



# Institute of Money Advisers Annual Conference & AGM 2017



Built to last: quality and sustainability in money advice



# The long-term impact of debt advice

*The project started in 2007...*

- Extended period of economic growth – and debt
- Growing interest in understanding the impact of debt advice, especially given increases in funding that had taken place
- Relatively few studies
- Large-scale study in the U.S. argued debt advice had only a marginal impact
- One piece of UK research suggested the impact of advice reduced over time





# The long-term impact of debt advice

## *The research...*

- Aim: to investigate the impact of debt advice and to do so over time – recognising debt as a long-term not snapshot experience
- 2007-2015
- Qualitative study
- 51 people – on low incomes – who had received advice
- Recruited via a variety of not-for-profit advice providers
- Participants re-interviewed annually





# The long-term impact of debt advice

## 3 Trajectories..

- Debt-free (but not risk-free)
- Managing over-indebtedness
- Living with intractable debt



# The long-term impact of debt advice

*Debt free...*

- Increased income
- Bankruptcy or one-off help e.g. an inheritance - 'resetting the clock'
- Only two participants who were debt-free had savings exceeding £1,000 - majority had none at all

Positive impact of debt advice





# The long-term impact of debt advice

*Managing over-indebtedness...*

Three key indicators

- Payment plans in place
- Largely cautious and capable in managing financial affairs – a ‘minding the pennies’ approach was common
- Having strong social networks, particularly family members who could provide support



Positive impact of advice



# The long-term impact of debt advice

## *Living with intractable debt...*

- Little possibility of ever becoming debt-free - at best, financial position was stable: at worst, debts were increasing
- Significant, long-term health problems
- Fundamental lack of money
- Advice: averting crises, making the experience of being in debt manageable
- People in this group were likely to have sought advice on several occasions and the value of simply having someone to talk to about problems was considerable



# The long-term impact of debt advice

# 4

*key points...*

- Debt advice had a helpful and on-going impact for a large majority of people
- The road to becoming debt-free is rarely smooth
- The importance of having someone to talk to
- Insufficient income: debt as a symptom of issues around low and often uncertain and insecure incomes – not the cause of problems



# The long-term impact of debt advice

## Implications – provision of debt advice

- Participants overall satisfied with the debt advice they received
- On-going impact on ability to manage finances – most participants able to act autonomously upon advice they had received
- Some participants clearly required more on-going, tailored support
- Importance of someone to talk to





# The long-term impact of debt advice

## *Implications – complex cases*

- It's not just monetary issues
- Health – physical and mental
- Family issues
- Alcohol/drug problems



Having someone to talk to is of great importance



# The long-term impact of debt advice

*Implications – assessing the impact of debt advice services*

- It's not a neat linear process
- Debt advice can have value even if it doesn't result in a person becoming debt-free
- Enabling people to manage their debt better
- Reducing wider impact debt has on physical and mental health, family and other circumstances





# The long-term impact of debt advice

## *Implications – creditors*

- The good
- The bad
- And the ?





# The long-term impact of debt advice

*Implications – debt and poverty*



- Assumption that people have sufficient income to live on and repay debts
- But that is not the case for many people
- Debt not as the cause of problems but a symptom of living on a very low income
- The provision of the very best debt advice and the most considerate of creditors cannot offer solutions in these cases



# The long-term impact of debt advice

*Some questions!*

- What is debt in the 21<sup>st</sup> century UK?
- What about intractable debt?
- Preventing problems before they arise:
  - Lending practices?
  - Recovery practices?
  - Financial education?

