-commitment indicators are met.
- 3.33 Those meeting the structural arrears indicator are generally furthest in the debt cycle with over half experiencing creditor action of some description. Within the individuals meeting the heavy burden indicator, 45% are yet to experience any creditor action or to fall behind with bills but almost all of these consider themselves to be struggling to make ends meet. Those who feel that they are keeping up with their commitments without any difficulties are most likely to be among those falling into the over-indebted/over-committed definition on the basis of meeting one of the commitment:income ratio indicators.

Figure 3.7: Stage in debt cycle by indicators met

Demographic profile of over-indebted/over-committed individuals

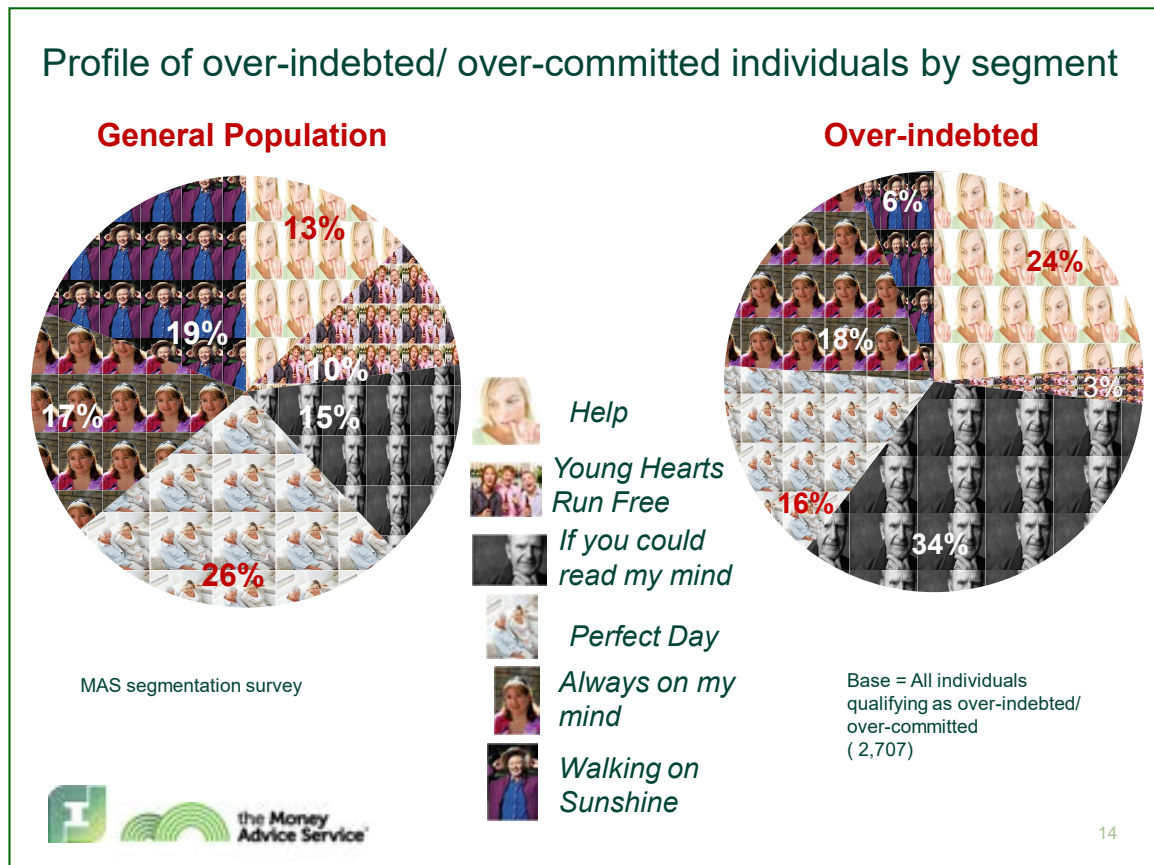
- 3.34 Men and women are almost equally likely to meet the definition for over-indebtedness/over-commitment. The over-indebted population consists of 48% men and 52% women.
- 3.35 As Figure 3.8 below shows, compared to the UK population as a whole, the over-indebted population is younger and social grades AB are under-represented. However, it is worth noting that all social grades are present in the over-indebted population.
- 3.36 Other features of this population are that;
- 46% are in receipt of state benefits (with 13% living on a household income made up entirely of state benefits);
 - A fifth (22%) are disabled or have a long-term illness) (figures from the ONS Labour Force Survey 2011 indicate that this is slightly above the average of 18% for the population as a whole);
 - A quarter (26%) have dependent children aged under 16;
 - 12% are divorced or separated (this is broadly in line with population averages – ONS mid-term population figures for 2010 indicate that 10% of the population are divorced (compared with 9% among the over-indebted/over-committed population for this survey; comparable figures for those who are separated are not available).

Figure 3.8: Profile of over-indebted/over-committed population by age and social grade

Profile of over-indebted/over-committed individuals by segment

- 3.37 All individuals completing the full survey were asked to respond to a series of attitudinal statements that allowed them to be ascribed to one of the 6 Money Advice Service segments.
- 3.38 Figure 3.9 below shows how the profile of over-indebted/over-committed individuals by segment (the pie chart on the right) compares with the profile of the population as a whole (the pie chart on the left).

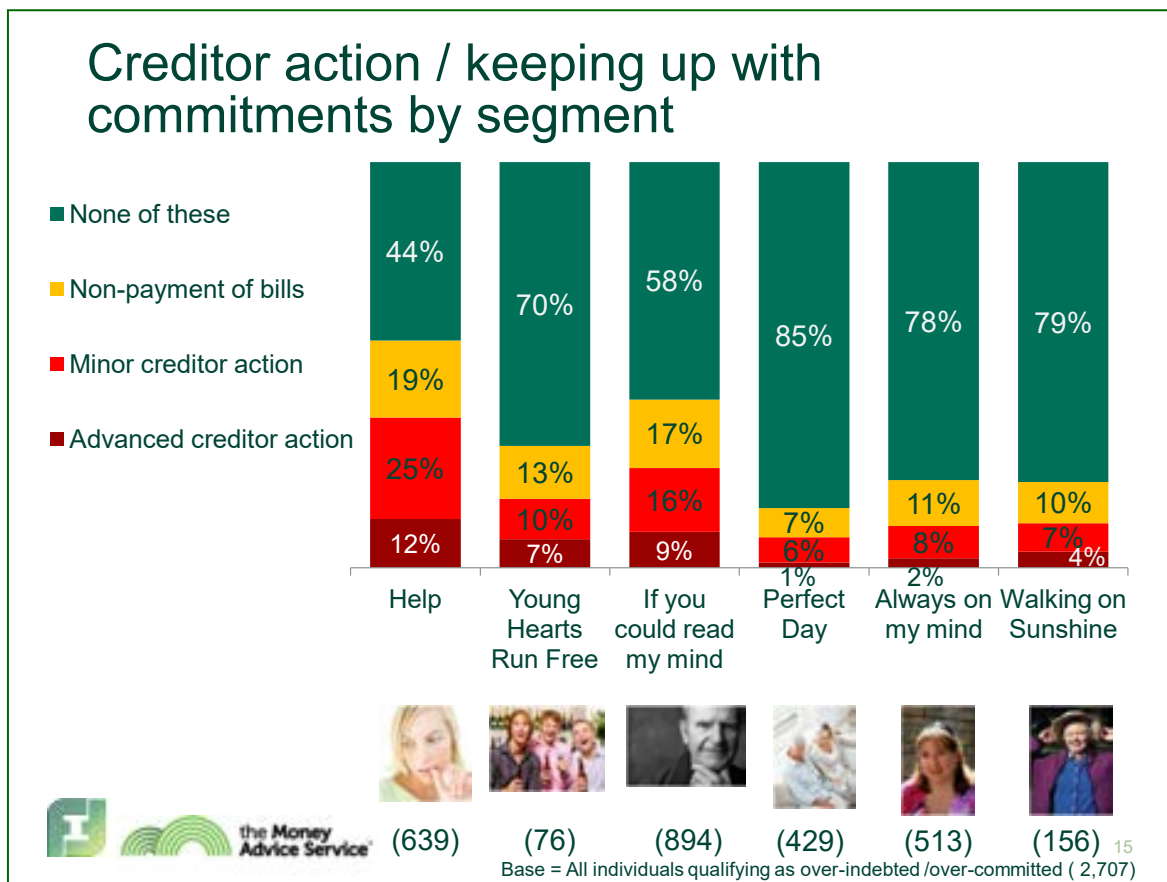
Figure 3.9: Profile of over-indebted/over-committed individuals by segment



- 3.39 This analysis shows that compared to the population-wide profile, the *If You Could Read my Mind* and *Help* segments are notably over-represented among over-indebted/over-committed individuals. A quarter of these individuals (24%) fall into the „*Help*“ segment while this segment only represents 13% of the population as a whole. Similarly a third of these individuals (34%) are in the „*If You Could Read my Mind*“ segment which represents only 15% of the population as a whole. By contrast both the *Young Hearts Run Free* and *Walking on Sunshine* segments are markedly under-represented in the population of over-indebted/over-committed individuals. In fact the *Always on my Mind* segment is the only one to represent a proportion of the over-indebted/over-committed population that is broadly in line with the proportion of the overall population that it accounts for.
- 3.40 The over-representation of the *If You Could Read my Mind* and *Help* segments among the over-indebted/over-committed may indicate that individuals with these attitudinal outlooks are more likely to become over-indebted. However, it may also indicate that as people start to struggle with their finances, they take on attitudes that move them from other segments into these two.

3.41 Figure 3.10 analyses stage of the debt cycle reached by segment.

Figure 3.10: Stage of debt cycle by segment

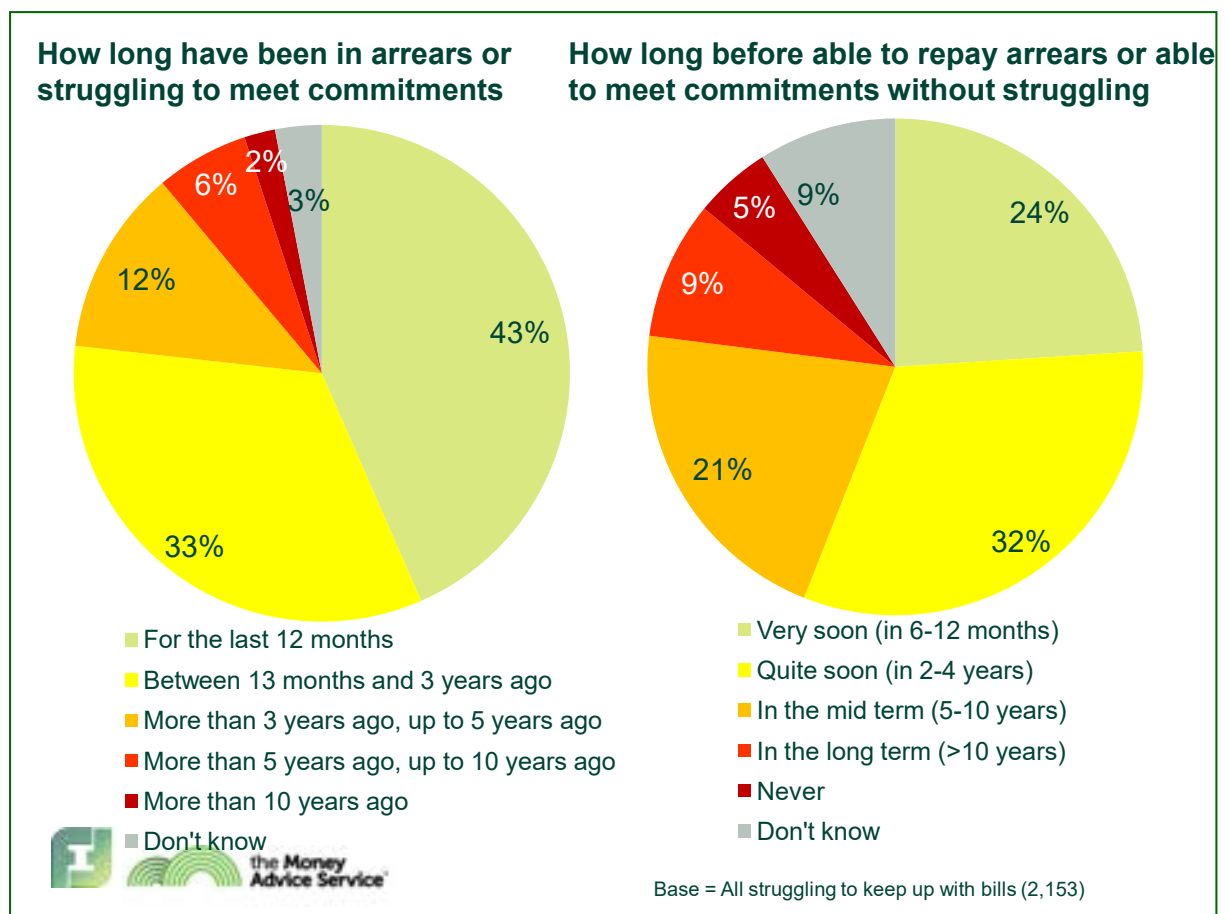


3.42 This analysis shows that as well as being over-represented among the over-indebted/over-committed population, individuals in the *Help* and *If You Could Read my Mind*, these segments are more likely to be further on in the debt cycle. Over a third of over-indebted/over-committed individuals in the *Help* segment and a quarter of those in the *If You Could Read my Mind* segment were experiencing early or advanced creditor action. Two in five of individuals in the *Perfect Day* and *Walking on Sunshine* who met the over-indebtedness/over-commitment indicators were not experiencing credit action or non-payment of bills and felt that they were keeping up with their commitments with no difficulties.

How long over-indebted/over-committed individuals have been in debt

- 3.43 In addition to measuring the extent to which over-indebted/over-committed individuals are currently struggling with debt, the quantitative survey also sought to establish how entrenched their debt situation was by looking at how long they have been struggling with debt, as well as how long into the future they anticipated that they would continue to struggle.
- 3.44 All those who reported keeping up with bills or credit commitments to be a struggle (79%) were asked how long it has been a struggle to keep up with them, and how long they think it will take before they are able to manage their payments without struggling. Results are shown in Figure 3.11 below.

Figure 3.11: How long individuals have and will be struggling



- 3.45 Two in five (43%) report having been struggling for up to 12 months, and a third (33%) say it has been between 12 months and 3 years. A sizeable minority of one in five (20%) state their debt situation dates back to more than 3 years. Individuals struggling to meet commitments for more than 3 years are more likely to be those who:

- Are older (24% of those aged 55+ vs. 22% of those aged 35-54 and 14% of those aged 18-34);
- Consider themselves to be in debt (23% vs. 12% of those not considering themselves to be in debt); and have experienced advanced creditor action (25%);

3.46 Looking into the future, a quarter (24%) of over-indebted/over-committed individuals who are struggling with their credit commitments estimate that they will be able to manage payments without struggling „very soon“ i.e. within the next 6 to 12 months, and a third (32%) think they will manage this „quite soon“ (within the next 2 to 4 years). However, a third (35%) feel that it will take 5 years or more before they will be in a better financial position – and 5% believe that they will „never“ be able to manage their payments without struggling. Those who do not envisage that they will cease struggling with their finances for at least 5 years are more likely to:

- Be in the middle age bands (42% of those aged 35-54 vs. 29% of the youngest age band 18-34 and 31% of the upper band 55+);
- Meet the heavy burden indicator (45%);
- Consider themselves to be in debt (41%);
- Have experienced advanced creditor action (49%).

3.47 Table 3.3 below gives an indication of how the two measures interlink, i.e. how long individuals have been in debt in the past and when they expect to be out of debt in the future, showing percentage figures are based on the overall total.

Table 3.3: Length of ‘debt window’

Percentages based on overall total Base: all struggling with credit commitments (2,153)		How long before out of debt						Total
		Very soon (6 to 12 months)	Quite soon (2 - 4 years)	In the mid term (5 to 10 years)	In the long term (more than 10 years)	Never	Don't know / Prefer not to say	
How long have been in debt	For last 12 months	16%	14%	7%	2%	1%	4%	44%
	For 1-3 years	5%	12%	8%	4%	2%	3%	33%
	For 3-5 years	1%	3%	4%	2%	1%	1%	12%
	For 5-10 years	1%	1%	2%	1%	0%	1%	6%
	More than 10 years	0%	0%	0%	0%	0%	0%	2%
	Don't know	1%	0%	0%	0%	0%	1%	3%
Total		24%	32%	21%	9%	5%	9%	100%

3.48 Cells within the table can be grouped together to give an indication of the time period for which individuals have/will be in debt as follows;

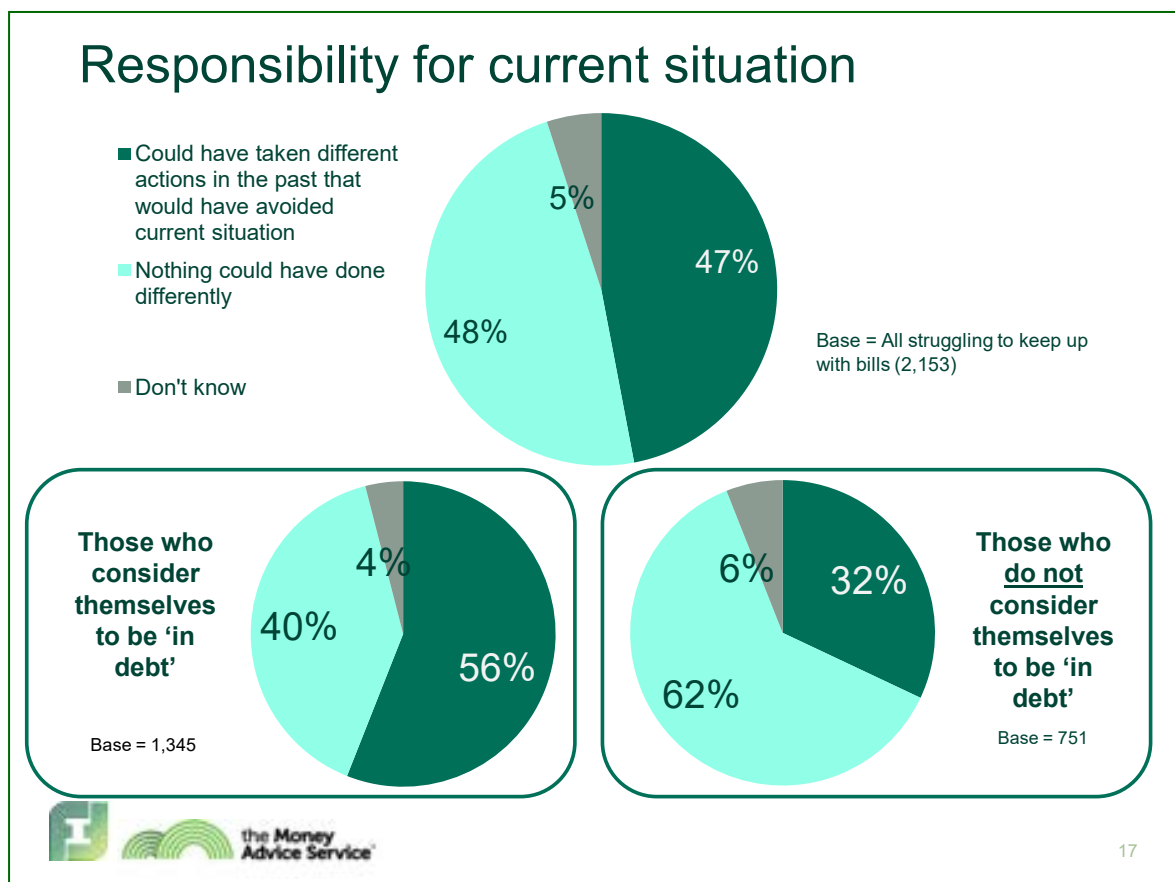
- **Those with a very short debt window (the yellow cells).** For these individuals, debt is a potentially very transitory state. They have been in debt for 12 months or less and believe they will be able to manage their money better very soon (6 to 12 months). This group makes up 16% of over-indebted/over-committed individuals who feel they are struggling with their commitments.

- **Those with a medium debt window (the orange cells).** This group consists of individuals who have been in debt for between 1 and 5 years and who hope to be able to manage their payments without struggling either very soon (within the next 6 months) or soon (within the next 2 to 4 years). These individuals account for 36% of over-indebted/over-committed individuals who are struggling with their commitments.
- **Those with a long debt window.** Roughly a quarter (23%) of individuals have either already been in debt for 5-10 years or have started to struggle recently and do not anticipate an improvement in their situation for 5 to 10 years. Hence this group are anticipating a debt window of around 5-10 years in total.
- **Those with a very long debt window.** Finally, individuals who are facing the most entrenched debt situations are the 14% who have already been struggling for more than 10 years, or who think it will take them more than 10 years to resolve their debt crisis (including those who think this might never happen).

Responsibility for current situation

- 3.49 A further variable that helps to profile the over-indebted/over-committed population is the extent to which they consider that their current financial situation is a function of their own actions or external factors that are outside their control (Figure 3.12). Overall, the quantitative survey indicates that these individuals are split roughly in half between these two positions. This question was only asked of those who stated that they had some difficulty in keeping up with their bills and commitments – those who stated that they had no difficulties were excluded.

Figure 3.12: Responsibility for current financial struggles



- 3.50 About half (47%) feel that they could have taken different actions in the past that would have avoided finding themselves in their current situation, while the other half (48%) feel that there is nothing they could have done differently. Younger people are more likely to take personal responsibility. (56% of those aged 18-34 vs. 46% of those aged 35-54 and 37% of those aged 55+).
- 3.51 There are differences in the views of those who consider themselves to be in debt compared with those who do not self-identify with the concept of being in debt. Those who feel they are „in debt“ were more likely to accept a degree of personal responsibility although there were still a considerable proportion (40%) who felt that there was nothing that they could have done differently.
- 3.52 The qualitative research showed a range of causes identified by individuals for their financial situation including those that they considered to be of their own making and those that they did not. These spanned a loss of income (redundancy, maternity, retirement, studies), overspending (often using credit cards) and changes in personal circumstances (ill health, relationship breakdown).
- 3.53 The level of responsibility accepted by individuals is subjective and perhaps not always consistent with the different reasons given for the financial difficulties experienced; all of the following reasons for being in debt were identified as being due to **external factors**:
- Took out loans to buy kitchen equipment, then had to take loans to pay back the initial loans
 - On incapacity benefit following several accidents
 - Lost several jobs
 - Health deterioration
 - Previous partner spent large amounts of money on credit card
 - Daughter used credit cards to pay for wedding

And all of the following were considered to be the respondent's **own responsibility**:

- Left job in the city to look after unwell mother and now works part time
- Bad spending habits
- No longer has well-off partner
- Fell pregnant, left university and failed to find a job

Some felt their financial situation was a **combination** of external factors and own responsibility and gave root causes that included;

- Having more children therefore resulting in general spending being higher
- Moved to a larger house but not reduced spending
- Voluntary redundancy



4 Individuals' needs from debt advice

- 4.1 This chapter explores individuals' needs and desired outcomes from debt advice. It first considers the research evidence in relation to emotional aspects of how individuals experience being in debt and how they feel about money issues more generally. The chapter then proceeds to a discussion of various practical outcomes individuals indicate they would need in order to get help with achieving a resolution to their financial situation. Finally, we discuss the extent of control individuals want to retain, or hand over to a debt advice agency, in the process of dealing with their debt issues. The analysis draws on findings from the quantitative and qualitative research conducted amongst individuals.

Chapter summary

The qualitative research demonstrated that there is a general assumption that seeking debt advice should result in the reduction of monthly repayments made and a plan for paying off the overall amount owed. However some individuals did not make a clear distinction between having agreed a repayment plan and having debt written-off. Generally there was a relatively poor understanding of what the options for managing debt might be.

Emotional needs – the research confirms that being in debt can often be an experience that is clouded by strong negative emotional feelings. Over-indebted/over-committed individuals report a number of emotional needs related to dealing with debt and trying to find a resolution, including reassurance, encouragement, help with building confidence, overcoming fear and embarrassment. Overall, two thirds (65%) report any emotional need.

Practical outcomes – Two thirds (63%) indicate they would need help with achieving a number of practical outcomes, including outcomes related to prevention (52%), understanding options (46%), gaining control (34%), acceptance (27%) and containment (26%).

Degree of control desired – Only a minority (13%) wish to hand over total control to a debt advice service, however, this is more likely to be the case amongst individuals who are using debt advice (30%) or have used it in the past (21%), or who are experiencing advanced creditor action (23%). This demonstrates a tendency for individuals to lose a willingness and/or ability to self-help as their debt situation becomes more entrenched.

Emotional needs

- 4.2 It is clear that being in debt and trying to achieve a resolution is not simply a rational affair for many individuals. Emotional aspects are a key element in the way individuals experience debt and how they approach their money issues more generally. The exploratory qualitative research established a number of themes around different types of emotional needs expressed by individuals. These included:

- Reassurance
- Encouragement
- Confidence
- Overcoming fear of tackling debt
- Overcoming embarrassment



- 4.3 Considering the need for reassurance first, one of the key themes emerging from the qualitative research is that individuals need reassurance that they are actually capable of tackling their debt situation – both from the perspective that it is possible to find a solution and that they have or can acquire the skills and/or knowledge to make their financial situation better.. Several of the individuals interviewed for the qualitative research experience their debt problems as an insurmountable crisis with no real prospect of resolution and as a result tend to give up trying for a solution completely. For this group, providing reassurance that a solution is possible is key to prompting action. In addition, some individuals report already having tried a number of steps previously in order to address their debt situation. However, in some cases they are unsure whether their past actions actually helped or not. Again, feeling reassured that their own actions are taking them in the right direction is one of the key emotional needs reported by individuals.
- 4.4 Encouragement emerges as another key aspect of individuals' emotional needs. Individuals often say they would benefit from receiving encouragement that their debt is reducing or will reduce, and that they will be able to achieve a „debt free“ state in the future. Individuals discussed the loneliness of debt and the long timeframes taken to emerge from it as leading to a need for a someone to help them to „stick with“ repayment plans.

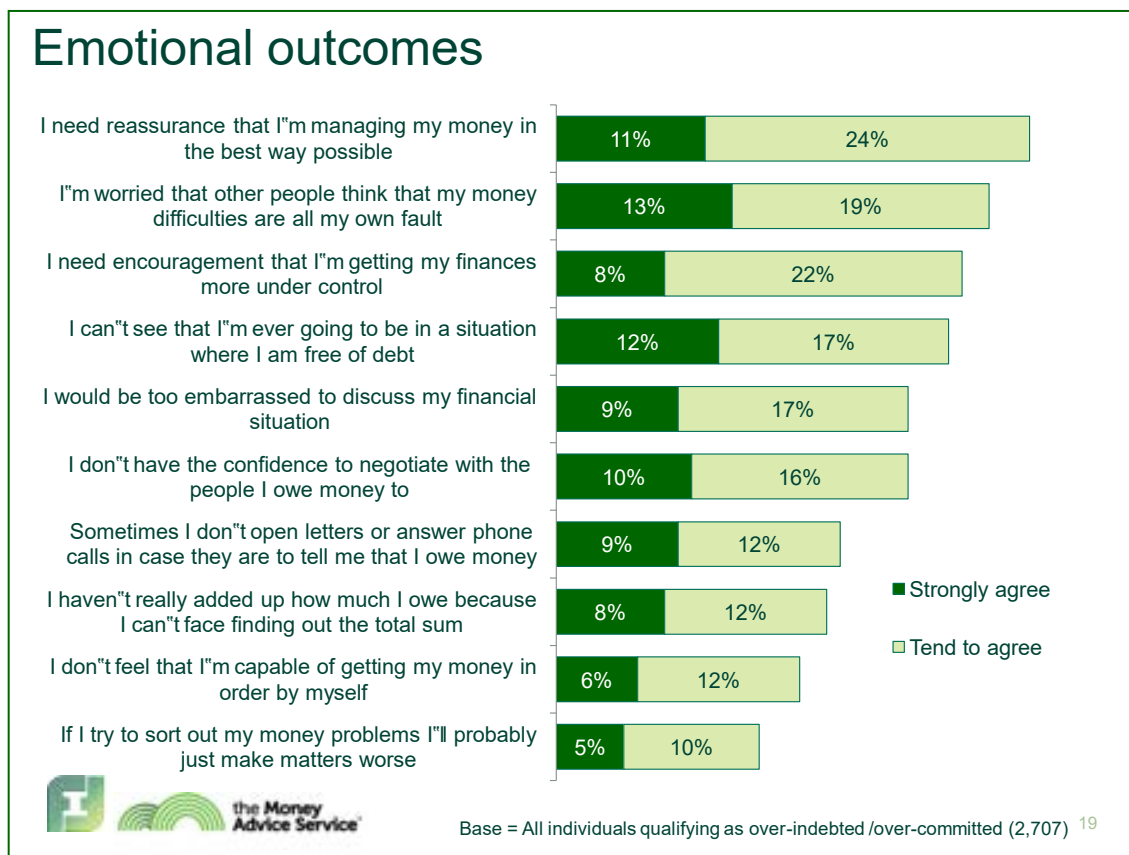
“To say „yes we are doing well, the bill is coming down nicely and we’ve only got such and such time to pay now and you will be finished.”” (User, WOS, 50+,M)

- 4.5 Individuals also report that they often lack confidence when trying to organise their money matters, and in particular when dealing with their creditors. Having more confidence would allow them to start taking charge of their situation, for example by responding to creditor letters rather than ignoring them. Greater confidence would also enable them to negotiate more effectively with their creditors and avoid giving in to unrealistic demands. The envisaged route to achieving the necessary confidence varied from individual to individual; for some it was about knowing their legal rights, for others it was about having someone who could advise them on what to say through a „coaching“ approach, some seemed just to need someone to discuss their dealings with creditors with in the hope that they would confirm that they had acted sensibly.

“What used to happen is that I would ring up and they would say they wanted so much and I would say „I’m not paying that” but then they say „Well what if you could pay £40 this month” and I would say „I would do that” knowing full well that I couldn’t do that, so I need the confidence to say „this is what I can pay.”” (User, IYCRMM, 35-49,M)

- 4.6 The qualitative research also shows that fear is a common emotional experience for many over-indebted/over-committed individuals. Many are indeed paralysed by fear of finding out how serious their financial situation is and as a result adopt a „head in the sand approach“ which then prevents them from opening letters from creditors or adding up their outgoings. Some also fear that if they were to start to tackle their financial situation then they would inadvertently make their situation worse through their lack of confidence or skills. Some individuals spoke of being worried about a „house of cards“ effect whereby making contact with one creditor to explain their inability to pay might then alert others to their situation and result in more demands for payment. There was evidence to suggest that in some cases this fear might be well-grounded as some individuals who had attempted to address their debt had ended up with unsustainable repayment plans. To be effective, a debt advice service would need to help these individuals to overcome this fear and to make it clear that they will not make their situation worse by taking action. At the same time, ensuring that individuals have the skills and knowledge to take the right action will be critical too.

- 4.7 Finally, a lot of individuals express embarrassment about their debt situation, in particular when a sudden debt crisis escalates after an unforeseen event, such as bereavement or a redundancy. This then acts as a barrier to seeking help. Respondents report that realising that other people have faced similar situations and that they are not alone in facing their debt challenges would help overcome feelings of embarrassment, as would talking to somebody about their debt who does not blame or judge them.
- “It has to be a humane kind of service and realistic about what is happening. They don’t want to make you feel bad about it. I think that’s the number one thing” (User, IYCRMM, 35-49,F)*
- 4.8 The qualitative research demonstrated that as debt becomes more entrenched so the need for emotional support alongside practical assistance increases.
- 4.9 Often by the time individuals had elected to seek debt advice, they had been struggling with debt for a long time and as a result they had lost confidence in their ability to cope with their finances. In some cases this was because they had attempted to take action to improve their situation that had been unsuccessful. Many had lost contact with friends as their financial situation had deteriorated and hence had lost potential sources of emotional support. In some cases, individuals had seen deterioration in their mental health as a result of their debt situation which in turn led to a need for greater emotional support. Individuals who had been struggling for such a long time were likely to need convincing that a route out of debt was a possibility.
- 4.10 Some individuals who had used debt advice in the past were disappointed at the lack of follow-up contact and felt that they needed some form of ongoing contact to provide them with encouragement to stick with plans agreed or reassurance that they were taking the correct course of action.
- 4.11 The quantitative survey quantified the themes that emerged from the qualitative research around emotional needs. Individuals were asked to what extent they agree or disagree with a number of statements that all related to the emotional aspects of their experience debt or feelings towards money issues more generally. Results are shown in Figure 4.1 below, which summarises the proportions saying they „strongly agree“ and „agree“ with each statement.

Figure 4.1: Emotional needs of over-indebted/over-committed individuals

4.12 Looking across all these emotional statements presented in Figure 4.1, on average two thirds (65%) agree with any statement (and a third or 33% agreed strongly with any statement). Having emotional needs in line with these statements is more likely to be the case amongst individuals who:

- are allocated to the „Help“ segment (87% – by far the largest proportion compared to all other segments);
- qualify on the subjective debt indicator (83% of those reporting keeping up with commitments is a heavy burden) and amongst those with structural arrears (83%);
- consider themselves as being in debt (82% vs. 45% of those not considering themselves as being in debt); experience advanced creditor action (91% compared to lower proportions amongst those with minor or no creditor action); and used debt advice previously (83% vs. 58% who have not used it);
- are younger (75% of those aged 18-24 vs. 69% of those aged 35-54 and 49% of those aged 55 or older); belong to a lower social grade (67% of those in DE vs. 65% of those in C1/C2 and 59% of those in AB); and who have an income entirely made up of state benefits (76% vs. 64%)

- 4.13 The quantitative results confirm **reassurance** is one of the key emotional needs of over-indebted/over-committed individuals, with one in ten (11%) reporting they agree strongly and a quarter (24%) agreeing with the statement that they need reassurance that they are managing their money in the best way possible. In addition, three in ten (29%) agree they are not able to see that they are ever going to be in a situation where they are debt free. These results suggest a need for emotional reassurance.
- 4.14 A third (33%) of these individuals are worried that other people think that their money difficulties are all their own fault. Further, more than a quarter (27%) agree that they would feel too embarrassed to discuss their financial situation. .
- 4.15 A third (30%) report a need for **encouragement** that they are getting their finances more under control.
- 4.16 A quarter (26%) feel they did not have the **confidence** to negotiate with the people they owe money to.
- 4.17 Smaller but still sizeable proportions admit that they sometimes don't open letters or answer the phone in case they are to tell them that they owe money (21%). A similar proportion suggest they don't add up how much they owe because they can't face finding out the real sum (20%). These findings suggest **overcoming fear** is an important barrier.
- 4.18 Exploring emotional needs in more detail, Table 4.1 below shows the proportion of over-indebted/over-committed individuals who agree to each statement. Results are broken down by the degree of struggling with debt, on a continuum starting with individuals who are keeping up with their bills and credit commitments without any problems through to individuals who have already experienced advanced creditor action.

Table 4.1: Emotional needs by stage of debt cycle

	All	Stage of debt cycle				
		Keeping up no problem	Keeping up a struggle	Non payment of bills	Early creditor action	Advanced creditor action
<i>Base</i>	(2,707)	(523)	(1,208)	(389)	(393)	(183)
<i>% agree strongly or tend to agree</i>	%	%	%	%	%	%
I need reassurance that I'm managing my money in the best way possible	34	18	32	48	42	54
I'm worried that other people think that my money difficulties are all my own fault	33	8	28	46	52	62
I need encouragement that I'm getting my finances more under control	30	10	27	39	48	57
I can't see that I'm ever going to be in a situation where I am free of debt	29	7	26	36	48	63
I would be too embarrassed to discuss my financial situation	27	8	21	37	45	54
I don't have the confidence to negotiate with the people I owe money to	26	6	21	33	45	56
Sometimes I don't open letters or answer phone calls in case	21	3	10	25	53	67

	All	Stage of debt cycle				
		Keeping up no problem	Keeping up a struggle	Non payment of bills	Early creditor action	Advanced creditor action
<i>Base</i>	<i>(2,707)</i>	<i>(523)</i>	<i>(1,208)</i>	<i>(389)</i>	<i>(393)</i>	<i>(183)</i>
<i>% agree strongly or tend to agree</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
they are to tell me that I owe money						
I haven't really added up how much I owe because I can't face finding out the total sum	20	5	13	31	37	54
I don't feel that I'm capable of getting my money in order by myself	18	7	14	21	31	45
If I try to sort out my money problems I'll probably just make matters worse	15	4	10	19	25	43
Any emotional need	65	30	63	83	88	91

- 4.19 There is a clear relationship between the stage of the debt cycle and emotional needs. For example, only one in five (18%) of those saying they were keeping up with no problems indicate a need for reassurance, compared to about half (48%) of those who report not paying bills occasionally or regularly, and more than half (54%) of those who report having experienced advanced creditor action, including being approached by bailiffs or threatened with eviction. This reinforces the findings from the qualitative research about emotional needs becoming more pronounced as debt becomes more entrenched.
- 4.20 The highest incidence of emotional needs was found amongst individuals who have experienced advanced creditor action and agree to statements typifying the following themes:
- Overcoming fear – two thirds (67%) agree with the statement that they sometimes don't open letters or answer phone calls in case they were to tell them that they owed money;
 - Reassurance – two thirds (63%) agree with the statement about not seeing that they are ever going to be in a situation where they would be debt free;
 - Overcoming embarrassment – three in five (62%) agree with the statement that they are worried that other people think that their money difficulties are all their own fault.
- 4.21 Table 4.2 shows the variation in the level of agreement with each of the emotional need statements by whether or not individuals self-identify with the concept of being in-debt. Generally those who feel that they are in debt are much more likely to agree with each of the statements.

Table 4.2: Emotional needs by whether consider to be in debt

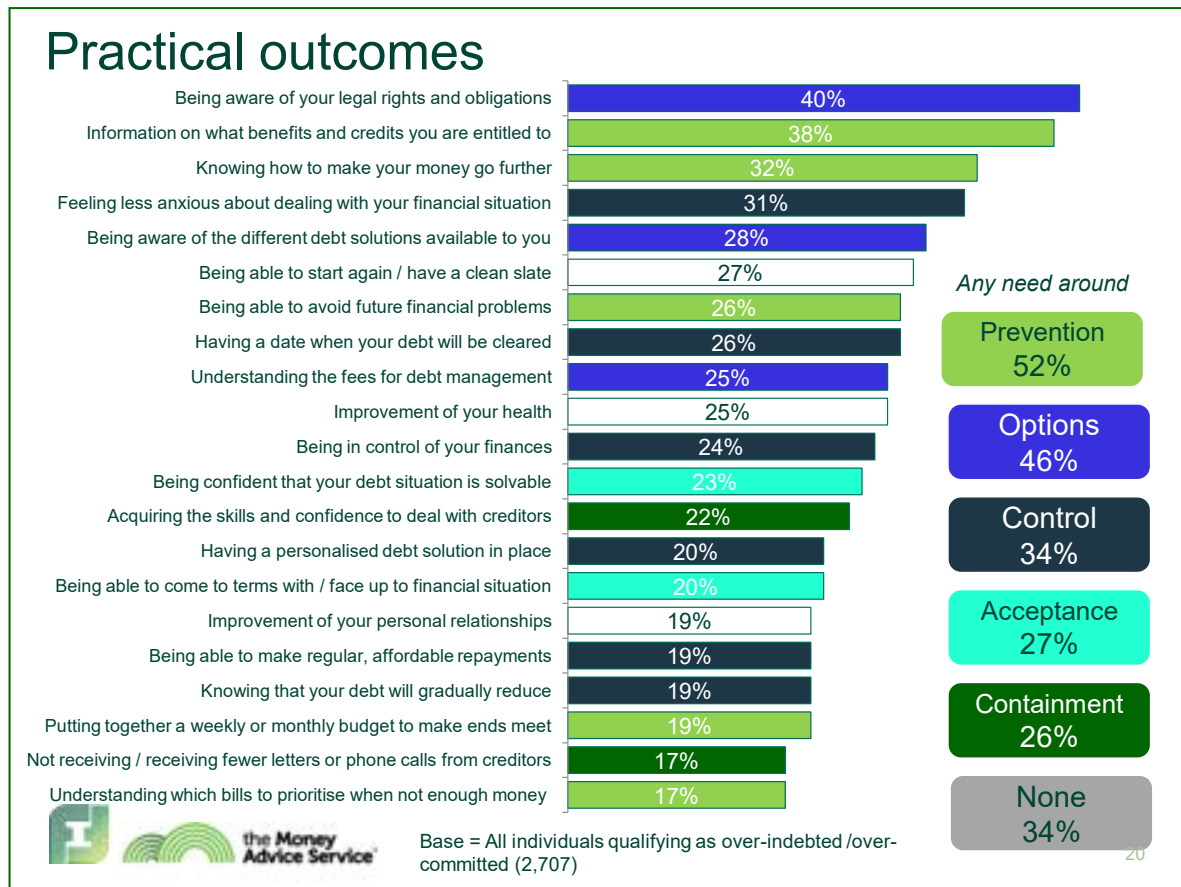
	All	Consider themselves to be „in debt“	Do not consider to be „in debt“
<i>Base</i>	<i>(2,707)</i>	<i>(1,427)</i>	<i>(1,237)</i>
<i>% agree strongly or tend to agree</i>	<i>%</i>	<i>%</i>	<i>%</i>
I need reassurance that I'm managing my money in the best way possible	34	41	26
I'm worried that other people think that my money difficulties are all my own fault	33	46	16
I need encouragement that I'm getting my finances more under control	30	42	17
I can't see that I'm ever going to be in a situation where I am free of debt	29	43	12
I would be too embarrassed to discuss my financial situation	27	37	13
I don't have the confidence to negotiate with the people I owe money to	26	37	12
Sometimes I don't open letters or answer phone calls in case they are to tell me that I owe money	21	31	9
I haven't really added up how much I owe because I can't face finding out the total sum	20	31	7
I don't feel that I'm capable of getting my money in order by myself	18	25	9
If I try to sort out my money problems I'll probably just make matters worse	15	21	7
Any emotional need	65	82	45

Practical outcomes desired by individuals

- 4.22 In order to explore what types of practical outcomes individuals would expect from a debt advice service, the quantitative surveys asked respondents to consider a number of different things that could help people resolve their financial situation. They were then asked to indicate whether they feel that they know how to do this already, whether they would need help with this, or whether it is not relevant to their situation. Figure 4.2 below provides an overview of the proportions saying they would need help with achieving a positive outcome and allows an appreciation of the relative importance of each desired outcome.
- 4.23 The top four areas where individuals feel they would need help include being aware of legal rights and obligations (40%), information on what benefits and credits they are entitled to (38%), knowing how to make their money go further (32%), and feeling less anxious about dealing with their financial situation (31%).
- 4.24 Grouping these individual outcomes into broader themes shows that more than half (52%) feel they would need help with achieving outcomes related to the **prevention** of debt problems, including strategies around income maximisation and payment prioritisation in order to prevent any future debt crisis. This includes understanding what benefits and credits they are entitled to (38%), knowing how to make their money go further (32%), being able to avoid future financial problems (26%), putting together a weekly or monthly budget to make ends meet (19%), and understanding which bills to prioritise when not enough money (17%).

- 4.25 A second group of outcomes can be categorised as **understanding options**, where about half (46%) feel they would need help. This cluster includes statements such as being aware of legal rights and obligations (40%), being aware of the different debt solutions available (28%), understanding the fees for debt management (25%).

Figure 4.2: Practical outcomes individuals need help achieving



- 4.26 Outcomes related to **feeling in control** and having a clear overview of how debt can be reduced (indicated by about a third or 34%) include: feeling less anxious about dealing with the financial situation (31%), having a date when the debt will be cleared (26%), being in control of finances (24%), having a personalised debt solution in place (20%), being able to make regular, affordable repayments (19%), and knowing that the debt will gradually reduce (19%).
- 4.27 More than a quarter (27%) express practical needs that can be grouped as **acceptance** and being able to take first steps towards a resolution. This includes statements such as being confident that the debt situation is solvable (23%), and being able to come to terms with / face up to financial situation (20%).
- 4.28 Finally, a quarter (26%) of over-indebted/over-committed individuals report needing help with **containment** of their debt situation. This relates to acquiring the skills and confidence to deal with creditors (22%), and not receiving or receiving fewer letters or phone calls from creditors (17%).
- 4.29 Overall three in five (63%) of individuals report needing help with practical outcomes, while a third (34%) say they would not need help. More likely to be needing help with any practical outcome were individuals who:

- fall into to the „Help“ segment (82%) and the „If you could read my mind“ segment (69%);

- report keeping up with credit commitments is a heavy burden (78%) and those with structural arrears (80%);
 - consider themselves as being in debt (76% vs. 48% of those not considering themselves as being in debt); are struggling with debt to a greater extent (87% of those experiencing advanced creditor action, 84% of those with minor creditor action, and 80% of those missing some payments vs. 61% of those who said they keep up but struggle and 33% of those who keep up without problems); and who had used debt advice previously (78% vs. 57% who have not used it);
 - are younger (78% of those aged 18-24 vs. 65% aged 35-54 and 48% aged 55+); belong to a lower social grade (64% of those in DE and 64% in C1/C2 vs. 58% of those in AB); and who have an income entirely made up of state benefits (71% vs. 62%).
- 4.30 Considering practical needs in more detail, Table 4.3 below shows the proportion of individuals who report they would need help with each outcome, broken down by stage of the debt cycle.
- 4.31 Individuals who struggle to pay bills and credit commitments and face creditor action are more likely to say they would need help across all of the practical needs. For example, seven in ten (71%) individuals reporting advanced creditor action say they would need help with becoming aware of their legal rights and obligation compared to the average of two in five (40%) and just one in seven (14%) of those who were keeping up without any problems.
- 4.32 Among those who are keeping up with their credit commitments with no problems, only very small minorities agree that they have each of the practical needs explored although overall a third feel that they could do with help in at least one area. By the time individuals are starting to struggle (but not yet experiencing creditor action), the proportion feeling that they had a need in at least one of the practical areas explored has doubled. Most commonly at this stage individuals admit help with „information-related“ needs (awareness of rights, information on benefit entitlements, knowing how to make money go further) and for a need to reduce anxiety about their financial situation. By the time that they are experiencing non-payment of bills or creditor action, the vast majority of individuals have a practical need of some kind. By the time individuals are experiencing advanced creditor action, at least half admit needing help in almost all the areas explored.

Table 4.3: Practical needs by stage of debt cycle

	All	Stage of debt cycle				
		Keeping up no problem	Keeping up a struggle	Non payment of bills	Minor creditor action	Advanced creditor action
<i>Base</i>	(2,707)	(523)	(1,208)	(389)	(393)	(183)
<i>% needing help</i>	%	%	%	%	%	%
Being aware of your legal rights and obligations	40	14	34	53	64	71
Information on what benefits and credits you are entitled to	38	17	34	48	57	60
Knowing how to make your money go further	32	12	29	40	47	53
Feeling less anxious about dealing with your financial situation	31	6	25	45	54	63
Being aware of the different debt solutions available to you	28	4	22	40	52	63
Having a date when your debt will be cleared	26	5	19	34	52	60
Being able to avoid future financial problems	26	7	20	36	45	53
Understanding the fees for debt management	25	3	18	36	47	58
Being in control of your finances	24	5	17	34	46	52
Being confident that your debt situation is solvable	23	4	15	31	49	58
Acquiring the skills and confidence to deal with creditors	22	3	14	30	48	57
Being able to come to terms with / face up to financial situation	20	3	13	28	40	53
Having a personalised debt solution in place	20	2	14	27	40	53
Putting together a weekly or monthly budget to make ends meet	19	4	15	29	32	45
Knowing that your debt will gradually reduce	19	2	12	25	38	56
Being able to make regular, affordable repayments	19	2	11	25	40	55
Understanding which bills to prioritise when not enough money	17	3	12	26	34	42
Not receiving / receiving fewer letters or phone calls from creditors	17	2	6	20	48	59
Any practical outcome	63	33	61	80	84	87

- 4.33 Similarly, those who consider that they are „in debt“ are more likely to feel that they have a need in each of the areas explored as is shown in Table 4.4 below. Where those who don't consider that they are in debt have practical needs regarding their financial situation it is again more likely to be „information-related“ needs regarding awareness of rights or information on benefits and credits.

Table 4.4: Practical needs by whether consider to be in debt

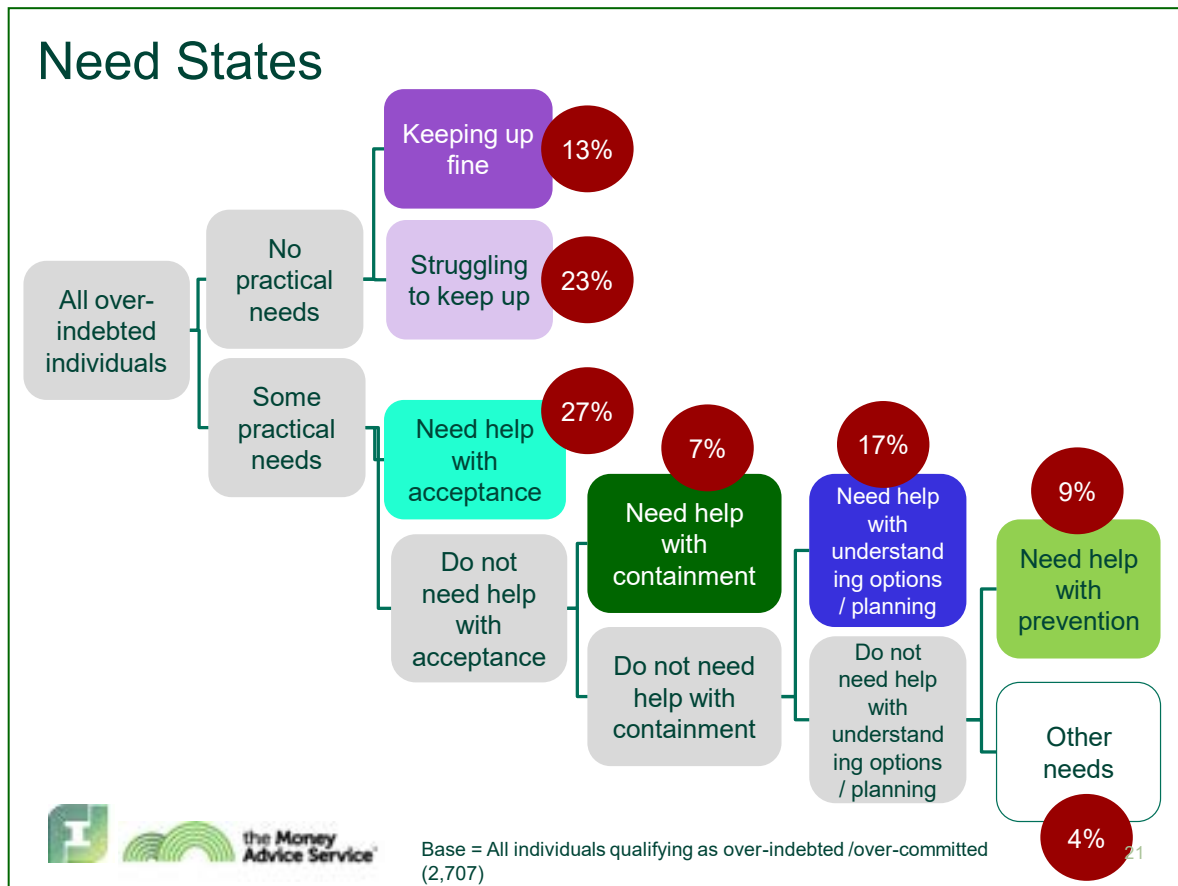
	All	Consider themselves to be „in	Do not consider to be „in debt“
<i>Base</i>	(2,707)	(1,427)	(1,237)
<i>% needing help</i>	%	%	%
Being aware of your legal rights and obligations	40	52	24
Information on what benefits and credits you are entitled to	38	46	28
Knowing how to make your money go further	32	40	20
Feeling less anxious about dealing with your financial situation	31	44	14
Being aware of the different debt solutions available to you	28	42	11
Having a date when your debt will be cleared	26	41	8
Being able to avoid future financial problems	26	36	13
Understanding the fees for debt management	25	37	10
Being in control of your finances	24	36	9
Being confident that your debt situation is solvable	23	35	8
Acquiring the skills and confidence to deal with creditors	22	33	9
Being able to come to terms with / face up to financial situation	20	30	9
Having a personalised debt solution in place	20	31	6
Putting together a weekly or monthly budget to make ends meet	19	27	9
Knowing that your debt will gradually reduce	19	29	7
Being able to make regular, affordable repayments	19	30	6
Understanding which bills to prioritise when not enough money	17	25	8
Not receiving / receiving fewer letters or phone calls from creditors	17	27	5
Any practical outcome	63	76	48

- 4.34 Within the over-indebted/over-committed population, individuals are at different stages of „need“ in terms of the outcomes that they would like to secure from debt advice. In analysing the information from the survey we have characterised the journey in addressing situation into a series of sequential stages (from acceptance, to understanding the options available for addressing debt, to creditor containment, to prevention) and placed individuals into categories according to the stage of the journey that they are at. These categories are shown in Figure 4.3 below, which orders individuals into distinct and mutually exclusive categories based on the stage of their journey, from needing help with acceptance to containing creditor action to understanding options and preventing future debt or escalation of their debt situation.

- Over-indebted/over-committed individuals who do not mention having any practical needs (34% as per Figure 4.3) are split between those who say that they are keeping up with bills and credit commitments without any problems (13%), and those who say that keeping up is a struggle (23%).
- Amongst individuals who admit having any practical need, about a quarter (27%) indicate acceptance needs, i.e. coming to terms with their debt situation.
- Out of the remainder, i.e. individuals who do not have any needs around acceptance, 7% is made up of over-indebted/over-committed individuals who need help with containment.

- 17% comprises individuals who need help with understanding their options and being aware of their rights and responsibilities.
- Out of the remainder, 9% need help with prevention.
- The last category includes individuals who have other needs only for example relating to improvements in their health or personal relationships (4%).

Figure 4.3: Need States



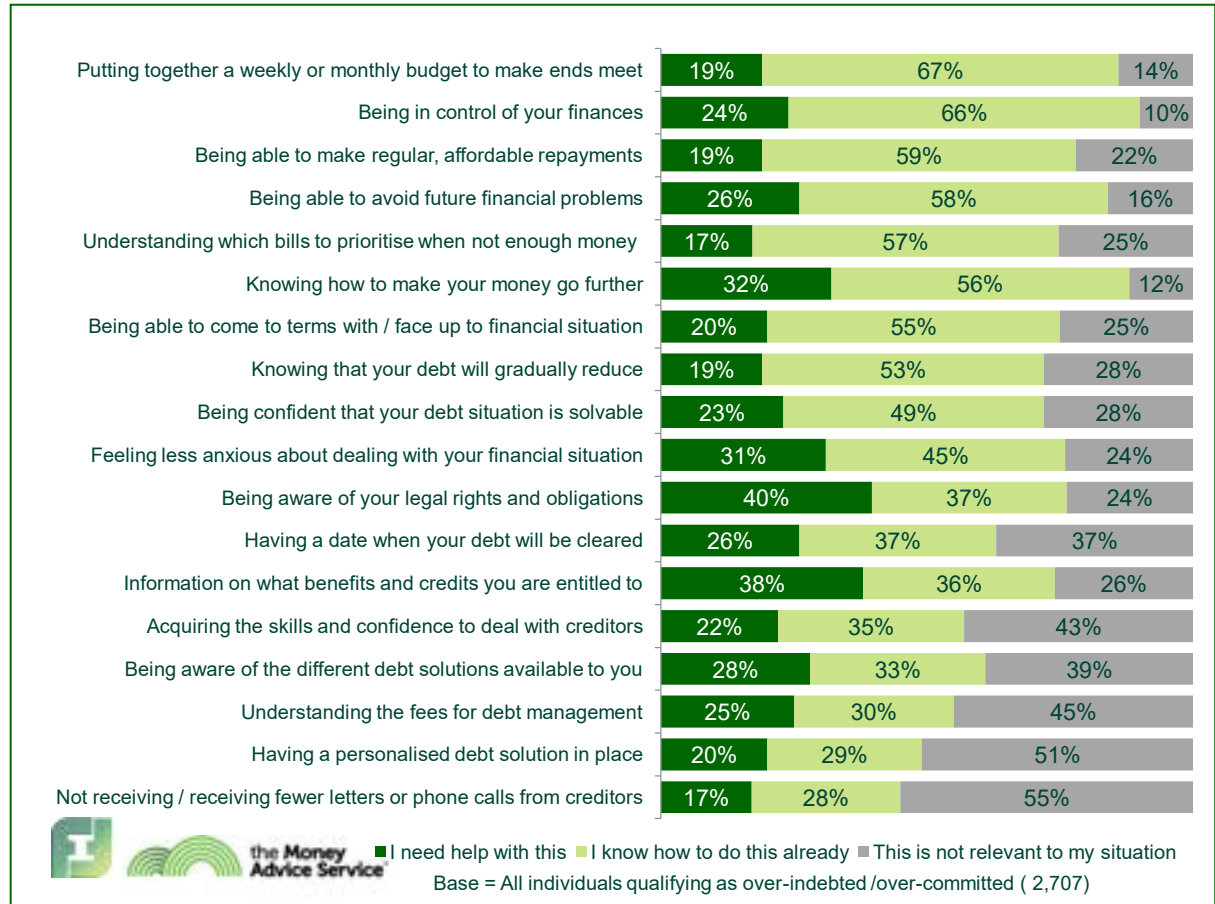
4.35 So far the analysis has considered the responses of those individuals who indicate they would need help with achieving positive practical outcomes. Figure 4.4 below now shows the full responses, ranked by the proportions saying they would need help and those who say they know how to do this already in relation to each outcome probed during the quantitative survey. The proportions saying it is not relevant to their situation are shown in the grey bars towards the right side of the figure.

4.36 The top three items are to do with managing money better, and it is clear that the majority of over-indebted/over-committed individuals feel these outcomes to be relevant although most feel they already know how to deal with these issues themselves. „Being in control of finances“ is an outcome that two thirds (66%) feel they know how achieve themselves, a quarter (24%) say they would need help with, while only one in ten (10%) report that this is not relevant to their situation.

- About three in five (56%) say they already know „how to make money go further“, and a third (32%) need help with this, while just one in eight (12%) say this is not relevant.

- Two thirds (67%) say they know how to achieve „putting together a weekly or monthly budget to make ends meet“, one in five (19%) individuals need help, and only one in seven (14%) report this is not relevant to their situation.

Figure 4.4: Practical outcomes



4.37 There are a small number of outcomes where more individuals say they would need help than those feeling they already know how to do it themselves, or where these two groups are of similar size. These include:

- „Being aware of legal rights and responsibilities“ – two in five (40%) say they need help compared to a slightly lower proportion (37%) who know how to do this already; a quarter (24%) feel this is not relevant to their situation.
- „Information on benefits and credits“ – again about two in five (38%) say they would need help understanding their entitlements compared to a slightly lower proportion (36%) who know how to do this themselves; a quarter (26%) feel this to be irrelevant.
- „Being aware of the different debt solutions available“ and „Understanding the fees for debt management“ - about a quarter (28% and 25% respectively) need help. This compares to around a third (33% and 30%) who say they already know how to do this, and two in five (39% and 45%) who feel this is not relevant.

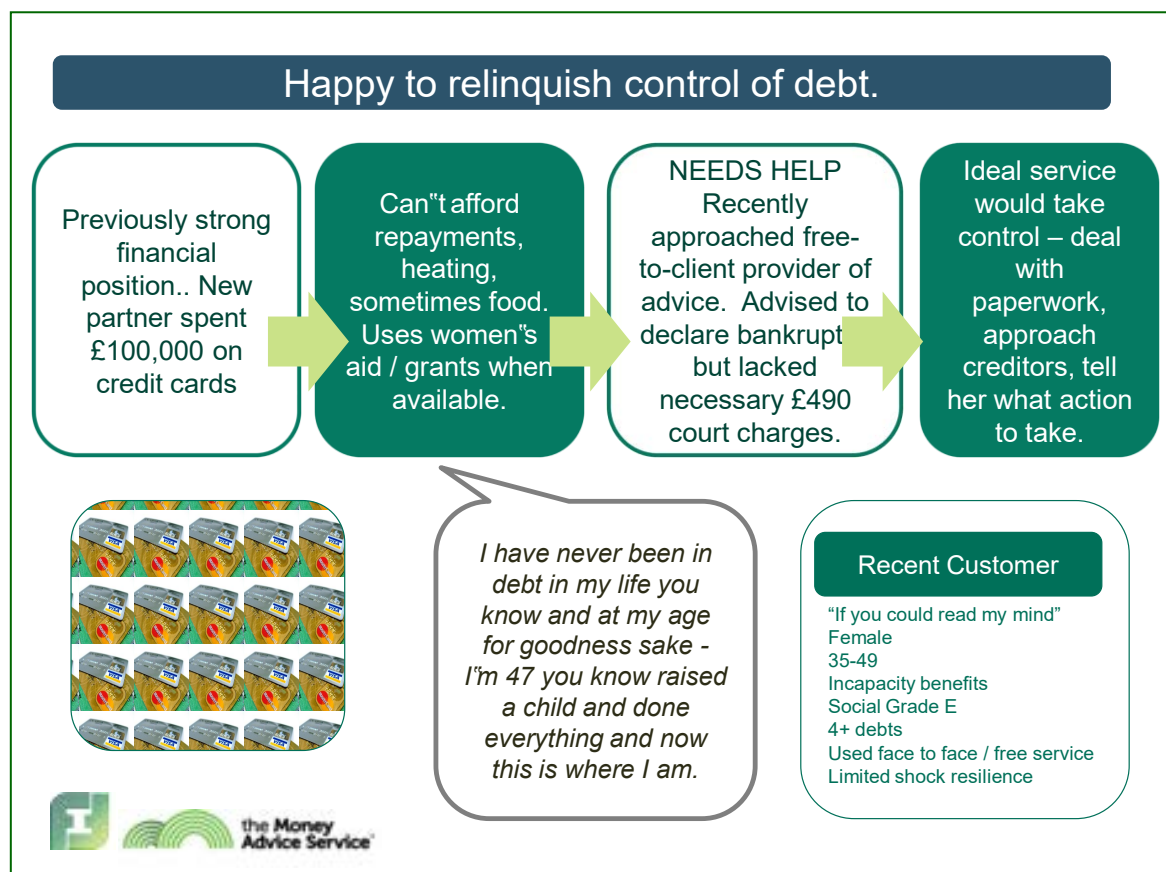
Degree of control desired by individuals

4.38 One of the issues this research sought to address was the question as to how much control individuals want to retain and how much control they would want to hand over to a debt advice agency offering help

to resolve their debt situation. Are individuals more likely to want advice, guidance and tools to be able to help themselves, or are they more inclined towards advocacy, i.e. handing over responsibility to the debt advice agency who would act on their behalf to achieve positive outcomes?

- 4.39 The initial qualitative research highlighted two key groups of individuals who could be positioned on the self help vs. advocacy continuum depending on their particular circumstances and their experiences with debt.
- 4.40 The „advocacy“ group includes over-indebted/over-committed individuals who tend to struggle with multiple debts over a prolonged period of time. Their debt situation had often escalated into a crisis situation which was often exacerbated by very difficult personal or health related circumstances, such as redundancy, separation, bereavement or poor mental or physical health. Some individuals in this group may already have tried to take action themselves, but failure to achieve any positive results had made them lose confidence and become disheartened. There was a typical tendency for individuals in this group to bury their heads in the sand and many are paralysed by fear and anxiety. All these factors help to explain why many in this group have subsequently lost the inner resolve required to address their debt situation by themselves.

Figure 4.5: Customer journey – example of a customer happy to hand over control



- 4.41 Individuals within this group tend to look for help and support in the form of advocacy. In fact the qualitative evidence indicated that most want a very intensive service that would take nearly complete control of their debt situation, taking care of everything and achieving positive outcomes on behalf of the customer. Individuals talk about the importance of being able to speak to somebody directly, who is an

expert in this area and who could also provide emotional support, reassurance and encouragement. They envisage building an ongoing relationship with this expert, who would deal with their debt situation on their behalf and also provide considerable follow-up support in the long term.

“That they would consolidate everything, and they would be the ones to get in touch with all your debtors.” User, HELP, 50+, M

“Someone that could help you and first of all take all the stress away from you, so dealing with it and sort of taking away bits of paperwork, putting you on some plan while they look at it, contacting your creditors on your behalf. I mean, I know you sign a paper giving authority to do that, things like that, but maybe if they could come up with some solution for you.” User, HELP, 35-49, F

- 4.42 The „self-help“ group includes individuals who are less entrenched in debt, for example many had slipped into a short term debt episode with one creditor to deal with. These individuals feel more competent with budgeting and keeping on top of their finances. They tend to fall within the „If you could read my mind segment“.

- 4.43 This group is looking for guidance and self-help, rather than advocacy. The qualitative interviews showed that individuals with less entrenched debt situations tend to look for guidance on what they could be doing themselves to improve their financial matters. Since many in this group value their independence and self-sufficiency they are looking for support in the form of light-touch advice, rather than somebody taking over responsibility. Willing to help themselves, they are looking for help with understanding their options and choices, and for advice and tools that would help them take preventative action before sliding into a precarious financial situation.

“Probably that you know you’re in trouble, that you’re behind with payments and that you need advice on how to get back on track or how to deal with your creditors” User, IYCRMM, 25-34, F

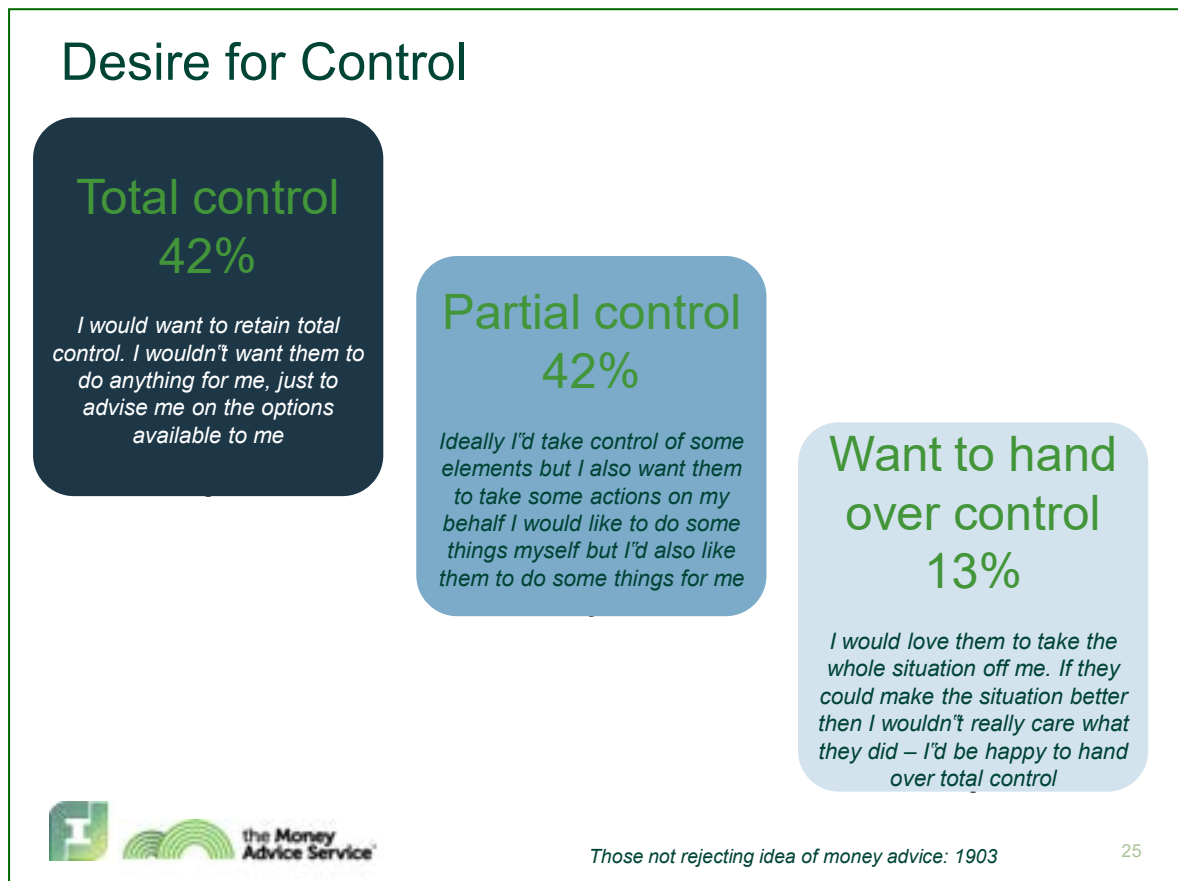
“How to manage yourself and your money, understanding your priorities – and what I mean by priorities, keeping a roof over your head, obviously.” User, IYCRMM, 35-49, M

“I think it is important I do it myself, for me, because otherwise if somebody offers to do it for you you’d feel you have failed. And I think it is more constructive anyway to learn to do it because then you can pass it on. I can use it again and again and it is in my life. User, IYCRMM, 35-49, F

- 4.44 These findings from the qualitative research seem to suggest that some individuals are inclined to give up control and be in favour of help in the form of advocacy. However, these respondents were largely individuals already „in the market“ for debt advice with severely entrenched debt situations and little inner resolve to take action by themselves. But as the quantitative survey results show, only a minority would be happy to hand over total control to a debt advice service.
- 4.45 The quantitative survey asked individuals how they felt about the possibility of consulting an external organisation about their money situation. One in ten (11%) say this is something they are already doing, three in five (57%) feel that consulting an advice organisation may be worth considering, and a quarter (28%) report that they would not do this ever.

- 4.46 Those who do not reject the idea of consulting an advice organisation, i.e. those already doing it and those considering it, were then asked about the role they would play if they were to approach this advice service. Figure 4.6 below shows the responses to the statements read out to respondents during the survey.
- 4.47 Two in five (42%) are happy to retain total control when consulting an advice organisation, a similar proportion (42%) say they would want to retain at least partial control, while just one in eight (13%) indicate they were ready to hand over their whole debt situation to somebody else to take care of it.

Figure 4.6: Degree of control



- 4.48 There is further evidence from the quantitative survey that as individuals become more entrenched in debt their ability/confidence to self-help diminishes and they are more likely to be keen to hand over total control when seeking debt advice. Table 4.5 below shows the level of control desired broken down by stage of the debt cycle. It clearly shows that the more severe individuals' debt situations are the more likely they are to want to hand over control to an advice service with only around a quarter of those experiencing creditor action (early or advanced) wanting to retain total control.

Table 4.5: Degree of control by debt situation

	All	Keeping up no problem	Keeping up a struggle	Non payment of bills	Early creditor action	Advanced creditor action
<i>Base</i>	(2,707)	(240)	(819)	(330)	(342)	(163)
%	%	%	%	%	%	%
Keep total control	42	56	50	41	23	27
Partial control	42	34	38	47	51	49
Hand over control	13	8	10	10	23	23

- 4.49 Those who considered themselves to be in debt were also more likely to want to hand over total control (17% vs. 6% of those not considering themselves in debt);
- 4.50 There is a general trend (that was also observed in the qualitative research) for individuals to wait until their debt situation was severe before seeking help. Reflecting this, individuals who were already using debt advice at the time of the survey were more likely to say they would want to hand over total control to an advice service (30% of current users vs. 13% on average). Conversely, the proportion within this group saying they would want to retain total control themselves is significantly lower (28% vs. 42% on average).

5 Individuals' engagement with debt advice

- 5.1 This chapter explores individuals' **past use** of debt advice as well as their proclivity to seek debt advice in the future. It looks at the type of advice sought and how often, satisfaction with advice received, the impact of any solutions put in place, why individuals may or may not seek advice in the future, and general perceptions of the debt advice sector. The following chapter explores how individuals' expect to be able to engage with debt advice in the future.

Chapter summary

About a third of individuals report using debt advice in the last three years, with 11% saying they are currently engaging with advice services. The majority access advice via a telephone or face to face service, with few using more than one channel type. Most advice users had engaged with a free service and CAB was the most common service named. Most individuals approached the advice service just once or twice.

The most common solutions offered were repayment plans that the user set up themselves, personalised debt management plans (set up by the advice service) and help with budgeting. Putting these solutions in place helped to reduced finance-related stress, enabled individuals to feel more in control of their finances, and offered reassurance that there was an „end point" to their debt problems. Many also perceive the solution reduced the level of their debt. Most users of debt advice are satisfied with the advice they received.

Many individuals report feeling embarrassed and frightened about seeking advice. It is common for individuals to be relatively unaware of the different services available to them, and to choose the first or only option presented to them rather than „shopping around". Others commonly do not feel their financial situation is serious enough to warrant seeking advice.

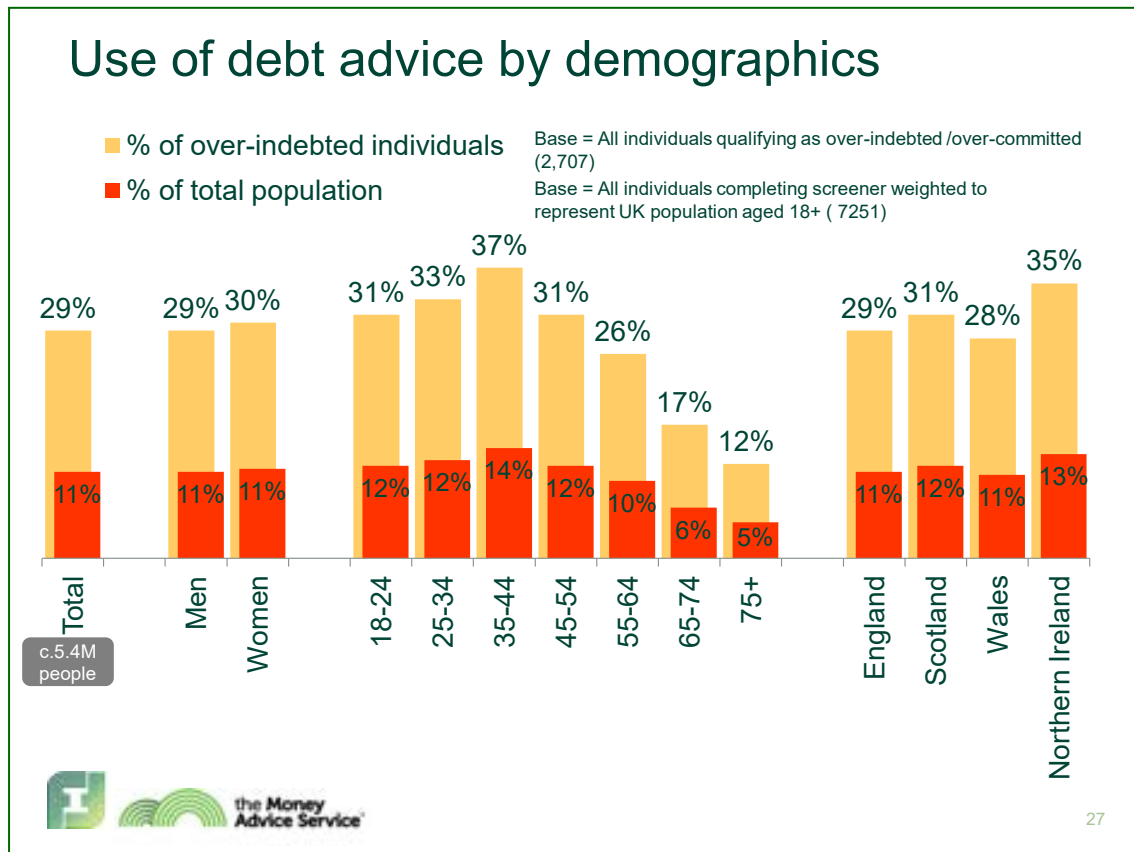
Past usage and experience with accessing debt advice: *incidence of past use and organisations used*

Incidence of past use of debt advice services

- 5.2 Of the over-indebted/over-committed individuals interviewed, one third (29%) report accessing debt advice in the last three years, with two thirds (67%) of this group saying this was their first experience of using debt advice.
- 5.3 A further 7% per cent of these individuals say they had received debt advice longer ago. Figure 5.1 shows the profile of these debt advice users; the light yellow bars denote incidence of debt advice seekers among the over-indebted/over-committed population (of which 29% report using debt advice in the last 3 years) and the red show this extrapolated to the UK population. Extrapolating the figures gives an estimate that 11% of the entire population have accessed debt advice in the last three years²⁰.

²⁰ This figure is based on all respondents that completed the screener section of the survey, weighted to represent the current UK population.

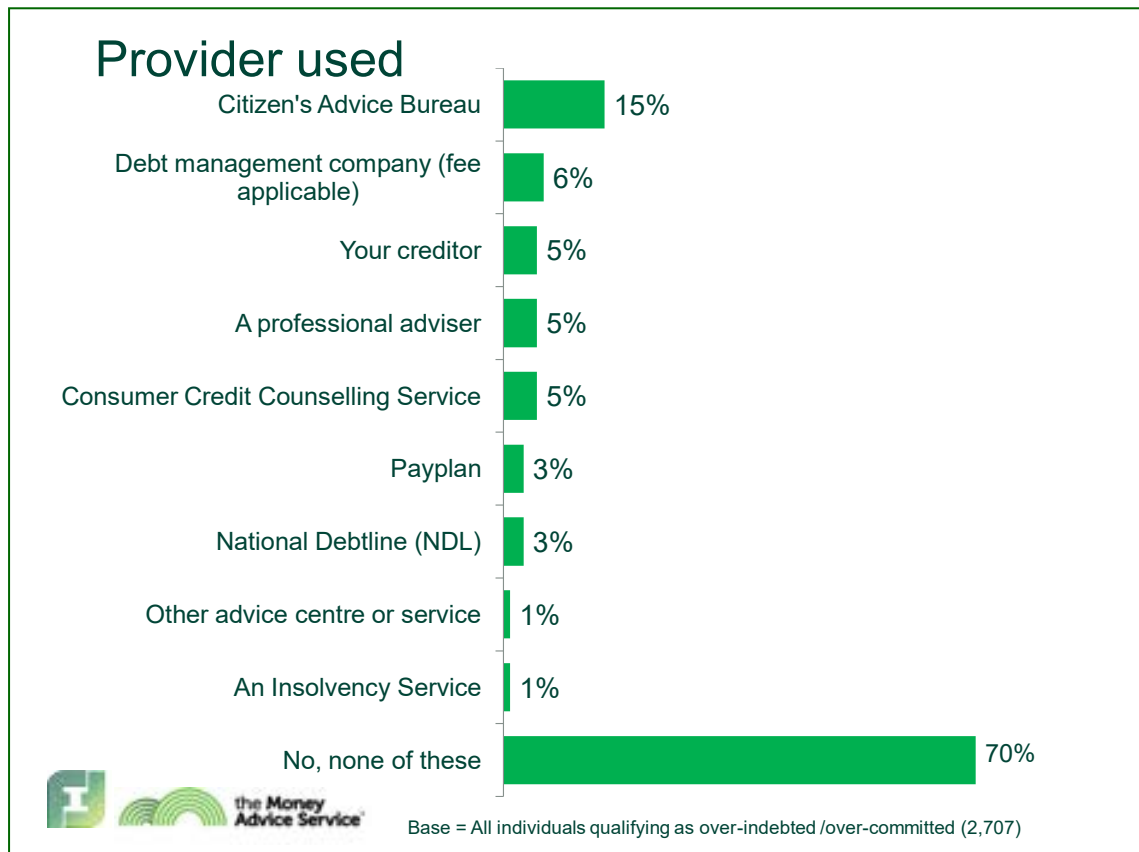


Figure 5.1: Use of debt advice by demographics

- 5.4 There is little variation in advice seeking by gender, though age did appear to have an impact with those aged 35-44 (37%) the most likely to have sought debt advice in the last three years. In terms of social grade, those graded A-B are less likely to have accessed debt advice in the last three years (20%) whereas those graded D-E are more likely to have done so (36%).

Advice organisations used

- 5.5 Citizens Advice Bureau (CAB) is the most common advice service used, by 15% of all over-indebted/over-committed individuals, however a range of other advice sources are mentioned by smaller proportions such as debt management companies (6%), individuals' own creditors (5%), professional advisors (5%), the Consumer Credit Counselling Service (CCCS) (5%), Payplan (3%), National Debtline (3%) and insolvency services (1%), shown in Figure 5.2.

Figure 5.2: Use of debt advice within the last three years

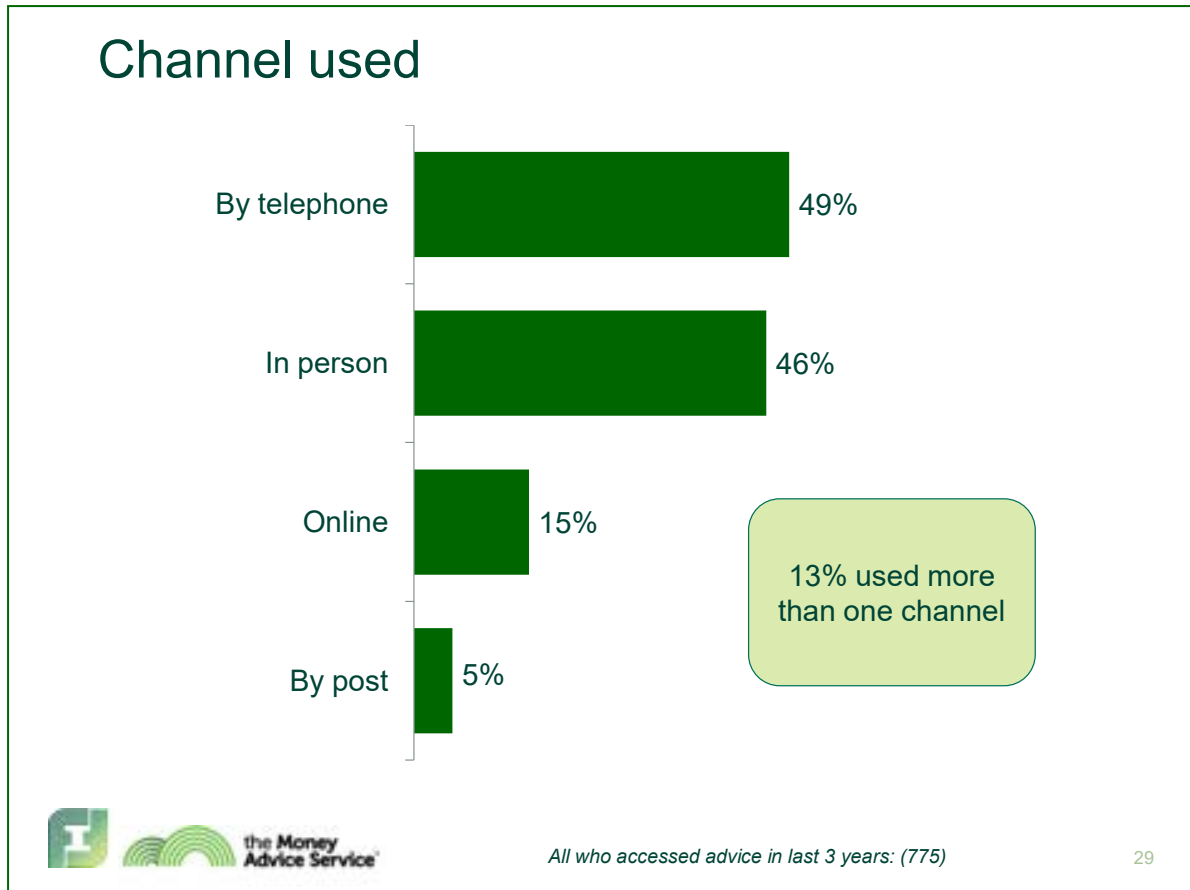
- 5.6 There are few regional differences when it comes to the type of advice provider, though those in Scotland are more likely to have cited using an insolvency service in the last three years (4% versus 1% overall) and less likely to report using the CCCS (2% versus 5% overall).
- 5.7 Of those who engaged with debt advice in the last three years, about two thirds (70%) report approaching just one service.

Type of advice sought in the past

Advice channel used

- 5.8 Individuals who had sought advice in the last 3 years were asked to provide some details of their experience. In cases where individuals had had contact with more than one organisation over this time period, they were asked to discuss their most recent experience. Figure 5.3 shows the channel through which advice was sought.

Figure 5.3: Channel through which advice sought



- 5.9 Most individuals cite accessing debt advice via the telephone (49%) or through a face to face service (46%), with fewer accessing advice online (15%) or by post (5%).
- 5.10 Overall, there is little channel-migration among advice seekers, with a minority (13%) seeking advice via more than one channel. It appears that the more „personal“ a channel is, the less likely a customer is to access advice via another channel as well; those seeking face to face advice are less likely to seek advice through another channel (17%), compared with those who use telephone advice (of which 24% seek advice by more than one channel), online advice (47% seek advice by more than one channel) and postal advice (76% seek advice by more than one channel).
- 5.11 In terms of providers, the Citizens Advice Bureau is the most commonly accessed support provider regardless of channel, with 67% of face to face users, 43% of telephone users, 39% of online users and 53% of postal users reporting having used CAB.

5.12 Aside from CAB, face to face users most commonly cite professional advisors such as an IFA, accountant or solicitor (24%) as sources of debt advice, whereas telephone, online and postal users are next most likely to report using debt management companies where a fee is applicable (telephone 30%, online 26%, post 31%).

5.13 Online users also commonly cite use of Payplan (27%) and postal users report accessing advice from creditors (29%).

Fee-paying or free-to-client

5.14 Individuals are most likely to have sought free advice, with three quarters (76%) having engaged with free services. Of those using paid-for services, most cite using those that charge a fee based on a percentage of repayments made (16%), with a smaller proportion approaching advice services charging an up-front fee (8%).

5.15 Those accessing debt advice over the telephone or online are most likely to have paid for the service - again, this was mostly by paying a percentage of the repayments:

- Telephone advice – 31% paid for
- Online advice – 42% paid for
- Face to face advice – 18% paid for
- Postal advice – 18% paid for

Timescale of previous advice seeking

5.16 Many of those seeking advice do so for a relatively short time period, and over a small number of occasions,

5.17 Around half (51%) of advice seekers report accessing advice over a time period of less than six months, though some are more intensive users with about a third (29%) engaging with a service for between six and 18 months, and 17% for more than 18 months.

5.18 Similarly, the majority (62%) of those seeking advice say advice was sought just once or twice. About a quarter (24%) report accessing a service between three and five times and one in ten (10%) more than five times.

5.19 Those accessing face to face advice are the most likely to report using advice on just one or two occasions (70% of face to face users compared to 54% telephone users, 49% online users and 45% users of postal advice). Similarly, those using postal advice are more likely to have used the service on more than 5 occasions (27%) compared to the other channels (6% face to face, 16% telephone and 12% online).

Expectations of outcomes of debt advice

5.20 The qualitative research demonstrated that many customers approached debt advice simply with the desire that their debt situation would be improved and without any specific solution in mind.

"Just being able to find an affordable way to pay everything." Previous user, IYCRMM, 39-45, F



"For them to take the weight off my shoulders, to [help me] pay ... and to not take any commission themselves." Previous user, HELP 35-49, F

"[I was hoping] they would help me deal with my expenditure and if I can deal with that now and carry on like that. Someone telling me would make a lot of difference ... reassurance" Previous user, IYCRMM, 18-24, M

- 5.21 Few were aware of the sort of practical help that might be available to them from an advice service and users generally had a poor understanding of their different options in terms of managing their debt.
- 5.22 Among most, there was also generally little interest in understanding how the solution would be reached (particularly among less confident customers who really just wanted to be able to "hand over" their debt problems to someone else). Even after a solution had been put in place, some were unaware of what steps had been taken. That said, some did express an interest in understanding the pathway to the various possible solutions, with customers wanting to understand their role and the role of the advisor in the process, and interested to learn about the long term implications of taking action to tackle debt and prevent it in the future. A few who had not taken particular note at the time felt that, with hindsight, they should have paid greater attention because they now had concerns over whether the solution put in place was the right one for them.

"I like to know what I am doing, why I am doing it and have... a way forward, a plan, that's the main thing" Non user, HELP 35-49, F

- 5.23 Breaking the desired outcomes down into short and long-term, as a first step most customers were looking to talk about their debt with someone expert and non-judgemental, in order to reduce the immediate emotional burden and start the process of recovery. While those particularly entrenched would need a lot of reassurance at this point, even those in a less serious financial predicament appreciated this initial contact and reported feeling less stressed afterwards, with many citing a reduction in fear and even an improvement in health and personal relationships.

"[Short term I want] ...peace of mind to know that you've got a plan set up. You know what's going to be happening over the next month, not that you're still up in arms and don't know what you're doing." Recent user, IYCRMM, 18-24, F

- 5.24 Following on from this, customers mention desired medium-term outcomes including reducing (or stopping) action from creditors such as letters or phone calls, or preventing or limiting court action, which again reduces stress and increases feelings of being in control. Others simply wanted to cope with their existing debt on a day to day basis by keeping it under control and budgeting to keep on top of their finances. As mentioned however, many customers aren't initially aware of how to achieve these outcomes, such as developing a knowledge of their legal rights or learning how to approach creditors - most did not know it was possible to negotiate payment with utility companies, or how to go about this:

"They knew my rights more than I did for one... they told me hang on a minute they can't do that" Previous user, IYCRMM, 35-49, F

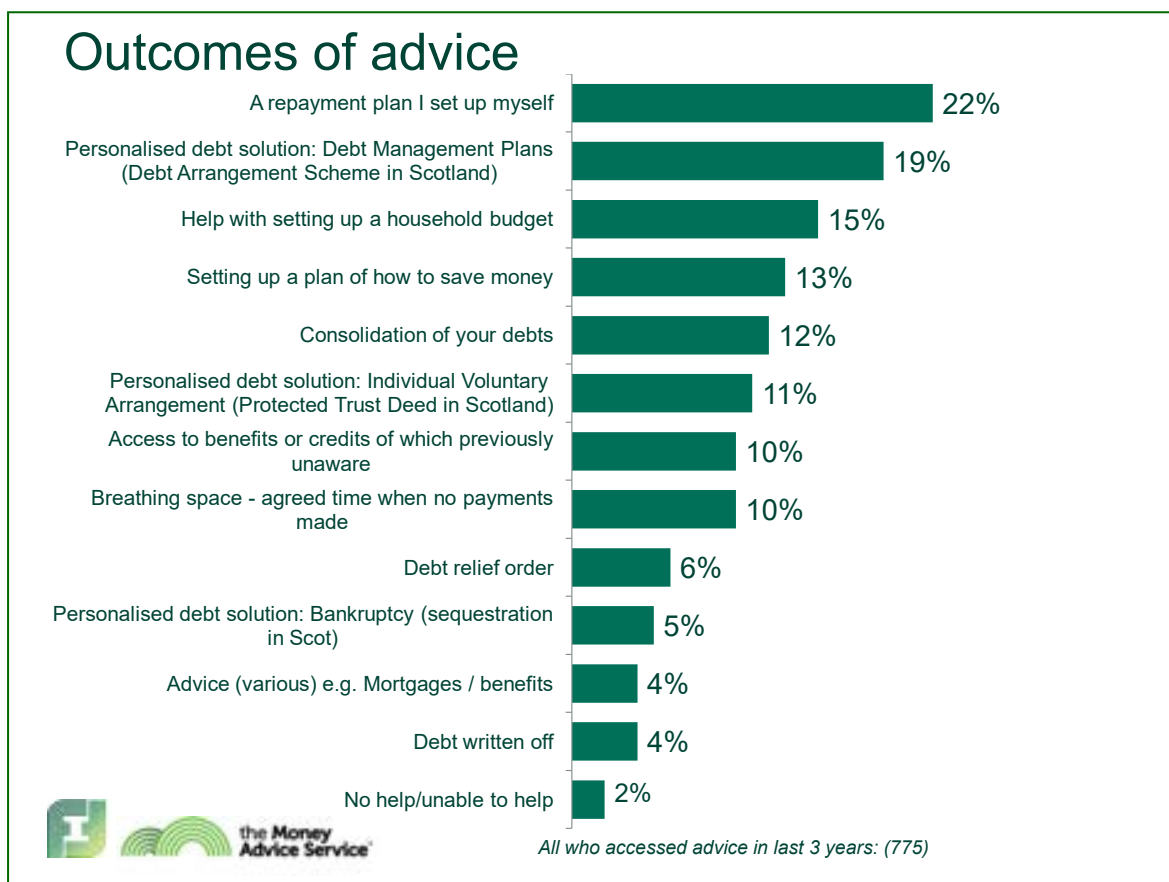
- 5.25 Thinking longer-term, most customers are clear that they eventually want to be debt free and to make a fresh start in order, for instance, to be able to afford small luxuries such as holidays or the ability to treat children or grandchildren, and to have more disposable cash in general. Again however, the practicalities of reaching this point were generally not well understood, for instance customers found it difficult to distinguish between having debt written off, freezing interest payments, setting up a repayment plan or consolidating debts, with little knowledge about the implications of each and which might be the best option for them.



Type of solutions delivered in the past

- 5.26 Individuals who had sought advice in the last 3 years were asked in the quantitative survey what kind of solutions they had received from advice providers, and cite a range of formal solutions such as debt management plans and Individual Voluntary Arrangements as well as more informal tools such as help with household budgeting and planning how to save money.
- 5.27 Of the solutions cited, individuals most frequently report setting up a repayment plan themselves (22%), followed by putting debt management plans in place (19%), which are called Debt Arrangement Schemes in Scotland. Fifteen percent report being helped to set up a household budget, and 13% a plan of how to save money more generally. The full range of solutions mentioned can be seen in Figure 5.4.

Figure 5.4: Types of solution delivered to those using advice



- 5.28 When multiple solutions are offered to one customer, they are more likely to receive a combination of more informal solutions, or more formal solutions, rather than a mixture of the two (Table 5.1). For example it was relatively common for individuals who were aided in setting up a household budget to also have been helped with setting up a debt management plan themselves (31%), or a plan to save money more generally (35%), or to have a period of „breathing space“ secured (19%). Where individuals received a practical outcome such as setting up a DMP, IVA or consolidation of debts, it was relatively uncommon for them to receive any other outcome.

Table 5.1: Crossover of debt solutions used

	Solution							
	Repayment plan set up myself	DMP	Household budget	Plan how to save money	Consolidation of debts	IVA	Access to benefits or credits	Breathing space
<i>Base (unweighted)</i>	<i>(170)</i>	<i>(147)</i>	<i>(117)</i>	<i>(105)</i>	<i>(90)</i>	<i>(83)</i>	<i>(82)</i>	<i>(80)</i>
	%	%	%	%	%	%	%	%
Repayment plan set up myself	100	13	31	29	17	13	24	31
Debt management plan	11	100	14	6	19	14	13	11
Help setting up household budget	22	12	100	41	10	5	33	28
Setting up a plan of how to save money	18	4	35	100	13	5	26	17
Consolidation of debts	9	12	8	11	100	12	9	14
Individual Voluntary Arrangement	7	8	3	4	11	100	7	5
Access to benefits or credits	12	7	22	21	8	6	100	14
Breathing space	15	6	19	13	12	5	14	100

5.29 There are notable variations in the types of solutions that individuals have received by whether or not the service was free-to-client as shown in Table 5.2 below. Debt management plans, consolidation of debts and set up of IVAs/Protected Trust Deeds (PTD) were much more likely to have been outcomes secured by those using fee-paying services while those using free-to-client services were more likely to secure outcomes such as help setting up a household budget or developing plans for saving money.

Table 5.2: Debt solutions by whether or not service was free to client

	Total	Users of services for which fee paid	Free-to-client services
<i>Base (unweighted)</i>	<i>(775)</i>	<i>(173)</i>	<i>(589)</i>
	%	%	%
Repayment plan set up myself	22	12	25
Debt management plan	19	34	14
Help setting up household budget	15	4	20
Setting up a plan of how to save money	13	4	16
Consolidation of debts	12	23	9
Individual Voluntary Arrangement	11	33	5
Access to benefits or credits	10	5	13
Breathing space	10	4	12
Debt relief order	6	9	5
Personalised debt solution (bankruptcy /sequestration)	5	11	5
Advice	4	*	5
Debt written off	4	7	3
No help / unable to help	2	*	3

5.30 Solutions received also varied by channel through which advice was received as shown in Table 5.3 below (users of postal services are not shown because of a low base size). The main differences to note are that Debt Management Plans (or Debt Arrangement Schemes) were more likely to be an outcome secured by those receiving advice over the phone or online. By contrast help with setting up a household budget or access to benefits/credits were more likely to be outcomes achieved by users of face-to-face services.

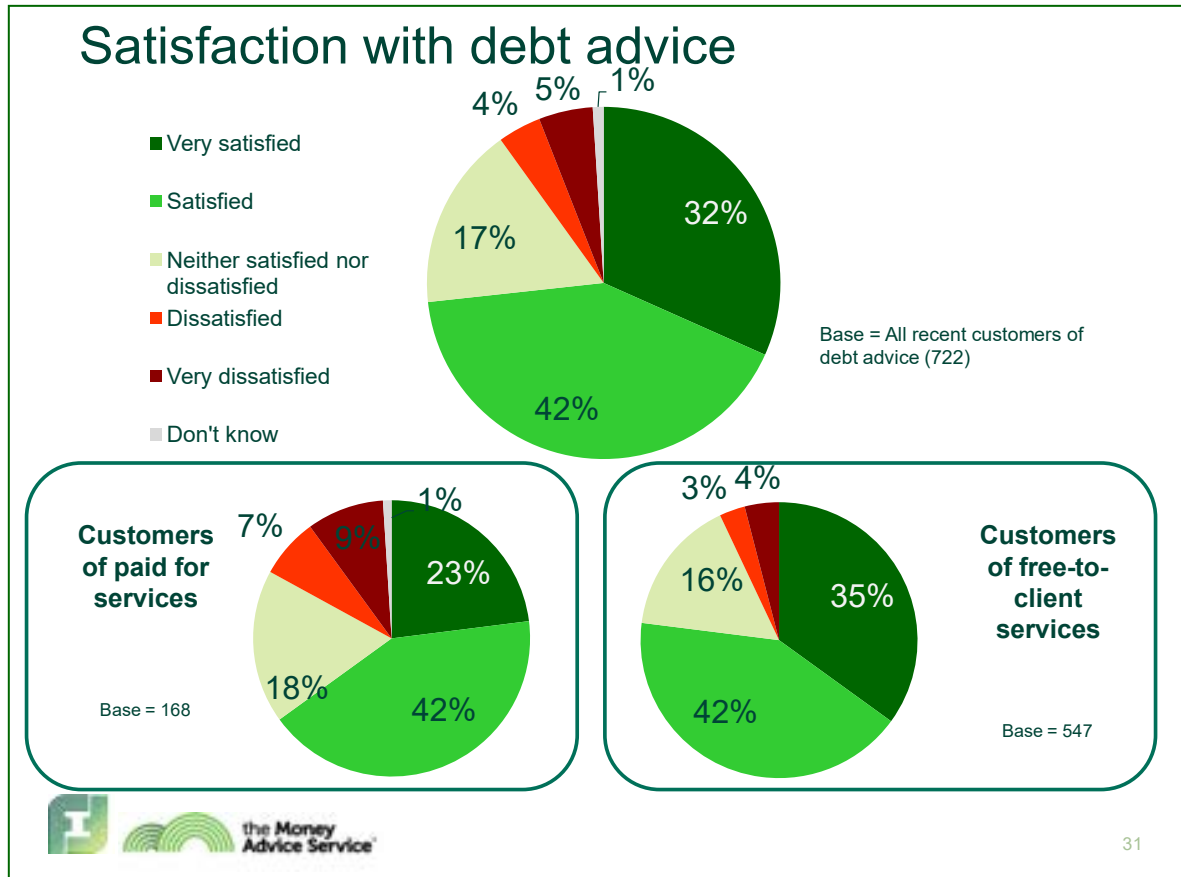
Table 5.3: Outcomes by advice channel

	Total	Face to face	Telephone	Online
<i>Base</i>	<i>(795)</i>	<i>(366)</i>	<i>(388)</i>	<i>(122)</i>
	%	%	%	%
A repayment plan set up myself	22	21	21	22
DMP	19	8	29	26
Help with setting up a household budget	15	22	12	15
Setting up a plan to save money	13	18	8	16
Consolidation of debts	12	12	12	17
IVA	11	9	14	14
Breathing space	10	13	11	3
Access to benefits or credits	10	15	8	7
Debt relief order	6	6	6	7
Bankruptcy	5	6	6	11
Debt written off	4	4	3	4
Advice	4	3	5	1
No help / unable to help	2	2	1	3

Impact of solutions and satisfaction with past experience of debt advice

5.31 Figure 5.5 below shows the overall satisfaction levels of debt advice users with the service that they received. Generally levels of satisfaction are high with three quarters (73%) of advice seekers satisfied with the solution/s they received, and about a third (32%) report being very satisfied. As the chart shows, satisfaction levels are slightly higher among users of free-to-client services.

Figure 5.5: Satisfaction with service received



5.32 The channel used to access advice (face to face, telephone, etc) does not appear to greatly affect customer satisfaction, though some of the solutions offered are associated with particularly high satisfaction levels:

- Personalised debt solutions such as bankruptcy (83% satisfied) or a Debt Management Plan (83% satisfied)
- Consolidation of debts (82% satisfied)
- Access to benefits previously unaware of (83% satisfied)
- Setting up a plan of how to save money (86% satisfied)

5.33 These tie in with the particular positive outcomes cited by those who have engaged with debt advice, as the qualitative research demonstrates. Once practical solutions are put in place, individuals report a feeling of control over their finances where previously there had been confusion, and in some cases obliviousness, due to reluctance to open money-related letters or take phone calls.

5.34 Many report an immediate cessation of debt-related letters and phone calls, resulting in a considerable reduction in day-to-day stress and in some cases a related improvement in health.

“Once everything got going and the letters stopped coming, we knew that things were getting paid, it made us feel a lot better.” (User, IYCRMM, 35-49,M)

5.35 Tied in with this can be a feeling of new confidence when managing finances day to day, in the knowledge that they are now „doing things right“ such that they can be confident their debt is reducing, even if slowly, and there will eventually be an end-point.

5.36 In fact, when the quantitative survey asked individuals to consider the overall impact that advice had on their level of debt, most (71%) perceive that the solutions received did help to reduce their debt, while 28% felt the solutions reduced their debt a lot. Over a quarter (27%) perceive no difference in their level of debt while 5% reported that their debt had actually increased.

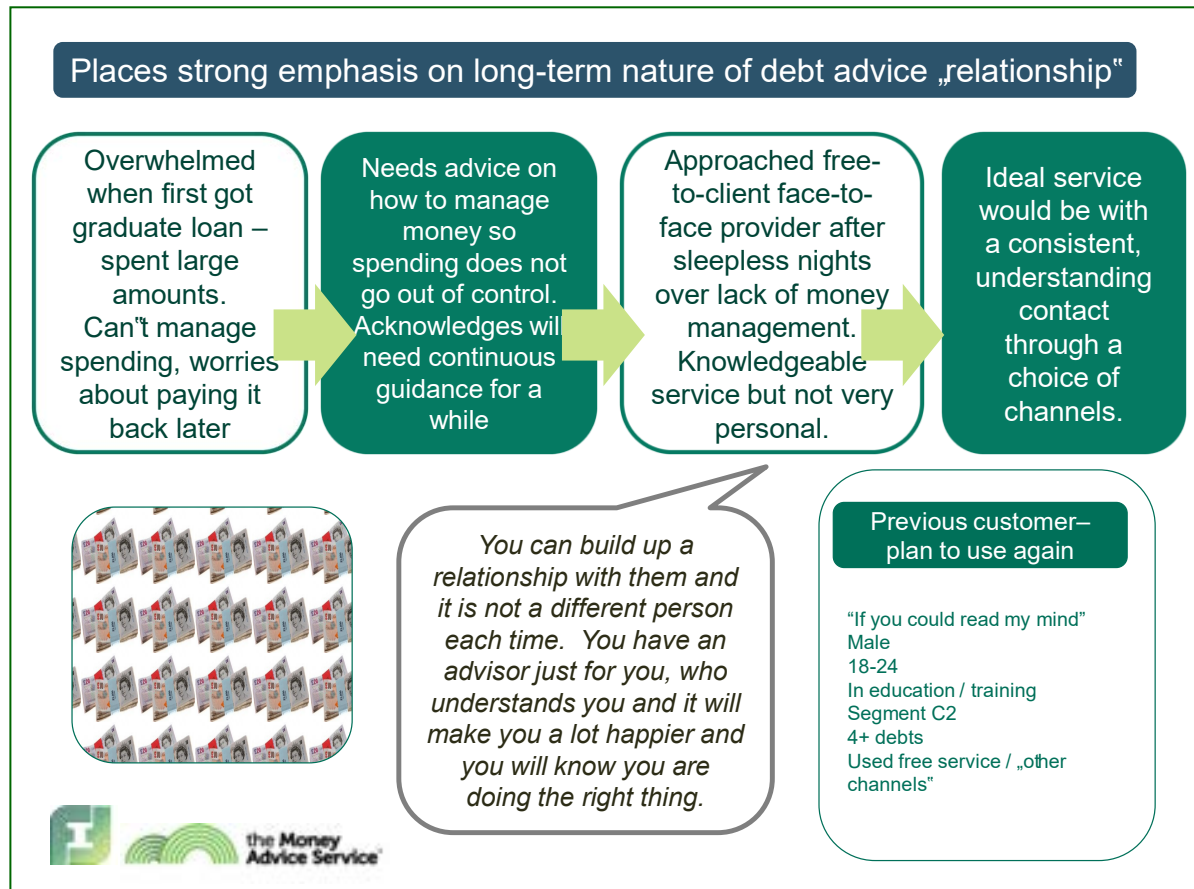
5.37 A perceived reduction in debt level is associated with higher user satisfaction. Four fifths (81%) of those satisfied perceive that the solution they were given reduced their level of debt, compared to only 2% satisfied who felt their debt had increased. As well as concrete outcomes such as debt reduction, satisfaction with the debt advice experience is often also related to the relationship the user had with the advice provider. The qualitative research shows that advisors showing respect and understanding appear to help users feel less anxious where they may have previously felt embarrassed or hesitant about seeking advice. Similar to the quantitative findings, the advice channel appears to matter less in terms of satisfaction than the personalised service received.

“She was really nice on the phone, this woman. She was, yes, she was just friendly, didn’t make me feel bad for the fact that we’ve both lost our jobs.” (User, IYCRMM, 18-24,F)

“I felt really good because the way they speak to you, and the language they use, I guess, it’s very useful. That is what gives you the courage to look at it. I’m not thinking anymore that it’s me who is the problem, and I am useless. But there is a solution. I think that is crucial.” (User, IYCRMM, 35-49,F)

5.38 Indeed, some acknowledge that they received a good service but say they would have preferred a more „personal touch“ and a consistent contact, as shown in a customer journey below in Figure 5.6.

Figure 5.6: Example Customer journey - received good advice but would have preferred a more personal service



- 5.39 Users are often impressed with the level of knowledge that debt advisors show, particularly when it comes to their rights and obligations in terms of making payments. It is common for advice seekers to be unaware that it is possible, for example, to make reduced payments to utility companies or mortgage lenders, and simply being informed of this can immediately relieve a certain amount of financial stress for some.

"They knew my rights more than I did for one ... they told me hang on a minute they can't do that"
(User, IYCRMM, 35-49,F)

- 5.40 Only one in ten (9%) report being dissatisfied with the solution/s they were offered when asked in the quantitative survey. The groups most likely to be dissatisfied are those who have experienced advanced creditor action (12% dissatisfied), who are falling behind on their repayments (15% dissatisfied) and those who paid a fee for debt advice (16% dissatisfied, compared to 7% of those using a free service).

- 5.41 Within the qualitative research, those dissatisfied with their experience of engaging with debt advice sometimes assert that the repayment plan set up was unsuitable. Often this is because the user feels designated repayment amounts were too high and not affordable long-term. In one such case, the user subsequently approached creditors themselves and arranged a repayment plan directly that they felt was more realistic.

"We gave him our breakdown and he worked out how much we should actually be paying out to everybody, and do you know it is actually more than we are paying out now and we thought no, that's no good at all." (User, IYCRMM, 50+,F)

- 5.42 Some users express confusion or concern that, following previous solutions, their debts do not seem to be reducing quickly enough, or in some cases it is perceived that debt is not reducing at all. This can be particularly unsatisfactory if sacrifices have been made in order to keep up with a repayment plan. Users of (particularly paid for) advice cite the importance of being kept informed on a regular basis to be entirely clear on how their debt is reducing. Over time, some who approached paid-for services report surprise that a relatively small proportion of their repayments have been used to pay off their debt.

"I suppose someone ... could ... either speak to me over the phone or come round personally and say look this is where we are at, this is what we are going to do, we will be contacting you regularly to keep you updated, and if there is any problems we will contact you straight away and if the companies won't agree to it we will let you know about that as well" (User, WOS, 50+,M)

- 5.43 As mentioned earlier, small numbers of debt advice users from the quantitative survey (5%) perceived that the solutions they received had increased their level of debt. This is more likely to be those who have experienced advanced creditor action (12% feel debt has increased) or (as above) those who paid for their debt advice (14%, versus 3% who used a free service).

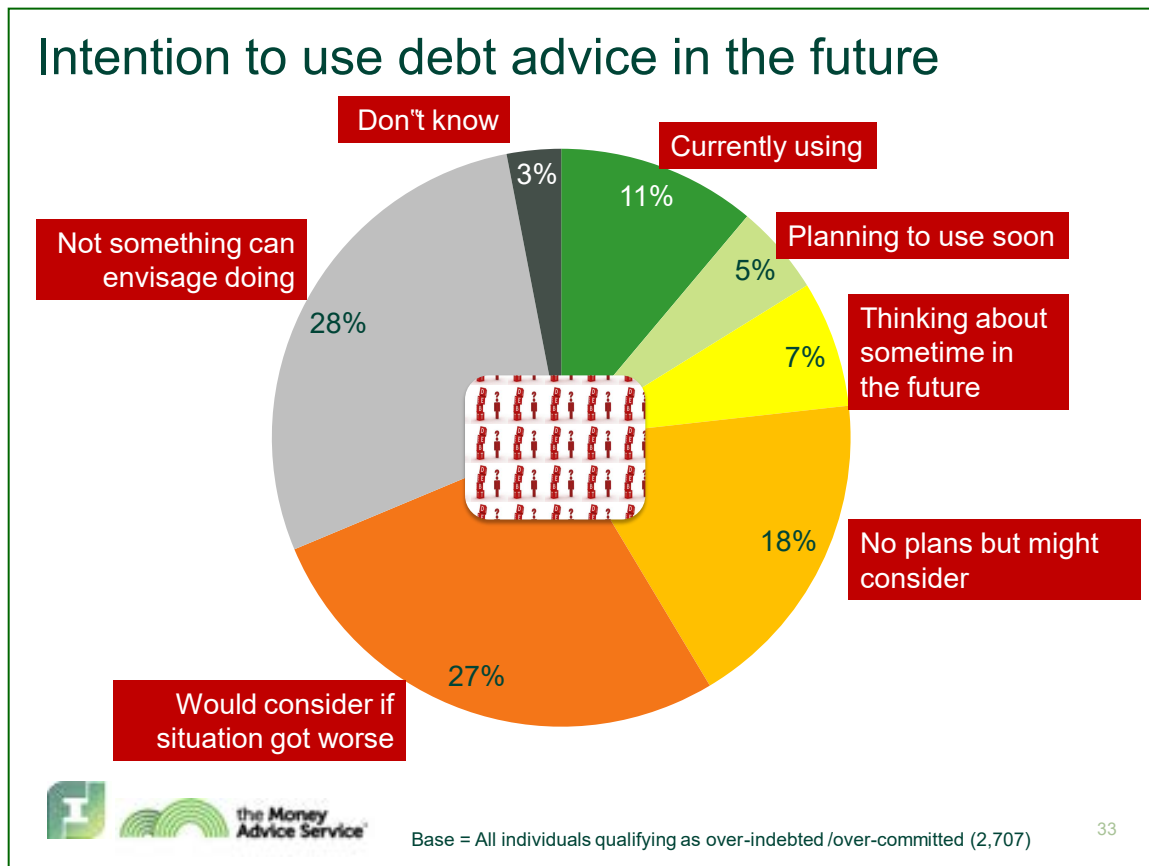
- 5.44 Others who are less satisfied feel that the service they used was over-stretched, with too few advisors able to give too little time to individual cases, or that getting an appointment took too long. This experience is more commonly associated with free services, and sometimes cited by those with debt issues that are considered less severe by the advisory service, yet still concerning to the advice seeker. In order to encourage people to seek advice early, it is important that provision is made to advise these „lighter“ cases.

"They just said I was doing alright and they see people who are higher priority than me.... It had taken a lot to get over my embarrassment and go and see them." (User, WOS, 35-49,M)

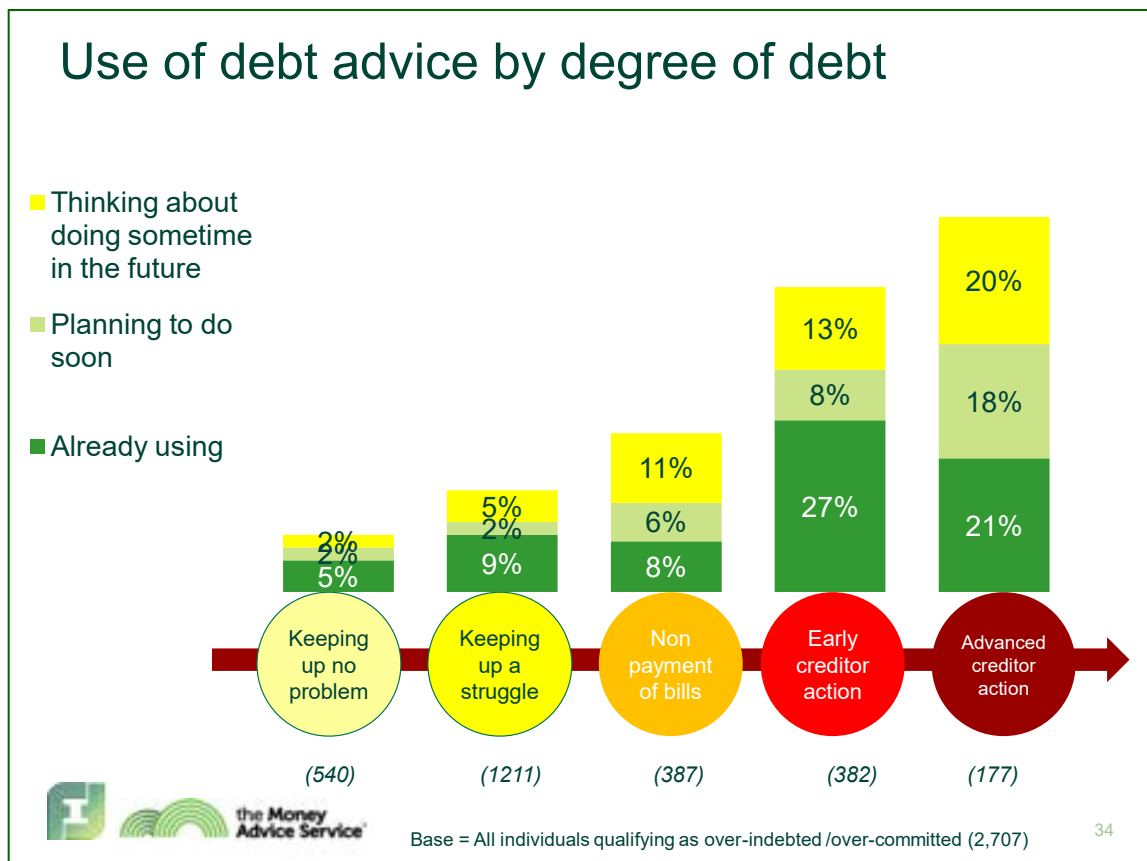
Intention to use debt advice in the future

- 5.45 All respondents, regardless of their previous use of debt advice, were asked whether consulting an external advice organisation about their money situation is something they would consider doing in the future.
- 5.46 One in ten (11%) respondents report currently accessing debt advice, with a further 5% saying they are planning to do so soon. Nearly a fifth (18%) say they have no current plans to seek advice, but might consider it in the future. About a quarter (27%) assert they would seek advice in the future if their situation got worse, and a similar proportion (28%) do not imagine ever accessing this kind of money advice (Figure 5.7).



Figure 5.7: Intention to use debt advice in the future

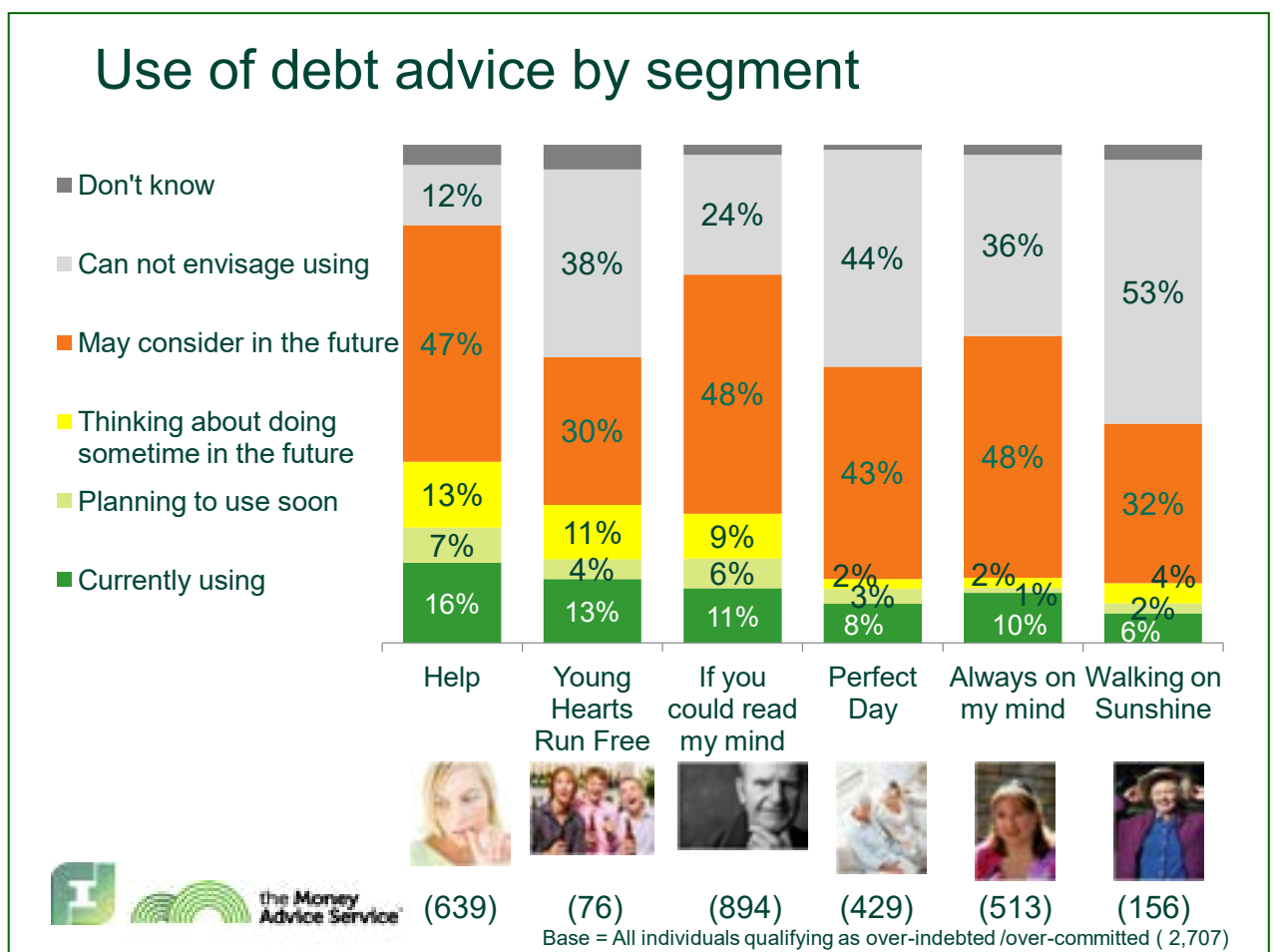
5.47 Individuals are more likely to be currently accessing advice if they are also experiencing early (27%) or advanced (21%) creditor action, and less likely (5%) if they feel they are keeping up with their credit commitments without any problems. Similarly, those thinking about using debt advice in the future are more likely to be experiencing advanced creditor action. It is relatively rare for individuals to consider debt advice before they have reached the point of experiencing early creditor action. This relationship is shown in Figure 5.8 below.

Figure 5.8: Use of debt advice by degree of debt

- 5.48 Those who say they cannot envisage accessing debt advice at all are likely to feel they are keeping up with their bills without struggling (54%), or even that they are struggling but are still keeping up with their bills (31%).
- 5.49 Individuals who self-identify with „being in-debt“ are perhaps unsurprisingly more likely to be using or considering the use of debt advice services. Among those who consider themselves to be in debt;
- 17% are currently seeking debt advice (compared with 5% of those who do not feel they are in debt);
 - 7% have plans to seek debt advice soon (compared with just 2% of those who do not feel they are in debt);
 - 10% are thinking about seeking advice at some time in the future (compared with 4% of those who do not feel they are in debt);
 - 21% currently have no plans to do so but might consider it (compared with 15% of those who do not feel they are in debt);
 - 27% would consider if they situation were to get worse (compared with 30% of those who do not feel they are in debt);
 - 18% can not consider themselves ever using debt advice (compared with 42% of those who do not feel they are in debt).

- 5.50 Reflecting the relationship between the indicators met and both stage of the debt cycle and likelihood to self-identify with being in debt, the likelihood to consider debt advice also varies by the over-indebtedness/over-commitment indicators that individuals met. Among those meeting the structural arrears indicator 30% are already using debt advice or have plans to do so shortly compared with 20% of those who meet the „heavy burden“ indicator, 16% of those meeting the „50% total commitments:income ratio“ and 14% of those meeting the „25% unsecured commitments: income ratio“.
- 5.51 Considering the different segments, those classified *Help* are more likely to be currently engaging with debt advice services (16%) whereas *Perfect Day* (8%) and *Walking on Sunshine* (6%) segments are less so. Conversely, *Help* individuals are less likely to say they would never use debt advice (12% compared to 28% overall), with the figure varying considerably through the segments: *If You Could Read My Mind* (24%), *Always On My Mind* (36%), *Young Hearts Run Free* (38%), *Perfect Day* (44%), *Walking on Sunshine* (53%), as shown in Figure 5.9.

Figure 5.9: Use of debt advice by segment

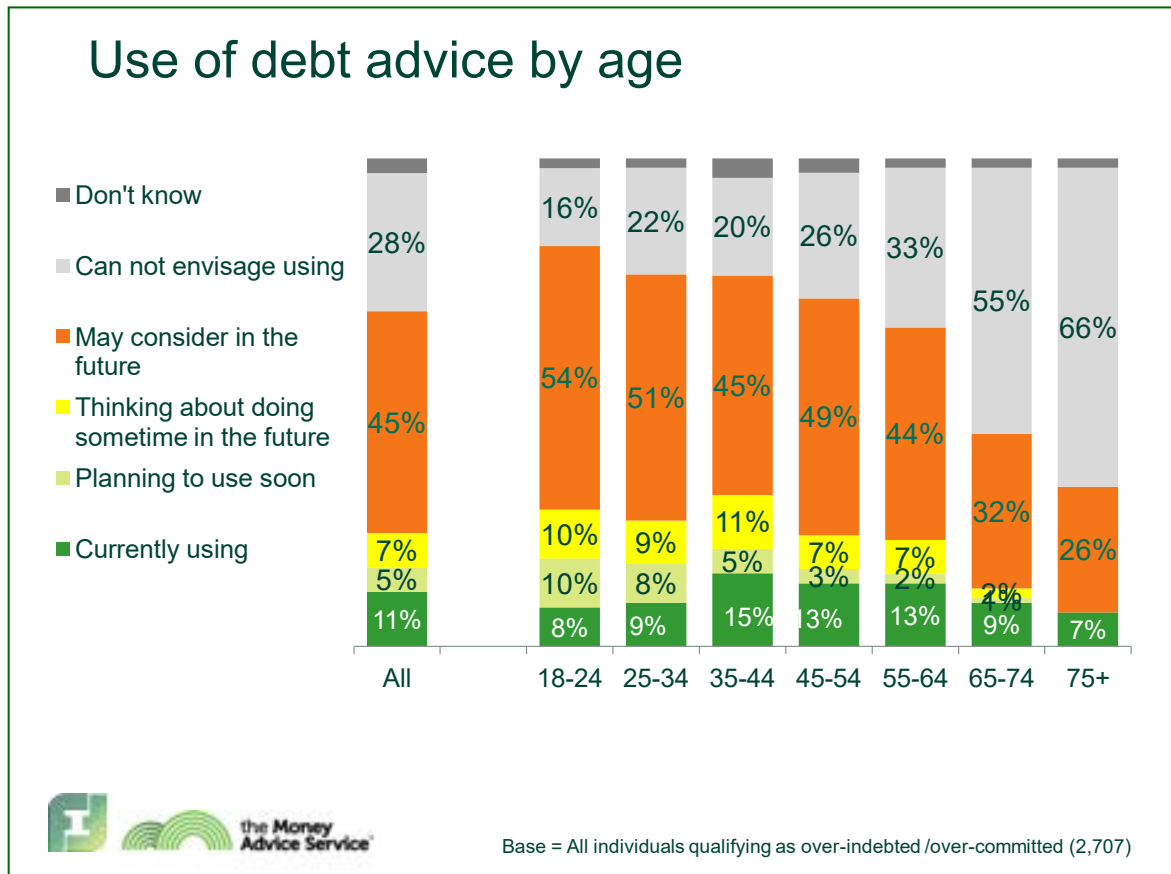


5.52 In terms of other differences among those seeking debt advice, age appears to play some role with older individuals less open to seeking advice; those aged 65-74 and 75+ are less likely than average to:

- Currently be thinking about seeking advice: **3%** 65-74, **0%** 75+ (versus **12%** overall)
- Potentially think about seeking advice in the future: **32%** 65-74, **26%** 75+ (versus **46%** overall)

These age groups are also more likely to say they would never seek advice: **55%** 65-74, **66%** 75+, compared to **28%** overall. The full breakdown by age can be seen in Figure 5.10.

Figure 5.10: Use of debt advice by age



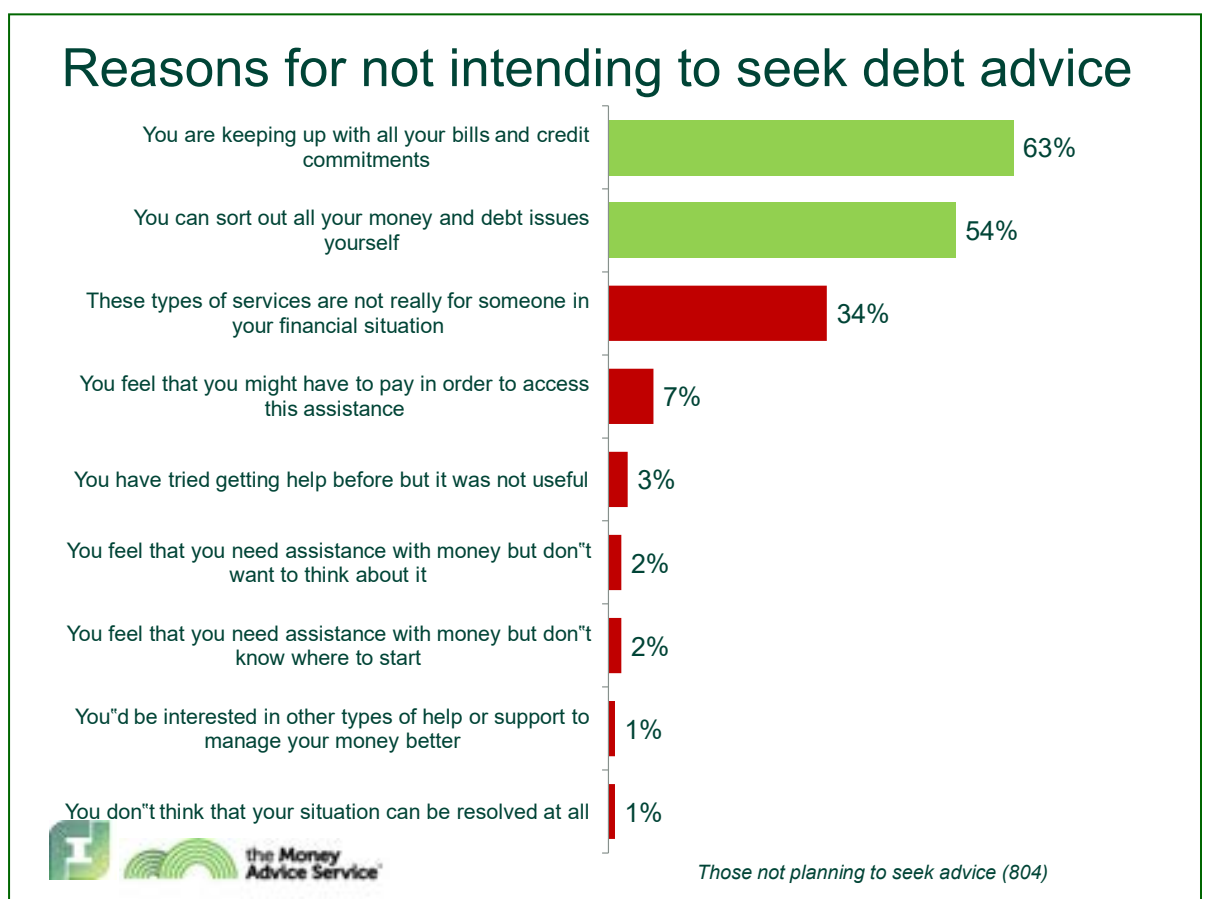
5.53 There are few differences by social grade, though AB individuals are less likely (6%) and DE individuals more likely (15%) to be *currently* seeking advice than users overall (11%)

Perceptions of debt advice sector and reasons for not engaging

5.54 A key issue for those wanting to oversee the provision of debt advice is to understand how individuals perceive the debt advice sector and, where there is resistance, understand the reasons for not engaging.

- 5.55 A common perception revealed by the qualitative research is that debt advice services are only for those in „dire financial straits“, sometimes with the added assumption that this situation would be caused by a lack of financial capability, even stupidity or greed. As such, the debt advice sector can feel „severe“, „scary“, and stigmatising.
- 5.56 Another issue is that many others have no realistic perception at all of what the debt / money advice sector entails – what is available and from whom, and for what kinds of issues.
- 5.57 In the quantitative research; individuals who assert they would not engage with debt advice in the future were asked why this was, and the answers given broadly fell into two categories (represented by the different coloured bars shown in Figure 5.11).
1. Those who feel they have no need to access debt advice, either because they perceive they have no money issues (63%), or because they do, but feel they are not issues that warrant seeking „debt advice“ and that they can deal with these issues themselves (54%). In the chart these are the bars shaded green. .
 2. Those who may feel that advice *would* be useful but perceives barriers to accessing it related to the types of services that they believe to be available. These are the bars shaded red.

Figure 5.11: Reasons for not engaging with debt advice



- 5.58 Individuals who do not consider themselves to be „in debt“ are more likely to state that the reason they cannot envisage themselves using debt advice is because they are keeping up with their commitments (76% compared with 41% of those who felt that they were in debt but who could not envisage themselves seeking debt advice). Those who self-identify as being in debt are more likely than those who do not feel they are in debt to mention most of the other reasons shown on Figure 5.11 including that they are able to sort out all their financial issues themselves (61% of those „in debt“ compared to 51% of those who do not feel that they are in debt). In particular, those who feel they are in debt are more likely to say that they are concerned about the cost of debt advice (13% compared to 5% of those who feel they are not in debt) and that past experience has put them off (7% of those „in debt“ compared to 1% of those who are not).
- 5.59 Exploring reasons for not envisaging ever seeking debt advice by over-indebtedness/over-commitment indicators met shows that those who meet the commitment:income ratio indicators are more likely to state that they do not see a need for debt advice because they are keeping up with their commitments (63% of those meeting the 50% total commitments:income ratio, 69% of those meeting the 25% unsecured commitments:income ratio, 48% of those meeting the heavy burden ratio and 35% of those meeting the structural arrears ratio). Those meeting the heavy burden and structural arrears ratios were more likely than those meeting the ratio indicators to cite barriers around cost of debt advice, past bad experiences and not knowing where to start but the proportions giving each of these reasons was still quite small. Across all indicators, the most common reasons for not seeking advice are that individuals feel they are keeping up with their commitments, that they can sort out any difficulties themselves or that debt advice services are not aimed at people in their situation.
- 5.60 The qualitative research highlights a similar range of issues; several worry that seeking advice could make the situation worse, or have little confidence that their situation can be resolved at all.
- 5.61 It is also not unusual for individuals to feel their financial situation is not „severe“ enough to seek advice. This ties in with the proportion (27%) in the quantitative survey who say they would contact an advice provider „if their financial situation got any worse,“ despite indicators that these individuals are already in arrears, falling behind on bills or experiencing creditor action. It is possible that the label „debt advice“ acts as a barrier to engagement contributing to individuals delaying seeking help until they perceive their „debt“ situation to be sufficiently serious.

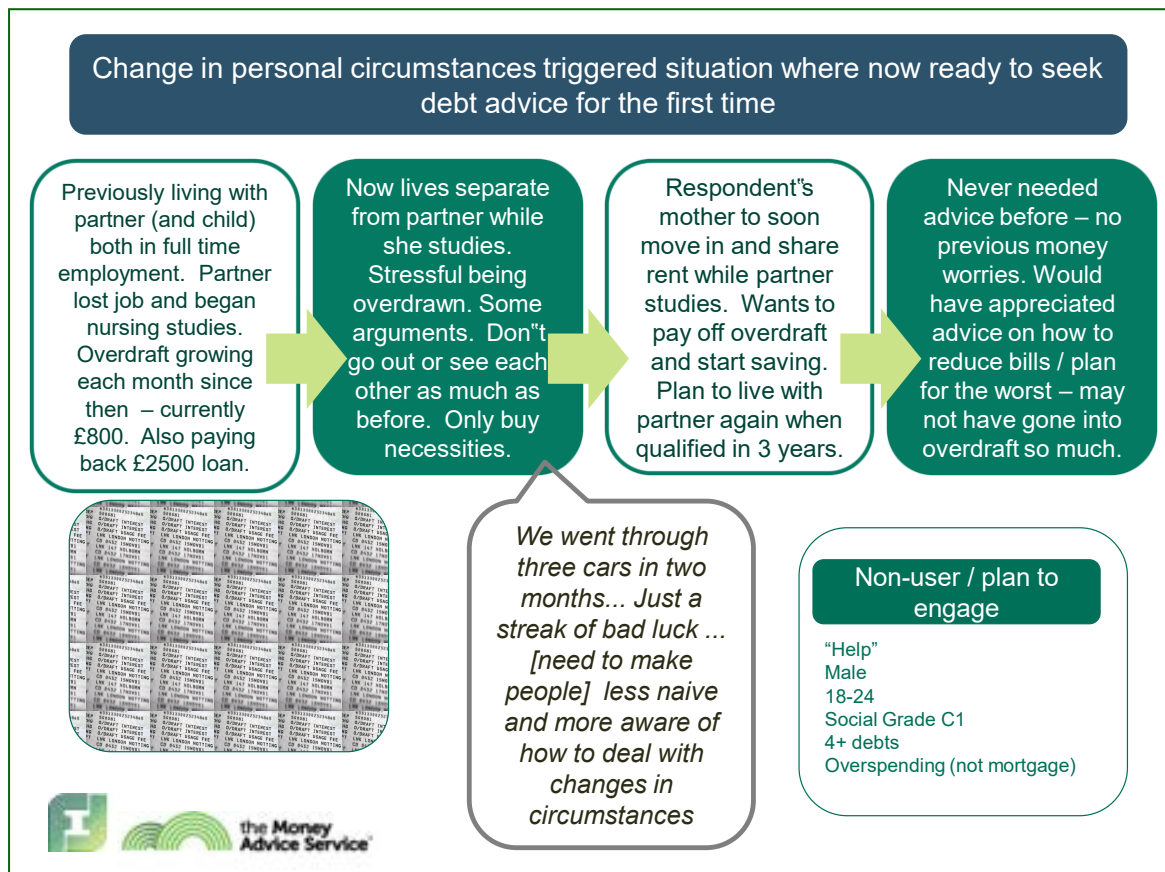
“Don’t make yourself look too daunting... don’t scare people so they only come and talk to you as a last resort. Be more friendly by maybe not using the word debt because that is a strong word ... I think it is a word that makes people scared.” (Previous user, IYCRMM, 18-24,M)

- 5.62 Indeed, many respondents already engaging with an advice service assert the importance of early action, at the point when struggling starts, rather than waiting for the situation to escalate. These users seem more likely to seek advice in future, perceiving the debt advice sector as not only previously useful to them, but appropriate for possibility less severe financial situations.

“It changed everything. It just changed the way I dealt with it. Getting rid of the shame. I am only sorry that it took me so long. Had I had that kind of help earlier on I would have probably avoided building credit up.” (Previous user, IYCRMM, 35-49,F)

- 5.63 However, many of the same people do perceive a stigma attached to seeking debt advice, feeling it can implicate a lack of personal capability, fecklessness or greed, and so are reluctant to discuss their problems with anyone, be it an advisor or family or friends. For this reason individuals „put off“ doing so until it is absolutely necessary, with a specific trigger often required before advice is sought. These triggers could range from a sudden loss of income, to personal circumstances such as a relationship breakdown or ill-health, to action from a creditor, or a combination of these, as shown in a customer journey below, Figure 5.12.

Figure 5.12: Example Customer journey - wanted advice following several triggers in personal circumstances



- 5.64 Not all triggers are negative, a recommendation from a trusted source is also mentioned as a catalyst in seeking debt advice.
- 5.65 Many others say they had no idea what advice was available, or if they started looking into the various options using an online search, had little idea about the best option to follow. It is very rare for individuals to have shopped around for money or debt advice, generally taking the first option presented to them by an internet search, or approaching the same service as a friend or family member.

"Get some more advertising out there really on the TV or radio or somewhere, because I have never really heard of it. I would say make more people aware that they are actually there." (User, IYCRMM, 35-49,M).

6 Individuals' service requirements from debt advice

- 6.1 This chapter explores how individuals expect debt advice to be delivered by looking at the relative importance of a number of service elements. It also considers their channel preferences, i.e. the extent to which individuals would want to access advice over the phone, face-to-face, online or via other channels.

Chapter summary

Importance of service elements – The exploratory qualitative research reveals a number of principles that should underpin the delivery of debt advice, including: trustworthiness, being non-judgmental, simple, personalised, accessible, and delivering solutions. The most important service attribute is confidentiality which three quarters (74%) of over-indebted/over-committed individuals report being „very important“.

Channel preferences – Overall, over-indebted/over-committed individuals appear to be relatively open to considering various channels to access a debt advice service, particularly at the initial contact and later follow-up stages. For the stages that involve disclosing financial information, working out a solution and putting a solution in place, a relatively high proportion of individuals (half or more) state that their initial preference would be for face-to-face contact but it is only a very small proportion who would not consider any alternative channels.

Relative importance of specific service elements

- 6.2 In addition to understanding desired outcomes (i.e. *what* individuals expect from debt advice) this research also sought to identify the key service elements or qualities of debt advice that individuals value most, i.e. *how* individuals expect debt advice to be delivered to them as a process.
- 6.3 The analysis of the exploratory qualitative research highlighted a number of key themes emerging from individuals' responses in relation to debt advice as a process. There was a relatively clear pattern indicating that individuals would want to see the following six principles to underpin the delivery of debt advice:

- Trustworthy
- Non-judgmental
- Simplicity
- Personalised
- Deliver solutions
- Easy to access.

It is worth noting here that individuals were asked to envisage an „ideal“ service and that their experience of the current advice sector was quite limited. Hence this should not be read as a judgement of the current debt advice sector.

- 6.4 Many individuals feel that they need to be able to access a service that they can trust. Gaining trust would entail the service to listen to the customer and appreciate their situation, providing reassurance, building confidence, and guaranteeing confidentiality. Some qualitative respondents felt that a service would need to be free to gain their trust but there were others who felt that a paid for service could perhaps be trusted to give a better standard of service because of perceived higher levels of professionalism.

"It would give you a sense of security, one of the things you need is somebody to take away the worry." (Non-User, Help, 50+, F)

- 6.5 Debt advice should be non-judgemental. Many individuals articulated the need to be able to feel in a „safe place“ when accessing debt advice. What is important for individuals is to discuss their debt issues with somebody who does not judge them and many also want an acknowledgement that the situation is not (all) their fault.

"Make yourself accessible to everybody and take away the shame element that people have and make people feel empowered." (Non-user, Help, 25-34, F)

- 6.6 In addition, the delivery of debt advice should be guided by the principle of simplicity. Individuals wish to access a service that provides information and solutions that are simple, easy to understand, and using plain English. They do not want to be overwhelmed by overly complex details or incomprehensible jargon.

"Use plain English, talk to us in a language we understand." (Non-user, Help, 35-49, F)

- 6.7 The service should be personalised and made relevant to the specific situation of each individual. Many individuals expect the service to entail a detailed examination of their finances and an understanding of their wider personal circumstances. They are looking for reassurance that there is expertise to find them a bespoke solution.

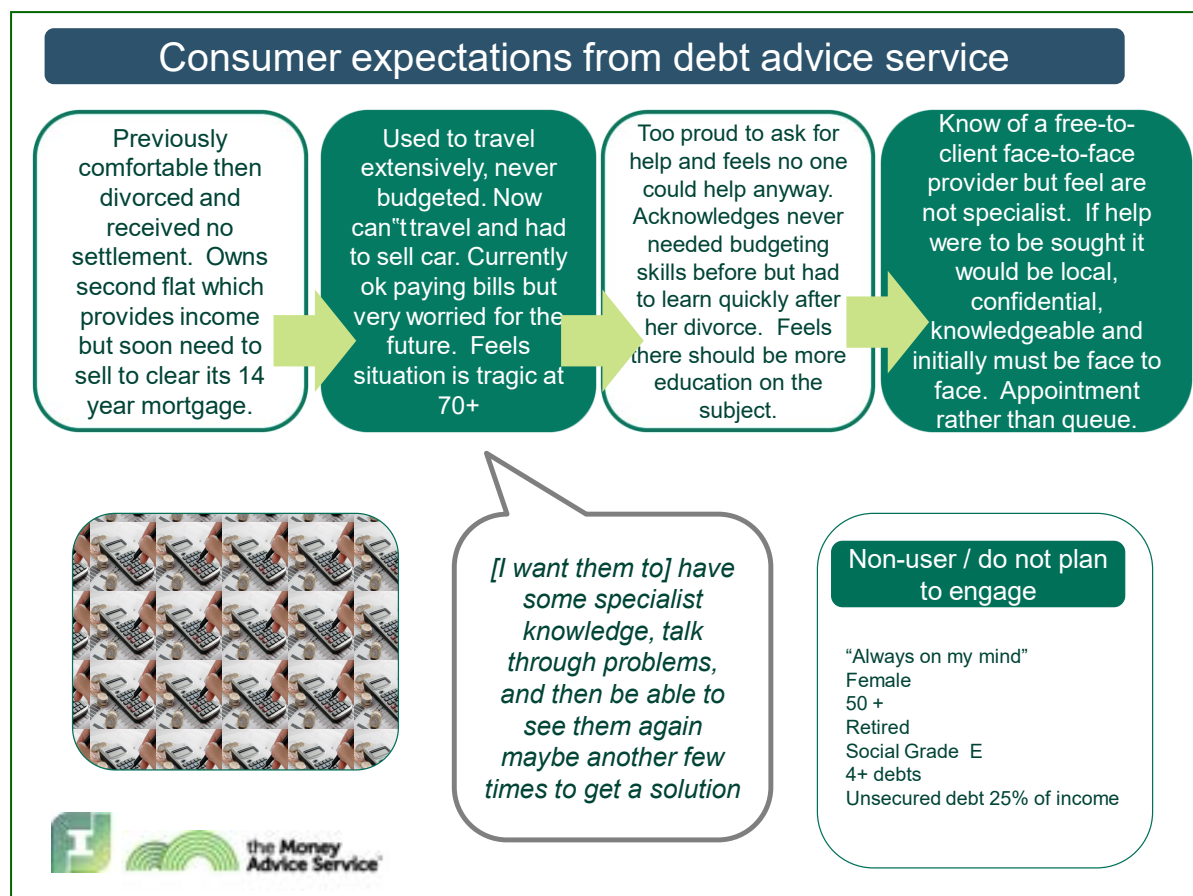
"It should be impartial and professional, but still friendly and with an appreciation of your circumstances." (Non-user, Help, 50+, F)

- 6.8 Debt advice has to be accessible. Individuals feel it should be quick and easy to access debt advice, and access to different services and solutions should be clearly signposted (perhaps through advertising on television and in the national media). There should be no barriers or delays that could deter engagement with debt advice.

- 6.9 Finally, debt advice should deliver solutions. This principle may relate more to outcomes rather than processes. However, individuals feel that process, too, matters in this respect. They want to be offered realistic solutions and, most importantly, they want the service to encourage and convince them that a solution is possible in the first place. When accessing debt advice, they should be made aware of options and the implications of these options, so that they can make informed decisions.

"The most important thing, I think, is building confidence, the fact that you can make things better, that there is a solution." (User, IYCRMM, 35-49,F)

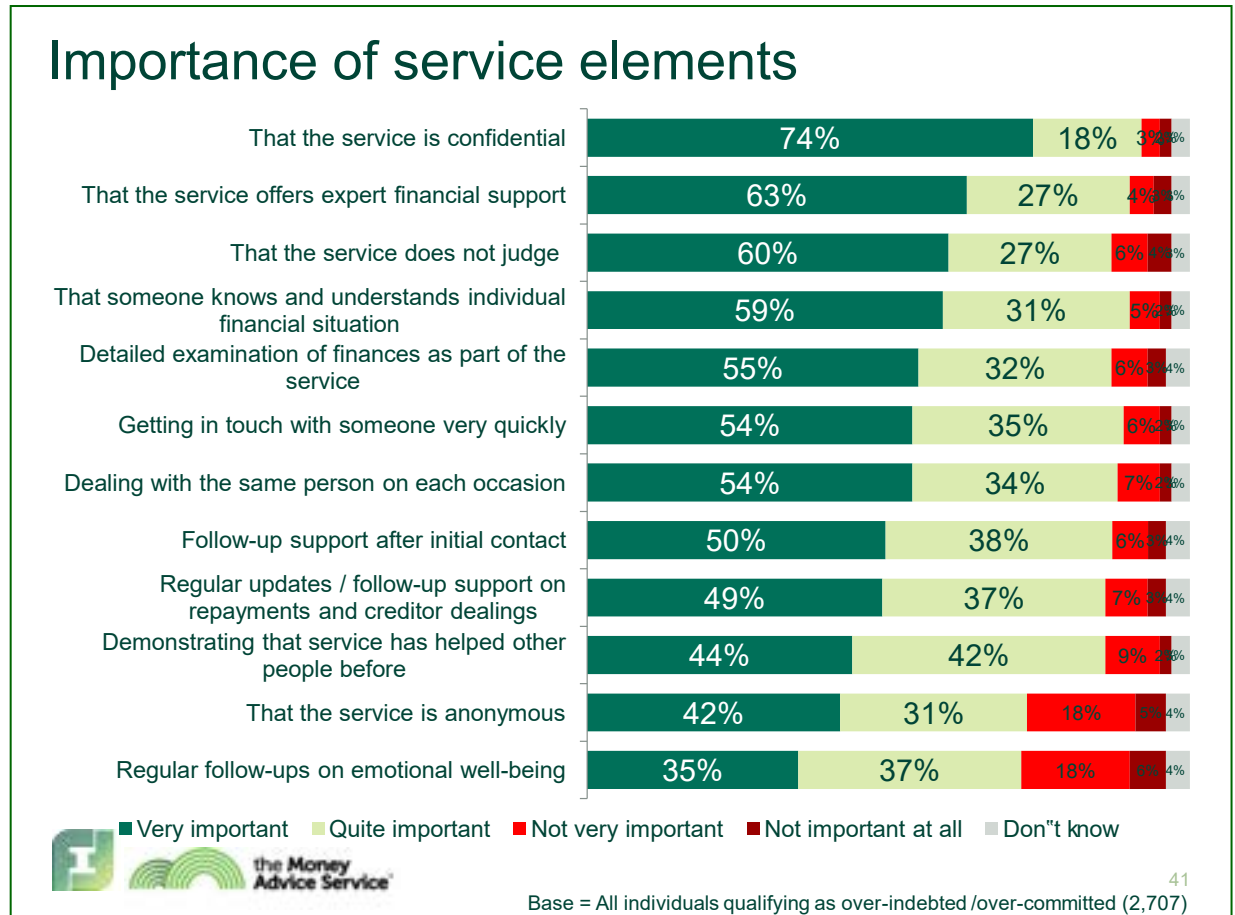
"Knowing where to start because I've got no idea, so I suppose that would be my first priority: Where do I start? What do I do, what info do they need, and do I need to get these records or what do I provide them with?" (User, IYCRMM, 50+, M)

Figure 6.1: Customer journey – example of customer service expectations

- 6.10 The qualitative analysis seemed to suggest that all of these six service delivery principles were almost equally important to individuals suggesting that they were hygiene factors for the delivery of a debt advice service. This was tested out through measurement of the extent to which individuals felt a number of features would be an important part of a debt advice service. The possible exception to this was the concept of anonymity. Findings from these questions are shown in Figure 6.2 below.
- 6.11 The highest ranking is given to ensuring the service is confidential with three quarters (74%) of over-indebted/over-committed individuals feeling this to be „very important“. Nine in ten (92%) feel this to be either „quite important“ or „very important“.
- 6.12 Around three in five feel that offering expert financial support (63%), not judging individuals (60%), that somebody understands their individual financial situation (59%), and a detailed examination of their finances (55%) are very important service elements.
- 6.13 Around half rated getting in touch with someone quickly (54%), dealing with the same person on each occasion (54%), receiving follow-up support after the initial contact (50%), and receiving regular updates and follow-up support on debt repayments and creditor dealings (49%) as very important.
- 6.14 The three items viewed as very slightly less important include demonstrating that the service has helped other people before (44% feel this to be „very important“), that the service is anonymous (42%), and regular follow-ups on individuals emotional well-being (35%).

- 6.15 Once those who say each of these service elements are „quite important“ are added to those stating they are „very important“ there is almost universal agreement that each of these elements should be part of a debt advice service. This would seem to support the view that all of these element are hygiene factors for debt advice delivery.

Figure 6.2: Importance of service elements



- 6.16 The quantitative results show few differences by subgroups, including:

- Gender – Women generally rate the importance of the various service elements slightly higher than men, particularly in relation to the service being non-judgmental (68% feel this to be very important vs. 51% of men) and offering emotional follow-up (38% vs. 32%).
- Age – Younger individuals tend to give lower importance ratings compared to older individuals; those in the older age bands value more that the service is anonymous (53% of the 55+ age band feel this is „very important“ vs. 31% of the youngest individuals aged 18-34) and that it provides emotional follow-up (44% vs. 28%).
- Segments – Individuals allocated to the „Help“ segment are more likely to rate a number of service elements as „important“ compared to other segments, including confidentiality (95%), non-judgmental (92%), practical follow-up (92%) and emotional follow-up (78%); by contrast, individuals within the „Young Hearts“ and „Perfect Day“ and „Walking on sunshine“ segments feel that many service elements are less important.

- 6.17 The biggest sub-group differences in relation to the importance of the various service elements are observed between those individuals who indicate they would wish to hand over total control to a debt advice agency compared to those who say they would want to retain a degree of control or indeed total control themselves. These differences are shown in Table 6.1 below

Table 6.1: Importance of service elements by degree of control desired

	Retain total control	Retain partial control	Hand over all control
<i>Base</i>	<i>(815)</i>	<i>(814)</i>	<i>(248)</i>
<i>% „very important</i>	<i>%</i>	<i>%</i>	<i>%</i>
That the service is confidential	73	74	84
That the service offers expert financial support	61	66	74
That the service does not judge	57	62	72
That someone knows and understands individual financial situation	56	62	72
Detailed examination of finances as part of the service	52	55	70
Getting in touch with someone very quickly	48	57	70
Dealing with the same person on each occasion	50	54	62
Follow-up support after initial contact	46	51	63
Regular updates / follow-up support on repayments	43	50	69
Demonstrating that service has helped other people before	42	43	58
That the service is anonymous	42	39	47
Regular follow-ups on emotional well-being	32	34	48
Any service element	86	86	91

- 6.18 Table 6.1 highlights that the more control individuals are wishing to hand over, the higher their importance ratings become across all service elements. This is particularly evident in relation to the service attribute of getting in touch quickly, where 70% of those wishing to hand over all control feel this to be „very important“ (vs. 57% of the group wanting to retain partial control and 48% of those wanting to retain total control), and receiving regular updates and follow-up support in relation to debt repayments and dealings with creditors (69% vs. 50% and 43%).

Channel preferences: qualitative

- 6.19 The qualitative research asked users to imagine the „ideal debt advice service“ and give their views on the channels through which they would want to access it. Opinion was mixed on preferred channel choice. Channel choice was closely linked to how entrenched in debt individuals were with those with deeply entrenched problems (who consequently had a range of emotional needs) being more likely to favour a face-to-face service. Generally individuals felt it was important that a selection of channels was available for those seeking debt advice.
- 6.20 Many users feel that a **face to face** service could be especially useful in certain circumstances, for instance when approaching a service for the first time, particularly if it is necessary on that occasion to explain the „back story“ of a user’s financial situation and provide documentation. This was both because individuals felt that it would be easier to communicate complex information but also because they equated a face-to-face service with a greater degree of personalisation than other channels. For this reason many users who are not particularly confident discussing financial matters say they would feel more comfortable asking for clarification in a face-to-face scenario, as well as being more likely to understand the response with the aid of body language, diagrams and facial expressions for instance.

“I think it is better face to face and sitting down with somebody ... having somebody sat at the side of you, showing you, you know, writing it out even, I think is a lot more helpful” Non user, HELP 35-49, F

- 6.21 That said, others were actively opposed to a face-to-face service because of the lack of confidentiality it delivers. Some stated that they would not be comfortable in a face to face scenario because of general lack of social ease or confidence or discomfort when speaking to a stranger about being in debt. By contrast a telephone or online service was felt to preserve a greater degree of privacy.

“Face to face would not be ideal as it would probably be embarrassing” Previous user, HELP 50+, M

“I wouldn’t like that ... I want to be able to decide if I want to speak to someone ... because I am not always comfortable with everyone, and people are different. I think some people ... make you feel comfortable, others don’t” Previous user, IYCRMM, 35-49, F

- 6.22 Many felt that it would be perfectly acceptable to relay expert advice via the telephone and it could be more convenient than meeting someone, while still offering a personalised service. A few were concerned about the potential cost of the call (particularly users of pay-as-you-go mobiles who did not have landlines).
- 6.23 Several mention that it would be helpful to combine this phone contact with occasional face to face meetings „to put a face to the name“, or with online contact, to enable the user and adviser to email documents to each other, both to reduce the time spent on the phone, and to ensure both parties are „looking at the same thing“, and making things easier to understand. Others would want email contact following a phone call to keep a record of everything in writing.
- 6.24 *“I think the problem over the phone is it is hard to visualise things ... maybe it wouldn’t be so bad over the phone if the initial contact was by letter or email where they could get some of the facts and figures from you, and you could be looking at the same bit of paper while you are on the phone, I think having to give it all over the phone might be quite time consuming”*
- 6.25 The concept of **online** advice gave a mixed response. Some users felt that an online service would be impersonal or unsecure, and that it might be easy to make mistakes while using it, and potentially difficult to navigate. A few acknowledged they simply don’t trust the internet, feeling they might be asked to enter personal financial information.



- 6.26 However, even those who felt that a solely online service would not be sufficient for an ideal debt-advice service, an online aspect would be very useful, both in terms of an email function or a chat facility for communicating swiftly with specific adviser, and to provide a central and accessible website for independent financial information.

“Online would be the main part of the service, it would be [a] clear, organised website, with downloadable information, budget analysis, and a 'decision tree' to clearly map out the options available” Recent user, 25-34, IYCRMM, F

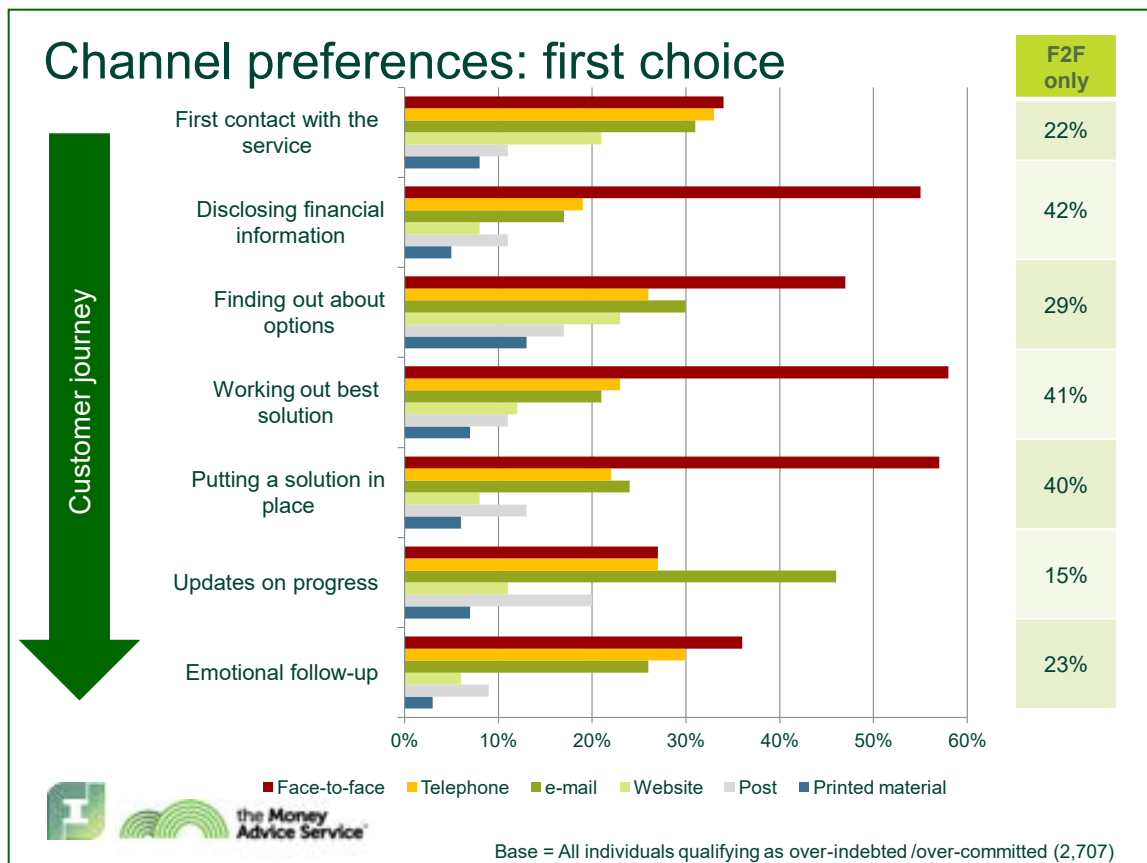
“Rather than waiting for somebody to call you back or to come and see you I suppose that would be better to just quickly dash off an email or message and do it that way. I think that’d be a nice back up to have” Non user, 35-49, HELP, F

“Could provide tailored debt advice similar to face to face but without having to leave the house or arrange to meet someone” Non user, 50+, IYCRMM, F

Channel preferences: quantitative

- 6.27 In addition to understanding the relative importance of specific service elements, the quantitative survey sought to gain further insights into the debt advice delivery process by probing individuals’ preferred access channels, including face-to-face, online, telephone and other channels. One area of particular interest was to assess the extent to which individuals would be open to multi-channel delivery. All over-indebted/over-committed individuals were asked how they would ideally access a money or debt advice service at different stages of the process, from the first contact through to updates on progress and follow-up support. The survey results are presented in Figure 6.3 below.

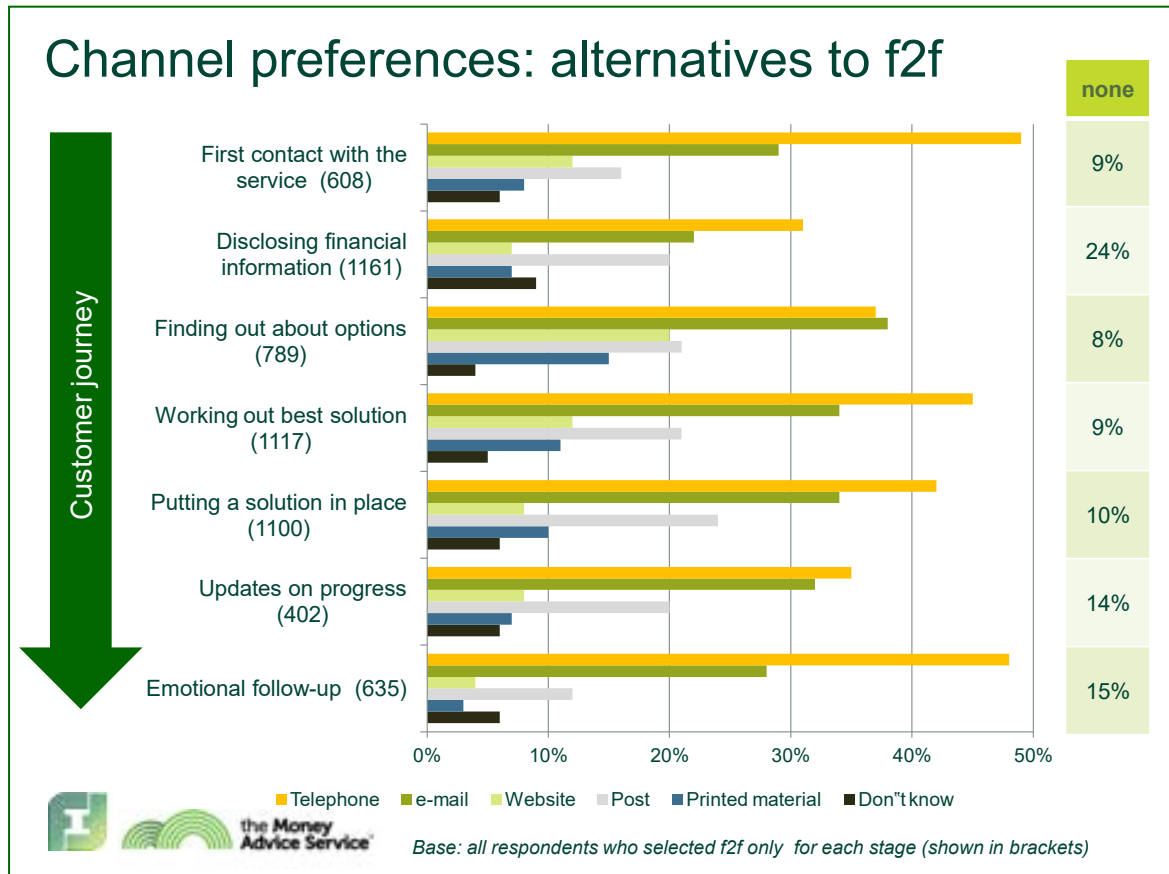


Figure 6.3: Channel preferences (first choice)

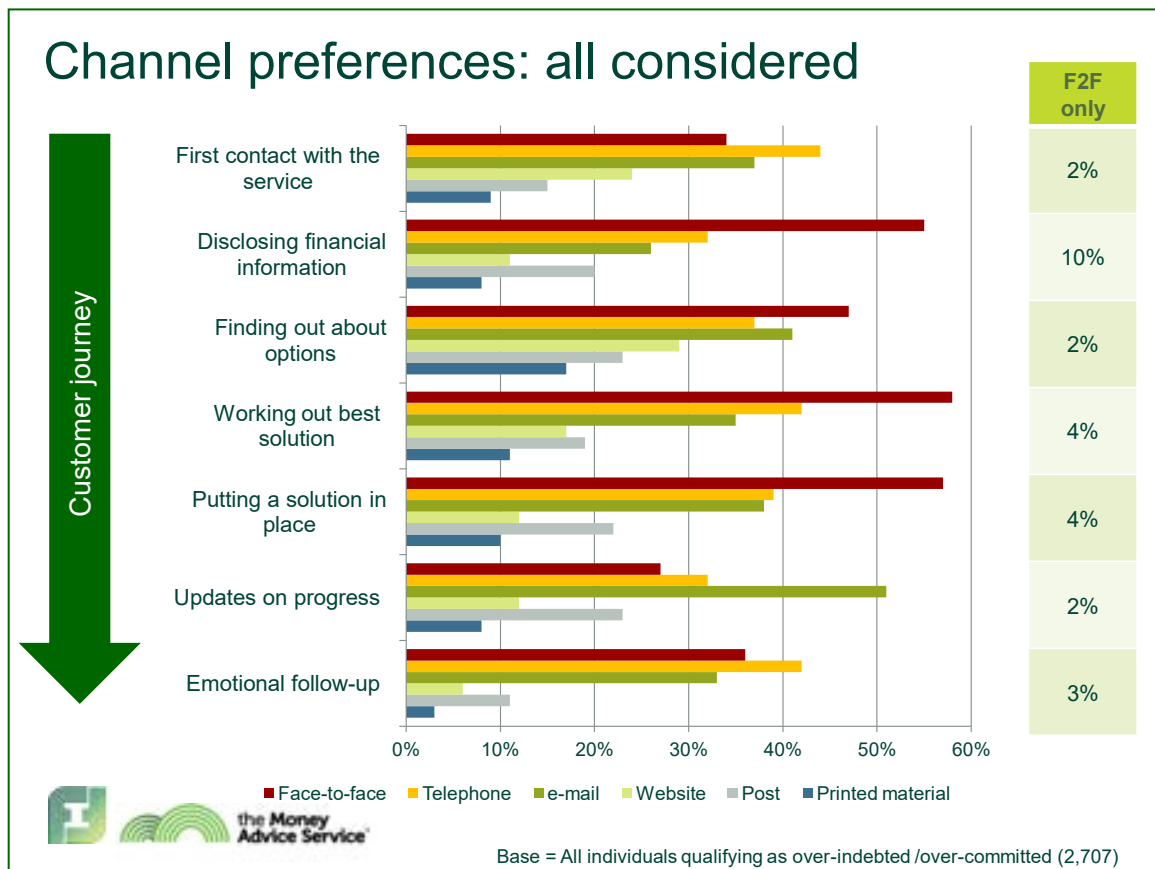
- 6.28 Considering the first stage in the customer journey („first contact with the service“), there is a relatively even spread of preferences between accessing the service face-to-face (34%), telephone (33%), and e-mail (31%), while lower proportions would consider making a first contact via a website (21%), using the post (11%), or examining printed materials (8%). Individuals could have responded to more than one option at this question, and one in five (22% as shown in the right hand side box in Figure 5.2) feel that face-to-face is their only preferred channel at this stage.
- 6.29 However, channel preferences are very different at subsequent stages of the process. When individuals think about disclosing financial information larger proportions envisage doing this in person (55%) compared to much lower proportions who consider other channels. Similar results are evident at the stage when individuals find out about options available to them (47% state they want to do this face-to-face), when they work out which solution is best for them (58%), and when they work with the service to put a solution in place (57%). These stages also show the highest incidence of exclusive face-to-face preferences.
- 6.30 Then, when individuals would receive updates on progress on how their debt is reducing the largest proportion could imagine doing this via email (46%), compared to lower tendencies for face-to-face (27%), telephone (27%) and by post (20%). Similarly, when individuals are in touch with the service about how they are feeling emotionally as part of the follow-up support their channel preferences are more evenly spread with more than a quarter saying they could be in touch with the debt advice service face-to-face (36%), over the phone (30%), or via email (26%).
- 6.31 In order to further test individuals openness to multi-channel delivery, the quantitative survey asked a subset of individuals who had expressed exclusive preference for face-to-face access what other ways

of access, if any, they would consider. Results are shown in Figure 6.4 below, again broken down by the different stages in the process.

Figure 6.4: Alternative channels that would be considered by those initially stating preference for face-to-face



- 6.32 As Figure 6.4 clearly shows, the best channel alternative to accessing debt advice in person is using the telephone, followed by email. For example, of those who felt they would only want to make first contact with the service in person, about half (49%) say they would consider using the phone as an alternative; three in ten (29%) mention email as a possibility. Only one in ten (9%) say they cannot imagine any other way of establishing first contact than doing it in person.
- 6.33 However, openness to multi-channel access is much lower at the second stage, when individuals disclose their financial details. Here, only a third (31%) would be willing to consider using the phone as an alternative face-to-face contact, and one in five would consider using email (22%) or the post (20%). Conversely, the proportion saying that they see no alternatives to face-to-face as the only viable channel is considerably higher (24%).
- 6.34 Finally, Figure 6.5 below combines responses to the two questions (about individuals' first choice, and about possible alternative channels) to give a more rounded picture of carefully considered channel preferences.

Figure 6.5: Channel preferences (first choice and alternatives combined)

- 6.35 Considering all over-indebted/over-committed individuals again, the survey results presented in Figure 5.4 show a much more differentiated representation of individuals' channel preferences. It is evident that preferences for face-to-face access are still high in the middle stages of the process, but individuals appear to be more open to consider alternative channels to access debt advice. The proportions saying they could only imagine contacting debt advice in person are relatively small, however, one in ten (10%) think that they would only contact debt advice in person at the stage when they are disclosing their financial details.
- 6.36 One of the factors that helps to explain individuals' specific channel preferences is their past usage of debt advice, in particular:
- The survey shows that those individuals who had accessed debt advice in person on a previous occasion are more likely to exhibit a preference for face-to-face contact (61% of this group want to disclose financial information in person vs. 55% on average).
 - Past experience of those who previously approached a debt advice provider via the phone or online also had a bearing on their current preferences. For example, 48% of previous phone users state they could disclose financial information over the phone (vs. 32% on average) and 49% of previous online users were open to email contact at this stage (vs. 26% on average).
 - At the same time, previous phone and online users were also more open to consider other channels. Again, considering the disclosure of information stage, only 3% of those who had made contact with a debt advice provider over the phone and 2% of previous online users felt that there was no alternative to face-to-face contact (vs. 10% on average).

- Individuals who had not used debt advice in the last 3 years are more likely to prefer face-to-face contact, for example considering the disclosure of information stage, 58% considered face-to-face (vs. 55% on average) and 12% felt that this was the only option (vs. 10%).

6.37 There is little variation in channel preferences by segment or by over-indebtedness/over-commitment indicator met. However, there are some variations by whether or not individuals self-identify with being in debt as shown in the Table 6.2 below.

Table 6.2: Channel preferences (all considered) by whether consider to be in debt

	All	Consider themselves to be „in debt“	Do not consider to be „in debt“
<i>Base</i>	<i>(2,707)</i>	<i>(1,427)</i>	<i>(1,237)</i>
%	%	%	%
First contact with service			
- Face-to-face	34	31	38
- Telephone	44	46	41
- Email	37	39	35
Disclosing financial information			
- Face-to-face	55	51	61
- Telephone	32	36	27
- Email	26	29	24
Finding out about options			
- Face-to-face	47	44	52
- Telephone	37	41	32
- Email	41	46	36
Working out the best solution			
- Face-to-face	58	52	64
- Telephone	42	46	37
- Email	35	40	30
Putting a solution in place			
- Face-to-face	57	53	62
- Telephone	39	44	34
- Email	38	42	32
Updates on progress			
- Face-to-face	27	24	31
- Telephone	32	35	28
- Email	51	56	44
Emotional follow-up			
- Face-to-face	36	30	43
- Telephone	42	42	41
- Email	33	37	28

6.38 Across each of the stages of the debt advice process explored, those who do not consider themselves to be „in debt“ are more likely to state that they would consider a face-to-face service and, in most cases, less likely to consider a telephone or e-mail service.

7 Individuals Research: Conclusions

- 7.1 Defining the over-indebted/over-committed population is challenging. This survey used 4 indicators which combined subjective and objective measures and also combined measures relating to both *individual* attitudes and *household* finances. These indicators capture a high proportion of the population – 43% - equating to in the region of 18.6 Million people if scaled up.
- 7.2 Of this over-indebted/over-committed population, around half (22% of the overall population) meet only one of the commitment:income ratio indicators (i.e. their monthly household expenditure on unsecured credit commitments accounts for 25% or more of their monthly gross income **or** their monthly household expenditure across secured and unsecured credit commitments accounts for 50% or more of monthly household expenditure). These individuals are much less likely than those meeting the other indicators to consider themselves to be in debt (only 35% of those meeting only one of the two ratio indicators consider themselves to be „in debt“ compared with 54% of the over-indebted/over-committed population as a whole). However, at the same time, it is only a minority of those meeting the ratio indicators who state that they are managing to keep up with their bills and commitments without any problems. It seems possible that these individuals are perhaps on the fringes of needing debt advice and may be more suited to targeting for more general money advice (particularly since many do not align themselves with the concept of debt).
- 7.3 Among the over-indebted/over-committed population, it is relatively uncommon for individuals to be experiencing advanced creditor action (such as court summons, action from bailiffs or threats of eviction); only 7% have these sorts of problems. However a further third are experiencing either the early stages of creditor action (letters, phone calls or threats of termination of utilities) or are not paying bills on an occasional or regular basis which is likely to lead to creditor action if not remedied. Findings from the quantitative survey indicates that groups experiencing advanced creditor action, early creditor action or non-payment of bills (and hence are potentially in fairly urgent need of debt management advice) equate to in the region of 6.7 Million people. These individuals are more likely to self-diagnose as being „in debt“ than those who are not yet at these stages.
- 7.4 Findings from both the qualitative and quantitative research demonstrate that as individuals become more entrenched in debt, the intensity of support and advice required to help them to remedy their situation increases. As the period over which individuals have struggled with their finances increases, so their inner capacity for self-help reduces. At the moment, individuals often do not look for advice or support until they are in this quite entrenched situation. Across the over-indebted/over-committed population as a whole, of those who do not totally reject the concept of debt advice, only 13% state that they would want to hand over total control for resolving their finances to a support organisation. Of those who have actually consulted debt advice agencies this proportion rises to just under a third (30%) with a further 40% wanting to hand over at least partial control.
- 7.5 This would indicate that there could be advantages in terms of the resource required per individual seeker of debt advice in reaching individuals earlier in the debt cycle.
- 7.6 Around two thirds of the over-indebted/over-committed population accept that there are some areas of their finances where they would benefit from receiving assistance. However, a considerable proportion of these individuals require assistance only in relation to help with support needs to prevent future problems and/or to understand the options that might be available to them in terms of handling their debt. These groups equate to around 26% of the over-indebted/over-committed population i.e. around a third of those with some practical need for debt/money advice. The needs of these groups could potentially be met by a relatively „light touch“ service offering. These individuals do not always associate themselves with being in debt (38% of those whose needs relate to preventative issues do so for example).



- 7.7 At the other end of the scale, 27% of the over-indebted/over-committed population state that they need help with issues around acceptance i.e. understanding the extent of their debt or understanding that it might be resolvable (for some this will be in combination with practical needs in other areas). A further 7% do not need help with acceptance issues but need practical help to help them with creditor containment. These individuals generally do consider that they are in debt and hence would not be alienated by advice labelled as „debt advice“.
- 7.8 As individuals slip deeper into financial difficulties, their need for emotional as well as practical outcomes increases considerably. Nearly all of those who were experiencing advanced creditor action felt that they had some emotional need around their finances (91%). This compares with under two thirds (63%) of those who stated that they were keeping up with their commitments but finding it a struggle. However, the high proportion of individuals stating that they had an emotional need even at this point in the debt cycle demonstrates that there is a strong need for emotional support to be integrated into advice about finances (even if it is „money advice“ rather than „debt advice“).
- 7.9 Further evidence of the high dependency state that individuals are often in by the time they seek out debt advice was evident from the fact that a high proportion of participants feel that a debt advice service should include some form of ongoing contact (half felt that regularly updates or information on repayments and creditor dealings would be very important and 35% felt that follow-up contact to check on their emotional wellbeing would be very important).
- 7.10 Instinctively customers are most likely to envisage debt advice being delivered face-to-face particularly in relation to stages of the service surrounding disclosing information and finding out about the options available to them. Over half of individuals would prefer for debt advice to be delivered face-to-face at these phases (and two fifths would only consider a face-to-face route at these points). However, telephone and e-mail delivery are acceptable alternatives for quite large proportions. Generally individuals feel that service delivery needs to be personalised and hence support delivered via e-mail is much more acceptable than simply advice available through a website. Many customers are open to mixed-channel delivery and are much more likely to consider alternatives to face-to-face delivery for the first contact and follow-up stages.
- 7.11 Just over a quarter of the over-indebted/over-committed population have sought debt advice in the last 3 years (equating to an estimate of around 5.4 Million people or 11% of the UK population aged 18+). Most of these (70%) have only sought debt advice from one organisation in this time and for most people this was the only time in their life that they have engaged with debt advice. Evidence from the qualitative research demonstrates that individuals do not think of debt advice in terms of a sector with a number of providers and have very limited understanding of the different types of advice on offer. This often means that they take the first option that presents itself to them. It also means that if individuals have had an unsuccessful encounter with a debt advice provider then this leads them to conclude that there are no solutions for their situation. Furthermore, it tends to mean that when thinking about possible future contact with debt advice services, individuals with past experience envisage contacting the same type of provider again (so long as they did not have a negative experience) and this guides their expectations in terms of channel of delivery in particular.
- 7.12 Considerable education will be required to help individuals understand key features of the sector so that they can make informed decisions e.g. there exists a choice of advice providers and advice is available through a range of channels.

- 7.13 As a snapshot picture, the research indicates that around 11% of the over-indebted/over-committed population are currently in the process of receiving debt advice; a further 12% have debt advice on their horizon as something that they anticipate they might seek at some point in the future. Hence, the vast majority of those who meet the over-indebtedness/over-commitment indicators do not currently have plans to engage with debt advice. Even among those currently experiencing advanced creditor action the proportion seeking or anticipating seeking debt advice only equates to around three in five.
- 7.14 There are a number of features that a debt advice needs to offer in order to be considered by individuals (i.e. „hygiene factors“). These are for the service to be:
- Trustworthy
 - Non-judgmental
 - Simple to comprehend
 - Personalised
 - Able to deliver solutions
 - Easy to access
- 7.15 For the most part, the qualitative survey would seem to indicate that the services that individuals have accessed have delivered against these requirements and hence there are not major failings in the way in which debt advice is being delivered. In some cases, individuals feel that the service has not been sufficiently personalised because of a lack of continuity in advisers that they have seen. Others have experienced services that appeared to have a lack of capacity where they felt their case was dismissed as not sufficiently serious or where they experienced delays in accessing the service.

8 Stakeholder Research: Summary

- 8.1 This section of the report explores the findings of independent research with stakeholders in the UK debt advice sector, conducted by IFF Research on behalf of the Money Advice Service. The aim of the research is to provide information to inform the Money Advice Service as it takes responsibility for the central co-ordination of debt advice across the UK from 1st April 2012.
- 8.2 A total of 40 in-depth interviews, a multi-stakeholder focus group and a workshop were held with stakeholders in the debt advice sector, including public and private funders, creditors (including housing associations, utilities companies, banks, and other finance providers) and both free-to-client and fee-charging advice providers.

Stakeholder findings

- 8.3 Stakeholders identify numerous challenges in the current debt advice system, but there is also broad consensus within the sector on a potential way forward to address these challenges.
- 8.4 Currently the debt advice sector is considered to be stakeholder-centric, rather than user-centric: i.e. debt advice provision reflects the organisational interests of stakeholders more than the needs of customers. There is an identified need to make the sector more user-centric.
- 8.5 The sector has developed over many years, influenced by a range of different stakeholder interests - leading to fragmentation – some describe this as being akin to a cottage industry that is in need of rationalising and greater consistency.
- 8.6 The debt advice system also has to accommodate a range of different stakeholder interests. What stakeholders want to achieve for their organisation, from its involvement in debt advice, varies by stakeholder type. There is also no universal definition of success or means of measuring success – monitoring and reporting of debt advice provision varies from organisation to organisation.
- 8.7 A range of other challenges add to inconsistent and stakeholder-centric debt advice provision:
- Funding can be a barrier to effective delivery of free-to-client services. Funding requirements can dictate the types of customer that are helped or how they are helped (e.g. telephone or online; one-off advice or on-going case work). Short-term funding cycles can also make it difficult for advice providers to plan ahead;
 - An inability of free-to-client advice providers to meet demand for face-to-face debt advice. Customers often want face-to-face assistance²¹, when free-to-client face-to-face provision is over-subscribed;
 - Ineffective regulation and quality control mean that customers can receive an inconsistent service (e.g. in terms of quality of advice and appropriateness of proposed solutions). It also leaves the sector vulnerable to rogue practitioners;
 - Fragmented provision – involving multiple entry points to debt advice – makes it harder for customers to navigate the sector. As customers tend to take up the first debt solution they encounter without interrogating what is on offer, the lack of „joined-up“ provision also increases the risk that they will pursue debt advice with a rogue practitioner;

²¹ Customers are often at crisis point when they seek debt advice, and debt issues are often interwoven with other major issues, such as redundancy, relationship breakdown or mental health problems. This means that over-indebted customers often want to see an advice provider face-to-face to „hand over“ their debt issues (regardless of which channel may really be most appropriate for handling their issues).



- Limited collaboration between stakeholders. Creditors often lack a complete picture of the individual customer's financial situation, and so sometimes question the fairness of how debt repayment plans are agreed. As a result they do not always support these plans, which can cause the plans to fail;
 - Failure to address the root cause of some customers' debt problems. Over-indebtedness is often linked to other problems, all of which need to be addressed in order to deal with an individual's debt effectively. Funding arrangements sometimes discourage referral of clients from one type of advice to another, and can lead to debt advice being delivered separately from training to build a client's financial capability²². This prevents some customers being given the integrated package of advice needed to address problems and prevent reoccurrence.
- 8.8 Whilst there is recognition that steps have been taken to address some of these challenges (e.g. action by the Office of Fair Trading to address rogue practitioners, and some improvements in engagement between creditors and advice providers), stakeholders believe there is further work to be done.
- 8.9 There is broad agreement on what ought to be achieved by working with the individual customer in future – e.g. the customer addressing wider issues underlying their over-indebtedness; having a coherent strategy to inform their actions; and being aware of the priority order to tackle debts in.
- 8.10 There is also a consensus about the opportunities for improvement within the sector:
- Ensuring that funding mechanisms do not dictate the channel or type of help given to customers, or act to the detriment of customers in other ways;
 - More effective regulation and quality control – to recognise quality advice provision and ensure customers receive help/solutions that will enable them to reduce/pay off their debt;
 - Centralising how customers access debt advice, to achieve greater consistency in how customers are directed towards appropriate advice services;
 - Ensuring that there is enough funding to meet customer demand, for example by widening the pool of creditors who contribute to the funding of debt advice;
 - Further improving collaboration, e.g. by improving data sharing so that creditors have an improved picture of the customer's financial situation and can „buy in“ to repayment plans; and by better utilising the potential of creditors to identify „warning signs“ early;
 - Delivering a holistic service to address the root causes of over-indebtedness where appropriate, e.g. by integrating financial capability training into debt advice provision, and improving onward referral to other advice services;
 - Encouraging advice providers to monitor outcomes (what is achieved for the customer) rather than activity (e.g. number of clients seen).
- 8.11 These suggested improvements are designed to achieve a shift from a stakeholder-centric debt advice system, to a user-centric one – i.e. provision that puts the needs of the individual customer ahead of those of individual stakeholders. Stakeholder feedback suggests that the will exists within the sector to address these challenges and achieve this important shift in emphasis.

²² This is not to suggest that all over-indebtedness is caused by poor money management skills or that all customers need financial capability training, but this is highlighted as a significant respect in which current services fall short of what some customers need.

9 Stakeholder Research: Background, introduction and methodology

- 9.1 This report explores the findings of independent research with stakeholders in the UK debt advice sector. This research was conducted by IFF Research on behalf of the Money Advice Service, an independent organisation set up by Government, who will become responsible for the central co-ordination of debt advice across the UK from 1st April 2012. The aim of the research is to provide information to inform the Money Advice Service as it takes up this new role.

Background

- 9.2 The Money Advice Service provides a free, independent service which gives unbiased money advice to help people make informed choices about their finances. The Government has asked the Money Advice Service to take on a co-ordination role for the delivery of debt advice services in the UK.
- 9.3 The Money Advice Service recognises that the current debt advice sector has been in existence for many years. To inform the development of a future debt advice strategy, the Money Advice Service is seeking to obtain a holistic overview of the current debt advice sector to fully understand how the sector works, whether and how the delivery channels, tools and solutions currently meet the needs of customers, and to define the user outcomes that will be required of a new service.

Aim and objectives

- 9.4 The overriding aim of this research is to define the outcomes desired by stakeholders which will be used to inform the shape of the Money Advice Service's co-ordination role.
- 9.5 Overall, the research seeks the views of users and potential users of debt advice, and other stakeholders in the debt advice sector, including funders, creditors, and advice providers (both those whose services are offered free to the user, and those who charge users a fee for their debt solutions).
- 9.6 This section of the report details the findings of the stakeholder research. Within the stakeholder element of the research, the specific objectives are to explore:
- Stakeholder perceptions of the desired outcomes from debt advice – encompassing both outcomes that stakeholders desire for their own organisation, and outcomes that they desire for customers;
 - Perceptions of the current debt advice system, including perceived current strengths, as well as current challenges and barriers to success;
 - Stakeholder views on opportunities to improve debt advice service provision in the future.

Methodology

- 9.7 A qualitative research approach was chosen to capture the views of stakeholders, on the grounds that stakeholder organisations are diverse, meaning there was a need to tailor discussions to the individual organisation; and because the topic of the current debt advice system demands exploration in considerable depth.
- 9.8 This qualitative approach comprised three elements: 40 in-depth interviews, a multi-stakeholder focus group and a half-day stakeholder workshop. The sample structure is shown in the table below. The multi-stakeholder focus group is classed as a depth for the purposes of this table.



Table 9.1: In-depth interviews sample structure

Stakeholder type	Depths
Advice providers – free-to-client	12
Advice providers – fee-charging	5
Advice provider networks	3
Creditors (including housing associations, utilities, banks and other finance providers)	12
Private and public sector funders (including funders in government and local authorities)	7
Other stakeholders (including regulators)	2
TOTAL	41

- 9.9 Some in-depth interviews were with a single individual, others were conducted with pairs or triads of relevant individuals. Within advice provider organisations, interviews were conducted with individuals responsible for the organisation's overall policy on debt advice, as well as with site managers and staff involved in delivering frontline services to customers. Overall, 62 individual respondents were interviewed.
- 9.10 The stakeholder research took place after the qualitative research with customers, which enabled us to show to stakeholders, customers' own descriptions of successful debt advice. Stakeholder interviews were arranged in waves, with pauses to enable analysis to be undertaken. This allowed themes emerging from the initial interviews to be fed into subsequent interviews, and feedback from stakeholders to build iteratively. Interviews were conducted from 23rd August to 30th September 2011.
- 9.11 After the majority of the interviews with individual stakeholders were completed, a half-day workshop was held in London with 14 stakeholders from across the UK who had previously taken part in depth interviews. The focus of this workshop was to build on the desired outcomes and challenges expressed in the earlier stages of the research, by generating ideas for future improvement. The multi-stakeholder focus group in Cardiff was adopted because a large number of stakeholders in Wales (10 of them) had expressed a desire to be interviewed at the same time²³. This focus group had an extended running time (2 hours) and also focused on generating ideas for future improvement. These sessions were conducted on Wednesday 21st September (in Cardiff) and Tuesday 27th September 2011 (in London).
- 9.12 The depth interviews covered a range of locations across the UK²⁴. All three devolved nations were represented in the research. The views described in this report reflect those of stakeholders across the UK as a whole, unless otherwise stated.

²³ This is officially classified as one of the 41 in-depth interviews, with a funder, for the purposes of our sample structure.

²⁴ Of the 41 depth interviews, 13 were conducted in London, two elsewhere in the South of England, four in the Midlands, 12 in the North of England, four in Scotland, four in Northern Ireland and two in Wales (although, as noted, one of the two sessions in Wales was run as a focus group with 10 stakeholders). The location of interviews was primarily driven by where the relevant stakeholders are based.

9.13 Throughout this report we have classified organisations as follows:

- Fee-charging providers are those who charge a fee to implement a debt solution.
- There are several types of organisation that are creditors of over-indebted customers whilst often simultaneously funding debt advice. Throughout this report, these are treated as follows:
 - Local authorities are classed as funders;
 - Utilities, banks and other finance providers are classed as creditors in the private sector;
 - Housing associations are classed as creditors in the public sector.

9.14 Trade associations representing parts of the debt advice sector and networks of advice providers have deliberately *not* been labelled as such, as doing so would have made it too easy to identify the specific organisation involved.



10 Stakeholders" desired outcomes from debt advice

10.1 Customer needs from debt advice are wide-ranging and include both emotional and practical outcomes that can be achieved in the course of regaining control of their finances (see findings from the research with individuals that forms the first half of this report). Stakeholders" desired outcomes from the debt advice system are similarly diverse, in terms of:

- What stakeholders wish to achieve for their own organisation; and
- What they wish to achieve for the customer.

Desired outcomes for the organisation

10.2 The focus of stakeholders" desired outcomes from debt advice *for their organisation* varies by stakeholder type²⁵ (although there are some areas that cut across more than one type of stakeholder – see section 10.11 below).

10.3 **Free-to-client advice providers** tend to cite outcomes relating to empowering their client to deal with their situation practically and emotionally. These include identifying those who come to the service who are in greatest need.

"Our overall aims as an organisation, which is to provide advice to people who need it. We prioritise people in greatest need, who are those people, you know, who will suffer the most from not being able to resolve their problems and face the greatest barriers... Our objective is actually the eradication of poverty in [name of city]." (Advice provider, free-to-client, face-to-face and telephone)

10.4 They also wish to ensure that free, independent and impartial advice is available to customers.

"To give advice that is free at point of access, that is independent of any credit companies or financial service user organisations, also that it would be holistic." (Advice provider, free-to-client, face-to-face)

10.5 Through this work, many aim to minimise debt as a social problem, and to address poverty and financial exclusion.

10.6 **Fee-charging advice providers** (i.e. those who charge a fee to implement a debt solution) are commercial, profit-making organisations that approach debt advice provision from a business perspective. Their debt advice is generally provided for free and a fee is only charged once a debt solution has been put in place²⁶. Their aims focus on delivering appropriate and sustainable debt solutions that also yield a profit, i.e.²⁷:

- Expanding their client base among over-indebted customers;

²⁵ Among each type of stakeholder organisation a variety of responses are given, but some overall themes emerge that differentiate the different types of stakeholders from each other.

²⁶ In some instances, the debt advice does not lead to a fee-based solution being implemented.

²⁷ These are presented in no particular order.



- Ensuring the customer receives a debt solution that is appropriate and sustainable – partly to ensure that the provider's fee income does not cease due to the debt solution failing; but also to support the reputation of fee-charging advisers/debt solutions among customers and the debt advice sector as a whole.

"To expand our customer base or the number of customers we can deal with...become the most respected commercial provider of debt solutions in the UK... now by doing that of course, the company will be successful." (Advice provider – fee-charging)

"The aim for the business is to provide the appropriate advice for the client at point one and then ensure that advice remains appropriate until the solution is discharged." (Advice provider – fee-charging)

- 10.7 Aims among **creditors** fall into two broad groups. Firstly, the aims of **utilities companies, banks and other finance providers** centre around recouping money owed, but this is informed by a social conscience and with a view to building sustainable customers and customer loyalty in the long-term²⁸:

"To contribute towards the creation of a more efficient, more effective debt landscape so that [creditors] are able to collect." (Creditor – bank)

"If you don't look at the big picture... you get somebody going into a plan... that, ultimately, fails after a while... if we have payment plans that keep falling over, there is a cost associated with all of that. We all then have to go back to the square one again... We also look at customer loyalty because... how we treat that customer when they're in financial difficulties... is actually really important... we are looking for, you know, sustainability." (Creditor – other finance provider)

- 10.8 In contrast, the organisational aims of other creditors – **housing associations and funders in central and local government** – tend to relate to fulfilling social obligations to the customer and minimising the burden on the tax payer created by over-indebtedness.

- 10.9 Within this, a specific aim²⁹ is to stabilise tenancies/home ownership and minimise the number of evictions/repossessions. This is partly because evictions/ repossessions cause costs to the public purse elsewhere, due to responsibilities to re-house those evicted/repossessed, and other „hidden“ costs incurred when residents are forced to move from one area to another (e.g. costs caused by changes of school or healthcare provider).

- 10.10 Some³⁰ also cite „bigger picture“ aims, such as working in a „joined-up“ manner with other stakeholders so as to maximise the impact of their funding in achieving debt reduction.

"To remove financial barriers, increase awareness of local resources and enable a team to deliver the most services and for partners to talk to each other." (Funder – local authority)

²⁸ Again, presented in no particular order.

²⁹ For housing associations and funders in government.

³⁰ Funders in government and local authorities.

10.11 There are also some organisational objectives that cut across more than one type of stakeholder. These are to³¹:

- Provide a holistic service to the customer, because over-indebtedness is often interlinked with other problems, all of which need to be addressed in order to deal with the debt effectively. For example, this might include advice on income maximisation (e.g. by claiming state benefits)³²; or supporting people with job seeking.

"To give a holistic service to the client so they want to make sure that, when a client comes into them, they're not just dealing with the debt." (Advice provider, free-to-client, face-to-face)

"We provide advice and generally it's advice in all the main subject areas: debt, housing, employment, and consumers' relationships." (Advice provider, free-to-client, face-to-face)

"Alongside [debt advice], we also give employment advice. As I said, we do housing, immigration, welfare benefits and debt." (Advice provider, free-to-client, face-to-face)

- Educate and „rehabilitate“ over-indebted customers where appropriate, i.e. improving their financial capability to minimise recurrence of problems in future³³. For utilities, banks and other finance providers this is about creating long-term sustainable customers, whilst for housing associations this is about stabilising tenancies;

"For residents to manage their money better...making sure that they're paying- they're budgeting correctly and, therefore, paying their priority debts." (Creditor – housing association)

"We focus very much on the preventative measures as well, so it's not just the fire-fighting of the debt advice; it is the financial capability side of things." (Funder – government)

- Raise overall standards in the debt advice sector³⁴ including quality and appropriateness of advice;

"Our aim is to... have a commitment to standards and ethics to... deliver appropriate standards of debt advice within a commercial setting." (Advice provider – fee-charging)

- Promote a „responsible approach“ to debt collection by creditors, informed by a better understanding of an individual customer's situation (which is perceived to enable debt collection to be both effective and fair)³⁵. For utilities, banks and other finance providers this ties in with the concept of „Treating Customers Fairly“³⁶ and has the following benefits:

³¹ Presented in no particular order.

³² Cited by free-to-client advice providers, housing associations and funders in central and local government. There is no discernible pattern by type of free-to-client advice provider, in terms of those mentioning a holistic service.

³³ Cited by free-to-client advice providers, utilities, banks and other finance providers. Again, this is not to suggest that all over-indebtedness is caused by poor money management skills or that all customers need financial capability training, but this is highlighted as a significant respect in which current services fall short of what some customers need.

³⁴ Cited by free-to-client advice providers, fee-charging advice providers, and central and local government funders.

³⁵ Cited by free-to-client advice providers, utilities, banks and other finance providers.

³⁶ TCF (Treating Customers Fairly) is an FSA protocol (more information can be found on the FSA website; <http://www.fsa.gov.uk/pages/doing/regulated/tcf/>). Whilst TCF outcomes do not specifically relate to debt collection, the



- Ensuring the customer receives a sustainable solution – as this helps to build customer loyalty and avoids costs that are incurred when a solution fails and has to be re-negotiated;
- Obtaining a clear picture of the customer's ability and intent to pay, and how repayments to the individual creditor compare with those arranged with other creditors (i.e. whether they are fair). This can inform the creditor's approach to dealing with the customer.

"We have an obligation to our shareholders to maximise profits...but also obligations to „Treating Customers Fairly“, and to be a good citizen.” (Creditor – bank)

- Encourage responsible lending, by supporting better regulation of the short-term loan industry³⁷;

"To try and help the new industry of very short term loans – especially [those] sold over the Internet – to get to some high standards and to work with the government on the regulatory reform agenda.” (Creditor – other finance provider)

Desired outcomes for the customer

10.12 There is a greater degree of consensus across stakeholder groups about the outcomes desired *for the customer*. Most aim to ensure that customers³⁸:

- Engage with their debt problems as early as possible, i.e. through early identification of customers who are struggling; and by reducing stress to enable customers to face their issues and address them³⁹;
- Have informed access to an appropriate debt solution, by:
 - Raising awareness of reputable advice providers⁴⁰;

"The ideal scenario is that any individual who has a debt problem is directed towards someone qualified to advise them, whether it's a fee charger or a non-fee charger...and that the person advising has access to every solution that that client might need.” (Advice provider – fee-charging)

"A proper money advice service so that the client actually knows where to resource information and advice and knows where to go and so that the bureau and other agencies are then able to signpost them appropriately using different channels.” (Funder – government)

- Enabling customers to access sustainable debt solutions⁴¹; and

broader ethos of responsible behaviour to the customer appears to inform the approach of some finance providers to over-indebted customers too.

³⁷ Cited by utilities, banks and other finance providers, and central and local government funders.

³⁸ These are presented in no particular order.

³⁹ An aim held by free-to-client advice providers, utilities, banks and other finance providers, housing associations and funders in central and local government.

⁴⁰ This aim is cited by free-to-client advice providers, fee-charging providers, utilities, banks and other finance providers.

⁴¹ This aim is cited by free-to-client advice providers, utilities, banks and other finance providers.

- Ensuring the customer is informed of the pros and cons of individual solutions and advised on an appropriate one⁴²;

“We’d need to put people back in control of their finances and find sustainable solutions for them. Giving a range of options and assisting them to choose the right one, getting people to face up to their responsibilities.” (Advice provider, free-to-client, face-to-face)

“Ultimately we are trying to get the best solution for the clients.” (Advice provider – fee-charging)

- Have access to holistic⁴³, customer-centred advice⁴⁴.

“Provide a holistic service, not just debt advice or financial capability, but to leave them empowered and understood.” (Funder – local authority)

“That customers are able to understand, engage with and importantly rehabilitate through the credit and debt cycle...taking the complexity out of debt advice and debt management.” (Creditor – bank)

10.13 **Funders in central and local government** cite a broader aim of achieving consistency across the sector, i.e. ensuring debt advice delivered in a consistent manner, regardless of the individual provider (whilst advice providers tend to be more focussed on service delivery, funders also tend to look more at the sector as a whole).

“It doesn’t really matter who the delivery agent is, but you should get the same quality of service and the same kind of response and that’s easy to access.” (Funder – government)

How outcomes are monitored

10.14 Despite there being some consensus in stakeholders’ desired outcomes, there is a high degree of variation between stakeholders in how they currently monitor and report advice provision that they are involved in delivering or funding.

10.15 There is no universal definition of success or means of measuring success – monitoring and reporting of debt advice activities vary from organisation to organisation, and is often dictated by the individual agenda of the organisation or the agendas of their funders.

10.16 Often monitoring activity involves a focus on one „headline” factor, with other variables sitting underneath this. Funders each impose very different reporting requirements on the advice providers they fund. Free-to-client providers often have to simultaneously monitor their debt advice activities in multiple ways, according to which funding stream is paying for work.

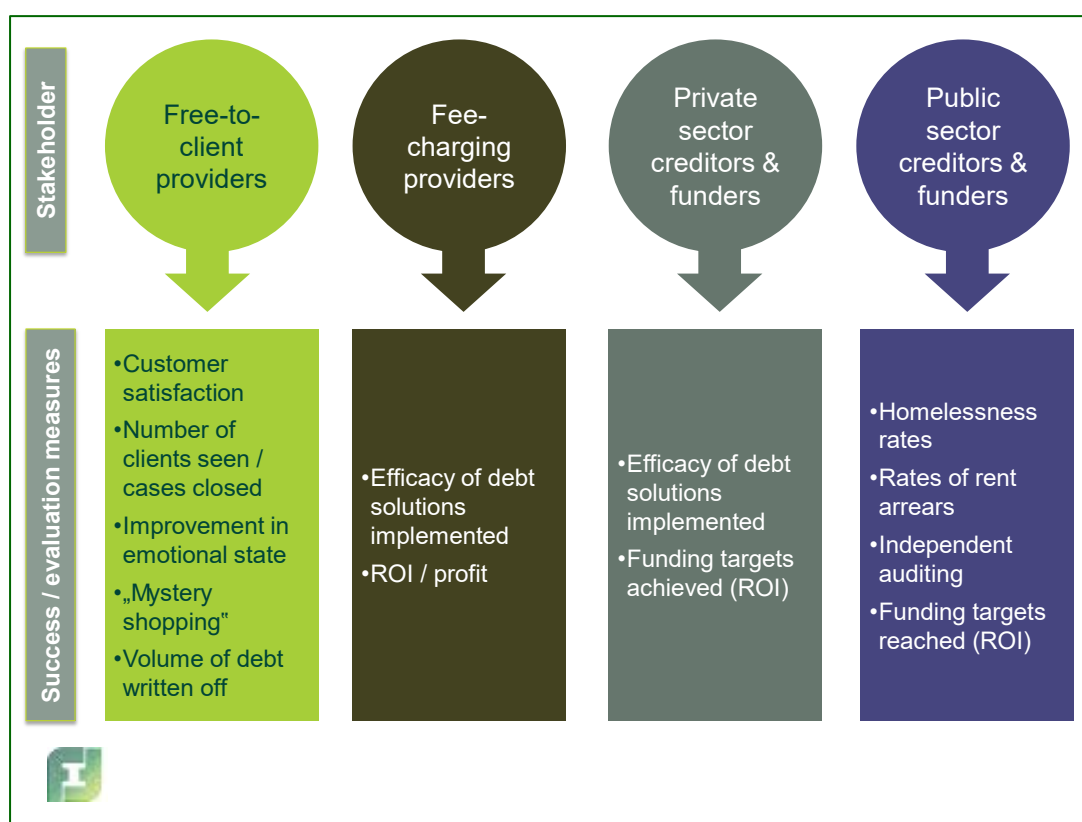
⁴² This aim is cited by free-to-client advice providers, and fee-charging providers.

⁴³ I.e. advice that draws on multiple advice disciplines (e.g. housing, benefits maximisation, mental health) as required, in order to deal with the individual customer’s issues as a whole. One suggested aspect of this was a focus on building financial capability in order to avoid future problems.

⁴⁴ This is raised by free-to-client advice providers, utilities, banks and other finance providers, housing associations and funders in central and local government.

10.17 The figure below shows some of the types of outcomes monitored among different stakeholder groups.

Figure 10.1: Examples of types of outcomes monitored by different stakeholder groups



10.18 The types of outcomes monitored include:

- Monitoring the number of clients or cases seen in a year – often with targets or quotas in place. Sometimes this is based on the case having „closed“⁴⁵, i.e. the provider no longer sees the customer as the debt is either repaid or a sustainable plan is in place⁴⁶;
- Monitoring the volume of debt written off as a result of their work with clients⁴⁷;
- Gathering data on subjective measures such as satisfaction with advice provided, reported self-confidence in dealing with debt and self-reported improvements in emotional states, by conducting follow-up surveys with clients⁴⁸;

⁴⁵ There was no consistent definition of a „closed“ case among stakeholders.

⁴⁶ Commonly cited by free-to-client advice providers.

⁴⁷ Mentioned by free-to-client advice providers.

⁴⁸ Mentioned by free-to-client and fee-charging advice providers. Specific examples include a survey with the target of 95% of clients being classed as „fully advised and needing no further contact“ (cited by a free-to-client, face-to-face advice provider) ; and using a combination of client surveys and mystery shopping to test the debt advice delivered to clients, with results being reported to the Office of Fair Trading (mentioned by a fee-charging provider).

"We have a questionnaire that we do that we get the clients to fill out when they first come and ...then when we've finished the case, we send out the same one." (Advice provider, free-to-client, face-to-face)

- Monitoring the number of debt solutions implemented that do not fall through⁴⁹. This can include looking at length of time that a client's debt solution is sustained for; and progress made at specific timed intervals (e.g. 3 months, 6 months, end of the solution lifespan);
- Monitoring the profit made from debt advice activities or the return on investment from debt advice activities funded, in terms of the amount of debt owed that has been recouped⁵⁰;

"To grow, be very profitable, shareholders will be happy, staff will be happy, but most of all our customers are going to be happy because they have achieved something that they would not ordinarily achieve maybe through other service." (Advice provider – fee-charging)

- Using headline measures such as rates of homelessness⁵¹ or level of rent or Council Tax arrears⁵²;
- Using independent auditing, e.g. the National Audit Office audit of the Mortgage Rescue Scheme, and peer reviews used historically to audit the Legal Service Commission's debt advice provision⁵³.

10.19 Overall, these measures tend not to build a complete picture of the individual customer's financial situation (e.g. whether or not all their issues have been resolved; whether or not they have experienced further problems since ceasing contact with the advice provider), nor do they tend to measure whether the customer's financial capability has improved. With the wide variation in the measures used to monitor debt advice activity, it is also extremely difficult to compare across debt advice interventions or to build any overall picture of debt advice provision.

10.20 The areas of difference between stakeholders in desired outcomes for the organisation⁵⁴ and the variety of approaches used to monitor debt advice mean that the debt advice system currently has to accommodate a range of different stakeholder interests. As we shall see in chapter 11, this is thought to contribute to inconsistencies in service provision and an inefficient use of resources.

⁴⁹ Used by fee-charging providers and utilities, banks and other finance providers.

⁵⁰ For fee-charging providers and utilities, banks and other finance providers.

⁵¹ Mentioned by funders in government.

⁵² Mentioned by local authorities and housing associations.

⁵³ Funders in government.

⁵⁴ And, to a lesser extent, the customer.

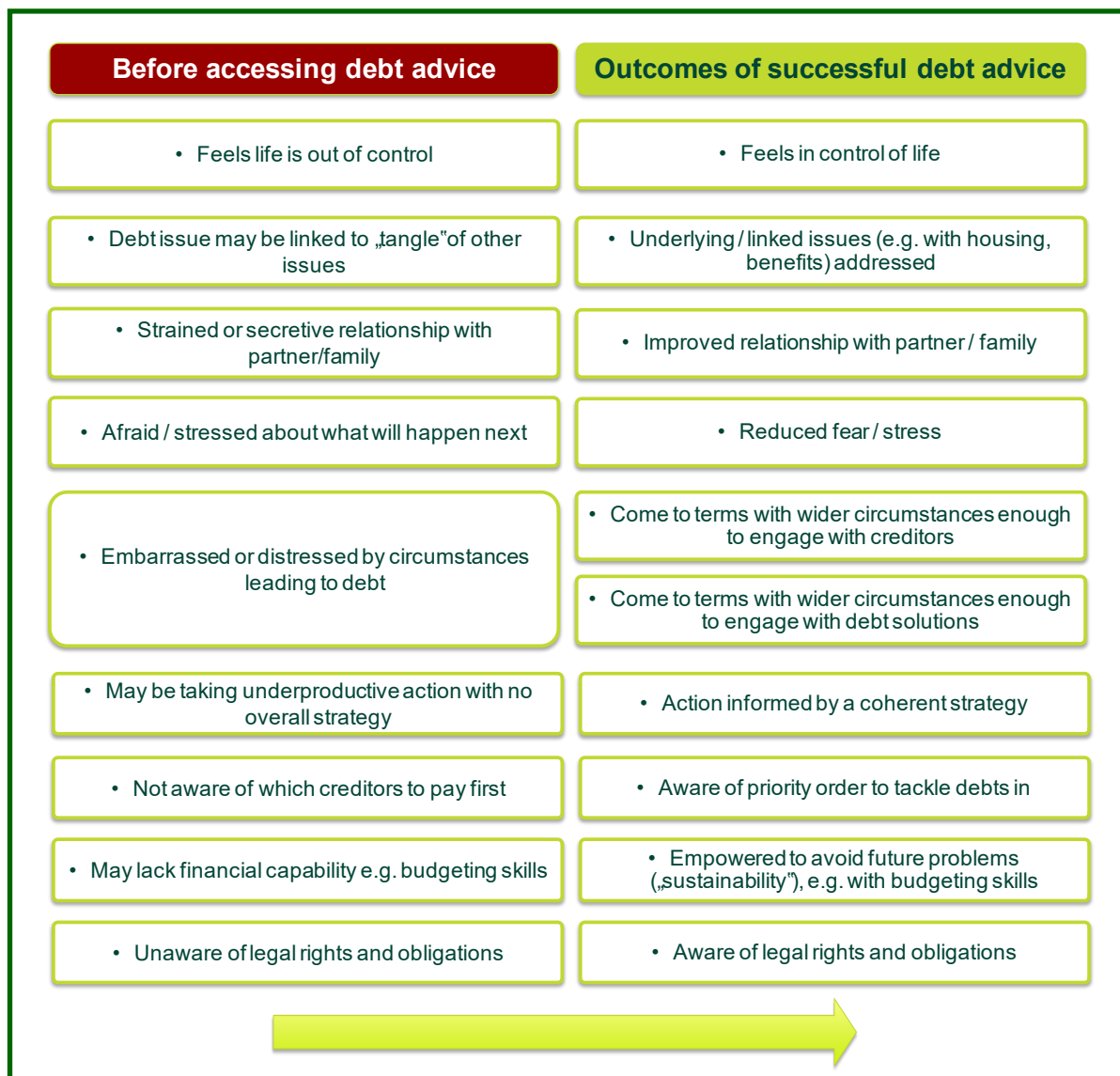


Stakeholder perceptions of the outcomes of successful debt advice

10.21 There *are* areas of consistency in desired outcomes for both the organisation and the customer. In addition, there is a high degree of consistency in how stakeholders describe the characteristics of over-indebted customers „before“ and „after“ experiencing „successful“ debt advice. The figure below compares these „before“ and „after“ states (in the left and right-hand columns, respectively)⁵⁵.

10.22 Whilst not explicitly mentioned in this context, reducing or paying off the customer's debt was „taken as read“ as the overall outcome of this activity – stakeholder descriptions of successful outcomes instead focused on the specifics involved in achieving this overall goal.

Figure 10.2: Stakeholder perceptions of the outcomes of successful debt advice



⁵⁵ These characteristics are presented in no particular order.

10.23 As the stakeholder research took place after the qualitative research with customers, it was possible to show to stakeholders, individuals' own descriptions of successful debt advice. The consensus of stakeholders is that the debt advice provision that they are responsible for/able to influence *already* offers most of what individuals want *at least some of the time*, i.e. the issue is being unable to guarantee that provision is consistent. The one aspect that is more contentious for stakeholders is that some individuals wanted advice providers to take care of the debt situation on their behalf. Whilst some stakeholders believe that this is what some customers genuinely need – as a result of their vulnerable state – it runs counter to stakeholders' desire to empower the customer.

Summary

10.24 Although there are some objectives that cut across more than one type of stakeholder, the focus of stakeholders' desired outcomes from debt advice *for their organisation* varies by stakeholder type – free-to-client advice providers tend to cite outcomes relating to empowering their client to deal with their situation practically and emotionally; for fee-charging providers the focus is on delivering appropriate and sustainable debt solutions that also yield a profit; for utilities, banks and other finance providers, the focus is on recouping money owed, but informed by a social conscience and with a view to building sustainable customers and customer loyalty in the long-term; whilst for housing associations and funders in local and central government, there is a focus on social obligations to the customer and minimising the burden to the tax payer.

10.25 Similarly, there is a high degree of variation between one organisation and another in how stakeholders monitor and report advice provision that they are involved in delivering or funding. There is no universal definition of success or means of measuring success. This means that the debt advice system currently has to accommodate a range of different stakeholder interests, which are thought to contribute to inconsistencies in service provision.

10.26 There is, however, a greater degree of consensus across stakeholder groups about the outcomes desired *for the customer* – for example, ensuring customers engage with their debt problems as early as possible, face their issues and address them; have informed access to an appropriate debt solution; and have access to holistic, user-centred advice, within which there is a focus on building financial capability in order to avoid future problems⁵⁶. The consensus of stakeholders was that they believed these outcomes were currently delivered some of the time, but – due to the challenges in the sector (see chapter 11) – they could not be confident that these outcomes were consistently delivered.

10.27 There is a high degree of consistency in how stakeholders describe the characteristics of over-indebted customers „before“ and „after“ experiencing „successful“ debt advice – for example, feeling more in control of their life; more confident with their finances; addressing other issues underlying the over-indebtedness; having a coherent strategy to inform their actions; and being aware of the priority order to tackle debts in.

10.28 In conclusion, while the underlying rationales for involvement in debt advice differ between stakeholders, the end result – in terms of desired impact on the individual customer – is relatively consistent. Thus, different arguments may be needed to achieve stakeholder „buy in“, but there is broad agreement on what ought to be achieved by working with the individual customer and a desire to be more cohesive in working towards these common goals.

⁵⁶ As noted earlier, stakeholders do not suggest that all over-indebtedness is caused by poor money management skills or that all customers need financial capability training, but this is highlighted as a significant respect in which current services fall short of what some customers need.

11 Perceptions of the current debt advice system

Perceived challenges and barriers to effective service delivery in the current system

11.1 Stakeholders identify numerous challenges in the current debt advice system, but – as we shall see in section 12 – there is also broad consensus within the sector on a potential way forward.

11.2 The challenges and barriers identified by stakeholders are as follows.

A fragmented sector

11.3 The debt advice sector has developed over many years, influenced by a range of different stakeholder interests (an example of this can be seen in the range of organisational objectives, discussed in chapter 10). This has led to a fragmented sector, which has been likened to a cottage industry that is in need of a phase of mergers and acquisitions to rationalise it and make it more consistent.

“It’s similar to cottage industry. There are a couple of big players in there but a lot of small ones all doing things in the same direction but in very different ways with very different funding,... processes, IT... You need some sort of mergers and acquisitions but not at the expense of delivery on the ground where you do actually need it, there is a role for these small tiny organisations to deliver that advice.” (Funder – government)

“It [the debt advice sector] is fragmented, I think there is a lot of duplication...where there is an overlap [between providers] you ask yourself why you are both dealing with the same people – maybe only one is required...As one MP said,...‘you have to choose the best, work with the best and you have to grow the best’.” (Advice provider, free-to-client, telephone and online)

“I’d criticise the debt advice arena for being too fragmented and too complex and we don’t understand what they do...There are local bodies; there are national bodies; there are conflicting bodies.” (Creditor – utilities)

“We’re trying to stop all of that fragmented funding from government and try and make sure that it’s all working together...Part of the point of bringing everything together under the umbrella of the Money Advice Service is to try and bring stability and coherence...so that just takes away all of that mess...To try and ...streamline [provision] a little bit because it’s fragmented, it’s patchy. Some providers are better than others...We’re trying to...get more...coherence around...delivery at the moment because ...there’s lots of routes into it...It doesn’t really matter who the delivery agent is, but you should get the same quality of service and the same kind of response.” (Funder – government)

11.4 This fragmentation – and other challenges that follow – has produced a sector that is stakeholder-centric, rather than user-centric: i.e. debt advice provision reflects the quirks of stakeholders more than the needs of customers.



Funding can be a barrier to effective delivery of free-to-client services

11.5 Funding requirements currently **dictate the nature of free-to-client debt advice provision**, with the result that customers are not always referred to the most appropriate advice provider, type of help (e.g. self-help, full case work) or channel. This is because some funding awards:

- Stipulate who the funding should help (e.g. customers who qualify for legal aid, or at risk of home repossession) and/or how the advice should be delivered. This imposes limits on which customers can be assisted, and can result in customers being offered a type of help (e.g. self-help, full casework), or help via a channel, that fulfils funder requirements rather than meets customers' individual needs⁵⁷;

"[There are] bits of funding from everywhere: that sort of means [you] can deliver services but ... it may be based on a specific outcome or a specific funder requirement or you can only...see these clients with this financial circumstance ...if they can't get access because they're not deemed to be suitable, then what's the outcome for those people?" (Advice provider, free-to-client, face-to-face and telephone)

- Require advice providers to report performance back to funders in terms of number of client cases closed. This encourages advice providers to „close“ a case in-house, so as to maximise the numbers of cases reported as closed, even where referral out to another advice provider could allow the customer to access specialist advice that could benefit them or prove more efficient (e.g. referral from face-to-face to telephone advice)⁵⁸.

11.6 Funding requirements can also **make it difficult for free-to-client advice providers to plan ahead**. Funding arrangements sometimes operate on short-term cycles (e.g. awarding funding for 12-months), leading advice providers to:

- Work in „survival“ mode, concentrating on securing their next source of income so as to continue to offer debt advice, rather than engaging in the strategic planning of services to deliver against customer needs;

"The funding systems go in too short a timeframe – say – year-by-year. As soon as you get the money the organisations are trying to get a bid together for the next lot of money...It's all hand to mouth...They have got no...strategic planning , basically because they don't know where they are going to be from one year to the next." (Funder – government)

- Undergo „downtime“ – a period each year in which providers take on fewer new debt advice clients, because of uncertainty as to whether or not they will be able to retain enough staff to service these clients⁵⁹. Late notice of whether funding will continue (e.g. notice of a month or less) extends this period of uncertainty.

⁵⁷ This issue was cited by free-to-client face-to-face, telephone and online advice providers, government funders, local authorities, housing associations, banks, and other finance providers.

⁵⁸ This issue was cited by free-to-client face-to-face advice providers, fee-charging advice providers, local authorities, utilities companies, and other finance providers.

⁵⁹ These issues were cited by free-to-client face-to-face and telephone advice providers, government funders, and housing associations.

"If somebody is coming up to the end of a contract...they have to stop seeing clients maybe six months before the project ends. So, if it's a two-year project, they maybe didn't see clients for the first three months until they got set up. Then there's that bit in the middle; then they have to stop seeing clients at the end because they're doing the wind-up of the project." (Advice provider, free-to-client, face-to-face)

- 11.7 For funders in central and local government, this is raised as an issue because they too experience uncertainty regarding the level of funding they will receive (i.e. to potentially pass on to advice providers); and because they observe the impact of this uncertainty on the advice providers that they fund.

Inability of free-to-client advice providers to meet demand for debt advice

- 11.8 There is an **inability among free-to-client providers to meet demand for face-to-face debt advice**:

- Customers are often at crisis point when they seek debt advice, and over-indebtedness is often interwoven with other major issues, such as redundancy, relationship breakdown or mental health problems. This means that customers often want to see an advice provider face-to-face for the reassurance of face-to-face contact; because it feels easier to untangle a complex set of interlinked issues face-to-face; or because there is a need to literally hand-over large quantities of paperwork related to the debt. In addition, some face-to-face services (particularly those offered by Citizens Advice Bureaux) are perceived to have higher levels of awareness among customers. Whether or not face-to-face provision is really needed varies – in some instances face-to-face is needed; in others there ought to be more sifting to divert customers to telephone or online – but the fact remains that many customers come to the debt advice sector with a desire for, or expectation of, face-to-face provision⁶⁰;
- Demand for face-to-face therefore already outstrips the amount of free-to-client provision that current funding can resource; and free-to-client providers (and those offering face-to-face advice in particular) often cannot work with customers as early as customers wish to be seen;

"I do not doubt that resources are stretched. It's 6-8 weeks before you can go in and visit a Citizens Advice Bureau and that will put some people off. Some of the other money advice groups are saying they have got huge spare capacity but, actually, you know, they may be online and, actually, all the customers we've got want a face to face." (Private creditor)

- Demand for face-to-face advice is expected to increase further when customers face further pressure from, for example, rises in interest rates, the increasing cost of energy bills and the implementation of benefits reforms⁶¹.

- 11.9 A mitigating factor is that other channel providers are able to address this demand for debt advice that is accessible sooner.

"We are necessary because the sheer volume of people who have debt problems cannot be dealt with if we weren't here." (Advice provider – fee-charging)

⁶⁰ This challenge is discussed by free-to-client face-to-face, telephone and online advice providers, fee-charging advice providers, government funders, local authorities, other finance providers and other stakeholders.

⁶¹ This is cited by free-to-client face-to-face, telephone and online advice providers, fee-charging advice providers, government funders, local authorities, other finance providers and other stakeholders.

"We don't have a problem with capacity, we are running at about 65% capacity, we could grow it, we have scalability to grow that to a lot more, certainly telephone and online, so... I think we have got the tools... to actually deliver a lot of the consumer needs in the debt supply space."
(Advice provider, free-to-client, telephone and online)

Ineffective regulation and quality control

11.10 Ineffective regulation and quality control mean that customers **can receive an inconsistent service from the debt advice sector**, in terms of the channel through which they are helped, the type of help given (e.g. case work, one-off sessions or self-help materials), the quality of advice given and the appropriateness of the proposed solutions.

11.11 This variability can mean that customers receive a poor service from the free-to-client sector.

"[Free-to-client provider] is not the only service and not always the best customer service."
(Funder – local government)

"I suppose from a customer's point of view the fact that you've paid for it may make it a little bit more painful financially but if you haven't had... the desired outcome, the fact that you've got it for free, [makes] the consequences no less severe." **(Advice provider, fee-charging)**

"They [the free-to-client sector] always seem to have the attitude that free is best, no matter how good the actual quality is, and it could even be the wrong advice, but their attitude is free is best; you charge a fee, therefore you're bad." **(Advice provider, fee-charging)**

11.12 It also means the sector remains susceptible to **rogue practitioners**⁶²:

- Lack of quality control requirements means there are low barriers to entry for new debt advice providers. This means the population of debt advice providers is relatively fluid. It is therefore difficult to maintain an up-to-date overview of the quality of what is being delivered; and there is little to prevent *some* new entrants to the sector springing up and offering poor quality advice⁶³;
- Stakeholders recognise and are pleased that the Office of Fair Trading (OFT) has already started to address the issue of rogue practitioners, and has taken steps to improve standards⁶⁴. However, the consensus is that resources are too limited, and rogue practitioners spring up too rapidly, for them ever to be eliminated entirely⁶⁵;

"A number of other organisations that you may already have spoken to do not actually realise that there have been significant changes to [elements of the fee-charging debt solution sector] over the last three years, that significantly changed those organisations' ability to provide fully

⁶² This was mentioned across the sector as a whole (both free-to-client and fee-charging), but was slightly more of an issue in the fee-charging sector.

⁶³ This issue is raised by free-to-client face-to-face, telephone and online advice providers, fee-charging advice providers, government funders, banks, other finance providers and other stakeholders.

⁶⁴ This was seen as a positive aspect of the current system by free-to-client-advice providers (including some offering face-to-face, telephone and online support, and some in Scotland), fee-charging advice providers, utilities, banks and other finance providers and other stakeholders.

⁶⁵ This is a view held by free-to-client face-to-face, telephone and online advice providers, fee-charging advice providers, government funders, local authorities, banks, other finance providers and other stakeholders.

compliant, ethical and transparent fee-charging debt resolution services." (Advice provider – fee-charging)

"We're happy with work the OFT is doing to regulate the fee-paying sector – the 80% that are DEMSA members. The remaining 20% is the problem – that needs strong control and considerable policing." (Advice provider, free-to-client, face to face, telephone and online)

- There is a perception that rogue fee-charging providers put profit ahead of customer needs, i.e. meaning that customers are sometimes offered a debt solution on the basis of how much the provider will make from the solution⁶⁶. These range from debt solutions that are merely not the optimum solution for the customer, to solutions that will actually make customer's situation worse⁶⁷.

"Some [fee-charging providers] are...perfectly good, you can see the service they are providing...Some...are not so good, it is hard to see what...they are doing...at the end of ...three months they will have from the customer...three months" worth of fees but they would have appeared to have done absolutely zero in terms of any communication or provision of any distributed payments to creditors." (Creditor – other finance provider)

"There's a lot of Wild West still going on there...some of which is, frankly, appalling, and very poorly regulated and often has very, very bad outcomes for service users which actually add to their debt problems." (Advice provider, free-to-client, face to face and telephone)

Fragmented provision impacts on the customers' ability to navigate the sector

- 11.13 The consensus of stakeholders is that some customers tend to take up the first debt solution they are exposed to, without interrogating what is on offer⁶⁸.

"You have to be careful in this sector not to assume that [the customer] is always perfectly rational and they are always going to look at the market and decide...When they are in that vulnerable, vulnerable state...you have really just got to give them a number and let them get on with it." (Advice provider, free-to-client, telephone and online)

"It is apparent to us that service users do not shop around, they do not make informed choices and they are attracted by the „first aid“ part of the process, the immediate „we will deal with your creditors and reduce your payments“." (Advice provider, free-to-client, telephone)

- 11.14 The fragmented nature of debt advice provision exacerbates this problem, in that there are multiple entry points to access debt advice, and provision is far from „joined-up“. This means **the debt advice sector is difficult for the customer to navigate**.

- 11.15 Fee-charging advice providers, some of whom are perceived to be rogue practitioners, are perceived to have access to, and utilise, a high marketing spend, which, stakeholders argue, gives them considerable prominence when customers are looking for help with over-indebtedness.

⁶⁶ This issue is cited by free-to-client face-to-face, telephone and online advice providers, fee-charging advice providers, government funders, other finance providers and other stakeholders.

⁶⁷ As noted earlier, this issue is cited by free-to-client face-to-face, telephone and online advice providers, fee-charging advice providers, government funders, other finance providers and other stakeholders.

⁶⁸ For example, even where fee-charging providers are transparent about the fees involved, the consensus of stakeholders is that many customers tend not to be interested in grasping the implications of this.

11.16 This means that customers don't always access the most appropriate form of debt advice for them. It also means that – with the perceived susceptibility of the sector to rogue practitioners – there is a risk of customers accessing debt advice that may even prove detrimental.

"[Our] concern is...making sure you've got a recognised branding and point of contact so you know where to go...also that it's free at the point of delivery as far as possible...There is room for fee-charging services, where particular people can afford to do that, but [we are] worried about the fee-charging debt advice sector and...them preying on the most vulnerable at their most vulnerable moments." (Funder – government)

"Some clients come to me and say, „Oh I couldn't get an appointment with a...free debt agency" and so they see it [advertisements for fee-charging debt solutions] in the paper, they might see it on the Internet and they just want someone to manage it, they just don't want to have to deal with the creditors." (Advice provider, free-to-client, face-to-face)

"As a service user who presumably is not at a point of crisis but is feeling a bit fragile, there is no discernible way to know...that this [advice provider] is good and that is toxic...I don't think the man in the street has the first idea who OFT is [or] who the Ministry of Justice are." (Creditor – other finance provider)

11.17 This leads some stakeholders to conclude that there is a need to compete directly with rogue practitioners; in a bid to reach customers first (this informs some of the suggestions made for the future of debt advice provision, in section 12).

Limited collaboration between stakeholders

11.18 The consensus is that, although there have been improvements in stakeholder collaboration, there is still further to go.

11.19 Stakeholders recognise there have been improvements in **creditor engagement** with advice providers. Creditors are increasingly referring their over-indebted customers to debt advice providers, thus encouraging these customers to access debt advice at an earlier stage than might otherwise be the case. Creditors are also increasingly willing to give credence to, and work constructively with, attempts by advice providers to negotiate on behalf of their clients, thus improving the chances of negotiating a solution that will have creditor „buy-in" and therefore prove successful for customers⁶⁹.

11.20 There is, however, a desire to further increase creditor engagement – particularly in:

- Signing up to debt solutions for individual customers – as, without this, repayment plans tend to fail: if even one creditor pursues the customer and succeeds in getting the customer to prioritise their own payment over and above the repayment plan arrangements, the plan as a whole tends to fall apart⁷⁰;
- Engaging directly with the customer to renegotiate repayment arrangements, if the customer's circumstances change after a repayment plan has been negotiated by an advice provider. Ideally the customer would be able to go direct to the creditor to negotiate without forcing the

⁶⁹ Cited by free-to-client advice providers (including some offering face-to-face, telephone and online support, and some in Scotland and Northern Ireland) funders in government, and utilities, banks and other finance providers.

⁷⁰ This issue is raised by free-to-client telephone and online advice providers, local authorities, and banks.

customer to go back to the advice provider⁷¹.

11.21 Barriers to achieving this engagement vary: with larger creditors, it can be difficult to ensure that information or agreed approaches consistently filter down to the creditor's frontline employees who deal with customers. Smaller creditors may lack resources to spend time engaging with advice providers on the subject of debt resolution best practice⁷². Further obstacles occur where the customer's debt has been sold on from one creditor to another⁷³, making it very difficult to track the debt and arrange repayment.

11.22 Creditors themselves **question the fairness of how repayment plans are agreed**. The customer can be reluctant to disclose their full financial situation to creditors (e.g. for fear that this will lead to creditors withdrawing remaining sources of credit that the customer is relying on to fund day-to-day living expenses). It is therefore difficult for creditors to access a complete picture of the customer's financial situation, which means some creditors find it hard to understand the rationale for, and therefore buy into, the level of repayments to them in a debt resolution plan (e.g. why can the customer only afford to pay £2.43 per month?)⁷⁴;

11.23 Finally, some banks and utilities companies desire increased consistency in receiving co-operation from advice providers – for example, by not encouraging customers to switch banks when over-indebted with their current bank, and by not encouraging non-payment of water bills due to their status as a non-priority debt.

Failure to address the root of customers' debt problems

11.24 As noted (at 10.11), over-indebtedness is often interlinked with other problems, all of which need to be addressed in order to deal with the customer's debt effectively. There is therefore a need for debt advice provision that is able to address multiple customer issues. There are two challenges involved in achieving this:

- The **separation of debt advice from financial capability training**: Current funding arrangements have increasingly sought to fund debt advice and financial capability as separate disciplines. This acts as a barrier to advice providers „bundling“ debt advice and financial capability training into a single session⁷⁵. This means that customers tend to receive debt advice without any financial

⁷¹ This is cited as an issue by free-to-client face-to-face and telephone advice providers, fee-charging advice providers, government funders, housing associations, utilities companies, banks and other finance providers.

⁷² This is cited by free-to-client face-to-face and telephone advice providers, fee-charging advice providers, local authorities, utilities companies, banks and other stakeholders.

⁷³ Cited by a funder in government.

⁷⁴ This is raised by free-to-client face-to-face advice providers, fee-charging advice providers, government funders, housing associations, utilities companies, banks and other stakeholders.

⁷⁵ A few free-to-client advice providers report that, historically, when financial capability training was offered to customers as a separate session, customers tended to show up for the debt advice but not for the financial capability session. They therefore moved towards offering both debt advice and financial capability training within a single session. Again, this is not to suggest that all over-indebtedness is caused by poor money management skills or that all customers need financial capability training, but this is highlighted as a significant respect in which current services fall short of what some customers need.

capability training to prevent problems recurring, thus increasing the risk of customers becoming over-indebted again in future⁷⁶;

- **Ensuring effective referral from one advice discipline to another:** Whilst collaboration has improved, encouraging referral of clients from debt advice providers to other providers outside of the debt advice sector⁷⁷, current funding mechanisms are – as noted in section 11.5 – still perceived to encourage advice providers to close cases in-house rather than referring customers on to (sometimes) more appropriate services from other providers to address the customer's problems as a whole⁷⁸. In addition, advice providers note that clients often „disappear“ in-between providers, when referred from one provider to another, meaning there is a need for „warm“ handovers.

“There's been a growing development in relationships that [is] enabling us to actually refer people appropriately to one another.” (Advice provider, free-to-client, face-to-face and telephone)

Issues with specific debt solutions

11.25 Whilst discussion was not focussed on debt advice solutions, issues with the **specific debt solutions on offer** are raised by a few stakeholders:

- The debt solutions on offer from the Insolvency Service are considered to work reasonably well but there is perceived room for improvement/enhancement, either to make them more flexible or to ensure that they are mutually exclusive (so as to avoid ambiguity as to which solutions are appropriate for which customer needs)⁷⁹.

“The Insolvency Service does provide good help with queries but there could be more flexibility e.g. The Debt Relief Order can be quite restrictive.” (Advice provider, free-to-client, face to face and telephone)

“Debt Relief Orders [are] a really good idea but looks at gross assets rather than net.” (Advice provider, free-to-client, face to face and telephone)

11.26 There are also issues raised by a few stakeholders in relation to other debt solutions:

- Individual Voluntary Arrangements (IVAs) are criticised for lack of transparency regarding fees. However, there are perceived advantages: they are legally-binding for creditors and so reduce chasing by creditors for the customer, and they set a fixed end date for repayment;

“People are not told about how much an IVA would cost them... the fees are more hidden because... they just pay their regular payments... until like they get some statements some time down the road about how much has gone in fees.” (Funder – government)

- Debt Management Plans are also criticised for lack of transparency in relation to fees. They are also compared unfavourably to IVAs, in that they still allow creditors to pursue the customer and

⁷⁶ This issue was cited by free-to-client face-to-face, online and telephone advice providers, government funders, and local authorities.

⁷⁷ Cited by free-to-client advice providers (including those offering face-to-face and telephone support).

⁷⁸ Discussed in the section „Challenges created by funding mechanisms“.

⁷⁹ These comments are made by free-to-client advice providers by face to face and telephone, and creditors in banking.



there is no set time period for repayment;

“I think the IVA... model works very well... the fact that the creditors are bound as well as the client is bound gives a degree of certainty to the consumer... I think that debt management [plans] would benefit an awful lot from a lot of the things that an IVA has which is things like the fact that a creditor is legally bound, the fact that there is a set time period for debt payment.”
(Advice provider – fee-charging)

- Bankruptcy is perceived to be an expensive option. There are concerns that bankruptcy is not always accessible for customers who may need it, i.e. because they are unable to afford to pay the necessary court fees or deposits. This also means that, in some instances where bankruptcy proceedings have gone ahead, the Insolvency Service is not able to recover its costs, meaning that the taxpayer is indirectly paying for the costs of administering bankruptcy. Furthermore, there is still perceived to be considerable stigma attached to this option.

Perceived strengths of current system

11.27 Despite the concerns about inconsistency, in some respects the diversity of current provision is seen as a strength:

- There are positive perceptions of the current provision of debt advice by larger, established providers whose services are seen to complement one another, fulfil different customer needs (especially in terms of access) and provide a level of consistency in advice⁸⁰.

“Citizens' Advice of course is leading the way face-to-face, National Debtline is leading the way in the telephone and, actually, CCCS is leading the way in sort of online access.” (Private creditor)

“I think Payplan, National Debt Line and CCCS are all able to provide a reasonably consistent level of service and type of service because they are single organisations and...have a single structure of control and management.” (Advice provider, free-to-client, telephone)

- That the diversity of current provision, whilst causing inconsistency, does bring different perspectives to the debt advice system, in that free-to-client providers are likely to have a different mentality and offer a different kind of service to fee-charging providers – and that these differing approaches will tend to suit different customers⁸¹;
- Simply that the diversity of providers and delivery channels mean that customers can ultimately access some form of debt advice⁸².

Geographic differences

11.28 There are a number of geographic differences mentioned by stakeholders within the devolved administrations. These are as follows.

11.29 In **Scotland**, stakeholders mention a mixture of Scotland-specific initiatives and challenges.

⁸⁰ This was cited as a positive by free-to-client-advice providers (including a provider by telephone), fee-charging advice providers, and utilities, banks and other finance providers.

⁸¹ Reported by individual respondents.

⁸² Reported by individual respondents.

- 11.30 In terms of Scotland-specific initiatives, there is an arrangement in which the national government funds online and telephone advice whilst local government funds face-to-face advice, including Citizens Advice Bureaux and specialist debt advice providers. This represents the attempt by the sector in Scotland to rationalise provision, in order to deal with the perception (held UK-wide) that debt advice provision is fragmented and inconsistent, with providers offering overlapping services. It was also a result of Scotland historically not receiving funding from the Financial Inclusion Fund, which placed a lot of the onus of debt advice funding on local authorities. Some report that, in Scotland, funding tends to be particularly short-term and individual project-based.
- 11.31 Stakeholders in Scotland have also attempted to create greater consistency in delivery of debt advice, thus avoiding there being a „postcode lottery“ for customers. This has been done by introducing accreditation, called the Scottish National Standards. These were developed by the Scottish Government in conjunction with the debt advice sector. These originally applied to individual debt advisors. However, the quality assurance associated with this placed such a burden on individual employees that it was perceived to be deterring individuals from entering debt advice as a profession. It also meant that advice provider organisations could easily be compromised, if the individual advisors who were accredited either left or were off sick. It also led to accredited individual advisors being poached by other organisations (which led to a shortage of debt advisors – and therefore debt advice – in some regions). They have therefore moved to a model in which the debt advice agency is accredited, rather than individual employees.
- 11.32 In addition, financial capability has recently been embedded in the secondary education system, in an attempt to prevent future debt problems developing.
- 11.33 Regarding Scotland-specific challenges, the differing legal framework means that debt advice provision needs to match the Scottish legal system. This presents challenges in that England-centric debt solutions „bleed in“ to Scotland via, for example, online debt advice and TV advertisements for debt solutions). This „legislative divide“ also doubles the work for creditors based in Scotland as, if they have customers resident in England and Wales, they end up having to negotiate with advice providers in both Scotland and England/Wales and accommodate differing debt arrangements.
- “The actual insolvency and...debt arrangements that people go into are different for England and Wales versus Scotland, so it complicates it. The advice agencies then have to be replicated. The fact there is the CAB for England and Wales and there are different organisations for Scotland means that we then have to negotiate with both of those on a policy and structural level.”*
(Creditor – utilities)
- 11.34 There is also perceived to be a particular challenge to reach customers in rural areas and although online resources can be of help to these communities this does not always represent the best solution for some individuals (i.e. where face-to-face support is preferred). There is also mention of „getting out to people“ by making use of libraries and GPs surgeries in more isolated communities as part of a proactive outreach service.
- 11.35 Stakeholders in Scotland query whether future changes to the debt advice sector will have a different impact on Scottish stakeholders to those elsewhere. Some wonder whether any changes instigated by the Money Advice Service will impact on Scotland less – or at a later date – than on England and Wales (“we’re further down the food chain”). They also suggest that, if a levy were introduced to fund the debt advice sector, then this could have a more radical impact on provision in Scotland than would be the case elsewhere – they argue that it could stabilise their funding streams (which, as noted, are currently perceived to be particularly short-term and related to individual projects).

- 11.36 Finally, stakeholders in Scotland are positive about Debt Arrangement Schemes in that they provide a consistent solution whilst still being tailored to a customer's individual circumstances. There is also a desire among some stakeholders in England for protocol-compliant debt management plans to be introduced in England, to emulate this Scottish Debt Arrangement Scheme⁸³. However, concerns tended to mirror the issues raised by creditors in relation to Debt Management Plans (see 11.25) i.e. the small amount actually repaid by customers over lengthy periods of time. Creditors feel that these repayment plans are difficult to challenge even if they regard the amounts as unreasonable or there is a change in the customer's circumstances (e.g. if they move onto another Debt Arrangement Scheme).
- 11.37 In **Wales**, stakeholders again mention a mixture of Wales-specific initiatives and challenges. Some of the same specific issues are mentioned as in Scotland. Again, there is a differing legal framework, which debt advice and debt solutions need to be tailored to; and there is again the challenge of reaching customers in rural areas.
- 11.38 In Wales, this challenge of reaching rural customers is perceived to be compounded by further barriers: the rural setting makes face-to-face debt advice delivery harder, but variable Broadband coverage and patchy access to landline telephones make the online and telephone advice problematic too. Reliance on „pay per use“ mobile telephones is perceived to be a characteristic of low income customers (and is not confined to younger people). This has the effect of making debt advice delivered by Freephone numbers expensive for these customers to access.
- 11.39 There are also perceived to be some further unique characteristics of the over-indebted Welsh population, in terms of their attitudes to debt and reasons for getting into debt. Customers in Wales are perceived to be more likely to become over-indebted as a result of using credit for basic subsistence. Related to this, the population profile is perceived to be relatively old, and more likely to be on long-term benefits, including those for disability (and thus more susceptible to using credit for the basics of day-to-day living).
- 11.40 On the other hand, a relatively elderly population is thought to have so far protected Wales from having even higher levels of over-indebtedness (as a relatively high proportion of the population had „old-fashioned“ attitudes, in terms of being less comfortable with credit). It is anticipated that over-indebtedness may worsen as a generation who are more comfortable with credit become elderly in future.
- 11.41 In terms of Wales-specific initiatives, the Welsh Government has attempted to make the ability to provide multi-disciplinary advice a condition of being awarded debt advice funding.

⁸³ This was cited by a fee-charging advice provider

- 11.42 In **Northern Ireland**, stakeholders see themselves as leading the field in rationalising debt advice by awarding advice contracts by tender. Since 2006, all funding has been provided by the Department of Enterprise, Trade and Investment (DETI). Currently, two contracts deliver all publicly-funded face-to-face debt advice (via Citizens Advice Bureaux and Advice NI) and one delivers all telephone debt advice (A4e). The geographic coverage of DETI-funded debt advice provision is based on deprivation measures, so geographic gaps in provision are calculated ones. This advice provision has also been consciously set-up to cut across sectarian divides. With DETI contracts running for three years, a concern among providers is whether current funding already awarded will continue with DETI once the Money Advice Service takes over co-ordination responsibilities for the sector.
- 11.43 The plan is that this will be rationalised further by moving all debt advice to a single contract from March 2012. The aim of the single contract is to facilitate unified data collection, training and make it easier to identify where improper selling of credit is the cause of over-indebtedness. However, some providers perceive a risk of this approach to be that, if they fail to win a share of this one contract, they could be excluded from debt advice provision altogether.
- 11.44 Within DETI-funded debt advice, debt advisors close cases – determining when they are seeing the client for the last time, and attempting to determine an outcome (in terms of whether clients have followed through debt management plans from beginning to end; whether they have proceeded with bankruptcy actions in court; or whether they have negotiated regarding debts secured on their homes). These attempts to capture outcomes are a contractual obligation of funding, and often involve surveying clients. However, outside of DETI-funded provision, there is a concern that debt advisors often leave cases open. This results in misleading statistics – for example, a provider claiming they are advising on debts worth a total of £X million – when, in reality, some of those clients are no longer being seen despite their case having been left open.
- 11.45 Stakeholders in Northern Ireland are interested in emulating the Welsh Government model of making multi-disciplinary advice a condition of debt advice funding. In this vein, a multi-disciplinary project has been set up called „Beat the Recession“. This delivers multi-disciplinary advice in non-traditional settings (e.g. supermarkets, agricultural shows, football grounds). This is delivered by a consortium, with this approach having been informed by a KPMG report that recommended a focus on consortium delivery.
- 11.46 A final observation is that, most creditors that affect over-indebted customers in Northern Ireland are actually based in Great Britain so, in many respects, debt resolution approaches are similar to those in the rest of the UK.

12 Stakeholders' views on opportunities to improve service provision in future

- 12.1 Whilst the in-depth interviews with stakeholders explored views on desired outcomes from debt advice, and current strengths and challenges of current provision, views on opportunities to improve service provision in future were primarily generated by group work, involving collaboration between funders, creditors, and advice providers⁸⁴.
- 12.2 There is a broad consensus across the sector on a potential way forward. Stakeholders suggest the type of changes they require, as well as some specific suggestions for how these changes might be made (the latter should be viewed as possible options suggested by stakeholders).

Desired characteristics of the future of the debt advice process

- 12.3 The starting point for stakeholders was a description of the characteristics that they want the debt advice process to embody in future. These are that it should ideally⁸⁵:
- **...reach the customer early:** Customers should be involved in debt advice as early as possible, before problems have a chance to escalate;
 - **...be accessible to all:** Customers should be able to access debt advice regardless of factors such as access to landline telephones, Internet access and usage, and location (e.g. those in rural areas are not prevented from accessing advice);
 - **...be free to all?** Some argue debt advice should be free to all, with no means-testing involved. Others argue that – when funding is limited – those who can afford to pay, should pay;
 - **...be consistent:** Two customers in the same circumstances should always be presented with the same set of options, regardless of who has delivered the debt advice (i.e. achieved through standardisation and quality control);
 - **...present the full range of relevant solutions:** The customer should be presented with all of the options that are relevant to them personally, together with the pros and cons of each;
 - **...be customer-centric in delivery channel and type of help:** The channel used to help the customer and the type of help (e.g. self-help materials, a one-off advice session, ongoing case work) should be tailored to the individual customer's needs;
 - **...be holistic:** As part of the debt advice process, the customer should be referred to other sources of advice (e.g. housing, benefits maximisation, legal) that help to address the individual customer's problems;
 - **...build financial capability:** As part of the debt advice process, the customer should receive coaching to build their financial capability, in order to help avoid recurrence of problems (some stakeholders describe this as „rehabilitation“)⁸⁶.

⁸⁴ As noted, after the majority of depth interviews were completed, a half-day workshop was held in London with 14 stakeholders who had previously taken part in these depth interviews. Some similar ground was covered in a multi-stakeholder focus group in Cardiff, with this being adopted because 10 stakeholders in Wales had expressed a desire to be interviewed together, in an extended session. The focus of these sessions was to build on the desired outcomes and challenges expressed in the earlier stages of the research, by generating ideas for future improvement. Responses were spontaneous.

⁸⁵ Again, these are presented in no particular order.

⁸⁶ As already noted, this is not to suggest that all over-indebtedness is caused by poor money management skills or that all customers need financial capability training, but this is highlighted as a significant respect in which current services fall short of what some customers need.



Options for improving the debt advice process

- 12.4 From this starting point, stakeholders explored what their future requirements are from the debt advice process. The remainder of this chapter discusses eight areas of suggested improvement. In each instance, the challenges that stakeholders wish to see addressed are followed by the broad type of change they require in response, and an example of how this might be done in practice.

Ensuring funding mechanisms do not act to the detriment of customers

Challenges:	Funding requirements dictate the nature of free-to-client debt advice provision; and make it difficult for free-to-client providers to plan ahead.
Desired change:	To ensure that funding mechanisms do not dictate the channel, or type of help that is offered to customers, or act to the detriment of customers in other ways.

Stakeholder examples of how this might be addressed

- Define „core“ requirements of debt advice, to be delivered by all funding. These „core“ requirements would be customer-focused, i.e. to deliver to an individual customer whatever type of help/channel will most benefit them.
 - Any additional funder-specific requirements (e.g. to help a certain number of clients face-to-face, or to help specific types of clients) would be added as an additional „pot“ of funding⁸⁷.

“There would [ideally] be that whole holistic approach to it to make sure that it is actually client-centred rather than just sort of looking at the funding...limitations to it... How do you make...the outcome for the client ...the same regardless of...the local funding issues? ...There needs to be a core provision, then, doesn't there.” (Funder – government)
- Extend funding cycles to at least 2-3 years, to free providers from constantly focusing on their next source of income, so as to create time for strategic planning of debt advice services.
 - Include break clauses as a safeguard, in case of failure to deliver by a provider.
 - Stipulate a notice period of at least 2 months for termination or changes of level of funding, to minimise the „downtime“ (see 11.6) when contracts are coming up for renewal.

⁸⁷ Stakeholders recognise that, as a solution, it could prove challenging in itself – for instance, who would make this mandatory and enforce it?

Improved regulation and quality control of debt advice

Challenges:	Customers can receive an inconsistent service; and the sector is susceptible to rogue practitioners.
Desired change:	More effective enforcement of regulation and quality control of debt advice.

12.5 The benefits of this are perceived to be:

- For customers, ensuring they receive the most appropriate type of help (self-help materials, case work, etc.), via the most appropriate channel, and receive advice of an acceptable quality – ultimately to help them reduce or pay off their debt;
- For advice providers, giving them agreed standards to work towards and providing recognition of the quality of what they are delivering (e.g. as a means of helping them win customers as clients and to bid for funding);
- For creditors, ensuring that their over-indebted customers receive debt solutions that help them to repay, rather than making their debt situation worse;
- For funders, ensuring the overall debt advice system is efficient in terms of delivery channels, so as to leverage maximum value from the funding deployed⁸⁸.

12.6 There are perceived challenges inherent in introducing such an accreditation, as noted in relation to the experience in Scotland (see section 11.31), i.e. accreditation of individual advisors leading to poaching of staff by competing advice providers; a risk of advice providers being under-resourced if accredited staff leave; and a heavy burden of demonstrating individual compliance, which deterred individuals from entering debt advice provision as a profession. Reflecting on this, the consensus is that accreditation should apply to the organisation, which is then responsible for ensuring their individual advisors comply with quality standards.

A stakeholder example of how this might be addressed

- Introduce an accreditation, awarded based on adherence to agreed quality standards, thus providing a means of quality control.
 - Use this as a criterion in awarding funding to free-to-client providers, to ensure funding primarily reaches the accredited providers⁸⁹.
 - Use this as a criterion in referring customers on to debt advice services, to check that the services being referred to, are of a high standard.
 - Whilst – initially at least – it is not realistic to expect customers to use accreditation to navigate the debt advice sector themselves, there may be longer-term potential for accreditation to be built as a customer-facing „brand“ that could be used to inform the decision-making of *some* customers. A „kite mark“ could be one way of doing this. *“I think it’s really important for stakeholders... to be assured of quality, so if we are*

⁸⁸ Whilst individual funders sometimes make delivery via specific channels a requirement of their own funding contracts, they are also able to identify inefficiencies at a „big picture“ level, in terms of channels used.

⁸⁹ Failure to meet standards could also lead to a break of funding contract.

A stakeholder example of how this might be addressed

referring...clients to different providers, we're assured that the service they're going to get is providing them with the right outcome... It's more important to have the quality assurance of the service that they get rather than the fact that it's got a sign in the window that means nothing to them." (Funder – government)

Greater centralisation of how customers access debt advice

Challenges:	Fragmentation of the debt advice sector makes it difficult for customers to navigate the sector and choose an appropriate or reputable advice provider.
Desired change:	Greater centralisation of how customers access debt advice and – accompanying this – increased awareness of how to access debt advice. This is discussed in terms of some kind of centralised starting point from which customers can be referred to a debt advice provider that is appropriate to their individual needs ⁹⁰ . It could also act as a means of ensuring that customers are only referred to quality assured providers.

A stakeholder example of how this might be addressed

- Create a single entry point for customers to the debt advice system.
 - This to be accompanied by activity to increase awareness of how to access it.
 - Provide a triage service, to assess customers' individual needs and then refer them on to appropriate provision. This may require personal delivery – probably by telephone – as customers are often not in the right mindset to deal with online-only (when the purpose of triage is to be accessible to all and then direct them to appropriate channels).
 - May be delivered by a single provider, or by multiple providers using the same telephone number and an identical offer/approach.

"If we had free reign, we would use the phone as the first point of contact and a triage thereafter...If you set up a single number for Wales or Scotland or Northern Ireland, that needs to be resourced [with] a range of telephone advisors behind that number, and you can imagine it would be pretty heavily used if it was the first point of entry...you'd need behind you a network to whom you can refer them [clients]."
(Advice provider, free-to-client, telephone and online)
- Use this to rival the brand awareness of rogue fee-charging providers.

12.7 Marketing would be used to drive customer traffic to a centralised starting point. This prompts a debate: do you in effect use the centralised starting-point to advertise, and direct customers towards, fee-

⁹⁰ I.e. delivering self-help tools, one-off advice or on-going case-work, as appropriate to the customer's case; and delivering online, by telephone or face-to-face, according to the customer's needs (as far as is feasible, dependent on the types of provision available locally).

charging providers, as well as free-to-client ones? Some argue that, if these fee-charging providers are accredited, then the answer to this is „yes“.

- 12.8 Centralisation – in whatever form it were to take – would need implementing so that it works for customers who are capable of self-identifying as needing debt advice (i.e. if debt issues are given appropriate advertising/media coverage) *and* for customers who have to be „pushed“ into seeking debt advice (i.e. who would tend to be directed to the starting point via creditor referral).

Widening the pool of creditors who contribute to the funding of debt advice

Challenges:	Inability of free-to-client advice providers to meet demand for face-to-face debt advice. Centralising customer access to debt advice – e.g. by having a single entry point/triage service – would also be likely to drive up demand for free-to-client provision ⁹¹ .
Desired change:	Widening the pool of creditors who contribute to the funding of debt advice.

A stakeholder example of how this might be addressed

- Expand the source of funding available to the Money Advice Service to enable it to fund debt advice, so that its funding comes from not only the banking sector but also utilities, consumer credit providers, central and local government.

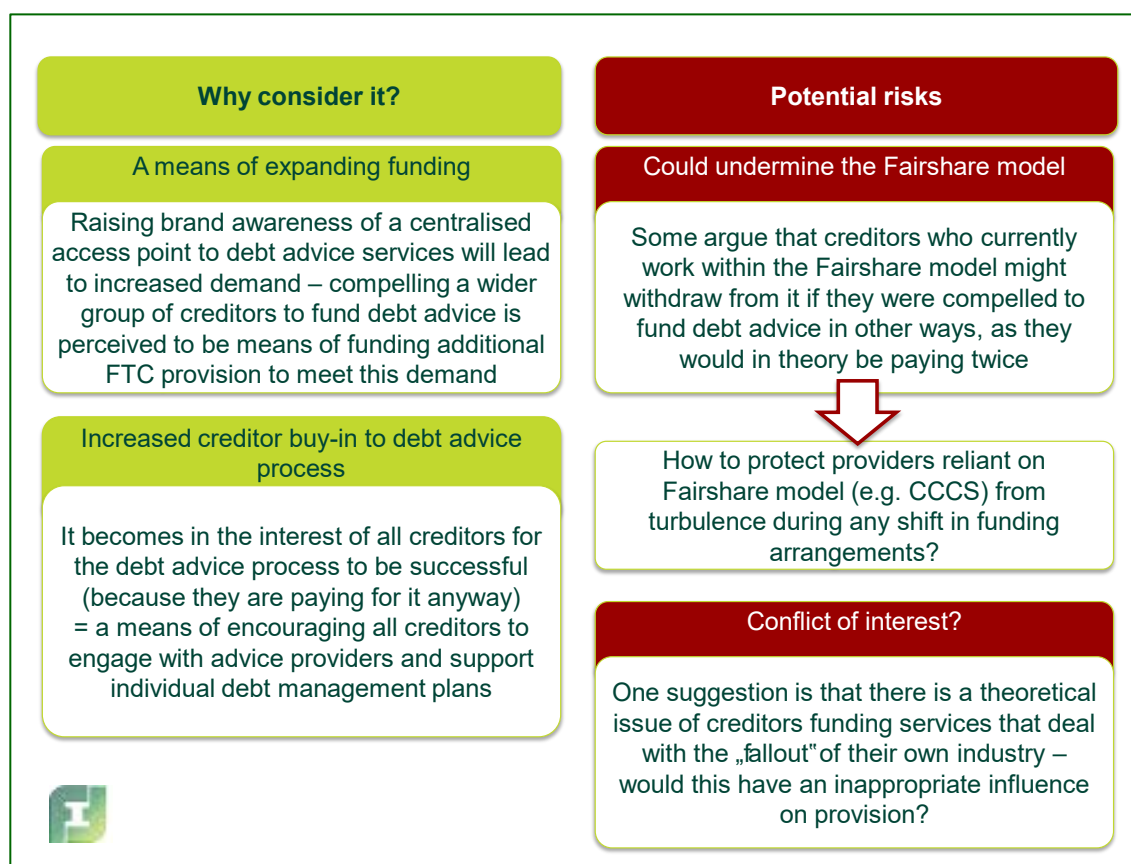
- 12.9 There are perceived to be both advantages and disadvantages to compelling a wider pool of creditors to contribute to the funding of debt advice.

“The financial services industry...are already directly funding some provision as part of their Corporate Social Responsibility...If the FSA are going to bring in a levy, then they may stop that first funding route because...who wants to pay for it twice? ...Well, this is supposed to be the body that does all of the debt advice...so that’s that taken care of. But also [there are] some concerns...about poachers and gamekeepers – if the financial services industry are paying for that advice, isn’t there a conflict of interest? Now, again, I think that’s a perception rather than reality because the Financial Services Agency [and the] Money Advice Service will...ensure propriety.” (Funder – government)

⁹¹ As noted in section 11.8, this situation could also worsen in future due to external factors such as interest rate rises increasing the pressure on customers.

12.10 These advantages and disadvantages are summarised in the figure below.

Figure 12.1: Perceived advantages and risks of compelling a wider creditor pool to fund this



Increasing creditor engagement in the debt advice system

Challenges:	There is a need to further improve stakeholder collaboration and – as part of this – increase creditor engagement in helping resolve debt issues; and creditors question the fairness of how repayment plans are agreed.
Desired change:	Use any change in funding arrangements as a catalyst for altering creditor participation in the debt advice system ⁹² , and improve data sharing practice – to help creditors obtain a more complete picture of the individual customer's situation (so as to better understand the rationale for payments to the individual creditor), and to help stakeholders better plan service provision overall.

⁹² The argument used is that, because creditors are paying for the debt advice system, it will be in their interests to ensure that it achieves successful outcomes.

Stakeholder examples of how this might be addressed

- Use any widening of the pool of creditors who are compelled to contribute to the funding of debt advice, as a driver of increased creditor engagement.
 - Capitalise on this by encouraging **all** creditors to support Debt Repayment Plans⁹³.
- Capitalise on the fact that creditors often have on-going everyday contact with customers.
 - Encourage creditors to identify over-indebted customers early – i.e. when encountering customers at points at which they may be about to over-extend themselves (e.g. taking a loan, moving into social housing), or when seeing over-indebtedness warning signs (e.g. rent arrears, falling behind with loan repayments). At these points, the creditor could advise the customer or refer them to debt advice.

“[We’re] interested in... the concept of creditors providing information to people about where they can get free debt advice from. So if you get a red bill, it should have something on it that says: and here’s where you can get [debt advice]...The idea [is] of getting people early, before the escalation happens...there’s been quite a push over recent years on responsible lending... [so] I think...creditors would find it quite difficult to argue against signposting the service” (Funder – government)
 - Encourage creditors to monitor whether the customer is adhering to repayment plans or budgets – i.e. through the creditor’s continuing engagement with the customer (e.g. as a social landlord, or as a party to whom repayments are due) after contact with debt advice has ceased.

“Part of...starting off the tenancy is now a lot more...asking financial questions...so we’re also asking [housing] officers now to do a basic budget with people – to run through it and kind of see if there were any warning signs in there...there’s no reason why another strand [of the housing officer role] couldn’t be making sure that they are sticking to the [budgets or debt repayment plans].” (Creditor – housing association)
- Encourage local authorities to play a co-ordinating role in persuading creditors to collaborate in the debt advice process.
 - Local authorities collecting evidence to persuade creditors that over-indebted customers cannot pay their bills because they can’t afford to, rather than don’t want to⁹⁴.
 - Local authorities gathering evidence of collaborative working improving repayment at macro level (even if it lessens repayments from *some* over-indebted *individuals*).
- Share the customer’s complete financial circumstances with creditors, and communicate the rationale for the level of repayments arrived at.

“The customer will come back and say, or the CAB might come back and say, well, £5.27 weekly. Well, why? It’s alright coming with an offer of repayment but I want to know more. What are your other outgoings? If we’re tasked by our licensed

⁹³ As noted in section 11.20, if even one creditor pursues the customer to prioritise their payment, contradicting the plan arrangements, the plan tends to fall apart.

⁹⁴ In the experience of one local authority, this succeeded in changing creditor perceptions and helped persuade them to work towards clients being sustainable in the longer-term.

Stakeholder examples of how this might be addressed

conditions to understand the customer's ability to pay and not force debt repayment down their throat, then how do I understand the ability to pay?" (Creditor - utilities)

- Work to change customer perceptions of creditors – i.e. that creditors want to help resolve the debt issue – to encourage customers to give permission to share the wider picture with creditors.

12.11 In theory, common or compatible IT systems could facilitate consistent sharing of the customer's financial situation and the speedy delivery of debt advice (it could theoretically also assist with joined-up referrals). However, it is difficult for a single joined-up system to do what every providers wants (and what every funder requests) – therefore a common IT system risks imposing additional data sharing requirements and IT infrastructures on top of existing ones, thus increasing the data collection burden on advice providers. There is also a question of who will pay for the cost of introducing new IT systems and migrating data (providers won't want to divert funds from advice provision). Reflecting on this, some claim that improved information sharing should be driven by interpersonal relationships, rather than by introducing new IT systems.

Encouraging consistent evaluation of outcomes

Challenges:	Inconsistent evaluation of the outcomes of debt advice.
Desired change:	Encourage advice providers to monitor outcomes (what achieved for customer) rather than activity (e.g. number of clients seen).

Stakeholder examples of how this might be addressed

- Measure „hard" outcomes by credit reference agencies collecting data on the value of debt paid off. This has never been done, and is thought to be a question of creditors taking a „leap of faith".
- Measure „soft" outcomes by providers making follow-up contact with customers. As this costs, providers will tend to service new clients instead – therefore there may be a need to build in a „ring-fenced" element of funding dedicated to follow-up contact.
- Share this outcomes data with creditors, funders and policy-makers, to inform continuous refinement of the debt advice and debt solution offer.

Delivering a holistic service

Challenges:	Failure to address the root of some customers' debt problems, due to a separation of debt advice from financial capability training; and a lack of effective referral from one advice discipline to another.
Desired change:	Deliver a holistic service, which refers customers to – within reason – any discipline needed to unpick the overall problems of which their debt is part. This could include financial capability training or advice on – for example – income maximisation, benefits, housing, employment, family/relationships, or mental health.

Stakeholder examples of how this might be addressed

- Integrate different types of advice within a single session, or ensure that referral on to other advice services becomes more effective.
 - Deliver both debt advice and financial education (e.g. ability to budget) within the same session, where appropriate.
 - Adopt the approach of „no financial capability training, no debt advice“, or make financial capability training a compulsory part of bankruptcy – like a driving course accompanying a driving offence.

“There should be like a rehabilitation course required. You know, if you lose your licence for drink driving, you don’t get the licence back do you, [until] you make some effort to learn.” (Funder – government)
 - Make partnership delivery a condition of funding, i.e. so debt advice providers are part of a consortium within which multiple advice disciplines are available⁹⁵.

“People who present with debt advice...usually...have a cluster of problems... which is why, over the last few years... we’ve issued [debt] contracts to consortia so that if a client presents with a debt problem then they can also get immediate face-to-face advice on housing and welfare benefit... that’s something that needs to be planned in... If you give somebody an address [for] housing advice, they don’t actually make it to the office, even if an appointment is made for them.” (Funder – government)
 - When working with clients face-to-face, have providers from relevant other discipline(s) in the room or on the end of the telephone to achieve a „warm handover“ from one advice discipline to another.

“The reasons for people’s debts have changed...you need to build partnerships with organisations that deal with [the] underlying issues. Family breakdown is an issue... mental health [is] coming in as an issue... There [needs to be] almost like a warm transfer from you to Relate...or someone else...not just to say ,go on... deal with it yourself.” (Advice provider, free-to-client, telephone)

⁹⁵ As a caveat to this, however, it is important that advice providers are not forced to deliver everything by every channel (because, for example, in a rural area there may not be any face to face housing advice, and so that element may need to be delivered online and via telephone instead).

Increasing follow-up contact with customers

Challenges:	A final area in which stakeholders make suggestions cuts across more than one of the above challenges. There is a lack of follow-up contact with customers, once debt advice has been delivered.
Desired change:	<p>Follow-up contact could be used to:</p> <ul style="list-style-type: none"> ● Encourage customers to seek further help, so as to tackle over-indebtedness issues as early as possible if they recur in future; ● Establish the outcomes of the debt advice already delivered.

12.12 However, the consensus is that re-contacting the customer following their engagement with debt advice should only occur when there is something specific to say (as repetitive, „mechanical“ follow-up contact would be likely to desensitize the customer to the information, making them more likely to ignore further communication in future).

Stakeholder examples of how this might be addressed	
<ul style="list-style-type: none"> ● As a minimum, send the customer a „closing letter“ giving details of how they can get further support if they need it in future. ● If the customer were to be re-contacted, use this as an opportunity to systematically collect data on the outcomes of debt advice. 	

12.13 A final suggestion relating to this follow-up contact is that debt solutions should have in-built flexibility, to allow them to continue when the customer's income or outgoings change (currently the customer tends to be „let go“ by debt solution providers, in these circumstances, and has to go through whole process again). Stakeholders instead want the customer to have the ability to move seamlessly from one solution to another as their circumstances and needs change.

13 Stakeholder Research: Conclusions

- 13.1 Stakeholders believe the debt advice sector needs to become more user-centric, so that the needs of the individual customer are prioritised over the requirements of individual stakeholders.
- 13.2 Whilst there are numerous challenges in the sector, there is broad consensus on how these challenges might be addressed, and stakeholder feedback suggests that the will exists within the sector to achieve the desired transition to a more user-centric system.
- 13.3 There is a desire to ensure that funding arrangements for free-to-client services **do not dictate the channel or type of help that customers receive**, or **prevent planning ahead** by advice providers. Examples of how this might be achieved include:
- Defining „core“ requirements of debt advice – focussed on providing whatever the individual customer needs – to be delivered by all funding;
 - Extending funding cycles to at least 2-3 years, to give providers time to plan ahead and minimise „down time“ in which fewer new clients are taken on due to uncertainty over resource levels.
- 13.4 There is a need for **more effective regulation and quality control** of debt advice. This might be achieved by introducing an accreditation scheme, awarded on meeting agreed quality standards. This might in turn be used as a criterion in awarding funding to free-to-client providers, and in „vetting“ which advice providers the customer is referred on to.
- 13.5 Stakeholders suggest **greater centralisation of how customers access debt advice**. This might entail a single entry point for debt advice, which could act as a gateway to a triage service, and be accompanied by increased awareness of how to access debt advice. If marketing were used to drive traffic to this entry point, this could also be used to rival the brand awareness of rogue fee-charging providers.
- 13.6 However, an issue with promoting centralised entry point is that it is likely to increase demand beyond what current free-to-client provision can cater for. Addressing this might involve **widening the pool of creditors who contribute to funding debt advice** – for example, by widening the source of funding available to the Money Advice Service to enable it to fund debt advice, to encompass utilities, consumer credit providers and central and local government creditors (i.e. in addition to the banking sector).
- 13.7 This widening could also act as a catalyst for **increasing creditor engagement** in the debt advice system: arguably it becomes in the interest of all creditors for debt advice to be successful (because they are paying for it). Specific suggestions for the creditor role include:
- Identifying over-indebted customers early and referring them; and
 - Monitoring customer adherence to budgets / repayment plans.
- 13.8 However, it is recognised that this approach would be likely to undermine the Fairshare model, so there is a need to consider how to safeguard the best Fairshare-funded providers from being destabilised.
- 13.9 **Improved data sharing practices** could also assist with creditor engagement, by giving creditors a more complete picture of the customer's financial circumstances, so as to encourage them to „buy in“ to repayment plans (i.e. not pursuing own repayments at the expense of the plan). Collecting and sharing better outcomes data (e.g. by encouraging credit reference agencies to start collecting data on value of debt paid off, as a „hard“ outcomes measure) could inform continuous refinement of the debt advice/debt solution offer.



13.10 **Delivering a holistic service** – which refers users to any discipline needed to unpick their overall problems of which their debt is part – would help to address the root causes of debt problems. Examples of how this might be achieved include integrating different types of advice (e.g. debt advice and financial capability training) within a single session; encouraging consortium delivery of debt advice (so that multiple types of advice are on offer to the customer); and achieving a „warm handover“ of the customer, from one type of advice to another⁹⁶.

⁹⁶ For example, when delivering debt advice face-to-face, have providers from other advice disciplines in the room or on the end of the telephone to make contact with the customer.

14 Appendices

- Discussion of whether debt advice is an individual or household issue;
- Comparison between measures of incidence of over-indebtedness/over-commitment using core and omnibus survey
- Discussion of impact of asking commitment:income questions in different ways;



Appendix A: Debt as an individual or household issue

The results from the core survey have been weighted to the profile of 18+ adults in the UK. However, the indicators that we have used to identify the over-indebted population use a combination of *personal* indicators (i.e. whether debt is felt to be a heavy burden) and *household* indicators (the commitment:income ratio indicators and the arrears indicator). As such, an argument could be made for an individual-based weighting strategy, a household-based weighting strategy or a hybrid solution. In places, we use the results from this survey to make projections of the number of individuals who might be within certain sub-groups and these estimates are sensitive to the weighting strategy used. Hence, we conducted a follow-up survey to help inform the approach taken to making these volumetric projections.

To help to understand the experience to which debt is experienced as a „personal“ or „household“ issue and the extent to which advice might be sought at a personal or household level, we conducted a small-scale exercise following-up individuals who had sought debt advice and who were living with a partner and/or other dependent adults at the time when they consulted advice. This exercise was conducted online among 204 individuals who participated in the original survey. This appendix details the findings from this exercise.

Individuals in scope for this follow-up survey

The core survey found that 29% of over-indebted individuals had sought debt advice in the last 3 years. Of this group;

- 52% were married / in a civil partnership and living with their partner;
- 5% were not married/in a civil partnership but were living with a partner;

The remainder were single, separated, divorced or widowed.

In addition, of those who had sought debt advice;

- 10% had dependent children aged over 16;
- 15% had other adults financially dependent on them (which in the wording of the core survey could include their partner).

Those who were living with a partner or who had other adults dependent on them were screened to check that they were either living with a partner or had other adult dependents (aged 18+) at the time when they sought debt advice.

Of those participating in the follow-up survey;

- 95% were living with a partner at the time when they sought debt advice;
- 24% had another adult (aged 18+) who was living with them at the time when they sought advice.

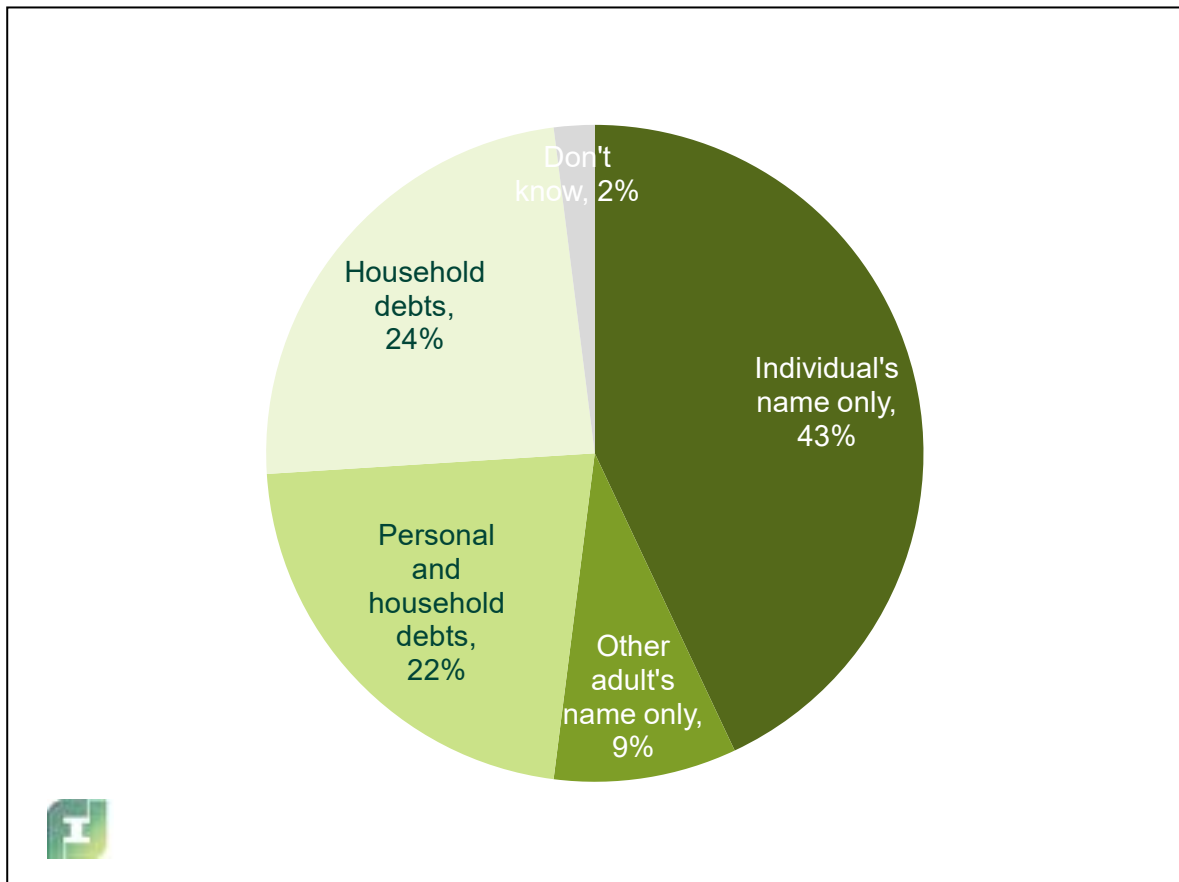
Nature of debts on which advice sought

Individuals were asked about the technical ownership of the debts on which they sought advice. They were asked to state whether the debts involved were:

- In the respondent's name only;
- In the name of their partner or another adult in the household only;
- Household debts only (i.e. debts that were in the name of the respondent and other members of their household);
- Both personal and household debts.



The figure below shows the profile of debts on which people sought advice.



As the figure demonstrates, the picture is quite mixed. In two-fifths of cases, individuals (who were part of households containing other adults) sought advice purely on debts that were technically theirs only. In 75% of cases, debts in the individual's name only were at least part of the debt issue on which advice was sought. Hence, in a quarter of cases (24%), the debts were entirely „household“ rather than „individual“.

Involvement of other adults in advice sought

As well as the ownership of debts, this follow-up exercise also sought to ascertain the degree to which the debt advice event represented an engagement with the household as well as the individual.

Of individuals who were living with a partner at the time of seeking advice;

- In almost all cases (95%), their partner was aware that they had contacted the advice organisation;
- In 30% of cases, their partner had direct contact with the debt advice organisation;
- In addition to the 30% that had direct contact, 62% discussed the advice that they had received from the advice organisation with their partner (meaning that overall partners were aware of the discussions held in 92% of cases);
- Only 15% were aware of their partner seeking advice on the debt issues independently.

These findings would seem to indicate that, for the most part, seeking debt advice is an activity that couples take part in together; even if both partners do not always have direct contact with the debt advice organisation, the advice is generally shared. This is the case regardless of the technical „ownership“ of the debts (in terms of whose names the debts are registered in).

The situation is slightly different for adults in the household other than partners. Of those who lived with other adults at the time of seeking advice;

- In less than half of cases (46%), the respondent reported that these other adults were aware that they had contacted the advice organisation;
- Other adults had contact with the debt advice organisation very rarely (6%);
- In two fifths of cases (42%), the advice received was discussed with other adults (or they were present at the discussions);
- Only 4% of individuals were aware of other adults seeking advice on debt issues independently.

Implications for volumetric estimates

These findings indicate that seeking debt advice is very much a household-level engagement for individuals in a relationship. Hence there is an argument that in making volumetric estimates from the survey data, we should correct for the fact that couples are likely to seek advice as a unit.

As has been shown in the main report, using an „individual-level“ weighting strategy produces an estimate of the size of the over-indebted population of in the region of 18.6 million people. If we want to use this estimate to give an indication of the maximum potential demand for debt advice i.e. assuming that all the over-indebted were to seek advice then it makes sense to correct for the fact that couples will generally „share“ advice. It is possible to do this in an approximate manner which we shown in the table below. In the analysis we have applied a corrective weight to individuals in relationships of 0.575 (since the results of this follow-up exercise indicate that a couple will typically represent 1.15 debt advice contacts as in 15% of cases partners sought advice independently). Taking this approach produces a revised estimate of the total maximum debt advice demand of 13.9 million potential contacts.

	Proportion of „over-indebted“ population	Initial volumetric estimate (individuals)	„Correction“ to allow for couples handling debt issues as a unit	Revised volumetric estimate (Debt issues)
<i>Base (unweighted)</i>	<i>(2707)</i>			
<i>Base (weighted)</i>	<i>(2707)</i>			
	%	<i>N</i>		<i>n</i>
Single and not living with a partner	23%	4.3 million	1.000	4.3 million
Single and living with partner	5%	0.9 million	0.575	0.5 million
Married/Civil Partnership living with spouse/partner	54%	10.0 million	0.575	5.7 million
Married/Civil Partnership separated/divorced/dissolved and not living with a partner	11%	2.0 million	1.000	2.0 million
Widowed/surviving Civil Partner and not living with a partner	6%	1.1 million	1.000	1.1 million
Separated/divorced/widowed and now living with a new partner	1%	0.1 million	0.575	0.06 million
Not stated	1%	0.2 million	1.000	0.2 million
Total		18.6 million		13.9 million

In theory further adjustments to the figures could be made in relation to households containing other adults. We could consider applying a correction factor to allow for the fact that in around two-fifths of households containing adults other than a partner, „other“ adults living with the debt advice initiator will have been involved with the advice given. However, in practice this would be difficult to do with any degree of accuracy since the core study does not collect full information about household composition (we couldn't identify adult children living with their parents for example). On this basis, we have not made adjustments to the volumetric estimate of the potential demand for debt advice to account for involvement of other adults but it is worth bearing in mind that the adjusted estimate shown above may be a slight over-estimate of potential debt advice contacts for this reason.

Appendix B: Comparison of Indicator penetration figures

The Money Advice Service are keen to be able to use the results from this survey to understand the size of the over-indebted population in the UK.

In Chapter 3, we use information obtained from the screening for the online/telephone survey to give estimates for the overall proportion of the UK adult population that meet at least one of the 4 indicators of over-indebtedness/over-commitment used. This shows the estimates shown in column A of the table below.

The sample of individuals to contact for this study was largely sourced from an online panel. We looked to correct for possible bias introduced by this approach through supplementing the online research with a telephone boost exercise among older individuals without internet access. However, as a further check on the validity of the incidence measures, we also ran the questions used to establish incidence on a face-to-face omnibus.

The questions were placed on a UK-wide omnibus survey covering a nationally representative sample of 2,050 adults aged 18+. The questions had to be adapted very slightly to work in a face-to-face setting and the impact that this might have had is discussed in Appendix C.

The findings from the face-to-face omnibus showed the proportions meeting each of the 4 indicators shown in column B of the table below.

	A Results from online/telephone survey	B Results from face- to-face omnibus
<i>Base (unweighted)</i>	(2707)	(2050)
<i>Base (weighted)</i>	(2707)	(2050)
	%	%
Perceived debt as a heavy burden	15%	11%
Commitment:income ratio of 25% for all unsecured debts	29%	24%
Commitment:income ratio of 50% across all debts	20%	23%
Experiencing structural arrears	12%	6%
Any of 4 indicators met	43%	38%

Appendix C: Impact of differences in question wording between online/telephone and omnibus surveys

As mentioned in Appendix B, as a check on the reliability of the estimates produced through the online/telephone survey, questions to determine the proportion of the population meeting each of the 4 indicators were also placed on a face-to-face omnibus survey. However, the questions that looked to establish debt:income ratios had to be adapted to work with the different methodological approach. The changes made to these questions were to;

- Combine some of the individual credit commitments that individuals were asked whether they had into a smaller number of categories to reduce the length of the list to be read out;
- Prompt respondents with a figure equating to 50% of their monthly income for the total commitment:income ratio indicator (and 25% for the unsecured commitment:income ratio indicator) and ask whether their expenditure on credit commitments was more, less or about the same as this amount. (By comparison in the online/telephone survey, respondents were asked to calculate the expenditure and the ratio of expenditure:income was calculated automatically by the computer programme to determine eligibility for the survey).

As Appendix B shows, the two different sets of data gave slightly different estimates for the overall proportion of the population meeting each of the 4 indicators.

To help to understand how much of the difference in the penetration figures for each of the 2 debt:income ratio indicators might be accounted for by the change in question approach, we conducted a small-scale follow-up exercise among respondents to the online/telephone survey which re-asked the debt:income ratio questions in the format used for the face-to-face omnibus.

This follow up exercise consisted of 200 online interviews with respondents to the online/telephone survey who passed the screener by meeting one or both of the commitment:income ratio indicators (but not either the „heavy burden“ or the „structural arrears“ indicators). Findings from the online/telephone survey indicate that these individuals account for around half of the population identified as over-indebted i.e. 22% of the overall 18+ adult population.

These respondents to the follow-up survey consisted of;

- 93 respondents who met both the commitment:income ratio of 50% across all debts indicator and the commitment:income ratio of 25% across all unsecured debts indicator in the initial survey;
- 12 respondents who met only the commitment:income ratio of 50% across all debts indicator;
- 95 respondents who met only the commitment: income ratio of 25% across unsecured debts indicator.

The table below shows the findings from the follow-up survey relating to the commitment:income ratio of 50% across all debts indicator.

Commitment:income ratio of 50% across all debts indicator	
<i>Base: All meeting commitment: income ratio of 50% across all debts in initial survey</i>	(105)
	%
<i>When prompted with figure equating to 50% of monthly income stated that expenditure on credit commitments was.....</i>	
More than this amount	34
About this amount	42
Less than this amount	23
Don't know	1
Indicator met using new question approach (i.e. sum of those stating more or about same amount)	76%

The table below shows the equivalent relating to the commitment:income ratio of 25% across all unsecured debts indicator.

Commitment:income ratio of 25% across all unsecured debts indicator	
<i>Base: All meeting commitment: income ratio of 25% across all unsecured debts in initial survey</i>	(188)
	%
<i>When prompted with figure equating to 25% of monthly income stated that expenditure on unsecured credit commitments was.....</i>	
More than this amount	30
About this amount	43
Less than this amount	24
Don't know	3
Indicator met using new question approach (i.e. sum of those stating more or about same amount)	73%

Using the new question approach, there is also some movement between indicators so that some of those who did not meet one of the ratio indicators using the new question approach still met the other one. For example, 12% of those who met only the 25% commitment:income ratio for unsecured debts using the approach taken for the initial survey, met only the 50% commitment:income ratio for all debts using the approach taken for the follow-up survey. The table below shows the net change in ratio indicators met.

	Under approach used for initial survey	Under approach used for follow-up survey
<i>Base:</i>	<i>All (200)</i>	<i>All (200)</i>
	%	%
50% commitment:income ratio across all debts ONLY	6	14
25% commitment:income ratio across unsecured debts ONLY	47	18
Both ratio indicators met	49	54
Neither indicator met	-	15

This analysis shows that with the new approach, the overall effect is that individuals are more likely to meet the 50% commitment:income ratio across all debts but less likely to meet the 25% commitment:income ratio across all unsecured debts.

A total of 15% of those who met either or both of the ratio indicators in the initial survey would not have met either of them under the new approach hence the overall effect of using this approach is to bring down the estimate of the proportion of the population that are over-indebted.

The initial online/telephone survey indicated that 22% of the population meet the definition of over-indebtedness/over-commitment by fulfilling the criteria for one/both of the commitment:income ratio indicators (and not either the „heavy burden“ or „arrears“ indicators). Findings from the follow-up survey indicate that the alternative question format would have resulted in this figure being lower by about 3 percentage points (i.e. reducing the 22% figure by 15%).

If we assume that the movement in the ratio indicators demonstrated in this follow-up survey could be applied to all those who met one or both of the ratio indicators in the initial survey (i.e. that results can be expanded to include those who met ratio indicators and either the heavy burden or arrears indicators as well) then estimates of the impact that using this question approach would have on the over-indebtedness/over-commitment penetrations shown at the beginning of this annex would be as shown in the table below:

	A Results from online/telephone survey	B Results from face- to-face omnibus	C Online/telephone results adjusted for findings follow-up survey
<i>Base (unweighted)</i>	<i>(2707)</i>	<i>(2050)</i>	<i>(2707)</i>
<i>Base (weighted)</i>	<i>(2707)</i>	<i>(2050)</i>	<i>(2707)</i>
	%	%	%
Perceived debt as a heavy burden	15	11	15
Commitment:income ratio of 50% across all debts	20	23	22
Commitment:income ratio of 25% for all unsecured debts	29	24	23
Experiencing structural arrears	12	6	12
Any of 4 indicators met	43	38	40

The difference in the findings from the initial and follow-up surveys would seem to indicate that most of the difference in the findings between the initial survey and the face-to-face omnibus survey are explained by the difference in question approach. A note of caution is that from this follow-up survey we obviously don't know the proportion of those screened out of the initial survey who would have qualified under this new question approach.