

Coping with debt

Drowning in Debt

Briefing sheet

1 of 7

More than half of female clients have gone without essentials in order to finance their debts

Citizens Advice Scotland's latest report, **Drowning in Debt**, is based on a detailed survey of debt clients from a representative sample of citizens advice bureaux across Scotland, in both rural and urban areas. Based on information extracted from the research, this briefing focuses on how CAB debt clients cope with being in debt, including personal action, legal remedies and debt advice. The research found that:

- **The majority of clients use their own coping strategies to deal with debt, including borrowing from family and going without essentials**
- **Two thirds of debt clients said that they would consider going bankrupt, while one in ten were applying or had already applied for bankruptcy**
- **The high levels of debt, and the strategies to cope with debt, have a significant impact on the lives of clients.**

Strategies for coping with debt

The majority of clients have developed their own coping strategies for dealing with their debt. The research found that:

- **One in four had borrowed further credit to pay existing debt – a strategy that will only work in the short term, and will add to their debts in the long term**
- **A third of clients had borrowed from friends and family in an effort to finance their debts**
- **Four in ten clients – including half of female clients – had gone without essentials to try to cope with their debt.**

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The Scottish Association of Citizens Advice Bureaux - Citizens Advice Scotland
(Scottish charity number SC016637)

**citizens
advice
bureau**

1939-2009: 70 years
of Scottish CAB advice

Key findings:

Legal remedies

New legal remedies have broadened the options available to many people to deal with their debt problems. The low income low assets (LILA) route to bankruptcy was introduced in April 2008 to allow debtors with low incomes to access bankruptcy to get themselves out of their long-running debt problems. The research showed that:

- **Two-thirds of clients would consider using the low income low assets (LILA) route to bankruptcy, while one in ten said they had already tried to go bankrupt using LILA**
- **However, the £100 fee for accessing the LILA route can be an obstacle for many clients, with only one in five stating that they could unconditionally afford the fee.**

Another option for clients in debt is the Debt Arrangement Scheme (DAS), which gives debtors with disposable income the opportunity to repay their debts while being protected from additional interest and charges. Changes to the scheme in 2008 have made this option more accessible to debtors, but take-up of DAS remains low. Only around one in ten clients in the research had sufficient income to be able to access DAS.

The role of advice

Two thirds of clients had visited a bureau for advice on their debt issues prior to their current visit, showing that advice on debt issues is often a long process involving multiple advice visits. The majority of clients felt that advice relieves the stress and anxiety of debt and gives clients greater confidence and awareness of their rights and responsibilities. A minority of clients had concerns about waiting times and delays in getting appointments, but understood that this reflected the increase in demand that bureaux have experienced in the recent financial downturn.

Citizens Advice Scotland's proposals for change

There are a variety of ways in which clients try to cope with their debts, including personal coping strategies, legal remedies, and seeking advice. However, many personal strategies involve clients taking action that threatens their wellbeing, such as going without essentials, or making short term fixes that will only increase their debt problems later. It is therefore essential that there are legal remedies available for all vulnerable debtors, and that advice services are supported to help the increasing number of clients needing advice on their debts. In particular:

- **Lenders and policy makers should increase support for existing money advice services to address growing demand and to target these services at disadvantaged groups**
- **The Scottish Government should ensure that LILA and DAS are accessible to debtors who are stuck in a cycle of debt, and ensure that the £100 fee for LILA does not exclude the most vulnerable from help they urgently need.**



LILA can be a lifeline for clients, but the £100 fee is a barrier for many: *“Well, I had to scrape it up from the family! But they help(ed) me as far as that was concerned. I had a job getting the £100 right enough.”*

A client in the research talks about the benefits of advice: *“It’s ridiculous but it’s very liberating once you find out what your rights are, must be one of the good things about getting advice... Even having been in and spoke(n) to the adviser and found out exactly what was happening, it was just a sense of relief from there, you were just a bit clearer on things that would have worried you before that couldn’t happen, like bailiffs coming to your door.”*