

annual report 2006 - 2007

dealing with | debt

in Northern Ireland





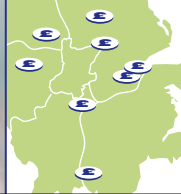








Helping you recover from your financial problems



Department of
**Enterprise, Trade
and Investment**
www.detini.gov.uk



Contents

										
3	4	5	6	7	8 - 10	11	12	13	14	15
Foreword	Report from Project Manager	Deprivation in Northern Ireland	Housing Rights Service	Omagh Independent Advice Service	Statistical Information	Case Studies	Money Advice Training	An Adviser's View	Comments from Stakeholders	Comment from the Department of Enterprise Trade & Investment (DETI)

Foreword



The deregulation of the financial markets in the late 1980's created a widespread availability of credit and problems with debt. In 2004 the amount of debt amassed by households in the UK stood at over £1 trillion (including mortgages) for the first time, double its level of £500 billion just seven years earlier. Since then personal debt has continued to increase.

Citizens Advice has been at the leading edge of money advice provision in Northern Ireland since 1990, publishing '**A Debt Handbook for Advisers**', and in 1996 placing its money advice training within an externally accredited framework via the Open College Network. At the time this was the first development of its kind in the UK advice sector, and the first delivery of money advice training within an accredited framework. The computerisation of the CAB network in Northern Ireland in the late 1990's also permitted the installation of standardised money advice software, PG Debt, in all CAB offices.

In 2001 Citizens Advice published the report '**Would You Credit It?**' an analysis of the organisation's debt caseload. This attracted considerable interest, and the then DETI Minister in the Assembly, Sir Reg Empey, was favourably disposed to including debt and money advice as a strand in the emerging Consumer Strategy for Northern Ireland which his Department was engaged in bringing forward.

In September 2003 materials from the Money Talks project developed with the Northern Bank and Council for the Curriculum Examinations and Assessment (CCEA) entered the Northern Ireland GCSE curriculum, the first initiative of its kind in the UK. This project won a Northern Ireland Council for Voluntary Action (NICVA) Link

award for innovation and best practice in October 2004 and the materials which are widely used in schools, can be downloaded from our website www.citizensadvice.co.uk.

In March 2006, following a pilot project, DETI awarded a 2 year contract to Citizens Advice for the provision of a money advice service across Northern Ireland. This tender supports 16 advisers across 15 posts including advisers outside Citizens Advice in Housing Rights and Omagh Independent Advice Service, and has provided the first reliable funding from Government in Northern Ireland for money advice and the costs of supporting its delivery.

Citizens Advice takes no financial interest in the debt of its clients, providing a service which is free at the point of use and it is clear that the consumers of financial services in Northern Ireland need the impartial, independent and confidential service which we provide. Debt is now recognised as a major problem and measures to deal with it have taken almost 20 years to emerge. Citizens Advice looks forward to continuing to work with Government in the context of its commitment to Targeting Social Need and the promotion of social inclusion and equality.



Derek Alcorn, Chief Executive, Citizens Advice





Report from Project Manager

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Scott Kennerley, Research,
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Officer Money Advice

In 2006 Citizens Advice was successful in obtaining the £800,000 DETI contract for face to face money advice across Northern Ireland. One year on that service has dealt with over £15,000,000 worth of new debt and helped almost 2000 people. The service handled an average of £1,257,000 of new debt per month and over 160 new clients came to the service every month for help to find a way out of their debt situation.

Before the involvement of the DETI in money advice Northern Ireland had no long term sustainable funding programme and the provision of money advice to people in debt was on an ad-hoc basis depending on what pots of funding were available through charitable funds or financial organisations.

The money provided by the DETI has helped Citizens Advice provide a significant number of well trained, experienced advisers to help people through what is becoming a more complex area with ever increasing legal and social implications.

A report into over-indebtedness in Northern Ireland published in February 2006 by the Office of the First Minister and Deputy First Minister estimates that 11% of the population who are 16 or over in Northern Ireland are potentially struggling with their debts, which equates to almost 150,000 people.

The report also goes on to state that approximately 5% or 67,000 people are behind with at least one credit commitment or domestic bill.

Soaring bankruptcies and Individual Voluntary Arrangements, increasing interest rates and the potential introduction of water charges together with the increase in rates and higher fuel costs all suggest that the need for long term, sustainable funding for money advice is a must for the people of Northern Ireland.

In 2001-2002 the number of people who went bankrupt was 280. In 2006-2007 that figure has risen to 1009, an increase of 360% in just 6 years.

Quality money advice makes a difference to the lives of people who feel there is nowhere to turn. The figures stated above give an idea of the scale of debt the project is dealing with; however, there are no statistics that can measure the impact quality money advice has on the lives of those who need it. The following paragraph is an extract from a letter written by a client of the bureau:

“There are some things in life that can't be explained or talked about, only felt. Thank you is inadequate for the help and support I received. The adviser saw me through one dark tunnel that I would not have done on my own.”

The continued support of the DETI will ensure that more people are able to regain control of their financial situation and I would like to take this opportunity to thank the DETI, the Citizens Advice network, Housing Rights and Omagh Independent Advice Service for the hard work and dedication it takes to make a difference.

Deprivation in Northern Ireland



Money Advice Centres

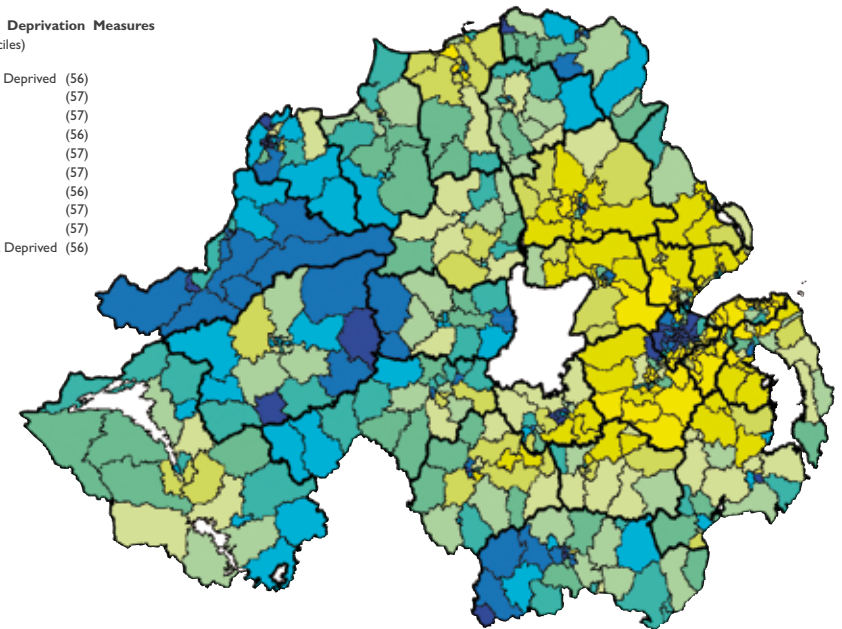
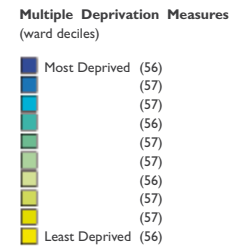
One of the key specifications of the DETI contract was to provide face to face money advice across Northern Ireland. As the map below shows, Citizens Advice has achieved significant geographical positioning through the use of its extensive bureaux network and the forging of partnerships with Housing Rights Service and Omagh Independent Advice Service.



Citizens Advice is committed to the targeting of social need and this is enhanced by the location of its offices, either in areas of social need or in the neutral areas of towns and cities. It is important therefore that the aims of any project complement the aims of the organisation. The map below shows the multiple deprivation measure for Northern Ireland by council wards taken from the Northern Ireland

Statistics and Research Agency. It uses the Noble indicators to show the areas of highest need, dark blue being most deprived and light yellow being least deprived. When looked at together the two maps show that the Dealing with Debt project provides regional coverage as well as providing access to money advice in the areas of highest need.

Multiple Deprivation Measure for Northern Ireland (wards)



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Housing Rights Service



Ursula Toner and Linda Wilson, Housing Rights Service

housing
rights
service



Linda Wilson, Housing Rights Service

Housing Rights Service welcomed the opportunity to participate in this DETI funded project. We joined the project in July of last year having received funding for a part-time post. Our role is to provide specialist advice and representation to clients who have a housing debt including mortgage or rent arrears. Increasingly clients are at genuine risk of eviction and specialist assistance is required to ensure that proposals put to lenders or courts are realistic and sustainable. To date 94% of clients contacting Housing Rights Service have been threatened with possession with 48% of clients from outside Belfast. We have had considerable success in preventing possession but unfortunately the need for such assistance is growing. We therefore look forward to continuing working in partnership with Citizens Advice Bureau and Omagh Independent Advice Centre as part of the project.

Omagh Independent Advice Service



Omagh Independent Advice Service offers a dedicated debt advice service to members of the community.

The service operates daily from 9am-1pm and 2pm-5pm.

With the help of DETINI funding the service has been able to continue from July last year.

The Money Adviser deals with all types of financial difficulty from consumer debts to repossessions and bankruptcy.

The service also tries to be proactive in the prevention of debt and offers a service to the local schools and community groups highlighting the need for savings, cost of living, budget control etc.

The service has seen a year on year increase in the number of people using the service and hopes that with continued financial support it can continue to be offered to the public in the coming years.





Statistical Information

The Dealing with Debt project has dealt with almost 2000 new clients for 2006/2007 with an average of over 160 new clients to the service every month. Total new debt to the project was over £15,000,000 with 70% of that amount spread over Credit Cards, Personal Loans and Bank Loans. These 3 categories also account for 54% of the number of debts dealt with by the project:

Top 3 Debt Categories

Category	Debt Amount	Percentage of Debt Amount	Number of Debts	Percentage of Number of Debts
Credit Cards	£5,406,970	36%	1,803	37%
Personal Loan	£3,560,379	24%	586	12%
Bank Loan	£1,489,928	10%	274	5%
Total	£10,143,591	70%	2663	54%

Secured Lending made up roughly 8% of the debt dealt with by the advisers. The amount of people in arrears on their mortgage was considerably higher than the amount of people in arrears on secured loans. However, the average arrears amount was much higher for secured loans.

Secured Lending

Category	Debt Amount	Percentage of Debt Amount	Number of Debts	Percentage of Number of Debts
Mortgages	£479,287	3%	108	2%
Secured Loan	£789,587	5%	41	0.8%
Total	£1,268,874	8%	149	2.8%



Collectively, Catalogues and Store Cards only made up 4% of the debt amount. However, they accounted for 17% of the number of debts which means that the advisers dealt with a relatively high number of small debts classed as catalogues or store cards.

Catalogues & Store Cards

Category	Debt Amount	Percentage of Debt Amount	Number of Debts	Percentage of Number of Debts
Catalogues	£274,287	2%	463	9%
Store Cards	£325,097	2%	384	8%

Another interesting comparison to come out of the project was that between Credit Unions and Door Step Lenders. Although both categories account for roughly 2% of the numbers of debts dealt with, the average loan size for the Credit Union was over four and a half times higher than the average loan size of the Door Step Lender.

Credit Unions / Doorstep Lenders

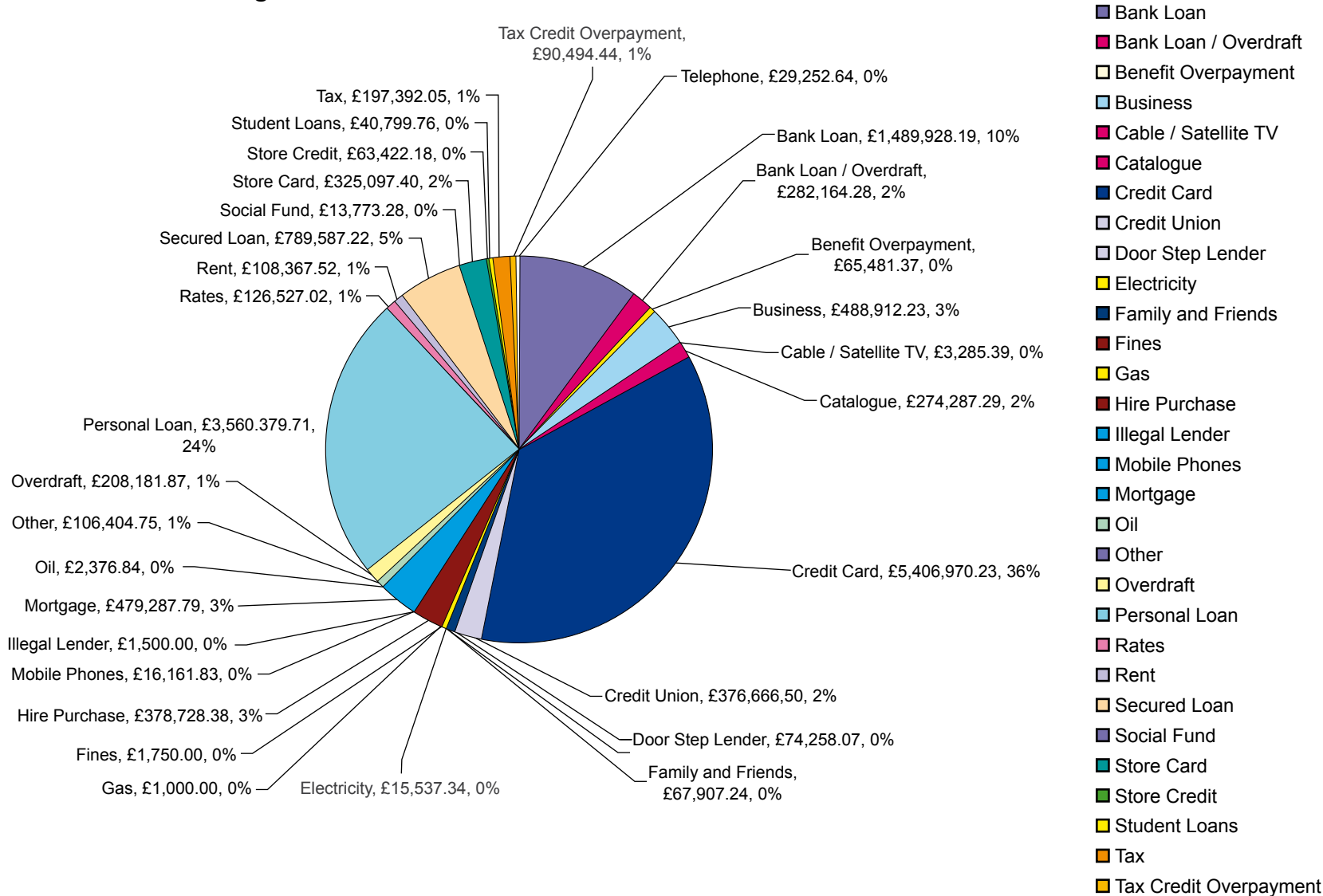
Category	Debt Amount	Percentage of Debt Amount	Number of Debts	Percentage of Number of Debts	Average Loan Size
Credit Union	£376,666	2%	94	2%	£4,007
Door Step Lender	£74,258	0.4%	85	1.7%	£874

The pie chart shows in detail the structure and profile of the debt categorised by the Dealing with Debt Project.

The amount of debt for each category is also shown and the percentage figure shows the debt category amount as a percentage of the total debt figure.

Total Debt Figure:
£15,085,882.81

Total Debt Figures for 2006-2007



Case Studies



A woman from County Armagh came to the bureau in extreme distress. She was in receipt of State Pension, Pension Credit and a small occupational pension. She lived in rented accommodation and had no property or assets.

Despite this limited fixed income she had managed to accrue almost £40,000 of debt with 17 different creditors. She had been having severe difficulties for over 2 years and had been using most of her income and credit cards to try and maintain payments to her creditors, gradually increasing her debt.

The client had managed to keep most of the problem from her partner and family and this was causing a lot of anxiety, putting her under severe pressure.

The bureau assisted with the preparation of a financial statement which helped the client understand and prioritise essential costs like food, rent and heating over non priority creditors. She was advised on the various options available to deal with her debt and after discussion with her family decided to petition for bankruptcy.

The client was assisted and supported through this process and was declared bankrupt in February 2007. All of the debts have been included in the bankruptcy and the client has been able to discuss the situation with her family which has helped to relieve much of the pressure.

A man from the County Armagh area was referred to the bureau for help with his finances. He had been experiencing ongoing health problems and as a result had let the mortgage go into arrears. He ignored all contact from the lender as well as the summons issued by the court which resulted in an order for possession being granted.

The client had arrears of National Insurance contributions, had received a court summons issued for overpayment of tax credits and child benefit as well as a court summons for non payment or submission of tax returns. The client had just lost all control and needed guidance.

The adviser referred the client to an accountant to sort out the tax liabilities and the business accounts. This has now been done with all related court action stopped. The adviser also prepared documentation for court for the Master in relation to the mortgage, setting out a repayment proposal which was accepted by the court.

A repayment proposal was agreed with tax credits and court action stopped and the adviser also negotiated an agreement to sort out arrears owed to Rates Collection Agency.

As a result of this intervention the client is back working and his health problems are much improved.

A woman from the County Antrim area was off work on sick leave, trying to secure early retirement and had several debts with one of the major high street lenders.

During negotiations between the lender and the bureau the client's circumstances deteriorated drastically due to a family bereavement. The client became officially homeless before eventually moving into a women's refuge.

After much work on the part of the bureau and the high street lender all debts were written off. This had previously been investigated and refused.

The bureau was able to assist the client to find suitable accommodation with the Housing Executive. The client has now been retired early on medical grounds. She has no debts, suitable housing and is now in a position to be able to focus on her health.



Money Advice Training



Jimmy Hughes delivering training on Extortionate Credit and Unfair Relationships.

Another important aspect of the contract awarded by the Department of Enterprise Trade and Investment is training.

The money advisers funded by the Dealing with Debt Project have all received extensive training and advisers were able to continue to access training covering the following areas:

- Extortionate Credit
- Unfair Relationships
- Distance Selling Regulations
- Mental Health Awareness
- Insolvency (Bankruptcy & IVAs)
- Unfair Contract Terms
- Unfair Commercial Practices Directive
- PG Debt
- Negotiation Skills
- Court System in Northern Ireland

The advisers were also able to attend an awareness day on the revised Consumer Credit Act 2006.

During 2006-2007 Citizens Advice agreed a partnership approach to the development and delivery of Wiseradviser money advice training in Northern Ireland. This will see Citizens Advice, Advice NI and the Money Advice Trust working together to meet the training needs of an increasingly complex area of the advice sector.

Citizens Advice are committed to ensure that the DETI funded advisers continue to access relevant training and by March 2008 the advisers will have accessed training in the following areas:

- Administration Orders
- Order Charging Land
- Advanced Insolvency (Creditor Petition)
- Business Debts
- Lay Advocacy Skills
- Limitation of Actions
- Mortgage Possession Arrears

There will also be additional training in relation to Debts within the court system of Northern Ireland which will be developed with the assistance and guidance of the Northern Ireland Court Service.

An Adviser's View



The dictionary definition of debt is 'money owed' and that a debtor is 'one who owes money'. Creditors on the other hand are defined as 'those to whom a debt is owed'.

It is important to remember that creditors are entitled to require that debts are repaid and a money adviser must aid this process when appropriate.

However, in my experience such definitions of debt and debt resolution are too simplistic and do not reflect the fact that debtors are people. During my time as a Money Adviser I have come to understand that debt is about people and the effects on them and their families can be far reaching.

Behind every debt and debtor is a story, stories which effect people's lives, health, confidence and self-esteem. Debt has many innocent victims such as the children of the debtor, the partner, and the parents. Many of these victims are often hidden and overlooked.

People fall into debt in many ways and once caught in the current of over-indebtedness they can become quickly overwhelmed and unable to free themselves. This can result in the debtor feeling increasingly unable to cope, unable to sleep and under intense pressure. Self-esteem and confidence can be seriously dented and in some cases destroyed. Many people feel it is their own fault and portray themselves as failures.

It is my impression that the problems clients face in relation to debt and money advice have become increasingly complicated. Amounts owed and the number of creditors per case has increased. Failure to maintain priority payments such as mortgages, secured loans, rent and hire purchase agreements have become increasingly common issues for clients.

When you take the time to trace back the origins of the client's debt problem, invariably they have suffered some life changing event such as an illness, an accident, a period of unemployment, failed business venture or marital difficulties. Many of our clients have tried to address the problems themselves or have sought help elsewhere and finally turn to Citizens Advice as a last resort. Some people come in off the street. Some are referred by other professionals and many are brought to us by a family member or friends who we have previously helped.

The main role of the money adviser is to act in the best interests of the client, giving independent guidance and support to assist the client in making an informed decision. We help them to regain control of their finances but in doing so we also help many people to regain their confidence and self worth.

By Gerard Quinn, Money Adviser, Newry and Mourne CAB

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”

Comments from Stakeholders

One of the main goals for Dealing with Debt is to give a voice to the issues faced by our clients. To achieve this Citizens Advice continually liaises with other stakeholders in both the private and public sector to improve the lives of our clients.

OFMDFM Research Branch

“**OFMDFM Research Branch** has been working in conjunction with Citizens Advice on a research project into personal problem debt in Northern Ireland. Citizens Advice has been instrumental in the success of this project providing advice and guidance on the issue. In defining the scope of the research the participation of Citizens Advice in a seminar hosted by OFMDFM was invaluable. The project has provided a model of joint working that will provide an evidence base to assist Government in tackling financial hardship amongst the Northern Ireland population”.

Royal Bank of Scotland Group

“**Royal Bank of Scotland Group** supports the work undertaken by Citizens Advice Northern Ireland in their goal of making free and independent advice available for all in Northern Ireland. It is particularly pleasing that their engagement with other free advice providers and with the credit industry are helping to create a more informed society. With Ulster Bank at the heart of the community in Northern Ireland, we welcome all initiatives that help our customers make informed choices”.

Ulster Bank

“**Ulster Bank Ltd** recognises the need for quality money/debt advice in Northern Ireland and is pleased with the continuing working relationship with Citizens Advice Bureau in debt situations”.

Enforcement of Judgements Office

“For some time now Citizens Advice have been part of our Customer Users Forum, chaired by the Master, which is made up of various bodies such as the legal profession, other government agencies and advice bodies. We know that people often do not know where to go for help when faced with court proceedings and the prospect of losing their home due to debt problems. **The Enforcement of Judgments Office** therefore recognises the importance of working in partnership with Citizens Advice in our quest to engage with people at the earliest opportunity”.

Money Advice Trust

“We value our partnership with Citizens Advice Northern Ireland. They are well known for providing excellent money advice and are also working closely with us to ensure that free to client money advisers across Northern Ireland have access to free, high quality and accessible training”.

Money Advice Liaison Group

“**The Money Advice Liaison Group**, both nationally and regionally in Northern Ireland believes that working closely with Citizens Advice, the main provider of free debt advice in the UK, is of paramount importance. Citizens Advice is very well represented on National MALG and their support is both invaluable and very beneficial. Citizens Advice in Northern Ireland is indeed the bedrock on which the Northern Ireland Discussion Forum is founded. They continue to support the regional forum in a very practical way”.

Northern Bank

“**Northern Bank** works very closely with Citizens Advice when dealing with customers who have encountered financial difficulties. We always strive to seek a solution for repayment taking into account each customer’s specific circumstances whilst following the Banking Code which commits us to considering such cases sympathetically and positively.

As a bank, our main contribution to society is the provision of an efficient financial infrastructure for the communities in which we operate. It therefore makes sense for us to support customers who are currently experiencing difficulties and also invest in community and educational projects aimed at enabling young people to make confident and informed financial choices in the future. Money Talks is a successful partnership, now in its fourth year, between Northern Bank and Citizens Advice bringing a range of personal finance educational resources into classrooms and in youth organisations in Northern Ireland. Northern Bank is fully committed to working alongside Citizens Advice to support customers when intervention is needed and to enhance consumer confidence and capability”.

Comment from the Department of Enterprise Trade and Investment (DETI)



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John Hinds, Head of Consumer Affairs

The Department of Enterprise Trade & Investment (DETI) has a contract with Citizens Advice to provide a face to face debt advice service across Northern Ireland for two years and this report reflects the half way point in that contract. The number of clients and their levels of debts are compelling evidence of the need for free and effective debt advice in Northern Ireland. The funding being provided by the Department supports a network of qualified advisers across NI yet the service remains heavily oversubscribed.

The debt advice contract operates in a society where credit has become an increasing part of economic life. Effective credit provision has helped with economic growth. But as credit provision grows, so consumer indebtedness rises. Consumer debt in the United Kingdom stood at £1,318bn on 31 March 2007. It showed a growth of 10.5% during the first year of this contract. There are many debt statistics. Indeed they are so large as to have lost their impact. They overwhelm our ability to appreciate them.

But those figures evidence real human and emotional cost. They impact on the debtor and often the debtor's family must share that burden. No table of figures can express that pain. If the statistics of debt miss its human casualties, debt advice meets them every day.

Debt advice is but one strand towards resolution of the problem of consumer indebtedness. This service contributes to the government's wider Anti-Poverty Strategy. Other initiatives will address the causes of debt, but the debt advice service seeks to deal with the immediate problems of the client. It provides free high quality help at the point of need. DETI is pleased to support the work done by Citizens Advice in striving to meet this enormous challenge.



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