A Helping Hand

The Impact of Debt Advice on People’s Lives

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The Legal Services Research Centre (LSRC) is the independent research division of the Legal Services Commission (LSC). The LSC is responsible for the provision of legal aid in England and Wales and helps over 2 million people deal with their problems every year.
Contents

Executive Summary i
Introduction and Background 1
Causes of Debt 2
The Four Studies 3
The Impact of Debt Problems 6
The Impact of Debt Advice 8
Acknowledgements 22
Notes 22
EXECUTIVE SUMMARY

Background

In Autumn 2004 the Department for Constitutional Affairs (DCA) commissioned the Legal Services Research Centre (LSRC) to investigate the broad impact of debt advice. The resulting Impact of Debt Advice Research Project looked to establish the impact of debt advice on people’s lives. The project involved four studies; a follow-up study of advice agency clients, analysis of data from the 2004 English and Welsh Civil and Social Justice Survey (CSJS), follow-up qualitative interviews with respondents to the 2004 CSJS and a random control trial of the offer of debt advice (through National Debtline). The last of these represented the first use of such a methodology in this area of study.

Findings

The project confirmed that there are a variety of causes of debt problems, with the most common being changing circumstances (e.g. ill-health, relationship breakdown and loss of employment). It also confirmed that debt problems can bring about ill-health, relationship breakdown and loss of employment. Qualitative interviews revealed particularly distressing impacts on parents’ relationships with their children. More generally, debt problems were found to make it difficult for people to carry on living normally.

The average cost per debt problem to the public and in lost economic output can be estimated at over £1000, with more serious problems involving costs of many times this amount. These costs can be set against the cost of advice, estimated at around £25 in the case of National Debtline. Of course, advice and assistance that involves a greater level of support for clients, particularly if it concerns serious problems and is delivered face-to-face, will involve much higher costs. This is reflected in fixed fee figure of £196 for advice for debt problems set out recently by the Legal Services Commission and Department for Constitutional Affairs.¹

The project provided clear evidence of a positive impact of debt advice. Participants in all four studies indicated that their financial circumstances improved following advice, and the random control trial demonstrated that this improvement was greater than would have been the case had no advice been provided. There was also evidence that advice improves people’s understanding of their personal finances and, seemingly, helps them to better target ‘priority’ debts.

The extent to which people can be freed from debt problems, and to which levels of debt can be lowered, through the provision of advice could not be established through the random control trial. This was, in part, due to problems being encountered in the

conduct of the trial. There was, though, evidence from the other studies within the project that advice can contribute to both these ends.

The project also indicated, although the evidence was not conclusive, that people’s levels of anxiety, general health, relationships and housing stability benefited from advice. Related to this last finding, it was found that many people facing debt led unexpectedly unstable lives. This was reflected in the fact that 29 per cent of participants in the random control trial, who were successfully followed-up, moved home in the 20 weeks period between initial and follow-up interviews.

Comments and Policy Implications

A broad range of types of advice were investigated in the project, which are likely to lead to different levels of impact on people’s circumstances. The random control trial involved limited advice provided from a remote location and aimed at helping people help themselves. The study of advice agency clients involved relatively detailed advice, along with substantial assistance in dealing with creditors and developing budget plans. It could be argued that even more positive results would have flowed from the random control trial had a more involved form of advice service been studied. Unfortunately, the Impact of Debt Advice Research Project is not able to provide comparative evidence of the impact of different types of advice.

Turning to policy implications, the project’s findings provide further support for the development of co-ordinated advice and support services and networks. They also demonstrates the difficulties that must be overcome in order to reach and assist those people who face debt problems but do not access mainstream advice services; particularly those people who have least capacity to help themselves, such as the ‘small minority who suffer persistent and deep-seated exclusion’ targeted by the new Social Exclusion Task Force (Reaching Out: An Action Plan on Social Exclusion, 2006). The findings indicate that combination of advice delivery strategies may be most beneficial to this end.

In addition, the findings suggest that those who are reluctant or do not consider seeking advice may benefit from easily accessible money advice outreach services. They also confirm the importance of education and financial capability initiatives, which aim to increase knowledge and confidence among citizens so that they have greater personal capacity to avoid and deal with problems.
A Helping Hand:  
The Impact of Debt Advice on People’s Lives

“I think that anybody armed with the right advice or the right information obviously stands in a better position than people that just turn their backs on [debt problems] or are prepared to listen to any sort of advice….If [you] don’t have that advice you are not in control of the actual situation which can then escalate to more debt…. I think that the more facts that you are armed with the more chance you have of keeping yourself out of debt.”

(Male who sought advice: follow-up qualitative interview to the 2004 CSJS)

INTRODUCTION AND BACKGROUND

In Autumn 2004 the Department for Constitutional Affairs (DCA) commissioned the Legal Services Research Centre (LSRC) to investigate the broad impact of debt advice. As is detailed in What We Know From Elsewhere, debt problems have been shown to both follow on from and bring about many aspects of social exclusion and poverty. For this reason, debt advice has become a high priority for the Government in recent years. The Consumer Credit White Paper, launched in December 2003, signalled the Government’s intention to improve advice and support for those who are disadvantaged through debt. Then, in 2004, an ‘Action Plan’ on tackling over-indebtedness and the establishment of a Financial Inclusion Fund followed. A large proportion of this Fund is now being directed to funding debt advice. £6 million has been allocated to the Legal Services Commission to pilot outreach advice. A further £45 million has been allocated to the Department of Trade and Industry for expansion of face-to-face advice services. This large-scale commitment to debt advice is based on a widely held belief that such advice improves the situation of those who receive it and provides a net benefit to the public as a whole. However, while links between debt problems, social exclusion and poverty are becoming increasingly established, there is a paucity of clear and reliable empirical evidence of the impact of debt advice.

The Impact of Debt Advice Research Project has looked to establish the existence, extent and form of the impact of debt advice on matters as wide-ranging as the state of people’s finances, their state of health and their family and housing circumstances.

The complexity of the project’s subject matter necessitated use of multiple research methods, housed in four complementary studies. The four studies, which varied in approach and scale, allowed the subject matter to be approached from multiple perspectives, and for context and corroboration to be provided to the findings of each study.

This report sets out the background, methods and main findings of the studies that have made up the Impact of Debt Advice Research Project. Further details can be obtained from a series of individual study reports, published separately. The first study comprised quantitative interviews with 176 clients of 14 advice agencies, at the time they received advice and six and twelve months later. Although, just 61 clients remained in the study at twelve months, a rich picture of the changes in their lives emerged.
The second study consisted of analysis of quantitative data drawn from the 2004 English and Welsh Civil and Social Justice Survey (CSJS), a large-scale nationally representative survey of people’s experiences of civil justice problems. Looking just at those people who experienced debt problems, the survey allowed an insight into the consequences of problems, advice seeking strategies and the impact of advice on problem outcomes.

The third study involved 42 qualitative interviews with people identified as having experienced debt problems through the 2004 CSJS. This allowed people to express their experience of debt problems and advice in their own terms, thus enabling a fuller interpretation of the quantitative findings from the other surveys.

The fourth study comprised the pioneering use of a random control trial to explore whether the offer of debt advice to a group of people facing problems would improve their life circumstances, relative to a similar ‘control’ group of people to whom the offer was not made. Further details of all studies are set out in The Four Studies.

FINDINGS

Causes Of Debt

Causes of debt problems were explored in both the advice agency study and the follow-up qualitative interviews to the 2004 CSJS. Problems were often reported to have been triggered by a combination of events, but loss of employment, ill-health or relationship breakdown were generally among them.

Broadly, there seemed to be three different types of cause of debt: changing circumstances, poor money management, and creditor behaviour. Findings from the qualitative interviews suggested that debt problems were often attributable to multiple causes. It was common for interviewees to discuss a cycle of debt during which the causes mounted and increased.

What We Know From Elsewhere

There is a broad literature that details the main contributing factors to the experience of debt problems. As well as financial mismanagement, problems have been shown to follow from major changes in life circumstances, such as unemployment, loss of income, illness, family breakdown and parenthood. The factors that act to bring about debt problems can also be brought about by them. As a consequence, in the case of health, for example, debt problems have been linked to increased use of health services. Indeed, some doctors in England have been reported to sometimes ‘prescribe’ debt advice, in favour of medication, for stress.

The causes and consequences of debt problems partly explain the demographic profile of those people who experience debt problems. For example, such people are more likely to live in rented housing, be lone parents (and, more generally, parents of multiple children) and aged in their twenties and thirties.

Despite the evident impact of debt problems, and the recognition by government of “the importance of ensuring that consumers who get into debt problems should have ready access to sound, high quality debt advice,” little research has been directed towards assessing the impact of debt advice. A few studies in England and Wales have suggested that debt advice can lower recidivism rates among offenders, improve health and promote family stability. One study concluded that re-offending rates are lower among probationers who are provided with debt counselling than among others. Another, an early evaluation of National Debtline, indicated that people receiving advice felt their health and family relationships improved as a result.

Elsewhere, it has been reported that U.S. borrowers who received debt counselling improved their ‘credit profile’ relative to a comparison sample with a similar risk and geographical profile. However, the absence of effective control groups and validated measures limit the strength of the above findings.

Further details are set out in an initial review of the evidence undertaken as part of the Impact of Debt Advice Research Project.
The Four Studies

The longitudinal advice agency study
The advice agency study sought to draw out the advice provider and client perspective on debt advice. It involved, in a first phase, 176 twenty-minute interviews with the clients of 14 advice agencies. Interviews were conducted by advisers, following advice sessions. The interviews focused on clients’ financial situations, the effect debt problems had on them, and their general personal circumstances. Also as part of the first phase, advisers themselves completed a paper questionnaire, which asked for details of advice provided and expected outcomes. The first phase of the study was conducted between May and July 2005. Second and third phases of the project involved follow-up telephone interviews with clients. The interviews focused on clients’ financial situations, along with changes in health, employment and relationship status and perceptions of outcomes attributable to advice. The second and third phases were conducted in December 2005/January 2006 and June 2006. They involved 91 and 61 of the original clients, respectively. The smaller than hoped for final sample size limited the possibilities for contrasting clients’ circumstances at the time of advice and at follow-up.

The advice agencies included in this study were not representative of agencies as a whole. They were intended to comprise a broad cross-section of types. Among the 14 agencies were Citizens Advice Bureaux, a Law Centre, an independent face-to-face advice agency and a telephone advice agency.

The 2004 English and Welsh Civil and Social Justice Survey (CSJS)14
The CSJS is a nationally representative survey of people’s experiences of civil justice problems, including 7 types of debt problem and a further 13 types of related problem. It captures detailed information on the nature, pattern and impact of people’s experience of civil justice problems. Analysis of data from the 2004 English and Welsh Civil and Social Justice Survey (CSJS) was directed to two ends: quantification of the broad impact of debt problems and illustration of problem outcome patterns.

The 2004 survey involved face-to-face interviews with 5,015 adults, 82 (2 per cent) of whom reported debt problems that were ‘difficult to solve’. A further 158 (3 per cent) reported debt related problems. In total, 85 debt problems and 179 debt related problems were reported through the survey.

The qualitative follow-up study
Qualitative follow-up interviews were conducted with 42 of the 82 respondents to the 2004 CSJS who reported debt problems. The purpose of these interviews was to generate detailed representations of individual experiences of debt, along with considered views of the experience and impact of debt advice. Providing people with an opportunity to describe their experiences in detail, using their own language and terminology, allowed subtleties of experience to be examined in a way not possible through the other studies. A topic guide was used to steer interviews. The 42 CSJS respondents who took part in the qualitative follow-up study comprised all of the 82 respondents who could be contacted and agreed to be interviewed. Interviews were intended to last for one hour, but often lasted for up to one and a half hours.

The randomised control trial
The randomised control trial of debt advice compared the progress of two groups of people facing debt problems, where the groups differed only in whether or not they were offered advice about their problems.

The control trial involved 402 participants, all of whom had on-going debt problems about which they had not obtained formal advice, drawn from 3,163 adults screened initially at 16 Jobcentres across England and Wales. 709 adults were fully screened for inclusion in the trial (and baseline interviewed, when eligible) between May and August 2005. 205 of the 402 control trial participants were randomly allocated to receive an offer of advice from National Debtline. Participants were recruited at Jobcentres, as people attending Jobcentres are more likely than people in general to experience problems with debt. The control trial was intended originally to have included two follow-up stages of interviews. However, the trial was halted after the first follow-up, owing to sample attrition. Follow-up interviews were conducted with 234 of the 402 participants. This was below the number of interviews for the trial to have the intended level of “power” to identify, reliably, differences between the intervention and control groups.15 Attrition was, though, similar for both intervention and control groups, thus lessening the possibility of sample bias. Compounding difficulties in following-up participants in the trial, a substantial proportion of participants moved home in the time between baseline and follow-up interviews. Twenty-nine per cent of those successfully followed-up reported changes in their housing situation. Difficulties were also experienced in providing advice to those in the intervention group. Only 30 per cent of people offered advice from National Debtline went on to receive it. National Debtline successfully contacted a further 13 per cent, who asked to be called back at a more convenient time, but could not be re-contacted. More than 20 per cent of people declined offers of advice, either at the time of baseline interview or when later contacted by National Debtline. Also, around 10 per cent of the control group went on to obtain advice.

The combined effect of the trial having fewer participants than planned for, and of participants having often adopted crossover advice-seeking strategies, was that the likelihood of the trial producing definitive findings was somewhat reduced.
Defining Debt Problems

As the Government’s 2005 report on tackling over-indebtedness noted, there is no universally agreed definition of what constitutes a debt problem. Indeed, what constitutes a ‘problem’ of any description involves some subjective judgment. However, for the purpose of interpreting the results presented in this report it is important that the nature of the problems examined is understood. In all four studies debt problems involved some level of arrears or serious difficulties in meeting financial obligations, though the technical definitions varied.

For the purposes of the advice agency study, debt problems were largely self-defined by the sample of clients of the participating advice agencies; comprising the problems they presented with. The problems typically included arrears for household bills (e.g. utilities, rent/mortgage, Council Tax). They also concerned credit and store card arrears, loans, child support payments, over-payment of benefits, fines and County Court Judgments. The mean sum estimated as owing (including mortgage arrears, but not mortgages) was around £16,000. The median was around £10,500.

For the purposes of the 2004 CSJS and follow-up qualitative interviews, debt problems included rent or mortgage arrears, threats of legal action to recover money repossession, County Court judgements, unreasonable harassment from creditors and severe difficulties paying money owed. Analysis of the 2004 CSJS also looked at a range of debt-related problems, including various issues around welfare benefits, maintenance and pay and pensions. Slightly over one-half of debt problems involved legal proceedings or the threat of legal proceedings. Around one-quarter of the debt problems reported concerned housing payments.

For the purposes of the control trial, a debt problem was defined as either (a) being behind in payments for a mortgage, rent, credit or store card, personal loan, hire or credit purchase, utility bill, maintenance, tax or fine, and having a problem paying the money owed, or (b) experiencing real difficulty managing debt. The most common types of debt reported by participants in the control trial were arrears in respect of utility bills (46 per cent), rent or mortgage (36 per cent) credit cards (30 per cent), personal loans (29 per cent) and tax (28 per cent). The least common were arrears in respect of maintenance payments (4 per cent) and court fines (18 per cent). While many people were unable to gauge the level of their arrears, the reported mean was £2,463. The median was £800.

Changing circumstances typically included unemployment or a change in employment, illness, bereavement and/or separation from a partner. Although the factors which brought about these changes varied, the changes were commonly interlinked and their effect was generally the same: the difficulty interviewees experienced having to manage on a reduced income caused them to fall into debt or exacerbated an existing debt.

Evidence of poor money management included instances where interviewees had knowingly spent their way into debt, as well as instances of interviewees having been unaware of their financial circumstances, both in terms of responsibilities and entitlements. Those interviewees who saw themselves as having consciously built up their debts sometimes described themselves as ‘blasé’, ‘young and daft’ or ‘cavalier’ with money. Those who showed poor understanding of their circumstances appeared more like victims of the complexities of many forms of income and expenditure. There was evident confusion with regards to benefit entitlements, most notably in relation to those who had become ill and unemployed. There was also a clear lack of awareness, on the part of some, about interest rates, particularly where these were susceptible to change over time.

Debt was attributed to creditor behaviour where interviewees felt they had been misled by creditors, for example by not being told what they would have to pay when taking out a loan or credit. These interviewees saw it as the creditor’s responsibility to ensure that members of the public understood the paperwork and the ‘small print’. It was also suggested that creditors had irresponsibly given people money who could ill afford to pay the credit back, such as in the case of a person on benefits.

Similar to the above, over half of clients in the advice agency study attributed their problems to reduced income resulting from sickness or
Disability, over two-fifths to loss of employment and just under one-third to relationship breakdown. Debt problems were also linked to other major life events, such as bereavement (10 per cent) or the birth of a child (9 per cent). In addition, debts left by a former partner (17 per cent), problems obtaining money owed (14 per cent), problems with welfare benefits (e.g. housing benefit (18 per cent) and tax credits (10 per cent)) and problems with alcohol, drugs or gambling were (10 per cent) were also mentioned.

Around 60 per cent of clients stated that they had over-committed their money or had experienced difficulties with budgeting. Fifty-six per cent stated that they had borrowed in attempts to repay debts.

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Defining Advice

As with debt problems (see Defining Debt Problems), there is no accepted definition of what constitutes debt advice. Although debt advice is generally taken to involve more than the simple provision of information about the legal context of, and options available to resolve/mitigate, an individual problem, the degree to which the problem should be investigated and analysed, and information applied to it, is a matter of debate. However, again as with debt problems, for the purpose of interpreting the results presented in this report it is important that the nature of the advice studied is recognised. All four studies focused on ‘rights-based’ advice delivered through trained advisers, although both the 2004 CSJS and follow-up interviews also explored broader forms of ‘personal’ advice. The level of assistance provided varied considerably between advisers and, as is detailed below, consequently varied between studies. The broad goals and strategies advocated by advisers were, though, broadly similar.

For the purposes of the advice agency study, advice comprised the information, recommendations and support offered to clients by advice agency staff following an assessment of individual circumstances. Advice sessions generally involved attempts to work out with clients the precise nature and extent of debt problems. They would also typically involve guidance around prioritisation of debts and explanations of potential actions that might be taken to mitigate or resolve problems. Advisers also provided specific help with such things as writing letters, negotiating reduced payments and/or interest rates, drawing up budget plans and organising formal debt management plans. Action was generally undertaken by advisers, rather than clients. Most participating agencies had a CLS Specialist Quality Mark in debt advice.

For the purposes of analysis of 2004 CSJS data, people were deemed to have obtained advice if they had successfully obtained any formal ‘advice or information’ to assist with the resolution of a debt problem. Just under half of those people who reported debt problems through the survey reported having obtained advice about them. This was most often from an advice agency (typically a Citizens Advice Bureau) (37 per cent), a local authority (34 per cent), a solicitor (11 per cent), an insurance company (5 per cent) or a financial institution (5 per cent). People also reported having obtained advice from a variety of other sources, such as regulatory authorities, politicians and social workers.

For the purpose of the control trial, advice was provided initially over the telephone, following a call to participants in the intervention group from National Debtline. National Debtline provided immediate advice and assistance in relation to any emergency issues presented by participants (such as threats against a home or bailiff action), but the main focus of its work was on assisting people to help themselves resolve problems. This involves working through people’s financial circumstances with them and advising on longer-term problem resolution strategies, such as debt management programmes. National Debtline frequently provides written self-help materials to clients to build upon advice provided over the telephone. It can also refer clients for advice elsewhere, where this is deemed appropriate and, in rare circumstances, it will enter direct negotiation with creditors. National Debtline has CLS General Help and Telephone Standard Quality Marks.
The Impact Of Debt Problems

The impact of debt problems was explored through the advice agency study, the 2004 CSJS and follow-up qualitative interviews.

In addition to the procedural consequences of debt problems – such as threats and use of legal action, the involvement of debt recovery agencies and bailiffs, the disconnection of utilities and bankruptcy – clients in the advice agency study reported that debt problems frequently impacted on their broader life circumstances. Clients reported that they found it difficult to carry on living normally while experiencing problems. When asked to indicate how easy or difficult it was to carry on living a normal life while experiencing their current debt problems, using a scale from 0 to 10, where 0 was ‘not at all’ and 10 ‘extremely’ difficult, the mean was 8.4. Eighty-nine per cent of clients also reported worrying about their money problems ‘most’ or ‘all’ of the time. Perhaps as a consequence, the great majority of clients believed their health had been adversely affected by their debt problems. Forty-eight per cent of clients described the impact of problems on their health as ‘great’, and 43 per cent felt that their health had suffered ‘to some extent’ (Figure 1). Around three in five clients reported having received treatment, medication or counselling as a result. On average, GPs were reported to have been visited once per month. Also, a number of people reported visiting hospitals, counsellors or psychiatric nurses.

Figure 1

EXTENT TO WHICH HEALTH SUFFERED AS A RESULT OF DEBT PROBLEM

- To a great extent
- To some extent
- Not at all
- Not known/ not provided

(SAMPLE BASE = 176 (ADVICE AGENCY STUDY))

Relationships were also affected by debt problems. Forty-five per cent of clients stated that problems had a negative effect on relationships with partners. Negative impacts on relationships with children, other family members and friends were also regularly reported. In addition, 19 per cent (42% of clients currently in

CASE STUDY: Michael (Name changed)

Michael experienced a breakdown in 1996 and consequently was out of work for an extended period of time. Any savings that he had were gradually used up during this period of unemployment and so he started to rely on his credit cards. Due to not having a regular income he got into the habit of only paying the minimum payments on his credit card bills and ignored the way interest was accumulating on what he owed.

Michael returned to work but did not pay sufficient attention to his finances and applied for new credit cards ‘to fill the gap’ when he was short of money. He generally felt he was on top of the debt as he continued to make the minimum payments. In 2003 the debt became ‘very real’ and he experienced another breakdown. At the height of his debt problem, Michael owed a total of £50,000 spread across 11 different credit cards. The money owed on each credit card ranged from a couple of hundred to thousands of pounds.
work) reported that they had needed to take time off work as a result of money worries, and 12 per cent suggested problems led to them giving up jobs. Six per cent stated that their financial situation had led to them losing their job. Nineteen per cent reported that problems resulted in their finding it difficult to obtain new jobs. Finally, 15 per cent reported working longer hours to ease financial pressures.

Analysis of 2004 CSJS data also indicated that debt problems can have an adverse impact on people’s health, personal relationships, housing and economic circumstances and confidence. Slightly more than half of the people who reported debt problems through the survey also reported one or more forms of adverse impact. Forty per cent of debt problems were reported to have led to physical or stress-related ill-health,\(^{18}\) of which slightly more than half also led reportedly to GP visits. The mean number of visits to a GP was 3½. Appointments with counsellors and community psychiatric nurses and outpatient hospital visits were also mentioned. Thirteen per cent of problems were reported to have led to a loss of income, with 9 per cent resulting in the loss of a job and a spell of unemployment. Six per cent resulted in a period on benefits. In addition, 11 per cent of problems were reported to have contributed to the breakdown of a relationship. Five per cent were reported to have led to a forced change in housing circumstances, leading a couple of people spending time in local authority temporary accommodation. One respondent reported property damage as having resulting from a debt problem, involving the police being called out. Finally, 17 per cent of debt problems were reported to have led to a general loss of confidence.

On the basis of the 2004 CSJS self-reports of problem impact, the average cost to the National Health Service of ‘difficult to solve’ debt problems that led to physical or stress-related ill-health was around £50 (£20 per debt problem in general).\(^{19}\) The average cost to local authorities (in the provision of temporary accommodation) of problems that led to the loss of a home was around £270 (£15 per debt problem in general).\(^{20}\) In addition, problems that led to the loss of a job and a spell of, on average, 20 weeks unemployment would have resulted in substantial loss of GDP and benefits payments. GDP can estimated at £369 per week per head for 2004.\(^{21}\) Benefits payments, assuming standard Jobseekers Allowance rates, would have amounted to an average of around £1,500 per claimant in 2004.

Findings from the qualitative interviews also highlighted that the impact of debt can be wide ranging. Interviewees reported that their debt impacted on relationships with their family and friends, health, employment, education and plans for their future. On relationships with family and friends, interviewees spoke about debts contributing to arguments and tension within the home, especially between partners.

**CASE STUDY: Lisa (Name changed)**

Lisa re-mortgaged her house using a company she had seen advertised on the television, in order to have essential maintenance work carried out on it. Unbeknown to Lisa she had applied for a mortgage with a variable and very high rate of interest, with what transpired to be a rogue mortgage company. Initially she paid £250 a month but this escalated each month. After ten months she was being asked to pay £700 a month. Lisa was not able to keep up with the payments and so fell into arrears, which then had additional interest levied on it. The company threatened to have her house repossessed and after being taken to court, Lisa’s house was under a 28 day suspended repossession order. Lisa felt hopeless and desperate about her situation. The hopelessness led to depression and she was put on anti-depressants by her GP. The depression also led her to become bulimic and consequently she was referred to a local psychiatric unit. She then became suicidal. Due to her illness and state of mind, she started to neglect her children. She ensured they wore clean clothes and were fed, but was not capable of anything else as she felt ‘zombified’. She said, “my responsibility as a mother diminished to…not even a carer…because I didn’t care…I cared whether they were hurt…But probably no more than a stranger in the street would have cared because I was that numb.”
At the extreme, debt could result in the relationship being ‘messed up’ and cause separation. Interviewees also described their debt problem as having a very negative impact on relationships with children.

Interviewees also frequently spoke about feeling guilty about the financial restrictions imposed by their debts. For instance, parents were unable to pay for leisure activities or material possessions that children were accustomed to. School trips, clubs, holidays and new clothing were among the examples cited.

Problem debt proved to be a very isolating experience. Interviewees described losing touch with friends, as they could not afford to go out socially. This could exacerbate feelings of stress. Also, aside from general stress and anxiety, feelings of guilt and loss of self-esteem, interviewees sometimes described quite severe emotional health problems, as well as physical health problems, such as eczema, as having resulted from debt problems. Occasionally, interviewees reported being treated for clinical depression. One interviewee, for example, was being treated for depression and bulimia at a local psychiatric unit.

For those in employment, debt tended to affect interviewees’ working practices in two ways. They would either work more than they did prior to the debt problem, or less. Working extra hours could in turn impact on the health of interviewees, as doing so over a long period of time was physically and emotionally draining. Those who worked less as a result of their debt had taken time off work due to depression, which had been compounded by their debts.

Lastly, the stress created by having a debt problem often meant interviewees felt they could not plan for the future. For younger interviewees there were concerns about how their circumstances would affect their future ability to start a family.

The Impact of Debt Advice

The following sections set out findings relating to the impact of debt advice on people’s circumstances and wellbeing. In the same way that debt problems impact on many aspects of people’s lives, the four studies provide evidence that debt advice can have a variety of impacts.

Perception of circumstances

Particularly compelling is the finding, from all four studies, that people tended to regard their situation as improved following the provision of advice. Even in the case of the control trial there was a statistically significant difference between those in the intervention and control groups in this regard.

The advice agency study found that the great majority of clients perceived their circumstances to have changed for the better following advice. For example, 70 per cent felt that they had made headway against their debts by the twelve-month follow-up. One-third stated that, twelve-months after receiving advice, they owed ‘a lot less’ than a year before. Many more detailed other aspects of problems they believed to have benefited from advice, such as the level of pressure exerted by creditors (mentioned by around two-thirds of clients at twelve-month follow-up). In all, over 90 per cent of clients detailed one or more positive benefits of advice. Interestingly, though, the proportion of people reporting some benefits was greater at six-month than twelve-month follow-up.
The People Studied

Clients in the advice agency study generally exhibited high levels of vulnerability. Forty-six per cent of clients reported having a long-standing illness, disability or infirmity, compared to the 2001 census estimate of 17 per cent. 26 per cent were divorced, compared to the 2001 census estimate of 7 per cent. Just 37 per cent were in any kind of employment, compared to the 2001 census estimate of 61 per cent. Mean household income was around £11,500, compared to a national average of more than double that. Around one-half of clients had dependants living with them, and a disproportionate number were lone parents. Around one-half of clients also reported living in social housing.

The profile of those who participated in the advice agency study was echoed through the 2004 CSJS. Those people who reported debt and debt-related problems through the 2004 CSJS were far from representative of the population as a whole. As can be seen from Table 1, those who had faced debt problems were much more often young, single, lone parents, on a low income or unemployed, black or minority ethnic, living in high density or rented housing, long-term ill or disabled, living with children and without personal transport than the population as a whole.

**Table 1**

<table>
<thead>
<tr>
<th>PROFILE OF PEOPLE REPORTING DEBT AND RELATED PROBLEMS</th>
<th>DEBT PROBLEM</th>
<th>DEBT RELATED PROBLEM</th>
<th>WHOLE SAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDER 35 YEARS</td>
<td>62%</td>
<td>46%</td>
<td>29%</td>
</tr>
<tr>
<td>SINGLE</td>
<td>53%</td>
<td>44%</td>
<td>35%</td>
</tr>
<tr>
<td>LONE PARENT</td>
<td>20%</td>
<td>15%</td>
<td>4%</td>
</tr>
<tr>
<td>UNEMPLOYED</td>
<td>7%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>UNDER £10k EARNINGS</td>
<td>37%</td>
<td>27%</td>
<td>18%</td>
</tr>
<tr>
<td>WHITE</td>
<td>78%</td>
<td>88%</td>
<td>91%</td>
</tr>
<tr>
<td>OWNER OCCUPIER</td>
<td>42%</td>
<td>54%</td>
<td>69%</td>
</tr>
<tr>
<td>HIGH DENSITY HOUSING</td>
<td>61%</td>
<td>49%</td>
<td>36%</td>
</tr>
<tr>
<td>LONG-TERM ILLNESS/DISABILITY</td>
<td>35%</td>
<td>35%</td>
<td>25%</td>
</tr>
<tr>
<td>NO PERSONAL TRANSPORT</td>
<td>44%</td>
<td>30%</td>
<td>24%</td>
</tr>
<tr>
<td>CHILDREN</td>
<td>44%</td>
<td>45%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Owing to the sampling method, participants in the control trial were not representative of the general population of people facing debt problems. As would be expected for a group of people attending Jobcentres, they were mostly unemployed and seeking work, on low incomes (50 per cent reported a personal income of less than £4,000 p.a.) and relatively young (61 per cent aged under 35). Just 66 per cent described themselves as white, 19 per cent reported being lone parents and 45 per cent rented their homes from a social landlord.
Likewise, 61 per cent of respondents to the 2004 CSJS who obtained advice in relation to a debt problem reported that advice brought about a better result to their problem. Just 3 per cent felt that they had fared worse as a result of obtaining advice; none of whom had obtained advice from a dedicated advice service.

The qualitative follow-up interviews suggested a similar pattern of perception, with interviewees generally confident that advice had improved their situation and put them ‘back on the right road’. Some went so far as to suggest that they would have ‘lost everything’ had they not received advice. The credibility provided by advisers, in dealing with creditors, was singled out as having a particular influence on outcomes.

| Table 2 |
|-----------------|--------------|--------------|
| **PERCEPTION OF CHANGE IN FINANCIAL CIRCUMSTANCES** | **INTERVENTION** | **CONTROL** |
| **FINANCIAL CIRCUMSTANCES** | **(COMPAaned TO BASELINE)** | **MUCH BETTER** | **6 (5%)** | **8 (7%)** |
| **BETTER** | **50 (42%)** | **34 (30%)** |
| **THE SAME** | **21 (18%)** | **28 (25%)** |
| **WORSE** | **35 (29%)** | **34 (30%)** |
| **MUCH WORSE** | **7 (6%)** | **9 (8%)** |
| **SAMPLE BASE: 233 (CONTROL TRIAL, 20-WEEK FOLLOW-UP)** |

On rare occasions interviewees described the advice they received as having had no positive impact on their lives. This was so where people had apparently been told nothing new by advisers, where no practical or plausible solutions had been offered and where people’s circumstances had deteriorated following advice.

Finally, those participants in the control trial who were offered advice were more likely than others to have reported, at 20-week follow-up, that their financial circumstances were ‘better’ or ‘much better’ than at the time of baseline interview (Table 2). Of those who were offered advice, 47 per cent reported a change for the better, compared to just 37 per cent of those in the control group. This was a statistically significant difference (Wald test of intervention for ‘better’: \( \chi^2 = 5.92, p = 0.015 \)). Of those who went on to obtain advice, 56 per cent stated that their circumstances improved ‘as a result’. Seventy-nine per cent felt better about their circumstances ‘as a result’.

The experience of debt
The general finding that people who were offered or obtained advice commonly reported subsequent improvements in their financial circumstances was reflected in findings, from some of the studies, that levels of debt also changed for the better.

At both six and twelve-month follow-up, most advice agency study clients (67 per cent) reported decreases in the total amount they owed, although 5 per cent reported owing more. Twelve months after receiving advice clients owed, on average, £7,585 less (Table 2). This is a substantial reduction, although the amount should be treated with some caution. Different methods of conducting baseline and follow-up interviews (See, further, The Four Studies) and the exclusion of mortgages (but not arrears) from the definition of debt (See, further, Defining Debt Problems) – so entailing that unsecured debt restructured as secured debt would cease to be included – may both have acted to exaggerate the level of reduction. Fifteen per cent of advice agency clients also reported that advice led to an increased income through benefits.
Figure 2

MEAN LEVEL OF DEBT FOLLOWING ADVICE

(SAMPLE BASE = 61 (ADVICE AGENCY STUDY, RESPONDENTS AT TWELVE-MONTH FOLLOW-UP))

Also, findings from the qualitative interviews confirmed that advice often improved an interviewee’s financial situation. People were better positioned to tackle debts following the receipt of advice. Their financial situation improved through better budgeting and improved negotiations with, and therefore more favourable treatment from, creditors. They also saw increases in their income. For example, one interviewee, who owed £400, described how a Citizens Advice Bureau adviser showed her how to complete forms in order to receive assistance in paying her water rates. The introduction of new income into her finances lifted a ‘big weight’ from her. Another interviewee described how, after a Citizens Advice Bureau negotiated with creditors on her behalf, her disposable income increased, which meant she had money to spend on her children ‘when they need it’.

Just over one-third of participants in the control trial reported that they no longer faced debt problems at 20-week follow-up. There was, however, no significant difference between the intervention and control groups, in the rate of disentanglement from debt (35 per cent v. 37 per cent), reduction of arrears (50 per cent v. 42 per cent) or the reduction in the number of types of debt faced (18 per cent v. 16 per cent). There was, though, some indication that those offered advice were more likely to have focused their efforts on tackling ‘priority’ debts, rather than, for example, those that attract the highest interest rates. As National Debtline highlight in their literature, ‘some debts are more important than others,’ as ‘the law gives different creditors different ways of getting their money back.’ Only some types of creditor can take possession of people’s homes, seek orders of imprisonment, cut-off utilities or distrain goods. Thus National Debtline separates out priority from other debts. Priority debts are those relating to mortgages, rent, taxes, court fines, maintenance, utilities and hire-purchases. Table 3 shows the incidence of different types of arrears at baseline and 20-week follow-up interview. Looking just at priority debts, participants in the intervention group reported a proportionately greater reduction in incidence of four of six types at follow-up (mortgage/rent, tax, fines and hire/credit purchase arrears), compared to those in the control group. Participants in the control group reported a proportionately greater reduction in two (utility and maintenance arrears). However, a multivariate logit model of the eight types of debt set out in Table 3 indicated that only the change in tax arrears approached significance (Wald test of intervention for tax arrears: $\chi^2 = 3.61, p = 0.057$).
### Table 3

<table>
<thead>
<tr>
<th>TYPES OF DEBT</th>
<th>INTERVENTION</th>
<th>CONTROL</th>
<th>[\text{BASELINE}]</th>
<th>[\text{FOLLOW-UP}]</th>
<th>[\text{Baseline}]</th>
<th>[\text{Follow-up}]</th>
</tr>
</thead>
<tbody>
<tr>
<td>MORTGAGE/RENT</td>
<td>51 (42.9%)</td>
<td>35 (29.4%)</td>
<td>41 (35.7%)</td>
<td>35 (30.4%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COUNCIL/INCOME TAX/VAT</td>
<td>35 (29.4%)</td>
<td>24 (20.2%)</td>
<td>27 (23.5%)</td>
<td>32 (27.8%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COURT FINES</td>
<td>20 (16.8%)</td>
<td>13 (10.9%)</td>
<td>21 (18.3%)</td>
<td>15 (13.0%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAINTENANCE</td>
<td>6 (5.0%)</td>
<td>4 (3.4%)</td>
<td>4 (3.5%)</td>
<td>1 (0.9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UTILITIES</td>
<td>49 (41.2%)</td>
<td>42 (35.3%)</td>
<td>55 (47.8%)</td>
<td>38 (33.0%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIRE/CREDIT PURCHASE</td>
<td>22 (18.5%)</td>
<td>12 (10.1%)</td>
<td>25 (21.7%)</td>
<td>19 (16.5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PERSONAL LOANS</td>
<td>39 (32.8%)</td>
<td>28 (23.5%)</td>
<td>29 (25.2%)</td>
<td>22 (19.1%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CREDIT/STORE CARDS</td>
<td>37 (31.1%)</td>
<td>32 (26.9%)</td>
<td>33 (28.7%)</td>
<td>24 (20.9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GENERAL SEVERE DIFFICULTIES</td>
<td>13 (10.9%)</td>
<td>16 (13.4%)</td>
<td>13 (11.3%)</td>
<td>11 (9.6%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sample base:** 234 (control trial, 20-week follow-up)

### Ability to cope and outlook

Also in keeping with people’s more positive perception of their circumstances following advice, the advice agency study found that clients reported substantially reduced levels of difficulty in ‘living normally’ (on a scale from zero to ten) at follow-up. This was the case at both six and twelve-month follow-up. Whereas almost 90 per cent of clients said they found it ‘fairly’ or ‘very difficult’ to carry on living normally at the time of receiving initial advice, this fell to under half of clients at six months, and 40 per cent at twelve months (Table 4).

Linked to this, over half of clients stated that, following advice, it became less difficult to pay creditors amounts required, with only five per cent finding it more difficult. Sixty-one per cent reported that they managed to keep to arrangements made for them by advice agencies, and an additional 15 per cent said that they had generally kept to arrangements, although with some difficulty.

### Table 4

<table>
<thead>
<tr>
<th>EASE/DIFFICULTY OF LIVING NORMALLY</th>
<th>BASELINE</th>
<th>6-MONTHS</th>
<th>12-MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>EASY (0-3)</td>
<td>4 (7%)</td>
<td>7 (11%)</td>
<td>15 (25%)</td>
</tr>
<tr>
<td>NEITHER EASY NOR DIFFICULT (4-6)</td>
<td>3 (5%)</td>
<td>25 (41%)</td>
<td>21 (35%)</td>
</tr>
<tr>
<td>DIFFICULT (7-10)</td>
<td>53 (87%)</td>
<td>29 (48%)</td>
<td>24 (40%)</td>
</tr>
<tr>
<td>MEAN SCALE SCORE</td>
<td>8.40</td>
<td>6.16</td>
<td>5.48</td>
</tr>
</tbody>
</table>

**Sample base:** 61 (twelve-month follow-up, advice agency study)

A substantial reduction was also seen in the amount of time clients spent worrying about their debt problems. The number of those worrying ‘all’ or ‘most’ of the time reduced from 89 per cent at initial advice, to 59 per cent at six months and just 31 per cent at twelve months (Table 5).
The above ties in with findings from the qualitative interviews, where interviewees described being reassured and having more hope about their situation, following advice. They also reported that their emotional outlook had improved.

### Table 5

<table>
<thead>
<tr>
<th>TIME SPENT WORRYING ABOUT MONEY OR DEBT</th>
<th>BASELINE</th>
<th>6-MONTHS</th>
<th>12-MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONE/LITTLE OF YOUR TIME</td>
<td>2 (3%)</td>
<td>13 (21%)</td>
<td>24 (39%)</td>
</tr>
<tr>
<td>SOME OF YOUR TIME</td>
<td>4 (7%)</td>
<td>12 (20%)</td>
<td>18 (30%)</td>
</tr>
<tr>
<td>MOST/ALL OF YOUR TIME</td>
<td>54 (89%)</td>
<td>36 (59%)</td>
<td>19 (31%)</td>
</tr>
</tbody>
</table>

Sample base: 61 (Twelve-month follow-up, advice agency study)

It is also consistent with findings from the control trial, where there was a relative improvement in the rate at which those offered advice reported seeing ‘a time when [they would] no longer have difficulty managing [their] debt’, compared to those not offered advice (Table 6). A binary logistic regression model indicated that, at 20-week follow-up, the probability that a participant who had been offered advice would be able to see an end to their difficulties, given that they could not at baseline, was 0.41, compared to 0.34 for a participant who had not been offered advice. This difference is consistent with the finding that people offered advice were more likely than others to see improvements in their financial circumstances at 20-week follow-up. However, though consistent with the finding that those offered advice were more likely than others to perceive improvement in their circumstances at follow-up, the difference was not statistically significant (Wald test of intervention: $\chi^2 = 0.94$, $p = 0.33$).

### Table 6

<table>
<thead>
<tr>
<th>ABILITY TO SEE A TIME WHEN DEBT PROBLEMS WILL END</th>
<th>INTERVENTION</th>
<th>CONTROL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BASELINE</td>
<td>20-WEEKS</td>
</tr>
<tr>
<td>YES</td>
<td>53 (45%)</td>
<td>57 (48%)</td>
</tr>
<tr>
<td>NO</td>
<td>46 (39%)</td>
<td>48 (40%)</td>
</tr>
<tr>
<td>DON’T KNOW</td>
<td>20 (17%)</td>
<td>12 (10%)</td>
</tr>
<tr>
<td>NO ANSWER</td>
<td>-</td>
<td>2 (2%)</td>
</tr>
</tbody>
</table>

Sample base = 234 (20-week follow-up, RCT)

**Financial literacy and the ability to act**

Again pointing to positive benefits flowing from debt advice, 84 per cent of clients in the advice agency study reported feeling more in control of their finances following the receipt of advice; the same percentage as felt more knowledgeable about financial matters. Just two per cent felt less in control of their finances.

This was reflected in the greater number of clients who took decisive action to address their situation following the receipt of advice; although this finding should be treated with some caution, as initial data were provided by advisers and follow-up data by clients. As an example, Table 7 shows that whereas, at the time of advice, 3
percent of clients had negotiated or planned to negotiate reduced payments to creditors, 33 per cent of clients appeared to have done so six months later.

Despite this, though, only a few clients stated that they would handle problems themselves or contact creditors directly if problems recurred. Over 70 per cent of clients (71%) stated that they would again look to their adviser for assistance. To some extent this will reflect satisfaction with and confidence in the advice they had received. It may also, though, be a sign of the general vulnerability of the advice agency clients studied. They may have needed the reassurance that specialist advice provides before taking direct action themselves.

Table 7

<table>
<thead>
<tr>
<th>ACTIONS PLANNED/DONE AT BASELINE AND 6-MONTH FOLLOW-UP</th>
<th>BASELINE</th>
<th>6-MONTH FOLLOW-UP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PLANNED/ DONE BY ADVISER</td>
<td>PLANNED/ DONE BY CLIENT</td>
</tr>
<tr>
<td>WORKED OUT BUDGET PLAN</td>
<td>69</td>
<td>4</td>
</tr>
<tr>
<td>NEGOTIATED REDUCED PAYMENTS TO CREDITORS</td>
<td>56</td>
<td>3</td>
</tr>
<tr>
<td>NEGOTIATED WITH CREDITORS TO FREEZE INTEREST ON DEBTS</td>
<td>45</td>
<td>1</td>
</tr>
<tr>
<td>ORGANISED A DEBT MANAGEMENT PLAN</td>
<td>24</td>
<td>1</td>
</tr>
<tr>
<td>GONE BANKRUPT</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>NEGOTIATED A DEBT MORATORIUM WITH CREDITORS</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>INCREASED INCOME THROUGH BENEFITS</td>
<td>4</td>
<td>7</td>
</tr>
</tbody>
</table>

SAMPLE BASE = 91 (ADVICE AGENCY STUDY, CLIENTS AT 6-MONTH FOLLOW-UP)

Findings from the qualitative interviews also pointed to interviewees becoming more knowledgeable and confident about their personal finances following formal advice. This was attributed to instruction on how to contact creditors, format letters setting out payment plans and budget income and expenditure. Informal advice was also credited with increasing interviewees’ confidence in tackling their situation alone, demonstrating the importance of general support for those facing the difficult path out of debt.

Consistent with findings from the advice agency and qualitative studies, there was a small relative increase in the awareness of their own financial circumstances exhibited by participants in the intervention group of the control trial, as compared to those in the control group (Table 8). This was gauged through a baseline conditioned normal response model. It indicated that the offer of advice resulted in an increase in the proportion of 18 detailed questions about their financial circumstances for which specific answers could be provided (as opposed to answers of ‘don’t know’). The difference fell just short of significance at the 95 per cent confidence level (Wald test: \( \chi^2 = 3.47, p = 0.06 \).
### Table 8

<table>
<thead>
<tr>
<th>FINANCIAL CIRCUMSTANCES (AS COMPARED TO BASELINE)</th>
<th>Baseline</th>
<th>Follow-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTERVENTION</td>
<td>81%</td>
<td>85%</td>
</tr>
<tr>
<td>CONTROL</td>
<td>79%</td>
<td>79%</td>
</tr>
</tbody>
</table>

SAMPLE BASE = 234 (CONTROL TRIAL, 20-WEEK FOLLOW-UP)

**Health**

The advice agency study found that, following advice, clients generally reported improvements in their health. At both six and twelve-month follow-up, about two thirds of clients stated that their health had improved a little or a lot since the time of initial interview. When asked whether they felt health improvements stemmed from the receipt of advice, the great majority suggested that they had: 75 per cent at six and 90 per cent at twelve-month follow-up. Although most people who reported changes in their health, reported change for the better, a minority reported changes for the worse. 11% of clients stated that their health was slightly or a lot worse twelve months after receiving advice.

Self-reported general level of health also improved among advice agency clients between the time of initial advice and six and twelve-month follow-up. When asked to rate their health on a 100-point index, clients reported mean scores of 47, 66 and 67 at each respective stage (Figure 3). This was also reflected in the proportion of clients who reported having received treatment, medication or counselling, which reduced from 56 cent (at initial interview) to 43 per cent (six-month follow-up) to 31 per cent (twelve-month follow-up).

Similarly, people described in the qualitative interviews how ‘rights-based’ advice (See, further, Defining Debt Advice) made them feel relieved and ‘stronger’. Those who received advice of a personal kind (such as was provided by a general practitioner or counsellor) described this as being particularly beneficial in relation to depression and stress. Indeed, even informal advice was said to help people from becoming ‘nervous wrecks’. It appeared that advice made the most difference when people had refrained from discussing their problems with others for some time.

**Figure 3**

MEAN GENERAL HEALTH RATING

![Figure 3](image-url)
Findings from the control trial were consistent with a health benefit of debt advice, though they did not approach statistical significance. Those participants who were offered advice saw a relative reduction of around two and a half points in anxiety level, as recoded through the 80 point State Trait Anxiety Index. They also saw a very small positive change in health status, as recorded through the five main EuroQol EQ-5D general health index questions.

**Relationships**

Clients in the advice agency study reported improvements in their personal relationships following the receipt of advice. As is shown in Table 9, 34 per cent of clients believed that relationships with family members and friends improved and 28 per cent that relationships with partners improved. Twenty-six per cent stated that relationships with children improved. Around 70 per cent of improvements were attributed to advice.

<table>
<thead>
<tr>
<th>CHANGES IN RELATIONSHIPS AT 12-MONTH FOLLOW-UP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PARTNER/HUSBAND/WIFE</strong></td>
</tr>
<tr>
<td>17 (28%)</td>
</tr>
<tr>
<td><strong>CHILDREN</strong></td>
</tr>
<tr>
<td><strong>FRIENDS</strong></td>
</tr>
<tr>
<td><strong>OTHER FAMILY MEMBERS</strong></td>
</tr>
<tr>
<td><strong>PEOPLE YOU WORK WITH</strong></td>
</tr>
<tr>
<td><strong>SAMPLE BASE = 61 (ADVISE AGENCY STUDY, CLIENTS AT 12-MONTHS)</strong></td>
</tr>
</tbody>
</table>

As the qualitative interviews illustrated, improved financial circumstances allowed interviewees to re-engage with people. For example, one interviewee described how her adviser’s negotiations with her creditors enabled her to start spending money on her children.

Consistent with this, participants in the intervention group of the control trial less often reported negative change in their relationship status (i.e. single, co-habiting, married and living with spouse, etc.). When people’s status at baseline and follow-up was compared, whereas 2½ per cent of those offered advice reported a relationship breakdown, the figure was 4½ per cent for those in the control group. Also, whereas 9 per cent of those offered advice reported going on to start a relationship or to marry a co-habitee, the figure was 5 per cent for those in the control group. However, the difference between groups was far from being statistically significant (Wald test of the significance of the intervention: $\chi^2_2 = 1.71, p = 0.43$).

**The courts and justice**

While legal action and bankruptcy were quite common, 54 per cent of clients in the advice agency study believed, at twelve-month follow-up, that advice had helped them avoid or curtail legal action. Thirty per cent believed it had helped them avoid a County Court judgement. However, in both cases, the percentages were substantially down on those at six-month follow-up (76 per cent and 62 per cent, respectively) This ties up with the finding that around 10 per cent of respondents had legal action commenced against them in the period between six and twelve-month follow-up.
When comparing the manner of problem outcome for those who sought or did not seek advice, among people who reported debt or debt-related problems through the 2004 CSJS, it was apparent that those who obtained advice were far more likely than others to report formal court processes as having been used. In all, 27 per cent of those who had obtained advice reported court processes as having been used, compared to just 9 per cent of others ($\chi^2 = 12.75, p < 0.001$). This was reflected in the reported outcome of concluded debt or debt-related problems. Twenty-two per cent of problems about which advice had been obtained concluded through a court, compared to just 3 per cent of others. However, in this regard, people who did nothing to resolve problems more often reported problems concluding through the courts; though numbers were very small. Rather than evidencing a greater tendency for those who obtain advice to utilise court processes, this reflects the fact that those people who have legal action taken against them are very likely to go on to obtain advice. Those people who reported debt problems and the involvement of courts invariably stated that court proceedings had been initiated by the ‘other side’.

Looking further at those who reported debt-related problems through the 2004 CSJS, the profile of problem outcomes reported by those who obtained advice was markedly different from those reported by others in another important regard. Whereas 83 per cent of people who obtained advice reported that problems concluded either through the courts or through agreement or some other acceptable means, the figure was 70 per cent for others ($\chi^2 = 3.26, p = 0.071$).

Other
The advice agency study indicated other areas of client’s lives upon which debt advice impacted. Just under one-third of clients stated that the advice they received helped them to avoid being evicted, and one-quarter suggested that advice helped them avoid a forced sale of their home. There was, though, no apparent difference in the proportion of intervention and control group participants, in the control trial, who moved home following advice ($\chi^2 = 0.28, p = 0.62$). Finally, advice was also credited for preventing people from dropping out of higher education. Both formal and informal advice was described in the qualitative interviews as providing encouragement and coping strategies for dealing with debts incurred whilst studying.

Views Of Advice

Seventy-seven per cent of clients in the advice agency study found the advice they were given to have been ‘very helpful’. A further 13 per cent described it as ‘fairly helpful’. Just 4 per cent described it as being of no help.

The 2004 CSJS also suggests that most people value the assistance of debt advisers. Just under 90 per cent of people who offered an opinion stated that they would ‘definitely’ (60 per cent) or ‘probably’ recommend others in their situation to use their advisers. Furthermore, those few people who said that they would be unlikely to recommend their advisers had not obtained advice from a dedicated advice service. The reason for people’s dissatisfaction was most often a lack of interest shown in their situation.

Follow-up qualitative interviews painted a similar picture, although it was apparent that interviewees’ views of the advice they had received were inextricably linked with the impact it was perceived as having had on their circumstances. Generally, advice was regarded as having had a positive impact on circumstances, and so was considered to have been valuable. Citizens Advice Bureaux, which were the most frequent source of formal rights-based advice, were generally praised for being
accurate, thorough and comprehensive; assessments based on the way in which advisors had been able to guide interviewees in an accessible way through all the options available to them when dealing with their debts. However, there were interviewees who were disappointed that Bureaux were not able to provide as much help as expected.

More particularly, praise tended to attach to specific instances of help, such as the negotiation of a payment plan with creditors or encouragement that interviewees do this themselves. Interviewees praised legal representation at court when the desired verdict was achieved. Also, unsurprisingly, advice was more positively received when it was tailored to individual needs. For example, this was the case for an interviewee who sought help from her building society, as she felt they had tailored the package to help her needs.

Interviewees also mentioned the importance of advertisements and promotion in ‘outreach’ locations where people might be seeking help, using a service or just looking for information (e.g. Jobcentre, childcare services, libraries, GP’s surgeries). The importance of continuity of care was also emphasised. A key factor was that it would prevent people from having to repeat their story each time they saw a different person. This was felt to be tiresome and upsetting. Another reason mentioned was that trust and rapport could be built over time and this might help to overcome any sensitivities and stigma attached to discussing a debt problem.

DISCUSSION

The Benefits Of Debt Advice

The four studies within the Impact of Debt Advice Research Project have provided a set of complementary findings that demonstrate a clear positive impact of debt advice. Despite a lower than expected take-up of advice and reduced ‘power’ (See, further, The Four Studies), participants offered advice as part of the random control trial were found to be significantly more likely, than those not offered advice, to have reported that their financial situation was ‘better’ or ‘much better’ at 20-week follow-up. This was reflected in the comments of qualitative interviewees that advice helped put people ‘back on the right road’. It was also reflected in the high proportion of 2004 CSJS respondents who asserted that advice had led to better outcomes to their problems and the high proportion of advice agency study clients who said that they had made headway against their debts at 12-month follow-up.

In keeping with this last finding, the mean level of debt reported by advice agency study clients was observed to fall from £18,780, at the time of advice, to £11,195 one year later. However, the extent to which this drop can be attributed to advice remains unclear, as there are no equivalent observations for people who did not obtain advice. What is more, the sample attrition encountered in the advice agency study may have resulted in the twelve-month follow-up sample of clients being biased towards those with more stable lives. Such people would, after all, have been easier to follow-up. Also, it would be expected that a group of people facing debt problems would make some headway against those problems over a twelve months period. As is indicated from earlier research, a sizeable proportion of people facing a debt problem will extricate themselves from it over the course of twelve months. Indeed, more than one-third of participants in the control group of the control trial no longer faced a debt problem at 20-week follow-up. As described above (p.10), the level of decrease observed may also have been affected by the different methods of conducting baseline and follow-up interviews and the definition of debt used. The control trial provided no direct support for the proposition that advice leads to a significant reduction in levels of debt. However, the fact that the assistance provided
to advice agency study clients (in contrast to control study participants) commonly involved direct negotiation with creditors over repayment and interest levels, something that clients much less frequently undertook on their own, suggests that the help they received should have at least facilitated debt reduction.

The control trial provided some evidence that people who are offered advice become better focused on dealing with priority debts. This would amount to an important behaviour change that should lessen the incidence of formal consequences of arrears, such as seizure of property or eviction. The control trial also pointed to a small improvement in people’s understanding of their financial situation, attributable to the offer of advice. This was reflected in the finding that 84 per cent of advice agency clients felt more in control of their finances following advice, and suggestions that they also became more likely to take decisive action to tackle their problems. Interestingly, though, clients also reported that they would again seek advice if their problems recurred, reflecting the importance of dispassionate and non-judgmental professional advice described by qualitative interviewees. Presumably, advice agency clients felt that advisers were best placed to know what should be done to bring about the best outcome to a debt problem.

Given people’s improved perceptions of their circumstances, greater knowledge, more effective behaviour and the possible lower levels of debt stemming from advice, it is not surprising that people who obtained advice were also found to report being better able to cope with daily life and to be more optimistic. Qualitative interviewees described how this, in turn, put people in a better position to plan for the future. They also described an improved emotional outlook, mirrored by the finding that advice agency study clients and control trial participants who were offered advice scored more positively on measures of anxiety and health. The findings from the control trial did not, though, approach statistical significance.

Likewise, given the above, it is not surprising that advice was also found to lead to improved personal relationships. A sizeable proportion of advice agency clients attributed improvements in relationships with their partners and children to the advice they received. Qualitative interviewees spoke of being able to once more invest in relationships. Control trial participants who were offered advice also reported more stable relationships with partners, though the finding did not approach statistical significance. There was also indication from the advice agency study that family stability was mirrored by housing stability, again attributed to debt advice.

Finally, there was some evidence that advice could act to reduce the volume of cases brought before the courts. Although the 2004 CSJS pointed to a link between advice and formal court process, it was not people facing debt problems who initiated process. Rather, people facing debt problems appeared often to seek advice following process being initiated against them. Therefore, more relevant to the hypothesis that debt advice reduces court volumes is the finding that over half of the clients within the advice agency study believed advice had helped to prevent or curtail legal action; although a substantial proportion of clients reported becoming bankrupt – in keeping with recent reports of increases in the use of forms of bankruptcy within the context of personal debt.27

Some Limitations Of The Methods Used

Despite providing an unparalleled insight into the impact of debt advice, problems encountered in the conduct of the Impact of Debt Advice Research Project have resulted in the findings set out above being less detailed and conclusive as was originally hoped for. The relatively low proportion of people who went on to obtain advice following an offer of advice substantially reduced the ability of the control trial to identify and quantify the relative benefits of advice.28 This, in turn, has meant that
it has not been possible to ascertain the cost-benefit ratio of advice provision. While the above findings point to economic benefits stemming from improved health, improved parenting, reduced family breakdown, increased economic activity and a reduced burden on the courts, it has not been possible to accurately quantify the level of these benefits.

The control trial was also affected by sample attrition, meaning that no additional follow-up was possible after one-year. This has meant that the durability of any change for the better has not been tested, against a backdrop of suggestions from the advice agency study that some benefits of advice are less evident after one year than six months. Having said that, the vast majority of changes between six and twelve months observed through the advice agency study were positive in nature.

Sample attrition was a more general problem also, with the conduct of both the advice agency study and qualitative interviews involving difficulties in follow-up. At least three reasons for this might be suggested. First, people will not always wish to confront or be confronted about problems concerning sensitive issues such as their finances. This may be reflected in the fact that more than 20 per cent of people offered advice from National Debtline declined the offer. Second, people facing debt problems will be more prone to having their telephone disconnected or, in the case of pre-pay mobile telephones, stopping using them. Third, people facing debt problems are likely to lead relatively unstable lives that militate against follow-up contact. For example, 29 per cent of those participants in the control trial who were successfully re-interviewed at 20-weeks had moved home since the time of baseline interview. If anything, it may be more likely that the figure for those who were not successfully re-interviewed would be higher.

Finally, it is to be remembered that a broad range of types of advice were investigated through this project, which are likely to lead to different levels of impact on people’s circumstances. The control trial focused on a limited advice service, provided from a remote location and aimed at helping people help themselves. The advice agency study, in contrast, focused on relatively detailed face-to-face advice, routinely followed up with substantial assistance in dealing with creditors and developing budget plans. It could be argued that even more positive results would have flowed from the random control trial had a more proactive advice service been studied. Unfortunately, the Impact of Debt Advice Research Project is not able to provide evidence in this regard.

Some Implications

The problems encountered in following people up and in pro-actively providing them with advice are important findings of the Impact of Debt Advice Research Project. They demonstrate the difficulties that must be overcome in order to reach and assist those people who face debt problems but do not access mainstream advice services. In policy terms, the problems point to the importance of education and financial capability initiatives, which aim to increase knowledge and confidence among citizens so that they have greater personal capacity to avoid and deal with problems. They also suggest that those who are reluctant or do not consider seeking advice may benefit from easily accessible money advice outreach services. Being able to access professional advice in a friendly and familiar environment may result in ‘hard-to-reach’ groups seeking debt advice earlier. The results of the evaluation of the Financial Inclusion Fund sponsored money advice outreach pilots will, in time, shed further light in this area.

Also, while it has not been possible to ascertain the cost-benefit ratio of advice provision, it is possible to broadly compare the economic cost of debt problems with
the cost of advice. On the basis of the estimates set out on page 7, a debt problem will, on average, involve costs of over £1,000 to the public and in lost economic output. More serious problems will involve costs of many times this amount. These costs can be compared to those of advice provision, estimated at around £25 in the case of National Debtline. Of course, advice and assistance that involves a greater level of support for clients, particularly if it concerns serious problems and is delivered face-to-face, will involve much higher costs. This is reflected in the fixed fee level of £196 set out in Annex A of Legal Aid Reform: The Way Ahead. It is also reflected in the report on the evaluation of the Legal Services Commission’s telephone advice pilot. This put the range of costs between £67 and £454, depending on the type of adviser, method of delivery and extent of advice and assistance.

More generally, the findings on the impact of debt problems provide further support for the development of co-ordinated advice and support services and networks. People facing debt problems may, for example, benefit from support in maintaining relationships, parenting, finding employment and in relation to their psychological and physical well-being. Of course, if a debt problem is the direct cause of other problems, then other types of support can become secondary; though it may still be important for appropriate specialists to address consequential problems. For example, some doctors have been reported to have ‘prescribed’ debt advice in favour of medication (in the context of a proactive debt initiative), where this has been seen as a more effective route to addressing poor health brought about by debt. However, it is still important that people’s health is effectively managed throughout the period that underlyng causes, such as debt, remain.

Furthermore, the findings that advice agency study clients perceived some benefits of advice to be greater after six months than twelve months, and that a proportion of clients continued to face new problems and threats of legal action after six months, suggest that people facing chronic debt problems might benefit from a ‘check-up’ from their advisers at some time after initial advice and assistance concludes. This could also have the benefit of allowing advice to be adapted appropriately to changed circumstances. Further, it could prevent people from becoming de-motivated and deflated if the enormity of the task of resolving their problems sets in following initial confidence and capacity building of advice. While check-ups present some problems – in terms of privacy, confidentiality and simple practicality – the findings indicate that problems can persist (and worsen) a considerable time after the provision of advice.

A debt advice strategy that employs a range of service delivery methods to reach and effectively support those who face debt problems, including multiple delivery channels, outreach services and check-up initiatives, is likely to result in more people tackling debt successfully. If the strategy links with or involves public education and financial capability initiatives, then its effectiveness is likely to be greater still. Importantly, though, it needs to be recognised that in order to reach and help people who have least capacity to help themselves, such as the ‘small minority who suffer persistent and deep-seated exclusion’ targeted by the new Social Exclusion Task Force, a combination of strategies is likely to be necessary, reaching into the environments where such people are most open and comfortable, and involving, where possible, continuity of advice and help. The importance to some people of being able to deal with the same adviser throughout the advice process was alluded to by one qualitative interviewee, who remarked:

“...You end up forgetting things, and you end up sort of going off track ... personally I don’t think that’s dealing with the problem at all. Whereas if you see the same person all the time, they sort of know the background history.”

(Female who sought advice: follow-up qualitative interviews to the 2004 CSJS)
ACKNOWLEDGEMENTS

The advice agency study was managed by the Department for Constitutional Affairs Research Unit (DCARU). The Legal Services Research Centre (LSRC) managed the analysis of CSJS data, follow-up qualitative interviews and randomised control trial. BMG Research undertook fieldwork for, and contributed to analysis of, the advice agency study. BMG Research also undertook fieldwork, along with the LSRC, for the control trial. BMRB Limited undertook fieldwork for the CSJS and follow-up qualitative interviews. BMRB Limited also carried out the main stage of analysis of the qualitative interviews. All other analyses were carried out by the LSRC and DCARU. Advice within the advice agency study was provided, at no cost to the project or clients, by fourteen advice agencies, recruited through the Advice Services Alliance, Law Centres Federation and Citizens Advice. National Debtline provided advice within the control trial, again at no cost to the project or clients. A steering group, upon which sat representatives of the DCA, Legal Services Commission, H.M. Treasury, the Department of Trade and Industry, National Debtline and the Advice Services Alliance oversaw the project. The conduct of the control trial was aided by the advice of Simon Wessely and Amy Iversen (Institute of Psychiatry, King’s College London), Andrew Briggs (Health Economics Research Centre, Oxford University), Roger Bowles (Centre for Criminal Justice Economics and Psychology, York University) and Iain Chalmers (Editor, James Lind Library). The control trial methodology was scrutinised by a research ethics advisory board, comprised of Lorraine Gelsthorpe (University of Cambridge), Hazel Genn (University College London) and Mavis Maclean (University of Oxford). The authors of this report would also like to acknowledge the vital contribution of the 5,015 respondents to the 2004 CSJS, the 3,163 adults attending Jobcentres who were screened for eligibility for inclusion in the control trial, the 402 participants in the advice agency study, the 176 participants in the advice agency study and the 42 interviewees who took part in the qualitative interviews. All other analyses were carried out by the LSRC and DCARU. Advice within the advice agency study was provided, at no cost to the project or clients, by fourteen advice agencies, recruited through the Advice Services Alliance, Law Centres Federation and Citizens Advice. National Debtline provided advice within the control trial, again at no cost to the project or clients. A steering group, upon which sat representatives of the DCA, Legal Services Commission, H.M. Treasury, the Department of Trade and Industry, National Debtline and the Advice Services Alliance oversaw the project. The conduct of the control trial was aided by the advice of Simon Wessely and Amy Iversen (Institute of Psychiatry, King’s College London), Andrew Briggs (Health Economics Research Centre, Oxford University), Roger Bowles (Centre for Criminal Justice Economics and Psychology, York University) and Iain Chalmers (Editor, James Lind Library). The control trial methodology was scrutinised by a research ethics advisory board, comprised of Lorraine Gelsthorpe (University of Cambridge), Hazel Genn (University College London) and Mavis Maclean (University of Oxford). The authors of this report would also like to acknowledge the vital contribution of the 5,015 respondents to the 2004 CSJS, the 3,163 adults attending Jobcentres who were screened for eligibility for inclusion in the control trial, the 402 participants in the control trial, the 176 participants in the advice agency study and the 42 interviewees who took part in the qualitative fieldwork. The Impact of Debt Advice Research Project was funded by the Department for Constitutional Affairs (DCA). Finally, we would like to thank Vicky Kemp, Marisol Smith and Heather Walker, of the LSRC, for their assistance and support in the development, management and reporting of this project.

Notes:

2. This pilot is currently being evaluated by the Legal Services Research Centre. A multi-method evaluation approach has been adopted, covering both provider and target group perspectives. BMRB Ltd., and ECOTEC together with the Personal Finance Research Centre at the University of Bristol, are conducting research for the evaluation.
8. Department of Trade and Industry, 2001
15. A sample size of 308 (154 in each group) was necessary, on the basis of a two group continuity corrected $\chi^2$ test with a 0.05 two-sided significance level where $\beta = 0.2$ ($\beta$ being a measure of type II error), to detect a doubling in the likelihood of trial participants in the intervention group no longer facing debt problems.
16. The mean figure for those clients who were successfully followed-up after six and twelve months was around £18,750. The median was around £12,750.
18. Nine per cent were reported to have led to physical ill-health.
22. The same was also true of levels of total debt.
24. They also include television licence arrears, but these were not included in the control trial.
25. The index used was taken from the EuroQol EQ-5D general health index.
28. The importance of piloting the uptake of interventions in social science trials is an important lesson of the random control trial.
29. Public Legal Education Task Force (www.pleas.org.uk)