

dealing with | **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*

Citizens Advice is pleased to publish this fifth annual report on its Dealing with Debt service, and welcomes its continuing partnership with the Department of Enterprise Trade and Investment (DETI). The social and economic context in which we are now operating has worsened considerably against a background of public expenditure restrictions, cuts in social security benefits, and a contracting economy which will see increased unemployment, increased poverty and increased debt. Much of this can be traced back to the years in which Gordon Brown was making speeches to the City on light touch regulation, and the economy's one way bet on house prices became an engineered boom, which ended in the credit crunch.

Dealing with Debt now has a valuable database extending back for 5 years, and the significant emerging trend from this database is that mortgage debt increased by a factor of 10 in the four years between 2006 and 2010 from £475,000 to £5.4m. Between 2010 and 2011 it increased significantly from £5.4m to £9m, indicating clearly that if interest rates rise, many people will struggle to keep possession of their homes.

Citizens Advice has made the case publicly, for the Assembly to bring forward an integrated cross departmental strategy on debt, which will deal not only with crisis intervention, but which will ensure that the curriculum through from primary school to university equips people to deal with an industry in which sales are commission led. We hope that the Assembly and MLAs will address this and that our Northern Ireland MPs and the Assembly will support the reform of the banks and tighter regulation of the industry.

Comments from Funder



*Dennis Cunningham
Head of Consumer Affairs
Department of Enterprise
Trade and Investment*

The Department of Enterprise Trade and Investment (DETI) 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.

There has been an increase in both clients and debt levels this year. The service helped well over 2,500 people and handled over £37 million worth of debt. These figures provide compelling evidence of the need for free and effective debt advice in Northern Ireland.

In these times of increasing indebtedness, financial problems are indiscriminate - they do not favour one person over another. Individual circumstances can change which may force people into facing unexpected and difficult challenges. Some people don't know how to begin to deal with these problems. Others start but get lost in bureaucracy and red tape. Some people just need a little advice and information to help them on their way.

Debt which cannot be repaid can cause stress, depression and relationship breakdown. Good advice enables the clients to understand their own legal rights and obligations and informs the clients of the legal procedures available to different types of creditors. As a result the client is able to manage future budgeting more effectively.

The Dealing with Debt service is there to provide the required level of help and assistance needed by all clients and provides an opportunity to discuss debt problems with a trained adviser. All of the money advisers involved in this project must be commended on the excellent work they carry out - their energy and passion for the work makes a real difference to the lives of their clients.

Returns from the service suggest there is a need for new debt remedies. Bankruptcy remains taboo for many people and as the average client debt is below the limit for an Individual Voluntary Arrangement, that remedy has a limited impact. The introduction of Debt Relief Orders will be a welcome addition to debt remedies. My Department has been arranging training for money advisers, who will act as intermediaries on behalf of debtors applying to the scheme. This scheme will be operational by Thursday 30 June 2011, and I am hopeful that this will become a viable resolution for many clients.

Since the Department began funding debt advice in 2005, the main aim was to deal with the immediate problems of the clients. All of the DETI funded services continue to work towards this objective by providing 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.

Dealing with Debt Statistical Report for 2010/11

Main Debt Categories

During 2010/11 the Dealing with Debt Service handled over £37 million of debt arising from some 6,139 debts. Mortgage arrears debt represented nearly a quarter of the total debt amount the service dealt with in 2010/2011. The most common source of debt is Credit Cards which accounted for 21% of the number of debts dealt with during the year.

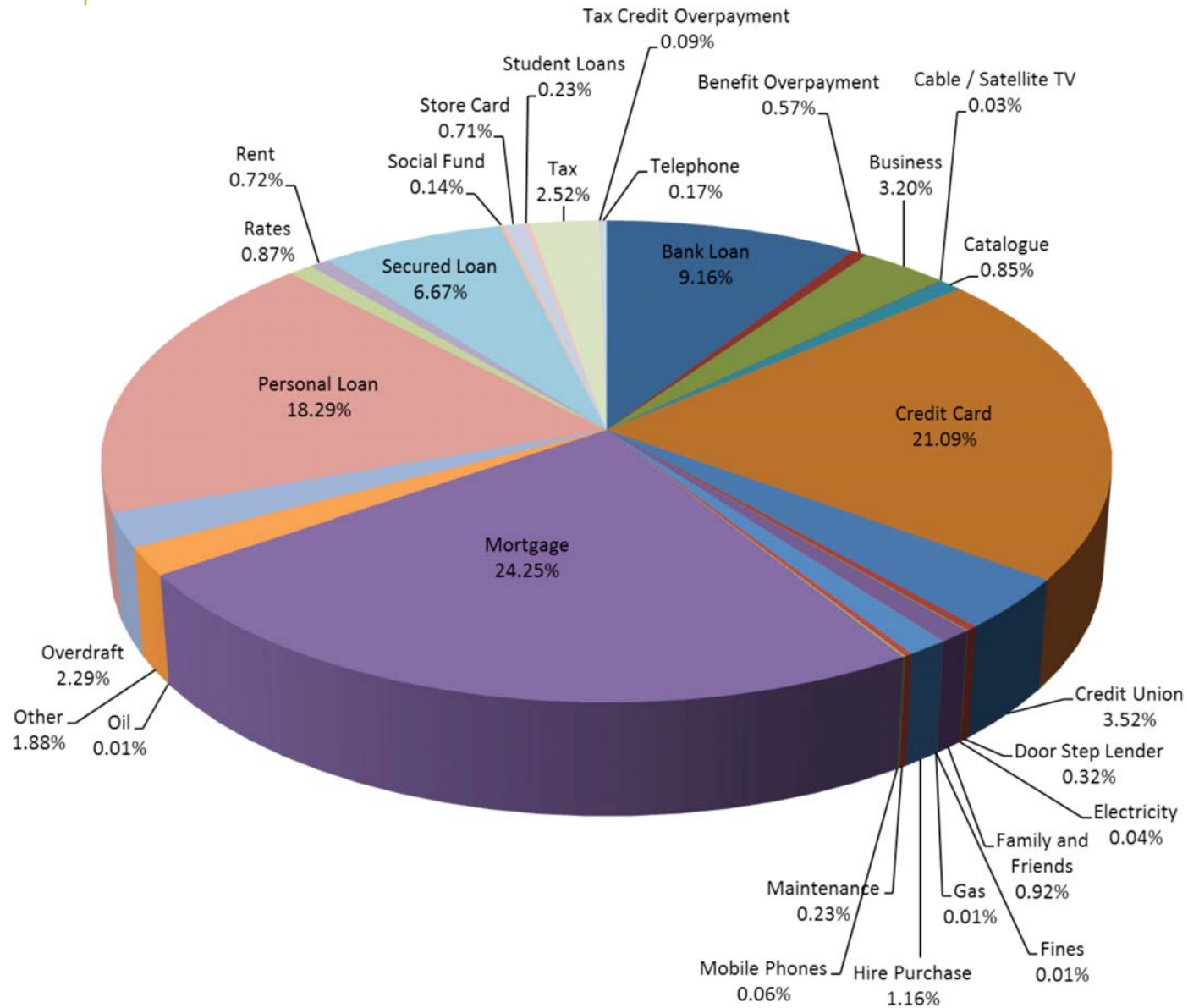
Top 7 Debt Categories by debt amount

Debt Category	Debt Amount	Number of Debts	Percentage of total debt	Percentage of number of debts
Mortgage	£9,038,508	340	24.25%	5.54%
Credit Card	£7,861,480	2217	21.09%	36.11%
Personal Loan	£6,816,308	812	18.29%	13.23%
Bank Loan	£3,414,222	241	9.16%	3.93%
Secured Loan	£2,485,305	92	6.67%	1.50%
Credit Union	£1,311,640	249	3.52%	4.06%
Business	£1,190,943	203	3.20%	3.31%
Total	£32,118,406	4154	86.18%	67.68%

Top 7 Debt Categories by number of debts

Debt Category	Debt Amount	Number of Debts	Percentage of total debt	Percentage of number of debts
Credit card	£7,861,480	2217	21.09%	36.11%
Personal Loan	£6,816,308	812	18.29%	13.23%
Overdraft	£852,905	440	2.29%	7.17%
Catalogue	£317,240	353	0.85%	5.75%
Mortgage	£9,038,508	340	24.25%	5.54%
Storecard	£263,320	291	0.71%	4.74%
Credit Union	£1,311,640	249	3.52%	4.06%
Total	£26,461,401	4,702	71.00%	76.59%

Debt Amount April 2010 - March 2011



Debt Categories with Large Variance

The table below shows the debt categories that have experienced large variances in 2010/11 when compared with 2009/10.

Debt Category	2010 / 2011		2009 / 2010		Variance in amount of debt	Variance Numbers	Variance amount %	Variance Numbers %
	Debt Amount 2010/2011	No of Debts 2010/2011	Debt Amount 2009/2010	No of Debts 2009/2010				
Bank Loan	£3,414,222	241	£2,039,701	307	£1,374,521	-66	67%	-21%
Benefit Overpayment	£212,879	27	£127,349	41	£85,530	-14	67%	-34%
Business	£1,190,943	203	£2,372,777	285	-£1,181,834	-82	-50%	-29%
Credit Card	£7,861,480	2,217	£9,755,307	2999	-£1,893,827	-782	-19%	-26%
Family and Friends	£341,720	31	£28,825	12	£312,895	19	1085%	158%
Maintenance	£87,138	3	£69,973	4	£17,165	-1	25%	-25%
Mortgage	£9,038,508	340	£5,496,148	330	£3,542,360	10	64%	3%
Rates	£326,027	126	£232,053	138	£93,974	-12	40%	-9%
Rent	£269,824	55	£168,176	93	£101,648	-38	60%	-41%
Secured Loan	£2,485,305	92	£2,060,965	146	£424,340	-54	21%	-37%

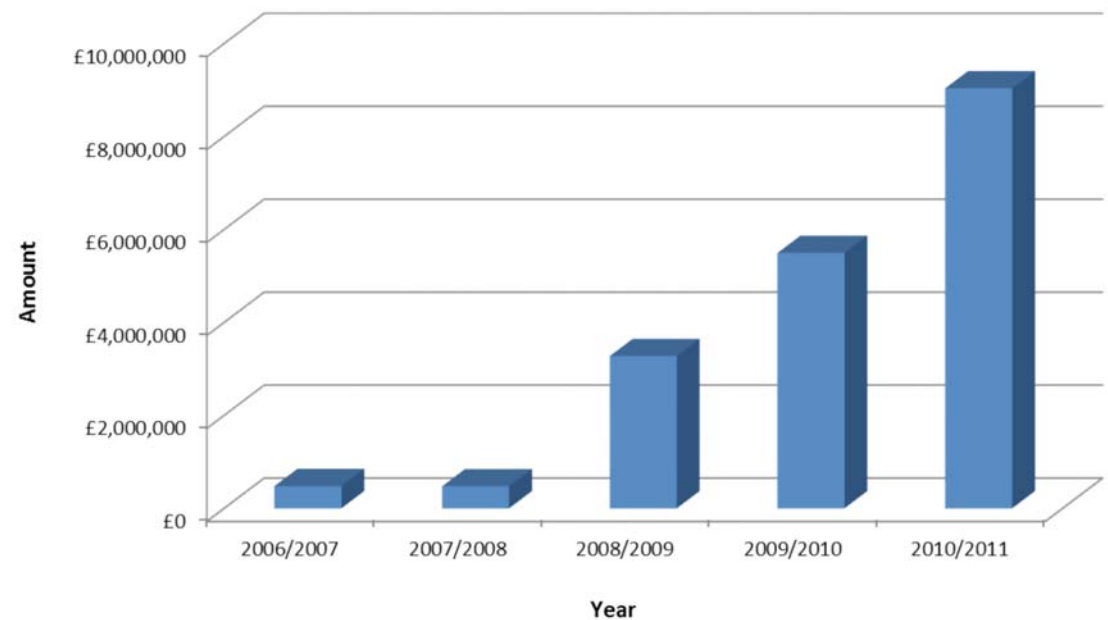
Noticeable Trends and Changes

Mortgage / Secured Loan

The amount of mortgage debt dealt with by advisers during the financial year 10/11 has increased dramatically by 64% when compared to 2009/10 and by a staggering 1,801% when compared to the 07/08 figures. Additionally, it is noted that despite the drop of 37% in the number of secured loan cases in 2010/2011, (2010/11: 108, 2009/10: 146) the amount of debt itself has risen by 21%. Both of these figures show an increase in the average amount of individual mortgage and secured loan debt.

This is indicative of clients presenting with much larger debts overall than in previous years. The figures are indicative of a rising trend as a cause and consequence of the financial crisis in 2008. Many clients presenting also have been affected by the Government's reduction in mortgage interest relief from 6.08% to 3.63% in October 2010. This has led to an increase in mortgage repossession cases and mortgage shortfall debt in cases where clients cannot fund the difference.

Mortgage Debt



Rates

As in the case of mortgage debt, the amount of Rates arrears debt continues to show an upward trend with the average individual rates debt having increased by 54%.

Family and Friends

This source of credit has increased significantly with the average individual debt amount showing £11,023 compared to £2,402 in the previous year, indicating a greater reliance being placed on family and friends.

Rent

Although the number of cases has reduced by 40%, the average amount of rent arrears has increased during the period by 60%. This trend is on a par with the amount of other household debts which have increased significantly since the financial crisis in 2008.

Bank Loans

Although numbers of debts have reduced by 21%, the amount of Bank Loan debt has increased by 67%. It is important to highlight that the amount reported in 2010/2011 includes an individual debt of £1.28m. If this individual debt is removed the overall amount reverts to last years levels. However, as numbers of debts have reduced the average individual Bank Loan debt has still increased from an average of £6,644 per individual in 2009/2010 to £8892 per individual in 2010/2011.

Further Trends

- Mortgage debt has surpassed credit card debt as the largest debt for the first time since dealing with debt statistics have been collated. Credit card debt is now the second highest in terms of amount followed closely by Personal Loans, Bank Loans and Secured Loans. These top 5 debts most make up almost 80% of the total amount of debt dealt with during the year.
- Although Credit Card debt has fallen back to 2008/2009 levels, due to the tightening up in this area in terms of credit referencing and allocation of cards, it still continues to be the most common type of problem debt dealt with by the service accounting for 36% of the total number of debts. The next four most common debts are Personal Loans, Overdraft, Catalogue and Mortgages. All five represent almost 68% of the total number of debts dealt with during the year.
- Advisors have noted a change to client profile throughout the 2010/2011 year, with many more clients presenting from a business, banking, financial advisor and property development background.
- Advisors have also noted a greater effort by creditors to facilitate our clients through negotiation in terms of assessing all of the options available and some are more willing to come to arrangements to avoid repossession if at all possible.

Client Profile Statistics 2010/11

The Dealing with Debt Service continually monitors the profile of clients to ensure that the service is available and accessible to all communities and Section 75 groups as specified in the Northern Ireland Act 1998.

The main findings from the monitoring exercises carried out in 2010/11 are as follows:

- **Gender:**

Men and Women continued to access the service in relatively equal numbers as was the case in 2008/09 and 2009/2010. This year, 2,367 people answered the gender question, 1,117 female (47%) and 1,250 male (53%). This compares closely with population figures for Northern Ireland (49% male and 51% female)¹

- **Age:**

2,189 people answered the age question. Those aged 40-59 accounted for the most (45%) and those aged 25-39 were the second largest group (40%). Those aged 60 or over accounted for 10%. In terms of comparison against the age groups for the population, those aged 40-59 account for 26% and the 25-39 age group account for 20%. Therefore, both of these groups are grossly over represented, however, this can probably be explained by the fact that it is during these age groups that people make most of their major financial decisions and commitments. In contrast to this those aged 60 or over account for 19% of the population and therefore are under represented in the Dealing with Debt client base.

Table to show the Age Groups of the Dealing with Debt Service compared with the Age Groups of the Northern Ireland Population

Age Group	Dealing with Debt Service	NI Population
18-24	4.89%	10.18%
25-39	39.52%	20.32%
40-59	45.50%	25.94%
60+	10.09%	19.37%

¹ Unless otherwise stated, all population statistics were sourced from the Northern Ireland Statistics and Research Agency mid year population estimates of 2009, NISRA continuous household survey bulletin 2009/10, 2001 UK Census, the Labour Force Survey 2008 (Individual data set) and the Labour Force Survey 2008 (Quarterly Household Data set Apr - June 2008) .

- **Family Status.**

2,233 clients were prepared to disclose their family status. 36% were married compared with 53% of the population and 34% were single, which is the same as the general population. 23% of respondents gave their status as divorced or separated which compares with approximately 7% of the general population. This would indicate that those who have experienced some form of relationship breakdown are over represented in the dealing with debt client group.

- **Benefits.**

53% of respondents relied on earnings as their main source of income. This is an increase of 14% on last year (2009/2010: 39%) 43% of respondents relied on some sort of benefits as their main source of income. This figure is down from last years figure of 58% highlighting a shift in client type. Roughly 2% of respondents relied on some form of pension income, and 2% on other.

- **Disability.**

1,653 clients answered the question on disability, 30% had some form of disability. 18% had physical disabilities and 12% had mental health difficulties. The overall figure for clients with a disability compares to 25% of the general population. This suggests clients with disabilities were over represented in the Dealing with Debt client base.

- **Housing Status.**

2,240 respondents answered the question on housing status with 56% being owner occupiers. 18% stated they were private tenants, 11% were Housing Executive tenants and 2% were Housing Association Tenants. The 2009/10 figure for owner occupiers in Northern Ireland was 70%, Housing Executive clients was 13%. Both areas are slightly under represented. These figures are on a par with the 2009/2010 year.

- **Employment Status.**

2,258 respondents disclosed their employment status: 39% were either unemployed or sick. (2009/10: 42%) 44% were employed either full time or part time (2009/10: 43%) 8% were self employed and 6% were retired. According to the figures from the Labour Force Survey 2008, 41% were unemployed or economically inactive. This compares with 45% of the Dealing with Debt client base (unemployed, sick or retired).

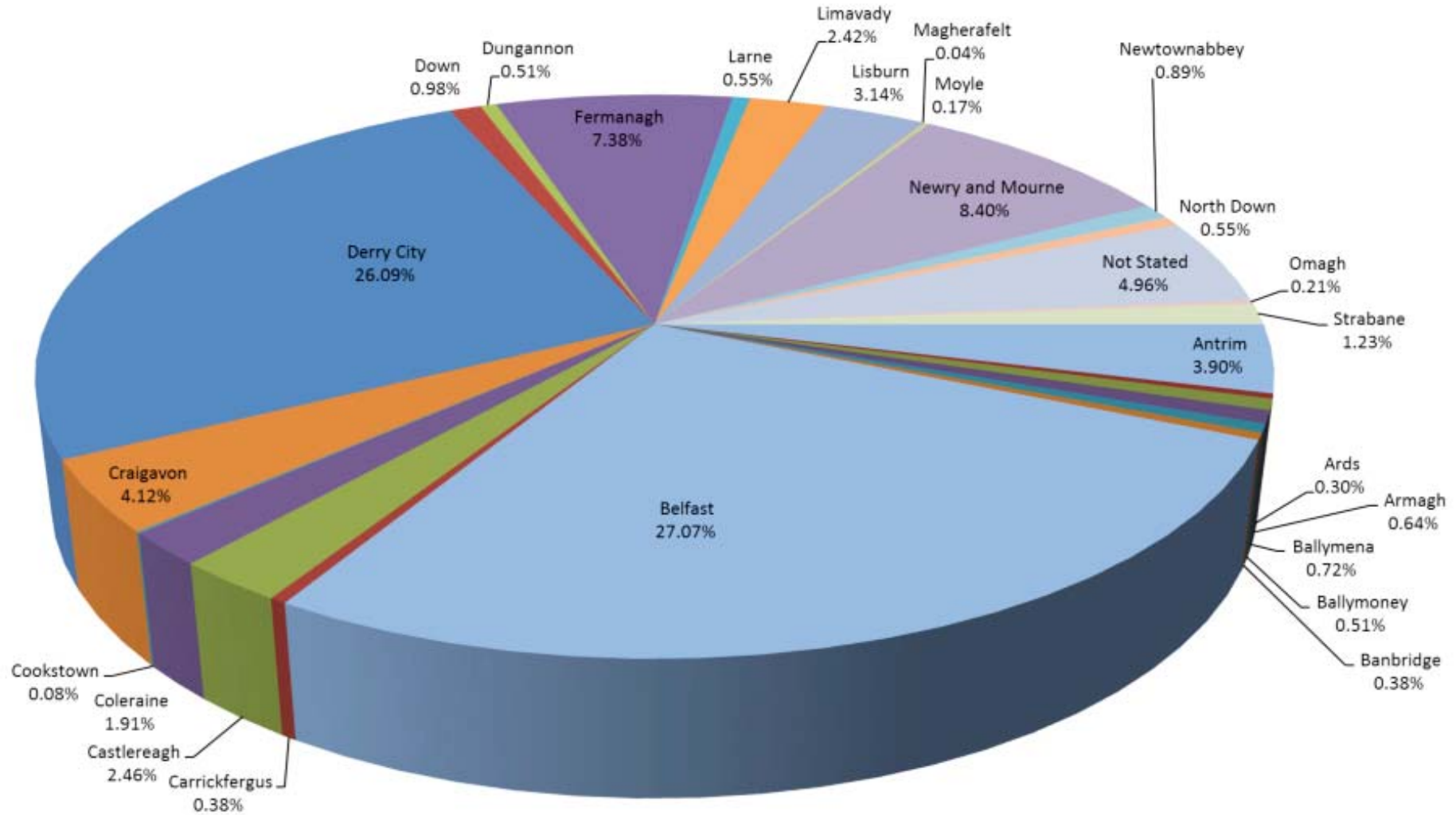
- **Nationality.**

1,557 people gave their nationality: 52% were Irish, 43% British, 1.2% Northern Irish, 0.7% Polish and 3.1% other. Those clients who have been categorised as other comprised 21 different nationalities.

- **Ethnicity.**

1,595 respondents gave their ethnicity: 96% can be categorised as White with, 4% categorised as other. Figures from the Labour Force Survey 2008 indicate that the population is 98.6% White and 1.4% other. Therefore, it could be argued that the ethnicity groups (made up of 12 different categories) grouped as 'Other' are over represented in the Dealing with Debt client group.

Percentage of Debt by Council Area



Report from the Front Line



The CAB Money Advice team at Belfast Central with Jimmy Hughes DETI

“Home life ceases to be free and beautiful as soon as it is founded on borrowing and debt”. Henrik Ibsen.

Our Belfast office has been providing debt advice since 1990 and is currently centralised in our new offices at the Merrion Centre, 58 Howard Street.

Our reputation for delivering a professional and quality service has increased dramatically. Citizens Advice Belfast operates a well equipped unit to be able to deal immediately and effectively with all debt related enquiries either personal or business.

Our staff have over 30 years of combined experience in dealing with debt issues. It is essential that this experience and the knowledge that comes from it is utilised to the full and as such we have developed clear progression routes for volunteers working with the unit to expand and consolidate debt advice for the future in Belfast.

The context in which we deliver our debt advice service is a different one from five years ago. What we are seeing at the moment is a society hanging on by its fingertips with immense challenges for our clients. The combination of static income, reductions in benefit entitlement and inflation where the price of basics such as petrol, oil, gas and food have all risen means that the majority of people are finding it difficult to balance budgets.

We also have what is referred to as the “new poor” those people used to an affluent lifestyle and who now face difficulties in meeting their financial obligations due to redundancy or business failure.

The most common problem being dealt with by advisers is still personal debt and there has been a significant increase in the numbers of clients who have petitioned for bankruptcy. Mortgage arrears have steadily increased and a contributory factor in this has been the ending of

mortgage help for those on Job Seekers Allowance for 104 weeks. As this rule was introduced in 2009 we are now seeing the practical results of this significant change. Court Service figures for the first quarter of 2011 show an 11% increase in house repossessions from last year and a 55% increase from five years ago. What is worrying for us is that there are clients who have significant mortgage arrears but whose lender has not issued repossession proceedings, due to the slump in the housing market. If the housing market shows any sign of recovery then lenders would move to repossess.

It is important that we pause to consider the human element of debt. It is difficult to disentangle the inter-relationship between debt and mental health, but the links are clear: Being in debt can negatively affect a client's mental health, while living with a mental health problem increases the likelihood of falling into debt. Unfortunately there are times when the burden of debt has been so great that clients have contemplated or tried self harm.

The case of 'A' clearly demonstrates this:

Client was recently separated and unable to work due to depression. He had personal debt comprising two loans and three store cards. Client also had mortgage arrears. Due to his depression client had not been making payments and did not know how much he owed. Client was also having difficulty communicating with the Social Security Agency and this was holding up benefits he was due. At a Chancery hearing in February 2011 the Solicitor for the lender was very insistent that a financial statement should be provided. Evidence of our client's illness was produced and an adjournment granted. There were considerable delays in trying to ascertain the date his mortgage support would begin and an application for DLA had still to be adjudicated on. All this pressure resulted in the client being admitted to Lagan Valley hospital after an attempt to take his own life two days before the Chancery court would decide the future of his home.

We have yet to witness the full impact of the recent cuts to benefits and public sector budgets. Personal indebtedness is likely to remain and the need for our services will inevitably be in a growth sector. Citizens Advice Belfast looks forward to meeting the challenges arising from those cuts and to meeting them in a multi channelled way.

Pat Colton

Area Director

Citizens Advice Belfast

Training and Development



The key to delivering quality, effective money advice is to have highly trained, professional staff. The area of money advice is complex and constantly changing and Citizens Advice places a high priority in ensuring that our money advisers are competent and continually improve the quality of the service offered to clients through a programme of appropriate specialist support and continuous professional development.

Citizens Advice is the only advice agency providing Money Advice training at foundation, skilled and specialist level in Northern Ireland. There are clear progression routes for advisers from generalist level to skilled level through accelerated learning on the Enhanced Foundation Money Advice (EFMA) course.

With the support of DETI this course was recently accredited as a Money Adviser Training Programme by the Open College Network in Northern Ireland at level 4 (Diploma level) and includes: Introduction To Dealing with Debt, the Money Advice Process, Strategies And Options for Dealing With Creditors, Negotiation Skills, Introduction to Court Action, The Consumer Credit Act, Insolvency, Dealing With Mortgage Arrears and Dealing With Rent Arrears. This means that we can quickly build capacity in response to need.

Money Advisers on the Enhanced Foundation Money Advice Course with their tutor Sally Coles

All Money Adviser specialist level training in Northern Ireland continues to be provided by Citizens Advice and funded by the Money Advice Trust. Courses include Business Debts, Mortgage Possessions, Lay Advocacy, Time Orders, Court Action for the Enforcements of Judgements and Limitations of Actions.

We have concentrated this year on developing a wide pool of tutors who can deliver Money Advice training at generalist, skilled and professional levels. Our reputation for providing best practice training in this area is such that we were asked by the Institute of Money Advisers to “NI Extent” their Money Advice certificate.

Citizens Advice has recently been appointed by the Insolvency Service to be a Competent Authority under the Debt Relief Orders (DRO) Regulations (NI) 2011 and all of our Debt advisers have applied to be intermediaries under the scheme. Some of our skilled/ specialist staff are currently being trained as trainers who will cascade the training regionally to the 24 Citizens Advice Bureaux.

Report from the Director of Development



*Alayne Kinver.
Director of Development at CAB*

The statistical section of this report shows the depth of the debt problem across Northern Ireland. In the five years that the Dealing with Debt Service had been running the money advisers have handled over £123 million of debt made up of over 29,000 debts.

The service has helped close to 11,500 people with their debt problems and made a difference to thousands more when we consider the impact that debt can have on the families of those suffering with the depression and anxiety that often comes with being over indebted.

I am immensely proud of the achievements of this service which can be attributed to the money advisers funded by the Dealing with Debt Service and their management and support teams in bureaux.

This year has brought increased demand particularly in the area of mortgage debt. The amount of mortgage debt dealt with in 2010/11 (£9m) when compared with 2007/08 (475k) has increased eighteen fold. Mortgage debt represented 24.25% of the total debt the service dealt with in 2010/2011. The figures are indicative of a rising trend as a cause and consequence of the financial crisis in 2008 and also reflect the latest figures from the Northern Ireland Court Service showing a substantial increase in local families facing repossession. The Bank of England is expected by many economists to increase the base rate at some point during the year to help tackle inflation, this could have an immediate impact on many more homeowners' ability to pay their mortgages, many of whom purchased properties in 2006 and 2007 are in negative equity. Even a small increase of 2% on an interest only mortgage would generate an extra annual cost of £3,000 per annum.

Any increase is also more likely to precipitate more mortgage repossession cases. The reduction in mortgage interest relief from October 2010 is also having an impact, particularly on those who have already been hit hardest by the recession and are finding it impossible to find the additional interest payments. We expect to be dealing with a lot more clients presenting with repossession in the coming months.

The scale and complexity of debt has increased dramatically in the five years that the service has been running. This has contributed to increased waiting times to see an adviser. Following a review carried out during 2010 by CDS – Development Consultancy, and supported by DETI, a new service model for the Dealing with Debt Service was produced to address these issues. The new model was successfully piloted in two offices and is currently being rolled out throughout all DETI funded CAB offices.

The new model centres around both a telephone and walk in triage process. It provides for appropriate advice to the client at each stage and also provides a route to immediate advice for those clients who present in person with an emergency, via diagnostic reception and a duty adviser.

This process is backed up by a secure electronic appointments system for debt advice clients. Appointments are made by the adviser when deemed necessary and the client notified of the time and date of the resulting appointment within target times. Targets include an average of 10% of clients who will receive an appointment on the same day they contact the bureau, 20% within 1-3 working days, 30% within 4 – 7 working days and 40% within 8 – 10 working days. Progress against targets will be reported on a quarterly basis in the new financial year.

The effects of the recession continue to have a significant impact on the lives of people in Northern Ireland. Cuts to public expenditure will create a contracting economy which will produce increased unemployment and redundancy. This will increase levels of personal debt, bankruptcies and increased mortgage repossession actions in courts.

This service makes a difference to the lives of its clients and is a good example of government and the advice sector working together to achieve common aims.

The Department of Enterprise Trade and Investment provides all of the funding to make this service possible. In addition to this they provide training, advice and support to the adviser team.

The Department is to be applauded for having the vision to secure funding for this invaluable public service and for taking the time to get involved in understanding how the service impacts on the lives of those we help. They have done this by visiting the advisers on the ground to witness at first hand some of the issues advisers face.

Citizens Advice values the effective working relationship with the Department of Enterprise Trade and Investment and looks forward to continuing to deliver the Dealing with Debt Service to those people in financial difficulty in 2011/2012.





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