

Event report

# INDEBTEDNESS: THE FUTURE OF DEBT ADVICE IN LONDON

9.09.2014

VENUE

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Toynbee Hall  
28 Commercial Street,  
London  
E1 6LS

This event was intended to enable London Funders members to hear about the Money Advice Service's focus over the coming three years, giving insights that will help members to effectively plan their own work in the area of indebtedness. With contributions from organisations that are already taking innovative approaches to tackling both the cause and effect of indebtedness, the event also provided time for delegates to reflect and discuss how they can best support indebted Londoners.

David Warner, London Funders, welcomed attendees. Poverty and destitution is a key strand of work for London Funders and David emphasized the importance of this space in order to shine a light on work in this area and where we can add value and make a difference. David thanked Toynbee Hall for working with London Funders to make the event possible.

### **Caroline Siarkiewicz, Head of UK Debt Advice Programme, Money Advice Service (MAS)**

[Caroline's powerpoint presentation is available to download here.](#)

Caroline introduced Money Advice Service's (MAS) role and the huge challenge that the sector is currently attempting to respond to. She emphasized the importance of feedback and urged attendees to contact her with follow up questions or comments after the meeting.

- The MAS budget for 2014/15 is £38.1m. Caroline noted that this budget only allows them to scratch the surface and this fact itself is a key indicator of the size of the challenge.
- There are currently 2 streams of work– money advice work and also debt advice work
- MAS also have a coordination role to improve availability, improve quality and improve consistency of client outcomes.
- Predominantly the support is given through face to face work. In 2013/ 14 over 160k people received face to face advice. Following this face to face advice, 88% of these people did something positive after and took some form of action.
- There is a move towards 3 year funding. Debt advice is not a temporary need and a one year funding cycle can inhibit the ability of an organisation to have a sustainable and innovative future.
- Delivery objectives include
  - Focus delivery in areas of greatest need
  - Multi-channel advice (e.g. face to face, phone, email)
  - Accredited quality standard
  - Evaluation framework
  - Incorporate financial capability

- MAS have carried out a very large research project including a 5000 person survey in order to identify what support and help is required. The findings include:
  - 8.8m people in the UK are classed as 'over-indebted', all with slightly different needs and attitudes. The research splits the data geographically and also by segments of people (students, first time workers, low wage families etc). Geographically, the over indebted population is spread disproportionately across the UK, with a general skew towards the cities of the north of England and to Northern Ireland.
  - Only 17% of the over indebted population actually benefit from debt advice. The survey looked at the attitudes towards getting advice and it appeared that many people thought their situation was 'normal' and others who did consider it, but didn't act. There is an emphasis then of looking at how to target these people.
  - There is a need for a multi-channel advice journey, but there is still a requirement to keep face to face advice as 21% of the over-indebted population will only use face to face advice.
  - The Indebted Lives report, including all the research data, is available on the [MAS website](#).
- There are many challenges:
  - Delivering the right services at the right time
  - Increasing knowledge and skills to improve take up of multichannel advice
  - Targeting to engage people in getting advice earlier (also has to be balanced with sufficient capacity in the sector)
  - Improving routes to debt advice through financial capability provision
  - 7.3million over-indebted people are not currently accessing advice. There should be a focus on learning how to engage with these people
- MAS have started a promotional campaign and are gathering the data to see if it has attracted people who hadn't previously accessed any advice. The results from this campaign should spread some light on what might work in order to engage with these people.
- In response to questions from the audience, Caroline referred to pilots on skype advice. MAS will look at the information on the success of various types of advice and attempt to feed back this information to others, perhaps in a report on best practice.

Caroline concluded that one of the biggest challenges is around engagement. We can't make the situation better unless we can engage with those who need the support. 24% of those who are indebted don't even recognise that they have a problem. It's also important to recognise the impact of indebtedness on other sectors, e.g. NHS, social landlords, the credit sector.

## Innovative Approaches and Examples

### Grace Hussey - Head of Income Collection & Debt Coalition: Islington Debt Coalition

[Grace's powerpoint presentation is available to download here.](#)

Grace outlined the London Borough of Islington's efforts to make residents aware of the dangers of payday lenders and of the existence of their alternatives.

The Islington Debt Coalition was established in response to the recession and in the context of the removal of the Social Fund and in reducing benefit funds. The Islington Debt Coalition aims to:

- Support individuals in debt
- Provide access to affordable credit
- Analyse nature of debt problems in Islington
- Promote financial capability and change attitudes on debt
- Help prevent residents becoming indebted
- Ensure independent financial advice is accessible
- Prioritise tackling debt at the heart of local antipoverty strategy

Grace gave examples of initiatives to inform residents, including providing information on the back of receipts and on travel wallets in order to give information on alternative forms of advice and funding.

In addition, where residents owe multiple debts to the council, a new multiple debt help team has been set up where help is given in maintaining priority payments and in also some of the oldest debts are written off.

LB Islington Payday Lending workgroup is a subgroup of the Islington Debt Coalition, led by Islington Council. The workgroup has started various initiatives:

- Trying to restrict Pay Day Lenders from operating in Islington (including investigating high street premises. Now the majority of payday lenders are outside the boroughs or operating online)
- Extensive publicity campaigns to alert residents
- Working to develop real alternatives
- Seeking national changes in legislation
- Providing help and advice to struggling residents (signposting and referrals to lead to less duplication and best use of resources)

## Mick McAteer – The Financial Inclusion Centre: London Mutual Credit Union, Pay day loans

[Mick's powerpoint presentation is available to download here.](#)

Mick discussed whether affordable payday loan alternatives were viable for credit unions to deliver.

- It is a huge market with approximately 3 to 4million users. In 2012 financial year, £2.8billion was lent in the form of 10.2 million payday loans to 1.6 million customers.
- Short term lending is not a new concept, but has taken off recently due to greater demand and technology – we have been too slow to make decisions/ transfer funds and so have let in competition. In addition, payday lenders are now moving into longer term loans.
- Payday loan customers – the median net household income is £24,000. Mick outlined the various reasons given for borrowing, but approximately 50% of people cite living expenses.

Mick notes that financial education has little impact on consumers and that it is alternatives to payday lending that are needed.

- We are competing against an unconstrained payday lenders model, with funds for extensive marketing and advertising. Previously we weren't geared up to giving consumers what they wanted e.g. accessible, convenient.
- A fundamental barrier to credit unions has been the interest rate cap, and financial returns make such short term high risk loans immediately unprofitable. It also requires an IT infrastructure in place order to deliver instant applications.

London Mutual Credit Union (LMCU) have now established a payday loan product in order to meet the borrowing needs of existing LMCU members, and also to attract new members.

- London Mutual's product has some of the attractive characteristics of short term accessible loans (accessible, simple, convenient, and instant) but without the 'negative' characteristics.
- There has been a pilot evaluation with control groups and through consultation with members. The product has proved extremely popular, with 2,923 payday loans approved with a value of £688,000. The flexible loan repayment terms were popular and delinquency levels were relatively low compared to between 28% or 35% delinquency in the rest of the payday loan industry.
- An affordable pay day loan product has the potential to save significant amounts for borrowers and divert them from high cost lenders.
- The payday pilot was not financially viable at the point of evaluation – the pilot generated a loss of £6,725 (£2.50 for each loan) but the model is financial sustainable when additional income general levels projected for new members

with LMCU for at least 9 months. Would actually realise a net profit of at least £8,950 or £3.06 for every loan.

LMCU continued the payday loan product following this evaluation and it is being rolled out through other credit unions nationally e.g. Leeds.

#### Graham Fisher - Tower Hamlets Fairness Commission

[Graham's powerpoint presentation is available to download here](#)

Graham outlined the background to the Tower Hamlet's Fairness Commission, inspired by Islington. The Fairness Commission considered questions including:

- What is fair and unfair about Tower Hamlets now?
- The role of the state and the potential contribution of businesses
- What can be done to make TH a fairer place?

A major focus of the commission was income and money inequality. The current model of local financial services is disadvantaging and penalising low income households increasing poverty and debt.

Toynbee Hall was contracted by Tower Hamlets to provide background research to the commission. The Commission's report in November 2013 made several recommendations:

1. That the 'poverty premium' be eradicated in Tower Hamlets.
2. Tower Hamlets becomes an online borough
3. That Government gives local authorities greater power to limit unhealthy businesses, including fast food, payday loan and gambling outlets, particularly in terms of the Use Classification Order system.
4. That the government and the financial services sector should support the development of the credit union sector so it can provide a viable alternative to payday loans and competitive banking services for people on low incomes.
5. That there is a local and national campaign to raise awareness of the impact of high cost credit, promoting alternatives.
6. That the council works closely with local organisations who support people in financial crisis and other frontline services to develop

These recommendations can be found in full in the [Tower Hamlets Fairness Commission report](#).

Tower Hamlets already had a strong basis for taking forward work on Money, through Financially Inclusive Tower Hamlets (FITH), a cross sectoral partnership aimed at eradicating financial exclusion in the borough. There is strong council leadership, strong third sector leadership, and some funding.

Graham noted that the context for debt is changing; household income erosion as utilities/ rent is increasing more than wages and has for some households replaced the traditional income shock trigger for unmanageable debt. It is very interesting to note that 50% of payday loans are now taken out just to cover living expenses – some households are using credit to smooth their income. This reality is likely to get worse with stagnant wages and rising living costs especially for the increasing numbers living in the private rented sector, some begin to see this struggle to balance income, cost, debt, access to credit as the ‘norm’ of life.

The next steps is a stronger focus on building financial resilience, this is a long journey and more investment is needed.

- More needs to be done to bring high street banks into the conversation as there is a need for better banking practice and local banking leadership.
- The statistics from Money Advice Service are very compelling and should instigate some action.

Graham expressed doubt that debt advice should be the only gateway to financial capability. These issues will in some way affect all in London and it is essential that a stronger leadership conversation takes place.

### Open space discussion

Sian Williams, Head of National Services, Toynbee Hall, led the group in an open space discussion with opportunities to raise questions and discuss the topic in a free and open manner. From each discussion point raised by the group, recommendations were suggested and noted. The notes from this session are notes here:

#### 1) Could we create a framework and training offer for grassroots ‘money signposters’?

Recommendations:

- Framework of training a good idea
- Is the capacity there (e.g. debt advice) if people were signposted better?
- What have Toynbee Hall learnt from Money mentors?
- Employers
- How do you make the best use of the first contact?
- Who are the first points of contact for the over-indebted? (GP receptionists, vicars, foodbank volunteers....)
- What are Trussell Trust doing?
- Is there a danger of mystifying money?

#### 2) Funders should work together on priorities for engagement to improve access to debt advice e.g. outreach mentoring

Recommendations:

- Making financial capability part of everyone’s business as front line workers e.g. GPs surgeries, community mental health teams, libraries – awareness signposting. Fund advisers embedded in service e.g. cancer charity, mental health service
- Mapping key points of contact and possible information points (distribute leaflets and information)

- Sharing our intelligence about communities and need and our skills and capabilities – “debt observatory”
- Using our intelligence to identify gaps in engagement and delivery, and develop/ extend/ target programmes to address (if applicable)
- Develop greater consistency of an offer across London and of communication of options for support
- Use funders’ evidence and evaluation to lobby government for action
- Making sure funding priorities are joined up and holistic and that we fund organisations that are joined up with other support from the group

### 3) **How can we be creative to stimulate better engagement? What no longer works?**

Recommendations:

- Developing apps that are engaging
- Innovation funds – evaluation of what works
- Messages and language about what works – positive impact
- Links between local and national campaigns and services
- Local champions
- Consistency and sharing information
- Creating and telling the story
- Better marketing – pre-requisite of bids
- Data use for engagement- housing providers
- Integrating types of support – FI and E+T, DI etc

### 4) **Problem increasing costs income stagnation UK is wealthy! Funders to fund campaign for living wage, increase and wages, salaries, benefits, pensions. Campaign to freeze rents in private and RSL**

Recommendation:

- Is the London living wage a living wage?
- Should not everyone be entitled to a decent pay rise i.e. 10%?
- Financial literacy compulsory in schools/ FE/ collages/ all ages
- Simplifying financial products/ terminology
- Where is the leadership to join up debt strategy
- Could funders provide funding to join up financial strategies
- Should funders be looking at funding technological solutions for joining groups together
- Need to provide evidence of need of impact of everyday debt
- Could funders look at funding lobbying to implement wage increases/ rent control

### 5) **What can the Mayor of London do to facilitate debt advice and boost credit unions in London?**

Recommendations:

- ESF (EU funding) – getting people into work programme – link with debt and advice
- Publicity / marketing campaign for credit unions – normalisation
- Incorporating debt advice into social housing programmes and stressing importance and relevance of debt advice to national economy – HCA already incorporated into GLA
- Links to schools and employers – savings accounts for employees

## 6) How can funders/ CAS help beneficiaries/ residents identify and address their needs in this area?

Recommendations:

- Funders can share their knowledge on beneficiaries' priorities and solutions with Money Advice Service
- Can be challenging as people's needs are individual – limited budget
- Bring together commissioners, service providers and users together
- Not everyone can identify themselves as in need
- Early intervention for people we know are at risk of these sorts of issues
- Ability to get people around table to talk about a subject
- Funders/ LAs have overview of complex needs that sit alongside indebtedness e.g. mental health
- Find out priorities and signpost at an early stage
- Campaigning with other funders based on issues beneficiaries identify e.g. private sector with signposting for help

## 7) Work together to “add on” to MAS provision and address gaps- longer term work with income erosion. – casework with people reaching complex stages of indebtedness

Recommendations:

- Campaign to save local welfare provision, and for living wage, lower rent. Revolving doors
- Recognise that people aren't 'typical' – more complex needs – need ongoing advice on debts, post-crisis. Personal needs.
- Promote realistic targets and contracts.
- Encourage links with holistic complementary support – employability – funding longer term and create 'entry points' e.g. financial confidence first.
- Encouraging incoming links e.g. GPs , Health, Mind
- Embedded casework ,holistic, assessment, recognising challenge of promoting but essential to address
- Common assessment point – widen it to be holistic – housing, children's services, health – particularly mental, employment, income erosion across London Boroughs.
- Push boundaries e.g of Credit unions, tri-borough initiatives
- Share website – coordination of learning, promotion of links and networks

## 8) Work together to tackle the causes of debt – debt prevention

Recommendations:

- Funders partnering with MAS to research and identify specific groups eg. Mental health, drugs and alcohol abuse, homelessness and new refugee committees, unemployment to reduce debt as a product of the specific issue identified.

Graham Fisher, CEO, Toynbee Hall thanked the participants and speakers for a very full conversation. Toynbee Hall are currently looking at a map tool which will track the distance travelled and provide some detailed data which will be necessary in a sector with so many changes. It will help people to see the impact of their work and how people are progressing.

This event helped to support people in having a strategic conversation and looking holistically around local services and Graham emphasized that London Funders will be a critical part of this process and in allowing this conversation to take place.

## Participants

Natalia	Perez	Advice UK
Scott	McKinven	Affinity Sutton Group
Wayne	McQuaid	Amicus Horizon
Mark	Walker	Amicus Horizon
Jade	Glanfield	Association of Charitable Foundations
Sufina	Ahmad	Big Lottery Fund
Kemar	Walford	Big Lottery Fund
Georgine	Anthony	Bromley By Bow Centre
Svetlana	Ghadiri	CAN
Edward	De Quay	CARITAS Diocese of Westminster
Phoebe	Jackson	CARITAS Diocese of Westminster
Emma	Goulding	City of London Corporation
Prachi	Ranade	City of London Corporation
Mary	Eastmond	Comic Relief
Callum	Anderson	Community Development Foundation
Amos	Phillips	Family Mosaic
Farah	Ikram	Greater London Authority
Teja	ŻBikowska	Greater London Authority
Mark	Breen	Local Trust
Vincenzo	Coppola	London Assembly
Susan	Edwards	London Borough of Bexley
Sonia	Khan	London Borough of Hackney
Malcolm	John	London Borough of Harrow
Grace	Hussey	London Borough of Islington
Andrew	Matheson	London Borough of Southwark
Maura	Farrelly	London Borough of Tower Hamlets
Victor	Willmott	London Catalyst
Michael	Bell	MBARC
Lorraine	Grindley	Moat
Peggy	Nicholson	Moat
Caroline	Siarkiewicz	Money Advice Service
David	Bull	New Philanthropy Capital
Eileen	O'Sullivan	Oak Philanthropy (UK) Limited
Alison	Lamb	RCJ Advice Bureau
Rosemary	Powell	Richard Cloudesley's Charity

James	Graham	Royal Bank Of Scotland Plc
Fiona	Turner	Royal Bank Of Scotland Plc
Anita	Pathak	Save the Children
Annie	Wilson	Save the Children
John	Gleeson	Southern Housing Group
David	Barclay	The Contextual Theology Centre
Mick	McAteer	The Financial Inclusion Centre
Beth	Crackles	Toynbee Hall
Graham	Fisher	Toynbee Hall
Dolly	Galvis	Toynbee Hall
Sian	Williams	Toynbee Hall

**In attendance**

Becky	<b>Green</b>	London Funders
David	<b>Warner</b>	London Funders