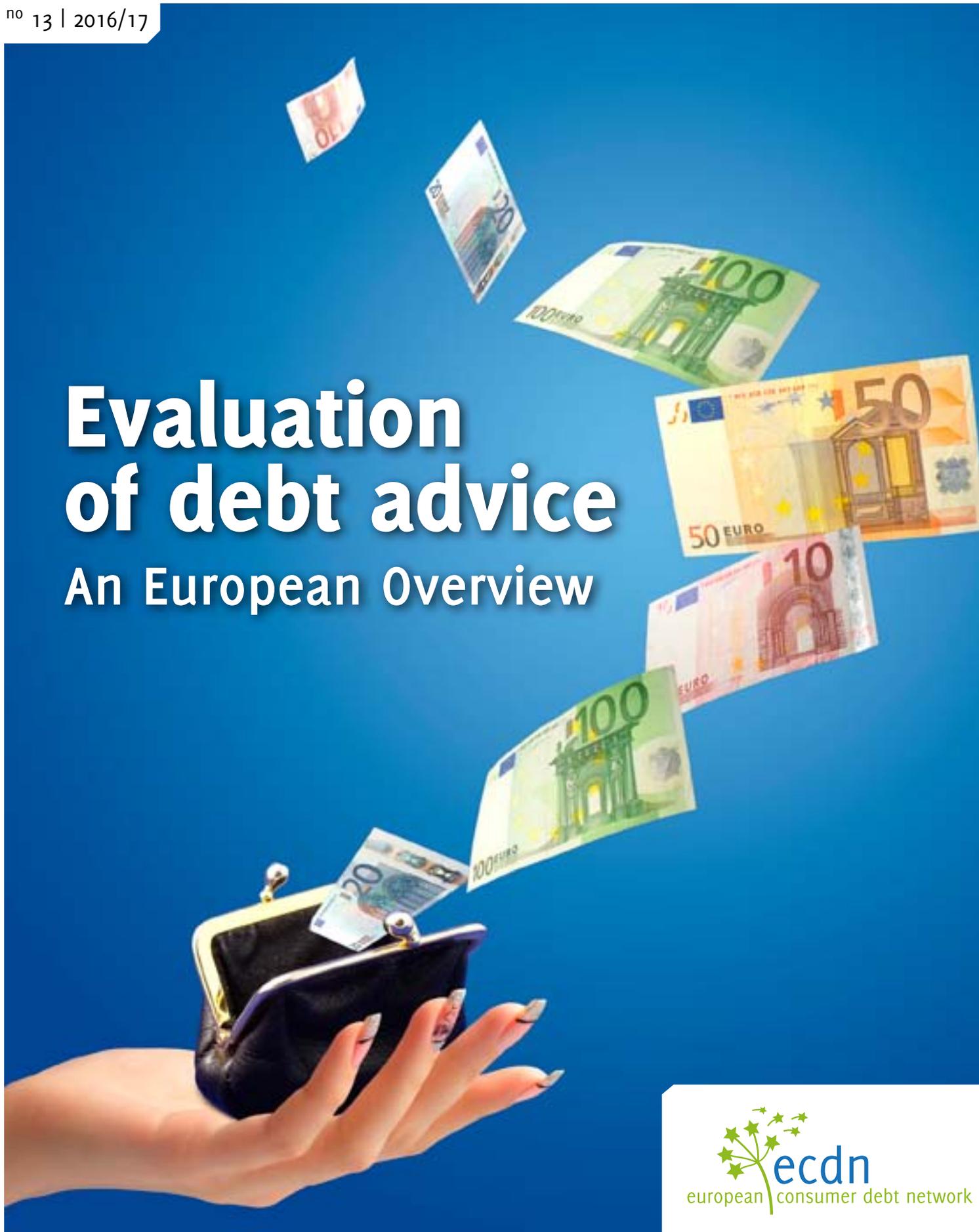


MONEY MATTERS

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Evaluation of debt advice

An European Overview







In the 70ies of the last century Western Europe states noticed an increase of the number of overindebted individuals and families. Governments and NGO's reacted on this situation by supporting the foundation of debt advice services. This could be seen especially in UK, Ireland, Scandinavia, Germany, Austria and Switzerland.

Some countries, e.g. Germany, funded research projects which monitored the coverage of overindebted households and the development of debt advice services. It was analyzed among other things whether all regional districts were covered by debt advice, how many full-time employed persons did the debt advice, in which way debt advice was financed.

With the beginning of the 21st century economic aspects of the provision of debt advice services came to the fore. The administration of counties and districts was asking how effective and efficient debt advice services were working. First research studies came up which measured the return of investment (ROI) in a very simple way. They collected the information how much many was paid for the services (salaries of the staff, rent of the office), how many clients were treated and how many clients became debt free. Later studies used a more refined research design trying to take into account direct and indirect costs and results of debt advice services. To get a valid answer for the effectivity and effectiveness of debt advice services a scale of different indicators has to be used: employment and unemployment rate, increase of income and salary, improvement of family and health conditions, reach of higher educational levels, better participation in everyday life ("inclusion"). To get all the appropriate information for these indicators is a difficult task. There is still no "gold standard" for the measurement of SROI, the social return of investment.

This issue of Money Matters focusses on the state of the art in some European countries: U.K. and Ireland, Sweden, Finland and Denmark, Germany, Austria and Switzerland, Poland and Romania. It can be seen that the landscape of debt advice is still very diverse in Europe. Many different approaches are in practice

But it is not only the diversity which is a challenge. Debt advice has to consider new developments like the effects of the use of FinTech products and the digitalization in money transmissions. Thus, a re-positioning of debt advice is needed. New formats like online debt advice are in some countries already working.

The ECDN - conference in Bratislava (December, 8-9, 2016) will complete the picture of debt advice in Europe. The conference will define and deliver additional information about the factors for success of debt advice. The speakers and participants of the conference will analyze and discuss which ways of debt advice are most promising and best practice. The results of the conference will be presented in the next edition of Money Matters.

*Dieter Korczak
ECDN President
November 2016*



Factors for Success of Debt Advice in Germany



by:
Dieter Korczak



overview, (economic) crisis intervention, budget planning and psychosocial counselling through to legal advice in questions of social law and other fields.

It can be summarized that debt advice has four general goals in Germany:

- Prevention of debt problems
- Rehabilitation of the debtor
- Emancipation of the debtor from compulsive consumption and the use of consumer credit
- Empowerment of the debtor

In 1989, 50% of the advice centers were organised as so-called integrated and 50% as specialized debt counselling centre. Specialized debt consultants place more emphasis on (economic) crisis intervention and budget overviews, while integrated consultants place more emphasis on the psychosocial counselling and preventive assistance in the form of educational measures.

1. Debt advice in Germany

The first debt advice service started in Germany 1958. 20 years (1978) later exist 23 debt advice services. In summer 1989 there were already 432 debt advice agencies working, in 1999 the number has increased to 1.160, around 1.000 of them are certified by ISO 9001-2008.¹ This is approximately the number of debt advice agencies which is actually still in existence.

2. Structure of debt advice and aims of consulting

In Germany, debt counselling is a form of consultancy which provides overindebted clients with assistance in clearing up their financial situation and in achieving psycho-social stability (taking into account economic, legal and social criteria as well as the psychological and physical situation of the clients). The service ranges from a budget

3. Bearer of debt advice/ Funding of debt advice

Public authorities control the delivery of services but it is not necessarily their role to provide them. Debt advice is organized according the subsidiarity principle. This principle means that a central authority should only perform those tasks which cannot be performed effectively by a more immediate or local level. Thus the responsibilities are delegated to voluntary welfare organizations (Caritas, Diakonie, Arbeiterwohlfahrt, Deutscher Paritätische, Deutsches Rotes Kreuz) or to the municipal level (cities or districts). Some consumer protection agencies do also debt advice. Debt advice is voluntarily, respects privacy and is free of costs for the clients. In addition to these non-profit organisations there is an unknown number of profit oriented debt advisers.

¹ Dieter Korczak, Überschuldung in Deutschland zwischen 1988 – 1999, Stuttgart 2001



The German debt advice situation can be generally described as:

- Decentralized and law-based (SGB II, SGB XII, InsO 2015)
- Complex, diverse and established

Two national networks – the Bundesarbeitsgemeinschaft Schuldnerberatung (BAG-SB) and the Arbeitsgemeinschaft Schuldnerberatung der Verbände (AGSBV) – serve as voluntary platform for debt advisers and debt advice agencies.

4. Average number of staff per debt advice agency

Most of the German debt advice agencies are run by one Full-time professional adviser and a half time secretary. The AGSBV has pointed out that for the supply of 50.000 inhabitants two FT are needed.

5. Professional qualification of staff members

Debt consultants have to have legal, commercial and social work qualification. It is a widely acknowledged fact that one debt consultant alone is highly unlikely to possess all the necessary qualifications. Yet, three quarters of the debt counselling centres are currently “monocultures”; in other words the consultants have mainly a qualification as social worker or graduated social pedagogues. In small numbers you can find other qualifications like economist, banker, psychologist, lawyer. Existing further training opportunities are well used by the staff of the debt counselling centres. There are regular seminars offered by the welfare organisations, an annual conference by BAG-SB and a manual for debt advice.²

6. Number of over-indebted persons 2015 in your country

In 2015 the number of overindebted persons in Germany is estimated around 7 million, the number of overindebted households is 3.1 million.³

7. Approximately number of clients of debt advice 2015

According to the client statistic of the Federal Bureau for Statistics the debt advice centres had around 400.000 clients in the year 2015. It is obvious that the demand for debt counselling surpasses the supply.⁴

8. Average duration of debt advice per client

On average, counselling goes on for one and a half year. But it has to be considered that the over-indebted situation often exists already for around five years until over-indebted persons are contacting a debt advice centre. If clients succeed to be accepted for the insolvency procedure they have to follow this procedure for 3 years or 5 years until they get the status of a debt-free fresh start.

9. Factors of over-indebtedness

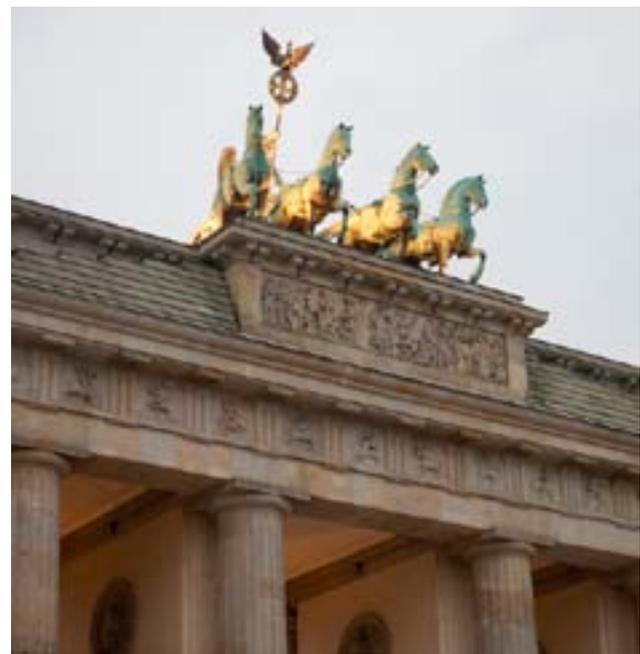
The reasons for excessive indebtedness and the paths that lead to the latter are complex and manifold. Overindebtedness has a personal face and a societal background. The conditions of socialization, the personal resources, the needs of current life or phase, the employment situation and the economic system of a society have an influence. Those affected by excessive debt find themselves in a vicious circle and do not see a way out of their dilemma. As a rule, overindebted families –like

many others- borrow money to buy furniture, telecommunication tools, cars. Normal borrowing procedures can turn into excessive debts with the sudden occurrence of critical events. The most frequent cause of overindebtedness is unemployment. But other factors like difficulties with housekeeping, lack of experience in dealing with a wide range of products and loans and an overestimation of payment capacity can as well lead to excessive indebtedness. One in five of those seeking the services of a debt consultant has run into serious financial difficulties as the result of separation or divorce, one in ten as the result of an accident or illness. Major factors in overindebtedness are also problems in budgeting, low incomes and lack of education.

When overindebtedness occurs, it also involves psychosocial destabilization. This is reflected in marital and family problems, may also encourage drug or alcohol dependency and is often accompanied by an emotional and cognitive block. This block is expressed in the form of irrational guilt feelings, and feelings of anxiety and panic. The result is often that overindebted people cannot adequately react to the measures taken by creditors.

Overindebtedness can lead to five different ways of exclusion:

- The access exclusion to information and financial services
- The price exclusion (people only gain access to financial products at a price they cannot afford)
- The conditions exclusion (the conditions attached to financial products make them inappropriate to the need of people with debt)
- The self-exclusion of people with debts
- The social exclusion⁵



² Ulf Groth et al, Praxishandbuch Schuldnerberatung, 24. Edition, Luchterhand-Verlag 2016

³ Creditreform, SchuldenAtlas 2015, Krefeld 2015

⁴ Destatis, Statistik zur Überschuldung privater Personen, Fachserie 15, Reihe 5, Wiesbaden 2016

⁵ Dieter Korczak, The Money Advice and Budgeting Service Ireland, Synthesis Report of the Peer Review Meeting, Cork 18-19 November 2004, European Commission, DG Employ and Social Affairs



Factors for Success of Debt Advice in Germany

10. Results of debt advice /evaluation activities

The evaluation of debt advice is nearly not existing in Germany.

Only a few studies have dealt with evaluation. In 1988 one study collected empirical data showing that debt consultants helped 35% of their clients to regain a sound financial situation. Because of their restricted financial and occupational means around 20% of the clients had no other option after regulation but to live on the breadline of the protected earning rate, that means living in poverty according to prevailing criteria.⁶

In 2014, 57% of the clients could be brought into the insolvency procedure by a debt advice center.⁷

11. Efficiency and effectiveness of debt advice

There are no common parameters for measuring the efficiency and effectiveness of debt advice in Germany. This is mainly due to the fact that the goals for individual cases can be very different (see point 2). But it is needed for the measurement of success that goals have to be defined. Only then factors like output, outcome or impact of debt advice activities can be evaluated.

For example, the efficiency can be measured by the money spent for debt advice centres and the number of clients which are consulted. It can be measured by the amount of the reduction of social welfare and support payments. It can be measured by the increase of income of the clients and resulting increased tax payments.

The effectiveness can be measured by increased employment rates, higher qualification, less health or family problems, increased psychosocial stability or higher participation in social life.

According to a study in 2007, eight month debt advice was successful

- by decreasing the amounts of debt by 33%
- by increasing the safety of employment by 39%
- by increasing the income by 83%
- by increasing personal well-behavior
- by decreasing the public transfer payments by 380 Euro per client⁸

12. Factors which are in favor for the success of debt advice

As already has been said there is no systematic evaluation existing of the factors which make debt advice successful.

Heuristically it can be stated that the success depends on the client's situation and the resources of the debt advice centre.

The client's debt situation can be simple (low debts, few creditors, still income, good personal resources) or difficult (high debts, many creditors, no income, low personal resources).



The debt advice centre can be well-established, financially safe and sound. It can have an appropriate number of skilled FT's. The advisers have time to consult individually and can follow a holistic consultancy approach. Or everything is just the opposite.

For a valid answer a longitudinal evaluation of debt advice is necessary. Furthermore the testing of new technological based instruments could offer new insights and solutions for debt advice, especially for technology affine overindebted persons.

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⁵ Dieter Korczak, The Money Advice and Budgeting Service Ireland, Synthesis Report of the Peer Review Meeting, Cork 18-19 November 2004, European Commission, DG Employ and Social Affairs

⁶ Dieter Korczak, Gabriela Pfefferkorn, Überschuldungssituation und Schuldnerberatung in der Bundesrepublik Deutschland, Stuttgart 1992

⁷ IFF, Überschuldungsreport 2015, Hamburg 2015:p. 41

⁸ Astrid Kuhleemann, Ulrich Walbrühl, Wirksamkeit von Schuldnerberatung in Deutschland, Gummertsbach 2007



Overindebtedness in Germany



by:
Dirk Ulbricht

Additionally to the Federal Statistical Office (Destatis) the institute for financial research (iff) publishes the iff Overindebtedness Report giving a more detailed picture of the situation of overindebted people. It is based on data from 61,723 households who first sought debt advice between 2005 and the first quarter of 2016. The anonymised data is gathered from 21 debt advice organisations located in all 16 German federal states.



Major results are:

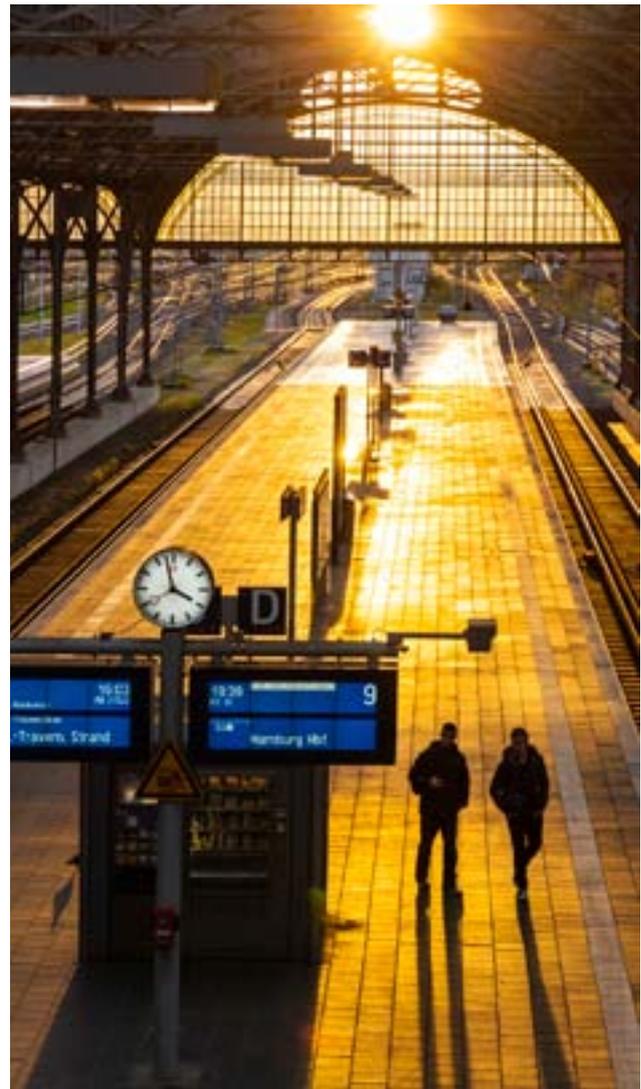
The gap in the society between the well-off and those left behind is widening. Though the positive trends in the labour market continue, the per capita income of overindebted individuals, adjusted for inflation, has fallen by 9 per cent to 861 euro since 2010. It is accordingly about 13 per cent below the poverty threshold of 987 euro (current value for 2014).

Those seeking advice from non-profit debt advice agencies presented with consistently falling levels of indebtedness. The average amount of debt fell to 14,400 in 2015, while in 2009 the figure was about 19,000 euro (calculated in 2015 values). In debt recovery claims, between 4 and 25 per cent of this figure is interest on arrears and other costs (up to 7 per cent interest on arrears and up to 12 per cent other charges), but costs incorporated into debt re-structuring are not included in the figures. The preponderance of bank debts has fallen significantly from 40 per cent in 2004 to 28 per cent in 2015. On the other hand, the proportion of debts owed to statutory agency creditors (18 per cent) and telecommunications providers (13 per cent) has increased markedly. About 12 per cent of claims were brought by lawyers and debt collection agencies.

Compared with the population as a whole, many overindebted people lived alone (55.8 per cent). The proportion of single parents again increased significantly to 16.7 per cent compared with the previous year (15.6 per cent) and was about 2.5 times greater than in the population as a whole.

The number of new personal bankruptcies fell to a historical low of about 85,000, despite the continuing increase in the number of consumers facing difficulties in paying their debts. This is because, since the introduction of the Protected Account, participation in cash-free transactions is now possible and a number of those affected do not see the need permanently to restructure their finances. It appears that they have given up hope of a debt-free future.

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Factors of success of debt advice in Austria



by:
Christa Kerschbaummayr

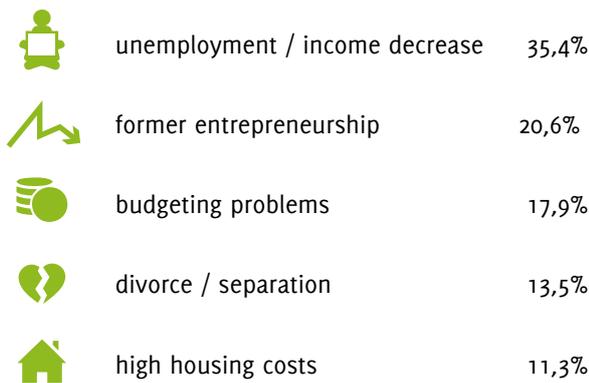
Debt advice services have been organized at a nationwide level since the late 1980s.

Today 118 fulltime debt advisers are employed at 10 officially recognised debt advice services (with 19 additional regional offices) in Austria. Most debt advisers have a professional background in legal studies and/or social work.

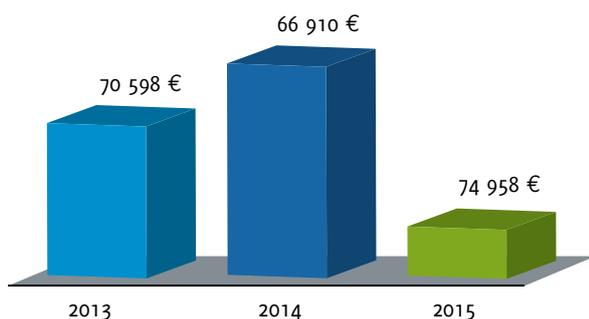
Officially recognised debt advice centres are entitled to use a specific debt advice label (see above). They are recognised by public authorities and receive public funding from the provinces and the public employment service. They offer profound advice on debt regulation (e.g. existence- securing measures, analysis of income and expenditure, complete inquiry of debt level, possible regulation measure, (out-of) court settlements, etc.). The service of officially recognised debt advice services is free of costs.

The Austrian debt advice services had 59.268 clients in 2015.

Reasons for over-indebteness



Debt sums (average debt expressed in Euro)



Concerning EU SILC 2008 more than 748.000 people in Austria live in overindebted households.

Austrian state-approved debt advice services work according to binding quality criteria: all 10 debt advice services are certified under the international recognized quality management system ISO 9001:2008.

Austrian state-approved debt advice services also have also a high public benefit. That benefit was measured by an evaluation of the social and economic effects of the state-approved debt advice services by means of social return on investment (SROI) analysis in 2011. The method measured not only the financial but also the social impact of debt advice organisations. The result of the SROI value was 5,3. In monetary terms, this means that every euro invested in the state-approved debt advice services creates a return of 5,3 euros.

The role of ASB Schuldnerberatungen – umbrella organization of state-approved debt advice services in Austria

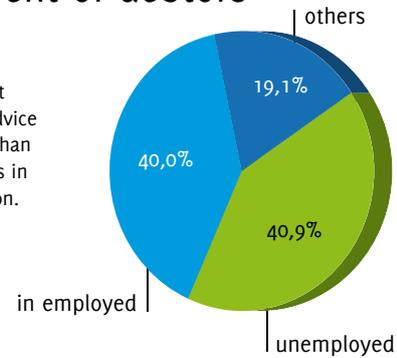
ASB Schuldnerberatungen - a private non-profit organization - is the umbrella organization of all officially recognized debt advice services in Austria. asb prepares the professional education and ongoing training of debt advisers by organising specialized seminars. It also coordinates the cooperation of the debt advice services in the field of quality management, public relations, financial education and debt prevention, monitoring of legal developments as well as the design of collective software to ensure the best possible work. asb also acts as the interface of the debt advices services with relevant ministries, researchers and creditors organisations. Continuous improvement of the quality of available debt advice as well as a commitment to making the political context more favourable in the fight against financial exclusion and over-indebtedness are at the core of the umbrella organisation's agenda. In order to be better able to influence the



59 269 assisted persons
in 2015

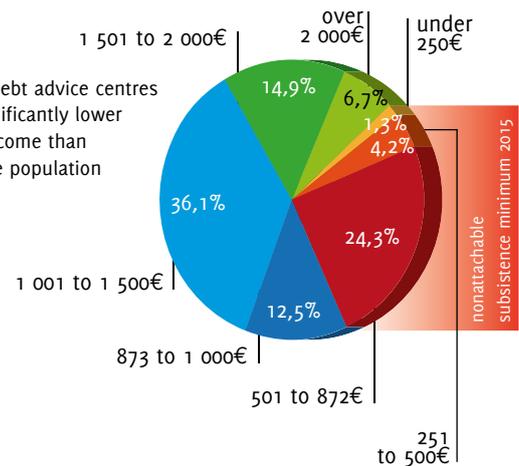
Employment of debtors

The percentage of unemployment clients of debt advice centres is more than 7 times as high as in general population.



Income situation of debtors

Clients of debt advice centres have a significantly lower monthly income than the average population



overall social policy situation, asb is also an active member of the Austrian Anti-Poverty Network. In addition, asb acts as a trustee in legal personal bankruptcy proceedings.

Personal bankruptcy procedure in Austria

While the term personal bankruptcy - which was implemented in Austria in 1995 - is widely used, the official term given in the corresponding statute is debt regulation procedure, which is also referred to as repayment programme. The goal of debt regulation procedures is to give 'righteous and well-motivated debtors' a realistic chance to make a fresh start. The prerequisites that debtors have to meet include manifest insolvency, regular income, the obligation not to incur any further debt, and the debtor in question must be in a position to offer a certain monthly sum for paying back the debt. During the repayment period the debtor shall be able to lead a life 'under modest conditions but in dignity'. In turn, collection measures are stopped and no interest rates have to be paid. If debtors meet the

conditions of the repayment programme they will be regarded as free of debt and creditors will get a part of the sum owed.

Compared to the rest of Europe, Austria comes in last in two respects: on the one hand, as a rule, full bankruptcy discharge is granted only after seven years of repayment, and on the other hand, a minimum of 10% of the debts has to be repaid. This means that it is hardly possible for people with a low income or people at risk of poverty to get the chance to make a fresh start.

For further details in English, fact sheets and diagrams please consult: www.schuldenberatung.at/english



Budget and debt counseling services in Switzerland



by:
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Switzerland maintains a nationwide network of debt and budget counseling services. A distinction is made between two kinds of consultancy services: budget counseling services and debt counseling services. The budget counseling services focus on preventative advice for consumers in regard to monthly incomes and expenses, while investigating the topic of debts only in cases of a low level of indebtedness. The debt counseling services instead focus on advising heavily indebted private persons and households. These two kinds of services are reflected in the different structures of two separate national specialized organizations. The national umbrella organization for budget advisory was founded in 1974 as a specialized organization consisting of approximately 50 budget advisory centers, then, as today employing almost exclusively women. Specialized debt counseling service were founded in the middle of the 1980s, of which the national umbrella organization was founded in 1995. The national umbrella organization for debt counseling services currently consists of 38 debt consulting offices.

The budget counseling services as well as the debt counseling services in Switzerland are financed by private associations. Only two branches are sponsored publicly. The budget and debt counseling services were originally conceptualized as non-commercial, although within the legal frameset private and profit-oriented debt reduction services are permitted.

The counseling services are financed by the Cantons public budgets. Nevertheless, a financial contribution or in case of financial recovery, a fee, is frequently asked from those seeking advice. Apart from specialized budget and debt counseling services Caritas social counseling agencies or other social institutions provide equal services. In the French speaking part of Switzerland counseling is commonly provided in corporation with the social welfare offices.

The counselors usually have a university degree, generally in the field Social Work and rarely in Law. The prevention representatives working in the bigger branches, such as Basel, Bern and Zürich, however are usually not social workers, but have work experience in the fields Education, Adult Education or Journalism.

The national umbrella organization for budget advisory provides certified vocational trainings as budget counselors. However, the national umbrella organization for debt advisory does not provide vocational trainings. This is therefore covered by the Universities of Applied Sciences in the French as well as the German speaking part of Switzerland.



Household debt in Switzerland is characteristically caused by the lack of a direct income tax and direct deduction of health insurance contributions from wages. Accordingly high debts in tax administration and health insurance companies are common. 7,9 % of the population is facing critical arrears in payments, which effect rental payments as well as payments for electricity or health insurance. The indebtedness in banks has been declining over the last five years, whereas credit card debts have tripled over the past years.

In Switzerland indebted persons lack the possibility to obtain discharge of residual debt. Personal bankruptcy proceedings usually lead to liquidation of the debtors assets, evaluation of outstanding debits and to a temporary recess of debt enforcement. Whereas the debt obligations remain unchanged. Debt reductions are solely warranted by payments to creditors. Furthermore, under Swiss law foreign residual debt discharge is not recognized. In case a person with a foreign residual debt discharge moves to Switzerland from a European country, outstanding debits can be claimed.

Especially debtors affected by poverty currently lack options for debt reduction in Switzerland. Hereto the introduction of discharge of residual debt is currently discussed with regard to socio-political aspects. On the part of science specific proposals were raised, as to how such procedures might be envisioned. A Serious political debate was initiated recently and will probably take considerably more time before completion.

www.budgetberatung.ch, www.schulden.ch, www.forum-schulden.ch

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Debt advice in Poland



by:

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ers in filing for consumer bankruptcy. There are 5 offices in Poland (in Gdynia, Warsaw, Krakow, Wroclaw and Biala Podlaska) where 7 consultants (including 2 lawyers) provide their advisory services.

Poland lacks systematic solutions that focus on providing aid to overindebted persons.

Overindebtedness of people or families is still not perceived as an important social issue, that requires comprehensive help of the state and involvement of public funds. Because of that even the number of overindebted persons in Poland is based on rough estimates. The Sobieski Institute (<http://www.sobieski.org.pl/>) approximates the number of “permanently insolvent” people to 250-750 thousand.

According to data provided by BIG InfoMonitor in March 2016 (<http://www.big.pl/infodiug>) there were 2,14 million people who fail to regulate their payments on time. The amount due for over 30% of those people is less than 465€, and over 51% have debt of over 1162€. After the liberalization of Polish law there were 2305 consumer bankruptcy cases. Based on partial data from 2016 it can be estimated that number of consumer bankruptcies will double compared to the previous year.

Overindebted people can receive aid from the following institutions:

- Financial Ombudsman (<https://rf.gov.pl/english>). The financial ombudsman is tasked to aid people in their disputes with financial institutions.
- Free Legal Advice Offices established and financed by the Ministry of Justice (over 1500 offices). These offices provide free legal advice for people who may become socially excluded such as young adults (26 years old or younger), the elderly (65 years old or older), combatants, veterans, victims of natural disasters and large families.

A number of Polish NGOs also notice the problems overindebted people are facing.

As of 2001 the Society for Promotion of Financial Education (SKEF) has been running 5 Financial and Consumer Advice Offices (ODFiK) (<http://www.skef.pl/pogotowie-dla-zadluzonych/>) which provide free advice on legal and financial matters and, since 2015, aid consum-

The main goal of the Consumer Advice Offices is to:

- Provide information and indicate effective solutions,
- Help overindebted people restore control over their financial situation,
- Provide aid in filing for consumer bankruptcy,
- Provide mental support for those in excessive debt.

In 2015 the Consumer Advice Offices provided aid for 1589 people (on average 132 a month). According to the data collected and the advisors’ opinions the main reason for excessive indebtedness are:

- Low quality of life – “people fall in debt because of poverty”,
- Accidents,
- Sudden change in life situation,
- Lack of financial knowledge.

The advisors state that key elements that influence the advising process are good will of the creditors, client’s involvement in the process and mutual trust between the client and their advisor.

People with excessive debt can also obtain advice in various other consumer organizations. Since 2012 the Aid for Indebted Program Association has been realizing the Aid for Indebted Program (<http://programwsparcia.com/>) in Poznan.

However, there are also commercial “advice agencies” and pseudo law offices that offer fully-paid yet non-efficient and low quality services for the indebted people. These companies often operate on the edge of the law.

We hope that soon the overindebted people in Poland will be able to receive help and support on a systematic basis.

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Debt advice in Romania



by:
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Apan PhD



1. Foundation of debt advice in Romania

One moment in the foundation of consumer debt advice in Romania was laid down in 2013-2014 when project ConFinAd (Consumer Financial Advice) was carried out. This project trained persons to provide consumers with specialized advice in the matter of financial services, either online or customized advice face-to-face or on the phone.



2. Number of debt advice agencies 2015 in Romania

The responsibility of consumer protection and providing advice in the public domain pertains to NACP (the National authority for Consumer Protection) <http://www.anpc.gov.ro/> and to FSA (Financial Supervisory Authority). NACP is the national authority in charge with consumer protection and it has a Commissioner in each of the 42 counties. It carries out advising activities in all the counties and for any type of service or product.

FSA is an autonomous administrative authority that ensures the financial supervision of the activity related to insurance, capital market and private pensions, respectively non-banking financial services <http://asfromania.ro/en/>.

In the private sector, there are few associations for consumer protection. Consumer debt advice is provided by means of their websites, for financial services and particularly for banking services, website is more present.

3. Bearer of debt advice/ Funding of debt advice

In accordance with the type of organization that provides debt advice it can be said that the funding of debt advice in Romania comes either from public or from private sources.

4. Average number of staff per debt advice agency

From the total number of staff, a relatively small number of persons is in charge with providing consumer advice, a number of 1, maximum 2 persons were in charge with this activity.

5. Professional qualification of staff members

Normally the staff members of these organizations have economic and/or legal studies.

6. Approximately number of clients of debt advice 2015

Taking into account the circumstances in which debt advice is provided it is impossible to indicate the number of persons who were provided debt advice.



7. Average duration of debt advice per client

The duration of advice includes the time necessary for documenting and for drawing-up the answer, this activity usually requires between 10 and 60 min per client.

8. Aims of debt advice

The main purpose of debt advice is to get the consumers acquainted with the financial products and services that they has the intention to access so that they are able to make a fully informed decision, adapted to their own situation and needs.

9. Factors of over-indebtedness

In case of Romanian consumers, it can be asserted that the factors of over-indebtedness are the absence of specialized information at the moment when the credit is applied for or granted and the increase of the level of consumer's over-indebtedness resulted from the multiplication of the consumer and the family's credit commitments from various banking and non-banking sources.

10. Results of debt advice /evaluation activities

Consumers are better informed regarding financial services and their rights in relation to them. However, the advice offered is rather general, even that offered online.

11. Factors which are in favor for the success of debt advice

Consumers are becoming increasingly aware of the importance of being informed and advised before making their decision with regard to financial services.

12. Things which have to be done in the future

Entities that offer customized advice should be set up, as well as the persons providing advice should benefit from specialized training, both aspects requiring financing as well as support in carrying out the advice.

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Debt advice in Finland



by:
Minna Mattila

Background: The debt advice in Finland started to develop gradually from the beginning of 1990 in due to the economic depression. First it was organized mostly by municipality and was funded by The Ministry of Justice after having the Act of statutory debt restructuring for private individuals in 1993. The Guarantee Foundation was responsible for the education of counsellors.



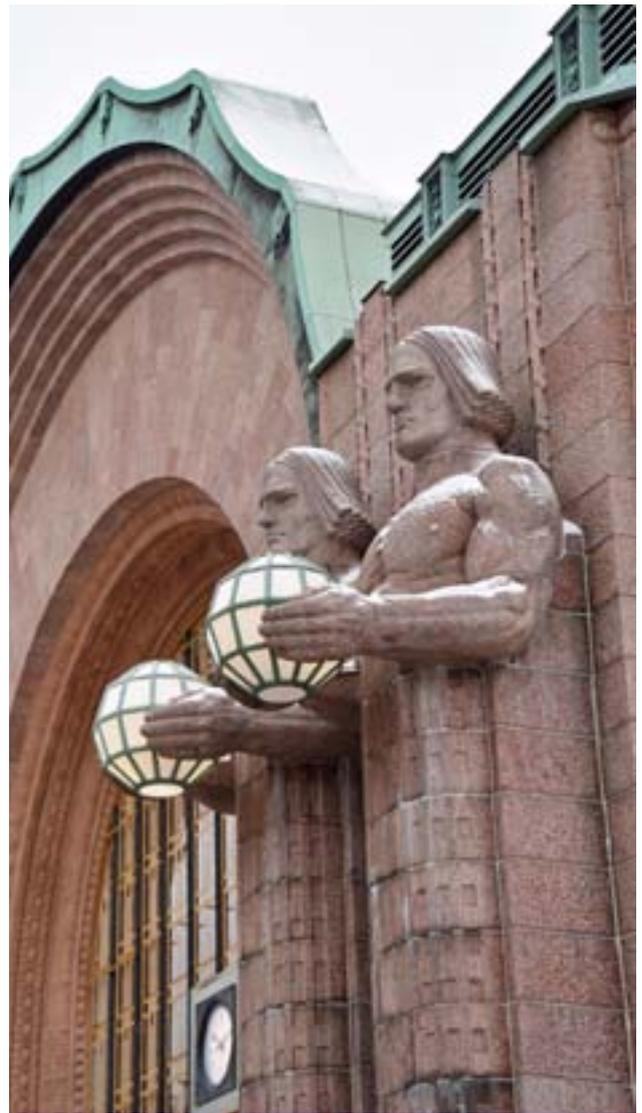
The Act on economic and debt counselling was introduced in Finland in 2000. The Finnish Competition and Consumer Authority is responsible for the general supervision, direction and to organize the state financial compensation of debt counselling. The provincial state offices are responsible in their areas for ensuring adequate availability of counselling services. Economic and debt counselling is arranged primarily by the agreement with the provincial state office and the municipality. Counsellors are usually municipal officials. Sometimes the municipality buys the service from some local organization like mental care association, law and bookkeeping firm etc.

The debt advice agencies cover every municipalities in Finland. Number of agencies was 55 in 2015. Totally 149 man-work-years in counselling units were made in 2015. The size of debt advice agencies varies. There are 13,5 man-work-years in the biggest agency and only 0,11 man-work-years in the smallest.

The Parliament decides every year how great the state's financial resources are for counselling. The resources were 5,731 million euros in 2015. It covered about 64 % of the total costs. The municipalities paid the rest of the costs voluntarily. The total costs were about 8,757 million euros. The state's financial resources are 4,731 million euros in 2016. The service is free of charge for customer.

According to the eligibility criterion the counsellor must have a degree from a university of applied sciences suitable for occupation and the skills and experiences needed for appropriate maintenance. Almost 45 % have a university degree, 40 % a college degree and the rest 15 % have very different backgrounds. About 80 % of them has worked four years at least as a counsellor and of them 36 % have worked over 12 years. The Finnish Competition and Consumer Authority educates counsellors. The beginners get a basic and a following up-courses. Two times a year the Authority arranges two-day current affairs and negotiation days for all counsellors.

There is no any unambiguous number to describe the amount of over-indebted persons in Finland, but two numbers indicate well





enough the over-indebtedness situation. About 370.000 persons (about 8 percent of the population) had a bad credit record in the end of 2015 and about 485.300 persons were in process of debt enforcement. In debt advice, there were 16.243 new clients in 2015. The number of new customers is stabilized to 15.000 – 16.000 customers last 10 years. One customership can take many years.

Act on economic and debt counselling was introduced with the purpose of providing information and advice to private citizens on the management of their household economy and their debts. Debt counsellors assist overindebted people facing their debt problems by planning their economy and in seeking solutions to their debt problems. Debt counselling also aims at preventing debt problems. Clients may for example be advised on how to adjust expenditure to income.

Customers were met in debt advice agencies 28.109 times. In 2015 counsellors made for example

checking of the client's economic situation (16.330 times), applications for voluntary arrangement with creditors (1.160 pcs), for the Guarantee Foundation (716 pcs) and for the debt adjustment to the Court (3.724 pcs). The debt adjustment takes a lot of counsellor's time. In addition to applications they had 3.427 different kind of tasks in related to it. Counsellors give economic counselling quite

rarely as their main task is to help overindebted people to get some arrangement to their debts. They made economic counselling only 3.205 times in 2015. There's a need to increase this job. Counsellors also wrote articles, had lectures in schools and gave information about the ways to deal with the debts in different situations about 5.400 times in 2015.)

The advantages are in the Finnish system:

- everybody who is living in Finland can have advising
- for customer service is free of charge
- the counsellor is independent, because usually they are municipal officials, not creditor's or debt collection agency's
- the Adjustment Act has created standard practice for voluntary agreements
- the Adjustment Act has led to the improvement of voluntary debt agreements.

The challenges are

- funds of states are known only one year forehand
- there can be big differences between neighbouring units to get counselling aid
- the agencies of one-person are vulnerable
- the training of counsellor, court, lawyers and creditors together has diminished
- the organization and funding system is hierarchical.

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Budget- and debt advice in Sweden 2015



by:
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Budget- and Debt advice has been around for many years in the municipalities of Sweden but the Debt Relief Act was introduced in Sweden in 1994.

A new Debt Relief Act was introduced in January 2007 to provide a faster and easier way for people to apply for debt relief. Debt relief means that a heavily indebted individual, after a decision by the Enforcement Authority, under certain circumstances, may be relieved from the liability of paying his debts as a whole or partially. A debtor may receive debt relief subject to if: he is heavily indebted in a way which makes it impossible to pay the debts during many years, and it is reasonable taking into account his personal and economic circumstances. Debt relief includes an instalment plan for five years.

July 1, 2011 was the Debt Relief Act revised again. It introduced a possibility of debt restructuring for traders whose trade was easy to investigate. The age of the debt would not be so important anymore. Despite the changes in 2011, it was still few who applied for debt settlement and also few that met the requirements. Of the approximately 11 300 applications for debt restructuring in 2015, only slightly more than 5 000 people was granted debt relief.

An indebtedness investigation was launched and it found that there are many Swedes living in debt for a long time. They live under a tight financial situation and does not take themselves out of their debt. It was found that too many people stuck with significant debt year after year. Therefore, it was considered that there was a need for new rules for debt restructuring, making more people eligible to receive debt relief, and to those who were eligible to receive debt relief but not sought, to think it makes sense to apply for and undergo debt restructuring.

November 1, 2016 a new debt relief act will come into force (Skuld-saneringslag/Debt Relief Act, 2016:675). The change in the new debt



relief act means that more debtors will have the opportunity to apply for and undergo debt relief.



Many people live with debts that they have no potential to ever be able to repay. If more people could have their debts relieved, it would mean a relief not only for the indebted and their families, but also for the creditors and the community at large. The new debt relief act will offer more everlasting debtors a chance to start again without an onerous debt burden.

The changes include:

- A simplified application form. It is no longer necessary for the person applying for debt relief to specify his debts on the basis of capital, fees and accrued interest. It is enough that the person enter the debtors he knows, and appreciate the amount of the debt.
- It will be possible to apply for debt relief through an online service. A more individual and nuanced requirement of excessive debt will come into force. The Enforcement Authority mediate payments and distributes the money to the creditors once a year.
- It will also go faster than today to get through the debt relief process. The instalment plan will start already at the first initiation decision. Today the instalment plan starts when a final decision is taken.
- An instalment plan for five years will still be the main principle but two months every year, June and December, will be payment-free. If you have good reasons you can get a shorter



instalment plan. The conditions for receiving debt a second time lightens up.

- You no longer need to be resident in Sweden in order to get the debt settlement, but you should have your main interests here.

The idea behind the changes is to make it possible for more people to search for and cope with a debt settlement.

Debt relief for entrepreneurs (mainly sole traders)

The Government also sets up a new law on debt relief for entrepreneurs. Through this, a special form of debt relief for entrepreneurs will be offered over-indebted persons who are or have been engaged in a business driven in a defensible and sincere manner. The new law aims to improve the conditions of doing business in Sweden and to foster the growth-promoting entrepreneur-exclusion. This new law will also come into force on November 1, 2016.

Swedish entrepreneurs have had little opportunity to be granted debt relief, and it is, in an international comparison, difficult for Swedish entrepreneurs to get relief from their firm-related debts. In order to reduce the risks associated with corporate responsibility a special form of debt relief for entrepreneurs will come into force. That will provide over-indebted entrepreneurs an opportunity for a second chance to approach the conditions of doing business in Sweden with those of the rest of Europe as well fill a gap in the Swedish insolvency law. Such a change has a great symbolic value that can be assumed to favor the growth-promoting entrepreneurship.

This law will mainly be available to the debtors with a debt burden that mainly arose in a business that has been disposed of in a bankruptcy or otherwise. Even before-takers who runs a viable business activity shall under certain circumstances be granted debt restructuring, as well as related to the business owners that have become over-indebted through its involvement in the spouse, cohabiting partner, parents or children's business.

The new debt settlement form should include only the serious entrepreneurs. The entrepreneur must have been running the business activity in a defensible and sincere way for the entrepreneur or closely related to them will be eligible for this form of debt relief.

Much is the same as for conventional debt relief, but the length of the instalment plan for entrepreneurs will be only three years, which is in line with the European Commission who recently adopted a recommendation on the area. But there will not be any payment-free months. The shorter payment period for entrepreneurs is justified because the risks for entrepreneurs must be reduced. But it is also reasonable as an entrepreneur to become debt sanitized must be able to pay at least 5 000 SEK per quarter to its creditors while ordinary debt-remediation debtors can pay a very low rate or even be completely exempt from payment.

Debt relief for entrepreneurs is a new law and a brief, one can say that it is an opportunity to start over again for serious entrepreneurs.

Facts

Nearly 430 000 Swedes have liabilities in the records of the Swedish Enforcement Authority. 95 000 of them have been in debt in the



Enforcement records since 1992. The reasons why many have not applied for debt relief are that it has been a complicated application procedure which deterred and that the requirements for granting debt relief has been very hard. It has also been difficult if you had many different creditors to pay to each month.

Budget and debt counselling

All 290 municipalities in Sweden should have Budget and debt counselling. Municipalities plan their services differently in terms of both structure and scope. The number of municipalities that offer less than one working day (8 hours) per week has fallen to 56 (2015: 67 municipalities). A total of 35 municipalities devote four hours or less per week to the service. A total of 80 municipalities devote 40 hours a week or more. Three municipalities reported no budget and debt advisory service.

The municipalities with the support of the Swedish Consumer Agency (Chapter 5, § 12 Social Services Act) are the bearer of debt advice.

Approximately 360 municipal employees provide budget and debt advice. Many of them work part-time. Total working hours represent 240 annual full-time equivalent employees. That is the highest figure since the services were first analyzed by the Swedish Consumer Agency in 2009.

When the Swedish Consumer Agency in 2015 conducted the in-depth survey and analysis of the budget and debt counseling in Sweden where their educational background mapped. (Rapport 2016:5 Kommunernas budget- och skuldrådgivning, <http://publikationer.konsumentverket.se/sv/publikationer/rapporter/rapport-2016-5.html>, there is a summary in English.)

Interviewed budget and debt advisers had different educational backgrounds, for example, a social worker, lawyer, teacher, social scientist or economist. 62% had university studies for three years or more as their highest completed education. But there were examples of people with secondary education as their highest level of education.



Budget- and debt advice in Sweden 2015

More than half of them had worked as budget and debt advisor for six years or more, four out of ten had been active in the profession eleven years or more.

In the Debt Relief Act, it is stated that access to qualified municipal budget counselling is a necessary precondition for the operation of the debt relief system. Great demands are placed on the competence of budget and debt counsellors. Extensive knowledge of social sciences, substantial knowledge of law and economics, together with the capacity to deal with people in crisis, are required. According to the act the Swedish Consumer Agency shall support local centers for example by training staff, and keeps them continually updated, answers their questions and gives them advice

The Swedish Consumer Agency is the public authority entrusted with protecting the interests of the consumer. The aim of the Swedish Consumer Agency is to provide households with good opportunities to utilize their financial and other resources efficiently. The Consumer Agency arranges, among other things, continuous courses and training specially orientated towards the municipal budget and debt relief counsellors, and has furthermore developed an extensive computer system (Boss) for budget and debt counselling.

There are no statistics on how many people have debts in the records of the debt collection companies.



Number of cases and waiting and processing time

We have no exact figure, but we know that about 18 000 new cases of the budget and debt counselling were registered in the municipalities in 2015. The figure is taken from the case management system, Boss which the Swedish Consumer Agency provides. The majority of budget and debt advisor registering their cases in this system, but there are a small number of cases that is not registered here, how many we do not know.

The processing time, according to the cases that are registered in the Boss system is 46 weeks. I.e. processing time between the date when the case is opened and the date when the case was closed.

The waiting time for an initial personal appointment ranges from an immediate response to 36 weeks (52 weeks last year). A total of 9 municipalities had waiting times of 20 weeks or longer. 82 percent of the municipalities satisfy the Consumer Agency's recommendation that waiting times not exceed four weeks.

The number of inhabitants in Swedish municipalities varies from just over 2,400 to approximately 923 500. We calculated the annual allocation of advisory services per inhabitant in order to compare municipalities with each other. Inhabitants with access to budget and debt advice are offered 3.0 minutes per year on average. 2014 year's figure was higher (3.3 minutes). 19 of the 240 annual full-time equivalent employees are devoted to preventive interventions. A total of 101 municipalities do not have any kind of preventive effort.

As has previously been the case, most time is devoted to advice and debt relief. The proportion of time devoted to debt relief rose to 41 percent this year. According to the Enforcement Authority, the number of debt relief applications increased by 12 percent in 2015. A budget and debt advisor was involved in eight out of every ten applications.

Aims of debt advice

Budget and debt counseling in the municipalities shall, through various forms of financial advice help to prevent debt problems and help indebted individuals to find a solution of their situation, for example, through debt restructuring or a voluntary agreement with the creditors.

Factors of over-indebtedness

According to the Swedish investigation Over-indebtedness in the credit society?(SOU 2013:78) can changing conditions such as divorce, illness or unemployment have a big impact on a household or an individual's financial situation. An economy that had previously been sustainable can be quickly changed to the opposite. A loan that was previously manageable, can for a changed economic situation, leading to unpaid bills and debt problems. Particularly vulnerable are households that already have small margins.

Other examples cited in the investigation:

- Credit cards are often a debt trap that makes it possible for individuals to for a long time to live beyond their means.
- The former trader who has had sole proprietorship, which means that personal finances confused with business economics.



The Swedish Enforcement Authority has identified six important factors that affect your everyday financial situation: attitude to money, knowledge, buffer, health, labor and capital and social networks. They have chosen to call them counter-forces. Together, the counter-forces laid a solid foundation to build on their personal finances. When unemployment, illness, divorce, death or other life event occurs, the strength in these six areas help you to continue to keep the living economy in balance.

The future and now

We need more tools to help indebted at an early stage so that they do not become perpetual debtors with debt decontamination as the only resort. For example, need of redevelopment bonds, to get people to come to the budget- and debt adviser in the early stages of debt.

The Swedish government has given the Swedish Consumer Agency commissioned, after consultation with the Agency for Health Care, the Enforcement Authority, National Board of Health and other stakeholders, to develop and provide recommendations for the municipal budget and debt advice and monitor how they are used. The recommendations should be available by 31 December 2016.

Reasons for the Government's decision, budget and debt counselling is a mandatory activity for the municipalities. Budget and debt advisors in the municipalities shall, through various forms of financial advice to help prevent debt problems and help indebted people find solution to their situation. The latter can include e.g. involve actively contribute to a debt settlement. Budget and debt counselors can also be helpful when it comes to trying to reach voluntary agreements with creditors.

In a detailed study of the budget and debt advisers operations, which the government has given the Swedish Consumer Agency to carry out (With anticipation growing debt, 2015: 8), confirmed earlier reports that the extent and quality of budget and debt counseling vary, as the business is relatively unknown. The Government believes that recommendations for budget and debt counseling may be of value in connection with the development and monitoring of budget and debt counseling activities in the municipalities.

The Swedish Consumer Agency has also been instructed by the Swedish Government to promote a deepening collaboration towards indebtedness. The Swedish Consumer Agency, in cooperation with the Swedish Enforcement Authority and the Swedish Financial Supervisory Authority promote a closer collaboration with community stakeholders based on their areas of operation is expected to help to people who have or risk having problems with debt can get help to sort out their financial situation. Background to the mission is to over-indebtedness leads to substantial problems for the individual and their family, but also for society. The government has presented a strategy to combat over-indebtedness (2015/16: 1) which, inter alia, seeks to prevent individuals having problems with debt and that they are experiencing problems with debt offered to active and effective support. The earlier a problematic financial situation can be managed, the better it is for both the individual and for society.

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Debt advice in Denmark



by:
Stefanie de Wolff Olson



1. Foundation of debt advice in Denmark

Since 2008 it has been possible for the Danish marginalised citizens to receive debt counselling, as well as an opportunity to take charge of their economy.

2. Number of debt advice agencies 2015 in Denmark

In 2015 there were 11 debt counselling organisations. This number was reduced by 1 in the beginning of 2016 for a trial of 2 years, due to new recourses assigned for this area. After this trial period, will there be a political decision on whether to continue this or not.

3. Bearer of debt advice/ Funding of debt advice

Debt counselling is primary financed by the Ministry of Social Affairs, the Ministry of Employment and the Interior Ministry. However, there are a few debt counselling organisations, such as Den Sociale Retshjælps Fond, who receive means from private funds,

which can be applied to minor local project, wherein debt counselling is evident.

4. Average number of staff per debt advice agency

Since there are 11 debt counselling organisations, wherein part-time employees, volunteers and full-time employees are engaged, it is difficult to give the exact number of staff.

The employees of the debt counselling organisations are primary voluntary work. This means that every debt counselling organisation have between 3-11 full-time employees, and 2-15 volunteers.

5. Professional qualification of staff members

The professional qualifications of the employees are fluctuating. However, the typical profession will be students within Law, Social Manager and economy educations (accountants and economists). At this point of time the state does not require any specific qualification for the debt advisors.

6. Number of over-indebted persons 2015 in Denmark

The number of over-indebted persons was in 2014 on almost 17.3 billion DKK, the numbers from 2015 shows that the Danish debt has decreased to 16.5 billion DKK. However, it is not possible to give an exact number of how many people are over-indebted, but according to Ribers Kredit Institut (RKI) are 5.1 % of the population over-indebted.

7. Approximately number of clients of debt advice 2015

Unfortunately it is not possible to provide the exact number of clients, due to lack of time and missing client statistics from the other debt counselling organisations.

8. Average duration of debt advice per client

Given that there are no common guidelines within debt counselling, as well as a large difference in what the debt counselling organisations offer, it is not possible to provide an actual number of this. Den



Sociale Retshjælps Fond have divided our debt counselling into 3 steps, where 1 is the lowest with approximate duration of 1-2 hours, step 2 is around 10-25 hours, and the 3 step is 25-100 hours.

9. Aims of debt advice

According to the state, the purpose is to support project of voluntary debt counselling on the social area, and hereby assisting in reducing marginalising through voluntary debt counselling. This should also make free counselling of debt and private economy relations possible.

10. Factors of over-indebtedness

It varies a lot. Of course has the financial crisis entailed several of debt issues, but factors such as divorce, personal crisis, unemployment and the use of quick-loans also meant that people easier end up with debt.

11. Results of debt advice /evaluation activities

The expectations are that there is created a permanent foundation for the voluntary debt counselling organisations. Hereby, we can continue our present and necessary work with fight against over-indebtedness, since the voluntary debt counselling organisations exist on an unsteady foundation.

12. Factors which are in favour for the success of debt advice

Qualified debt counselling! The debt advisors' profession are as mentioned before. The debt advisors are going to an internal educational course at Den Sociale Retshjælps Fond. This is done in order for

them to know the working processes, which will ensure a uniform counselling.

13. Things which have to be done in the future

The expectation is that debt counselling need to be on the Finance Bill by 2018, whereas the rest must be to work for common guidelines, codes of conduct et cetera.

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Debt advice at the Money Advice Service



Introduction

The Money Advice Service (MAS) took over responsibility from BIS for managing publicly funded debt advice in April 2012 following an earlier report by the NAO that highlighted the complexities of the landscape and the potential value of a greater focus on channel management and performance monitoring in publicly-funded advice.



In 2012 we were also given responsibilities under statute to improve the availability, quality and consistency of debt advice across the UK. Since then we have built programmes of work in each country of the UK and increased the number of people helped by our funding from 100,000 to 425,000; a 325% increase in people helped with only a 42% increase in funding.

In addition to commissioning and managing our own services our remit extends to coordinating and influencing the sector, leading work with partners to improve standards and develop good practice. These two roles complement each other and are mutually reinforcing.

Our current approach

1. Currently, the MAS debt advice remit is focused on sector-wide continuous improvement identifying and filling gaps in commissioning, coordination and insight that are outside the focus or capacity of other organisations. We are hard-wired to work in collaboration with the whole sector to ensure that our work adds value and avoids duplication.
2. Our statutory objectives include working with other organisations which provide debt advice services, with a view to improving:
 - the availability to the public of those services;
 - the quality of the services provided;
 - consistency in the services available, in the way in which they are provided and in the advice given
3. Objectives on improving quality and consistency enable us to challenge working practices in order to enhance client outcomes and ensure that people accessing debt advice receive the same



standard of advice independent of their geographical location or channel choice.

4. When MAS took over responsibility for debt advice coordination a conscious decision was made to work in a way that strengthened and built on what was best about the existing sector and gap fill rather than duplicate delivery and interventions. This process identified what works and enabled the driving of improvements to improve client outcomes. From that base we have been able to:
 - Significantly increase the number of people being helped through our funding
 - Make strong progress towards closing the gap between the need for and supply of debt advice
 - Pilot and fund innovative delivery methods
 - Greatly increase channel shift
 - Improve efficiency by reducing the unit cost per client while maintaining quality
 - Improve collaboration amongst major players in the advice sector
 - Improve the structure and content of sector wide quality standards, training and qualifications
 - Set out a consistent level of quality of advice and introduce continuous improvement
 - Introduce a consistent mechanism to evaluate the impact of debt advice

- Develop and share a deeper understanding of over-indebted people and their attitudes and behaviours
- Map out annually the need for and supply of debt advice
- Identify in detail and prioritise the barriers to people seeking advice
- Design and fund engagement pilots to increase the number of people seeking debt advice
- Assess and benchmark the main advice delivery organisations in terms of client outcomes

Improving availability

5. Our grant funding accounts for approximately half of all funding for face-to-face advice across the UK, and so our commissioning model has a significant and direct impact on advice services. MAS has reduced unit costs per client each year since it took over responsibility for commissioning face-to-face debt advice sessions and now provides funding to more than 300 advice agencies across the UK. Advice agencies were initially sceptical about their ability to increase reach and help more people but an independent evaluation of the projects noted significant support from advisers and managers for the changes we had made but more importantly confirmed that positive outcomes were being delivered for clients.

Funding and Clients Helped in England and Wales

Year ending	Funding level	Total clients	F2F	Phone & digital	Cost per client
Mar-12	£27m	100,000	95%	5%	£270
Mar-13	£26.75m	158,000	93%	7%	£169
Mar-14	£27.55m	162,500	91%	9%	£169
Mar-15	£30.36m	219,700	57%	43%	£135
Mar-16	£34.6m	352,188	57%	43%	£98

6. The reduction in cost per client, whilst broadening debt advice to reach more people, has been largely down to the evidence-based intelligent commissioning model we have developed. To inform our commissioning work we monitor levels of over-indebtedness and map this against the supply of advice services on an annual basis to ensure that the funding is targeted to the gaps in both areas and channels of greatest need. Sharing this data with providers improves buy in and has meant that refocusing adviser resources has been easier to achieve.

Improving quality

7. The Quality Framework at MAS at both individual and organisational level has been designed in collaboration with the sector to ensure that it is fit for purpose and complements rather than





duplicates other initiatives and reviews. For example, MAS has ongoing dialogue with the FCA Supervision team to ensure alignment with FCA rules and works with the owners of existing quality standards and membership codes. The voluntary framework can be used across the advice sector and is focused on:

- Improving quality standards and membership codes
 - Improving adviser training and qualifications
 - Improving the quality of advice
 - Providing a consistent measure of client outcomes
8. Standards and Membership Codes. Advice organisations work to a number of different quality standards and membership codes that set out and audit against a number of requirements. The MAS Framework was designed to work with the owners of these standards and codes, to ensure that they were enhanced against a consistent set of requirements, that ensures that the organisation is well governed, its staff are trained and qualified appropriately, and it is focused on meeting client needs.
9. As the Framework accredits existing quality standards there is a limited additional burden on advice agencies with any changes required coming through the regular audit process that is a condition of our accreditation. For example, the Advice Quality Standard (AQS), which, is used by StepChange, is one that has been accredited to our Framework. 670 debt advice delivery organisations now use a MAS accredited code.
10. Adviser Training and Qualifications. In the same way, the Framework has set out specific learning outcomes required from existing training and qualifications used across the sector,
- together with an appropriate accreditation process. 33 learning pathways based on training and qualifications already offered in the sector have now been accredited.
11. Quality of Advice. In September 2015 we introduced a Peer Review Scheme. The key aim of this is to assess whether the advice provided is accurate and timely for clients based on their need and circumstances. In the first six months, the scheme has provided independent case review for 65 advice organisations and a full plan is in place to roll this out further. Each organisation receives details of the assessment and commits to develop and implement an action plan to address the findings of their review.
12. Measuring Outcomes. Based on detailed research with over-indebted people MAS and Bristol University developed a single tool, the Evaluation Framework for assessing the impact of debt advice against 15 client outcomes. We know from using this evaluation we can identify and improve the numbers of clients who:
- agree some form of action following advice
 - agree actions then go on to complete these actions
 - feel that they are in control of their financial situation following advice
 - have reduced their debts following advice
 - show marked emotional wellbeing improvements (stress, sleep quality etc.)
13. This tool is available for use right across the sector, and not just for the organisations we fund. In the last financial year alone this tool was downloaded 145 times, and we know there are a



number of organisations including the Scottish Government as well those we do not have any funding relationship with who are using this to evaluate their services.

14. We are aiming to expand the number of organisations using the Framework to support the whole sector achieve the best client outcomes using definitions that are consistently understood across all organisations.

Improving Consistency

15. Our focus is on achieving consistent high outcomes for clients from advice. To influence and improve consistency we have co-designed (developed through working groups) several initiatives which are extensively used across the sector. These include:

- an agreed 'Common First Point of Entry to advice' process that developed into the Common Initial Assessment
- an Evaluation Framework to assess impact
- a Quality Framework (as described above)

16. We are currently working towards the Standard Financial Statement. This is a single measure for income and expenditure that is central to providing consistent debt advice, and is the first to incorporate a practical savings element. This has been developed collaboratively through extensive formal and informal consultation to ensure we create the best and most useful tool for the sector.

17. These improvements involve careful management of competing sets of vested interests and so our independent role – with a clear focus on client need – has proved extremely valuable in enabling progress to be made.

18. The impact of our work extends beyond the services we fund and our research and insight enables us to drive the debt advice agenda forward with the sector engaged:

- 670 different debt advice organisations work to our quality framework;
- a significant number of organisations use our evaluation framework;
- an agreed common first point of entry process that incorporates our advice channel identification questions is used in all Citizens Advice Bureaux; and
- advisers across the sector have access to consistent accredited training and qualifications.

Research

19. The research programme at MAS is an important element in ensuring our work meets the statutory objectives. We consult on and share our plan, and commit to publishing all findings in the Evidence Hub. Our work is prioritised on identifying gaps in provision and measuring effectiveness of projects (in line with HM Treasury's thinking), but also includes:

- The need for research that directly involves over-indebted people the targeted population whom we, as a sector, seek to help.
 - The root causes of problem debt that are more complex than low household income, financial capability and life events, and includes the impacts of mental health, embarrassment, and the stigma of debt issues.
 - Active piloting of innovative methods of delivery and engagement, and sharing the learning with the sector
 - Identifying the macro and socio economic drivers of levels of over-indebtedness.
20. It is not always possible for individual organisations, particularly smaller advice providers, to test new ways of working and we believe an independent body working across the sector should be in a position where it provides insight and resources to help shape innovative projects as well as evaluating initiatives.
 21. At MAS we have produced research to better understand the over-indebted population . We took this research further to understand differences within segmented populations of over-indebted people, and explored those who sought debt advice, and those who had not. We know that dealing with the many causes of problem debt is difficult, however, and further research is required on the interrelated causes of debt, to build on our existing evidence base.

Our plans for the future

22. Our plans for the future can be summarised as follows:

- Bridge the gap between those people actively seeking face-to-face debt advice and supply within 2 years.
- Double the total number of people seeking advice within five years while ensuring sufficient high-quality services are available across all channels of need.
- Refine our commissioning approach in light of emerging evidence from exploratory engagement projects in Scotland and Northern Ireland.
- Build strategic partnerships with a wider group of commissioners in order to amplify the delivery of our statutory objectives across the sector.
- Conduct research into the benefits of debt advice and disseminate it widely to encourage wider funding from non-conventional sources such as GP commissioning groups.
- Work with regulatory, creditor and advice sector partners to shape the design of new solutions to enable clients to reach sustainable outcomes to their debt advice problems.
- Comprehensively integrate financial capability based on evidence of the most effective ways of working.

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Debt advice in Ireland



by:
Stuart Stamp

1. Foundation of debt advice in Ireland

1992 (MABS)

2. Number of debt advice agencies 2015 in Ireland

State-funded: MABS - 53 Money Advice and Budgeting Services operating from over 60 offices nationwide, plus a National Helpline. Note, there are also some civil society groups providing mortgage and related insolvency advice (Irish Mortgage Holders Association-IMHO-, New Beginning etc), private debt management companies, and a recent creditor-funded initiative (StepChange Debt Charity).

3. Bearer of debt advice/ Funding of debt advice

The Government funds MABS out of general taxation - funding is channeled to the various independent MABS Companies from the Department of Social Protection via a statutory body (the Citizens Information Board). The IMHO and StepChange each receive funding directly from credit institutions, principally banks.

4. Average number of staff per debt advice agency

This can vary somewhat, but on average there is 1 co-ordinator, plus 2-3 Full-Time money advice posts (sometimes filled by way of part-time and job-share arrangements), plus an administrator. There are also specialist staff for the Helpline (and around 25 or so employed as (specialist) Dedicated Mortgage Advisers (DMA), who operate on a regional basis. There are also some 'resource money advisers', who support services in a given area or region where a particular need arises.

5. Professional qualification of staff members

All money advisers receive both induction and ongoing training which is provided and arranged by MABSndI (see below). By 2018, a majority of MABS money advisers will have completed the Advanced Diploma in Money Advice Practice (ADMAPP) accredited by Ulster University and run in conjunction with MABS National Development Ltd, the company which supports and trains MABS advisers. This is a blended (distance) learning 18 month (Level 7) program consisting of 7 discrete but related Modules (incorporating social policy, relevant law, housing, income maximisation, financial education and client support). Assessment for each Module is by way of Case-file, Assignment, Workbook and Reflective Journal. A total of 3 cohorts (c.60+ money advisers) have graduated to date, with a further 50 or so going through the program at present. When complete, 6 cohorts will have completed the qualification (the program is due to end in 2018).

6. Number of over-indebted persons 2015 in Ireland

Data not available, as no nationally agreed definition, "operational" measurement or dataset. Mortgage arrears data suggest this particular dimension of the problem to be reducing but deepening - Quarterly mortgage arrears data compiled by the Central Bank shows that as of June 2016, a total of 82,092 (11 per cent) of accounts were in arrears at end-Q2, a decline of 4.5 per cent rela-



tive to end-Q1 2016. (See:<https://www.centralbank.ie/polstats/stats/mortgagearrears/Pages/releases.aspx>)

7. Approximately number of clients of debt advice 2015

MABS: 19,990 https://www.mabs.ie/downloads/statistics/Mabs_National_Stats_Report_2015_Q4.pdf

8. Average duration of debt advice per client

On average, 20 hours from assessment to review stage (according to an internal review of MABS casework) .

9. Aims of debt advice

See MABS Service Level Agreement: https://www.mabs.ie/downloads/corporate/MABS_Service_Agreement_8pp_DL_web.pdf

See also MABS Customer Charter: https://www.mabs.ie/downloads/corporate/Customer_Charter.pdf

The following MABS mission statement perhaps best encapsulates these:

"To work towards the elimination of over-indebtedness through the provision of a free, confidential, independent community and rights based Money Advice and Budgeting Service, which identifies, supports, educates and empowers those experiencing or at risk of over- indebtedness, especially those on low income and to use the knowledge and experience gained to bring about policy change towards this end".

See also MABS CASEWORK MISSION STATEMENT

The prevention of homelessness, fuel disconnection, the loss of essential goods or services, and the loss of liberty whilst establishing or maintaining an acceptable or minimum standard of living and facilitating the client/s to clear their secondary debts at an affordable rate, within a reasonable period whilst ensuring access to justice and that a client's rights are upheld and encourage self reliance.



10. Factors of over-indebtedness

- Socio-economic or structural causes such as labour market failure or inequality of opportunity;
- Individual factors such as money mismanagement or over-borrowing;
- Institutional causes such as zealous marketing or irresponsible lending by credit providers;
- Debt triggers such as redundancy or ill-health.

There is strong evidence (and it is my conclusion) that socio-economic/structural factors are the key underlying ones in Ireland, the others tend to be more contributory or compounding.

Triggers at the level of the household are more likely to be external to it e.g. "life event or crisis" or "sudden reduction in income" (i.e. force majeure factors).

11. Results of debt advice /evaluation activities

Positive. According to myself (Stamp, 2011 -<https://www.cambridge.org/core/journals/social-policy-and-society/article/the-impact-of-debt-advice-as-a-response-to-financial-difficulties-in-ireland/819366>)



([EF09A8484841573D247A551C5E](https://www.cambridge.org/core/journals/social-policy-and-society/article/the-impact-of-debt-advice-as-a-response-to-financial-difficulties-in-ireland/819366)) there are both positive non-financial impacts (e.g. alleviation of pressure and stress, and associated enhanced wellbeing and peace of mind), and financial ones (e.g. resolution of crisis debt, understanding of money and its management), although it is noteworthy that these can lessen over time due to ongoing lack of resources relative to commitments); another evaluation (for Cork MABS-) has also found significant positives:https://www.mabs.ie/downloads/reports_submissions/CORK_MABS_RESEARCH_STUDY.pdf

12. Factors which are in favor for the success of debt advice

Professional, trained, publicly-funded (MABS) money advice staff with a time-tested set of solid principles (e.g. empathetic, non-judgmental and empowering) and processes (principally a recognised and credible money advice process which is rights-based, equitable and holistic).

13. Things which have to be done in the future

Unless and until we as a society fundamentally address income and recognition (class and status) inequality - and associated poverty and financial exclusion dimensions - measures to address over-indebtedness will probably tend more to ameliorate or alleviate rather than resolve or prevent.

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