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

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Project Working Paper 3:

The Year 2 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 report presents findings from Year 2 of a qualitative longitudinal study of the impact of debt advice on low income households, based on in-depth interviews with people who have received debt advice and following them up over a three year period. In Year 1, interviews were conducted with 59 people who had received debt advice. In Year 2, 56 interviewees were successfully contacted and re-interviewed – this report is based on findings from those 56 interviews.

The key focus of the report is:

- 'debt trajectories' since Year 1 i.e. whether interviewees said their position had improved, stayed the same, or deteriorated; and,

- the impact of advice on those trajectories.

From the outset two points need to be emphasised:

- the analysis of change is based on interviewees' perception of their situation. In describing change, indebtedness was a central factor but not the only one – it will be seen that even being debt free did not mean interviewees automatically reported a positive trajectory. Interviewees raised two other key themes: *'money management'* with this including issues around financial organisation, budgeting, credit use and going without; and *income*, with this relating to making ends meet on a day to day basis;

- advice continued to be seen very positively by interviewees, including having long-term impact, but the research found only a very small number of examples of a neat linear pattern of 'indebtedness – advice - debt free'; for most interviewees, the situation was far more complex.

Chapter 1 - Introduction: the research and the policy context

Since commencement of the project there has been a remarkable change in the economy, with the rapid downturn meaning debt has become an issue of immense contemporary importance.

Debt advice in this project refers to the free provision of advice for people with debts, by not for profit organisations. Recent research for the Friends Provident Foundation (Gillespie and Dobbie, 2009) estimated that there are approaching 1,500 organisations in the not-for-profit sector providing free-to-client independent debt advice, and advising 1.1 million clients per year. There are indications of growing demand for advice.

However, the evidence base regarding the impact of debt advice is small, and ambiguous.

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

The Year 1 report highlighted a number of key themes around: the causes of debt; the impact of debt on people's well-being; creditor behaviour; advice seeking behaviour; and the experiences of debt advice.

In Year 2, 56 of the original 59 interviewees were successfully contacted and re-interviewed (a re-contact rate of 95%).

Chapter 2 – Positive trajectories

Just over half of interviewees, 30 out of 56, said their position had improved during the last year but there was a distinction between interviewees who were *wholly positive* and those who reported more *cautious improvement*.

The first issue raised by interviewees reporting wholly positive improvement related directly to indebtedness, with interviewees either being debt free or in some form of agreed repayments: making a debt problem manageable appears to be as important as being debt free.

The second theme raised by interviewees reporting a wholly positive trajectory was 'money management' with this including financial organisation, reverting to cash budgeting, a rejection of credit and also accepting a willingness to go without in order to avoid debt, constantly budgeting and weighing every decision on spending.

Increased income was a factor across virtually all those reporting positive change; for the large majority of these interviewees increased income was not in itself sufficient to create a positive trajectory, but it contributed to a sense of improvement in particular in helping make ends meet on a day to day basis.

The difference between interviewees who reported more cautious improvement and those who were wholly positive was not that a different factor, or set of factors was evident: rather, these interviewees reported improvement in one or even two of the key dimensions – indebtedness, 'money management' and income – but a problem still remained with at least one of these factors.

Much of the improvement reported by interviewees leaves them far from being debt free, and there is certainly some sense of fragility about improvement; there is greater evidence of 'financial conservatism' than the emergence of confident consumers.

Chapter 3 - The impact of debt advice on positive trajectories

Interviewees who reported positive change were almost equally split between those who saw positive change as directly attributable to advice, and those who saw advice as being partly responsible for improvement.

Interviewees who reported cautious improvement rather than wholly positive change could still see advice as having had a direct impact on improvement that had been made.

For those who saw advice as being partly responsible for improvement, themes included advice as having had direct impact in helping them move forward, but not perhaps in resolving debts directly; a further element was where advice resolved some debt problems but not all.

As in Year 1, there was a very broad range of elements of advice that interviewees saw as having had a positive impact including having had someone to talk to, practical information and representation.

Interviewees who reported a positive trajectory also overwhelmingly saw advice as having an on-going, long-term impact based on themes of: advice having moved people forward and continuing to have an impact in promoting a positive trajectory; increased confidence and skills; having practical tools to deal with problems; remembering advice in terms of more general ‘lessons learned’ about credit and money management; and reassurance either in remembering support offered by an advisor, or knowing the advice provider is there if a problem arises.

Only 2 of the 30 interviewees who reported positive change said that, despite improvement, advice had not been helpful.

Chapter 4 – Neutrality, and the role of advice

17 interviewees reported change in terms of neutrality, either describing their position as being both ‘better and worse’, or ‘the same’; indebtedness, ‘money management’ and income continued to be key themes, but the difficulty of making ends meet on a day to day basis became more evident with this group of interviewees.

Interviewees who reported that their position was both better and worse illustrated well the multi-dimensionality of change, but with the key point being either that improvement in indebtedness was not accompanied by an increase in income, and making ends meet remained a major problem; or income had increased but indebtedness remained a problem.

Interviewees who said their position was the same were in all but two cases either debt free or making agreed repayments: but none had had an increase in income; some interviewees in this group saw lack of change as positive, particularly meaning that debts were manageable, well-being was satisfactory and, in a phrase used by a number of interviewees, people were ‘getting by’.

Other interviewees reporting no change had agreed repayment arrangements to which they were adhering but were more ambiguous about their position, particularly in relation to making ends meet.

Despite greater ambiguity about change, views regarding the impact of advice largely reflected those made by interviewees who did report a positive trajectory, as in chapter 3.

Key elements of advice were also as in chapter 3: someone to talk to; information and options; and representation.

The long-term impact of advice was also evident.

However, this group of interviewees also began to demonstrate limits that can be reached in terms of the impact of advice.

Chapter 5 - Negative trajectories and the limits of advice

9 interviewees said their financial position was worse than in Year 1, with there being three key issues: income loss; low income and the struggle to make ends meet; and other (non-financial) problems.

The first theme related to interviewees (all owner-occupiers) whose debt problems began when they or a partner lost their job; they continued to face serious debt problems, but the central point was a basic lack of income.

Lack of money was also emphasised by another group of interviewees, but with their worsening financial position ascribed to the difficulty of making ends meet on a week to week basis.

The other two interviewees who reported negative change had rather individual circumstances and raise what could perhaps be seen as an additional dimension of other (non-financial) problems.

Interviewees reporting a negative trajectory were still overwhelmingly positive about the advice they had received, but what is evident is the limits of the impact of advice; positive views of advice contained a caveat regarding the limits of advice in addressing the core problems being faced by this group of interviewees.

Chapter 6 – Additional themes

Negative experiences 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’ remained evident.

Experience of creditors asking for payment arrangements to be increased, gave interviewees an on-going sense of being under pressure.

There were examples of difficulties in negotiating a payment arrangement leading interviewees to decide that trying to deal with a creditor was pointless.

In relation to advice seeking behaviour, not seeking further advice can represent both a positive, in that a problem has been resolved and no further help is required, or a negative in that advice has not been seen as helpful.

There was some evidence of changed attitudes to seeking advice; Year 3 can continue to examine actual engagement with advice services, and ask specific questions about whether people's experience of advice has changed their attitude to seeking help whether in relation to debt or other problems more generally.

There were a number of additional miscellaneous themes regarding advice seeking, but each applied to very small numbers of interviewees.

With regard to financial confidence and engagement with financial education the dominant theme, as in Year 1, was of interviewees seeing this as irrelevant to their experience and circumstances.

As in Year 1, for the overwhelming majority of interviewees trying to save money was a complete impossibility; there remained no examples of interviewees having a separate savings account into which they made regular payments.

The report includes three appendices: the Year 2 topic guide; the methodology and the sample; and low income.

The full report

Chapter 1 - Introduction: the research and the policy context

This report presents findings from Year 2 of a qualitative longitudinal study of the impact of debt advice on low income households, based on in-depth interviews with people who have received debt advice and following them up over a three year period. In Year 1, interviews were conducted with 59 people who had received debt advice. In Year 2, 56 interviewees were successfully contacted and re-interviewed – this report is based on findings from those 56 interviews.

The key focus of the report is:

- 'debt trajectories' since Year 1 i.e. whether interviewees said their position had improved, stayed the same, or deteriorated; and,
- the impact of advice on those trajectories.

In addition, the report examines more general points regarding advice seeking behaviour, creditors and financial confidence.

From the outset two points need to be emphasised:

- the analysis of change is based on interviewees' perception of their situation. In describing change, indebtedness was a central factor but not the only one – it will be seen that even being debt free did not mean interviewees automatically reported a positive trajectory. Interviewees raised two other key themes: *'money management'* with this including issues around financial organisation, budgeting, credit use and going without; and *income*, with this relating to making ends meet on a day to day basis;

- advice continued to be seen very positively by interviewees, including having long-term impact, but the research found only a very small number of examples of a neat linear pattern of 'indebtedness – advice - debt free'; for most interviewees, the situation was far more complex.

The policy context

Debt in the UK

Since commencement of the project there has been a remarkable change in the economy, with the rapid downturn meaning debt has become an issue of immense contemporary importance. To cite just two examples: the number of housing repossessions increased from 26,200 in 2007 to 40,000 in 2008 with 50% more repossessions in the first quarter of 2009 than the first quarter of 2008 (Council of Mortgage Lenders website); and the level of bankruptcies for individuals was 22% higher in the final quarter of 2008 than in the corresponding quarter in 2007 (Insolvency Service website).

From 2004 to 2007 the Government published an annual report on tackling indebtedness, which included a wide range of policy measures. 2008 saw further responses to increasing indebtedness, particularly in relation to mortgage repossessions, with new schemes including the Mortgage Rescue Scheme and the Government Mortgage to Rent Scheme. April 2009 saw the introduction of the new Debt Relief Order. But a key response to debt problems is the provision of advice services.

Debt advice

Debt advice in this project refers to the free provision of advice for people with debts, by not for profit organisations. Recent research for the Friends Provident Foundation (Gillespie and Dobbie, 2009) estimated that there are approaching 1,500 organisations in the not-for-profit sector providing free-to-client independent debt advice, and advising 1.1 million clients per year. There are indications of growing demand for advice.

However, the evidence base regarding the impact of debt advice is small, and ambiguous. The most relevant research is a body of four studies undertaken by the Legal Services Research Centre (LSRC) (see Pleasence et al., 2007). The overall finding was that money advice has a positive impact, but longitudinal elements of the research encountered considerable methodological difficulties; for example, a random control trial was halted after the first follow-up due to sample attrition. Another element of the research, a study of advice agency clients (the most directly comparable with this project), was able to contact only 35% of the original respondents after 12 months and did not progress further. The study did, however, find that some benefits of advice were *less* evident after one year than after six months. Ambiguity was also evident in a recent large scale survey in the United States, which found that money advice had only a modest impact (Collins et al., 2008).

The research

This project is original in taking a longitudinal approach over a three year period, and placing emphasis on the experience of low income households. As already noted, the Year 1 research was based on in-depth interviews with 59 people (also see Appendix A). 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. 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. 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, it must be made clear such issues do not form part of this project.

The sample 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 (which in Year 1 ranged from under £1,000 to over £100,000), and stage in the debt recovery process e.g. from 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.

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. 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, a software package for managing qualitative data. Analysis was developed through coding each transcript,

[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.

enabling themes to be identified. The analysis is therefore truly grounded in interviewees' experience.

Key themes from Year 1

The Year 1 report highlighted a number of key themes, as follows.[2]

There were two particular causes of debt: low income (which included a change of circumstances leading to low income); and a broad heading of 'credit' which included the behaviour of both interviewees and creditors. In addition, one group of interviewees ascribed their financial difficulties to mental health problems.

A major issue was the strength of the impact of debt on people's well-being, and 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 in relation to the experience of debt 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'.

In relation to dealing with debt, the Year 1 research found that 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.

Advice seeking behaviour was marked by a number of difficulties. 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.

The overwhelming majority of interviewees were very positive about their experience of debt advice. Three particular elements were found most helpful: having someone to talk to; being given information and the importance of options being explained; and being better able to deal with creditors.

The Year 1 research found examples of debt advice already 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. There were only a small number of interviewees who said advice had not had any impact.

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[2] The Year 1 report is available at www2.warwick.ac.uk/fac/soc/ier/research/current/debt/

The Year 2 research

In Year 2, 56 of the original 59 interviewees were successfully contacted and re-interviewed. Attrition, meaning loss of participants after the first stage of interviews, is an issue faced in any longitudinal study. For a difficult to research population such as in this study (the Year 1 report discussed how for many interviewees debt retains a strong sense of stigma, 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 is a risk of attrition being a significant problem. While considerable effort was required to contact some interviewees, including using separate third party contact details provided by interviewees at Year 1, the re-contact rate was 95%. The methodology and analysis continued as in Year 1, with the emphasis remaining on findings being firmly grounded in interviewees' experience.

The structure of this report

Chapter 2 examines positive trajectories i.e. those interviewees who said their position had improved during the last year.

Chapter 3 examines the impact of debt advice on positive trajectories.

Chapter 4 presents findings regarding interviewees who reported change in terms of neutrality, and the role of advice within this context.

Chapter 5 presents findings regarding interviewees who said their position was worse than in Year 1, and examines why advice is unable to prevent a negative trajectory.

Chapter 6 examines three themes which were raised in Year 1 but are not discussed (explicitly) in the examination of debt trajectories: creditor behaviour; advice seeking behaviour; and financial confidence.

The report includes three appendices: the Year 2 topic guide; the methodology and the sample; and low income.

Chapter 2 – Positive trajectories

Interviewees were asked whether their position was better, worse or the same as in Year 1; this chapter presents findings regarding just over half of interviewees, 30 out of 56, who said their position had improved during the last year. There was, however, a distinction between interviewees who were *wholly positive* (17 in total), as indicated in phrases such as 'a lot better', '100% better', 'definitely improved'; and others (13) who reported more *cautious improvement*, using phrases such as 'slightly better' or 'a little better'. Because this chapter covers a large number of interviewees, the focus will be on understanding the factors behind positive trajectories. The impact of advice on positive trajectories will be considered in the next chapter (chapter 3).

This chapter begins by considering interviewees who reported wholly positive change. Interviewees in this group explained the reasons for improvement under three headings: indebtedness, although this tended to be reported in terms of improved well-being; 'money management', with this including financial organisation, reverting to cash budgeting, a rejection of credit and also accepting a willingness to go without in order to avoid debt, constantly budgeting and weighing every decision on spending; and increased income, either as the direct cause of a positive trajectory or more commonly as contributing to a sense of improvement in particular in helping make ends meet on a day to day basis.

The second part of the chapter examines interviewees who reported more cautious improvement. It will be seen that the difference between these interviewees and those who were wholly positive was not that a different factor, or set of factors applied; rather, these interviewees reported improvement in one or even two of the dimensions so far discussed – indebtedness, 'money management' and income – but a problem still remained with at least one of these factors. The chapter concludes by reflecting on the extent and limits of improvement.

Wholly positive change

Indebtedness (and well-being)

The first issue raised by interviewees reporting wholly positive improvement related directly to indebtedness, with interviewees either being debt free or in some form of agreed repayments: but their comments regarding improvement were expressed not in terms of financial improvement, but well-being. To begin with those who were debt free, the most common reason for this was bankruptcy. Within those reporting wholly positive improvement were 5 interviewees who had pursued bankruptcy (in one case the interviewee had also sold her home and moved into rented accommodation). The expression of improvement in terms of well-being can be seen in the following quotations: "The best thing I ever done was go bankrupt…to think 'I don't owe a penny to anybody in this world', it was just the most fantastic feeling" (Interview 22 – Woman, IB, 50s). Or: "obviously it's not something to be proud of, going bankrupt…but everything's much better...Just, [not having] the, the stress of it all. The fact that you, when you get paid at the end of the month, you know what things are going out, you don't have things dropping on the mat, you're not robbing Peter to pay Paul…It's just less stressful" (Interview 53 – Woman, clerical worker, 20s). One interviewee was effectively debt free because she had inherited a sizeable sum, sufficient to pay off her debts.[3] Her comments also invoked worry and well-being as she described improvement in terms of "not having to worry, about, you know, if a bill comes through now, I know I can pay it" (Interview 9 - Woman, disability benefits, 50s).

[3] The interviewee had repaid all her debts except two credit cards where she felt interest charges were unfair. Also, the creditors kept sending letters asking for different (and decreasing) amounts as settlement of the debt. She was therefore waiting to see if settlement figures decreased even further.

Making a debt problem manageable appeared as important as being debt free. Thus, other interviewees who reported a wholly positive improvement were not debt free, but were in some form of agreed repayments: one a Debt Management Plan, one an Administration Order and the others repayments negotiated individually with creditors.[4] These interviewees retained high levels of indebtedness but what was critical was that their position was now manageable. While these interviewees were far from being debt free, the reasons why they felt their situation had improved reflected the comments made by interviewees who were. For example: "I was stressing because [the largest creditor] hadn't accepted an offer. The moment they accepted an offer, it was like, you know, a weight lifted off my shoulders" (Interview 56 - Woman, IS, 20s).

'Money management'

The second theme raised by interviewees reporting a wholly positive trajectory was 'money management' with this including financial organisation, reverting to cash budgeting, a rejection of credit and also accepting a willingness to go without in order to avoid debt, constantly budgeting and weighing every decision on spending.

Money management can just mean financial organisation skills, and being better organised was certainly an element of improvement for some interviewees in Year 2 (in the Year 1 report it was noted that despite having good money management skills some interviewees still became indebted, while for others money management was an issue). This interviewee talked about being more organised, in the following terms: "we [me and my husband] sat down and became pro-active about it. I've got my head together about it, discussed it with my husband, took out the joint account, put all the big utility bills onto direct debits…We know what's coming in; we know what's going out. And we know how much of a margin we need to leave for emergencies…And it appears to be working" (Interview 35 - Woman, pensioner, 60s).

A second element, however, was reverting to cash budgeting (or at most using direct debits). This was a typical comment: "I think I manage money a lot better now…before I was in such a dire position with my bank that every bit that went in just went…not even spent it, but it went on charges…Now I've got one direct debit, that's for my television licence, everything else I pay on the counter [i.e. at a Post Office in cash]" (Interview 57 - Woman, 20s, office worker).

[4] The one exception was an interviewee who had taken out a new loan. She had previously had a number of debts. She repaid some of the smaller debts and then took out a consolidation loan to cover the rest. She then fell behind with the consolidation loan. At that stage she sought advice. As an outcome, she decided to open a new bank account and reorganise her priority bills. While at the bank she mentioned her problem with the consolidation loan. The bank offered her a new loan for the same amount but over an extended period. While this did not accord with the advice she had received, it was an option the interviewee was comfortable with and therefore pursued.

Cash budgeting also linked with a strong rejection of credit. For example: "I think [my situation is] much better…one thing I did was opened a [basic bank] account which operates purely on a cash basis. That means no cheque book, no overdrafts…I don't borrow money and I don't buy things on credit and so on, I purely operate on a cash budget…living within my means" (Interview 36 - Man, warehouse worker, 40s). Or: "getting credit cards and you get things on HP [meaning loans], I'd never do that again. I never want to be in that situation again…If I can't afford it I won't have it" (Interview 9 - Woman, disability benefits, 50s).

The phrases 'if I can't afford it I won't have it' and 'living within my means' were used by many interviewees and reflect a very fundamental shift in attitude both in rejecting credit use, but also accepting a willingness to go without in order to avoid debt, constantly budgeting and weighing every decision on spending. These two interviewees summarised well the key themes here: "We've got the bills sorted [i.e. repayments in place] but it has been hard. We've had some arguments, but we've done it. That first six months was really hard, because you are watching everything you spend…you do have to watch every single penny" (Interview 17 - Woman, security operative, 40s; Man, construction worker, 40s). Or: "it's made me feel quite differently about money. My ex husband had an attitude of 'oh, stick it on the credit card' and so money was almost like monopoly money, whereas for me now, it's every penny counts. It's given me a much better sense of budgeting and being careful and it's like when going shopping I'm very careful. I go to [a cheap supermarket] rather than [a better known supermarket] and I always get the special offers; I always buy stuff that's reduced put it in the freezer and I'm just very sort of careful; I don't buy a lot of meat anymore because meat's quite expensive. I just go for the cheaper foods. It's affected everything I do…[…] for Christmas my son is getting a few things that cost under a tenner each, just a few bits and bobs. […] I don't go out drinking or the things that a lot of people do spend money on. I just don't do it" (Interview 15 - Woman, self-employed, 30s).

Credit use: a caveat

Regarding credit use there is a caveat because there were four examples of new borrowing, but all in very specific circumstances, and which interviewees saw as very different to more general credit use. Three interviewees had applied for and received Social Fund loans. All three used the money for Christmas expenses. With money then deducted direct from benefit and no interest added, the three interviewees saw this as very different to previous credit use, and as a form of budgeting rather than borrowing. In the other case, a man who had only just been discharged from bankruptcy was offered promotion at work, dependent upon having a car. He did not have a car so went to a local garage that advertised itself as being able to help people with a bad credit history, and purchased a car with a £4,000 loan arranged by the garage. The interviewee saw this as being for a very specific purpose as opposed to previous credit use which had been for general living purposes. He had carefully calculated that he could afford repayments, and was confident he could do so. This will be an interesting point to revisit in Year 3.

Increased income

The third theme raised by interviewees was increased income. The first element here was increased income as the direct cause of a positive trajectory. For example, in one case increased income was due to the Department for Work and Pensions (DWP) agreeing to pay part of the interviewee's mortgage, and the interviewee also became entitled to Disability Living Allowance. The direct help with her mortgage and the additional benefit meant that while the interviewee still had very serious financial problems, she was able to manage agreed repayments and the situation was considerably better than in Year 1 when she feared she was going to lose her home.

The key point for the majority of interviewees, however, was not that increased income was in itself sufficient to create a positive trajectory, but that it contributed to a sense of improvement, in particular in helping make ends meet on a day to day basis. Considering all 30 interviewees who reported positive change, 25 had experienced an increase in income. The main forms of increased income were: becoming entitled to disability benefits;[5] increased earnings (due to wage rises, increased hours, shift work, additional work; or moving off benefit into paid employment);[6] and miscellaneous benefit increases for example due to turning 60 or becoming entitled to Housing Benefit. Increased income was almost uniformly in the region of £25-50 a week. As these interviewees put: "it's not a lot, maybe 50 quid a week, but it's better than nothing and just means there's a bit more leeway" (Interview 11 - Man, student nurse, 40s). Or: "it's £25 I didn't have before and that's £25 towards our gas every week when it's cold. It just makes things a little bit easier" (Interview 29 – Woman, 20s, IS).

Cautious improvement

As already noted, some interviewees reported more cautious improvement; the difference between these interviewees and those who were wholly positive was not that a different factor, or set of factors applied; rather, these interviewees reported improvement in one or even two of the dimensions so far discussed – indebtedness, 'money management' and income – but a problem still remained with at least one of these factors.

First, some interviewees reported improvement in terms of indebtedness, either being debt free or in some form of agreed repayments, but were

[5] Comments regarding disability benefits reflected considerable ambiguity. For example, this interviewee had suffered major health problems, including removal of a lung. As a consequence of his deteriorating health he became entitled to additional disability benefits. However, the interviewee was far from sanguine: "things, [financially] like, are looking rosy, but you've got to wait till you're nearly dead before they start to look a bit rosy" (Interview 40 - Man, IB, 50s).

[6] Perhaps counter-intuitively given the recession, three interviewees had moved off benefit into work (and one was about to do so); that moving into work was not cited by interviewees as a cause of improvement in itself reflects the fact (e.g. as in recent research for the Joseph Rowntree Foundation) that there is no 'clear blue water' in terms of income between benefits and low-wage work.

cautious about improvement due to issues around income or money management (the fact that this group included people who were debt free illustrates how being debt free did not automatically mean interviewees were wholly positive). To provide examples, two interviewees had had to give up work due to health reasons – one a degenerative illness and one a stroke. They had both experienced a major decrease in income in moving from work onto Incapacity Benefit. In one case repayments had been agreed with creditors, and in the other the interviewee had sold his home and bought a cheaper property using equity to clear his debts completely. The caution expressed by these interviewees related to adjusting to a hugely reduced income. As this interviewee explained: “we were just used to doing what we wanted to…just going and spending £50 or £60 on clothes, not thinking about it. Now, we just have to make do…we used to really spoil the grandkids, at Christmas and birthdays and stuff like that, and giving them the odd tenner here and there, you know, but you can’t do that now like we used to. There’s lots of little things too, you just can’t do or afford. But we’re adapting to it” (Interview 46 - Couple – Man, IB, 50s, Woman, carer, 40s).

Money management as a problem was illustrated by an interviewee who was debt free (due to help from her partner) but still reported only cautious improvement. This was because she still used her overdraft each month and maintaining strict control over expenditure was not easy: “I still use my overdraft. My wages cover it every month and I don’t have these blinking store cards or credit cards anymore. But I have to keep an eye on it all the time. I don’t want to slip back” (Interview 33 - Woman, admin. worker, 40s). An interviewee with an IVA combined themes of income and money management in that she was finding it incredibly hard to adjust to her low level of disposable income. As she explained: “we’ve had the IVA for a year and things are beginning to seriously wear out, you know…I’m down to one pair of boots and, um, you know, underwear and stuff…It’s about not being able to go out and have a meal and a glass of wine…And the kids obviously. I mean, I don’t mind; I can do without all sorts of things, I can go to [car] boot fairs. But when they [my children] come to you and they say ‘mum, I’ve got to get this, I need a new coat’, and you’ve got to say ‘no’, I’ve found not being able to help them very, very difficult” (Interview 59 - Woman, 50s, teaching assistant).

For other interviewees who reported cautious improvement, positive change related to increased income and/or money management, but indebtedness remained the key problem, primarily because debts had only been partially resolved. For example, in two cases interviewees had repaid, or were repaying, some debts and felt better able to manage, but were in conflict with other creditors meaning their position remained uncertain. In another case the interviewee had been unable to agree repayments with creditors so had told them to take her to court. She already had one County Court Judgment against her, which required a payment of only £1 a month. Her view was: “I can manage things and I haven’t taken out any new debts, but I’m only managing because I’m not paying anything on the debts and I won’t till they take me to court” (Interview 41 - Woman, IS and disability benefits, 60s). In these cases there is an increasing element of ambiguity regarding improvement and this will be returned to in chapter 4.

The extent and limits of improvement

A final point to make is regarding the extent and limits of improvement. There is perhaps a sense that at Year 2 it is simply too soon to tell how much progress has been made, and will improvement that has been made prove to be resilient? Much of the improvement reported by interviewees leaves them far from being debt free, and there is certainly some sense of fragility about improvement. Even among the interviewees reporting wholly positive change, there is greater evidence of 'financial conservatism' than the emergence of confident consumers. These are themes that will be returned to in Year 3.

Key points

Just over half of interviewees, 30 out of 56, said their position had improved during the last year but there was a distinction between interviewees who were *wholly positive* and those who reported more *cautious improvement*.

The first issue raised by interviewees reporting wholly positive improvement related directly to indebtedness, with interviewees either being debt free or in some form of agreed repayments: making a debt problem manageable appears to be as important as being debt free.

The second theme raised by interviewees reporting a wholly positive trajectory was 'money management' with this including financial organisation, reverting to cash budgeting, a rejection of credit and also accepting a willingness to go without in order to avoid debt, constantly budgeting and weighing every decision on spending.

Increased income was a factor across virtually all those reporting positive change; for the large majority of these interviewees increased income was not in itself sufficient to create a positive trajectory, but it contributed to a sense of improvement in particular in helping make ends meet on a day to day basis.

The difference between interviewees who reported more cautious improvement and those who were wholly positive was not that a different factor, or set of factors was evident: rather, these interviewees reported improvement in one or even two of the key dimensions – indebtedness, 'money management' and income – but a problem still remained with at least one of these factors.

Much of the improvement reported by interviewees leaves them far from being debt free, and there is certainly some sense of fragility about improvement; there is greater evidence of 'financial conservatism' than the emergence of confident consumers.

Chapter 3 - The impact of debt advice on positive trajectories

This chapter examines the impact of debt advice on positive trajectories. Looking across all 30 interviewees in chapter 3 who reported positive change (wholly positive and more cautious), there was an almost equal split between interviewees who saw positive change as directly attributable to advice and those who saw advice as being partly responsible for improvement. Consideration is given to these two points. The aspects of advice that were most important in positive change are then discussed, with a key focus on whether advice has had a continuing impact. The final section considers two interviewees who despite reporting improvement did not feel advice had been helpful.

Positive change and the direct impact of debt advice

The first theme was interviewees citing advice as a critical and direct factor in creating a positive trajectory. The following quotations are from interviewees who reported wholly positive change. Two had pursued bankruptcy, and in one case payment arrangements had been negotiated with creditors. These interviewees gave absolute centrality to the impact of debt advice: "that [the advice] was the number one reason [for improvement]...[The advice provider is an] absolutely superb service. I would recommend it to anybody" (Interview 53 - Woman, admin worker, 20s). Or "[improvement is] just because I had help from [the advice provider]. They sorted a lot of things out for me which I wouldn't have been able to do on my own, and they were really helpful, really helpful to me and my family" (Interview 44 - Woman, IS, 40s). This interviewee summarised a point made by several people: "without the advice I wouldn't be here [i.e. in an improved situation], so the advice is directly responsible for helping. Totally" (Interview 21 - Man, JSA, 40s).

Even for interviewees who were more cautious about their overall improvement, advice could still be seen as having had a direct impact on improvement that had been made. For example: "it's helped improve things massively…I was losing control, I just couldn't function…it's been a hell of an uphill struggle but they [the advice provider] have helped me get back in control" (Interview 19 – Man, JSA, 60s). Or as this interviewee put it in relation to the advice provider: "I don't know what we'd have done without them" (Interview 46 - Couple – Man, IB, 50s, Woman, carer, 40s).

Advice as partly responsible for improvement

A second group of interviewees saw advice as being partly responsible for improvement. Within this group were interviewees who saw advice as having had a direct impact in helping them move forward, but not perhaps in resolving debts as directly as the interviewees discussed in the preceding section. For example: "the advice obviously helped us formulate the plan [to go onto a Debt Management Plan]…which obviously has made things easier" (Interview 39 - Man, database administrator, 60s). Or in this example the interviewee's debts were cleared by her partner rather than as a direct result of advice, but the advice still had an impact because "they [the advice provider] got the ball rolling…and actually convinced me that, you know, if you speak to the creditors and let them know your position, you can sort this out" (Interview 33 - Woman, admin. worker, 40s). The same interviewee also referred to a point mentioned by a number of interviewees, and that was a secondary impact in enabling couples to talk about debt problems. As she explained: "he [the interviewee's partner] sat quite quietly, and I sat and spoke to [the adviser] and we went through all of the actual money that I owed. I think then he realised that, gosh, you know, she really does need help, and I think [the advice provider] helped me to get [my partner] to see this is really serious, and if she doesn't do this then this and this and this will happen".

A further element was where advice resolved some debt problems but not all. Even among the examples cited so far, it should be made clear that advice did not necessarily provide a complete resolution of a debt problem. Indeed, bankruptcy provided one of the few examples of advice providing a full resolution. With the telephone service, advice was given but it was then for the individual to act for themselves. With face to face services, there was in some cases clear agreement between an adviser and client as to what the adviser would do, and what the interviewee would then do themselves e.g. attend court alone, contact creditors etc.[7] But in several cases the position was rather less clear. This was rather messy in that:

some interviewees were very happy with the advice received but saw it as having lesser impact because they then dealt with matters themselves – but were happy to do so;
some interviewees minimised the impact of advice because they were disappointed the service provider had not dealt with all matters (although in these cases it was difficult to see how interviewees would have been able successfully to act for themselves without the advice they had received);
and is some cases interviewees had failed to negotiate further so some debts remained unresolved and change was only partial.

This interviewee reflected comments made by a number of interviewees on this theme: "it [the advice] was helpful in the way that, that they, they were explaining to me how to go about things…but the reason it's changed is down to me sorting it out with [the creditors]" (Interview 47 - Man, factory worker, 40s).

Positive trajectories and key elements of debt advice

Following on from Year 1, there was a very broad range of elements of advice that interviewees saw as having had a positive impact. The importance of having had someone to talk to remained evident. For example: "just somebody listening to you is amazingly helpful…once you sit down and somebody starts listening to you, who is not judging you…the amount of

[7] It must again be noted that this project does not seek to compare the impact of telephone and face to face advice, and the number of interviewees who received telephone advice is too small to allow for any such comparison. The aim is to identify common themes regarding the impact of advice, irrespective of provider. But there is some frustration on points such as this where the service offered clearly impacts on ways forward.

weight that comes off you is just phenomenal" (Interview 19 - Man, JSA, 60s). Practical information remained a key element: "they advised me on things like just to know what I was doing and how to do it…at the time it was quite nerve wracking, really, um, just on knowing what would happen, I suppose. I didn't know if I'd have bailiffs knocking on the door removing all the furniture, you know, um, so they sort of reassured me" (Interview 15 - Woman, self-employed, 30s). Representation also remained valued. For example: "the fact that they [the advice provider] dealt with a lot of the letters for so long and they weren't coming through my letterbox made everything so much better. And they just, they [the advice provider] contacted me, not all these horrible people [i.e. creditors]. It was lucky that I did ask them [i.e. sought advice] and they sorted it out" (Interview 57 - Woman, 20s, office worker). Impact on money management was also cited: "[what helped was] Just through me actually sitting down and having someone to go over it with. And once you get into the flow of when you know what you're paying…I just seem to have got myself on track by being more organised" (Interview 29 – Woman, 20s, IS).

All of the above is still largely concerned with advice in relation to an immediate debt problem or crisis. A key issue is whether advice is seen as having been solely of value at the time, resolving a specific problem, and perhaps feeling rather historic: or whether it has continuing impact.

The continuing impact of advice

Interviewees who reported a positive trajectory overwhelmingly saw advice as having an on-going, long-term impact. A general theme was of advice having moved people forward, and therefore continuing to have an impact in promoting a positive trajectory. For example: "I think it was helpful, like then and now really, because I mean, if I look back, I don't think I'd be where I am now if I didn't have that help, because it just got to the point where I had to go [to the advice provider] and say, 'this is everything, I can't deal with them all'…but it [the advice] was helpful. Without them, I wouldn't be where I am now to be honest" (Interview 56 - Woman, IS, 20s). Or: "in a way [the advice still has an impact], because they got me back to like a starting point, and because from what they did for me now I've worked it all out…I don't think I would ever get into a mess again" (Interview 57 - Woman, 20s, office worker).

Another theme was increased confidence and skills. For example: "It made me stronger I think. [When I opened a new bank account] I got a card with £1,000 overdraft on it. I have not once, since I've had my card, touched it because it's just the thought of going into debt and I can't afford to pay it back and whatever. So now I just don't touch it. So I think it made me stronger" (Interview 4 - Woman, IS, 30s). Or this in relation to an historic debt for which the interviewee received a demand subsequent to having advice: "if I hadn't have been there [to the advice provider] I would have been like, 'oh, God, how much will I pay?' But I was like, 'yeah, okay, fair enough', and I said 'I'll pay you like £2 a week' and they were fine with that" (Interview 29 - Woman, 20s, IS).

Having practical tools to deal with problems was a further theme. This comment was made again in relation to an historic debt for which the interviewee received a demand subsequent to having advice. He explained how he composed a letter of reply which "I got it from, a template [originally from the advice provider]. I just literally wrote the letter out and explained…There was another letter that came exactly the same, but it wasn't from the bank, it was just from like a collection company, virtually asking for, for the same again. So what I did, I just filled the template out again, sent it away" (Interview 11 - Man, student nurse, 40s). Or: "Well I think yeah [the advice is still helpful], because you keep their advice in your head, and I've kept all the paperwork. If I've got a problem I can look at it and see what do they suggest I do?...But I wouldn't feel that I'd need to keep ringing them up or anything, because I feel now I'm on top of it" (Interview 35 - Woman, pensioner, 60s).

Another point raised by interviewees was as remembering advice in terms of more general 'lessons learned' about credit and money management. For example: "it is helpful now...I'm so dead against credit now, if I haven't got the money now, I will not buy it. And that's, that's from my own experience and from [the advice provider]. It is something that I will carry on with throughout my life, and I will advise anybody else, just do not do it. So, yeah, it is something that stays with you" (Interview 53 - Woman, JSA, 20s). Or: "one thing that I took away from there was the actual breakdown [income and expenditure sheet]…it's also a reminder, because subconsciously, you know exactly if you don't do this you're going to end up in a mess again…So it's like a little thing that I think, 'this month, come on, [name], what have you got outgoing', and I still go through and then make sure that the funds are there" (Interview 33 - Woman, admin. worker, 40s).

The final theme was a sense of reassurance. This could relate to remembering support offered by an advisor. For example: "When I feel really, really low, I think of her [the advisor] saying to me, you know, 'you're not the only one in this position. You're not in that much debt, compared to lots of people' so I make myself worry less, and I think to myself, you know, 'it's going down, £1 a week, £1 a week, it's going down', you know? So when I'm here and feeling down, it's the first thing I think of, the advice they give me" (Interview 30 - Woman, IS, 20s).

Reassurance could also simply be about knowing the advice provider is there if a problem arises. For example: "I'm not even dealing with them [the advice provider] any more, you know, but you know, if in the future, and I hope I don't need them, but if I do, you know, I'd definitely go there" (Interview 28 - Man, 40s, IB and DLA). Or: "I suppose it is [still helpful] because it's the peace of mind, you know, for myself. Um, I know that they're there to help people and if I ever do get into that situation again I know that they'd be there for me" (Interview 44 - Woman, IS, 40s).

Advice did not help

Only 2 of the 30 interviewees who reported positive change said that, despite improvement, advice had not been helpful. Both reported cautious rather than wholly positive change, and in neither case was there any suggestion that advice was incorrect or misplaced. In one case improvement was ascribed to increased income and help, including with finances, now being provided by a social care worker. The issue here was more about the interviewee's needs. She explained with regard to the advice provider: "I find it difficult to go out sometimes, and when they make follow-up appointments I can't always keep them. So, unless you're going on a regular basis, they think you're managing and that's it. So that's why having a support worker has been brilliant because she comes to the house" (Interview 55 - Woman, IS, 50s).[8] In the second case, the interviewee had sought advice both from a telephone and face to face service. In Year 1 she was facing repossession action and described the situation in the following terms: "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). In Year 2 she explained how when she contacted a telephone service: "I don't think at the time that I needed their help I was receptive enough to take on board what they were saying. It totally confused me. It was too much information when I was under stress". With the face to face provider: "we left it too late, so when I went to them I didn't have time to wait three weeks for an appointment". In the event, she was telephoned by a company offering an IVA which she pursued as it appeared to offer an immediate solution. However, she was quoted in chapter 2 as finding it incredibly hard to adjust to her low level of disposable income with the IVA. In the Year 2 interview she recalled that one piece of the advice she had received was that an IVA might be an expensive option. In hindsight, the advice seemed highly prescient.

Key points

Interviewees who reported positive change were almost equally split between those who saw positive change as directly attributable to advice, and those who saw advice as being partly responsible for improvement.

Interviewees who reported cautious improvement rather than wholly positive change could still see advice as having had a direct impact on improvement that had been made.

For those who saw advice as being partly responsible for improvement, themes included advice as having had direct impact in helping them move

[8] This links to a theme of other (non-financial) problems that was highlighted in the Year 1 report and is referred to further in chapters 4 and 5 of this report.

forward, but not perhaps in resolving debts directly; a further element was where advice resolved some debt problems but not all.

As in Year 1, there was a very broad range of elements of advice that interviewees saw as having had a positive impact including having had someone to talk to, practical information and representation.

Interviewees who reported a positive trajectory also overwhelmingly saw advice as having an on-going, long-term impact based on themes of: advice having moved people forward and continuing to have an impact in promoting a positive trajectory; increased confidence and skills; having practical tools to deal with problems; remembering advice in terms of more general ‘lessons learned’ about credit and money management; and reassurance either in remembering support offered by an advisor, or knowing the advice provider is there if a problem arises.

Only 2 of the 30 interviewees who reported positive change said that, despite improvement, advice had not been helpful.

Chapter 4 – Neutrality, and the role of advice

This chapter presents findings regarding interviewees (17 in total) who reported change in terms of neutrality. There were, however, two distinct groups of interviewees: those who described their position as being both ‘better and worse’, illustrating well the multi-dimensionality of change; and those who said their position was ‘the same’, with this encompassing a continuum where no change was seen as positive through to being negative. In chapter 3, which considered people who reported positive change, three key factors were identified: indebtedness, ‘money management’ and income. In this chapter those three factors continue to be of importance, but the difficulty of making ends meet on a day to day basis becomes more evident. This is a difficult group of interviewees to analyse. There is no immediately apparent factor that differentiates them from interviewees in chapter 3 who reported positive change. The analysis is perhaps best seen as following on from key themes in chapter 3, but with something of a shift in emphasis.

The second part of the chapter examines the role of advice within this more neutral context. Attention is given to key elements of advice that were seen as most helpful, and long-term impact. This again demonstrates positive impacts of advice, but also begins to raise issues as to limits that are reached.

‘Better and worse’

Indebtedness, income and making ends meet

Interviewees who reported that their position was both better and worse than in Year 1 illustrated well the multi-dimensionality of change, but with the key point being either that improvement in indebtedness was not accompanied by an increase in income, and making ends meet remained a major problem; or income had increased but indebtedness remained a problem. There is, therefore, considerable similarity with interviewees in chapter 3 who reported cautious improvement in that there is improvement across some of the key dimensions – indebtedness, 'money management' and income – but a problem still remains with at least one of these factors.

To unpack this, consideration will first be given to interviewees who reported improvement in relation to indebtedness, but had not experienced any increase in income, and who raised a strong theme around the difficulty of making ends meet (particularly given the rising cost of living, and especially fuel price rises). These points are illustrated in the following quotation from an interviewee who had pursued bankruptcy: "I would say, I've got to be better off, because there's no way, I don't think I'd be here, to be honest, I think I would've done something with myself if I hadn't have gone bankrupt. Because it was getting to a stage that my health was deteriorating bad. Now I've stabled because I know that worry has gone. But now, the worry is to find a meal that is healthy but cheap at the same time, but still carry on paying your bills. You know, I don't know what the government think. Trying to run a house and live on the bit of money that you've got left. I don't know where they're coming from" (Interview 5 - Woman, IS, 50s). This interviewee, who was making agreed repayments, made the same point: "Things are better because at, at that time [when advice was sought], I was, oh, I could still cry about it, but I was so depressed, and didn't know, you know, whether the problem would be solved or how. I didn't know which road to take. So know I do, but it's just money's so tight and things go up and up, that's what's making it harder…So things have probably got worse [i.e. less disposable income], but I've been able to handle it better" (Interview 1 - Woman, pensioner, 60s).

The second theme here was a reversal of the indebtedness and income/making ends meet dimensions, with interviewees saying their position was better because their income had increased, but the position regarding their debts was at best unresolved, if not worsening. For example, this interviewee had resolved his priority debts but the position regarding his credit debts was unclear. He struggled to articulate these changes: "It's better now, yeah, I'd say it's better. Well, it's got worse actually, but it, it's better with the [increased] money you get, if you know what I'm saying…but my debt's worse now, yeah, my debt's worse" (Interview 25 - Man, 20s, JSA).[9]

[9] The theme of other (non-financial) problems was relevant for interviewees in this group. For example, the man quoted in this paragraph had been in prison for three months between the Year 1 and 2 interviews. He explained: "I've had a lot of problems going on. I've been really ill since I got out of prison…I've had anxiety disorder, depression and panic attacks and everything, it's been really horrible…it's to do with probably the drugs that I was on in my past and everything…I don't take drugs or anything no more, I've been off them for like almost two years now, but like it's still affecting my body…I'm on tablets now and hopefully that'll help" (Interview 25 - Man, 20s, JSA).

No change

Indebtedness and income

Interviewees who said their position was the same were in all but two cases (which will be discussed below) either debt free or making agreed repayments: but none had had an increase in income. Some interviewees in this group saw lack of change as positive, particularly meaning that debts were manageable, well-being was satisfactory and, in a phrase used by a number of interviewees, people were ‘getting by’. These two interviewees were making agreed repayments: “[my situation is] the same. But I don’t mind...I’m getting by, but I’m just very thankful that, you know, my health has improved. I was very ill, you know. I was getting depressions and, was very, very ill and, you know, it was very difficult for me in the past. And now that I’m a bit better, you know...I’m just thankful for my health, you know, and I get by” (Interview 14 - Woman, IS, 50s). Or: “I’d say [my finances are] similar to what they were before: no better or worse…As long as I can pay my way, and I don’t have to lean on the state and, and sign on the dole or anything like that - personally I mean I don’t like that sort of thing - I’m quite content. So long as I’m paying my way, yeah. It would be nice if we all were really, I mean you know [well off]. But there you go. I’m quite content with what I’ve got” (Interview 31 - Man, self-employed, 50s).

Other interviewees reporting no change had agreed repayment arrangements to which they were adhering and were in a very similar position to those in the preceding paragraph: but rather than seeing this as positive they were far more ambiguous. For example: “[My financial position is] About the same really because I haven’t had enough money to just say, ‘here you are’ and pay the whole debt, all the debts off. So, they’re still there. It’s always there, I’ve just got used to it now. It is, it’s always there, in the back of your mind. I can live without having credit anymore…it’s just having the debt hanging over your head” (Interview 48 - Woman, IS, 40s). Or: “I think it’s just about the same. Just about the same, because some things have gone up and then, well, interest rates have dropped, that’s slightly helping the mortgage…The wages are the same, so nothing has changed dramatically. [The main creditor] has written me a letter saying that, you know, we would like to revise your payment and, um, like to increase it…I’ll tell them that my situation is the same, exactly what it is last year, and, unfortunately, I cannot go anything beyond what I’m paying now” (Interview 51 - Man, care worker, 50s).

The final quotation in the preceding paragraph again referred to the rising cost of living and making ends meet was again an evident theme. This was illustrated in the following quotation as the interviewee explained: “my job pays what it does…just over the national minimum wage, about £6 something an hour, which is crap…I haven’t got massive expenses every month, so the rent’s quite low, and I’ve got the council tax but it’s on the low side, and I get a single person discount. I haven’t got a mortgage, I haven’t got a car to run, you know, so, um, you know, I do have a little bit of disposable income […] But I’d love things to improve. I can cope with the current financial position, but obviously, you know, there are things that you just can’t, um, stretch to.

Just every, you know, sort of everyday things. Having a holiday each year is just an impossibility, you know" (Interview 12 - Woman, call centre agent, 30s).

'Money management'

With regard to money management, themes of financial organisation, cash budgeting, and going without were all evident for this group of interviewees, just as they were for interviewees in chapter 3 who reported positive change. However, there was greater evidence of continuing credit use than for interviewees in chapter 3. Of the 17 interviewees considered in this chapter, six were using some form of credit: one was using an overdraft facility; two had taken a loan from a doorstep lender (including one interviewee who had only just been discharged from bankruptcy); and three were using a catalogue. All were for small amounts (£300 at most) and there was a mix of using credit to meet very specific needs e.g. a new fridge to replace an old one that had broken, or a new bed for a child, versus meeting more basic on-going needs, such as children's clothes. In both scale and sources of credit, this was very different to credit use that had been part of the indebtedness problem experienced by interviewees.[10]

No change as negative

The final point to make is that for two interviewees no change was seen as wholly negative, with indebtedness continuing to be the key problem. In one case the cause of debt was that the interviewee had been made redundant and then moved into a lower paid job. The core problem was his reduced income. In the other case the interviewee had experienced multiple other (non-financial) problems including time in a psychiatric hospital and being homeless. As will be seen below, both had had a breakdown in communication with their advice provider. They were both making repayments on an ad hoc basis. The themes they raised relate more strongly to those that will be discussed in chapter 5, which examines people reporting negative trajectories.

The impact of advice

Despite greater ambiguity about change, views regarding the impact of advice largely reflected those made by interviewees who did report a positive trajectory, as discussed in chapter 3. Thus, some interviewees in this group still saw advice as having been central to improvement that had been made. For example: "I feel better able to cope now because I went to [the advice

[10] In terms of questions for Year 3, this perhaps raises issues around the sustainability of long-term payment arrangements while on a low income. Thus, does credit use by interviewees in this chapter reflect lax money management and a likely recurrence of debt problems or is it about the on-going struggle to make ends meet on a low income? Are the views of interviewees in this chapter actually more realistic than those in chapter 3, and will the experience of interviewees in chapter 3 prove difficult to sustain? Alternatively, is it the lack of increased income that is the key missing element?

provider]. That definitely helped" (Interview 1 - Woman, pensioner, 60s). Or: "They helped me with so many things…I'm eternally grateful" (Interview 31 - Man, self-employed, 50s). Or: "Without her [the adviser] we'd have gone under…she changed our lives, she's actually made life bearable again" (Interview 6 - Couple, early 60s, pension and disability benefits).

In terms of key elements of advice, these also remained the same as in chapter 3. For example, regarding someone to talk to: "it helped, because I had another adult that I could actually go and talk to…going to [the adviser] and talking it over, that did help me, yeah" (Interview 5 - Woman, IS, 50s). The importance of information and options was evident: "it [the advice provider] explained things better than what they…the bank reps did, and they took the time to sort of discuss it with you and tell you ways you could go with it, and you could get help from other agencies and things if you needed it" (Interview 10 - Woman, IS, 40s). And representation was also evident: "they helped with the ones I owed the most money to. They, you know, they're accepting £5 a month only until my circumstances change and they've froze the interest" (Interview 48 - Woman, IS, 40s). Or: "they do have extremely good pulling power. I mean for that I'm very grateful. I mean…if I've got a creditor on the phone and I say it's in the hands of [the advice provider] then I get a totally different attitude" (Interview 55 - Woman, 50s, IS).

Regarding the long-term impact of advice, themes raised in chapter 3 were also evident here. Advice having a long-term impact in moving people forward was expressed by the following interviewee: "It still feels helpful...I've never experienced that sort of thing [indebtedness] but it has eased slightly…the debt collector agencies have stopped contacting me which is good…and psychologically as well, yeah, I'm doing much better" (Interview 24 - Man, 60s, IB). Increased confidence and skills to deal with problems was a further theme: "It was helpful at the time, and I find that now, I can think back on what advice they gave. If like a big bill comes in, or something…say it was the electricity, I'd know how to contact the electricity people, and discuss it through with them how I could pay off the debt that I owed, plus carry on using the electric, and things like that" (Interview 10 - Woman, IS, 40s). Or: "it still feels helpful now, because, you know, I took it on board then, and it's all still there. I don't think about it that often, but I suppose if I ever got a letter saying, you know, you've got to pay this remaining debt now or we're going to do this, this and this, I know they can't really do anything. I'm paying it back, slowly maybe, but it's still being paid back as quickly as I can. It's sort of sunk into my brain that I'm quite safe really in what I'm doing [i.e. sticking to agreed repayments]" (Interview 13 - Woman, office worker, 20s). Reassurance was also evident, for example: "it [the advice] still feels reassuring now because he [the adviser] was adamant, you know, there was a way out. So that did stick with me" (Interview 1 - Woman, pensioner, 60s). Or on a practical level: "the doors are still open if I need their help and they'll help me out if I need it" (Interview 51 - Man, care worker, 50s).

The limits of advice

What this group of interviewees also began to demonstrate, however, was limits that can be reached in terms of the impact of advice. Reflecting on why advice had not led to definite positive change, this interviewee summarised the views of many interviewees in this group: “I don’t really know, you know, how it can change things…they give you advice and information, and support, you know, assistance and support, tell you the scenarios, tell you what could happen, and the information on the law, and you know, things like that. But they can’t just magically take your debt away from you, that’s just not, you know, it’s just not a possibility is it. So you know, it’s just a matter of paying it off a bit at a time, and hoping that you can, you can stick to it…there’s just no magic solution to it” (Interview 12 - Woman, call centre agent, 30s). Another interviewee put this more bluntly in relation to making ends meet: “She’s [the adviser] dead helpful, yeah, but she can’t cut your bills down for you, she can’t make the electric cheaper or…the shopping cheaper” (Interview 5 - Woman, IS, 50s). These themes will be returned to in the next chapter.

Advice didn’t help

As noted above, there were two interviewees for whom no change was seen as wholly negative, with indebtedness continuing to be the key problem. In both cases there had been a breakdown in communication with advice providers, and the advice received by interviewees had been very limited. Not surprisingly, both interviewees said that advice had not helped at all.

Key points

17 interviewees reported change in terms of neutrality, either describing their position as being both ‘better and worse’, or ‘the same’; indebtedness, ‘money management’ and income continued to be key themes, but the difficulty of making ends meet on a day to day basis became more evident with this group of interviewees.

Interviewees who reported that their position was both better and worse illustrated well the multi-dimensionality of change, but with the key point being either that improvement in indebtedness was not accompanied by an increase in income, and making ends meet remained a major problem; or income had increased but indebtedness remained a problem.

Interviewees who said their position was the same were in all but two cases either debt free or making agreed repayments: but none had had an increase in income; some interviewees in this group saw lack of change as positive, particularly meaning that debts were manageable, well-being was satisfactory and, in a phrase used by a number of interviewees, people were ‘getting by’.

Other interviewees reporting no change had agreed repayment arrangements to which they were adhering but were more ambiguous about their position, particularly in relation to making ends meet.

Despite greater ambiguity about change, views regarding the impact of advice largely reflected those made by interviewees who did report a positive trajectory, as in chapter 3.

Key elements of advice were also as in chapter 3: someone to talk to; information and options; and representation.

The long-term impact of advice was also evident.

However, this group of interviewees also began to demonstrate limits that can be reached in terms of the impact of advice.

Chapter 5 - Negative trajectories and the limits of advice

This chapter presents findings regarding 9 interviewees who said their financial position was worse than in Year 1. The first part of the chapter considers the reasons behind negative trajectories, doing so under three headings: income loss; low income and the struggle to make ends meet; and other (non-financial) problems. The second part of the chapter considers the role of advice, and why advice is unable to prevent a negative trajectory.

Negative trajectories and indebtedness

None of the interviewees who reported a negative trajectory had resolved their debt problem, but the theme that was principally raised was around income. Only one interviewee reporting a negative trajectory had had an increase in income, but her circumstances were rather individual and she falls within the other (non-financial) problems heading as will be discussed below. Regarding income there were two separate issues, as follows.

Income loss

The first theme related to interviewees (all owner-occupiers) whose debt problems began when they or a partner lost their job; they continued to face serious debt problems, but the central point was a basic lack of income. Examples here included a woman whose husband was made redundant, and then returned to work but in a much lower paid job. The couple were left in a situation where mortgage payments were taking an unsustainable proportion of income and making ends meet was virtually impossible. As the interviewee put it: “Things are worse. We’re just not bringing in enough… it's just all the bills and all the arrears on top that you're owing…Just so many bills” (Interview 8 - Woman, 40s, cleaner). In another case the interviewee had been made redundant and been unemployed for in the region of five years. The situation was complicated because he was jointly buying the house with a friend who moved away and refused to make any payment towards her share of the (joint) mortgage. DWP were paying the interviewee’s share of the mortgage, but being in receipt only of Jobseeker’s Allowance meant he was unable to make payments that should have been covered by his friend. He had put the property up for sale, but it remained unsold. As he explained: “It’s got worse basically. I've got more risk hanging over my head now, being made homeless and stuff. So it's a bit scary" (Interview 26 - Man, 40s, JSA).

Another interviewee in this group also provided an example of the fragility of improvement. The interviewee lost her job due to health problems, caused by tripping and falling down stairs at home. She had faced possession action but at Year 1 reported her debt problems had been resolved because her partner had repaid all her arrears, and then moved in with her. He was working, while she was in receipt of Incapacity Benefit. At Year 2, however, this positive trajectory had reversed. The new relationship had proved short-lived and her partner had moved out. She was again left unable to pay the mortgage. She suffered a nervous breakdown and spent several weeks in hospital. She was receiving support from a social services crisis team who were helping her manage her finances. Her mortgage lender had effectively agreed to put the matter on hold dependent upon an application to DWP for help with mortgage payments. Her explanation of why her position was worse was simple: "Money really…it's just survival at the moment…the amount of money that's coming in, it's just not enough. The mortgage repayments are the main struggle but even gas and electric, I mean I never had bills like this…I just can't afford to do anything at the moment" (Interview 32 - Woman, IB, 40s).

Low income and the struggle to make ends meet

Lack of money was also emphasised by another group of interviewees, but with their worsening financial position ascribed to the difficulty of making ends meet on a week to week basis. For example: "I'd say it's worse. I feel more under pressure now. The cost of living right – food's gone up, your electric and gas has gone up. The cost of everything's gone up. My benefits haven't gone up. I mean, I'm not getting into [more] debt or that, but like children's clothing…this time last year I was still able to provide clothing for them. Now I'm going to supermarkets for their clothes and getting them out the sale in the supermarkets. That's bad. It's things like that that I'm feeling" (Interview 43 - Woman, IS, 40s). Or: "I think it's a bit worse, I do. Because last year I was able to scrape by somehow, even if it was robbing Peter to pay Paul, it would all come out in the end. It's not working this year at all. Basically, the lights and keeping warm, there's an awful lot of money going in them [fuel] meters that should be going somewhere else...I used to have the money to go and buy whatever I needed for my [food] shopping. I can't do it now. All I've managed to buy for this week was a tin of corned beef, apart from basics, bread and milk, a tin of corned beef and a packet of liver. Now, once that's gone, I will probably have a tin of soup or I'll try and make something with pasta, anything that's in the cupboard, I'll just try and manage until I get my money again" (Interview 38 - Woman, IS, 50s). This interviewee said: "It's worse because like I'm struggling...I'm struggling more. Now these [my two children] are a bit older and like they obviously eat more food, go through more nappies…the cost of living's higher for me now, and the electric, it's disgustingly expensive, especially in the winter, it's like £30, £35 a week" (Interview 52 - Woman, IS, 20s).

Indebtedness was not such a critical issue as for the first group of interviewees discussed in this chapter (i.e. none of these interviewees were facing homelessness), but it did remain a problem. There was a mix of experience with some repayments in place or debts resolved, but other debts remaining unresolved. In one case, the interviewee had actually reduced her debts very substantially due to money given by her father, in the region of £4,000, but still reported a negative trajectory: "[my position] feels worse…I can't actually pinpoint why…I was managing my debts last year but now, I've never had so many utilities hanging over me…I don't even open the letters now, you know. I just know what they are and, you know, I feel like there's nothing I can do" (Interview 16 - Woman, IS, 30s).

With regard to issues around money management, interviewees had a strong sense of going without as indicated in some of the quotations above. With regard to credit use, the interviewee quoted first in this section pointed to the fact that she was avoiding getting into further debt, but the other interviewees in this group were all still using credit. In one case this was with a doorstep lender, and in another the interviewee was using two catalogues, one to buy a fridge-freezer and one for clothes for herself and her child. In the most extreme case, one interviewee was maintaining repayments negotiated as a result of advice received in Year 1 but, as she explained: "I've still got my [two doorstep lenders] and I use that mostly for day to day things […] but Christmas has gone and put me in debt again…I started shopping accounts on the Internet…I wasn't strong enough to say to everybody, 'I'm sorry, I just can't afford it', I couldn't do it. So I got all my Christmas presents on the Internet…it wasn't a load, it was just enough to get me what I wanted for Christmas, I'd say altogether about £700 or £800" (Interview 38 - Woman, IS, 50s). She was already struggling to repay the new commitments.

An additional dimension – other (non-financial) problems

The other two interviewees who reported negative change, had rather individual circumstances and raise what could perhaps be seen as an additional dimension: other (non-financial) problems, as already raised in footnotes in chapters 3 and 4. In the first case, the interviewee explained: "It's dreadful. Massively worse, yeah, massively worse. I'm behind with everything, really; mortgage, a loan, the community charge, and the electric and gas and water…I have lots of trouble with everything, really" (Interview 23 - Woman, homelessness worker, 50s). Her explanation was that both her (now adult) children had mental health problems but appropriate services had not been provided so she spent money to make up for this. There was a complication in that she was divorced and previously had not had debt problems, but she was clear that it was issues around lack of provision for her children that was the core problem: "it's, obviously, with my kids developing, because they haven't had the right services and education, it's created mental health problems and nobody's here helping us. So, if it means that my son has to go away to Spain with my sister for a break, then, I'm afraid, that's what has to happen because we're just not getting any services". She was the only interviewee amongst those reporting a negative trajectory to have had an increase in income (mainly through working over-time) but an extra £200 per month was wholly inadequate to meet debt repayment and on-going spending.

The other interviewee with primarily non-financial problems was awaiting trial for an assault on her ex-boyfriend, and was facing a possible custodial sentence. Her priority debts were all being repaid, mainly through direct deductions from benefit, but three credit debts remained unresolved. However, these were not a cause for concern, as she explained: "[my position] It's worse cos of the court. I could be in prison…I'm ready for cracking" (Interview 34 - Woman, IB, 50s).

The role of advice – and its limits

Interviewees reporting a negative trajectory were still overwhelmingly positive about the advice they had received, but what is evident is the limits of the impact of advice. Positive comments reflected those made in preceding chapters. For example regarding practical information: "I think they're very good advising you because, I mean, I wouldn't know half the things. I mean, like, about writing letters and what to say when they [creditors] phone up. I know all about what they [creditors] can and can't do now" (Interview 8 - Woman, 40s, cleaner). Or in relation to having someone to talk to, and reassurance: "It's definitely been helpful…A lot of companies they'll use bullying tactics, you know, you worry about not being able to pay and when you [contact the advice provider] they sort of understand, you know, they're very empathetic, is that the word, and help you and make you feel reassured that you're not going to lose your home or anything like that" (Interview 16 – Woman, IS, 30s).

But within such positives there was inevitably a caveat regarding the limits of advice in addressing the core problems being faced by these interviewees. For example, this interviewee, quoted above, was facing repossession of his home because he could not afford mortgage repayments: "Well, it's [the advice] helped with the [household] bills. They did negotiate with the credit collectors, and [the fuel company], the water board, so they've helped me with that, you know, on that score. They've tried to negotiate with the Building Society, but really there doesn't appear to be much they can do really. I've very much got my hands tied behind my back, you know" (Interview 26 - Man, 40s, JSA). Or this from an interviewee with less serious debt problems but who was struggling to make ends meet: "it [the advice] did help. It was a big help at the time…But the problem's just because the cost of everything else has gone up" (Interview 43 - Woman, IS, 40s).

As a further example, the interviewee quoted above whose problems began when she tripped and fell downstairs, had in Year 1 praised the advice provider for preventing her home being repossessed: but problems in Year 2 with a relationship breakdown and subsequent nervous breakdown went beyond the impact of advice. The same could be said of the interviewee, referred to above, who was facing a court hearing and possibly prison; advice was very separate to the problems she was facing.

There were only two interviewees who saw advice as having been unhelpful, but there was some ambiguity here. One interviewee was the woman who saw her indebtedness as attributable to problems with her children. Her real complaint was about the failure of various agencies to provide the support she felt her children needed. She had discussed with the advice provider selling her home, but her view was: "how could I do that with my children, just send them down to the homeless, which is where I actually work…it's farcical" (Interview 23 - Woman, homelessness worker, 50s). However, she did subsequently put her house up for sale: "I've had to put the house up on the market, you know; so I have to accept that, you know, what's happened has happened". In effect, she was acting in accordance with the discussion she had had with the advice provider.

Finally, there was an interviewee who in the Year 1 report was the sole example of someone adopting a deliberate strategy of "blanking" debts (Interview 52 - Woman, IS, 20s). At Year 1 she said the advice she received was interesting but did not want to pursue it because it meant giving up her doorstep lender. In Year 2 she reflected on the advice as follows: "it would have been really helpful for me, because she [the adviser] was going to do something where she knocked everything down to like a minimum amount of payments, a minimum amount, and get rid of all the interest, I think that's what it is…but it means then that I could not get credit from anywhere else, which would be a bad thing for my [doorstep lender]. That's why my plan was to pay them [the doorstep lender] off before I went back [to the advice provider] and done it again. But then in the meantime, I've got another loan [from the doorstep lender], so I've got to pay more off before I can go back and do it again…It's like getting all on top of me to be honest. So letters come through the door, and I know like I've got no money to pay it so there's not much I can do but ignore it, so I blank them and put the phone down... but I'm always like a bit more worried now that it's all going to catch up to me" (Interview 52 – Woman, IS, 20s). It will be seen in Year 3 how this develops.

Key points

9 interviewees said their financial position was worse than in Year 1, with there being three key issues: income loss; low income and the struggle to make ends meet; and other (non-financial) problems.

The first theme related to interviewees (all owner-occupiers) whose debt problems began when they or a partner lost their job; they continued to face serious debt problems, but the central point was a basic lack of income.

Lack of money was also emphasised by another group of interviewees, but with their worsening financial position ascribed to the difficulty of making ends meet on a week to week basis.

The other two interviewees who reported negative change had rather individual circumstances and raise what could perhaps be seen as an additional dimension of other (non-financial) problems.

Interviewees reporting a negative trajectory were still overwhelmingly positive about the advice they had received, but what is evident is the limits of the impact of advice; positive views of advice contained a caveat regarding the limits of advice in addressing the core problems being faced by this group of interviewees.

Chapter 6 – Additional themes

This chapter examines three themes which were raised in Year 1 but have not been (explicitly) discussed in the examination of debt trajectories: creditor behaviour; advice seeking behaviour; and financial confidence.

Creditor behaviour

Themes raised by interviewees in Year 1 regarding the behaviour of creditors remained evident in Year 2. The Year 1 report noted that some interviewees were very positive about creditors, or at least some of the creditors they dealt with, but the far stronger theme was of negative experiences ranging from a sense of creditors as unhelpful and difficult to deal with, through to descriptions of creditors as 'aggressive', 'nasty' and even 'bullying'. There were particular issues around the volume of contact from creditors, the timing of telephone calls and intrusiveness. To be clear, in Year 2 there were some positive comments made about creditors e.g. "they've been pretty good actually…they agreed on minimum payments" (Interview 46 - Couple - Man, IB, 50s, Woman, carer, 40s). However, in preceding chapters quotations have included more negative comments and some interviewees were very critical indeed. For example: "they're nasty. A lot of them were like very nasty…I mean, I pleaded with the bloke. I said 'look, I'm doing my best'. 'Well, it's not good enough. You've got to do better'. Then he started getting really nasty over the phone" (Interview 27 - Man, 40s, IB and IS). Or: "they put it onto a debt agency. The debt agency was constantly getting at me, barraging me, ringing me up at all sorts of times, weekends and evenings even…making my life hell" (Interview 24 - Man, 60s, IB).

Two particular issues were raised in Year 2. First, was experience of creditors asking for payment arrangements to be increased, giving interviewees an on-going sense of being under pressure. While interviewees accepted the principle of creditors wanting to review their situation, there was a distinction drawn between creditors who would accept there had not been a change in circumstances and those who would automatically be seeking an increase in repayments. For example: "They're constantly asking for more…every couple of months, you get the same letter…They've asked for numerous financial statements off me. They know the situation. They just don't take any notice" (Interview 2 - Woman, IB, 40s).

The second theme was of difficulties in negotiating a payment arrangement leading to interviewees deciding that trying to deal with a creditor was pointless. This interviewee explained his attempts at negotiating a payment arrangement as follows: "I said to them 'I've got your debt, I've got this debt, I've got that debt, I'm doing my best, can I pay this much?', and they was on the phone again the next day, 'can't you pay more?', and it's like 'no, I can't', and it's like constantly on and on…I tried to explain and give what I could, but they wasn't happy with that. In the end you say 'right, bollocks, I ain't got it, you know, and just forget it" (Interview 3 - Man, IB, 30s). As noted in previous chapters, there were several examples of interviewees repaying some debts but not others, and the willingness of creditors to accept arrangements appears critical. In this further example, the interviewee had made a payment arrangement on one debt but a second debt remained unresolved. As he explained: "I phoned them up and I said '£20 a month', and they said, 'no, no, it's got to be like 40 a month', and I'm going, 'well, I'm making an offer, all right, because it's silly saying I'm going to give you £40 a month, which will be all right for the first two months, but then if I've got bills, I can't afford to give you 40, it's got to go down, but if I say it's got to be a bit like 20, or if I've got any more, I give you more, that will be it, that will be a regular thing'. But the same answer, 'no, we'll take you to court'. 'All right then, take me to court'. Then they say they'll come round me house, but no one ever has…Then they just keep sending letters after letters after letters so I phone up and I say, 'right, £20 a month', 'no, no, no, we want more, we want more'. I said, 'well, you can't have more because I haven't got more'. 'Well, we want more, more, more, more'. But they're not getting anything" (Interview 47 - Man, factory worker, 40s).

Advice seeking behaviour

In relation to advice seeking behaviour during Year 2, interviewees fell into four main groups. First, one group of interviewees had not had any further advice during Year 2 because their situation was resolved and they did not feel they needed any further help. A second group of interviewees had continued seeking advice after Year 1 but in relation to the same problem, and when it was resolved they stopped. A third group of interviewees, where problems remained on-going, continued to be in contact with an advice provider. A fourth group had not seen advice as helpful and had not returned to the advice provider. Not seeking further advice can therefore represent both a positive, in that a problem has been resolved and no further help is required, or a negative in that advice has not been seen as helpful.

There was some evidence of changed attitudes to seeking advice. Among interviewees reporting a positive trajectory it was seen in chapter 3 that there was a theme of reassurance in knowing an advice provider could help if problems were experienced in future. There were strong themes around interviewees saying they would return to the provider if they needed help in the future, indicating a clear change in attitude to seeking advice. There were also several examples of interviewees saying they told friends/relatives to contact the advice provider (even though this was not a question in the Year 2 topic guide). Year 3 can continue to examine actual engagement with advice services, and ask specific questions about whether people's experience of advice has changed their attitude to seeking help whether in relation to debt or other problems more generally.

There were a number of additional miscellaneous themes, but each applied to very small numbers of interviewees. There were a small number of examples of interviewees using for-profit services such as in relation to helping with bankruptcy or companies offering to reclaim bank charges. In such cases interviewees were reacting to telephone calls from companies. There were a number of examples of interviewees obtaining advice from new sources: a housing association rent officer; welfare rights services separate to the previous advice provider; and a financial adviser. There were two examples of people who said they had been told by a face to face provider that further advice could not be provided e.g. “they won’t have anything more to do with me because they only allocate six hours per client and I’ve had 36 hours apparently” (Interview 2 - Woman, IB, 40s). Three interviewees with mental health problems were in Year 2 receiving support from social care services. A small number of interviewees expressed a view that they would have liked further contact with the advice provider but did not do so because they know how busy services are e.g. “I know they are really inundated with people at the moment, because of the way the credit crunch and everything is going. I don’t really feel I should impose” (Interview 1 - Woman, pensioner, 60s).

Advice and the importance of trust

The importance of trust in relation to seeking advice was explored, and four points were raised by interviewees. First, was that trust was an essential and self-evident requirement of seeking advice on such a sensitive and personal issue e.g. “I wouldn’t be taking advice from them if I didn’t trust them” (Interview 37 - Man, call centre worker, 20s). Or: “Well you can’t have someone help you out with your financial problems if you don’t trust them” (Interview 43 - Woman, IS, 40s). Second, trust was conflated with confidentiality which was seen as crucial e.g. It’s very important really, because obviously, you’re trusting them with your bills, your information” (Interview 56 - Woman, IS, 20s). Or: “I think [trust] it's very important, really. Because I mean, like you're telling them all your problems, you know, your personal problems and that” (Interview 8 - Woman, 40s, cleaner). Third, trust was interpreted as being about other issues around professionalism, non-judgementalism and expertise e.g. “I don’t think it’s about trust; I think it’s about that they have the knowledge about the job that they’re doing and so they’re able to advise me, you know” (Interview 7 - Woman, 30s, IB). The fourth point was about exploring whether there was a higher level of trust in advice providers than other sources of information or help. Some interviewees recast the question so as to compare advice providers and creditors but the stronger issue, relating back to a theme in Year 1 about interviewees not discussing debt with other people, was that interviewees lacked a basis for comparison e.g. “I’ve never spoken to anybody else about my financials” (Interview 20 - Woman, pensioner, 60s) or “they were really the only people that I talked to” (Interview 37 - Man, call centre worker, 20s).

Financial confidence

With regard to financial confidence there were three key themes, which largely followed on from Year 1. First, there continued to be examples of people for whom the experience of debt left them feeling a complete lack of financial confidence e.g. "I panic now. If it's anything to do with money, I panic" (Interview 43 - Woman, IS, 40s). Second, a larger number of interviewees said they did feel financially confident, but examples of this were largely restricted to switching fuel suppliers or comparing telephone/television packages.

The third, and dominant theme, continued to be financial confidence as irrelevant to interviewees' experience and circumstances. On the one hand, for example in relation to interviewees in chapter 5 who had on-going problems due to low income, financial confidence was seen as irrelevant to the cause of their problems. On the other hand, themes of rejecting credit and going without meant that financial confidence was seen as inapplicable e.g. "when you're in my position you don't have a lot of big financial decisions to make, you know, it's, it's just not an issue" (Interview 12 - Woman, call centre agent, 30s). Many interviewees equated financial confidence with careful money management e.g. "I do shop round a lot more now, a hell of a lot more…if I can save 10p on washing up liquid by going to [shop] not [shop] you do it, I'm like that with everything now but I feel confident about it" (Interview 29 - Woman, 20s, IS).

Some interviewees saw advice as helping their general confidence which in turn helped their financial confidence e.g. "the way that they helped me, I do feel more confident in myself with a lot of things now" (Interview 56 - Woman, IS, 20s), but the dominant theme was of financial confidence as being very separate to advice.

Financial education

Given the above, it is perhaps unsurprising that engagement with financial education was also primarily viewed as irrelevant to interviewees' circumstances. On the one hand this related to the causes of debt: "I don't think it would make any difference. I know how to manage my money when I've got money and all that. It's just when you lose your job and when you've got no money, you know. And nobody will listen to you" (Interview 2 - Woman, IB, 40s). On the other hand, was the theme of financial conservatism: "it's not of any relevance to me because again, you know, we just deal with everything in cash" (Interview 49 - Man, driver, 40s). Or: "I listen to him on GMTV and he's always on about how to save money…transfer from this bank account to that account…transfer from this to that…I know where I am and I just want to stay where I am so I'm not interested in that kind of thing" (Interview 4 - Woman, IS, 30s).

The only more positive comments made were on the basis of a general expression of interest in knowing more about financial matters, but without a direct desire to engage at this point. Thus, some interviewees said financial education might have been helpful when they were younger. A small number of interviewees expressed frustration at not understanding interest rates or problems such as relating to bank charges and how to deal with them. Some younger interviewees raised a theme that learning more might be helpful in the future if they reach a point of seeking to a buy a home or think about a pension.

Savings

As in Year 1, for the overwhelming majority of interviewees trying to save money was a complete impossibility. At best, there were some examples of interviewees having small surpluses in bank accounts which were then used for specific purposes, or putting aside very small amounts (maybe £5 per week – often given to another family member) to use for birthdays or the like. Amongst those reporting a positive trajectory there was some evidence of a greater aspiration to start saving, but in Year 2 there remained no examples of interviewees having a separate savings account into which they made regular payments.

Key points

Negative experiences 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’ remained evident.

Experience of creditors asking for payment arrangements to be increased, gave interviewees an on-going sense of being under pressure.

There were examples of difficulties in negotiating a payment arrangement leading interviewees to decide that trying to deal with a creditor was pointless.

In relation to advice seeking behaviour, not seeking further advice can represent both a positive, in that a problem has been resolved and no further help is required, or a negative in that advice has not been seen as helpful.

There was some evidence of changed attitudes to seeking advice; Year 3 can continue to examine actual engagement with advice services, and ask specific questions about whether people’s experience of advice has changed their attitude to seeking help whether in relation to debt or other problems more generally.

There were a number of additional miscellaneous themes regarding advice seeking, but each applied to very small numbers of interviewees.

With regard to financial confidence and engagement with financial education the dominant theme, as in Year 1, was of interviewees seeing this as irrelevant to their experience and circumstances.

As in Year 1, for the overwhelming majority of interviewees trying to save money was a complete impossibility; there remained no examples of interviewees having a separate savings account into which they made regular payments.

Appendix A - The Year 2 topic guide

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?

<u>Theme 2 - Further advice</u>

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

<u>Theme 3 - Reflections on debt advice</u>

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?

<u>Theme 4 - Further impacts</u>

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]? Would anything have been different?

26. What would you say about the way the companies/organisations you owe money, have acted?

[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

27. 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)?

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

29. 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.

Appendix B - The methodology and the sample

The methodology

For Year 2, 56 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 (31 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

In Year 2, there were a number of demographic changes to the sample compared with Year 1. There were three examples of relationship breakdown, although in one case a new relationship had been established. One couple now had a child. Five interviewees had moved house, although only one involved a change of tenure (from owner-occupier to rented). Three interviewees had moved off benefit into paid employment (and one was about to do so); one interviewee had moved from self-employment onto benefit. Four interviewees had experienced serious health problems and spent extended periods in hospital. One interviewee had been in prison for three months.

	Number of interviewees
Household composition	
Single no dependent children	20
Single with non-dependents	4
Lone parent (all women)	16
Couple (m/f) - no dependent children	6
Couple (m/f) - with dependent children	8
Couple (m/f) - with non dependents	2
Interviewee gender	
Female	35
Male	18
Couple (m/f)	3
Housing tenure	
Social housing	25
Private rented	9
Owner occupier	18
Shared ownership	2
Other	2
Household income – principal source	
Benefits	31
Pension	4
Employment/self-employment	20
Student bursary	1
JSA	3
IS	18
IB	9
Hardship Allowance	1
Age	
20s	10
30s	6
40s	17
50s	15
60s	8
Ethnic origin	
White UK	51
Asian	2
African-Caribbean	3
FSA categorisation at Year 1	
Having real financial problems and have fallen behind with many bills	29
Fallen behind with some bills or commitments	20
Keeping up but constant struggle	3
Didn’t answer/unclear	4

Type of debt at Year 1*	
Priority debts only	4
Priority and credit debts	40
Credit debts only	12
Level of debt	
Under £5,000	14
£5,000-£10,000	14
£10,000-£20,000	14
£20,000-£30,000	3
Over £30,000	11

*It was noted in the Year 1 report that credit debt can be used to 'hide' priority debt so the reality is more complex than this simplified breakdown might suggest.

Appendix C – Low income

This report uses 'low income' as a rather generic term, and does not seek to engage with debates regarding definitions of poverty nor measurement. But the following points provide some context.

Income-based Jobseeker's Allowance - maximum weekly rates

Single people aged 16 - 24	£50.95
Single people aged 25 or over	£64.30
Couples and civil partnerships (both aged 18 or over)	£100.95
Lone parents (aged under 18)	£50.95
Lone parents (aged 18 or over)	£64.30

Incapacity Benefit (now replaced by Employment Support Allowance for new claimants)

	Weekly Amount	If over pensionable age
Short-tem (lower rate)	£67.75	£86.20
Short-term (higher rate)	£80.15	£89.80
Long-term basic rate	£89.80	n/a

Research (Bradshaw et al., 2008) into what level of income people think is needed to afford a socially acceptable standard of living in Britain today found that according to what people said, in order to maintain a minimum, socially acceptable quality of life in 2008:

a single working-age adult needs a budget of £158 per week;
a pensioner couple needs £201;
a couple with two children needs £370; and
a lone parent with one child needs £210.

Most people relying on basic out-of-work benefits do not reach this standard. A single person on Income Support gets less than half. Out-of-work families with children typically get two thirds. A single adult, working full time, needs to earn £6.88 an hour to reach this weekly standard, compared to the minimum wage of £5.52.

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