



#malgconf2019



Conference 2019

Break out 1b

How do we deal with deficit budgets?

Speakers - Jane Tully and Chloe Ramone (Money Advice Trust), Dave Orbinson (StepChange Debt Charity), Christy McAleese and Jasmin Martin (Citizens Advice)

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Deficit budgets - a growing problem

MONEY

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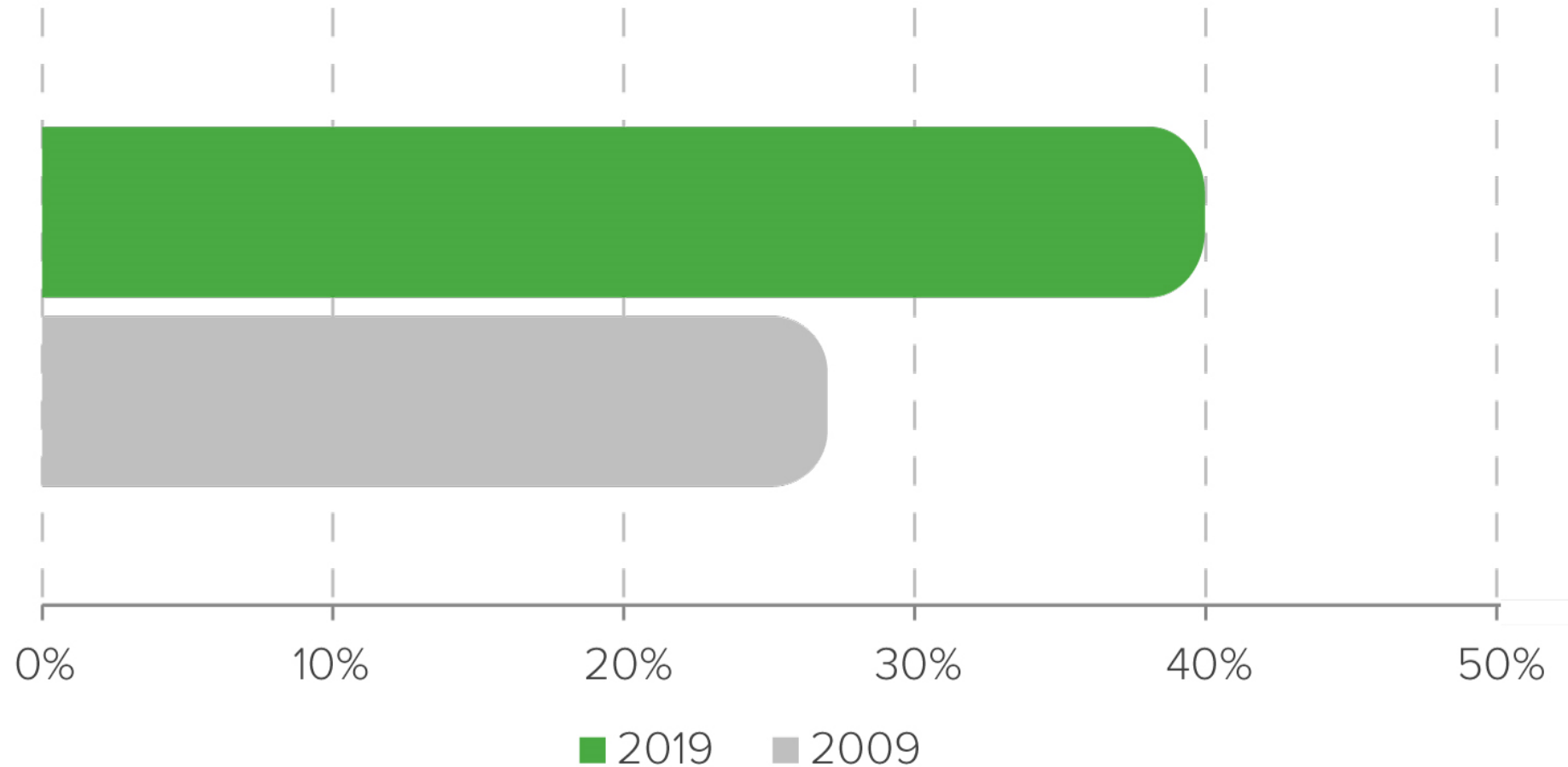
ADVICE YOU CAN TRUST

Aims of the session

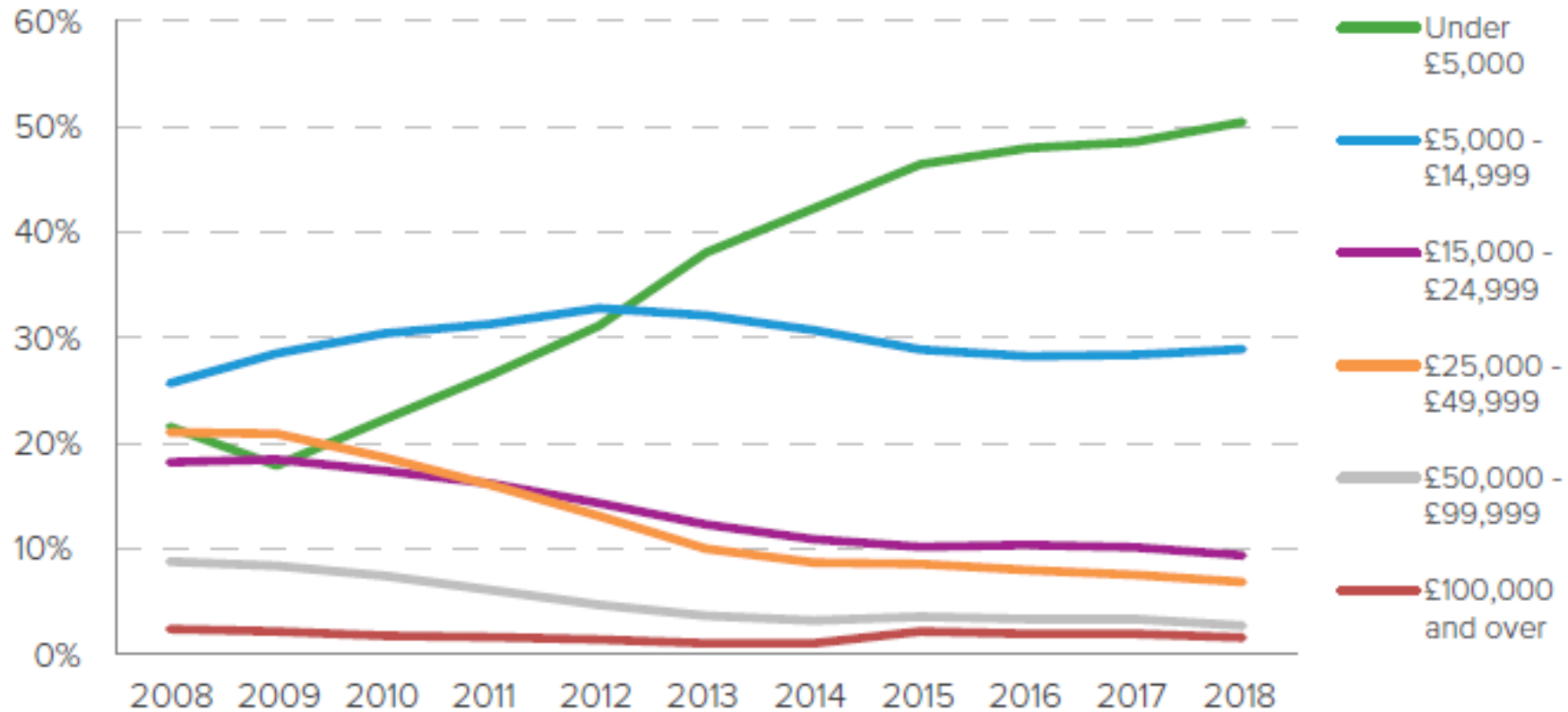
- Inform policy work across our organisations
- Shape Citizens Advice research
- Inform refreshed Wiseraadviser training on deficit budgets

Growth in deficit budgets

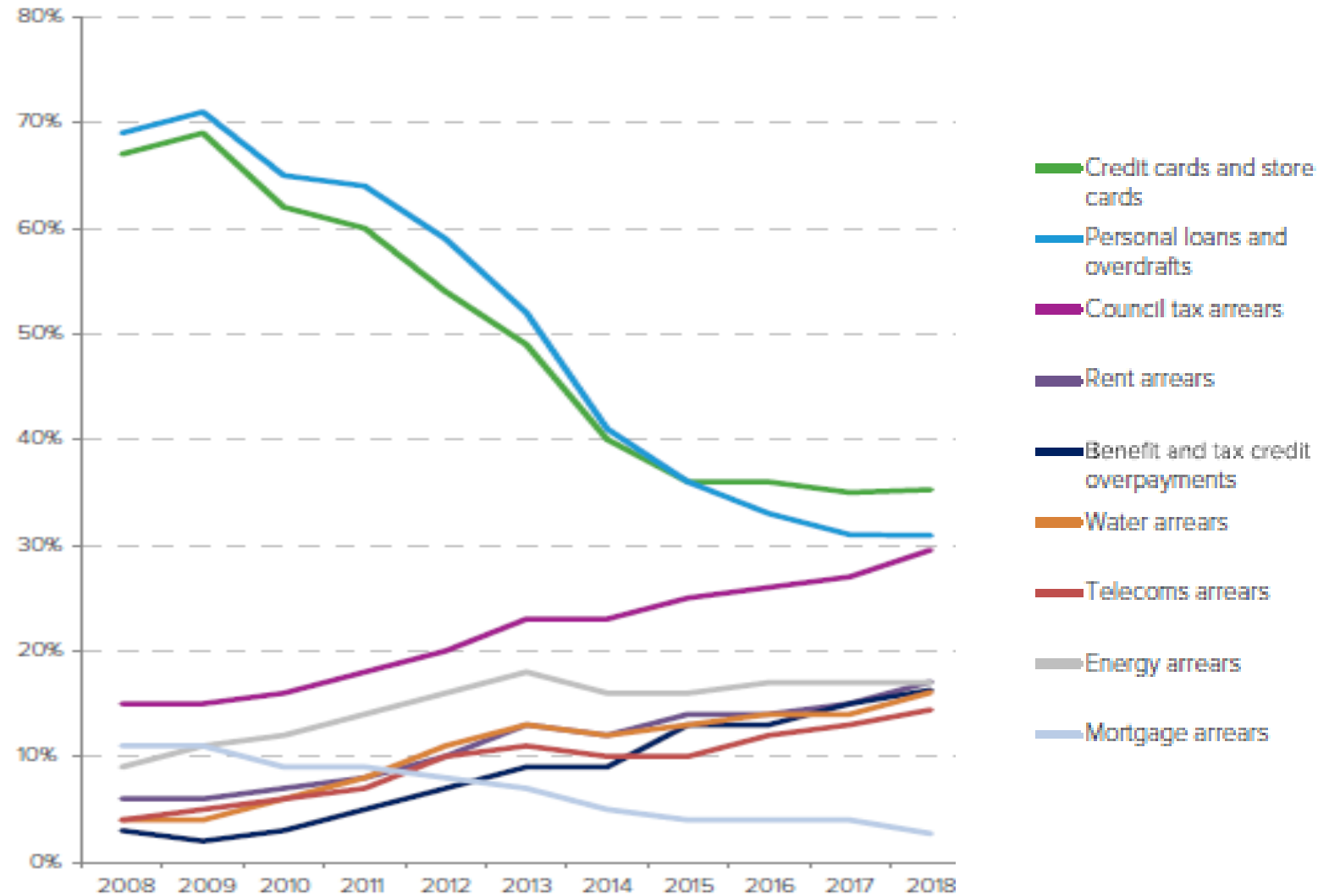
National Debtline callers with deficit budgets 2009 to 2019



Smaller amounts of debt



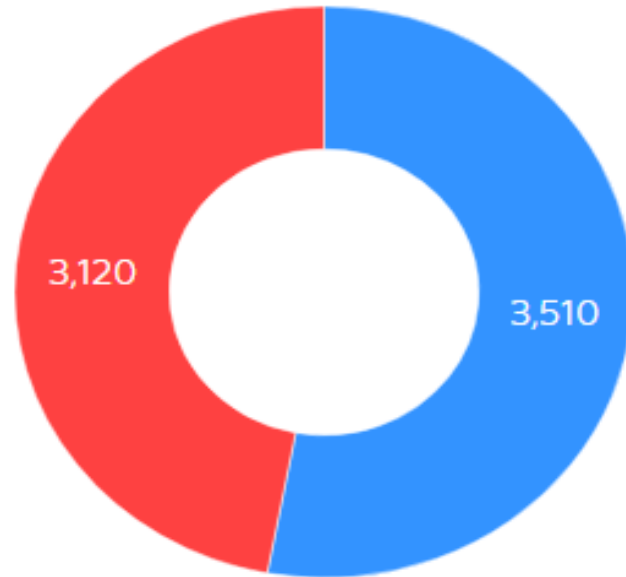
Growth in priority debts



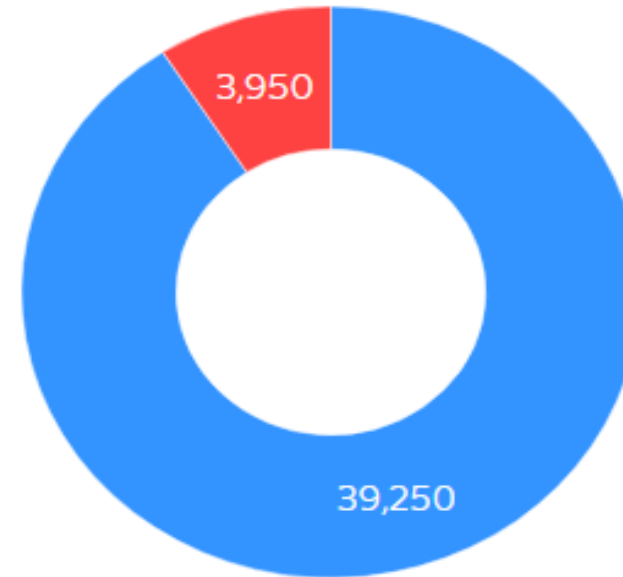
For poorest households debt is almost half their income

Unsecured debt (no guarantor or collateral), compared to households' income, after debt removed

■ Income after debt ■ Avg unsecured debt



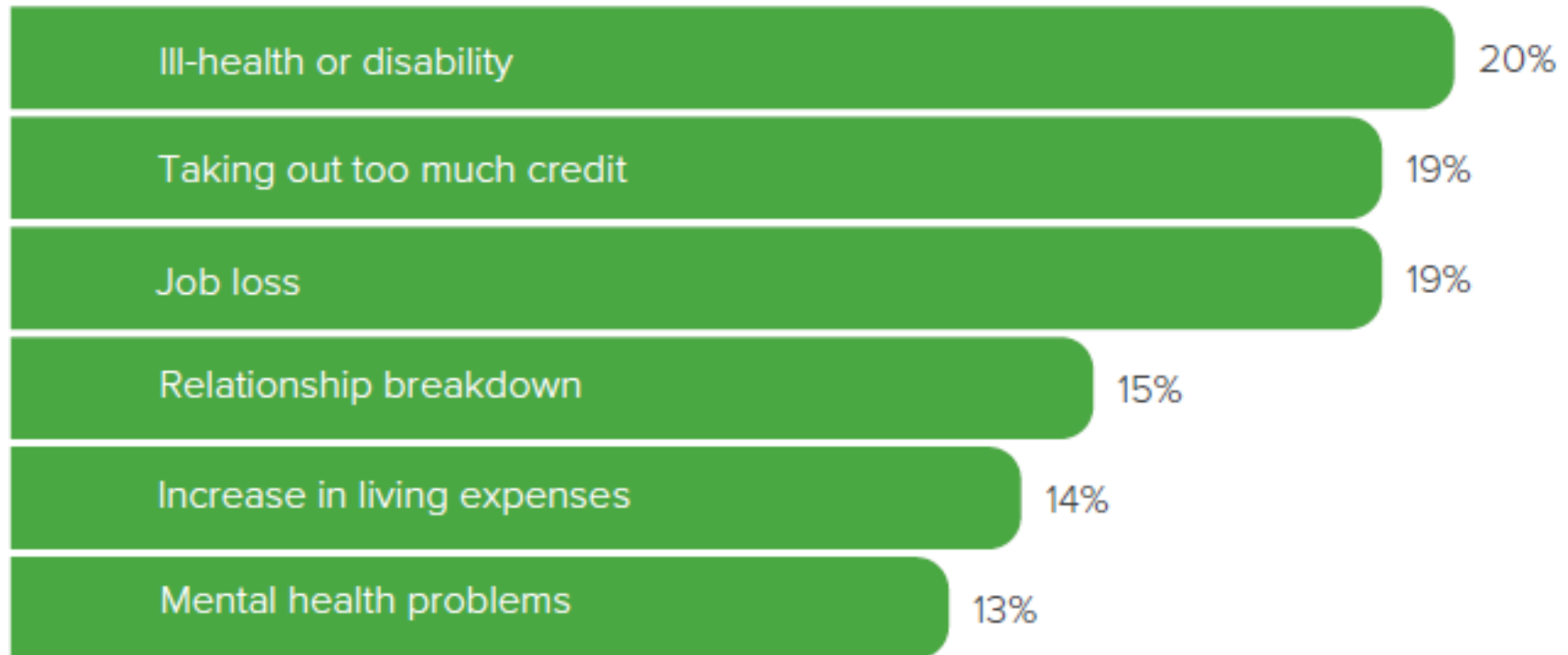
Poorest households



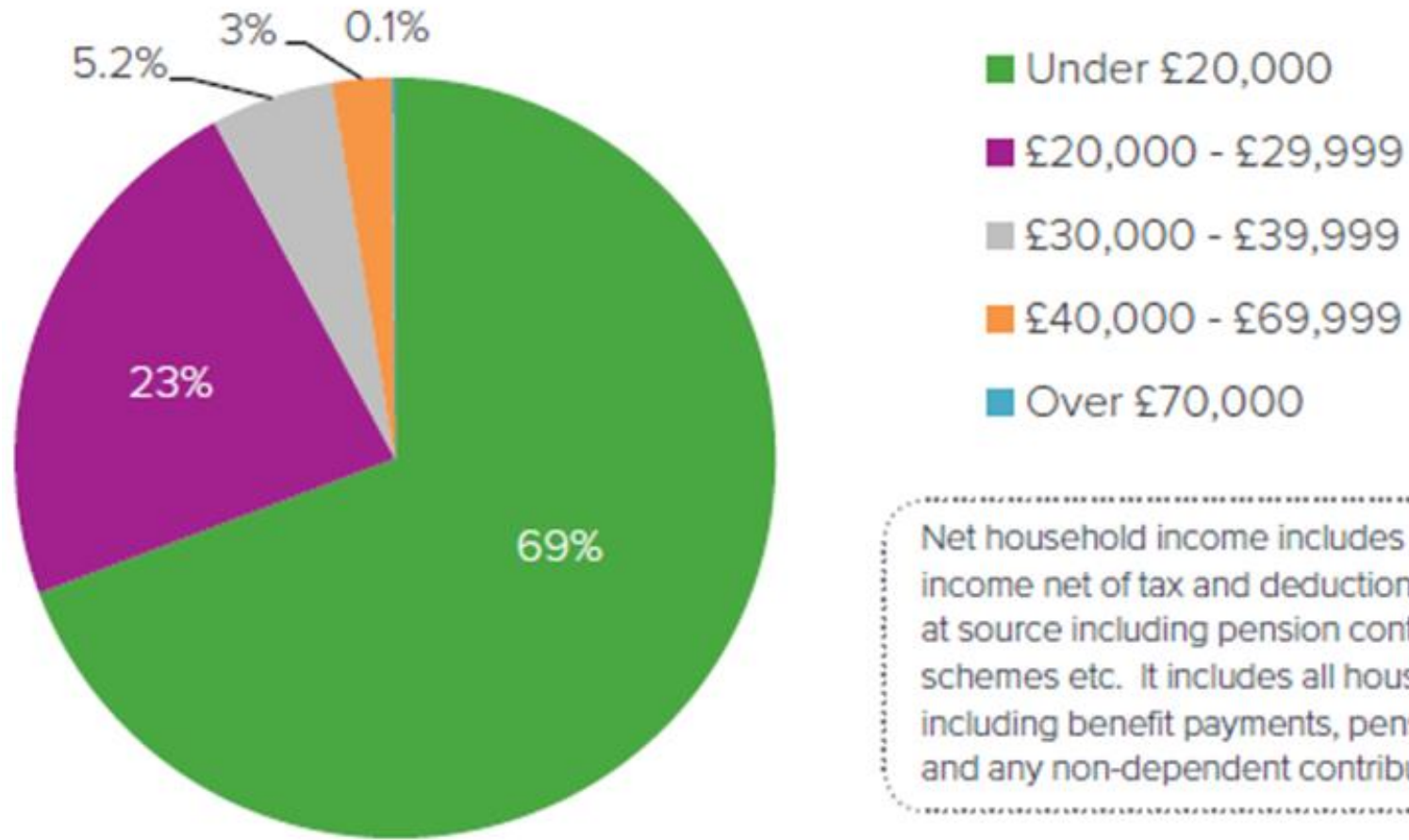
UK average

Source: Resolution Foundation analysis of Bank of England, NMG Survey 2018

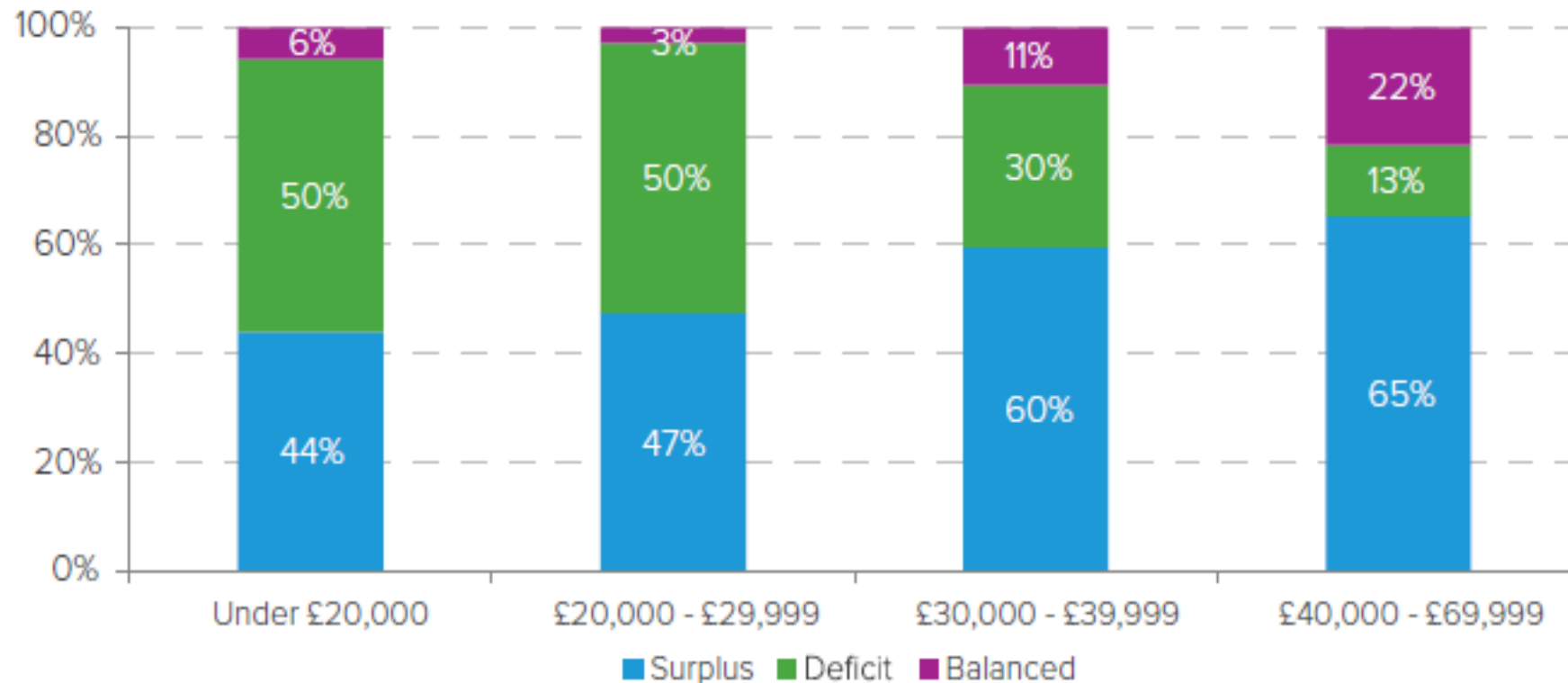
Reason for debt often beyond people's control



Low household incomes

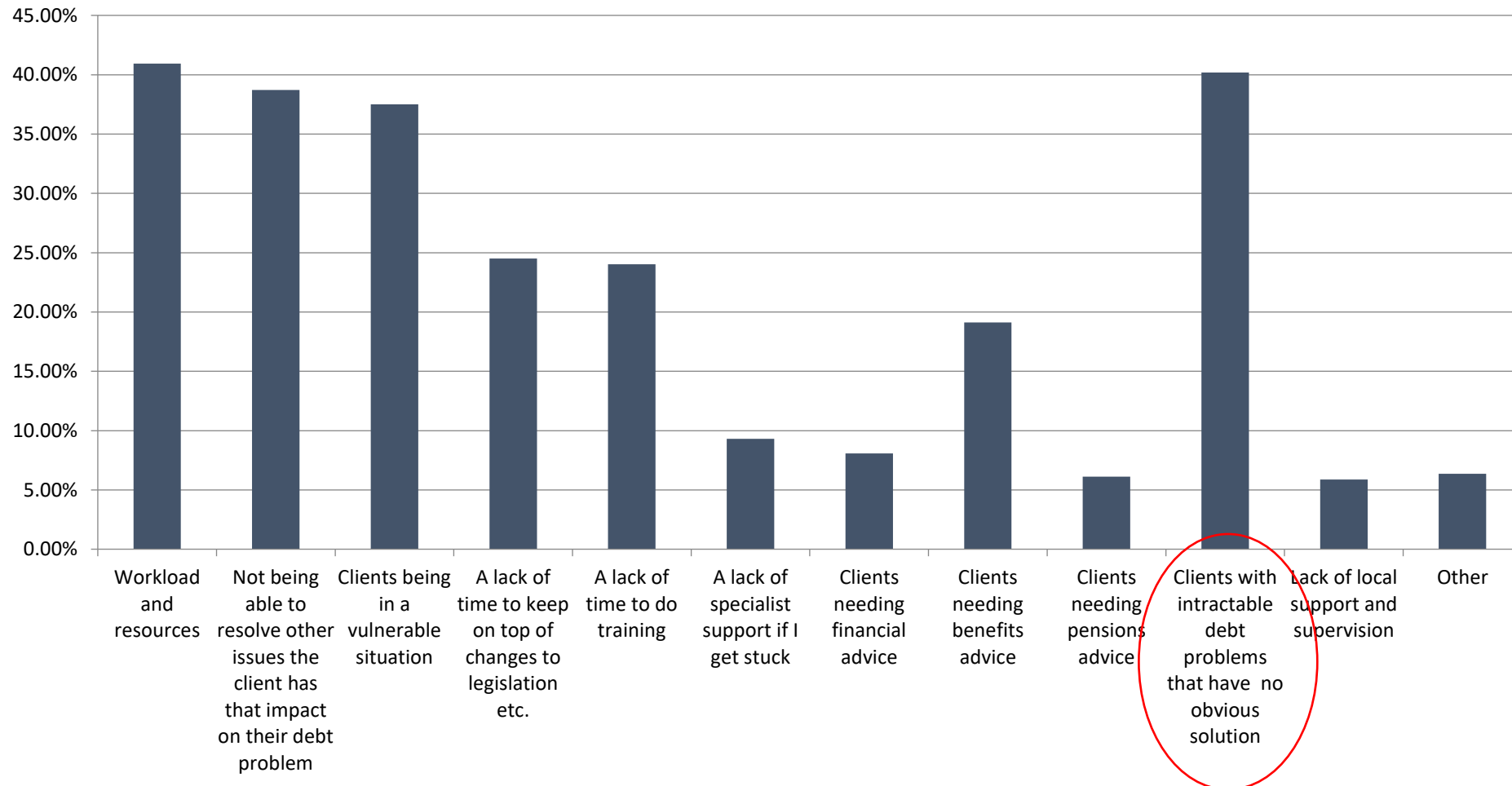


Lower incomes more likely to have deficit budget



Impact on adviser well-being

What, if any, are the main barriers to you providing effective debt advice?



Deficit Budgets - a growing problem



Citizens Advice Data

Deficit Budgets

As a percentage of total completed client budgets per year

Year	Percentage %
16/17	32
17/18	33
18/19	35
19/20	38

In 2018/2019 18,197 deficit budget clients sought help with a debt issue. Of those clients only 6% (1,111) had solely financial services related debt issues.

A quarter of the clients from the Debt Management Service have a deficit budget.

Average monthly income & expenditure

Year	Income	Expenditure	Deficit
2016/17	£1,038	£1,205	£167
2017/18	£1,058	£1,221	£163
2018/19	£1,097	£1,283	£186
2019/20	£1,121	£1,324	£203

Client age profile

Year	Under 25	25-39	40-59	60 and over
2016/17	4%	32%	52%	12%
2017/18	5%	35%	49%	11%
2018/19	6%	35%	48%	11%
2019/20	7%	35%	48%	10%

Household type

Year	Couple no children	Couple with children	Single no children	Single with children	Other
2016/17	9%	18%	39%	31%	3%
2017/18	9%	17%	39%	32%	3%
2018/19	8%	18%	39%	32%	4%
2019/20	8%	18%	41%	31%	3%

Housing tenure

Year	Owner (mortgage)	Rented (Private)	Rented (Social housing)	Staying with friends / family	Other
2016/17	12%	33%	48%	4%	4%
2017/18	11%	34%	48%	4%	3%
2018/19	10%	34%	48%	5%	4%
2019/20	10%	35%	47%	5%	2%

Deficit budgets policy research project

- Understand the scale and drivers of the deficit budget problem and the impact on people through a combination of quantitative and qualitative research
- Foundational research with the aim initiate and inform discussions with key decision makers and stakeholders
- Develop policy recommendations - looking at potential solutions

Deficit Budget Pilot

Deficit Budget Client Journey:

- Advice process is followed, and as part of that, it is established that client is in a deficit budget situation
- Client is referred to Deficit Budget Service for ongoing advice and support
- Deficit Budget Service contacts creditors on clients behalf, requesting holding action / write off / etc
- Client remains with service as long as necessary whilst all available options to improve financial situation are explored, including financial capability, income maximisation and exploration of insolvency solutions
- Client has a quarterly review. The timing of this is important in order to establish regularly whether there has been a change in circumstances, to provide up to date information to creditors and to ensure that if any payment or insolvency solution has become available.
- Should a change in circumstances occur which means the client is either eligible for a paid solution, or an insolvency solution, they will be referred to the most appropriate service for that.

Referrals will initially be taken from:

- Local Citizens Advice offices

Data from Citizens Advice's current Debt Management Service shows that, with ongoing support, approximately

- 11% of clients move from a nil offer situation to a debt management plan
- 12% move towards making some payments

Thank you

Christy McAleese and Jasmin Matin

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StepChange Debt Charity: Deficit Budget Clients

Dave Orbinson

Senior Relationship Manager

24th October 2019

% of Clients with a Negative Budget

Year	%
2014	25.00%
2015	28.00%
2016	29.00%
2017	30.00%
2018	30.00%
H1 2019	31.00%

In 2018 we delivered **full debt advice** to over **304,000** clients through telephone and online channels.

Clients with a Negative Budget

Average Client Debt	2017	2018	H1 2019
Average unsecured	£11,636	£11,406	£11,639
Average no. of debts	5	5	5
Average arrears and unsecured debts	£12,572	£12,420	£12,607

Recommendations for these clients:

- Bankruptcy – 4%
- DRO – 2%
- Managed Token Payment Arrangement – 18%

Life Happens

In 2018, 7 in every 10 people who came to StepChange for advice said the primary reason they had got into problem debt was because of a life event or shock.

The support people rely on may not be effective enough at keeping them out of financial difficulty.

Instead, people rely on a range of coping strategies to try to avoid debt – in many cases these are fundamentally failing.

They include:

- Borrowing money from family and friends
- Using Credit cards, overdrafts or high-cost credit
- Taking money from pension pot
- Using savings if available

Measuring Client Outcomes

Research which measures clients' progress at 3, 9 and 15 months after advice.

Splits clients into specific groups, including clients who have Negative Budgets, and clients who have Negative Budgets and are Vulnerable

Unsurprisingly, clients with negative budgets are making less progress – 1 in 5 clients without a vulnerability and in a negative budget say they have made no progress in sorting their debts after 3 months

36% of clients with a negative budget and vulnerability report confidence in making ends meet

3 in 10 vulnerable clients in a deficit budget do not think they'll be able to make ends meet in 6 months

Measuring Client Outcomes

Financial Resilience is a key part of a client's road to financial recovery

Only 1 in 5 clients (21%) said they had been able to save up for future costs

Only 13% of clients with a negative budget and only 6% of clients with a vulnerability and a negative budget said they had started saving

More than 1 in 5 (22%) clients with a negative budget were resorting to credit use at 3 months after debt advice.

For negative budget clients, the path to financial recovery is long and difficult, despite having the knowledge and understanding of the steps they need to take.



**Recovery
from debt is
a marathon,
not a sprint**

www.stepchange.org/clientoutcomes

