Household debt and bankruptcy - the view from Citizens Advice Bureaux in the United Kingdom

Teresa Perchard
Director of Policy, Citizens Advice

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Current Context

- The longest recession since 1955
- Unemployment
- Money problems rise
- Homes at risk
- Poverty grows
- Billions go unclaimed
- Millions teetering on the edge?
Who we are

The Citizens Advice service helps people resolve their legal, money, consumer and other problems by providing information and advice and by influencing policymakers.
A local service for everyone in our society

- Citizens Advice Bureaux - independent charities
- 390 member bureaux
- 16000 volunteers
- 95% public awareness
- 52% public usage/contact
- 7 million new problems last year – 18% increase due to recession
- Advice face-to-face, on the phone, in community venues, by email and [www.adviceguide.org.uk](http://www.adviceguide.org.uk) - 9 million users
- Advice available from nearly 3,400 locations – one-third of these in health settings
Scope of our money advice services

• All topics handled – according to client need
• 100% of bureaux give advice on debt – level of service to deliver casework varies with funding
• 66% of bureaux deliver financial education
• 14 Financial Capability forums
• Education programmes:
  • saving
  • energy
  • lone parents
Our debt clients

- 2.3m debt issues/problems
- 580,000 people advised on debt problems
- 250,000 receive financial education
- 70% are tenants not homeowners
- 50% are in fuel poverty
- Half the average income
- Owe £17k on average – unsecured
- No savings – even for a rainy day
Debt problems expected to grow

- 350,000 more people sought free debt advice between 2008 and 2009
- 5 million have arrears of consumer credit
- Demand will increase if economy worsens
Debt advice landscape in the UK

• Free advice services (mainly charities)
  • Citizens Advice Bureaux 600,000 clients
  • Consumer Credit Counselling Service 300,000 calls
  • National Debt Line 150,000 calls
  • PayPlan (private company) 100,000 plans

• Debt management businesses (mainly fee chargers):
  • 250 firms? 350,000? plans
  • 700,000? plans
Policy responses to recession and risk
The fundamental challenge ahead......
Debt advice directly assists

- Individual benefits:
  - Write off
  - Manageable repayment plans set up
  - Loss of home averted
  - ‘under control’
- Debt problems cost the public £1000 but only £269 to resolve
Financial education assists

- **Savings**: one year after the Saving for Christmas training, two in five end users say they have made changes to their saving behaviour (43%)

- **Confidence**: end users who attended savings sessions are significantly more likely to feel confident about their saving decisions (96% compared with 86% for the public at large)

- **Word of mouth**: 83% of end users say they will tell their family and friends what they have learnt
And so can campaigning/policy work
Advice plus ......
Ahead?

Tough times