

Annual Report 2007 - 2008

dealing with | debt

in Northern Ireland



Helping you recover from your financial problems






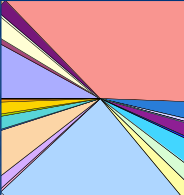




Enterprise, Trade
and Investment

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Foreword

“ I would like to thank the adviser. She got me through a time when I really felt I was never going to get sorted out. I cannot praise her highly enough, her support means a great deal to me ”



Derek Alcorn OBE
Chief Executive

Citizens Advice is pleased to report that in 2007-2008 the Dealing with Debt Money Advice Service helped almost 2,000 individuals deal with over £13,000,000 of debt. It did so against the background of the global contraction of credit which has combined with questionable lending practices in the finance industry, to pitch many people into complex debt situations. These require a professional, accessible advice and advocacy service to assist with debt resolution.

As the statistics in this report show, 70% of the debt we dealt with is personal credit, spread across credit cards, bank loans and personal loans. The service is therefore beginning to provide an evidence base which will allow policy makers to understand the structure and profile of debt in Northern Ireland.

The scale of the debt problem in Northern Ireland is further illustrated by the fact that in the first three months of 2008 the number of house repossession cases lodged with the Northern Ireland Court Service increased by 33% compared to the same period last year.

The recognition of debt as a major problem in society by government is welcome, and we will continue to work with DETI providing assistance to those most in need. However, it remains a matter of public debate as to why a charity, assisted by government funding, should be shouldering so much of the detailed and complex work which spills over from the activities of the finance industry, without any contribution to the revenue costs of the specialist frontline staff required for this work.

In the light of the marketing, lending and credit control practices of the finance industry, there is an increasing view that regulatory reform is now necessary.

A dash of Corporate Social Responsibility would also be welcome.



Comments from DETI

“ Thank you from the bottom of my heart ”



John Hinds
Head of Consumer Affairs
Department of Enterprise Trade & Investment



The Department of Enterprise Trade & Investment is pleased to mark another year in its contract with Citizens Advice to provide a face to face debt advice service for Northern Ireland. This report shows that there is a continuing demand for the service.

To assist close to 2,000 people and handle well in excess of £13 million of debt is an impressive statistic.

It represents a human cost that is less easily measured but is immeasurably more significant. The debt advisers should be proud of their achievements and DETI will be supporting the provision of face to face debt advice until the end of March 2011.

Whilst clients came from every postal code area in Northern Ireland, the level of usage reflects people who have sought assistance but does not reflect those who have not used the debt advice service. There is evidence to show that many people try to meet their problems on their own. That independence is commendable but the earlier the clients reach an effective debt advice service the more the service can help. A free to use publicly funded debt advice service should be easily available to all particularly to those within our

society who are disadvantaged in their access to advice services. The debt advice service has used outreach measures to improve its coverage during the year and the Department welcomes steps to continue that extension.

Returns from the service suggest there is a need for new debt remedies. Bankruptcy remains abhorrent for many people. As the average client debt is below the limit for an Individual Voluntary Arrangement, that remedy has a limited impact. For many clients there is no formal remedy. This throws an immense burden on the advice worker who must be both adviser and supporter. Returns from the clients suggest that the advisers are well able to fill both these difficult roles.

As the debt advice service is only as good as the advisers it is evidently in good hands. But in a changing economic and legal climate, advisers must be well trained and regularly updated. Citizens Advice and AdviceNI supported by the Money Advice Trust took a major step forward in developing a debt advice training model for Northern Ireland.

Such cooperation was a feature of the year. Citizens Advice worked with Independent Advice Centres in providing debt advice.

Government departments cooperated to support the service. DETI hosted input events for all debt advisers. Many organisations, public, private and government provided services for free. Everyone worked together to achieve a better outcome. This cooperation is vital to provide Northern Ireland debtors with the best help and the Department looks forward to seeing the debt advice service continuing to develop in the future.

Working in Partnership

“The adviser was very friendly, kind and helpful in every way. Not at all judgemental. I would just like to thank you for all your help with my situation and getting my life back to some order again. Thank you”



Jim O'Callaghan, Housing Rights Service, Scott Kennerley, Citizens Advice, Michele Loughran, Omagh Independent Advice Service, Ursula Toner, Housing Rights Service

The Dealing with Debt Service for 2007 - 2008 helped approximately 2,000 new clients with their debt problems. The statistics contained within this report reflect the hard work and dedication of the advisers who worked across 13 Citizens Advice Bureaux throughout Northern Ireland, assisted by external delivery partners.

The delivery network included Omagh Independent Advice Service and Housing Rights Service. Both organisations were chosen due to their location and expertise and Citizens Advice would like to thank them for their contribution.

Omagh Independent Advice Service

The Money Advice Service within Omagh Independent Advice Services has had a

dedicated Money Adviser in place since March 2004.

The service provides people with financial difficulties a place to turn to for help and support in what can sometimes be a very distressing time of their lives.

In March last year, funding from DETINI, through CAB enabled the continuation of this much needed service and we are delighted that through good working relationships with DETINI and CAB that we have been able to secure further funding for the next 3 years.

This will enable the service to continue making a difference to the lives of local people, and Omagh Independent Advice Service will continue to provide the best service possible.

Housing Rights Service

Housing Rights Service has contributed to the DETI project for almost two years now through the receipt of funding for a part time money advice post. Due to high demand for this service the past year has been challenging.

Ryan Fitzsimmons, Housing Rights Service specialist debt adviser has regularly and successfully represented clients at Chancery Court hearings, enabling owner occupiers from across Northern Ireland to remain in their homes.

Many clients experience difficulties due to a change in circumstance such as illness, relationship break down or being out of work. As these circumstances are often temporary it reinforces the need for quality, holistic debt advice and representation to ensure people do not lose their homes unnecessarily.

It is predicted that house repossessions will dramatically increase later this year and now more than ever it is crucial that appropriate advice and representation continues to be made available.

Housing Rights Service is pleased to be working with the DETI, Citizens Advice and Omagh Independent Advice Centre in the delivery of this most important project and looks forward to its continued success.



Ryan Fitzsimmons, Housing Rights Service

Statistical Report 2007/2008

“ Although I didn't visit the offices, the advice I was given over the phone was brilliant. I felt at ease talking and listening to your advice. For the first time in ages, I saw a light at the end of the tunnel ”

The Dealing with Debt service funded by DETI provided advice to approximately **2,000 new clients** in 2007/2008 with an average of over **165 new clients per month**. The amount of new debt dealt with during the year was **£13,790,410**.



Top 3 Debt Categories

Category	Debt Amount	Percentage of Debt Amount	Number of Debts	Percentage of Number of Debts
Credit Card	£5,214,845.63	37.82%	1577	36.93%
Personal Loan	£3,304,196.55	23.96%	512	11.99%
Bank Loan	£1,115,942.45	8.09%	219	5.13%
Top 3 Category Total	£9,634,984.63	69.87%	2308	54.05%

Almost 70% of the total debt was made up of the three mainstream forms of credit above with credit cards again proving to be the most common type of problem debt. This mirrors the situation presented in 2006/2007.

Store Cards and Catalogues

Category	Debt Amount	Percentage of Debt Amount	Number of Debts	Percentage of Number of Debts
Store Card	£286,571.39	2.08%	334	7.82%
Catalogue	£215,286.83	1.56%	322	7.54%

The figures for Store Cards and Catalogues are again similar to those for 2006/2007 showing that although only approximately 2% of the total debt, both categories account for almost 8% each of the number of debts. This would indicate a high number of small debts.

Statistical Report 2007/2008

“ I must thank you for the help that I had from your organisation and yourself. I now have got my situation under control. I must say I could not have done it without your help, I shall not allow myself to get into such a mess again, so again thank you a whole lot ”



Noticeable Trends

Secured Loans and Mortgages

Category	Debt Amount	Percentage of Debt Amount	Number of Debts	Percentage of Number of Debts
Mortgage	£475,512.68	3.45%	130	3.04%
Secured Loan	£750,822.95	5.44%	70	1.64%

Secured Loans and Mortgages

The number of secured debts was relatively low with only 1.6% for Secured Loans and 3% for mortgages. However, the increase in the number of cases is considerable with a 71% increase (29 cases) for Secured Loans and a 23% increase (24 cases) for mortgages.

What is of more concern is the fact that 45% of the number of secured loan cases (31 of the 70 cases) were dealt with in the last three months of the contract (Jan - Mar 2008) indicating a sharp increase for the calendar year 2008.

Mobile Phones / Telephone

There has been a dramatic increase in the number of mobile phone debts dealt with by the service with an increase of approx 43% on the number of debts and a massive 113% increase on the amount of debt. This is coupled with a drop in land line telephone debt of 31% on both measures (Amount and Number of debts)

Rates / Rent

The number of Rates cases decreased by 16% and the amount of debt dropped by 56%. However, it is known that Land & Property Services (formerly Rate Collection Agency) held most of their enforcement action due to the implementation of a new IT system and it is likely that these figures will increase in the coming months.

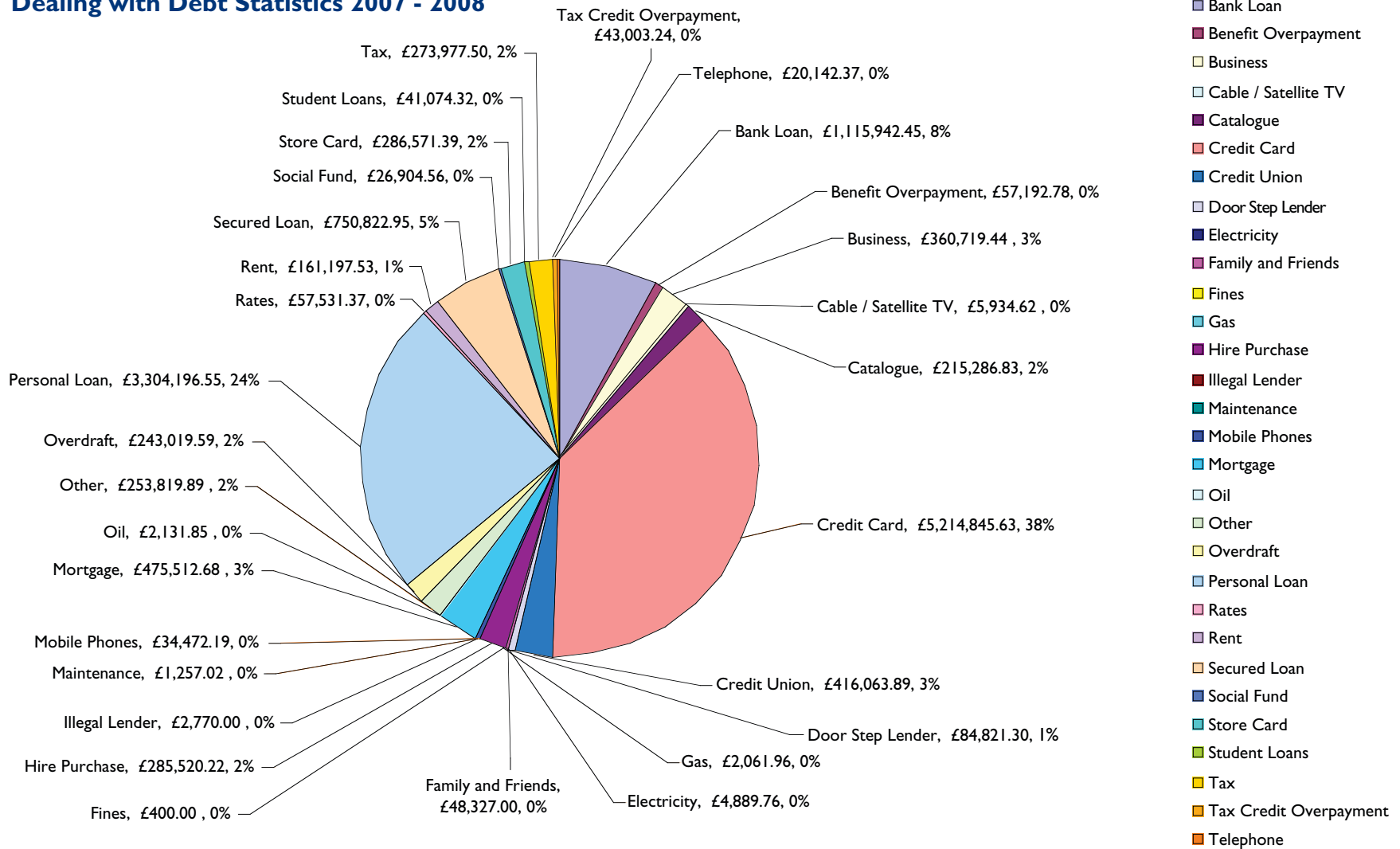
Rent arrears cases (social housing and private tenants) only increased by 6 cases (8%), however, the amount of arrears increased by almost £53,000 (48%) which would indicate that the level of arrears per case is on the increase.



Statistical Information

“Excellent Service, very helpful, advice given was spot on”

Dealing with Debt Statistics 2007 - 2008



A Client's View

“ I felt I was finally getting the help I needed and that the CAB was happy to help me ”



Looking in the mirror was unbearable and hearing my own voice caused me great annoyance such was my frame of mind. I couldn't think straight. How did my life come to this? Here I was after sixty years of life and I was in turmoil. I had no-one to talk to. I have a great family, my wife and three grown up children are the best anyone could ever ask for but my pride would not let me talk about what was causing me so much pain. My wife suffers from depression and ill health. I could not cause her any more distress.

I had had my credit cards for over 20 years and had always been able to meet the payments but suddenly I was feeling the pressure of them, the interest just kept on accruing and the payments I made just didn't seem to make any sort of dent in the balance.

I wasn't sleeping and I suffer from back problems myself so my overall health was completely affected, if I was lucky I slept 2 hours per night.

I am a very punctual man and if I say I will be somewhere at a certain time – I will be there. I spoke to my wife and had arranged to bring home a take away – the one treat we had for ourselves per week. However, when I didn't appear home at 5.30pm my wife was concerned. She feared I had had a car accident on the way home from work and she rallied

the troops to look for me. Members of my family went out and around looking for me. I was in my office. The situation had come to a head as far as I was concerned and I took 44 pills, a mixture of sleeping pills and blood pressure tablets, I prayed to the man above and lay on the sofa in my office. This was my only way out – so I thought. My son found me in my office, the police having to break down the door and I was obviously unconscious but alive. I woke up that evening in hospital.

My family were devastated how or why would I do this? It was time to confess. I admitted I was struggling to pay debts of £20,000. I felt this was my only way. This was the lowest time of my life. My wife was completely and utterly distressed she could not comprehend why I had kept this from her.

My daughter works as a social worker and knew of the service provided by Citizens Advice. She and my son made an appointment to go and speak to an advisor for direction as to what options I had. They were relieved that there were options and very positive about the advice they received. They said “Dad, the lady is lovely, you will be able to talk to her and she will make you feel at ease!” An appointment was made and I was seen in a few days.

I was terrified; the idea of having to confess all was very difficult for me since this had been my burden for so long. I was shaking going into the office and unaware of what was ahead of me.

Instantly, I was put at ease. My adviser was patient and courteous; she allowed me to tell my story and gave me the time to open up. My wife accompanied me. I was told of my options and given guidance and reassurance that there was an option for me. I opted for the debt management plan and my adviser took over dealing with my creditors – just having someone else talk to them lightened the burden. My personal feelings were that the creditors would be unlikely to accept the payments I could afford but again I was reassured.

It was the best move I ever made. My creditors accepted the offers and gave me a chance to pick myself up and move on. I can never express in full the despair I was feeling. I don't use clichés but CAB were the light at the end of a very long tunnel. I am thankful that I am here today to tell my tale. I can never thank my adviser enough for the advice, guidance and service. CAB provide a lifeline



Training Report

“I would recommend anyone in financial difficulty to go and speak to one of your advisers they’ll have it sorted in no time, letting you feel at ease”



Joanne McCoy, Advice NI, Scott Kennerley, Citizens Advice, Fiona Magee, Advice NI, Wiseadviser Partnership

Training & Development

The key to delivering quality, effective money advice is to have trained, professional staff. The area of money advice is complex and constantly evolving due to many external factors such as legislative changes.

It has always been a priority for Citizens Advice to ensure that advisers remain abreast of developments. Continuous professional development is therefore undertaken by all money advisers to ensure that clients can receive the best possible service.

During 2006 Citizens Advice agreed a partnership approach to the development and delivery of wiseradviser money advice training in Northern Ireland. Since this date Citizens Advice, Advice NI and the Money Advice Trust have been working together to meet the training needs of an increasingly complex area of the advice sector.

This partnership approach and the valued input by organisations such as Trading Standards, Grant Thornton and the Enforcement of Judgments Office has enabled advisers to access a wide range of high level training on complex areas such as:

- The role of the Enforcement of Judgments Office
- Advanced Insolvency
- Business Debts
- Lay Advocacy Skills
- Limitation of Actions
- Extortionate Credit
- Unfair Contract Terms
- Unfair Relationships
- Unfair Commercial Practices Directive
- Consumer Credit Act
- Distance Selling Regulations
- PG Debt
- Mental Health Awareness
- Negotiation Skills
- Insolvency (Bankruptcy & IVAs)
- Court System in Northern Ireland



Training Report

“ I felt I was finally getting the help I needed and that the CAB was happy to help me ”



Sam Walker, Money Adviser - Craigavon CAB



Jackie Gallagher (Bureau Manager) & Rosemary McCormick (Senior Money Adviser) L'Derry CAB with Ian Witcombe (Deputy Chief Executive) Money Advice Trust

High level training helps to maintain and continually improve the quality of the service. Advisers are also developing competencies which enable them to expand the support services on offer, such as court advocacy.

The use of private and government organisations as well as joint working within the advice sector means that the development of this training is extremely cost efficient and draws on the knowledge of experts.



Stakeholder Comments



Land and Property Services

Land and Property Services (LPS) has worked in close conjunction with Citizens Advice (CAB) over the past two years on a number of key areas.

In particular, as LPS entered a period of major business change (introduction of new rating reforms and replacement computer system), we have welcomed the input from CAB. Scott Kennerley of the **Dealing with Debt** service has been in regular contact with LPS and provided valuable comments in relation to our arrears reduction strategy and extended payment arrangements policy. I believe the working relationship which has developed between CAB and LPS has been beneficial to both organisations and I hope to continue to work together for the mutual benefit of CAB clients and LPS ratepayers.

Brian Davidson
Rating Service Operational Business Manager

Trading Standards Service

There is a very good reason why the credit and financial services industry is closely regulated- it needs to be. It is the job of Trading Standards to ensure compliance with the behaviours and standards demanded by the legislation we enforce. The debt difficulties that many consumers now encounter are often associated with irresponsible lending, misleading or incomplete information, unfair credit agreements, and harassment. The dialogue and flow of information on these areas of common concern between Trading Standards and Citizens Advice is a vital part of the strategy delivering the aims of enforcement, advice and consumer support.

Anthony Haughan
Trading Standards Service

Northern Ireland Association of Mental Health

NIAMH have been working closely with CAB over the past couple of years with CAB staff providing regular advice clinics in a number of our day centres for people with mental health needs.

This service has been operating very successfully with both staff and service users very happy with the arrangement provided by CAB. NIAMH is currently in the process of collaborating with CAB in a joint project funding application and would be happy to endorse or recommend the services provided by CAB.

Moore Megahey
Director - Services

Stakeholder Comments

“ I went in (to the office) after worrying myself sick for months and was treated with the greatest respect and reassured that something could be done to help me, I am very happy with the outcome ”



Northern Ireland Housing Executive

The Housing Executive has teamed up with Citizens Advice to provide help to tenants who have rent arrears or have problems paying their rent. The service is totally free and confidential and is provided by local CAB offices. The service can advise tenants about how their income may be increased (e.g. Benefits available, Tax Credits, allowances while in receipt of benefits etc.) This partnership is viewed as an essential tool in helping tenants to manage their finances, what solutions are available and how to avoid difficult financial circumstances in the future.

George Wills
Estate Services

Office of the First minister and Deputy First Minister

OFMDFM in partnership with the CAB, CCCS and Advice NI undertook qualitative research into ‘**Personal Problem Debt**’ due to be published in the New Year. Citizens Advice was invaluable not only in providing clients for interview, but also in the provision of advice and guidance in the design of the research. Moreover, with CAB having provided approximately 80% of individuals experiencing personal problem debt for interview it would not be unreasonable to state that the research would not have been completed without the time, expertise and support of the CAB throughout. OFMDFM is indebted to the CAB for their help in this project the results of which will add to the evidence base for policy makers.

Michael Woods
Research Branch

Enforcement of Judgements Office

The Enforcement of Judgements Office is a key element of the civil justice system and is part of the Northern Ireland Court Service. Trevor Long Chief Enforcement Officer states **“We have benefited greatly from a very active relationship with CAB and particularly Scott Kennerley, over the past 3 years. The relationship has provided vital insight into the recovery of debt from the debtor’s perspective and greatly influenced our practices and publications. Their role on our Users Forum has been equally helpful and gives balance and objectivity to our work. In return Scott and CAB colleagues have used our experience to train and develop staff in their ability to assist the public in difficult and challenging situations. The relationship continues to grow and we look forward to building new and more innovative ways to deliver assistance to a growing body of customers.”**

Trevor Long
Chief Enforcement Officer



The Way Forward

“ Going to CAB was the best thing I have ever done. My debt advisor was always on the other end of the phone when I needed them.....I just wish I had got in touch sooner ”



CAB Money Advisers discuss issues with Nigel Dodds - Minister for Department of Enterprise Trade & Investment

The Way Forward

In March 2008 Citizens Advice was awarded the £1.2 million contract for the provision of debt advice by the Department of Enterprise Trade and Investment. This means that the organisation will be able to continue the crisis intervention service that is more essential now than ever.

The provision of longer term funding has allowed Citizens Advice to develop standardised systems which means that statistics can be produced to provide indicative trends that can inform government policy.

As the largest provider of face to face money advice in Northern Ireland Citizens Advice has used the information gathered not only to improve the lives of individual clients but also to push for change in areas of individual and collective concern.

Contributing to the development of evidenced based policy is a key commitment of Citizens Advice and during the year the Dealing with Debt service:

- Issued a complaint to Financial Services Authority on fraudulent mortgage lending issues.
- Pursued successful complaints to the Financial Ombudsman Service against major high street lenders
- Referred cases to Trading Standards against forms of 'log book' lending, an increasing problem in Northern Ireland
- Issued consultation responses to Insolvency Service on proposed Debt Relief Order
- Issued responses to the Money Advice Trust on wider UK consultations
- Became part of the Money Advice Trust Research Editorial Panel

Every individual debt case is unique but many of the reasons for the debt are worryingly common. It is imperative that Citizens Advice continues to provide information to government and other stakeholders to influence future policy and to campaign for a fair, transparent inclusive credit market that rectifies the problems it helps to create instead of exacerbating them.

Report from the Project Manager

“ I want to thank you, especially the adviser, as without her help, patience and understanding in my financial problems I don't know what I would have done. I feel as if a mountain has been lifted from my shoulders and I can start living again. Again, thank you ”



Scott Kennerley
Money Advice Project Manager

2007/2008 has been a very interesting year to be involved with debt advice in Northern Ireland. Interest rates increased and seemed set to rise for the foreseeable future, house prices were still going up and the Bank of England was predicting stability for the economy.

Then there was the collapse of the sub prime market in America, the Northern Rock debacle and financial crises for a number of heavyweight financial institutions.

The resulting interest rate cuts, falling house prices and increasing household expenses have destabilised the economy and reduced consumer confidence.

The UK has built an economy with personal credit and secured debt as one of its corner stones and the so called 'credit crunch' has probably produced more column inches in the press than any single topic during the last year. This financial squeeze is impacting on a considerable section of the population especially in the current climate of rising prices.

During the last 5 years, the issue of debt has increasingly caused concern. Agencies involved in debt advice have been reporting an increase in both the number of clients and the level of debt together with concerns

about irresponsible lending, the rush to secure debt and the marketing of complex insolvency legislation as a one size fits all solution.

The demand for debt advice in Northern Ireland has continued to grow and government has recognised that the impact on society is much wider than the financial implications. The effect on health, relationships and self esteem is difficult to measure and therefore the benefits of quality debt advice have a significant social impact.

In 2007 - 2008 The Citizens Advice Dealing with Debt Service handled an average of approximately £1.15 million of new debt per month. An average of 165 new clients came to the service every month for help to find a way out of their debt situation.

Northern Ireland has experienced the same dramatic house price increase as the rest of the UK; however, instead of happening over a 10 - 15 year period this has been more concentrated into the last 4 to 5 years. We have seen prices double in some areas in less than 12 months and incomes have not kept pace. More recently, negative equity situations have added to the problem.

According to a report produced by Experian, Northern Ireland experienced the highest rise in mortgage debt and the biggest increase in total debt, up 23% in the 12 months to March 2008.

There can be no doubt that the people of Northern Ireland are facing difficult times financially and it is therefore essential that with the continued support of the DETI the Dealing With Debt service continues to provide the same high level of service that is providing a lifeline to those in debt.





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