

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

22nd JANUARY 2014

REPORT OF HEAD OF COMMUNITIES & NEIGHBOURHOODS

A VIEW OF DEBT IN THE UK – MONEY ADVICE SERVICE

1 PURPOSE OF REPORT

- 1.1 Members note the recent report published by the Money Advice Service and the actions of the Council to mitigate some of the issues raised.

2.0 RECOMMENDATIONS

- 2.1 **Members note and Comment on the *recent Money Advice Service report Indebted Lives: the complexities of life in debt* as Appendix A.**
- 2.2 **Members note and support the responses on how the Council is tackling the issues raised in the recent Money Advice report**

3. KEY ISSUES

- 3.1 The Money Advice Service report has highlighted how 8.8 million people in the UK live with serious debt problems, but only 17 per cent are accessing advice. The report, 'Indebted Lives: the complexities of life in debt' **Appendix A** found that financial skills, knowledge and attitudes were key barriers to people choosing to access advice
- 3.2 The report's key findings of the 8.8 million people (18 per cent of the UK adult population) struggling with unmanageable debts show that:
- 66% said keeping up with bills is a 'heavy' burden;
 - 64% say they have fallen behind with credit commitments in the last three months
 - 44% said they are finding it a constant struggle to keep up with bills;
 - 70% said their debt often makes them feel anxious;
 - 82% believe it's important they become 'debt' free;
 - 41% feel they lack the skills and confidence to deal with creditors;
 - 44% said they don't know about the debt solutions available to them;
 - 64% of the 8.8m group are women;
 - 58% are employed; 48% live in privately-owned homes;
 - 50% have a household income of less than £20,000 per annum;
 - 12% said they are thinking about accessing debt advice soon.
 - 35-44 year olds are struggling most with debt (32% of the 8.8m); and 75% of the 8.8m are under 45 years old.
 - Four of the eight segments are families: Benefit-dependent families (1.8m people); Worried working families (1.7m people); Stretched families (1.4m people); Low wage families (0.8m people).

- 3.3 Looking at the over-indebted population as a whole, the research reveals that the majority is of working age with 58% in work and 48% living in privately-owned homes. Half have a household income of less than £20,000 per annum, and women are over-represented, accounting for 64% of the whole. The age profile of people struggling with their debt peaks between the ages of 35–44, with people in this age band making up 32% of the overall group; however, it drops significantly as people reach the age of 55 and above
- 3.4 Although the majority of the over-indebted population report that their debt is having a negative impact on their lives, only 17% of people are currently receiving advice to get help dealing with their debts. The fact that only this number of people access advice currently reinforces the importance of breaking down the over-indebted population as a whole into smaller segments so that the range of different needs, attitudes and behaviours can be better understood to get people to the advice they need.
- 3.5 More than 40% of people do not feel able to talk to their creditors about their debt Problems
- 3.6 Repaying debts is very important to people; 83% of the over-indebted population would like to pay off their debt as soon as possible and 82% believe it's important that they're debt-free.
- 3.7 Getting high quality debt advice improves outcomes for people in debt and for their creditors and yet this research tells us that a very small proportion, only 1.5m people or just over 17% of the over-indebted population, is currently accessing it. Overall knowledge about how to access advice services is low and 16% of people report that they would never consider getting advice.
- 3.8 This picture is also made more complex by the fact that as many as 21% of the over-indebted population do not recognise that they are in debt, and that a further 11% of people are not concerned about being in debt. What we do know is that if people did access advice then almost two thirds would want to retain control of getting to a solution
- 3.9 The table below lists 5 different channels of delivery and gives the percentage of people in each group who said they would prefer to use these channels for their first point of contact.

	Face to face	Email	Post	Telephone	Website	Don't know
Struggling students	38%	31%	11%	31%	26%	6%
First time workers	39%	32%	11%	32%	22%	4%
Optimistic young workers	31%	31%	9%	34%	25%	5%
Low wage families	33%	31%	14%	27%	26%	6%
Stretched families	33%	31%	7%	34%	20%	4%
Worried working families	26%	29%	6%	33%	24%	4%
Benefit dependent families	31%	28%	9%	38%	20%	5%
Uncomfortable retirees	31%	24%	8%	26%	12%	3%

- 3.10 Young people are most likely to want to access debt advice face-to-face in the first instance, perhaps reflecting their lower levels of confidence in managing their money than older people
- 3.11 The Council has a history of assisting those financially excluded from main stream financial services. The Council has built a good reputation on ensuring there is a

wide range of easily accessible services are available. Getting free help and advice is extremely important as is the early intervention work the Council undertakes. Using customer insight to target those most affected by debt and signposting to the most appropriate agency is also key.

- 3.12 The Council works with a number of agencies to address the issues raised in the Money Advice Report including:-

Money Advice Service Melton Borough Council was one of the first Local Authorities to work with the Money Advice Service. Over the past 2 years they have seen over 400 residents offering a 45 minute money health check. They support the people of Melton Mowbray, through our partnership, providing them with advice and information to help make informed financial decisions and choices and to enable people to manage and plan their money more effectively.

Citizen Advice Bureau Since collocating into Parkside, the service has grown from strength to strength. In 2013 the CAB had seen more clients at Parkside than at their old offices. The service continues to expand with outreach services at the Library & Children's Centres and further sessions planned for Parkside. The CAB have refer clients to a number of Council services located within Parkside and they continue to build good relationships with Officers to ensure the customer receives a complete help and advice service.

Clockwise Credit Union Melton was the first and only District in Leicestershire to have its own branch of the Credit Union. With support from the Council they have successfully re located their services to a new office opposite Parkside. They have over 1000 residents signed up to their services. The Council helped Clockwise launch the first "Jam Jar" accounts in Leicestershire and so far over 100 Jam Jar accounts set up assisting residents manage their budgets more effectively

Pay Plan The Council has worked with Pay Plan for a year. They offer complete debt solutions. Payplan is funded in a unique way: rather than charging clients, they receive donations from the credit industry. But remain completely impartial and deal with creditors. They have assisted 40 residents with debts of over £3.5m (including mortgage debt)

4.0 **POLICY AND CORPORATE IMPLICATIONS**

- 4.1 Although there are no direct policy and corporate implications arising from this report. It is clear that a number of people in Melton are affected by debt. Effective use of existing resources coupled with the agencies highlighted in this report aim to mitigate the overall impact of debt

5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 There are no direct Implications arising from this report.

6.0 **LEGAL IMPLICATIONS/POWERS**

- 6.1 There are no legal implications directly arising from this report.

7.0 **COMMUNITY SAFETY**

- 7.1 There are no direct Community Safety Implications; however, officers note that tenants need to be able to afford to keep their home warm.

8.0 **EQUALITIES**

8.1 An Equalities Impact Assessment is not required for this report. Projects and initiatives are subject to their own Equality Analysis..

9.0 **RISKS**

9.1 No direct risks have been identified from this report, and specific projects and initiatives undergo their own risk analysis.

10.0 **CLIMATE CHANGE**

10.1 There are no climate change issues directly arising from this report.

11.0 **CONSULTATIONS**

11.1 No direct consultation has been undertaken on this report, however, members are asked to note that various projects and initiatives are developed through consultation to ensure that they tackle and address the issues.

12.0 **WARDS AFFECTED**

12.1 All wards which contain Council properties are affected.

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Appendices: Appendix A- 'Indebted Lives' the complexities of life in debt.