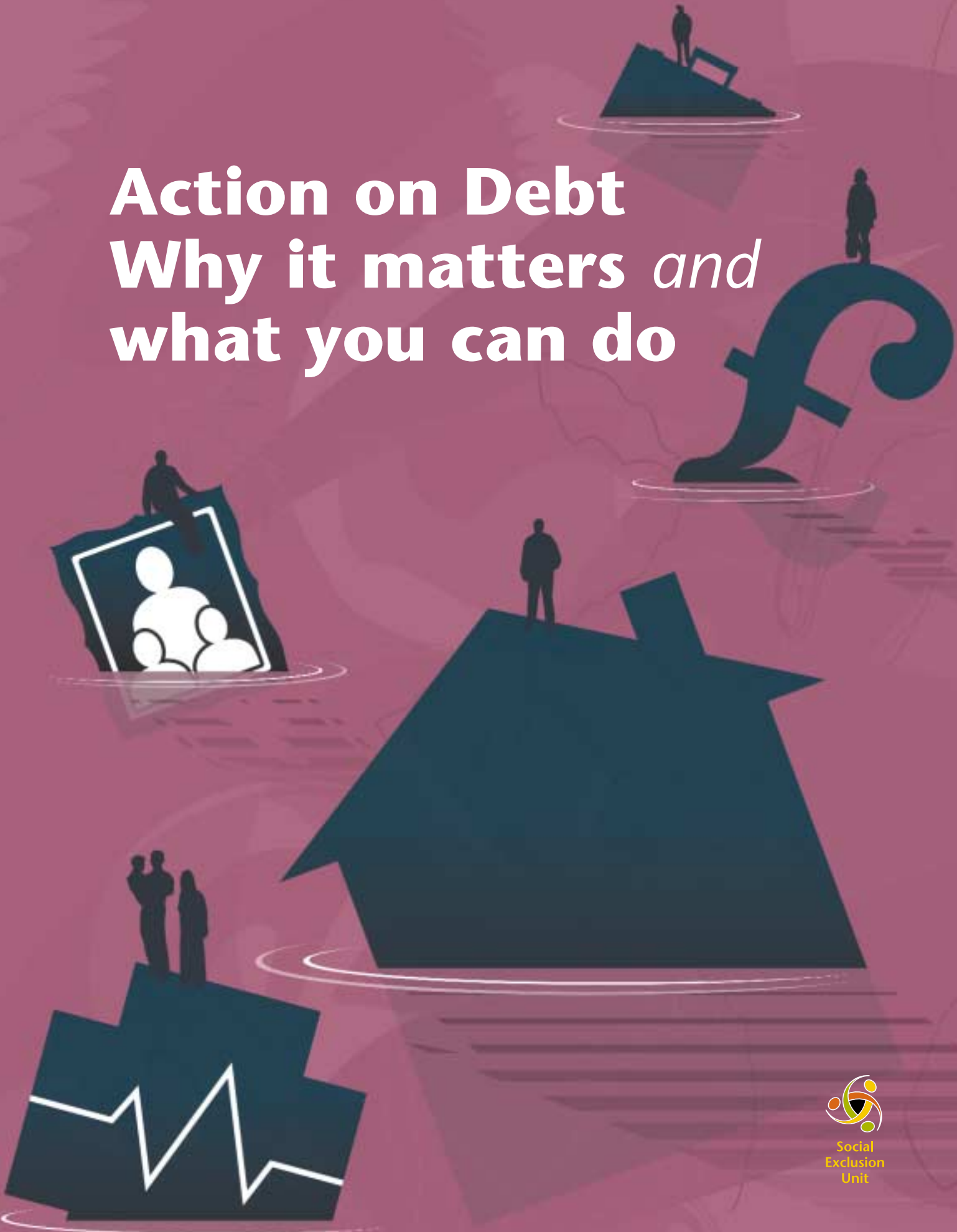




Office of the
Deputy Prime Minister

Creating sustainable communities

Action on Debt Why it matters *and* what you can do



Debt is often in the news. But did you know that:

- More than half the households with serious debt problems are in the very lowest income group – less than £7,500 a year?
- Their debt can stop you meeting your objectives?
- There are positive things that you can do about it?

This pack is a short guide on what organisations can do, both together and individually. It is aimed at managers and decision-makers in several sectors, including health, employment, neighbourhood renewal, justice, children, housing and business.

Drawing on examples of good practice, it gives key tips for action including:

- Find out how debt affects the people you work with
- Link up with others who are interested in debt to make sure your efforts – and your money – go further
- Support and link up with services that prevent and solve debt problems – like independent advice, financial skills training and sources of affordable credit
- Make sure you are not making debt problems worse through your own procedures

Action on Debt

Why it matters *and*

What you can do

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Office of the
Deputy Prime Minister

Creating sustainable communities

Action on Debt

An introduction



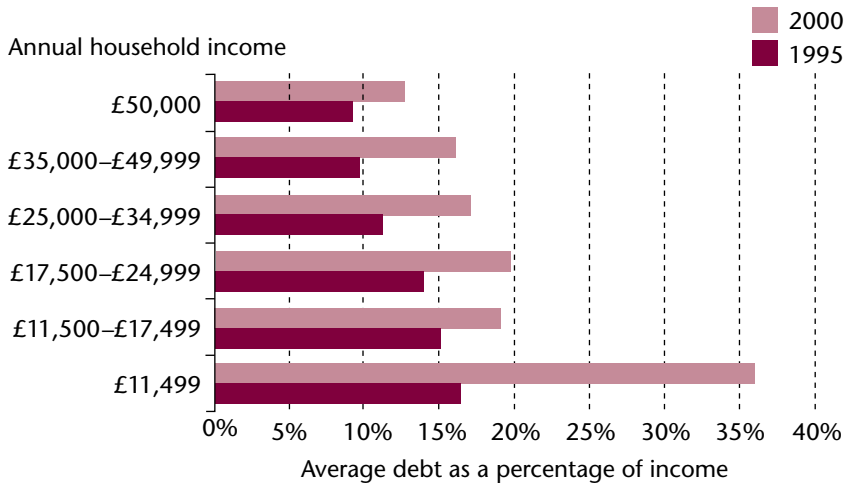
Social
Exclusion
Unit

ACTION ON DEBT

Debt is increasing, particularly for low-income groups. The graph below shows how the burden of debt is spread.

Unsecured debt as a percentage of income

The burden of debt on low-income families has increased.



Source: *Local Authority housing rent income*, Audit Commission, 2003¹

While for many people borrowing is a useful way of managing their money, for others it is an expensive necessity with sometimes damaging consequences. A life change can trigger serious debt for someone who is already struggling to make ends meet, sometimes forcing them to take out loans that can result in unsustainable repayments and real hardship.

Action on Debt highlights the damaging impact that serious debt can have not only on individuals, but on communities and on the public and business sectors. It gives practical guidance on how organisations should tackle the problem.

WHAT IS PROBLEM DEBT?

Debt is a problem when people can't repay what they owe or when doing so causes them real hardship. The Financial Services Authority has found that 6.1 million families reported some difficulties meeting their debt repayments.² Low-income groups are hit harder than any other:

- More than half of all households with serious debt have incomes of less than £7,500 a year.³ They are unlikely to have savings to cushion them through a loss of income or unexpected expenses.
- Low-income groups are three times more likely than the general population to be in arrears with rent, council tax, utility bills or mortgage arrears.⁴
- People can experience hardship when debt repayments eat up money they need for essentials like fuel, food and rent.
- Problem debt results in stress, poor health and family breakdown, and undermines efforts to reduce child poverty, health inequalities, unemployment, neighbourhood decline and homelessness.

People's experiences of living on low-income and with debt can be striking:

*"It was hard keeping out of debt, short-term you manage, the long-term was harder especially when the kids need school uniforms, money for school trips, washing machine breaks down, for Christmas."*⁵

*"My sacrifice was warmth. I have kept my family warm by burning anything we could, I even burnt kids clothes that didn't fit them any more, bits of wood, etc,... I never had heating on during the day until the kids came home. Sometimes it was so cold the kitchen sink and the toilet would freeze overnight."*⁶

*"I cook a meal and as long as there's plenty for them, I make do with a piece of toast."*⁷

WHAT CAUSES DEBT?

People on low incomes are already living on a very tight budget. They generally have very good money management skills but life events – such as losing a job, illness, separation or having a baby – can tip them into problem debt.

Taking out a loan can be a helpful way out – it's only when the terms are unsuitable or the repayment is really high that troubles start. Faced with a scarcity of loan products that are affordable *and* appropriate – or unaware of options such as credit unions or community banks – some people take out very expensive credit. It's a decision which can affect their lives for years to come, sometimes resulting in even deeper debt and more stress.

Doorstep lenders are successful because they meet a need among low-income groups for loans at a low weekly cost. However, a six-month loan from a doorstep lender can typically have an annual percentage rate of 200 per cent. Better access to financial advice and affordable credit facilities can help people navigate the market.

The debt divide

Lack of access to affordable loans widens debt disadvantage considerably. A survey in Liverpool found that annual percentage rates charged to clients in debt to pawnshops and home-collected credit providers on a six-month loan ranged from 69 per cent to 365 per cent. Only about 10 per cent of those surveyed used store or credit cards; most people spoke of not being able to get them.⁸

When people fall into debt, they need advice and support on how to escape. Citizens Advice Bureaux alone deal with well over a million new debt enquiries a year, but advice services have the potential to help far more people. At present only 20 per cent of those in arrears seek advice.⁹ Given sufficient funding, such services could make significant inroads into reducing the size of the debt problem.

THE IMPACT OF DEBT

Problem debt is damaging to individuals, communities, the public sector and the wider economy.

Health – Around one in eight Citizens Advice Bureaux debt advice clients have started treatment for stress, depression or anxiety since their debt problems began.¹⁰ Physical health is also affected by stress and by cutting back on food or heating. This imposes a direct burden on services such as the National Health Service.

“My illness, depression and stress have been exacerbated by my debt problem. As a result I cannot get well enough to go back to work to earn money to pay the debts.” Quoted in *In too deep*, Citizens Advice, 2003.

Employment – Debt can act as a disincentive to work. People worry about the cost of starting work, bridging the gap until the first pay cheque and greater repayment demands. Problem debt can also cause ill health, absenteeism and loss of productivity for those in work.

Child poverty – Debt problems can cause hardship for children: one study suggests that two-thirds of children in severe poverty have parents who have experienced debt over the past year.¹¹ Repayments can cause families to live below benefit levels and cut back on essentials,

affecting health, education and leisure opportunities. Debt is also one of the main causes of relationship breakdown.

“My debt problems have had a marked impact on my son – no after school activities or uniform – very sad, very hard, although he says he understands.” Quoted in *In too deep*, Citizens Advice, 2003.

Housing – Problem debt can result in eviction, homelessness and re-housing costs. In 2002/03 mortgage and rent arrears were the major causes of homelessness for over 5,000 households in England and Wales.¹²

Re-offending – Almost a fifth of prisoners experience problems with rent arrears, unpaid bills and fines,¹³ problems that many find worsen while they are in prison.¹⁴

“I’ve been here for over four months, but there’s no one to talk to about all the money I owe. I know it’ll be a big problem when I get out – how I get something to live on”. Adult prisoner, quoted in *Reducing re-offending by ex-prisoners*, Social Exclusion Unit, 2002.

Neighbourhood renewal – Predatory lending is stripping out money from poor communities. People are paying off interest rather than using their benefits or limited income for their own good, or in local shops.

TAKING ACTION TO TACKLE DEBT

The Consumer Credit White Paper gives a new commitment to tackle problem debt.¹⁵ The Government will develop a strategy focused on minimising the number of people who get into serious debt and improving advice and support for those who are disadvantaged through debt. For the strategy to work, local action is also needed from the public, private and voluntary sectors. This range of organisations should already be working together in **Local Strategic Partnerships** – identifying key local priorities and joint action plans in their **Community Strategy**. This is a good forum for pooling efforts and resources to address debt, an issue that impacts on so many different objectives. A **Local Public Service Agreement** could also be negotiated to lever in additional funding.

Action is needed in many areas.

- The Government provides benefits and tax credits to ensure everyone has a basic level of **income**. Basic bank accounts enable people to receive benefits directly and organise bill payment through direct debit.

Local organisations need to promote benefit and tax credit take-up and financial products. They can also help ensure that financial services are available for the most disadvantaged, for example through post offices and banks.

- The Government has programmes and resources to improve **financial literacy** among adults and children. It is included in the curriculum for Personal Social and Health Education and the Financial Services Authority has developed a financial capability framework for teaching adults.

Local organisations need to use and incorporate these into their ongoing work.

- The Government funds many free **advice** services through the Legal Services Commission and part funding National Debtline.
Local organisations (including housing, health and business organisations as well as local authorities) are also a crucial source of ongoing support and can ensure that services match local need. They can:
 - Fund advice services. Resources can go further if pooled with other organisations with an interest in reducing debt. Make sure funding is directed to areas of most need by consulting the local Community Legal Service Partnerships.
 - Signpost people with debt problems to advice services and set up formal referral arrangements.

- The Government supports **responsible lending** and **affordable credit**. Plans for ending unfair credit transactions are outlined in the Consumer Credit White Paper. The Government is also supporting development in the credit union sector and other sources of affordable credit.
Local organisations can reap the benefits of establishing and supporting affordable loan options such as credit unions and community banks, giving people alternatives to expensive lenders.

- The Government encourages fair **debt collection** practices, for example through guidance published by the Office of Fair Trading.¹⁶ *Organisations* which are owed money should adopt a realistic approach to debt collection that responds to the circumstances of the debtor. It makes good economic sense to negotiate affordable repayments with customers and their advisers, not use heavy-handed collection methods, and only take court action as a last resort.

CONCLUSION

It is in all of our interests to take action on debt. The factsheets in this pack give examples of what is being done and what more we can do.

HELPFUL INFORMATION

Who is in debt?

The most comprehensive source of recent information on patterns of indebtedness in Britain is the *Household Survey on Over-indebtedness*, commissioned by the Department of Trade and Industry from the Personal Finance Research Centre. It gives statistical information on the distribution of consumer borrowing across households, and the extent of financial difficulties being experienced. It is available at www.dti.gov.uk/ccp/topics1/overindebtedness.htm. With more recent data, it updates the most comprehensive study of household patterns of spending, credit use and indebtedness: Berthoud and Kempson, *Credit and Debt* (Policy Studies Institute, 1992).

Government Strategy

The Government's approach to over-indebtedness was set out in the Consumer Credit White Paper, published December 2003 and at www.dti.gov.uk/ccp/topics1/pdf1/creditwp.pdf. In the White Paper, the Government committed to developing a strategy on over-indebtedness, to be published in 2004. A cross-departmental Ministerial Group is overseeing the development and implementation of the strategy, with input from an Advisory Group consisting of representatives of the credit industry, consumer bodies, the voluntary sector and academia. The Advisory Group builds on the work of the Task Force on Over-indebtedness that was set up in October 2000 to address concerns about consumer debt in the UK by considering ways of achieving more responsible lending and borrowing. Reports are at www.dti.gov.uk/ccp/topics1/overindebtedness.htm

Local Strategic Partnerships

A single body that brings together different local organisations (public, private, business, community and voluntary sectors) to identify communities' top priorities and needs and to work in partnership with local people to address them. They exist in all 88 Neighbourhood Renewal Fund areas, but many other areas have also established such partnerships. Examples and links are in the *Communities* factsheet.

Community Strategies

Under the Local Government Act 2000, local authorities in England and Wales are required to produce community strategies, which set out an integrated approach to promoting the economic, social and environmental well-being of the area, reflecting the priorities of their local communities. In preparing these, local authorities are required to consult and seek the participation of appropriate organisations and people, such as local statutory, non-statutory and voluntary service providers. Examples and links are in the *Communities* factsheet.

Well-being powers

Under the Local Government Act 2000, local authorities in England and Wales can do *anything* they consider likely to promote or improve the economic, social or environmental well-being of their area, so long as it is not prohibited in other legislation. The power provides an opportunity for local authorities to tackle complex problems in a sustainable way. For example, some authorities are supporting energy efficiency and reducing fuel poverty by creating financial schemes and loan packages for low-income homeowners and the vulnerable. Examples and links are in the *Communities* factsheet.

Community Legal Service

The aim of the Community Legal Service is to ensure that people can get information and advice about their legal rights and help with enforcing them. It provides information and directories online at www.justask.org.uk and is establishing Community Legal Service Partnerships.

Community Legal Service Partnerships

Community Legal Service Partnerships work in nearly all areas of England. They aim to provide the public with access to good quality legal and other advice services, by supporting and organising local networks of solicitors, independent advice agencies, law centres, local authority advice services, trading standards officers and other agencies. More information and links to your local partnership are at www.legalservices.gov.uk/partners/

Citizens Advice Bureaux

A network of local advice agencies, providing free, confidential and independent advice on debt and other matters. **Citizens Advice** is the national umbrella organisation for all Bureaux in England. www.citizensadvice.org.uk

Advice UK

Britain's largest support network for free, independent advice centres. www.adviceuk.org.uk

Money Advice Trust

A charity which works with government, the private sector and leading money advice agencies to increase the quality and availability of money advice in Britain; www.moneyadvice Trust.org. It also runs the free National Debtline on 0808 808 4000 or www.nationaldebtline.co.uk

Consumer Credit Counselling Service

A charity offering free and independent debt advice to consumers and arranging debt management plans for those with disposable income. It can be contacted on 0800 138 1111 or www.cccsecure.co.uk/ew/home.htm

Providing credit

- **Credit unions** – co-operative organisations – owned and controlled by members – which offer saving and loan opportunities to their members. Each credit union has criteria which determine who can join – its “common bond”. This common bond may be that people live in the same area or have the same employer. Further information is available from the Association of British Credit Unions Ltd. www.abcul.coop
- **An alternative model** – Some banks and building societies reach low-income groups through an intermediary, such as a housing association. This helps them manage the risk of default (see *Housing* factsheet for an example).

Basic bank accounts

Bank accounts without overdrafts or cheque guarantee cards, available for people who may dislike or have difficulty getting other bank accounts. They enable electronic payments (from employers, tax credits or benefits) and direct debits to pay bills.

ENDNOTES

- 1 Based on *Quarterly Bulletin Winter 2002 – Financial Pressures in the UK household sector* (Bank of England, 2002)
- 2 *Financial Risk Outlook 2004* (Financial Services Authority, 2004) p72
- 3 Kempson, *Over-indebtedness in Britain, a report to the Department of Trade and Industry* (2002) p15
- 4 *Ibid.* p29 – 13 per cent of households in England and Wales
- 5 IMPACT Financial Inclusion Forum, Sheffield, field notes www.impactsheffield.org.uk
- 6 *Ibid.*
- 7 Kempson, *Life on a low income* (Joseph Rowntree Foundation, 1996)
- 8 Jones, P, *Access to credit on a low income* (2002) p16 and p33
- 9 Kempson, 2002, *op cit.*, p35
- 10 *In too deep* (Citizens Advice, 2003) p72
- 11 *Britain's Poorest Children: Severe and Persistent Poverty and Social Exclusion* (Save the Children, 2003) p49
- 12 Quarterly Statutory Homelessness Statistical Releases, 2003: Quarter 2 (Office of the Deputy Prime Minister, 2003) table 5
- 13 *Through the Prison Gate: a joint thematic review by HM Inspectorates of Prisons and Probation* (Home Office, 2001). Prisoner questionnaire results
- 14 *Criminality survey: drugs follow-up* (Home Office, 2001, unpublished) Short-sentenced prisoners using drugs prior to prison
- 15 *Fair, Clear and Competitive, The Consumer Credit Market in the 21st Century* (Department of Trade and Industry, December 2003) www.dti.gov.uk/ccp/topics1/pdf1/creditwp.pdf
- 16 *Debt collection guidance* (Office of Fair Trading, July 2003)

& COMMUNITIES debt

Who is this for?

Decision-makers and managers in local authorities, local strategic partnerships, neighbourhood renewal agencies and other organisations serving communities.

The damage debt can cause

Debt has a corrosive effect on communities. Helping local residents to overcome their money problems benefits individuals and communities and can save time and money for local organisations.

- **Neighbourhood decline.** High-cost loans are stripping out money from poor neighbourhoods. People are paying off interest rather than using their limited income for their own good, and in local shops.
- **Revenue loss.** Debt can result in people not paying their council tax and rent, making it more difficult for local authorities to meet targets and fund services. In 2000/01, there were 2.2 million court actions taken to recover outstanding council tax.¹
- **Poverty and homelessness.** Over half of households with serious debts have incomes of less than £7,500.² People on low incomes are three to four times more likely than the general population to be in arrears with priority bills such as utilities, council tax, rent or mortgage³ and this can result in hardship, for example lack of electricity and heating and even imprisonment or homelessness.

Steps you could take to tackle debt

Debt problems can be resolved and some organisations are already doing this successfully, often as part of wider strategies to combat financial exclusion. Local authorities' community strategies are a good place to address these issues, especially if the local strategic partnership and other partners are involved. Possible partners include landlords, health trusts, employment and children's services, utility companies and local businesses, who all have an interest in reducing debt. Local authorities can use their well-being powers – which enable them to address non-statutory issues – to innovate and can negotiate local public service agreements to lever in more resources to support such work.

Assess need

- Get the facts about debt in your area. Include questions on money issues in surveys when preparing your community strategy.
- Combine these results with your Community Legal Service Partnership's assessment of advice need and use this information to plan improvements not only to advice services but to the availability of low cost credit.

East London takes a strategic approach

Debt topped the league of unmet advice in an assessment carried out by Community Legal Service Partnerships across East London. This highlighted the need for wide-ranging, easy-access advice services and greater rights and financial awareness to nip the problem in the bud and promote early intervention.

A co-ordinated solution to increase and widen access to a range of debt advice services – including telephone advice, self-help and specialist legal advice – is now the goal of the East London Debt Strategic Partnership. The partnership involves the Legal Services Commission, local authorities and the advice sector. Joint working adds value to debt reduction activities through the pooling of resources, information and good practice.

From spring 2004 a new debt unit will have a team of three community debt workers in Tower Hamlets, Newham and Waltham Forest, with funding from the Association of London Government, the Legal Services Commission and the Community Fund. They will deliver a range of community information and education projects with community providers such as lone parents' organisations and 'problem noticers' such as doctors, social services and the courts, to highlight the need for advice and/or financial education. The team will also be providing mentoring and casework support to advice organisations as well as working to promote good practice in debt prevention with local authority benefits administration and debt collection teams, and registered social landlords.

Contact: Zarah Riches 020 7759 1970

E-mail: zarah.riches@legalservices.gov.uk

Improve financial services and income

- Conduct benefit take-up campaigns to raise local people's income and improve quality of life. Working with Jobcentre Plus and The Pension Service through your local strategic partnership will make this more effective.
- Improve credit and banking facilities for people on low incomes, enabling them to save and borrow. Use your well-being powers to set up community banks and underwrite low-cost loans (see *Housing* factsheet) or provide premises for credit unions.

Newcred – Newham's Community Credit Union

Newcred provides a range of financial services for people who live or work in the London Borough of Newham, an area with high levels of deprivation. The credit union was launched in July 2003, with its own premises and staff, thanks to strong support from the council and funding from the Neighbourhood Renewal Fund. It has already attracted 700 members and is about to grow by a further 500 when it is joined by a local West Indian credit union.

Newcred plans to grow by at least 1,000 members a year and to quickly become self-supporting, drawing in other organisations and individuals – for example, the local hospital trust is committing resources to enable 2,000 staff to use the service. All members will be able to save, earn interest, borrow at low rates, operate standing orders and use foreign exchange and insurance services.

Contact: Rita Davies

E-mail: Rita.Davies@newham.gov.uk

- Exercise your external scrutiny powers to ensure that people can access banking facilities and post offices locally. Also, promote basic bank accounts through, for example, providing

information to tenants and working with banks. The Government plans to pay all benefits direct into bank accounts by 2005 and active local promotion of these products will help.

Basic banking in Blackpool

Recognising that the number of tenants without bank accounts prevented direct payment of Housing Benefit, Blackpool Borough Council set about increasing take-up of basic bank accounts. By trying to open the accounts themselves, council officers found two key barriers: confusion over what each bank called its version of the basic bank account, and over what forms of identification were acceptable. The council produced a short leaflet setting out this information which is sent to all Housing Benefit claimants. Although figures are not collected on the number of people who have taken up basic bank accounts, direct payment of Housing Benefit has increased from 12 per cent to 50 per cent of tenants in four months.

Contact: Cliff Williams, Pathfinder Project Manager, 01253 478926

E-mail: cliff.williams@blackpool.gov.uk

CAB Plus adds value to debt advice service

Making more of existing facilities and providing much needed services in a disadvantaged area are the twin aims of East Manchester's *CAB Plus* service. It matches a previously under-used Citizens Advice Bureau in Beswick, with the need for outreach accommodation for a range of agencies – including Jobcentre Plus, Age Concern, Sure Start, and The Pension Service. The result is a more viable one stop service, open five days a week and offering a wide range of support – including advice on debt, benefits and income maximisation.

CAB Plus was set up through East Manchester New Deal for Communities. It is supported by the Community Legal Service and Manchester City Council, and NatWest Bank seconded a member of staff to be a financial inclusion manager. The prospects for longer-term financial backing look good as key supporters such as the City Council are keen to see it continue.

Clients find the service easy to use and take-up has risen sharply. In the first month of the new service, five times as many clients visited the bureau, 275 of them for the first time.

Other initiatives to promote financial inclusion include a credit union, work with banks to bring more financial services into the area, work with schools to promote financial literacy, and training for adults in money management.

**Contact: East Manchester New Deal for Communities, 0161 230 2100,
www.beaconsndc.com**

- Get Trading Standards Officers to work with the local police to clamp down on loan sharks or legal lenders who use intimidatory practices or offer unfair credit agreements.

Provide advice and support

- Fund existing or new money advice services. Make a little go a long way by pooling resources with others. Your local strategic partnership would be a good place to start but you could also look further afield.

Portsmouth City Council worked in partnership with the Department for Work and Pensions, Jobcentre Plus and the Inland Revenue to help get their one-stop shop *Access Points* advice service into inner city estates. (See *Employment* factsheet for more details.)

- Provide space and facilities for advice sessions in convenient locations such as town hall reception areas, health or community centres, or courts. Co-locate services in advice or Jobcentre Plus offices or provide outreach advice in shopping and leisure centres. Use community newsletters, websites and local media to encourage people to use advice services, basic bank accounts and low cost credit facilities.
- Signpost people to debt advice. Frontline staff such as housing officers, social workers and

reception staff should be trained to identify people at risk of debt and be aware of money and benefit advice services to refer them to. Debt triggers to look out for include illness, job loss, relationship breakdown and having a baby.

Consider other factors

- Is your approach to rent and council tax arrears recovery realistic? Court action or eviction can be costly and counter-productive. A more effective approach is to contact people as they start falling behind with payments and signpost them to advice and support (see *Housing* factsheet, Derby case study).
- Work with Housing Benefit colleagues to support efforts to improve Housing Benefit administration. Although it is improving, the Audit Commission estimates that Housing Benefit delays account for 10 per cent of local authority rent arrears.⁴

Further information

- General explanations and helpful information can be found in the booklet included in this pack: *Action on Debt: An introduction*. This is also at www.socialexclusionunit.gov.uk
- There is information on **Local Strategic Partnerships** on www.renewal.net. There is also information produced by and for the community and voluntary sector on engaging with Local Strategic Partnerships, see for example www.urbanforum.org.uk
- Guidance on **well-being powers and community strategies** is at www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=1921&t=2. Also, see *Powering up: making the most of the power of well-being* at www.lga.gov.uk
- On **scrutiny powers**, see www.idea-knowledge.gov.uk
- On **local public service agreements**, see *Building on success: a second generation of local public service agreements* at www.lga.gov.uk
- A framework on **teaching financial literacy to adults** is at www.fsa.gov.uk/consumer/teaching/adults/framework. Further resources, case studies and information on financial literacy schemes in operation across the country can be found at www.money-bsa.org.uk
- For good practice on **financial inclusion** in deprived areas see www.renewal.net
- Good practice in **benefit take-up campaigns** has been produced by the Local Government Association. *Quids for kids* is at www.lga.gov.uk
- On supporting **credit unions** see:
 - *Changing Credit Unions*, Local Government Association, 2001
 - Association of British Credit Unions at www.abcul.org
 - The Financial Services Authority at www.fsa.gov.uk
- Local trading standards services can take action when traders break consumer law. See www.tradingstandards.gov.uk and www.oft.gov.uk

Endnotes:

- 1 Chartered Institute of Public Finance and Accountancy *Revenue collection statistics* (2001)
- 2 Elaine Kempson, *Over-indebtedness in Britain: A report to the Department of Trade and Industry* (2002) p13
- 3 Ibid. p29
- 4 *Local authority housing rent income* (Audit Commission, 2003) figures refer to 2000/01

& HOUSING debt

Who is this for?

Decision-makers and managers of housing associations, local authority housing departments and other housing organisations.

The damage debt can cause

Around 15 per cent of social housing tenants are behind with their rent at any one time – over half a million people.¹ These arrears are often a housing manager's biggest headache:

- **Rent arrears.** In 2001/02 housing association tenants owed £231 million² and local authority tenants owed £403 million³ in rent arrears. This loss of income means that less money is available for managing and maintaining homes.
- **Evictions and court costs.** Social landlords are under pressure to meet rent collection targets. Analysis by Shelter suggests that 80 per cent of outright possession orders brought by social landlords are due to arrears.⁴ But there is a high price to pay – it can cost a local authority around £2,000 to evict a tenant for rent arrears, including the cost of dealing with subsequent homeless applications.⁵
- **Anti-social behaviour.** High levels of debt are often concentrated in housing estates or deprived neighbourhoods with a large social housing stock. This can increase crime and anti-social behaviour and attract predatory lenders making it more difficult for social landlords to achieve community development objectives or provide services effectively.

Steps you could take to tackle debt

Many social landlords are already aware of good arrears practice, including contacting people early,

building up relationships with Housing Benefit colleagues and only using eviction as a last resort.⁶

But arrears are often caused by wider debt problems that get out of hand. Debt among low-income groups is rising and some people cannot pay essential bills. Tackling the root causes of debt will help to reduce arrears and prevent them happening again. Here are some of the things that have been done – and which you could do – to help tackle the problem:

Provide advice and support

- Support independent debt advice services. You can make a little go a long way by combining your efforts and resources with others, for example, through your local strategic partnership. Jobcentre Plus, utility companies, fellow housing providers, and primary care trusts all have an interest in resolving debt. Find out what advice exists and what is needed through your Community Legal Service Partnership.
- Provide space and facilities for debt advice sessions in locations people visit often such as housing offices or community centres.
- Signpost people to debt advice services. Housing officers and reception staff should be trained to identify people at risk of debt problems and know where to refer them. Debt triggers to look out for include illness, relationship breakdown, job loss and having a baby.

- Raise awareness of money issues and debt advice services through your tenant newsletter and website, meetings with tenants' and residents' groups and through local media.
- Offer financial literacy training to your tenants. Better financial know-how can also help tenants avoid high-cost loans, which are a major contributor to serious debt, as well as improve budgeting and prevent rent arrears.

Pre-empt problems

- Identify debt problems early to avoid arrears. As well as good tenancy start-up procedures such as help with form filling and housing benefit claims, signpost tenants to debt advice, negotiate affordable repayments and maintain regular contact with them – with possession action and eviction as a last resort. Some associations also use incentive schemes to encourage tenants to pay their rent.

Derby Homes' 'fair but firm' approach to managing rent arrears is proving successful in sustaining vulnerable people in tenancies and reducing evictions. During 2002/03 only 65 people were evicted from a stock of close to 15,000; a low proportion compared to similar organisations. For 2003/04 the estimated figure is 45. Staff believe that this is down to prompt action and their persistent promotion of independent money advice. From the first reminder letter to the point at which eviction notices are issued, tenants are alerted through leaflets, telephone calls and home visits to the opportunities for debt advice and manageable repayment plans. The city council's money advice service is also sent a list of all those at risk of eviction, so they can offer their services directly.

Solving rent arrears through tackling individuals' circumstances is seen as an important principle. Legal proceedings are therefore only issued once they have been cleared with a panel that includes a representative of the money advice service. The panel looks at each individual case, improving the chances of spotting the causes of rent arrears and identifying vulnerability. They can also highlight potential solutions, such as clearing benefit blockages or making further benefit applications.

Contact: Jaz Sanghera, 01332 716589

E-mail: jaz.sanghera@derby.gov.uk

Promote financial inclusion

- Work with banks and building societies to promote take-up of financial services such as basic bank accounts or savings options. This could help avoid escalating arrears. Raise awareness of financial issues among tenants, giving them information about basic bank accounts and credit unions and guidance on how to open an account (see *Communities* factsheet, Blackpool case study).
- Develop financial services yourself or with partners. Banks may be willing to offer savings and loans products to your tenants if you bank with them (see *Business* factsheet, Bank of Scotland case study). Or you could deposit a guarantee fund and offer advice and training alongside these products.

Partnership with building society opens new horizons

Cambridge Housing Society's (CHS) New Horizons Saving and Loan Scheme offers residents an alternative to high-cost credit. The scheme is a partnership between CHS and Cambridge Building Society and provides saving and loan accounts accessible via the Building Society's 21 local branches. The loans are underwritten by a guarantee fund invested by CHS with the Building Society.

Since its launch in 1997, the scheme has worked hard to develop financial products which residents want – for example, 'handy' loans and moving-in loans of up to £165, as well as a main loan of up to £2,000. For small-scale loans residents do not have to build up savings before they can borrow. Residents can apply for loans if they are in rent arrears but do need to have an agreement with CHS to pay the arrears off and must have kept to the agreement for three months.

Loan applicants are visited at home by a money adviser – who checks welfare benefit and tax credit entitlement as well as assessing the applicant's ability to repay the loan. To date, 200 residents have opened saving accounts and the scheme has advanced £40,000 in loans. Arrears on the scheme are very low and calls on the guarantee fund are rare.

CHS believes the scheme helps provide residents with a secure home life and opportunities for personal development. It is also linked into other CHS services with the same aim – these include basic skills tuition, free computer loan and tuition and information, advice and guidance on training and employment.

Contact: Andrew Church, 01223 713555

E-mail: andrew.church@cambridgehs.org.uk

Change is working for social housing tenants

Change is the name of the community finance initiative launched by London and Quadrant Housing Trust in 2003. The project's main aim is to promote a better quality of life for the many social housing residents who until now have been unable to access mainstream financial services.

Four pilot schemes, each with a different financial focus, are paving the way for a wider initiative that could eventually be rolled out with the support of a dozen or more housing association partners, across many parts of the city. The pilot schemes are:

- a partnership with Family Housing group and Southwark Credit Union, to promote saving and affordable borrowing for tenants from that borough;
- debt management advice for residents in Newham, in partnership with Springboard and East Thames housing associations;
- financial literacy training in Edmonton, with the support of Metropolitan Housing Trust; and
- practical and financial help for residents in Waltham Forest who want to set up their own business.

Backers of the project include London and Quadrant, the Metropolitan and Family housing associations, the Housing Corporation, the European Regional Development Fund, Barclays and Lloyds TSB. Achieving the right 'cocktail' of private and public sector funding to make *Change* sustainable will be critical to its long-term success.

Meanwhile the pilots have already been able to bring practical help with different aspects of financial exclusion to over 200 residents.

Contact: Andrew Chaplin, 020 8557 2166

E-mail: Achaplin@lqgroup.org.uk

Further information

- General explanations and helpful information can be found in the booklet included in this pack: *Action on Debt: An introduction*. This is also at www.socialexclusionunit.gov.uk
- **Good practice guidance and research** on social landlord involvement in debt and other financial awareness initiatives is in *Financial awareness and the role of social landlords* and *Breaking free* (Chartered Institute of Housing and Housing Corporation, 2003: www.cih.org).
- **Analysis, good practice and helpful hints** are in *Housing association rent income and Local authority housing rent income* (both Audit Commission, 2003: www.audit-commission.gov.uk and in *Possession Action: the last resort?* (Citizens Advice, 2003: www.citizensadvice.org.uk).
- For good practice on **financial inclusion** in deprived areas see www.renewal.net
Also information by and for housing and regeneration organisations on projects for financial inclusion is on www.pfanet.org.uk
- Information on **local agencies offering advice** and contacts for your local Community Legal Service Partnership are on www.justask.org.uk
- A framework on **teaching financial literacy to adults** is at www.fsa.gov.uk/consumer/teaching/adults/framework
Further resources, case studies and information on financial literacy schemes in operation across the country can be found at www.money-bsa.org.uk
- Research on **appropriate debt recovery**: Dominy and Kempson, *Can't Pay or Won't Pay?* (Lord Chancellor's Department, 2003). The summary is at www.dca.gov.uk/research/2003/4-03es.htm
- There is information on **Local Strategic Partnerships** on www.renewal.net
There is also information produced by and for the community and voluntary sector on engaging with Local Strategic Partnerships, see for example www.urbanforum.org.uk

Endnotes:

- 1 *Housing in England 2001/02* (Office of the Deputy Prime Minister, 2003)
- 2 *Housing association rent income* (Audit Commission, 2003) p8
- 3 *Local authority housing rent income* (Audit Commission, 2003) p4. Refers to rent owed at 31 March 2002
- 4 *Housekeeping: preventing homelessness through tackling rent arrears in social housing* (Shelter, 2003) p12
- 5 Based on analysis in *Housekeeping: preventing homelessness through tackling rent arrears in social housing* (Shelter, 2003) p15. These figures include correspondence, court costs, homeless applications, and the rent foregone while the property is empty
- 6 The Housing Corporation's Regulatory Code (www.bankofgoodpractice.org) expects that legal repossession of a property should be "sought as a last resort"

& CHILDREN, FAMILIES debt

Who is this for?

Decision-makers and managers including in social services and children's services, Sure Start, Connexions, Learning and Skills Councils, Local Education Authorities and Children's Fund programmes.

The damage debt can cause

Debt can cause and be caused by many other family problems.

- **Family breakdown.** Debt and financial worries are a common cause of relationship tension. A consumer survey found that money rates as the top cause of arguments among couples.¹ This tension can lead to relationship and family breakdown, which can make financial problems worse as money has to stretch further. Lone parents are four times as likely to be behind with household bills as the population as a whole.²
- **Child poverty.** Debt means less disposable income is available and can result in lack of money for food, clothes, heating and school trips. In extreme cases it can lead to losing a home and being placed in temporary accommodation. Low-income groups are three times more likely than the general population to be in arrears with rent, council tax, utility bills or mortgage repayments.³
- **Effects of stress.** Worries about debt can cause stress in parents, affecting family life, and in children, affecting their schoolwork. *"The possibility of eviction is having an adverse effect on all members of the family. Our children can't have the same as their friends and they are beginning to worry."* (Debt client quoted in *In too deep* – Citizens Advice, 2003.)

Steps you could take to tackle debt

Solving debt can be crucial in preventing family problems and relieving pressure on children's and family services. Here's what you can do to help:

Promote benefit take-up

- Running benefit and tax credit take-up campaigns can help ensure that families receive all help available to pay bills and buy essentials. Working with, for example, Jobcentre Plus, employers and The Pension Service through your local strategic partnership will make this more effective. Some local authorities have used local Public Service Agreements to lever in more financial support for this work.⁴

Provide advice and support

- Fund advice services. You can make a little go a long way by combining your efforts and resources with others through your local strategic partnership. Jobcentre Plus, utility companies, housing associations and housing departments and Primary Care Trusts all have an interest in resolving debt. Find out what advice services already exist and what is needed from your Community Legal Service Partnership.

Connexions is working with the Community Legal Service in Tees Valley where they are funding Middlesbrough Local Management Group to employ an advice worker. Advice is targeted at young people who are unable to start or continue on their education or career path due to benefit, housing or debt issues.⁵

- Provide space and facilities for advice sessions in convenient locations such as schools and child clinics.
- Signpost families to advice services. Frontline staff such as teachers, social services staff and Connexions personal advisers are in an ideal position to identify families with debt problems

and refer them to advice and support. Debt triggers to look out for in families include illness, relationship breakdown, job loss and having a baby.

- Support low-cost credit schemes which help families save and borrow and escape serious debt. For example, you could provide premises, especially where access to banks and building societies is limited (see Sefton case study opposite).
- Improve financial literacy. Local education authorities and schools should promote learning about managing personal finances through the existing curriculum. Opportunities to improve financial literacy among adults should also be explored, as part of basic skills training programmes.

Sure Start Widnes Trailblazer puts families on a better financial footing

Families with young children, or a baby on the way, are very vulnerable to debt. Recognising this critical time, Sure Start Widnes Trailblazer commissioned Halton Citizens Advice Bureau (CAB) to provide a service tailored to parents and children, providing not only debt, benefit, housing and employment advice, but also promoting money management skills.

Widnes Trailblazer and the other four Sure Start local programmes in Halton each contribute around £20,000 a year to provide this service. This funds a dedicated team of three CAB advisers and a training officer and gives Sure Start clients a priority service, either at the CAB office, or through home visits.

Sorting out money problems is very often the first concern for families with young children and Sure Start refers them directly to the CAB. Once the stress of dealing with debt is relieved, clients are often more receptive to other support.

The CAB training officer gives informal talks on money management at parent and toddler groups and all Sure Start clients are kept informed of benefit changes and personal finance matters through a regular factsheet.

The CAB has handled over £400,000 of debt for Sure Start clients and helped them to claim over £300,000 of benefit since the scheme started in 2001. Altogether 420 families have accessed the CAB via Sure Start. Many of them were 'hard to reach' and may not otherwise have secured help and advice.

Contact: Eileen Stein, Sure Start Widnes, 0151 420 5482

E-mail: eileen.stein@halton-borough.gov.uk

Sefton families get the savings habit

Parents and their children in Sefton are getting the savings habit and learning more about money management as part of an extended schools pathfinder scheme. The pathfinder is run by the Council's new Children, Schools and Families service, through their Schools for the Community project and neighbourhood renewal funding.

Sefton has pockets of severe deprivation where access to banks and other basic services is poor. Following consultation with local people in these areas, debt and loan sharks were identified as concerns. In response, the project is extending access to an existing facility, King George Credit Union, through sessions at three primary schools. Parents can drop in to add to their savings when they drop their children off at school, and in the first few weeks 65 new members had been recruited to the credit union. They hope to include more schools in the future.

Alongside the credit union is a savings bank for the children, organised and managed by them. They are encouraged to save with a goal in mind, such as a school trip, and the scheme is proving very popular. Money management skills are being built into the school curriculum, through citizenship, personal social and health education, and numeracy courses.

Parents and other local residents will soon be able to take up financial literacy training through the Basic Skills Agency with accredited courses being delivered in the schools. The skills they learn will not only help them manage their personal finances, but could lead to new job opportunities.

Contact: Pauline Sanderson, Project Manager

E-mail: pauline.sanderson@csf.sefton.gov.uk

Further Information

- General explanations and helpful information can be found in the booklet included in this pack: *Action on Debt: An introduction*. This is also at www.socialexclusionunit.gov.uk
- Information on **local agencies offering advice** and contacts for your local Community Legal Service Partnership are on www.justask.org.uk
- Good practice in **benefit take-up campaigns** has been produced by the Local Government Association. *Quids for kids* is on www.lga.gov.uk
- Information, advice and support on **extended schools** is offered by The Extended Schools Support Service at www.continyou.org.uk
- Information about **government programmes** for children, families and young people can be found through www.dfes.gov.uk
Information specifically on Sure Start is at www.surestart.gov.uk
- A framework on **teaching financial literacy to adults** is at www.fsa.gov.uk/consumer/teaching/adults/framework
Further resources, case studies and information on financial literacy schemes in operation across the country can be found at www.money-bsa.org.uk
- Quality-marked resources for **teaching financial literacy to young people** are at www.pfeg.org
- For good practice on **financial inclusion** in deprived areas see www.renewal.net
- There is information on **Local Strategic Partnerships** on www.renewal.net
There is also information produced by and for the community and voluntary sector on engaging with Local Strategic Partnerships, see for example www.urbanforum.org.uk

Endnotes:

- 1 Relate Arguments Survey, consumer research, 1998
- 2 Elaine Kempson, *Over-indebtedness in Britain, A report to the Department of Trade and Industry* (2002) p 29
- 3 Ibid. p29
- 4 *Quids for Kids* (Local Government Association, 2003) p15
- 5 *The Community Legal Service and Connexions: Joint initiatives* (Department for Constitutional Affairs, December 2003)

The JUSTICE SYSTEM & debt

Who is this for?

Decision-makers and managers in the justice system, including the prison, probation and court services.

The damage debt can cause

Debt proceedings take up county and magistrate court time without necessarily recovering money. Debt can also lead to crime among ex-offenders.

- **Legal and court costs.** In 2002/03, the Legal Services Commission spent £20 million on advice and representation on debt matters for eligible clients.¹ Debt cases put pressure on the courts and resulting orders such as eviction impact on other public bodies such as housing and social services.
- **Crime and re-offending.** The consequences of debt, such as stress, mental health problems and eviction can contribute to crime and re-offending. Almost a fifth of prisoners experience problems with rent arrears, unpaid bills and fines,² problems that many find worsen while they are in prison.³ Those serving community sentences are likely to experience similar difficulties.

Steps you could take to tackle debt

Reducing and preventing debt problems can help. Here's what you can do:

In the civil courts

- Support debt advice. Debt advice can take a great deal of pressure off courts by resolving disputes early on and identifying if people can pay and whether it is worth taking them to court. Make your resources go further by working with others through your local strategic partnership and contact your Community Legal Service Partnership who should know where the gaps are in local advice provision.
- Provide facilities for advice surgery sessions on site (see Court-based advice services case study overleaf) and stock a full range of information material,⁴ highlighting advice and legal services.

Court-based advice services

Some courts are working with advice agencies to offer court-based debt and legal advice to those facing legal action, especially people who cannot afford representation and have little understanding of legal proceedings. For example, in 2002/03, Citizens Advice Bureaux provided outreach services in 143 county courts and 33 magistrates courts.⁵

Advice workers and solicitors provide debt 'surgeries' in courts, for example targeting eviction or repossession hearings. They can assess cases on the spot, work out affordable repayments, identify benefit problems and provide representation in court. Clients who need further help – for example renegotiating payments on other debts – are referred to appropriate advice agencies after the hearing.

Despite very positive outcomes such as preventing eviction and further court cases and positive feedback from the courts and judges, many agencies have great funding difficulties, jeopardising the future of these services.

- Ensure that frontline staff such as court officers are trained to identify people with debt problems and are well informed on the most appropriate advice services to signpost them to. People involved in housing and family cases may also have debt problems.
- Take an appropriate approach to debtors who can't pay – making orders people can't afford can trap them in debt for longer and lead to further court appearances. As well as taking up your time this causes distress and hardship for the individuals.

In prisons and the Probation Service

Debt can act as a barrier to rehabilitation. Enabling offenders to access advice and financial products can overcome this barrier. You can:

- Carry out survey work to see if offenders' needs are being met – this could be part of initial assessment at court or when an offender first enters custody or starts a community sentence.
- Provide independent debt advice. Many advice agencies operate services in prisons, or you can fund agencies to provide advice on release and

as part of community programmes. Where funding is limited, work through your local strategic partnership to bring in partners from the voluntary and public sector. Providing a full range of debt and benefit information leaflets is also helpful.

In 2003, 675 people on probation were supported by a benefits and debt consultancy and casework service, funded by the Kent Probation Area. Citizens Advice Kent Probation Project provide the service, mostly by telephone and correspondence but face-to-face where appropriate, for example for people with literacy or mental health difficulties. Probation staff find that it has an impact on an individual's financial stability, enabling staff to concentrate on changing offending behaviour, and they believe it has helped cut re-offending rates. The project hopes to expand into prisons and Youth Offending Teams, if funding can be secured.

Contact: Carol Buckland. E-mail: carol.buckland@citizensadvice.org.uk

- Signpost offenders to debt advice in prisons, on release and during community sentences. Make sure prison and probation officers are aware of debt issues and trained to refer people to appropriate services. Prisoners in particular need to be connected with support early on in their sentence to prevent serious problems, such as homelessness, on release.
- Include money management in basic skills courses for offenders in prison and those under supervision (see Revolving Doors case study). The Social and Life Skills programme in the prison core curriculum includes units on budgeting and money management.
- Develop and support schemes to widen access to bank accounts and other financial services. This can enable offenders to clear debts and avoid future arrears by offering payment options, helping them to settle down in the community.

UNLOCK, the national association of ex-offenders, is working with the Home Office to pilot basic bank accounts, initially for 800 prisoners. Accounts will be set up before prisoners are discharged, enabling benefits and any discharge grant to be paid in. This will be very important for debt management. Through direct debits matched to direct payments and earnings, ex-prisoners will be able to repay debts to landlords, local authorities and utility companies. The scheme should also help account holders find jobs as they can be paid electronically, and potentially to access other financial services such as loans and insurance. The pilot will tackle issues of address and identity verification.

Contact Nick O'Shea, 01634 247350
E-mail: unlock@tinyworld.co.uk

Reconnecting offenders with the community

The Revolving Doors Agency's Link Worker scheme works with offenders with mental health problems, in and outside prison, to reconnect them with the community and reduce re-offending.

Debt causes massive problems for clients – rent arrears, for example, can result in people being refused social housing. By negotiating with service providers for clients to pay back regular amounts, Link Workers can persuade those agencies to offer help again.

They help clients apply for benefits, plan their income and expenditure for the month, and learn budgeting skills, as well as checking bills to ensure that utilities are not cut off and debts are being repaid.

Link Workers take referrals from the courts, police and prisons, mainly in the south of England. New initiatives include a 10-week money management course being piloted at Pentonville Prison.

Contact: Murray Benham, Link Worker, 020 7253 4038
E-mail: admin@revolving-doors.co.uk

Further information

- General explanations and helpful information can be found in the booklet included in this pack: *Action on Debt: An introduction*. This is also at www.socialexclusionunit.gov.uk
- Information on **local agencies offering advice** and contacts for your local Community Legal Service Partnership are on www.justask.org.uk
- Information on Government work on **offenders' learning and skills** is at www.dfes.gov.uk/offenderlearning
- A framework on **teaching financial literacy to adults** is at www.fsa.gov.uk/consumer/teaching/adults/framework
Further resources, case studies and information on financial literacy schemes in operation across the country can be found at www.money-bsa.org.uk
- Research on **appropriate debt recovery**: Dominy and Kempson, *Can't Pay or Won't Pay?* (Lord Chancellor's Department, 2003). The summary is at www.dca.gov.uk/research/2003/4-03es.htm
- For good practice on **financial inclusion** in deprived areas see www.renewal.net
- There is information on **Local Strategic Partnerships** on www.renewal.net
There is also information produced by and for the community and voluntary sector on engaging with Local Strategic Partnerships, see for example www.urbanforum.org.uk

Endnotes:

- 1 Legal Services Commission data
- 2 *Through the Prison Gate: a joint thematic review by HM Inspectorates of Prisons and Probation* (Home Office, 2001). Prisoner questionnaire results
- 3 *Criminality survey: drugs follow-up* (Home Office, 2001, unpublished). Short-sentenced prisoners using drugs prior to prison
- 4 For example, the Community Legal Service leaflet *Dealing with your legal rights* at www.justask.org.uk or the Court Service leaflets for debtors at: www.courtservice.gov.uk/cms/media/ex20.pdf
www.courtservice.gov.uk/cms/media/ex320.pdf
- 5 *Making an Impact: Annual Report 2002/03* (Citizens Advice, 2003)

& EMPLOYMENT debt

Who is this for?

Regional and local decision-makers concerned with employment including Jobcentre Plus, Action Team for Jobs and Employment Zone contractors.

The damage debt can cause

Debt can act as a barrier to people returning to, and staying in, work.

- **A disincentive to work.** People on benefit are often worried about returning to work, with financial concerns commonly reported. These worries include the gap before the first pay cheque, whether they would be better-off in work, and creditors beginning to chase them.
- **Work-readiness.** Debt causes and exacerbates stress and mental health problems, and can add to feelings of inadequacy among those who are unemployed, making it more difficult for them to return to work. Around one in eight Citizens Advice Bureaux debt advice clients have started treatment for stress, depression and anxiety since their debt problems started.¹
- **In-work problems.** Debt can cause stress or ill health, which in turn can lead to people taking time off work or job loss.

Steps you could take to tackle debt

Tackling debt can alleviate these problems. Here are some things you can do:

Assess need

- Is debt a problem for your customers? Ask your customers and get advisers to feed back to you (see Coventry case study overleaf).

Provide advice and support

- Fund debt advice. Jobcentre Plus has some money to buy in support, and this is increasing by £3 million in 2004/05 and 2005/06. You can make this money go further by working through your local strategic partnership, where others may have a similar interest in reducing debt. You should also consult your Community Legal Service Partnership who will be able to tell you where the gaps in current advice provision are.
- Signpost customers to debt advice. Frontline staff should be able to identify people at risk from debt and know the best services to refer them to. Triggers include separation and divorce, illness and having a baby, as well as job loss. Staff awareness can be raised through, for example, noticeboards and appraisals.

Breaking down financial barriers to work

'Financial position, lack of confidence and ignorance of helping services', were identified as the top three barriers to returning to work in a survey of people on Incapacity Benefit in Coventry. Coventry City Council's Client Support and Research Unit carried out this small survey of new claimants to identify the complex problems that prevent re-employment. They found, for example:

- 61 per cent of those interviewed reported debt problems. There were concerns about paying ongoing bills, diminishing or lack of savings, pensions contributions and their long-term finances.
- 23 per cent said their confidence about working was low.
- 10 per cent believed they would be financially worse off if they started work.

In response, the unit has developed *Looking Beyond Incapacity*, a package of advice, support and training tailored to individuals' needs. This includes: housing, debt and benefit advice, money management, assertiveness training, communication skills, managing depression, job search and confidence boosting.

Ninety two per cent of participants say their confidence has improved or stayed the same, an important step on the journey back to work.

Contact: Keely Hancox, Link worker, 02476 834805

E-mail: psaworkers@coventry.gov.uk

One of the aims of Portsmouth City Council's Integrated Benefit Advice service is to get people back into work. The 'one stop' service targets estates where there is multiple deprivation, by locating offices in deprived areas and door-knocking in particular wards. They have developed excellent working relationships with the local Jobcentre Plus offices, and work with them to place customers in employment and training.

The service gives benefit advice and practical assistance, for example help filling in forms, offering home visits where appropriate. Where staff spot debt or basic skills problems they can give basic advice or signpost to agencies offering more specialist advice or support. For example, they work closely with the Portsmouth Area Regeneration Trust (PART) which provides advice and low-cost loans helping people avoid loan sharks and increased debt.

Contact details: Portsmouth City Council

E-mail: alan.cufley@portsmouthcc.gov.uk

- Provide debt advice surgeries on site. Also ensure that relevant leaflets are available and stocked up and that staff know about them.
- Co-locate advice surgeries in the community. Link up with independent advice agencies as well as others such as The Pension Service, children's and social services, utility companies, social housing landlords and local authorities, which are all concerned with tackling customers' debt problems (see *Communities* factsheet, East Manchester case study).
- Improve financial literacy. Opportunities to improve money management skills among adults should be explored, as part of basic skills and/or preparation for work training.

Promote financial support

- Ensure customers receive the financial help that is available – such as full benefits entitlement, Social Fund loans or financial support for specifics such as childcare or transport. Using discretionary funding can prevent debt problems arising during the transition period.
- Ensure customers know what will happen to their money when they return to work. Advisers should carry out better-off calculations and make people aware of exactly what will happen to their benefit entitlements and any Social Fund repayments. This can prevent worries about debt that may be unnecessary.
- Promote take-up of tax credits and other in-work benefits among customers and local employers.

Learning money skills for a lifetime

Young adults in North Liverpool are learning the financial skills to make the transition into work. The joint Citizens Advice Bureaux (CAB) and Prudential plc scheme targets lone parents, young men, ex-offenders and refugees with training to give them more confidence in managing their money, making financial choices and holding down a job.

Sessions are given to groups on budgeting, bank accounts, 'plastic problems' and debt awareness – and are much in demand. As well as local businesses recruiting young trainees and a training organisation, clients include Walton Young Mums, Sure Start, the probation service, Women's Aid and an organisation for prisoners' families.

The course is being evaluated, but feedback shows it is already successful in making young people more aware of money pitfalls, how to get the best deal from financial services and how to budget and plan ahead.

Contact: Peter Tyson, CAB Financial Skills Worker, 0151 287 1300

E-mail: fsw@norrisgreencab.cabnet.org.uk

Further information

- General explanations and helpful information can be found in the booklet included in this pack: *Action on Debt: An introduction*. This is also at www.socialexclusionunit.gov.uk
- Information on **local agencies offering advice** and contacts for your local Community Legal Service Partnership are on www.justask.org.uk
- A framework on **teaching financial literacy to adults** is at www.fsa.gov.uk/consumer/teaching/adults/framework
Further resources, case studies and information on financial literacy schemes in operation across the country can be found at www.money-bsa.org.uk
- Good practice in **benefit take-up campaigns** has been produced by the Local Government Association. *Quids for kids* is on www.lga.gov.uk
- Details on *Looking Beyond Incapacity* from Coventry are at www.jobcentreplus.gov.uk and www.cesi.org.uk
- For good practice on **financial inclusion** in deprived areas see www.renewal.net
- There is information on **Local Strategic Partnerships** on www.renewal.net
There is also information produced by and for the community and voluntary sector on engaging with Local Strategic Partnerships, see for example www.urbanforum.org.uk

Endnotes:

1 *In too deep* (Citizens Advice, 2003) p72

BUSINESS & debt

Who is this for?

Decision-makers and managers of banks, building societies, utility, phone, credit card and loan companies, mail order catalogues and other businesses.

The damage debt can cause

Debt is not just a cause of hardship for individuals. It is also bad news for reputable businesses that have to chase unpaid bills and lose out when people can't afford to spend.

- **Financial loss.** The banking and credit card sector is estimated to spend £3.4 billion every year chasing, recovering and writing off debts.¹ Non-payment of bills is a major concern for utility companies – in 2003, 4.7 million people were in debt to their water company and a million had had their phone cut off.²
- **Less money for bill payment.** Expensive loans and unfair credit practices contribute to the rise in problem debt, causing hardship and making bill payment less likely. Providing access to alternative credit can deter people from using disreputable lenders. The Government plans to tighten regulation to prevent unfair credit transactions and clamp down on loan sharks.³
- **Consumer confidence.** High levels of debt impact on consumer confidence. Personal debt averaged £4,426 per adult in Britain in 2003⁴

and a significant rise in interest rates or an economic downturn could push many households to breaking point and contribute to a spending slowdown.

Steps you could take to tackle debt

The credit industry, utility companies and others can make a considerable impact on levels of debt – and this makes good business sense. Many businesses are already doing things to reduce debt, and not just as part of their corporate social responsibility programmes. You can often make these initiatives more effective by linking up with others through your local strategic partnership.

Extending financial services and products

- Offer and promote basic bank accounts to give people more ways to manage their money.
- Consider initiatives to provide affordable credit. Partnerships, for example between housing associations and banks or building societies to provide low cost loans, can be particularly effective (see *Housing* factsheet, Cambridge case study).

Giving credit to disadvantaged communities

One bank's aim to be 'the first choice' for not-for-profit organisations has taken it into areas where mainstream financial services are virtually non-existent. The Community Banking Team at Bank of Scotland's (BoS) first project in Wester Hailes, a disadvantaged neighbourhood of west Edinburgh, was sparked through its work with Prospect Community Housing Association (PCHA).

A community banking agreement between Wester Hailes Representative Council and BoS has resulted in the active promotion of basic bank accounts, meeting a gap in the market for those excluded from financial services. Access to affordable credit is now available through a savings and loan scheme, run jointly by the bank and PCHA, which underwrites the loans. Improving financial literacy was also an issue and local partner, Stevenson College, is running financial education courses.

Several hundred miles further south, another agreement is being drawn up, between BoS and Paddington Community Trust in London. The relationship is in its early stages, but is already revealing an untapped market for financial products. An open day held by the trust and BoS resulted in 35 new bank accounts being opened – mainly by people from ethnic minority groups for whom language was often a barrier to walking into a bank.

Contact: Morag Fenwick, Project manager

E-mail: morag_fenwick@bankofscotland.co.uk

Provide advice and support

- Free and independent debt advice services can be very effective in solving problem debt and avoiding costly and time-consuming court action. Debt advisers help people to maximise their income, prioritise and negotiate debt repayments and inform them of their credit options. Consider funding advice agencies to provide this service to your customers. Find out what already exists and where there are gaps in provision by contacting your Community Legal Service Partnership.
- Lack of understanding of financial products contributes to debt. Responsible lenders

have an interest in funding education and providing information on financial services. Some second staff to financial inclusion projects (see *Communities* factsheet, East Manchester case study).

Tackle debt early

- Try to be proactive and contact customers early who fall into debt, by telephone, mail and personal visits, including out of office hours. You will obviously need to tailor your approach to your customer, for example you might need to write in another language, or provide intensive support for those in long-term debt.

Water debt advice works

Yorkshire Water's approach to dealing with debt among vulnerable customers is an example of a project that is reaping benefits for the company as well as consumers. It funds the charity Yorkshire Water Community Trust, set up in 1995, to give grants to customers who genuinely can't pay their bills. In 2002/03, the Trust helped 786 people with grants totalling £281,000. The trust also signposts customers to over 300 advice agencies, which can help people to claim benefit entitlements or negotiate affordable repayment plans.

Contact: The Yorkshire Water Community Trust, 0845 124 2426

E-mail: info@ywct.org.uk

- Staff should be trained to signpost customers in debt to local debt and benefit advice agencies. Information about advice services should be included with account reminder letters.
- Promote convenient and affordable payment methods to low-income customers to prevent debt in the first place. If someone is in arrears with utility bills, in some circumstances you can arrange a direct deduction from their benefits.
- Negotiate repayments with debtors and their advisers based on what customers can afford. Sometimes it may make sense to write off debts or accept reduced repayments rather than pursue costly court action. Disconnection of fuel supplies and taking people to court should be a last resort.
- Make sure you and any agencies you use follow debt collection guidance from the Office of Fair Trading and other regulators. Heavy-handed approaches can make situations worse rather than helping your business.

Further information

- General explanations and helpful information can be found in the booklet included in this pack: *Action on Debt: An introduction*. This is also at www.socialexclusionunit.gov.uk
- The Money Advice Trust and the British Bankers' Association have produced a **common financial statement** to standardise the way money advisers and creditors communicate with each other about repayment offers. This can be found at www.bba.org.uk
- Useful analysis of **utilities** issues in Klein, *Life Lines* (National Consumer Council, 2003), at www.ncc.org.uk/policy/everyday%20essentials.htm
- There is an analysis of **debt collection** practices in Dominy and Kempson, *Can't Pay or Won't Pay?* (Lord Chancellor's Department, 2003). The summary is at www.dca.gov.uk/research/2003/4-03es.htm
- A strong example of an industry **code of practice** is the Banking Code produced by the British Bankers' Association – this can be found at www.bba.org.uk. The Ofgem code (for electricity and gas suppliers) has particular reference to helping vulnerable consumers; see in particular www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1248_jan2403debtprev.pdf

Endnotes:

- 1 *Evaluation of Money Advice Debtline pilot* (Deloitte and Touche, 2003) p44
- 2 Ofwat letter: *Industry information on household debt levels and debt recovery costs*, 28 August 2003. Ofwat, www.ofcom.org.uk/research/industry_market_research/m_i_index/discon?a=87101
- 3 *Fair, Clear and Competitive: The Consumer Credit Market in the 21st Century* (Department of Trade and Industry, 2003)
- 4 *UK Personal Lending*, Datamonitor, January 2004 www.datamonitor.com

HEALTH & debt

Who is this for?

Decision-makers and managers in health-related organisations, including primary care trusts, strategic health authorities and acute and mental health National Health Service trusts.

The damage debt can cause

Debt causes poor health and puts extra pressure on frontline health staff.

- **Fuel and food poverty.** Debt results in less disposable income to spend on fuel and food and can lead to illness through cold and poor nutrition. One in 20 mothers sometimes go without food to meet their children's needs, with lone mothers most at risk.¹ In 2002 an estimated 1.9 million vulnerable households in England were in fuel poverty.²
- **Stress and depression.** Around one in eight Citizens Advice Bureaux debt advice clients have started treatment for stress, depression or anxiety since their debt problems started.³
- **Pressure on health services.** Doctors, health visitors and other frontline staff do not have the time or specialist skills to deal with patients' debt problems. Providing access to advice services could ease the pressure on them – as found for example by Bradford South and West Primary Care Trust, which has funded three

debt advice services to which they referred around 300 patients in 2003.

Steps you could take to tackle debt

The good news is that debt problems can be 'treated' very successfully. The potential rewards – in improving people's health and reducing staff workload – make this well worthwhile. Here's what you can do:

- Link up with, develop and fund debt and benefits advice, working with partners such as local authorities, Jobcentre Plus and businesses. Surgery-based advice services are very effective in increasing benefit take-up and reaching debtors who would not otherwise seek help. They take pressure off health staff, particularly where access to advice and transport is limited. This especially helps pensioners who are significantly less likely to claim their full entitlements.⁴

Manchester City Council's Primary Care Trust Advice Service accepts referrals for debt and money advice from 20 local doctors' surgeries. One survey showed that 47 per cent of practice staff saw having an advice worker at the practice as substantially or partially reducing their workload in relation to social welfare issues.

**Contact: Joanne Woodcock,
Project manager, 0161 234 1575**

- Display information material, leaflets and contact details of advice agencies in doctors' surgeries and health clinics. Use newsletters and local media to raise awareness of debt and money issues.
- Signpost patients to debt advice. Frontline staff could be trained to identify people at risk of debt and be aware of money and benefit advice services to refer them to. Triggers to look out for include stress, disability, becoming a carer, relationship breakdown, having a baby and job loss.

Diagnosis debt: health staff refer patients to advice service

Ellesmere Port and Neston Primary Care Trust has launched a proactive approach to tackling debt and welfare issues that impact on the health of the local community. The Health and Social Welfare Support Service goes beyond signposting people to other agencies. Health practitioners who diagnose debt make referrals to the appropriate services – such as debt or benefits advisers, solicitors and housing organisations – who offer patients an appointment, making it more likely that they will access help. The service co-ordinator has also attended training in debt, benefit, employment and housing advice, so can offer a small amount of general help and advice directly.

General practitioners, community nurses and health visitors have been trained in identifying debt problems, and in what services are available to solve them. Signs leading to a 'debt diagnosis' could include a cold house, signalling that the heating has been cut off, a recent job loss or a bereavement.

Patients are also referred to legal, housing, benefit, matrimonial, consumer and other services, in an effort to tackle health inequalities from every angle. The support service also works very closely with local councils to promote initiatives around energy efficiency and fuel poverty.

The project has been funded jointly by the Community Legal Service and the Primary Care Trust at a cost of £104,000 over the first three years. Most doctors are enthusiastic about the scheme, and in some cases have 'prescribed' debt advice in favour of medication for stress.

**Contact: Sarah Johnson, Ellesmere Port and Neston Primary Care Trust, 0151 356 6970
E-mail: sarah.johnson@epnpt.nhs.uk**

- Support financial awareness initiatives – which give people the skills and confidence to manage their money – by offering premises, referring clients or providing funding. Such schemes can be particularly helpful for people with mental health problems or young or lone parents.

DAWN workshops aim to take the stress out of debt

DAWN – Debt Advice Within Northumberland – is running a three-year programme of financial awareness workshops for mental health service users and others.

Money Matters was born out of research carried out by DAWN with local health agencies which revealed the negative impact on health of money and debt worries. Participants associate debt with: ‘stomach-churning stress, mental and nervous breakdown, weight loss, hair loss and ulcers, as well as turning to drink, drugs and self-harm’.

The programme works at the heart of the community by recruiting volunteers from the target audience and training them to help deliver financial assertiveness workshops. Volunteers can identify with the background and problems of participants, breaking down many of the barriers to learning. To reach more people, workshops are held in different locations, such as community and Sure Start centres.

Money Matters also works with health care providers to raise awareness of the impact of financial problems on people’s health and to encourage better joint working between the advice and health sectors.

To enable workshop participants, and others, to put their learning into practice DAWN is also promoting a new county-wide credit union, which will extend saving and borrowing opportunities in both urban and rural areas.

The initiative, part of Citizens Advice’s *Financial Skills for Life* programme, has been well received and its impact is being evaluated by the University of Newcastle.

Contact: Liz Chadwick, 01665 714387

E-mail: debt.unit@virgin.net

Further information

- General explanations and helpful information can be found in the booklet included in this pack: *Action on Debt: An introduction*. This is also at www.socialexclusionunit.gov.uk
- Research and information on providing advice in primary care settings is in Greasley and Small, *Welfare Advice in Primary Care* (University of Bradford, 2002) www.nuffield.leeds.ac.uk/downloads/portfolio/welfare.pdf
- Information on **local agencies offering advice** and contacts for your local Community Legal Service Partnership are on www.justask.org.uk
- Good practice in **benefit take-up campaigns** has been produced by the Local Government Association. *Quids for kids* is on www.lga.gov.uk
- For good practice on **financial inclusion** in deprived areas see www.renewal.net
- There is information on **Local Strategic Partnerships** on www.renewal.net
There is also information produced by and for the community and voluntary sector on engaging with Local Strategic Partnerships, see for example www.urbanforum.org.uk

Endnotes:

- 1 Middleton et al, *Small fortunes: spending on children, childhood poverty and parental sacrifice* (Joseph Rowntree Foundation, 1997)
- 2 Fuel poverty is defined as being required to spend more than 10 per cent of household income on household fuel use to maintain a satisfactory heating regime. Fuel poverty advisory group, *First Annual Report* (Department of Trade and Industry, 2003)
- 3 *In too deep* (Citizens Advice, 2003) p72
- 4 *Income-Related Benefits Estimates of Take-up in 2001/02* (Department for Work and Pensions, 2004)