

dealingwith | **debt**

in Northern Ireland



Where the advice is free,
and peace of mind priceless

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Foreword



Derek Alcorn, Chief Executive,
Citizens Advice

When the current financial crisis broke, the Prime Minister said that he wanted the lending of the banks to get back to the levels of 2007. This reflects the short term pressures which politicians work under, but it fails to appreciate the longer underlying cycles.

The recession marks in spectacular fashion, the end of a 30 year period of privatisation and deregulation which began with the election of Margaret Thatcher in 1979. That event in turn, marked the end of the 30 year period which began with the establishment of the welfare state and the social settlement which marked the end of the Second World War. So rather than simply look back to 2007, it is plausible to argue that we have moved in 2 distinct thirty year cycles.

Since there has to be a greater political vision than that of turning us into a nation of shoppers and consumers, one hopes that a new social and economic vision, and indeed a new type of economy, might emerge from the debate.

The debate around a new economic model will have to consider the wider

issues of population, energy, carbon emissions, and address the expectation of continued economic growth that is part of our everyday assumptions. This has implications for investment in transport, the incorporation of renewable energy into homes and buildings, energy policy, energy consumption, agriculture and food, public service delivery and the restructuring of car manufacturing, other parts of industry, and of course the finance industry.

The recent government proposals on credit cards are a cautious start, but there is much further to go. In respect of the retail banking interface with socially vulnerable people, there are good arguments to regulate this as closely as the utilities, and hopefully government will take this forward.

“The recession marks in spectacular fashion, the end of a 30 year period of privatisation and deregulation”

Meeting the Demands of the Recession



John Hinds
Head of Consumer Affairs
Department of Enterprise Trade & Investment
(DETI)

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 still an overwhelming demand for the service.

There has been an increase in both clients and debt levels this year. The service helped well over 2,000 people and handled over £24 million worth of debt, nearly double the amount of debt handled last year. However these increases have a human cost that is not to be measured solely in empirical terms.

The particular increase in clients reporting problems involving mortgages and the huge increase in redundancy enquiries speaks all too loudly of the pain the present economic climate inflicts on us all. The Department is pleased that the Debt Advice Service has risen to meet the added challenges of the credit crunch.

Whilst clients continue to come from all areas in Northern Ireland, the level of usage reflects people who have sought advice from the service but does not reflect those who have either chosen not to seek debt advice

or those who simply do not know that there is help to seek. There is still much resistance to admitting problems with debt but this only serves to exacerbate the problem as the longer the clients leave it before seeking an effective debt advice service the less the service can do to help. A free to use publicly funded debt advice service should be easily available to all. The Department is pleased to see that the debt advice service has continued to use outreach measures to meet the need of those who are disadvantaged in their access to advice services.

There continues to be a need for new debt remedies as Bankruptcy remains taboo for many people and Individual Voluntary Arrangements are rarely used. There is work being carried out on the introduction of Debt Relief Orders and the Department very much looks forward to their introduction. It is hoped that they will go some way in easing the immense burden on both the advice workers and those in debt.

Although the waiting time to see a debt adviser has increased this year the excellent work carried out by the advisors must be

commended. The extra demand on the service rests at their door but they have coped extremely well with the added pressure. Their energy and passion for the work they do is very much apparent.

Citizens Advice continued to work with Independent Advice Centres in providing debt advice and this co operation is not only welcomed but vital. The debtors of Northern Ireland need the very best help available and this can only be done with continued co operation between advice providers and government bodies. The Department looks forward to another successful year working with Citizens Advice.

“The service helped well over 2,000 people and handled over £24 million worth of debt.”

Statistical Report 2008/09

The Dealing with Debt service funded by DETI provided advice and support to over 2,400 new clients in 2008/09, an increase of 21% on the previous year. The amount of new debt dealt with during the year was £24,296,744.

One of the key aspects of the service is a commitment to ensure that it reaches the most vulnerable members of society. The service continually monitors the section 75 groupings set out in the Northern Ireland Act 1998. The main findings were as follows:

Section 75 Monitoring Findings

- Men and women accessed the service in approximately equal numbers
- In total 1776 clients provided age information. Of these 46% were aged 40-59 years and a further 40% were aged between 25-39 years. Older clients, aged 60 years and over accounted for a further 8%.
- In total 1114 clients provided information on their disability status. 42% stated that they have some form of disability.
- 1868 clients provided information on the source(s) of their income. 60% of respondents were in receipt of some form of benefit with 44% relying solely on benefits for income. 5% of respondents relied on pensions for some or all of their income.

- There were 17 different nationalities and 20 different ethnicities represented in the Section 75 Data. 96% stated they were either Irish or British (55% Irish, 41% British) with the remaining 15 nationalities making up the other 4%. The vast majority of clients were white and of British or Irish nationality.
- 1931 clients stated their labour market position. 47% were in employment, either as full-time or part-time employees or self employed, 28% were unemployed with the remaining 24% economically inactive. The main reason given for economic inactivity was long or short term sickness (70% of all inactive clients).

“The amount of new debt dealt with during the year was £24,296,744.”

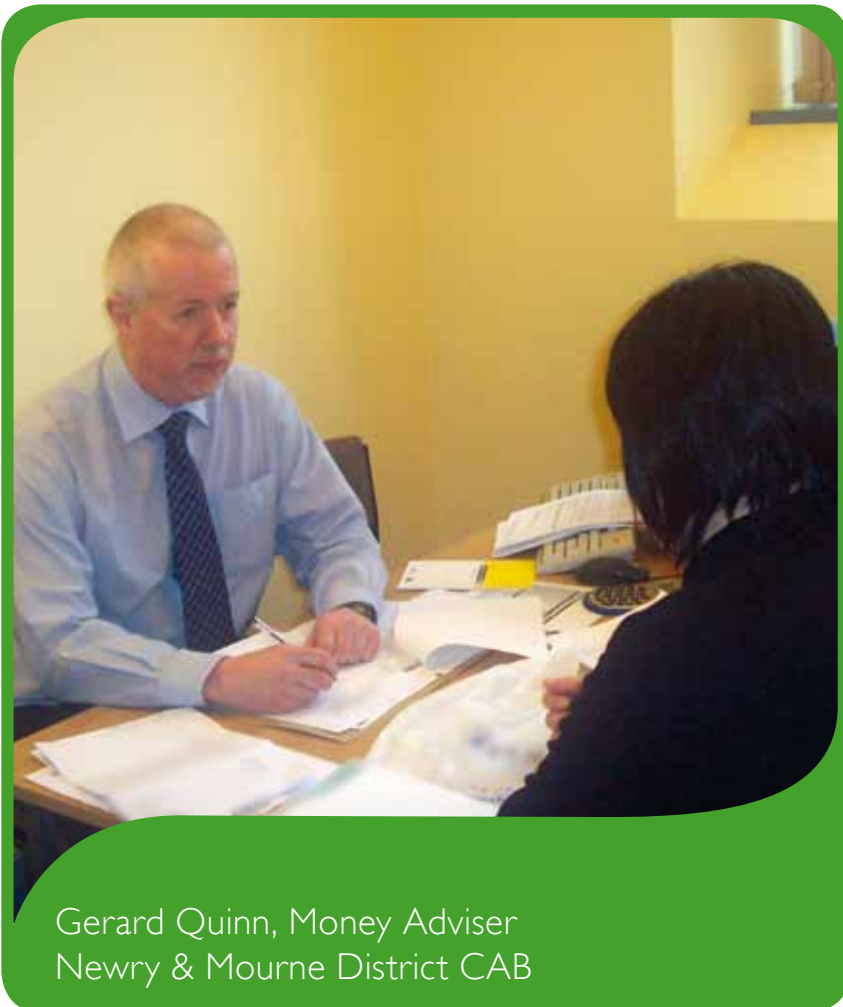
Report from the Front Line

Newry and Mourne Citizens Advice Bureau is part of a wider network of bureau across Northern Ireland providing a vital service to local communities. The demand for debt advice has increased substantially during the past 12 months as the downturn in the economy has resulted in many people facing unexpected financial difficulty. We have seen an increasing number of people who have missed mortgage repayments and a growing number of households threatened with repossession. Unfortunately, this trend looks set to continue for the foreseeable future.

An increasing number of more affluent clients have accessed the service following redundancies or when faced with the prospect of reduced working hours. Help for the most vulnerable members of our society is a continuing focus of the service.

Being on the front line, advisers see how new initiatives work in practice and despite a range of new solutions such as the Home Owner Mortgage Support Scheme, the impact has been limited. Many lenders have publically stated their commitment to assist those

“Advisers are called on to provide help and support to clients often under severe stress. Being in debt can place overwhelming pressure on relationships and health.”



Gerard Quinn, Money Adviser
Newry & Mourne District CAB

“The demand on the Dealing with Debt service has rocketed due to the continuing impact of the recession.”

in difficulty and there have been examples of local creditors taking positive steps to help people in debt. However, advisers have also been exposed to the negative practices of the finance industry.

Such an example was evident when a client approached Newry and Mourne CAB for help to complete a Disability Living Allowance form. Due to the nature of their condition, the client was applying under special rules, enabling benefit to be awarded if life expectancy is likely to be less than 6 months. It transpired that the client had multiple debts and the money adviser began to liaise with creditors on the client's behalf.

The adviser provided all creditors with medical evidence and the majority immediately agreed to no longer pursue the debt. However, two creditors continued to pursue the client for repayment despite being aware of their terminal illness. The client lost their voice as their health declined but continued to receive calls pursuing the debt. The money adviser stepped in to advise the creditors in question that their actions were in breach of the Office of Fair Trading Debt Collection Guidance and only at this point did the creditors end all collection activity.

Shortly after this difficult experience the client passed away. At a time when the individual should have been able to focus on the important things in life, they had to deal with debt issues. The impact of debt can be far reaching and devastating for clients and their families.

Advisers are called on to provide help and support to clients often under severe stress. Being in debt can place overwhelming pressure on relationships and health. Many people suffer from depression and anxiety as a result of the stress and there has been a large increase in the number of associated cases that involve domestic violence issues and marital breakdown.

Partnership approaches are invaluable. Therefore, we are working with a number of agencies to which we can signpost for additional support such as Women's Aid and PIPS which is a counselling service dealing with suicide and self harm.

As part of our wider work within the community, Newry & Mourne CAB recently assisted employees faced with redundancy in two local companies Teleperformance and BE Aerospace. Approximately 130 clients benefited from advice and information on their options and how to cope with their new situation.

We also took part in the recent 'On the Brink' series of programmes filmed by the BBC. This enabled us to further increase the profile of the service, raising awareness of the work that we do.

The demand on the Dealing with Debt service has rocketed due to the continuing impact of the recession. It has been a challenging year for the people of Newry & Mourne and for the bureau. However, we will continue to serve our community with the support and advice that we are proud to provide.



Newry & Mourne CAB office

By Rosemarie McDonnell,
Manager of Newry & Mourne CAB

Debt Statistics

In the year 2008/2009 the Dealing with Debt Service operated by Citizens Advice dealt with over £24 million of debt and handled over 6,800 debts on behalf of CAB clients. This is an increase of 76% in the amount of debt and 60% in the number of debts on the previous financial year.

Table 1 Most common sources of debt by amount

Top 7 by amount of debt				
Category	Debt Amount	No of Debts	Percentage of Debt Amount	Percentage of Number of Debts
Credit Card	£7,433,563.22	2514	28.70%	36.80%
Personal Loan	£4,611,383.14	792	17.81%	11.59%
Mortgage	£3,277,525.54	372	12.66%	5.45%
Bank Loan	£1,618,606.34	261	6.25%	3.82%
Secured Loan	£1,324,123.14	146	5.11%	2.14%
Credit Union	£1,004,425.36	188	3.88%	2.75%
Business	£901,253.81	144	3.48%	2.11%
Total	£20,170,880.55	4417	77.89%	64.66%

Table 2 Most common debt sources by frequency of occurrence

Top 7 by number of debts			
Category	Debt Amount	No of Debts	Percentage of Number of Debts
Credit Card	£7,433,563.22	2514	36.80%
Personal Loan	£4,611,383.14	792	11.59%
Catalogue	£372,522.51	523	7.66%
Store Card	£405,864.23	414	6.06%
Overdraft	£693,136.63	390	5.71%
Mortgage	£3,277,525.54	372	5.45%
Bank Loan	£1,618,606.34	261	3.82%
Total	£18,412,601.61	5266	77.09%

“Citizens Advice dealt with over £24 million of debt”

Table 3 Variance in Debt Categories when compared with previous year

	2008/2009		2007/2008		Variance 07/08 - 08/09			
Debt Category	Debt Amount	No of Debts	Debt Amount	No of Debts	Amount of Variance	Number of Debts	Amount as a Percentage	Number as a Percentage
Gas	£21,131.37	13	£2,061.96	7	£19,069.41	6	924.82%	85.71%
Mortgage	£3,277,525.54	372	£475,512.68	130	£2,802,012.86	242	589.26%	186.15%
Tax Credit Overpayment	£128,803.00	38	£43,003.24	14	£85,799.76	24	199.52%	171.43%
Rates	£166,519.81	113	£57,531.37	48	£108,988.44	65	189.44%	135.42%
Overdraft	£693,136.63	390	£243,019.59	194	£450,117.04	196	185.22%	101.03%
Benefit Overpayment	£149,609.22	33	£57,192.78	27	£92,416.44	6	161.59%	22.22%
Business	£901,253.81	144	£360,719.44	59	£540,534.37	85	149.85%	144.07%
Credit Union	£1,004,425.36	188	£416,063.89	99	£588,361.47	89	141.41%	89.90%
Door Step Lender	£175,137.11	173	£84,821.30	83	£90,315.81	90	106.48%	108.43%
Tax	£501,644.67	46	£273,977.50	21	£227,667.17	25	83.10%	119.05%
Electricity	£8,834.08	28	£4,889.76	12	£3,944.32	16	80.66%	133.33%
Secured Loan	£1,324,123.14	146	£750,822.95	70	£573,300.19	76	76.36%	108.57%
Credit Card	£7,433,563.22	2514	£5,214,845.63	1577	£2,218,717.59	937	42.55%	59.42%
Illegal Lender	£650.00	1	£2,770.00	2	-£2,120.00	-1	-76.53%	-50.00%

The table above shows the debt categories that have experienced significant increases in 2008/09 when compared with 2007/08.

Noticeable Trends

During the period 1 April 2007 to 31 March 2008, a number of noticeable trends have emerged as outlined below.

Gas

Gas arrears have increased by over £19,000 and the number of cases has almost doubled. This increase is from a relatively low starting point of 7 cases in 07/08 to 13 cases in 08/09.

Mortgage / Secured Loan

The number of mortgage arrears cases reported during the financial year 08/09 increased by 186%, an increase of 242 cases, taking the total number of cases for 08/09 to 372. The level of debt arrears increased to £3.2 million in 08/09 from £475 512 in 07/08.

However, the most important figure is the increase to 372 cases during the year. This is a 186% increase in the number of people facing the prospect of losing their home due to their debt situation. The number of secured loan cases has more than doubled from 70 in 07/08 to 146 in 08/09.

Tax Credit Overpayment / Benefit Overpayment

Both tax credit and benefit overpayment have seen a large increase in the amount of money paid incorrectly. Tax Credits has seen a large increase in the number of people affected by these overpayments (38 in 08/09 compared with 14 in 07/08).

Rates

The number of Rates Arrears cases seen in 08/09 was 113, an increase by 135% when compared with the 48 cases of 07/08. It is known that Land and Property Services (formerly RCA) were in a period of transition with their IT systems in 07/08 and it would appear that the level of collection activity has increased.

Overdraft

The number of overdraft debts has doubled and the amount of debt has increased from £243,000 to £693,000, an increase of 185%. These figures indicate that more people have been relying on their overdrafts to cover expenditure and have fallen into difficulty with repayments.

Business Debts

Over 140 businesses sought help with over £900,000 of debt in 2008/09, an increase of 145% on both measures.

Credit Union / Door Step Lender

Credit Union lending and Door Step lending has increased considerably indicating that more people are relying on less main stream forms of credit as the availability of finance contracts.

Electricity

Although still relatively low the number of NIE cases has increased by 133%. When we consider the implications in conjunction with the increase in gas

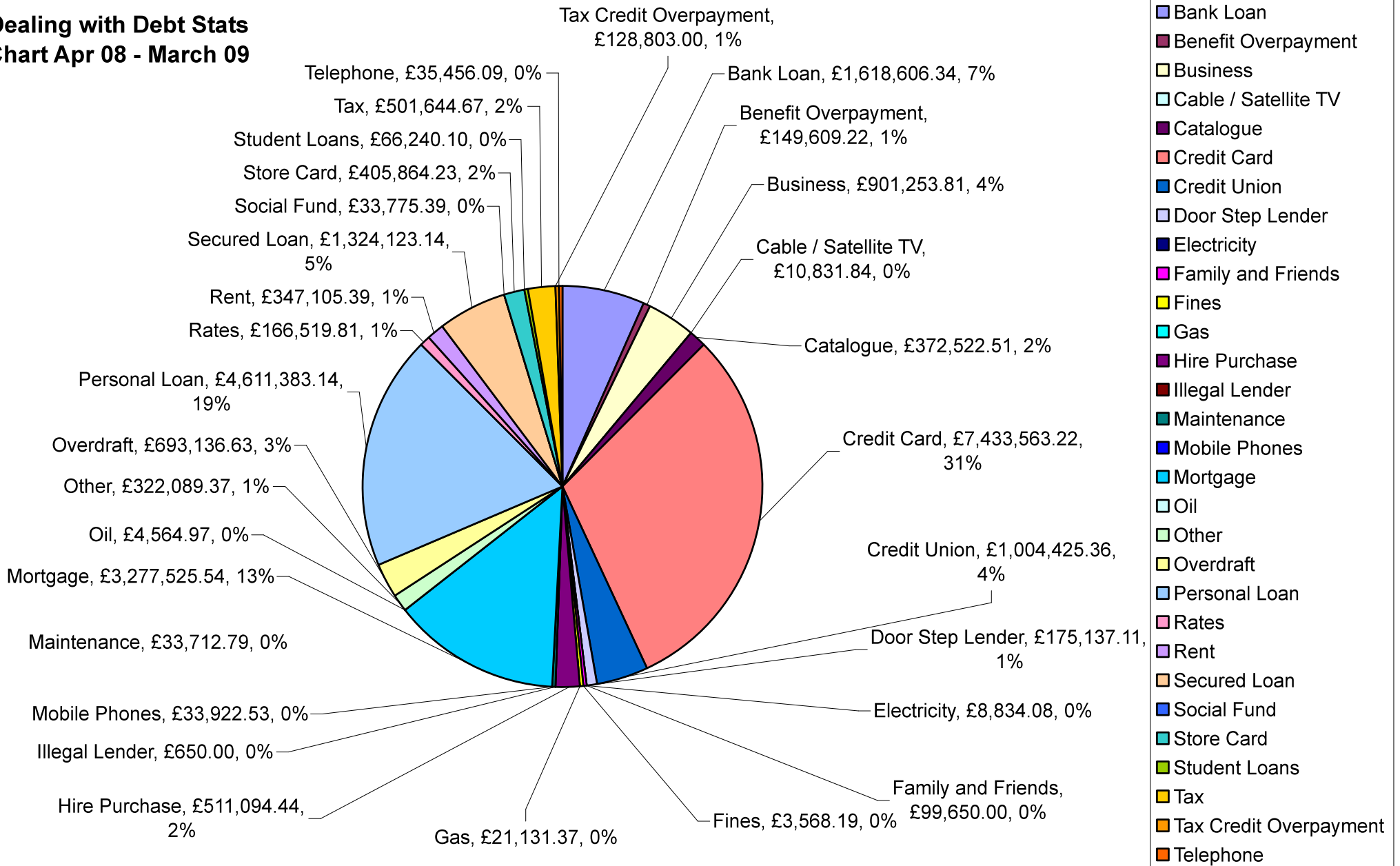
arrears it indicates that more people are struggling to meet the very basics of essential expenditure.

Further Observations

- Credit Card debt is less than a third of the total debt amount for the first time since the service began in 2006. During the year, this has increased by 42% representing an increase of £2.2 million on the 2007/08 figure. It is still the largest single debt category and accounts for £7.4 million of the total debt for the year.
- Mortgage Debt has increased from 3% of the total debt in 06/07 and 07/08 to 12.66% of total debt in 08/09. The actual amount of mortgage arrears debt in previous years was approx £475K annually. In 2008/09 the figure has increased to £3.2 million, an increase of 589%
- Door Step lending debt has more than doubled
- Credit Union debt has more than doubled
- The top 5 most common types of debt were Credit Card, Personal Loan, Catalogue, Store Card and Overdraft, making up almost 70% of the total number of debts.
- The amount of illegal lending has fallen and continues to be a rarely reported issue.

Figure 1

Dealing with Debt Stats
Chart Apr 08 - March 09



Continuous Professional Development



A quality service to help those in need is reliant on the provision of an effective training programme to support continuous professional development for front line advisers. During the year Citizens Advice has benefited from training and support from the Enforcement of Judgments Office, The Financial Ombudsman Service, Grant Thornton, R G Sinclair Solicitors, SJC Training and Trading Standards. We would like to extend our thanks to these organisations for their continued support and expertise.

We have continued to work with the Wiser Adviser Partnership on the development and delivery of Money Advice Training for the advice sector. This has been made possible due to the financial support and guidance of the Money Advice Trust. In 2009, in addition to the existing programme, we were able to develop and deliver a specialist level training course on Time Orders, a first for Northern Ireland.

Scott Kennerley,
Money Advice Project Manager &

Jim Fernley,
Head of Research and Policy,
Money Advice Trust

During the year training was also provided for Northern Bank, developed to complement and reinforce the skills of staff from branches across Northern Ireland in dealing with the challenges of personal debt. Workshops were delivered by Citizens Advice to over 100 Northern Bank staff to enhance their confidence and understanding when working with customers in financial difficulties.

Commenting on the success of the training, Garth Arnold, Senior Consultant at Northern Bank stated that "Northern Bank staff found the workshops and case studies very beneficial. A focus on the emotional impact and stress of personal debt - as much as on the practical and technical considerations - introduced a broader and different perspective and brought a wider depth to the analysis and understanding of personal customer situations.

The opportunity to work alongside Citizens Advice to develop and deliver this training builds on a longstanding financial capability partnership between the two organizations. Our investment in enhanced staff training demonstrates the value and impact of this partnership approach and this has never been so important than in the current climate.”

Training continues to be a priority for the Dealing with Debt Service, both in terms of continued professional development for advisers and in supporting other stakeholder organisations in their interaction with our clients.

“Our investment in enhanced staff training demonstrates the value and impact of this partnership approach and this has never been so important than in the current climate.”



Scott Kennerley, Money Advice Project Manager With
Debbie Mills (Counselling Centre Manager)
Consumer Credit Counselling Service NI

Report from the Project Manager



Scott Kennerley

Money Advice Project Manager

Having worked in the finance industry and advice sector for over 10 years this has been the most challenging year to date. The service has experienced a 21% increase in the number of clients assisted in the financial year 2008/09 when compared with the same period for 2007/08. This is a testament to the dedication and professionalism of the staff involved in delivering this service.

The Dealing with Debt adviser team have made a difference to the lives of over 2,400 new clients whilst at the same time continuing to provide the support needed to existing clients.

The role of the money adviser is multi-faceted. Not only does an adviser play the role of counsellor, confidant, debt adviser and advocate there is much unseen work in providing support to the client's family and in some cases

giving the client the help and support necessary to return to work.

The rapid downturn in the economic climate in Northern Ireland has led to the service being heavily over subscribed. As the recession deepens the complexity of cases also increases. The Department of Enterprise Trade and Investment are to be commended for their continued investment in debt advice to enable the delivery of a much needed service to the public.

The credit crunch has been reported as an unexpected event of global proportions. However, this does not reflect the fact that the issue of unmanageable debt has been of increasing concern to the advice sector for over 10 years. The problem has been exacerbated by current global events but the underlying issue of problem debt was evident long before

the onset of the current recession. It is evident that the problem of unmanageable debt will continue in Northern Ireland for some time.

As highlighted above, most of the problem debts are all main stream forms of consumer credit. Citizens Advice reiterates its call on the finance industry as a whole to follow the example of Ulster Bank to fund direct front line advice services. Until this happens, demand will always outpace supply.



Advisers attending the
Citizens Advice Money Advice Forum

“The Dealing with Debt adviser team have made a difference to the lives of over 2,400 new clients”



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