

Assessing the Impact of Advice for People with Debt Problems

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Preface

The Legal Services Research Centre (LSRC) is the independent research division of the Legal Services Commission (LSC), the public body responsible for providing legal aid in England and Wales. The LSRC has a broad remit to conduct strategic research in the civil and criminal justice fields. In autumn 2004, it commissioned BMRB Social Research to conduct qualitative interviews on the experience of debt problems and the impact of debt advice.

This work was one of four complementary studies that investigated the broad impact of debt advice. In addition to BMRB's qualitative interviews, a follow-up study of advice agency clients, analysis of data from the 2004 English and Welsh Civil and Social Justice Survey and a random control trial of the offer of debt advice were conducted. The Department for Constitutional Affairs, now Ministry of Justice, funded the *Impact of Debt Advice Research Project*.

The LSRC published an overall project report in March 2007, with key results and implications from all four studies.¹ This included key findings drawn from this detailed study report.

The study report focuses very much on the voices of those who experience debt problems. The positive difference debt advice can make to people's lives is highlighted in quotes and case studies, as is the often devastating impact debt problems have on individuals and those close to them. Suggestions from the perspective of those experiencing money difficulties on what can be done to help people with debt problems are also included.

The report does not seek to situate the findings within current legal and policy contexts, but rather to present the particular perspective of those affected by debt. It should be of interest to a wide range of readers: policy makers, practitioners, academic and other researchers, and members of the third sector.

We would like to thank Caroline Turley, of BMRB Social Research, and Clarissa White, now at the National Centre for Social Research, for conducting the qualitative interviews and analysing and reporting on the data. We would also like to thank the forty-two participants in this study for providing their time and insights so that services for people in debt might continue to be improved.

Alexy Buck, Legal Services Research Centre

¹ Pascoe Pleasence, Alexy Buck, Nigel J. Balmer and Kim Williams (2007) *A Helping Hand: The Impact of Debt Advice on People's Lives*, available from www.lsrc.org.uk/publications.

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Finally, we would like to express our gratitude to those who participated in the research, both for the time they gave and for the openness with which they expressed their views.

Executive Summary

In recent years Government policy has concentrated its focus on the number of people who have debt problems and strategies to tackle the cost and impact of this. Anecdotal evidence emphasises the value of information, advice and counselling in helping people deal with their debts and overcoming their immediate problems. To date, however, there has been no substantial empirical evidence to demonstrate this link conclusively.

In order to remedy this omission the Legal Services Research Centre (LSRC) is carrying out a programme of research to investigate the role and impact of advice. As part of this work BMRB was commissioned to carry out qualitative research with a sample of people identified in the 2004 English and Welsh Civil and Social Justice Survey as having a money problem.

Aims

The primary aim of this research was to assess the role and value of advice for people with a debt problem. Specifically, it explored the following areas:

- The range and type of debt problems being reported; and their causes;
- The way in which debt problems had been dealt with; the reasons for choosing a particular response or action; and the consequences of this;
- The nature of any advice and/ or support received; views about and impacts of this;
- Reflections on the range of help that exists and suggestions for changes/ improvements to the advice provided.

Methodology

Forty two face to face depth interviews were carried out with a sample of people across England and Wales between April and June 2005. The sample of respondents was recruited from the 82 respondents who reported a money problem in the 2004 English and Welsh Civil and Social Justice Survey and were also willing to be re-contacted.

Debt problem experienced

The nature and extent of the debt problem experienced by respondents varied greatly and it was common for a respondent to have acquired debts with a number of creditors, for different amounts. The type of debts reported covered credit or store card debt, rent arrears, council tax debt, debts to public utilities, family or friends and debts to money lending companies.

Debt problems were rarely attributed to one isolated cause. Instead it was more common for respondents to discuss a cycle of debt during which the causes mounted and increased. Broadly there seemed to be three different causes of debt; changing circumstances; (which included unemployment or change in employment; illness; bereavement and separation from a partner) money management (including poor money management and lack of understanding regarding managing finances) and creditor behaviour.

Generally respondents became aware of their debt problem when they received letters or phone calls from their creditors notifying them that they owed money. On rare occasions respondents reported only becoming aware of their debt or the extent of their debt when they were visited by bailiffs or when they received a CCJ in the post.

Views of the severity of the debt problem were unique to the respondent's particular situation and perhaps surprisingly, did not necessarily correspond to the amount of money they were in debt for. A number of factors affected views about a debt problem including; their confidence as to whether the problem could be resolved, their perception of their debt, the way a creditor had responded, previous experience of debt and the stage they had reached in addressing their debt problem.

Impacts of debt

The impacts of debt affected respondents' relationships with their family and friends; health; employment and education; lifestyle and their plans for the future. The extent to which the debt problem impacted on respondents depended on how seriously they perceived their debts to be.

The stress experienced by those with a debt problem frequently impacted on relationships between the respondent and their family and friends. Debts contributed to arguments and tension within the home, especially between partners, where at its most extreme it could cause separation. Respondents also described their debt problem as having a very negative impact on their relationships with their children. These impacts illustrate how debt can lead to feelings of guilt and loss of self-esteem.

Respondents experienced both physical and emotional health problems as a result of their debt problem. Most commonly reported conditions were stress and anxiety. It also exacerbated pre-existing health conditions, such as IBS and post-natal depression. In more exceptional circumstances, respondents had been treated for clinical depression and received help from mental health professionals.

For those in employment, money problems had sometimes resulted in people either working more than they did prior to them getting into debt, or less. Requests to work extra hours could in turn impact on the health of respondents, as doing so over a long period of time was physically and emotionally draining. Those who worked less as a

result of their debt had taken time off work due to depression which had compounded by their debts. Respondents in education reported how their debts had resulted in them being unable to pay their tuition fees and falling behind with their work, when they had to take on paid employment.

Due to having to live on a restricted budget, it was typical for respondents to report that they had to curtail their lifestyle. Debt also proved to be a very isolating experience; respondents described losing touch with friends as they could not afford to go out socially. Not being able to afford social activities exacerbated their feelings of stress.

The stress created by having a debt problem often meant respondents did not plan for the future. Also, financial transactions had been blocked when they tried to open a bank account or take out a mortgage due to their poor credit rating. For younger respondents there were concerns how these financial issues, such as not being able to get a mortgage, would affect their future with regards to starting a family.

Responses to debt

Respondents tended to take action after receiving some form of correspondence from their creditor. At this point, respondents either contacted the creditor themselves or asked someone to do it on their behalf, or they ignored the creditor's correspondence entirely. Where contact was made a proposed payment plan was suggested.

Respondents who ignored letters or avoided phone calls from creditors did not consider their debt problem to be serious, or assumed they would resolve it themselves. There were also respondents who felt powerless to do anything as they did not have any money to repay their debt.

Another strategy adopted was to find additional income to help pay debts through borrowing money, finding work, increasing earnings and claiming benefits. Another approach was to manage money by prioritising payments, reducing the use of services, and curtailing living expenditure.

Advice seeking

Advice was taken to refer to any kind of discussion that people may have had in relation to financial matters so included requests for factual information, advice about financial issues and emotional support. It could also relate to formal or informal advice.

The decision to seek advice and the type of help chosen was driven by recommendation of family, friends or a respected professional; previous experience of seeking advice; personal connections; perceptions about the type of advice available; cost of advice; and media campaigns. The main motivations for seeking advice included: encouragement from others; desperation for help; need for information; desire to reduce debt and a need for someone to talk to.

Typically the CAB was the main source of formal advice mentioned by respondents. Otherwise advice had been sought from a bank or building society, and a local council office. More exceptionally, formal advice had been sought from a solicitor about a court case stemming from a debt problem, a student advice centre, the Samaritans or the respondent's GP. Formal advice or assistance took a number of different forms: developing a payment plan; dealing with creditors; information about benefit entitlements; referral to specialist services; legal advice or representation; and emotional support or counselling.

In addition to formal advice respondents often spoke more informally about their problems to family and friends. For those who discussed their debt problem, advice had been sought from family and friends for all types of debt. Occasionally informal advice was sought from work colleagues, college tutors, a landlord, flat mate and the church. Informal advice took a number of different forms; emotional support; money saving tips; how to deal with bailiffs; help with writing letters to creditors and legal advice.

There were respondents that did not seek or receive advice of any nature, however informal. Personal barriers were very significant in preventing respondents seeking both formal and informal advice. Feelings of shame and embarrassment could have a very disabling effect and often discouraged respondents from discussing their problem. In view of the low awareness and knowledge about sources of advice it is not surprising that this was also cited as a barrier to seeking formal advice. The inaccessibility of certain organisations, particularly the CAB, was also identified as a barrier to advice seeking.

Views and impacts of advice

Advice was assessed in relation to how useful, comprehensive and accessible it had been. In circumstances where the advice had a positive impact on the respondent's emotional outlook, financial situation or the respondent's confidence in communicating with creditors, then, not surprisingly, it was assessed positively.

Generally respondents considered the advice given by the CAB to be helpful, accurate, thorough and comprehensive. However, respondents sometimes rationalised that there is a limit to what can be expected of a service such as the CAB. Informal advice was less likely to be described as fully comprehensive, but was nonetheless generally considered helpful. Accessibility was assessed in terms of how easy it was to get an appointment with the advice provider and how clearly the advice was delivered. When given, clarity of information was welcomed and appreciated. The physical accessibility of the CAB, however, was considered to be lacking.

Where sought, advice clearly had a very beneficial impact on respondents' emotional outlook. Receiving advice also helped increase levels of knowledge and confidence

about how to tackle a debt problem, and respondents felt better equipped to negotiate with creditors alone. Seeking advice had also importantly improved a respondent's financial situation by helping to calculate realistic and affordable payment plans.

Not all respondents felt the advice they were given had made an impact. This was reported in the following circumstances: where a person had not been told anything new; if the advice source had not been able to offer any practical solutions to a debt problem; if the advice was considered implausible to follow and if the financial situation of the person had deteriorated after seeking advice.

Reflections on the role and use of debt information and advice

Irrespective of their individual circumstances, respondents voiced the need for information and advice services and identified a wide range of ways people with debt problems could be assisted. Their suggestions can be grouped into three categories: factual information; advice and guidance; and emotional support. It was felt that advice should be given by a trusted source and in an independent, impartial and accessible way.

Respondents suggested that advice should be delivered in a combination of ways: face to face; by telephone and internet, and less commonly, written advice in the form of leaflets or newspaper articles. Due to the lack of awareness about where information and advice could be obtained, the need for greater promotion was clearly endorsed. It was suggested that promotion should make it explicit that advice will cater for anybody regardless of their financial situation or age. Suggestions for promotion covered a range of the typical sources including: the media; alongside product advertising; on bills; telephone directories; payslips and council newsletters.

Conclusions

- The degree of clarity and detail in which people were able to recount their money difficulties and experiences varied. This has implications for the amount of time advisory services need in order to fully assess customers' problems and to provide advice which meets their needs.
- Views about a debt problem did not necessarily correspond to the amount of money people were in debt for, but were affected by how confident a person was that their problem would be resolved, comparisons drawn with other people who are in debt, the way a creditor had responded to the debt, and previous experience of debt. This emphasises the importance of advice services promoting their services to anyone who is in debt no matter how large or small the sum is.

- The wide reaching impacts for people that get into money difficulties bolsters the case for developing or expanding existing advice services so that they are equipped to deal with a range of emotional, personal and financial issues. At the same time they need to have a good grounding of technical and complex financial matters.
- This research has shown the important role that formal help can play in reassuring people and reducing anxiety, stress and depression. Informal help also has a crucial role providing additional emotional support and guidance.
- There is clearly a need for greater promotion about where and how to contact advice sources. In order to attract people at an early stage of their debt problem greater consideration will need to be given to how services are promoted. There also seems to be a strong case for incorporating money management into the school curriculum in order to raise levels of financial literacy.
- Due to the way in which the sample was selected it is impossible to establish how far the people included in this study reflect the full range of experiences and perspectives of people in this situation. It would therefore be beneficial to supplement this research with a larger sample of people with a wider range of debt problems.

1 Introduction

In recent years concern has mounted about the number of people who have debt problems, or who are 'over-indebted'. Whilst there is a lack of agreement about the level of personal debt in the UK (and whether this is rising) evidence points to increasing use of organisations like the Citizens Advice Bureaux and the Consumer Credit Counselling Service for money related problems. Also, Government policy has concentrated its focus on strategies to tackle this problem, as recognition is given to the cost and impact of debt on individuals, financial institutions and society as a whole. According to a DTI report (2005), *'Over-indebtedness can be caused by, and contributes to, social exclusion, financial exclusion and poverty'*².

The legal aid system has historically funded solicitors in private practice to provide advice, assistance and representation to clients with civil and criminal justice problems. Increasingly, the LSC (Legal Services Commission) has also been funding debt advice and support services provided by the 'not-for-profit' sector. Anecdotal evidence emphasises the value of information, advice and counselling in helping people deal with their debts and overcoming their immediate problems. Indeed, a recent review of research suggests *'Families have been kept together; businesses and homes have been saved; even, in some cases, suicides prevented'*³. However, to date there has been no substantial empirical research to demonstrate this link conclusively and compare the experiences and outcomes for people who have had information, advice, support and counselling for debt with those who have not.

In order to remedy this omission the LSRC (Legal Services Research Centre) is carrying out a programme of research (including a Random Control Trial) considering the role and impact of advice. As part of this work the LSRC commissioned BMRB to carry out qualitative research with a sample of people identified in the 2004 English and Welsh Civil and Social Justice Survey as having a debt problem. The purpose of this research was to assess the role and value of advice for people with a debt problem.

Advice was taken to refer to any kind of discussion that people may have had in relation to financial matters and so did not refer solely to legal advice; it might include requests for factual information, advice about financial issues and emotional support or counselling from either a formal or informal source. The reason for the broad use of the term 'advice' is that support and guidance come in many forms with varying

² DTI Annual Report (2005) *Tackling over-indebtedness*.

³ Williams, T. (2004) *Review of Research into the Impact of Debt Advice*. TPR Social Research for the Legal Services Research Centre.

degrees of connection to the problem resolution process. As such, the term does not lend itself to precise definition.

This report documents the findings from the qualitative research carried out during 2005. This chapter provides an overview of the objectives, design and conduct of the research. It is followed by seven further chapters: **Chapter 2** describes the range of debt problems experienced by respondents and the causes of these. **Chapter 3** considers the wide range of personal, financial and other impacts resulting from respondents' debt problems. **Chapter 4** examines how participants responded to their mounting debts and the range of actions taken by those who did something about their debt problem. **Chapter 5** focuses on experiences of seeking information, advice and guidance about a debt problem. **Chapter 6** reports on views about the advice and guidance received and the impact it has had on respondents. **Chapter 7** considers the value and role of advice for people with debt problems and suggestions made for developing and improving the range of information and advice provided. **Chapter 8** reflects upon the key messages raised throughout the report and draws some conclusions arising from the research.

1.1 Aims of the research

The primary aim of this research was to assess the role and value of advice for people with a debt problem. By comparing and contrasting the experience of people who do and do not seek advice for a debt problem the research specifically explored the following areas:

- The range and type of debt problems being reported; and their underlying causes;
- How debt problems have been dealt with; and the reasons for choosing a particular response or action;
- Awareness of sources of advice and help for dealing with a debt problem; and perceptions of the importance of advice to the problem resolution process;
- Reasons for seeking/ not seeking help and advice;
- The nature of any advice and/ or support they may have received;
- Positive and negative experiences of using advice and help to resolve a debt problem;
- Views about the advice/ support received; and the degree to which it met the needs of individuals;
- The impact/ s of using/ not using advice and help to resolve a debt problem;

- Views about the value and role of help and advice for people with debt problems;
- Reflections on the range of help that exists and suggestions for changes/improvements to the advice provided.

1.2 Research design

A qualitative approach was adopted, in order that we could consult people in depth using their own language and terms to relay their experiences of dealing with their debt problems. The design was also intended to amplify and extend the survey evidence and as a consequence provide a more detailed and comprehensive understanding of the experiences and views of people with debt problems. The purposive nature of the sample design as well as the small sample size, however, means that the study cannot provide any statistical data relating to the prevalence of these views, experiences or reflections. Any attempt to provide numerical evidence of this kind would need to be statistically measured using quantitative research.

In order to assess the role and value of advice the research was designed to ensure the inclusion of people who had and had not sought advice for a debt problem. A total of 42 interviews were carried out with a sample of people who were identified in the 2004 English and Welsh Civil and Social Justice Survey as having a debt problem. These interviews were spread across England and Wales.

1.2.1 Sample design and selection

As is usual in qualitative research, the sample was designed to ensure full coverage of the key sub-groups within the target population, in order to identify and explain variations in the nature of experiences and views between them. We therefore set out to purposively recruit men and women of different age groups, with different levels of debt and with different experiences of advice seeking etc. In practice, however, we were limited to those 82 survey respondents who reported a money problem in the survey and were willing to be re-contacted. Inevitably, we ended up recruiting all survey respondents who were willing to take part in the qualitative research.

The sample was recruited by our network of recruiters over the telephone. In view of the sensitivities about asking about debt problems during a short conversation on the phone, we decided against carrying out a screening interview to supplement our knowledge from the survey. We were also concerned that this might discourage people from taking part in the research (although they were told that the research was dealing with how people handle their concerns about money). As a consequence of this we were not able to fully confirm the nature of the individual's money problems or their advice seeking behaviour prior to the interview. This has resulted in a few people being included in our research who do not appear to have debt problems per se.

Rather, their money problems appeared to relate to issues such as being wrongly invoiced for utility bills or bank charges, or they appeared to be concerned about the prospect of future money problems as they were currently struggling with mortgage and utility payments (but were not actually in debt at the time of the interview). We have only included these people in the evidence where it has been appropriate to incorporate them, such as when a respondent had been wrongly invoiced for a utility bill and had sought advice regarding how to communicate with the creditor. As will be discussed later in the report we also appear to have slight inconsistencies between advice seeking behaviour reported in the survey and during the subsequent qualitative research.

1.3 The interviews

All interviews were exploratory and interactive in form and were based on a topic guide (see Appendix II), which outlined the key themes and issues to be addressed.

The interviews were intended to last about an hour but in practice often lasted up to one and a half hours. Unravelling the financial difficulties and experiences of respondents typically took up a considerable amount of time during the interview and proved quite distressing for a few respondents. Underpinning this problem appeared to be a degree of confusion about respondents' financial problems and the nature and extent of their debt. It sometimes proved difficult for respondents to calculate the total amount of money they were in debt for at the height of their problems or to remember the sequence of events surrounding their debt. This was particularly the case where people were reflecting back on previous debt problems and found it hard to recall the detail of their different debts. Respondents' confusion was compounded in cases where they owed money to more than one creditor, irrespective of whether people were accounting for previous or current debts. Also, it was evident that some people were reluctant to talk about their money problems and this made it harder to understand events leading up to a debt as well as the range and extent of their financial problems.

All interviews were digitally recorded, with permission, and transcribed in verbatim to allow detailed analysis.

1.4 Analysis and presentation of the findings

The transcripts were then subject to a rigorous content analysis, which involved systematically sifting, summarising and sorting the verbatim material according to key issues and themes, within a thematic matrix. Further classificatory and interpretative analyses were then derived from the analytic charts and these formed the basis of the evidence reported in subsequent chapters.

The findings have been illustrated with the use of verbatim quotations, case illustrations and examples. Where necessary the details of the contributors or their subjects have

been moderately changed to protect anonymity. Pseudonyms have been used for all quotations, examples and case illustrations.

Further details of the design and conduct of the study can be found in the technical appendix (Appendix I).

1.5 Sample profile

A total of 42 people took part in the research. As can be seen from the profile of the sample in the table below responses varied in the qualitative and quantitative survey about whether people had sought advice and guidance. The number of respondents who described having sought advice had increased from 19 at the time of the quantitative survey to 28 in the qualitative interviews. Correspondingly, the number of respondents who described not seeking advice decreased from 23 at the time of the quantitative survey to 14 in the qualitative interviews. Only one respondent reported seeking advice in the quantitative survey but said they did not seek advice in the qualitative interview.

Whilst we did not specifically explore these discrepancies one possible explanation for the variation in the survey and qualitative responses may be that the qualitative study used a broader definition of advice than the quantitative survey. Respondents may have had an informal conversation with friends or family members who had experience of being in debt, or had knowledge about financial issues, as a consequence of being a solicitor or bailiff, for example. These conversations are considered advice in the qualitative study but were not classified as advice in the quantitative survey.

Respondents also may not have considered discussions with GPs or other health professionals to constitute advice about a debt problem and as such these conversations may not have been captured in the quantitative survey. A final explanation may be that during the time between the survey and the qualitative interview (which varied from four to ten months) respondents had actually sought advice and guidance.

Profile of the sample

	Qualitative Research	LSRC 2004 Survey
Sex		
Male	23	23
Female	19	19
Age		
16-35	Not collected	12
36-65		27
66+		2
Not Recorded		1
Ethnicity		
White	Not collected	33
Black		5
Asian		4
Not Recorded		-
Household Income		
Under 4,999	Not collected	3
5,000 – 14,999		2
15,000 – 24,999		6
25,000 – 34,999		4
35,000 – 44,999		0
45,000		2
Not recorded		25
Nature of Debt Problem		
Difficulty obtaining money	Not collected	4
Difficulty paying money		37
Poor financial advice/ management		1
Other		12
Sought Advice		
Yes	28	19
No	14	23
Number of people in the household		
1	6	8
2	13	11
3	6	5
4	9	10
5	4	5
6	2	2
7	1	1
Not Recorded	1	-
Current Activity		
In full time education	3	4
In paid employment	24	25
Seeking work	2	2
Unable to work due to illness/ disability	5	2
Retired	1	2
Looking after home and family	7	7
Total	42	42

2 Debt problem experienced

This chapter examines the nature, extent and causes of respondents' debt. As discussed in the previous chapter it proved difficult to assess the exact nature and extent of individual debts, as respondents were confused about the amounts involved and the range of creditors that they owed money to. As debts had often been spreading and increasing in value over time it was also hard for individuals to pinpoint the sequence of events that had contributed to their money problems. Respondents who were currently in debt tended to be more confused than those that were reflecting back on a previous debt problem, where the passing of time had enabled them to gain some perspective on the experience, even if they sometimes found it hard to recall the precise amounts. Another factor which further confounded the discussion about debts was that there was a lack of clarity about what was considered to be a debt. For example, there were respondents who considered their mortgage to be a debt, despite having had no difficulties in making the monthly payments.

This chapter considers the evidence from the respondents who self reported as having debts or financial difficulties irrespective of whether they would be objectively assigned as being in debt. Although as there appears to be a lack of a universally agreed definition of being in debt (DTI et al, 2005)⁴ it would have been hard to assess this. We have therefore excluded the seven cases where people did not appear to be in debt such as those who were struggling to pay their bills but were managing due to using their savings and curtailing their expenditure.

This chapter also examines respondents' awareness about getting into debt and their views about this. As will be seen views varied according to their confidence about whether their problem could be resolved, their perception of their debts, the way a creditor had responded, previous experience of debt and the stage they had reached in addressing their debt problem.

2.1 Nature of debt problem experienced

The nature and extent of the debt problem experienced by respondents varied greatly and it was common for a respondent to have acquired debts with a number of creditors, for different amounts. At the time of the qualitative interview respondents' total debts ranged from £200 to £41,500. Whilst it is impossible to illustrate all the different combinations of debt respondents experienced, the following provides an overview of the breadth and type of debts reported.

The debts reported included a range of the following:

⁴ DTI Annual Report (2005) *Tackling over-indebtedness*.

- **Credit or store card debt** was very commonly reported with amounts ranging from £50 to £50,000 at the height of a debt problem. Often the debts were spread over more than one card.

Michael experienced a breakdown in 1996 and consequently was out of work for an extended period of time. Any savings that he had were gradually used up during this period of unemployment and so he started to rely on his credit cards. Due to not having a regular income he got into the habit of only paying the minimum payments on his credit card bills and ignored the way interest was accumulating on what he owed.

Michael returned to work but did not pay sufficient attention to his finances and applied for new credit cards *'to fill the gap'* when he was short of money. He generally felt he was on top of the debt as he continued to make the minimum payments. In 2003 the debt became *'very real'* and he experienced another breakdown. At the height of his debt problem, Michael owed a total of £50,000 spread across 11 different credit cards. The money owed on each credit card ranged from a couple of hundred to thousands of pounds.

- **Being in arrears for rent, council tax and household bills**, such as gas, electricity, water, telephone and a television license was also typically reported. These debts varied from around £125 to £1,000. Often respondents would be in arrears to more than one of these creditors. In the case of rent and council tax arrears, these debts ranged from £600 to £4,000 and £180 and £2,000 respectively.
- Respondents were also in **debt to family or friends**. The amounts owed were typically at the lower end but they could vary from five pounds to £3,000.
- Another typical source of debt was due to **taking out loans**, either from a bank or a loan company. Money owed in this way ranged from £600 to £6,000. There were respondents who specified that the amount they owed in loan repayments also included the interest charged on the loan, but it was not always easy to pinpoint whether this was the case. As already mentioned respondents were often confused about their financial affairs and particularly lacked awareness about interest levels and charges.

- A final source of debt identified was for **Income Support or Council Tax Benefit**. In these cases the debt was to pay money back that had been **fraudulently claimed** over an extended period of time.

During 1996-1998 Jill had claimed Income Support and Council Tax Benefit alongside a part time job. During this time she had been unaware that she was working more hours than permitted whilst receiving these benefits. After being taken to court for this she had to repay £32 a month to cover the money she had fraudulently claimed. She thinks this arrangement will continue until 2008 when the amount will have been paid in full.

Jill's debt problems were exacerbated by her cutting her working hours and having to make her monthly benefit repayment. Consequently she fell into arrears for rent, household bills and catalogue payments, for which she received a County Court Judgement (CCJ). In 2004, she took out a loan in order to assist her with her debts.

2.2 Causes of debt problem

Debt problems were rarely attributed to one isolated cause. Instead it was typical for people to talk about a process or cycle of debt during which the causes mounted and increased. Broadly there seemed to be three different types of causes of debt; changing circumstances; money management and creditor behaviour. As discussed by Pleasence et al (2004)⁵ there can be underlying connections between different problems that an individual experiences, whereby a problem experienced is caused by or follows on from a separate problem. Causes of debt that were connected tended to have resulted from a change in circumstances. For example, there were respondents who had experienced illness or bereavement, which led to unemployment. Separation from a partner might also lead to illness, which again caused the respondent to be unemployed.

2.2.1 Changing circumstances

Debts had often resulted from a change in some aspect of an individual's life or circumstances. There appeared to be two contrasting explanations for these changed circumstances. There were changes reported that were driven by external factors which were effectively beyond the control of a respondent (and appeared to just happen to people). In contrast, other changes resulted as a consequence of

⁵ Pleasence, P., Buck A., Balmer, N., O'Grady, A., Genn, H. & Smith, M. (2004) *Causes of Action: Civil Law and Social Justice*. The Stationary Office (TSO), Norwich.

respondents consciously adapting or changing some aspect of their life. Sometimes it was hard to fathom which of these explanations accounted for the changes. Whilst the factors which caused these changes varied the effect was the same – the difficulty respondents experienced having to manage on a reduced income caused them to fall into debt or exacerbated an existing debt.

2.2.1.1 Unemployment or change in employment

Unemployment or a change in employment circumstances was another cause of respondents' debt problems. Not having full time work and having to provide for oneself or a family often led to necessary expenditure exceeding income. This in itself might lead to debt, or the respondent might take out loans or use credit to supplement their income and consequently have difficulties in paying the subsequent bills. Respondents might also experience financial difficulties after moving to lower paid jobs for reasons unrelated to the debt problem.

Hazel handed in her notice at work in order to take up a new position with a different employer. Before she started at her new job her future employer checked the validity of her application and found that she had been claiming Housing Benefit when she was not entitled to. Her employer terminated her contract of employment before she had started work.

Having already left her old job Hazel was left unemployed and without an income, as pride prevented her claiming benefit. Hazel had to pay back the Housing Benefit that she had falsely claimed, which totalled approximately £6,000. She also struggled to make her monthly credit card payments to pay off debt she had accrued prior to becoming unemployed, which she was also adding to by using her credit cards due to having no other income.

2.2.1.2 Illness

Becoming ill had resulted in people falling into debt, often due to them having to be out of work for a prolonged length of time. During this time they were forced to survive on little or no income, depending on their benefit entitlements. Occasionally illness exacerbated an already existing debt problem. Among the illnesses reported that had contributed to this situation were mental health problems, which for example, led to a respondent being unemployed for two years; high blood pressure; and an accident at work that led to the respondent being unable to work indefinitely.

Illness coincides with debt in two ways. Whilst illness could cause debt problems due to causing the respondent to be unemployed, debt problems could also cause the respondent to be ill, particularly with regards to stress-related illnesses (see section 3.2 'Impacts on health').

2.2.1.3 Bereavement

Bereavement occasionally was a factor in causing respondents' debt problems. The emotional upset involved in losing a family member sometimes caused a respondent to become unemployed.

Up until 1998, Robert had what he considered to be a good job, which he enjoyed. He owed money to his bank for a loan and to various credit card companies, but was able to meet his monthly repayments. However that year, Robert's mother passed away, which left him depressed and unable to maintain an *'even keel'*. Due to his state of mind his performance did not meet expectation at work and he consequently lost his job and so started to claim Income Support.

Becoming unemployed had a detrimental effect on Robert's self-esteem. He tried to maintain the lifestyle he was used to and did not adjust his expenditure to reflect his reduced income. He struggled to make repayments to his creditors and slipped further into debt, as he started to accrue interest on what he owed. At the time of being interviewed, Robert owed approximately £3,500 and expected his debt to grow as he was unable to make the necessary payments to his creditors.

More exceptionally, a debt had resulted from having to pay the costs of organising the funeral of a relative who had died whilst abroad and needed to be brought home for a burial.

2.2.1.4 Separation from partner

Separation from a partner could cause debt in a number of different ways. Respondents described struggling to manage financially after their joint income had been reduced to a single income, especially with regards to paying Council Tax, utility bills and rent or mortgage.

At the age of 24 Lesley bought a house with her partner. A few years later they separated and she had to take on the mortgage alone, which she struggled with, on her single income. This happened to coincide with her being bullied at work, which led to her leaving her job and taking a lower paid position at another company. At this point her income dropped from £14,000 to £9,500.

Lesley struggled to manage her mortgage repayments, credit and store card payments, council tax and utility bills on her lower earnings. At the height of her debt she owed ten months council tax, totalling approximately £700 and six mortgage payments, totalling £900. Overall, she was in debt for a total of £5,500.

There were also reports of respondents inheriting or being left with debts by a partner, such as loans or upgraded utility services that had been taken out in their name.

In some instances the emotional upheaval of separation impacted on the respondent's debt problem. Separation from a partner caused respondents to become depressed and as such they were not able to work.

2.2.2 Poor money management

Poor money management appeared to be a common cause of debt. Respondents either consciously spent money with the knowledge they were in debt, or else spent but did not appear to fully realise they had a debt problem. Respondents described being '*young and daff*' or recklessly spending money without due consideration about whether they were exceeding their means. Other justifications given for being '*cavalier*' with money were connected with a particular event such as a divorce coming through. Credit cards, which were likened to having '*free money*', appeared to have contributed to their profligate behaviour. Respondents described becoming '*blasé*' with money and enjoying spending money on '*nice things*' such as clothes, going out with friends and decorating the home.

Another explanation for this lack of care about getting into debt was that respondents were living the lifestyle that they wanted to and able to afford expensive clothes and have their own living space;

"Yeah I knew all the time debts were building, and part of it I would say, was a bit of lack of self control for myself, and I suppose really in a way I didn't really care, I was going out in the week and I was managing, well somehow managing to stay in my flat."

(Male, Sought Advice)⁶

There were also reports of respondents using credit to buy '*stuff for the house*' which subsequently '*got out of hand*' when they could not afford to pay their bills. It was said that credit was too readily available and as such enabled this sort of behaviour. Respondents might also exceed their overdraft limit and as such accumulate interest that then added to their debt.

2.2.2.1 Lack of understanding regarding managing finances

Respondents expressed some confusion with regards to what benefits they were entitled to. Occasionally respondents had not been aware they were entitled to take up

⁶ The sample details following the quotations in this report are based on the findings from the qualitative interviews as opposed to the quantitative survey.

specific allowances, which might have alleviated their debt problem to some extent. Respondents had discovered they could have claimed benefits such as Housing Benefit, Council Tax Benefit, Income Support and Working Tax Credit as opposed to 'struggling' on a very low income. Similarly, those who had become ill and as a result were unemployed were sometimes unsure as to what their entitlements were with regards to benefits.

A lack of awareness about the level of interest rates was another contributory factor. This accounted for people failing to appreciate the level of interest they would be charged if they were late paying loans or credit or store card bills. There were respondents that did not realise they would have to pay interest on top of the amount they owed or had borrowed. For example, a respondent got into debt by falling into arrears with the company she had remortgaged her house with, as she could not afford the escalating interest applied to her debt each month.

There were instances where respondents felt that the only way to pay off their debts was to take out loans or credit, which ultimately added to the debt. Respondents described making the minimum contractual payments to credit cards by borrowing money.

2.2.3 Creditor behaviour

Occasionally respondents considered that their creditors had misled them by not telling them what they would have to pay when taking out a loan or credit. As a consequence they held them responsible for their debts. Respondents saw it as the creditor's responsibility to ensure that members of the public understood the paperwork and the 'small print';

"I got into these debts because they gave me a bit of paper, and they never said anything about the financial implications...Nobody at that time actually went through the paperwork...All it was is they gave you the form...if you sign there, the financial details will be dealt with, and you will receive the lump sum of money that you have asked for."

(Male, Sought Advice)

It was also suggested that creditors had irresponsibly given people money who could ill afford to pay the credit back, such as in the case of a person on benefits.

There were respondents that alleged that they were wrongly accused of arrears by banks or utility companies and had faced a 'continuous struggle' with the creditor in convincing them that the billing was incorrect. This, for example, was the case for a respondent who alleged she was wrongly accused of owing a gas bill of £1,300. In some cases respondents said the letters came from utility companies that were not

even their suppliers. Although these respondents may not have experienced debts in the same way as the rest of the sample they nevertheless had to go through similar channels of resolution such as communicating with creditors and seeking advice.

2.3 Awareness of a debt problem

It was clear that respondents became aware they were getting into debt at different stages of their problem. These stages ranged from the outset of them getting into debt, on seeing their income and expenditure on bank statements, being contacted by creditors, or receiving notification of debt collector action.

Generally respondents became aware of their debt problem when they received letters or phone calls from their creditors notifying them that they owed money. It was often at this point where the respondent would notice the extent of interest that was being added to the sum that they owed, especially with regards to credit and store card debt or bank loans. The interest added to the debt was often a cause for concern, especially in instances where the respondent was not aware that interest would be levied at all.

As previously noted there were respondents who seemed to be conscious that they were getting into debt from the outset, for example by using credit cards or store cards, and these tended also to be the respondents who got into debt due to a lack of control spending money. Respondents described how they knew that they were spending money that they could not afford to pay back, but continued to use credit cards as they were '*so convenient*'. Among those who became aware at the earlier stages of the problem were those who realised that their expenditure was greater than their income, or saw it on their bank statements.

Occasionally respondents became aware of getting into debt when they received notification of potential bailiff or debt collector action, either by a phone call or a letter. On rare occasions the first respondents knew of the extent of their debt was when they were visited by bailiffs without warning. There were respondents who thought that they were in the process of negotiating the amount that they owed due to having recently applied for benefits that would lessen the amount of debt, or else had assumed that as the creditor had not contacted them for a prolonged period of time that they no longer owed any money;

“They came to the door and said the court said we can take stuff. We didn’t even know we’d been taken to court. We knew we owed council tax but had no bills, no nothing, and just thought, well maybe in a few months we’ll get a bill coming through and we’ll sort it out then. But they just came and knocked on the door.”

(Male, No Advice Sought)

More exceptionally, the respondent became aware of the debt problem when they received a County Court Judgement (CCJ) in the post.

2.4 Views of debt problem

Respondents’ perceptions of their debt problem ranged from viewing it as extremely serious to something that was not of great concern. Views of the severity of the debt problem were unique to the respondent’s particular situation and perhaps surprisingly, did not necessarily correspond to the amount of money they were in debt for. At one extreme, a respondent only started to worry once his debt had reached £40,000. He explained that he had not been concerned before this amount as his debt had not affected him personally or his daily life. In contrast a respondent who was in debt for approximately £5,500 felt as if their *‘world was ending’*. Across the sample it appeared that all the female respondents viewed their debts as being serious whereas the male respondents expressed a range of views about the severity of their debt problems.

Rather than the actual amount that they owed, respondents’ views of their debt problem seemed to vary according to the following factors:

- **Confidence about when the problem would be resolved** – There were respondents that considered their debt not worth worrying about, because they knew the problem would be resolved in the near future, for example once the respondent found work.
- **Perceptions of other people’s debt** – Respondents sometimes belittled the significance of their debts as they assumed that people with ‘problem’ debts would have much higher debts. In this way, a respondent owing £6,000 was unconcerned about his debt problem, as he felt many people in debt owed a lot more money than him;

“I’m sure there’s many people out there who owe a lot more money than I do, people who default on mortgages and things like that...it’s something that needs to be paid and got out of the way really, but I don’t think £6,000 is a large amount of money.”

(Male, Sought Advice)

- **Creditor response to debt** – Those that considered their debt to be serious described being frightened and felt that they were *'losing everything'*. This was especially so for those respondents who had been threatened with bailiff action or repossession of their home. It was also apparent that the fear and expectation of such threats could be emotionally debilitating in itself. A respondent that had experienced a number of small debt problems felt that *'nothing'* could compare to how he felt when he faced repossession of his home fifteen years ago. A respondent who had been given a suspended repossession order on her home and had amassed £20,000 of debt described how the situation *'was as serious as it could get'*.

Views about the severity of a debt problem were equally reported in circumstances where the action by the creditor might have appeared less extreme or threatening than a repossession order. For example, the threat of having the water supply disconnected for a debt of £3,400 was considered very serious by a respondent who had just given birth to twins.

Respondents sometimes viewed their debt problem as less serious in circumstances where they were aware of the limited action that a creditor could take. This was the case for a respondent that owed a utility company approximately £1,000, as she knew what the consequences of any creditor action would be;

"It will cost them more to take me to court. It is going to cost them hundreds. It is not going to cost me nothing because I am on benefits. And if they take me to court I can just agree to say I will pay you one pound."

(Female, Sought Advice)

In some instances, views of the severity of the debt could be affected by the respondent's previous experience of debt and the knowledge acquired from this, of the actions creditors can and cannot take. A respondent with approximately £4,500 of debt was unconcerned by the prospect of a CCJ as he knew that if taken to court he could give a statement of earnings to them and they would see that he had little disposable income and therefore could not make payments. As such this respondent did not suffer from any *'sleepless nights'* with regards to his debt problem.

- **Stage of the respondent's debt problem** - Perceptions of a debt problem may alter with time. Respondents might judge their debt problem to be more serious with the benefit of hindsight, as it allowed them to realise what the consequences of getting into debt are, and the impact it could have on the future;

“The way it affects your future...if I meet another girl, it’s serious, we get together, ‘oh shall we...go to get a mortgage’ and no we can’t get one because of my history, that is quite a serious thing to happen.”

(Male, Sought Advice)

Alternatively, debt problems might be considered less serious with the passing of time; one respondent who had considered her £17,000 debt to be very serious at the height of her debt, reflected in her interview that it was *‘just money’*.

2.5 Chapter summary

The nature and extent of the debt problem experienced by respondents varied greatly and it was common for a respondent to have acquired debts with a number of creditors, for different amounts. The type of debts reported covered credit or store card debt, rent arrears, council tax debt, debts to public utilities, family or friends and debts to money lending companies.

Debt problems were rarely attributed to one isolated cause. Instead it was more common for respondents to discuss a cycle of debt during which the causes mounted and increased. Broadly there seemed to be three different types of causes of debt; changing circumstances; (which included unemployment or change in employment; illness; bereavement and separation from a partner) money management (including poor money management and lack of understanding regarding managing finances) and creditor behaviour.

Generally respondents became aware of their debt problem when they received letters or phone calls from their creditors notifying them that they owed money. On rare occasions respondents reported only becoming aware of their debt or the extent of their debt when they were visited by bailiffs without warning or when they received a CCJ in the post.

Views of the severity of the debt problem were unique to the respondent’s particular situation and perhaps surprisingly, did not necessarily correspond to the amount of money they were in debt for. A number of factors affected views about a debt problem including; their confidence as to whether the problem could be resolved, their perception of their debt, the way a creditor had responded, previous experience of debt and the stage they had reached in addressing their debt problem.

3 Impacts of debt problem

Being in debt had wide reaching consequences and impacts for respondents and these are the focus of this next chapter. As will be seen, the impacts reported related to: respondents' relationships with their family and friends; health; employment and education; lifestyle and their plans for the future.

Not surprisingly, the extent to which the debt problem impacted on respondents depended on how seriously they perceived their debts to be. Of the factors highlighted in the previous chapter it appeared that the respondent's confidence as to whether their problem could be resolved and the way the creditor responded to the problem were most influential. For this reason, debts that were perceived to be very serious, had little chance of being easily resolved or had resulted in tough or legal responses by creditors tended to have made the greatest impact on respondents. Perhaps surprisingly, respondents' assessments of the severity of their debt problem did not necessarily correspond to the amount of money they were in debt for.

3.1 Impacts on relationships with family and friends

The stress experienced by those with a debt problem frequently impacted on relationships between the respondent and their family and friends. Debts contributed to arguments and tension within the home, especially between partners. At its most extreme it could result in the relationship being '*messed up*' and cause separation. For example, in circumstances where one partner was responsible for getting the family into debt, then this could cause the breakdown of a marriage.

Respondents also described their debt problem as having a very negative impact on relationships with their children. In these situations it was said that respondents had taken their frustrations out on their children.

Over six years Kathy's husband had run up debts of about £32,500 in her name and sometimes without her knowledge. As a result of his deceit Kathy separated from her husband, but was left with his debt. At the height of her debt problem, Kathy owed £17,000 to car companies; £11,000 in bank loans; £3,000 to catalogue companies and £1,500 to family and friends.

During the separation Kathy and her husband argued constantly which left her in a poor state of health. Kathy was permanently anxious and moody and suffered from clinical depression due to the marriage breakdown. This had a detrimental effect on her son and he consequently failed his grammar school entrance exams. At the time of the interview Kathy was in the middle of appealing against the decision.

There were also instances reported where the debt problem had led to depression in respondents and as such impacted on the way they behaved with their children. The emotional and psychological problems that respondents experienced as a result of their debt will be examined in more detail in section 3.2 'Impacts on health'. Another mother said her children had to stay with relatives as she could not cope with looking after them after she received a county court judgement.

Depression aside, respondents often described feeling guilty about the financial restrictions resulting from their debts. Not being able to pay for leisure activities or material possessions that their children were accustomed to, such as school trips, clubs, holidays and new clothing were among the examples cited to illustrate this. It was said, for example, by a parent that it was *'heartbreaking'* not being able to afford Christmas presents for her children due to a debt problem. Respondents reported being distressed about not being able to provide for their children in the way they would like. They also felt their debts were degrading for their children.

"She says to you 'Well my friend has got, it why can't I?' It makes you feel like a failure as a mother."

(Female, Sought Advice)

Another respondent described being embarrassed at having to buy his daughter's school uniform through Social Services.

It was not only parents that felt guilty about the effect their debt problem had on their children. Respondents also reported feeling guilty about the effect of their debt on their parents. This was described both in terms of the burden that their debts had on their parents as well as not being able to financially help and support parents. For example, a young person described how guilty she felt that her parents had to work extra shifts in order to financially support her through her debt problem. Another respondent said due to his debts he was not able to assist his parents who had been affected by the Tsunami, which in turn had an impact on his self-esteem;

"After the Tsunami struck - we had a little property down south - that's gone as well, and we cannot reclaim it back because of government restrictions. So all that land is now belonging to the government...So another income has been cut off. So, at a time like this, if I can't help out my parents and my country, and things like that - I mean... I feel a complete loser."

(Male, Sought Advice)

The impacts that debt problems had on respondents' relationships with family, friends and in particular their children, illustrates how debt can lead to feelings of guilt, loss of

self-esteem and degradation. These feelings seemed to stem from the respondent not being able to provide for their family in the way they would like.

3.2 Impacts on health

Respondents experienced both physical and emotional health problems as a result of their debt problem. Most commonly reported conditions were stress and anxiety, which in some instances led to other problems that had even more detrimental consequences for the respondent's health. Stress could manifest itself in a variety of ways; frequent headaches and stress related skin conditions such as eczema and dermatitis that had not been experienced prior to a debt problem. It also exacerbated pre-existing health conditions, such as Irritable Bowel Syndrome (IBS) and post-natal depression;

"I think it was part and parcel of many things, you know just having a baby, all the debt problems, family life...it all kind of made me explode."

(Female, Sought Advice)

Stress also resulted in a respondent starting smoking again, whilst another increased the number of cigarettes she smoked to 30 a day.

In more exceptional circumstances, respondents reported being psychologically affected by their debt problem. In these circumstances there were reports of people being treated for clinical depression and receiving help from mental health professionals. For example, a respondent was being treated for depression and bulimia at a local psychiatric unit as a consequence of her debt problem. There were instances where depression in respondents had impacted on the way they behaved with their children (see section 3.1 'Impacts on relationships with family and friends').

Lisa re-mortgaged her house using a company she had seen advertised on the television, in order to have essential maintenance work carried out on it. Unbeknown to Lisa she had applied for a mortgage with a variable and very high rate of interest, with what transpired to be a rogue mortgage company. Initially she paid £250 a month but this escalated each month. After ten months she was being asked to pay £700 a month. Lisa was not able to keep up with the payments and so fell into arrears, which then had additional interest levied on it. The company threatened to have her house repossessed and after being taken to court, Lisa's house was under a 28 day suspended repossession order.

Lisa felt hopeless and desperate about her situation. The hopelessness led to depression and she was put on anti-depressants by her GP. The depression also led her to become bulimic and consequently she was referred to a local psychiatric unit. She then became suicidal. Due to her illness and state of mind, she started to neglect her children. She ensured they wore clean clothes and were fed, but was not capable of anything else as she felt 'zombified'. She said, *"my responsibility as a mother diminished to...not even a carer...because I didn't care...I cared whether they were hurt...But probably no more than a stranger in the street would have cared because I was that numb."*

3.3 Impacts on employment and education

For those in employment, debt tended to affect respondents' working practices in two ways; they would either work more than they did prior to the debt problem, or less. Requests to work extra hours when they were available could in turn impact on the health of respondents, as doing so over a long period of time was physically and emotionally draining. Those who worked less as a result of their debt had to take time off work due to depression which had been compounded by their debts. Self employed respondents found that the stress they felt and the time spent trying to resolve their debt problems sometimes left them unable to dedicate the time, energy and effort necessary to running a business. In circumstances where debts had occurred during a period of unemployment this could result in respondents seeking work to pay off their debts.

Respondents who were in education reported how their debts had affected their ability to study. This had a resulting impact on university students who said their grades deteriorated due to them having to engage in paid employment to alleviate their debts. It had also meant that respondents had been unable to afford their tuition fees. This, for example, resulted in a person being suspended from their course, or a degree being withheld from a respondent. Both these circumstances had further negative impacts on potential employment opportunities for these people in order to help ease a debt.

3.4 Impacts on lifestyle

Due to having to live on a restricted budget, it was typical for respondents to report that their debt problem negatively affected their lifestyle as they were no longer able to enjoy the same standard of living. Respondents frequently described not being able to afford to buy new clothes, go out with friends, go on holiday, pay utility bills, or have repairs carried out on their house. Occasionally respondents described not having enough money to buy food; or having to reduce the number of meals they ate in a day. Expenditure on anything other than what was considered essential was generally curtailed.

Debt proved to be a very isolating experience. Respondents described losing touch with friends as they could not afford to go out socially or felt guilty about going out, as they were unable to buy drinks for their friends.

“You can’t always go round and say ‘Hi mate, how are you?’ and sit down and wait until somebody orders you a drink, and then you just walk away. Obviously you want to return the favour and buy them a drink as well, so...I rarely go out these days...I’ve lost touch with a lot of my friends.”

(Male, Sought Advice)

Not being able to afford social activities such as going to a pub or restaurant exacerbated feelings of stress during the debt problem, as such activities could provide the respondent with some enjoyment or relaxation;

“It’s always in the back of your head, praying on your mind. When you can’t do things that come naturally, like say I’ll go to the pub, I’ll go for a meal...it doesn’t help at all. “

(Male, No Advice Sought)

In order to avoid burdening friends with a debt problem respondents sometimes voluntarily disassociated themselves from them as they did not want to ‘drag’ other people into the situation. There were some instances where respondents had lost friends as they were not able to pay back loans quickly enough or at all and were therefore deemed unreliable. Depression resulting from a debt problem was also cited as a reason why people had avoided going out socially.

In contrast, there were respondents who said they were busier socially during their debt problem, as they had disliked being at home alone, partly out of fear in case bailiffs visited and partly to avoid spending time alone thinking about their debt problems. It was conceded that this avoidance tactic may have exacerbated a debt problem as it meant they had to spend money going out.

3.5 Impacts on plans for the future

The stress created by having a debt problem often meant respondents were unable to focus on their future;

“I couldn’t see into the future at all, well none of us can see into the future, but I couldn’t do any forward planning because it just felt like I was in a big rut – well, I was in a big rut.”

(Female, Sought Advice)

In these cases respondents chose not to think of the future, preferring to *‘take each day as it comes’*.

Respondents described how their future had been affected by financial transactions such as being prevented from opening a bank account, and mortgage and hire purchase applications being dismissed due to a poor credit rating. For younger respondents there were concerns how these financial issues, such as not being able to get a mortgage, would affect their future with regards to starting a family.

3.6 Chapter summary

The impacts of debt were wide reaching and affected respondents’ relationships with their family and friends; health; employment and education; lifestyle and their plans for the future. The extent to which the debt problem impacted on respondents depended on how seriously they perceived their debts to be.

The stress experienced by those with a debt problem frequently impacted on relationships between the respondent and their family and friends. Debts contributed to arguments and tension within the home, especially between partners, where at its most extreme it could cause separation. Respondents also described their debt problem as having a very negative impact on their relationships with their children. These impacts illustrate how debt can lead to feelings of guilt, loss of self-esteem and degradation.

Respondents experienced both physical and emotional health problems as a result of their debt problem. Most commonly reported conditions were stress and anxiety. It also exacerbated pre-existing health conditions, such as IBS and post-natal depression. In more exceptional circumstances, respondents reported being psychologically affected by their debt problem and had been treated for clinical depression and received help from mental health professionals.

For those in employment, debt tended to affect respondents’ working practices in two ways; they would either work more than they did prior to the debt problem, or less. Requests to work extra hours could in turn impact on the health of respondents, as

doing so over a long period of time was physically and emotionally draining. Those who worked less as a result of their debt had taken time off work due to depression which had been compounded by their debts. Respondents in education reported how their debts had resulted in them being unable to pay their tuition fees and falling behind with their work, when they had to take on paid employment.

Due to having to live on a restricted budget, it was typical for respondents to report that they had to curtail their lifestyle. Debt also proved to be a very isolating experience; respondents described losing touch with friends as they could not afford to go out socially. Not being able to afford social activities exacerbated feelings of stress during the debt problem.

The stress created by having a debt problem often meant respondents did not plan for the future. Also, financial transactions had been blocked when they tried to open a bank account or take out a mortgage due to their poor credit rating. For younger respondents there were concerns how these financial issues, such as not being able to get a mortgage, would affect their future with regards to starting a family.

4 Responses to debt problem

This chapter examines the way in which participants responded to their debt problem. As will be seen the type of response taken and the point at which this happened varied across the sample. Typically, correspondence from a creditor seemed to be the main catalyst for respondents taking action to address or alleviate their financial difficulties. Otherwise respondents ignored any correspondence and did nothing about their problems until they were effectively forced to do something. Actions taken by respondents involved contacting a creditor to negotiate and manage repayment of the debt, often after an extended period of time and possibly with the assistance of a third party. In addition to corresponding with a creditor respondents also adopted strategies to raise additional income to help pay their debts through either borrowing money, finding work or working additional hours, and claiming benefits. Respondents also described managing their money differently. Experiences of seeking information and advice about a debt problem will be addressed in the next chapter.

4.1 Communication from creditors

Typically, respondents did nothing in response to their debt problem until they received some form of correspondence from a creditor or were faced with a situation they could no longer ignore. However as will be seen the point at which they responded varied considerably, ranging from those who acted shortly after receiving correspondence from a creditor to those who did not do anything for a considerable period of time.

Usually, creditors initially alerted respondents to a potential debt when they sent a statement in the post outlining the amount the respondent owed. This was subsequently followed by letters allowing the respondent a certain amount of time to arrange a repayment agreement with them (typically seven days). Letters of this nature were sometimes received for up to a year, after which final demands were sent threatening debt collecting action, either through the use of bailiffs or a County Court Judgement (CCJ). There were also creditors that would additionally make persistent telephone calls to the respondent's home.

Respondents were often vague about the time when such letters first arrived, finding it easier to recall the point when the creditor threatened some form of action, such as disconnecting utilities, which was when they were at least one to two months late paying the bill. Similarly the point when creditors issued bailiffs or CCJs was recalled as being about a year of owing the creditor money. However, ultimately each creditor varied in their response and there were examples of creditors responding to the debt more rapidly than others, such as in the case where a creditor issued court papers eight months after a person fell behind with her mortgage repayments.

Jessica got into debt when she was at university. She found it difficult to manage on her student loan and used credit cards to help cover her living expenses, rent, tuition fees and books. By the time she reached her second year at university she owed about £7,000 to a number of credit card companies.

After a credit card company threatened to subject her to a 'universal default' when she missed one payment of seven pounds, she wrote to her creditors explaining her financial situation and asked about negotiating payments. In response some creditors agreed a repayment plan but others ignored her written correspondence and continued to send threatening letters and occasionally a CCJ. One credit card company also telephoned her numerous times on a daily basis which she considered to be harassment.

4.2 Actions taken by respondents

Respondents varied in the range of actions they had taken. At the very least they were faced with the decision about whether and how to respond to the communication they had received. In addition to this they also adopted a range of other strategies and approaches to alleviate or address their financial difficulties and these are all discussed in the sections below. That said, there were people who effectively 'buried their head in the sand' and only responded when they had no choice but to do so, such as when faced with a CCJ.

Responses to a debt problem varied according to how an individual viewed their debt and the creditor they were dealing with, the potential consequences of their debts and the stage they were at in the debt process, rather than the actual amount of money they were in debt for.

Similarly actions taken against respondents appeared to be driven more by the type of debt rather than the amount owed. For example, CCJs were more likely to be issued for credit card, bank loan and council tax debts than debts to utility companies.

4.2.1 Dealing with communication from a creditor

There were three types of response to receiving communication from a creditor – respondents would either:

- **Proactively contact the creditor themselves**, generally after an extended period of time; or
- **Ask another person or organisation to proactively contact creditors on their behalf**, also after a similarly extended period of time; or

- **Ignore the creditor communication**

4.2.1.1 Contacting creditors

One response to the debt problem was to proactively contact creditors in writing or by telephone after receiving payment requests in the form of statements, or what were described as threatening letters in the post. These respondents tended to explain their financial situation and propose a strategy involving ways of managing the debt by paying affordable instalments. This was generally considered a *'hard thing to do'*, as respondents tended to be anxious about contacting the creditor as they were scared about the potential consequences of their debt.

A recurrent reason for delaying contact was the fear of the action a creditor might take. It was therefore very rare for respondents to contact creditors immediately after they first received a payment request. Respondents said it had been particularly hard to contact a creditor when a greater length of time had passed, as they assumed that any action taken against them would be more serious.

Another reason for delaying contact was that the respondent wanted to wait until they had a potential solution to addressing their debt, such as getting a job, before contacting the creditor.

James took out a £6,000 loan with his bank in 1999 to assist him in paying the mortgage on a flat he had bought with his partner. After separating from his partner he sold the flat a year later, but still had to pay off the bank loan. He made his loan repayments without difficulty until he became ill and had to give up work which left him with little income for a prolonged period of time. He did not know he might be entitled to benefits during this time and did not investigate this with anyone.

He delayed contacting his creditors until he was in a position to pay off his debt. He therefore waited until he had another job before telephoning them to discuss a payment plan. At this point he had been in debt for 14 months. During this time, the creditors regularly wrote threatening letters, but they did not take any other action.

Even though respondents were reluctant to proactively contact creditors to explain their situation and discuss possible options for payment, this approach was felt to have worked well when creditors responded sympathetically.

“All of this made me very ill...I ended up on anti depressant tablets and I explained this to the credit card company...they were very understanding. They suspended the interest on the debt and...they let me pay them back a very small amount because I was trying to sort out all the debts. I owed them about £2,000 and they are taking it at £40 a month.”

(Female, Sought Advice)

In contrast respondents were less satisfied when creditors had either been unwilling or had not responded to their request for an arrangement to pay their debt. A respondent who had telephoned his mobile telephone service provider to negotiate payment of his £300 bill was surprised by their adamant response that the entire debt needed to be paid within seven days. Despite writing six letters to a creditor, repeatedly explaining that she was not financially able to pay her debt, another respondent found it made no difference to her situation. Also there were reports of creditors speaking to people in a rude, ‘*off hand*’ way, when they contacted them, for example, to discuss the interest levels they were being charged on their debt.

Those respondents who alleged they had been wrongly charged by utility companies or their bank or building society would, for obvious reasons, proactively contact the creditor. Those who had been wrongly billed tended to complain that it took too long to rectify the situation. Making a large number of telephone calls in order to get through to the appropriate person to deal with their query was stressful, and having to retell their story to a different person on the telephone each time they got through proved similarly frustrating. This had, for example, resulted in a respondent considering writing to a national newspaper to expose the incompetence of a holiday company that cancelled a holiday without returning their money. She threatened the creditor with this as she hoped that the thought of bad publicity for their company would have a positive effect on how they responded to her.

Even though this last group of respondents did not appear to have a debt problem as such, they still considered their situation to be problematic. Whilst they did not feel as anxious and afraid about the consequences of making contact, they were nevertheless generally stressed, exasperated, frustrated and wanted a resolution to the problem.

4.2.1.2 Using a third party to proactively communicate with creditors

Another type of response was to ask a debt management company (DMC) to act on their behalf and to proactively organise and administer payment to the respondent’s creditors for a fee. There was evidence of respondents learning how to best pay off their debt by using DMCs, but no indication that the respondent wanted to deal with the debt themselves;

“At the start they basically let you know whoever has got the most debt outstanding to them...If someone is owed say £1,200 they will get the most amount say compared to somebody who has got £500.”

(Male, Sought Advice)

Despite having to pay the DMC for their services, generally respondents were very satisfied with this method of consolidating their debt as it meant they did not have to go through the ‘*rigmarole*’ of having to deal with the creditors themselves ;

“I give her £20, and she’s got five of my debts, so every two weeks she’ll come and get the £20...and she’ll say ‘right..., I’ll put £5 on each, or shall we put a tenner on them, and then split the rest between the rest, because that ones nearly gone’, she’s good...she’ll do it all for me.”

(Female, Sought Advice)

Respondents tended to find that the involvement of a DMC alleviated the stress and pressure that they had felt when they were dealing with the debt by themselves, particularly as their involvement absolved the respondent from the responsibility of communicating with creditors.

4.2.1.3 Ignoring creditors

Awareness of a growing debt need not lead to respondents taking steps to resolve their debt problem. In direct contrast to those respondents who contacted creditors, occasionally respondents ignored letters or avoided phone calls from creditors asking for loan payments or minimum payments for bills. Respondents described becoming familiar with the postmarks of envelopes and as such would throw them in the bin before even opening them;

“(If) it was a bill, put it on the bill pile, when it gets too high, bin the pile! Well if there’s no money to pay them, there’s nothing you can do really, is there?”

(Male, No Advice Sought)

In these cases respondents only resorted to contacting their creditors when they had no other choice but to do so. This had occurred, for example, after being threatened with what was considered to be serious action that was harder to ignore, such as a visit from bailiffs, or a summons to attend court;

“You do without food, you do without anything...because CCJs you’ve got to pay them...so say if my gas was due on a Monday, but my CCJ was due on a Monday, I’d pay the CCJ.”

(Female, Sought Advice)

Two types of respondent appeared to ignore communications from creditors. Firstly there were those that did not consider their debt problem to be serious and could foresee resolving the problem by themselves, for example by gaining employment. These respondents believed they would be able to ‘get out’ of their debt at a later date.

“I knew I was getting into it... like I said you just think “sod it, you’ll get out of it someday or other.””

(Male, No Advice Sought)

Secondly, there were respondents that did not know what to do as they did not have the money to make payments and so considered it pointless contacting creditors and negotiating payment.

“It was like getting grief left, right and centre, that was when I really just thought ‘sod it, I’m going to put these letters in the bin and as soon as my situation’s changed and they contact me I’ll sort it out with them.”

(Male, Sought Advice)

These respondents also tended to be frightened of making themselves known to the creditors when they were not financially able to pay their debt, which was also a reason given for why respondents delayed contacting their creditor.

4.2.2 Other strategies and approaches

In addition to dealing with correspondence from creditors a range of other additional strategies and approaches were adopted to deal with a debt problem. These included a range of the following:

4.2.2.1 Borrowing money to pay debts

Borrowing money was another way in which respondents responded to their debt problem, either by applying for a loan or more credit, or borrowing from family, friends, employers or occasionally the church. There seemed to be three different types of motivations for borrowing money: in order to consolidate debts, prevent bailiffs from taking possessions or to make minimum payments so as not to incur any interest on their debt, for example with regards to credit card debt.

Taking out a loan to pay off debt was seen as a way of remedying the debt problem, in that they would have '*no more worries*' as far as debt was concerned. There was little acknowledgement that taking out a loan was only a temporary solution to their debt and that in the long term doing so would only increase the amount of debt they were in. The amount of interest that would be levied on bank loans or credit and would therefore exacerbate their debt was also given little mention. However there were those that described how they did not take this course of action as they wanted to refrain from any further debts and '*wanted to see an end*' to the problem.

4.2.2.2 Changing employment circumstances

Changing employment circumstances was another way in which respondents addressed their financial difficulties. This involved finding a job for those who were out of work, or where feasible, increasing earnings by working extra hours. Opting for overtime was not always found to be as lucrative as respondents had assumed. The tax levied on their additional earnings meant that overtime was sometimes felt to be '*not worth it*' in terms of the stress brought on by working additional hours compared to the money earned.

4.2.2.3 Claiming benefits

Occasionally respondents learnt that they were eligible for particular state benefits which would help support them. For example, a respondent had visited his local council office to negotiate with them regarding his council tax debt and had it brought to his attention that he was eligible for both Council Tax Benefit and Housing Benefit. He felt that claiming benefits would ultimately assist him in paying off his debts.

4.2.2.4 Money management

Respondents also adopted strategies to manage their finances in order to address their debts by prioritising how they would pay their bills. This would depend on either what was considered essential to the household, or their perceptions of the response of different creditors. Respondents tended to prioritise paying their mortgage or rent, followed by gas and electricity, as these were considered essential to the running of the household.

Perceptions of different creditors also impacted on the types of responses taken. With regards to council tax debt, the council was considered '*way too quick*' to respond and to be '*very hard*' in taking action against the respondent, such as involving bailiffs. For example, a respondent described how he was threatened with bailiffs after being four weeks late in paying his council tax. As a consequence respondents tried to prioritise paying council tax debt over other bills they might have. Other creditors were deemed to be more flexible and prepared to wait for the money, which is how some respondents described both water suppliers and credit card companies.

There were respondents that altered the way they paid for and used their utilities as a way of responding to their debt problem, so that rather than being billed for energy consumption they decided to 'go metered' in order to save money. Similarly, respondents may have cancelled their telephone landline and instead adopted for a pay-as-you-go mobile telephone. Some respondents changed their gas and electricity suppliers to cheaper alternatives.

Natalie owed approximately £17,000 to a range of creditors, including credit cards, store cards, utilities, hire purchase and catalogue companies and various members of her family. She started to get into debt after she and her husband bought a flat. The mortgage repayments were beyond their means and they did not have enough money to make Council Tax and utility payments. Natalie found out that whilst they had been married her husband had been amassing debt of his own, and they consequently separated. She decided to sell the flat as she could not afford the mortgage payments and moved in with her mother.

Whilst Natalie was still living in her flat, she responded to her debt problem in a number of ways. She kept back the £110 of Child Benefit she received a month in order to pay for her water, gas and electricity bills. She changed her gas and electricity suppliers to cheaper alternatives and opted to use her contract mobile telephone in the evenings only in order to capitalise on the 'free minutes' she was entitled to.

4.3 Chapter summary

Respondents tended to take action after receiving some form of correspondence from their creditor. At this point, respondents either contacted the creditor themselves or asked someone to do it on their behalf, or they ignored the creditor's correspondence entirely. Where contact was made a proposed payment plan was suggested.

Respondents who ignored letters or avoided phone calls from creditors either did not consider their debt problem to be serious, or could foresee resolving the problem by themselves. There were also respondents that did not know what to do as they did not have the money to make payments and so considered it pointless contacting creditors and negotiating payment.

Another strategy adopted was to find additional income to help pay debts through borrowing money, finding work, increasing earnings and claiming benefits. Another approach was to manage money by prioritising payments, reducing the use of services, and curtailing living expenditure.

5 Advice Seeking

We now turn to consider respondents' experiences of seeking advice. As far as was feasible the sample was designed to enable us to compare and contrast the experiences of people who had and had not sought advice. However, as outlined in chapter 1, in some instances there was some discrepancy between what was found in the sample regarding respondents' advice seeking and what was uncovered in the interview. The number of respondents who described having sought advice had increased from 19 at the time of the quantitative survey to 28 in the qualitative interviews. Correspondingly, the number of respondents who described not seeking advice decreased from 23 at the time of the quantitative survey to 14 in the qualitative interviews. A number of these 14 respondents were those that did not have a debt problem per se, therefore of those that did have a debt problem most people seem to have sought advice of some sort. Therefore there were difficulties comparing and contrasting the experiences of people who had and had not sought advice.

Advice was taken to refer to any kind of discussion that people may have had in relation to financial matters so it might include requests for factual information, advice about financial issues and emotional support or counselling. It also could relate to either formal or informal advice. As will be seen respondents had typically contacted the Citizens' Advice Bureaux (CAB), whereas informal advice or information was sought most commonly from family and friends. As will be seen respondents had also used a combination of formal and informal advice sources.

The decision to seek formal advice and the type of help sought depended on awareness of sources of advice, the nature of advice being sought, previous experiences, recommendations, and practical and logistical factors. These issues will be examined before the range of advice sources used and actual advice and help given to respondents is discussed.

5.1 Awareness of sources of advice

Respondents demonstrated relatively low awareness of how or where to get advice or information for debt problems. Generally, respondents had heard of the CAB and very often it was the only advice source they were aware of. The general perception of the CAB was that it had a good reputation, gave good advice and was able to refer people to other sources of advice or help if necessary. However there was also a perception that it was sometimes quite hard to access help from a local CAB due to the restricted opening times. Also, it was felt that it was *'stretched to the limit'* as it had to cope with a large volume of enquiries and this could make it difficult to get an appointment. In addition, whilst respondents felt that the CAB offered useful advice, the advisors were not regarded as specialists, and so it was felt they sometimes lacked expertise about a particular financial matter.

“I didn’t think they were that professional...it seems like they’re volunteers and they use a lot of books and stuff to look up things and things like that, it’s almost like you could do with somebody, you know, maybe a solicitor or someone who really does know.”

(Male, Sought Advice)

However there were respondents that were aware of the CAB due to having used their services before for an unrelated issue, such as a divorce or problems with a landlord, who had not been satisfied with the advice they were given.

Very occasionally respondents mentioned they were aware of the National Debtline and the Samaritans as a source of advice and help for people with debt problems. It is likely that other respondents were aware of the existence of the Samaritans, but had not considered them to be an advice source for debt problems. Respondents sometimes had a vague awareness of DMCs from seeing advertisements on the television, or they had seen them when they had been looking for help on the Internet. That said there were respondents who were not aware of any formal advice sources and felt there was no help available for people with debt problems.

5.2 Influences on choice of advice

A number of different factors had a bearing on the type of advice respondents chose to contact. Broadly these revolved around the following different influences;

- **Recommendation of family, friends or a respected professional:** Perhaps unsurprisingly given the low level of awareness of advice sources, it was quite common for respondents to seek advice on the basis of recommendations received from family, friends or other respected acquaintances, such as a psychiatric consultant. If respondents had been recommended a source of advice, it tended to be the CAB. In some instances those recommending the CAB had previously sought advice from them for a debt problem, or for another issue such as a divorce. Respondents’ family and friends also recommended the CAB on the basis of their general knowledge about the type of advice provided, or as a result of investigations they made on a respondent’s behalf. For example, a respondent’s aunt had used the Internet to find out what advice was available to people with debt problems and recommended the CAB to the respondent as a result of her search. Of course, respondents tended only to be recommended an advice source if they had told other people about their situation, or if other people had become aware of their debt problem.
- **Personal experience of seeking advice or views about the experience of others** had resulted in people either using a service again or actively avoiding using a particular source of advice. For example, respondents said they avoided using the CAB in circumstances where they had been dissatisfied with the advice

provided in the past for issues unrelated to debt, such as divorce or housing problems. In contrast, another person chose to return to the CAB or to visit a solicitor because they felt positive about the advice they had previously received.

Similarly, if the respondent was aware of someone they knew having had a positive or poor experience with an advice agency, this could affect whether they used this particular source. There was a respondent who described how her mother had seen her bank manager when she had been experiencing debt problems and he had recommended she take out a loan in order to resolve her debt problem. The respondent did not consider this to be good advice and so avoided seeing her bank manager during her own debt problem.

- **Personal connections:** Respondents' choice of using a particular advice source was also influenced by their own personal connections. For example, a respondent approached the CAB as a friend worked there. Similarly there was a respondent who confided in her friend who was a solicitor, who then went on to represent her when the respondent had to attend court regarding her debt.
- **Perceptions about the type of advice available:** The respondent's perception of an advice source also influenced whether or not they chose to seek advice from that source. Respondents who preferred to speak to someone in person rather than on the telephone would choose an organisation, such as the CAB, where this type of help was available. Whether or not the advice source was independent also influenced respondents' decision as to where they sought advice from and this often resulted in the CAB being chosen. Whereas those looking for a confidential source of advice had sometimes been dissuaded from going to the CAB as they were concerned that their details would be leaked to the creditor;

"The only worry with [going to the CAB] was I was frightened they were going to leak things with [the creditor] because I was really in trouble with them, so I thought if I went in there they might say 'hey, we've got a guy here', you do get yourself into some predicaments at times and it gets worse and worse...you just don't know."

(Male, Sought Advice)

- **Cost of advice:** The cost of the advice source was also a factor. Due to their debt problem, respondents felt they could not afford to pay for advice from people such as financial advisors and solicitors and therefore they favoured the CAB.
- **Media campaigns:** Other influences on the respondent's choice of advice were advertisements that respondents had seen on the television for debt management companies.

5.3 Motivations for seeking formal advice

Respondents had been motivated to seek advice and help at different stages of the debt process for the following reasons;

- **Encouragement from others** - Those who had recommended an advice source to the respondent, as discussed above in section 5.2, also often provided the respondent with the motivation to seek advice through encouraging them to get help for their debt problem. Encouragement was given in different ways, with family and friends having gently influenced to having 'shoved' respondents to their respective advice agencies. Such encouragement or persuasion seemed to have a big impact on a respondent's advice seeking behaviour. It was said for example that without this encouragement they might not have sought advice. A respondent described how his mother had encouraged him to seek advice for his debt problem;

"I think ringing me up every day for about two weeks had something to do with it."

(Male, Sought Advice)

- **Desperation for help** was a significant motivating factor for seeking advice. A culmination of the impacts described in chapter three could lead to this feeling of desperation. Alternatively, a specific event could be the catalyst for a respondent being desperate for help, as a consequence of the way a particular creditor had responded to their debt problem. Respondents were more likely to describe being desperate for help when creditors had threatened or taken more drastic action. For example when they had been threatened with a visit from bailiffs or had received a court summons which were both more likely to occur if the respondent was in mortgage or council tax arrears, as they were afraid of the consequences of such creditor action. Steep bank charges that had to be paid on top of the respondents' original debt also could be the catalyst for a respondent being desperate for help.
- **Need for information** - Motivation to seek advice also came about due to the respondent's need for information. Respondents may have been unsure as to the action creditors might take and wanted to be informed as to what their rights were regarding their debts, particularly in relation to potential court action. A respondent who had been issued with a final demand for payment wanted to know what the likely period of time would be before he was issued with a court summons as well as what his rights would be if he was issued with one.
- **Desire to reduce debt** - Respondents' desire to reduce their debt also motivated them to seek advice in some instances. Respondents did not want to

see their situation deteriorate further or to have to be in debt 'forever'. It is unclear as to precisely what set of circumstances precipitated their desire to reduce their debt.

- **Need for someone to talk to** - As previously noted in chapter three respondents were often experiencing depression and emotional difficulties as a consequence of their debt problem and the need to talk to someone about these issues could be a motivation for them to seek advice. Respondents seeking advice for this reason initially tended to receive formal advice from an agency or person that dealt with emotional or mental health difficulties, such as their GP, psychiatric consultant or the Samaritans. They might then be referred on to an advice agency that could provide financial advice. Therefore the impact of the debt problem on the respondent's emotional health was a motivation for seeking formal advice.

Where respondents were able to identify what motivated them to seek advice, they tended to cite one factor as opposed to a combination of the above motivations.

5.4 Seeking advice

Typically the CAB was the main source of formal advice mentioned by respondents. Advice was sought from the CAB for a wide range of types of debt such as; credit card and store card debt, bank loans, Council Tax arrears and late utility payments. Respondents also sought advice from the CAB at all stages of their debt problem, from when they were responding to creditor's letters to when they had received a CCJ. Alternatively, respondents might seek advice from their bank or building society regarding credit and store card debt or house repossession, and their local council office regarding Council Tax arrears. Occasionally formal advice had been sought from a respondent's solicitor in relation to court cases stemming from the debt problem. Less frequently advice was sought from a student advice centre and non-legal formal advice sources such as the Samaritans or the respondent's GP. Respondents would discuss their debt problem with their GP particularly when an illness had been the cause of, or had been caused by, the debt.

In addition to formal advice respondents often tended to speak more informally about their problems to their family and friends. It appeared that for those who discussed their debt problem, advice had been sought from family and friends for all types of debt, irrespective of the amount of money owed. Occasionally informal advice was sought from work colleagues, college tutors, a landlord, flat mate and the church.

That said there were respondents that only received informal advice, choosing not to seek formal advice due to the barriers described below. Due to the nature of informal help, this was often given as part of general conversations between the respondents and their family or friends. For this reason, it was not necessarily consciously sought

by the respondent. Rather, the help or advice may have been given by an acquaintance that was aware of the respondent's debt problem without it even being requested. However, there were also respondents that did not seek or receive advice of any nature, however informal and this will be discussed in the following section.

5.5 Barriers to seeking formal advice

There were three distinct kinds of barriers to seeking advice identified in the interviews; barriers that delay people seeking advice, barriers to using a specific advice source and barriers to people seeking advice altogether. In order to be able to encourage people to seek advice or to seek advice earlier for a debt problem it is crucial to fully understand these barriers.

Barriers can be grouped in three ways; personal barriers, knowledge and awareness barriers and accessibility barriers. Personal barriers either delayed respondents seeking advice or prevented them seeking advice altogether, from both formal and informal sources. Knowledge and awareness barriers tended to prevent respondents from using a particular formal advice source and occasionally prevented them seeking advice altogether. Accessibility barriers tended to prevent respondents from using a particular formal advice source.

As will be seen where organisations were singled out for mention views tended to be concentrated on the CAB as respondents lacked awareness of other sources of advice for debt problems.

The different barriers are discussed in the sections below:

5.5.1 Personal barriers

Personal barriers were very significant in preventing respondents seeking both formal and informal advice. Feelings of shame and embarrassment could have a very disabling effect and were recurrently cited as having put respondents off discussing their problem with anyone. For these respondents, their debt problem was considered a '*private*' or '*personal*' matter. Underpinning this view was a perception that there is something morally wrong with getting into debt and there is a taboo or stigma attached to discussing it. Personal barriers tended to delay respondents from seeking any form of advice but also occasionally prevented them seeking advice altogether, and this included discussions with family and friends.

The way in which people had got into debt was also a source of shame for some respondents, rather than the amount they were in debt for. A respondent who had got into debt by having to repay falsely claimed Income Support was very ashamed of what she had done. For respondents who had never experienced debt before, pride prevented them from speaking to anyone about their problem;

“I have always lived in a house where we didn’t really have debts...Everything was paid for, even when I was living with my other partner we never had money problems...it was something that was very embarrassing and I didn’t like to admit it.”

(Female, Sought Advice)

Respondents also rationalised that they were in control of their debt problem and would prefer to deal with it alone, even if this meant exacerbating the problem. This view was particularly evident in those respondents who did not seek formal advice at all;

“It’s my money, I’ll do what I want with it, making life difficult for myself or not...I don’t need anyone telling me what to do...I haven’t told anyone about my problems, yeah I get depressed, fed up with it, but that’s my problem.”

(Male, No Advice Sought)

Sometimes part of wanting to deal with the problem without any assistance was due to respondents not wanting to burden family and friends by informing them about the problem. For example, one respondent did not tell her husband about her debt problem as he was away a lot with his work and she did not want to worry him, despite their home being under a 28 day suspended repossession order.

In contrast, there was another group of respondents who did not seem to be concerned about being in debt and as a consequence were apathetic about dealing with it. In these circumstances respondents did not feel the need to seek advice as they were confident a solution would emerge, such as finding a job, and that this would resolve their problems;

“I knew that it wasn’t a big problem and I knew I was going to sort it out. I had a plan that once I got a job then money would start coming in and I would be able to pay it back and things would be alright.”

(Male, No Advice Sought)

Our sample predominantly sought advice for their debt problems. However, there were exceptions to this as there were respondents who had sought no advice and who also did not appear to consider their debt to be serious. These respondents were male. The hypothesis that men may be less willing than women to discuss their problems and concerns relating to debt does seem plausible, however we do not know why they may be less willing, for example the extent of the shame these respondents felt is unknown. Therefore without further quantitative evidence it is impossible to establish whether this gender difference is an artefact of the sample selected or reflects a deeper issue.

5.5.2 Knowledge and awareness barriers

In view of the low awareness and knowledge about sources of advice it is not surprising that this was cited as a barrier to seeking formal advice. It was not just a lack of knowledge about where they could go for advice but also what sort of advice would be provided and how the advice would be imparted that had prevented them from seeking it. For those respondents with no knowledge of where they could get advice this was obviously a major barrier to their advice seeking.

In other circumstances lack of knowledge had resulted in respondents doubting the extent to which advice could help them with their debt. It was felt that if there was no money to pay the creditors with then there was little point in seeking advice, as talking until *'you are blue in the face'* would do nothing to alleviate the debt. A respondent who had received a court summons for a debt problem considered the outcome inevitable and so he could not see the point in seeking advice;

"I knew I was going to get fined so what was the point in going? ...Why go and pay more expense to a solicitor when you're going to get the book thrown at you anyway? What's the point?"

(Male, No Advice Sought)

As already noted misconceptions about organisations providing advice could also act as a deterrent to respondents seeking formal help. For example, a 21 year old respondent who was in debt for £2,000 refrained from contacting the CAB as she presumed it was a service for older people and for those who had debt of a larger amount than hers. Other respondents similarly mentioned not wanting to take up an advisor's time or use a DMC when it was assumed that they had more 'serious' problems to deal with, involving *'real debt'*.

5.5.3 Accessibility barriers

The inaccessibility of certain organisations, particularly the CAB, was also identified as a barrier to advice seeking. Irrespective of how useful they considered advice given by the CAB to be, respondents had sometimes been put off by difficulties getting an appointment. It was said that the limited opening hours of a local CAB were not always convenient for respondents, especially those in work. It was also emphasised that the time spent not in work attempting to get an appointment at the CAB was a loss in earnings;

“Citizens Advice I knew about obviously, but you’ve got to trawl into town and go there at a certain time of day, which wasn’t always feasible because I was working every hour I could get...Those hours spent mucking around racing on buses and what have you to try and see someone to sort my problems out, I might as well be earning sort of £5 an hour or whatever on the Agency, to get my £30 to what I owe rather than losing it.”

(Male, Sought Advice)

It was not just the opening hours that were raised in relation to access but also the lack of opportunity to discuss a debt problem with the CAB over the telephone. In view of the difficulties respondents had obtaining a face to face appointment this had further discouraged them from seeking advice from the CAB.

The presumed cost of receiving advice was also a barrier to seeking advice. This had either put respondents off seeking advice per se or it had put people off seeking specific types of advice such as a professional financial advisor or insolvency practitioner. Clearly, respondents who were unaware that it was possible to get free advice from the CAB or other organisations said they could not afford any formal advice. In contrast, other respondents dismissed what they considered to be costly forms of advice, preferring to use the CAB instead as it was free. Unfortunately it is not possible to ascertain from the data what respondents’ ideal advice source would be if cost were not an issue.

5.6 Advice given

Formal advice or assistance took a number of different forms, as outlined below:

- **Developing a payment plan** – An advice source such as the CAB helped respondents prepare for negotiations with their creditor regarding payment of a debt. Regardless of whether the advisor or the respondent would ultimately contact the creditor, the advisor helped to prepare for this conversation by calculating what level of instalments the respondent could realistically afford to pay the creditor. This was based on the respondent’s income and expenditure levels.
- **Assisting the respondent with dealing with creditors** – An advice source such as the CAB might contact creditors on the respondent’s behalf to organise repayment of a debt. This tended to be the help given for respondents who owed money to utility companies, credit card companies and banks, irrespective of the amount of money owed. Otherwise the advice source had instructed a respondent to communicate with creditors themselves, either by telephone or in writing. Respondents reported that the CAB, their bank or building society and their local council office had all offered this advice.

- **Explaining what benefits the respondent was entitled to** – Information about benefit entitlement had been given by the CAB or the local council. In addition the CAB had sometimes helped people to complete benefit claim forms.
- **Referring respondents to other advice services** – Sometimes respondents had also been referred to other specialist advice services. In instances where the respondent was facing the prospect of having their house repossessed after falling behind with their mortgage payments, the CAB recommended they visit their local council office in order to go on the housing register. Respondents also reported that the CAB had explained how they could obtain free legal advice from a solicitor, often by providing them with a list of names and telephone numbers of free legal services. A respondent who went to court as a result of her debt problem was recommended a solicitor by the CAB prior to her court case, and was then referred to the CAB by both the judge and her solicitor afterwards. A respondent also described being referred to a DMC by her bank.
- **Legal advice/ representation** – There were instances where legal advice was given by the CAB when the respondent had been issued with a CCJ or their house was being threatened with repossession. In these circumstances, the CAB had advised respondents about the documentation they needed to bring to court. Respondents had also occasionally sought legal representation in these instances from solicitors. There was a case however, where the solicitor the respondent used was a friend of hers and it appeared that she would not have sought legal advice otherwise.
- **Offering emotional support/ counselling** – Non-legal advice sources like the Samaritans or a respondent's mental health professional or GP had provided emotional support rather than practical advice about how to tackle their debt problem. In these circumstances respondents said their anxieties about their debts had emerged in a more general conversation about their health. A respondent said of his GP;

“She’s really good, she listens and things. She’s had similar things, because she was off with things and her husband, so she’s very good. She says just try and take it day to day type thing.”

(Male, Sought Advice)

Emotional support was given to respondents regardless of the type or extent of debt they had experienced.

Informal advice took a number of different forms, as outlined below;

- **Emotional support** – A key way in which family and friends had helped was in providing the respondent with a person they could share, discuss and complain about their debt to, rather than providing practical advice about how to tackle their debt problem. Comfort was also found in attending prayer evenings at church.
- **Money saving tips** - There were respondents who were given advice and tips about how to manage their money and adopt cost saving strategies.
- **How to deal with bailiffs** – Respondents were told by friends that there were certain items that bailiffs were not able to take. For example, friends informed a respondent that bailiffs could not take away her television as it is classed as a 'learning aid'. However, the respondent was unsure as to how accurate this advice was.
- **Help with writing letters to creditors** – Friends of respondents helped to construct letters to creditors in instances where the respondent had chosen to communicate with the creditor.
- **Legal advice** – Respondents might have been given advice by friends or family members who had legal knowledge. For example, a respondent was given legal advice by her uncle, who was a barrister. He dictated letters to her that she sent to the court after she had received a CCJ. Respondents also received legal advice about their rights from friends, but these people were not working in the legal profession.

5.7 Chapter summary

Advice was taken to refer to any kind of discussion that people may have had in relation to financial matters so included requests for factual information, advice about financial issues and emotional support. It could also relate to formal or informal advice.

The decision to seek advice and the type of help chosen was driven by recommendation of family, friends or a respected professional; previous experience of seeking advice; personal connections; perceptions about the type of advice available; cost of advice; and media campaigns.

The main motivations for seeking advice included: encouragement from others; desperation for help; need for information; desire to reduce debt and a need for someone to talk to.

Typically the CAB was the main source of formal advice mentioned by respondents. Otherwise advice had been sought from a bank or building society, and a local council office. More exceptionally, formal advice had been sought from a solicitor about a court case stemming from a debt problem, a student advice centre, the Samaritans or

the respondent's GP. Formal advice or assistance took a number of different forms: developing a payment plan; dealing with creditors; information about benefit entitlements; referral to specialist services; legal advice or representation; and emotional support or counselling.

In addition to formal advice respondents often spoke more informally about their problems to family and friends. For those who discussed their debt problem, advice had been sought from family and friends for all types of debt. Occasionally informal advice was sought from work colleagues, college tutors, a landlord, flat mate and the church. Informal advice took a number of different forms; emotional support; money saving tips; how to deal with bailiffs; help with writing letters to creditors and legal advice.

There were respondents that did not seek or receive advice of any nature, however informal. Personal barriers were very significant in preventing respondents seeking both formal and informal advice. Feelings of shame and embarrassment could have a very disabling effect and often discouraged respondents from discussing their problem. In view of the low awareness and knowledge about sources of advice it is not surprising that this was also cited as a barrier to seeking formal advice. The inaccessibility of certain organisations, particularly the CAB, was also identified as a barrier to advice seeking.

6 Views and impacts of advice

This next chapter considers respondents' views about the advice received and the impacts it had on them. Assessments about the advice received were specifically explored in terms of whether it had been useful, helpful and easy to access. Much of the focus of this chapter is on the CAB since this is the source of help that dominated experiences of advice seeking. Respondents who sought advice varied as to whether they experienced any impacts resulting from it. Where identified it appeared that advice had helped to improve respondents' emotional outlook, increased their confidence and knowledge and improved their financial situation. Rather more passively advice was said to have prevented their circumstances deteriorating. That said there were respondents who felt the advice had made little or no impact on them and the reasons for this are also considered in this chapter.

6.1 Views of advice

As would be expected views about the advice received were inextricably linked with the impact it had on respondents' situation. Assessments were specifically explored about how useful, comprehensive and accessible it had been. These issues are covered in the sections below. It should be noted that as the CAB was the most commonly used advice source amongst respondents, the views reported often revolved around this source of help.

6.1.1 Usefulness

Respondents' views varied about the degree to which they had found the advice they received useful. In circumstances where the advice had a positive impact on the respondent's emotional outlook, financial situation or their confidence in communicating with creditors, then it was considered to have been useful. Of course, advice received was not always viewed this positively (see section 6.2.5 'No impact').

Generally respondents considered the advice given by the CAB to be both helpful and accurate. The CAB was viewed as particularly effective when they had negotiated a payment plan with creditors - such as credit and store card companies and public utilities - on behalf of respondents. Equally when the CAB instructed respondents how to deal with creditors on their own, respondents felt they received a more positive outcome than they would have received had they not sought advice from the CAB;

“When they give you advice, they write it down for you...they don’t just go and tell you, and also if you’re not a great person with grammar, you can actually copy down the way they put it because they usually put it down with some legal words in there...I found I got a better reaction from these people when I put ‘I’ve sought legal advice, or advice from the Citizen’s Advice Bureaux and they’ve asked me to ask you to freeze the interest’ or whatever.”

(Male, Sought Advice)

Their assistance was particularly appreciated in circumstances where respondents had debts that were spread over a number of creditors.

However, there were respondents who were disappointed that the CAB had not been able to help as much as they had expected. These respondents appeared to be hoping that the CAB would get actively involved in helping them find a solution to their debt problem. For example, a respondent who was given advice about how to write letters to her creditors had hoped the CAB would contact them on her behalf. There were also respondents that considered the advice that the CAB gave to be irrelevant and misleading. Among the respondents who expressed this view were those in a rather desperate situation with their creditors. For example, a respondent who faced having his house repossessed felt that the CAB had no understanding of the type of problem he faced;

“I really don’t feel the advice we were given helped us at all. We later found out that there were certain ways to approach County Courts...that the Court were prepared to drop mortgage payments because they didn’t want to see you lose your house or your investment or all the time and effort that you had been putting into it, and none of these factors were made clear to us at the time.”

(Male, Sought Advice)

Occasionally views were also given of other advice sources. Legal representation at court was praised by respondents when the desired verdict was achieved. Not surprisingly advice was more positively received when it was tailored to individual needs. This was the case for a respondent who sought help from her building society as she felt they had tailored the package of help to her needs. Respondents also described informal advice as being useful:

“I managed, with the help of some friends who are a little bit financially minded, had a chat ...[and] a couple of friends...said “do this, do that, if you don’t do that you will be in trouble, so you’d better get that sorted first”, which helped me a lot.”

(Male, Sought Advice)

6.1.2 Comprehensiveness

The quality of the advice given by the CAB was generally praised for being thorough and comprehensive. This was attributed to a perception that the advisors have a good level of knowledge regarding debt problems. These assessments were based on the way in which advisors had been able to guide respondents through all the options available to them to deal with their debts.

That said, respondents sometimes rationalised that there is a limit to what can be expected of a service such as the CAB. Whilst it was felt that the advisors '*do their best*', it was equally recognised that they are inevitably constrained by a lack of resources and their generalist and voluntary status.

Informal advice, such as that given by family, friends, flatmates and occasionally work colleagues, college tutors, landlords or the church, was less likely than formal advice to be described as fully comprehensive, but was nonetheless generally helpful;

"Some of it [informal advice] fitted I suppose, some of it didn't fit, like it wasn't always spot on...It just generally helped me I think."

(Male, Sought Advice)

6.1.3 Accessibility

Accessibility was assessed in terms of how easy it was to get an appointment and how clear the advice was.

Where mentioned the clarity of the information and advice provided was welcomed and appreciated. Advisers at the CAB had taken their time to explain things simply and quickly. It was also said that an adviser at a building society had managed to provide advice about a repossession order in '*really plain clarified English*'. In addition the accessibility of CAB staff was described in terms of their '*nice*' and '*friendly*' manner with customers,

"I said 'I just don't understand what you're saying'. And she's like...any time you don't understand what I'm saying, then please just say and I'll explain it better."

(Female, Sought Advice)

The physical accessibility of the CAB, however, was considered to be lacking in a number of ways. Respondents had found it very difficult to get an appointment at the CAB. In some cases, respondents reported having to wait two to three days for an appointment. They assumed that this was due to the volume of enquiries as well as it only being open two or three days a week. As a consequence it was felt that the CAB was not able to cope with the numbers of people that need to use the service.

It was also reported that queuing for the CAB had discouraged respondents from using the service. For example, a respondent described their concern about having to wait a long time in a queue outside the CAB office along a noisy and busy main road. Such conditions were considered particularly uncomfortable and inconvenient for mothers who had little choice but to bring their children with them. There were also respondents that once inside the CAB found it unappealing, cramped and not very welcoming.

Informal advice tended to be considered very accessible, as advice of this nature was free. This made such advice favourable to sources such as solicitors or financial advisors that were viewed as being expensive. Respondents who reported this made no acknowledgement that formal sources of advice such as the CAB were also free.

6.2 Impacts of advice

Receiving advice or help for a debt problem tended to have a number of valuable impacts that are discussed below. However, it is not clear which of these impacts was most significant as respondents did not prioritise them in this way.

6.2.1 Improved emotional outlook

As seen in chapter three the impacts of debt could be detrimental to an individual's mental and emotional health. Respondents described a range of effects from feeling stressed to experiencing more serious mental health difficulties. Therefore having an improved emotional outlook as a result of receiving advice was invaluable to these respondents. Respondents described feeling reassured, less anxious and less depressed.

Those who reported that advice had improved their emotional outlook had received formal non-legal advice from an agency or person that dealt with emotional or mental health difficulties, such as their GP, psychiatric consultant or the Samaritans. A respondent who was on the brink of suicide before speaking to the Samaritans about her debt problems leaving her home at risk of repossession, provides an extreme example of how valuable advice can be;

"[The Samaritans] gave me the strength to carry on. It did help talking to someone and someone who I knew wasn't going to say anything to anybody I knew. It was the first and the only time I have ever spoken to the Samaritans but I certainly don't think I would be here today talking to you now...it really was that bad...I could clearly and without too much drama say that the house would have been repossessed, very possibly our marriage would have dissolved and the children certainly wouldn't be with me because my illness would have been so bad they would have been with their dad."

(Female, Sought Advice)

Aside from specific help with stress related conditions, practical advice about how to deal with a debt problem had also improved the emotional outlook of respondents. For example, a respondent that owed £400 was shown by the CAB how to complete forms in order to receive assistance in paying her water rates. She said this had lifted a 'big weight' from her. Also, respondents felt relieved in instances where the CAB had successfully negotiated a respondent's payment plan with their creditor. In addition, advice given by the CAB was described as making the respondents feel less depressed and hopeless about their situation. As a consequence of being helped by the CAB, respondents reported feeling emotionally '*stronger*'.

Receiving informal advice from family members and friends also assisted respondents emotionally, and was described as helping to keep respondents calm and prevented them becoming '*a nervous wreck*'. Respondents were appreciative of support from their friends and family;

"It was their advice and help that kind of kept me sane about it all and... every time I wanted to break down... they helped me out of it and stuff like that."

(Female, Sought Advice)

For those who had refrained from discussing their debt problem for an extended period of time, talking about the problem often brought immense relief. This had helped people to feel more positive about their situation, more supported and less alone, regardless of whether they had sought formal or informal advice. This also tended to be irrespective of the nature and extent of debt as it did not seem to make a difference whether a person owed £50,000 to credit card companies and banks, or £400 to a utility company.

6.2.2 Increased confidence and knowledge

Receiving advice, particularly from formal legal sources such as the CAB, also had the effect of making respondents more knowledgeable and confident about how to tackle their debts. This had taught respondents how to contact their creditors, format letters communicating repayment plans to creditors, and budget their income and expenditure. As a result of obtaining these tools they felt more confident and better equipped to negotiate with creditors alone.

Informal advice or help given by friends or family members was also credited as having made respondents feel more confident and helped them negotiate with creditors. For example, a friend told a respondent how best to verbally communicate with creditors when the respondent was unaware of what actions creditors were allowed to take;

“He advised me what I can say to them, he gave me advice...and he said ‘did that shut them up?’, I said ‘yeah’, he said ‘told you, they’re not allowed to do that’, you see, he’s clued up on what you can do and what you can’t do.”

(Male, Sought Advice)

6.2.3 Improved financial situation

Seeking advice often improved a respondent’s financial situation. Respondents described how the CAB made their debt more manageable, due to the way in which they calculated how much respondents could realistically afford to pay back each month in their payment proposal. Respondents felt they lacked the credibility to have negotiated these types of payments with the creditor themselves. Respondents described being *‘back on the right road’* financially since seeking advice. There were also respondents who reported having a disposable income since seeking advice. For example, a respondent described how she had money to spend on her children after the CAB negotiated with her creditors on her behalf;

“I’ve actually been able to start buying things for my children when they need it now and stuff like that, you know I can actually do things that I want to do instead of all the money coming in and all the money literally going straight back out again.”

(Female, Sought Advice)

There were respondents who felt that informal advice also improved their financial situation. For example, the advice of a friend helped a respondent to shave his outgoings and thereby reduce his debt. On the strength of his friend’s advice he had managed to reduce his mobile telephone bill from £120 to £40 a month and saved up to £25 a month on transport costs. Making these savings, which were relatively small compared to his £7,000 credit card debt, nevertheless pleased the respondent.

6.2.4 Prevented circumstances deteriorating

Receiving advice also prevented a respondent’s situation from getting worse, both regards to their debt and also to their personal circumstances. Seeking advice prevented respondents’ debts from mounting and prevented the action taken by creditors from becoming more serious. Respondents described how they would have *‘lost everything’* had they not received advice.

There were respondents that said that, had they not sought advice, they would have feared for their emotional health. Respondents described how they would have *‘cracked up completely’* had they not spoken to someone about their debt problem.

Advice received also prevented respondents from dropping out of university or college. The motivation for leaving full time education was to get work so they could earn

money to pay off their debts. Informal advice given by university or college tutors meant that respondents were encouraged to stay in full time education, whilst formal advice agencies gave alternative ways of dealing with the situation.

6.2.5 No impact

On rare occasions, respondents described the advice they were given as having had no impact. There were three reasons as to why a respondent felt that the advice they were given made no positive impact on their situation;

- **Could not tell them anything new** – Respondents considered the advice they received to be ‘a waste of time’ if the respondent was not told anything they did not already know. A respondent who had sought advice from the CAB felt that the information he was given made no difference to his situation;

“To be honest it didn’t do me any real good. I’d already looked over all the options they gave me, but it was common sense more than anything...I considered them a bit of a waste of time.”

(Male, Sought Advice)

Another respondent was advised by the CAB to bring various documents to court when she received a court summons as a result of her debt, but as she already knew this she too considered visiting them to be a waste of time.

- **Advice source was no help** – Advice sources were considered useless if they did not offer any practical solutions to a debt problem. For this reason, a respondent considered her accountant to have been no help;

“They can talk about it but when it comes down to it, it’s got to be paid and that’s the end of it.”

(Female, Sought Advice)

Similarly respondents considered advice sources to have been no help if they did not offer the emotional support required. For example, a respondent who went to the CAB described how she wanted to be reassured and told not to worry with regards to her debt problem, but she did not receive advice or support of this nature. Advice was also viewed as useless if the respondent considered it to be implausible to follow. For example, a respondent who sought advice from the CAB ‘*didn’t get much out of it*’ as he was advised to stay in and cut back his expenditure, in order to save money and pay off his debts.

- **Situation deteriorated further** – Despite receiving advice, there were respondents whose financial situation deteriorated further. This appeared to happen when the

respondent's debt problem was more serious in terms of the action taken by the creditor. For example, a respondent who lost his home, after seeking advice from the CAB, felt that he had been misled by the advisor. The respondent conceded that this situation occurred some time ago and the CAB may have since improved in terms of the advice they offer regarding house repossession.

6.3 Chapter summary

Advice was assessed in relation to how useful, comprehensive and accessible it had been. In circumstances where the advice had a positive impact on the respondent's emotional outlook, financial situation or the respondent's confidence in communicating with creditors, then, not surprisingly, it was assessed positively.

Generally respondents considered the advice given by the CAB to be helpful, accurate, thorough and comprehensive. However, respondents sometimes rationalised that there is a limit to what can be expected of a service such as the CAB. Informal advice was less likely to be described as fully comprehensive, but was nonetheless generally considered helpful. Accessibility was assessed in terms of how easy it was to get an appointment with the advice provider and how clearly the advice was delivered. When given, clarity of information was welcomed and appreciated. The physical accessibility of the CAB, however, was considered to be lacking.

Where sought, advice was clearly having a very beneficial impact on respondents' emotional outlook. Receiving advice also had helped increase levels of knowledge and confidence about how to tackle a debt problem, and respondents felt better equipped to negotiate with creditors alone. Seeking advice had also importantly improved a respondent's financial situation by helping to calculate realistic and affordable payment plans.

Not all respondents felt the advice they were given had made an impact. This was reported in circumstances where a person had not been told anything new; if the advice source had not been able to offer any practical solutions to a debt problem; if the advice was considered implausible to follow and if the financial situation of the person had deteriorated after seeking advice.

7 Reflections on the role and use of debt information and advice

This penultimate chapter reflects on the value and role of advice for people with debt problems. It also considers some of the suggestions respondents made for developing and improving the range of information and advice provided. Not surprisingly these ideas build upon respondents' experience of advice seeking, in particular overcoming any difficulties or problems encountered. They therefore revolved around increasing the promotion of information and advice services and ensuring that there is a wider range of information, advice and support available.

7.1 The role and value of information and advice

Irrespective of individual circumstances and experiences the need for information and advice services for people with debt problems was clearly and soundly endorsed.

“There needs to be impartial advice that would take some of the stress off the people. Somewhere that when court papers land on your doorstep or even before that when you find yourself in a situation with unscrupulous people that want more money from you and you instinctively know it is not right there should be someone you could go and see, preferably at the very least phone and get them to look at the paperwork for you. Some legal background team even before you sign anything that can tell you whether or not you are being duped. Because right now there isn't anyone. Unless you happen to know a solicitor and how many people do know a solicitor? Because if you haven't got the money, you know, then you are not moving in those circles, are you really, quite frankly. And you know, like I say, I think of myself as relatively intelligent. I have people that I know aren't so intelligent -that sounds really mean. But they don't have the wherefore to keep going. And that is when They have lost their property....It [getting advice] should be as easy to get help as it is to get the loans.”

(Female, Sought Advice)

“I think that anybody armed with the right advice or the right information obviously stands in a better position than people that just turn their backs on it or are prepared to listen to any sort of advice....If they don't have that advice you are not in control of the actual situation which can then escalate to more debt.... I think that the more facts that you are armed with the more chance you have of keeping yourself out of debt.”

(Male, Sought Advice)

Even in cases where respondents did not believe they had a personal need for this type of help, they could generally see the benefits and importance of it for others.

The rationale for this type of help seemed to be based on four related justifications. A primary concern was that the public as a whole tends to **lack financial literacy** and this makes it very hard for them to manage their finances and grapple with the complex, technical and legal nature of many financial products. In addition to this there appears to be a **lack of knowledge and awareness about what people should do and where they should go** when they get into debt. The recognition that **people who are experiencing debt can become very isolated due to their feelings of shame** about their situation was also seen as an important justification for providing help. Respondents also emphasised the wide reaching consequences of debt as another critical reason for providing help in order to **prevent these types of problems destroying lives, harming health and breaking up relationships**.

7.2 Nature of advice and help wanted

Respondents identified a wide range of ways in which people with debt problems could be helped. The table below groups their suggestions into three types of help: factual information; advice and guidance; emotional support and counselling. Although, clearly the point at which information becomes advice and advice becomes emotional support is rather more fluid than this classification suggests.

Underpinning their requests were certain qualifications about who should provide this type of help, what it should cover and how it should be provided. These are listed below:

Who should provide this type of help?

- ❖ The organisation providing this help would need to be a trusted and respected source. Specific suggestions made included the CAB, the Government and an independent regulatory body;
- ❖ The organisation providing help would need to be staffed by well trained, qualified, professional people who could give technically accurate information about financial matters. It was also emphasised that the advisors would need to be *'nice', 'kind' and 'helpful' people with 'good language skills'*.

How this help should be provided

- ❖ The help needs to be provided in an independent, impartial, confidential and non judgemental way;
- ❖ It should be easily accessible and affordable for everyone. This means that it needs to be locally available in an easily accessible location for people wishing to discuss their problems in person;

- ❖ It needs to be readily and widely available (as and when people need it). This was particularly emphasised in cases where it may have taken courage for a person to seek advice as it was felt that they might be discouraged from persisting if their initial approach is not responded to.
- ❖ Where required and appropriate it should be possible to have ongoing support with the same person. The importance of having continuity of care was emphasised for a number of reasons. A key factor was that it would prevent people having to repeat their story each time they see a different person, which was felt to be tiresome and upsetting. Also it was said,

“You end up forgetting things, and you end up sort of going off track...personally I don't think that's dealing with the problem at all. Whereas if you see the same person all the time, they sort of know the background history.”

(Female, Sought Advice)

Another reason mentioned was that trust and rapport could be built over time and this might help to overcome any sensitivities and stigma attached to discussing a money problem.

What this help should cover

- ❖ The help provided should be clear, simple and easy to understand and have practical relevance;
- ❖ It should be appropriate for all debts – no matter how large or small.

Any help that is provided needs to take account of the range and type of problems that people might present along with their different background and circumstances. A specific concern expressed was for the need to consider the support needs of specific sections of the community such as people from ethnic minority groups and people who with sensory disabilities and learning difficulties.

“A leaflet would be good, but of course...you'd have to do it Braille, you'd need to do it in other languages.”

(Female, Sought Advice)

Respondents' suggestions for ways to help people with debt problems

Technical, legal and other factual information	Advice and Guidance	Emotional support
<p>Financial products and the conditions attached (e.g. APR calculation), credit agreements, statements, interest rates, financial calculations, what credit card companies are allowed to do</p> <p>Type of help that exists for people with financial problems</p> <p>Contact details for services</p> <p>How to find a solicitor and contact details of local practices</p>	<p>Money management – practical advice and help with budgeting income and expenditure, setting up a financial plan, how to invest money</p> <p>Discuss financial implications of having a credit card, taking out a loan and impact of APR; the pros and cons of borrowing. This was particularly mentioned in relation to young people</p> <p>About a particular product, loan or credit card agreement; could approach before signing contracts</p> <p>Someone to help go through paperwork/ contracts</p> <p>Solutions to resolving debt problem; go through different options; a sounding board</p> <p>Support dealing with creditors: e.g. advice about how to negotiate and deal with creditors, how to interpret correspondence from creditors and potential implications of their actions, how to write letters to creditors, how to manage repayments (who to pay first)</p> <p>Mediation between creditor and person in debt</p> <p>Going to court: advice about what will happen, how to prepare for court and how to speak to the judge</p> <p>Advice about rights, benefits, tax credits, pensions and services entitled to (when sick, out of work, when receive threatening letters, court summons, what will happen at court etc.) and restrictions and help filling in application forms</p> <p>Advice about what credit card companies entitled to do</p>	<p>Counselling</p> <p>Someone to talk to and share feelings with</p> <p>Provide reassurance</p> <p>Help with stress and depression</p> <p>Support for family and friends</p>

7.3 Suggestions for delivery

In order to respond to the preferences, needs and circumstances of different people it was suggested that advice should be delivered in a combination of ways:

7.3.1 Face to face contact

The need to be able to meet in person was a priority for respondents. It was said that face to face contact facilitated more effective communication and made it easier to understand technical and complex financial matters. It also allowed the respondent to express themselves more effectively;

“The best...is face to face, because you can sit down and you can think about it, and you can just take your time, and the things you might not think of on the telephone etc., you’ll come up with.”

(Male, Sought Advice)

Eye to eye contact was also felt to help reassure people that their problems were being dealt with appropriately. On a practical level it also made it easier to discuss documents and help with budgeting.

Face to face contact was primarily mentioned in relation to having a one to one meeting but there were also suggestions made for having a support group or forum where people could share experiences, advice and support each other;

“It helps you offload, it helps you to open up, it helps you to share and it also enables you to realise you’re not alone, it’s not just you, there’s other people that are in similar situations.”

(Female, Sought Advice)

A number of the suggestions about delivering advice in person were concerned with extending or improving the CAB. This is not surprising given that the CAB was often respondents only reference point when reflecting on their experiences. The **need for more local CAB offices and longer opening hours with more staff and resources** was felt to be essential if more people were to be seen more quickly. In addition there were other specific areas of improvement:

- A phone-line to make appointments as it was felt to be embarrassing standing in queue;
- Staffing CABs with professionals rather than volunteers;
- Providing a private room at the local CAB where it would be possible to discuss sensitive issues;

- Having a chat room linked up to the CAB where people could access advice and support anonymously over the Internet;
- Home visiting service for those with mobility issues or difficulty accessing services, such as in rural areas where the local CAB may be quite far away; or where child care responsibilities made accessing the CAB difficult, especially by public transport;
- Offering counselling.

The CAB aside, other suggestions for delivering help in person included:

- **Solicitors holding surgeries** like MPs surgeries.
- **Local drop in centre** which might be located in a neutral, easily accessible and welcoming venue like a library or job centre. It was also suggested that it would be helpful if the local office could be linked up nationally.
- **In schools.** It was specifically said that children should be taught the meaning and value of money, how to manage money, be accountable for what they spend and how to deal with debt and credit. Views varied about the age group that should be targeted with suggestions for delivering in junior school and also tackling in year 11 before children leave school. A specific idea was for people with debt problems going in to talk to school children about the debt problems they had experienced.

“I think it should be lessons in school and stuff, this is everyday stuff and...you’re not taught these things, especially nowadays where 16 year olds can get credit cards and what have you, I think they do need a bit of a clearer idea of what they’re getting themselves into.”

(Female, Sought Advice)

- **In universities.** Another specific idea was for providing university students with help dealing with their finances and resolving debt issues. One idea was to hold workshops which are led by an accountant, financial advisor and someone with the experience of debt.

7.3.2 Telephone and Internet contact

The telephone was suggested either as an initial contact to be supplemented by a personal meeting, or as an alternative to other forms of advice possibly with an optional written record of the conversation. In the case of the latter it was suggested a national helpline with an easy to recall freephone number would be useful where people could get information and advice free of charge (something like NHS Direct).

“As soon as I got a letter saying you’re going to be taken to Court, if I had somebody, a professional that I could ring up and say ‘I’ve got this letter, I really need some help’, it would have made me feel more at ease, but I didn’t feel there was anyone.”

(Female, Sought Advice)

As there was very low awareness about the National Debtline it is not clear whether this was the type of service that was envisaged. Another example was having a Customer Support Manager at utility companies to speak to when having problems paying bills.

The Internet was suggested as another vehicle for delivering information and advice for those who were computer literate. A specific suggestion involved having an online support service with a financial calculator that a person could insert their financial situation into in order to generate possible solutions or options.

“Even if it was just an online guide...that would be a start. Just a guide...so you can just put in the situation you’re in and your income, that sort of thing, and calculate what to do.”

(Male, Sought Advice)

However, concerns were raised that advice in this form would not reach those who either did not have access to the internet or were not computer literate. Yet there were respondents who expressed a willingness to become computer literate if it meant they could access such advice.

Depending on the nature of the problem it was recognised that this type of help might need to be supplemented by some kind of personal contact.

7.3.3 Written forms

Written forms were much less commonly suggested for providing advice of this kind apart from as a useful reference or supplementary record of a discussion:

“That would make it easier, if something is in black and white and it’s simplified, everything seems so complex, and that’s why people lose it.”

(Male, Sought Advice)

There were three suggestions made:

- Leaflets explaining about the implications of having a credit card;
- Newspapers covering specific financial matters and providing contact details of services;

- A booklet handed out at key landmarks. It was suggested this could be given to people with their first mortgage/ council tenancy, on their 18th birthday with a list of bills that will need to be paid, to assist people with budgeting their income and expenditure.

7.3.4 Suggestions for promotion

In view of the lack of awareness about information and advice available, the need for greater promotion about where and how to contact help was a recurrent issue.

In order to overcome the barriers to using advice services it was suggested that any promotion should make it clear that the advice provided will cater for anybody regardless of their financial situation and age. Also, it was advised that it should emphasise that the advice is confidential and free of charge. Furthermore, in order to attract and engage people it was suggested that there is a need to show how these services can provide solutions for money problems.

In order to reach people as early as possible a specific point was made about the need to try to target people before their debts escalate, or as soon as they realise they are in difficulty. In order to assist with this there was felt to be a role for creditors in directing attention to advice when they first see the signs of debt, when payments are being missed and a person may be struggling financially.

Whilst it was felt that the advice provided should have universal applicability, young people were singled out as a group who have a lot more problems managing money and who therefore need to be specifically targeted.

Respondents' suggestions for advertisements and promotion covered all the typical sources including:

- Through **the media**: TV programmes and advertisements (satellite – e.g. Sky and MTV -, cable, and terrestrial television – e.g. BBC1 - were mentioned). Specific types of programmes mentioned were children's and music programmes. One rather specific description of the content of a television advertisement revolved around showing a bailiff turning up on the doorstep of a person who is '*skint*' and who subsequently gets help.

In addition, local and regional radio were emphasised as being effective ways for promoting local services. Otherwise respondents' suggestions covered the local and free press, the Internet (e.g. local and central government websites among other sources) and magazines (e.g. Saga, Good Housekeeping);

- **Alongside product advertising** for loans or credit cards and also when people take out a loan or credit card;

- **On bills, with correspondence from banks, creditors or with a court summons.** Occasionally it was suggested that creditors should be able to direct people to local advice services or to provide a number of an independent source of advice on their correspondence, such as on a bill or statement. Another idea was for credit card companies to provide debt warnings on products like there are on cigarette packets;
- **In places where people might be seeking help, using a service or just looking for information.** Examples given included health centres/ GP's surgeries, hospitals, district nurses, health visitors, Benefits Agency/ Jobcentre, libraries, childcare services and shopping centres, solicitors and legal services;

“How would you promote it? Generally through the media, newspapers, television advertisements, posters in -for instance- health centres, hospitals. If there's people being admitted for some stress related illness caused by monetary problems, at least there's a poster, “that's someone I could call”. I think posters in GPs would be good as well, any government outlet really, something like a Housing Benefit office as well, Jobcentres is a definite one. That would get the point across to people maybe where it's needed.”

(Male, Sought Advice)

“It comes back to living in communities. Close knit communities. There's a little place in the village...they hold meetings in it where there are very few people who go to the meetings. For example It could be nice once a month or once every six weeks to have a solicitor be there rather as MPs do with their surgeries...there are lots of people who do want somebody to talk to and it's not always advice as such, it's just talking to someone...it would be quite nice.”

(Female, Sought Advice)

- **Telephone directories, Yellow Pages;**
- **Payslips** to have numbers of advice services;
- **Through the post;**
- Through **council newsletters;**
- **Leaflet drops, flyers and billboards** in the city and shopping centres.

7.4 Chapter summary

This chapter reflected on the value and role of advice for people with debt problems. Irrespective of their individual circumstances, respondents voiced the need for

information and advice services and identified a wide range of ways people with debt problems could be assisted. Their suggestions can be grouped into three categories: factual information; advice and guidance; and emotional support. It was felt that advice should be given by a trusted source and in an independent, impartial and accessible way.

Respondents suggested that advice should be delivered in a combination of ways: face to face; by telephone and internet, and less commonly, written advice in the form of leaflets or newspaper articles. Due to the lack of awareness about where information and advice could be obtained, the need for greater promotion was clearly endorsed. It was suggested that promotion should make it explicit that advice will cater for anybody regardless of their financial situation or age. Suggestions for promotion covered a range of the typical sources including: the media; alongside product advertising; on bills; telephone directories; payslips and council newsletters.

8 Conclusions

This final chapter draws on some of the key themes arising from this research and makes some recommendations on the information and advice needs of people with debt problems. It also makes some recommendations for further research.

8.1 The context

In recent years concern has mounted about the number of people who have debt problems. Whilst there is a lack of agreement about the level of personal debt in the UK (and whether this is rising) evidence points to increasing use of organisations like the Citizens Advice Bureaux and the Consumer Credit Counselling Service for money related problems. Also, as Government policy is focused on the cost and impact of debt there is a need for further evidence about the value and role of information, advice and counselling in helping people with money and debt problems.

As part of a programme of work to investigate this area, the LSRC commissioned BMRB to carry out qualitative research with people who had been identified as having a money problem in the 2004 English and Welsh Civil and Social Justice Survey. The purpose of this research was to assess the role and value of advice for people with a debt problem. A total of 42 interviews were carried out between April and June 2005.

The preceding chapters have documented the findings from this research based on the recollections of respondents.

8.2 Key themes from the research

We turn to some of the key themes that have arisen from the research with a particular focus on those which have implications for the future development of advice services.

8.2.1 Investigating debt

Aside from any reluctance that people may have about discussing financial matters it often proved difficult to assess the exact nature and extent of respondent's total and individual debts. The degree of clarity and detail in which people were able to recount their money difficulties and experiences varied considerably. At its worst respondents were very confused about the amounts involved and the range of creditors that they owed money to. As debts had often been spreading and increasing in value over a considerable period of time it was also hard for individuals to pinpoint the sequence of events that had contributed to their money problems. Respondents who were currently in debt tended to be more confused than those that were reflecting back on a previous debt problem, where the passing of time had enabled them to gain some perspective on their experience, even if they sometimes found it hard to recall the precise amounts.

Also, in view of the emotional impacts resulting from being in debt this had also clouded the ease with which individuals could recall events and amounts.

This clearly makes research into this area rather challenging as strategies need to be adopted which aid recall whilst simultaneously reassuring people about discussing their financial matters. However, it also has implications for the amount of time that advisory services need to assess potential clients in order to fully assess their problems and to provide information and advice which meets their needs.

8.2.2 Causes of debts

The evidence presented has shown that debts were rarely attributed to one isolated cause. Instead it was typical for people to talk about a process or cycle of debt during which the causes mounted and increased. Broadly there seemed to be three different causes of debt; a change in some aspect of an individual's life or circumstances, poor money management and creditor behaviour. The research confirms previous evidence (Pleasence et al 2004)⁷ that the underlying causes of debt are often interlinked and reciprocally interact with each other. This was often the case when a change in an individual's home or employment circumstances had been a catalyst to them falling into debt. For example, there were respondents who had experienced illness or bereavement, which led to unemployment due to them having to be out of work for a prolonged length of time. Occasionally illness exacerbated an already existing debt problem. Separation from a partner might also lead to illness, which again may have caused the respondent to be unemployed.

8.2.3 Views about severity of debt

Views about the severity of debt varied from those who perceived their problems to be extremely serious to those who were rather more complacent and indifferent. Across the sample it appeared that all the female respondents viewed their debts as being serious whereas the male respondents expressed a range of views about the severity of their debt problems. Perhaps surprisingly, views about a debt problem did not necessarily correspond to the amount of money people were in debt for. Rather than the amount owed, views about the debt were affected by how confident a person was that their problem would be resolved, comparisons drawn with other people who are in debt, the way a creditor had responded to the debt, previous experience of debt and whether people were reflecting on past or current debts. This finding emphasises the importance of advice services targeting at and promoting their services to anyone who is in debt no matter how large or small the sum is.

⁷ Pleasence, P., Buck A., Balmer, N., O'Grady, A., Genn, H. & Smith, M. (2004) *Causes of Action: Civil Law and Social Justice*. The Stationary Office (TSO), Norwich.

8.2.4 Impacts of debt

This research confirms existing knowledge about the wide range of ways in which debts impact on the lives of people. The impacts of debt that were reported covered relationships with family and friends; physical and mental health; employment and education opportunities; lifestyle issues and plans for the future.

As has been seen the impacts were often interconnected and cyclical and so debts could cause strain and difficulties amongst familial relations and at the same time have an impact on the physical and psychological well being of a person. It is impossible to unravel the cause and effect or the sequence in which these impacts occur. In some cases debts cause the problems, be they relationship breakdown or physical or mental health issues such as clinical depression, whereas in others the debt exacerbates a pre-existing medical condition or it results from a divorce or separation. That said this research does shed light on the way in which debts can impact on relationships and particularly the treatment of children either in terms of them being financially deprived or emotionally suffering as a result of parental neglect.

Beyond the obvious financial implications of debt it is therefore clear that there are wide reaching consequences for people (and society) that get into money difficulties. Any type of help or support provided is required to be multifaceted as it needs to be equipped to tackle a wide range of problems and not to simply provide financial advice.

This research bolsters the case for developing or expanding existing services which can help to address or prevent the harmful effects of debt.

8.2.5 Taking action and advice seeking behaviour

Typically, correspondence from a creditor seemed to be the main catalyst for respondents taking action to address or alleviate their financial difficulties. Otherwise respondents ignored any correspondence and did nothing about their problems until they were effectively forced to do something. Actions taken by respondents involved contacting a creditor to negotiate and manage repayment of the debt, often after an extended period of time and possibly with the assistance of a third party. In addition to corresponding with a creditor respondents also adopted strategies to raise additional income to help pay their debts through either borrowing money, finding work or increasing their earnings, and claiming benefits. Respondents also described managing their money differently. Not surprisingly responses to a debt problem varied according to how an individual viewed their debt and the creditor they were dealing with as well as the potential consequences of their debt.

Respondents demonstrated relatively low awareness of how or where to get advice or information for debt problems. Generally, respondents had heard of the CAB and very often it was the only advice source they were aware of. Where advice had been

sought the CAB was typically the main source of formal help mentioned. There were reports of respondents approaching their local CAB at any stage of their debt problem for help with credit card and store card debt, bank loans, Council Tax arrears and late utility payments. Alternatively, respondents had sought advice from their bank or building society regarding credit and store card debt or house repossession, and their local council office regarding Council Tax arrears. Occasionally formal advice had been sought from legal advice sources such as a respondent's solicitor or student advice centre, and non-legal advice sources such as the Samaritans or respondent's GP. Informal advice was typically provided by family and friends and more exceptionally by work colleagues, college tutors, a landlord, flat mate and the church. Respondents who considered their debts to be serious sought both formal and informal advice. Correspondingly, those who did not seek any form of advice did not view their debts as serious.

It was only male respondents who had not sought any help for their problem. However, without further quantitative evidence it is impossible to establish whether this gender difference is an artefact of the sample selected or reflects a deeper issue. That said, the hypothesis that men may be less willing than women to discuss their problems and concerns relating to debt does seem plausible. If this is the case then there are implications for advisory services targeting and promoting their services amongst the male community.

8.2.6 Views about the advice received

As would be expected views about the advice received were inextricably linked with the impact it had on their situation. In circumstances where the advice had a positive impact on the respondent's emotional outlook, financial situation or confidence in communicating with creditors, then it was considered to have been useful.

Generally respondents singled out the CAB for having been helpful in either negotiating a payment plan with creditors on behalf of respondents or encouraging them to do it themselves. However, there were respondents who were disappointed that the CAB had not been able to help as much as they had expected.

The quality of the advice given by the CAB was generally praised for being accurate, thorough and comprehensive. This was attributed to a perception that the advisors have a good level of knowledge regarding debt problems. These assessments were based on the way in which advisors had been able to guide respondents in an accessible way through all the options available to them when dealing with their debts.

8.2.7 Impact of advice

This research has illustrated the range of positive impacts that advice can have on people with debt problems. It therefore reinforces the immense role and value of advice for people with money problems.

A crucial impact that advice can have is on improving the emotional outlook of people who find they are spiralling into debt. This research has shown the important role that formal help can play in reassuring people and reducing anxiety, stress and depression. In the most extreme circumstances it is clear that help can address and prevent those contemplating suicide, although there is limited evidence of this occurring in this research.

In addition it is clear that informal help has a crucial role providing additional emotional support and guidance for people. Perhaps there is some way in which this could be harnessed and captured in the delivery of formal advice services. Where people are feeling anxious and ashamed about a problem it may be the informal sources of help that act as a catalyst for people taking action.

Formal help and advice has also been shown to play a valuable role in equipping people with the knowledge and confidence to tackle, confront and manage their debts with creditors. Equally for those who did not feel they could tackle a situation on their own advisors sometimes acted as advocates on behalf of respondents. Whilst speaking to a creditor and arranging a realistic payment plan did not reduce the debt it was often appreciated for having brought some relief and made the debt seem more manageable. When this was taken alongside the other financial and practical guidance about planning and budgeting then it is easy to understand the necessary and important role advice services are playing. As a consequence respondents often reported that their financial situation had improved.

Even where advice did not seem to have made a positive impact it had either prevented personal and financial circumstances from deteriorating or had confirmed what was already known. That said, there were respondents who indicated that their financial situation deteriorated further after seeking advice. These criticisms, however, do not seem to suggest the failure of advice services per se, rather they endorse the case for more specialist and technical advice.

8.2.8 Barriers to seeking information and advice

In order to be able to encourage people to either seek advice or to seek advice earlier for a debt problem it is crucial to fully understand what prevents them from doing this. The barriers to seeking advice were of three different types; personal barriers, knowledge and awareness barriers and accessibility barriers.

Personal barriers were very significant in preventing respondents seeking both formal and informal advice. There appeared to be a feeling of shame and embarrassment underpinning most of the personal barriers cited, which had a very disabling effect on respondents seeking help. In contrast, there was another group of respondents who did not seem to be ashamed or concerned about their debts but were unconcerned and apathetic about dealing with them. In these circumstances respondents did not feel the need to seek advice as they were confident a solution would emerge, such as finding a job, and that this would resolve the debt problem. Personal barriers seemed to have either delayed respondents seeking advice or prevented them seeking advice altogether.

Knowledge and awareness barriers tended to prevent respondents from using a particular advice source and also prevented people from seeking advice altogether. The inaccessibility of certain organisations, particularly the CAB, was also identified as a barrier to advice seeking. Irrespective of how useful they considered advice given by the CAB to be, respondents had sometimes been put off by difficulties getting an appointment. It was said that the limited opening hours of a local CAB were not always convenient for respondents, especially those in work. It was also emphasised that the time spent not in work attempting to get an appointment at the CAB represented a loss in earnings. Accessibility barriers tended to discourage or prevent respondents from using a particular advice source.

8.2.9 The need for information and advice

In view of the low level of awareness of provision it is not surprising that the need for specialist and technical advice services was recurrently made. Irrespective of individual experiences respondents emphasised the need for factual information, advice and guidance, emotional support and counselling services to help people with their money problems. However, if this type of help is to be appropriate and accessible then it needs to be delivered by a neutral, non-judgemental, respected and trusted source. The rationale for this type of help is based on the following three justifications:

- ❖ The public as a whole tends to **lack financial literacy** and this makes it very hard for them to manage their finances and grapple with the complex, technical and legal nature of many financial products.
- ❖ There is a **lack of knowledge and awareness about what people should do and where they should go** when they get into debt.
- ❖ The **impacts of debt are wide reaching** and anything that can be done to help alleviate and prevent these types of problems destroying lives, harming health and breaking up relationships would be of immense value.

8.2.10 Need to raise awareness of advice services

Aside from extending the provision of information and advice there is clearly a need for greater promotion about where and how to contact help. In order to reach old and young and attract people at an early stage of their debt problem greater consideration will need to be given to how services are promoted. It appears that people do not just want to know the name of an organisation but they also need to know what sort of advice can be accessed and how it can help people with money problems. Also, any promotional strategies will, as respondents emphasised, need to be clear that the advice provided will cater for anybody regardless of their financial situation and age, that it will be provided in confidence, be free of charge and be independent of creditor organisations, although as we suggest below there may be a role for creditors in helping people.

8.2.11 Teaching money management

In addition to wider promotion there also seems to be a strong case for incorporating money management into the school curriculum (either for example as part of Maths or in PSHE) in order to raise levels of financial literacy. This would help to try to address one of the central causes of debt problems: poor money management. Clearly consideration would need to be given to what is already addressed within the curriculum and how and when it would be appropriate and feasible for teachers to introduce such a topic. It would also need to be taught in a concrete and accessible way that will engage and raise awareness amongst young people. For this reason it might be helpful to introduce it at a time when young people start to have some form of independent income or some practical means to apply their learning (such as starting a part-time job).

8.2.12 The role and responsibility of creditors

There is a need to target and reach people as early as possible, before their debts escalate, or as soon as they realise they are in difficulty. This research suggests that people may only become aware of their debt problem when they receive letters or phone calls from their creditors notifying them that they owe money. It was often at this point where the respondent would notice the extent of interest that was being added to the sum that they owed, especially with regards to credit and store card debt or bank loans. It would therefore suggest a role for creditors in directing and referring people to advice services when they first see the signs of debt, when payments are being missed and a person may be struggling financially. It is interesting that respondents clearly emphasised that creditors have a role and responsibility to help people and would be receptive to their advances.

8.2.13 A wide range of different types of provision

As has been shown debt problems often have far reaching consequences which means advice services need to be equipped to deal with a range of emotional, personal, and financial issues. At the same time they need to have a good grounding of technical and complex financial matters. This presents a number of challenges for designing services to meet the needs of people with money problems.

Furthermore it is not just the range of advice that is an issue but also the way in which it should be delivered. Views varied about the type of advice that people require - whether this is telephone, face to face, written or electronic. It was evident that the requirements may vary according to the stage a person may have reached. For example, telephone contact may help to first break the ice and be available at the point of need. Also, in view of the feelings of shame and the confidential nature of the issues being discussed an anonymous helpline might help to avoid embarrassment and encourage people to seek help at an earlier stage.

Information leaflets may also be useful as a supplementary source of information but only for those without sight impairments and learning disabilities. But at some point there is a clear need for face to face contact if people are to be able to go through complex financial documents and paperwork. Also, there is a need for some kind of continuity of care, preferably with the same advisor. It would therefore be helpful if there could be some way of combining a telephone and face to face service. In addition there may be an IT based interactive approach, which could be helpful for those who are computer literate and wish to seek advice from their home. This could have the benefit of enabling people to input their financial details into a calculator which could assess their situation rather more quickly than waiting for an appointment.

Irrespective of the approach, the information and advice needs to be delivered in a clear and simple way which is easy to digest and understand.

8.2.14 The need for different solutions for different people

It may seem obvious but initiatives to encourage people to seek advice and guidance will only work with those who are receptive. The person who lacks understanding and awareness of financial matters may respond to better promotion and information, although this does depend on whether there are other barriers preventing them taking action. But it is unlikely to make any impact on a person who has effectively 'buried their head in the sand' and is reluctant to confront their financial problems. Also, underpinning their reluctance may be a deep sense of personal shame, embarrassment and fear that will further prevent them accessing help. In order to encourage these people to confront their problem there is a need for a more proactive and creative approach.

8.3 Recommendations for further research

This research has provided valuable learning about the role of information and advice for people with debt problems. However, due to the way in which the sample was selected it is impossible to establish how far the people included in this study reflect the full range of experiences and perspectives of people in this situation. It would therefore be important to supplement this research with a larger sample of people with a wider range of debt problems. This could explore the perspectives of people with differing levels and types of debt, people from minority ethnic groups etc. Furthermore without screening the sample at the recruitment stage inevitably certain people have been included who were not truly eligible for this research even if they did have some money problems.

In order to fully assess the role of information and advice for people with money problems it would also be helpful to find a robust way of selecting a qualitative sample of people who had and had not sought advice. In this way it would be easier to compare and contrast the experiences of these people and fully assess the impact of advice and help for people with money problems. In doing this there may be value in exploring the gender differences that have been touched on in this report.

Finally, this research has shed light on the need to adopt a range of strategies to aid and assist people when recalling financial problems. Another related issue is that people do not always distinguish between informal and formal sources of help. This clearly has implications for how this type of behaviour is explored and measured in research. Whilst we did not specifically explore the differing responses from the quantitative and qualitative research it appears that respondents may have been uncertain about what constitutes advice and whether their actions qualified as advice seeking. This suggests that there may be greater need to explain this more clearly and provide additional examples in future surveys.

9 Appendices

9.1 Appendix I: Technical Appendix

A brief outline of the research design and conduct is given in chapter 1 of this report. This appendix provides further details of the research methods used in this study. A copy of the topic guide used can be found in Appendix II.

Research Design

The research was qualitative in design employing the use of face to face, depth interviews to consult people. Adopting a qualitative approach enabled respondents to raise issues of salience in their own words and terms, in the context of their own circumstances and, with probing by the interviewer, ensured issues were explored and examined thoroughly. It also enabled researchers to be sensitive to the needs and circumstances of the people they interviewed, by adapting their approach during the interviews.

In order to assess the role and value of advice the research was designed to ensure the inclusion of people who had and had not sought advice for a debt problem. Our original intention was to carry out in depth interviews with up to 50 respondents divided as evenly as possible between those who had and had not sought advice for a money problem. After contacting all eligible respondents in the sample (82 people) 42 people were willing to take part in the qualitative research. These 42 interviews were spread across England and Wales and were carried out between April and June 2005.

Sample design and selection

As is usual in qualitative research, the sample was designed to ensure full coverage of the key sub-groups within the target population, in order to identify and explain variations in the nature of experiences and views between them. As noted in the introduction the intention was to purposively select the sample according to a range of key criteria. However, our ability to achieve this design was dependent on the characteristics of people who had reported having some kind of money problem in the survey and also indicated they were willing to take part in further research. The profile of the sample is included in chapter one of this report (section 1.5).

The recruitment was managed by our internal field team who used their network of recruiters to select the sample. The field managers were fully briefed on the project and were provided with detailed recruitment instructions. All recruiters are members of the IQCS (Interviewers Quality Control Scheme).

Conduct of the interviews

Interviews were carried out by experienced qualitative researchers who have extensive experience of conducting in-depth interviews and have been trained in the techniques of non-directive interviewing.

Each interview was exploratory and interactive in form so that questioning could be responsive to the experiences and circumstances of the individual involved. They were based on a topic guide (see Appendix II), which listed the key themes and sub topics to be addressed and the specific issues for coverage within each. Although topic guides help to ensure systematic coverage of key points across interviews, they are used flexibly to allow issues of relevance for individual respondents to be covered through detailed follow up questioning.

The wording of the questions and the conduct of interviews was designed to be appropriate and sensitive to the needs and circumstances of people who had or were experiencing debt. All members of the research team took part in a briefing to ensure the interviewing approach was consistent across interviews.

The research team carried out the interviews in the respondent's home. It is customary practice to use respondent payments when carrying out most qualitative general population research and as such the respondents were given £25 as a 'thank you' for taking part in the research.

Where appropriate interview respondents were given leaflets at the end of the interview for two advice services that provide help for people with debt problems; the National Debtline and Community Legal Service Direct.

Analysis

A full set of verbatim transcriptions was produced from the digital recordings of the interviews. The analysis of the interviews was undertaken using '*Matrix Mapping*', a qualitative content analytic method used in all our studies. Our method involves a systematic and comprehensive process of sifting, summarising and sorting the material according to key issues and themes.

The first stage of '*Matrix Mapping*' involves familiarisation with the data (in the form of verbatim transcripts) and identification of emerging issues. Based on this preliminary review of the data as well as the coverage of the topic guide and the researchers' experience of conducting the fieldwork, a thematic framework is constructed.

The analysis then proceeds by summarising and synthesising the data according to this thematic framework using a range of techniques such as cognitive mapping and data matrices. The thematic matrix comprises a series of subject charts displayed in Excel software.

The subject headings included in the matrix used on this project were as follows:

- 1) Background details
- 2) Overview of debt problem
- 3) Response to debt problem
- 4) Experience of seeking advice (both formal and informal)
- 5) Views about advice given
- 6) Reflections on using/not using advice
- 7) Suggestions for changes/ improvements on advice given

Data from each interview transcript was summarised and transposed under the appropriate subject heading of the thematic matrix. The context of the information was retained and the page of the transcript from which it came was noted, so that it was possible to return to a transcript to explore a point in more detail or to extract a quotation. Once the data had been sifted a map was produced which identified the range and nature of views and experiences, sought associations and patterns within them and provided explanations and underpinning factors.

Piecing together the overall picture is not simply aggregating patterns, but weighing up the salience and dynamics of issues, and searching for structures within the data that have exploratory power, rather than simply seeking a multiplicity of evidence.

9.2 Appendix II: Topic Guide

Impact of Debt Advice Topic Guide

Aim: To explore:

- The range and type of debt problems experienced and underlying causes
- How debt problems have been dealt with; and reasons for choosing particular responses;
- Awareness of sources of advice and help for dealing with a debt problem;
- The nature of advice and/ or support received; and experiences of using it;
- Views about advice/ support received; and degree to which it met needs;
- The impact/s of using/ not using advice and help to resolve a debt problem;
- Views about the value and role of help and advice;
- Reflections on the range of help that exists and suggestions for changes/ improvements to the advice provided.

Introduction

- About BMRB, independent research agency
- About the project
 - Explain reason for revisiting people
 - To consult people about the methods and strategies they adopt to cope with money and debt problems. Important to learn about the different experiences people have so that more can be done to help meet the needs of people in these circumstances. Also provide very useful information about how support services can be developed and improved
 - Commissioned by the Department for Constitutional Affairs – government department responsible for upholding justice and rights
 - This is one of a number of interviews being conducted around the country
- Confidentiality and tape-recording (used by the research team – including LSRC – ask them to sign a consent form -given verbal agreement at the recruitment stage)
- Length of interview – 60 minutes

1. Background

- Household composition, family (age of children – if appropriate)
- Current activity (for those not working – when they last worked/ what they did)

2. Brief overview of debt problem (to last approx 20mins)

We know from the last time you were interviewed you were experiencing money problems in the following areas...

- Can they tell us a bit more about these money problems/debts
- Who do/ did they owe money to
- What are/ were the debt(s) for
- How much are/ were they in debt for
- Can they tell us about any other money problems debts that they do/ did have
Probe all that have not been raised: falling behind with:
 - rent or mortgage
 - credit or store cards or loan repayments
 - bills such as phone, gas, electricity etc
 - loans from friends or family
- What do they see as being the cause/ s of them getting into debt
- Can they briefly describe how they got into debt
- How have their debt problems changed over time
- How aware were they that they were getting into debt
- How did they view their money problems/ debts
- At what point did they recognise that they were getting into debt

Explore actions relating to seeking advice briefly as we will revisit later.

- How did they respond to their mounting debt problems
- Did they do anything/ avoid doing anything (e.g. not opening letters)
(e.g. contacted/ negotiated with the creditor, tried to claim against their payment protection insurance, offer to make payments/ increase payments, try to consolidate their debts, take out a further loan, seek an administration order/ bankruptcy)
- What actions have they taken
- At what point did they do this
- Reasons for doing something/ not doing something; why at this point in time
- How did their creditors respond to their debt problem
- What, if any, action was taken against them with regards to the debt problem;
 - how did they find out about this (prompt: letters, phone calls etc)
 - when did they find out about it
- How did they react/ feel about any action that was taken;
- What happened as a result of action taken
(e.g. overdraft facility withdrawn at the bank, prevented from using services/ credit cards, credit blacklisted, paid penalty charges, disconnection from water, gas, electricity, threat of legal action, requirement to attend court, bailiff action, imprisonment, bankruptcy, eviction from rented property, repossession of home, impact of changes in the Annual Percentage Rate (APR))

- How did their debt problem affect them; their family
Probe: all areas of their lives:
 - sought medical assistance/ treatment
 - experienced any problems with their health – physical or emotional
 - to their relationships with partner, family, friends (e.g. have they had to seek mediation)
 - to their working life
 - to their home situation (e.g. services disconnected, repossession of home/ eviction, ability to finance themselves/ family members)
 - to their plans for the future
 - other ways in which it affected them

How did these problems arise (e.g. whether debts have caused the problems or resulted as a consequence of the problems, or whilst they were trying to sort the debt problems out)

3. Action taken (Explore where not previously covered)

- How aware were they of sources of help and advice for people with debt problems
 - what they had heard
 - how did they hear about it
 - views about this; how far do they trust this source
- Did they seek any help (e.g. professional help/ talk to anyone about their debt problem)
 - reasons why did/ did not seek help
 - reasons for choosing this source of help
- Whether they were offered any advice/ help from anybody (e.g. from a creditor)
 - who was this
 - how did they respond to this offer
 - reasons for taking up/ not taking up the offer
 - what sort of help were they think they would receive from this source

IF ADVICE SOUGHT

*This may include advice directly related to the debt –ranging from discussions with solicitors; accountants; free advice agencies (such as the CAB, Money Advice Centre, The National Debt Line); debt management companies (DMCs) etc. through to discussions with family/ friends, or related to consequences arising from having a debt e.g. discussions with doctor or counsellor. **Explore all people mentioned in turn.***

- At what stage of their debt problem did they seek advice
 - What persuaded them to seek this advice
 - What sort of help were they looking for (information, advice etc.)
- Who/ what did they seek help from (*all sources if there was more than one*)
 - what type of organisation (if appropriate)
 - why did they choose the particular source of help
 - how did they hear about this person/ organisation

- how did they make contact
- Who did they speak to
- What did they discuss
- What did they ask for
- What information/ help/ advice were they given
 - Probe:** all that was discussed
- How was information/ help/ advice provided (*phone calls/ visits/ letters etc*);
 - describe their frequency of contacts (where appropriate);
 - who they saw over time (whether they saw the same person)
 - how long were they in contact with this person/organisation
- How did they respond to the information/ advice received
- How easy was it to use the help and advice
 - did they experience any difficulties or problems
 - how did they address these
- How would they assess the information/advice given
 - the relevance of information/ advice given to their situation;
 - how comprehensive was the advice given;
 - the accuracy of advice/ information;
 - how useful was the advice;
- What do they see as the outcome of the information/ advice given

If they were referred to another source of help

- Describe their experience of being referred to another organisation
- When were they seen by organisation referred to
- Nature of any advice/ support received
- Views about advice/ support given
- How did they respond to the information/ advice received

IF NO ADVICE OFFERED/ SOUGHT

They may have negotiated a solution with a creditor by themselves, sought information from self-help guide, discussed situation with friends/family etc.

- How did they handle their situation
 - what they did;
 - at what stage of debt problem;
 - reason(s) why they handled situation in this way
- Whether they considered approaching anyone for help/ advice
 - what stage did they consider doing this
 - who they considered approaching;
 - reasons for choosing this person/ people/ organisation;
 - why did they not end up doing this

- In what circumstances would they have sought help

4. Impact(s) of receiving/ not receiving help/ advice

- What difference did having/ not having the information/ advice make to their situation
- **Probe:** any other impacts
- How far is/ did the help meet their needs at time of debt problem
- How well have they managed their debts with/ without help

5. Current financial situation

- What is their current financial situation – (**reassure them about confidentiality**)
- Can they tell us about all income they currently have from all sources before tax – please include earnings from employment, self-employment, benefits, pensions and income from other sources such as interest on savings etc.
(e.g. benefits – JSA/ Incapacity Benefit, Childcare tax credits, Child benefit, salary – regular/ ad hoc, pensions, savings, property, bonuses, stocks and shares, other sources – interest in other businesses etc.) (**ask to estimate if they are unable to give exact information**)
Probe: period that it covers (week, month, annual), whether before/after deductions – such as tax/ NI
- What capital assets do they have, by this we mean every source of capital (such as bank savings account, building society, ISAs, stocks and shares, with profits insurance/ endowment policies, property – either where living or interest elsewhere, land, other business investments)

6. Reflections on debt problem and using/ not using advice

- How serious they perceive their debt problem to be in hindsight
- On reflection how would they handle their debt problem
 - Explore reasons for changing their approach
- What role can advice play in meeting the needs of people with debt problems
- How important is it to receive help when in this situation
- At what point should it be provided
- What kind of help/ advice do people require when they experience debt problem(s)
Probe:
 - someone to talk to
 - factual information
 - advice/ guidance
 - representative

- Which problems is it helpful for
 - Probe:** - dealing with creditors
 - helping with financial calculations
 - helping with personal problems
 - going to court
 - sorting out work/ benefits/ pensions
- What information/ advice/ guidance is of most help
- How should this information/ help/ advice be delivered
 - format
 - content
 - over what period of time (prompt: one-off meeting or continuous support)
 - importance of seeing same/ different person (if applicable e.g. at advice agencies)
- If unaware of sources of help and advice for people with debt problems
 - whether debt advice sounds like something they would like to have used
 - if so, in what way

7. Suggestions for changes/ improvements

- Suggestions for changes/ improvements to the advice and help available
 - promotion of available services
 - access to services; the way they can make contact or make an appointment with the service; environment/ location
 - cost of services
 - way the service is delivered/ provided
 - the nature of the information/ advice/ support provided
- Any other suggestions or comments

THANK AND CLOSE