



UNMANAGEABLE DEBT **FINANCIAL & DIFFICULTY**

**in the English and Welsh
Civil and Social Justice Survey**

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Unmanageable Debt and Financial Difficulty in the English and Welsh Civil & Social Justice Survey

Report for the Money Advice Trust

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ABSTRACT

The following report uses three years of data from the English and Welsh Civil and Social Justice Survey (CSJS), a face-to-face household survey of people's experience of and response to rights problems, to examine respondents who reported problems associated with unmanageable debt and financial difficulty. The research was commissioned by the Money Advice Trust with the aim of enriching and supporting existing research regarding people in debt, with reference to advice-seeking strategies, impact of debt problems, and the interrelationship between debt and other problems.

282 CSJS respondents reported problems with debt or financial difficulty, equating to 2.7 percent of all respondents. However, prevalence of debt/financial problems was not equally distributed, with younger respondents, those in receipt of benefits, those in rented accommodation, cohabitants and particularly, unemployed respondents, those with mental health problems and lone parents all far more likely to report problems. Of particular interest in the current recession, becoming unemployed or being sacked or made redundant were also related to large increases in reporting of debt/financial difficulties.

It was common for those reporting debt/financial difficulty to also report other rights problems (only a quarter reported a single problem and fourteen percent reported five or more), with multiple problems more likely than those with other problems such as consumer, employment or welfare benefits issues. Those with debt/financial problems reported very high rates of other problem categories, including neighbours, consumer, personal injury, employment and a broad range of family issues.

Response to debt/financial issues was characterised by a relatively high percentage handling the problem alone (around forty percent) and a low percentage doing nothing (around four percent). Advice was obtained for just under a half of all problems. Just over ten percent of those with debt/financial problems tried self-help materials such as leaflets, booklets or books, while almost a quarter tried the Internet (higher than the fifteen percent for all other problems and comparable to those faced with employment issues). Citizens Advice Bureaux were by far the most common source of advice for debt/financial problems, being tried in a quarter of all problems (compared to eight percent for other problems), with 'other advice agencies' also overrepresented (seven percent vs. two percent elsewhere). In addition twelve percent of those with debt/financial problems tried their local council and eleven percent a solicitor. In terms of success with advisers, those with debt/financial problems were somewhat less successful than those with other problems in obtaining all they needed from a solicitor, but somewhat more successful when using a CAB or 'other advice agency' (the two advisers which were overrepresented for debt/financial problems). Where advice was sought for debt/financial problems, the majority of respondents (just over seventy percent) used a single adviser, with just over twenty percent using two advisers.

Around half of first contact with advisers for debt/financial problems was made over the telephone and around a third in person. When it came to trying to obtain advice, over half was in person and around forty percent by telephone, with some use of advice by post and over the Internet. Interestingly, while based on small numbers, ninety percent of both those who obtained advice in person and by telephone suggested they would not have preferred the other mode of contact. In the case of telephone advice, this satisfaction with the mode of contact was higher than for other problems (around sixty percent). There was also a generally high level of satisfaction with advice among those with debt/financial problems, with almost eighty percent

suggesting they would definitely recommend the adviser to others, and over eighty percent feeling that advice had brought about a better result (compared to less than sixty percent for other problems). In addition, over forty percent of those with debt/financial problems felt that advice had led to improvements in levels of stress (compared to around a quarter for other problems), with twelve percent also suggesting it had led to an increase in confidence.

Debt/financial problems typically lasted longer than other rights problems. Of the problems that had concluded, debt/financial problems lasted an average of just over eleven months (median of seven months) compared to just under nine months (median of four months) for all other problems. Moreover, even after three years, 49.3 percent of over-indebtedness problems were still on-going compared to 37.5 percent of other housing, 27.2 percent of welfare benefits, 17.8 percent of employment and 5.4 percent of consumer problems. Of those problems that did finish, a high percentage of debt/financial problems ended through agreement with the other side (around two-thirds), with just over ten percent ending through a court or tribunal.

Around a third of main survey respondents with debt/financial problems suggested that they regretted how the problem was handled, while around seventy percent felt that they did not know their rights at the time of the problem. The report illustrates some of the responses to what respondents wish they had known. A range of adverse consequences also stemmed from debt/financial problems, with a high percentage reporting suffering from stress related ill-health (around forty percent). Around seventeen percent also reported a loss of confidence, twelve percent a loss of income, ten percent physical ill-health and six percent relationship breakdown. Around half of those reporting stress related ill-health sought treatment, with the majority of this from general practitioners. The reports findings end with case studies giving detailed accounts of the experiences of two respondents reporting debt/financial problems.

The final section provides a discussion on the findings presented. In particular, it highlights the relevance of findings to the development of advice and support services, and to the financial capability agenda. There is also discussion about the part financial services themselves have to play. The discussion draws on the existing literature on over-indebtedness, highlighting synergies and departures in findings.

1. INTRODUCTION

The growth in personal and household debt, particularly since the mid 1990's, is now a well established phenomenon. The current amount of personal debt within the United Kingdom stands at an all time high of £1.4 trillion¹. Since exceeding the trillion pound benchmark in 2004, the level of household debt has often been used to decry the fragility of State and personal finances². However, this is often an oversimplification. For many, debt is well a managed mechanism by which individuals and households can acquire homes, cars and other commodities that many would not ordinarily be able to afford without mortgages or other financing arrangements.

However, for a significant minority of people, debt can be a relentless burden, as stressed by the Ministerial Group on Over-indebtedness: "The individual costs of over-indebtedness can be substantial, including loss of the family home, depression and relationship breakdown. Debt is linked with both poverty and social exclusion" (Department for Trade and Industry & Department for Work and Pensions 2004, p1).

The Government's own strategic priorities are aimed at firstly, minimising the number of consumers becoming over-indebted, and secondly, improving the support and processes for those for whom debt has become a problem (Department for Trade and Industry & Department for Work and Pensions 2004).

Using data from the English and Welsh Civil and Social Justice Survey (CSJS), this paper specifically looks at the latter priority. In doing so, it attempts to identify those groups for whom debt has become a problem, and considers whether particular populations are more or less vulnerable to becoming over indebted than others. Further, it seeks to understand how problems manifest and identifies possible triggers and consequences that are characteristic of over-indebtedness problems. Finally, attention is given to the response to such problems and their outcomes.

This current paper is written on the behalf of the Money Advice Trust (MAT) to enrich and support existing research regarding people in debt, with reference to advice-seeking strategies, impact of debt problems, and the interrelationship between debt and other problems. Specifically, the Legal Services Research Centre (LSRC) was asked to examine the following areas:

- Drivers for seeking advice on debt-related problems
- Assessment of influence of demographic or socio-economic factors and different debt types on:
 - a) degree of impact of debt problems, and
 - b) ability to access of advice
- Assessment of people's knowledge of rights and processes when encountering a money/debt problem
- How people retrospectively viewed their advice seeking strategy in terms of what they had wished they had known, whether they wish they had acted differently and why
- Investigation into the wider impacts of debt problems (eg, ill-health, loss of home, relationship breakdown etc)
- Consideration of how money/debt problems interact with other problems.

¹ Office for National Statistics "United Kingdom Economic Accounts." It should be noted that in recent months a slight decline in household debt has been noted.

² Daily Mail "British debt hits £1trillion" 29 July 2004

The following section describes the research methodology and provides some background on the CSJS. Results from analysis of the CSJS are set out in section three which also provides two case studies based on survey respondents who both experienced an unmanageable debt or financial difficulty. Finally section 4 provides a discussion of CSJS findings, where it fits within the broader literature on the subject, and the implications of the research.

2. METHODS

2.1 The English and Welsh Civil and Social Justice Survey (CSJS)

Data in the present study come from the English and Welsh Civil and Social Justice Survey (CSJS). The CSJS, a nationally representative survey of the adult population of England and Wales, provides detailed information on the nature, pattern and impact of people's experience of rights problems and the use and success of problem resolution strategies (Pleasence, 2006³). The CSJS is a substantially developed form of Genn's (1999) landmark *Paths to Justice* survey.

The CSJS sample was drawn by randomly selecting residential addresses from 504 postcode sectors, spread throughout England and Wales. In total, 10,537 adult respondents (aged 18 years or older), living in 6,234 households, were interviewed face-to-face in their own homes between January 2006 and January 2009⁴. All interviews were arranged and conducted by BMRB Social Research. The mean interview duration was 25 minutes, though interviews could be considerably longer if rights problems were identified.

All respondents completed a screening interview, where they were asked if they had experienced a problem, in the three years to the date of interview, that had been 'difficult to solve' in each of eighteen distinct problem categories. For the two most recent problems identified in each category, respondents were asked (if necessary⁵) to indicate the nature of the problem and specify whether, and from where, they had sought advice about them. The interview was carefully constructed to limit the problems reported to those to which legal principles can be applied. Problem categories are listed in Table 1, along with examples of the 106 constituent problem types and the proportion of respondents reporting having experienced one or more problems within each category.

Table 1. Percentage and number of survey respondents reporting one or more problem in each problem category, along with examples of constituent problem types.

Problem Category	Example	%	N
Consumer	Faulty goods/services (e.g. building work)	12.4	1306
Neighbours	Anti-social behaviour	8.1	851
Money/debt	Severe money difficulties, disputed bills	5.8	611
Employment	Sacking/redundancy, terms employment	4.9	520
Negligent accidents	Road accidents, workplace accidents	3.6	377
Housing (renting)	Unfit housing, lease terms, rent arrears	3.0	317
Welfare benefits	Entitlement to/quantification of benefits	3.0	312

³ Pleasence, 2006 refers to the data collected in 2004. The present report uses more recent continuous CSJS data (2006-2009). A broad range of papers have been published using this data, including a technical report (Hanson & Sullivan, 2009) which includes the CSJS survey questions. For further details see www.lsrc.org.uk.

⁴ The household response rate was 78 percent (83 percent where successful contact was made with an adult occupant), and the cumulative eligible adult response rate was 58 percent.

⁵ Using 'show cards' listing detailed problem descriptions.

Divorce	-	2.0	214
Discrimination	Disability discrimination, race discrimination	2.0	214
Housing (owning)	Boundaries/rights of way, mortgage arrears	1.9	198
Relationship breakdown	Residence/care of children, division of assets	1.8	191
Clinical negligence	Negligent medical or dental treatment	1.7	178
Children	School exclusion, choice of school	1.4	152
Housing (homelessness)	Experience/threat of homelessness	1.3	132
Unfair police treatment	Assault, unreasonable detention by police	0.9	93
Domestic violence	Violence against respondent/children	0.8	88
Immigration	Obtaining authority to remain in the UK	0.3	32
Mental health	Conditions of/care after hospital discharge	0.3	29

All respondents were asked for a wide range of information about themselves and the household in which they resided. Detailed information was also collected on how respondents dealt with problems, including details of adverse consequences suffered as a result of problems (e.g. stress-related ill health).

If a respondent had experienced at least one problem, he or she progressed to a follow-up (or main) interview, which addressed further aspects of a single problem drawn from those identified through the screening interview. This follow-up section included a short series of questions designed to examine issues relevant to public legal education. These questions asked respondents about whether they felt they had knowledge of their rights and of appropriate processes, whether they knew how to use processes, whether there was anything they wish they had known at the time of the problem and whether they felt they could have dealt with the problem sooner.

Throughout the report, analysis was weighted for non-response (i.e. acknowledging that some groups were slightly more or less likely to participate). Weighting is designed to return the profile of the survey respondents (in age and gender) to that of the population of England and Wales⁶.

2.2 Defining unmanageable debt and financial difficulty

The Money Advice Trust used CSJS problem subcategories to define a subset of debt/finance problems of interest. These were;

From the money/debt category:

- Unreasonable harassment by creditors
- Severe difficulties managing money
- Being threatened with legal action to recover money owed
- Having a county court judgment
- Repeated penalty charges by banks or utilities.

From owned housing category:

- Repossession of the home
- Being several mortgage payments in arrears

⁶ Note, that while whole numbers are presented in tables, the weighted figure could be marginally larger or smaller (e.g. 45.3 would be rounded to 45). Calculations of percentages in tables use the weighted figures and as a result may differ very slightly from values if percentages are calculated by hand from the rounded figures presented.

From the rented housing category:

Being several rent payments in arrears (from the 'rented housing' category).

For the purpose of analyses, these problems are typically referred to as debt/financial problems and are compared to 'all other problems' as well as some specific problem categories of interest (consumer, welfare benefits, employment, other housing⁷).

3. RESULTS

3.1 Experience of unmanageable debt and financial difficulty

282 of 10,537 survey respondents (2.7%) reported one or more problem with unmanageable debt or financial difficulty⁸.

3.1.1 Who reports unmanageable debt and financial difficulty?

Table 2 illustrates which demographic groups were more or less likely to experience unmanageable debt and financial difficulty.

Table 2. Experience of unmanageable debt/financial difficulties by a range of social and demographic factors.

Demographic	Level	Debt/financial problem(s)			
		No		Yes	
		N	Row %	N	Row %
Gender	Female	5274	97.5%	133	2.5%
	Male	4980	97.1%	149	2.9%
Ethnicity	White	9443	97.3%	261	2.7%
	Black	197	97.2%	6	2.8%
	Asian	464	98.0%	10	2.0%
	Other	151	96.2%	6	3.8%
Housing type	Detached	2710	98.1%	52	1.9%
	Semi	3603	97.3%	102	2.7%
	Terrace	2757	97.0%	85	3.0%
	Flat	1185	96.5%	43	3.5%
Motorised transport	No	2203	96.9%	71	3.1%
	Yes	8051	97.4%	211	2.6%
Family type	Married couple, children	2031	97.3%	56	2.7%
	Married couple no children	3657	98.8%	46	1.2%
	Lone parent	440	90.5%	46	9.5%
	Single no children	3024	97.3%	83	2.7%
	Cohabiting, children	362	94.7%	20	5.3%
	Cohabiting, no children	741	96.0%	31	4.0%
Tenure	Own	3035	99.2%	23	.8%
	Mortgage	3886	97.7%	90	2.3%

⁷ Comparison problem types were chosen following discussion with Money Advice Trust. For the purposes of comparison, an 'other housing' category was constructed. For problem level analyses, it is any housing problem (owned or rented) other than those specified in the debt/financial difficulty problem definition. For person level analyses, it is any respondent reporting a housing problem but not reporting a debt/financial difficulty problem.

⁸ As defined in section 2.2. Where analysis was at a problem rather than a person level, 303 debt/financial problems were available. 154 debt/financial problems progressed to a main interview (as described in section 2.1).

	Public sector rent	1464	95.4%	70	4.6%
	Private sector rent	1226	93.8%	81	6.2%
	Rent free	619	97.3%	17	2.7%
Illness/disability	No	7690	97.4%	203	2.6%
	Yes	2564	97.0%	79	3.0%
Mental health problem	Yes	1259	92.2%	107	7.8%
	No	6315	98.1%	125	1.9%
Academic quals.	None	2744	98.4%	43	1.6%
	GCSEs or higher	7511	96.9%	239	3.1%
Means tested benefits	No	7684	97.8%	169	2.2%
	Yes	2571	95.8%	113	4.2%
Age group	18-24	1227	96.7%	41	3.3%
	25-34	1677	95.6%	76	4.4%
	35-44	1933	96.4%	73	3.6%
	45-59	2543	97.6%	64	2.4%
	60-74	2012	98.8%	24	1.2%
	75+	854	99.6%	4	.4%
Income	<£10k p.a.	2796	97.2%	81	2.8%
	All others	6321	97.4%	168	2.6%
	>£50k p.a.	1137	97.2%	33	2.8%
Victim of crime	No	8191	97.6%	197	2.4%
	Yes	2064	96.1%	85	3.9%
Employment status	Full-time	4214	96.8%	139	3.2%
	Part-time	1163	97.3%	32	2.7%
	Self-employed	592	96.7%	20	3.3%
	Unemployed	245	92.8%	19	7.2%
	In education	442	98.0%	9	2.0%
	Sick	462	97.0%	14	3.0%
	Home/care	836	96.4%	31	3.6%
	Retired	2267	99.2%	17	.8%
	Other	33	100.0%	0	.0%

As can be seen in Table 2, those in detached houses were less likely to experience debt problems (1.9%) with the same being said for those who owned their own house free of mortgage (0.8%). In comparison, those individuals residing in a flat (3.5%) as well as those who were public and private sector renters (4.6% and 6.2% respectively) were far more likely to report debt and financial difficulty. Compared to other family types, lone parents experienced a much higher incidence of debt and financial difficulty (9.5%). Elsewhere, there was a difference between those cohabiting with children and those married with children with 5.3 percent of cohabiting couples reporting debt/financial problems compared with 2.7 percent for married couples. In a similar vein, those cohabiting without children, when compared to those married without children demonstrated a sizeable difference (4% and 1.2% respectively). The fact that the marital status of a couple appears to have a greater impact than the presence of children within these couples, may in part reflect the age group of respondents. Cohabiting couples typically tend to be younger than married couples and as can be seen in Table 2, age was related to prevalence of debt problems. In reference to age, younger respondents (particularly 25-34 year olds) demonstrated the highest prevalence of debt problems, with those over 60 years of age least likely to experience debt problems. Respondents between the ages of 60-74 years reported debt problems at an incidence of 1.2 percent with this rate

decreasing as age increased, with only 0.4 percent of those over 75 years of age reporting debt problems. Those with mental health problems were far more likely to report debt problems than other respondents (7.8% compared to 1.9%). This figure is slightly higher than the figure reported by the ONS in 2002, which put the rate at which the mentally ill experience debt at almost three times that of the rest of the population (ONS 2002). Victims of crime were also somewhat more likely to experience debt (3.9% compared to 2.4% for non-victims). Interestingly, there were no clear differences in prevalence of debt problems by income. Those earning over £50,000 per year reported debt at the rate of 2.8 percent, the same rate at which those earning under £10,000 reported debt problems⁹. There was no significant disparity in the experience of debt/financial difficulties by gender.

3.1.2 Debt and difficulty and the interaction between age and health

Previous research using the CSJS has shown an interaction between age and health (long-term and illness/disability and mental health problems) in the experience of civil justice problems (Pleasence, Balmer & Buck, 2008; Pleasence & Balmer, 2009a). In both the case of mental health and long-term illness and disability, the difference in problem prevalence between those with and those without health problems was highest for younger age groups and in the case of long-term illness or disability, negligible for older respondents (i.e. over 60 years old). In the case of long-term illness or disability in particular, this showed the importance of controlling for age when looking at health to correctly gauge its impact (e.g. Pleasence et al., 2004).

For debt/financial problems, the picture was much the same as illustrated for long-term illness or disability by age (Figure 1) and mental health problems by age (Figure 2). Table 2 indicates that long-term illness or disability had relatively little impact on the prevalence of debt/financial problems (3.0% vs. 2.6%). However, long-term illness or disability is related to age, and age is related to problem prevalence. If we look at the relationship between illness or disability and debt/financial problems while accounting for age (Figure 1) we can see that for respondents who were younger than 60, long-term illness or disability is related to far higher problem prevalence. This effect was masked by looking at long-term illness or disability in isolation.

⁹ It should be noted, that compared to other demographics, income questions had a higher proportion of missing data/non-response.

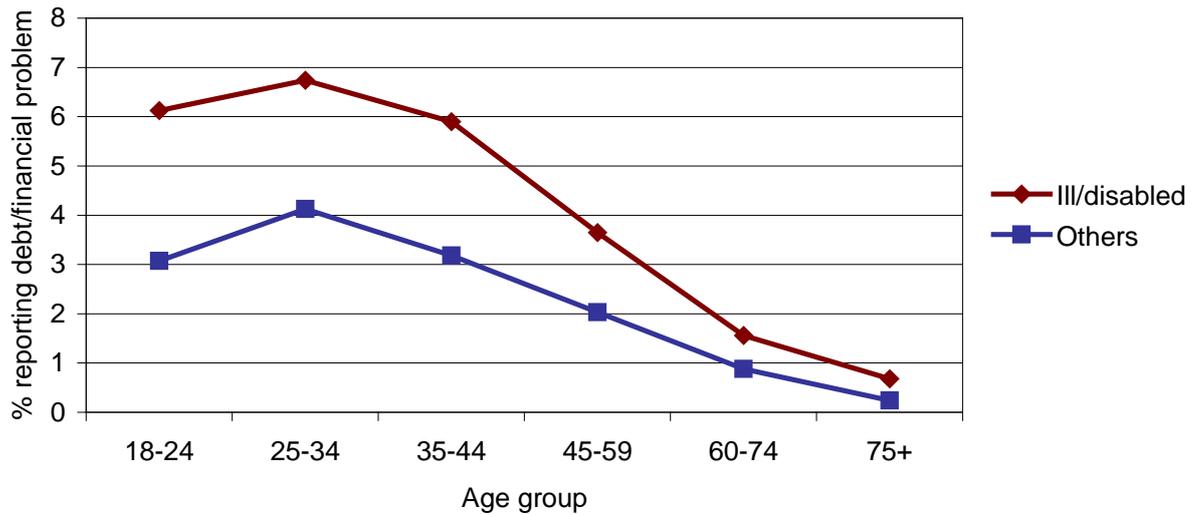


Figure 1. Prevalence of debt/financial problems by long-term illness or disability and age group.

In the case of mental health, a clear difference in problem prevalence remained, even when looking at whether or not respondents reported having mental health problems in isolation (see Table 2). However, as shown in Figure 2, the impact of mental health on prevalence of debt/financial problems was particularly great for younger age groups (18-44).

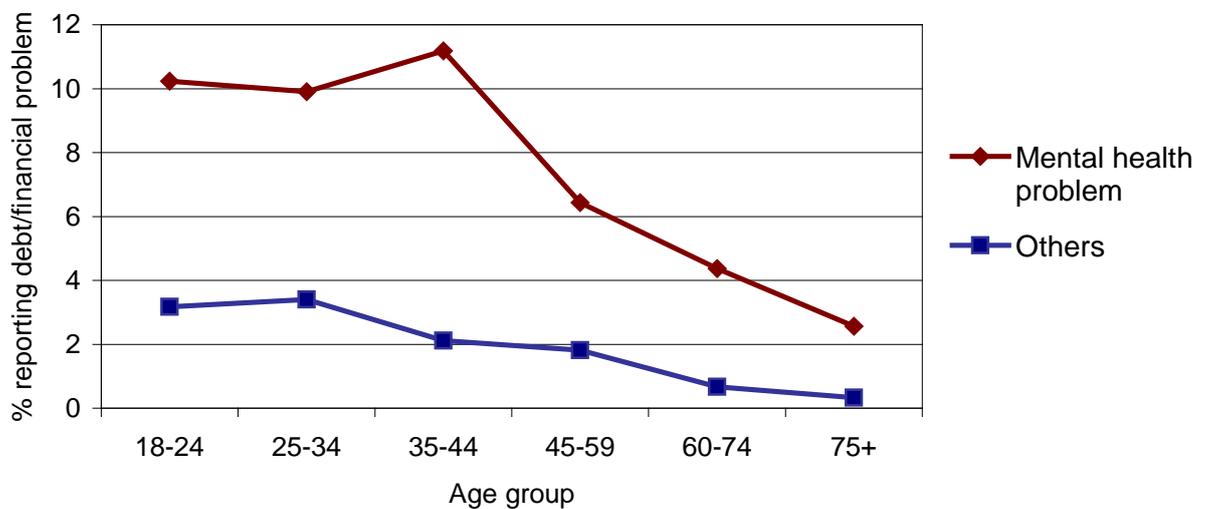


Figure 2. Prevalence of debt/financial problems by mental health problems and age group.

3.1.3 The Recession - Unemployment, sacking/redundancy and debt/financial difficulties

Current research undertaken by Pleasence and Balmer, has sought to utilise CSJS data as a tool with which to measure the impact of the recession on the experience of civil justice problems (e.g. Pleasence & Balmer, 2009b; Pleasence & Balmer, in press). Looking specifically at the impact of unemployment, becoming unemployed and being sacked or made redundant on a range of problem categories, Pleasence and Balmer (in press) note a correlation between these three employment

experiences and a broad range of civil justice problems. Not surprisingly, being unemployed, becoming unemployed and being sacked or made redundant were also related specifically to debt/financial problems as detailed in Table 3.

Table 3. Whether respondents were unemployed, became unemployed or were sacked/made redundant by experience of debt/financial problems

		No debt/financial problem		Debt/financial problem(s)	
		N	%	N	%
Sacked or made redundant	No	10134	97.5	265	2.5
	Yes	121	87.1	18	12.9
Became unemployed	No	10008	97.5	260	2.5
	Yes	246	91.4	23	8.6
Unemployed	No	10010	97.4	263	2.6
	Yes	245	92.8	19	7.2

As shown in Table 3, while both being or becoming unemployed were related to a large increase in the prevalence of debt/financial problems, the increase was clearly greatest where respondents were sacked or made redundant. 12.9 percent of those who were sacked or made redundant reported debt/financial problems compared to just 2.5 percent of other respondents. In light of the recession and the corresponding increase in the number of job losses and redundancies, an increased need for advice in relation to debt and financial problems can be expected.

3.1.4 Number of problems, and the interaction with other problems and life events

Overall, CSJS survey respondents reported a mean of 0.61 problems per respondent, or 1.71 problems per respondent for those with one or more problem. Those reporting debt/financial difficulties reported a mean of 2.82 problems (of any type) per respondents.

Respondents with debt/financial problems were very likely to have multiple civil justice problems and it was rare to report only one civil justice problem. Of 282 respondents with debt/financial problems, only 72 (25.5%) had only one problem, with 83 (29.4%) with two problems, 51 (18.1%) three problems, 36 (12.8%) four problems and 40 (14.2%) five or more problems.

Figure 3 contrasts the number of problems reported by those with money/debt problems with those reporting some other common problem categories (consumer, employment, other housing and welfare benefits). As can be seen, when compared to these other problem categories, those with debt/financial difficulties were least likely to have a single problem, and comparatively had a particularly high percentage in the 'four' and 'five or more' problem categories.

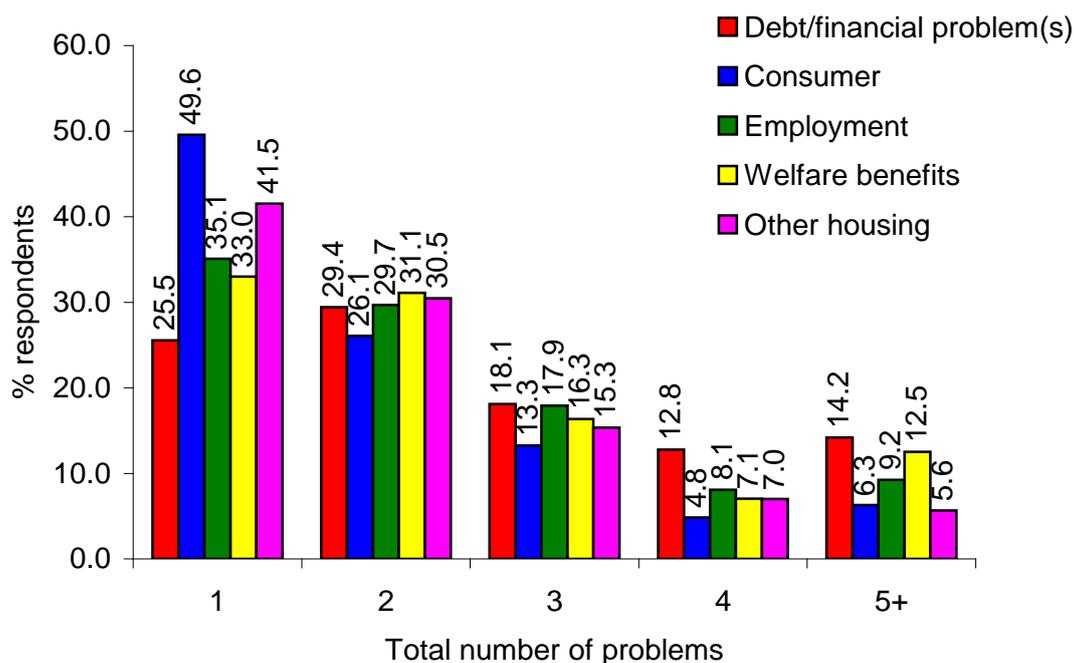


Figure 3. Total number of civil justice problems (of any kind) reported by those with debt/financial difficulties, contrasted with those with consumer, employment, welfare benefits and ‘other housing’ problems.

Table 4 shows the other problem types (using the broad categories shown in Table 1) reported by those with, and those without debt/financial difficulties¹⁰. For these two categories the table illustrates the number and percentage reporting each other problem category. Debt/financial difficulty was associated with a higher percentage of every other problem category, with especially stark differences for divorce, employment and particularly problems associated with relationship breakdown and mental health (despite number being very small). Over twenty percent of those with debt/financial difficulties also reported consumer and neighbours problems.

Table 4. Number and percentage reporting a range of civil justice problem categories among those with and those without problems with debt/financial difficulties.

Problem category	No debt/financial problem		Debt/financial problem(s)	
	N = 10255	%	N = 282	%
Discrimination	200	2.0	14	4.9
Consumer	1244	12.1	62	21.9
Employment	468	4.6	51	18.2
Neighbours	794	7.7	57	20.2
Welfare Benefits	286	2.8	26	9.4
Divorce	195	1.9	19	6.8
Relationship Breakdown	160	1.6	31	10.9
Domestic Violence	82	0.8	6	2.2
Children	139	1.4	13	4.5
Personal Injury	349	3.4	28	9.9
Clinical Negligence	164	1.6	14	4.8

¹⁰ Note that problem categories whose subcategories make up the debt/financial difficulty problems (i.e. money/debt, owned housing, rented housing, homelessness) were excluded from the table. It would be possible to make ‘other money/debt’, ‘other rented housing’ and ‘other owned housing’ categories, though this may understate any overlap.

Mental Health	24	0.2	5	1.7
Immigration	30	0.3	2	0.8
Police	86	0.8	7	2.6

3.2 Response to unmanageable debt and financial difficulty

3.2.1 Problem solving strategies and who adopts which strategy

There were 303 problems concerning debt and financial difficulties among the 6,115 problems in the CSJS problem level dataset. Of these 303 problems, for 12 (4.0%) respondents did nothing, for 125 (41.3%) they handled the problem alone, advice was obtained for 149 (49.2%) with 2 (0.7%) trying but failing to obtain advice and 15 (5.0%) trying and failing to obtain advice and handling the problem alone.

Compared to all other problems, debt/financial problems were characterised by a particularly high percentage handling alone and a particularly low percentage doing nothing. This is illustrated in Figure 4.

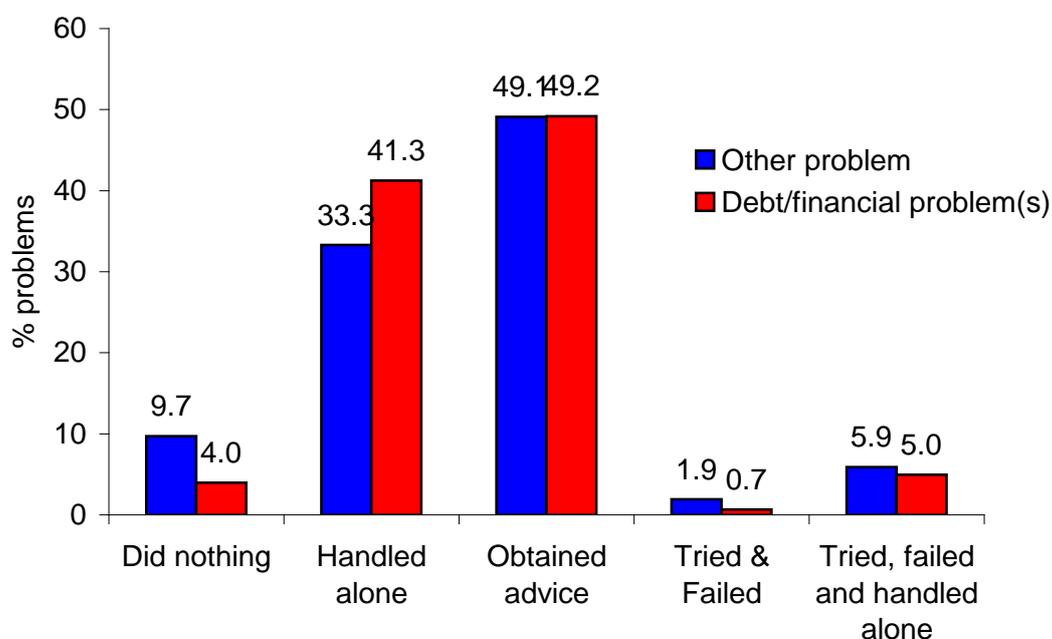


Figure 4. Broad problem solving strategy adopted for debt/financial problems and all other CSJS problems.

Figure 5 sets broad strategy adopted for debt/financial problems alongside some common problem categories (other housing problems, employment, welfare benefits and consumer). Due to very small numbers of respondents solely trying and failing to obtain advice, such responses were collapsed into the 'tried, failed and handled alone' category. Debt/financial problems and welfare benefits had fairly similar percentages adopting each strategy, while consumer had a particularly high percentage handling alone and employment had a high percentage obtaining advice.

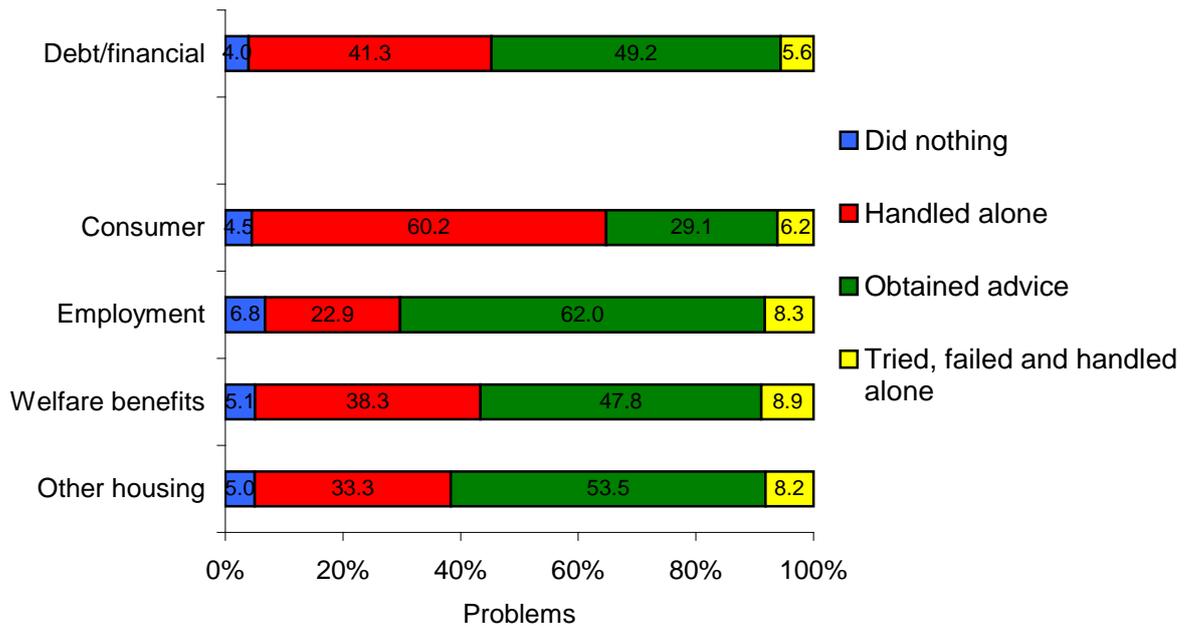


Figure 5. Broad problem solving strategy adopted for debt/financial, other housing, employment, welfare benefits and consumer problems.

3.2.2 Self-help and the Internet

Respondents were asked whether or not they had tried to use a 'leaflet, booklet or book' or the Internet to obtain information to resolve their problem. Respondents tried a 'leaflet, booklet or book' for 33 of 303 debt/financial problems (10.9%). This was somewhat higher than the 8.1 percent observed for all other problems. Of the 33 trying a 'leaflet, booklet or book', 13 (39.4%) suggested that they obtained 'all the information they needed', 18 (54.5%) 'some of the information needed' and 2 (6.1%) 'none of the information needed'¹¹. Figure 6 compares use of (and success with) self-help materials for debt/financial problems, alongside some other common problem categories.

¹¹ This was broadly comparable to 'other' problems, where 34.3% obtained 'all', 57.1% 'some' and 8.5% 'none' of the information needed.

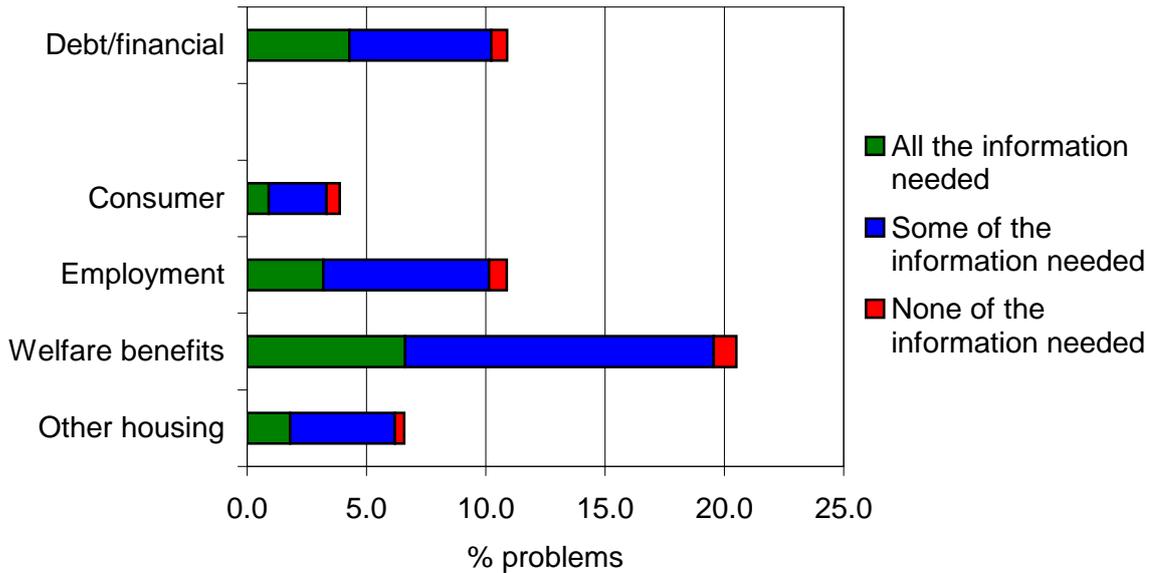


Figure 6. Use of (and success with) leaflets, booklets or books to obtain information to resolve problems.

Respondents were also asked whether or not they had tried to use the Internet to obtain information to resolve their problem. Respondents tried the Internet for 73 of 303 debt/financial problems (24.0%). This was substantially higher than the 15.4 percent observed for all other problems. Of the 73 trying a 'leaflet, booklet or book', 28 (38.4%) suggested that they obtained 'all the information they needed', 36 (49.3%) 'some of the information needed' and 9 (12.3%) 'none of the information needed'¹². Figure 7 compares use of (and success with) the Internet for debt/financial problems, alongside some other common problem types. As can be seen, use of the Internet for debt/financial problems was comparable to employment problems but higher than consumer and particularly welfare benefits and other housing problems. Of those using the Internet for the problem categories in Figure 7, debt/financial problems had the highest percentage obtaining 'all the information' needed (38.4%), especially when compared to welfare benefits problems (22.7%).

¹² Debt/financial problems where respondents used the Internet had a slightly higher percentage obtaining 'all the information' needed when compared to 'other' problems (30.9% 'all', 55.7% 'some' and 12.9% 'none' of the information needed).

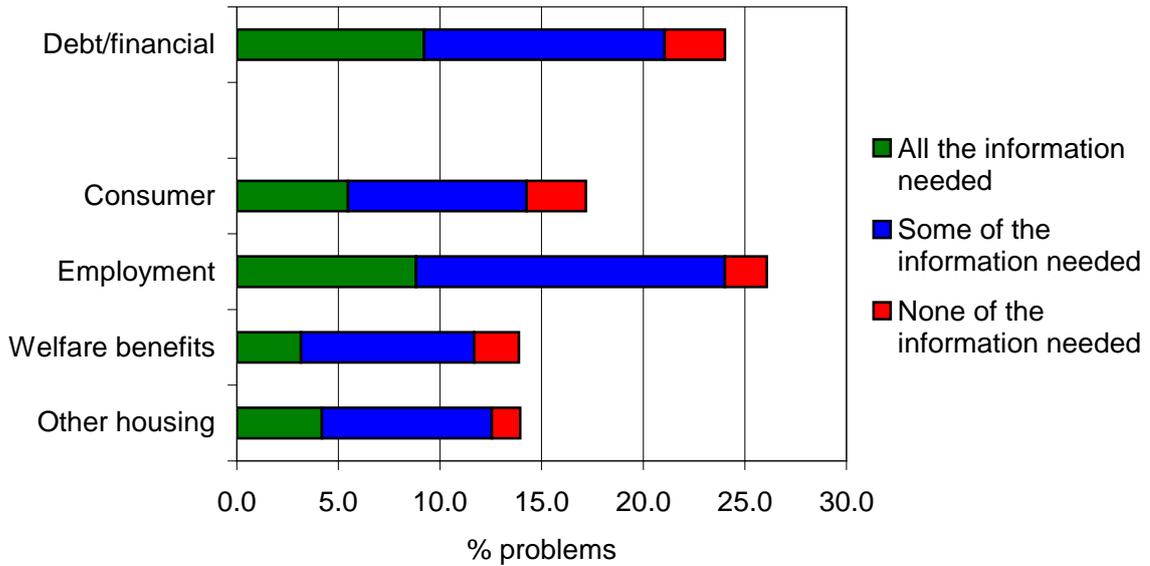


Figure 7. Use of (and success with) the Internet obtain information to resolve problems.

To further investigate use of the Internet, additional questions were added to the CSJS in the final year of the survey. The questions asked what respondents were trying to obtain from the Internet and what they actually obtained. Since the questions only covered a single year and this report deals with a specific subset of problems, numbers of responses were small (31 debt/financial problems had answers for these questions) and findings should be treated with some caution. Nonetheless, Figure 8 contrasts what respondents with these 31 problems wanted from the Internet and what they obtained.

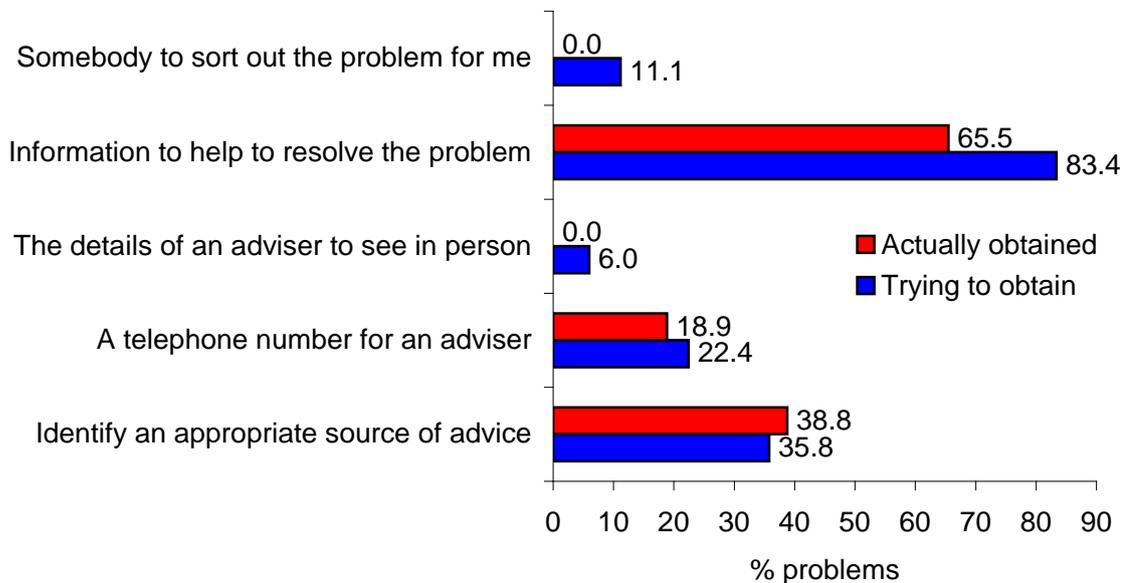


Figure 8. What respondents with debt/financial problems (n=31) wanted from the Internet and what they obtained.

3.2.3 Use of advice

Table 5 shows all advisers tried for debt/financial problems, alongside all other civil justice problems using quite detailed adviser categories. Citizens Advice Bureaux were clearly the most common source of advice for those reporting debt/financial difficulty, accounting for almost a quarter of all problems compared to just 7.9 percent for other civil justice problems. Beyond Citizens Advice Bureaux, 11.2 percent tried a solicitor, which was broadly comparable to other problems and a number of respondents tried the council (12.2% compared to 15.3% for other problems if all council departments (the top four rows of Table 5) are combined). Respondents with debt/financial problems were also more likely to use other advice agencies with 7.9 percent doing so, compared to 2.5 percent of other problems (if law centres and other advice agencies are combined). Of the forty who tried an 'other person or organisation', ten tried a financial institution, nine a commercial organisation (not an advice agency), three some other government department, two a charity/consumer group, two an accountant and one for each of education body, regulatory body, media and ombudsman. The ten trying a financial institution represented 3.3 percent of debt/financial problems. This compared to 0.7 percent of all other problems.

Table 5. Advisers tried for debt/financial and all other problems

	Other problem		Debt/financial problem(s)	
	N = 5806		N = 303	
General enquiries at your local council	281	4.8%	15	5.0%
Council advice service	150	2.6%	7	2.1%
Trading Standards	159	2.7%	7	2.3%
Other council department	392	6.8%	9	3.1%
Citizens Advice Bureau	461	7.9%	75	24.8%
Law centre	30	0.5%	4	1.4%
Other advice agency	118	2.0%	20	6.7%
Trade union/Professional body	218	3.8%	2	0.6%
Solicitor	777	13.4%	34	11.2%
Barrister	44	0.8%	1	0.3%
Police	502	8.6%	4	1.2%
Employer	243	4.2%	3	1.2%
Insurance company	189	3.3%	4	1.3%
Doctor or other health worker	336	5.8%	2	0.6%
Jobcentre	67	1.2%	2	0.6%
Social worker	77	1.3%	0	0.0%
MP or local councillor	122	2.1%	3	1.0%
Other person or organisation	802	13.8%	40	13.3%

Figure 9 uses more general adviser categories to illustrate advisers tried for debt/financial and other common problem categories. Debt/financial problems had by far the highest percentage using CABx and the highest percentage using other advice agencies.

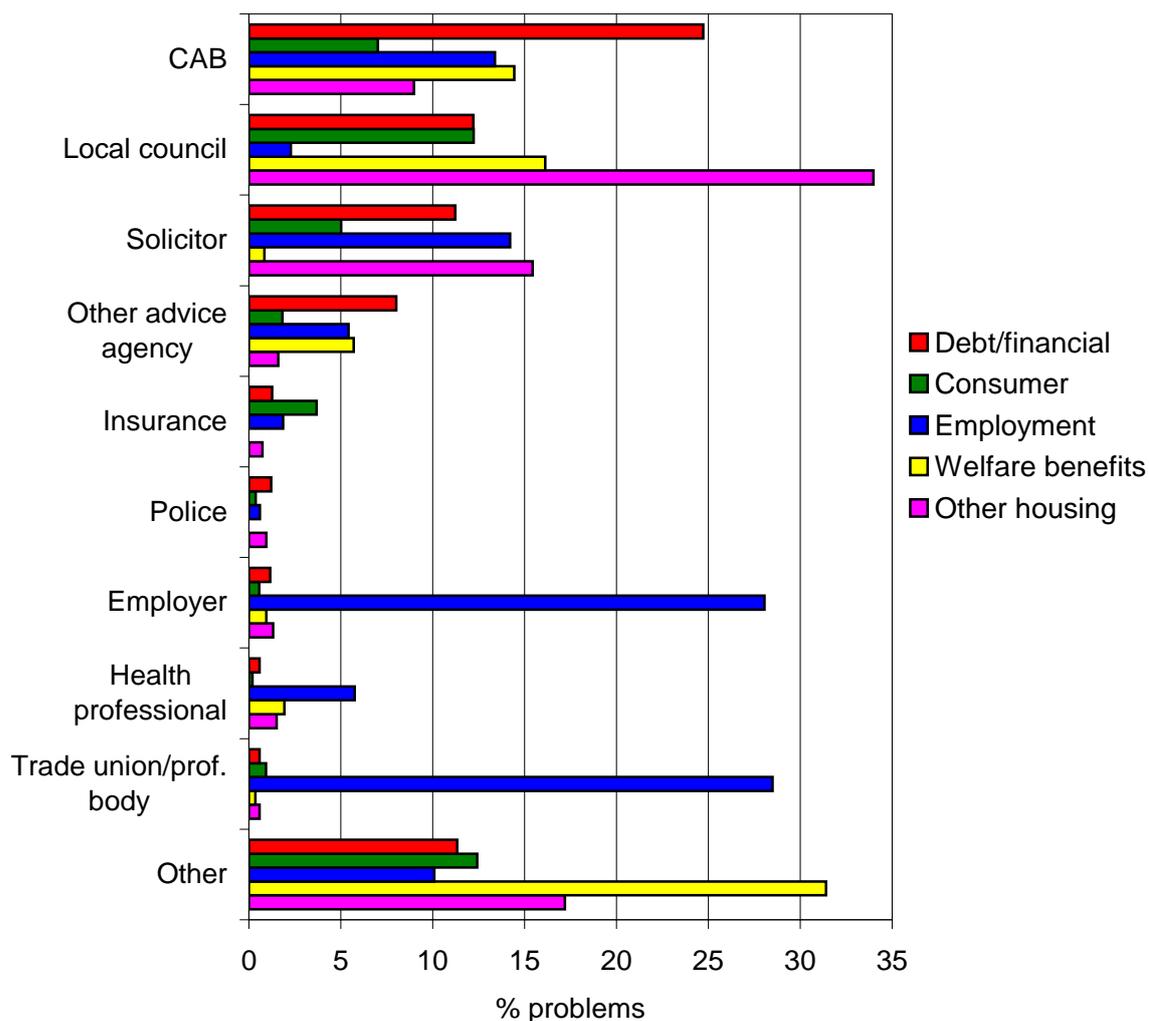


Figure 9. Advisers tried for debt/financial problems and a range of other common problem categories.

For each type of adviser respondents tried, they were asked whether or not they were able to obtain all of the information or advice needed. Table 6 shows the success of respondents with debt/financial problems by adviser type. Evidently numbers were small for the majority of advisers, though the table gives an impression of the extent to which advisers met respondent's needs.

Table 6. Whether or not respondents were able to obtain all of the information or advice needed for debt/financial problems by adviser type.

Adviser	Whether able to obtain all the information/advice needed					
	All		Some		None	
	N	%	N	%	N	%
General enquiries at your local council	5	36.0%	6	39.0%	4	25.0%
Council advice service	4	80.6%	1	19.4%	0	0.0%
Trading Standards	3	43.4%	3	43.2%	1	13.5%
Other council department	3	31.8%	4	47.4%	2	20.8%
Citizens Advice Bureau	37	49.0%	30	40.7%	8	10.4%
Law centre	3	74.9%	1	25.1%	0	0.0%
Other advice agency	7	50.0%	4	29.3%	3	20.6%

Trade union/Professional body	0	0.0%	2	100%	0	0.0%
Solicitor	18	52.5%	10	30.3%	6	17.1%
Barrister	1	100%	0	0.0%	0	0.0%
Police	2	65.8%	0	0.0%	1	34.2%
Employer	1	42.6%	2	57.4%	0	0.0%
Insurance company	2	45.9%	1	32.7%	1	21.4%
Doctor or other health worker	2	100%	0	0.0%	0	0.0%
Jobcentre	2	100%	0	0.0%	0	0.0%
Social worker	0	-	0	-	0	-
MP or local councillor	1	37.1%	1	31.5%	1	31.4%
Other person or organisation	21	52.7%	12	29.4%	7	17.8%

Figure 10 shows the extent to which the four most common general adviser types met respondent's needs for debt/financial and other problems. The rate of success experienced by those who sought advice from their council, was slightly lower than other adviser types, but was comparable between debt/financial and 'other problems'. The advice sources demonstrating greatest discrepancy in use between debt/financial and other problems (CAB and other advice agency, see Figure 9) also appeared to have greater rates of success for debt/financial problems. Finally, those with debt/financial problems using a solicitor were somewhat less successful in obtaining what they needed than other respondents using a solicitor.

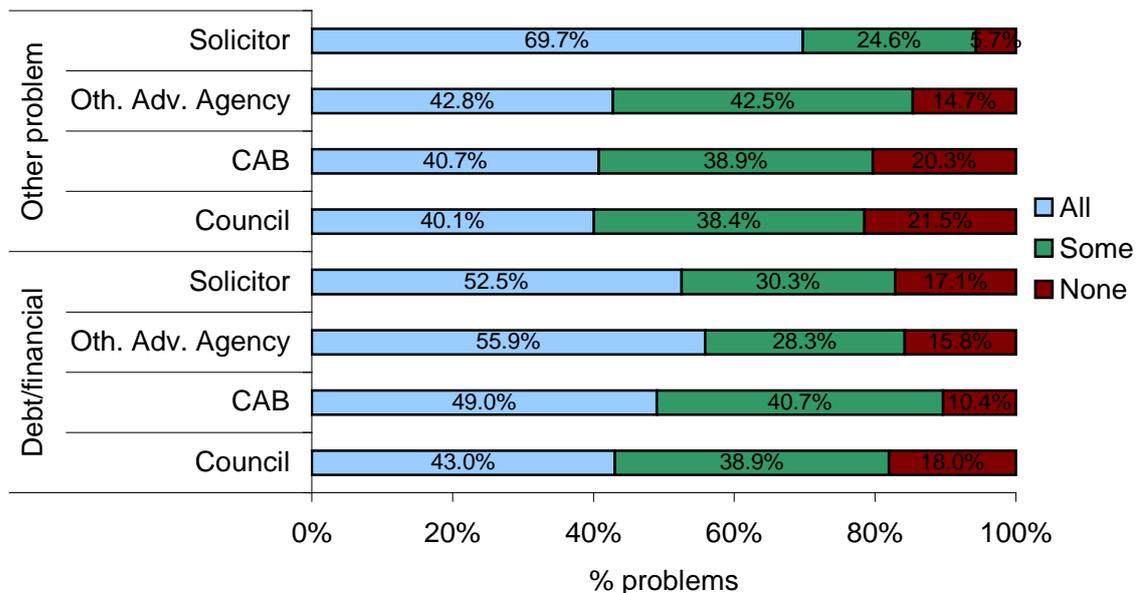


Figure 10. Whether or not respondents were able to obtain all of the information or advice needed for debt/financial and all other problems.

3.2.3.1 Number of advisers

Figure 11 shows number of advisers used (of those using one or more advisers) for debt/financial and a range of common problem categories. Where those with debt/financial problems sought advice, they typically tried a single type of adviser (70.9%). Around three out of ten tried more than one type of adviser, which was broadly comparable to those with welfare benefits or 'other housing' problems. In contrast, those with consumer problems were slightly more likely to use a single adviser, with multiple advisers more common for employment problems.

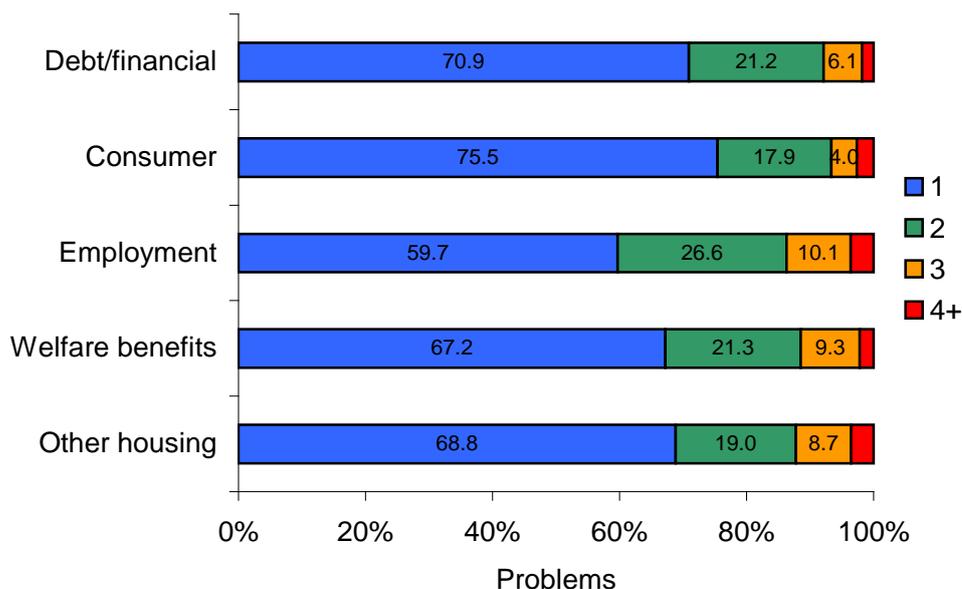


Figure 11. Number of types of adviser tried for debt/financial and some other common problem of those trying at least one adviser¹³.

3.2.3.2 Mode of contact and advice

The main survey of the CSJS asked respondents who obtained advice, a range of questions on their initial mode of contact, and the mode of contact they used to actually obtain advice. Looking at responses to these questions means that the dataset is restricted to debt/financial problems where respondents obtained advice and which progressed to the main interview, which results in a fairly small pool of problems. Nonetheless, this section aims to show how these respondents obtained advice for debt/financial and all other problems. Where numbers are small, findings should be interpreted with some caution.

Table 7 shows how respondents first made contact with advisers for debt/financial and all other main survey problems, split into first advisers and all subsequent advice. As shown, respondents used the telephone to make contact with advisers just over half of the time, with around a third first contacting advisers face-to-face. Differences in method used to contact advisers between debt/financial and other problems was fairly small.

Table 7. How respondents made contact with first advisers and subsequent advisers (data for 2nd, 3rd and 4th combined) for debt/financial and all other problems.

	Mode of contact (1st adviser)				Mode of contact (other advisers)			
	Other problem		Debt/financial problem		Other problem		Debt/financial problem	
Mode	N	%	N	%	N	%	N	%
In person	465	37.4	18	28.6	212	34.9	10	38.5
Telephone	650	52.3	35	55.6	304	50.1	14	53.8
Post	43	3.5	2	3.2	24	4.0	0	0.0
Email/Internet	28	2.3	5	7.9	18	3.0	1	3.8
Through	51	4.1	3	4.8	46	7.6	0	0.0

¹³ Note, that percentage was not included for the '4+' category because of lack of space, but can easily be calculated from the other values.

someone else								
Other	5	0.4	0	0.0	3	0.5	1	3.8

Questions about how contact with advisers was made were followed by questions about the mode used to try and obtain advice or information. While numbers were relatively small for debt/financial problems (n = 63) as can be seen in Figure 12, there was slightly less advice in person and slightly more advice over email/Internet for debt/financial problems. Figure 13 shows similar output for second, third and fourth advisers, though it is based on only 28 acts of advice for debt/financial problems and should be interpreted with care.

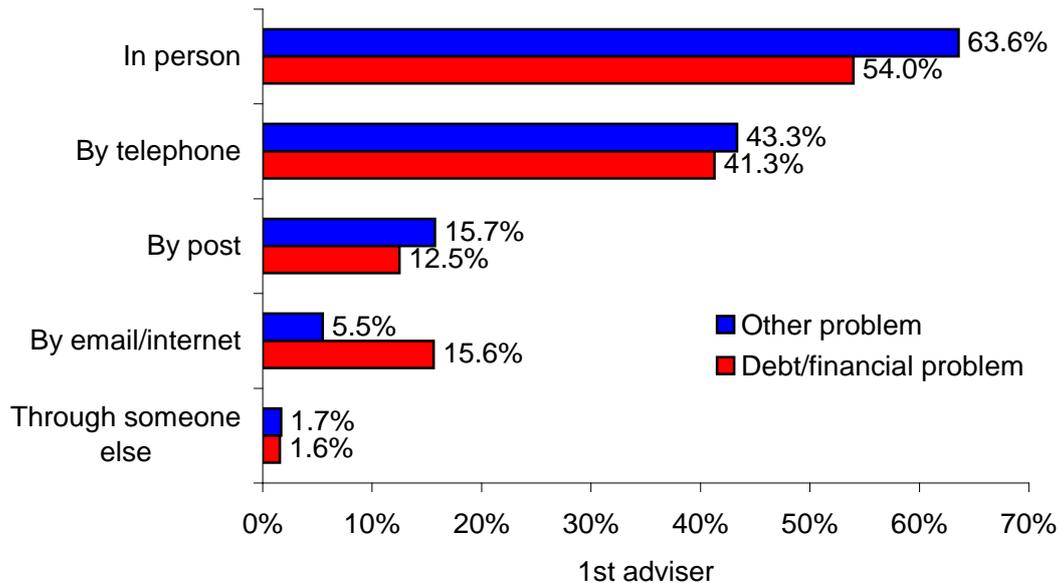


Figure 12. Mode used by respondents to try and obtain advice/information from first advisers for debt/financial and other main survey problems (n = 63 for debt/financial problems).

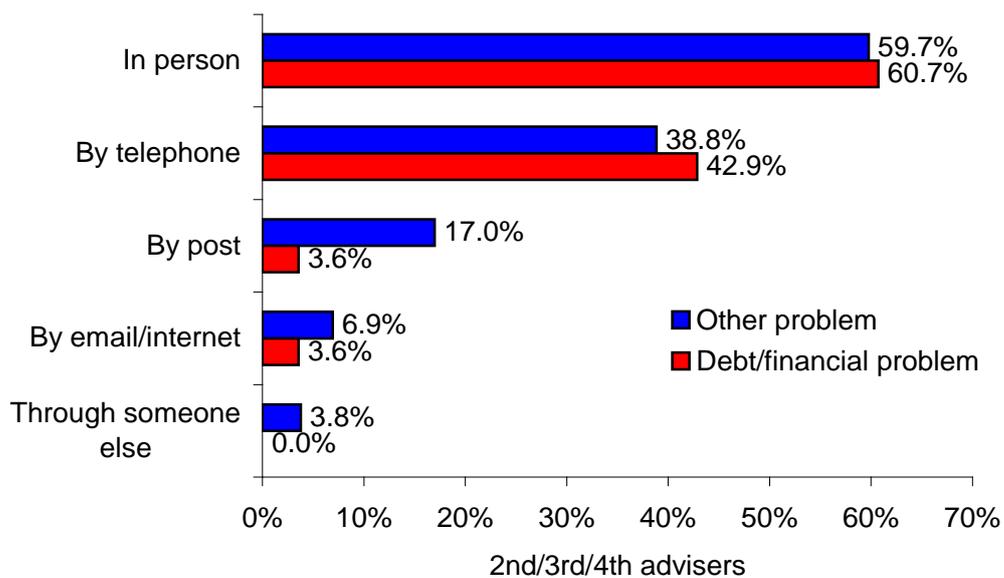


Figure 13. Mode used by respondents to try and obtain advice/information from 2nd, 3rd and 4th advisers for debt/financial and other main survey problems (note, there were only 28 acts of advice making up this figure for debt/financial problems).

Looking at first advisers only, of 19 respondents with debt/financial problems who had obtained face-to-face advice, 17 (89.5%) suggested that they would not have preferred advice over the telephone (this compared to 79.9% for other main survey problems). Conversely, of 11 respondents with debt/financial problems who had obtained advice over the telephone 10 (90.9%) suggested that they would not have preferred face-to-face advice (this compared to 59.5% for first advisers in other main survey problems). Again, findings should be treated with some caution given the numbers of debt/financial problems involved.

3.2.3.3 Satisfaction with advice and its perceived impact

Main survey respondents who sought advice were asked whether or not they would recommend their advisers to people facing a similar situation. For first advisers, 62 respondents with debt/financial problems answered this question (see Figure 14), with 27 responses for subsequent advisers for debt/financial problems (see Figure 15). Both figures should be interpreted with reference to the type of advisers typically used for debt/financial problems (e.g. see Table 5 and particularly a high percentage using CABx for debt/financial problems). However, given the numbers progressing to this main survey question it is not possible to break it down by adviser for debt/financial problems alone. In both figures (14 and 15) those with debt/financial problems were slightly more positive about their advisers than those with other main survey problems.

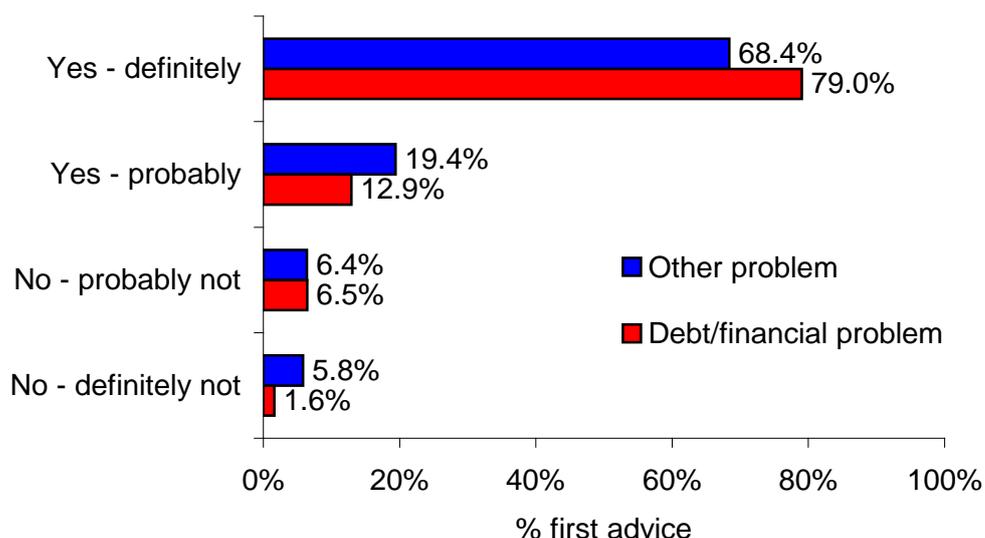


Figure 14. Whether or not respondents would recommend first advisers for debt/financial and other main survey problems.

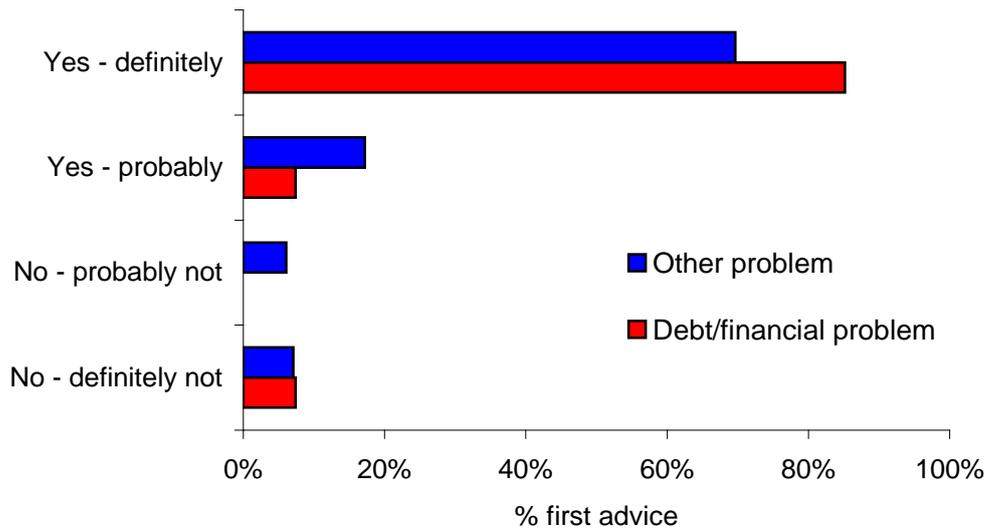


Figure 15. Whether or not respondents would recommend second, third and fourth advisers for debt/financial and other main survey problems.

In addition, those with debt/financial problems were more likely to suggest that advice had a positive impact on their problem. 31 of 38 (81.6%) respondents with debt/financial problems suggested that the advice provided had brought about a better result (across up to four advisers). This compared to only 631 of 1080 (58.4%) for other main survey problems (again using data for up to four advisers).

Related to this, main survey respondents were also asked whether they felt that advice had led to improvements in a number of areas such as health, income and relationships. The question was added in the second half (final year and a half) of the survey, reducing the quantity of data, though available responses are summarised in Figure 16 (for 52 debt/financial and 786 other problems). As shown, a particularly high percentage (42.3%) of those with debt/financial problems felt that advice had led to improvements in levels of stress.

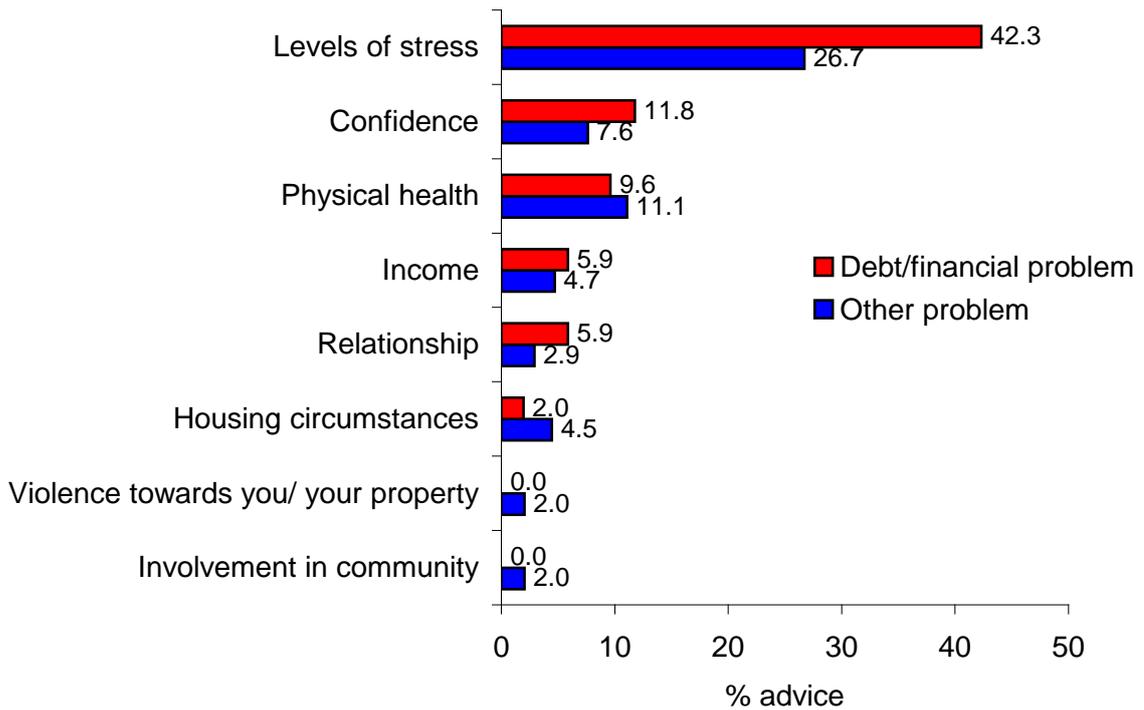


Figure 16. Whether respondents felt that advice for their problems had led to improvements in other areas of their life.

3.3 The outcome of unmanageable debt and financial difficulty

3.3.1 Problem duration and whether problems ended

When compared to other problems, a higher percentage of debt/financial problems were 'on-going' at the time of interview. Figure 17 shows whether debt/financial and other problems were over or on-going at the time of interview (55.9% vs. 36.8%).

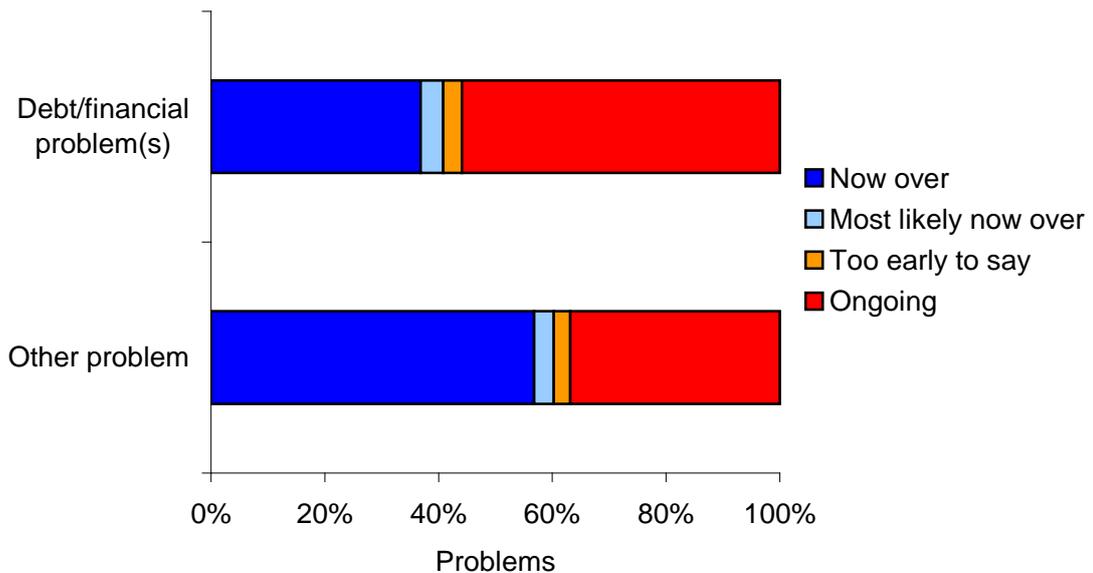


Figure 17. Whether debt/financial and other problems were over or on-going at the time of interview.

This would appear to indicate that debt/financial problems lasted longer than other problems, a suggestion which is supported by looking at problem duration for concluded problems. Problems associated with debt/financial difficulty had a mean duration of 11.2 months (median = 7 months) compared to 8.9 months (median = 4 months) for other problems.

However, there are methodological issues when attempting to compare problems in this way. As has been discussed elsewhere, different problem categories and problem solving strategies differ in their susceptibility to memory decay (Pleasence, Balmer & Tam, 2009). For example, some problem categories are far more likely to be reported close to the interview date (e.g. consumer problems) with problems further back in the reference period forgotten. This is likely to have an impact on simple measures of problem duration. One solution is to fit a discrete-time event history model (e.g. see Singer and Willett, 1993), with, in this case, the ending of problems being our 'event' and this event modelled as a function of problem duration (in discrete month units). A common output of this type of analysis is the 'survivor function' shown in Figure 18. The figure shows the proportion of debt/financial problems you would expect to still exist over time compared to some other, selected, problem types¹⁴.

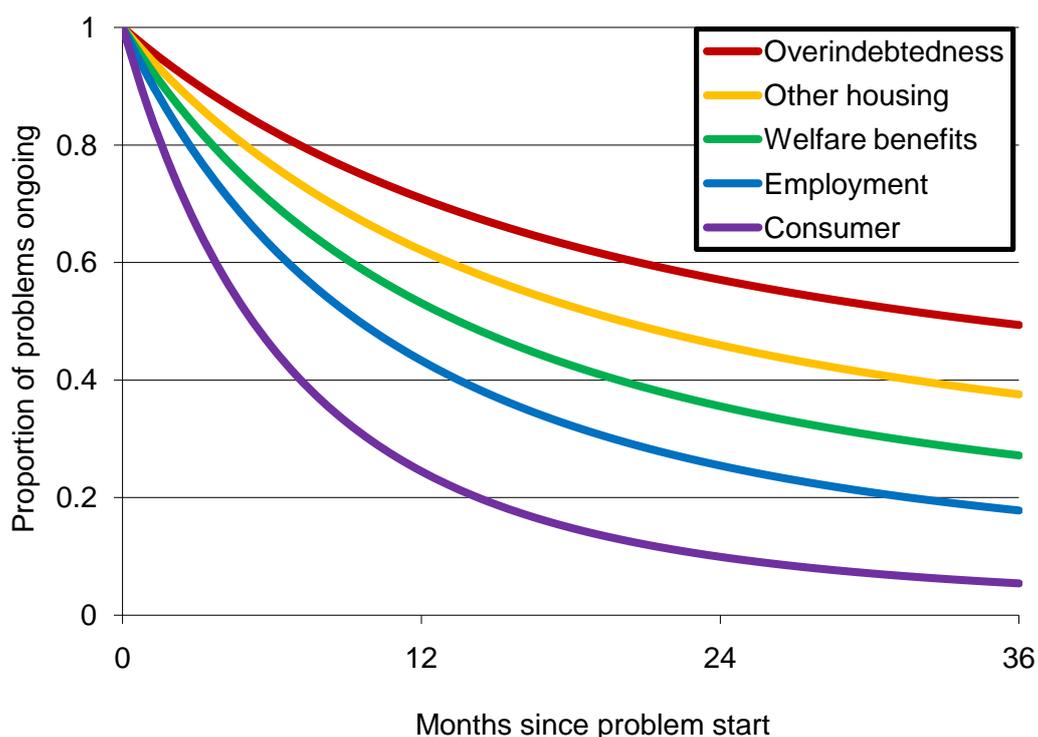


Figure 18. Survivor function – proportion of debt/financial and other problems expected to still be on-going over time (months)

As can be seen in Figure 18, problems with overindebtedness lasted significantly longer than the four other rights problems illustrated. A year from the start of problems, 70.9 percent of problems with overindebtedness would still be expected to

¹⁴ As this report avoids presentation of technical statistical output, only the 'survivor function' is presented (Figure 18). For further information on this analysis, contact the authors.

be ongoing, compared to 62.1 percent of other housing, 53.1 percent of welfare benefits, 43.3 percent of employment and only 24.4 percent of consumer problems. Even after three years, 49.3 percent of problems with overindebtedness were still ongoing, compared to 37.5 percent of other housing, 27.2 percent of welfare benefits, 17.8 percent of employment and 5.4 percent of consumer problems.

3.3.2 How problems ended

Of 123 problems to do with debt/financial difficulty that were reported as having reached conclusion the majority did so following agreement with the other side (81, 65.9%). This compared to 41.1 percent for other problems. 15 (12.2%) concluded through a court or tribunal, compared to 6.5 percent for other problems.

In all, 12 debt/financial problems ended with the problem 'sorting itself out' (9.8% for debt/financial problems compared to 16.0% for other problems), while respondents gave up for 4 problems (4.1% compared to 17.3% for other problems), 3 debt/financial problems ended through mediation (2.4% compared to 1.6% for other problems), and 2 through an ombudsman (1.6% compared to 0.9% for other problems)¹⁵.

3.3.3 Regrets over actions and whether objectives were met

For concluded main survey problems, respondents were asked if there was anything they wish they had done differently. Of a small number of respondents with concluded main survey debt/financial problems, 19 of 57 (33.3%) suggested that they wish they had acted differently. This figure was slightly higher than that for all other concluded main survey problems (28.3%) and broadly comparable to some other problem categories of interest (consumer, 34.8%; employment, 32.5%; welfare benefits, 34.5%; other housing, 29.0%). Of the 19 that wished they had acted differently, 5 regretted having not got advice/more advice/advice elsewhere, 5 that they had not got advice sooner, 6 that they had not simply acted sooner, 4 that they had not tried harder or been more resolved or assertive, 5 that they had not managed to avoid the problem, 1 that they had not used a formal process, 1 that they had not got information and 1 that they had not simply done nothing.

3.3.4 Knowledge of rights and what respondents wish they had known

A number of questions were added part of the way through the CSJS in order to address issues pertaining to public legal education¹⁶. Despite numbers being relatively small, especially when problem types are restricted to debt/financial difficulties, they still yield some useful information. For example, respondents were asked "At the time of the (problem descriptor), did you know what your legal rights were relating to this problem?" Excluding a small number of 'don't know' responses (n = 39) and refusals (n = 4), 1,357 of 2,095 respondents (64.8%) suggested that they did not know their rights. Only 738 of 2,095 (35.2%) suggested that they had knowledge of rights. For debt/financial problems, the percentage feeling that they did not have knowledge of their rights was greater still, with 89 of 127 (70.1%) suggesting they had no knowledge. Figure 19 shows the percentage claiming that

¹⁵ There were also 3 'other' outcome responses for debt/financial problems and 1 where the respondent suggested they sorted it out on their own. There were no instances of conclusion through police/third party intervention (4.0% of other problems) and no leaving the problem behind (3.1% of other problems).

¹⁶ These questions have contributed to two separate reports on issues associated with public legal education (Buck, Pleasence & Balmer, 2007; Balmer et al., 2010). As the latest of these reports showed, lack of knowledge, particularly where respondents failed to obtain advice, was related to far worse outcomes (e.g. in meeting objectives or adverse consequences stemming from problems).

they did not have knowledge of their rights for debt/financial problems and some other problem categories of interest.

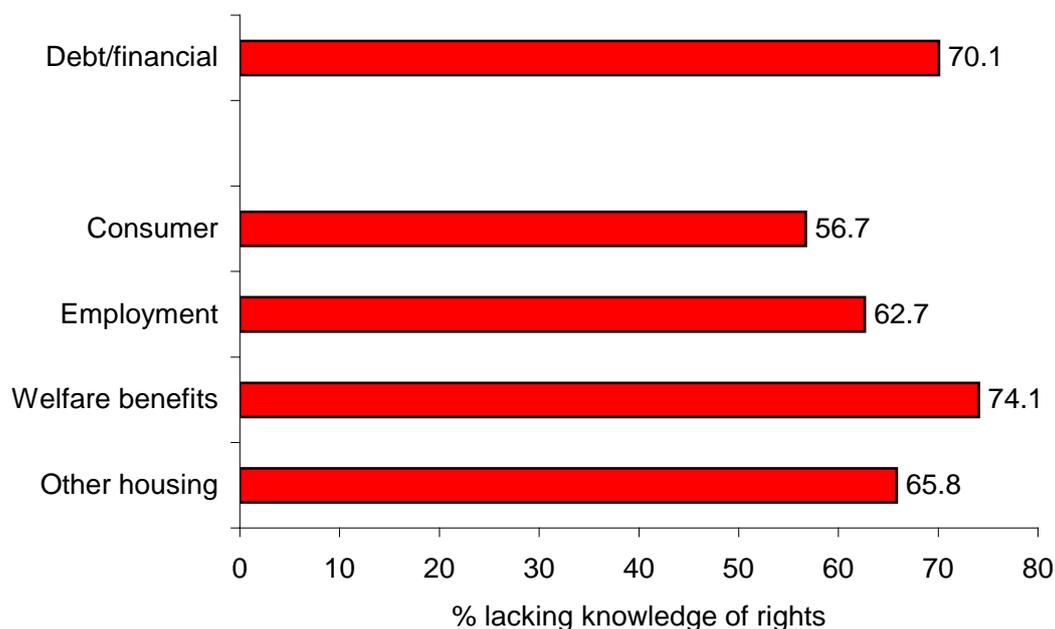


Figure 19. Percentage of respondents suggesting that at the time of the problem they had no knowledge of their rights for debt/financial problems and a selection of other problem categories.

The survey offered main survey respondents the opportunity to provide an open-ended response to the question “Is there anything you wish you had known at the time you experienced the (debt/financial problem) that would have helped you to deal with it?” While the majority of respondents gave no answer or said ‘nothing’, a number gave quite detailed responses. Of those who did answer, in contrast to the overall CSJS cohort, those experiencing money/debt advice tended towards more direct responses to the question. Most replies indicated what the individual wished they had known, rather than providing an explanation of what they wished they had done. The knowledge desired was geared towards one of two alternatives, avoiding escalation of the problem, or resolving the problem.

Interestingly, the avoidance responses were rarely aimed at knowledge that would have prevented the problem from arising to begin with and indeed only one respondent answered that *‘(she) would not have been so naïve as to have taken out (the) loan solely in her name with an institution which charged such a high rate of interest.’* All other responses suggested that the individual would have taken action sooner, would have ascertained more about their rights earlier, or would have wished to know more about the implications of payment default. Absent from the replies given was any indication that the respondent was ill informed before incurring the debt problem, for example, wishing they had known that bank charges were as high as they were, or that payments could not be rescheduled. This suggested that avoidance of the issue was considered only after the fact, that is, only once a problem had developed. Further to this only one respondent wished they had *‘known how to manage (their) money better’* to avoid getting into debt to begin with.

In relation to knowledge aiding *resolution* of the problem, many respondents expressed a desire to know where to go to get advice. Some responses professed a

desire for more knowledge about legal processes, including *'what courts or tribunals were available,' 'the procedures and anything else we could do to address the problem'* and *'knowing how to proceed with things.'* Two other reoccurring themes were a desire to know about one's legal rights, and a regret that advice services had not been discovered and utilised more quickly, with the CCS, Money Advice Online, and the CAB being mentioned.

Of further interest was the fact that some respondents expressed an inability to effectively liaise with creditors and advice agencies. Statements such as wishing for knowledge of *'how to properly write a letter and describe (my) circumstances,' 'who (it was who) could talk to the bank on (my) behalf,' 'how to argue with the council,'* and *'knowing what exactly to say to the credit card companies,'* suggest that some respondents may benefit from the assistance of advisors with the capability and resources to guide them through the process.

Although not occurring with great frequency, there was an element of cynicism expressed, with one respondent wishing that they'd known *'how loaded the legal system is against an individual person,'* and another, who indicated resentment that they had not been informed that upon default *'it was (the creditors) word against mine.* Also worth mention were those respondents whose 'wish' was dependent on the action of another party. Comments such as *'if I had been given further information,' 'if I had been given information on how long it would take for my money to reach the council'* and *'it would have been nice if they had written to me'* were all premised on someone other than the respondent taking action or initiative.

3.3.5 Adverse consequences stemming from problems and time spent worrying about them

Respondents were asked whether or not they had experienced a range of adverse consequences as a result of all of their problems (screen survey question). Percentage reporting each adverse consequence is set out in Figure 20 for debt/financial and all other problems.

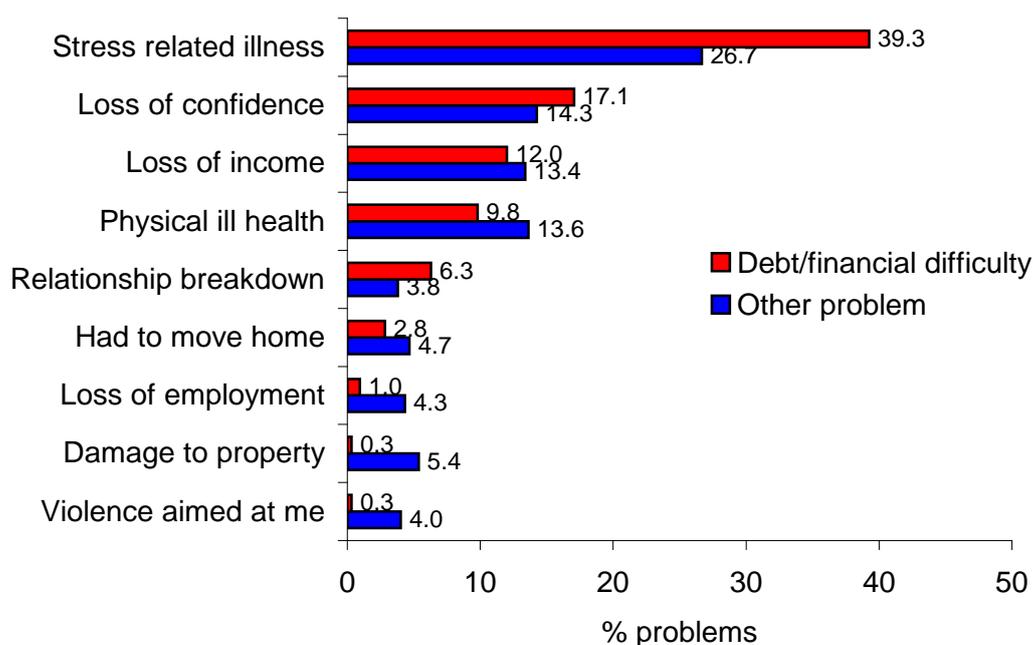


Figure 20. Adverse consequences reported as a result of debt/financial difficulty and all other problems.

As shown in Figure 20, while a significant percentage of all non-debt/financial problems resulted in stress-related ill health (26.7%), the percentage was far higher for problems relating to debt/financial difficulty (39.3%). Table 8 breaks down adverse consequences reported for debt/financial problems and some other common problem categories.

Table 8. Adverse consequences reported as a result of debt/financial problems and some other common problem categories.

Adverse consequence	Debt/ financial		Other housing		Welfare benefits		Employment		Consumer	
	N	%	N	%	N	%	N	%	N	%
Physical ill health	28	9.8	50	10.3	26	8.6	64	12.9	34	2.5
Stress related illness	111	39.3	116	24.1	92	30.4	173	34.8	161	11.6
Relationship breakdown	18	6.3	12	2.4	6	2.0	15	3.0	7	0.5
Violence aimed at me	1	0.3	7	1.4	0	0.0	7	1.3	2	0.1
Damage to property	1	0.3	31	6.3	0	0.0	2	0.4	35	2.6
Had to move home	8	2.8	31	6.3	3	0.8	5	1.0	2	0.1
Loss of employment	3	1.0	2	0.4	4	1.3	132	26.5	2	0.2
Loss of income	34	12.0	20	4.2	102	33.9	199	40.0	75	5.4
Loss of confidence	48	17.1	40	8.3	26	8.6	138	27.8	92	6.6
Any adverse consequence	150	53.3	207	42.8	166	55.0	352	70.6	313	22.6

Subsequent main survey questions asked respondents about treatment stemming from the stress-related ill health reported. While the number of debt/financial problems progressing to a main interview and having suffered consequential stress-related ill health was small ($n = 42$), half of these went on to seek treatment. This was comparable to the 48.2 percent receiving treatment for stress-related ill health stemming from other problems. All 21 of those seeking treatment for stress-related ill health stemming from their debt/financial problem did so from a GP, with two additionally using a counsellor.

3.4 Case studies

The two case studies presented provide examples of CSJS respondents with debt/financial problems¹⁷.

3.4.1 Hayley

Hayley is forty-eight years old and lives with her husband who is the father of her daughters aged six and nine, and step-father to her sixteen year old son. She has experienced on-going civil justice problems since 1992 following a relationship break-up and a protracted custody and child support dispute. In 2001 she was subject to discrimination at work a problem followed in 2006 with the emergence of multiple issues, the first of which concerned problem neighbours. Following the experience of regular and extreme noise she sought help from the Council from whom she obtained some of the advice she needed. Subsequent to this Hayley reported problems with unsafe living conditions in her rented flat. As a public renter she approached the Council, who again, provided some advice, although the issue still remained unresolved at the time of interview. In the same year she experienced money and

¹⁷ The case studies are not designed to be representative of those with debt/financial problems as a whole, and were selected from respondents who had a debt/financial problem progressing to a main interview.

debt problems, seeking advice from National Debtline who provided her with all the advice she needed. In addition to consulting National Debtline, she used the internet and tried to contact the complainant in the dispute. The matter was eventually resolved in Court and Hayley was declared bankrupt. Whilst Hayley admitted her debt/finance problem caused stress related illness and relationship break-up, she was very happy with the advice provided and the outcome obtained, stating that the advice led to an improvement in her levels of stress and confidence. Hayley claimed that she did not know her rights or procedures at the time her debt problem started and regretted that she had not acted differently. Following these problems, Hayley also lost her job, and was in receipt of welfare benefits at the time of interview

3.4.2 Tammy

Tammy is an Asian immigrant who has been resident in England since 1990. She is married with an eight year old son, educated to degree level and full-time employed with a household income of more than £50,000. She reported a number of problems, foremost of which was a debt problem that has remained on-going since 2003. In regards to this problem, Tammy reported unreasonable harassment from her creditor and failed attempts to negotiate reduced payments. She stated specifically that her debt was sold on to a management company who *'started harassing (her) to make more payments than had been agreed'*. Following the emergence of the problem she sought advice from the CAB and was provided with a booklet, which assisted her in obtaining some of the information she needed. She also obtained information from the internet with some success, consulting both the Department for Work and Pensions and the CAB website. In obtaining face-to-face advice from the CAB it was recommended that she use another advice agency, specifically, the local council and a solicitor as well as trying an Ombudsman. Tammy reports that the CAB advisor was proactive in assisting her to find an alternative advisor and Tammy was satisfied with the CAB, stating that she would recommend their services to others. On reflection, Tammy felt that there was more that remained to be done in obtaining advice and intended to follow up on this. She reported some regret that she was not aware of her rights from the outset, but noted also that the advice she obtained led to improvements in her levels of stress and confidence. This on-going debt problem has been exacerbated by the emergence of other civil problems. In 2006 Tammy was subject to a change of employment terms and conditions. In challenging this change, she obtained some of the advice she needed from her employer and her GP, eventually obtaining full information from her trade union. Her efforts to seek information were partially aided with the use of a self-help booklet and the problem was eventually resolved by way of Tribunal. In a similar vein to her aforementioned debt problem, this employment issue generated a significant amount of worry, alongside stress-related ill health, relationship problems, and the loss of her job and confidence. In 2007 Tammy engaged in a consumer dispute in relation to a financial services product involving a sum in excess of £10,000. She reported a lack of success in obtaining assistance from the CAB, however she obtained all the information she required from the Financial Services Ombudsman as well as successfully obtaining information from the internet. The problem remains on-going and Tammy reports the matter having taken up a large amount of her time with the resultant stress and worry causing physical ill health and relationship problems.

4. DISCUSSION

Data from the CSJS clearly show the experience of unmanageable debt and financial difficulty is not uniform across the population. Disproportionately, lone parents and those respondents reporting a mental health condition were more likely to report experiencing unmanageable debt as did younger respondents (those aged between 18-44). These groups are consistent with other research into over-indebtedness, see for example Kempson (2002), Kempson, McKay & Willitts (2004) and Department for Trade and Industry (2004).

The CSJS has highlighted a significant and more recent susceptibility to severe financial difficulty developing outside of the traditional core of vulnerable groups mentioned above. Powered by a high debt to income gearing ratio, households that may have been comfortably able to service their borrowing commitments in the past, have become vulnerable to life events and particularly unanticipated income volatility such as forced job loss and redundancy. Indeed, evidence from the advice sector itself, suggests that the profile of people seeking advice on money/debt matters has changed. The Consumer Credit Counselling Services (CCCS) (2008) report that their clients are becoming more affluent and have increasingly home owners. Like wise, both Shelter (2009) and National Debtline (2009) also report increased contact from home owners regarding mortgage arrears. This point was raised by Teresa Perchard, then Head of Social Policy at the National Association of Citizens Advice Bureaux (now Citizens Advice) providing evidence before the House of Commons Treasury Committee; she commented:

“many people that we see are indeed over-committed, have actually borrowed up to a limit where they have lost any sense of a buffer zone enabling them to cope with a small change in circumstances, such as a period of short-time working or, if they were in temporary work, a loss of a contract and a gap before the next job...[w]e have identified in our evidence a number of practices in the [credit] market which may lead people to drift their commitments upwards, almost sleep-walking into a situation of over-commitment where, when they experience a small change, they find it totally impossible to cope with the level of commitment they have acquired.”¹⁸

Being highly leveraged in such a way can further compound financial difficulty, as a lack of individual and household assets can force some to invoke short term measures to maintain basic household requirements and/or service existing credit commitments (Sullivan 2008). A recent poll funded by Shelter, suggested up to 6 percent of respondents to their survey reported using a credit card to pay for either mortgage or rent commitments (Roof 2010). Similarly, there appears to have been a marked increase in the use of specialist short term high-cost credit services by people on the periphery or outside of mainstream credit services (Office of Fair Trade 2009).

The CSJS confirms findings from a number of other studies that indicate a strong association between loss of income arising from loss of employment, and the onset of over-indebtedness (Disney, Bridges & Gathergood 2008, Keese 2009, Kempson, McKay & Willitts 2004). This association intones that the experience of over-indebtedness problems will increase in the general population as the full impact of the recession is realised. Current estimates expect unemployment to rise to a peak of

¹⁸ Question 5, House of Commons Treasury Committee (2003).

2.8 million around summer 2010¹⁹. There is an entirely reasonable expectation that a corresponding rise in demand for money/debt advice services will also occur. Indeed, numerous advice services including National Debtline (2009), Shelter (2009), CCCS (2008) and Citizens Advice (2009) have reported seeing marked increases in debt related clients and case volumes on previous years. Similarly, annualised figures obtained about the Legal Services Commission funded Community Legal Advice telephone service in debt and housing issues, show an increase 41.0% and 32.9% respectively comparing the 2008/09 financial year to the preceding financial year.²⁰ More broadly, the Department for Business Enterprise and Regulatory Reform (2007) have highlighted that capacity of free and impartial debt advice has continued to grow. However, it is worth noting that increases in take up may not be fully accounted for by the rises in service demand *per se*, but rather extra capacity building by the advice providers themselves (either through redirection of funds to front line services or expansion through additional grant and project spend) in anticipation of extra demand as a result of the recession.

Other life events considered associated with households debt include having new born children (Keese 2009, Kempson 2002, Kempson, McKay & Willets 2004), and experiencing relationship breakdown (Disney, Bridges & Gathergood 2008, Kempson 2002 and Kempson, McKay & Willets 2004). Qualitative evidence highlighted by Disney, Bridges & Gathergood (2008) suggests that the onset of severe or prolonged ill health may also be associated with over-indebtedness. They state that despite not being considered a “widespread cause of over-indebtedness...for a subset of individuals, persistent poor health combined with on-going credit commitments can cause a prolonged cycle of debt and ill health” (p.32).

While it was not directly addressed by this report, it is worth noting as well as socio-economic predictors and life events, psychological factors such as relatively low levels of self-control and poor money management skills also correlate with the experience of debt problems (Lea *et al* (1995), Walker (1996), Webley & Nyhus (2001)). Of course, there are clear difficulties using psychological factors to identify vulnerability to debt problems. Firstly, psychological factors are often highly subjective in nature and without a structured, systematic process, are difficult to attribute to individuals. Secondly, as stressed by Webley & Nyhus (2001), differences in psychological variables may arise as a consequence of, rather than a trigger to, the experience of debt.

4.1 Impact of over-indebtedness

Results from the CSJS demonstrate that the onset of unmanageable debt problems can lead to a number of adverse effects. In particular, respondents who had experienced such problems were significantly more likely to report having suffered from some type of stress-related ill health. The relationship between stress-related ill health and debt problems has received a lot of attention in recent years. A study by Jenkins *et al* (2008) confirmed that low income might predispose individuals to ‘mental’ disorder (see also Lewis *et al* 1998), and went on to suggest that the relationship between low income and mental disorder was largely contingent on debt. The Jenkins *et al* (2008) study also found that the more debts people had, the more likely they were to have a mental disorder even when controlling for income and other socio-demographic variables. In their longitudinal study, Skapinakis *et al* (2006) found that participants reporting ‘financial difficulty’ (using a subjective measure) during their first interview were significantly more likely to report suffering major

¹⁹ Chartered Institute of Personnel and Development (2009).

²⁰ Figures obtained from the Legal Services Commission.

depression on their subsequent interview some 18 months later; however no association could be identified between financial difficulty and either anxiety disorder or other non-specific psychiatric disorders.

Results presented within this report show that people who had experienced debt problems were very likely to have experienced more than one problem during the reference period. As such, the need for integrating advice services becomes paramount for those suffering debt problems. Respondents who had experienced debt problems were more likely to have experienced another (non-debt) problem when compared to those without debt problems in *all* of the broad problem types. In particular, respondents with debt problems experienced employment (18.2% compared to 4.6%), welfare benefits (9.4% compared to 2.8%), neighbour (20.2% compared to 7.7%), divorce (6.8% compared to 1.9%) and relationship breakdown (10.9% compared to 1.6%) at noticeably higher rates than those without. Whether these other problems act as either a trigger to or consequence of debt problems is unclear; however, it is clear that people who have experience of debt problems also have a disposition to the experience of other civil rights problems.²¹

There was some indication that respondents who had experienced a debt problem were more likely than other respondents to have experienced relationship breakdown as an adverse consequence of a civil justice problem. Few studies have looked directly at the relationship between relationship breakdown and the experience of financial difficulties directly and results appear mixed. Using data from the Family and Children Study, Kempson, McKay and Willets (2004) found that “[the] rate of break up was higher than average for those with arrears of various kinds. Seven percent of couples with arrears of any kind in 2001 became lone parents in 2002 compared with three percent of those up to date with all their commitments” (p73). In contrast, a longitudinal study looking at over-indebtedness in Germany using the German Socio-Economic Panel survey noted “the risk of being over-indebted and the debt performance are not notably different for households after a loss of a partner (due to separation, divorce, or death)” (Keese 2009, p21)²².

4.2 Response to unmanageable debt and financial difficulty

Inaction in response to debt problems was comparatively low when compared to other problem categories and comparatively fewer respondents with such problems reported either trying and failing, or trying, failing and handling alone. The most common strategy in response to a debt related problem was to obtain advice, followed relatively closely by handling alone.

It is very promising that respondents facing severe debt difficulties acted in response to their problem, and in particular, that they were likely to successfully obtain advice on such matters. Indeed, obtaining advice appeared to deliver a number of perceived benefits/life improvements ranging from reducing stress and building confidence, through to improving household relationships and increasing income. The potential benefits of advice have also been demonstrated elsewhere. A randomized control trial (RCT) conducted by the LSRC, designed to look at the impact of debt advice, showed that participants offered advice as part of the RCT were significantly more likely, than those not offered advice to report their financial situation was ‘better’ or

²¹ The CSJS is limited in its design as it does not allow for exploration of the dynamics between problem occurrence and adverse effects felt, and is not able to directly address causality or the process by which a problem then manifests into consequence. This limitation will be addressed in the re-design of the CSJS survey into a longitudinal panel survey (discussed below).

²² Of course, caution should be taken with such bilateral comparisons between States due to social, economic and welfare differences operating in the respective States.

'much better' at 20-week follow-up (Pleasence *et al* 2007). Several studies have suggested that people that successfully obtained advice felt better able to manage their money (Buck *et al* 2009, Orton 2009, Pleasence *et al* 2007).

While there are some very definite benefits to the provision of advice, qualitative research has suggested that there are limits to advice. Responses by studies conducted by both Orton (2009) and Day, Collard & Hay (2008) highlight that while advice was able to address specific problems, personal circumstances and/or low income meant that day-to-day financial difficulties persisted.

Accepting that obtaining advice does, nonetheless, provide substantive benefits to people with debt problems, the findings contained within this report can be used to inform service design and delivery. It has been shown that the experience of debt problems rarely occurs in isolation. CSJS respondents who reported experiencing a debt problem were also disposed to experiencing one or more additional civil justice problem. Whether or not these problems are related to a debt problem or arise from the respondent's personal circumstances, there remain benefits to be gained from 'seamless' or 'holistic' advice provision (Moorhead, Robinson & Matrix Research and Consultancy 2006). Furthermore, there is a growing acknowledgement of the need to address civil justice problems, such as debt, in their broader social context by more effectively integrating advice with other public services, such as SureStart, Jobcentre Plus, Connexions and a range of other government and community services (Buck *et al* 2005, Lord Chancellor's Department & Law Centres Federation 2001, Pleasence 2006).

The strong association between debt problems and mental health has led to a growing recognition for cross over between health and money advice services. From the clinicians perspective, it has been suggested "applying therapeutic models such as [Cognitive Behavioural Therapy], which help individuals understand the beliefs, values and motivations underlying their behaviour...clinical psychologists can play an active role in understanding and addressing debt behaviour" thus encouraging the dual outcome of improving financial management and avoiding the psychological consequences associated with debt (Wright 2004, p37).

The lack of 'co-ordinated activity' across health services, the advice sector and credit markets has been described as 'significant weaknesses' by Fitch *et al* (2009, p18). In their report they recommend, amongst other things, to renew 'debt care pathways' allowing individuals quick and effective access to the support services they need. They also recommend that neither money advisers nor clinicians should become experts in each others respective fields; instead they suggest problem recognition be used to identify any supplementary support needs, and effective referral to such support services takes place. The report specifically recommends basic 'debt first aid' training for health and social care professionals, providing information about how to talk to patients about debt and making the appropriate onward referral. An example of a service embodying this cross-sector work ethic is the recently launched National Health Service Stressline – a telephone service providing practical information and advice from trained health advisors designed to direct individuals suffering from stress, anxiety or depression to a wider package of financial and mental health support (Department of Health 2009).

An additional benefit of partnership working across the advice sector and health and social services, is that it may enable more effective penetration into hard to reach groups that are less likely to use mainstream advice services (Buck *et al* 2009).

Outside of advice service use, a significant minority of people handled their problem alone. The occurrence of handling alone was noticeable higher for debt matters compared against non-debt problems. In tandem with the high rate of 'self help' among those who had experienced a debt problem, there was a relatively high rate of internet utilisation as well. The reasons for the comparatively high rate of referral to the internet for information on solving debt problems are not particularly clear. It could be speculated that the popularity of internet based information is in part attributable to the maturing of online debt information services over the years, such as the CCCS Debt Remedy, or the Financial Services Authority backed Money Made Clear website.

4.3 Financial capability training and public legal education

Findings from the CSJS suggest that a high proportion of respondents had little knowledge of their rights at the time of experiencing their problem. Findings published elsewhere (Balmer *et al* forthcoming) illustrate that knowledge of rights is not evenly distributed among respondents; typically, more affluent and educated respondents were more likely to know their rights and disadvantaged groups (e.g. no academic qualifications, long-term illness or disability, mental health problems) less so. Importantly, this study demonstrated that the impact of lacking knowledge of rights was far greater in circumstances where respondents failed to obtain advice (thus losing any of the benefit to be gained from advice, discussed above). These findings echo those of Atkinson *et al*'s 2006 study into financial capability.

The shortfall and variance in financial capability has been taken to be indicative of poor financial decision making (Financial Services Authority 2006). However, ongoing qualitative research looking into the long-term impact of debt advice by Dr. Michael Orton (Orton 2009) suggests that for many financial capability and confidence were irrelevant to an individual's debt circumstance. A strong theme that has emerged from the research so far is that the underlying cause of money problems is not due to people's financial ignorance; but rather the key driver being low income or loss thereof. To quote one of the study's research participants: "I don't think [financial education] would make any difference. I know how to manage my money when I've got money and all that. It's just when you lose your job and when you've got no money" (p36). This was partly reflected in responses to open ended questions put to CSJS respondents seeking to understand what they wished they had known, whereby the strongest trend was towards problem resolution and not problem avoidance. It could be speculated this may reflect a belief amongst respondents reporting a debt problem, that the onset of over-indebtedness was to a degree, unavoidable.

The study by Orton did, however, go on to suggest that financial education may have been useful if provided when respondents were younger, and further, some younger respondents suggested education might be useful for future decision making (such as buying a home or arranging a pension). Considering this finding, it is promising that the Government has recently expanded its commitment to raising financial capability amongst children and young people by making Personal, Social, Health and Economic education compulsory for children from September 2011 (Department for Children, Schools and Families 2010).

While the impact of financial capability training and public legal education has yet to be fully measured, one example of low financial capability which may lead to less beneficial (or even detrimental) decision making is the increased use and growing popularity of fringe high cost credit providers, such as services providing 'Pay Day' loans (Office of Fair Trade 2009). Despite the exorbitantly high Annual Percentage

Rate (APR) attached to these types of credit products, they are still popular with consumers. The Office of Fair Trade (2009) believes that part of their popularity stems from a misunderstanding of APR among consumers. In their commentary of Pay Day lending, Stegman and Faris (2003) claim that some people found the pricing policies used by such business “more transparent than those of banks” (p13) citing the work of Andre Associates (2001). In their focus group study commissioned by the Union Bank of California, Andre Associates found that some participants felt the pricing and complex fee structure used by mainstream banks made people feel as though they were being ‘cheated or tricked’ and that they lacked the resources to be able work around the fees. It appears that it is the simplicity that Pay Day loan providers offer that may make them more desirable than other credit sources. The Office of Fair Trade (2009) speculate that this might result from consumers finding the concept of APR abstract, preferring to know the total they have to repay rather than the APR. This is supported by conclusions drawn from Atkinson *et al* (2006) study into financial capability in the UK which suggest that one in ten respondents were unable to carry out basic arithmetic using percentages and that more than one in five unable to correctly assess the effects of percentages on inflation and savings interest (though this may in part be linked to understanding of terms such as inflation and interest).

4.4 Reforming financial services

Though it is not captured through the CSJS and is largely beyond the remit of this report, it is worth noting that reform of the financial services may also mitigate against the onset or impact of over-indebtedness.

Once a person is caught up in debt, they are largely at the behest of their creditors as to the full consequences of their financial predicament; the lender, by and large dictates whether, for example, the debts are renegotiated into more favourable terms or alternatively, possession is sought for assets that may be secured against a loan.

Recent examples of initiatives involving creditors that demonstrate the potential to avoid significant adverse affects arising out of over-indebtedness include the introduction of the Mortgage Pre-Action Protocol (MPAP) which provides clear guidance on what courts would expect lenders and borrowers to have done prior to a claim for mortgage possession being made. Figures provided by the Ministry of Justice (2009) suggest that since the introduction of MPAP in November 2008, there has been a significant decrease in the number of mortgage possession action being sought through the courts. Similarly, the Government backed Homeowners Mortgage Support (HMS) allowing borrowers who suffer a loss of income the ability to temporarily reduce their mortgage interest payments to their lender was designed with the specific purpose of protecting households “from the threat of repossession and the adverse social impacts that can follow” (Department for Communities and Local Government 2009, p.7).

More broadly, the consequences of over-indebtedness and/or low income often results in isolation from mainstream financial services, leaving little option but to rely on sub-prime lending mechanisms, the bitter irony being “those who can least afford it pay the highest price for credit” (Thiel 2009, p.29). While there has been Government investment into the establishment and promotion of credit unions to provide affordable credit to low income households, their take up has been modest and their access limited (Office of Fair Trade 2009). Other high-cost credit lenders, have instead filled the void in lending to financially marginalised people. There are many criticisms of high cost credit, however, in absence on any other type of credit, it may be the best option for some people (Cox 2009, Morgan & Strain 2007, Stegman

& Faris 2003). Whatever the merits of high cost credit, the significant associated costs will rarely assist individuals to free themselves from debt.

4.5 Future of the CSJS

A report compiled on the behalf of the Royal College of Psychiatrists and the Money advice Trust by Fitch *et al* (2008) recommends that further longitudinal research is carried out to understand the dynamics, and in particular the direction of causality, between debt and mental health problems. Indeed, this applies to understand any of the triggers and adverse effects (from relationship break down, to problems at work, etc) of debt. The current format of the CSJS limits the attribution of the direction of causality.

The move to a longitudinal format will enable the analysis of causality as well as provide a better understanding of the impact of interventions (such as obtaining help). The Civil and Social Justice Panel Survey (CSJPS) is currently in the advance stages of development, with fieldwork due to commence in late 2010. Moving to a longitudinal survey will also allow analysis of a debtor's career and debt history (more accurately it will provide a picture of respondents' civil problem career) which may in turn highlight the influence of psychological variables on respondent decision making (Webley & Nyhus 2001). Such analysis may offer guidance as to how to better deliver effective interventions by identifying behavioral anchors, such as personal views on credit, and so better enable such programs to break entrenched behaviour.

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