



Den Sociale Retshjælp

Gratis juridisk rådgivning og gældsrådgivning



# Debt among the socially vulnerable in explosive growth

The need for action in the fight against over-indebtedness

## Abstract

The purpose of this report is to examine the debt situation of our clients in terms of identifying their main creditors, the different types of debt and the change in debt characteristics across a period of 3 years. The data analysis has produced several highly salient findings pertaining to the debt situation of socially vulnerable groups. These findings have far-reaching implications for how debt issues should be approached politically, both in terms of solving existing challenges as well as preventing the emergence of future problems. First and foremost, the analysis shows clear evidence of sky-rocketing debt among our clients, with the total debt amount increasing by 120 million in just one year. This increase can largely be attributed to public debt, especially debt to the Danish tax authorities and the Police. Bearing in mind that public debt already makes up 70% of the total debt amount, only further exacerbates the magnitude of this trend. Another remarkable finding in this report is that a vast majority of payday loans are issued by banks and companies with a banking license, and not by companies who lack such a license. This is noteworthy, because both political and media attention has been mostly directed at the latter, when it comes to ethical questions surrounding payday loans. We argue for the need of a more holistic approach to the questions regarding debt, to ensure that overindebted people receive the help they require when coping with debt problems – all while taking into account different types of debt, and debt from different creditors.

Published by: The Social Debt Advice at The Social Legal Aid Fund

Written by: Sebastian J. Løper, Ali Karcic, Thomas Jepsen & Lasse F. Bertelsen

Can be accessed at [socialeretshjaelp.dk](http://socialeretshjaelp.dk)

Year: 2020

## Contents

Abstract .....	1
Contents .....	2
Preface .....	3
1. Introduction .....	4
1.1 – It is important to talk about debt.....	5
1.2 – The report in brief .....	6
1.3 – The conclusions of the report .....	6
2. Debt - A social, economic and health problem .....	6
3. Method .....	7
3.1 - The target group - The socially disadvantaged and prisoners .....	9
3.2 - Comments and reservations regarding data collection.....	10
4. Analysis.....	10
4.1 – Debt to public creditors.....	15
4.2 – Debt to private creditors .....	20
4.2.1 – Debt due to payday loans.....	22
4.2.2 – Debt due to bank loans .....	23
4.2.3 – Debt due to consumption .....	23
4.2.4 – The number of debit items and the size of the debt sum distributed among private creditors. ....	24
5. Discussion.....	28
6. Konklusion og Anbefalinger.....	29
References.....	31
Appendix 1 – Who are the clients?.....	33
B1. Gender distribution.....	33
B2. Housing condition .....	33
B3. Age distribution .....	34
B4. Employment condition.....	34
B5. Other variables.....	35
Appendix 2 – Banks, companies with a banking license, and companies under Danish Credit Council. ....	38

## Preface

Since the financial crisis in 2008, household debt has been high on the socio-economic research agenda. Numerous research reports have shown how sharp increases in household debt can be a contributing factor to very deep and prolonged economic downturns, which we just saw in the wake of the financial crisis. Central banks and financial supervisors in several countries have used this knowledge to introduce stricter



lending rules, especially for mortgage loans. Organizations such as the International Monetary Fund regularly point the finger at Denmark, which is one of the countries in the world where households are most indebted.

None of the above reports or recommendations have been of significant interest to the group of people whose situation is highlighted in this report from the Social Debt Counseling. This is because the debt of these people only makes up a vanishingly small proportion of the total household debt in Denmark. Therefore, this debt does not have much significance for the national economic conditions. But it has enormous significance for the people affected. Therefore, this report is a must-read for anyone who claims to be interested in the Danes' debt situation. The report provides nuanced and detailed insight into the deep financial problems that many of those affected face. On average, each client owes well over 70.000 euro to 8 different creditors. This is a group of people, of whom vanishingly few live in owner-occupied housing and therefore have housing debt. This also means that the average interest rate on their debt must be assumed to be far higher than the low-interest rates that more well-off Danes in recent years are benefiting from. To the client group's often modest income, this debt can seem completely unmanageable.

In recent years, there has been a significant political focus on tightening the rules for the so-called quick loans. To the extent that the results of the present report are representative of the group of the socially disadvantaged in Denmark in general, an interesting paradox emerges. When it comes to this group, by focusing on payday loans, politicians have put binoculars in front of a blind eye. Payday loans make up a very limited share of the total debt. By far the largest creditor for the clients in the report, on the other hand, is the public sector. From a social policy perspective, the great focus on quick loans is therefore completely flawed. The report's analysis suggests that politicians could make a far greater difference to the situation of the socially disadvantaged by instead considering the role of the state as a creditor and debt collector to society's weakest.

In these years, researchers and authorities have access to increasingly detailed financial data on Danes' financial situation, including their debt. In the absence of a single register, this report is based on clients reporting on the size and distribution of their debt - with all the sources of error this entails. This means that the quality of data for the debt of the socially disadvantaged does not match the quality of other groups. Any serious debate should be based on facts, and there is, therefore, a need for better records of this debt, for example in the form of a debt register. Until such statements are available, reports such as the present one are therefore extra valuable. Happy reading.

*By Søren Hove Ravn, Associate Professor, PhD, Department of Economics, University of Copenhagen*

## 1. Introduction

Throughout 2019, there has been a great deal of focus on quick loan providers, who offer small loans at high-interest rates and with a sometimes dubious credit rating. This has resulted in endless discussions about whether it is fair and who is ultimately responsible. Solutions to this have been discussed, ranging from demands for better credit ratings to the introduction of a ceiling on APR. Throughout this, it has been the goal of the Social Debt Advice (DSG) to ensure that the debate became more nuanced than just pointing fingers at the quick borrowers; for good enough, the quick loan providers are not the nice boy of the class, but they are not the only ones with whom the citizens have debts. It has therefore been DSG's argument that it is instead a matter of ensuring a much more holistic solution, which among other things includes the creation of a debt register and the introduction of binding quality standards for debt counseling organizations.

All of this is especially important when we consider the context; in January, the world received the first concrete news about the infamous Coronavirus, COVID-19, which was housed in central China. It was only a good month before the first case of infection was registered in Denmark. Then it went fast, and on March 11, 2020, the Prime Minister, Mette Frederiksen, shut down the country; this involved among others the repatriation of all non-essential civil servants who were now to work from home. At the same time, there was a call for all private companies to do the same as far as possible, if this was not possible they should either close or make sure that a good distance was kept between the customers and there was easy access to hand alcohol. Some professions, including malls, hairdressers, and dentists, would by their nature not be able to comply with these distance requirements and they were therefore ordered to close completely (Løper 2020: 9-10).

The closure has had and will have enormous economic consequences for Danish society: In May, Statistics Denmark published the first figures for unemployment; the figures show that unemployment rose by 13,400 full-time positions in March, corresponding to an increase of 0.4% (DST.dk 2020). This does not seem like much, but it should be seen in the context that unemployment has fallen slowly and consistently over the last 8 years (Løper 2020: 9). Officially, there is no forecast for the Danish economy, however, the National Bank of Denmark works with three different scenarios: A mild scenario with a fall in GDP of approx. 3% followed by a rapid reconstruction, a center scenario where GDP will fall by approx. 5% followed by a gradual return and a severe scenario where GDP will fall by 10% after which it will only slowly recover (Ibid.). Well enough, the Danish government has saved a lot with its large aid packages, which has deferred payment of taxes and duties and covers up to between 80 and 100% of the companies' fixed expenses (Ibid. : 10), but the question is whether this is enough to save the companies and their employees.

### 1.1 – It is important to talk about debt

This is the third annual report published by DSG. The report is motivated by a desire to fill a gap in the knowledge we have about debt in this country. When you as a politician must make legislation in the area of debt a comprehensive knowledge base is needed. At DSG, we believe that this knowledge base must necessarily include knowledge about who the citizens of the country owe and how much debt they have. One can relatively easily find figures on the Danish population's net debt of e.g. Statistics Denmark, but it is immediately more difficult to find out something that is more specific, such as who the largest creditors are.

This information is important as it is useless to insult one type of creditor for bad behavior when the citizen has debts to several other creditors at the same time because even if the loan to one creditor is invalidated, the citizen will still have debts to the others creditors, which is why the gap in which the citizen finds himself will only have been marginally smaller. If you want to help over-indebted Danish citizens, then it is necessary to think holistically, because that is the only way we can help over-indebted citizens out of their deep hole and give them a more normal life.

The report will help to ensure a more nuanced view of debt and debt sums in Denmark, and we hope that the report will be able to help create more transparency in the debt area and also be an inspiration to other debt counseling organizations in Denmark. Similar reports from them will only be an advantage, as it will be able to create an even more nuanced picture of over-indebtedness in Denmark and thus also give a more accurate picture of over-indebtedness at a national level.

## 1.2 – The report in brief

This report will start by looking at how much debt the clients at DSG have had as well as who their creditors are. Next, the report will compare these figures with the figures presented in previous years' reports to see if there should be any significant differences, in which case the report will try to explain these differences, to ensure a continued high level of transparency.

## 1.3 – The conclusions of the report

The report shows a marked increase in total debt liability. This increase is almost exclusively due to a doubling of public debt, which has increased by approx. 16 million euro since 2018. The largest creditors in 2019 were the National Debt Management Agency (SKAT) with 16 million euro, the police with 8.3 million euro and the banks with almost 7.4 million euro. This year again, this shows a need to think more holistically about debt, because many, and especially the socially disadvantaged, rarely have only one creditor to deal with but many different ones..

## 2. Debt - A social, economic and health problem

In this section, we will take a closer look at the social, economic and health consequences of debt, as it is important to understand how big a societal problem private debt can be. If one does not understand this, it is easy to sweep debt as a topic under the rug as a private issue "that I and the state do not have to worry about".

Debt and over-indebtedness are an often overlooked social problem; Debt is considered by many to be a private matter, and my neighbour's debt has nothing to do with me, but it is far from that simple. A new study from the UK shows, among other things, that debt can help increase inequality in a society, as it increases the proportion of income captured at the top of the income scale (Wood 2020). Higher inequality causes many different problems, i.e. Uslaner (2010, 2013) argues that inequality leads to lower social trust in society; and Fajnzylber et al (2002) find that higher inequality leads to more crime. With higher inequality also comes a greater number of socially disadvantaged citizens (Cutter & Finch 2007: 2305). Debt is a major problem, especially for the socially disadvantaged citizens, according to a report on over-indebtedness from the Council for the Socially Vulnerable in Aarhus:

"There are people who become socially disadvantaged due to debt, and a very large part of socially disadvantaged people have debt and therefore find it difficult to see that they can get out of their social problems. Many socially disadvantaged people do not know their rights and opportunities concerning getting out of debt and think that it is almost impossible for them to get a job and a working income as long as they have debt and they can therefore see no way out of their problems. " (Barfod 2014: 7).

One can easily imagine how much of a shock, such as a financial crisis or a pandemic, can set in motion a negative spiral, where people have to borrow more money to make the household budget work, "if the economy does not recover fairly quickly after this, you will no longer be able to pay the debt you have incurred, which is why you risk losing electricity, water and heat or, in the worst case, being put on the streets". Someone may go so far as to commit a crime to get the money they need - this does not necessarily have to be violent, e.g. embezzlement or fraud; if you are discovered, you end up in prison. Debt can also increase the likelihood of becoming an addict, i.e. if one needs to drink their sorrows away, or needs to use drugs to forget one's situation. Conversely, this can further increase the debt, as the abuse will be financed with money that the citizens do not have. In the end, the citizens end up in a hole so deep that they will never be able to get out of it again without holistic and professional help taking care of their abuse, their social problems, their legal problems and of course their debt problems.

This is why debt is not just a private issue, but also a societal issue. Therefore, it is also society that should do something about it. We need to take responsibility for our fellow citizens who are unable to fend for themselves and help them get back on their feet so they can once again become productive citizens. Something that the vast majority also want, they just cannot handle it themselves.

### 3. Method

In this report, an analysis and comparison of the debt that DSG's clients have will be performed, as well as the distribution thereof between various public and private creditors.

The data included in this report has been collected from DSG's clients, who are over-indebted citizens and have received assistance at either stage two or three, as these steps imply that a debt overview was made for the client.

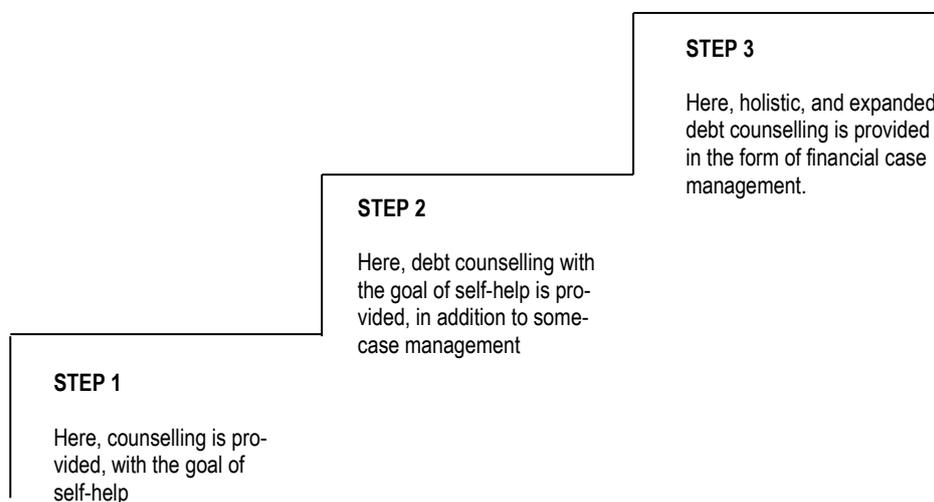
A debt overview is, as the name suggests, an overview of the debt that the client has distributed to the creditors. One of the biggest challenges for DSG's debt managers, as well as other debt advisers, when creating a debt overview is that this must be created based on the indebted citizens' report; that the citizens themselves report, how much debt he/she has and to which creditors, to the debt manager, this can i.e. happen based on reminders and bills that the client has received. The main problem with this approach is that in many cases there are inaccuracies. This is because it is largely based on the citizen's memory, which is especially problematic in those situations where there are many different creditors, particularly if the person suffers or has suffered from many years of drug abuse, which may have harmed their memory (Lundqvist 2005, Fernandez-Serrano et al 2010). Additionally, bills and reminders that the over-indebted citizens receive do not help, as many over-indebted

citizens rarely open the letters because they develop anxiety (Barfod 2014: 9, 30), if the debt counselor is lucky the citizen has saved these letters, which is why a debt overview can be created from there.

In recent years, however, this has been a problem concerning public debt and especially to SKAT and later the National Debt Management Agency, which has only slowly begun to collect the debt in the last few years, which is why the citizens have not received any reminders or bills before. Consequently, most had happily forgotten that their debt exists.

In 2019, DSG closed 1,650 debt counseling cases; of these, 912 were step 1 cases where a citizen has called or written to DSG with simple questions about managing their debt and personal finances, provided at step 1 mainly help-to-self-help that enables the citizen to help himself even further either by their help or by ultimately getting the citizen's close family to help. In 2019, 738 cases were completed in stages 2 and 3. In stage 2 cases, the actual case processing starts for the citizens who seek help; here, a debt overview, a budget and other tools are typically prepared to help the citizen to manage his debt himself, i.e. contact and make installment plans with the creditors. In stage 3, these are citizens who, for several reasons, do not have the resources to negotiate installment plans with the creditors themselves, which is why the debt counselors have to take over the process.

**Figure 1:** Overview of the debt counselling steps



Source: *Socialeretshjaelp.dk*

Of the 738 clients at DSG who received debt counseling at either stage 2 or 3, in 2019 675 clients had a completed debt overview prepared. The reason why we see a difference in the number of completed step 2 and 3 cases that have and have not had a complete debt overview, is that in some cases after the case had been

created clients were unreachable. If this happens, the case will be closed without an actual debt overview being made and can therefore not be included in the analysis below.

The data included in this report is collected based on the same criteria, definitions, and precautions as the client reports for 2017 and 2018 (Runner 2019a: 3, Runner 2019b: 3). This provides a good basis for comparison between the years, which ensures the measurement validity of the analysis (Andersen et al 2012 91-92).

### 3.1 - The target group - The socially disadvantaged and prisoners

This report contains data on the debt distribution for 675 citizens who received debt counseling at stage 2 or 3 from DSG and have had a complete debt overview prepared. The majority of the citizens, 54%, come from East Jutland and Zealand, which makes sense due to the geographical location of the DSG's offices (one in Aarhus and Copenhagen, respectively). The vast majority of citizens, 57%, fall into the target group 'Prisoners'; this is due to a greater focus on the part of the organization on going to the country's prisons to help the inmates who want it so that they can get an overview of their debt and thus make it easier to become re-socialized citizens when they are released. The second-largest group are the socially disadvantaged, who make up 34% of the citizens. Finally, some citizens have received help through the Research Clinic for Gambling Addiction (FKL), which make up 1% of the citizens. If you want to read more about the citizens included in this report, you can do so in Appendix 1 - Who are the Citizens?

In 2019, DSG offered debt counseling to three target groups: The first group is the socially disadvantaged, who received help from our counseling team that goes to homes in and around Aarhus, where the socially disadvantaged who have sought help can live temporarily. The socially disadvantaged have problems such as "(...) homelessness, abuse, mental illness, prostitution or domestic violence" (Ministry of Social Affairs and the Interior). They are often affected by not only one, but several of the above problems; in brief, they require holistic and professional help that takes care of all their problems at once otherwise, experience has taught us that they end up in the same place, where they started.

The other group are people who suffer from gambling addiction and have sought help through the gambling addiction fund. These are most often completely ordinary Danes who due to their abuse of e.g. online gambling, have ended up in such deep debt that they can no longer get out of it. Their dependence has meant that they have ended up in such deep debt, like the (other) socially disadvantaged, can no longer get up on their own, and they therefore also need holistic and professional help that takes care of both their financial situation and their gambling addiction, as they too will end up in the same situation where they started.

The last target group that DSG works with are the prisoners in the Danish Prison and Probation Service's institutions. Prisoners also require debt counseling if they are to have any chance of being re-socialized into society once their punishment is over. There is one debt that affects all inmates: their litigation costs. The legal costs that are owed to the Danish state are often a significant amount, which in many cases puts the prisoner in debt for life. The goal of this report is not to discuss whether this is fair or not, but simply to show the consequences this has for the prisoner. A debt to the public sector that has an annual interest at 8.05%, without any income to spend on instalments means that the debt ends up growing while they are imprisoned. The debt, the prisoners have accumulated after their release, is often an amount that will be difficult to pay back since their ability will be limited. The second type of debt that many inmates have comes in the form of quick loans used to pay off street debt. For this debt, the same applies as the case costs: There is no possibility to repay it while they are in debt and the debt will therefore grow significantly during their imprisonment and will be released with so much debt that the former prisoner will no longer be able to live a normal life despite the desire to do so, and the only way in which the released person will have a chance of becoming debt-free will be by committing new crimes.

As there are also three very specific target groups, the results of this report will not be generalized to the general population either; therefore, the purpose of this report is not to generalize its results, but instead to provide insight into the financial situation of the citizens who have sought help from DSG.

### 3.2 - Comments and reservations regarding data collection

As in n 2017 and 2018, there have been multiple cases where our debt managers have chosen to sum up various items for the public sector; therefore it is not possible to assess how many items are actually involved, again because many items have been summed up under the National Debt Management Agency (SKAT), which, as in the reports for 2017 and 2018, covers "police fines, parking fines and library fines for overpaid housing insurance or other forms of social benefits." (Runner 2019a: 5, Runner 2019b: 4). However, we estimate that it is to a lesser extent than in 2017. However, reservations should still be made for this when reading the figures for the public sector.

## 4. Analysis

In the following section, we will take a closer look at the debt that citizens who have received debt advice from DSG have to both the public authorities and private companies. The figures will then be compared with the figures from the previous years' reports, to see if there could be a trend.

**Table 1 – Debt sum across public and private creditors**

<b>Creditor distribution</b>	<b>Debt sum euro.</b>	<b>Debt sum %</b>	<b>Number of debit items.</b>	<b>Number of debit items %</b>	<b>Debt sum per debit items euro</b>
<i>Public</i>	35.131.815	71,55	2.075	36,3	16.932
<i>Private</i>	13.969.149	28,45	3.642	63,7	3.774
<b>Total</b>	<b>49.100.964</b>	<b>100</b>	<b>5717</b>	<b>100</b>	<b>–</b>

In Table 1 (above) you can see the debt that the citizens who have received help from DSG have to public and private creditors, respectively. This is a total debt of 49.1 million euro, a substantial sum; as this report includes data on debt for 675 socially disadvantaged, inmates and gambling addicts, this gives an average debt sum per person of 72.751 euro. In many ways, this is a considerable sum: First, one must take into account DSG's Target Group (i.e. the socially disadvantaged, prisoners and people with gambling addiction), which can mean that clients are indebted for the rest of their lives. This is due to several reasons, including that none of the clients have much equity that they can use to be liable for the debt, additionally, they have relatively few job opportunities due to their background. Secondly, it must be seen in correlation to the average debt per Dane, which in 2014 was 7.477 euro for non-housing-related debt, which means debt for the purchase and renovation of houses and property; however, the figures are markedly different for people with housing-related debt, who owed an average of 130.142 euro (Nordea 2014). Only six of the citizens in this report corresponding to 1% had owner-occupied housing (See Figure B1 Appendix 1), which is why they are expected to have higher debt, but considering the remaining 99% who do not own owner-occupied housing, it is still a huge debt. With an average debt of 72.000 euro, citizens who have received help from DSG have almost 10 times more debt than the average Dane!

Of the 49.1 million euro, 35.1 million are with public creditors such as the National Debt Management Agency and the Police; the last 14 million euro are due to private creditors, including banks, installments and quick loans. The debt is divided into a total of 5,717 individual debt items, of which 2,075 are with the public creditors and 3,642 are with the private creditors. The fact that there is a predominance of debt items with the private creditors fits the expectation that we have from the previous years' reports, where the private creditors also accounted for

the majority of debt items. Additionally, it also shows the issues that we know from experience that the target group faces; namely unpaid bills for i.e. insurances, subscriptions and installment plans.

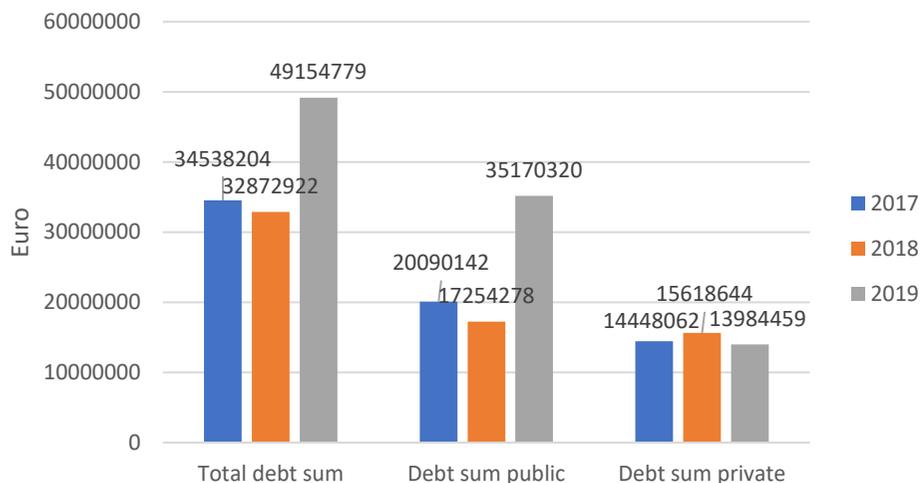
On average, citizens in this report each have 8.5 debt items. This gives a picture of a large number of citizens who have a greater problem in getting their entire finances together, which is also emphasized by the fact that the private creditors, despite that they have significantly less debt than the public creditors, still has the most debt items. As can be seen from the average value of the debt items, private creditors have smaller items, e.g. unpaid bills and subscriptions. We will take a closer look at how large the debt to the various types of private creditors is in section 4.2. The average 8.5 debt items are a decrease from 2017 and 2018, where clients had an average of 9.1 and 9.2 debt items, respectively (Runner 2019b: 5); it is not immediately possible to explain what underlies this decline, but it is worth noting that 8.2 debt items mean 8.2 creditors who all believe that their claims are more important than the others, and the situation for the indebted citizen is in the end almost as difficult as for those who have 9. It is also important to emphasize that this is an average, which means that there are clients who both have significantly more debt items. and significantly fewer debt items.

Figures 2-5 below show the development in the various figures between the reports in 2017, 2018 and 2019. Figure 1 shows the changes in resp. the total debt sum and the debt sum to the public and private creditors; here it can be seen that the total debt sum fluctuated slightly from 2017 to 2018, but the level was approximately the same. In 2019, however, we see a marked increase of almost 16.1 million euro in the total debt sum. If you look at the debt sum divided between resp. public and private creditors, it becomes clear that this increase is solely borne by the debt to the public sector, which has doubled from 2018 to 2019 - this corresponds to an increase of just over 17.5 million euro ! The fact that the public sector's share of citizens' debt sums has increased so markedly is most likely due to the continued increased debt collection at the National Debt Management Agency. According to a report from the National Debt Management Agency from June 2020, it collected 537 million euro in 2013, to collecting 1.2 billion in 2019 (National Debt Management Agency 2020: 5). As mentioned earlier, DSG's debt managers obtain an overview of citizens 'debts from the citizens' own memory; when the National Debt Management Agency then increases its efforts to recover debts to the public sector, as seen in the last few years, then their letters and reminders will remind citizens of a debt that many had happily forgotten. Therefore it makes sense that we see an increase in public debt. That this increase is so significant may be due to the relatively large increase in the National Debt Management Agency's recovery, which we saw between 2018 and 2019 - whether the entire effect lies in this, however, cannot be said with certainty. Compared to the public sector's relative share of citizens 'debt sum, citizens' debt sums to private creditors has increased by 19.5 % from 2018 to 2019.

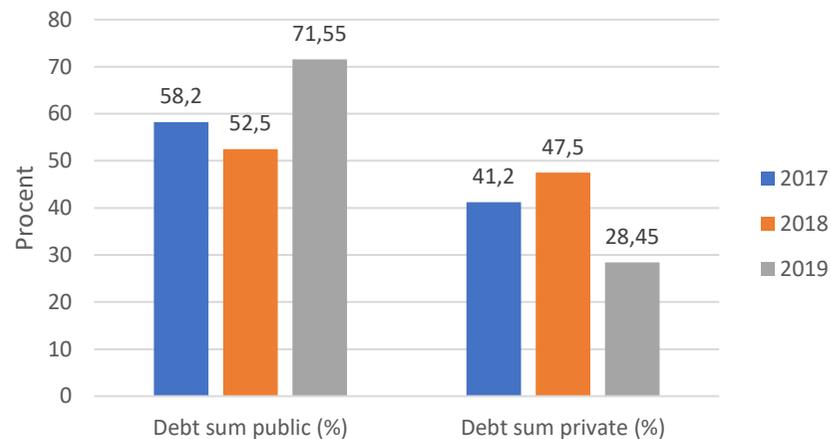
This increase is caused by the same increase of the debt sum to public creditors. Chart 1 shows that the private creditors' share of the debt has been reasonably stable at just over 14.4 million euro throughout all the years included in this report. However, their relative share has fallen significantly due to the increase in debt to government creditors. The same trend can be seen in Chart 5, which shows the distribution of citizens' debt items: Again, we see that the level of debt items with private creditors is relatively stable over the three years, whereas the debt items for public creditors seem to be fairly stable the first two years, after which the number increases and almost doubles from 2018-2019.

The citizens' average debt was, as mentioned, in 2019 at 72.754 euro per. citizen. As can be seen from Figure 3, this is an increase from the previous year, when the average debt was only 62199 euro; the level is thus at approx. the same level as in 2017. The reason for the dip in 2018 is not known with certainty, but some of it is probably due to a general decrease in the total debt combined with an increasing number of clients. The increase from 2018 to 2019, on the other hand, must be due to the increase in debt to public creditors, which is also underlined by the fact that the average value of debt items to the public sector (see Table 2 below) has increased in many cases, and in some cases very markedly, here it is mentioned that the average debt item to the Police and Udbetaling Danmark has both doubled in value, while the number of debt items with them has also increased quite significantly from 2018 to 2019. The possible reasons for this will be discussed in more detail in the next section.

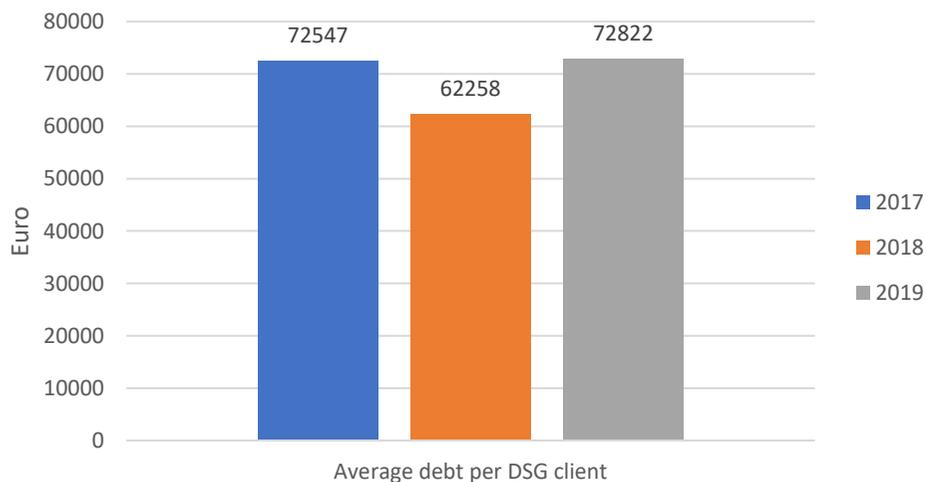
**Figure 2: Debt sum 2017-2019**



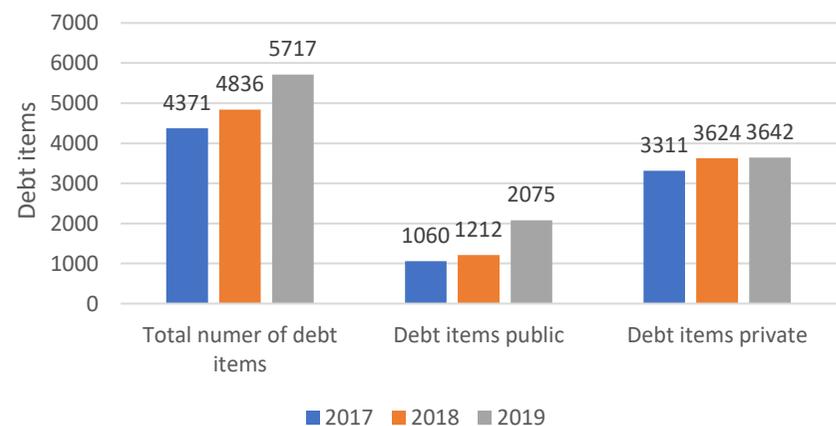
**Figure 3: Distribution of debt public and private creditors (%) 2017-2019**



**Figure 4: Average debt per. DSG client 2017-2019**



**Figure 5: Distribution of debt items 2017-2019**



Source: Løper (2019a: 5), Løper (2019b: 4-5)

#### 4.1 – Debt to public creditors

In this section, we will start by looking more closely at the debt to the public creditors, for the citizens who completed their case at DSG in 2019. Next, we will look at what debt development there has been for the various creditors over the years. 2017-2019. Here we will also address the creditors where there has been the greatest development in citizens' debt, and try to explain this development, both based on societal factors, but also in relation to changes in advice and target groups at DSG.

In 2019, the citizens who received help from DSG had a total debt sum of just over 35 million euro in debt to public creditors; in Table 2 (below), however, the total stated debt amount is "only" just under 30 million, which is missing approx. 5 million euro. This is due to a significant outlier, where a client had a debt item of a total of 5.1 million euro to the National Debt Management Agency (SKAT), how the person in question has managed to build up such a large debt is not known with certainty, but the debt item has been removed, just as we have done with extreme outliers in previous years, to give a more accurate picture of how the debt is distributed to the public creditors

Public creditors	Debt sum euro	Debt sum share %	Debit items	Debit Share %	Average debt euro
<i>Udbetaling Danmark</i>	2.275.559	7,6	223	10,8	10.204
<i>Gældsstyrelsen (SKAT) <sup>1</sup></i>	16.223.362	54,0	448	21,6	36.215
<i>Municipalities</i>	1.368.742	4,6	484	23,3	2.828
<i>Police</i>	8.337.882	27,8	382	18,4	21.828
<i>Other public</i>	1.827.023	6,1	537	25,9	3.402
<b>Total</b>	<b>30.033.561</b>	<b>100</b>	<b>2.074</b>	<b>100</b>	<b>N/A</b>

<sup>1</sup> Vi har her valgt at fjerne en væsentlig outlier: Der var én klient, der havde én gældspost på lige over 38 mio. kr. til gældsstyrelsen.

Of the 30 million euro, which was debt to the public creditors, 1.4 million euro. were to the municipalities. In addition, the municipalities accounted for 484 of the debt items, corresponding to 23.3%. The debt to the municipalities comes from among other things, deposit loans, library fines or stays at municipal institutions. The debt sum amount to the municipalities has more than doubled from 2018 to 2019, wherein 2018 it was just DKK 610.000. On the other hand, the debt's relative share has only increased by 1% in relation to debt items, the number of debt items in the municipalities has also increased, however, the relative share of debt items to the public sector has fallen by 2%. At first glance, this seems to follow the general trend in public debt.

The debt to the other public creditors in 2019 is 1.8 million euro. At the same time, they account for 537 of the debt items to the public sector. Debts to the other public creditors are debts incurred in connection with not paying their license, SU loans and bus fines. The debt has increased by approx. 190.000 DKK from 2018, on the other hand, the relative share is much smaller, which is due to the general increase in debt to the public sector, or at least the increased awareness of this.

The largest of the public creditors is the National Debt Management Agency (SKAT), which is responsible for all possible forms of debt to the public sector. This is because many of the public creditors make a trade-off in how many resources it will take them to collect the debt, and if it exceeds a certain level, then they will send the debt on to the Debt Office, so they do not have to think about that. In 2019, the National Debt Management Agency accounted for 16.2 million euro of the citizens' debt sum amount corresponding to 54% of the debt sum to the public sector, this is an increase of approx. 3.5 million euro from 2018, the debt sum amount is thus back at approx. same level as in 2017 (See Figure 6 below). The National Debt Management Agency also accounted for 448 debt items, corresponding to 21.6% of the public debt items. This is an increase of 73 since 2018, and the National Debt Management Agency thus continues its increase in the number of debt items from 2017. Finally, the average value of the debt items is 36.000, this shows that the debt to the Debt Management Agency consists of a large number of significant debt items. The largest debt items most likely come from the over-indebted prisoners who often have a fairly large debt because of litigation costs. This debt is actually with the Police, but because the Police are very strict with the forwarding of debts, i.e. they make a concrete assessment of whether they will be able to recover the debt within six months, they can not, they consistently forward the debt to the National Debt Management Agency. As case costs average approx. 7000 euro (Patscheider 2020), and because the inmates who have this debt rarely have the opportunity to pay them back within the six months, case costs are usually consistently passed on to recovery from the National Debt Management Agency.

The second-largest public creditor in 2019 was the Police, which accounted for a total of 8.3 million euro of the debt to the public sector; this corresponds to 27.8% of the debt to the government. This is a massive increase of approx. 6.1 million eurp corresponding to an increase of 560%, which in 2019 makes the Police the second largest public creditor among the citizens who have received advice from DSG. That the Police is the second largest public creditor is no surprise considering our target audience; Among the target group, we find the prisoners in the penitentiary's institutions, including in prisons and pensions. They often have various legal costs in connection with their lawsuits, but also various fines that they have received in connection with other offenses.

The surprising thing is that the debt to the Police has gone from a relatively low level of 1.6 million. in 2017 and 2018 to in 2019 be just over 8.3 million euro. In 2019, DSG has had a major focus on our prison travel team, which helps prisoners who want to get debt and finances under control, so that they can more easily stand on their own two feet when they are released. This is seen in the proportion of debt items with the Police, which has also experienced a marked increase from 2018 to 2019 after being relatively stable in 2017 and 2018. The debt to the police was divided into 382 debt items, corresponding to 18.4% of the debt items with the public; This is also a marked increase from 2018 when the number of debt items was "only" 157. This means there has been an increase of more than double the debt items in a year. This increase may well be due to the greater focus that the organization has had on advising the prisoners.

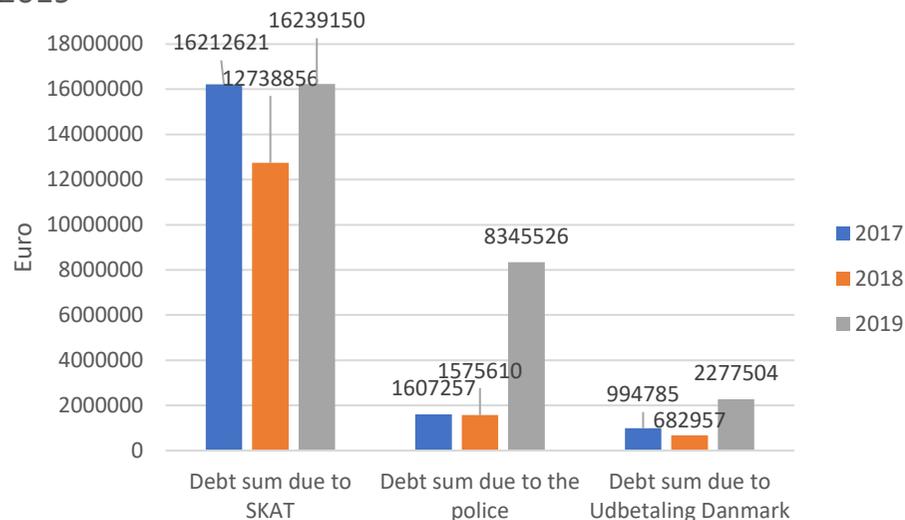
The average debt item with the police in 2019 had a value of 21.000 euro; this is also a marked increase compared to the previous years, where the average debt item has had a value of 13.000 in 2017 and 10.000 in 2018 respectively; what this increase is due to, however, is not known. Especially when you consider that the majority of this consists of legal costs that have not yet been smoked for recovery by the Debt Management Agency. In 2020, the average convicted person had case costs debt of approx. 7000 euro (Patscheider 2020), the vast majority had a debt of less than 7000 euro in connection with legal costs; if our data does not take any fines into account that may be assumed to be at the lower end of the spectrum, then the median is with a debt of approx. 7400 euro. In other words, half of the citizens with litigation costs who have sought help from DSG, have a debt for litigation costs that is above the national average. This helps to underline the financially difficult situation in which the citizens we help find themselves.

In 2019, there was a 2.3 million euro debt due to Udbetaling Danmark, which corresponds to 7.6% of the debt to the public sector, this debt is divided into 223 debt items corresponding to 10.8% of the debt items with the public sector.

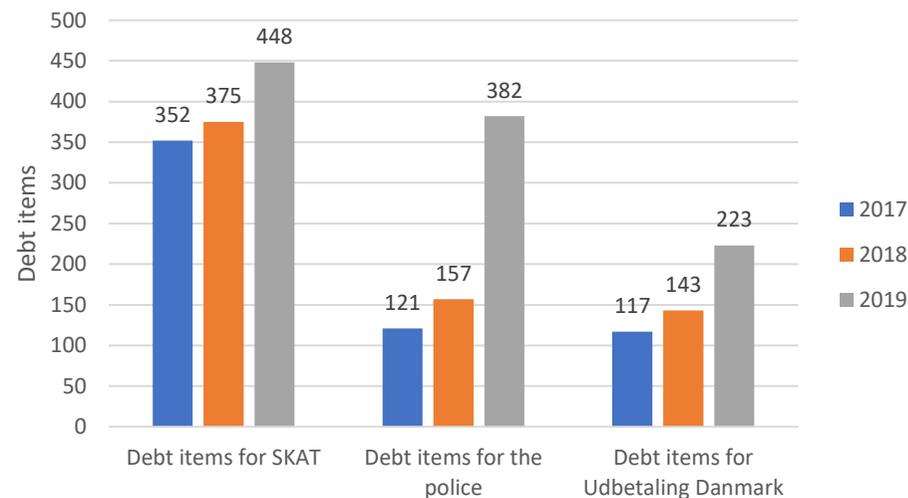
This is debt for social benefits if, for example, you have been paid too much in a given benefit or have not paid child support or the like. This debt typically arises because people do not know that they have to change their your financial information when major changes occur in their financial situation, which is why they get paid more than they are allowed to.

Citizens' debt to Udbetaling Danmark is special, as it has more than tripled from 2018 to 2019, just as both the number of the deb items and their average value have also increased quite significantly compared to previous years. This increase may also be due to changes in DSG's target group in that more inmates do not want the time, opportunity or incentive to change their financial information, which is why they have been paid too much.

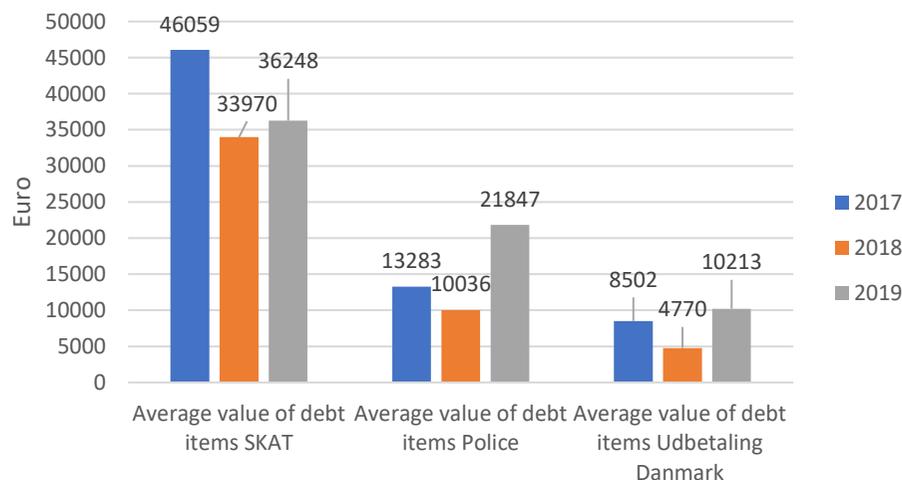
**Figure 6: Debt sum due to public creditors 2017-2019**



**Figure 7: Debt items for public creditors 2017-2019**



**Figure 8: Average value of debt items for public creditors 2017-2019**



Source: Løper (2019a) (2019b)

#### 4.2 – Debt to private creditors

We will now review debt to the private creditors, in the same way as we have just done with public debt. In other words, we will now describe the situation regarding the clients at the Social Debt Aid who had their case closed in 2019. Below, we will both describe the sizes of the various debit items, as well as the relative distribution of the debit items. This is done with the purpose of providing an overview of how much the clients owe and to whom they owe the money to. We will also describe the development of the debt in terms of size as well as the distribution of the various debit items in the period 2017-2019.

The biggest item here is debt to private lenders. The clients owed a total of 9.73 million euro. Most of this debt is in the form of secured and unsecured bank loans, followed by banks and companies with a banking license's fast payday loans. Fast, unsecured payday loans under the Danish Credit Council constitute a minor item. Finally, clients owe almost 134.000 euro due to other unsecured consumer and payday loans. The amount of debt in secured and unsecured bank loans has increased significantly since 2018 and has thus broken with the trend from 2017 to 2018, where the debt in this category was declining. In fact, debt in the form of secured and unsecured bank loans has exceeded the level from 2017, which is particularly striking given that there is a larger proportion of respondents who are prisoners. All things being equal, one should expect that people with a criminal background would be more likely to have their request to take out a loan at the bank (or at companies with a bank license) denied. Debt following secured and unsecured bank loans now accounts for almost 53% of the total debt sum, compared with just over 35% in 2018 and 44% in 2017. A steady increase in debt due to payday loans from banks and companies with a banking license, from 10.8% to 13.6% of the total debt sum. There is also a doubling of the debt for payday loans under the Danish Credit Council. Other unsecured consumer and payday loans are at approximately the same level as in previous years. The general increase in the debt sum for payday loans may be due to the target group in the form of the prisoners and the socially disadvantaged, that are both groups where street debt is unfortunately widespread. Often, the only way these people can repay this street debt is by taking out a payday loan.

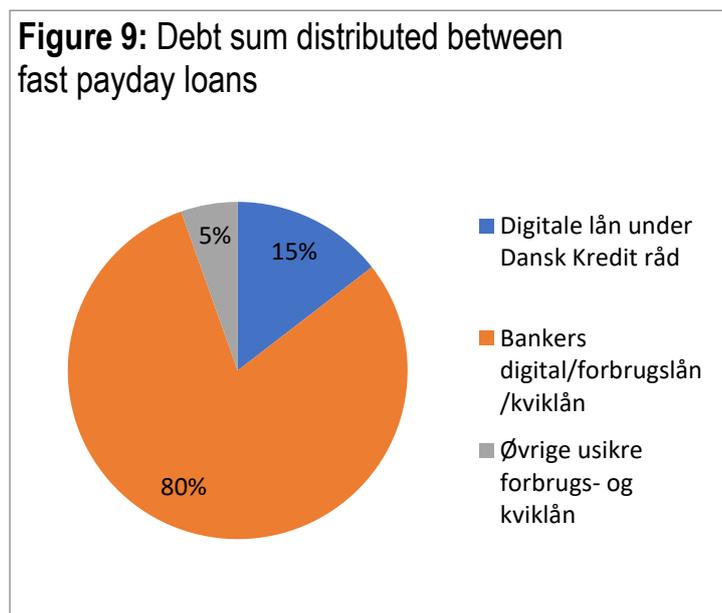
In total, DSG's clients owed almost 4.05 million euro to private creditors in the form of overdue bills on various purchased products. Particularly noteworthy here are debts due to leasing and installment bills, overdue bills for insurance and overdue bills for TV / mobile / internet. In total, our clients owe 1.8 million euro in these three areas. In these three categories, there has been either no or a slight positive increase in the total amount of debt compared to 2017 and 2018. The exception is bills for insurance, which has increased from 376.000 euro in 2017 to approx. 631.000 euro in 2019. Similarly, there has been an increase in the number of debit items in this area.

<b>Table 3 – Debt distributed among private creditors</b>		
<b>Distribution of debt – private creditors</b>	<b>Debt sum (euro)</b>	<b>Debt sum %</b>
<b>Loans for consumption</b>		
Fast, uncertain consumption- and payday loans provided by the Danish credit council	343.834	2,46
Banks' and companies with banking license's fast consumption- and payday loans <sup>2</sup>	1.895.773	13,60
Certain and uncertain bank loans <sup>2</sup>	7.385.463	52,85
<i>Other safe and unsafe payday loans</i>	128.279	0,92
<b>Total</b>	<b>9.752.327</b>	<b>69,83</b>
<b>Overdue bills for purchase products</b>		
<i>Leasing and installment</i>	508.076	3,64
<i>Forfaldne regninger til transport, bladabonnementer mv.</i>	2.247.166	16,09
<i>Forsikringer</i>	628.797	4,50
<i>TV/Internet/Mobilregninger</i>	664.513	4,76
<i>Ikke registreret</i> <sup>3</sup>	165.168	1,18
<b>Total</b>	<b>4.049.802</b>	<b>30,17</b>

<sup>2</sup> Includes both loans from traditional banks and companies with a banking license; see list of banks and companies with a banking license in [Appendix B](#).

<sup>3</sup> In earlier client reports for 2017 and 2018, we have reported this number in a footnote, but to avoid misunderstandings and to strengthen transparency, we have moved it to the table itself. The category contains debt, which our debt counsellors have not had the opportunity to allocate to a specific creditor.

## 4.2.1 – Debt due to payday loans

**Figure 9: Debt sum distributed between fast payday loans**

The purpose of this section is to look at the debt associated with different types of payday loans. In recent times, there has been a significant political focus on fast, unsecured consumer loans, better known as payday loans. Payday loan providers have come under heavy criticism due to the extremely high APR percentages associated with the loans, which trap debtors in debt spirals that are difficult to get out of. For this reason, it is extremely relevant to form an overview of the situation within this particular category, when it comes to DSG's clients. Payday

loans fall into 3 different categories, payday loans from bankers and companies with bank licenses, digital payday loans from members of the Danish Credit Council and other unsecured payday loans. The difference between a bank and a company with a banking license is that the latter exclusively offer loans, and rarely other bank-related services; for example, you can not create an account etc. In this report, both fall into the same category. Companies under the trade association Dansk Kreditråd (Danish Credit Council) are neither banks nor companies with banking licenses. The last category, other unsecured payday loans, is a composite group that includes all payday loans that fall outside the two aforementioned categories.

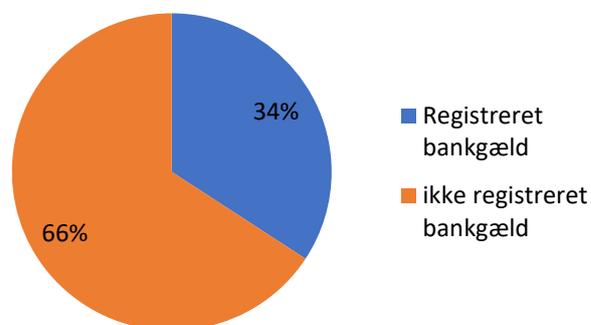
As shown in Figure 9 above, the vast majority (80%) of clients' payday loans are taken from banks and companies with a banking license, followed by the Danish Credit Council, which is behind 15% of payday loans. Other unsecured payday loans account for the smallest share of quick loans, with a share of 5%. This observation is interesting, as the criticism of payday loans has primarily been directed at companies under the Danish Credit Council, rather than banks and companies with a banking license. Nevertheless, it turns out that the latter are responsible for the vast majority of the debt sums that take place in connection with payday loans among DSG's clients. An important implication of this is that the existing public debate on payday loans lacks nuance, as there is too one-sided a focus on one type of payday loan, which makes up a relatively small proportion of all debt sums. Compared with the figures from 2017 and 2018, there have been no significant changes, as the share of banks' consumer and payday loans has only increased by 1%. The share of loans from the Danish Credit Council has increased by 6%, which is a significant change. However, it is difficult to say exactly what this development is due to.

#### 4.2.2 – Debt due to bank loans

A relevant question in relation to the clients' private debt is whether they have debt registered in a bank or not. The reason why it is relevant whether their debt is registered bank debt or unregistered bank debt is due to the fact that bank debt is usually of a larger scale, e.g. loans for a house or car. Where large loans for investment purposes thus tend to be bank loans, smaller debt rates, on the other hand, will be more spread out over several different creditors. Figure 10 shows that two thirds of all DSG's clients do not have registered bank debt, in other

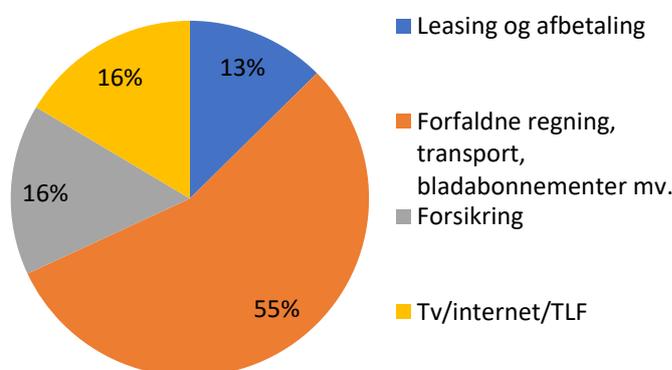
words, they have not taken a loan from the bank. This is a significant increase compared to the figure from 2018, where the proportion of clients who had not registered bank debt was 45%. In other words, it is an increase of approx. 20 percentage points. This is particularly noteworthy, given that the debt to the banks in absolute terms has increased significantly compared to previous years (see Chart 12 below). What may explain this development is difficult to say with the existing data base. However, this may be due to the fact that the prisoners make up a larger proportion of the clients than they have done in previous years, and as it must be expected that the prisoners neither have nor have had the same opportunities to take out loans in the banks due to their social circumstances

**Figure 10:** Registered/unregistered bank debt



#### 4.2.3 – Debt due to consumption

**Figure 11:** Debt sum private creditors - overdue bills for consumption products



In this section, we will look at those of the clients' debt sums that do not take the form of loans from banks, banking licensed companies, or other private lenders. In other words, it is debt that arises as a result of invoices for product purchases that the client has made. The debt can exist in the form of overdue bills for transport, magazine subscriptions and the like. The debt can also arise as a result of repayment / leasing of a car. Next, there are debt sums

in connection with insurance, for example if you owe paying deductible to your insurance company. Finally, there are debts that arise due to bills for TV, internet, telephone, etc. The figure shows that just over half of all debt sums within this category are due to overdue bills for transport and subscriptions, with the remaining three categories each accounting for between 13 and 16% of the debt sums. Apart from that, compared to 2018, there have been no major changes other than that insurance has increased by 5 percentage points from 11 percent to 16 percent. However, this is most likely due to the fact that in the client report for 2018, there was one client with a debt of over 4 million euro. for insurance that was omitted from the dataset. For this reason, the share of debt for insurance was, all other things being equal, lower than in the previous year as well as now (Løper 2019a, Løper 2019b). At the same time, leasing and installments have fallen from 16 to 13 per cent, i.e. a fall of 3 percentage points. It is obvious that DSG's clients not only have debts as a result of loans from, for example, banks or companies with a banking license, but also due to overdue invoices for product purchases. It testifies that the clients are in a consistently poor financial situation, where they have lost track of debts, bills, subscriptions, etc., and that these are therefore problems that are both persistent and difficult to solve

#### *4.2.4 – The number of debit items and the size of the debt sum distributed among private creditors.*

To really be able to get an overview of where debt problems arise for the most vulnerable groups in society, you must look at something other than just the total amount of debt and its distribution. Therefore, we will now look at the number of unique debt items and their average size per. debt item, broken down by the different types of private creditors.

As can be observed in Table 4 below, the aforementioned overdue bills on purchase products account for 70.5% of all debt items, compared with consumer and payday loans, which account for almost 29.5% of all debt items, this is a decrease of 0.6 % compared to the level in 2018. The share of overdue bills has thus increased by approx. 4 percentage points compared to the reports in 2017 and 2018. This may be due to a project in which DSG in 2019 started a collaboration with the Research Clinic for Gambling Addiction on referring people suffering from gambling addiction to debt counseling at DSG. Citizens who suffer from gambling addiction, to a greater extent than DSG's other target groups, have the opportunity to live a more normal life, and have done so before and during their addiction.

When it comes to overdue bills on purchase products, the average debt amount varies to some extent, where TV / Internet / Telephony debt is lowest with an average value of almost 805 euro per. Debt item and debt due to leasing / installment is highest with an average value of 2604 euro per. Debt item. This is an increase of 4.4 percentage points since 2018. The biggest changes in this category are insurances, which have increased by 2 percentage points. This large increase may be due to the fact that last year we took some outliers out of the survey, as they had extremely high debts for insurance. Apart from insurance, there have thus been

no major changes compared to previous years. It may intuitively be because the size of the bills does not change radically just because one does not pay them.

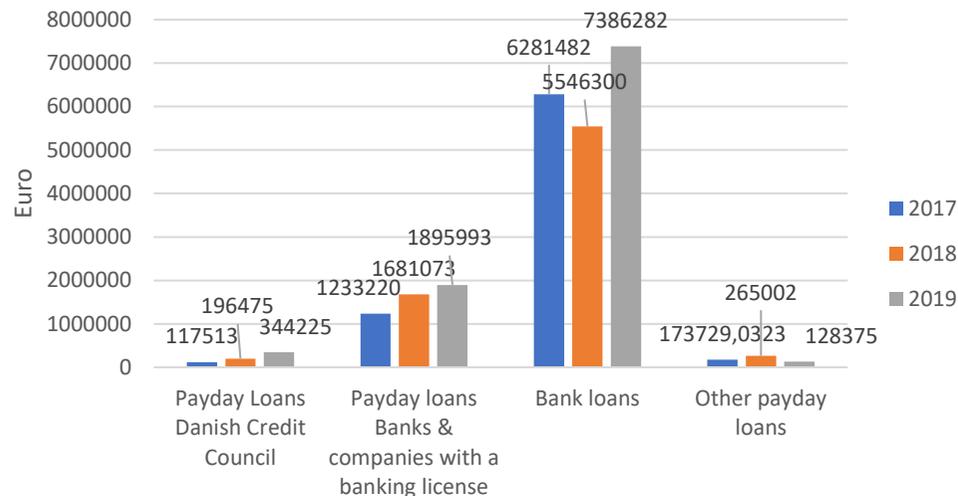
<b>Table 4 – Distribution of debit items, private creditors</b>			
<b>Payday loans and consumption loans</b>	<b>Debit items</b>	<b>Debit items %</b>	<b>Average debt (€) per debit item</b>
<i>Fast unsecured consumption- and payday loans provided by the DCC</i>	230	6,32	1.494
<i>Payday loans provided by banks <sup>4</sup></i>	408	11,21	4.650
<i>Secure and unsecure bank loans <sup>4</sup></i>	375	10,31	18.723
<i>Other secure and unsecure payday loans</i>	61	1,68	2.103
<b>Total</b>	<b>1.074</b>	<b>29,52</b>	
<b>Overdue bills on consumption products</b>			
<i>Leasing and installment</i>	195	5,36	2.605
<i>Overdue bills on subscriptions, DSB-fines, etc.</i>	1181	32,5	1.902
<i>Insurance</i>	268	7,4	2.345
<i>TV/Internet/Phone-bills</i>	835	22,95	796
<i>Unregistered</i>	85	2,34	1943
<b>Total</b>	<b>2.564</b>	<b>70,48</b>	
<b>Summa Summarum</b>	<b>3.638</b>	<b>100</b>	<b>N/A</b>

<sup>4</sup> Includes loans from traditional banks and companies with a banking license; see list of banks and companies with a banking license in [Appendiks B](#).

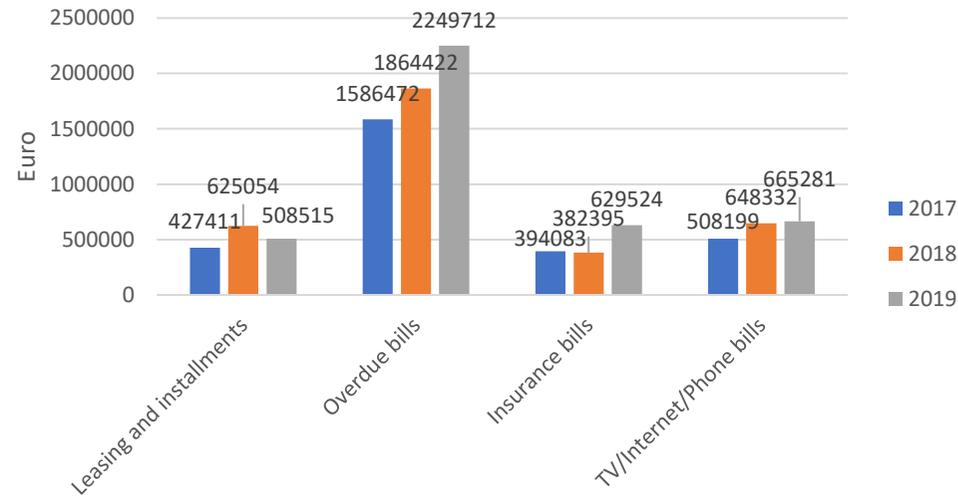
The situation is significantly different if one looks at consumer and payday loans. Here, the variation across categories is significantly greater, as debit items in the form of payday loans have an average debt amount of 1.495 and 4651 euro, for fast unsecured consumer and payday loans and banks' fast consumer and payday loans, respectively. However, it is especially ordinary secured and unsecured bank loans that have by far the highest average debt amount of 18.720 euro. However, these figures match the expectation that the loans, due to their nature, are of course of different sizes, you do not go out and buy a house with a payday loan, just as you do not buy airline tickets with a bank loan. Compared to previous years, there has been an increase of 6124 euro in the value of the average debt item when it comes to bank loans and loans from companies with a banking license. In other words, the average debt in 2018 was approx. 12.619 euro, where in 2019 it is almost 18.790 euro (Løper 2017) (Løper 2018). The reason for this large increase may have to be found methodologically in that "secured and unsecured bank loans" include loans, both from traditional banks and companies with a banking license. With regard to payday loans, both with banks / companies with a banking license as well as the Danish Credit Council, a steady increase can be observed compared with last year. More specifically, the average value for payday consumer and payday loans has increased by 322 and 483 euro, respectively.

However, the number of debt items has not changed significantly for any of the debt types under the categories consumer and payday loans, except for debt as a result of payday loans with the Danish Credit Council. Here, there has been a continuous increase in the period 2017-2019, with 93, 167 and most recently 230 debt items, respectively. In comparison, the number of debt items such as payday loans with banks and companies with a bank license, ordinary bank loans and other payday loans is relatively similar to the level from 2017 and 2018. It also looks in relation to the number of debt items for various bills. relative to the past.

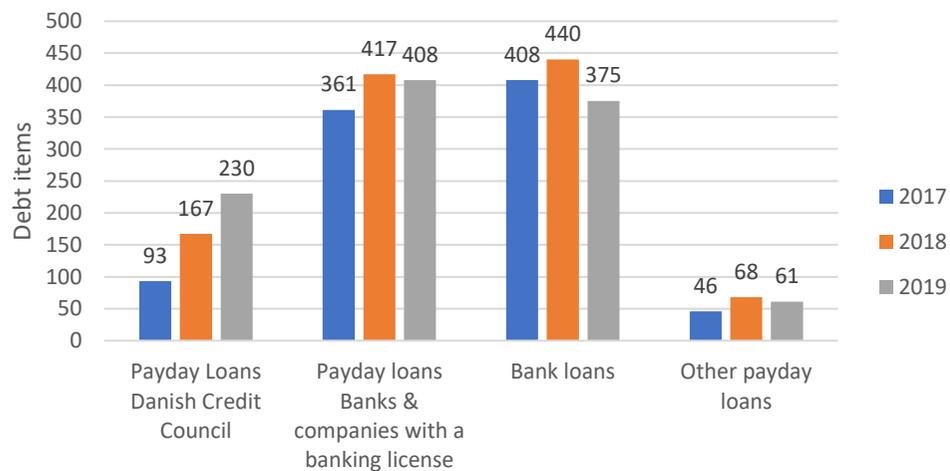
**Figur 12: Debt sum due to consumption and payday loans 2017-2019**



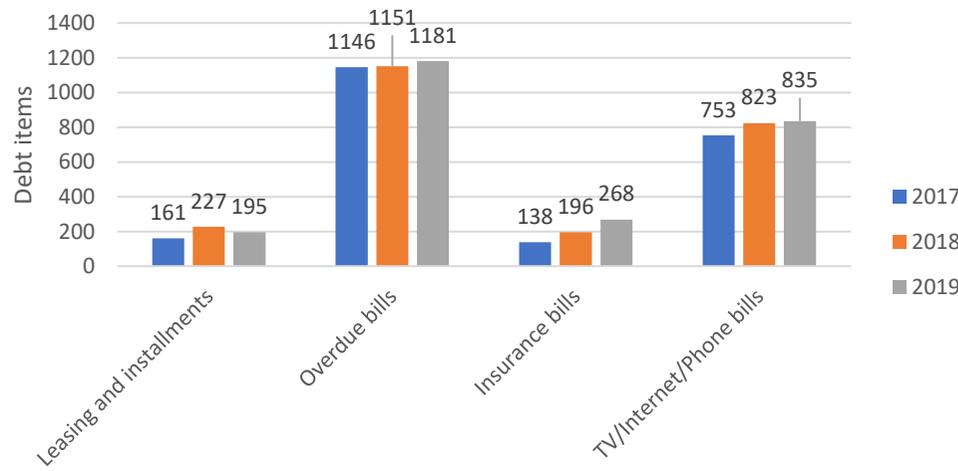
**Figure 13: Debt sum due to overdue bills on consumption products 2017-2019**



**Figure 14: Debt items for consumption and payday loans 2017-2019**



**Figure 15: Debt items for overdue bills on consumption products 2017-2019**



## 5. Discussion

The purpose of this section is to discuss the results presented in the above section, in order to provide possible explanations for similarities and differences in the debt distribution, compared to the figures in 2017 and 2018. Overall, it turns out that in far the in most categories, only minor changes have taken place in relation to the debt sum and the number of debt items, where the development is between 0 and 5 percentage points. The biggest change is seen in the debt to the public sector, more specifically the debt to SKAT and the Police, which has increased significantly by 3.5 and 5.37 million euro, respectively.

This development is relatively surprising considering that the debt to SKAT fell by approx. 3.5 million from 2017 to 2018, and that the debt to the Police remained almost unchanged during the same period. However, the development can largely be explained by the fact that in the previous year DSG has had a greater focus on prisoners as a target group that particularly needed debt counselling. This has been done through the project Fængselsrejseholdet, whose task is to visit the country's prisons, pensions and other institutions under the Danish Prison and Probation Service to advise and assist prisoners with their financial problems, and thus ensure that the prisoners do not come out with an unmanageable debt (DSRF u.d.); an important task that prevents prisoners from falling back into their criminal careers as soon as they are released. The shift in focus in relation to DSG's target group has most likely affected the clients' overall debt composition, as the proportion of clients who are prisoners has increased from 22% to 27% compared with 2018 (Appendix 1, Figure B4). In comparison with other target groups, prisoners have to a greater extent debt as a result of legal costs associated with court rulings in connection with offenses and to a lesser extent debt as a result of substantial bank loans targeted at investments in, for example, a house or car. All other things being equal, this means that the debt to the Police must be assumed to increase. The explanation for why the debt to SKAT has increased is also an extension of this. As mentioned in section 4.1, the Police have a practice where they consistently report the debt to the National Debt Management Agency (SKAT), in cases where they assess that the debtor in question cannot repay the debt within 6 months. Considering that prisoners already belong to an extremely low-income group, it is not surprising that we observe more debt items at SKAT.

Paradoxically, however, the analysis shows that debt sum as a result of secure and unsecured bank loans has also increased compared to 2018. What can explain this? DSG has indeed focused on providing debt counseling to prisoners through the Fængselsrejseholdet, but we have also entered into a larger collaboration with the Research Center for Gambling Addiction and the Gambling Addiction Clinic Mindwork. The purpose of the collaboration is for partners to refer any gambling addicts with debt problems to DSG, so that we can offer debt counseling to debt-troubled gambling addicts. In other words, the collaboration provides the opportunity for a holistic solution, where the clients also get control of their finances and take a step further on the

road to fighting their gambling addiction and preventing any relapses. The way it affects the overall debt distribution is that the average gambling addict basically has more money in their hands compared to prisoners and other extremely socially disadvantaged groups. This means that all other things being equal, they are more likely to take out large loans from the bank to buy a house or car, due to their relatively better financial situation. However, it is important to point out that in the overview of target group affiliations in Appendix 1 (Figure B6) it appears that only 1% of the clients are gambling addicts (come from RCGA). This is mainly due to a number of incorrect registrations in relation to the data set, and is not representative of the actual number of gambling addicts who are included in the analysis or have received advice from DSG, e.g. because our partners externally report that approx. 40 clients have been referred and because we have also advised citizens who suffer from gambling addiction but who are not referred by the partners.

With regard to debt from various overdue bills, there is one notable change in particular, namely that debt as a result of overdue bills has increased by 4 million euro. It is thus a continuation of the trend from last year, where there was also an increase of 2.7 million euro. The reason for this development can be attributed to the fact that the target group consists of the socially disadvantaged who have difficulty paying their monthly or annual bills and whose situation is therefore getting worse and worse. Insurance has also increased, but as mentioned in section 4.2.3. this is most likely due to the fact that an outlier was removed from the analysis.

## 6. Konklusion og anbefalinger

Overall, there are a number of important main conclusions in the report. First of all, it is very clear that the total debt for all of DSG's clients has increased explosively compared to previous years. Specifically, the debt has grown from almost 33 million. in 2018 to over 49 million euro. in 2019. Even when it is taken into account that the number of clients and debt items has also increased, the development is still significant. The interesting thing, however, is that where private debt has not changed significantly, public debt has almost doubled. In particular, private debt has increased by almost DKK 1.3 million. where public debt has increased by approx. 17.5 million

The two largest creditors in terms of public debt are the Danish Tax Agency and the Police, which account for 54% and 28% of the total debt sum to the public creditors, respectively. In both cases, the debt sum has increased for reasons discussed in previous sections. With regard to private debt, it is special consumer loans that are prominent with 70% of the total debt sum, the majority of which fall into the category of safe and unsecured bank loans. The remaining 30% falls under debt as a result of purchase products, of which approx. Half is due to overdue bills.

A significant difference in the data base of this report, compared to previous reports, is the change in client composition. First and foremost, men make up the vast majority of clients with 77%. Next, it is most typical for a client at DSG to live for rent, be in the age group 25-36, and be single without children. In addition, just over half of the clients are either prisoners (28%) or unemployed. In fact, only 14% of clients are employed in a full-time job, part-time job or in the process of studying.

Based on the results from the client report, the Social Debt Counselling has formulated a number of recommendations for how over-indebtedness can be prevented and how debt-affected people can be helped in the best possible way.

In recent times, there has been a great deal of political focus on companies without a bank license offering payday loans, as the big culprit when it comes to debt problems among Danes. However, the report's conclusions show that citizens' debt situations are far more differentiated than the media and politicians portray. The majority of clients' debt comes from the public sector, especially SKAT and the Police. Even the majority of the debt belonging to private creditors comes from payday loans offered by ordinary banks and companies with a banking license. An average client has a debt of approximately 72.753 euro, compared to the average quick loan, which is between 1480 and 4700 euro. On this basis, we believe that a more holistic approach is needed when it comes to preventing extreme debt and establishing better debt counseling. In other words, there must not only be a focus on one kind of debt, as it is not sufficient enough in relation to actually helping the citizen with his financial situation. Instead, there should be an opportunity to advise on all kinds of debt.

Considering that more and more Danes are in debt and that debt, all other things being equal, has grown among virtually all target groups, it is more important than ever that free debt counselling is included in the annual Budget Law, and creditors should also be help fund this free debt counseling service. We also recommend that a national appeals body be set up, to which dissatisfied citizens can complain about bad debt counseling, as proper counseling is crucial for citizens whose financial situation is on the brink of collapse. In direct continuation of this, DSG recommends the establishment of a national debt register, which enables a better credit assessment of all citizens who apply for loans, so that before the loan is granted, citizens who do not have the opportunity to repay it can be excluded. A national debt register will improve the transparency of loans for both creditors and debtors. A national debt register will make it more difficult for consumers to end up in unsustainable debt situations, and at the same time it will be easier for lenders to offer cheaper loans as there is less risk of defaulted debt.

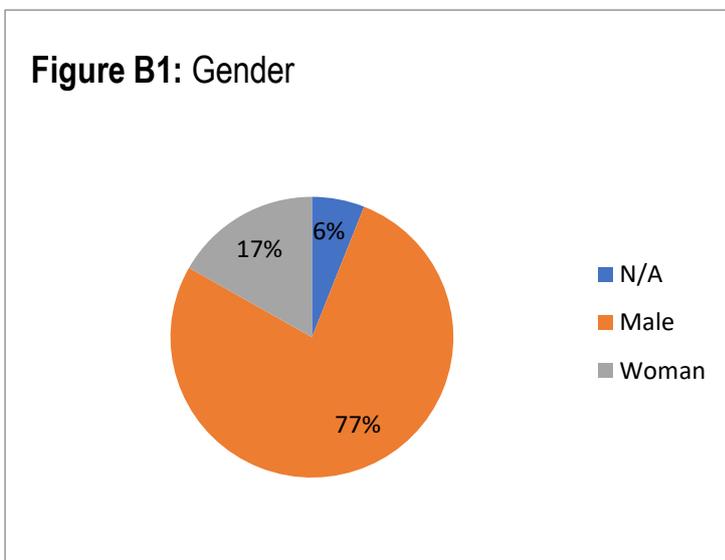
## References

- Andersen, L. B., Hansen, K. M., & Klemmensen, R. (2012). *Metoder i Statskundskab* (2 udg.). København: Hans Reitzels Forlag.
- Barfod, L. (2014). *GÆLD, GÆLDSRÅDGIVNING OG GÆLDSSANERING FOR SOCIALT UDSATTE*. Aarhus: Rådet for Socialt Udsatte. Hentet fra <https://www.udsatte.dk/dyn/reSources/Publication/file/6/66/1414599241/endelig-rapport-til-hjemmeside.pdf>
- Cutter, S. L., & Finch, C. (2007). Temporal and spatial changes in social vulnerability to natural hazards. *Proceedings of the National Academy of Sciences of the United States of America*, Vol 105, No. 7, s. 2301-2306.
- DSRF. (u.d.). *Fængselsrejseholdet*. Hentet 25. September 2020 fra socialeretshjaelp.dk: <https://www.socialeretshjaelp.dk/F%C3%A6ngselsrejseholdet.2158.aspx>
- DST.dk. (2020). *Stor stigning i bruttoledigheden i marts*. Hentet 12. maj 2020 fra DST.dk: <https://www.dst.dk/da/Statistik/nyt/NytHtml?cid=30101>
- Fajnzylber, P., Lederman, D., & Loayza, N. (2002). Inequality and violent crime. *Journal of Law and Economics*, Vol. 45, No. 1 I, s. 1-40.
- Fernández-Serrano, M. J., Pérez-García, M., Río-Valle, J. S., & Verdejo-García, A. (2010). Neuropsychological Consequences of Alcohol and Drug Abuse on Different Components of Executive Functions. *Journal of Psychopharmacology*, Vol. 24, No. 9, s. 1317-1332.
- Gældsstyrelsen. (2020). *Danskernes Gæld. Mønstre i gælden til det offentlige*. Middelfart: Gældsstyrelsen. Hentet 12. august 2020 fra <https://www.skm.dk/media/7083/danskernes-gæld-moenstre-i-gaelden-til-det-offentlige.pdf>
- Løper, S. J. (2019a). *Klientrapport 2017*. Aarhus: Den Sociale retshjælps Fond. Hentet 2. juli 2020 fra [https://www.socialeretshjaelp.dk/media/Klientrapport\\_2017\\_til\\_hjemmeside.pdf](https://www.socialeretshjaelp.dk/media/Klientrapport_2017_til_hjemmeside.pdf)
- Løper, S. J. (2019b). *Klientrapport 2018*. Aarhus: Den Sociale Retshjælps Fond. Hentet 2. juli 2020 fra [https://www.socialeretshjaelp.dk/media/Den\\_Sociale\\_Retshj%C3%A6lps\\_Fonds\\_Klientrapport\\_201.pdf](https://www.socialeretshjaelp.dk/media/Den_Sociale_Retshj%C3%A6lps_Fonds_Klientrapport_201.pdf)
- Løper, S. J. (2020). The financial consequences of COVID-19 in Denmark. I D. Korczak, *Debt Advice in Times of the COVID-19 Pandemic* (Årg. 17, s. 1-60). Eupen: European Consumer Debt Network. Hentet fra <http://ecdn.eu/wp-content/uploads/2020/06/Money-Matters-Vol.-17-2020.pdf>

- Lundqvist, T. (2005). Cognitive Consequences of Cannabis Use: Comparison With Abuse of Stimulants and Heroin With Regard to Attention, Memory and Executive Functions. *Pharmacology, Biochemistry, and Behavior*, Vol. 81, No. 2, s. 319-330.
- Nordea. (2014). *Er din gæld større end gennemsnittet?* Hentet 7. august 2020 fra nordea.com: <https://www.nordea.com/da/press-and-news/nyheder-og-pressemeddelelser/news-local-dk/2014/2014-01-29-er-din-gaeld-stoerre-end-gennemsnittet.html>
- Patscheider, C. S. (2020). *Gæld eksploderer: Dømte skylder staten fire milliarder*. Hentet 31. august 2020 fra nyheder.tv2.dk: <https://nyheder.tv2.dk/politik/2020-02-29-gaeld-eksploderer-doemte-skylder-staten-fire-milliarder>
- Social- og Indenrigsministeriet. (u.d.). *Udsatte voksende*. Hentet 4. August 2020 fra sim.dk: <https://sim.dk/arbejdsomraader/udsatte-voksne/>
- Socialeretshjaelp.dk. (u.d.). *De tre gældsrådgivningstrin*. Hentet 1. juli 2020 fra socialeretshjaelp.dk: <https://www.socialeretshjaelp.dk/G%C3%A6ldstrin-1---3.2330.aspx>
- Wood, J. D. (2020). Can household debt influence income inequality? Evidence from Britain: 1966-2016. *British Journal of Politics and International Relations*, Vol. 22, No. 1, s. 24-46.

## Appendix 1 – Who are the clients?

In this section you can read more about the clients that have been included in the figures for 2019 - including i.a. gender, housing conditions, age etc.

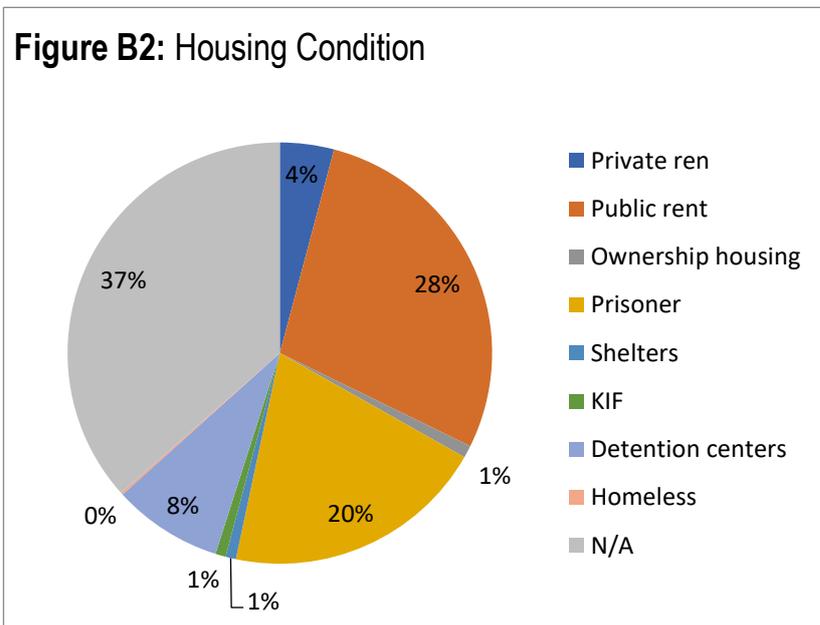


### B1. Gender distribution

In 2019, 77% of DSG's clients were men, while only 17% were women. The remaining 6% of clients have not been registered by gender. Just like in 2018, there was a clear majority of men. The number of men has increased by 9 percentage points. The percentage of women has been constant, but the number of "undisclosed" has fallen by 9 percentage points.

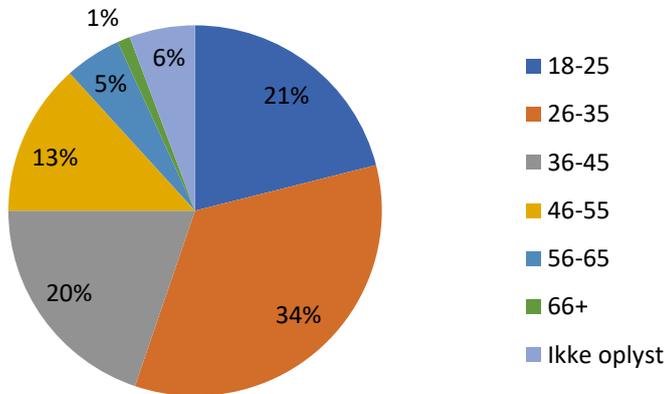
### B2. Housing condition

32% of the clients in this report lived for rent, of which 28% in public rental housing and 4% in private rental housing. Overall, this is the same as in 2018. On the other hand, 20% of DSG's clients were imprisoned and 8% were retired. This is a decrease of 12 percentage points compared to 2018. However, it should be added here that approx. half of the "undisclosed" are prisoners.



*B3. Age distribution*

**Figure B3: Age distribution**



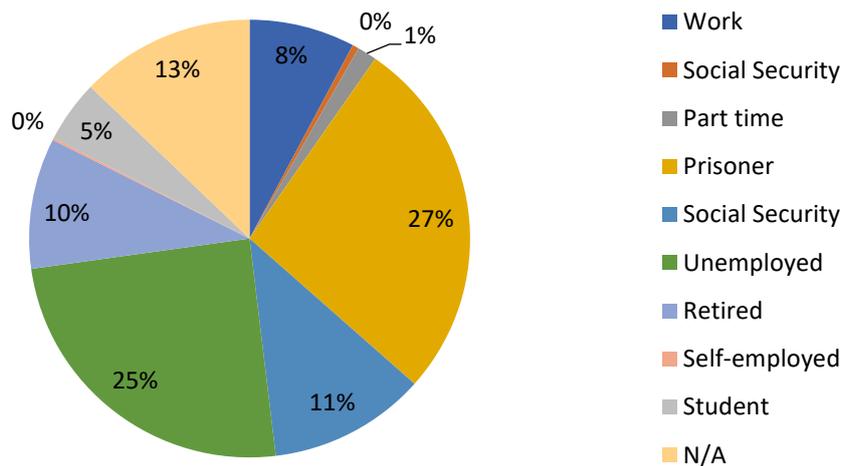
Most of DSG's clients are young people; the largest represented age group is 26 - 35 years, which makes up 34%, the second largest group is the 18 - 25-year-olds, they make up 21%. The age group 36 - 45 years makes up 20% and the group, which is an increase of 5 percentage points compared to 2018. The age group 46 - 55 makes up 13%. The oldest groups make up only a small percentage of our clients; the 56-65-year-olds make up only 5% and clients aged 66+ make up 1%. There is a residual group of 6% where their age is not indicated.

Compared to the report from 2018, the group 18-25 is constant, whereas the group 26-35 has increased by 6 percentage points. The most significant change is in the group "not disclosed", which has fallen by 9 percentage points.

*B4. Employment condition*

The largest single group of clients are prisoners who account for 27%, which is an increase of 5 percentage points compared to 2018. Most importantly, it is evident that the clients are outside or on the border of the labor market. In addition to the two largest groups, as mentioned, being prisoners and unemployed, 13% are "not disclosed", and 11% on public benefits. 10% are retired and 5% are students. Among people in employment, 8% are full-time employees and 1% are part-time employees. 9% of the clients are therefore in employment. This is a decrease

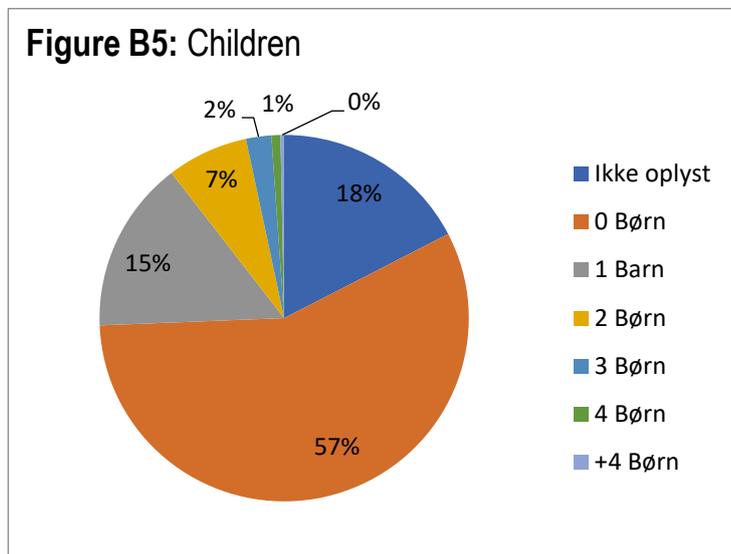
**Figure B4: Employment Condition**



9% of the clients are therefore in employment. This is a decrease

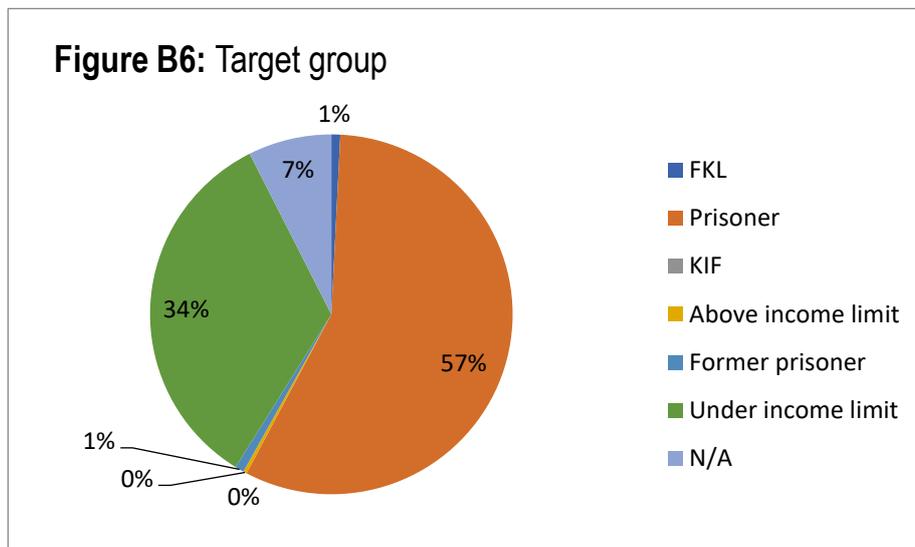
of 1% compared to the figures from 2018. The biggest change is the number of unemployed, which is 25%, which is an increase of 9% since 2018

*B5. Other variables*



57% of DSG's clients have no children, 15% have 1 child, 7% have 2 children, 2% have 3 children and 1% have 4 children. The remaining 18% have not indicated whether they have children or not. These figures are almost identical to 2018, the discrepancies are that the number of clients with 0 children has increased by 8 percentage points while the number of clients where the number of children is not stated has decreased by 4 percentage points

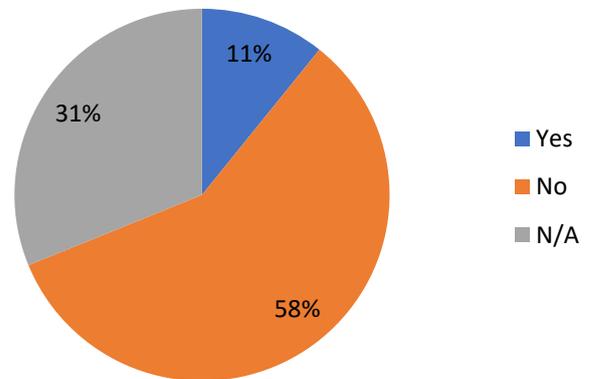
It probably comes as no surprise, the clients' employment and employment conditions taken into consideration, that the largest group in the target group is precisely the prisoners. From 2018 to 2019, the number of prisoners has increased by 8 percentage points, from 49% to 57%. In addition, it is a general re-



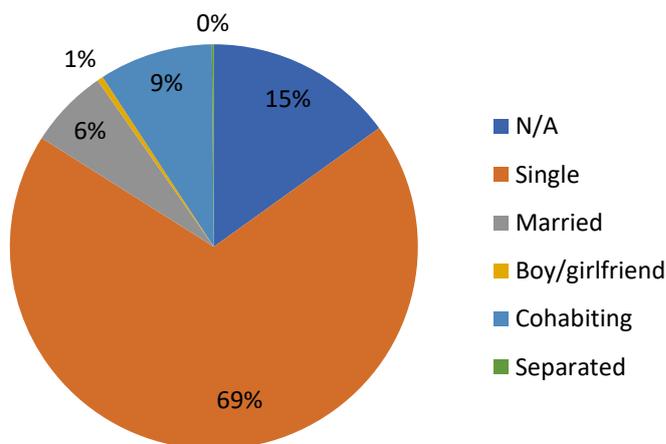
quirement to get help from DSG that you earn less than the income limit for free trial, the limit moves continuously, but in 2019 this was 45110 euro per year for singles (Legal Information 2019). This is reflected in the fact that the second largest group are precisely people who earn below the income limit for free trial. However, this group is smaller in 2019 than 2018. It has thus fallen by 8 percentage points, from 42% in 2018 to 34% in 2019. 0% earns above the income limit for free trial. The remaining 8% are "not stated."

Only 11% of the clients have previously been clients in DSG, this is a decrease of 2 percentage points compared to 2018. 58% were not previously clients at DSG. This is an increase of 18 percentage points compared to 2018. This is a decrease of 16 percentage points compared to 2018. This decrease in "not stated" is due to the fact that DSG advisers have become better at registering this when they have created the cases in the system. However, there is still room for improvement.

**Figure B7: Former client**

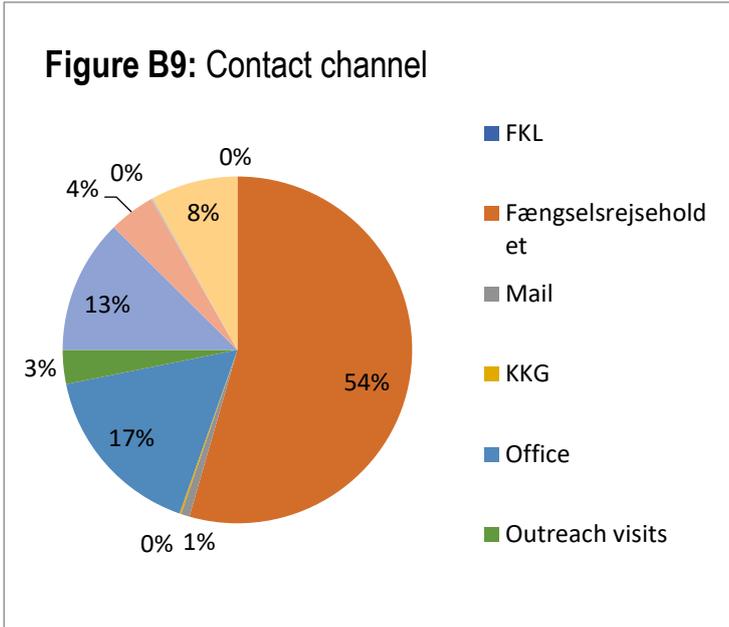


**Figure B8: Civil status**



Most clients in DSG are single and make up 69% of the clients. 9% have a partner, 6% are married, 1% have a boy/girlfriend, 0% are separated. The marital status of the last 15% has not been stated. As was the case in 2018, most of the clients are single. However, there has been an increase of 15 percentage points here, but this may be due to a decrease in the number of "not disclosed" of 10 percentage points. Otherwise, the numbers are approximately the same, with only small changes of 1-2 percentage points.

**Figure B9: Contact channel**



Most clients contact DSG through the Fængselsrejsesholdet and make up as much as 55% of the total inquiries. However, this is not a big surprise as prisoners are the DSG's largest client group. The second largest group here is FKL with 16%, followed by people who turn to the office with 13%. The remaining 16% spread over "undisclosed" (18%), telephone (4%), outreach (3%) and "third party" (1%). There is no data basis here to compare with how this development has been in relation to 2018

## Appendix 2 – Banks, companies with a banking license, and companies under Danish Credit Council.

Table B1 – Traditional banks	
Almindelig Brand bank	Middelfart sparekasse
Andelskassen Fælleskassen	Møns bank
Andelskassen OIKOS	Nordea
Arbejdernes Landsbank	Nordea Kredit Realkredit
Borbjerg Sparekasse	Nordfyns bank
Broager Sparekasse	Nykredit
Coop bank	Nykredit bank
Danske Andelskassers bank	PenSam bank
Danske bank	PFA bank
Den Jyske Sparekasse	Realkredit Danmark
Djurslands bank	Ringkjøbing Landbobank
DLR kredit	Rise Flemløse Sparekasse
Dragsholm Sparekasse	Rønde Sparekasse
Dronninglund sparekasse	Salling bank
Fanø Sparekasse	Saxobank
Faster Andelskasse	Spar Nord bank
Folkesparekassen	Sparekassen Balling
Frørup Andelskasse	Sparekassen Bredebro

Frøs sparekasse	Sparekassen den lille Bikuben
Fynske bank	Sparekassen Djursland
Hvidbjerg bank	Sparekassen for Nr. Nebel og omegn
Jutlander bank	Sparekassen Kronjylland
Jyske bank	Sparekassen Sjælland-Fyn
Jyske Realkredit	Sparekassen Thy
Klim sparekasse	Sparekassen Vendsyssel
Kreditbanken	Stadig Sparekasse
Langå Sparekasse	Sydbank
Leasing Fyn bank	Sønderhå-Hørsted Sparekasse
Lollands bank	Totalbanken
LR Realkredit	Totalkredit
Lægernes bank	Vestjysk bank
Lån og Spar bank	Østervrå Andelskasse
Maj bank	
Merkur Andelskasse	
<b>Companies with a banking licence</b>	
Bank Norwegian	Ikano Bank
Basis Bank	Resurs Bank
Ekspress Bank	Santander Consumer Bank
GE Money Bank	Sparexpres

<b>Companies under Danish Credit Council</b>	
4finance	Minifinans
Bedre Kredit	Nordkredit
Blue Finance	Profilkredit
Creamfinance	Raketlån
Ferratum	Repayfinance
Denmark	Simbo.dk
Finance247	Turbofinans
Gokredit	Turbokredit
Goodcredit	Turbolån
Kassekreditten	Vexcash
Kvikto	Viabill
Lendon	Vivus
	Zaplo