

CLIENT REPORT OF 2018 – A SUMMARY

This paper contains an English resume of The Social Legal Aids Client Report of 2018. The report creates and overview of the debt held by an outtake of the clients at TSLA. The paper contains data on 528 clients whose cases at TSLA were ended in 2018.

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Can be found at: socialeretshjaelp.dk

Year: 2019



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1 - Target Group

The data about the citizens and their debt that are being presented in this report are gathered amongst DSRF's own clients. This means that they fall within DSRF's target groups, 1) prisoners, 2) socially marginalized people, 3) people who have an income that causes them to fall below the income threshold for free process.

The 528 citizens included in the report are distributed over 138 different postal codes across Denmark, including Hjørring, Horsens, Ebeltoft, Sønderborg, Nykøbing Falster and all the main cities, except Aalborg. The lack of clients from this specific city is due to the fact that DSRF closed their office here by the end of 2018. Despite this, we can conclude that our clients come from all over the country, both the small towns and the big cities.

The data from 2018 are in many ways consistent with the data published from 2017; the majority of clients are men (66 %) and they usually live for rent in general housing. The vast majority (70%) is on public support and only 8 % of the 528 clients had a full-time job. Furthermore, most clients were single and without children living at home.

In contrast to the data from 2017, the data from 2018 showed a rise in the number of clients that are imprisoned. In 2018 almost half (49%) of DSRF's clients was affiliated with one of the Prison Services' institutions. This is a rise of a staggering 38 percentage points.

All these facts contribute to showcase that the clients are battling tough living conditions when they reach out to DSRF.

2 – Analysis

This section will present the distribution of the 528 clients' debt. First, an overall paragraph will present the distribution of debt, in regards to respectively public and private creditors. Hereafter these numbers are assessed in accordance with the data from 2017. Lastly, this section will closer inspect the specific distribution of debt to respectively the public and private creditors and compare these findings with the ones from 2017 in order to conclude whether or not there is difference or development from one year to the next.

Table 1 – Debt distributed between public and private creditors

Creditors	Debt Sum €	Debt sum %	Debit items	Debit items %	Average value of debit items €
Public	17.194.882	52,5	1.212	25,1	14.187
Private	15.564.878	47,5	3.624	74,9	4.295
Total	32.759.760	100	4.836	100	N/A

Table 1 shows that the 528 clients in 2018 had a total debt of approx. € 32,8 million. This correlates to an average liability of approx. € 62.000 pr. client. In total the debt was spread out between 4.836 individual debit items.

For many Danes an average debt of € 62.000 does not sound extreme, if you take housing and car loans into account. Here it is very important to be reminded that the citizens that contact DSRF for help are either socially marginalized, imprisoned or have an income level under the threshold for free process. For these citizens, € 62.000 is a lot, for some many times their yearly income. Furthermore, it is important to note that the clients only very rarely have assets, i.e. their own house, car, expensive televisions and so on that they can sell in order to amortise their debt.

In 2018 DSRFs clients owed €17,2 million to the public creditors, corresponding to 52,8 % of the total debt € 32,7 million. The debt to the public creditors are divided between 1.212 debit items, corresponding to 25,1 % of the total number of debit items. The average value of the debt to the public creditors is € 14.187,26 per debit items.

The clients owed €15,5 million to the private creditors, corresponding to 47,5% of the total debt. This debt is divided between 3.624 debit items, corresponding to 74,9 % of the total amount of debit items. The average value per debit items is thus € 4.295. The average number of debit items per client is 9,2.

Compared to the data from 2017 these numbers does not represent any significant changes. Overall the clients from 2018 owed their creditors €1.66 million less than the clients from 2017. On average,

the clients thus owe less money, per person €10.253 less. However, we do see a difference in the numbers when it comes to the amount owed the public and private creditors respectively. The public creditors' share has dropped by 5,7 percentage points. The private creditors share has thus increased by this amount. In total the number of debit items was on the rise to 465, but this was probably due to the fact that DSRF in 2018 was in contact with a higher amount of citizens than in 2017. This conclusion is supported by the fact that the average amount of debit items per client only changed by 0,1. Looking at the average value of public debit items we see that these have dropped by € 4.728, whereas the value of the debit items to the private creditors only is down by € 54. The notable drop in the value of the public debit items may be due to the fact that the public sector in 2018 started a successful initiative focusing on collecting the citizens public debt (Borre & Domino 2019).

2.1 Public Creditors

The following section will examine the debt our clients in 2018 owed to the public. For the sake of the numbers' compatibility, the debt has been categorized under the same headlines than can be found in the client report from 2017.

Creditors	Debt Sum €	Debt sum %	Debit items	Debit items %	Average value of debit items €
<i>Udbetaling Danmark</i> ¹	679.709	4	143	11,8	4.753
SKAT ²	12.695.003	73,8	375	31	33.853
<i>Municipalities</i>	612.359	3,6	306	25,3	2.001
<i>Police</i>	1.570.187	9,1	157	13	10.001
<i>Other Public Creditors</i>	1.636.193	9,5	228	18,8	7.176
Total	17.193.451 ³	100	1209	100	N/A

Table 2 shows that SKAT (the Danish tax agency) is the biggest public creditor and more than 73,8 %, corresponding to approx. € 12,7 million, of our clients debt are owed to them. This debt is divided between 375

¹ A Danish authority whose task it is to disburse a number of public payments to the people.

² The Danish tax Authority.

³ A total of € 773 is missing in this calculation due to difficulties in tracking the creditor.

debit items, corresponding to 31 % of all the public debit items. The average value per debit items at SKAT aggregates to €33.854. If we compare this number to the one from 2017, we find that SKAT share of the debt sum has gone down by 6,1 percentage points. We also find a significant drop in their share of debit items, although only by 2,2 percentage points.

The second biggest public creditor is the police. Our clients owed them approx. € 1,6 million, corresponding to 9.1% of the public debt. The debit items to the police amounts to 157, corresponding to 13% of the total public debit items. Comparing these findings to the numbers from 2017, we find a slight raise. The police's share of the debt has thus gone up by 1,1 percentage point and their share of the debit items has gone up by 1,6 percentage points.

The third biggest public creditor is Udbetaling Danmark, the authority that is responsible for the payout of several kinds of public benefits. Our clients owed Udbetaling Danmark almost €670.000, which corresponds to 4 % of the total debt to the public creditors. In 2018, our clients have 143 debit items at Udbetaling Danmark, equalling 11, 8%. This is a relatively small change compared with the numbers from 2017. The big change lies somewhere else, namely in the average value of the debit items – which has almost been cut in half. Why this is the case, we cannot explain.

The many municipalities put together is the fourth biggest public creditor with € 612.359 owing to them, which correspond to 3,6 % of the total debt to the public creditors. What is interesting here is that although they only are responsible for 3,6 % of the total debt, they are accountable for 25,3 % of the debit items, corresponding to 306. When comparing to the previous year the changes are once again minimal. The share of the debt to the municipalities are increased with 1 percentage point, while the share of the debit items have dropped by 0,2 percentage points. We find the same insignificant changes when looking at the average value of the debit items, which has gone up by €54.

The category "Other public creditors" is where we find the biggest differences when comparing 2018 to 2017. In 2018 the debt to "other public creditors" was € 1.636.193, corresponding to 9,5 %. 228 debit items were found, equaling 18,8%. This means that "others" share of the debt have gone up by 5,8 percentage points, although their share of debit items roughly is unchanged.

2.2 Private Creditors

This section will examine the distribution of the debt to the private creditors og how it is divided between them. For the sake of the numbers' compatibility, the debt has been categorized under the same headlines than can be found in the client report from 2017.

Table 3 - Debt Distributed between private creditors		
Creditors	Debt Sum €	Debt sum %
Loans for Consumption		
<i>Fast, uncertain consumption- and payday loans provided by the Danish credit council</i>	195.798	1,3
<i>Banks' and companies with banking license's fast consumption- and payday loans</i>	1.675.286	10,8
<i>Certain and uncertain bank loans^{4 5}</i>	5.530.710	35,5
<i>Other safe and unsafe payday loans</i>	264.090	1,7
Total	7.665.884	49,3
Forfaldne regninger på diverse købsprodukter		
<i>Leasing and instalment</i>	622.902	4
<i>Decayed bills for subscriptions, DSB-fines etc.</i>	1.858.004	11,9
<i>Insurance</i>	381.078	2,5
<i>TV/Internet/cell phone-bills</i>	646.100	4,2
Total⁶	3.508.084	22,6

Table 3 shows the debt distributed between the private creditors. Here we find that L'Easy and D.E.R are accountable for approx. € 535.000. Although this only corresponds to 3,5% of the debt to private creditors, it does correspond to 86,6 % of the debt under the category "leasing and instalment" and this number has further doubled since 2017. Seen in the broader picture, we see a rise of 1,5 % in their share of the total amount of debt to private creditors.

But the greatest difference between 2017 and 2018 is seen in the category of certain and uncertain bank loans, which has dropped by 8 percentage points. Another difference worthy of highlighting is the category "Banks' and companies with banking license's fast consumption- and payday loans", which has increased by 2,3 percentage points. The remaining posts has only seen relatively small changes with the numbers varying between 0,2 and 1 percentage point.

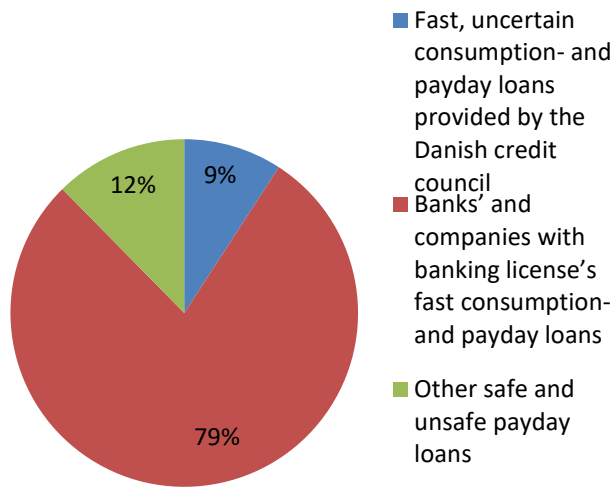
⁴ We have chosen to remove an outlier, one client owing c. € 4 mil. on a single debt item.

⁵ Also contains companies with a banking license.

⁶ We have chosen to remove c. € 308.000 c. 2 % from the data; this is because we have not been able to track the original creditor.

2.2.1 Debt due to Quick Loans

Figure 1 - Debt sum distributed between fast payday loans

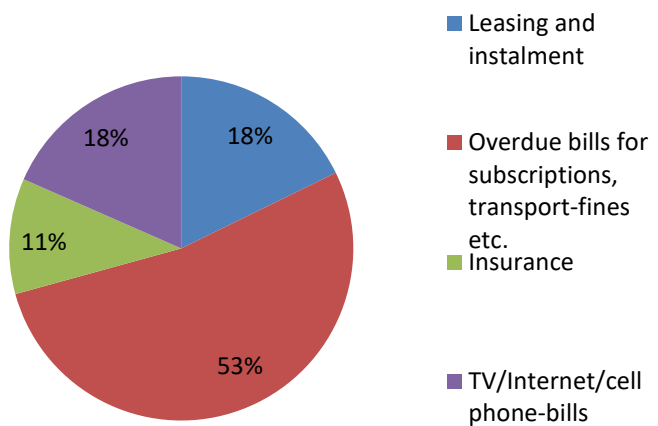


When it comes to the distribution of Quick Loans, there are no significant differences to be found between 2017 and 2018; the banks digital/consumer/quick loans has dropped by 2 percentage points and the size of the quick loans that have been issued by “Dansk Kreditråd” (The Danish Credit Counsel) and “others” has both increased by 1 percentage point. The banks and the companies with banking licenses are continuously responsible for the majority of the debt that our clients have due to Quick Loans.

2.2.2 Debt due to Consumption

22,6 % of the debt to the private creditors was bound by overdue bills on various products. This is a small increase from 2017 of 2,4 percentage points. The distribution of the debt within the different posts haven't changed much either. The overdue bills on transport, TV, internet and telephone have increased by 1 percentage points. Insurance has dropped by 3 percentage points, while leasing and instalment has gone up by this amount. Nothing in this entire category has changed distinctively since 2017.

Figure 2 - Debt sum overdue bills



3 – Discussion

In this section the above mentioned results will be discussed and the greater changes that have occurred from the report in 2017 to the report in 2018 will be explained.

The overall picture, which the two reports draw are basically the same and in only very specific instances do we see any significant differences. In most cases the changes in the distribution of the debt is

between 0 and 5 percentage points. The greatest difference is found in the case of SKAT, the Danish tax agency, which debt sum decreased by 6,1 percentage point and the category “other public creditors” increased by 5,8 percentage points compared to 2017.

The decrease in SKAT’s share of the debt sum may be due to the fact that SKAT, according to Borre og Domino (2019), in 2018 intensified their effort to collect the citizens unpaid debt. If you succeed in collecting the debt, the overall amount owed naturally decrease. However, it must be noted that SKAT started their efforts with “the low hanging fruit”, i.e. the debt that is the easiest and cheapest to collect. This is primarily new debt, where the trail is easy to follow and is it simple to secure that the debt is actually legal, which means that SKAT know for certain that the citizen owe them money and they are aware of how much the citizen owe (Løper 2019: 13, Rosenberg 2019).

The increase in the “other public”-category may be explained by a change in DSRF’s client group, where 2018 saw an increase in young people and socially marginalized people contacting us. These groups rarely have their own car/moped and are therefore dependent on public transport. Furthermore, these two groups traditionally have a lower income and many choose to “free-ride”, i.e. not paying for their bus tickets. Likewise, we have seen an increase in imprisoned clients and these may also not be likely to pay the their fines.

We find the greatest change in the private creditor debt in the category “Certain and uncertain bank loans” Here the clients debt sum decreased by 8 percentage points, from approx. €6,2 million to €5,5 million. This can be explained by structural changes that happened to DSRF’s organization in the summer of 2018. We do not make our own money at DSRF, but are financed by government grants. In 2018 the government changed their criteria and we thus changed our counselling efforts, which, according to the new criteria, “*must happen in at partnership between relevant and intersectorial players, e.g. municipalities, voluntary organisations and housing associations*” (Tilskudsportalen 2018). Furthermore, the target groups of the counselling changed since it was stated that we were only allowed to help socially marginalized people. This demand was implemented by the birth of two different projects:

The first project is The Counselling Team. This team visits various care homes and group homes, places where the socially marginalized can live and get help (DSRF a). The team thus makes it possible for the socially marginalized to get help with their debt problems in an attempt to reverse the downward spiral their lives have taken. Our data do not reflect this project as no increase in socially marginalized clients has been found. This, however, is due to a simple error in the registration process. All these socially marginalized people that the team has helped also lies below the threshold for free process and have thus been registered as such, which gives a muddy image of the clients’ affiliated target group.

The second project is The Prison Task Force, which visits prisons, boarding houses and other institutions under the Danish Prison Service and provide debt counselling to inmates in an attempt to secure

that they do not suffer with an unmanageable debt (DSRF b); an important task that may help the inmates to stay on the right path and not fall back into their criminal ways when they are released. Studies have shown that there is a greater risk of relapse when the inmate is released with great debt without the possibility to pay the instalments (Jørgensen et al 2012: 29, Olesen 2013: 370). The introduction of the prison travel team is most certainly a contributing factor to the marked increase of 38 percentage points in the number of inmates, compared to 2017. But the target group affiliation among the inmates is also quite unclear, since the inmates also belong to the target group of citizens that are below the threshold of free process. However, we do not consider that there has been the same possibility of registration error here, due to the inquiry channel - the task force - where those who approach by definition is inmates.

This shift in focus and the introduction of these two projects has most likely contributed to changing the clients' debt composition. Those who are currently inmates have probably rarely had opportunity to take out loans from the banks, and have only had very poor opportunities to take out new loans after release due to increased difficulty in getting work amongst other reasons. The socially marginalized may have been "normal" people at first, but due to psychological, physical or social problems, they have now become socially vulnerable. They often live on public benefits, which mean that they also do not have the opportunity to borrow larger or less secured or unsecured loans from the banks. DSRF's increased focus on precisely these groups can thus have been the cause of the decrease in the secured and unsecured bank loans share of the clients' debt to the private creditors.

4 - Conclusion

As in 2017, most of the clients were men, most of whom lived for rent. However, the number of clients who were inmates was significantly larger in 2018 compared to 2017. This was due to a necessary shift in focus, as the DSRF no longer had enough resources to maintain our previous focus on citizens earning below the threshold for free process that are neither inmates or socially marginalized.

The debt the clients had on average fell by approx. €10.250 In spite of this decline, no greater changes in the debt to the public have occurred from 2017 to 2018, where the percentages in the different examined categories approximately remains the same. The biggest difference was in the category "Other public", which increased by 5,8 percentage points, which could be due to the changing target group.

Looking at the debt to the private creditors, the actual distribution was also largely unchanged, however, with the proviso that there has been a significant decrease in the debt "secured and unsecured bank loans". However, our assessment is that this is due to the aforementioned shift in target group focus.

The numbers speak for themselves. Overall, the distribution of DSRF's clients' debt is virtually unchanged from 2017 to 2018. The few places where major changes have occurred, "Other public" and "Se-

cured and unsecured bank loans", can be explained by the necessary shift of focus that DSRF made in 2018.

As there have been no significant and unexplained changes in the distribution of client debt, this report confirms the numbers that can be found in our client report for 2017. We therefore maintain our five recommendations from the Client Report for 2017 (Løper 2019: 14- 15).

1. An appropriation should be allocated to the Finance Bill for free debt counselling, and creditors should also help finance free debt counselling.
2. Quality standards, including ethical rules and competence requirements, should be set by debt counselling organizations in order to receive the above funding.
3. A National Appeals Body should be set up, to which dissatisfied citizens can complain about bad debt counselling. Likewise, a compensation board should be established that can decide on possible compensation
4. New policy initiatives should hit the entire credit market and not the small part organized under the Danish Credit Council - they are only a relatively small part of the problem.
5. Finally, a national debt register should be set up to allow for a better credit rating of all citizens applying for a loan, so that before the loan is granted, they can discard non-eligible citizens.

5 - Litterature

- **Borre, Martin & Søren Domino (2019)**. "trods lammende kritik slår skatteministeren fast: I år kommer der styr på inddrivelsen af danskernes gæld", Berlingske, Infomedia ID: e7143809 (February 12th 2019)
- **DSRF (a)**. "Rådgivningsteamet", Socialeretshjaelp.dk, <https://www.socialeretshjaelp.dk/R%C3%A5dgivningsteamet.3225.aspx> (May 6th 2019)
- **DSRF (b)**. "Fængselsrejseholdet", Socialeretshjaelp.dk, <https://www.socialeretshjaelp.dk/F%C3%A6ngselsrejseholdet.2158.aspx> (May 6th 2019)
- **Jørgensen, Tanja T., Britta Kyvsgaard, Anne-Julie Boesen Pedersen og Maria Libak Pedersen (2012)**. "En forskningsoversigt", Copenhagen, Reseach office of the ministry of justice.
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- **Olesen, Annette (2013)**. "Løsladt og gældsæt", Copenhagen, Jurist- og Økonomforbundets Publishing.
- **Rosenberg, Rebecca Holck (2019)**. "Ekspert om styrelses indhug på lønsedlen: Stadig lange udsigter til at få fat i gammel gæld", DR.dk, <https://www.dr.dk/nyheder/penge/ekspert-om-styrelses-indhug-paa-loensedlen-stadig-lange-udsigter-til-faa-fat-i-gammel> (May 7th 2019)
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