

Research paper refers:
Ethnic Minorities and the Bankruptcy Process:
Results of Interviews with Debt Advice Agencies, the Citizens Advice Bureaux, Community
and Faith Leaders and Support Providers
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Centre for Enterprise and Economic Development Research
Middlesex University Business School

1. Overall aim:

Identifying the underlying reasons why black or ethnic minority (BME) individuals who experience serious financial difficulties are less likely to petition for their own bankruptcy than their counterparts from the white population; and identification of reasons why BME individuals who are already in the process of petitioning for bankruptcy behave differently towards surrender and co-operation proceedings in comparison to white people in the bankruptcy process.

2. Aim of interviewing advice-giving clients:

The aim has been to obtain in-depth understanding from key informants with regard to BME attitudes, understanding and behaviour toward bankruptcy, including: (i) attitudes of ethnic minorities towards debt and the bankruptcy process; (ii) how issues such as culture and religion may exert influence on ethnic bankrupts; (iii) what difficulties ethnic minorities face when experiencing bankruptcy and (iv) what forms of advice are available to ethnic minority bankrupts.

3. Interpretation (summary)

Those who provide advice indicated that our assumptions were generally correct. They agreed that cultural and religious practices do play a major part in influencing the behaviour of individuals from the BME community when they are involved in the bankruptcy process.

The reasons for BME debt differ from that of their white counterparts, i.e. sending money overseas, joint ownership over generations, rejecting the interest element of loans (religious reasons), loans from community and [worryingly] finance for other family members.

These can be seen as cultural imperatives why BME bankrupts continue trading – that is deemed reckless to INSS. Perhaps these ought to be considered in INSS policies?

The research found that access to free advice was restricted across BME and white bankrupts. Alleviating this would add value to all streams of bankrupts, not just BME insolvents. Could INSS encourage/ work with external stakeholders, partners to improve the availability of advice?

4. Detail

The results allowed us to gauge impact in areas we identified as those with high BME bankrupts, Anglia, London, Midlands, and the North West. They also identify suggestions for improvement.

Whilst the number of clients interviewed was not large (and not all ordinarily recorded the ethnicity or religion of their clients) 32 telephone and 10 face-to-face interviews, they were informative and added true value to the research.

An **overview** is attached in the form of questions and answers, simplified from the research.

Certain suggestions (**Sugg.**) are made for the way forward. (**Annex 1**)

The full report is annexed. (**Annex 2**)

5. New thinking from the research: (some to be explored and verified with Middx Uni)

Two large on-line debt advice organisations are reviewing their policy on recording ethnicity and faith details and are considering amending their databases to record this information. Capturing such data would enhance an organisation's capability to become more culturally competent.

That there should be some joined up government thinking in terms of, (para 3.2) impact on one another's departments and the impact on people's lives, i.e. council tax non-payment may bring about bankruptcy which may bring about homelessness which could impact on another department.

6. Further explanation:

The generational research is contrary to research latterly carried out by the BBC where they identified that younger people were concerned with debt. It may be that in this case the numbers of interviews were illustrative of the BME culture rather than the population as a whole or our research was not statistically valid, but informative none the less.

7. Middx Uni Suggested areas for improvement in support provision

In the light of the findings from the key informant interviews, the following suggestions represent potential actions for improvement in support provision for BME groups seeking debt and bankruptcy advice:

- Client interviews recorded and a multi-media copy made available to the client
- Use of conference calls and/or video link-ups for client interviews when translators are required
- Client interview letters to be sent in English and appropriate community language
- Possible use of community organisation in supporting transition to specialist money advice workers
- Court forms to be available online in community languages with specimen examples
- Bankruptcy forms available in community languages with specimen examples
- Increase cultural competence of money advice workers to avoid client/advisor mismatch
- Online advice services to be available in community languages
- Through education, foster financial literacy
- Engage community leaders to raise awareness about bankruptcy and demystify the process and issues relating to debt.
- Discrete advice leaflets available in community centres
- Consider ways of substantiating community debts
- Consider alternative channels of advice for sole traders
- Consider recruiting more outreach workers who speak community languages
- Consider impact of time spent trying to make applications to charities to pay bankruptcy fees within the overall framework of advice given
- Consider location of advice centres away from the community
- Have business representatives, business link and local chambers of commerce engage with religious leaders and local mosques so that the community can see the advantages of good business skills and avoid the negatives of bankruptcy.

Attitudes of BME to debt:**a) In terms of debt/finances, does their religious/cultural imperative tell/suggest they do/do not do certain things?**

Yes. Examples are provided. (Para 6.1, 6.2, 6.3)

It is interesting that the researchers found that a central tenet of Christian belief was one of forgiveness and Fresh Start – this is the message that government wants to send in terms of insolvency; could this be a subconscious barrier to BME buy-in, i.e. transparency and so fresh start is contradictory to anything BME culture dictates, therefore the system is not to be trusted, and therefore not used?

(Para 3.2) *An individual who is opposed to bankruptcy on cultural or religious grounds will strongly resist the process and be deemed non-compliant.*

(Para 6.1) Shame and stigma affects several communities; INSS brokers transparency. This then becomes a conflicting process for BME clients and a strong motivator for non-compliance.

Sugg: We should work to understand and explore how these imperatives can be better applied to the insolvency policies and provisions in order to make the process more accessible than it is.

One such tenet of the Muslim community is “ must comply with the laws of the country they live” - exploring whether other communities advocate this, and disseminate and include this in our policies if not already there?

Policies and processes should be inclusive and are not seen to be; they make no allowances for cultural differences, which should be applied within the realms of the law/legislation, so as to provide the same conclusions to potential bankrupts, be that IVA, early discharge or BRO/BRU.

b) BME communities are guarded; we like paperwork they do not:

(Para 6.3) Debts are prioritised differently: community debt above public debt that will have associated paperwork. The former are harder to justify and INSS may treat as non-priority. Paperwork cannot be provided.

Sugg: Work with communities and advice agencies, to encourage sensible borrowing and disseminate message that thinking in terms of the law is encouraged and prioritising debts must be associated with the legality of ignoring it. Or can INSS look at, if not already, outgoings attributed to this “non-paperwork” side of bankrupts?

c) Do they really face any extra difficulties than their white counterparts?

It is unclear. Whilst the findings identify reasons for the attitudes of BME to debt and bankruptcy there is no distinction made between them and their white counterparts. The information is, illustrative and informative but does not give us basis for comparison and so identify whether our practices are weighted or significantly more difficult because of ethnicity or merely stresses and strains of those involved in the process. (Para 5)

Reasons for indebtedness do not appear to be the sole purvey of BME clients, i.e. change in life circumstances, divorce, separation etc. However, we do know that some cultural reasons abound for incurring debt (para 6.4), and that these.

Lack of awareness and financial skills (para 5) can be seen to be reasons for general indebtedness and this is not BME specific. Being unable to budget or manage debt.

Language (Para 6.5) was an issue when they went for advice, in so far as they wanted it in their mother tongue but did not seek this within their community, where it was seen to be “too close for comfort”. Translation is available, although costs were identified as a factor in providing the best impartial translation – that of qualified translators.

Sugg: We do not provide advice so we must establish and engage better for our clients to get the best advice with agencies that provide best BME advice – this does not exclude CAB.

d) Forms?

Are lengthy and technical – **this is the same for white clients**. There is data from the Customer Comments cards received by us.

Added to the language barriers this may be seen to further hinder completion and compliance. It is a contributory factor but not a unique barrier to BME bankruptcy.

Sugg: we must do something about making the forms more user friendly, over and above Plain English and explanatory notes. Would a working group be useful? Seek stakeholder input?

e) What advice is available to them? Does it differ to their white counterparts?

Advice is available to all and CAB is the first port of call for many – this was established in the initial pilot. (para 6.5) Many advice agencies aren't funded for advice to businesses. If the client has personal and business interests, they often do not get advice if their business is still trading.

This does not differ for white clients.

Sugg: Yet, economic migrants and asylum seekers are ineligible for advice from CAB. INSS should seek to work with its partners (NCUG) to ensure that they widen their advice net to include this group? This group, generally, needs to be addressed in policies and processes to keep up with the UK workforce changes.