THE LONG-TERM IMPACT OF DEBT ADVICE ON LOW INCOME HOUSEHOLDS

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Project Working Paper 2:

The Year 1 Report*

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***Please note: this is a three year project and the findings in this working paper will develop through to publication of the final report in 2010**

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Executive summary

This working paper presents findings from Year 1 of a longitudinal study of the impact of debt advice on low income households, based on in-depth interviews with 59 people who have received debt advice.

This working paper covers four key themes:

- the causes and experience of debt;
- dealing with debt and seeking advice;
- the experience and impact of debt advice; and
- issues for year 2 of the project (including the Year 2 draft topic guide).

However, it will be seen there that are number of issues that run through the working paper, including:

- the relationship between low income and debt;
- the effect of debt on people's well-being, especially expressed in terms of 'worry';
- the behaviour of creditors;
- barriers to seeking advice; and
- the extent, and limitations, of the impact of debt advice.

Chapter 1 - Introduction: the research and the policy context

At the time of writing, it is difficult to exaggerate the level of concern regarding debt. The Government's action plan for tackling indebtedness includes a wide range of points, but the key policy response to debt remains the provision of debt advice (debt advice in this project refers to the free provision of advice for people with debts, by not for profit organisations).

The impact of debt advice has been the subject of remarkably little previous research, although recent work by the Legal Services Research Centre is of particular interest.

This project is original in taking a longitudinal approach and placing emphasis on the experience of low income households.

Interviewees were involved via six not-for-profit advice providers: two Citizens Advice Bureaux, a national telephone helpline and three community-based independent advice providers.

Compiling the sampling frame was complex due to: capacity issues faced by advice providers; the dynamics around factors such as income level; and the reality of the experience of debt as an on-going not necessarily short-lived, discrete issue. This is a very difficult population to research.

The sample, even though consisting of only 59 people, is marked by very considerable diversity in relation to demographic and socio-economic characteristics, and level and type of debt.

Chapter 2 – The causes of debt

Two particular points are emphasised: low income (which includes a change of circumstances leading to low income); and a broad heading of 'credit' which includes the behaviour of both interviewees and creditors.

One group of interviewees ascribed their financial difficulties to mental health problems.

It is important to be aware both of the range of causes covered within these broad headings and that they are not mutually exclusive; the inter-connectedness of causes was critical for many interviewees.

The research suggests that debt, certainly in relation to seeking advice, is best understood not as a quantifiable set of financial circumstances but as a point where a person recognises their financial position is unsustainable and they can no longer manage.

In explaining how credit use became a problem of indebtedness (beyond low income/change of circumstances), interviewees cited: credit as a means of meeting basic needs; their own behaviour; and the behaviour of creditors.

Chapter 3 - The experience of debt

There was evidence of repayments taking very high proportions of household income; cutting back on spending and going without items was a major theme for interviewees.

Identifying the specific impact of debt, as opposed to low income generally, is difficult; debt is perhaps best understood as adding another dimension to the struggle to make ends meet.

It is difficult to convey the strength of the impact of debt on people's well-being; how it became overwhelming for people, completely dominating their lives. In particular, interviewees talked in terms of 'worry', which was a spectrum that ran from 'losing sleep' through to depression and even talk of suicide.

Interviewees identified a strong theme as being about the behaviour of creditors ranging from a sense of creditors as unhelpful and difficult to deal with, through to descriptions of creditors as 'aggressive', 'nasty' and even 'bullying'.

Chapter 4 - Dealing with debt

People should not be categorised as responding to debt in one specific way: rather, there are a range of available options and people use different approaches, and combinations of approaches, at different times.

All the interviewees had at some point contacted their creditors but it was the willingness of creditors to accept offers that was critical; contacting creditors did not necessarily help resolve the situation.

Additional borrowing was a strategy pursued by many interviewees, and was a response to indebtedness suggested by many creditors.

Support by family and friends can be very significant.

A wide range of other strategies were employed by interviewees, from using assets to ‘juggling payments’, but did not provide an answer to indebtedness.

Some interviewees described themselves as having ignored problems or ‘buried their head in the sand’: however, ‘doing nothing’ should not be seen as a category of interviewees but rather a situation arrived at when other strategies had failed.

Chapter 5 - Seeking advice

The only interviewees who sought advice as an initial or early option were people who had previously sought advice.

There was a distinct group of interviewees who solely wanted specific information while others recognised their financial position was unsustainable either because of a specific trigger e.g. creditor action, or the more general impact debt was having on them.

The real issue was how long it was before people sought advice; some did so before there was an absolute crisis but other interviewees talked in terms of having reached a point of ‘desperation’ and ‘hopelessness’, and for them it was the intervention of a third party that was often critical.

The reasons why people did not seek advice sooner included: ignorance of available services; nervousness about approaching an advice provider when people had little idea what to expect; and debt advice being a last resort.

Seeking advice can be difficult when it is seen as representing failure, meaning the person could no longer manage their own finances and was unable to cope.

For the majority of interviewees, identifying an advice provider was not done on the basis of informed choice, and there was a strong sense of randomness.

Chapter 6 – The experience of debt advice

The overwhelming majority of interviewees were very positive about their experience of debt advice; fears about seeking advice proved unfounded, and interviewees were surprised and impressed by the service provided.

There were a very wide range of aspects of advice that people found helpful but three particular elements were found most helpful: having someone to talk to (with this including advisers being understanding, non-judgemental and sympathetic); being given information and the importance of options being explained (this was very important in meaning that people who approached an advice provider with a specific course of action in mind, often decided to pursue a different option); and being better able to deal with creditors (whether through practical tips and a sense of empowerment, or representation relieving the pressure of having to deal directly with creditors).

Interviewees were positive about service delivery other than there was a strong theme of difficulty of access in relation to face to face services.

The dominant view of interviewees was that improvements would best be achieved by greater promotion and awareness of the existence of service provision, and by services being more widely available.

Chapter 7 – The impact of debt advice

There were examples of debt advice having some very immediate impacts relating to dealing with crises, avoiding recovery action, improving well-being, and advice meaning interviewees did not have to follow a course of action they thought was undesirable but inevitable.

A strong theme expressed by interviewees can be described as debt advice leading to a person's financial position being made manageable or, in a phrase used by several interviewees, 'under control'.

Continuing financial difficulties meant worry remained an issue, even if a lesser one, and there are also issues as to the long-term impact of debt upon well-being even when the financial side of the problem has been dealt with.

Many interviewees said their approach to money management had changed, but there was a distinction between those who said this was directly attributable to the advice received, and those who said it was something they had done themselves.

A strong theme was of people seeing financial confidence/capability as irrelevant to their circumstances and the far greater theme was of debt as having severely affected interviewees' financial confidence, leading to a strong sense of financial conservatism. Eschewing credit completely was a strong theme.

In reflecting on what would have happened if they had not sought advice, the key theme for interviewees was of advice as changing the trajectory in which the person was headed.

There were only a small number of interviewees who said advice had not had any impact. Low income was an issue in that advice could not alleviate low income as a cause of debt, and there was ambiguity in relation to low income interviewees who wanted to maintain access to doorstep lenders who were critical in meeting needs. Other limitations included: debt as part of a broader set of (non-financial) circumstances and breakdown in communication between the interviewee and advice provider.

Chapter 8 – Year 2 of the project

Some interviewees identified specific changes they are likely to experience in the next year e.g. changes in household composition; some did not consider their circumstances were likely to change at all over the next year, or feared that their situation may worsen. Beyond this, interviewees had a wide range of individual plans.

In identifying what would help their financial position most over the next 12 months: some interviewees simply wanted stability; others said that only a significant increase in income would change their situation; others raised issues about the behaviour of creditors.

The over-riding aim of the year 2 topic guide will be to capture the dynamics of change, and the role of advice within those dynamics. The year 2 topic guide is included in chapter 8.

The full working paper

Chapter 1 - Introduction: the research and the policy context

This working paper presents findings from Year 1 of a longitudinal study of the impact of debt advice on low income households (with key findings to develop in years 2 and 3 of the project).

The research is based on in-depth interviews with 59 people who have received debt advice. Thus, it is the perspective of people who have received debt advice that is given centrality.

This working paper covers four key themes:

- the causes and experience of debt;
- dealing with debt and seeking advice;
- the experience and impact of debt advice; and
- issues for year 2 of the project (including the Year 2 draft topic guide).

However, it will be seen there that are a number of issues that run through the working paper, including:

- the relationship between low income and debt;
- the effect of debt on people's well-being, especially expressed in terms of 'worry';
- the behaviour of creditors;
- barriers to seeking advice; and
- the extent, and limitations, of the impact of debt advice.

Debt in the UK

[the policy context is deliberately short because this will develop over the duration of the project]

At the time of writing, it is difficult to exaggerate the level of concern regarding debt. Concern has been growing over recent years. In 2004 Kempson et al. (2004) estimated that three in ten families were in financial difficulties. Since 2007 increasing attention has being given to debt, as illustrated by the 'credit crunch', the Northern Rock affair, and the sub-prime market in the US. Attention has focused particularly on house repossessions, with 2008 seeing (in percentage terms) large increases in possession action.

Within the overarching concern about increasing indebtedness, this project is particularly concerned with low income households. Within the current debate there has been some focus on what is described as middle 'middle class debt' (e.g. the Transact press release in May 2008 - http://www.transact.org.uk/news_item.asp?section=0001000100040001&itemid=754) . This working paper, however, is underpinned by what can be seen as a much more long-standing and fundamental issue of the relationship between debt and low income.

The policy response to indebtedness: the provision of debt advice

The key policy response to indebtedness has been the Government's action plan for tackling indebtedness. The action plan includes a wide range of points, but the key policy response to debt remains the provision of debt advice which has been receiving significant increases in funding. Further provision of debt advice was announced in 2008 in response to rising indebtedness (http://www.guardian.co.uk/money/2008/may/10/repossessions.property).

Debt advice in this project refers to the free provision of advice for people with debts by not for profit organisations. There has been some critical examination of the provision of debt advice (e.g. Collard et al., 2000) but the impact of debt advice has been the subject of remarkably little research. Williams (2004) noted that most findings have been produced by people working in debt advice who are trying to justify their funding. There is, however, growing interest in the issue. Recent work by the Legal Services Research Centre is of particular relevance.

About this project

In examining the impact of debt advice this project is original in taking a longitudinal approach and placing emphasis on the experience of low income households. The rationale for longitudinal qualitative research lies in the complexity and dynamic change of contemporary society, meaning that understanding the nuances and inter-connectedness of people's lives requires examining issues over time (helpful discussions of the use of qualitative longitudinal research include Ruspini, 2000; and Bacon et al., 2002). Such an approach is particularly relevant to the assessment of the impact of policy interventions. These general points certainly apply to understanding debt and the impact of debt advice, which of its very nature is invariably a long-term approach.

In taking a qualitative, longitudinal approach this project will be able to address a whole series of issues around the different impacts of debt advice. For example, is debt advice simply a short-term 'fix' for financial crises or does it have longer-term impacts such as helping people improve their financial management skills? As people repay debts do they adhere to the debt advice they were given or do they undertake further negotiations themselves? Which aspects of debt advice do people value most, and do people's perceptions change over time?

The project also allows for the investigation of a second theme: the experience of debt over time and in particular, identification the key factors that facilitate low income households moving out of debt. Thus, we know that there are inter-connections between debt and issues such as health, relationship breakdown and labour market engagement, but previous research has only looked at these as a static 'snapshot' rather than from a perspective of dynamic change. This project looks in detail at the nuances of change in people's lives as it relates to debt, and the interaction of debt with other issues such as health. In doing so it seeks to move beyond simplistic understandings of debt based on distinguishing between 'can't payers' and 'won't payers' which underpins much analysis. A key aim is to identify the factors (whether debt advice or others) that enable low income households to move out of debt, or on the other hand which lead households to slide further into debt.

The research

A summary of the methodology is included at Appendix A, along with details of the sample. The research criteria were that interviewees must be on a low income and have a significant debt problem, with arrears with multiple basic household commitments (e.g. rent/mortgage, fuel, council tax etc) being taken as a good indication of meeting these criteria. It was also intended that cases would have been closed within the last three months or so. In compiling the sample, however, a number of issues arose as follows.

Low income

The aim of the sample consisting of low income households was achieved, but the following points should be noted. For many interviewees, income was not static. Indeed, one of the principal causes of debt will be seen in chapter 2 to be a change of circumstances which led to a low income i.e. the interviewee previously had a much higher level of income. Changes in household composition affected income, as could changes (both positive and negative) in wages. The majority of interviewees were in receipt of benefits or on very low wages. There was only one interviewee who had an above average income. There were four interviewees whose wages were such that household income was close to the national average. These different income levels meant it was possible to identify themes that applied specifically to low income households, and other themes that apply to debt more broadly.

The involvement of advice providers

There are two issues regarding advice providers. The research has been successful in including a diversity of providers with interviewees being involved via six not-for-profit advice providers: two Citizens Advice Bureaux (34 interviewees), a national telephone helpline (17 interviewees) and three community-based independent advice providers (8 interviewees). The first issue is the capacity of providers to be involved in research. It was evident that many providers do not have time, IT or administrative systems to be able to undertake a task such as compiling a sampling frame, other than by great effort on the part of individual members of staff. Negotiating access with providers and compiling the sampling frame took vastly longer than anticipated. Second, while there are a series of questions that can be asked about differential service delivery by providers, the differential impact of advice between providers, and so on, these are not questions to be addressed by this project and, more importantly, from the perspective of interviewees they were not significant. The themes that will be highlighted in this working paper apply across advice providers. At certain points there is some differentiation between telephone and face to face services, but these are exceptions to the themes that dominate across all providers.

The sample

While meeting the overall criteria in compiling the sampling frame, the reality was far more complex than in the planned approach. This was due to the dynamics around factors such as income level; capacity issues in identifying the sample; and the reality of the experience of debt as an on-going not necessarily short-lived, discrete issue.

The sample, even though consisting of only 59 people, is marked by very considerable diversity. This diversity applies to characteristics including household composition, housing tenure, age, and gender; primary source of income i.e. all main benefits (Income Support, Incapacity Benefit and Jobseeker's Allowance) and employment/self-employment. It also applies to total level of debt (from under £1,000 to over £100,000), and stage in the debt recovery process e.g. from two interviewees whose homes had been repossessed, to people who described themselves as 'just being a bit behind'. Types of debt included priorities and non-priorities[1]. And some people had sought advice because their financial position was unsustainable but had not actually fallen behind with payments. There were positive and negative experiences of debt advice.

There was a particular issue around cases being on-going rather than closed. This reflects the experience of debt as an on-going experience. In the most extreme cases two interviewees had experienced a 'debt crisis' in the late 1990s but were still making repayments, and were seeking advice about on-going contact from creditors. For the purposes of the research it means that at the end of the year 1 fieldwork there were interviewees who were heading in a clear trajectory, but for many the situation remained fluid and uncertain.

Analysis

Interviews followed a 'conversation with a purpose' approach. This enabled interviewees to address issues in the order that suited them, and gave them space to identify key concerns (for example, creditor behaviour was not in the draft topic guide but became a key theme). This is a challenging approach but one which provides very rich data.

Interviews were digitally recorded. Sound files were transcribed, and documents then loaded onto Nvivo. Analysis was developed through coding each transcript, enabling themes to be identified. The analysis is therefore truly grounded in interviewees' experience.

The final point to make is that this is a very difficult population to research. It will be seen in this working paper that for many people debt retains a strong sense of stigma. Some interviewees said they still found it very hard to talk about debt, and many had experienced times when they had not opened letters or answered telephone calls. There are particular implications for attrition, which will be discussed in chapter 8.

The structure of the working paper

Chapters 2 and 3 deal respectively with the causes and experience of debt. Chapter 4 examines how people tried to deal with indebtedness before seeking advice. Chapter 5 explores why people decided to seek advice, including consideration of why advice was not sought sooner, and how people identified and chose an advice provider. Chapters 6 and 7 examine, and seek to differentiate between, the experience and impact of debt advice. Chapter 8 raises issues regarding year 2 of the project, and includes a draft topic guide.

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[1] This is an important distinction between debts, based on the sanctions available. Priorities include rent/mortgage and household bills, where non-payment can lead to possession action, disconnection of fuel supplies and so on. Non-priorities are essentially unsecured credit debts where lesser sanctions generally apply.

Chapter 2 – The causes of debt

This chapter presents findings regarding interviewees' explanations of the causes of debt. There is already a considerable body of research evidence regarding the causes of debt. The findings presented in this chapter accord with much of that evidence, but emphasise two particular points: low income (which includes a change of circumstances leading to low income); and a broad heading of 'credit' which includes the behaviour of both interviewees and creditors as a cause of debt (to be clear, the word 'creditor' will be used to encompass all companies and organisations interviewees owe money i.e. credit companies, fuel providers, water companies, landlords, councils, government departments and agencies, and debt collection agencies). In addition, consideration is given to a group of interviewees who ascribed their financial difficulties to mental health problems.

While the findings are presented under broad headings, it is important to be aware both of the breadth of causes covered within these headings, and that they are not mutually exclusive. Across the sample, interviewees raised a huge range of issues: alcoholism through to pursuing education; and having a degenerative disease through to two interviewees who blamed Jobcente Plus (because in moving into work there was confusion regarding benefit entitlement which led to debt).[2] Causes could be highly individual, for example tripping on the stairs at home leading to injury which meant job loss and in the space of a few months debt, poverty and depression. For other interviewees, the causes of debt lay in much longer and complex histories. Indeed, the inter-connectedness of causes was critical for many interviewees. Thus, the causes of debt should be seen in terms of the underpinning themes that will now be discussed, not as discrete and mutually exclusive factors.[3]

Low income

For one group of interviewees, the cause of debt was firmly rooted in their low income. As this woman on benefits explained: "I live from day to day…But it, it's impossible to manage on the amount of money I get" (Interview 55 - Woman, IS, 50s). The same could also apply to those in paid employment: "I get £110 and a few pence [net, per week]. There's rent, gas, the water, always something…I'm having to pay out here and there and it just seems never ending" (Interview 50 - Woman, sales assistant, 20s). For some interviewees, debt was part of long-term low income, or even a life time of financial struggle. As one interviewee now in her 50s explained: "I've always been in debt since I first had my own flat [in her 20s]. I've brought my two children up on my own, you see, and I was working in between but they were only like menial jobs…I was always in debt, and I've always been in debt" (Interview 38 - Woman, IS, 50s). Another woman, also, in her 50s was very direct in her comments: "Life's always been hard…I've always struggled with my bills" (Interview 34 - Woman, IB, 50s).[4]

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[2] Government departments and agencies were also cited as the cause of debt in relation to reclaiming overpayments of benefits and CSA arrears.

[3] This also points to issues around how debt is defined and understood. As already indicated in this and the preceding chapter, the term 'debt' covers widely differing circumstances. The research suggests that debt, in relation to seeking advice, is perhaps best understood not as a quantifiable set of financial circumstances but as a point where a person recognises their financial position is unsustainable and they can no longer manage.

[4] Beyond the long-term low income group, most interviewees said they had never been in debt previously. Some interviewees said they had had problems previously, but not to the same extent as in their current situation.

For a second group of interviewees the key theme was that they had been able to mange financially, and some had even had above average incomes, but a change of circumstances left them on a reduced, low income. This was particularly evident in interviewees citing job loss and relationship breakdown as causes of debt. Job loss was in fact the main reason cited by interviewees as the cause of debt, but this broad heading covered a number of different circumstances: redundancy, leaving the person either in receipt of benefits or in a lower paid job; ill-health meaning the person could no longer work; pregnancy, leading either to an interruption to normal earnings or giving up work. Relationship breakdown similarly included a variety of circumstances. This included situations where the interviewee was left with the same liabilities but had lost a partner's salary with which to meet those liabilities. In two cases this led to the former matrimonial home being repossessed; in other instances there was a more general struggle to meet basic household bills. Relationship breakdown also left some interviewees with credit debts which had been used for the benefit of the household, but for which they were left with sole liability.

It was interviewees in this broad low income heading that particularly had problems with priority debts. As already noted, this included two people whose homes had been repossessed as a result of relationship breakdown. There were also interviewees who had faced or were facing repossession action because of job loss (whether redundancy or due to ill-health). Use of fuel meters which included recovery of arrears was widespread. Council tax debt and water debt also featured.

If we seek to locate these interviewees' experience in a broader context, themes would include benefit levels and social insecurity, meaning that a change of circumstances can plunge a person from being financially able to manage into poverty.

The second theme to consider is credit.

Credit

Low income, whether long-term or due to a change of circumstances, is fairly straight-forward in explaining the cause of debt: but credit is more complex. For one group of interviewees problems with credit debts, along with priority debts, were the result of a change of circumstances leading to low income. There was nothing notable in their credit use, and credit was not part of the cause of their indebtedness. For two other groups of interviewees, however, credit was an issue in itself. This will be considered under two headings: 'credit and low income'; and 'living beyond our means', but within which creditor behaviour features significantly.

Credit and low income

For some interviewees, credit was used as a means of meeting basic needs. This was exemplified by one interviewee as follows: "I got the catalogue about eight years ago. So I've got, at the time, four children under the age of six. So it was easy to get it out the catalogue, clothes and that, and pay so much off it" (Interview 4 - Woman, IS, 30s). The same interviewee also used a doorstep lender: "Like when the washing machine broke, get the washing machine and pay for that that way" (Interview 4 - Woman, IS, 30s). Credit use by low income households to cover both immediate needs and emergencies, such as a washing machine breakdown, were strong themes. Another strong theme was use of credit to cover exceptional spending such as on children's birthdays, and Christmas e.g. "I use it [a doorstep lender] just for the kids…birthday presents…and Christmas is expensive, and then you just keep paying a bit back each week" (Interview 52 – Woman, IS, 20s). However, low income meant that over the long-term maintaining repayments was difficult.

For some people who had suffered a loss of income, credit was also used to meet basic needs. For example: "I've never really had credit. Or wanted it. It's just that, I think when me marriage started falling apart, I needed money for day to day stuff and I had to pay bills, and shopping, and just day to day…I'd just do it on my credit card" (Interview 48 - Woman, IS, 40s). This merging of using credit both to cover basic needs such as food, but also to pay household bills – the latter in effect disguising priority debts – was a recurring theme, and was summarised in the following quotation from an interviewee who said that after she lost her job, but her partner was still employed, it took six months before tax credits were resolved. In that time: "I relied on my credit card for the income, you see. I was using my credit card to pay for my food. But I'd say the bulk of it was, you know, the bills - council tax, water rates, gas, electric. For a long time I didn't fall behind with my bills because for six months about £150 a week was going out on my credit card, to live really" (Interview 45 – Woman, carer, 40s). Thus, while credit was not in the first place the cause of debt, credit use to meet basic needs then created a problem of credit debt.

However, for other interviewees, credit use was not about meeting basic needs. This applied to low income and non low income households and in a phrase used by several interviewees, was described as 'living beyond our means'.

'Living beyond our means'

In explaining how credit use became a problem of indebtedness (beyond low income/change of circumstances), interviewees cited both their own behaviour, and that of creditors. Some interviewees blamed themselves for their financial difficulties. As one interviewee put it: "I know that I was totally responsible. I don't blame anybody apart from myself…I was a bit of an idiot" (Interview 33 - Woman, admin. worker, 40s). Or: "It was my own fault…I got it [credit] and I used it and I did abuse it…so I got myself into this mess, a real big mess" (Interview 5 - Woman, IS, 50s). There was a group of young interviewees who particularly blamed themselves for their debts, linking credit use with a lack of financial awareness. For example: "it was just my own stupidity, naiveté I suppose at my age…Just spending. Just not, just not realising the value of money" (Interview 53 - Woman, JSA, 20s).

The behaviour of creditors

However, there was also a very strong theme of interviewees seeing creditors as being, at least in part, responsible. The first point related to ease of access to credit.[5] If we look at two of the interviewees quoted in the preceding paragraph, while blaming themselves for their indebtedness, they also queried the behaviour of creditors. For example: "But to give you, an 18 year old, £5,500 on a credit card is wrong, isn't it? Looking back on it now I thought 'great, see you later', you know, and I had about six months of fun…But looking at it now if someone came to me and they're 18 and said they'd been given that sort of money I'd be, like, 'that's wrong'. You do bring it on yourself. But you think, if it wasn't there to give you, you wouldn't have taken it" (Interview 53 - Woman, JSA, 20s). Or: "I'd never had debt…then what happened was I could get all this credit, which I'd never had…you go in every store

[5] There are perhaps links here with Mervyn King's recent comments about 'wild lending' at the British Bankers Association conference http://www.guardian.co.uk/business/2008/jun/10/bankofenglandgovernor.creditcrunch.

and they go 'if you have a store card off us today, you get 20% off your bill' and you think, 'okay'. Then the bank decided that I could have loans…and it was so easy" (Interview 5 - Woman, IS, 50s).

Other interviewees emphasised this point of not merely credit being easily available, but being 'pushed' onto them or in a phrase that was used by several interviewees, credit being 'thrown at you'. For example: "I was debt free. And I think the problem is…they throw credit at you, you know. So when I got this place [a new flat] it was like…people suddenly start throwing it at you, you're like, 'gimme, gimme, gimme'…I had two credit cards with four grand limits on them. It was like it was Christmas come early…everyone was throwing money at me" (Interview 16 - Woman, IS, 30s).

That credit use was reactive rather than proactive was emphasised by many interviewees, particularly those on the lowest incomes. For example: "I was actually badgered in, in a shopping centre to apply for it [a credit card] and I kept saying to the girl, 'I don't want it, I don't want it', but she said 'why not try it?' so I did" (Interview 43 - Woman, IS, 40s). There were a small number of instances of people feeling they were pressured into taking out loans e.g. "I rang up and before I knew it I'd filled in the forms and the money was in the bank. He [the salesman] was very pushy…they rush you, you know?" (Interview 32 – Woman, IB, 40s). However, it was this sense of credit being aggressively thrust at people that was the dominant theme. The situation was summarised by one of the interviewees already quoted: "I still get things even now, even with my bankruptcy going through saying 'do you want to come and get some car finance? Do you want a credit card?' 'You've been approved for this, approved through for that'…It's not really like you go looking for it, it gets thrown at you" (Interview 53 - Woman, JSA, 20s).

A related theme was how debt could escalate with total indebtedness appearing far greater than spending undertaken by the interviewee. This could be in quite specific ways. For example, this interviewee began with an overdraft of a few hundred pounds: "the bank worked a flanker. They started putting my overdraft into a loan. So they've done that twice, and added in a bit more [i.e. additional lending] and then there's all the charges and that so I ended up owing them seven and a half grand" (Interview 40, Man, IB, 50s). The more general addition of interest and charges (which applied not only to credit but priority debts such as mortgages and council tax) was cited by interviewees across the sample as a major cause if not of indebtedness, then certainly of an escalating level of debt.

Credit and money management

There is some sense in which the cause of debt here could be described as irresponsible borrowing or poor money management. The latter was an interesting point because across the sample as a whole there was great diversity in attitudes to money management, from those who described themselves in terms such as being 'hopeless' with money through to people who budgeted very carefully indeed (e.g. there were examples of people who write down every item of expenditure). But all of them ended up in debt. One explanation is that for those on long-term low income even the most careful budgeting is incredibly difficult to maintain, while for other people a dramatic change of circumstances meant they simply had inadequate income to cover expenditure, irrespective of money management.

But what was also evident for some interviewees was a disconnection between normal approaches to money management and credit use. Some interviewees saw themselves as being good at money management, and had no problems with priority bills: but credit was completely separate. Interviewees in this group were therefore completely up to date with priority bills, but at the same time had a completely unsustainable level of credit debt. For interviewees on very low incomes, this had enabled them to engage in expenditure on items beyond their normal means e.g. household goods and holidays. For those on (relatively) higher incomes this applied more generally e.g. “We lived like we had a £40,000 a year income, not £23,000” (Interview 59 – Woman, teaching assistant, 50s). Interviewees tended to struggle to explain this disconnection. As one interviewee put it: “you walk out of the store and it’s not until the bill comes in that you think, ‘good God, did I spend that much?’…you got your statement in and you think, ‘God, did I pay that much?’ Normally, I would never have done that but it was so easy to do it” (Interview 5 - Woman, IS, 50). This perhaps emphasises the broad issue of credit as encompassing both individual and creditor behaviour, with these being inter-related rather than discrete causes of debt.

Consideration will now be given to the group of interviewees who ascribed their financial difficulties to mental health problems.

Debt and mental health[6]

One group of interviewees ascribed their indebtedness to mental health issues. For some this was very specific e.g. “I suffered a mental breakdown…And, um, I lost my place at college, and I lost the place where I was working because of the breakdown, and I fell into debt” (Interview 7 - Woman, 30s, IB). For other people, debt was part of a longer history of depression: “I wasn’t paying my bills and my credit cards, and things like that. […] Because, with depression your logic goes, your rationale go…you’re in such an anxious state that you don’t know quite, what sort of is happening, you know?” (Interview 24 - Man, 60s, IB). Mental health problems in these instances meant difficulty managing the person’s finances, but mental health was also the cause of debt through increased spending e.g. “it [depression] brought me right down…and I suppose to compensate I spent. Because it always gave me a feel good factor” (Interview 58 - Woman, IS, 50s). However, as the same interviewee explained, depression then compounded the ability to deal with the situation: “I was getting to a stage I wasn’t opening post. And of course, it sort of goes in hand, hand in hand with depression. You know, you get to the stage where you don’t want to open post, because you know everything’s going to be a bill. So you put it to one side” (Interview 58 - Woman, IS, 50s).

The interaction of debt and mental health will be discussed further in the next chapter, which turns to the experience of debt, but it also serves as a reminder that there were very few interviewees for whom there was a single, discrete cause of debt. Mental health problems could be linked to job loss, or in other cases relationship breakdown. Equally, relationship breakdown could be linked to job loss or vice versa. In other cases, as will be seen in the next chapter, depression was the result of debt rather than the cause, meaning causes and effects also became linked. Thus, it is important to see the causes of debt as broad, underpinning themes, not as discrete and mutually exclusive factors.

Key points

Two particular points are emphasised: low income (which includes a change of circumstances leading to low income); and a broad heading of ‘credit’ which includes the behaviour of both interviewees and creditors.

[6] Also see the recent report by Mind (2008) *In the red: debt and mental health* London: Mind.

One group of interviewees ascribed their financial difficulties to mental health problems.

It is important to be aware both of the range of causes covered within these broad headings and that they are not mutually exclusive; the inter-connectedness of causes was critical for many interviewees.

The research suggests that debt, certainly in relation to seeking advice, is best understood not as a quantifiable set of financial circumstances but as a point where a person recognises their financial position is unsustainable and they can no longer manage.

In explaining how credit use became a problem of indebtedness (beyond low income/change of circumstances), interviewees cited: credit as a means of meeting basic needs; their own behaviour; and the behaviour of creditors.

Chapter 3 - The experience of debt

This chapter examines interviewees' experience of debt, and the impact debt had on them. Interviewees described debt as having affected them in a wide variety of ways, from having a home repossessed to relationships with family and friends; and from attending a committal hearing for council tax debt, meaning the person could have been imprisoned, to health and employment. Two principal themes were identified by interviewees. First, is the financial impact of debt on interviewees, in particular in terms of 'cutting back and going without'. Second is the impact on well-being and in particular, what interviewees described in terms of 'worry', which was a spectrum that ran from 'losing sleep' through to depression and even talk of suicide. Linked to this is an additional theme raised by interviewees, that of creditor behaviour.[7]

The financial impact of debt

The financial impact of debt covered a number of issues. Some interviewees talked in terms of debt as resulting in financial loss, for example through the addition of interest and charges as discussed in chapter 2, and most evidently amongst owner-occupiers who saw equity in their home disappearing, primarily through secured loans used to pay off other debts. Some of the younger interviewees were concerned as to how debt repayments would hamper their overall financial position e.g. debt restricting their ability to save for a deposit to become owner-occupiers and losing the opportunity to develop a more secure financial position.

However, the more widespread financial impact of debt was in relation to household disposable income which will now be discussed.

Reducing disposable income

Self-evidently, debt repayments reduce available income but for households struggling with indebtedness the impact could be severe. For those on the lowest

[7] While the structure of the chapter places financial impact first, it should be noted that across the sample as a whole it was the effect of debt on well-being that was the stronger theme raised by interviewees.

incomes, this was evident in some very direct ways. For example, some people in receipt of subsistence (means-tested) benefits were having payments for water debts deducted direct from their benefit. The difficulty of making ends meet was therefore compounded by benefit being reduced because of debt repayment. The recovery of fuel debts through payment meters in effect had the same impact.

More generally, there was evidence of repayments taking very high proportions of household income. For people on a low income the cash amounts were sometimes relatively low, but were high as a percentage of income. For example: "income support is £160.00 a week and then I get £30.00 child benefit, but then it's 50 quid on the [debt] payments [i.e. over a quarter of subsistence level income]" (Interview 44 - Woman, IS, 40s). Or: "At the time I was on £68 a week benefit. I mean, the loan payments are £193 a month" [again over a quarter of income] (Interview 28 - Man 40s IB and DLA).

For those in employment, and with a higher income than those on benefits, the impact of debt on disposable income could be the same, especially when housing costs were taken into account. For example, the following interviewee had net wages of around £1300 a month. She explained: "the mortgage is, it's nearly £400 a month…and then £400 goes on the loans. So I have £500 to pay bills…that's community charge [council tax], water, gas, electric. And then there's everything else" (Interview 23 - Woman, homelessness worker, 50s).

In the most extreme cases, interviewees were left with no apparent disposable income. For example, one interviewee had an income of £900 net per month. Her mortgage was £500 per month, and she was supposed to be paying £400 on six credit/store cards. As she put it: "It got to the point where there was just nothing, nothing left" (Interview 33 - Woman, admin. worker, 40s).

Cutting back on spending and going without

Given the above, it is not surprising that cutting back on spending and going without items was a major theme for interviewees. There were a number of elements to this

For some people, going without was part of the on-going struggle to make ends meet on a low income, and which affected absolute essentials including food and fuel. For example: "if I've got a direct debit coming out or a bill to pay, I reduce the [food] shopping bill down. That's how I try to manage" (Interview 43 - Woman, IS, 40s). Or: "towards the end of the month [as money runs low], I just sleep in the living room because you can't heat the rest of the place. It's too expensive" (Interview 40 - Man, IB, 50s). Beyond absolute essentials, being unable to socialise, and going without new clothes and holidays were the main points mentioned.

For other interviewees, cutting back and going without was also part of adapting to low income, due to a change of circumstances. As this interviewee explained: "I don't buy clothes now, and I liked buying bits and bobs for the house…regards to going shopping, food shopping…we all used to eat fresh vegetables and stuff like that, that aren't particularly expensive, but when you're on a low income seem very expensive…I want to be able to save up for a nice holiday for us, and just to live like how life should be lived, and not to just exist" (Interview 29 - Woman 20s IS).

Identifying the specific impact of debt, as opposed to low income generally, is difficult. However, debt is perhaps best understood as adding another dimension to the struggle to make ends meet, and one which can exacerbate an already difficult situation when people go to extraordinary lengths to try to make payments. This interviewee articulated this as follows: “You can’t go out when you want to. You can’t go out the shops and think oh, you know, I fancy eating something different today…a stir fry, or stuff to do a roast…And it’s just stupid but, you know, you want your kids to eat decent food, and I was like fed up with eating the same pasta, stuff out of a tin, living out the freezer. I was like if I want to buy fresh food and vegetables I should have the money to buy it because he [her son] needs it. So it just got to the point where it [the level of debt repayment] was just getting me down and so I thought I’ve got to do something” (Interview 56 - Woman, IS, 20s).

As a final point, there was a specific issue regarding older interviewees in terms of debt having cost them financial security in retirement. This was expressed by interviewees in terms of how having been in paid employment throughout their lives, they had anticipated a comfortable retirement but this was not now the case. For these interviewees, the cause of debt was primarily based on having given up work earlier than expected due to health reasons. Credit was an issue in that people had planned to repay commitments, but were unable to do so when they had to stop work. While this also related to adjustment to life on a low income, the impact of debt repayments was a significant issue in itself. As this interviewee put it: “You work and you expect a good retirement. I’d hoped to have a few bob put by. But with all this [debt] round my neck, I’m in a worse position than I’ve ever been…and I’ll be dead before it’s all paid off. You know, when you get to this age life’s supposed to be a bit laid back. Not for me it isn’t” (Interview 1 - Woman pensioner 60s).

Worry

It is difficult to convey the strength of the impact of debt on people’s well-being, and how it became overwhelming for people, completely dominating their lives. It was one of the absolute key themes raised by interviewees. The first point to make is that despite credit being an integral part of every day life, debt can still carry with it a strong sense of stigma and shame. There were interviewees who talked openly about debt as part of everyday life, and had done so with family and friends. However, other interviewees explicitly used words like ‘shame’ and ‘degrading’, but talked particularly about feeling embarrassed by their situation. For example: “It’s embarrassing that we couldn’t carry on and buy our own house and, you know, pay the mortgage off, and live happily ever after. Do you know what I mean?” (Interview 46 - Couple - Man, IB, 50s, Woman, carer, 40s). Or: “I had a car on finance [hire purchase] which actually got took off me. It's quite embarrassing talking about this actually” (Interview 53 - Woman, JSA, 20s).

This sense of embarrassment meant that for many interviewees it was very difficult to talk to friends or family about their financial position. For example: “I haven’t told anybody…it’s not the sort of thing you can have a pint with your mates and say, ‘oh, by the way, I’ve got an IVA and I owe 50 grand’, it isn’t a subject that you can really talk to anybody about” (Interview 21 - Man, unemployed, Hardship Allowance, 40s). In the most extreme cases, other household members, particularly children, whether dependants or non-dependants, but even partners, were unaware of debts e.g. “you don’t want to admit to your children that you’re a bit thick about some things, and I didn’t discuss it with him [husband]…he’s that kind of nature, he would get in a panic…he’s oblivious to this at the moment” (Interview 35 – Woman, pensioner, 60s). This meant debt brought with it a strong sense of isolation. This will be returned to in chapter 5 in relation to how it affects advice seeking behaviour.

While not all interviewees shared the sense of stigma regarding debt, the impact of debt in terms of its affect on people’s well-being was near universal. It has already been noted that there was a spectrum that ran from ‘losing sleep’ through to depression and even talk of suicide. The following quotations illustrate this. First, "I'm always sort of very jumpy, it's made me quite nervous and I do worry about getting this settled. I mean, it has made me lose sleep really at night thinking about it" (Interview 10 - Woman, IS, 40s). Or: "I was getting very, very snappy. Like with the kids…and I've never, ever had a problem before...some days I would just sit in the bedroom and not want to come out the bedroom…It did get me down, because I'm normally just a very strong person" (Interview 4 - Woman, IS, 30s).

The following quotations illustrate the more extreme end of this spectrum:

"The pressure, you can't explain it. It's every day…I had to go to the doctor and go on anti-depressants. I can honestly say I understand when you hear of people who actually jump off Beachy Head because they can't deal with it. You can't sleep. It's just there all the time. After work I would drive round the town rather than come home to it all" (Interview 59 – Woman, teaching assistant, 50s).

"It [debt] crippled me, and then it brought on as I say, stress and depression…I've never worried about money, whereas it's been nothing but a worry for the last pretty much 18 months and, and it got to the point where, for example, I went to the doctor's to make an appointment and she [the receptionist] said, 'oh, I can fit you in in two weeks', and I said, 'I won't be here in two weeks'. And I hadn't planned on saying that, it wasn't, you know, to be dramatic, I was just stating a fact – 'I won't be here in two weeks'" (Interview 19 - Man, JSA, 50s).

What the latter quotations also illustrate is the complexity of the relationship between debt and mental health problems. In chapter 2 it was seen that some interviewees described mental health problems as the cause of debt. Here, depression was a consequence of debt. Either way, interviewees ended up in the same position.

Only a very small number of interviewees said they did not worry about their debts, and there were miscellaneous reasons for this. Two were the people whose homes had been repossessed after a relationship breakdown. As one put it: "after losing my home, having a few [credit] debts is nothing" (Interview 48 - Woman, IS, 40s). A similar view was taken by another man who was divorced and who had left the matrimonial home, and was living as a lodger. Some interviewees talked in terms of mental strength and adopting either a positive or very pragmatic outlook on life e.g. "I just completely didn't pay it. I just didn't have the money" (Interview 41 - Woman, IS and SDA, 50s).

The final point relating to the experience of debt, was the behaviour of creditors.

Creditor behaviour

Interviewees identified a strong theme in the experience of debt as being about the behaviour of creditors. To be clear, some interviewees were very positive about creditors, or at least some of the creditors they dealt with. For example: "the [building society] manageress; she was brilliant. Really understanding" (Interview 46 - couple - Man, IB, 50s, Woman, carer, 40s). Or: "I was surprised how easy it was to make arrangements…I thought they would be really pushy and really quite out of order in the way they dealt with you…but it was ok" (Interview 15 Woman, self-employed, 30s).

However, the far stronger theme was of negative experiences with creditors. It must be emphasised though that very few interviewees had a totally negative experience. Some praised certain creditors, and criticised others; some interviewees even said

that callers from the same company acted very differently. It should also be noted that there was little differentiation between creditors; positive and negative experiences applied across the full range of creditors.
There was, again, a spectrum of experience. This began with a sense of creditors as unhelpful and difficult to deal with. For example: “this one [creditor] on the phone says to me, ‘but it wasn’t your money to spend’. I know that, and I says, ‘look, I’m not here to argue with you. I’m just calling to tell you my new address’, I says, ‘and I’m sorting out with the [advice provider] what I have to do next’…And I just put the phone down after I gave him my address and phone number, you know” (Interview 41 - Woman, IS and SDA, 50s). Or: “When I tried to speak to people on the phone, they always seem to be like ‘yes, well, we understand that you’re in financial difficulty but’, you know, and there was always a ‘but’…whenever I spoke to them on the phone, they’ve made me feel as if I’m nothing to them, you know. I’m just, I’m just somebody that owes them money…it just made me feel as if they were looking down on me, like I was nothing to them…it made me feel like rubbish basically” (Interview 56 - Woman, IS, 20s).

Other interviewees described creditors as being ‘misleading’. As this interviewee explained: “they’re very good, you know, at making you feel bad…When you’re contacting them, you don’t know your rights, they manipulate that to their own advantage. Like some companies have threatened over the phone they’re going to do this, that and the other and in actual fact they really can’t do that. They’ve got to go through the court process. But when you’re getting that all the time it affects you big time” (Interview 45 - Woman carer 40s).

As indicated in the above quotations, dealing with creditors was seen by interviewees as having a major impact on their well-being and this was exacerbated by the volume of contact from creditors, the timing of telephone calls and intrusiveness. For example: “one phoned me ten times one day, right, every time the phone rang I picked it up and they said ‘this is an automated phone call, blah, blah, you are now behind with your payments’” (Interview 22 - Woman, IB, 50s). Or: “they phone at stupid times, you know, half past ten is the latest I got called one night, and you’re not expecting it to be the credit company, so you pick the phone up and then that’s it, they’ve got you” (Interview 33 - Woman, admin. worker, 40s). And: “[creditors were telephoning me] even like days before I was due to give birth and days after [giving birth], ‘oh, we need you to make an immediate payment now’” (Interview 13 - Woman, office worker, 20s).

As debt problems intensified, interviewees expressed strong views about the pressure that was created, and used words such as ‘aggressive’, ‘nasty’ and even ‘bullying’ to describe creditors. The impact was described by one interviewee as follows: “it got to the point where I dreaded, absolutely dreaded hearing the phone ring, because it would be something else I would have to either argue with people or be threatened by them or so on. Even when friends were ringing, I just wasn’t answering the phone. It’s things like that that eat away at you” (Interview 19 - Man, JSA, 50s). A large majority of interviewees reported having reached a point where they stopped answering the telephone, did not open letters and in some cases would not even answer their door for fear it was a creditor.

Key points

There was evidence of repayments taking very high proportions of household income; cutting back on spending and going without items was a major theme for interviewees.

Identifying the specific impact of debt, as opposed to low income generally, is difficult; debt is perhaps best understood as adding another dimension to the struggle to make ends meet.
It is difficult to convey the strength of the impact of debt on people's well-being; how it became overwhelming for people, completely dominating their lives. In particular, interviewees talked in terms of 'worry', which was a spectrum that ran from 'losing sleep' through to depression and even talk of suicide.

Interviewees identified a strong theme as being about the behaviour of creditors ranging from a sense of creditors as unhelpful and difficult to deal with, through to descriptions of creditors as 'aggressive', 'nasty' and even 'bullying'.

Chapter 4 - Dealing with debt

This chapter examines how people tried to deal with indebtedness before deciding to seek advice. This is done under four headings: contacting creditors; additional borrowing (which includes support from family and friends); other strategies (including IVAs and debt management plans, 'juggling', and using assets); and 'Doing nothing'? When other strategies fail.

The key theme is that people should not be categorised as responding to debt in one specific way: rather, there are a range of available options and people used different approaches, and combinations of approaches, at different times.

Contacting creditors

All the interviewees had at some point contacted their creditors. It was seen in chapter 3 that in terms of generic views of creditors there were positive comments, but the greater theme was of negative views of creditors. The same applied in the more specific circumstances of trying to negotiate repayments with creditors as a proactive strategy for dealing with debt.

In terms of positive comments, the following was typical: "in my experience if you can show them your finance situation explicitly by writing to them and putting together a budget sheet, usually they, if you're making an offer that's not too small, they are okay with you" (Interview 37 - man, call centre worker, 20s).

But it was the willingness of creditors to accept offers that was critical, and when creditors did not do so interviewees expressed very negative views. These related particularly to what interviewees described in terms of a refusal to listen, unreasonableness, a failure to recognise the interviewee's financial position, and the failure to recognise that other creditors also have to be paid. For example: "they didn't seem to be very sympathetic at all. And it was basically, look, you owe us this money, we want it. As simple as that. There was no compromise" (Interview 26 - Man 40s JSA). Or: "I tried to reason with them…they were basically more concerned with getting their money; didn't care who, what other creditors I owed money to…They just weren't interested in that" (Interview 33 - Woman, admin. worker, 40s). As a more specific example: "I phoned them up and I says, right, can I pay £5 a week off it? But they says they don't accept nothing less than £20 a week. And I'm going, 'but I've just explained to you the circumstances, I can't pay that amount of money'…I'd be quite happy paying £5. But I can't afford to pay what they demanded" (Interview 47 - Man, factory worker, 40s).

This caused particular frustration when an advice provider then successfully negotiated reduced payments with creditors. For example: “if from the start they’d’ve accepted that I was on me own with no money and how much I could really pay, this would all have been avoidable, because…I think it’s £5 a month [in total] I’m going to be paying now…But what they [the creditors combined] was wanting was about £200 odd, nearly £300, a month” (Interview 48 - Woman, IS, 40s). Or: “I went to the bank and they just didn’t want to know…It was £126 a month [repayment] and I was saying I could pay £50 maybe even £60…but they don’t want to know…I went to [the advice provider]…the next minute I get a letter back saying, would you be prepared to pay £23 a month. That’s from £126. So it shows you how quickly they [the bank] dropped for the [advice provider] doesn’t it? And I would’ve paid more than that!” (Interview 40 - Man, IB, 50s).

A further point was that some interviewees criticised creditors for suggesting additional borrowing as a solution. For example: “before that [going to advice provider] I went to my bankers to see what they can do but all they offered is to refinance my loans, which as you know gives more, more, more interest, does not much help really” (Interview 36 - Man warehouse worker 40s). The couple quoted in chapter 3 who said the building society manager had been very understanding, also commented that “she did offer us some money on top of the mortgage to give us a bit of leeway, but I said ‘no, no, no we need less [debt] not more’” (Interview 46 - couple - Man, IB, 50s, Woman, carer, 40s). The pervasiveness of creditors suggesting additional borrowing as a response to indebtedness was very evident across the sample.

A final issue related to the small number of interviewees who had taken out insurance policies to provide cover in the event of being unable to repay a commitment. It is perhaps self-evident that if insurance had been able to cover the situation people would not have needed to seek advice. In this research, the theme was that insurance policies did not provide the cover people anticipated in situations such as ill health and job loss e.g. “I said, well, what about the payment protection? They said, well, you’re not covered for that because there’s a condition [clause] I should have known about…[because of] all the years I was paying the payment protection I though I’d be covered but they [the advice provider] said I might as well not have not taken it out” (Interview 28 - Man 40s IB and DLA). Because insurance policies were invariably taken out with/through the creditor, this tended to become a further point of conflict with creditors.

The key point here is that contacting creditors did not necessarily help resolve the situation. At its worst, it led to antagonism and conflict. This breakdown of the relationship between interviewees and creditors will be returned to below (in ‘Doing nothing’? When other strategies fail).

Additional borrowing

It was noted above that creditors suggested additional borrowing as a solution to indebtedness, and interviewees undertaking further borrowing as a strategy was a major theme. To be clear, and as already indicated, some interviewees were explicit in rejecting this as an approach. For example: “I don’t believe in doing that…it just gets you in more debt…you’re getting more money to help you pay off your debts but you’re still owing money, ain’t you” (Interview 25 - Man, 20s, JSA). However, across the sample, additional borrowing was a strategy pursued by many interviewees and there were three elements to this: consolidation loans; support from family and friends; and credit card use. These will be considered in turn.

Consolidation loans

The most explicit way that people undertook further borrowing to address debt problems was through consolidation loans. There were several examples of people who when faced with increasing inability to meet a number of repayments responded to advertisements offering to consolidate these into one loan requiring just one rather than multiple payments. However, this strategy proved to be only a temporary measure. The common theme was that people entered into arrangements that they could not in the long-term realistically maintain. This was summarised by the following interviewee: "I've got a personal loan which was the killer, which I shouldn't have done. But at the time you think, well, hang on, I can't afford these [current repayments] so consolidate everything because they keep telling you to…and I was given sort of 25 grand over the phone instantly. It rolled everything up, and added a bit extra…it was like a snowball effect and I really couldn't afford it…I tried to [make payments] but looking back I was never going to be able to do it" (Interview 21 - Man, unemployed, Hardship Allowance, 40s).

A second example of additional borrowing applied to owner-occupiers. This was slightly less clear cut in that people did not specifically take out a consolidation loan, rather they used their home either to take out a secured loan or remortgage, and used the money both to clear debts and finance additional spending. It was unclear at which point the additional borrowing itself became the problem, or was still seen as a solution. In the most extreme case the interviewee's debts were greater than the value of his home, which he then sold to a company which allowed him to live in it on a rented basis. In these situations, comments were made similar to those in chapter 2 where people blamed themselves for their financial problems, but also questioned the behaviour of creditors. For example, the interviewee just referred to, said: "I suppose our problem was that we were literally trying to borrow our way out of trouble [through several remortgages]. I think to be fair, well, we admit that we were probably naïve to try and borrow our way out of the situation, but I think it also fair to say that some of the people who lent us money, probably should have been more scrupulous in what they were doing" (Interview 39 - Man, database administrator, 60s).

Support from family and friends

A further option was seeking support from family and friends. In some cases this was in the form of helping out with the person's general financial position. This could range from small amounts e.g. "I will borrow money off my mum, a tenner here and a tenner there…but I do try to pay it back" (Interview 30 - Woman IS 20s) through to far more substantial amounts: "My friends helped out very significantly. I just couldn't pay all the various bills, things like my home insurance lapsed. Different friends helped with things, so without that I'd have just been absolutely stranded…it came to a couple of thousand all together but they know they'll get it back when I'm on my feet again" (Interview 19 - Man, JSA, 50s). In other cases help was in the form of a loan to repay other debts. For example: "I do owe £2,000 to a relative which I'm also paying back. They were actually here when a bailiff called…She then lent me the money to clear everything" (Interview 37 - Man, call centre worker, 20s).

There was also help that did not constitute additional borrowing, where family and friends provided support (often extensive) but did not expect repayment. For example: "my parents were fantastic…At the time I was on £68 a week benefit. I mean, the loan payments are £193 a month. I couldn't do it. I just couldn't do it. My mum and dad, they came to the rescue. They were paying the monthly amounts for me. The past two years now. Cost them a few thousand" (Interview 28 - Man 40s IB and DLA). In two cases, a new partner cleared all the interviewee's debts. In one instance £2,500 and in the other in the region of £16,000. The support provided by family and friends could therefore be very significant as a route out of debt.

Credit card use

While not as explicit as taking out a consolidation loan, several interviewees in effect tried to address indebtedness through use of credit cards. For example: "I'd think, right, if I get another credit card I can pay off the previous one and then shred it. But it doesn't work out like that. You end up using the cards as a way of paying [household] bills, and then you've maxed out the new one and you've still got the old one and it's just got a bigger mess (Interview 33 - Woman, admin. worker, 40s). Or: "I was an expert at crossing over credit cards. If it [a new card] was interest free for six months I'd cross the money over [i.e. the debt on a previous card]. I was playing with them I suppose you could say…wait for it [the new card] to go six months again and see if there was another [interest free] one. I did that for a couple of years at least, longer, but it doesn't really solve anything, you know" (Interview 1 - Woman pensioner 60s). There are also links here with the theme of 'juggling finances' which will be discussed in the next section.

Other strategies

Interviewees engaged in myriad other strategies to deal with their debts, ranging from working longer hours to selling personal possessions. There were three main themes however: IVAs and debt management plans; 'juggling', and using assets.

IVAs and debt management plans

There was some blurring between the IVA/debt management plan (DMP) and consolidation loan options in that many interviewees did not distinguish between them, but simply talked in terms of seeing advertisements that offered help with debts. Nearly all interviewees had considered contacting a for-profit service. There was a near even split between those who actually contacted a company, and those who decided not to do so. Those who chose not to, either thought (sometimes correctly, sometimes incorrectly) that an IVA/DMP did not apply to their circumstances, or had a more general view that this would not tackle the root cause of the problem.

However, across the sample there were examples of people who had taken out a an IVA or DMP. But, as with consolidation loans, such strategies proved to be only a temporary measure either because a new/further change of circumstance meant repayments could not be maintained, or levels of payment (based on leaving very little disposable income) could not in the long-term be maintained.

'Juggling'

It was noted in chapter 3 that cutting back and going without was a consequence of debt, but 'juggling' payments was a related, but still distinct strategy for dealing with debts. 'Juggling payments' and 'robbing Peter to pay Paul' were phrases, and strategies, used by many interviewees. The point to emphasise is the incredible efforts to which people would go to try to maintain some form of payment: "the credit card payments weren't all on the same day, they were at different dates in the month and I was trying to sort it in the best way I could. I'd pay one, and them maybe a bit less on the next so there was a bit to pay on the one after. Maybe hold back on the loan [repayment] one month, to pay a card if I'd missed the one before. If I couldn't make it at all, borrow a bit [off a friend]…that's the way it was going" (Interview 54 -

Man, Pension Credit, 60). Or: “I was just trying, paying the mortgage all the time anyway, and then just paying a different bill each month. I know it sounds stupid because they want paying every month, but, like I would rotate them and just pay, say, the electric would be one month, the phone the next, the gas, then one of the loans…not having enough money to cover all of them, so, so just having to pay one, one a month” (Interview 2 - Woman, IB, 40s).

The stress involved and difficulty of maintaining such an approach was summarised by one interviewee: “It’s just so hard…it’s every week you’re looking at what can I pay, and never able to afford them all, so it’s ‘how much can I give to that one? Did I pay that one last time?’ In the end I just couldn’t do it anymore” (Interview 57 - Woman, IS, 20s).

Using assets

Using assets to try to repay debts was another strategy employed by interviewees. This ranged from in one case cashing in a pension fund to using small inheritances. Selling their home was a strategy considered by all the owner-occupiers, and which had been pursued by several. This included: down-sizing (i.e. moving to a cheaper property to release some equity for debt repayment); selling to a company that allowed the interviewee to live in the property as a tenant; and allowing a home to be repossessed because the situation was unsustainable.

The use of savings to repay debts was interesting. Across the sample, there were a wide variety of attitudes to savings from: people who, prior to being in debt, has always had savings; people who due to low income had never been able to save; those who had had sufficient income to save but had never done so; through to some interviewees who said that they saw credit use as a form of saving i.e. instead of saving to buy a good, they purchased it on credit and then repayments that would have gone into a savings account went to the creditor.

The use of savings to repay debts was particularly evident amongst those who had experienced a change of circumstance. What was clear, however, was that even (within the context of this sample) the highest level of savings (in the low thousands) could sustain people only for a very limited period of time. For example, making mortgage repayments quickly eroded any cushion provided by savings. Savings, as with the use of other assets, did not provide an answer to indebtedness.

‘Doing nothing’? When other strategies fail

There were certainly interviewees who described themselves as having ignored problems or ‘buried their head in the sand’: however, ‘doing nothing’ should not be seen as a category of interviewees but rather a situation arrived at when other strategies had failed. For example, the interviewee quoted at the end of the ‘Juggling’ section had contacted creditors, received help from her mother and tried juggling payments. But when these strategies failed she dealt with the situation: “By putting them [bills] on top of my microwave. Not even bothering. I tried to start with them [negotiate with creditors], and then I just got in such a mess with them, I kind of gave up” (Interview 57 Woman, IS, 20s). Or: “I mean I was drinking. Oh, yeah, I was. I’d think ‘Jesus, not another letter’. I actually was picking them up in the end, putting them on the side, thinking I’m not going to read that because I know what it is and I can’t pay it” (Interview 22 - Woman, IB, 50s). While interviewees recognised this exacerbated problems e.g. “I was just letting everything go over my head. That’s how a lot of them built up” (Interview 44 - Woman, IS, 40s), this was very much a response to a failure of other strategies, and a sense of hopelessness about the situation.

Other interviewees stopped being proactive when creditors rejected offers, or threatened court action, and it seemed pointless to the interviewee to do anything further. As an additional theme, there were some interviewees who if they had not had contact from a creditor for some time did nothing in order, as one person described it, “not to rock the boat” (Interview 25 - Man, 20s, JSA). This included not revealing the debt when seeking advice. This meant in some instances people did not know if they still owed money, whether further action might be taken or if the debt had been written off by the creditor. As another theme in the research was people receiving letters from creditors about very old debts, this strategy did not necessarily appear sustainable.

Finally, there was one interviewee who as a deliberate strategy was “blanking” some debts (Interview 52 - Woman, IS, 20s). In short, she thought the advice she received was interesting but did not want to pursue it because it meant giving up her doorstep lender. She decided she would try to repay the doorstep lender, and adopt a strategy of ignoring other debts. This example will be returned to in chapter 7, and it will be interesting in years 2 and 3 of the project to see how the strategy develops.

Key points

People should not be categorised as responding to debt in one specific way: rather, there are a range of available options and people use different approaches, and combinations of approaches, at different times.

All the interviewees had at some point contacted their creditors but it was the willingness of creditors to accept offers that was critical; contacting creditors did not necessarily help resolve the situation.

Additional borrowing was a strategy pursued by many interviewees, and was a response to indebtedness suggested by many creditors.

Support by family and friends can be very significant.

A wide range of other strategies were employed by interviewees, from using assets to ‘juggling payments’, but did not provide an answer to indebtedness.

Some interviewees described themselves as having ignored problems or ‘buried their head in the sand’: however, ‘doing nothing’ should not be seen as a category of interviewees but rather a situation arrived at when other strategies had failed.

Chapter 5 - Seeking advice

This chapter examines advice seeking behaviour. The chapter is in three parts: deciding to seek advice, which includes consideration of why advice was not sought sooner; identifying and choosing an advice provider; and what people most wanted help with, including expectations of advice.

There are two points to make from the outset. First, it should be emphasised that the only interviewees who sought advice as an initial or early option had previously sought advice. They therefore knew a service provider was available, had been pleased with the previous service and were aware of what help could be provided.

But these interviewees were exceptional. For the vast majority, seeking advice was far from an initial response to indebtedness, and for many it represented a last resort. Second, there were virtually no examples of people seeking informal advice regarding indebtedness, prior to formal debt advice. Family and friends, and professionals with whom the interviewee was already in contact, will be seen to be important, in the decision to seek debt advice, but beyond this there was little evidence of informal advice being significant.

Deciding to seek advice

The reasons why people decided to approach a debt advice service fell under three headings: needing information; recognising the situation was unsustainable; and the importance of third parties.

Needing information

There was a distinct group of interviewees who solely wanted specific information. These interviewees had already decided what course of action to take e.g. sell their home, go bankrupt, etc, and were essentially looking for practical information or, at most, some advice on how to proceed (although advice did in some cases lead to them taking a different course of action). For example: "the most I wanted help with was to find out how and whether I was eligible to go bankrupt" (Interview 10 - Woman, IS, 40s). Or: "the reason I went was for the statute of limitations, how far back they could go, you know" (Interview 49 - Man, driver, 40s). This could also apply to people who were trying to act for themselves but had reached a point of needing expertise e.g. "I tried to manage it on my own. When it was going towards a court process, obviously I didn't understand enough about the law, you know, to manage the forms for the courts or anything like that. So, that was the original contact with them [the advice provider]" (Interview 45 - Woman carer 40s).

Recognising the situation is unsustainable

The second theme was interviewees who recognised their financial position was unsustainable. For some there was a specific trigger e.g. "I actually did apply for a loan to try and consolidate some of the debts and they turned me down. They said 'oh, you are oversubscribed [committed]', and that was the first time I've been refused credit...and that made me think this needs to stop…So that's why I contacted them [the advice provider]" (Interview 15 - Woman, self-employed, 30s). For other interviewees, the decision was a response to specific action by a creditor e.g. "the mortgage company threatened to repossess, so it was just pure panic" (Interview 2 - Woman, IB, 40s). For others, it was more general: "to be honest, I was getting fed up.…All these people phoning me up at ridiculous times of day…they phone you up and they phone you up and they phone you up. And I'm just going, 'well, this can't go on'" (Interview 47 - Man, factory worker, 40s). Or: "all the bills were coming in then saying, you know, it's gone up by £80, it's gone up by £100, it's gone up by this, and I thought, 'no, I need to do something now'" (Interview 22 - Woman, IB, 50s).

For some people, it was the more general impact debt was having on them. For example: "The impact it was having – emotional - it was getting worse, it was becoming unbearable. It had an impact on my relations with my family, my children. Because of all this debt I was working 50, 60, 70 hours I wanted still to be able to repay our creditors but be able to live a decent, normal life. I wanted to be at home to see my children…so it was at that point when I saw that it was affecting my domestic life that, you know, I went to seek advice" (Interview 36 - Man warehouse worker 40s).

The real issue here was how long it was before people reached this view. All of the interviewees quoted so far had sought advice before there was an absolute crisis. However, other interviewees talked in terms of having reached a point of 'desperation' and 'hopelessness', and for them it was the intervention of a third party that was often critical, as will now be considered (it must also be remembered that part of the context here is debt as an isolating experience as discussed in chapter 5).

The importance of third parties

A strong theme was the importance of a third party in encouraging people to seek advice. In many cases this was a relative or friend. For example: "I said to my dad, I said, 'there's just no hope, you know, I don't know what to do or where to go', and he said, 'well, you need to get yourself to [advice provider] and try and understand what you can do about your debt" (Interview 3 - Man, IB, 30s). Or: "It was desperation…I mean, I just didn't know what to do or where to go, and who to turn to. At the end of the day, you only get so much help off friends and family…Somebody, a friend I guess, must have mentioned it [advice provider] to me. I, I found myself going to them" (Interview 31 - Man self-employed 50s). Third parties also included professionals, for example this quotation refers to a housing association tenant support worker: "she said, you're better off getting them [debts] all out and going up the [advice provider] because if they bring the bailiffs along you're going to be in an even worse situation" (Interview 48 - Woman, IS, 40s).

Why advice was not sought sooner

There were a number of reasons why people did not seek advice sooner (and regret at having not done so was expressed by many interviewees).

One reason advice was not sought sooner was simply the ignorance of available services. As these interviewees explained: "I never thought I could get any help with it, that's all it was. I sat here with so much debt and things building up, and I'd just never heard of [advice provider]" (Interview 30 - Woman IS 20s). And: "I just didn't think there was anything. I must have been in a conversation with somebody and they said 'oh well, I did this and this' [i.e. contacted the advice provider], and I said 'oh, thank God for that', and went straightaway" (Interview 57 - Woman, IS, 20s).

A second reason was nervousness about approaching an advice provider when people had little idea what to expect (expectations are discussed in more detail below). For example: "I was a bit nervous about going there [to the advice provider], thinking about what…should I be totally honest? Do you know what I mean…is it going to be the sort of environment where you can be honest, you know?" (Interview 29 - Woman 20s IS). Or: "To be honest, I thought to myself, 'well, I don't fancy [contacting an advice provider]…but this can't go on'" (Interview 47 - Man, factory worker, 40s).

The point to be emphasised was of debt advice as being a last resort. There were a number of elements to this, the first being the hope that the situation would be resolved in other ways. For example: "I think we saw the metaphorical writing on the wall about 18 months ago, and thought, 'we've got to do something about this'. I suppose it's easy enough to say looking back that we should have taken advice earlier, but we did approach our bank, and we tried carrying on making payments. I suppose we were just fooling ourselves that we were managing" (Interview 39 - Man, database administrator, 60s). Or this interviewee who sought advice only at possession hearing stage: "I kept thinking things would get sorted out, the [mortgage company] would start to understand, they'd stop being so inflexible, it wouldn't get to that stage [possession]…You think 'I can sort this, things will improve, it can't really happen'" (Interview 32 - Woman IB 40s).

In the most extreme cases this developed into people being completely over-whelmed by the situation, leading to the hopelessness and desperation referred to above, to a point where a third party took the initiative. For example: "My niece said, you've got to do something about this…So she [contacted the advice provider] as my advocate like…because [at that point] I just couldn't talk to anybody. I couldn't phone anybody up or anything. I just couldn't do it" (Interview 1 - Woman pensioner 60s).

What also ran through many comments made by interviewees was that seeking advice was difficult because it was seen as failure, meaning the person could no longer manage their own finances and was unable to cope. This was exemplified by the following quotation: "what were the really worst part for me, was to actually admit I needed help…that was really difficult…really, really, really hard to do…once I'd started to cry [at the initial contact with the advice provider] I couldn't stop and I was so annoyed with myself because I'd got myself into such a situation, and I just couldn't get the creditors to understand and I was put into a corner of needing their [the advice provider's] help…I've even run my own businesses and things like that, and always been able to look upon myself as being able to run my own affairs, for God's sake. That [seeking advice] took a lot, that really did take a lot out of me that did" (Interview 6 - Couple, early 60s, pension and disability benefits).

Identifying an advice provider

The first theme here has already been alluded to; ignorance of service provision. For the majority of interviewees, identifying an advice provider was not done on the basis of informed choice about different providers. A number of interviewees could not even recall how they heard about the advice provider, or gave answers that are simply incorrect e.g. they had seen the service advertised on television, when no such advert has appeared. This points to additional confusion and lack of clarity regarding this theme. Ignorance of service provision also meant there was no indication of people choosing a provider on the basis of services offered e.g. whether or not they wanted representation (some people who went to face to face providers chose to act for themselves, while some people who contacted the telephone help line were disappointed that representation was not offered).

It has already been seen that in some cases third parties were critical in the decision to seek advice. This related both to professionals and informal 'word of mouth' information from family and friends. In these cases, the decision to seek advice and identifying an advice provider were synonymous.

What needs to be recognised here is also a strong sense of randomness. For example, one interviewee was in a taxi and the driver was talking about his daughter's debt problems and how the advice provider had helped. In another example an interviewee's neighbour told him about an advice provider who could help with benefits, and the adviser in probing the circumstances then identified the debt problem and encouraged the interviewee to talk about it (the interviewee in this case had put his house up for sale to try to clear debts but seeking advice meant he had been able to avoid doing so – but seeking advice had been largely the result of chance).

There were some issues here that were specific to different advice providers. With independent community based (face to face) providers, it was evident that word of mouth was the key factor. With the telephone help line, ignorance of the existence of the service dominated, with randomness in identifying the service particularly evident. With Citizens Advice there was much stronger evidence of general, but not universal, knowledge of the service, although there were issues with this as will be seen below.

The only way of trying to explore in more detail decisions behind approaching a specific advice provider therefore revolved around the rather negative approach of why non-CAB providers were used, if the person also knew of CAB. This also seems unfair in focusing on CAB provision, but does reflect the reality of interviewees' experience. It should first be noted that there were a very small number of people who were aware of CAB and a community-based advice provider and had chosen between the two. But the reasons for these choices related to very individual experiences of service provision and led interviewees to completely opposite choices as to which provider to contact.

More insight was provided by people who were aware of CAB but contacted the telephone help line. There were two reasons for this: ease of access, with interviewees, whether through previous experience or word of mouth, believing access to face to face services would be difficult for the reasons borne out by experience which will be discussed in chapter 6; and sensitivities about discussing debt. For example: "We have heard about Citizens Advice Bureau, but perhaps…not stigma exactly, but the fact that you would be talking to people about debt, that you might bump into later on in the street, whereas [the national telephone helpline] is almost anonymous" (Interview 39 - Man, database administrator, 60s). Or: "I've been to Citizen's Advice for other things and you know, it's like a proper government place…So I probably didn't want to go there to discuss this" (Interview 16 - Woman, IS, 30s).

Once people had contacted an advice provider there was then much more evidence of them becoming aware of different providers e.g. people who contacted the telephone help line learning that there were face to face services they could use. In a small number of cases this led to quite sophisticated use of different providers e.g. "I think they've got different qualities and got different strengths and weaknesses…[the telephone help line]…you can get through to somebody straightaway…and get some advice and help when you're panicking. But with the [face to face provider], if you want more support and more one to one back up with your creditors, I think they're probably the best people to go to…but I think it does have its drawbacks because you have to wait [for an appointment] whereas [the telephone help line] it's instant" (Interview 12 - Woman, call centre agent, 30s). Such an analysis by an interviewee was, however, exceptional.

Across the sample as a whole, interviewees also found out about advice providers through information sources such as leaflets and internet searches. The fact that services were free of charge was mentioned explicitly by a significant number of interviewees. But the themes that dominated were ignorance of service provision, the importance of third parties and word of mouth, and a significant element of randomness.

What people most wanted help with

In terms of what people most wanted help with from advice providers, themes largely reflected points already made.

Thus, one group of interviewees wanted specific information, as discussed above.

The second group, those who had recognised their position was unsustainable either wanted specific help e.g. “to try and stop my electricity being cut off, stop my home from being repossessed, how can I live?” (Interview 2 - Woman, IB, 40s), or help dealing with creditors e.g. “how to go about stopping these nasty phone calls, what do you do?” (Interview 35 - Woman pensioner 60s).

For those who had reached more desperate circumstances, what was wanted was far less specific: “I think I came across as I really don’t know what to do. It was basically I just needed somebody…some help” (Interview 21 - Man, unemployed, Hardship Allowance). Or: “I just wanted help with everything really, all these debts, what could I do?” (Interview 56 - Woman, IS, 20s).

For the final group of interviewees, what they wanted was someone to talk to: “I just thought, well, you know, a problem shared is a problem halved, and I just felt like I needed to talk to somebody more than anything really” (Interview 26 - Man 40s JSA). Or: “I needed some kind of light at the end of the tunnel. There was nothing…it was so bleak…I just needed to talk to someone” (Interview 19 - Man, JSA, 50s).

In hope rather than expectation

Given points made in this chapter regarding ignorance of service provision, it is unsurprising that people (other than those who had previous experience of advice) had few expectations of what service providers might say or do. One of the few reasonably accurate views was: “I thought that they could liaise with the people I owed money to on my behalf, but I didn’t know much more than that really” (Interview 48 - Woman, IS, 40s). Other expectations were very vague: “just give me some informed knowledge, advice, information” (Interview 12 - Woman, call centre agent, 30s) or “giving me the various options that are there for me” (Interview 36 - Man warehouse worker 40s).

Most interviewees had no idea what to expect: “I hadn’t a clue. I had not a clue” (Interview 18 - Man, supermarket worker, 50s); “I actually hadn’t got the faintest idea” (Interview 21 - Man, unemployed Hardship Allowance); “We went in totally blind” (Interview 46 - Couple - Man, IB, 50s, Woman, carer, 40s).

This also meant some interviewees had very misplaced views: “I was quite worried actually. I was quite worried just to be judged and to be looked down on” (Interview 30 - Woman IS 20s). Or: “I thought I’d be in a, once when I went to the DSS [Jobcentre Plus] I was in like a, a shuttered thing, you know, where people were behind you. I thought everybody’s going to hear and see me crying” (Interview 1 - Woman pensioner 60s).

This was summarised by two interviewees: “I didn’t really have any idea, I was just sort of grasping at straws” (Interview 9 - Woman, IS, 50s), and: “I just hoped really that they would be helpful” (Interview 38 - Woman, IS, 50s).

Key points

The only interviewees who sought advice as an initial or early option were people who had previously sought advice.

There was a distinct group of interviewees who solely wanted specific information while others recognised their financial position was unsustainable either because of a specific trigger e.g. creditor action, or the more general impact debt was having on them.

The real issue was how long it was before people sought advice; some did so before there was an absolute crisis but other interviewees talked in terms of having reached a point of ‘desperation’ and ‘hopelessness’, and for them it was the intervention of a third party that was often critical.

The reasons why people did not seek advice sooner included: ignorance of available services; nervousness about approaching an advice provider when people had little idea what to expect; and debt advice being a last resort.

Seeking advice can be difficult when it is seen as representing failure, meaning the person could no longer manage their own finances and was unable to cope.

For the majority of interviewees, identifying an advice provider was not done on the basis of informed choice, and there was a strong sense of randomness.

Chapter 6 – The experience of debt advice

This chapter examines interviewees’ experience of debt advice. The chapter begins with examining aspects of debt advice that interviewees found most helpful. This falls under three headings: someone to talk to; information and options; and being better able to deal with creditors. The second part of the chapter considers themes that fall within a heading of ‘service delivery’, which raises both positive and negative experiences. The themes raised in this chapter applied to all the advice providers, other than on a limited number of points which will be identified.

Positive experiences

The overwhelming majority of interviewees were very positive about their experience of debt advice. A strong theme was that fears about seeking advice expressed in chapter 5 proved unfounded, and interviewees were surprised and impressed by the service provided. Interviewees were near unanimous in saying they would recommend the service to someone else, and use the service again themselves.

There were a very wide range of aspects of advice that people found helpful, reflecting the very considerable breadth of activities encompassed in the term ‘debt advice’ and the services undertaken by providers: from filling in forms to representation in court, and applications to charities to advice on finance for small businesses. But there were three key themes which will now be considered in turn: someone to talk to; information and options; and dealing with creditors.

Someone to talk to

‘Someone to talk to’ was a theme raised in chapters 5, but its importance was most marked in interviewees’ comments about what they found most helpful about advice. At its simplest level, this really did just mean someone listening to what the interviewee had to say: “the bloke actually let me just rattle on. I told him everything that was relevant as regards to my debts. And he just sat there and listened. I must have been talking to him for at least three quarters of an hour. These people really listen” (Interview 38 - Woman, IS, 50s). Or: “my head was all over the shop and I didn’t know where I was going or what I was doing…I was kind of breaking up in there and the guy who sat with me, you know, he, he was a nice bloke, you know. He sat and he understood and, you know. He understood that you’ve been through a shit time, and he took his time, and he was just a nice bloke" (Interview 3 - Man, IB, 30s).

The latter quotation indicates, however, that there were other elements that were critical: advisers being understanding, non-judgemental and sympathetic were all vital. This is illustrated in the following quotations: "and the way he [the adviser] did it, as well, he didn't make you feel as if, like he frowned upon it, you shouldn't have got into this situation. It was nice and easy and it was a comfortable situation…a friendly atmosphere"(Interview 29 - Woman 20s IS). And: "they weren't judgemental, they were really, really nice people to talk to [they didn't say] 'you shouldn't really be in this situation'" (Interview 39 - Man, database administrator, 60s).

Having someone to talk to who listened, was understanding, non judgemental and sympathetic led into a second theme - reassurance.

Reassurance

Even before any information was provided or action taken, having someone to talk to gave interviewees a strong sense of reassurance. Some interviewees talked in terms of their debts being put into a broader perspective e.g. "They just put everything in perspective and that took away all, all the fear, all the dread, all the helplessness, and they said 'you're back in control, there you go'" (Interview 19 - Man, JSA, 50s). Or: "just [the adviser] made it seem, not played it down, the debt, but he's just said 'there's loads of people in the same position, everyone's got debts these days', put it in perspective for me. 'Look, don't stress, we can deal with it…and I've seen a lot worse than this'" (Interview 53 - Woman, JSA, 20s).

For other interviewees it was the immediate assurance that there was an organisation available that could help, and ways forward. For example: "They could see how worried I was about my debts, you know, and obviously they seen it, they deal with a lot more debt than that, so they said 'stop worrying, we can sort this out', you know. 'You're not going to go downhill, you know, you're not going to have everything taken from you. If you can come in and show us everything that we need to see, we can help you'. Yeah, that itself was a help…I feel better in myself when I do see them. I know I'm not on my own then" (Interview 30 - Woman IS 20s). Other interviewees expressed this in terms of 'having someone on their side', for example: "just realising that someone's behind you, fighting…I don't need to get so worked up, I don't need to worry so much, because somebody is actually helping; somebody is actually fighting in my corner" (Interview 7 - Woman, 30s, Severe disability allowance).

Contrast with creditors

A number of interviewees made direct comparisons between advice providers and creditors. For example: "[with the advice provider] you get through to somebody that sort of understands your situation…they are understanding, they speak at the right pace and tone with you…just the complete opposite to what you get when you ring the creditors or when they ring you" (Interview 12 - Woman, call centre agent, 30s). Or: "I remember one person [from a creditor], it was when I was pregnant…he was really horrible, I was crying so hard after I spoke to this person…I was saying 'I can't pay, I'm not working' and he was just 'you have to pay it, you have to pay it'. And I was just so upset I contacted [the advice provider] and they were just really so supportive, listening, nice…it couldn't have been more different" (Interview 16 - Woman, IS, 30s).

Information and options

Given that 'needing information' was identified in chapter 5 as one of the reasons why people decided to seek advice, it is not surprising that the second element that interviewees found helpful can be described under a broad heading of being given information. In one way this linked with the theme of reassurance discussed in the previous section, in that practical information as opposed to the 'talking to someone' theme reassured people about their situation. This was explained by one interviewee in the following terms: "it was really good. You know, the thing of knowledge is power kind of thing? It's just knowing what you are dealing with makes it so much easier to do. It was so scary before. I thought 'oh my God, I'm going to have my house repossessed'. And they explained that with credit debts they can take you to court and get a charging order against the house but they said the chances of that are actually remote…it was like these are your options, this is what you can do and this is how you do it. Very practical, and that's what helped" (Interview 15 - Woman, self-employed, 30s). This was reinforced by other interviewees, for example: "They were smashing, they spent a lot of time just explaining things, about the bailiffs, the catalogues, if it goes to court, and different things you can do" (Interview 9 - Woman, IS, 50s).

The theme of the importance of options being explained was a recurring one. For example: "he didn't just tell me that bankruptcy was the only option. He gave me other options and he just asked me what I wanted to do. He gave me some information to read up because, like he said, it [bankruptcy] is a big step, and that was good because I felt more like I knew what I was doing" (Interview 53 - Woman, JSA, 20s). This was very important in meaning that people who approached an advice provider with a specific course of action in mind, often decided to pursue a different option in the light of the information they received.

The provision of information as the basis for dealing with debts was also highlighted, both in general terms and to deal with specific situations. The accessibility of information was therefore also critical, as these two quotations highlight.

"The booklet that they sent me, I call it my bible now, because as soon as I read through it I've had an awful weight come off my shoulders because everything you need to know is in there, everything, and it was just, it was just fabulous. I wouldn't say I'm stupid, I'm not stupid, but I'm not that intelligent either, but that book was so clear and so precise anybody could understand it… I followed it to the letter. I did everything it told me to do. And, it was just fantastic. It really was" (Interview 38 - Woman, IS, 50s).

And: "they [the advice provider] were very easy to understand. They tell you exactly what to do…one company sent me to court and then the next thing I'd got this letter saying that if I hadn't paid this £170 by this date they were sending the bailiff round. So I [contacted the advice provider] again and she told me that I needed a specific form to fill in to stop that, which I got. She said, don't let the bailiffs in, they've got no right to come in. She said just phone the bailiffs and tell them that you've got this form, she says, and that will give you more time" (Interview 13 - Woman, office worker, 20s).

The latter two quotations lead into the next theme which was advice as helping people to be able to deal better with creditors.

Better able to deal with creditors

Being better able to deal with creditors was expressed by interviewees in two separate ways, and this was one issue in which service delivery by advice providers was a factor. The distinction was in face to face service providers representing clients, which the telephone service does not do. However, it must be remembered that some interviewees who used a face to face service still chose to act for themselves. So the distinction is not an absolute one between users of the telephone service and users of face to face services, but between interviewees who chose to act for themselves, and those who chose to have the advice provider represent them. These two dimensions will be considered in turn.

Dealing directly with creditors

For those interviewees who chose to act for themselves, being better able to deal with creditors was highlighted as a key theme. In some ways this followed on from the reassurance and information themes discussed above i.e. people felt reassured about their situation and then had the information to act. This included practical elements such as being given example letters to use, or practical tips such as refusing to accept telephone calls and telling creditors only to send letters.

The provision of information helped in a specific way regarding the powers available to creditors. For example: "I was quite shocked in a way when they said the creditors couldn't really do anything because it was credit debt, because I was worried that I was going to get into real, real trouble. But they [the advice provider] were quite straightforward and, 'no, they can't really do anything because it's credit debt', it's not like it's your house or council tax bills, or whatever" (Interview 13 - Woman, office worker, 20s).

This brought with it a sense of empowerment for interviewees and greater confidence in dealing with creditors. For example: "They [the advice provider] did sort of emphasise that these debt collectors do have limited sort of powers, and that the best thing to do would be to communicate with them but actually be quite assertive: say that this is the most you can afford because of your situation" (Interview 12 - Woman, call centre agent, 30s). This confidence in sticking to offers was emphasised by this interviewee: "I started to get all the replies back from the letters I'd sent out, some accepted the offer but some didn't…and I was still getting nasty calls…but then I thought, excuse my French, 'these bastards aren't going to get me', and I've been fighting ever since and I've stuck to that book [information sent by advice provider] to the letter" (Interview 38 - Woman, IS, 50s).

For other interviewees what was most helpful was being better able to deal with persistent telephone calls from creditors. For example: "I told them [the advice provider] about the phone calls and they said I shouldn't be intimidated. And, I should tell them [creditors] that I have spoken to them [the advice provider] the next time they phone, and that I am dealing with it, and would they please give me a little space to get it sorted, without phone calls, and I did follow up on that…And I repeated the conversation to her [a creditor], and she promised that I wouldn't be contacted within two weeks, and they kept to that actually" (Interview 35 - Woman pensioner 60s).

Next is the experience of people who were represented by advice providers.

Representation/advocacy

It was seen in chapter 4 that some interviewees expressed frustration that advocacy was required to persuade creditors to accept offers that the interviewee had already made, but representation/advocacy was welcomed by interviewees who had felt unable to deal with the situation themselves. For example: “she was right helpful, and that. And she’s phoned up them and sorted all my debts out, she’s getting all the pre-paid meters fitted, like, so that’s all been sorted…when I tried, it’s like phone calls, getting the money, putting pounds in the phone box, and ringing them up, and, nothing happens…she’s just done it in one go, and sorted it all out, just like that. And it’s just been amazing” (Interview 25 - Man, 20s, JSA). Representation was also welcomed by some interviewees in relation to court appearances (although it should be noted that some interviewees rejected the offer of representation and attended court alone): “She [the advisor] was great with me coming to court. I hadn’t been to court before and I didn’t really have to open my mouth, she said it all for me in words that she understood and the judge understood. That was good” (Interview 5 - Woman, IS, 50s).

However, a strong theme that was expressed by interviewees was of representation as relieving the pressure of having to deal directly with creditors. Given the experience of dealing with creditors as described in chapter 3, this is far from surprising. The following quotations summarised the views of many interviewees: “Well, the most important thing is getting…all of a sudden getting those people [creditors] to talk to her [the adviser] instead of to me and the phone not ringing as often or not ringing at all, because she got everybody to only talk to her” (Interview 6 - Couple, early 60s, pension and disability benefits). And: “it just takes the pressure off and I feel…I don’t know how to explain. It’s not relaxed but more, not panicky. Like, before I was so stressed and so panicky, I panicked every time something came through the letterbox. I panicked every time somebody rung the doorbell and every time the phone rang…[the adviser] taking things over has really helped with that…I’m not scared anymore” (Interview 2 - Woman, IB, 40s).

Thus far, this chapter has been concerned with the advice that was received. The next section considers the experience of service delivery more generally.

Service delivery: access and facilities

[Note - there are some potentially sensitive issues here. In order to ensure there is no possibility of interviewees’ comments being seen as relating to particular providers, the section is deliberately very general in approach.]

As already noted, the overwhelming majority of interviewees were very positive about their experience of debt advice. There were also very positive views regarding service delivery more generally. For example: “it was absolutely superb, from start to finish. Can’t fault it” (Interview 21 - Man, unemployed, Hardship Allowance, 40s). And: “It was good…easy to find. And the people are that helpful…I’ve not been left waiting around for hours, like in the Jobcentre” (Interview 25 - Man, 20s, JSA).

However, the latter interviewee was exceptional in his experience of not having to wait to see an adviser because a very strong theme was the problem of access in relation to face to face services. Simply getting into a provider’s office had been a problem for some people: “I was most put out by the fact that somebody just talked to me through an intercom. ‘Sorry the office is closed, you’ll have to come back another day’” (Interview 49 - Man, driver, 40s). Or: “I went to the office, which of course was closed three or four times before I actually got through the door” (Interview 19 - Man, JSA, 50s). Once inside the office, the length of time spent queuing was the next issue: “It was packed it was. I mean I got there, I think it was like ten o'clock, and I didn’t leave till four, half four” (Interview 17 - Woman, security operative, 30s; Man, construction worker, 40s). This was compounded when people got caught up in the provisions of service contracts. For example: “there was confusion in the beginning because I went to an office in [the area] where I work…but they said, ‘sorry, we can’t take your case here because your address is not in this area’. So then I had to go to [a different location] and then you’ve got to wait hours and hours before you can see anybody. That’s the only downfall” (Interview 51 - Man, care worker, 50s).

For providers that operate an appointment system, the same issues applied. For example: “She said ‘we could fit you in two weeks’ time’. I said, ‘but I need some hep today!’” (Interview 59 – Woman, teaching assistant, 50s). Or: “I had to wait about nearly two months to see [the specialist debt adviser], so that was a problem” (Interview 42 - Woman, shop worker, under 20). The process of getting to see a specialist debt adviser can also be problematic, as this interviewee explained: “the only problem I had was at the beginning. [Name of adviser] is the longstanding one, and before her I think I had four different ladies within about six weeks. Since [name of adviser] took over it’s been fine. It was just quite longwinded before that” (Interview 57 - Woman, IS, 20s).

Length of time spent queuing also led to criticisms of facilities. For example: “It wasn’t even a proper waiting room, more like a corridor” (Interview 14 - Woman, IS, 50s). Or: “There’s nothing in the waiting room, not even a water machine. I was in there for an hour and a half, waiting, and it was really, really crammed. And if you go anywhere, to the toilets [which are not in the office] or anything like that, you lose your place” (Interview 29 - Woman 20s IS). The inadequacy of interview rooms was mentioned by a number of interviewees, particularly in relation to lack of space and privacy.

There were a number of further miscellaneous issues raised by interviewees, such as information that was promised to be posted to an interviewee had not been received. And just as there were highly positive comments made about advisers, there were also criticisms. These were, however, very individual points. A more significant issue was where there was a breakdown in communication between the interviewee and advice provider, but this will be discussed in the next chapter. Indeed, further negative views of service provision were largely merged with issues around the impact of advice, which is the subject of the next chapter.

How services could be improved

Given the above, it is unsurprising that the dominant view of interviewees was that improvements would best be achieved by greater promotion and awareness of the existence of service provision, and by services being more widely available. Longer opening hours, more advisers, locally based services, and (for some interviewees) the option of home visits, were all recurring themes.

Beyond this, few suggestions for improvement were made. The need for better office facilities was mentioned by some interviewees, while others raised issues relating to their specific circumstances e.g. the difficulty of attending interviews with young children, and lack of minority language speakers. A small number of interviewees suggested that advice providers could be proactive in following up enquiries i.e. for those interviewees acting for themselves, some said it would be helpful if the provider could contact them to check if further help was required.

Key points

The overwhelming majority of interviewees were very positive about their experience of debt advice; fears about seeking advice proved unfounded, and interviewees were surprised and impressed by the service provided.

There were a very wide range of aspects of advice that people found helpful but three particular elements were found most helpful: having someone to talk to (with this including advisers being understanding, non-judgemental and sympathetic); being given information and the importance of options being explained (this was very important in meaning that people who approached an advice provider with a specific course of action in mind, often decided to pursue a different option); and being better able to deal with creditors (whether through practical tips and a sense of empowerment, or representation relieving the pressure of having to deal directly with creditors).

Interviewees were positive about service delivery other than there was a strong theme of difficulty of access in relation to face to face services.

The dominant view of interviewees was that improvements would best be achieved by greater promotion and awareness of the existence of service provision, and by services being more widely available.

Chapter 7 – The impact of debt advice

As seen in chapter 6 the overwhelming majority of interviewees were very positive about the experience of debt advice, but this does not automatically mean problems were resolved. This chapter therefore examines the impact of debt advice. This is done under the following headings: 'immediate impacts', which includes dealing with crises, avoiding recovery action and dramatic change; 'under control'; 'worry'; and 'money management and financial confidence'. The final part of the chapter examines examples where interviewees said advice did not have any impact. The themes in this chapter will be particularly central to year 2 of the project and the chapter is consequently somewhat longer than preceding chapters.

From the outset it should be noted that the research did not find any examples of people who became debt free as a result of advice. Only two interviewees were entirely debt free. In one case the interviewee's partner paid off all her debts; in the other case the advice provider had successfully had one debt written off and the interviewee's partner then cleared her other arrears. There were, however, myriad ways in which advice had had an impact on people. Some interviewees had, as a result of advice, received additional benefits which increased their income. Some who had had debts written off referred to the amount of money they would otherwise have had to repay. But the first main theme raised by interviewees was of the immediate impact that advice can have.

Immediate impacts

There were examples of debt advice having some very immediate impacts. In this first instance this related to dealing with crises and avoiding recovery action. In the most extreme case, was an interviewee who did not seek advice until faced with a court hearing for possession of her home. Her view was simple: "I would've lost my house without them" (Interview 32 - Woman IB 40s). Other interviewees were similarly explicit: “she’s [the adviser] kept the bailiffs from coming out…she's managed to stop that” (Interview 17 - Woman, security operative, 30s; Man, construction worker, 40s).

For other interviewees it was the impact of advice on their well-being that was dramatic. For example: “I was in hell [trying to deal with indebtedness]. I went to the [advice provider], from the minute I walked through the door they were excellent. It's the best thing I ever done. I came out of that office floating. My life is perfect and that was genuinely down to [the advice provider]. Perfect. Yeah, from hell to perfect” (Interview 22 - Woman, IB, 50s). And: “It’s [debt advice] changed our life…it’s possibly stopped me having a major heart attack and stopped me having more strokes. The point being if I had not gone to them [the advice provider] last year, there’s a good chance I wouldn’t be here now. We strongly believe that because the pressure you’re under it does make you ill and I was in a really bad way” (Interview 6 - couple, early 60s, pension and disability benefits).

For another group of interviewees there was an immediate impact with advice meaning they did not have to follow a course of action they thought was undesirable but inevitable. For example: “pre [getting advice] I did have the house on the market because I thought that’s what I’d have to do. But I was able to get the right advice and steer away from that course of action” (Interview 31 - Man self-employed 50s). A number of interviewees thought bankruptcy was the only available option and again said advice had had an immediate impact in showing there were other options.

There were, however, relatively few interviewees who reported such immediate and dramatic impacts: the far stronger theme expressed by interviewees can be described as debt advice leading to a person’s financial position being made manageable or, in a phrase used by several interviewees, ‘under control’.

‘Under control’

There were a number of elements to this, the first being the impact of reduced payments. When payments had been reduced, it meant the person’s financial position was now manageable as these two quotations illustrate: “compared with when it was like £300 [per month on repayments] we were having to pay…I think it’s about £50 now, so…I can afford to do those, I’m being able to manage that (Interview 13 - Woman, office worker, 20s). And: “[the adviser] got it reduced right down to the bare minimum. It’s going to take me, I’d say, another five years but I’m comfortable everyone’s being paid, no one’s knocking at my door, it’s under control” (Interview 5 - Woman, IS, 50s).

For other interviewees, repayments were still being negotiated but the key impact was seen in that a way forward was evident with ‘light at the end of the tunnel’ being a recurring phrase used by interviewees. For example: “I’m still struggling a bit at this minute, but I can see a light. I’m not at the stage [any more] where it’s a black hole ahead of me. I can see a light where I can get down to manageable repayments” (Interview 35 - Woman pensioner 60s). Or: “What I’d like is for everything to be done and dusted so I know where I stand…I’m still in limbo…but at least I know what way forward to go, that’s the benefit” (Interview 21 - Man, unemployed, Hardship Allowance, 40s).

Some interviewees equated their financial position being manageable with being debt-free. Indeed, a number of interviewees who had payment arrangements in place specifically described themselves as now being debt free. In this sense, ‘debt’ was equated with an unmanageable financial position. When the position became under control, and even though interviewees could still have very large levels of arrears, they no longer saw this as a ‘debt problem’. This connects with the discussion of defining and understanding debt in chapter 2.

Worry

It was seen in chapter 3 that ‘worry’ was one of the major impacts of debt that people experienced. One of the examples in the first section of this chapter demonstrated advice having a dramatic impact on people’s sense of well-being. Other interviewees expressed similar views: “I feel like a massive weight’s been lifted off my shoulders, you know” (Interview 29 - Woman 20s IS) and “they just blew me away with all the answers…I’ve been worrying so much about it, I thought it wasn’t solvable but [the advice provider] said there will be a resolution at the end somewhere, and it did put my mind at rest a lot” (Interview 9 - Woman, IS, 50s).

However, the stronger theme was that advice had some immediate impacts but continuing financial difficulties meant worry remained an issue, even if a lesser one. For example: “I still don’t feel secure; I just think something’s going to happen...I’ve still got the worry, it’s not completely gone, no” (Interview 1 - Woman pensioner 60s). Or: “No, it’s still there [the worry], it’s at the back of my mind now, but it’s still there….It’s helped reduce it a little bit, but it hasn’t sort of gone completely” (Interview 10 - Woman, IS, 40s).

This was of course related to the extent to which a debt problem had been resolved. Some interviewees talked explicitly about needing to think longer term e.g. “You’ve just got to keep giving yourself hope and think well, yes, you’re going to get out the situation…but it’s not something that happens overnight” (Interview 12 - Woman, call centre agent, 30s).

There are also issues here as to the long-term impact of debt upon well-being even when the financial side of the problem has been dealt with. For example this interviewee reflected on his experience as follows: “I think it’s [bankruptcy] one of the best things I’ve done, but it’s a paradox. It’s not something that you want to be done, but at least it’s a way out” (Interview 36 - Man warehouse worker 40s). Even this interviewee, one of only two who was completely debt free, expressed a similar sense of ambiguity: “Of course I’m glad it’s all sorted, but I feel a bit like scarred. I’m still not the same as I was before…I feel like I’ve really taken a big knock” (Interview 32 - Woman IB 40s).

Money management and financial confidence

The research explored whether debt advice had impacted on people’s money management and financial confidence. These will be dealt with in turn.

Money management

Many interviewees said their approach to money management had changed, but there was a distinction between those who said this was directly attributable to the advice received, and those who said it was something they had done themselves separate to seeking advice. In the former group, advice had helped a very small number of people with basic points such as prioritising and managing payments. For example: “first of all I just get the things, you know, that me and the children need, gas, electric, food, if there’s anything left, which usually there isn’t, it’s a bonus, but…before I got the help with [from the advice provider]…I was, at the end of the week borrowing money and then at the beginning of the week having to repay that money back, so I was always short on paying other things" (Interview 44 - Woman, IS, 40s). However, some interviewees ascribed this to their own efforts, for example: "I've learned to spread my bills out. I have, like, a bill every week, so that I know I've got to get the money, rather than it all going out in one lump sum and missing some, getting charged by the bank. So I've learned now how to plan and how to manage my money now. I think that's something that I've done myself over the last, sort of, year to six months" (Interview 53 - Woman, JSA, 20s).

A stronger theme was that people felt they were already good money mangers but the process of compiling an income and spending/budget sheet was helpful either in providing greater focus or starting afresh: "I am quite organised anyway, but that made me really sort of look at where my money goes, bills and then the personal budgeting, it made me look at, you know, what I'm spending on housekeeping and clothing. It was just really good to have it all down on paper…it's really helped me to feel in control" (Interview 15 - Woman, self-employed, 30s). Or: "I could sort of get back on top and write down what I had coming in and what I had going out and everything….it made me stop and start again, from afresh" (Interview 57 - Woman, IS, 20s). This also applied to people who were adapting to a reduced income. For example: "I was pretty much all over the place because it was a bit of a shock, going from having money to trying to manage on little amounts [i.e. benefits] and make it go far …He [the adviser] wrote it down, this will go there, you pay this there, and I sort of came home and sat down, and then thought, well, right, that's ok" (Interview 29 - Woman 20s IS).

The final group of interviewees were those who said their money management had not changed. There were two elements to this. First, there were some examples of people who having got over a crisis recognised that they were reverting to a previous approach. For example: "this time last year, if you would've asked me how much I've got in my account, what's the next bill that's due out, I would've been able to say, bang, bang, bang, bang, bang…initially, you do really, really concentrate on your spending, but as soon as that relief [at resolving the situation], and soon as that worry's gone…Unfortunately, I didn't keep it up…and I know that I use my overdraft, I go into my overdraft at the end of every month. I guess it could spiral again" (Interview 33 - Woman, admin. worker, 40s). Second, were interviewees who were simply struggling to make ends meet, and keep up debt repayments. For example: "I just go and press the buttons [i.e. entering pin number at cash point or in a shop]….Maybe I shouldn't…but if I need money, or go in the shop and buy the stuff, that's what I do" (Interview 1 - Woman pensioner 60s). One interviewee summed this up by saying "That [money management] still needs to be addressed. I've got to work on that one" (Interview 58 - Woman, IS, 50s).

Financial confidence

Interviewees were asked a general question about how confident they felt making financial decisions. Responses were very diverse and, as with money management discussed in chapter 2, ranged from people who expressed great confidence and talked about undertaking detailed research into financial products to those who described themselves as 'hopeless'.

There was a strong theme, however, of people seeing financial confidence/capability as irrelevant to their circumstances. In the first instance this was because debt was caused by a change of circumstances, and people therefore did not see financial capability as a factor. Second, several interviewees talked in terms of their low income meaning options were very limited. For example, several interviewees recognised that doorstep lenders or particular credit cards were very expensive, but they were the only options available to them. Thus, while some interviewees talked about regret at not having 'shopped around' for better deals, this was countered by limited options available to them. It must also be remembered that, as discussed in chapter 2, credit use for many interviewees was reactive rather than proactive.

Interviewees were also asked whether contacting an advice provider had affected their financial confidence. Some interviewees, largely those who felt their financial position was now manageable, did express greater financial confidence. Some people demonstrated this through practical examples such as having switched fuel suppliers. It was very unclear, however, whether this greater confidence stemmed directly from having received advice, or was part of a more gradual process of people taking control of their financial position.

The far greater theme though, was of debt as having severely affected interviewees' financial confidence, leading to a strong sense of financial conservatism. For example: "[I'm] not as confident now. Before if like say for gas and electric, there was an offer, you get so much off [by switching provider], I might have considered it. But now I feel, no, I've got one good gas and electric company, I'll stay with them and I've just lost confidence in making a lot of [financial] decisions really since this happened" (Interview 10 - Woman, IS, 40s).

Eschewing credit completely was a strong theme: 'I've learnt my lesson' was a recurring phrase. This meant, again, that people saw financial capability as irrelevant to their circumstances. For example: "I don't think the situation [i.e. making financial decisions] is going to arise much in the future anyway, we certainly won't be looking to borrow any money from anybody for an awful long time" (Interview 39 - Man, database administrator, 60s). This was summarised by the following interviewee: "if we're going to buy something obviously nowadays we look at what's on offer to see whether we can have an interest free credit or not, or whatever. But having been blacklisted and the house being repossessed, we tend to save up and then pay cash for something….whether that's right or wrong I don't know but that's the way we're happy doing things now…in the past I'd have thought yes, use your credit card, I'll have this, have that, have the other…now it's completely different from the way we operated in the past" (Interview 49 - Man, driver, 40s).[8]

There was only one example of an interviewee engaging with financial literacy. This was through attending what the interviewee called an 'action group' organised by the advice provider. Her view was somewhat ambiguous however: "a guy gave a 45 minute talk on how not to get in debt and how to save your money…where you can get vouchers from and any two for ones and stuff and, you know, just, like, teaching you to have what you need and not what you want, sort of thing, you know. It's, sort of, common knowledge to me now, obviously, but for the other people that were there who have, maybe, just started getting into debt, it was quite interesting" (Interview 53 - Woman, JSA, 20s).

What would have happened if advice had not been sought?

In reflecting on what would have happened if they had not sought advice, the key theme for interviewees was of advice as changing the trajectory in which the person

[8] This quotation also illuminated the issue of savings. For the vast majority of interviewees, trying to save was a complete impossibility within their current financial position (although, as indicated in chapter 4, there were in any case a variety of attitudes to savings). The only examples of people trying to save were as in this quotation i.e. small amounts (very low hundreds at most) for specific purposes.

was headed. On the one hand this related to concrete impacts such as noted above e.g. losing a person's home, or the impact on well-being e.g. "I dread to think. I'd have probably ended up in a psychiatric unit" (Interview 41 - Woman, IS and SDA, 50s). The only exceptions were interviewees who solely wanted information. They tended to say that they would have tried to find information elsewhere, although how they might have done so was unclear.

But there were some interviewees who said that advice had not led to any change, and this will now be considered.

No impact

There were only a small number of interviewees who said advice had not had any impact. Confusingly, even some of these interviewees said advice had been helpful in some ways. At the same time, some interviewees who were very positive about their experience of advice, were ambiguous about whether it had changed their trajectory. A number of themes were raised by interviewees, as follows.

Low income

Low income was an issue in relation to the impact of advice, in a number of ways. First, while advice could in some cases increase income through identifying additional benefit entitlement, it could not alleviate low income as a cause of debt. For example, one interviewee within the group who explained the cause of their debt as due to long-term low income and for whom debt was a recurring experience ("I fall behind, back and forward") said: "they [the provider] do what they can…they sometimes help, sometimes dinnae. They try their best" (Interview 34 - Woman, IB, 50s). Similarly, for interviewees whose debts were due to a change of circumstances, the key issue also remained that they had insufficient income to cover expenditure. While aspects of advice had been helpful, interviewees in this group were still struggling. As this interviewee, who praised the advice provider strongly under the someone to talk to theme, and for establishing a repayment schedule said: "I seem to have like fallen off line again [i.e. is struggling to make payments]. Whatever I do, I just don't seem to have enough to cover everything" (Interview 26 - Man 40s JSA).

Another ambiguous element was in relation to low income interviewees who wanted to maintain access to doorstep lenders who were critical in meeting needs. For example, one interviewee was using the advice she had received to enable her to deal with some creditors, while prioritising doorstep lenders because of their more long-standing relationship. Another interviewee (as noted in chapter 4) thought the advice was interesting but did not want to pursue it because it meant giving up her doorstep lender. She decided she would try to repay the doorstep lender, and ignore other debts. And one interviewee followed the advice which included stopping paying a doorstep lender but only very reluctantly, and then got a store card to replace the doorstep lender.

Debt as part of a broader set of circumstances

The second theme was where debt formed part of a broader set of (non-financial) circumstances, and debt advice was able to address only part of the person's overall problems. There was one particularly explicit example of this where the interviewee's two children (now young adults) both had mental health problems. The interviewee had spent many years in conflict with different agencies regarding service provision for her children. She had a significant debt problem, but saw the real problem as still being her children. She therefore saw debt advice, which looked at negotiating repayments, as not dealing with what, for her, was the more important issue of her children. She therefore saw the advice as irrelevant to her circumstances and did not pursue it.

For other interviewees, the position was not as clear cut as this, but certainly there were instances where debt was one of a number of problems faced by interviewees. This included examples of mental health problems, alcoholism and so on. Debt advice was said by interviewees in this group to be helpful, but its impact appeared more dependent on how other problems were addressed, separate to the debt advice.

Inaction?

A further group of interviewees had received advice but taken no action. There were two elements to this. The first set of interviewees, all used the same language, saying that they could see the merit of the advice they had received but that pursuing options such as bankruptcy sounded 'scary'. In two cases, interviewees were trying to make some payments but their position appeared wholly unsustainable. In the third case, the interviewee said she had been contacted by a company offering an IVA and had agreed to pursue it. This had been suggested by the advice provider but the interviewee had felt unable to be proactive, and described the situation in very reactive terms. There are links here with the theme in chapter 5 of people appearing over-whelmed by the situation, and reaching a point of 'desperation' and 'hopelessness', where the intervention of a third party was often critical. Secondly, two interviewees talked in terms of seeking advice as a first step. They greatly valued the information they had been given, but both talked in terms of needing time to take the next step of writing a budget sheet and contacting creditors.

Breakdown of communication between the interviewee and advice provider

There was a specific theme related to a breakdown of communication between the interviewee and advice provider, as mentioned in the section on service delivery in chapter 6. In one case there had been a complete breakdown of communication between the interviewee and advice provider. The interviewee said his case had been transferred between advisers to a point were he no longer knew who was dealing with it, if anyone was at all. The interviewee said he then received a letter saying his case had been closed. He could not understand why this was, but felt disinclined to contact the provider again after his negative experience (although it must be remembered that the research focused solely on the interviewee's perspective and it must be recognised that the advice provider may have seen events very differently). The interviewee was now trying (somewhat unsuccessfully) to negotiate with creditors himself (plus receiving support from his daughter). He was very clear that advice had not helped at all either in providing representation or enabling him to deal better with creditors.

This was the most extreme example, but the theme was echoed by other interviewees. In these cases, interviewees had found the advice initially helpful and it had improved their position through lower repayments/representation with creditors. But confusion then arose, with interviewees unclear whether the provider was still acting for them. Interviewees were left, at the time of the fieldwork interview, unclear as to what was happening.

Rejecting advice

There were two interviewees who outrightly rejected the advice they were given; both believing it was wrong of advisers to say they should stop making payments. One was a woman who only had two debts: water charges and a credit card. The former was being deducted from her benefit (as a result of debt advice). But she was still managing to make payments on her credit card. The position appeared unsustainable because, although she had stopped using the card for new purchases, she could only just afford the minimum payment so the total debt kept increasing. But she felt it was wrong for the advice provider to say she should stop paying and agree a token repayment. In the other case, the interviewee thought the advice was helpful, and utilised it in dealing with creditors. But she felt that hers was a temporary problem which could be overcome by making drastic efforts at cutting back on spending (plus selling some personal goods) and attempting to clear debts in a rather ad hoc manner. It will be interesting to see if in year 2 the interviewees are able to maintain this.

Outcomes

Some interviewees were disappointed by outcomes. This tended to relate to specific issues rather than the generic advice, for example: disappointment that a debt had not been written off, benefit overpayments unsuccessfully appealed against, or a redemption figure higher than hoped for. Interviewees in this group were mixed in that some still saw advice as having been helpful, but others did not.

A final group of interviewees were those who had already decided what course of action to take and were seeking advice only about one particular point, or for whom it was other action, in particular debts being cleared by a partner, that was critical. These interviewees still saw advice as having been helpful in other ways, but advice essentially formed only part of a broader process of dealing with debt.

Key points

There were examples of debt advice having some very immediate impacts relating to dealing with crises, avoiding recovery action, improving well-being, and advice meaning interviewees did not have to follow a course of action they thought was undesirable but inevitable.

A strong theme expressed by interviewees can be described as debt advice leading to a person’s financial position being made manageable or, in a phrase used by several interviewees, ‘under control’.

Continuing financial difficulties meant worry remained an issue, even if a lesser one, and there are also issues as to the long-term impact of debt upon well-being even when the financial side of the problem has been dealt with.

Many interviewees said their approach to money management had changed, but there was a distinction between those who said this was directly attributable to the advice received, and those who said it was something they had done themselves.

A strong theme was of people seeing financial confidence/capability as irrelevant to their circumstances and the far greater theme was of debt as having severely affected interviewees’ financial confidence, leading to a strong sense of financial conservatism. Eschewing credit completely was a strong theme.

In reflecting on what would have happened if they had not sought advice, the key theme for interviewees was of advice as changing the trajectory in which the person was headed.

There were only a small number of interviewees who said advice had not had any impact. Low income was an issue in that advice could not alleviate low income as a cause of debt, and there was ambiguity in relation to low income interviewees who wanted to maintain access to doorstep lenders who were critical in meeting needs. Other limitations included: debt as part of a broader set of (non-financial) circumstances and breakdown in communication between the interviewee and advice provider.

Chapter 8 – Year 2 of the project

This chapter looks forward to the next 12 months of the project. It does so first by examining interviewees' comments regarding the coming year, then methodological issues around attrition. And finally, the year 2 topic guide.

The next 12 months

There were two themes relating to interviewees' views regarding the next 12 months, which will now be considered in turn.

Changes interviewees are likely to experience in the next 12 months

There were a number of interviewees who identified specific changes they are likely to experience in the next year. These included two interviewees who are due to give birth; and two who plan to move in with a partner.

A second group of interviewees did not consider their circumstances were likely to change at all over the next year. Some feared that their situation may worsen.

Beyond this, there were a wide range of individual plans that interviewees had. These ranged from looking for work to moving abroad, and moving house to attending training courses. Seeing how such plans evolve, and the inter-action with debt (whether positive or negative) will be a key issue for year 2 of the project.

What would help most in the next 12 months

In identifying what would help their financial position most over the next 12 months, three themes were identified by interviewees.

The first was seeking stability. This related both to interviewees whose felt their financial position was 'under control' (see chapter 7) and those still seeking resolution. Interviewees in both groups said that maintaining/agreeing repayments, or completing processes such a bankruptcy, was what would help most.

Second, was the identification of low income as a key issue. The most common response when asking people what would help most was 'winning the lottery'. While often mentioned in a humorous or ironic way, interviewees expanded on the point to explain that it was only through a significant increase in income that their situation would fundamentally change. This was raised in other ways such as possibly inheriting money in the near future. Getting a job was the other main point raised, although this ranged form people actively seeking work to those for whom reasons such as age, health, caring commitments etc, meant paid employment was a distant aspiration.

Third, a number of issues were raised about creditors. This ranged from simply hoping that creditors would agree to repayments through to criticism of interest rates charged by some creditors, and more general issues about the behaviour of creditors as discussed in previous chapters.

Year 2 of the project

Attrition

All interviewees agreed to be re-contacted in year 2. All but 8 provided a separate, stable, contact.

There was little enthusiasm amongst interviewees for keeping in touch activities but one keeping in touch letter is being sent to interviewees six months after the interview took place. The letter thanks people for their participation, reminds them I will be in touch in a further six months, and asks them to let me know of any change of contact details. At the time of writing this working paper, 28 such letters had been sent. Four interviewees have telephoned in response to the letter, to say they are happy to be interviewed again. One letter has been returned as 'gone away', but the interviewee did provide a separate address which can be pursued.

At this stage there is no indication of what the rate of attrition is likely to be. Options in the case of a high attrition rate will need to be considered.

The year 2 topic guide

The over-riding aim of the year 2 topic guide will be to capture the dynamics of change, and the role of advice within those dynamics.

The draft topic guide is as follows –

Year 2 topic guide - draft

Introduction

As I said in the letter and when we spoke on the 'phone this is very much the same format as when we met last year.

The research is totally confidential - I am the only person who knows you are being interviewed and I will not tell anyone else. The interview will last about 45 minutes.

I would like you to tell me a bit about what has happened during the last year, your financial situation, and I have some questions about the advice you received.

Like last year I would like to tape record the interview. Afterwards it will be typed up but your name and address will not be included – you will simply be recorded as Interviewee number (e.g. 1).

Are you happy to go ahead?

Is there anything you would like to ask before we start?

Theme 1 - Trajectory since year 1

1. When we met last year you were [thinking about bankruptcy/negotiating repayments etc]; what's happened since then regarding your debts?

2. Would you say your situation has improved/remained the same/worsened?

3. IF IMPROVED -

3a In what ways are things better (e.g. increased income; debts repaid; repayments reduced)

3b What are the reasons that things have improved?

3c Would you say there was a particularly important reason why things have improved?

3d Did the debt advice you receive help improve things? In what ways?

4. IF SITUATION WORSE -

4a In what ways are things worse (e.g. decreased income; debts increasing; new debts)

4b What are the reasons why things have got worse?

4c Would you say there was a particularly important reason why things have got worse?

4d Did the debt advice you receive not help improve things? Why not?

5. IF NO CHANGE -

5a Are you happy with your current position or would you like things to improve? Why/why not?

5b What are the reasons that things have not changed?

5c Would you say there was a particularly important reason things have not changed?

5d Did the debt advice you receive not change things? Why not?

6. Would you describe yourself now as:

keeping up with all bills and commitments without any difficulty
keeping up, but a struggle from time to time
keeping up but constant struggle
falling behind with some bills or commitments

having real financial problems and have fallen behind with many bills and/or credit commitments
[i.e. FSA's annual financial risk outlook categories].

7. In just a word or short phrase how would you describe your overall financial position? (e.g. struggling, surviving etc) Is that different to last year?

Theme 2 - Further advice

8. Since last year have you had any more debt advice? (If ‘yes’, complete this section; if ‘no’, go to question 14)

9. Was this in relation to the same situation as last year, or due to new problems?

10. If it was the same problem – what was the outcome?

11. If it was a new issue: how did you try to deal with the situation before seeking advice; what did you most want help with?

12. Was it the same provider – if different, what were the reasons for choosing a different provider, how did you find out about the different provider; has the experience of the new provider been different to the first one - how?

13. What was the outcome?

14. If advice has not been sought – why not?

- no need for advice
- using other strategies
- negative experience
- has used other/informal sources

Theme 3 - Reflections on debt advice

15. Looking back on the advice you received last year, was it helpful? In what ways?

- maximising income/claiming benefits
- budgeting
- representation/negotiation
- someone to talk to/share issues with, who would listen to problems
- information about procedures, etc
- filling in forms
- debts reducing

16. Was there anything that was not so helpful?

[if views expressed are different to year 1, probe why – what factors have led to these different views]

17. Are the things that you thought were helpful, still helpful now or were they only helpful at the time?

18. Why are those things still helpful/no longer helpful?

19. How important was it that you trusted the adviser? Did you trust the adviser more than other people you have talked to about debt?

Theme 4 - Further impacts

20. Last year we talked about how debt had affected other aspects of your life [worry/health/relationships/etc]. Have those things improved/remained the same/worsened? In what ways? Why?

20a Has the advice you received helped or not with these things? [probe]

21. Last year we talked about how you manage your money. How do you manage your money now? Has that changed during the last year?

21a Has the advice you received changed the way you mange your money? [probe]

22. Last year we talked about how confident you feel in making financial decisions (e.g. knowledge about different sources/cost of credit, understanding financial statements, switching providers of phones/power)? How confident do you feel in making financial decisions now? Has that changed during the last year?

22a Has the advice you received changed your confidence about making financial decisions? [probe]

23. On that point, have you ever considered trying to find out more about ways of managing your money, or things like how to understand financial letters and statements, or information about different financial products? Would you be interested in finding out more about these kind of things? [i.e. financial education]

24. Could I just check, do you have any savings? What has enabled you to start saving during the last year? Do you have any plans to try to start saving? Why/why not?

25. What do you think would have happened if you had not contacted [money advice provider]?

[Check biographical details have been covered]

- current situation – employed/unemployed/retired/etc
- current occupation (if applicable)
- employment history
- experience of unemployment/claiming benefits
- other household members, partner, children etc
- housing tenure

- disability/ill-health
- ethnicity
- gender
- age

Theme 5 - The next 12 months

26. Do you think there are any particular issues or changes you might face in the coming year that might affect your financial circumstances (e.g. changing jobs, having children etc)?

27. What would really help you most over the next year with regard to your debts/financial position?

28. What is your main aim with regard to your financial position – how can that be achieved?

Conclusion

Is there anything else you would like to say?

Is there anything you would like to ask me?

I will write a research report and I will use some quotes from the interviews I have done but there will be no reference to names or addresses and there is no way you can be identified.

I also need you to sign this slip to say you have received the cash 'thank you' (this does not affect your benefits). This slip does not include your address. All that happens is I send it to our finance office so they can see the money is accounted for. There is no way it can be linked to your address or what you have said.

[check contact details plus stable address]

Thanks again for seeing me, and I'll look forward to seeing you in a year's time.

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Appendix A - The methodology and the sample

The methodology

59 in-depth interviews were conducted with people who have received debt advice. Interviewees were involved via six not-for-profit advice providers: two Citizens Advice Bureaux (34 interviewees), a national telephone helpline (17 interviewees) and three community-based independent advice providers (8 interviewees). The core of the research took place in one English sub-region, but the inclusion of the telephone

helpline gave national coverage and interviews were conducted in all but one of the English regions.

Client confidentiality was a major concern for advice providers, and a variety of approaches were taken to meet the requirements of providers. One provider asks clients if they are willing to be contacted for research purposes so in this case I was given access to client contact details. With other agencies I either provided a general letter of introduction which agencies then sent to clients, or agencies contacted clients themselves.

The sample

	Number of interviewees
Household composition	
Single no dependent children	22
Single with non-dependents	4
Lone parent (all women)	16
Couple (m/f) - no dependent children	6
Couple (m/f) - with dependent children	9
Couple (m/f) - with non dependents	2
Interviewee gender	
Female	37
Male	19
Couple (m/f)	3
Housing tenure	
Social housing	27
Private rented	9
Owner occupier	18
Shared ownership	2
Other	3
Household income – principal source	
Benefits	32
Pension	4
Employment/self-employment	22
Student bursary	1
JSA	3
IS	18
IB	10
Hardship Allowance	1
Age	
Under 20	1
20s	10
30s	6
40s	18
50s	15
60s	9

Ethnic origin	
White UK	54
Asian	2
African-Caribbean	3
FSA categorisation*	
Having real financial problems and have fallen behind with many bills	30
Fallen behind with some bills or commitments	21
Keeping up but constant struggle	3
Didn't answer/unclear	5
Type of debt**	
Priority debts only	4
Priority and credit debts	41
Credit debts only	14
Level of debt	
Under £5,000	15
£5,000-£10,000	15
£10,000-£20,000	15
£20,000-£30,000	3
Over £30,000	11

*This should be seen only as broadly indicative because of the dynamics of change experienced by interviewees i.e. some felt their position was already improving while others felt their situation was, or was likely to, deteriorate.
**It is noted in the working paper, however, that credit debt can be used to 'hide' priority debt so the reality is more complex than this simplified breakdown might suggest.