

The Ever Increasing Circle

A pilot study of debt as an
impediment to entering employment
in Brighton and Hastings

Peter Ambrose and Liz Cunningham

Health and Social Policy Research Centre
University of Brighton

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'If I phoned them [a bank] and said I couldn't pay something they would always encourage me to take out a loan or get further into debt with them...then they give you a huge fine for going over the limit by a small amount which makes it impossible to pay the following month's overdraft... a kind of ever-increasing very evil circle.'

(respondent in the interview survey)

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Executive Summary

The project was initiated at the suggestion of the Tomorrows' People Trust as TP Moneywise advisers had reported that 30% of those they advised had given debt as a reason for not entering employment and there appeared to be little or no research focusing on this specific issue.

The project was carried out during the summer of 2004 in two urban areas on the south coast – Brighton and Hove and Hastings/St Leonards. The partners in the work were the two Citizens' Advice Bureaux and the Greater Hollington Neighbourhood Management Partnership.

The project consisted of a survey and a round of interviews. The survey forms were distributed by the three partner agencies to people they were advising or assisting. 109 forms were returned by post and 25 of these respondents were then interviewed using a semi-structured schedule.

The findings are listed in Section 5 (pages 56-58). They include:

- the most frequently stated barriers to entering employment were to do with personal characteristics rather than the local labour markets
- debt as a barrier was mentioned specifically by nearly 38% of survey respondents
- the average level of consumer debt per household interviewed was £11,000 in Brighton and £8,000 in Hastings
- the most frequent forms of debt were credit cards, bank overdrafts and loans and store cards/catalogues
- in most cases the debt had been started by a wide range of 'triggering' episodes almost all of an unforeseen nature (illness, redundancy, etc.)
- very often those in debt did not seek help at an early enough stage as they were not aware of the range of help available or of the possibility, especially in Hastings, of borrowing at lower cost from a credit union
- lenders of almost all kinds continued to press further credit even when the debtor had obvious repayment difficulties
- being deeply in debt produced a wide range of consequences for those interviewed including some serious adverse effects on health, family relationships and social life
- the help given by the CAB offices was highly appreciated and levels of anxiety were much reduced once debt stabilisation had been effected

Section 6 (pages 59-61) recommends:

1. More resources are needed for Citizens' Advice, Tomorrow's People and other money advice and advocacy agencies both to deal with urgent current need and to take some preventative educational steps.
2. Urgent consideration should be given by Government to measures to reduce irresponsible lending and promote credit unions.
3. Much more research is needed to identify more precisely the adverse health and other effects of debt and the costs these effects generate for the NHS and other public budgets.

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1. ORIGINS AND AIMS

1.1. Approach from Tomorrow's People

Early in 2004 Tomorrow's People (TP), a national organisation registered as a JobCentre Plus approved supplier, approached the Health and Social Policy Research Centre at the University of Brighton to become a partner in a research project. TP has been providing help on employment and debt advice for a considerable time. Their Moneywise debt counselling and money management programme aims to help clients manage financial issues when moving from benefit into employment. Feedback from the Moneywise programme identified debt as a significant barrier to entering employment with approximately 30% of clients discouraged from making the transition due to debt-related concerns. TP staff report that those in debt often feel caught in a 'poverty trap' and unable to access work as they fear creditors will expect repayments to commence as soon as employment begins.

TP suggested that an exploratory study of this issue be carried out simultaneously in Brighton, Bristol and Hastings. After initial discussions it was decided on practical grounds to confine the study initially to Brighton and Hastings. It was suggested that the Citizens' Advice Bureaux in both towns should be partners in the study as the findings would be relevant to their work. The Brighton and Hove CAB expressed interest in this possibility and arranged for funding from the Government Office for the South East. The Hastings CA office also expressed interest and funding was secured from Hastings Council to cover the work in that area. Finally the Greater Hollington Neighbourhood Management Partnership contributed some funding. The Project Manager of the present work had previously carried out two Annual Reviews of the Partnership for the Office of the Deputy Prime Minister (Ambrose 2003b, 2004). The Partnership's funding was conditional on the inclusion of Greater Hollington as one of the Hastings study areas.

1.2. The research aims

The partners began developing a research project to address the issue of debt and its relationship to entering employment. The aims were to ascertain:

1. What is already known from previous research about the implications of debt on employment in the UK?
2. How important is debt perceived to be compared to the various other impediments to entering work? Are these perceptions differential by age or gender?

3. How can Citizens' Advice, Tomorrow's People and other advisory agencies address possible barriers to employment through the development of their strategy and appropriate programme activity?
4. How reliably can the financial benefits deriving from helping people into employment be quantified so as to compare them with the cost of running the service?

It should be noted that questions 1 to 3 can be addressed using well tried methodologies. It was reasonable at the outset to anticipate clear answers pointing the way to firm policy recommendations.

Question 4 is more exploratory and could not be systematically addressed within the resource constraints of the project. It would have required intensive case study work with a limited number of respondents identifying the costs to public budgets of alternative 'trajectories' they might have followed both with and without the advice and help they received from advisory agencies. Future research along these lines may well produce evidence that is crucially important for demonstrating the cost-effectiveness of advisory activity. If it could be shown, or even indicated, that there is a good *financial* return deriving from early advisory interventions (as was clearly shown in the case of the Brighton and Hove CAB – see Ambrose and Stone 2003) then the arguments for the future financial support for organisations offering this service are materially strengthened.

2. CONTEXT

2.1. Official policy on getting into work

The Welfare to Work strategy created in 1997 is a central part of the Government's social and economic strategy. It aims to encourage and assist people into work and to reduce the long-term dependency on benefits. A series of 'New Deal' initiatives was created to implement this strategy. New Deals were targeted at different groups of working age adults. In a recent report by the Social Exclusion Unit (August 2004) on the impact of government policy on people of a working age, one of the barriers to work was identified as the cost of transition to employment. The report identifies a number of initiatives designed to address this problem, including:

- The job grant
- Housing benefit run on
- Council tax benefit run on
- Lone parent run on
- Adviser Discretion Fund

However, the job grant is only available to those who have been claiming for 52 weeks or more and moving into work of 16 hours or more a week. It is not available to lone parents or those under 25 years of age.

The impact of welfare to work policies found that job entry from New Deal programmes was increasing and a figure of 40% of staff recruited through the ND25 plus programme felt they would not be working if not for the programme.

2.2. Data on the recent rapid growth of debt

The growing level of household debt became a matter of renewed public debate when the figure reached £1 trillion (1000 x £1 billion) in June 2004 (Bank of England 2004). The figure in 1994 had been about £400 billion. At present mortgage debt is about £830 billion and unsecured consumer debt (i.e. non-mortgage debt) about £170 billion.

Unsecured lending had been rising at between 10% and 19% per year over the past ten years. The main categories of unsecured debt are:

Personal bank loans	60%
Credit cards	33%
Bank overdrafts	7%

The ratio of total debt to total incomes has risen from 95% in 1988 to 135% in 2004. This is a high ratio compared to most European Union countries.

Debt servicing costs are about 14% of household incomes. It was noted that the rate of debt write-offs is not especially high at present. Much of this debt had been taken out in a period of relatively full employment and at historically low interest rates. Worries were being expressed by many commentators about the likely effects on household finances of a fall in employment levels and/or a rise in interest rates.

Price Waterhouse Coopers (2004) report that credit card balances have risen from £122 billion in 2000 to £177 billion in 2004. In the increasingly aggressive battle for market share the major card providers have been competing with '0% on balance transfers for six months' offers. They see a risk to overall profitability from '...the growing breed of so-called 'rate tarts' who take up these offers and move perpetually from issuer to issuer. They conclude that such manoeuvring by consumers is costing providers about £1 billion per year in lost revenue.

The average household level of consumer debt, for those with these categories of debt (Financial Services Authority 2003), was:

Personal bank loans	£5,538
Student loans	£5,168
Car loans	£4,439
Credit card debt	£2,203
Family and friends loans	£2,121
Rent arrears	£1,100
Catalogue and store debts	£1,258

It has been noted (Tudela and Young 2003) that there is a growing tenure divergence between debt write-off rates. Write-offs on mortgage debt, of which an increasing proportion is for Buy to Rent purchases, are relatively low. But those on unsecured loans are rising. There is a concentration of heavy unsecured debt among those in rented accommodation. The write-off rate differential reflects the increased vulnerability of tenants as opposed to home owners. Many of the latter have some assets or equity which gives them room to manoeuvre whereas few tenants, especially those on low incomes, have any asset base to fall back on. This differential is shown in Bank of England *Quarterly Returns* for 2003. The proportion of people who regard debt as a heavy burden was 41% among council tenants, 17% among home owners with mortgages and only 7% among home owners who had paid off their loan.

A recent Social Exclusion Unit report (April 2004) provides further evidence of the differential impact of debt. It notes that debt is increasing for low-income groups and that those with an annual household income of less than £11,500 owe on average debts up to 35% of their income. This compares to debts of 10% to 20% of income for other groups. It also reports that more than half of households on incomes of less than £7,500 a year have serious debt. The report suggests that debt impacts on health, employment, child poverty, housing, re-offending and neighbourhood renewal, particularly in the last case through 'predatory lending'. The SEU report also argues that debt can be a barrier to employment either for those returning to work or for

staying in work. It acts as a disincentive due to the pay gap between benefits and the first pay cheque and the fear that creditors would chase them once they are earning an income. Debt also acts as a barrier by causing stress and mental health problems and, for those in work, can lead to time off work and job loss.

Many low income households find difficulty in accessing 'mainstream' sources of credit and are dependent on a limited number of providers of 'home credit' – notably Provident Financial plc. The rates charged, and the degree of oligopoly in the home credit market, were the subject of a 'super-complaint' by the National Consumer Council (see Whyley and Brooker 2004). This has been backed up by a submission from Debt on our Doorstep (Debt on our Doorstep 2003). These matters are currently being forwarded for consideration to the Office of Fair Trading and may be referred on to the Competition Commission.

The explosion in consumer credit has had considerable repercussions. The Financial Services Authority (2004) reports that 6.1 million families have difficulty meeting their financial repayments. The banking and credit card sectors spend £3.4 billion each year attempting to recover or write off debts (Deloitte and Touche 2003).

The growth of debt has generated an increase in the need for advice. A CAB report (May 2003) revealed that new debt inquiries in the UK have increased by 24% between 1997 and 2002. More women than men sought advice about debt. The average debt of clients in their survey was £10,700. The CAB study found that over-commitment was the most common reason given for debt by clients, followed by job loss, low income, illness and relationship breakdown. This finding was reported to be similar to results from a 1991 study where long-term low income experiences, over-commitment and job loss were the most common reasons for debt. The study also found that 40% of CAB clients felt unable to cope with the problem and were 'in crisis' by the time they asked for advice. In seeking advice, only 9% of clients had sought advice elsewhere before going to CAB. Of these the majority had spoken to debt management companies but clients felt the service was not appropriate for them, primarily because many of these companies charge for their service, thus adding to the debt.

Finally the Department for Work and Pensions recent Action Plan on Over-Indebtedness (2004) reports that 7% of households have levels of credit use associated with over-indebtedness and 13% of households are in arrears on credit or household bills. One in five people are experiencing financial difficulties. Over indebtedness is now being clearly linked to social and financial exclusion as well as to health and well-being.

2.3. Literature and previous studies

In a Joseph Rowntree Study (1997), it was found that those on income support had 'the most complex pattern of credit and debt, linked to arrears on bills and long-term replacement of domestic items'. The impacts of debt

on those on low incomes are multiple. Families have to make real choices between 'cutting back...or falling into debt' (Kempson 1996). The situation has materially worsened since the mid 1990s and in some cases the sanctions can be severe. The number of suspended prison orders for Council Tax arrears rose from 15,900 in 2000 to 22,400 in 2002 (Hansard 13 June 2002: Column WA76 quoted in Zacchaeus, 2004)

There has been research on unemployment and social exclusion, which drew out some issues related to debt. But there appears to be a only a limited amount of research in the UK into the adverse health and other effects with which debt can be associated and specifically into its implications for moving from benefits into employment.

As noted previously there have been several government publications during 2004 that have looked at financial issues and these have provided some valuable context for the study. The '*Tackling Over-indebtedness*' DWP plan; the '*Action on Debt*' report by the SEU and the '*Breaking the Cycle*' report also from the SEU have all been useful.

The research conducted by CAB which has resulted in the reports *In Too Deep* (May 2003) and *Financial Over-Commitment* (July 2003) focused on debt issues in particular. These CAB studies found a high number of clients suffering from mental health problems such as stress and anxiety. Almost 50% of people had sought counselling through their GP. Similarly a study by Sharpe and Bostock (2002) concludes that there are clear links between debt and mental health difficulties.

In an older study Golding and Middleton (1982 quoted in Becker 1997:7-8) found that the most common explanations for poverty made reference to the 'financial ineptitude' of the poor and their failure to control money going out of the home rather than society's failure to get a decent income into it. From the evidence presented in section 4 'ineptitude' would not be an accurate characterisation of the ways in which the great majority of those interviewed in this project are coping with the outfall from the large-scale and often unforeseeable changes in circumstances that have beset them and, in many cases, the pressure from lenders to increase their indebtedness.

Underlying causes of debt default

In a study in 1974, Daniel (cited by Ashley 1983) found that the most common causes of debt default were in repaying loans or keeping up with commitments such as insurance, rent and utilities bills that were taken out while in employment. The implication here was that any further borrowing while unemployed would create a 'serious burden of indebtedness' once a return to work was accomplished.

A Birmingham Settlement Money Advice Centre study (Becker 1997) found that their clients were mostly likely to be young, to have children and to be on low incomes or unemployed. They also found that illiteracy was a factor in debt problems since it limited understanding of financial matters.

Several studies have found that a drop in income was the most important reason for default on loan repayments. In one study this was a primary cause in 43% of cases. In a second study in Scotland, 37% identified it as a primary cause. In a further study in Scotland 62% attributed their debt to reduced or lost income. Over-commitment was found to have a limited but 'significant' role in default. Lender irresponsibility was identified by around 20% of respondents in two studies (Becker 1997).

Some adverse effects of debt

There is evidence that depression and increased tensions are common among families in debt, particularly for those with children. Personal impacts can include a reduction in expectations, feelings of inadequacy and resignation to a life where 'going without' is normal. The constant worry about money and the difficulty in meeting basic needs creates feelings of helplessness and powerlessness. There are health implications also, with 40-50% of respondents in one study reporting health problems, over 25% suffering breakdowns and one in ten attempting suicide (Becker 1997).

A recent Social Exclusion Unit study (September 2004) found that common features of social exclusion were low self-esteem, financial hardship, poor educational attainment, debt, drugs, violence, language barriers, mental health problems and housing difficulties. Common experiences were:

- poverty and debt
- barriers to employment and long term worklessness
- educational difficulties
- neighbourhood/community difficulties
- poor health/wellbeing issues, and
- housing instability/inadequacy.

The presence of debt was common across the sample. Individual responses to debt included delaying payments for utilities and defaulting on credit. Those with access to loans from family or friends saw this as a 'double-edged sword'. Whilst helpful in a critical period, often the result was that additional debt led to further relationship difficulties and financial instability.

Barriers to employment and causes of prolonged worklessness found were:

- lack of basic skills including literacy and numeracy
- disability and poor health
- caring responsibilities
- lack of relevant skills and qualifications
- local labour market barriers including low labour demand and inadequate supply of childcare
- low confidence and self-esteem resulting from long term worklessness
- poor or outdated jobsearch skills

The relationship to education

The SEU study also found that educational problems cast a 'long shadow' over the respondents. Key problems included:

- disrupted compulsory education
- low or no qualifications
- behavioural problems

The Social Fund

The social fund was created to help people on a low income to meet 'exceptional expenses'. The fund is discretionary and decisions are made by an assessing officer. Two research studies (Becker 1997) monitored the impact of the social fund in 1988 to 1991. These studies showed that vulnerable people were applying to the fund with benefits-related problems or 'lifestyle' problems made worse by poverty or low income. We could assume that 'lifestyle problems' includes debt. Becker (1997) refers to a Benefits Research Unit (BRU) study which found that the majority of clients applying to the Social Fund for assistance were turned down.

The recent Department for Work and Pensions report on indebtedness (2004) states that the department is working to improve the administration, guidance and training for the Fund. It is also looking at ways the Fund can help people on low incomes to manage their finances better.

Credit unions

Credit unions were first established in Britain in 1964. By 1977 40 credit unions had been established and by 1992 there were 377 registered unions. However, the movement is small when compared to other countries. In Canada, Ireland, Australia and the United States between one-third and one-half of the adult population are members of credit unions (NCC 1994). Credit unions are sources of credit to some 15 million French and German people and in the United States they were responsible for one-sixth of loans in 1979 (Becker 1997).

Local authorities have played a key role in the development of credit unions. In one study, out of twenty-seven unions, twenty-five had been provided with assistance by the local authority. Three types of assistance are common - start up grants of up to £2,000, secondment or provision of credit union development workers and finally funding or part-funding of credit union development agencies who promote, support or assist unions and play a major role in raising their profile in the community (NCC 1994).

Seeking professional advice

In a study in 1974, Caplovitz (cited in Becker 1997) found that 'working class' people were less likely than other groups to seek professional financial advice. He argued that one of the reasons that lenders such as the Provident were successful was that their services were tailored to meet their

clients' needs. The Provident 'spoke their language' in contrast to public agencies which had been set up to deal with their problems.

Action required on debt

The Social Exclusion Unit report (April 2004) suggests the following actions are needed to tackle debt:

- Increased availability of financial services to low income households
- Improvements in financial literacy among adults and children
- Increased funding to advice services
- Improved signposting of people to debt advice services
- Support to the development of the credit union sector
- Fair debt collection practices
- Responsible lending and affordable credit

2.4. The two study areas

The two towns in which the study was carried out are both on the south coast of England in the county of East Sussex. Some information from the 2001 Census is shown in Table 1.

Brighton has about three times the population of Hastings and has increased in population somewhat faster over the inter-census period. Both areas have similar proportions of over-75s. Both are broadly similar too in terms of the incidence of households without private transport, one person households and lone parent households. Brighton has a much higher presence of non-white ethnic groups and people born outside the UK.

Hastings has poorer health characteristics and a higher proportion of people providing unpaid care. There is a general similarity in terms of unemployment and hours worked and both areas have highly services-oriented economies and low proportions of people employed in manufacturing industry. Brighton has lost a high proportion of its manufacturing jobs over the past three decades whereas the Hastings manufacturing sector is relatively buoyant. There is a clear difference in the proportion of people using public transport to get to work. It is also clear that Brighton has a much higher proportion of more highly qualified people.

Both towns have a similar proportion of owner-occupiers, both lower than the national figure of about 70%. Brighton is unusual in having a very large private rented sector (there is a full discussion of Brighton's housing problems and especially the high housing costs in relation to incomes in Ambrose 2003a).

Comparison of both towns with national age/sex data shows that Brighton has a much higher than national proportion of people in the 20-39 age range and a lower proportion in the 0-19 age range. The Hastings demographic structure is more similar to the national average but with a lower than national proportion of people in the 20-29 age range.

Table 1 – Census data for Brighton and Hove and Hastings/St Leonards

Census variable	Brighton and Hove	Hastings/ St Leonards
Population		
Resident population	247,817	85,029
People aged 75 and over (%)	8.65	9.42
Population increase 1991-2001 (%)	3.03	2.74
Households		
Households without car or van (%)	36.52	33.84
One person households	39.35	36.49
Lone parent households	8.59	10.38
Ethnicity		
Non-white ethnic group (%)	5.74	2.98
People born outside the UK (%)	10.78	5.49
Health		
People with Limiting Long-term Illness (%)	18.13	21.66
People with general health 'not good' (%)	9.04	11.12
People who provide unpaid care (%)	8.79	10.15
Work		
People aged 16-74 unemployed (%)	3.19	3.11
Av. Hours worked by employed people 16-74	36.27	36.54
People employed in industry (%)	7.15	8.98
People 16-74 who travel to work by public transport (%)	9.97	4.11
People 16-74 with qualifications Level 2 and above (%)	48.09	34.03
Housing		
Households in owner-occupation (%)	61.65	63.56
Households lacking amenities (%)	0.99	0.38

3. METHODOLOGY

The three-stage research methodology for the project was developed in close collaboration with the Director and staff members of the two local Citizens' Advice Bureaux – those in Hastings and Brighton. In each area the CA Director agreed the design and content of the Survey Form (Stage 1) and agreed also the content to be covered in the subsequent interviews (Stage 2). Finally an experienced money adviser in each office was interviewed (Stage 3).

3.1. Stage 1 - The survey via CABs and the GHNMP

The research team arranged for the survey form to be distributed by the two CA offices to a number of clients who had recently consulted staff at their office in relation to debt and other money issues. Some forms were also distributed by the Greater Hollington Neighbourhood Management Partnership, the third partner in the project. The survey form is reproduced as Appendix 1. Stamped addressed envelopes were provided for the convenience of those replying.

3.2. Stage 2 - The interviews with some respondents

It has been found in previous work (for example Ambrose and Stone 2003) that the combination of a small well-structured sample and in-depth interviewing is highly effective for exploring very sensitive matters and can be relied upon to give a comprehensive view of the issues. In this study all respondents were asked on the survey form whether they would be willing to be interviewed and, if so, to include their contact details on the form. A letter was written to those signifying assent (Appendix 2). This explained the purpose and nature of the interview and offered a shopping voucher in recognition of the time the respondent would need to give.

A high proportion of those signifying assent were interviewed by a research team member. A Consent Form was signed by each interviewee (Appendix 3). The interviews were semi-structured and the areas of questioning are shown as Appendix 4. Interviews took generally between 30 and 60 minutes and each was taped, with the interviewee's consent. All interviews were then transcribed. The transcriptions are identified in the records only by reference number.

3.3. Stage 3 - The interviews with CA advisers

As a final stage interviews were held with the CA adviser most associated with debt advice and advocacy in each of the two CA offices. The purpose was to convey the main findings, and to gather the advisers' comments on these, and partly to discuss a number of questions arising from the work.

4. SURVEY AND INTERVIEW FINDINGS

4.1. Survey Findings

The Survey Form was completed and returned by 109 respondents. No response rate could be calculated since it was not practicable to record the number of Survey Forms handed out by CA advisers and the GHNMP.

4.1.1. Characteristics of those surveyed

Pattern of residence:

Brighton and Hove			
East Brighton (eb4u area)	18		
West Hove	11		
Rest of Brighton and Hove	13		
			42
Hastings and St Leonards			
Greater Hollington	12		
Central St Leonards and Castle Wards	9		
Rest of Hastings, St Leonards, Battle and Rye	46		
			67
			109

Gender, Age Group and Children

Apart from the place of residence, information was collected on three other 'descriptors' or possible explanatory variables – gender, age group and whether or not there were children in the household. Distributions were:

Gender	Male	37	
	Female	72	109
Age Group	16-25	16	
	26-35	18	
	36-45	32	
	46-55	25	
	56-65	14	
	over 65	3	
	no response	1	109
Children in household	none	34	
	1-2	50	
	3 or more	24	
	no response	1	109

These distributions appear reasonably representative of the households in the region. The gender imbalance may well reflect the imbalance in the gender balance of those consulting CA offices.

Length of time looking for work

Respondents were asked how long they had been trying to find paid work. Of the 109, 32 offered no reply to this question, no doubt for a variety of reasons. The replies of the remaining 77 are shown in Table 2.

Table 2 – Length of time looking for work

Period of time	Number	%
0-3 months	17	22.1
4-6 months	9	11.7
7-9 months	6	7.8
10-12 months	3	3.9
1-2 years	11	14.2
2-3 years	7	9.1
3-4 years	1	1.3
More than 4 years	7	9.1
In work	8	10.4
Not looking	8	10.4
Total	77	100.0

Almost half the sample (45.5%) had been unemployed and looking for work for less than a year and the rest for periods up to and over four years.

Sources of help in looking for work

Respondents were asked if they had sought help looking for work, who they sought help from and with what result. The results are shown in Table 3.

Table 3 – Main sources of help when looking for work

Source	Number using	% of those looking
JobCentre Plus	43	55.8
Careers Service	10	13.0
CAB	6	7.8
Working Links	4	5.2
Internet	2	2.6
Tomorrow's People	2	2.6

Other sources, none of them used by more than one respondent, included Working Transitions, local papers, voluntary work and Learn Direct.

4.1.2. Significance of debt compared to other impediments

A list of 22 reasons was given on the form as possible impediments to entering employment. Any number of these could be ticked. The reasons, shown in Table 4, were categorised under four headings:

- PC** - personal characteristics (including debt level)
- LM** - nature of the local labour market (jobs, pay, etc.)
- B** - issues to do with benefits and the 'poverty trap'
- PP** - practical problems (childcare, no car, etc.)

Table 4 – Number of respondents giving each impediment to work

REASON	CATEGORY	'YES'
'My poor health'	PC	50
'They don't pay enough round here'	LM	46
'My age'	PC	42
'Poor qualifications'	PC	42
'Debts and money problems'	PC	41
'Lack of experience stops me'	PC	38
'Length of time I've been on benefits'	B	36
'They want a higher skill level'	PC	33
'I can't drive'	PC	32
'My disability stops me'	PC	30
'I don't have a car'	PP	28
'They want different skills to mine'	LM	27
'I can't get childcare'	PP	25
'I wouldn't get my rent/Council Tax paid'	B	22
'There just aren't any jobs around here'	LM	22
'My lack of literacy'	PC	18
'I think there is prejudice'	LM	15
'I live in the wrong part of town'	LM	9
'Because I am a woman'	PC	7
'I can't get to work on public transport'	PP	6
'I just don't know anyone that works'	PC	4
'My ethnicity stops me'	PC	3
Other reasons not categorised	Various	13
Total number of reasons given		589
Summary by category		Times mentioned
'Personal characteristics' reasons		340 (59.0%)
'Local labour market' reasons		119 (20.7%)
'Benefits/poverty trap' reasons		58 (10.1%)
'Practical problems' reasons		59 (10.2%)
Total number of categorised reasons		576 (100.0%)

This table reveals a number of interesting points. The clear majority of reasons given are to do with personal characteristics (59.0% of reasons) – poor health, age, disability, low skills and lack of experience. These are

more important than all other categories put together. Poor health was mentioned most frequently of all and if this is coupled with disability this impediment was quoted 80 times by the 109 respondents. Poor literacy was mentioned many more times than ethnicity, although some of the mentions of perceived prejudice might relate to ethnicity. Gender was mentioned by women as an impediment only seven times and lack of contact with anyone in work only four times. **'Debts and money problems' was the fifth most important reason given as an impediment to entering employment and was quoted by 41 (37.6%) of the 109 respondents.** There are reasons to believe that debt is actually more significant than this as a factor. It was clear from many of the interviews (see section 4.2) that some who mentioned another impediment (such as a disability) rather than debt in the survey would still have felt debt to be a barrier even if the prime impediment could have been overcome. Debt was a 'latent factor' in these cases.

Issues to do with the local labour market provided 20.7% of all reasons given as impediments. By far the most important issue was the low wages perceived as being paid by local employers. This is closely connected with the set of reasons to do with benefits and the poverty trap. Many respondents would not find it worthwhile to transfer from benefits to work as the 'tapers' on various benefits would mean that, in effect, they would be paying very high marginal tax rates (marginal tax rates as high as 97% were found in a recent study of low pay in Brighton and Hove – Ambrose 2003a). Lack of local jobs was mentioned by 22 respondents.

Practical problems were quoted less frequently than expected. Important among these was lack of a car (given by 28 respondents) and childcare (25 respondents). Poor public transport was mentioned by only six respondents. This is surprising since in both study areas many respondents live in outlying estates.

The 13 non-categorised reasons included marriage break-up, criminal record, shyness and low self-confidence and poor language skills. None of these was mentioned more than twice.

Sources of help with debt/money problems

Of the 109 respondents 62 had discussed the issue with family members and friends and 102 had sought formal advice, many of course had done both. Because of the way the sample of respondents was accessed (mostly via the two CA offices) all respondents except one had sought advice from CAB. In addition three had sought advice from Social Services, three from the Social Fund, two from National Debtline and one each from a number of other sources.

4.1.3. Analysis and cross-tabulations

A number of cross-tabulations were carried out on the survey responses and chi-square tests applied. This is a simple test to determine whether some particular variable, such as place of residence or age, produces a

different pattern of outcomes from what would be expected if that variable had no effect on the outcome.¹

This test was applied to the relationships between each of the four 'descriptor' variables in turn:

Gender
Age group
Children in the household or not
Area of residence

to see whether or not significant relationships exist between the descriptors and the pattern of outcomes, such as whether or not respondents were seeking work and what impediments they judged to be important. In the sections that follow, the word 'significant' is used to indicate statistical significance at either the 5% or 1% level. Elsewhere in the report the word is used in its more general sense.

4.1.3.1. Gender

A rather higher proportion of women (50%) than men (38%) had been **looking for work** for less than one year so longer term unemployment was more marked for men than for women but the effect was not significant.

A slightly higher proportion of men than women had tried to get **help or advice about getting into work**. Both used a JobCentre much more frequently than other sources of help such as Career Recruitment. One or two respondents used websites or local papers. Only one had used New Deal 50+.

In terms of the **impediments to work** quoted by respondents there were few differences between men and women. Significantly more men than women considered poor literacy to be a barrier to their entering work. Even more significantly, men considered far more than women that their advancing age was a barrier to getting a job. Similarly, 'Time on benefits' worked differentially in that this reason was given by 43% of men respondents and only 28% of women. Inability to drive was somewhat more important to women than to men as was the low pay available in jobs locally. 'Prejudice' (not further defined on the survey form) was felt to be a factor by 24% of the men but only 8% of the women. As expected, poor

¹ For example we might take a sample of 100 equally fit adults of similar age, 20 of them are under 5ft, 50 are between 5ft and 6ft and the other 30 are over 6ft. They are asked to attempt a high jump. If height did not affect jumping capability the numbers able to jump a certain height would be equally drawn from the three height groups (in the ratio 20:50:30). But a trial might show that of the numbers able to jump this height, only 5 are under 5ft, 40 are between 5ft and 6ft and the remaining 55 are over 6ft. This indicates that high jumping ability seems to have something to do with height. But does this finding for the sample 100 reflect the relationship for the whole population or might the differences noted in the sample have occurred by chance? Chi-square seeks to establish statistical relationships such that one can state 'this pattern has only a 5% probability, or a 1% probability, of occurring by chance'. Thus relationships are said to be significant either at the 5% or the 1% level.

access to childcare was a much more important impediment for women (quoted by 37%) than for men (quoted by only 3%).

The negative findings about other impediments may be seen as surprising. Factors such as low skill levels, poor qualifications and poor health were quoted more or less equally by men and women.

There was little difference in the incidence of **utilities debt** between men and women respondents. There was little difference either in the extent to which the debt had been **discussed with families and friends** (in all nearly 58% had discussed their debt problems in these informal ways) and no difference in the extent to which they had looked for **formal advice** about money matters. For **sources of advice**, both men and women had looked overwhelmingly to their local CAB for money advice. Two women had looked to Social Services and three to the Social Fund.

The respondents who had made **application to the Social Fund** (33%) were distributed more or less proportionately between men and women.

4.1.3.2. Age group

Age had little effect on the time that had been spent **looking for work** although it was noticeable that a higher proportion of younger people had been looking for less than three months and older people tended to have been looking for longer periods.

Age produced no significant effects on where people sought **help or advice about getting into work**. Most of the few that went to CAB for help were aged under 35 and the use of JobCentres was most marked in the 26-35 age group.

In relation to **impediments to work**, there were some significant differentiations by age. Poor literacy was felt to be an impediment by 23% of those under 45 but by only 7% of those over this age. It was most marked as an impediment in the under 25 age group. This seems to reflect poorly on the literacy of those who have quite recently left school. As might be expected poor health was much more clearly an impediment for those over 45 and disability for those over 55. 'Time on benefits' was quoted more by those aged between 26 and 45 than by other groups. The feeling that the local job market required different skills from what they had to offer was more marked among under 45 year olds than others and the impediment of 'low pay in local jobs' was quoted significantly more often by under 25 year olds than others. Debts were given as an impediment by noticeably more people in the 26 to 45 age groups than by younger and older people. The impediment that 'I wouldn't get my rent or Council Tax paid if I went to work' was significantly more marked among younger age groups.

Debt in relation to **utilities** was more marked among the middle age groups. People from all age groups **discussed the debt with family and friends** but the extent to which this happened declined with age. The majority of

people in all age groups had sought **formal advice** about money matters, the **source of advice** being in almost all cases the CAB.

4.1.3.3. Whether children in the household or not

Whether there were children or not in the household had very little relationship to the time spent **looking for work** or on whether people sought **help or advice about getting into work**. As established already the prime source of such help was the local JobCentre.

Most **impediments to work** were not strongly differentiated by the presence of children although poor health and disability were more likely to be mentioned by those with no children in the household. Issues of skills and experience, and even of pay, were quoted more or less equally by respondents in both sorts of household but, as is obvious, childcare is mentioned as an impediment only by those with children. It is noteworthy that debt as an impediment is not related to whether there are children or not. This is an issue that affects all household types more or less equally – as is the impediment that going to work will cancel out benefits received.

Those with children are slightly more likely to have **utilities** debts but the effect is not significant. It was noticeable that whereas only 42% of those without children **discussed the debt with family and friends** the proportion for those with children was 63%. All categories of household in the sample showed a majority who had sought **formal advice** about money matters, in almost all cases from the local CAB.

4.1.3.4. Area of residence

When the responses were considered under seven different areas – Brighton (east Brighton), Brighton (west Hove), Brighton (general), Hastings (general), Hastings (Castle Ward), Hastings (Central St Leonards Ward) and Hastings (Greater Hollington), the relatively small sample of responses produced very few significant differences by location of residence.

The proportion of respondents **looking for work** was roughly similar in all seven areas and there was no significant difference in the time they had spent looking for work. Almost all had sought **help or advice about getting into work** (of the six who had not three lived in Greater Hollington).

As **impediments to work** poor qualifications and lack of experience were seen as more or less equally important in all areas, as were poor health and disability. Lack of skills to match the local labour market's needs were significantly more of an issue in east Brighton than elsewhere and 'low pay' was also more significant here. There was a striking difference in the extent to which lack of childcare was quoted – this was a factor for 11 of the 18 east Brighton respondents but for only 1 of the 12 from Greater Hollington. Similarly, although the difference was not significant, debt was more frequently quoted by Hastings (general) respondents than by those in any other area. There was no strong sense in any area, including the two 'estate' areas, that 'prejudice' was an impediment to getting into work.

Utilities debt was reported as something more of an issue in east Brighton and Greater Hollington although the difference was not significant. There was also little difference in the extent to which money problems had been **discussed with family and friends**. The extent to which people had sought **formal advice** about debt and money problems, and the **sources of advice** they had used were not differentiated by area of residence.

4.1.3.5. Brighton and Hove compared to Hastings and St Leonards

A comparison was carried out between the two main urban areas, Brighton/Hove (42 responses) and Hastings/St Leonards (67 responses). For ease of reference the two areas will be referred to as Brighton and Hastings.

There was a significant difference between the two areas in the length of time respondents had been seeking work. In Hastings 34.0% had been seeking work for less than one year and 40.5% for over a year (the rest were either employed or not seeking work). In Brighton the corresponding proportions were 63.3% and 21.4%. In other words in the sample there were far more longer term unemployed in Hastings than in Brighton. A partial explanation might be that whereas 64.3% of the Brighton respondents had sought help and advice about getting into work the corresponding figure for Hastings was only 38.8%. It is not possible to determine the reasons for this difference from the survey responses.

Table 5 shows how the pattern of reasons for not getting work differed between the two areas. Personal characteristics such as age, poor literacy, poor health and disability were all more frequently stated in the Hastings responses. This may partly reflect differences in the age structure of the areas. By contrast the Brighton responses referred far more frequently to characteristics of the local labour market – jobs required more skills or different skills from those respondents had to offer. The low rates of pay available locally was also noticeably more of an issue in Brighton than in Hastings. It is well known that the former area has very high living and housing costs (Ambrose 2003a) but it is also clear that Hastings living costs have been increasing sharply in recent years and may soon begin to rival those in Brighton.

It is noteworthy that debts and money problems as impediments to entering employment are roughly equally important in both areas. This reason is the eighth most frequently quoted in Brighton and the fourth in Hastings.

In relation to other issues covered by the survey – the extent of utilities debt, the proportion who had discussed money issues with family and friends and the proportion who had sought formal money advice – there was very little difference between the two areas.

Table 5 – Impediments to entering work – Brighton and Hastings

Reason given as an impediment to entering work (multiple responses were allowed)	% of Brighton/Hove responses (42)	% of Hastings/St Leonards responses (67)
Poor qualifications	35.7	40.3
Lack of experience	33.3	35.8
Poor literacy	14.3	17.9
Age	28.6	44.8
Ethnicity	4.8	1.5
Poor health	42.9	49.3
Disability	19.0	32.8
Time on benefits	38.1	29.9
Don't know anyone in work	4.8	3.0
Because I'm a man	2.4	1.5
Because I'm a woman	0.0	10.4
Just are no jobs around here	14.3	23.9
They want different skills	38.1	16.4
They want higher skills	47.6	19.4
Pay too low to make it worthwhile	50.0	38.8
Can't get affordable childcare	45.2	10.4
Poor public transport	4.8	6.0
Don't have a car	21.4	28.4
Can't drive	21.4	34.3
Debts and money problems	35.7	38.8
Live in the wrong part of town	7.1	9.0
There is prejudice	7.1	17.9
On incapacity benefit	0.0	3.0
Poor language skills	0.0	1.5
Criminal record	0.0	1.5
Marriage break-up	0.0	1.5
Low self-confidence	0.0	10.0
Shyness	0.0	1.5
It would cancel out benefits	50.0	16.7
Working hours unsuitable for school	2.4	16.7
No home phone	2.4	1.5

4.2. Interview Findings

4.2.1. Characteristics of those interviewed

Table 6 sets out the social, demographic and debt characteristics, plus other relevant information, in relation to the 25 people interviewed.

Table 6 – Characteristics of those interviewed

No.	M/F	Age	Area *	Time In Area	Ch	No in HH	Total Debt	Types of debt**	Yrs in debt	Debt a Barrier? ***
2	F	26-35	HC	AL	Y	2	£1k	3 4 6	2	0
3	F	16-25	HG	11	Y	2	£6k	4 5 9	1	1
6	F	Over 66	HH	AL	Y	1	£7-8k	1 3 4 6	3	1
12	F	26-35	HG	20	N	2	£2.5k	1 2 3 4 5	6	1
13	F	26-35		16	Y	2	£5-6k	2 3 4 9	8	1
14	F	26-35	HG	22	Y	2	£10k	1 2 3 4	3	1
16	F	26-35	HG	14	Y	4	£3-4k	1 4 5 9	2	1
20	M	36-45	HC	18	N	1	£13 k	5 6	4	1
23	F	46-55	HH	AL	N	1	£1-2k	4	2	0
24	M	45-56	HH	18	Y	1	£12-15k	6	2	1
27	F	46-55	HC	AL	N	1	£2k	3 6	2	0
30	M	46-55	HH	22	Y	2	£28k	5 6 7 8	5	1
31	F	26-35	HH	5	N	1	£19k	3 4 5 6 7	3	0
33	F	45-56	HH	25	Y	2	£500	1 2 3 6	2	0
101	M	36-45	EB	AL	N	1	£20k	1 2 5 6 9	2	1
104	F	36-45	EB	3	Y	4	£8k	4 5 7 9	3	1
106	F	16-25	EB	AL	Y	3	£4k	4 5	4	0
107	F	36-45	EB	AL	Y	2	£17k	4 5 6 7 8 9	3	1
112	F	46-55	EB	17	N	2	£6k	5 6	4	0
114	M	36-45	EB	AL	N	1	£7k	5 6 7 9	1	0
118	F	46-55	EB	11	Y	3	£6k	5 6	5	0
122	F	26-35	WH	4	Y	2	£5k	3 5	3	1
124	F	36-45	WH	AL	Y	3	£17k	0 4 5 6	4	0
129	M	36-45	WH	AL	N	1	£24k	5 6	15	1
142	M	36-45	WH	15	N	1	£7k	5 6 7	2	0

The following notations have been used:

Area *

HH – Hastings Hollington
 HG – Hastings General
 HC – Hastings Castle/Central St Leonards
 EB – East Brighton
 WH – West Hove

Type of Debt **	0 = Mortgage arrears 1 = Council tax 2 = Rent 3 = Utilities 4 = Catalogues/store cards 5 = Credit cards 6 = Banks 7 = Family and friends 8 = Social fund 9 = Provident
Debt as a barrier to work ***	0 = not listed as a barrier in survey 1 = listed as a barrier in survey

Of those interviewed 14 had listed debt as a barrier to employment and 11 had not.

4.2.2. The most frequent forms of debt

Using the data shown in Table 6 the types of debt most commonly reported during the interviews were as shown in Table 7.

Table 7 – Most frequent types of debt

Type of Debt	No of reports Brighton	No of reports Hastings	Total
0 = Mortgage arrears	1	0	1
1 = Council tax	1	5	6
2 = Rent	1	4	5
3 = Utilities	1	8	9
4 = Catalogues/store cards	4	9	13
5 = Credit cards	11	6	17
6 = Banks (includes bank loans and overdrafts)	8	8	16
7 = Family and friends	4	2	6
8 = Social fund	1	1	2
9 = Provident	4	3	7

The approximate total debt of the Brighton respondents was £121,000 and the average debt **£11,000**. Indebtedness ranged from £4,000 to £24,000.

In Hastings the total debt was £114,000, the average **£8,000** and the range from £500 to £28,000. The overall average of indebtedness was about **£9,000**.

4.2.3. Getting into debt – the ‘trigger events’

The ‘trigger events’ that led respondents to get into debt in the first place almost all come under the heading of ‘life changes’ – either illness/disability, loss of job, relationship breakdown, a bereavement or some combination of these. In some cases, the adverse effects of change were aggravated by apparent mal-administration in the benefits system. The following thumbnail sketches reflect the diversity of the triggering episodes (numbers 2 to 33 from Hastings, 101 to 142 from Brighton). Almost all those interviewed are now on a repayment plan.

- 2 - Woman, 26-35, lives with daughter, was at university, bursary and funding did not cover childcare and rent costs so gave up studies - telephone cut off, owed money to a catalogue for furniture and bank over-draft
- 3 – Woman, 26-25, lives with her son, left school at 13, limited work experience, owes money to catalogues and the Provident who she went to for Christmas money - is seeking counselling
- 6 – Woman, 71, lives alone, had to return to work at 69 after husband’s death to pay off husband’s debts, plus mistake in Housing Benefit created arrears, on anti-depressants and has attempted suicide in the past - does not expect to repay debts in her lifetime
- 12 – Woman, 26-35, lives on and off with partner, suffers from depression, has attempted suicide, fell into rent arrears due to an error, credit card debt paying for vet bills and has utilities debt
- 13 – Woman, 25-36, lives with one child, made redundant, went onto benefits, gap in income created debts, returned to part-time education, benefits cut then reinstated, further debts from catalogues and the Provident
- 14 – Woman, 26-35, lives with husband and two children, unemployed and husband has erratic employment experiences, in debt for rent arrears, water rates, telephone bill, council tax - tensions in the relationship due to different approaches to paying of debt – is now in counselling
- 16 – Woman, 35, lives with husband and two children, works as care assistant, in debt to credit cards, catalogue and the Provident - debts manageable until Council Tax fell into arrears
- 20 – Man, 43, lives alone, credit card and bank overdraft debts created with partner in relationship, went to prison for VAT

evasion and relationship ended, couldn't pay without partner's income, credit cards given despite benefit as only income

- 23 – Woman, 54, lives alone, had to give up work to care for father who has since died, now cannot find employment as has asthma and blood pressure problems, in debt to catalogues after losing additional benefits
- 27 – Woman, 50, lives alone, mother had to sell house to pay off debts encouraged by lenders despite pension as only income, after mother died had arrears on rent, was on incapacity benefit due to breakdown - now repaying debts and studying for NVQ in childcare
- 30 – Man, 36-45, lives with son, full-time carer, ex-wife schizophrenic, had to abandon self-employment to care or son would be taken into care by Social Services, had bank loan for car and credit cards
- 33 – Woman, 45-56, lives with son, was toilet attendant, is now care assistant, domestic violence victim, on benefits until son old enough then sought work, got into debt in transition between work and benefits
- 101 – Man, 36-45, lives alone, dustman for the Council for many years, work-related back injury led to dismissal, delays in payments of wages and incapacity benefit provoked debt problems, encouraged into further debt by lenders
- 104 – Woman, 36-45, husband and two teenage children, part-time carer, difficult break-up of previous relationship plus new husband on commission-only for a period plus Christmas expenses led to debt, encouraged by lenders
- 106 – Woman, 16-25, partner and son, first credit card at 17, pregnancy plus setting up home with partner led to store cards, credit cards ('so easy to get the credit cards - it felt like free money') and utilities debts
- 107 – Woman, 36-45, lone parent with son (8), stopping work to have son led to benefit dependency and debt, now has almost all forms of debt including unwanted dependence on father, seriously depressed and on medication
- 112 – Woman, 46-55, lives with partner, graduate, had good jobs until severely affected by ME, got into credit card and overdraft debt, insurance ruled inapplicable (ME), now living on 'bare minimum' food, etc, finds forms 'overlong and complicated'

- 114 – Man, 36-45, lives alone, had good job, made redundant at 10 minutes notice, borrowed for ongoing commitments and new clothes for interviews, long period unemployed ('borrowing to survive'), overdraft, credit cards and family debt
- 118 – Woman, 46-55, lone parent with twins (12), trained nurse/midwife, home owner, worked overseas, married foreign man with poor money sense, marriage break-up, longstanding health problem reduces job chances, debt forced by children costs
- 122 – Woman, 26-35, lone parent with son (3), traumatic break-up in London with son's father who acted badly over money forcing house sale, took seven months to sell leading to debt, little equity from house, rent £700 pcm (private renting)
- 124 – Woman, 36-45, separated husband and two daughters (13 and 10), has run own company, husband beaten up by drunks on holiday led to severe mental illness, extra vulnerability to lenders led to £60K debt, severe 'spin-off' effects for family cohesion
- 129 – Man, 36-45, lives alone with cat, had work-related back injury 15 years ago, settled out of court, partial disability limits job chances, borrowed for IT equipment to facilitate home working, cannot cope with 'extras' (mending boiler, vets, etc.)
- 142 – Man, 36-45, lives alone, lost well-paid interior design job when international company closed local operations two years ago, ongoing commitments led to heavy debt, 'will be dead before paid off', unwanted dependence on father

Although it is inappropriate to make judgements, especially on the basis of just one interview, it appears that very few of these paths into debt reflect irresponsibility or fecklessness on the part of the debtor. The predominant pattern is of an increased financial and often emotional vulnerability, stemming from largely unpredictable life changes. These changes were either work-related or stemmed from illness or disability and often were a combination of these. In other cases the change was one of personal relationships. Less often core issues such as childcare had an impact on work or personal relations. A frequent outcome of all these was that individuals reached levels of financial commitment that they were unable to meet.

Those with work-related changes most typically got into difficulties as a result of members of the household being made redundant. However, there were also examples of the limited work options available and the fragility of opportunities in towns with heavy seasonal employment influences.

Relationship changes affecting income were most often due to relationships ending or partners or other family members suddenly requiring care with consequent radical effects on working patterns.

The following quotes exemplify these trigger events:

'I did two semesters, I couldn't carry on because childcare was too much...I had to be cut off the telephone when I gave up university, because...your grant stops and it takes ages to get benefits so obviously you have no money...and before you know it, each thing is sort of built up, you know, a couple of hundred each for each month and you can't find it.'

'I was made redundant literally at 10 minutes notice and we all rushed round to the ATMs and it should have switched in but nothing was there and it took us eight weeks to get any money which didn't take into account everyone who's got to pay their rent, mortgage and things.'

'My mum died and I had to give up work because my dad got Alzheimer's. I've been on job seekers for 16 months and got care allowances while he was alive. When my money went down I couldn't pay things so the CAB got me lower payments to help. It was just catalogues and I was caught in the catalogue trap and couldn't pay the payments all the time. It was just when the money suddenly went I couldn't.'

'I could afford to pay all my bills, but I couldn't afford to pay the council tax, they were asking about £100 a month, I can't afford that. I only get about £450 a month so I contacted the council and said I can afford you £50 a month, but they weren't happy with that so it went to court.'

4.2.4. Ease of building up debt

The vulnerability resulting from large scale and often unforeseeable life changes presents a soft target for lending institutions of all kinds with a purely commercial agenda – from the purveyors of credit cards to store cards to doorstep lenders.

Almost all the respondents commented on the ease with which, once in debt, they could build up the debt. Many of them remarked that they were receiving circulars and offers of increased credit even from the same financial institutions they were heavily indebted to and from whom they were receiving threatening letters about repayment. Often credit levels were increased twice a year without request and sometimes these increases were to three times the original credit limit. There were indications from many interviews that people now hated the very idea of being in debt. This point will be expanded on in a following section.

'I'd just turned 17 and they gave me £250...it was so easy to get the credit cards so that's why I kept doing it...it felt like free money.'

'They sent me an invitation and I was stupid enough to fill it in. I thought yeah, credit card'll be a good idea and come in handy when we're brassic, but turned out to be more of a millstone than I thought, cos it's definitely a big weight dragging round the neck.'

'I had a £400 limit with Debenhams and then they changed it to £950. HSBC started at £500 and went up to £1,500. Barclays was £1,500 straight away. So yeah, they gave me it all.'

'I had a Littlewoods catalogue, they gave me a £250 credit limit and I bought a mattress and now my limit is £900, that's gone up over two years. £900 - they can go whistle.'

'I was in a lot of debt to them and they put up my credit rating without even asking me...every six months they were writing to me, you know, 'great news, we've put up your credit limit''

'They still kept lending us the money, even though it was just mum's pension they were taking into account, which was wrong really.'

4.2.5. Seeking and getting advice

Seeking Advice

Most respondents initial response to their debt problems was to go through a period when they attempted to manage the situation. But eventually they reached a point of inaction followed by a realisation they had to admit they needed help and advice. For some this period before seeking advice was up to nine months:

'I must admit I did the wrong thing, I buried my head in the sand and hoped it would all go away, but it didn't, it just got worse.'

'I ran three catalogues which got myself into about £2,000 worth of debt, which was the point at which I rolled over to CAB and said, hey, help. I was on benefits and I'd been trying to manage those for six months and I just couldn't do it.'

Once a decision was made to seek advice, the idea of going to CAB for help and advice arose most often through speaking to friends, although many of these were unaware of the existence of a specific money advice service. Family members were consulted less often at this stage and occasionally other services suggested speaking to CAB.

'I didn't know I could get help. I didn't know anything about, you know, I could go to anybody for help, I thought it was, well, it's

your problem, you've gotta sort it out...then somebody said to me well go to CAB and ask them'.

'This guy I know he got himself into this situation and he said, you'd best go down to CAB and they can sort it all out for you and help you sort it, and I didn't realise they were going to do as much as they could do, but I am well pleased'.

'His dad was the one who made me come down here cos I was just sitting there worried about it all and I don't know, worried about the bailiffs coming to the door, and so he made me come down here. He just knows about these things cos he's quite clever. It was about nine months to a year before I asked for help'.

Levels of satisfaction with advice received from CAB

All those interviewed, without exception, spoke in the most glowing terms of the way they way they had been treated in the CAB office and of the value of the advice they had been given by staff. The overwhelming sense was that the service was helpful and caring, sharing and understanding their problems. Their influence with lenders and knowledge of the process were also key features praised by participants, although one or two people felt there were limits to CAB's ability due to the lenders' attitudes.

'She's been so so helpful, she really has. I honestly, I don't think I'd be here if it wasn't for her and that is the truth. When I went with her, it felt as though a weight had been lifted off my shoulders, that's just what it felt like, when I come out of there I felt, god! That's marvellous! Someone is gonna help me get out of this hole. And it was really wonderful to know also, that if I get pressurised or anything like that, all I've got to do is pick up the phone and she'll be there for me...it's wonderful to know that.'

'I'm just grateful that there is this help about for people like me, I'm really grateful and it just goes to show, it's not only the help, it's to know that somebody cares. I think that's as important as the help you get, that somebody cares, that's what's so nice.'

'She is absolutely brilliant, absolutely brilliant. I can't fault her in the slightest'.

'I don't know what I'd do without the money advice centre. X in particular, she's been lovely'.

'You can ring them up and tell them your situation. You ring them [creditors] up and say I'm unemployed, blah blah, you know, and they don't seem to take it from you because you don't know the law, it's like, well you still owe this and you offer them say, I don't know £5 a month or whatever, they won't accept that from you.'

But, as soon as CAB get involved they've got no option, they've got to accept the offer. But for you, they don't even entertain it'.

'We had to take all our bills in and she wrote off to them and she said right, £1 token, and if they don't accept, she'll write off again, if they say no, she'll write off again, until they accept, and everyone has accepted.'

'It seems like the threatening letters tap has stopped and it seems they are calming down...'

'They've been very helpful, very reassuring to me. I feel like the CAB have done the best they can, but at the end of the day, they can't get away from the banks greed, their profits.'

But equally some were concerned about the longer term effects and recognised that CAB do not have the resources to provide support indefinitely:

'I'm now aware of what brilliant work they do and how they support you but we are not clear about the long term...how long they can support you.'

Changes in attitude to debt following CAB advice and debt rescheduling

The majority of respondents reported a change in attitude and a feeling that something positive had happened to them. There were changed attitudes to incurring debt following advice, with participants stressing their desire to behave differently in future and for one a desire to teach their children financial responsibility. All but a few reported feeling cautious about slipping into any further credit problems although some had already been offered new lines of credit.

'I wouldn't want to feel like that again [of the period she was in debt]...upset and worried all the time...I wouldn't want to put myself through it'

'I got fed up going to the postbox, the letterbox in the morning, and getting all these letters in big dirty brown envelopes...and it was getting to the stage where I was becoming a nervous wreck and I went to the CAB and they helped sort it all out and I'm not getting so many threatening letters through the post anymore, which is a great weight off my mind, cos it got to the stage where I was frightened to go to the letterbox in the morning'.

'I feel a lot better than I did three months ago, three months ago I felt the world was gonna end and I couldn't see any point to it. Now there's a very tiny light, right at the end of the tunnel, but there, whereas before it was just black. It may take a while to get there, but at least I'm getting there'.

'I feel glad that I went bankrupt 'cos it took a really big stress off my mind, let me start afresh...it's a lot better, a weight off my mind, I can just about manage whereas before there was no way I could manage at all'.

'I used to have credit cards and I taught myself that possessions aren't really an issue any more. I try to drum that into my children but...'

'I've got another bank now and they've offered me a credit card and I said 'No, no, no'...But I nearly did, you know what I mean.'

Among all the respondents only one person seemed to have had difficulties due to her attitude to money; she felt she was 'addicted' to spending. Her son's father had been trying to convince her she needed help but before she had received advice from CAB she hadn't recognised spending was a problem. She had recently, however, grown to realise she needed help and had gone as far as to arrange for counselling.

'I felt ill this morning and everything, cos the Provident woman was onto me again. I broke down crying again and my son's father was like 'what's the matter', I don't like telling him, he's convinced me that I've got a problem, but I still don't think I've got a problem-problem, cos it's every girl's nature isn't it? We'll have to see what the counsellor says. I don't shoplift or anything like that, it's just, I get myself in loads and loads of debt. I hope the counselling will help. I've got to stop treating money like there's a money tree there'.

4.2.6. The adverse effects of debt

Effects of debt on health

When asking people how being in debt had affected their lives, respondents described various impacts that were grouped into a category we called health. It was very clear from the interviews that serious long term debt is often associated with adverse health effects. It is not possible from the research carried out to be too precise about the direction of the causal linkages. Many of those interviewed had suffered some industrial injury or developed a prior condition that in itself constituted a 'trigger' to getting into debt.

Although some spoke directly of prescriptions for depression, others described impacts that adversely affected their sense of well-being in that there were consequences for their quality of life and their ability to participate in social interaction. These wider health impacts were connected to feelings of lack of control, mounting levels of anxiety and stress, feelings of shame and to the sustained effort involved in the constant juggling of available cash in the light of household requirements.

'I am a depressive and I mean, I've tried to take my own life twice, so my doctor was concerned because I was beginning to feel that way again, that I can't cope with life, so this is why he put me on an anti-depressant. I've only been back on those since all this, all these debts and all this started. I nursed my husband for five years through chronic illness and yet I didn't get depressed then, but, directly all this started happening, then I did, yeah. I start getting to myself, oh dear this is not worth it, this is just not worth it...it's not worth going on. I always go down into a very very deep dark pit when I think this is not worth living, life's not worth living like this.'

'I'm on anti-depressants and I've got a Social Worker and a psychiatrist that I see...I just feel slaughtered.'

'They took me to court, which was difficult because at the time I'd had a breakdown. I just couldn't take it all and I just had a breakdown in the end. I was on Prozac for two years.'

'It affected me in every single way. I wouldn't even open the curtains. We didn't even get dressed. She never went to pre-school.'

'You find yourself in a situation where it's beyond your control...there's nothing you can actually do about it...this was scary for me.'

'I knew it was just a downward spiral from that point onwards, and the build up happens quite quickly because if you've got £10 left in your purse and you've got a water bill of £5.25 to pay and your daughter needs £6 for a school trip, plus you've got to buy bread and milk for the rest of the week, you're not gonna pay it are you and that's what happens, you prioritise and you juggle and you prioritise and you juggle until in the end, you've got yourself in such a corner, there's just no way out and that's when I think people get into serious depression, you know?'

'More or less, here all by yourself, you've got no one to talk to and it boils. And if you haven't got...cos you can't talk to your family about it, you've got to try and sort it out yourself. I've been down for a while, but when I come back, look out! I know it'll take a while, but when I come back, I'll come back strong.'

'I just thought I'd be sitting here one night and they'd kick the door off and come in and take everything I'd got...I didn't even understand how it worked.'

'It's a worry all the time...every time I open my purse, every single time.'

Effects on relationships with partners

Many of those interviewed who were married or living with a partner, reported tensions in their relationship due to the financial difficulties. There were also those who tried to keep the difficulties from their partners and this had resulted in tensions between couples that were not resolved until the advice had been sought from CAB. There was one couple where the tensions brought out during the financial difficulties had created such feelings that an ultimatum had been delivered and the relationship could ultimately break down as a result:

'It was like a knock-on effect really...it was so hard financially and he'd be blaming himself and there were a few little arguments and the kids were asking for things we couldn't provide and it was just an absolute nightmare.'

Others referred to close dependence on a partner:

'I can't tell people if something's going wrong, I can't tell 'em unless they push me and keep pushing me, it's only my partner that can do that, he pushes me till I tell him what's going on. Anybody else, as far as I'm concerned, they've got their own worries, they don't need to know mine'.

and to relationship fragilities stemming from debt:

'He's at work when the money comes into the bank, so I'm the one that draws it and goes straight out and pays what needs to be paid before he even gets home. And he has to live with whatever's left over, if there's anything left over, if there ain't, that's tough. He doesn't really get a lot of choice now. He's under the impression if he loses this job, or he walks out on this job, it's the end of our relationship, so I've let him think that. It's the first decent job he's had in three years, I just pray every day that he gets up and he goes, and he doesn't come home early, or he's not ill'.

Effects on relationships with family, adult children and friends

The majority of respondents reported receiving financial and emotional support from their parents although some had limited the information they had shared with parents as they felt they would be disappointed in them for being in the situation. Most had found seeking help from parents a very difficult thing to do and for one respondent it was not something she could face. Where money had been given it was usually on the understanding that it was a loan, although in reality the money was not likely to be paid back, a situation that sometimes both sides accepted:

'My dad gave me some money as well. They know they haven't got a chance of getting it back, I think they knew that when they lent it to me quite honestly but they are aware of everything'.

Those who had received assistance from close relatives found this had provoked feelings ranging from gratitude to shame. For many respondents, the help was restricted, as their families had limited resources themselves:

'I feel ashamed having debts to be honest with you. It's probably why I won't talk to my family about it, cos I feel ashamed. I feel like my problem, it's my fault, I did this, I've got to find a way out of it.'

'You don't talk to your friends, I mean your mum yes, but I don't think you talk to your friends...I don't know, you just wouldn't.'

'He [a cat – the sole companion of a housebound man living alone] nearly died once... he had to have tests, they cost £300, I don't qualify for PDSA because I don't get Income Support...luckily I've got a good mum and she paid for it on her credit card.'

'My family have been very negative to me. My mum, she's OK about it, she's been sympathetic, but my eldest brother has a very high paid job, to him it's more or less hard luck. So I'm afraid my family's been very negative, but some of the chaps I work with, they've been very positive to me as someone to talk to without having stupid comments always coming back or, oh well, you know you deserved it. There have been people to talk to.'

'My family have got their own problems, especially with my mum not being well and my sister just finding out she's not well either, they always look to me to be the supporting one, I'm the strongest one in the family, or so they tell me, I cope with things really well, according to them, but I don't, it's all a façade, but they think I do. So if I was going to my family, to tell my family that I've got problems, I don't know, I don't think I could do it. I mean, I've always wanted my mum to be proud of me and I feel like if I went and told my mum that I've got this many problems, and this much debt, I'd feel like I was letting her down and that would hurt me...if I went and let my mum down like that, it would be devastating for her. I couldn't do it.'

'My mum was brilliant, she was always, you know, I wouldn't even have to tell her, she would kind of look in the cupboards and whatever, and before I know it, she would be back with some shopping and that.'

'I see my mum every day but she's not aware of everything. I tell her lots, but she'd kill me if she knew I was in debt with my rent, she'd kill me. But she has bailed me out when the bailiffs were due and things like that.'

Some respondents had looked for help to their adult children:

'Yes, but my oldest daughter...I can't ask her to do any more because she's got her own family, her own grandchildren and, she's a sick lady anyway. My youngest daughter, she's also on disabled living allowance and then my other daughter, she doesn't know anything about my situation. Then my other daughter, she does help when she can, but, I mean, they've all got their own lives. So basically, my family are not in a position to help me financially.'

Effects on younger children

Those respondents who had children were always concerned that their situation may affect their children in some way. The majority reported feeling very concerned about both the emotional impact and an impact on their children's ability to retain involvement in social or school activities.

'You can imagine my poor son...I feel for him terribly.'

'They've got a school trip coming up at £150 per head...it would be absolutely terrible for them to stay behind when everybody else in the class has gone...but luckily it can be covered by a grant from [a charitable trust related to her former occupation].'

'I didn't have much to eat, I gave it to my son...I'm worried if I become too much in debt they will take my son away from me...it caused stress all day every day thinking about it.'

'This affected the kids [aged 13 and 9] tremendously...they were both under a psychiatrist and they weren't before.'

'She was just four. I don't think it really did affect her to be honest with you. I don't know. She was pleased to have me at home...so whether I was at home in my pyjamas all day or whatever. And to be honest with you, although I felt low I always needed cuddles and I always needed her. But it was just kind of a different kind of life. Sort of indoors a lot, not wanting to go out, various things, but she just, it didn't faze her at all.'

Effects on relationships with in-laws

Some respondents had looked to in-laws to help, sometimes with a positive response:

'If the crunch comes to the crunch, he'll go to his mum, I mean she's on disability living allowance, he'll ask her and give it back when he gets his wages, but she's ever so good, as well as my parents, if we're ever stuck.'

but sometimes the response may well have added to tensions with partners:

'The father-in-law he is 'helping us out' - he's hounding us every day. It drives me nuts. I wish he would vanish from the earth'

*'His family have taken us for everything we've ever had, they've never helped us and where they could drop us in the ****, to get us in more debt, they will. His family are absolutely diabolical. My car tax ran out, they reported me so I got a fine, that's just one incident. Right up until the court eviction date his dad said that he would lend us £1,500 to pay all the rent off, and the morning of the court he let us down. It was devastating, it really is, cos you get your hopes up so high, oh great, he's gonna help us, and they kick us straight in the teeth. I don't ever accept anything that they say any more. They always say, what about family and friends, but when you've got family like he has...I don't think people realise there's families out there like that, that'd rather stab you in the back than help you.'*

Effects on lifestyle and spending patterns

It goes without saying that the responsibilities of dealing with heavy debt inevitably restrict one's lifestyle. Many respondents said, in various ways, that they no longer really had a lifestyle:

'I simply never go out...I'm stuck indoors most of the time'

'I don't have a great deal of money left over for myself so little things like bus fares and making telephone calls can create a problem...luckily there's a phone box across the road.'

very humdrum, the pleasures have all stopped'

Resuming any kind of social life often depends on the intervention and kindness of friends:

'I have started to go out at the insistence of friends who've nigh on dragged me out and I've said I've got no money and they've said that's not a problem, we'll pay for you and I've said I've got nothing to wear and they've said no problem, we'll find something for you, and so on...so I do get dragged out but I've only been emotionally able to do that for the last couple of months.'

4.2.7. Employment issues

There were different work experiences found in the samples in Brighton and Hastings. In Brighton almost all those interviewed had been in work for long periods in the past. In Hastings the majority had not worked for some time and only a minority had long-term work experience, that is had spent more than five years in work. The remainder had tried various types of work and gone back onto benefits.

There may be an issue here about abilities to resolve conflicts at work. Lack of work 'skills' tends to lead to a cycle of working briefly but not understanding the culture of work and this in turn creates problems moving between work and benefits:

'He's never really had qualifications, he's scared, cos he's got no confidence, so to go for a job, well someone's gonna say, you've got to have a CV and you've got to have this and that, just to go for an interview, I mean the amount of jobs he phoned up for out of the papers, they don't even bother replying back to you, they just don't bother. Because he's had so many knockbacks and so many not bother replying, he loses heart and it's only me kicking him up the bum saying right, ring them up, there's one, ring that up, I mean out of the paper you're probably gonna get 3 or 4 a week, because he don't drive, so there's only 3 or 4 that he could really go for that were local enough that I could take him before school time or whatever, and be able to pick him up at a reasonable time, there just aren't the jobs around, there's nothing about'.

In Brighton those interviewed had done a wide range of jobs. The sample included people who had worked as a dustman, a nurse/midwife, a check-in worker at Gatwick airport, a freelance designer, a photographer, and someone who had worked as a Personal Assistant to an executive in a big company and had then set up and run a family business with her husband. There were also shop assistants, care workers and cleaners.

In Hastings some interview respondents had worked in the health and social care sector. There were care assistants, a physiotherapy assistant and a pharmacist's assistant. There were also shop workers, domestic and industrial cleaners, factory workers and a construction worker.

Across both areas six respondents had lost their job though redundancy, mostly stemming from structural reorganisation by their employers. This was either as part of a 'rationalisation' or because the Council had 'contracted out' some activities. Three had suffered an industrial injury severe enough to be a drastic limitation on future work. One suffers from an illness that limit's activity generally and makes almost all forms of work impossible. Three suffer from other health problems that limit their activity, including one who is recovering from a breakdown.

It is probably true to say that virtually everyone interviewed, except those at or above retirement age, would in principle like to be working and were planning to return to work where possible to use their talents. One, who was suffering from a work-related injury which limit's mobility, was seeking to do computer graphic design work but found it very difficult on benefits-level income to meet the set-up costs (a high specification computer and broadband connection). He found himself in a Catch 22 situation:

'Being on the internet you need a credit card' [he has relinquished his, following CAB advice, in view of the amount owing]

Five were seeking the funding to improve or update their qualifications, for example in nursing/midwifery and photographic design. Four had suffered from relationship breakdowns that had led directly to financial difficulties and costly reorganisations of life.

Several were working part-time as care workers in the private and voluntary sectors with a view to gaining experience to help them obtain a full-time job. At least one was very enthusiastic about this work. One person, who had held highly paid sales jobs until made redundant at very short notice, felt that the Brighton job market was highly exploitative. He had explored many jobs advertising a salary of £15,000 or so and found on interview that the job would start at £10,000 (or less if someone could be found to do it for less). Since he had previously earned over three times this amount, he felt that these salary levels were an insult. Several people who had worked freelance in various creative fields, or had done 'commission-only' jobs, were now seeking the security of a permanent contract of employment with a company. They had found that this narrowed the field of possibilities.

In Hastings, many of the interviewees mentioned the time, costs and energy involved in seeking work, often from an outlying part of the town. These costs included not only transport to and from interviews, and the cost of acquiring new skills and qualifications, but also the purchase of clothes appropriate to interview situations. Several felt, after being rejected a number of times or finding that the job they were seeking was not what it seemed, that they were wasting their time and/or losing their self-confidence. In some cases, this was leading to the feeling that it was easier and less stressful to exist on benefits.

Those respondents who were actively seeking work during the period of the study reported the most common ways they had sought employment. These included looking in the Friday Ad, other local papers, asking friends and family and visiting the job centre. There were several negative comments made about the JobCentre based in Heron House, Hastings but one respondent felt the service had improved.

'I just don't like going to the job centre. It used to be better when it wasn't at Heron House. I used to go to the Ashdown House one and it was just a better atmosphere. They say it's grim for me anyway, they tell me that there is not much possibility.'

'I have to say when I went to Heron House to sort out all of this, it was a lot better than five years previously. It was quite a culture shock actually, they were very helpful and the money came through in three weeks, which wasn't too bad. I mean Heron House used to be a dire place, you know, just queuing up with lots of drug addicts and alcoholics. I mean, five-six years ago it was the most degrading experience'.

'I have to go to the Programme Centre because around here, all you do is sit and read newspapers, two hours, three times a week

and that's looking for jobs. I said to them down the Programme Centre, what I want to do, I've got to be trained for, so it's no good me looking for a job because I've got no training, no qualifications yet'.

'I got this job in the Friday Ad and my last job too. I mean, I did try going up to this job centre in St Leonards, but it's useless cos it's all condensed together, people queuing out the door, it's ridiculous'.

Barriers to Employment

The survey found debt to be the fifth most frequently quoted impediment to entering employment (section 4.1.2). This reason was given by nearly 38% of survey respondents. Those interviewed identified the three main barriers to employment as debt, childcare and the 'poverty trap'. Debt was a barrier identified by those at all stages of dealing with their debt. It was a barrier in terms of the amount of emotional energy the issue took and a fear of earnings being 'attached' by creditors:

'I think this does stop me looking for work...it's always on my mind, even with all these court things, if I got a job, then they're gonna take it out of my wages and things like that, and I can't really afford for that to happen if I've got to pay housing and council tax, and look after my son, it's quite scary'.

'Creditors would come chasing me...I don't think that would actually stop me but I would have to increase the number of hours I would have to work, or do an extra day a month, so as to cover the debt.'

'It's a no win situation. And if you go back to full-time work, again you fall into a less-helped category and take on more responsibility, and it's this big support thing of going back to work, sorting things out, changing your routine, contacting your debtors, paying and maintaining your bills, incurring costs to do with work, travel etc.'

Childcare was an issue that had resulted in two single parents leaving higher education and employment due to limited childcare resources in their area:

'The biggest junior and infants school my daughter attends, and they don't even have a breakfast club or an after school club. I could get a job up at the hospital as an auxiliary tomorrow, but where can I find somewhere to have her. They need a club that can take them to school, you could then drop them off at eight, but if you can't get anyone to take your child to school, you are very limited as to what work you can do.'

'I was working 30 hours and at college one day a week, so four days on the wards, bit challenging. I had to give it up. I had no childcare. That's another problem in this town. I contacted all the agencies and tried to find childcare but there was no one who would pick her up from school. I had very little family support. I had very poor networks down the school because I'd worked, so I had no one I could ask. I even put a note on the board at school to see if any parents would be willing to take it on as a paid thing, but no-one came forward, so I ended up giving my notice.'

Respondents had either done the sums on their own on the benefits versus work calculation or had asked the job centre to do the calculation for them. For one respondent, returning to work would have meant gaining £5.10 a week but losing £6 a week for school dinners. In addition there would be childcare costs to cover and this would result in a further loss. Those with children felt that the opportunities for work that matched their availability (between the hours of 9am and 3pm) were limited or non-existent and therefore work was not viable:

'I get rent and Council Tax paid. I've worked it out and you need to earn £15,000 plus just to make it balance...I'm not a lazy person but it's not attractive...why should I work fulltime...I would like to go in at £20,000 to £25,000 just to make it viable.'

4.2.8. Knowledge and use of credit unions

In Hastings

Of the fourteen respondents in the Hastings area, one person had been a member of the credit union in the past and would return to it when able to return to work. Two people had either seen a presentation or information in a local paper and understood the concept. Both of these felt they were not currently able to save:

'I think a good initiative because it encourages you to save before you can even borrow any money, so you've almost paid half your debt before you lend it. I was gonna do it, but I can't do it right now, I need that £2 in my pocket.'

'I don't think at the moment I could, I don't think I'd wanna borrow money and I don't think I'd even have £2 to give them, but in the future maybe.'

Three people thought they had heard something about a credit union but were very vague about what it meant. Seven respondents had not heard anything about a credit union:

'I don't know a lot about it all, I've heard of it. I've never used it and I don't know anyone who has.'

Those respondents who had not heard about the credit union, when told about it, expressed an interest in finding out more:

'I didn't know about it, it sounds like a very good idea. I don't actually have a problem with savings, it's having no bills coming through the door that need paying, then I'd be able to save with no problem.'

'So it helps to stop these loan sharks? That is a good idea, that is good. Some people, most of the time women as well, they get caught by those loans sharks.'

Although the majority of the respondents were in the Hastings area, one was based in Rye. As the CAB operated a weekly 'clinic' in Rye and serviced that area, it was important to see if service users from outside the town had any comments on these issues. The respondent was not currently working and her husband was working in Camber Sands so they would not qualify to join the Hastings Credit Union. She expressed an interest in the idea but said:

'This is the problem see, because we're Rye not Hastings, there's a lot of things that if you lived in Hastings you could have all sorts of help, being in a rural area we just don't get the help, there's no-one available.'

In Brighton

Of the eleven people interviewed in the Brighton area, two were members and were savers and borrowers. One of these members also had accounts for their two children:

'I went to them when I was in debt and explained the situation...I saved the bare minimum with them and I took out a loan to pay off the overdraft. They've made our lives a lot easier otherwise I still would be really worried.'

Two respondents had obtained information about credit union to find out more but decided it wasn't for them. Three respondents had heard something or thought they had seen a pamphlet but one of these thought it was a type of credit card. Three respondents hadn't heard about the credit union but thought they would not be able to join or borrow money because of their bad debts:

'I saw a pamphlet thing, I think it was in a doctor's surgery or somewhere one time. I sort of read it, but it didn't register. But I just see the word credit and I think, oh my god no, don't read that.'

Information about the local Credit Union was made available to those who said they would like it.

4.2.9. Other findings

The Provident

In Hastings respondents who had debts were also more likely to have loans with the Provident. Most often, this was for cash loans taken around the Christmas period. Some had also taken out voucher loans because the interest was slightly lower than for a cash loan. The relationship between the client and collector was presented as one where they operate on a first-name basis and contact is frequent, often by telephone. Although the interest rates were recognised to be high, it was seen by borrowers as their only alternative in their employment and financial situations. The issue of borrowing from the Provident will be discussed further in section 4.3.2 in the interviews with the CAB money advisors:

'I've been with them since Christmas, it was £200. I pay £6 a week and now they've borrowed me another £200 so it's £12 a week. I asked for it. The rate is £3 every £100, but then you've got to pay back £170 interest back. If you borrow £200 it's £170 interest.'

'I'm in debt with them as well, £100. I think the interest was about £30 for £100 cash. They have a lesser rate for vouchers, so if you buy shop vouchers or stuff like that, they'll give you £50 worth of vouchers and the interest on that is £15, so if you get £100 worth of vouchers it's £30 so yeah, if you get cash it's £45 on a £100. That means it's the vouchers that are cheaper on interest. So extortionate!'

'I've got one loan which is Greenwoods, it was a Christmas one, I hadn't got much food in, needed to get something in. They are a loan company, a friend of mine told me about them, I mean, I've been with them for years, it's Provident Personal Credit Limited, they're part of the same company. I've had Terry for 5-6 years and I've never had any problems. If I've needed any money, just give him a bell, you know. The first time is £100 you can borrow and it's normally about £5 or £6 you pay back a week, it's something like 42 weeks...a lot of interest, normally just under 50% interest, but it comes in handy if you're skint you see, £6 or £7 quid you don't miss a week. I've never gone over £300, I've never gone over my limit sort of thing, that I can't afford to pay them each week. The interest does put you off, but after a while you don't miss that money, you never look at your book, if you look at it every week, oh that's not going down is it, but if you sort of give them the book, take it back and sling it in your drawer, do that, every so many weeks, then you actually see it going down, but you don't really think of the interest, cos it's higher if you get a smaller amount of money, but if you get more money, I think it worked out for £300 you paid an extra £154 on top, it was something like that.'

Emergency Loans/Social Fund

All questionnaire respondents were asked whether they had ever tried to claim for help from the Social Fund. As noted in 4.1.3.1, 33% of all respondents had applied and the distribution was even between men and women. There were more applicants to the Social Fund in the Hastings interview sample (64%) than in the Brighton sample (27%). For some, this loan was an alternative to borrowing from other sources, such as the Provident, particularly at Christmas. However, the majority in both locations had found it difficult to get a loan from the Fund. Reasons for refusal included breaks in claims, being on benefits for too short a time to qualify or being on the 'wrong kind' of benefit:

'I borrow stuff of them at Christmas mainly and pay it back every week, I don't notice the £10 now.'

'April 2002, myself and my partner separated and I was successful in gaining a crisis loan of £500 to replace furniture.'

'We were told we were not entitled as we had gone into employment and off benefit but both had to work in hand with no money to live on.'

There were contradictory findings on the provision of Social Fund loans by single mother participants. These two women, both living in Hastings, had different experiences in asking for a loan from the Social Fund.

'If you are a single mum you can't get emergency loans. I know the crisis loan is only for people...because I asked them about it and I was entitled to nothing until I was on benefits for six months. I know through having sat up at the office, I've been sat behind people that are like, I have just signed on or whatever and I need a crisis loan to see me through for 2 weeks-a month until it comes through or whatever, OK, here's the form. And they sit there and they get called in for their giro while you're still waiting you know. It is so unfair because I am the one with the child.'

'I owe the social money as well, I owe them about £10.50 a week. That was a Christmas loan. I've always borrowed off them since I had my son cos I wouldn't really miss the £10, they've always taken the £10 off me so...'

Education

A large number of the participants had a disrupted education and discussed literacy problems. These along with other problems in the family had resulted in limited opportunities for gaining employment (see also section 4.1.3):

'I left school at 15. I had problems with my mum and I left home, and I got a full-time job in a residential care home. So I didn't

even turn up for my exams because, obviously, I had to then work to afford to live, but, teenagers, you know, nothing major, I wasn't abused or anything like that.'

'I was about 13 when I left school cos I was a bit of a trouble maker nobody really, they didn't really care if I was there or not then, so that kind of messed up my education a bit. When I was about 13 they done an IQ test on me and when they took me into the office they said I had an IQ of a six year old and that put me so down, I never went back to school since then, never in my life, I just felt so humiliated and I thought well, if I've got the IQ of a six year old I might as well go back to primary school then, and I just left, and they wasn't interested. That's what I always wish, that I'd got my head stuck down at school. When I was 16 I worked in a shop for a week and I done a bit of hairdressing but I never lasted. Since then I had my son and I haven't gone back. Because I'm not very good at reading and writing and that, it just puts me off and I haven't got the confidence to go out and apply for something, cos I can't read and write.'

'I can read, but I read slowly and writing, don't even bother asking me, cos I get angry. I get stuck. I know what I want to say but I can't, well I write it and I can understand it, but it's not the way it should be written. My dad was the same, I only found out recently he can't write. I left school at 16, didn't like it at all. Did CSE's but I didn't get any.'

'My maths was bad, well it's no good right now, but it never used to be very good'.

'I'd worked off and on since I was fifteen, as a carer and then cleaner, and then I worked in a shop for five pounds a week. I wanted to stay on for another year but my mum, well, my step-dad had gone to prison for molesting me so she sort of more or less said, you've got to get a living in job cos I've your sister to look after'.

4.3. Interviews with CAB money advisers

As part of the project interviews were arranged with the main money advisers in the two Citizens' Advice offices. The project methodology was outlined to them and their views and opinions sought on some of the key subject areas of the research. These included the debt situation generally, the main causes of debt problems, the changing attitudes of some creditors, the options facing clients, the health effects of debt and their views on lender irresponsibility.

4.3.1. On the debt situation

On the causes of debt problems

'The big one is a change in circumstances that could not have been foreseen or planned for...'

'When they feel the ground slipping under their feet they go out and borrow some more so we see the ones at the end of that road who can't borrow any more.'

On the clientele

'They have very limited options because they have few assets...there's no chance of raising money on the home or doing fancy things like refinancing...that is bordering on financial advice rather than money advice.'

and on recent changes in the nature of the client group and the growing availability of credit:

'All of a sudden we're getting lots of young single people coming in, who are actually in work, actually just over committed themselves. It's not a question of having just been on benefi's and not having enough to live on, it's of having had some money and being offered more and more credit, what it'll be like by next year I don't know but all of a sudden we've got twenty-twenty five year olds um and they're the ones that've got big debt problems because of all the money that's been offered to them over the last few years.'

On the extent of debt

'I've got a report, something we did last year and it shows that each person who actually approached Hastings Money Advice had debts of about £8,000, which isn't very high but when you think we're actually quite a poor town and we've got some people who come in with a debt of £100,000, £200,000. To average that out then you know we've got the other ones down the other end.'

4.3.2. On using the 'Provi' and financial exclusion

It might be thought that it is undesirable to have lenders such as the Provident exploiting these serious debt situations. But such is the extent of financial exclusion and the difficulty of accessing credit from high street banks and other 'premium' lenders that one of the advisers spelled out the advantages of 'the Provi':

'...the worst one because of the interest rates, but people are comfortable with the Provident um. The interest rate we know is

exorbitant but a lot of these people can't get credit from high street lenders at times when it's needed, school uniform time. I've noticed them all coming in so if it wasn't for people like Provident there'd be more trouble. So I think for years we tried to fight, to get people off using these door to door lenders um, but actually there is a time they need it, they need it.'

'...and they understand the Provident because their parents used it, their friends use it. The Credit Union is something quite alien to them so it's going to take a long time I think before the Credit Union catches on in the South, it's not something we're used to.'

This fatalistic acceptance of the necessity for high interest rate lenders by someone in an expert advisory role is clear evidence of the extent to which poorer and indebted groups are excluded from 'mainstream' banking services (see Collard et al. 2003 for some approaches to this problem).

4.3.3. On housing association attitudes to rent arrears

As is well known the rents charged by RSLs (Registered Social Landlords) or housing associations are frequently 15-25% higher than local authority rents for comparable properties (see Ambrose and MacDonald 2003 for rent data on Brighton and Hove and Wilcox 2004 for general data). RSLs also show different attitudes to rent arrears partly stemming from the commercial pressures under which they operate and frequently from staff shortages and mal-administration in Housing Benefit offices:

'Because when it was local authority if the rent arrears grew it wasn't such a problem. As a housing association though they have to actually let people know what is going on and they can't allow the rent arrears to grow, there's lots of times when benefits are delayed, the benefits on the system at the moment um. There is no staff, it's taking weeks and months to actually get the benefits sorted out and meanwhile it could be the Housing Association has issued a possession order. So through no fault of their own they could again have these legal charges put on because benefits haven't been assessed and paid. And at the end of the day the Housing Associations want the order in place because if they do default on agreed payments they can then go for eviction just like that without having to start the whole thing.'

4.3.4. On the options facing those in debt

The advisers listed three basic options facing clients who came to them with severe debt problems - token repayments, bankruptcy or 'wait and see':

1. The token payment or '£1 per week' solution

'We've put people on a token payment and tell them that when their situation improves then we would up the payments. A pound

a month isn't actually going to clear the debt but we say you know, it shows you are taking responsibility for this debt and the creditors know that you know if you've got somebody not working but working two years later um, we will then up the payment and then will clear the debt that way.'

'If their circumstances change clients should inform the creditors or go back to CAB to say so.'

It may be easier to achieve a token payment solution if the client is on benefits rather than in work:

'If people are on Income Support easier to get a £1 per week offer accepted...but even if they begin to get income from work they may not be better off...if they are on earnings creditors may get less sympathetic and apply their own means test and may not allow all kinds of expenses that the client actually has for things that are necessary to life.'

2. The bankruptcy option

The second option open to clients is to file for bankruptcy. One report notes that bankruptcies increased by 29% in the three months following the implementation of the 2004 Enterprise Act (Price Waterhouse Coopers 2004). The credit card industry sees this as a risk to future profits.

This course has advantages and disadvantages:

'People expect it to be worse than it is...there is the stigma that your name will be in the London Gazette and the local paper.'

'It depends on the client's age, health, housing um, but a court wouldn't really consider bankruptcy for anything less than about six thousand pounds because there's other options available if you're in less than five thousand generally. But somebody who maybe owes six thousand pounds definitely we would say go for bankruptcy but somebody else who owes thirty, forty thousand pounds if they've got their own property with equity that would not be a good option for them because they would lose their property so you can't put a figure on it.'

'all changed in April this year and if you have some money at the beginning of the bankruptcy period you'll be expected to make an income payments order for three years. If during the first year though you don't actually have any money to give the official receiver you're going to be discharged at the end of the first year and everything is written off and finished.'

'Bankruptcy will ruin your credit rating for years...if you have no assets and can't pay you'll be discharged within twelve

months...but it stays on your credit rating for six years even if you are discharged after a year.'

'It lapses when you get a letter from the Official Receiver...all previous debts are erased by the process.'

'While bankrupt you can borrow up to £250...if you can find someone to lend to you...your name would be on the credit reference file.'

'Maybe 10% of clients take this route...younger people feel the stigma less therefore it is on the increase.'

'You can go bankrupt more than once...one client is racking up credit on new credit cards after having been bankrupt once.'

3. The 'wait and see' option

This is a high risk option that requires certain personality characteristics:

'This is to wait and see what the creditor does. The worst case is a County Court judgement in which case 'so be it' – if you're a more assertive person you can say 'go on then, take legal action'. You have to be able to live with that without stress or guilt and only a handful of people who can do that.'

The creditor has up to six years to start an action – so one extreme solution is to disappear for six years (one person interviewed had done this in the past).

4.3.5. On the mental health implications of debt

As discussed in section 4.2.6 when considering the interview findings there is a clear association between debt and mental health issues. The relationship is 'chicken and egg' in that sometimes the debt triggers the health problem and sometimes the reverse occurs:

'We get quite a few referrals from the local psychiatric hospital, after clients have attempted suicide and then they phone us with these debt problems and we go in and talk them through it um. But in a report I did recently I actually said that about 80% of our clients now have mental health problems um, some are brought on because of the debt, some the other way round. Um, but yeah. Some of them have got severe mental health problems but possibly 20% are severe mental health problems. The other 60% I would say um, hopefully they're going to be short term mental health problems. Which have been brought on because of the debt and they're on medication to get them through it because affecting their lives in very adverse ...'

4.3.6. On lender irresponsibility

When asked to comment generally on the causes of the present escalating debt situation both advisers held the strong opinion that the main issue is irresponsible lending. This opinion was entirely in accord with the findings from the round of interviews reported in section 4.2. An industry commentator notes that ‘...lenders will increasingly focus on *how much* they can lend to consumers, rather than which product they use to do it’ (Price Waterhouse Coopers 2004).

The money advisers referred especially to especially credit cards, store cards and bank lenders:

‘There’s a real problem with irresponsible lending...that’s the ‘biggie’.’

‘We need something to curb lender’s irresponsibility. I have just written a letter to a local doctor to say that one of the clients I have who has incredibly severe mental health problems is not responsible for the actions she’s taking because...bank have now lent her £31,000. She’s been on disability benefits for years. They know that her only income because it goes into the account she has with them and they still continue to lend her money, so if that’s not irresponsibility...’

There are also some perverse outcomes from current lending practices:

‘The silly thing is the more debts you have the more credit-worthy you are...especially if you are paying off your minimum payment each time...most people do this and credit card companies love people like this...the minimum payment is reduced by the interest owed...people use one card to pay off the debt of another card...you become a good borrower.’

‘There should be more emphasis on current ability to pay not on credit history...you may be a totally different risk now compared to five years ago.’

The advisers were deeply concerned about the growth in the usage of store cards and other ‘loyalty’ cards:

‘You know we haven’t had this shopping centre in Hastings for very long and a few months after it opened we had all these people coming in because for the first few weeks of it opening there’d be people standing outside each store saying would you like to apply for a credit card? And they were giving quite a low limit y’know two hundred and fifty, five hundred pounds but when you get five stores, ten stores offering that much dole clients can’t repay it and because it was low limit’s nobody was doing a credit check and all these people coming in with other debts from other

local stores...I don't think they care particularly: just another sale for them.'

'Bank staff are sales people...or any job where you have contact with a consumer...if you work in a shop part of your job to plug the store card.'

4.3.7. On the need for better financial literacy

The advisers felt that there is too little coverage of financial and money matters in formal educational curricula, especially in schools:

'More financial literacy before they leave school would be excellent... more difficult to get adults learning this...it may be necessary to lie, cheat and coerce to get adults learning financial literacy...especially hard to reach groups.'

They stressed the need for more preventative work:

'Rather than helping people once they've got into debt, we're trying to get into schools to educate the children on what taking out credit is all about and how y'know using a credit card if you suddenly lose your job, you're in debt, you're not using credit as such. We're going into other agencies and we're helping them to understand what is going on, what's a priority and what's not a priority.'

But this work inevitably detracts from day-to-day advisory capacity:

'So I'm doing most of that work so that means I'm out of the bureau. If I'm out there's no-one to carry on with my casework.'

4.3.8. On resource limitations

The staff in both CA offices are heavily overstretched. They simply do not know what proportion of urgent advisory need is not being met:

'We can't advertise it because we can't take on any more people, no. I mean our appointments at the moment are about five weeks ahead. And that's I mean we've got two and a half workers now and we each see one new client a day, plus keep up with the other cases um, we could double the amount of caseworkers we have and we would still have great demand for debt and if we were to actually advertise it we'd be inundated, yeah. with another three advisers you know we could probably cope, but only for a while until more people started learning about the service um and then we'd have to double that as well.'

but they are well aware of the existence of a large unmet need:

'Yeah, so I would say um, 10% of the town, if that, know about the services of the money advice unit um and possibly less than that.'

Although they judge it to be very desirable they find it difficult to envisage extending their work to deal with other debt-related problems or to track the progress of their clients over the longer term:

'We are here to deal with the debt problems so we will refer them on to other agencies sometimes um, very difficult. I mean we know what effects being in debt has, on people, um, but we can only deal with debt.'

'There's not much later contact unless it's not working then we may see them again six months or a year later...once we've sorted out their repayments they're out the door.'

'It would be interesting to do some follow up work but time consuming.'

5. LIST OF MAIN FINDINGS

The main findings of the project are as follows (the section of the report evidencing each finding is shown in brackets):

1. Of those surveyed about 10% were in work, 80% were looking for work and 10% were not looking (4.1.1).
2. Nearly 60% of those looking used JobCentre Plus (4.1.1).
3. 'Personal Characteristics' was the most important category of reasons acting as barriers to work (59%) followed by 'Labour Market' issues (21%), 'Poverty Trap' issues and 'Practicality' issues (10% each) (4.1.2).
4. Health, age, qualifications and debt were the most important personal characteristics impeding entry to work. Debt was specifically quoted by 38% of the respondents (4.1.2) and was one of the three main reasons given in the interviews (4.2.7).
5. The impediments to entering work were not markedly differential by gender except that childcare is a much bigger impediment for women (4.1.3).
6. Poor literacy was quoted as an impediment to work more frequently by those in younger rather than older age groups (4.1.3).
7. The importance of debt as an impediment to entering work was found to be differential by age but not by gender or whether or not there were children in the household (4.1.3).
8. Lack of childcare as an impediment was much more marked in the east Brighton estates than in Greater Hollington (4.1.3).
9. The impediments to work were more labour market related in Brighton and more related to personal characteristics in Hastings (4.1.3).
10. The average debt of all those interviewed was about £9,000. The average was about £11,000 in Brighton and about £8,000 in Hastings (4.2.2).
11. The most frequently occurring forms of debt were credit cards, bank debts and store cards (4.2.2).
12. The most frequently occurring 'triggers' to debt were large-scale life changing events which in the majority of cases could not reasonably have been foreseen or planned for (4.2.3).

13. Many of those interviewed stressed that even when they were highly indebted lenders encouraged them to build up further debt (4.2.4).
14. Almost all those interviewed were highly positive about the services of Citizens' Advice (4.2.5).
15. Most also referred to positive changes in their health and welfare following the consultation with CA money advisers (4.2.5).
16. Many referred to adverse effects on health, welfare, children and family relationships arising directly or indirectly from debt and to a drastically reduced lifestyle (4.2.6).
17. Many of those interviewed were seeking work very actively (4.2.7).
18. There was a low level of knowledge about credit unions, especially in Hastings (4.2.8).
19. The Provident and similar lenders were often regarded as necessary evils because of the limited access to less expensive sources of borrowing (4.2.9).
20. There were mixed findings on the usefulness of Emergency Loans and the Social Fund (4.2.9).
21. Many of those interviewed had suffered from disrupted education (4.2.9).
22. Citizens' Advice money advisers are finding a growing number of young single in-work people in serious debt (4.3.1).
23. People in serious debt face very limited options (4.3.4).
24. Lender irresponsibility is regarded as the biggest cause of serious debt by the CA advisers (4.3.6).
25. CA advisers also feel there is an urgent need for more systematic coverage of financial literacy in school curricula (4.3.7).
26. The two CA offices that were partners in the study are seriously overstretched with day-to-day pressures and unable to do the preventative and educational work they would like to do (4.3.8).

Summary of findings

It is relatively easy for those on low incomes to get into debt if a major change in life circumstances such as redundancy, ill-health or relationship breakdown occurs. In the ensuing period of increased financial and often emotional vulnerability, the sales efforts and inducements to further

borrowing from various categories of commercial lender as they struggle for 'market share' provide an easy route into ever-increasing debt. Credit unions, and other community based lenders which could provide less expensive financing, are not sufficiently known about or sufficiently capitalised in the study areas.

Once deeply in debt the effects are cumulative and it is very difficult to break out of the cycle. There is widespread misunderstanding of the actions that creditors can take and this points to the need for more coverage of the law surrounding debt, and money issues generally, in school and other educational curricula.

The adverse health effects stemming from debt are varied and serious and are exacerbated by the severe restrictions on lifestyle and social contact experienced by those in deep financial difficulties. There are also serious effects on children and family relationships within and outside the household in the shape of guilt, increased tensions and unwanted dependencies on parents, in-laws and other family members.

In addition there is an indirect adverse health effect in that debt has been shown to be an important impediment to entering work and for many people useful employment is, in itself, a source of increased income, social contact and self-fulfilment.

Early and expert advice from agencies such as Citizens' Advice and Tomorrow's People is extremely helpful in informing debtors more fully about the situation and in rescheduling debts either in Court or less formally. Following this rescheduling and financial stabilisation the most acute worries are reduced but longer term worries continue.

CA advisers would very much like to develop more educational and preventative work but they are too busy with crisis management for the ever increasing flow of new clients to provide the educational input in schools and the continuing support for clients that they would like to offer.

6. POLICY RECOMMENDATIONS AND RESEARCH NEEDS

6.1. Two policy recommendations

The project findings point to two policy recommendations:

1. A wider role and increased funding for advisory agencies

A wider role

Virtually all those interviewed stressed the great value to them of the expert money advice they gained from the CA offices. Many referred to the reduction of previously high stress levels following the stabilisation of their financial position and to better health and ability to cope generally.

From the qualitative evidence gathered about the mental health problems often associated with being in debt, and from the evidence gathered in the interviews about the heavy use of NHS facilities that had been generated, it appears likely that investment in CA and other money advisory services will save considerable sums on NHS and other welfare services' budgets.

More substantial and secure funding would enable money advice agencies not only to deal with more of the unmet need currently generated by those in crisis situations but also to extend their activities and to develop more preventative and follow up services. Such activities should include:

- working in schools to educate children on a range of money issues (including advice services in the 'full service schools' in both Brighton and Hastings)
- lobbying to get such issues more systematically covered in school curricula
- providing more adult learning courses on money and debt management issues especially with 'hard to reach' groups
- doing more outreach work to make the services more accessible outside town centres
- providing more follow-up support and monitoring of existing clients following the 'crisis point' advice work
- more intensive supportive work with existing clients at the point where their circumstances change so as to permit their entering employment

- more promotional and advertising activity to make the service more widely known

Activities such as these by CA and other advice and advocacy agencies such as Tomorrow's People would be the most effective way of addressing the escalating problem of debt and its effects.

It would also be desirable for the local authorities themselves to co-ordinate and extend whatever debt and money advice services they already offer so as to complement the work being done by voluntary sector agencies.

Increased funding from wider sources

Both forms of advice delivery would need to be additionally resourced so that there would be no adverse impact on the vital and excellent day-to-day work currently being done when clients reach crisis point. It has already been shown that resources committed to expert advisory services are highly cost-effective. The study of the financial and economic benefits to Brighton Council deriving from CA activities showed a return of eleven to one on the funds committed (Ambrose and Stone 2003).

Neither this earlier study nor the present one was designed to assess savings on NHS budgets nor were they sufficiently resourced to do so. But since both projects provide ample qualitative evidence that the adverse health effects associated with debt, and the non take-up of benefits, do impact severely on health service budgets it seems logical to involve Primary Care Trusts in discussions about co-funding the extension of advisory services. This would be a genuinely preventative form of investment in health care.

2. Actions to reduce lenders' irresponsibility

We define 'irresponsible lending' in the consumer credit sector as follows:

Offering, making or marketing loans or further loans without due regard by the lender for the borrower's ability to repay as established by the sight and verification of a statement of income, expenditure, assets and existing debts. The irresponsibility is compounded if the rates of interest are unreasonably high, disproportionate to the ability to repay or extortionate, especially to those living on statutory minimum incomes.

The project provided a wide range of evidence of irresponsible lending by virtually all categories of lender. As a general observation there seems to be an over-reliance on the credit history of the borrower rather than on her or his present capability to repay. There should be more emphasis on the *current* income and commitments of applicants.

It is also clear, for example in the case of store cards, that it has become a 'performance indicator' for sales staff to induce people to take on additional

cards. There was also much evidence of credit card companies offering new cards, or increasing credit limits, to those already heavily indebted. No doubt this reflects pressures on companies to gain market share in a sector where personal loans are tending to gain ground at the expense of credit cards (Price Waterhouse Coopers 2004). This sales drive could misfire. Many of those interviewed had already learned a costly lesson in this respect and had responded to this pressure by destroying their credit cards.

Credit unions form a welcome exception to these general trends but knowledge of their advantages to poorer borrowers is not yet widespread in the areas covered by this project nor are they sufficiently capitalised. There should be more investment in extending the accessibility and lending capability of this form of community based banking.

The level of lending activity by the commercial banking system is a matter of macro-economic policy flowing from Treasury and Bank of England guidance and regulation of such things as liquidity ratios. The level of lending by individual banks flows from decisions made in the context of seeking competitive advantage. The interest gained on the aggregate amount lent, making allowance for bad debt provision, is a crucial element in profit and an index of any bank's 'performance'.

None of these macro-economic and commercial facts of life and *modus operandi* is likely to be modified by recommendations in a report resulting from a project of this scale. The most that research of this kind can do is point to some of the consequences of allowing the present rate of growth in debt to continue with apparently insufficient central regulation or control and apparently no attempt to assess the adverse public cost outcomes.

6.2. Research needs

This has been a small scale pilot project carried out on a £13,000 budget over a five month time-span. It has identified a number of important questions connected with household debt about which there seems to be little existing literature and which need much more fully resourced research. These include:

- how does being in debt change attitudes to work?
- what extra health risks are associated with being in debt and what form do they take?
- what extra pressures and tensions are generated for children, intra-household and extra-household relationships by severe debt?
- what additional financial burden do these risks, pressures and tensions place on the NHS and other welfare services?

- what proportion of acute money advice needs are *not* being met by current advisory services and how best might these be met?

The explosion of household consumer debt serves the commercial interests of lenders and the methods used reflect an aggressive battle for market share. No doubt the rapid increase of credit serves to 'stimulate the economy'. But it also produces adverse social and economic effects that are clearly generating very widespread hardship and substantial, but so far unmeasured, costs to a number of public budgets. We need to have a much clearer idea of what these costs amount to. The significance of this issue far outweighs the amount of research that has so far been devoted to it.

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