



# Briefing Paper 9

## Tackling Financial Exclusion and Debt: Money Advice at the Crossroads

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## What are Briefing Papers?

Briefing Papers aim to set out current thinking, discussion and debate around a specific topic or question. They provide more in-depth information and can be used to outline potential ways in which to tackle the issues as we go forward.

This Briefing Paper has been published to support the Community Regeneration and Tackling Poverty Learning Network which is managed by the Scottish Government through its Scottish Centre for Regeneration. It was written by Morag Gillespie and Louise Dobbie of the Scottish Poverty Information Unit which operates out of Glasgow Caledonian University. The views expressed in Briefing Papers are not necessarily shared by Scottish Government.

## Definitions used in this briefing

**Debt:** Debt is used commonly to describe borrowing and credit commitments. The term over-indebtedness is used to describe debt which has become a major problem for the borrower. Citizens Advice defines problem debt as when an individual is “unable to pay their current credit repayments and other commitments without reducing other expenditure below normal minimum levels”.<sup>1</sup> This includes commitments due but not paid, such as rent or utility bills.

A range of indicators are commonly used to measure problem debt, including both objective and subjective factors. Objective factors include the number of debts, the ratio between debt and annual or monthly income and the ratio of debt servicing payments to current income. Subjective factors include an individual's own perception of their situation and of the pressures which this brings to bear.<sup>2</sup> Money advisers will distinguish between debts, prioritising those that present particular risks for people (for example, rent or mortgage arrears or fuel bills).

**Financial Exclusion** Financial exclusion is often a symptom of poverty as well as a cause. It is concerned with “the lack of access to and use of a range of financial services”.<sup>3</sup> Exclusion can arise from a complex set of overlapping barriers and for a range of reasons including access, terms and conditions, marketing and price and self-exclusion. People who are financially excluded tend to be poor, live in relatively deprived areas and have certain characteristics such as being unemployed, sick, a disabled person, lone parent or single pensioner.<sup>4</sup> As well as the greater likelihood of being poor, financial exclusion can mean people lack a bank account or insurance, use high interest credit and pay more for utilities.

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<sup>1</sup> Edwards S (2003) *In Too Deep: CAB clients' experience of debt*. London: Citizens Advice

<sup>2</sup> BERR (2007) *Tackling Over-indebtedness Annual Report*. Available at: <http://www.bis.gov.uk/files/file42700.pdf>

<sup>3</sup> Transact and Resolution Foundation (2007) *In Brief: Financial Exclusion*, London: Transact. Available from: [www.transact.org.uk](http://www.transact.org.uk)

<sup>4</sup> Collard S (2007) 'Toward Financial Inclusion in the UK: Progress and Challenges', *Public Money & Management*, 27:1: 13-20

**Financial Inclusion:** This briefing uses the definition in the Scottish Executive Financial Inclusion Action Plan, 2005: “access for individuals to appropriate financial products and services. This includes people having the skills, knowledge and understanding to make best use of those products and services”.<sup>5</sup>

**(Money) Advice:** This term is used to describe the work of services including a series of tools and professional strategies used to counter the problems faced by clients in debt (this includes advice on a range of money related issues, including income maximisation work). Some services, including Citizen Advice Bureaus (CABs), also provide advice on a wide range of other social, legal and welfare issues.

## Abbreviations

CAB	Citizens Advice Bureau
CCCS	Consumer Credit Counselling Service
DAS	Debt Arrangement Scheme
FSA	Financial Service Authority
GAMH	Glasgow Association for Mental Health
GEMAP	Greater Easterhouse Money Advice Project
HMS	Homeowners Mortgage Support
LILA	Low Income Low Assets
SMI	Support for Mortgage Interest Scheme
IPPR	Institute of Public Policy Research

## Borrowing, Debt and the Recession

Debt is a significant modern social problem that is strongly linked to poverty and low income. Following a long period of economic growth, fuelled by increased consumer spending and borrowing, the ‘credit crunch’ was quickly followed by a recession in 2008. The backdrop to this recession is one of unprecedented levels of personal debt, including a rising level of mortgage arrears. This was the first time that the UK had entered recession with families from all income groups in considerable debt.

As levels of indebtedness grew over the last decade and demand for money advice increased, the UK and Scottish Governments developed policies and responses to address financial exclusion. A key strand of policy to promote financial inclusion included initiatives to develop money advice services, both to increase capacity and develop new methods of delivery.

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<sup>5</sup> Scottish Executive (2005) *Financial Inclusion Action Plan*, Edinburgh: Scottish Executive

The combination of the credit crunch and a recession in 2008 has put further pressure on money advice services at a point when public spending is tightening. New ways of working, including use of new technologies, is transforming the way that money advice services are delivered. At a time when money advice is at a crossroad, this briefing provides:

- Some background to growing personal debt, the development of financial inclusion policies and money advice services
- A summary of key responses to address this unique set of circumstances
- An outline of new developments and projects and lessons for practice drawn from research and evaluation
- Some discussion about the future for money advice services and
- Links to web based resources that are useful for money advice services, intermediary organisations and funders

## The consumer credit revolution

Growing consumption has been a key driver of economic growth and has been a feature of the significant rises in living standards in the UK. People in the UK make much greater use of financial services than in the past, including borrowing and credit. The UK Government's Task Force on Over-indebtedness described this as a "cultural change in society in recent generations from the 'save first, spend later' approach to one of 'borrow now and repay later'".<sup>6</sup> The changes have been substantial, for example in the UK:

- Around a quarter of households in the early 1970s had credit facilities compared with seven out of ten in the 1990s<sup>7</sup>
- Only 45 per cent of people had a bank account in 1975 compared with almost double this proportion at the end of the century<sup>8</sup>
- The scale of household borrowing in the UK has mushroomed: for example, households in the UK owed around £400 billion in 1993<sup>9</sup>, but by 2008, total indebtedness had reached almost £1,500 billion. While mortgage or secured debt accounts for most of this, the total includes £230 billion of (unsecured) consumer credit<sup>10</sup>

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<sup>6</sup> Task Force on Tackling Over-indebtedness (2001) *Report by the Task Force on Tackling Over-indebtedness*, Consumer Affairs Directorate: London

<sup>7</sup> Berthoud R and Kempson E (1992) *Credit and Debt: The PSI Report*. PSI: London

<sup>8</sup> Kempson E, Whyley C, Caskey J and Collard S (2000), *In Or Out? Financial Exclusion: A Literature and Research Review*. London: Financial Services Authority.

<sup>9</sup> Smith J, Sterne G and Devereux M (1994) *Personal and corporate sector debt*, London: Bank of England. Available at: <http://www.bankofengland.co.uk/publications/quarterlybulletin/qb940205.pdf>

<sup>10</sup> Pricewaterhouse Coopers (2008) *Precious Plastic 2009: Consumer credit in the UK*. Available at: [http://www.infohub.moneyadvicetrust.org/content\\_files/files/precious\\_plastic\\_2009.pdf](http://www.infohub.moneyadvicetrust.org/content_files/files/precious_plastic_2009.pdf)

A key factor in the growth of borrowing has been the rise in home ownership. The policy of successive UK Governments has been to make it possible for more households to own their home. Rates of home ownership currently stand at around 70 per cent.<sup>11</sup> The 'Right to Buy' scheme enabled over two million low income council tenant households to buy their home and the relaxation of mortgage lending terms further encouraged access to home ownership. Since the mid 1990s, the ratio of household debt to income has risen steadily from around 90 per cent to 160 per cent at its peak in 2008.<sup>12</sup>

It is difficult to assess whether and to what extent the picture concerning debt is different in Scotland since little disaggregated information is available. However, a recent report looking at assets and wealth provides some information.<sup>13</sup> For example:

- Scotland had the lowest median property wealth and lower levels of owners - 65 per cent of households in Scotland owned property in 2006/08 compared with the overall average of 68 per cent
- Scotland had the lowest average household physical wealth (contents of residence and other valuables) of all regions of Great Britain (£37,100)
- The proportion of households with non-mortgage borrowing commitments was lowest in Wales (41 per cent) and Scotland (43 per cent) compared with the GB average of 49 per cent
- Those who did owe money in this way owed relatively small amounts in Scotland – the mean average was £5,200 and a half owed less than £1,600.
- A smaller proportion of households in Scotland (8 per cent) had fallen into arrears than the average of 10 per cent across all households

The picture of Scotland from this survey (covering 2006-08) indicates that, overall, home ownership, wealth, borrowing and indebtedness are all lower than average, but not significantly so. Further evidence about debt in Scotland comes from a survey of Citizens Advice Bureau (CAB) debt clients that took place just as the recession was taking hold at the end of 2008.<sup>14</sup> It found:

- CAB debt clients had markedly lower incomes than households in Scotland as a whole
- They had more debts on average than in a previous survey in 2003 – 6.3 compared with 5.1 debts on average
- They owed more money - £20,193 on average, 50 per cent higher than in 2003

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<sup>11</sup> Shelter (2008) *Mortgages and Repossessions*. Policy briefing, available at: [http://england.shelter.org.uk/\\_\\_data/assets/pdf\\_file/0015/44403/Policy\\_Briefing\\_Mortgages\\_and\\_Repossessions\\_Jan\\_2008.pdf](http://england.shelter.org.uk/__data/assets/pdf_file/0015/44403/Policy_Briefing_Mortgages_and_Repossessions_Jan_2008.pdf)

<sup>12</sup> Ben-Galim D and Lanning T (2010) *Strength against shocks: Low-income families and debt*. London: IPPR

<sup>13</sup> Daffin C (ed.) (2009) *Wealth in Great Britain: Main Results from the Wealth and Assets Survey 2006/08*. Available at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15074&Pos=&ColRank=1&Rank=192>

<sup>14</sup> Gillespie M, McKendrick J, McHardy F and Dobbie L (2009) *Drowning in Debt: Scottish CAB clients and debt*. Edinburgh: Citizens Advice Scotland. Available at:

<http://www.cas.org.uk/drowningindebt.aspx>

- On average CAB debt clients had £1 of debt for every £28 of monthly income, an increase of a quarter compared with 2003
- Credit card and personal loans were the most common types of debt and banks were the creditors for almost half of all the debts reported
- Since 2003, catalogue debt, credit card debt, personal loans and overdrafts have all grown. However, borrowing from doorstep lenders remained constant, suggesting that new borrowing is in addition to cash loans rather than substituting for them

However, consistent with changes in borrowing, debt has grown rapidly as an issue amongst CAB clients in Scotland – in the five years between 2002–03 and 2007–08 the number of debt issues doubled from 158,411 to 315,588 and debt problems overtook benefit issues to become the number one CAB enquiry in 2006-07.

## Why does debt matter?

Over-indebtedness can be caused by and contribute to poverty and social exclusion. Research has established that the key reasons for experiencing debt problems and arrears include financial shocks, persistent low income, poor money management, creditor behaviour and over-commitment.<sup>15</sup> A sudden drop in income can be triggered by events such as job loss, the onset of ill-health or a relationship breakdown.

Research shows that people living on a low income are often excellent money managers and tend to be better at budgeting than higher income groups.<sup>16</sup> However, a recent study from IPPR highlighted that, even before a shock occurs, low income groups are already at greater risk of financial commitments becoming problem debt. The report linked this to low quality employment and low pay and highlighted the particular vulnerability of families with mortgages or other secured loans. Mortgage debt is of concern because of the size of the debt and the possibility that families will lose their homes if they default. The groups who are at higher risk of repossession include those on the lower end of incomes at which home ownership becomes possible as well as those who have significant other debts.<sup>17</sup>

The association between poor mental health and poverty is recognised and there is a strong association between debt and poor mental health.<sup>18</sup> The anxiety and stress that accompany debt are known to impair health and affect relationships with family and

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<sup>15</sup> Disney R, Bridges S and Gathergood J (2008) *Drivers of Over-indebtedness: Report to the Department for Business, Enterprise and Regulatory Reform*, Nottingham: Centre for Policy Evaluation, University of Nottingham. Available at: <http://www.berr.gov.uk/files/file49248.pdf>; Pleasence P, Buck A, Balmer N and Williams K (2007) *A Helping Hand: The impact of debt advice on people's lives*, Research Paper No. 15, London: Legal Services Research Centre

<sup>16</sup> For example, see FSA (2006) *Financial Capability in the UK: Establishing a Baseline*. London: Financial Service Authority

<sup>17</sup> Ben-Galim D and Lanning T (2010) *Strength against shocks: Low-income families and debt*. London: IPPR

<sup>18</sup> See, for example: Fitch C, Hamilton S, Basset P and Davey R (2009) *Debt and mental health: What do we know? What should we do?* London: Royal College of Psychiatrists; Jenkins R, Bhugra D, Bebbington P, Brugha T, Farrell M, Coid J, Fryers T, Weich S, Singleton N and Meltzer H (2008) 'Debt, income and mental disorder in the general population'. *Psychological Medicine*, 38: 1485–1493

friends.<sup>19</sup> A survey of CAB debt clients in 2008 found that most participants felt debt had a negative impact on their health, particularly their mental health. Interviewees attributed stress and depression to their financial situation, regardless of the reason for being in debt and pressure from creditors contributed to the impact of debt.<sup>20</sup>

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<sup>19</sup> Cullen L with Edwards S, Marks S, Phelps L and Sandbach J (2004) *Out of the picture: CAB evidence on mental health and social exclusion*, London: Citizens Advice. Available at: [http://www.citizensadvice.org.uk/index/campaigns/social\\_policy/evidence\\_reports/er\\_benefitsandtaxcredits/out-of-the-picture](http://www.citizensadvice.org.uk/index/campaigns/social_policy/evidence_reports/er_benefitsandtaxcredits/out-of-the-picture)

<sup>20</sup> Gillespie M, McKendrick J, McHardy F and Dobbie L (2009) *Drowning in Debt: Scottish CAB clients and debt*. Edinburgh: Citizens Advice Scotland. Available at: <http://www.cas.org.uk/drowningindebt.aspx>

## Financial Inclusion and Support for Money Advice

Not everyone has engaged with the financial services revolution or derived benefits from an increasingly cashless economy. The extent of debt and its links to poverty were important amongst the reasons that the UK and Scottish Governments developed financial inclusion policies. Other barriers that contribute to financial exclusion, particularly amongst low income groups, include the lack of access to affordable credit for low income groups, access to and use of bank accounts or savings and home contents insurance.

For people who do not use or have access to such financial products and services, there is a poverty 'premium' to pay. For example, without a bank account with which to pay direct debits, alternative methods of paying for fuel are more expensive and can put added pressure on tight budgets, particularly during periods of cold weather.<sup>21</sup> Segmentation of the credit market means low income groups are more likely to be denied access to mainstream credit, so they rely more on higher cost credit options, such as home credit and doorstep loans, mail order and home shopping, sub-prime credit cards and rent-to-own retailers who rent items such as sofas and TVs with total rental payments of several times the normal retail price.<sup>22</sup>

### Financial Inclusion Policy – UK

The first major report on financial exclusion by the UK Government was published in 1999.<sup>23</sup> It had a focus on the scope for widening access to financial services for deprived neighbourhoods. The issues it set out to address in its 40 recommendations included: improving access to affordable credit, banking and insurance; the capacity and reach of credit unions; and access to money and debt advice. HM Treasury then published the first UK financial inclusion strategy in December 2004.<sup>24</sup> It reflected growing concerns about unmanageable debt and financial exclusion and the lack of resources available to address these concerns. Key announcements linked to the strategy included:

- The creation of a dedicated Financial Inclusion Fund - from 2004 this supported initiatives to address financial exclusion, including face-to-face advice projects in England and Wales and funding for the National Debtline telephone helpline service<sup>25</sup>
- Three priority areas: access to banking, affordable credit and free face-to-face money advice

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<sup>21</sup> Gillespie M, McKendrick J, McHardy F and Dobbie L (2009) *Drowning in Debt: Scottish CAB clients and debt*. Edinburgh: Citizens Advice Scotland. Available at: <http://www.cas.org.uk/drowningindebt.aspx>

<sup>22</sup> Save the Children (2007) *Robbing Peter to Pay Paul: How limited access to affordable credit hurts children living in poverty*. London: Save the Children. Available at: <http://www.savethechildren.org.uk/en/docs/robbing-peter.pdf>

<sup>23</sup> Policy Action Team 14 (1999) *Access to Financial Services*, London: H.M. Treasury

<sup>24</sup> HM Treasury (2004) *Promoting financial inclusion*, London: The Stationery Office

<sup>25</sup> National Audit Office (2010) *Business Innovation and Skills – helping over-indebted customers*. Report by the Comptroller and Auditor General, HC 292, Session 2009–2010. Available at: <http://www.official-documents.gov.uk/document/hc0910/hc02/0292/0292.pdf>

- the Financial Inclusion Taskforce was set up in 2005 as an independent body to advise the Government, monitor progress of the fund and develop a Financial Inclusion Action Plan.

The UK Government's second financial inclusion strategy was published in March 2007.<sup>26</sup> It set out the policy framework for 2008-11 that extended the Taskforce's remit to include savings and home contents insurance and it also continued the Financial Inclusion Fund. This includes support for face-to-face advice over the next spending period, with a requirement for an outreach component in all money advice projects.

The associated action plan, published in December 2007, included a "Financial Inclusion Champions" initiative delivered by DWP. Regional teams across the UK aim to build on the existing "now let's talk money" campaign by working with financial inclusion intermediaries to promote financial inclusion locally, including access to home contents insurance and affordable credit products and face to face debt advice.<sup>27</sup>

## Financial Inclusion Policy - Scotland

The context for the UK Government's approach has been linked to concerns about market failure to address the needs of excluded groups and there is a strong focus in the UK on improving the supply of financial products and services. However the Scottish Government has set financial inclusion much more in the context of social policy, first through 'Closing the Opportunity Gap' and now through the Scottish Government's framework for tackling poverty.<sup>28</sup>

A range of funding initiatives, from 2003, increased the resources available across Scotland and, while all local authorities received some funding for money advice, the allocation provided more to those with the greatest numbers of people on low income. Improving access to advice for marginalised groups was also an early priority in Scotland. Between 2004 and 2006, 12 pilot projects gained funding to test new approaches to delivering money advice for groups including people with learning difficulties, those with mental health problems, people making the transition to work, lone parents, black and minority ethnic groups, young people and prisoners.<sup>29</sup>

The Financial Inclusion Action Plan produced in 2005 focused on achieving improvements in three main areas of activity: access to financial services and products, including affordable credit; financial capability through education and awareness raising; and the sustainability, quality and accessibility of money advice.<sup>30</sup>

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<sup>26</sup> HM Treasury (2007) *Financial Inclusion - the way forward*, Available at:

[http://www.hm-treasury.gov.uk/financial\\_inclusion\\_wayforward.htm](http://www.hm-treasury.gov.uk/financial_inclusion_wayforward.htm)

<sup>27</sup> HM Treasury (2007) *Financial Inclusion: an action plan for 2008-1*. Available at:

[http://www.hm-treasury.gov.uk/d/financialinclusion\\_actionplan061207.pdf](http://www.hm-treasury.gov.uk/d/financialinclusion_actionplan061207.pdf)

<sup>28</sup> Scottish Government (2008) *Achieving our Potential: a framework to tackle poverty and income inequality in Scotland*. Available at: <http://www.scotland.gov.uk/Resource/Doc/246055/0069426.pdf>

<sup>29</sup> Gillespie M, Dobbie L, Mulvey G with Gallacher Y and Campbell J (2007) *Money Advice for Vulnerable Groups: Final Evaluation Report*. Scottish Executive (Web only publication) available at: <http://www.scotland.gov.uk/Publications/2007/03/22115958/0>;

<sup>30</sup> Scottish Executive (2005) *Financial Inclusion Action Plan*, Edinburgh: Scottish Executive

Most funding for money advice has been directed through local authorities as part of their overall budget settlement. However, the Scottish Government continues to provide targeted strategic investment to develop alternative methods of delivery to face-to-face advice and support improvements in the quality of advice and the money advice infrastructure. Funding has included support for MATRICS (a training and 2<sup>nd</sup> tier support service delivered by Money Advice Scotland and Citizens Advice Scotland), an accreditation system for the Debt Arrangement Scheme and the development of Scottish national standards for advice. Financial support is also provided for telephone based advice services including National Debtline (a money advice helpline) and Citizens Advice Direct (a telephone and email generic advice service that includes debt and money advice). The Government also works in partnership with CCCS and Payplan, telephone and internet based debt advice services that provide debt payment plans amongst their services.<sup>31</sup>

Scotland has its own legislative framework in relation to personal debt. There are two legal or formal procedures that have been introduced in recent years and are of particular relevance for marginalised or low income groups: the Debt Arrangement Scheme (DAS) and the low Income Low Assets (LILA) Route to Bankruptcy. DAS provides an option for people in debt that gives them the opportunity to repay their debts in full over a longer time period, whilst providing protection from debt recovery methods. However, the numbers of people using this option have been much lower than anticipated originally and the scheme has been revised in an effort to improve its relevance for more people.<sup>32</sup>

Bankruptcy is a more far-reaching option, but it is one from which some people were effectively excluded in the past, either because they had insufficient income to contribute to a trust deed or they could not demonstrate apparent insolvency (a formal mechanism needed to access bankruptcy). This meant they were stuck in a 'debt trap' in which their circumstances got progressively worse because they could not pay their debts and interest and charges continued to accrue.<sup>33</sup> The Bankruptcy and Diligence etc. (Scotland) Act 2007 introduced the LILA route into bankruptcy from April 2008. It allows people who meet the relevant criteria, particularly those on a low income and with few assets, to apply for their own bankruptcy.<sup>34</sup> This was the main factor in the number of personal insolvencies more than doubling from 6,158 in 2007-08 to 14,777 in 2008-09.<sup>35</sup> In 2009-10, the numbers have fallen slightly, but LILA has clearly been an important change for low income groups with no alternative options to address their indebtedness.

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<sup>31</sup> Scottish Government (2010) Money Advice web page, available at: <http://www.scotland.gov.uk/Topics/People/Social-Inclusion/17413/22379>

<sup>32</sup> Accountant in Bankruptcy (2008) *Debt Arrangement Scheme Review, 2008*. Available at: <http://www.aib.gov.uk/Resource/Doc/4/0000669.pdf>

<sup>33</sup> Accountant in Bankruptcy (2007) *Low Income, Low Assets - A new route into bankruptcy: Consultation on proposed regulations*, Edinburgh, Scottish Executive Available at: <http://www.scotland.gov.uk/Resource/Doc/174131/0048565.pdf>

<sup>34</sup> Govan Law Centre (2009) *Summary of bankruptcy reforms in Scotland*. Available at: [http://www.govanlc.com/bankruptcy\\_010408.htm](http://www.govanlc.com/bankruptcy_010408.htm)

<sup>35</sup> Accountant in bankruptcy (2010) *Quarter 3 Insolvency Statistics, 2009-10*. Available at: <http://www.aib.gov.uk/Resource/Doc/4/0000930.pdf>

## Debt, the Recession and Credit Crunch

After a long period of economic growth, the UK went into recession in 2008. Problems with the repayment of sub-prime mortgages in the US triggered a global wave of concern about lending around the world in August 2007 resulting in a “credit crunch”. Falling house prices reduced consumer confidence and consumer spending, while record debt levels and rising living costs, particularly for fuel, put pressure on household budgets.

Not everyone suffers during a recession, but there are groups who are more vulnerable, including people in low paid and insecure employment. Since 2008, the Scottish unemployment rate has risen: over the year to the 3 month period October to December 2009, it rose from 5.2 per cent to 7.6 per cent. Although this has affected all age groups, young people have been hardest hit.<sup>36</sup>

The economic recession has exacerbated difficulties for those already experiencing debt and placed others in an increasingly vulnerable financial position. For example, the Bank of England base rate remains at a historically low rate of 0.5%, but this has not fed through fully to lower mortgage costs, although lower interest rates have resulted in some reduction in interest payments as a proportion of income. Mortgage lending across the UK is showing some recovery from historic lows in 2007-08, but mortgage arrears continue to increase and were higher at the end of 2009 than at the end of 2008. Repossessions have continued to rise: 46,000 in 2009 compared with 40,000 in 2008 in the UK (no Scottish data is available).<sup>37</sup>

Tenants are also falling into arrears in greater numbers. For example, local authority housing rent arrears in Scotland were estimated to be £37.3m in March 2009, an increase of £1.8m or 5.1% in a year – this represented 4.4% of standard rental income. There were 90,400 council tenants in arrears in March 2009, a 14 per cent rise over the year.<sup>38</sup> Shelter has highlighted that, in 2008-09, 1,773 local authority tenants and 1,524 housing association tenants lost their homes as a result of eviction action and “the majority of evictions in the social rented sector were for non-payment of rent, with anti-social behaviour accounting for less than 4 per cent of cases”.<sup>39</sup>

According to Credit Action figures in March 2010, average household debt in the UK is now £58,040 (including mortgages) and £8,939 (excluding mortgages).<sup>40</sup> Citizens Advice Scotland statistics for 2008-09 confirm that demand for debt advice is growing in Scotland – new debt issues rose by 16 per cent compared with 2007-08. Reflecting the growth in

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<sup>36</sup> Office for National Statistics (2010) *Labour Market Statistics: Scotland, February 2010*. Available at: <http://www.statistics.gov.uk/pdfdir/lmsscot0210.pdf>

<sup>37</sup> Scottish Government, Centre for Housing Market Analysis (2010) *Scottish Housing Market Review Housing Market Activity March 2010*. Available at: <http://www.scotland.gov.uk/Resource/Doc/1125/0096363.pdf>

<sup>38</sup> Scottish Government (2009) *Local authority income and expenditure*. Available at: <http://www.scotland.gov.uk/Resource/Doc/1125/0087295.pdf>

<sup>39</sup> Shelter (2010) Homelessness statistics (web page) Available at: [http://scotland.shelter.org.uk/housing\\_issues/research\\_and\\_statistics/key\\_statistics/homelessness\\_facts\\_and\\_research#two](http://scotland.shelter.org.uk/housing_issues/research_and_statistics/key_statistics/homelessness_facts_and_research#two)

<sup>40</sup> Credit Action (2010) Debt Facts and Figures - Compiled March 2010. Available at: <http://creditation.org.uk/assets/PDF/statistics/2010/march-2010.pdf>

mortgage and rent arrears, there was a 19 per cent rise over the period in debt issues relating to housing and specific issues highlighted included the difficulty of meeting mortgage and rent payments and repossession.<sup>41</sup>

## Policy Responses in the Recession

Government funded money advice services also show that demand for debt is rising, with 25 of 30 local authorities reporting an increased number of enquiries between 2007-08 and 2008-09 and showing a 6 per cent rise in new debt cases overall.<sup>42</sup> The profile of Payplan clients in the UK is changing, with more homeowners seeking advice and average levels of secured debt rising.<sup>43</sup>

Both UK and Scottish Governments took early steps to address the difficulties anticipated as a result of the credit crunch and tightening financial markets, so that some measures were in place before the recession began. Amongst the measures taken by the UK Government was a commitment to extend the financial inclusion fund, including further funding for money advice, including face-to-face advice, until 2011. In addition, the Legal Services Commission pilot outreach services are being further developed in order to trial specific approaches to improve targeting and efficiency. Approaches included triage, volunteer training and co-ordination, and financial capability provision.<sup>44</sup>

As well as support to address problem debt, the strategy in the UK has included support for advice to address the need for consumers to be better able to manage their financial affairs and choose appropriate financial products. To ensure greater access to high-quality, affordable, 'sales-free' financial advice for those most vulnerable to the consequences of poor financial decision-making the UK government identified the development of 'generic financial advice' - also referred to as 'money guidance' - as a key priority.<sup>45</sup> The Thoresen Review feasibility study of 'generic financial advice' was published in March 2008. It recommended that the costs of such a service should be split equally between the Government and the financial services industry.<sup>46</sup>

Following initial pilots, the Government and the Financial Services Authority launched the £12m Money Guidance Pathfinder service in the North-West and North-East of England, known as MoneyMadeClear. The service provides impartial information and guidance on a wide range of personal finance issues tailored to the individual's needs and circumstances. The service is available through the web, over the phone or face-to-face across the North-West and North-East. Although not explicitly linked to money advice provision, advice

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<sup>41</sup> Citizens Advice Scotland (2009) *Social Policy statistics briefing sheet 2008/09*, Edinburgh: Citizens Advice Scotland. Available at: <http://www.cas.org.uk/socialpolicystatisticsbriefingsheet09.aspx>

<sup>42</sup> Scottish Government (2009) *Money Advice statistics* (web page) Available at: <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/moneyadvice0809>

<sup>43</sup> Payplan (2009) *Management Information – Payplan: Portfolio trends and performance*. Available at: [http://www.infohub.moneyadvicetrust.org/resource.asp?pub\\_id=339&rPath=pub&r\\_id=387](http://www.infohub.moneyadvicetrust.org/resource.asp?pub_id=339&rPath=pub&r_id=387)

<sup>44</sup> HM Treasury and Financial Services Authority (2008) *Helping You Make the Most of your Money: A joint action plan for financial capability*, London: HMSO

<sup>45</sup> Financial Services Authority (2004) *Building Financial Capability in the UK*, London: Financial Services Authority

<sup>46</sup> Thoresen O (2008) *Review of Generic Financial Advice*, London: HM Treasury. Available at: [http://www.hm-treasury.gov.uk/d/thoresenreview\\_final.pdf](http://www.hm-treasury.gov.uk/d/thoresenreview_final.pdf)

services including CABs were successful in bidding to deliver the face-to-face services involved in this initiative. An evaluation of the Money Guidance Pathfinder is being undertaken to provide an evidence base for decisions on roll out of a national Money Guidance service.<sup>47</sup>

The UK Government set out a new approach to consumer credit in the White Paper “A Better Deal for Consumers” and has been followed by specific proposals, consultation and action to change the consumer credit landscape.<sup>48</sup> In particular, following consultation, a recent announcement on changes for credit and store card users gives them five new rights<sup>49</sup>, including the right:

- to make repayments that will be set against the highest rate debt first
- to control aspects such as refusing to accept increased credit limits
- to have more time to reject increases in interest rates or credit limits
- to be given clear information about interest rates and their rights and about the consequences of paying back too little
- to compare with other providers based on a statement provided annually

The changes will be introduced at the end of 2010 and additional measures will be put in place to protect consumers who are at risk of financial difficulties, including against increases in their credit limit or the interest rates charged. However, pressures on household budgets and growing demand for help with debt problems mean that more urgent responses are also needed. Borrowers who are struggling to keep up with payments often face pressure to enter into further loans, second mortgages, or sale and rent back schemes, in an attempt to solve their problems. In the face of recession, support for homeowners has been a priority for the UK government. The Mortgage Help Campaign was launched to publicise the support available for homeowners facing difficulties. Measures to assist struggling homeowners have had a clear focus on prevention alongside advice and support at each stage for anyone facing repossession.<sup>50</sup> Features affecting homeowners in Scotland include:

- **Lenders’ response:** The Government has reached an agreement with the major mortgage lenders that they will not repossess a property for at least three months after an owner goes into arrears. The FSA’s Mortgage Markets Review sets out

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<sup>47</sup> Citizens Advice (2010) *Money guidance*. Web page, available at:

[http://www.citizensadvice.org.uk/index/partnerships/money\\_guidance.htm](http://www.citizensadvice.org.uk/index/partnerships/money_guidance.htm)

<sup>48</sup> HM Government (2009) *A Better Deal for Consumers: Delivering Real Help Now and Change for the Future*, CM 7669, Norwich: TSO. Available at: <http://bis.gov.uk/consumerwhitepaper>

<sup>49</sup> BIS (2010) *Credit and Store Card Review*. Available at: <http://www.bis.gov.uk/policies/consumer-issues/consumer-credit-and-debt/new-approach-to-consumer-credit/credit-and-store-card-review>

<sup>50</sup> Communities and Local Government (2009) *Preventing repossessions*. Factsheet available at: <http://www.communities.gov.uk/documents/housing/pdf/1380862.pdf>

new higher standards to be put in place to strengthen the regulatory protections for struggling homeowners.

- **The Support for Mortgage Interest Scheme (SMI):** SMI will meet some or all of the interest payments on a mortgage for those on Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or State Pension Credit. The waiting time before the assistance starts has been reduced from 39 weeks to 13 weeks and the capital limit has been increased from £100,000 to £200,000 for new working-age claims.
- **Homeowners Mortgage Support (HMS):** HMS enables the homeowner to postpone part of the interest payment on their mortgage for up to two years. The money postponed is added on to the remaining balance of the mortgage, to be paid back when their situation improves. Not all lenders are signed up to the scheme.<sup>51</sup>

The Scottish Government now operates two schemes as part of the Home Owners' Support Fund which was launched in March 2009 and recently increased to £35 million. These schemes help owners who are experiencing difficulty in paying any loans that are secured against their property and are: a revised Mortgage to Rent scheme; and a Mortgage to Shared Equity scheme.<sup>52</sup>

- Under the Mortgage to Rent scheme a social landlord - such as a housing association or local authority – can purchase the property and the borrower can continue to live there as a tenant
- The Mortgage to Shared Equity scheme involves the Scottish Government taking a financial stake in the property. The borrowers will still own their home and continue to have responsibility for maintaining and insuring it. However, this scheme reduces the amount the borrower will have to pay to the lender every month<sup>53</sup>

To inform the Scottish Government's action in response to the economic downturn, a Repossessions Working Group was established in January 2009 specifically to address issues affecting those facing the repossession of their home while a Debt Action Forum reviewed current initiatives in relation to personal debt.<sup>54</sup> Both groups produced final reports, making recommendations to improve current practice. The aspects of this work which attracted consensus are being taken forward in The Home Owner and Debtor Protection (Scotland) Act which received Royal Assent on 18 March 2010. This has measures to protect people struggling to deal with debt by increasing protection against repossession of their homes or bankruptcy.

Other measures put in place to help those facing financial difficulties have included:

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<sup>51</sup> Improvement and Development Agency (2010) *Support for Homeowners*. Available at: <http://www.idea.gov.uk/idk/core/page.do?pageId=11901593>

<sup>52</sup> Scottish Government (2009) *Law change to help families*. Press release, 17/06/09, available at: <http://www.scotland.gov.uk/News/Releases/2009/06/17172506>

<sup>53</sup> ODS Consulting (2009) *Interim Review of the Home Owners Support Fund*. Edinburgh: Scottish Government. Available at: <http://www.scotland.gov.uk/Resource/Doc/298841/0093242.pdf>

<sup>54</sup> Bremner A and Burgess L (2009) *Homeowner and Debtor Protection (Scotland) Bill*. SPICe Briefing; Edinburgh: SPICe, Scottish Parliament

- Increased funding for debt advice services, with an additional one million pounds to Citizens Advice for its face-to-face debt advice services
- £3 million for additional in court and other advice services and, from April, extended legal aid to a million more Scots
- £400,000 to raise awareness of help on offer through the National Debtline
- Additional funding to expand Shelter's helpline and law advice centres
- Provision of £250,000 to support improving the quality of money advice, following the Debt Action Forum recommendations.

A further initiative builds on 'Achieving Our Potential: A Framework to tackle poverty and income inequality in Scotland' in which the Scottish Government committed £5 million funding for income maximisation activity for 2009-2011. Income maximisation work is described as taking a holistic view of people's circumstances and key elements include: ensuring people claim financial entitlements; and reducing expenditure, for example, by providing advice on the best fuel tariffs, home insulation or helping them to manage their debts.<sup>55</sup>

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<sup>55</sup>Scottish Government (2010) *Income Maximisation*. Web page, available at: <http://www.scotland.gov.uk/Topics/People/Social-Inclusion/17413/IncomeMaximisation>

## Conclusions: Money Advice at the Crossroads

The UK economy is beginning to show signs of recovery. However, the debt ‘hangover’ from the growth of credit and home ownership will remain with us for some time and demand for advice is unlikely to fall quickly. Low income groups, including low paid workers, are likely to remain particularly vulnerable to falling into arrears with payment commitments.

The traditional model of money advice delivered face-to-face in advice centres remains the common model of delivery. However, there are several sources of pressure for change that are likely to result in much more mixed models of delivery:

- Public sector funding, particularly from local government, is the main source of funding for money advice.<sup>56</sup> As public sector finances get tighter, efficiency in delivery becomes more important
- Technological developments enable telephone and internet based services to be more effective and
- Not everyone needs the intensive support of face-to-face money advice and there is greater interest in approaches that enable people to keep more control of their own situation

Set against these pressures for change, however, are concerns that need to be addressed within new approaches and models of delivery:

- People in the UK and Scotland are not as knowledgeable about their rights, responsibilities and options as they could be. This means that approaches such as money guidance have an important role in minimising problem debt in the longer term, but those in difficulties at present still need access to advice that enables them to make fully informed choices
- Low incomes remain a significant risk factor in over-indebtedness that money guidance alone is unlikely to change – tackling poverty and income inequality remain important
- Some groups of people will continue to need the more intensive support of face-to-face advice

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<sup>56</sup> Gillespie M and Dobbie L (2009) *Funding Money Advice Services: Exploring sustainable models for the UK*. Dorking: Friends Provident Foundation. Available at: [http://www.friendsprovidentfoundation.org/core/core\\_picker/download.asp?id=108&filetitle=Funding+Money+Advice+Services%3A++Scottish+Poverty+Information+Unit+%28NB+LARGE+FILE%29](http://www.friendsprovidentfoundation.org/core/core_picker/download.asp?id=108&filetitle=Funding+Money+Advice+Services%3A++Scottish+Poverty+Information+Unit+%28NB+LARGE+FILE%29)

In the last decade in Scotland there has been a wide range of pilot projects and significant public investment designed to improve access and develop new approaches to delivering money advice. Research and evaluation have improved the evidence base considerably in relation to 'work works' in the delivery and funding of money advice and reducing financial exclusion.

The Scottish Government has invested significantly in services delivering alternative models, but importantly it has also supported face-to-face money advice capacity. The investment in Scotland has helped to diversify the money advice landscape and is meeting the needs of a wider range of groups. A number of new services has been established, examples of which are provided in Box 1.

- Some use new and developing technologies in order to improve the reach, efficiency and cost effectiveness of money advice provision both in Scotland and across the UK – these operate principally telephone and internet based services, for example, National Debtline, CCCS and Payplan provide services dedicated to addressing money advice, while Citizens Advice Direct provides a general advice helpline
- Scotcash locates advice alongside lending services for low income groups
- CASHflow is piloting a hybrid model that seeks to combine the advantages of face-to-face advice in raising understanding of rights and options with an element of self-help and the use of internet based services

One focus of investment in advice services since 2001 has been in developing targeted provision to improve access to money advice for a range of vulnerable groups. Box 2 provides examples of successful projects that have emerged from a sound understanding of the barriers different groups face in accessing services and money management.

Most recently, financial exclusion has emerged as a priority for health service providers because it has the potential to reduce health inequalities and tackle the social determinants of ill-health.<sup>57</sup> The health sector has for a long time realised the value and role of welfare rights advice in reducing health inequalities. This sector is now engaging with the broader advice and financial inclusion agenda and a number of partnership projects are testing approaches to meet the advice needs of different patient groups, including the examples in Box 3.<sup>58</sup> These projects also highlight the importance of services crossing traditional boundaries to work together in order to improve the reach of advice and achieve more holistic provision.

Effective approaches have been identified in research for improving the accessibility of money advice, supporting sustainable improvements in the situations of service users and

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<sup>57</sup> Scottish Government (2008) *Equally Well: Report of the Ministerial Taskforce on Health Inequalities*, Edinburgh: Scottish Government

<sup>58</sup> Gillespie M and Dobbie L (2010) *The Health Benefits of Financial Inclusion: A Literature Review*. (forthcoming)

increasing their confidence to gain the advice they need. A summary of key points from this body of research and evaluation studies is provided in Box 4.<sup>59</sup>

The innovations and developments identified across these projects reflect the fact that services should address a continuum of needs in relation to debt and money advice, from money guidance through to intensive face-to-face support. The trick for the future will be in achieving the right balance to ensure that the most excluded or marginalised groups do not lose out because of more intensive support needs and the costs that they can incur. This balance of provision will not happen by chance, not least because of the number of agencies involved and the different layers of government that have a role to play – a strategy for tackling over-indebtedness and delivering money advice remains as important as ever.

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<sup>59</sup> Key studies include:

Gillespie M, Dobbie L, Mulvey G with Gallacher Y and Campbell J (2007) *Money Advice for Vulnerable Groups: Final Evaluation Report*, Edinburgh: Scottish Executive;

Pleasence P, Buck A, Balmer N and Williams K (2006) *A Helping Hand: the Impact of Debt Advice on People's Lives*, London: LSRC;

Mitton L (2008) *Financial inclusion in the UK: Review of policy and practice*, York: Joseph Rowntree Foundation;

Dobbie L and Gillespie M (2009) *Glasgow Association for Mental Health Financial Inclusion Development Project Evaluation: Improving financial inclusion and access to money advice*; Glasgow: Scottish Poverty Information Unit. Available at: <http://www.povertyinformation.org/fileuploads/gamh-evaluation-report-final-8832.pdf>

## Project Examples and Practice

### Box 1

#### **National Debtline**

National Debtline is a free national telephone helpline for people with debt problems in England, Wales and Scotland. This self-help model offers specialist telephone advice which is supported with written self-help materials. Assistance with setting up a Debt Management Plan can be provided if appropriate. The organisation uses Language Line which enables it to respond to calls in over 100 languages. The Money Advice Trust operates this service.

The 2007-08 annual report of the service identified that the telephone service has been successful in reaching a younger client group than the traditional CAB service. Over 64% of callers are under 45 compared with only 45% who use the face-to-face service.

#### **Consumer Credit Counselling Service (CCCS) and Payplan**

These services generate income for debt advice from operating debt management plan programmes.

CCCS is a registered charity which offers free counselling, advice and support over the telephone, online through CCCS Debt Remedy or through a face-to-face counselling appointment. The organisation negotiates with creditors to devise Debt Management Plans. Face-to-face counselling and the helpline are core activities for CCCS. The organisation has ten regional centres.

Payplan describes itself as a 'free debt solutions provider'. They have 15 years experience providing debt management plans and Individual Voluntary Arrangements (IVAs) for people with debt problems.

#### **Consumer Direct**

Offers free, confidential, impartial and independent telephone and email advice to anyone in Scotland. Citizens Advice Direct complements the work of traditional bureaux by providing an alternative access point 'to encourage people to access advice sooner rather than leaving it and their problem get worse'.<sup>60</sup> The service extends traditional service opening times on weekdays and also operates Saturdays.

#### **Scotcash**

Scotcash positions itself between credit unions and the expensive forms of subprime lending or home credit. A Glasgow based community development finance institution

<sup>60</sup> See: <http://www.citizensadvice.org.uk/whatwedo.aspx>

(CDFI), it is a service for low income groups that combines access to affordable credit, banking and advice. The range of services and products includes affordable loans, savings accounts, white goods packages, basic bank accounts and money advice.<sup>61</sup>

### **CASHflow (Common Assisted Self Help)**

In November 2008, Citizens Advice, AdviceUK, the Money Advice Trust (MAT) and the Institute of Money Advisors (IMA) published “*With a Little Help from my Friends*”. That report questioned how advisers, creditors and debt collectors can work together to help people in debt negotiate repayments themselves. There have been two substantial responses in follow up to that report. One is a guide to best practice in debt collection that seeks to work with all stakeholders towards a definitive statement of best practice for debt collection that creditors can follow.<sup>62</sup> The other development is CASHflow, a new approach to self-help debt advice.<sup>63</sup>

Money advice casework, particularly face-to-face advice, is expensive to deliver and it is not what everyone needs. Conversely, impersonal online services may not do enough to help people understand their position and their options and the practicalities of how to proceed. CASHflow aims to use positive elements from both types of advice to deliver support for people to do more themselves in negotiating with creditors whilst ensuring that they are aware of their options. The pilot was launched in October 2009 and two CABs in Scotland were involved in these early stages – money advisers there described key features as including:

- It is an assisted self-help debt advice resource, which will support clients to make repayment offers directly to their creditors, with assistance from a money advice agency
- Clients are given access to a financial statement that they complete themselves online. They then see an adviser who explains their options and verifies the financial statement
- It has agreement from lenders/creditors to treat offers made through CASHflow in the same way as those made by debt advice agencies.

Although one CAB described some technology-related problems that delayed their participation, the early stages of implementation seem to be going smoothly. In the other CAB, the adviser said he was having some difficulties persuading people to use the new service: some people struggle with the technology, some have tried to negotiate with creditors and became disheartened. However, he is exploring the scope for using the project with existing clients on review, who are already repaying debts and have addressed the initial hurdles of negotiating with creditors. The advisers are optimistic that this project has the potential to offer an effective streamlined advice process which should free up advisers’ time to deal with other clients whose debt problems are not easily addressed through the assisted self-help route because they are complex or individuals lack the confidence, abilities or

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<sup>61</sup> See: [www.scotcash.net](http://www.scotcash.net)

<sup>62</sup> MacDermott A (2010) *Do the Right thing: Advisers’ and creditors’ experience of best practice in debt collection*. London: Citizens Advice. Available at: [http://www.citizensadvice.org.uk/index/campaigns/policy\\_campaign\\_publications/evidence\\_reports/er\\_consumerandebt/do\\_the\\_right\\_thing.htm](http://www.citizensadvice.org.uk/index/campaigns/policy_campaign_publications/evidence_reports/er_consumerandebt/do_the_right_thing.htm)

<sup>63</sup> Money Advice Trust (2009) *New Debt Advice Pilot Project Goes Live Across the UK*. News release, 20 October 2009, available at: <http://www.moneyadvice Trust.org/content.asp?ssid=69>

access to technology to tackle the problem themselves. The service is being evaluated at present.

## **Box 2**

### **The Greater Easterhouse Money Advice Project (GEMAP)**

The Greater Easterhouse Money Advice Project (GEMAP) is a community development project that provides a range of flexible approaches in tackling financial exclusion. These approaches can be tailored to suit the needs of a variety of clients. Central to this is an integrated approach to personal finance matters. GEMAP has established links with a diverse range of service providers to support and develop the skills and confidence to deal with and effectively organise personal finance.

GEMAP has developed an interactive group work programme, which places service users at the centre of the programme and at the centre of the solution. A comprehensive Financial Inclusion Resource Pack is available online and can be used to train trainers, including teachers, youth/ group workers, money advisers, to deliver a quality Financial Inclusion programme, to all parts of the community.

### **Young Scot**

Young Scot is the national youth information and citizenship charity. It has developed a variety of online and offline methods to provide young people aged 11 – 26 with the information they need, in a way that suits them best.

For example the Money & Benefits information channel hosts summarised information and provides a range of links to other helpful websites. The free-to-access Young Scot InfoLine enquiry service is another way they provide young people with the financial information including problem debt. The service is available Monday – Friday 10am – 6pm and trained Young Scot advisors can answer questions on banking, student finance, ethical money services, training and work, housing and benefits and signpost young people to trusted sources of information and advice in their area.

<http://www.youngscot.org/>

### Box 3

#### **Glasgow Association for Mental Health: Financial Inclusion Development Project**

The Glasgow Association for Mental Health (GAMH) has delivered a Financial Inclusion Development Project since 2007. This has tested approaches and established good practice in delivering accessible advice for people with mental health problems and their carers. Key elements of the model involved:

- Financial Inclusion Awareness Sessions: Staff, service users and carers attended these mixed sessions. They were informal, with the discussion driven by issues raised by participants. The issues were wide ranging, including: problems opening bank accounts and dealing with banks to set up standing orders, direct debits; barriers to people accessing money advice agencies; what money advice is; concerns about being in debt especially with the increase in fuel bills and worries about getting final demands. The role of the sessions was: to embed financial exclusion within the organisation, generate referrals for advice, improve knowledge about the routes to advice and allow individuals to talk about and identify money advice needs.
- “Stigma” training for mental health awareness: Mental health awareness is a key part of improving the accessibility of mainstream advice and this was made freely available to money advice workers.

Supported Referral System: GAMH built links with money advice agencies across the city who had the capacity to engage with the project to identify ways to remove the barriers to advice for this group. A flexible approach to partnership working meant GAMH worked with each service to find approaches that would respond to the needs of their service users. For example, one advice service chose to introduce an accelerated Supported Referral System where GAMH staff could accompany service users to a weekly drop-in session and make themselves known to the receptionist. The service made a comfortable, quiet area available to GAMH service users, to ensure the experience of access to advice is not stressful. Another service opted to deliver an outreach service in GAMH offices.

#### **Macmillan Cancer Support**

In parts of the UK including some areas in Scotland, Macmillan Cancer Support has established partnerships with local money advice services to improve access to specialist advice and address the stress and anxiety associated with money worries which often arise following diagnosis. For example, this can be due to a drop in income or increased costs associated with managing cancer. The service is delivered in places that are convenient to the clients and their families including in their own home, in hospitals and other health settings.<sup>64,65</sup>

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<sup>64</sup> Citizens Advice (2009) *Working Together to help with the cost of Cancer*. London: Citizens Advice

For example, there is a Glasgow-wide Macmillan Benefits Service that was established in 2008. This is a four year partnership between Macmillan Cancer Support, Glasgow City Council and NHS Greater Glasgow & Clyde. The service accepts referrals from anyone with a cancer-specific diagnosis and their families or carers in the local authority area. The project accepts referrals from a wide range of sources including: hospitals, hospices, health centres, and social work, family and friends and self referrals.

**People affected by stroke:** A financial inclusion service was established in November 2008 by NHSGGC to meet the financial needs of people affected by stroke including families and carers.<sup>66</sup> Key lessons from the evaluation of this service include the need for advice at each stage of the stroke pathway including early intervention; continuity of adviser on discharge; and holistic support covering all aspects of money advice. This is a patient-centred model which aims to provide a flexible and tailored package of advice and support.

#### **Box 4**

##### **Approaches to advice – lessons from evaluation and research**

- Flexibility in service delivery: Accessibility is enhanced with client choice of where to meet the adviser. Offering some combination of outreach work, home or hospital visits are essential to developing and maintaining contacts across service user groups, but particularly for people with learning disabilities or mental health problems.
- Telephone advice: This can be crucial for a lot of people, including lone parents or other groups with care responsibilities or in stressful situations, those at a distance from services, or unable to reach services during working hours. Good links with specialist services and robust referral mechanisms are crucial to the effectiveness of services that deliver a basic level of information and advice. People with language or literacy problems or lack of confidence can find telephone based services less accessible.
- Advice by email and IT: As more people have access to IT at home or in community facilities, it has considerable potential as a useful medium for getting information and advice to people including those in rural communities, disabled people and others who find it difficult to access services through traditional routes.

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<sup>65</sup> NHSGGC (2009) *Macmillan Benefits Service (Glasgow): Report from January to August 2009*. Glasgow: NHSGGC

<sup>66</sup> NHSGGC Acute Planning Directorate: Health Improvement (2008) *Evaluation of Stroke Financial Inclusion Service Pilot*. Glasgow: NHSGGC

- **Early intervention:** People can find it difficult to confront their money problems. Once a money advice issue is raised momentum can be lost if support is not accessed quickly. Better awareness of debt advice services and the extent of over-indebtedness may encourage people to access advice earlier. More research is needed to establish this.
- **Proactive approaches to advice:** Approaches that may not form a normal part of advice work in some services may be necessary to ensure the most vulnerable and excluded groups are able to access services – this could include additional telephone support, adviser-initiated follow up with debt clients or contacts to remind them about appointments or other meetings, follow-up on missed appointments or to review progress or sustainability of repayment plans. Contact by telephone or text is often more effective than contact by post. These approaches have been found to be particularly important across the target groups, but particularly for people with mental health problems or learning disabilities.
- **Build trust and confidence:** Approaches that build relationships such as seeing the same adviser, less formal setting for interview, contact by telephone were effective for improving access to services for people who lacked confidence with accessing advice. Long waiting times, lack of contact with advisers or lack of consistency in adviser and reliance on written communication were all barriers for service users.
- **Raise awareness of rights:** Many vulnerable service users will have limited knowledge of their rights and entitlements. Services should ensure that the approach to advice includes exploring rights and entitlements beyond the issue raised by individuals and consider factors in addition to welfare benefits in income maximisation work such as individual rights as employees, students or disabled people. This is relevant for all service user groups, but it is particularly important for services to be proactive about rights for people with learning disabilities.
- **Take time to reinforce advice:** Projects targeted at vulnerable groups such as people with severe and enduring mental health problems or people with learning difficulties, have found that clients need an environment that minimised anxiety and stress. Many service users required longer interview times than mainstream clients or repeated interviews to gather information required for individuals to make informed decisions. Leaflets and briefings to reinforce advice are particularly important for telephone or online advice. In face-to-face advice, joint meetings with support workers or written information are important. Written information to support clients in making informed decisions needs to be accessible for the individual.
- **Joint working with key workers:** People with language or other communication difficulties may wish to access advice accompanied by a support worker or other person providing advocacy or support. Such needs should be accommodated to ensure a full understanding of the advice being given and

the options available. Such joint work is important not just for advice, but for attendance at tribunals or other meetings and has the added benefit of raising mutual awareness and learning between services.

## Useful sources and web links

Provider	Target group/ interests	Type of resource	Weblink
<b>Representative bodies and forums</b>			
<b>The Money Advice Trust</b>	Anyone working in financial inclusion field	The Information Hub online information and resources, including research reports on debt and money advice	<a href="http://www.infohub.moneyadvicetrust.org/">http://www.infohub.moneyadvicetrust.org/</a> <a href="http://www.moneyadvicetrust.org/">http://www.moneyadvicetrust.org/</a>
<b>Money Advice Scotland</b>	The national umbrella organisation in Scotland	Online directory of members' services; training for money advisers and second tier support for the advice sector.	<a href="http://www.moneyadvicescotland.org.uk">http://www.moneyadvicescotland.org.uk</a>
<b>Citizens Advice Scotland</b>	The umbrella organisation that all Scottish citizens advice bureaux must join.	Directory of local CAB as well as policy documents and research	<a href="http://www.cas.org.uk/WebDefault.aspx">http://www.cas.org.uk/WebDefault.aspx</a>
<b>Citizens Advice</b>	Citizens Advice is the umbrella organisation for bureaux in England and Wales.	Directory of local CAB as well as policy documents and research	<a href="http://www.citizensadvice.org.uk/">http://www.citizensadvice.org.uk/</a>
<b>Transact</b>	A free and independent UK-wide network for people practising and promoting financial inclusion	Promotes dialogue and common thinking on financial inclusion issues across sectors. Provides information and events on money advice and financial inclusion activity.	<a href="http://www.transact.org.uk">www.transact.org.uk</a>
<b>Third Sector</b>			
<b>Grand Central Savings</b>	'Unbanked' and socially excluded people	offers a banking service and money management support	<a href="http://www.grandcentralsavings.org.uk/">http://www.grandcentralsavings.org.uk/</a>
<b>Macmillan Cancer Support</b>	Aims to improve the lives of people affected by cancer	Website provides information and links to services that offer money and benefits advice,	<a href="http://www.macmillan.org.uk/HowWeCanHelp/FinancialSupport/FinancialSupport.aspx">http://www.macmillan.org.uk/HowWeCanHelp/FinancialSupport/FinancialSupport.aspx</a> x

<b>Greater Easterhouse Money Advice Project</b>	Grater Easterhouse Residents	Provides advice on debt, welfare rights and financial inclusion	<a href="http://www.gemap.co.uk/">http://www.gemap.co.uk/</a>
<b>Toynbee hall</b>	Disadvantaged young people and families, adults, and older people.	Toynbee Hall aims to improve the lives of people experiencing financial exclusion and to prevent financial exclusion among those most at risk of its effects.	<a href="http://www.toynbeehall.org.uk/default.asp">http://www.toynbeehall.org.uk/default.asp</a>
<b>Think tanks and research centres</b>			
<b>Scottish Poverty Information Unit</b>	An independent research centre based at Glasgow Caledonian University	Links to range of research, evaluation and briefing papers on money advice and financial exclusion	<a href="http://www.povetryinformation.org">www.povetryinformation.org</a>
<b>Personal Finance Research Centre</b>	An independent research centre based at the University of Bristol	Links to range of research and evaluation resources	<a href="http://www.bris.ac.uk/geography/research/pfrc/">http://www.bris.ac.uk/geography/research/pfrc/</a>
<b>Liverpool John Moores</b>	University Research Unit for Financial Exclusion.	Links to range of research and evaluation resources	<a href="http://www.ljmu.ac.uk/HEA/financialinclusion/">www.ljmu.ac.uk/HEA/financialinclusion/</a>
<b>Runnymede</b>	Race equality think-tank	Publications on black and minority ethnic people's experiences of financial exclusion and how to overcome these	<a href="http://www.runnymedetrust.org/projects-and-publications/projects/financial-inclusion.html">http://www.runnymedetrust.org/projects-and-publications/projects/financial-inclusion.html</a>
<b>Friends Provident Foundation</b>	a grant-making charity, run by Trustees.	It currently works to create the conditions throughout the UK for improved access to appropriate financial services for those who are excluded, particularly those on low incomes or otherwise vulnerable to market failure.	<a href="http://www.friendsprovidentfoundation.org/">http://www.friendsprovidentfoundation.org/</a>

<b>Local and National Government resources</b>			
<b>Glasgow City Council</b>	People seeking advice, intermediaries	<b>GAIN: Glasgow Advice and Information Network</b> includes a directory of agencies delivering advice in Glasgow	<a href="http://www.gain4u.org.uk/index.aspx">http://www.gain4u.org.uk/index.aspx</a>
<b>Money Scotland</b>	People in debt, advisers, creditors, employers	Scottish Government Website on Debt Arrangement Scheme, managing money a dealing with debt including details of how to find a local DAS accredited money adviser	<a href="http://www.moneyScotland.gov.uk/das/MoneyScotland/Homepage">http://www.moneyScotland.gov.uk/das/MoneyScotland/Homepage</a>
<b>DWP</b>	Now Lets Talk Money	Site for intermediaries with information about Financial Inclusion Champions	<a href="http://www.nowletstalkmoney.com/gb/en/default.html">http://www.nowletstalkmoney.com/gb/en/default.html</a>
<b>Directgov</b>	All	UK government website with contacts information for free help	<a href="http://www.direct.gov.uk/en/DI1/Directories/UsefulContactsByCategory/MoneyTaxAndBenefitsContacts/DG_10026996">http://www.direct.gov.uk/en/DI1/Directories/UsefulContactsByCategory/MoneyTaxAndBenefitsContacts/DG_10026996</a>
<b>Guides and toolkits</b>			
<b>Royal College of Psychiatrists</b>	health and social care workers	<b>Final Demand</b> A booklet that aims to help health and social care workers support people with debt and mental health problems.	<a href="http://www.rcpsych.ac.uk/mentalhealthinfo/debtmentalhealthcontents.aspx">http://www.rcpsych.ac.uk/mentalhealthinfo/debtmentalhealthcontents.aspx</a>
<b>Money Advice Liaison Group (MALG)</b>	Creditor agencies, debt collection agencies and money/debt advisers	<b>Mental Health Awareness Guidelines</b> voluntary guidelines to encourage good practice by in relation to working with people with debt and mental health problems	<a href="http://www.moneyadvicetrust.org/download.asp">http://www.moneyadvicetrust.org/download.asp</a>
<b>Money Advice Liaison Group</b>	Creditor agencies, debt collection agencies and money/debt advisers	<b>Debt and Mental Health Evidence Form</b>	<a href="http://www.moneyadvicetrust.org/content.asp?cid=53">http://www.moneyadvicetrust.org/content.asp?cid=53</a>



## Scottish Centre for Regeneration

This document is published by the Scottish Centre for Regeneration, which is part of the Scottish Government. We support our public, private and voluntary sector delivery partners to become more effective at:

- regenerating communities and tackling poverty
- developing more successful town centres and local high streets
- creating and managing mixed and sustainable communities
- making housing more energy efficient
- managing housing more efficiently and effectively

We do this through:

- coordinating learning networks which bring people together to identify the challenges they face and to support them to tackle these through events, networking and capacity building programmes
- identifying and sharing innovation and practice through publishing documents detailing examples of projects and programmes and highlighting lessons learned
- developing partnerships with key players in the housing and regeneration sector to ensure that our activities meet their needs and support their work

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**The views expressed in briefing papers are those of the contributing writers and are not necessarily shared by the Scottish Centre for Regeneration (SCR) or the Scottish Government. April 2010**

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