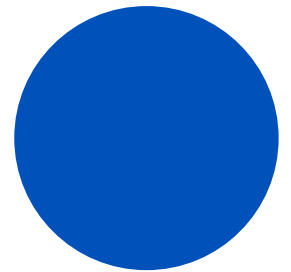
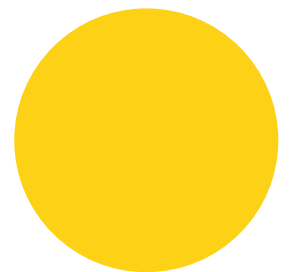
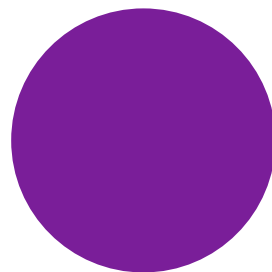
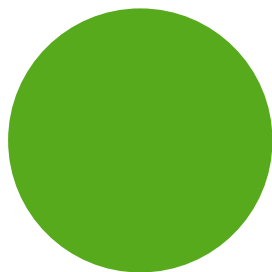
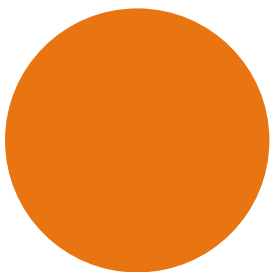
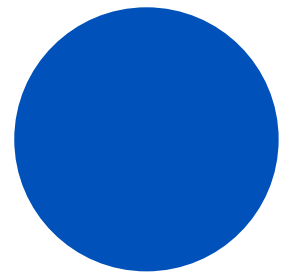
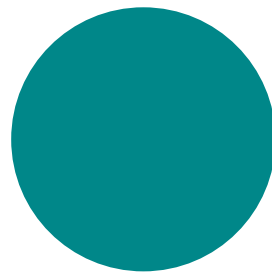
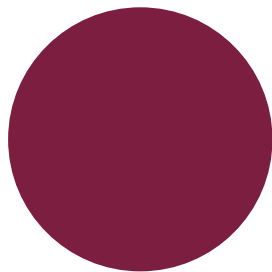
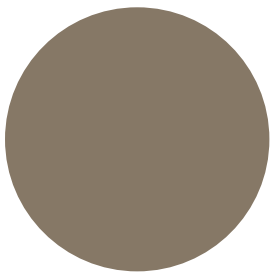
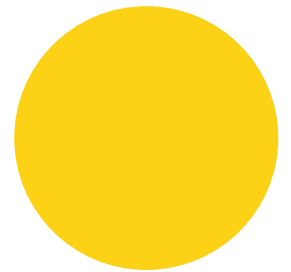
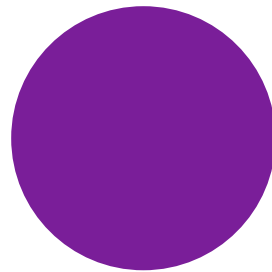
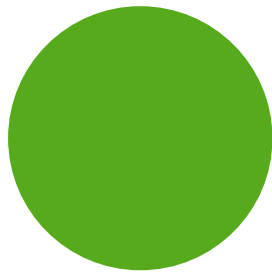
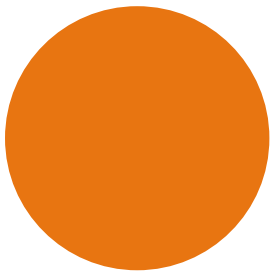


Debt Advice from Citizens Advice Bureaux in Oxfordshire



September 2010 V2.



1. Introduction

There are eight Citizens Advice Bureaux in Oxfordshire. The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination.

The service provides the advice people need for the problems they face and works to improve the policies and practices that affect people's lives.

The main areas of advice that bureaux provide are in debt, welfare benefits, housing and employment. Through a process of initial assessments and using skilled advisers, bureaux focus the level of their support in accordance with the client's need. This report highlights the work that is done nationally and in the county on debt advice.

During 2009/10, Oxfordshire bureaux dealt with more than 21,400 debt problems. Of those, 5,000 were for priority debts, such as mortgage and rent arrears, council tax arrears, 3,860 concerned credit cards, store cards and charge cards and 2,935 unsecured personal loans. Nearly 1000 issues related to Debt Relief Orders.

Bureaux give advice and information in a wide range of subjects. It is extremely rare for clients to have debt problems which aren't also affecting other areas of their lives. If left alone money worries can escalate into a range of problems, including health deterioration, homelessness and relationship breakdown.

Bureaux assist clients to prioritise their debts and make affordable offers to creditors, based on an assessment of their income and expenditure. As well as dealing with the debt, bureaux also work with schools and other groups on improving financial capability, to help people with the basics of budgeting and money management before problems occur.

Citizens Advice Bureaux are recognised by 95% of the population, and there are bureaux covering every district in Oxfordshire. Clients come from every ward and the bureaux work in a co-ordinated way to ensure that coverage is consistent. The bureaux are in the process of setting up a county wide telephone service which will allow residents from anywhere in the county to access the CAB service and then quickly get the advice they need.

All bureaux are members of Citizens Advice which monitors and safeguards quality. Bureaux are audited by Citizens Advice which provides them with the Quality Mark from the Legal Services Commission (LSC). Unlike other organisations who are only monitored by the LSC, the Citizens Advice audit includes assessment of the quality of advice.

Using thoroughly trained volunteers, bureaux provide clients with a range of services, tailored to their needs, from initial information through to ongoing and in depth casework and Debt Relief Orders.

2. Debt Advice

2.1. An Overview of Problem Debt

Total personal debt in the UK currently stands at £1.46 trillion. The average household debt in the UK is £8,920 (excluding mortgages). This figure increases to £18,583 if the average is based on the number of households who have some form of unsecured loan¹. However, not all debt is problem debt. Citizens Advice defines over-indebtedness as when people “are unable to pay their current credit repayments and other commitments without reducing other expenditures below normal minimum levels.”²

Keeping up with bills and other commitments is either a constant struggle or worse for nine per cent of the population³. Data from Citizens Advice Bureaux suggests the problem is growing. The number of clients that bureaux advise with debt issues is rising year-on-year. It increased by 13 per cent in 2009/10.

In 2009/10, 583,000 Citizens Advice Bureau clients sought advice on 2.4 million debt issues⁴. The most common issues presented concern credit cards, store cards and unsecured personal loans. Other issues that saw large rises were mortgage and secured loan arrears, fuel, water and telephone debts, rent arrears and overdraft problems.

The causes of over-indebtedness are most commonly an unforeseen change in circumstances (such as illness, redundancy or divorce) or unrealistic repayment expectations on the part of the creditor or the lender.^{5 & 7} Citizens Advice also cites the effects of changes in government legislation as a contributory factor.¹⁶

Debt problems rarely exist in isolation: many people face clusters of problems, of which debt may be the main or simply a component part. Over-indebtedness can be caused by, and contributes to, social exclusion, financial exclusion and poverty.¹⁸ Low-income groups are three times more likely than the general population to be in arrears with rent, council tax, utility bills or mortgage arrears⁶ and research suggests 35% of low-moderate income families are unable to meet repayments on at least one bill or credit commitment.⁷

The impacts of problem debt on the individual can be severe. In-depth research conducted by the Legal Services Research Centre suggests 89% of debt clients worried about their problems most or all of the time.

Key Statistics: CAB Debt Advice 2009/10

- ✓ 583,000 debt clients
- ✓ 2.4m debt problems presented
- ✓ The most common debt issues presented concern credit cards and unsecured personal loans.
- ✓ One in two CAB clients seeing a money advice worker recorded a positive outcome
- ✓ FIF: £73 million worth of client debt was written off and where benefits were claimed the average income gain per client was £2,400
- ✓ LSRC research clear evidence of a positive impact of debt advice, financial improvement greater when advice is given.

¹ Credit Action debt statistics, 2010. Available at <http://www.creditaction.org.uk/debt-statistics.html>

² *In Too Deep*, Citizens Advice, 2004. Available at: <http://www.citizensadvice.org.uk/in-too-deep.pdf>

³ Financial Capability in the UK: Establishing a Baseline, Financial Services Authority, 2006: http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf

⁴ Client and Advice Statistics: National Issues, Citizens Advice, 2010.

⁵ *Tackling Over-Indebtedness*, DTI (now BERR), 2005. <http://www.berr.gov.uk/files/file18547.pdf>

⁶ *Action on Debt*, Social Exclusion Unit, 2004. Available at: <http://archive.cabinetoffice.gov.uk/seu/downloaddoc1967.pdf?id=214>

⁷ *Fair, Clean and Competitive: The Consumer Credit Market in the 21st Century*, Department of Trade & Industry (now BERR), 2003. Available at: <http://www.berr.gov.uk/files/file23663.pdf>

Around 43% of clients felt their health had suffered to some extent, while around 60% said they had received treatment, medication or counselling as a result of their problems. Further, it was identified that problem debt can impact on an individual's relationships, employment, education and plans for the future.⁸

Problem debt also has a range of impacts beyond the individual. The Consumer Credit Market White Paper of 2003 concluded as follows: "The costs of over-indebtedness... [affect] financial institutions or creditors, and the State as a whole. Over-indebtedness, particularly among low-income groups, also has a significant negative impact on a number of existing Government initiatives – for example, on eliminating child poverty, welfare to work aims, health inequalities and neighbourhood renewal."⁹

2.2. How do individuals benefit from debt advice?

Detailed research on the impact of debt advice was published in 2007 by the Legal Services Research Centre, entitled *A Helping Hand: the Impact of Debt Advice on People's Lives*.²¹ The research "provided clear evidence of a positive impact of debt advice."

The research found that financial improvement is greater when advice is given than when no advice is given at all. 70% of clients felt they had made headway against their debt at a twelve-month follow up. 33% stated that they owed a lot less; in fact, a year after receiving advice, clients owed, on average, £7,585 less.¹⁰

Clients' financial situations were also found to have improved through better budgeting and improved negotiations with creditors. There was also evidence that advice improves people's understanding of their personal finances and, seemingly, helps them to better target 'priority' debts. At a twelve-month follow up, more than 50% of clients in the advice agency study (one of the four strands of research undertaken by the LSRC) believed that advice had helped them avoid or curtail legal action.

Individual benefits extend beyond purely financial gains. The research found that a year after receiving advice, 90% of clients reported improvements in their health; citing cases in which doctors have 'prescribed' debt advice in favour of medication (in the context of a proactive debt initiative), where this has been seen as a more effective route to addressing poor health brought about by debt.

The advice agency study also found that advice positively influenced clients' perception of their ability to cope and their outlook. 84% of clients reported feeling more in control of their finances following receipt of advice. The number worrying all or most of the time about their debts reduced from 89% at initial advice to 31% a year after receiving advice. A related outcome was that 70% of improvements in relationships were attributed to advice.

⁸ *A Helping Hand: the Impact of Debt Advice on People's Lives*. Legal Services Research Centre, 2007. Available at: <http://www.lsrc.org.uk/publications/Impact.pdf>

⁹ *Action on Debt*, Social Exclusion Unit, 2004: <http://archive.cabinetoffice.gov.uk/seu/downloaddoc1967.pdf?id=214>

¹⁰ The researchers note that this figure should be treated with caution

2.3. How do communities benefit from debt advice?

The average cost per debt problem to the public (including lost economic output) is estimated to be over £1,000, with more serious problems costing many times this amount.¹¹

The LSRC researchers arrived at the figure of £1,000 per debt by considering a variety of costs to communities, including the cost to Local Authorities of providing temporary accommodation to people who lose their homes; and the stress caused by 'difficult to solve' debt problems.

Health problems that result from problem debt cost not only the NHS but local businesses too, leading in some cases to "...absenteeism and loss of productivity for those in work."¹² The decline in productivity associated with over-indebtedness is conservatively estimated to be 30% of salary. The cost of its workers' financial problems to a company can be estimated by multiplying 30% of a workers' salary by the percentage of the workforce with such problems.¹³

The cost of funding debt advice is considerably less than the cost of dealing with problem debts, particularly in Oxfordshire, where the service is mainly provided by volunteers, rather than paid staff.

2.4. Contribution of debt advice to wider social policy and Central Government

Over-indebtedness presents a barrier to delivery of objectives across Government, from tackling child poverty and social exclusion, to reducing barriers to work, and encouraging appropriate saving and investment.¹⁴ Access to free face-to-face money advice is crucial to enable vulnerable consumers to deal with financial distress.¹⁵

Additionally a key success of Citizens Advice's social policy work in debt advice in 2009 was the introduction of a joint protocol with the Local Government Association (LGA) on best practice in collection and enforcement of council tax arrears¹⁶ⁱ.

¹¹ *A Helping Hand: the Impact of Debt Advice on People's Lives*. LSRC, 2007: www.lsrc.org.uk/publications/Impact.pdf

¹² *Action on Debt*, Social Exclusion Unit, 2004: <http://archive.cabinetoffice.gov.uk/seu/downloaddoc1967.pdf?id=214>

¹³ *Fair, Clean and Competitive: The Consumer Credit Market in the 21st Century*, Department of Trade & Industry (now BERR), 2003.

Available at: <http://www.berr.gov.uk/files/file23663.pdf>

¹⁴ *Over Indebtedness*, Department for Business Enterprise and Regulatory Reform, 2006. Available at:

<http://www.dti.gov.uk/consumers/consumer-finance/over-indebtedness/index.html>

¹⁵ *Financial Inclusion: The Way Forward*, HM Treasury, 2007 www.hm-treasury.gov.uk/media/7/B/financial_inclusion030407.pdf

¹⁶ Citizens Advice Social Policy Impacts Report, 2009 www.citizensadvice.org.uk/index/publications/impact_social_policy.htm

3. Oxfordshire Citizens Advice Bureaux and debt clients

3.1. General debt work

35 full time equivalent volunteers deliver generalist advice, including debt, to Oxfordshire clients. Banbury CAB also has an LSC-funded debt specialist located in the principal bureau office. There are also 35 paid advisers and caseworkers in the county (18 FTE). Six of the bureaux provide debt advice to the tenants of housing associations, helping them to keep on paying their rent and avoid homelessness.

During 2009/10, Oxfordshire bureaux dealt with more than 21,400 debt problems. Of those, 5,000 were for priority debts, such as mortgage and rent arrears, council tax arrears, 3,860 concerned credit cards, store cards and charge cards and 2,935 unsecured personal loans. Nearly 1000 issues related to Debt Relief Orders.

The bureaux are actively involved in local social policy. Through this process, the experiences of clients can be used to influence local and national policy and practice. Issues reported on include irresponsible lending by banks, payment protection insurance and the activity of bailiffs.

3.2. Outcomes for clients

West Oxfordshire CAB collect information on financial gains for their clients, this includes debts written off and benefits gained. Last year £1,787,240 was gained for clients.

Oxford CAB carried out a survey of its debt clients in 2009/10, although representing a small sample of their clients, of the respondents: 66% said their confidence was better or much better; 60% reported that their peace of mind was better or much better; 48% felt that their physical health and comfort was improved; and nearly 50% of clients were in a better or much better financial situation.

The level of debt that Oxford CAB is helping clients to manage is over £6million.

3.3 Case study

Mrs X was in receipt of Pension credit and attended the bureau as she was finding it difficult to maintain payments for several loans. She had been targeted by double glazing salespeople over an 18 month period. They used pressurised selling techniques remaining in her house for up to 8 hours and only leaving once she placed an order backed by a loan. During this time she obtained 5 separate loans for home improvements. Mrs X had been miss-sold Payment Protection Insurance on two of the loans as she wasn't eligible, and the value of her home and her income had been inflated. The double glazing company had gone into receivership. After contacting the loan company her Payment Protection Insurance premiums were returned and we persevered with a claim of undue influence and obtained an admission that the salespeople had ignored the safety protocols attached to the loan applications. The remainder of the debt was written off and Mrs X received a full refund of all the payments she had made over the years.



3.4. Financial capability

In addition to one to one debt advice, most of the bureaux also implement programmes of financial capability outreach work. The county wide Financial Capability project has 16 volunteers delivering money skills training. They are currently working with groups ranging from school leavers, social housing tenants, military personnel, older people and credit unions. They also work with front line workers at organisations such as Mind, Headway and the Probation Service.

The main objectives of the project are to practically address the importance of preventative action within the context of debt work. People are given the money skills, confidence and knowledge to make good and effective financial decisions which will steer them away from becoming consumed by debt and in need of more direct intervention and complex money advice.

3.5. The future

As the effects of the economic downturn continue to be felt, there is an ongoing and high level of need for debt advice in the County. During the past year, West Oxfordshire CAB, for example, saw an increase in debt advice of 48%. The impact of further public sector cuts, is likely to continue to have an impact on the demand for debt and other advice over the coming years.

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