Exploring Household Debt in Ireland:

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Key Terms and Abbreviations

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Abhaile Scheme: A scheme created by the Insolvency Service of Ireland (ISI) and run by Money Advice and Budgeting Service (MABS) to aid people in serious mortgage arrears who are unable to settle their debts or those who are facing legal action or home repossession. The goal of the scheme is to keep people in their homes.

APR: Annual Percentage Rate. Yearly cost of a loan including interest, insurance, and the origination fee expressed as a percentage.

Arrears: Money that is owed on a debt that has yet to be paid.

Back on Track Scheme: A scheme ran by the Insolvency Service of Ireland to help sort out personal debt problems and help get people back on track.

Bankruptcy: A legal term for when an individual or business cannot repay their outstanding debts. The debtor's assets are measured and evaluated. These assets may be used to repay a portion of the debt to the creditors and the rest of the debt written off.

Consumer debt: Consumer debt consists of debts that are owed as a result of purchasing goods that are consumable and/or do not appreciate. A key difference between consumer debt and other forms of debt is that consumer debt is typically used for consumption and not for investment or doing business.

Debt trap: A situation in which a borrower is led into a cycle of re-borrowing, or rolling over, their loan payments because they are unable to afford the scheduled payments on the principal of a loan. These traps are usually caused by high-interest rates and short terms.

DRN: Debt Relief Notice. An insolvency solution for people with low income, few assets, and up to €35,000 in debt. A DRN allows for the possibility for the write-off of these debts up to €35,000.

DSA: Debt Settlement Arrangement. This is an insolvency solution for people with unsecured debts to write off part of the debt and pay a percentage of the overall debt over a specified period of time.

Financial Capability: The combination of attitude, knowledge, skills, and self-efficacy needed to make and exercise money management decisions that best fit the circumstances of one's life, within an enabling environment that includes, but is not limited to, access to appropriate financial services.

Financial Literacy: Financial literacy is the education and understanding of various financial areas including topics related to managing personal finance, money and investing.

Financial Resilience: Financial resilience is defined as the ability to withstand life events that impact one's income and/or assets.

Fixed APR: Fixed Annual Percentage Rate. Yearly cost of a loan, including interest, insurance and the origination fee, expressed as a percentage and does not change for a given period.

HAP: Housing Assistance Payment. A form of social housing support for people who have long-term housing needs. Administered by local authorities to pay landlords directly, while the tenant pays a weekly HAP rent contribution based on income and ability to pay.

Hire purchase agreements: An agreement where a person hires goods for a period of time by paying instalments and can own the goods at the end of the agreement if all instalments are paid.

Household Budget Scheme: A scheme that helps people getting certain social welfare payments to spread the cost of some household bills over the year. A fixed amount is deducted from the social welfare payment each week.

Interest rate: A percentage of the amount borrowed, typically expressed as an annual percentage, that is charged by the lender to the borrower.

Microcredit: The lending of small amounts of money at low interests. Typically provided to impoverished individuals and groups.

Moneylenders: Individuals or companies whose main business is to lend money. Banks, building societies, insurance companies and credit unions are not considered moneylenders.

Moneylending: The practice of giving cash loans or supplying goods or services, and the debt is repaid at a high interest over a short period.

Mortgage/ non-mortgage debt: Mortgage debt is debt from a loan on a house or property and is secured by the house or property. Non-mortgage debt is debt not resulting from a loan for a house or property. This includes debt from credit cards, student loans, car loans, personal loans, etc.

Personal Contract Plans (PCPs): Similar to a hire purchase agreement, but instead of paying off the total debt by the end of the agreement, personal contract plans apply to car financing and have lower monthly payments while still owing a considerable amount at the end of the PCP agreement.

Personal or household debt: A consumer's total debt within a household. This can include credit cards, student loans, auto loans, leases, mortgages, personal loans, asset-based loans, and business loans.

PIA: Personal Insolvency Arrangement. An insolvency solution for people with secured and unsecured debt. This is an agreement with creditors to write off some unsecured debt and restructure any remaining secured debt, while keeping the person in their home when possible.

PIPs: Personal Insolvency Practitioners. PIPs negotiate between the debtor and their creditor in relation to a Personal Insolvency Arrangement (PIA) or Debt Settlement Arrangement (DSA).

PMC Loans: Personal Micro Credit Loans. These are also known as "It Makes Sense" Loans. These are loans given by participating credit unions in Ireland for those who receive social welfare. This is a substitute for moneylenders and the loans are at low interest for short periods of time.

Secure debt: Debt that is secured by an asset. Inability to pay off the loan may lead to repossession of the asset by the creditor or lender who offered the loan.

Solvency: The possession of more in assets than in liabilities. The ability to pay off debts.

Unsecure debt: Debt that is not secured by an asset. For example, credit card debt, student loans, or medical bills.

Variable APR: Variable Annual Percentage Rate. Yearly cost of a loan, including interest, insurance and the origination fee, expressed as a percentage. Rate is tied to an index and is subject to change with a change in the index.

Institutions:

CCPC: Competition and Consumer Protection Commission. Independent statutory body with a dual mandate to enforce competition and consumer protection law in Ireland.

Central Bank of Ireland: CBI is the Republic of Ireland's central bank, and as such part of the European System of Central Banks (ESCB). It is the country's financial services regulator.

Central Credit Register: Collects and stores personal and credit information from lenders about existing loans or new loans they give to consumers.

Citizen's Information Bureau: A national agency responsible for supporting the provision of information, advice and advocacy on social services, and oversees the Money Advice and Budgeting Service.

Credit Unions: A non-profit making, member-owned financial institution that provides lending services at low interest rates and other banking services.

CUAC: Credit Union Advisory Committee. Provides a voice in the Department of Finance on behalf credit unions as well as providing support in the areas of regulatory compliance, risk management, shared services and competency development.

ICB: Irish Credit Bureau. An electronic library or database that contains information on the performance of credit agreements between financial institutions and borrowers. This holds the public's credit history and score for lenders to use.

IMHO: Irish Mortgage Holders Organisation. A charitable debt-relief organisation funded by three major Irish banks: AIB, KBC and Permanent TSB. The IMHO offer all options of debt solution: informal arrangements, insolvency arrangements and a free bankruptcy service.

ISI: Insolvency Service of Ireland. An independent body whose objective is to help persons in debt become solvent.

MABS: Money Advice and Budgeting Service. This is the State's money advice service, guiding people through dealing with problem debt at no cost.

Traditional Financial Lenders: This would include commercial banks (AIB, Bank of Ireland, KBC and so on).

World Bank: A global partnership of five institutions that are working for sustainable solutions that reduce poverty and build shared prosperity for everyone around the globe.

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1. Introduction

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In the aftermath of the financial crash in 2008, aggregate household debt levels in Ireland were at a record high – nearly €204 billion at its peak. A decade later, at the end of 2018, that figure stood at €137.5 billion, or 123.5% of disposable income[1]. According to the March 2019 report *Analysis of Private Sector Debt in Ireland* from the Department of Finance[2], household debt remains "relatively high" – and Irish households are still the 5th most indebted in the European Union. However, the Department of Finance maintains that this debt is not a cause for alarm, as it is the result of an expanding (and recovering) Irish economy as well as a growing work force. While such macroeconomic statistics paint a favourable picture of personal spending and household debt on a national scale, in this report we explore the *current trends* regarding which households in Ireland are over-indebted and why. In particular, we focus on the disproportionate effect of unmanageable levels of debt on the lives and well-being of low-income households.

Household or personal debt[3] is not necessarily negative and having access to credit is a basic financial service essential for maintaining a balanced economic life. A person may go into debt in order to purchase a vital financial "asset" such as a house or a car. However, this debt can become a problem if a debtor fails to make loan repayments on schedule. When understanding the nature of personal debt, it is important to distinguish between "necessity" and "choice". Higher income households may "choose" to take on personal debt in order to upgrade their living conditions or purchase luxury items. Personal debt as a "necessity" requires households to rely on borrowing in order to make ends meet. These households, depending on their need and access to lines of credit, may even pay *significantly more* in interest and other costs for the loans than households with higher income. Therefore, they may need to borrow even more to keep up with repayments and fall into a "debt trap" that can result in severe and long-term financial hardship.

In this report, we focus on the situation of "over-indebtedness" or "problem debt"[4]– when debt repayment amounts become a heavy burden on individual households – in Ireland. In general, households that are over-indebted may struggle to pay bills or keep up with financial commitments such as the following[5]:

- Rent and mortgage payments
- Utility bills (including gas, electricity, phone and internet)
- Taxes
- Insurance
- Other necessary and everyday expenditures such as toll payments, healthcare costs (including access to a GP), childcare and transportation

The debts owed may be to one or a variety of creditors, including traditional financial institutions (such as banks), utility and phone companies, credit unions, moneylenders, insurance companies, private debt purchase companies and so on.

1 Whelan, S. (2018) https://www.rte.ie/news/ireland/2018/0911/992963-central-bank/ and Cantillon (2019) https://www.irishtimes.com/business/economy/fall-in-irish-household-debt-ratio-flatters-to-deceive-1.3928491
2 Department of Finance (2019) https://assets.gov.ie/7079/dc2b93dbcf1d40af9e01c2920c90acd3.pdf
3 The terms "personal" or "household" debt are used interchangeably throughout this report.
4 The terms "over-indebtedness", "problem debt", "unmanageable levels of debt" are used interchangeably throughout this report.
5 List compiled from feedback from MABS Money Advisors for this project, as well as MABS 2019 Quarterly statistics: https://www.mabs.ie/en/about_us/mabs_statistics.html as well as Stamp (2009); Mosedale et al. (2018).

Our research for this project specifically explored the current problems and trends in Ireland related to debt and access to credit amongst households, concerning non-mortgage debt in particular. We focus on the most vulnerable households in Irish society, including those who are in low-income brackets (bottom 40%), renters (in the social and private rental sector) as well as single-parent households. We also map the national policies and government services at work to address these issues.

Our main objective is to understand how a service or training that focuses on building *financial capability* and *financial resilience* could be deployed effectively in Ireland. To meet this aim, we addressed the following questions:

- Where are the best points of intervention for a financial capability programme in Ireland?
- What cohorts of the population should be targeted and why?

To answer these questions, we deployed a mixed-methods research approach that involved the following:

1. An exploration of the academic debates and discussions related to the concept of "financial capability"
2. Extensive research on the nature of household debt and credit access in Ireland, including policies and practices
3. Qualitative data collection with relevant stakeholders, national Money Advisors with the national Money Advice and Budgeting Service (MABS) and persons who have accessed debt relief services
4. A systematic review of recent quantitative data on household behaviours (the 2017 EU Survey on Income and Living Conditions) and the specific indicators related to over-indebtedness and financial difficulty.

Unmanageable levels of personal debt are often understood as a personal failing or problem. This attitude ignores the macroeconomic drivers of debt and places the blame on borrowers who are accused of making poor financial decisions. In this report, we challenge this notion and recognise that debt is intimately connected to key structural and political factors outside individual action and behaviour – including the cost of living and housing, income levels, access to financial services and financial exclusion. Personal "causes" of household debt are compounded by these wider structural issues and the "chaotic lives"[6] of many households and this is exacerbated for low-income households. It is therefore imperative that the subject of "over-indebtedness" is integrated into an understanding of wider social norms and national policies in Ireland – in particular those that emerged in the years following the financial crash, such as austerity, the rise of insecure and precarious employment and decreases in public expenditures. We expand upon these themes throughout the following report.

1.1 What is financial capability?

Led by the World Bank, the concept of *financial capability* refers to the extent to which people can make key decisions about their financial lives and well-being. This involves a shift from the traditional idea of *financial literacy* that focused solely on the acquisition of knowledge and skills in isolation from a person's environment. Financial capability looks at not just what someone *knows,* but what they *do* – and the environmental and normative factors that influence those behaviours. It is also important to

6 This refers to the "chaos" experienced by persons and households living in "unpredictable, non-routine, inconsistent, and non-contingent physical and social surroundings" (Evans and Wachs 2010). We expand upon this concept in Section 2.2.

note the term *financial health,* and is a comparable key term which is ubiquitous in the field. Financial health is used to describe the state of one's personal financial situation. It is a multi-faceted concept which includes the amount of savings you have; how much you're putting away for retirement; and how much of your income you are spending on fixed or non-discretionary expenses[7]. For this report we deploy each of the concepts for our analysis.

In terms of understanding financial capability, Professor Elaine Kempson (2016) has identified a number of key dimensions:

1. Day-to-day money management – people living within their means and keeping track of their spending on a regular basis
2. Planning future needs and active saving
3. Choosing and using appropriate financial products
4. Making informed financial decisions

Understanding a financial capability approach also includes ensuring that financial products are developed with the best interests of consumers in mind. According to a 2016 report by Gibbons et al. on financial health and low-income households in the UK:

> *The concept of financial health […] incorporates ambitions to both improve the design of financial products so that these better meet the needs of consumers, as well as the financial capability agenda. The latter seeks to support people to improve their skills, knowledge and confidence to use financial services effectively, and to motivate them to adopt good financial behaviours which will benefit them in the long term*. (Gibbons et al. 2016, 7)

The ability to plan for the long-term (including the ability to save) is an especially important concept according to literature on financial capability. This is something particularly difficult for low-income households, as having less disposable income results in a greater percentage of income being spent on essential everyday living costs. Therefore, poorer households tend to have *significantly lower* financial capability than middle or upper-class households. This is consistent with research in Ireland (CCPC 2018) that has found that households with below-average income have low levels of financial capability. These households tend to be in their early 40s, live in rented accommodation versus owning their own home, and have limited plans in terms of retirement. They have limited confidence in their abilities to manage money and as unable to save their income on a regular basis.

In addition, an emphasis on "long term" and sustainable agendas and policies is integral to a holistic idea of what it means to be "financially capable". Recent research has expanded the financial capability agenda to also include the concept of "financial resilience" – or how households "bounce back from adverse financial events *and* the resources and supports they draw on" (Salignac et al. 2019, 1). A person's financial situation is dynamic and is continuously subject to the possibility of an abrupt, adverse change – and a financially "resilient" person will have knowledge of where to turn in such an event, as well as access to available social supports and financial resources that ultimately serve their best interest. Simply having strong financial knowledge, therefore, is not necessarily enough to ensure that an individual is "financially resilient" on the whole. Rather, people must have both the "ability to access and draw on internal capabilities *and* appropriate, acceptable and accessible external resources and supports in times of financial adversity" (Salignac et al. 2019, 5).

7 Investopedia (2019) 'Financial Health', Available at: https://www.investopedia.com/terms/f/financial-health.asp

In November 2018, the CCPC (Consumer and Competition Protection Commission) released a study entitled: *Financial Capability and Well-being in Ireland in 2018*[8]. The research deployed the approaches developed by Kempson and Poppe (2018). The findings of the research were based on data collected from face-to-face surveys of 1,401 individuals aged 18 to 80 across Ireland. The survey questions focused on the following:

> *To understand consumers' socio-economic circumstances, how they manage their money, how they plan for the future, their understanding of financial products, and how their disposition and attitudes affect their financial behaviour* (CCPC 2018, 8).

In its main findings, the study identified two key behaviours that affect financial capability across all income groups in Ireland:

- *active saving*
- *not borrowing for daily expenses*

The study also highlighted other behaviours as important for financial capability, such as:

- *restrained spending*
- *feeling in control of your financial situation*
- *general attitudes to saving, spending and borrowing*

The findings of the report reveal "that the average consumer in Ireland is doing fairly well but has limited capacity to deal with unexpected events" (CCPC 2018, 9). Predictably, an Irish person's ability to be "financially capable" is significantly reliant on the amount of income they have, whether or not they are renting or own their own home and their capability to manage their finances (CCPC 2018). We continue to expand upon the findings of this research throughout the report.

1.2 Understanding the context of personal debt in Ireland

Recently, the Irish labour market has experienced "significant growth" with unemployment at the lowest rate since 2005. However, recent data from the CSO (Central Statistics Office) reveals that 1 in 6 adults and 1 in 5 children living in Ireland still live in poverty – which is about 760,000 people. This number has steadily increased since 2009. Certain households are more at risk of poverty than others, such as single parents (with most of these households led by women), older adults and persons with disabilities (NAPinclusion 2007; Watson et al. 2016). A 2019 study from St Vincent de Paul[9] revealed that "the living standards of lone parents in Ireland are among the worst in Europe". The report further stipulates the reasons for this deprivation in Ireland are intricately tied to low income levels and high living costs – including housing and childcare. For example, according to the research, the employment rate of lone parents is the lowest in EU-15 countries at 58% (p. 4) and 60% of single-parent households could not access childcare services for financial reasons (p. 5). This figure is the second highest among EU-15 countries and three-times higher than two parent families living in Ireland.

8 CCPC (2018) https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/12/Financial-capability-2018.pdf

9 St Vincent de Paul (2019) https://www.svp.ie/getattachment/6cd5834e-a8cf-48bf-b14c-82227aa5bc61/Working,-Parenting-and-Struggling-Full-Report.aspx

In addition, Ireland has the highest rate of female homelessness in the EU. Homelessness figures are at an all-time high and there were over 10,300 homeless people living in Ireland in March 2019[10]. This marks a 200% increase in the number of homeless persons since May 2015. 75% of this population were formerly renting from landlords in private rental accommodation where the price of rent is skyrocketing at unprecedented levels[11].

Understanding social and economic deprivation is necessary in order to understand personal debt in the Irish context. According to our research, household over-indebtedness is intricately connected to four broader contextual and environmental concerns:

- Housing
- Income
- Cost of living
- Financial access.

We expand upon each of these factors in the following discussion.

1.2.1 Housing

The tenure status of households in Ireland has changed significantly in recent years. According to the 2016 Census, there were 497,111 households renting (a 4.7% increase since 2011): 143,178 (29%) in social housing and 326,493 (66%) in the private sector[12]. This increase also corresponds with an overall drop in "owner occupier" households, or those owning their homes outright or with a loan or mortgage. These figures reflect a reversal of trends seen in prior Census data from 2002, 2006 and 2011 where "owner occupiers" with a loan were the largest tenure category throughout the State.

This shift is particularly evident in urban areas – where ownership of urban homes through a mortgage/loan has dropped significantly from 40% (2006) to 30% (2016). Renting has overtaken both homeownership categories to become the predominant tenure status in the urban towns and cities, rising from 27% in 2006 to 36% in 2016. This change has been less drastic in rural areas, where almost 50% of all occupied dwellings were owned outright (and an additional 33.3% owned through a loan/mortgage). This leaves the remaining 13% as rental accommodation.

According to the European Commission's 2019 country report on Ireland, "rapidly rising rents, insufficient residential construction activity and a lack of affordable and social housing have driven up homelessness especially in Dublin" (p.9)[13].

Ireland currently faces a "housing crisis". In Dublin, rent now accounts for *over half* (51.9%) of a single person's minimum living costs, and monthly rent prices increased by over €90 since 2018[14]. Demand for housing massively exceeds supply and the shortage of housing has led to a 23.4% price increase in the cost of renting in the private sector since 2015, which is the highest in the EU[15]. According to the CSO,

10 Focus Ireland (2019) https://www.focusireland.ie/resource-hub/latest-figures-homelessness-ireland/
11 Ibid.
12 For more, see: https://www.cso.ie/en/releasesandpublications/ep/p-cp1hii/cp1hii/tr/
13 European Commission (2019), Country report Ireland https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf
14 Living Wage (2019) https://www.budgeting.ie/living-wage/
15 European Commission (2019), Country report Ireland https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf

between 2011 and 2016, the number of households paying more than €300 a week in rent increased by 166%, and more than 85% of these households were in County Dublin[16]. Private rental prices in Ireland are now higher than they were during the height of the boom. As such, the average rental price listed on the online engine *Daft.ie* is now €337 higher per month than during its peak in 2008. In addition, there was the lowest number of houses available for private rental on record[17].

In May 2019, the average monthly rent in Ireland had increased 8.3% in the previous 12 months to €1,366 (in comparison to a 3.5% increase in average income)[18]. A new report from *Daft.ie* suggests this figure has further risen to €1,403 in the third quarter of 2019[19]. Recent research revealed that, on average, Irish renters pay 40% of their income on rent – the highest percentage of any other country in the world[20].

Directly linked to costs and shortages in the private sector, the demand for social housing stands at approximately 72,000 homes (other estimates put this number at nearly 86,000[21]) with just 10,000 homes planned for delivery in 2019. The lack of supply of social housing is historically related to the austerity policies post-2008 financial crisis. For example, from 2008 – 2013, government spending on public housing fell by 94% (Norris and Hayden 2018). To make up for the shortage, the government established the Housing Assistance Payment (henceforth, HAP) Scheme in 2014, to offer rental assistance to persons renting from private landlords. The difference between the new HAP Scheme and previous social rental assistance programmes is that the burden of finding a house is on the prospective tenant. The local authority does not source housing for HAP-eligible persons and families. Potential renters in receipt of HAP must therefore find their own accommodation and then set up their own HAP agreement with the private landlord (if the private landlord agrees to take HAP payment in the first instance). In the situation where a tenant's lease is not renewed for any reason, or if he/she/they falls behind on rent payments, the local authority will not necessarily house the tenant if they lose their accommodation. In addition, in the majority of cases the amount offered by the HAP Scheme is insufficient to cover the full cost of rent, and renters then must pay the additional amount needed from their own source(s) of income. While a full overview of the HAP Scheme is beyond the scope of this project – its inefficiencies and contributions to Ireland's current housing issues have been well-documented[22].

The housing crisis has caused people to be structurally "locked out" and unable to access secure and long-term housing, resulting in an increased financial burden placed on individuals and families. The number of persons renting in the private sector long-term is increasing and as such the age profile of first home ownership has gone up from 28 years in 2006 to 35 years in 2016[23]. Buying a home is a massive financial asset and research demonstrates that homeowners have higher financial capability than renters (CCPC 2018).

Even though the issue of rent affordability is experienced at a broader level, those who are in precarious work are in a much more vulnerable position as a consequence of their job and lack of income security (TASC 2018). We expand on income as it relates to financial capability and problem debt in the following section.

16 CSO (2016) https://www.cso.ie/en/csolatestnews/presspages/2017/census2016profile1-housinginireland/

17 Hamilton, P. (2019) https://www.irishtimes.com/business/economy/properties-for-rent-reach-record-low-as-prices-hit-new-high-1.3889747

18 CSO (2019) https://www.cso.ie/en/releasesandpublications/er/elcq/earningsandlabourcostsq12019finalq22019preliminaryestimates/

19 Daft.ie (2019) https://www.daft.ie/report

20 Imovirtual (2019) https://www.imovirtual.com/en/noticias/guia-para-arrendamento/rent-percent-id118.html

21 Kelly, O. (2018) https://www.irishtimes.com/news/social-affairs/new-builds-account-for-less-than-8-of-social-homes-1.3729136

22 For more information on this, see the report by Hearne and Murphy (2017): https://www.maynoothuniversity.ie/sites/default/files/assets/document/Investing%20in%20the%20Right%20to%20a%20Home%20Full_1.pdf

23 CSO (2016) https://www.cso.ie/en/csolatestnews/presspages/2017/census2016profile1-housinginireland/

1.2.2 Income

Unsurprisingly, income-level is a strong determinant of financial capability; households with higher incomes are more likely to be able to save on a regular basis and are more resilient to financial shocks than low-income households. The CSO reports that unemployment levels in Ireland are at the lowest since 2005 (4.5% in June 2019). Youth unemployment (persons ages 15-24) remains much higher at 10%[24]. This is consistent with EU trends that place youth unemployment twice as high as unemployment for all ages. According to Eurostat, since 2008 average youth unemployment rates in Europe peaked at 23.9 % in 2013, before receding to 14.8 % at the end of 2018[25].

Recent research from the Irish Council of Trade Unions found that despite high employment levels, many Irish persons still struggle for decent work at a decent pay. 1 in 5 workers in Ireland are classified as "low-pay", and this number increases to 1 in 4 for those who work in hospitality or food industries. The absolute number of low-pay workers in retail is also high – at 1 in 6 (King 2019). These low-paid workers tend to be female, young and single-parents.

Even though employment figures are rising on a national level, many working-aged Irish adults struggle with volatile or unsecure income. Recent figures from the CSO indicate that annual earnings have recovered since the crash, rising by 8.1% from €35,951 in 2013 to €38,871 in 2018[26]. However, this was not uniform across income groups, and research from the OECD found that in Ireland income has "declined significantly" for households in the bottom 40% in recent years[27].

TASC has reported in the past on how Ireland's labour market is characterised by inequalities, and low pay, temporary contracts and overall precarious employment. There is also a continuous "working poor" – an employed group whose income is barely sufficient to cover everyday living expenses and who may still rely on social transfers to make ends meet[28]. This is heightened in certain industries – such as occupations in the foundational economy: food, hospitality and retail as mentioned previously. The growth of annual income from 2013 – 2018 was not uniform across sectors. For reference:

- 3% increase for workers in public administration
- 3.6% increase for workers in education
- 4.2% increase for those in human health and social work
- And only a 0.7% increase in wages for those in the arts[29]

These rates are well below the 8.1% average. It is important to note that the agricultural sector is also plagued by low-pay jobs, and Irish farmers continue to be highly reliant on direct payments in order to survive - the average total subsidy received in 2017 was €17,672 per farm and this accounted for 75% of average farm income (McCabe 2019).

In Ireland, "working" does not necessarily equate to "having enough money to live". Workers make up 14.3% of all those in poverty, and in 2017, almost 110,000 workers lived below the poverty line[30]. While

24 CSO (2019) https://www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentjune2019/

25 For more on youth unemployment in Europe, see: Eurostat (2019) https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics#Youth_unemployment

26 CSO (2019) https://pdf.cso.ie/www/pdf/20190611090910_Earnings_and_Labour_Costs_Annual_Data_2018_full.pdf

27 OECD (2019) The Potential of Tax Microdata for Tax Policy https://www.oecd-ilibrary.org/taxation/the-potential-of-tax-microdata-for-tax-policy_d2283b8e-en

28 TASC (2019) https://www.tasc.ie/researchpolicy/inequality.html

29 CSO (2019) https://pdf.cso.ie/www/pdf/20190611090910_Earnings_and_Labour_Costs_Annual_Data_2018_full.pdf

30 SJI (2019) https://www.socialjustice.ie/content/publications/poverty-focus-2019

minimum wage stands at €9.80 per hour – recent figures from the Living Wage Technical Group place the *living wage* (an hourly wage figure that makes possible a *minimum acceptable standard of living*) at €12.30 per hour, a 3.4% increase from 2018 that has been driven predominately by the current housing crisis[31]. While on the aggregate, wage levels are increasing in Ireland more than the overall cost of living – this is only the case for some. Those who rent, particularly young people, are less financially secure as they are spending increasing percentages of their income on housing and other costs. Research from TASC has shown that lower-middle and middle classes have been disproportionately affected by the rise in housing prices (Sweeney 2019).

There are also large disparities between the amount Irish persons receive in social transfers and reasonable living expenses. The Vincentian Partnership for Social Justice (VPSJ) regularly releases research on the cost of a minimum standard of living (MESL). According to their April 2019 report,

> The research identifies the cost of what is needed to enable a life with dignity, at a minimum acceptable standard that members of the public agree nobody should be expected to live below[32].

This report found that currently, 2 out of 3 households that are dependent on social welfare payments receive an income *less than* the MESL. The gap between the income levels of adults on social welfare and a reasonable standard of living results in severe financial hardship. This context plays a key role in understanding how and why some households in Ireland borrow beyond their means – and the heavy burden and wide-ranging consequences of unmanageable debt on their lives. The situation of being low-income is exacerbated as the cost of living in Ireland is on the rise, predominately a result of rising housing costs. We continue to explore this trend in the next section.

1.2.3 Cost of living

Ireland was recently ranked the 10th most expensive country to live in the world and the 4th in Europe behind Denmark, Norway and Switzerland. For reference, it costs more generally to live in Ireland than the United Kingdom, France, the Netherlands and Belgium[33]. Ireland continually ranks among the most expensive countries in Europe for goods such as food, housing, healthcare, education, transportation and childcare. For example, a 2019 EACEA study found the average monthly cost of childcare for Irish parents is €771 (approx. €180/week), making Ireland the third most expensive country in Europe behind Switzerland and the UK[34]. This figure is an increase from €123.50 per week in 2007[35] at the height of the boom.

An analysis of the CSO consumer price index found that the rate of increase in the cost of living from 2013 – 2018 was particularly high in specific areas:

- Rent by 44%
- Overall insurance by nearly 19%
- Household utility bills by 10.2%

31 Living Wage Technical Group (2019) https://www.budgeting.ie/living-wage/
32 VPSJ (2019) https://www.budgeting.ie/download/pdf/mesl_2019_update_report.pdf
33 Numbeo (2019) https://www.numbeo.com/cost-of-living/
34 EACEA (2019) https://eacea.ec.europa.eu/national-policies/eurydice/sites/eurydice/files/kd_ecec_2019_report_en_0.pdf
35 INOU (2007) https://www.inou.ie/download/pdf/workingforwork2007.pdf

- Rail transport costs by 16%
- Education costs by 18%[36]
- Fees[37] for GP visits by 8.3%[38].

The cost of living in Ireland varies based on whether a person lives in a rural or urban area. Dublin is by far the most expensive city to live in in Ireland. According to the July 2019 findings from the Living Wage Technical Group, a resident in Dublin should make at least €500.55/week to meet the standard cost of living, whereas this figure drops to €392.42/week and €402.45/week respectively to live in other cities and towns in Ireland. In rural areas, this amount drops to €379.10/week[39].

Perhaps unsurprisingly, recent research on consumer behaviours suggests that as many as 6 out of 10 Irish persons have to borrow/use savings to cover essential bills, including utilities, rent and mortgage payments, motor insurance and so on[40]. This situation is intensified for low-income households, and research has found that many must borrow to meet ordinary living expenses (O'Loughlin and O'Brien 2007; Gloukoviezoff 2014). When cost of living is high and household income is low, people are already living on a shoe-string budget and therefore are less likely to be able to have enough money saved to deal with unexpected events or emergencies.

While families continue to be the first stop for help when people face financial hardship, personal loans from credit unions and traditional financial lenders (banks) is another option. However, the extent in which a household has *access* to these lenders is another story – and many in Ireland, particularly lower-income communities, turn to moneylenders as their primary source of credit. We discuss financial access in the following section.

1.2.4 Financial access

Certain Irish households have historically faced barriers to financial services. The *Household Finance and Consumption Survey* from 2013 showed that nearly one in ten households (11.4%) did not have a savings account (CSO 2015). Research by Russell et al. (2011) demonstrated that in 2008, in the aftermath of the crash, 10% of Irish households did not have a current bank account. Those particularly facing banking exclusion included lone parents, social tenants and adults receiving social welfare payments, unemployed persons and those households in the bottom-income brackets. In the years since the crash, while certain Irish consumers have been able to take advantage of new financial services, others are systematically excluded and deemed "non-profitable" and "too-risky" (Stamp 2016). Such exclusions are exacerbated for marginalised groups in Ireland (such as migrants, Irish Travellers, young people and single-parents and so on) who generally face a disproportionate lack of access to traditional financial services.

36 This may be partly due to the rising costs of third level education in Ireland. For more, see: https://oaktreefinancial.ie/the-rising-cost-of-college-education-in-ireland/

37 Ireland is an exception in Europe as it does not have a universal health system, and access to GPs is typically a private service. The majority (57%) of the population must pay a fee to visit a GP. For more on this, please see TASC's 2019 research on Health Inequalities, Available at: https://www.tasc.ie/assets/files/pdf/1953_tasc_health__inequalities_report_2019-final.pdf

38 O'Connor, W. (2018) https://www.independent.ie/irish-news/the-real-cost-of-living-soars-massive-hikes-in-household-essentials-see-working-families-worst-hit-37320401.html

39 Living Wage Calculation (2019) https://www.livingwage.ie/download/pdf/living_wage_2019_-_4_page_document.pdf

40 Jacinta Bonus (2019) https://switcher.ie/blog/money-saving-tips/irish-households-struggling-to-cover-essentials-bills-resort-to-using-their-savings/

The lack of access to financial services can have wide-ranging social, economic and political effects. Having a bank account is sometimes necessary in order to pay rent, receive a pay check or to obtain the best rates and prices for certain goods and services. For example, in Ireland there is usually a reduced rate when paying via direct debit for major utility bills, such as electricity, gas, television, internet and mobile phone. Lack of access to specific options for savings and insurance can also result in less financial capability and an inability to cope in the case of unexpected events.

There is a direct link between the ability to access financial services and over-indebtedness. There are still many households in Ireland that rely on moneylenders for credit access, and this is particularly true in low-income communities. 350,000 households (or about 7% of the population) in Ireland borrowed from moneylenders in 2017[41]. Moneylenders provide short-term high interest loans (APR rates in Ireland can range from 152% to 287.72%[42]) that are easily obtained and require little to no collateral.

According to recent research by Faherty et al. (2017)

- Customers of moneylenders tend to be female, low-income and aged 35-54.
- There are 39 licensed moneylending firms in Ireland.
- 31 of which are classified as "home collection credit firms".
- About 7% of the Irish population have moneylending debt
- Outstanding loans are valued at about €153 million and hold a market share of 1.7% for consumer credit (p. 7-8).

In addition, there are also worrying reports of a rise in the number of unregulated and unlicensed moneylenders in certain areas[43] and a rise in the number of "drug debts" specifically in Dublin[44]. These illegal and unconventional methods of lending and borrowing is particularly troubling as they are oftentimes beyond the scope of institutional assistance, leaving particular groups increasingly vulnerable.

Up-to-date data on access to financial services is not readily available in Ireland. The *Household Finance and Consumption Survey* is only released every four-five years, while the next report (based on data collected in April 2018) is due in 2020. There is a need for yearly, comprehensive data on financial access as well as individual experiences of household debt more generally. This data is necessary in order to capture what is happening in Ireland on a micro-economic level in order to influence policy.

We continue to discuss the ability of low-income households to access financial services and what this means for understanding over-indebtedness in Ireland throughout this report.

41 Brennan, J (2019) https://www.irishtimes.com/business/financial-services/government-weighs-capping-interest-rates-charged-by-moneylenders-1.3911194

42 Department of Finance (2019) https://assets.gov.ie/9499/21ced52030ff467a8478275d2bb7dec8.pdf

43 Deering, P (2019) https://www.independent.ie/regionals/sligochampion/news/illegal-moneylending-a-growing-problem-in-sligo-says-taskforce-37917268.html

44 McLean, S (2019) https://www.irishtimes.com/news/crime-and-law/courts/circuit-court/five-years-for-menacing-16-year-old-over-drug-debt-1.3945531
Gallagher, C (2019) https://www.irishtimes.com/news/crime-and-law/drug-debts-first-come-bullets-in-the-post-then-the-family-home-is-firebombed-1.3784369

1.3 About the project

This report is based on the findings of an in-depth research project that explored the policy and social context of household debt in Ireland as it stands today – and the *problem with problem debt* faced by households. The report in particular highlights how the nature of household debt in Ireland has changed in recent years and cannot be solely characterised by the high levels of mortgage debt that defined much of the boom and bust narrative of the Celtic Tiger period. We discuss how many Irish persons and families lack the financial resilience to weather negative and unexpected financial events – such as a sudden loss of job, illness, relationship breakdown, or even an external, macroeconomic factor such as Brexit. This is particularly true for low-income households and could potentially lead to financial distress in the future.

This report is based on a mixed-method research project conducted by TASC. The objective is to expose the causes, consequences and recent trends concerning unmanageable levels of debt faced by Irish households and low-income households in particular.

To meet this aim, TASC conducted the following:

1. Consultations with experts on debt and credit access, academics and representatives from financial institutions (including credit unions), and housing charities.
2. Semi-structured interviews with **7** Money Advisors from the Money Advice and Budgeting Services (MABS) as well as **2** current users of MABS Services.
   - The majority of the MABS Money Advisors worked in MABS offices in Dublin. These offices include: Ballymun, Coolock, Dun Laoghaire, Francis Street (Dublin 8), Blanchardstown.
   - We also spoke with MABS Money Advisors who worked in Donegal and Kilkenny. To protect the anonymity of the Advisors, their names are not included in this report, and their location is only identified when applicable.
   - The two MABS service users we spoke with were from different parts of Ireland: Mary (a pseudonym) is from Donegal and had been a MABS client for over 9 years; Aidan (a pseudonym) is from Dublin and had been a client with MABS for only a few weeks.
3. Roundtable with relevant actors from the community and voluntary sector, MABS, social enterprises and charitable organisations to collectively discuss the specific causes and consequences of problem debt in Ireland.
4. A quantitative analysis of the data collected by the 2017 EU Survey on Incomes and Living Conditions (EU-SILC), as well as an exploration of existing statistical information in the public domain from state agencies such as the Central Bank, Citizens Information Board and MABS as well as key non-profit organisations such as Threshold, St. Vincent de Paul, Vincentian Partnership for Social Justice, the Living Wage Technical Group and Focus Ireland.

This project ultimately highlights *how* and *why* people in Ireland become over-indebted and what policies and services are the most effective in helping people in these circumstances. It was essential therefore to gather empirical data from those on the front lines of debt advice services in Ireland – MABS Money Advisors. MABS is a government-funded debt advice service with over 60 offices throughout the country. Our discussions with MABS Money Advisors provided key insights into how the landscape of debt has changed in Ireland in recent years – specifically focusing on consumer or non-mortgage debt.

The goal is to design a follow-up service that can be taken forward in partnership with other non-profit organisations in Ireland that focuses on the key areas that build financial capability.

This remainder of this report is organised as follows:

- **Section 2,** *The Problem with Problem Debt,* discusses the specific causes and consequences of over-indebtedness according to relevant academic debates as well as the feedback from MABS Money Advisors.
- **Section 3,** *Personal Debt in Ireland: Existing Policies and Services*, discusses the key services and institutions (including MABS and the Insolvency Services of Ireland) that are available to people who face problem debt in Ireland.
- **Section 4,** *Irish Households in Profile: Data on Non-Mortgage Debt*, discusses the recent trends in household debt in Ireland, and highlights the findings from the 2017 EU-SILC Survey. In particular, this Section isolates the indicators in the EU-SILC data that specifically relates to debt levels and financial hardship, such as the overall burden of debt repayments and incidences of arrears.
- **Section 5,** *The Struggling and the Squeezed* provides further analysis of the EU-SILC data presented in Section 4, and further discusses the different households “struggling” and “squeezed” by debt in Ireland in relation to two key financial behaviours for determining financial capability: *ability to save income regularly* and *not having to borrow to meet everyday living expenses*.
- **Section 6,** *Policy Recommendations* outlines the specific policy recommendations that emerged from the research for improving the context for better financial capability and well-being in Ireland.
- **Section 7,** *Designing a Financial Capability Training,* elaborates on the practical recommendations in terms of the design of financial education and capability service for organisations to offer in the future.
- **And finally, Section 8,** *Household Debt in Ireland: What We Have Learned,* summarises the main findings and concludes the report.

2. The Problem with Problem Debt

2. The Problem with Problem Debt

Since the global financial crash in 2008, over-indebtedness has become an area of increased attention and policy concern. While household debt as a percentage of disposable income is *decreasing* in Ireland on a national level, Irish households remain the 5th most indebted in the European Union. Irish household debt stood at €137.5 billion, or 123.5% of disposable income, at the end of 2018 – well below its peak at the height of the financial crisis. However, the debt to disposable income ratio remains *more than double* where it was in 2004. As such, economists have warned against being deceived by the downward trend in household debt: national figures have reportedly benefited from the statistical treatment of non-performing loans that have been sold by banks to private debt companies to tidy up balance sheets[45]. The exact impact of these private debt companies is unclear due to lack of data. It is important to note that these debts can be purchased at a 40-60% discount which is not passed on to debtors.

Over-indebtedness or problem debt is a social issue that results in different types of payment arrears that include utilities such as gas and electricity bills, mortgages and rent, credit and debit card debt, and loans from financial institutions or moneylenders. There is no universally accepted definition of "over-indebtedness" in Ireland, and those definitions deployed tend to be based on what is understood at a European level. Our research frames "over-indebtedness" based on the following definition:

> Households are over-indebted if they are persistently unable to meet from their income reasonable living expenses and deferred payments as they fall due.
> (Stamp 2006; 2009)

Households in problem debt lack the capacity to pay back what is owed and have debt repayments that are a "heavy burden" on their overall expenditures. In Ireland, there is no "typical household" that faces such high levels of debt. The MABS Money Advisors we spoke with for this project stated that their clients come from all backgrounds and walks of life – and face all different kinds of debt. When asked if there was a "typical" MABS client that used their services, one Money Advisor responded as follows:

> *No, there's not, no [...] You never know who is coming in the door from one minute to the next. A lot of them would have similarities though. [...] Inter-generational problems: we see grandmothers, mothers, daughters, where there has been consistent poverty for years and years and years. Then we would have people living in private rented accommodation, we would have a significant foreign national cohort that would come into us as well. [...] There is not a typical client really.*

The diverse face of problem debt also makes it difficult to tackle in a policy framework. In addition, the social and cultural shame and stigma associated with unmanageable debt levels makes it difficult to pinpoint who exactly is struggling, as many people do not come forward for help. According to another Money Advisor in South Dublin:

45 Cantillon (2019) https://www.irishtimes.com/business/economy/fall-in-irish-household-debt-ratio-flatters-to-deceive-1.3928491

> *I'm an accountant… if you look at [our region] in the Census, I think there's about 115 thousand people… it's a huge area. We've got two offices. If you add up the number of clients we get… and you put that in a percentage of the amount of people in the region, it's tiny. Its less than 1%.*
>
> *So what are the rest of the people doing? In my heart of hearts I know there are a lot more than 1% of people in this area who need help. So why aren't they coming? Is it pride? Is part of it because they don't know what we do? […] If it is a substantial amount of debt with a lot of creditors, most clients would not be able to deal with it.*

In this research we focused on *when* individuals realise their debt is no longer manageable and the steps people take to address the issues. At what point do people realise their debt has gone too far – and what do they do about it?

2.1 Collecting data on non-mortgage debt

It is important to distinguish between "definitions" of over-indebtedness and the specific "indicators" that can be used to measure it. There is no single statistic or indictor that serves to holistically capture the multi-dimensional phenomenon that is over-indebtedness. Ireland in particular has been criticised for having a shortage of data on household debt on a micro level. The main financial institutions, such as the Central Bank of Ireland, gather household information predominately on a national scale. It is therefore difficult to discern the profile of households that are affected by problem debt, as well as the type of debt they face and the creditors who are owed.

In terms of understanding private debt, there are various ways to gather accurate data. Some research on debt uses records of debt judgments and court cases in the public domain – but this has been proven to be an ineffective way to understand debt in Ireland (Stamp 2009). In other countries like the United Kingdom, administrative records of arrears kept by creditors have also been used to measure over-indebtedness. However, such forms of "anonymised" data are largely absent here (Stamp 2009, 7). MABS (the Money Advice and Budgeting Service), Ireland's national debt relief service, releases quarterly statistics that provide a profile of its new clients and the types of debt they face. These statistics importantly capture the current trends of who is accessing debt support services in Ireland and why – however, it is only a glimpse into the scope of MABS' activities, the range of clientele and the scale of debt assistance and negotiation they provide.

National surveys and questionnaires on living conditions are another way to collect data on debt – and these were the primary sources of data we used for this project. These tend to be supported by European bodies. As mentioned previously, there was one major data set used in this research:

- *EU SILC (Survey on Income and Living Conditions)* from 2017, which provided a more detailed look at the behaviours of households, the overall burden of debt repayments and the ability of households to save.

The Survey on Income and Living Conditions (SILC) is designed to provide statistics on household and individual income as well as related indicators of living standards, poverty and inequality (CSO 2018). In 2017, the achieved sample size was 5,029 households and 12,612 individuals. These sources of data were used to correlate different indicators (such as burden of debt repayments, ability to save) with household characteristics, such as income quintile, household type (single-parent, over 65, etc) and those households with or without children, households who are renting versus those who own their homes and whether or not they are employed.

On the whole, researchers have praised the EU-SILC Survey for its utility – in particular for measuring debt on the household level, which is seen as one of the more accurate ways to measure debt. It also helps reveal which cohorts of the population are "over-indebted" – asking a question specifically on the burden of debt repayments. Those who responded that their debt repayments are a "heavy burden" are categorised as over-indebted.

However, there are shortcomings to this method of data collection and analysis. It is important to note that only households are surveyed, which means that certain key groups or parts of the population (such as persons who are homeless, and members of Ireland's Traveller community), may be excluded from the data collection (Stamp 2009). We return to this discussion in Section 4 of this report.

2.2 The causes and consequences of problem debt

Research points to several major causes of over-indebtedness:

1. Low income and cost of living
2. Sudden and unexpected life event (such as job loss, illness, relationship breakdown, death in the family, and so on)
3. Over borrowing and mismanagement of finances
4. Types of credit taken out by households

There is much debate and discussion in the literature about these causes of over-indebtedness and what types of policies best address them. Some point to borrowers themselves, saying they have poor financial literacy and "feckless" spending behaviours. However, this narrow thinking ignores wider contextual drivers of debt and how life circumstances can often result in the need to borrow and access credit quickly. This is especially true for people living in low-income households – who due to a lack of engagement and mainstream financial access may borrow more readily available loans at higher interest rates from unconventional lenders such as moneylenders. According to Mosedale et al. (2018):

> *Problem debt is a major risk factor both stemming from and driving a myriad of economic, social and health inequalities.* (Mosedale et al. 2018, 2).

Framing debt in this way allows for an understanding of problem debt as a "socio-emotional phenomenon rather than a financial or legalistic one" (Salter 2014, 10). This moves the burden of debt support from an individual responsibility to a wider social and structural need.

In our research, we found that many MABS offices in low-income communities see problem debt, as well as the difficulty in overcoming problem debt, as intricately connected to the "chaotic" lives of clients. According to one Money Advisor:

> *To be honest, a lot of the people who turn up to our service, their lives are quite chaotic. So you can often be several years working with clients you know. Where a client might have a [budgeting] plan put in place and it may operate successfully for 6 months to a year, 18 months, then something else will change. If they have gone back to work and they lose work again, or they come to us when they are in a relationship and then the relationship breaks down, or*

> *sometimes there are medical problems…*

Another Money Advisor highlighted similar issues:

> *On some people's scale of priorities – they have maybe illness, mental health, addiction, whatever, maybe sick children, maybe children who have been taken from them – there's so many things going on in their lives. Their money worries are at the bottom.*

Borrowing from high interest moneylenders was another cause of problem debt raised by Money Advisors. Research has proven that "banks do not generally provide the sort of small, short term loans poorer people typically need at short notice" (Mosedale et al. 2018, 7). Devising an alternative lending option for low-income households remains a persistent policy challenge – and one that is greatly needed.

For example, according to one MABS Money Advisor, the appeal of high interest loans from moneylenders is based on their accessibility:

> *They've burnt their bridges with the credit union. They already have a debt with them. So, where else do they go? I understand the appeal of [moneylenders]. For people on low-incomes. And they [moneylenders] absolutely know what they are doing. They become their friends. And they don't want to let them down. They will be the first person they pay - they might not pay their gas bill. But they will pay Mr [moneylender] man.*

The social, economic and political consequences of household over-indebtedness is widespread. On a national level, countries with high levels of problem debt grow more slowly and are more vulnerable to external pressures. On an individual level, high levels of debt can lead to a vicious cycle:

- Falling into problem debt
- Larger percentage income to debt repayments
- Difficult to make ends meet and to build up savings
- Negative social/personal consequences
- Social exclusion and financial vulnerability
- Increase demands on state systems and services
- Negative impact on families and communities
- More national poverty and deprivation

A person with limited income may need to borrow money in order to make ends meet or due to an unexpected life event or trauma. They may also borrow for holidays or special occasions. If they are low-income and borrow from a high interest lender, this results in a larger percentage of their disposable income being allocated to debt repayments which makes it increasingly difficult to cover other everyday living costs and expenses. This in turn can result in wide-ranging negative social and personal effects, such as low mental and physical health, relationship breakdown, feelings of exclusion and anxiety, and so on. When personal debt levels are out of control, entire communities can suffer.

2.2.1 Financial hardship and physical and mental health

Over-indebtedness has a wide-ranging effect on a person's life and well-being – including their overall physical and mental health. Existing academic research has revealed connections between severe financial stress and poor health conditions, and in particular, how "factors such as negative life events, unemployment and financial indebtedness may produce chronic stress that is linked to reduced immune system response and increased risk of cardiovascular diseases" (Wilkinson 1997 as cited by Mazeikaite et al. 2018).

The effects of persistent financial strain and unsecure debt on individuals includes depression and other mental health conditions in the overall population as well as elderly adults (Meltzer et al. 2012; Mazeikaite et al. 2018; Gathergood 2012). This was consistently flagged in this research, as referenced by one MABS Money Advisor we spoke to for this project:

> *Mental health issues are key. I would say a very high percentage of our clients who come in have mental health issues. They could have mental health issues and as a result of that run into financial difficulties, or it could be the other way around. […] So, there are a lot of people in that situation and a lot of them are kind of helpless to be honest, because they don't know where to go… the letters and the phone calls and the stress, they find that very hard to deal with. People working and they're getting phone calls from the creditors to say can you increase your payment, can you sell your car, can you borrow money from your family. Very difficult to do…*

The response above illustrates suffering from mental health issues can be *the result of* the crippling debt people face and/or *the cause of* their financial hardship.

The pathway out of problem debt is not always linear. Life events and further complications can exacerbate debt issues – especially when in combination with mental health problems. For example, one Money Advisor stated:

> *Mental health is a huge issue too in the last few years. Sometimes the resilience people had for the first four or five years has just worn away at this point. We would have a significant portion of our clients who would be engaging with mental health services, or who should be engaging with mental health services. So a lot of it can be down to a client's capacity and resilience and that kind of thing. So yes, it can take a very long time to get somebody from point A to point Z. Often it just doesn't happen you know, so we would have a lot of long-term clients. The aim is that we would empower somebody to get to the point where they can deal with it themselves and all of that.*

The following is an excerpt from an interview with a user of MABS services as part of this project. Aidan (a pseudonym) is based in Dublin and has been a client with MABS for only a few weeks. In the excerpt below, he describes his experience of intense stress and recent hospitalisation as a result of his being pursued for a 10-year old debt with his local credit union:

> *I ended up in hospital two weeks ago. I thought I was having a heart attack, I couldn't breathe and there was a weight on my chest, and I had to go to go in an ambulance, and I was in hospital for eighteen hours and I was in the cardiac unit. Eventually they said, "you're fine", and then the cardiologist said, however, we're worried about your stress, your heart, you're fit, you're very fit for your age […] but we're very worried about your stress. […] I was [back] in this week, in hospital,*

> *they brought me in for stress tests. That's how serious they view that. They said, your heart and everything is fine, but the stress is very pervasive, we need to check that out.*
>
> *So, again, I'm in the process, with MABS [and] I'm in this situation now with the creditors […] Thankfully MABS got onto them and they said you know, this is crazy what you're doing with this guy, we're looking at his stuff here and he's not in a position [to pay].*
>
> *That's why I went to MABS, because I was hit with solicitors threatening and bullying, and this kind of thing. MABS have been great, they kind of put a break on it, and what they do is they look at the detail, they go and say let's position this and organise it and let's look at the facts.*

Creditors and the use of "aggressive" tactics for pursuing repayments undoubtedly can also play a role in instilling fear and stress into the lives and well-being of debtors. We return to this throughout the report.

2.2.2 Low-income households and financial decision-making

There is extensive research on the financial capability and spending behaviour of low-income households (for more information, see: World Bank 2015; Sheehy-Skeffington and Rea 2017; Gibbons et al. 2016). For the purposes of this research, and our goal of designing a service that prioritises the financial capability and well-being of individuals, it is important to understand how the emotive and mental pressures of having little access to income affects decision-making and financial conduct.

According to the World Bank, financial choices are influenced by the following:

1. impulsive judgements
2. emotions
3. temptation
4. loss aversion
5. procrastination[46]

Research has demonstrated that when it comes to financial choices there are repeated and systematic departures from what people *intend* to do, what they *say they want* to do and what they *actually* do. For all persons, impulsive judgements and immediate gratification is a strong motivator and often trumps thinking ahead and long-term needs. This "present-bias" often supersedes a more abstract long-term thinking that is needed to support behaviours such as saving.

Such universal predispositions can have a "profound" impact on people who are low-income "because they lack a margin for error… and countries may not have the institutional capacity and safety nets to safeguard individuals against financial losses" (World Bank 2015, 112). Information is not necessarily enough to counteract these behaviours, as they are influenced by "will power". Research has shown that will power can be exhausted like any muscle in the body – which is particularly the case in situations where people are struggling to make ends meet or have experienced a difficult or traumatic life incident. As such,

46 We look specifically at how the proposed financial capability training will address specific financial behaviours in Section 7: Developing a Financial Capability Training.

> *When cognitive resources are over-taxed, decision quality typically suffers: as decisions are driven by emotional impulses and narrow short-term focus… [therefore] the importance of having an institutional framework that allows for independent, unbiased intermediaries in the markets where financial advice is essential.* (World Bank 2015, 115-116)

This thinking underpins policy recommendations that emphasise the importance of consumer protections and for the regulation of how financial products are advertised. It also influences the way that financial training should be designed and implemented – building key behavioural-influencers such as will-power and long-term thinking take time and the people participating must actively *desire* the information put forward.

In 2019, the OECD released a paper[47] on the ways that understanding key financial behaviours can shape policy and best practice in terms of financial education. The authors maintain that there is no one-size fits all approach to using education to build positive financial behaviours – and that contextual factors are instrumental. However, they also identify several key actions that should be incorporated into trainings, based on international best practice. These include designing training content that is "content focused" (p. 8), easy to understand and personalised for each participant, providing content that allows for direct action versus just information, and potentially using digital options and insights.

These findings will shape the training we hope to develop on the basis of this research, and is further outlined in Section 7.

Here, we end this section of the report with the testimony of the second user of MABS services we spoke to for this project. Mary (a pseudonym) is from Donegal and has been a client in her local MABS office for nearly 10 years. She describes her experience falling into problem debt below:

> *So, back in 2005 or around that time, maybe a wee bit before it …I was working full time, doing my thing, you had the usual payment on a car, nothing that you couldn't manage, everything doing OK. And then, one of my daughters got pregnant and she would have been staying [at home]. So of course we had only three bedrooms, six children, so we decided then we'd do up the attic. Anyway, that's when it [my debt] started then, borrowed money. Discovered then, that my daughter's baby would not survive, and baby was born, baby died. The following year, my daughter took her own life. Decided then, me thinking I'm perfectly rational, decided then to book a holiday for the whole family. Actually decided that before [my daughter] died. Borrowed money for that. Was off work for some time after [she] died, which I was paid for, but only the basic rate. Borrowed money for the funeral. And it just escalated, absolutely escalated there, I borrowed money to pay back money that I had previously borrowed. So then, of course then, I couldn't keep up with the payments. And this was going on and on and you would miss one payment trying to pay another payment and I was getting up to sixteen calls a day including when I was at work. I was just, I cannot tell you, how horrendous that was, absolutely horrendous. Would leave my mobile phone in my pocket, take the phone and the house off the hook. Letters upon letters upon letters and he who shouted the loudest, you'd promise them then that they would get you on the phone, and you'd say OK I'll pay that on Thursday because that's when my pay came in every fortnight. And I just, I wasn't sleeping or anything.*
>
> *So one night a friend of mine came in just for a coffee and we were talking, and just out of the blue she said "oh with the recession my pay was cut, and it was just honestly bad to worse and*

47 OECD (2019) http://www.oecd.org/financial/education/smarter-financial-education-behavioural-insights.pdf

she said there's a very nice MABS lady my sister went to her and she helped her a lot". So off I went over to [MABS]. And that was really hard, because it was all in front of you in black and white, what you had borrowed [...] and I had multiple debts; personal loans, credit cards, car loans, mortgage, you name it and I had it. And I have to put my hands up, like there's no good in making all the excuses under the sun. I mean, I absolutely take responsibility for what I've done.

As demonstrated with Mary's case above, problem debt happens after all sorts of life experiences and circumstances. According to the research, people who have unmanageable debt levels want to take responsibility for their debt and move forward. In Ireland, what are the specific services and policies to help prevent, alleviate and rehabilitate problem debt for individuals? We discuss this in detail in the following section.

3. Personal Debt in Ireland: Existing Policies and Services

3. Personal Debt in Ireland: Existing Policies and Services

Household problem debt has wide-ranging social consequences, and therefore needs to be understood as a social issue. This involves the development of a robust public policy framework at a national level for addressing "over-indebtedness".

According to the Council of Europe, these policies should fall under one or several of the following three categories[48]:

1. Prevention

How do we prevent situations of problem debt?

This includes those policies that support "preventative interventions" to building financial capability and resilience. Such programmes support money management and budgeting education, as well as policies that regulate lending practices and protect consumers from unethical lending practices. Digital tools and platforms also play a role in prevention and help people assess their debt levels as well as design personalised budgets based on income and expenditure.

Personalised supports[49] have an important function in terms of action on debt prevention. As outlined by the OECD, it is crucial to make financial education and services as personalised as possible (OECD, 2019). Individualised programmes "encourage greater commitment and loyalty as the information delivered is tailored to the learners needs" (p.11).

Preventative public policies also specifically entail regulating interest rates and financial services, ensuring people have knowledge and access to appropriate financial institutions, as well as the knowledge and capacity to maximise their income and social entitlements.

2. Curative

For people already in trouble with unmanageable debt levels – where do they turn for help?

Curative interventions include those services that provide mediation and support for individuals and households facing problem debt. This may involve negotiating with creditors and setting forth a "realistic" and fair schedule and debt repayment amount that still permits debtors to have enough reasonable income to live.

3. Remedial

How can people get a "fresh start" and have their debt wiped clean?

48 Council of Europe (2007) as cited by Stamp (2009).

49 As we highlight in the following section, apart from MABS, there are no other centralised supports that provide free and personalised financial advice at a preventative stage in Ireland, which is particularly vital for at risk groups. This highlights a severe gap in the provision of personalised supports when it comes to preventative policies and services.

Remedial or rehabilitative measures including the opportunity for "debt-forgiveness" and solvency. This includes specific insolvency arrangements (such as bankruptcy and personal insolvency arrangements) as well as options to improve credit ratings.

It is important to note that these categorisations of debt policies and support are not mutually exclusive and some institutions, such as MABS, work on multiple fronts to confront problem debt. The National Credit Register is another mechanism at work in Ireland and monitors all debt over €500 in Ireland and is organised by the Central Bank of Ireland. Credit ratings can help deter persons from having the ability to over-borrow, as lenders will be less likely to lend to those with too many unpaid loans.

In this section, we further break-down additional existing policies and services at work in Ireland to address over-indebtedness within each of these three categories in the Irish context.

3.1 Preventative policies and services

In Ireland, issues of problem debt are structural – related to high cost of living and housing in particular, low-income, and financial exclusion. Policies to prevent and minimise the probability of high debt therefore should prioritise addressing these systematic problems. With this in mind, it is important to note that in Ireland there are groups actively working to build financial knowledge and capability in light of these concerns, and to establish new, alternative lending options that are better suited to the needs and circumstances of low-income communities.

In this section, we draw attention to the preventative actions and policies at work in the Irish context, in particular financial educational initiatives and lending options geared toward low-income households. A summary of these supports is included below:

- *Financial education initiatives*: Group financial training for adults and young people; online platforms and supports money management and education; awareness raising campaigns
- *Alternative lending and repayment options*: Credit unions and "It Makes Sense" Loans; An Post and "the Household Budget Service"

We offer further details of these services in Sections 3.1.1 and 3.1.2.

3.1.1 Financial education and online services

MABS (the Money Advice and Budgeting Service) has a long-standing commitment to working with Education and Training Boards (ETBs) to develop and deliver financial training and supports. Such programmes are rooted in community-based education and engagement. For example, *Moneycounts.ie* is a money management training programme for people with intellectual disabilities and other community groups based in South Dublin, co-supported by MABS and John of God Carmona Services. MABS also collaborated with Donegal VEC (Vocational Educational Colleges) to create *EuroWatchers* in 2009, an eight-week home budgeting programme for interested adults.

In terms of working with specific groups, National Traveller MABS is a policy-orientated wing of MABS that highlights issues of over-indebtedness and exclusion from financial institutions faced by Irish Travellers. They also support community education and money management programmes for Travellers at a grassroots level[50]. They have also been involved in applied financial education and saving schemes – such as the "North Circular Road Savings Club", a programme established in 2009 aimed at advancing the financial wellbeing of Travellers incarcerated in Dublin's Mountjoy Prison[51].

MABS continues to be actively involved in the financial education sector. In particular, MABS is active in working with secondary schools with events such as "Global Money Week" and the Learn Save Earn campaign[52]. MABS also collaborates with local authority and community schemes, such as the community employment scheme in Finglas[53]. However, some programmes were moved to the back-burner in the years since the financial crash. This was due to the massive case-load taken on by MABS all over the country. According to MABS Money Advisor:

> *Because we were so snowed under with clients for 7 or 8 years, we have not been able to do a huge amount around money management on the education side of things recently.*

The newly established government body CCPC (Competition and Consumer Protection Commission) has rolled out programmes targeted for financial literacy training for young adults in Ireland, including workshops in secondary schools. They also offer half-day trainings for adults in the workplace.

There are several *online* trainings and platforms that offer some information and trainings on financial literacy, as well as budgeting and financial skills, and these are largely "self-service". The following is a list of such services available in Ireland:

- MABS "self-help" tool, which allows individuals to assess their debts, make a budget and take the first step in dealing with creditors[54].
- The Insolvency Services of Ireland (ISI) Back on Track.ie is another digital platform which can facilitate an individual in contacting a debt advisor. It also provides information on debt solutions and has a digital reasonable living expenses (RLE) calculator[55].
- Debt Collection Services Ireland (DCSI) (which operates in Northern Ireland and the UK as well) have an online budget calculator[56].
- Competition and Consumer Protection Commission (CCPC) also offer a digital budget planner, spending calculator and a step-by-step debt action plan[57].
- Certain major financial institutions, Allied Irish Banks (AIB), Bank of Ireland and Permanent TSB, also provide more generalised guides, budget tools and financial health checks for individuals online.

On the whole, digital channels are easily accessible, attractive and present several advantages for achieving financial education and preventative outcomes. However, it is significant to highlight that as with any digital based platform/tool, it excludes certain people who are not digitally literate or do not have access to a computer or smartphone. There is also limited public information to raise awareness of the existence of such programmes and their impact is difficult to determine.

50 NTMABS (2015) https://www.ntmabs.org/publications/education/2018/developing-trust-national-traveller-mabs-community-education-report.pdf
51 For more, see: https://www.ntmabs.org/development/38-north-circular-road-savings-club
52 For more, see: https://www.mabs.ie/en/news/news20190325.html
53 For more, see: http://www.thefingalcentre.ie/community-employment/
54 MABS https://www.mabs.ie/en/how_we_help/debt_and_budgeting_tools/mabs_self_help.html
55 Back on Track (ISI) https://backontrack.ie/
56 DCSI https://www.dcsi-ltd.com/budget-tools/
57 CCPC https://www.ccpc.ie/consumers/tools-and-calculators/budget-planner/

Credit Unions were once leaders on delivering financial capability services in communities – which included workshops, public interest campaigns, information sessions and in-person trainings (Byrne et al. 2010). However, due to increased regulation[58], decreased resources and other difficulties facing the credit union movement, this support appears to be no longer as readily available and depends largely on the credit union and region. Centralised websites supported by the Citizens Information Board[59] and the CCPC[60] offer generic information regarding money, insurance, tax and debt on their central websites.

3.1.2 Community lending options for low-income households

Credit Unions and "It Makes Sense Loans"

In 2015, supported by the Department of Finance, select Irish credit unions around the country began rolling out the "It Makes Sense" Loan Scheme[61], also referred to as the Personal Micro Credit Loans (PMC). The Scheme offers lower interest rates to people currently receiving a social welfare payment (and over the age of 18) who may have difficulty getting credit from other sources. The objective of the Scheme is to reduce dependence of certain populations (particularly low-income households) on borrowing from moneylenders with very high interest rates. The maximum interest rate of the "It Makes Sense" loans is 12.68% APR, much lower than the standard moneylender APR rates, which are commonly 125% (Faherty et al. 2017) but can also range between 152% to 287.72%[62].

However, even though it fits with a traditional credit union ethos and would provide them with new clients, the take-up of the Scheme by credit unions has been relatively slow, with less than 35% of credit unions around the country taking part[63]. The Scheme has critics on both sides – representatives of credit unions say that there is a huge bureaucratic and administrative burden on credit unions to deploy the PMC scheme, and representatives of community groups (and some from MABS) argue that the administrative burden is too much for potential borrowers, who have to open a credit union account in order to take part. There is a limited amount of money that credit unions have to offer for the Scheme, and so the take-up has been minimal.

According to one MABS Money Advisor,

> *Now, our local credit unions [in Dublin] do offer them [It Makes Sense Loans], but I have yet to see a client of mine get one. The criteria are very tight and also credit unions only have a limited amount to do it with. So, I haven't seen any results from that. […] And it's a pity, because there is [limited] risk for the Credit Unions, because repayments [can be] deducted at source and from social welfare.*

Another Money Advisor spoke of how their local credit unions do not offer the Scheme:

> *[It Makes Sense Loans] do not work in this area at all. We have tried and tried and tried. We have two credit unions in this area […] We've had meetings, I've hundreds of emails at this stage,*

58 Central Bank of Ireland (2019) https://centralbank.ie/docs/default-source/regulation/industry-market-sectors/credit-unions/communications/credit-union-news/credit-union-news-issue-10---february-2019.pdf?sfvrsn=4

59 Citizen's Information board https://www.citizensinformation.ie/en/

60 CCPC https://www.ccpc.ie/consumers/money/

61 ILCU (2019) https://itmakessenseloan.ie/

62 Department of Finance (2019) https://assets.gov.ie/9499/21ced52030ff467a8478275d2bb7dec8.pdf

63 ILCU (2019) https://itmakessenseloan.ie/participating-credit-unions/

> *because the initial meetings had seemed very positive. But then they just didn't go with it. We got somebody in from a credit union in [a nearby town], who were operating it successfully and had been for about six months prior to this meeting. We were really keen on it and our two credit unions were like yeah, that sounds great, I think we'll go with it. But then just didn't. Which is disappointing.*

As mentioned earlier, many traditional banks do not provide the small, immediate loans that low-income households typically need access to more regularly. The implementation of the "It Makes Sense" Scheme was one way to combat that – and to counter the rise of problem debt that can emerge from an over-reliance on moneylenders.

Credit Unions in Ireland are also limited in the range of financial services they offer – the majority do not offer current accounts, or credit or debit cards for example. However, they are actively trying to expand into these areas, and have had some recent success[64]. In October 2019[65], 30 credit unions with 115 branches expanded their current account services to include a Mastercard debit card, standing orders, direct debits and overdrafts. The move was supported by the Central Bank and originates from a collaboration between some of the country's largest credit unions.

An Post and new financial products

Ireland's national postal service*, An Post,* has recently expanded and now offers a range of financial services to customers. *An Post Money* supports a current account, credit card, personal loans (between €5,000 – €75,000) and is looking to offer mortgages in 2020[66]. While the fees and interest rates on these products are not necessarily lower than traditional financial institutions, and the minimum personal loan amount of €5,000 is still higher than what poorer households may need access to on an immediate basis, many view An Post's movement into the financial service's sector as positive for marginalised communities in Ireland. An Post tend to be trusted and have a better relationship with low-income communities than banks and even credit unions in some areas.

Part of this positive relationship is based on An Post's role in distributing a significant portion of social welfare payments in Ireland in the form of cash transfers. Of the 79 million social welfare payments made by The Department of Social Protection every year, 30 million are paid in cash through An Post[67]. An Post also offers a "Household Budget Service" on behalf of the Department of Social Protection, where social welfare recipients can have portions of their welfare payments deducted directly to pay certain household bills – such as gas and electricity, and rent with local authorities – and even in some circumstances, repayments on their "It Makes Sense Loans" with their local credit union when applicable[68]. Several MABS Money Advisors we spoke with for this project praised the Household Budget Scheme. The following is a quote from a Money Advisor who works in Kilkenny:

64 Weston, C. (2019) https://www.independent.ie/business/personal-finance/credit-unions-take-on-banks-with-current-accounts-soon-to-be-launched-37779274.html

65 Coz, J (2019) https://www.buzz.ie/news/credit-unions-start-offering-current-account-services-340525

66 Cassidy, D. (2019) https://www.bonkers.ie/blog/banking/say-hello-to-an-post-money/

67 Department of Employment Affairs and Social Protection (2019) Available at: https://www.welfare.ie/en/pressoffice/Pages/pr170119.aspx

68 Some credit unions allow borrowers to repay their "It Makes Sense" loans through the Household Budget Scheme. Formerly, there was a transaction fee incurred by credit unions to do this, but this will be amended in January 2020. The Department of Employment Affairs and Social Protection will now absorb this cost. The hope is that this will lessen the administrative burden for the credit unions who offer the 'It Makes Sense' scheme – and combat a significant barrier that prevented many credit unions from offering the loans in the first instance. For more, see: https://www.longfordleader.ie/news/business/502017/credit-unions-committed-to-encouraging-more-people-to-turn-away-from-moneylenders.html

> *One thing people can do, they can have their utilities deducted at source from social welfare. We can do that through a post office Household Budget Account. So, they can pay country council rent, utilities, and a couple of other, maybe waste, they can have deducted at source up to 25% percent of their income. I have an elderly couple in Kilkenny who, neither of them would have great capacity and one of them pays the country council rent from his, and she pays the gas and the electricity from hers. And they're in credit with everyone, and they don't have to worry. And it's a win-win for people.*

Another Money Advisor who works in Donegal made a similar argument:

> *For anyone on social welfare, there's a thing called household budget deduction and I just swear by that, because I think it's a great thing for you making a payment towards your electricity every week. So, if you're on social welfare and you're on €208, you can be paying €18 or whatever towards your electricity every week. So that when the bill comes in there's nothing to be paid, as you're actually paying for it every week.*

Credit unions and An Post, the national postal network, play a key role in facilitating financial inclusion for people in low-income areas. It is important to note, there are no CDFIs (Community Development Financial Institutions)[69] in Ireland and the services offered by locally-situated institutions (such as credit unions and An Post) are vital to the financial well-being and support of these communities.

3.2 Curative policies and services

Curative policies and services are for those persons who are already facing problem debt and usually involve debt advice services. In Ireland, MABS (the Money Advice and Budgeting Service) began as a community-led initiative in the early 1990s. It is now part of the state mechanism and is funded by the Citizen's Information Board. Today, MABS is considered one of the most robust and comprehensive state-run debt advice services in Europe[70].

MABS has an office in every county in Ireland and offers a range of supports and services: a national helpline, email inquiries, face to face counselling and debt restructuring, online tools and budgeting calculators as well as financial education and training. Money Advisors are the backbone of the organisation and offer in-person supports to clients from all over the country. Their contributions are largely curative but they also can sometimes contribute to helping clients get back on track and on the remedial path to solvency.

When asked about the services offered by MABS, one Money Advisor from North Dublin responded as follows:

> *The MABS process involves looking holistically at a client's entire personal financial situation. That may include health difficulties or there may have been a marriage breakdown, or something like that. We look at their current situation, what debts they have, prepare financial budgets and financial statements with them, help them to maximise their income where possible.*

69 Community Development Financial Institutions (CDFIs) are private financial institutions that are dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities. These lenders offer alternative options to deter borrowing from moneylenders or others with exorbitant rates. For more CDFIs and the support for micro-credit schemes in Ireland, see: Gloukoviezoff 2014.

70 For a comparative analysis of debt advice services in Europe, see: Eurofound (forthcoming), Addressing household over-indebtedness: advisory services and debt settlement, Publications Office of the European Union, Luxembourg.

> *This is a kind of a unique factor in what MABS do really. Then, we set out a plan with them. We say, "OK, let's do A, B or C here and the consequences of A is such, B is such" - and then the client makes the decision themselves as to what way they wish to go. We would advise them around insolvency options as well as following the MABS process. This is basically a 7-step process. Once we're happy with a plan and the client has worked out a plan, we can either intervene on their behalf. We can contact the creditors that they owe money to, try and negotiate with them, or the client can do that themselves and we can assist them to a point where they're capable of actually doing that.*
>
> *Once the plan is in place, we try to monitor the client for a period of time […] Then hopefully after the first review, although sometimes it takes far longer than that, we can get them to a point where we can discharge them from the service and let them move forward themselves. But, to be honest with you, it's generally not just one review, we have some clients who are with us years.*

The work of MABS and money advisors is multi-layered, at times it involves developing connections with clients and maintaining a level of trust. When describing his role and responsibilities, one Money Advisor referenced this as follows:

> *It's not in our job description, but a lot of what we do is actually counselling. You might be talking to someone about financial strain or something like that and you might not get to talk about what the actual problem is until the second or third meeting. Some of them come in, actually just to talk to someone.*
>
> *The other thing I find is that somebody may be talking to someone else about their debt for the first time, because often they haven't been able to tell anyone. We'll have couples come in and a wife might say, "I don't want my husband to know, or vice versa. Maybe I don't want my kids to know". You can imagine the strain on that person trying to deal with this themselves. So, when they say it to someone else there is [relief]. I think sometimes by saying it, they hear what they're saying themselves and kind of go, "god, that is a problem".*

The reputation of MABS and its work is highly favourable, and the two users of MABS services we interviewed for this project spoke quite highly about the support they received from MABS services. Mary, the MABS service user from Donegal who had been with MABS for approximately 10 years, spoke as follows:

> *I cannot say enough good [things] about MABS […] I'm three thousand steps ahead of what I was before I went to MABS. I think what I'm trying to say is: MABS makes your call, assesses what you owe, you know, [helps you] stick to your budget, listen and learn and take the bull by the horns. Don't bury your head in the sand because I did that for a good few years before I went to see MABS and I nearly drowned myself, I had enough to cope with, you couldn't cope no more. […] For that, to MABS I'll be forever grateful, and I mean that from the bottom of my heart. […]*
>
> *And I mean, that's what they're trying to give back to people, it's some kind of normalcy and that's being given to me and for that to MABS… I'll be forever grateful, and I mean that from the bottom of my heart. Like…I did get, you know, having my life back again, a hundred percent, you know, because that was no life, waiting on the postman and dreading my phone call and that. Now if someone did phone me, I have the strength to say, look I've been working with MABS.*

However, certain creditors and types of client debt are easier to deal with than others, and in general, MABS has more scope to write-down and negotiate on unsecured debts rather than mortgage debts (Roche 2018). According to research for this project, MABS Money Advisors also have limited power to assist in situations of private rental arrears, as those situations are often left to the discretion of private landlords. They also have a limited capacity to assist in situations of illicit moneylending or drug debts – as those extra-legal contexts are outside their authority.

Yet MABS undoubtedly provides an invaluable service in the Irish context. MABS served approximately 15,300 first-time clients in 2018 and have seen over 9,000 new clients already in the first six months of 2019[71]. The type of non-mortgage debt they faced ranged from loans with financial institutions to credit card debt, utilities and rental arrears as well as moneylender debt.

3.3 Remedial policies and services

In Ireland, there are several remedial structures in place to assist persons wipe their debt clean if they meet certain criteria. It is important to note that there are important non-state actors who assist in this service, such as the Irish Mortgage Holders Organisation. This organisation acts as a significant remedial service in Ireland regarding mortgage/debt resolution between lenders and mortgage holders. They are a not-for-profit and work with both Irish and international organisations to structure solutions and processes that will assist those in a debt deal with their creditors. Irish Mortgage Holders Organisation (IMHO) offer all options of debt solution; including informal arrangements, insolvency arrangements and a free bankruptcy service. They are funded on a charitable basis by three banks: AIB, KBC and Permanent TSB. This funding is 'without strings' and there is no service-level agreement – IMHO is regularly critical of the banking sector. They are quite active, and in 2018, they arranged solutions for over 2,500 people in difficulty[72].

For the purposes of this research, we look specifically at the role of the newly established national government body charged with providing remedial options for debtors: The Insolvency Services Ireland (ISI). The ISI is an independent government organisation that was set up as a solvency solution for personal debt problems in 2013. It was established in the aftermath of the financial crash and offered three new options for debt solutions (PIA, DRN and DSA) as well as a reform of the legislation around Bankruptcy.

1. Personal Insolvency Arrangement (PIA): debt relief for both unsecured and secured debt (with a focus on mortgage debt). Solvency arrangement lasts for up to 6 years. After 6 years have passed, a large portion of their unsecured debt (averaging 83%) and a smaller portion of their secured debt (averaging 21%) will be written off.
2. Debt Relief Notice (DRN)[73]: debt relief of up to €35,000 for low-income persons on social welfare with few financial assets. Involves a three-year supervisory period before debts are written off.
3. Debt Settlement Arrangement (DSA): debt relief for unsecured debt of over €35,000 (no upper limit), involving up to a five years supervisor period.

71 MABS (2019) https://www.mabs.ie/downloads/statistics/Mabs_National_Stats_Report_2019_Q2.pdf
72 Irish Mortgage Holders Organisation (2019) Available at: https://www.mortgageholders.ie/about-us/
73 DRNs were of particular interest to us in this research, as we were exploring non-mortgage debt.

4. Bankruptcy[74]: debt relief for secured and unsecured debt over €20,000, supervisory periods of one-year.

Roche (2018) charts the ISI's establishment in 2013 as a response to gross number of households in arrears (predominately for mortgages) that gripped the country at the time. He notes that there were political fears in advance of the ISI's establishment that such as debt relief options would be overrun – for example, 16,000 – 21,000 debtors per year were estimated to use the ISI. However, the actual number of people who would use the ISI's services was grossly overestimated – there were only 12,424 applicants (and 4,238 arrangements) approved in its first 58 months of operation (2013 – 2018) (Roche 2018).

It is important to note that the number of annual applicants/approved solutions is growing, suggesting the service is working and expanding the number of people who are able to access forms of debt relief. The ISI processed 1,709 cases in 2018 and has seen 854 new applicants in its most up to date statistics, which documents the first quarter of 2019[75]. Of the 1,709 cases ISI processed in 2018, the breakdown across the four debt solutions provided by the ISI were as follows[76]: 189 were Debt Relief Notices (DRN), 164 were Debt settlement Arrangements (DSA), 959 were Personal Insolvency Arrangements (PIA) and 397 for Bankruptcy.

One MABS Money Advisor we spoke to for this project noted how when the ISI was set up and proper insolvency arrangements were introduced in Ireland for the first time, the political establishment projected a fear that people would fall into debt "en masse" in order to access debt relief services. She notes how illogical that kind of thinking is:

> *[The ISI] has this idea of a "moral hazard" – and that people are going to deliberately get themselves into debt and be out of it within a year. I have yet to meet somebody across the desk from me, that deliberately got themselves into that situation. Nobody wants to go through that [problem debt], it is torture.*

It is necessary therefore to scrutinise the overall slow uptake of the ISI's services – as problem debt remains a persistent issue in the Irish context. According to Roche, lack of awareness of the service is not enough to explain why it is underused and why so few solvency agreements have been processed successfully since the ISI's inception. Issues with the service include the unbalanced power of creditors to veto arrangements (over a quarter of proposed arrangements have been vetoed by creditors), as well as the lack of coordinated administration of the ISI in general.

For example, the first step of the application process for three of the four ISI procedures (other than a DRN) is a semi-structured, one-on-one interview/conversation with a Personal Insolvency Practitioners (PIPs)[77]. Whether or not the application is actually filed from that point largely depends on that engagement. As such, much of the current ISI operational mandate is largely dependent on the activities of single, isolated experts operating independently – and this has been critiqued as a barrier of access for many people in debt (Roche 2018).

74 The ISI marked the first changes to the bankruptcy system in Ireland since 1987, which was "considered woefully outdated" and based on bankruptcy law in 19th century England. Previously bankruptcy took between 12 and 18 years before debt forgiveness and was rarely used (Roche 2018).

75 ISI (2019) 'ISI statistics Quarter 1 2019', Available at: https://www.isi.gov.ie/en/ISI/2019%20Q1%20ISI%20Statistics%20Report.pdf/Files/2019%20Q1%20ISI%20Statistics%20Report.pdf; ISI (2019) 'Annual Report 2018', Available at: https://www.isi.gov.ie/en/ISI/Annual%20report%20(eng%20version)%202018.pdf/Files/Annual%20report%20(eng%20version)%202018.pdf

76 ISI (2019) 'Annual Report 2018', Available at: https://www.isi.gov.ie/en/ISI/Annual%20report%20(eng%20version)%202018.pdf/Files/Annual%20report%20(eng%20version)%202018.pdf

77 There are 110 regulated Personal Insolvency Practitioners (PIP) and 13 Approved Intermediaries (AI) in Ireland.

PIPs are also distinct from the services of MABS. For example, while MABS services are free, seeing a PIP is not. While MABS can give vouchers to people looking to access PIPs (on behalf of what is known as the *Abhaile* Scheme – specifically for people facing mortgage arrears) the MABS Money Advisors have little to no knowledge of what happens after sending a client to a PIP (unless the client comes back into them voluntarily) as the two services are more or less disconnected.

As this project explored non-mortgage debts and the experiences of low-income households in particular, the DRNs (Debt Relief Notices) were of particular interest. The DRNs are processed differently than the other agreements, as they are processed by Approved Intermediaries (AIs) rather than a PIP and are mostly processed by MABS. The MABS Money Advisors and financial experts we consulted for this project had differing opinions on the utility of the ISI and the availability of DRNs for clients. DRNs are specifically for people who are on social welfare and have assets of less than €400[78], with debt of up to €35,000. DRNs appear to work better, therefore, in areas where many have a history of long-term unemployment and where many clients are in rental arrears to their local council. For example, one Money Advisor from Dublin, an area with traditionally a lot of people who are unemployed and on welfare, praised the ISI and the DRNs as offering a fresh start for her clients:

> *We are, we are [having success with the Scheme]. We have an AI actually in our office, an Approved Intermediary, and she's here, and when we screen people and they're eligible, we ask them would they like to go forward with that, and they are just so happy to be able to get a fresh start with life. So, it's fantastic, to be honest with you. People have been struggling for so long, and this really puts them on the right road. And a lot of the people say, I'll never go back to that again, I'll never be able to cope with that again, that worry. So, this really has worked, it's a good initiative.*

Others say the criteria are far too narrow, and the lack of flexibility makes it difficult for some individuals to enter an insolvency situation when they hope their situation will change – i.e., that they will get employment and no longer rely on social transfers. For example, one Money Advisor highlighted two major challenges they face in terms of issuing DRNs:

> *The problem is that the current rules of the DRN put people off. The two main issues are: one - and this has been raised by us in MABS with the ISI - the three-year supervisory period is too long (and they are looking at that).*
>
> *The second one is, when you do a screening for someone for a DRN, there's a test done into the RLEs [Reasonable Living Expenses]. They have to qualify then. However, during the three-year supervisory period, if their income increases over a certain level, they may have to pay some of that money over to creditors, even though they may still be below the RLEs. So you don't redo the test.*

Another cited the uncertainty around what happens after a DRN goes through:

> *It's supposed to be a fresh start. That was the concept behind introducing the insolvency regime. But no one can say that for definite. So, if somebody gets a personal insolvency arrangement, and they go through it in three years let's say, what's on their credit rating? Can they access credit again? Is it an actual fresh start? That can make people reluctant to go down that road.*

78 To qualify for a DRN, "you need to have assets of €400 or less (you are also allowed 1 item of jewellery not exceeding a value of €750, one motor vehicle worth a value of €5,000 or less and reasonably necessary household equipment/tools the combined value of which may not exceed €6,000)". For more, see: https://backontrack.ie/drn/

And an additional Money Advisor cited how this uncertainty around the "consequences" for a DRN affects those specifically in rental arrears with Dublin City Council:

> *If a client who has rent arrears with Dublin City Council, those rent arrears can go into a Debt Relief Notice. And there is a worry and a concern always. […] They're going to get their debt written off with Dublin City Council but they're still going to be renting property with Dublin City Council. So there is always a concern, [for example] if they needed to move to a bigger property or if they needed repairs done, that there might be a bit of a block. Now, I think it is being addressed. And certainly we have heard that "promises" for want of a better word have been made that that won't happen. But, I suppose, how does anyone know that you're not going to be bottom of the list in priority if you've got debt written off and somebody else hasn't. So, I suppose, that's always a concern for people.*

The overall extent of the success of the ISI and the impact of DRNs in terms of alleviating and remedying household problem debt in Ireland is unclear. However, the service undoubtedly has had some triumphs, and perhaps can be expanded and become more flexible to better accommodate more people in need. We offer further insight on this in Section 6 of this report on *Policy Recommendations*.

To conclude, since 2013 Ireland has expanded its national policy framework for households facing problem debt. The mechanisms and supports offered by MABS and the ISI are of particular significance in the Irish context. Thinking of how to expand the potential of alternative and targeted lending schemes like the "It Makes Sense Loans" remains a challenge in the Irish context along with the lack of community-based loan options at work.

In this report, we hope to contribute and build a preventative measure moving forward, that helps build financial capability and resilience for some of the country's more marginalised households, complementing existing services (in particular those from MABS) and responding to the need for more individualised, bespoke support for targeted groups of the population. The hope is that such a programme would then be transferrable across other community-based programmes and trainings. This training would include the provision of targeted information concerning *how* to navigate national financial services, and their potential benefit. We take a closer look at the demographics and characteristics of those households and the specific challenges they face in the following section.

4. Irish Households in Profile: Data on Non-Mortgage Debt

4. Irish Households in Profile: Data on Non-Mortgage Debt

According to the perspectives of the MABS Money Advisors who participated in the research, the following table illustrates the groups who are increasingly facing problem debt in Ireland and the types of (non-mortgage) debt owed:

Table 1 Who is in debt and what is the type of debt?

WHO IS IN DEBT?	THE TYPES OF DEBT
❖ more renters (private and social housing)	❖ rent arrears (social and private housing)
❖ more employed/working (in particular low-paid workers)	❖ utilities arrears (gas, electricity and phone)
❖ consistently single-parent families	❖ "ordinary living expenses" and housing costs

Source: Qualitative data collection for this project

In this discussion, we highlight which households in Ireland are facing unmanageable levels of debt and feeling overburdened by their debt repayments, their age and levels of income, as well as, to a certain extent, the type of debt they face, according to the EU-SILC data.

The data collected from the 2017 EU-SILC provides the bulk of the evidence for the analysis presented in this section – and much of the data is consistent with the perspectives of the MABS Money Advisors as represented above. The findings presented here frame the discussion presented in Section 5*: The Struggling and the Squeezed*. We use the language of "struggling" and "squeezed" throughout these two sections. The "struggling" refers to those households highly vulnerable to negative financial shocks and over burdened by debt repayments. The "squeezed" refer to those households that appear to be in a slightly better position in terms of keeping up with financial commitments, but have an overall low financial capability.

In Section 4, our discussion is divided into three sections and is based on the data that was isolated within the EU-SILC (2017) Survey that most closely examines non-mortgage debt at a personal level: burden of debt repayments; arrears; and burden of housing costs.

4.1 Burden of debt repayments

The following charts provide a break-down of the burden of debt repayments, according to the respondents to the 2017 EU-SILC Survey. For this question, respondents were asked about the *burden of debt repayments* and have the option to respond as follows:

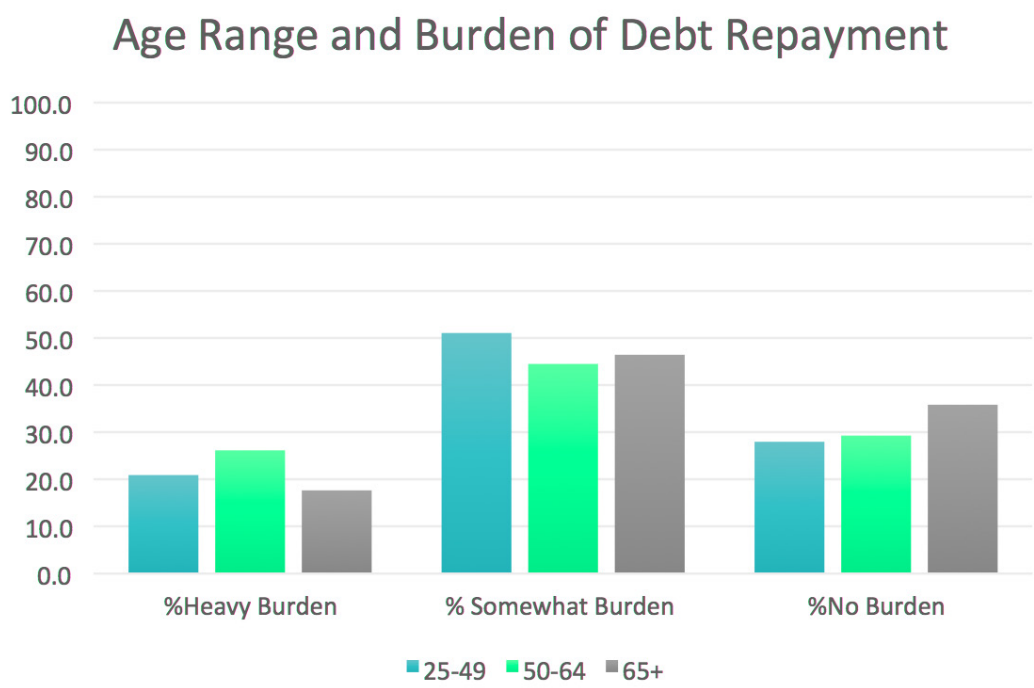
1. Repayment is a heavy burden
2. Repayment is somewhat of a burden
3. Repayment is not a burden at all
4. Not applicable

Survey data on household expenses and living conditions classifies those with a "heavy burden" of debt repayments as "over-indebted". In the below figures, we specifically look at those who chose to answer this question (versus those who said this question was not applicable) and determined the percentage of respondents with debt repayments that are *heavy, somewhat burden* and *not a burden* at all.

4.1.1 Age and Household Type

Below, we focus specifically at the burden of debt repayment across specific characteristics such as age and household type.

Figure 1 Age Range & Burden of Debt Repayment[79]



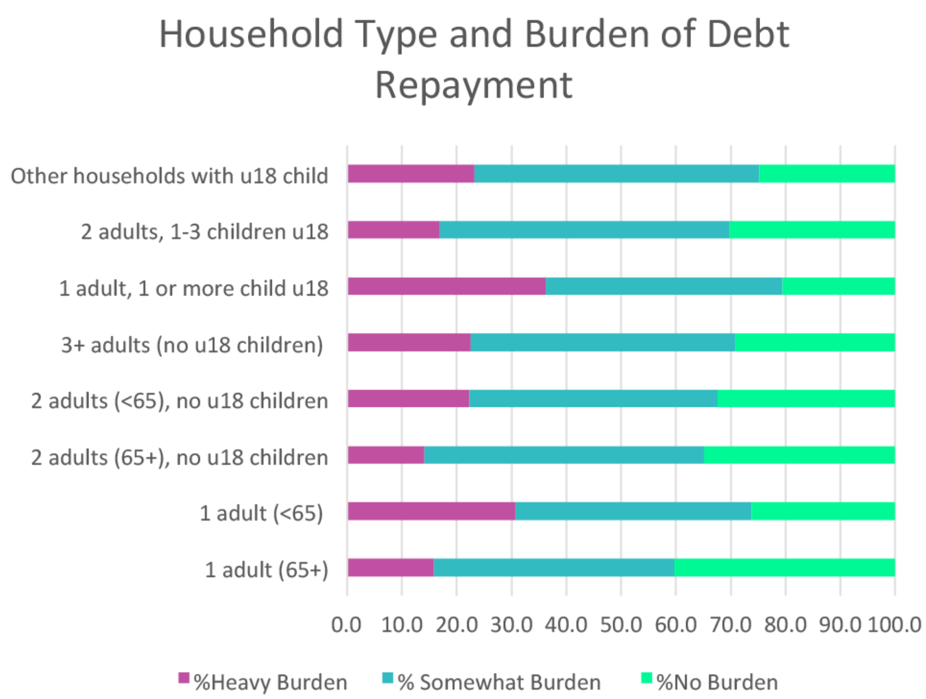
Source: EU SILC (2017)

79 The EU-SILC survey also includes data for two additional age ranges: 0-14 and 15-24. These two ranges were deemed insignificant statistically due to the low numbers of those who took part in the survey and who reported debt. For example, for the 15-24 cohort, of the 55 respondents only 13 reported having debt – with 3 saying it was no burden, 9 saying it was somewhat of a burden and 1 saying it was a heavy burden.

As evident by the Figure 1 above, the age cohort of the population with the highest percentage of debt that are "struggling" with debt is aged 50-64, at 26.2%. This finding is more or less consistent with the response from Money Advisors and the average age profile of their clients. According to MABS Quarterly statistics, over half (5,601) of all new MABS clients in 2019 (9,062) were between 41-65 years of age. The cohort who are "squeezed" with debt repayment burdens that are "somewhat heavy" are the 24-49 cohort.

Related to this, the following chart looks at the type of household and the burden of debt repayment for those households. The EU-SILC Survey divides household type into the following categories: one adult (over 65), one adult (under 65), two adults (over 65) who do not have children under the age of 18, two adults (under 65) who do have children under 18, households with three or more adults and no children, single-parent households (households with one adult and one or more child under 18), households with two adults and 1-3 children and finally other households with dependent children under the age of 18.

Figure 2 Household Type and Burden of Debt Repayment



Source: EU_SILC 2017

As referenced by Figure 2, the household type with the highest percentage of respondents who face debt repayments that are a "heavy burden" are single-parent households. **36.3%** of these households say their debt levels are a "heavy burden", with a further **43.1%** saying their repayments are "somewhat of a burden". This is consistent with other findings of this project that say that single-parents are facing increasing financial hardship as opposed to other household types.

It is also important to note that of these single-parent households who are over-burdened with debt repayments: **54% are in work.** This is quite high and demonstrates the challenges these households face in terms of building financial capability.

The chart in Figure 2 also illustrates that 30.8% of households with a single adult under 65 are also struggling to make repayments on their debts. It is important to note that the actual type of debts that these households face is not broken down here but it is likely that a disproportionate number of those households would be located in the rental sector. We continue to scrutinise this in the following discussion.

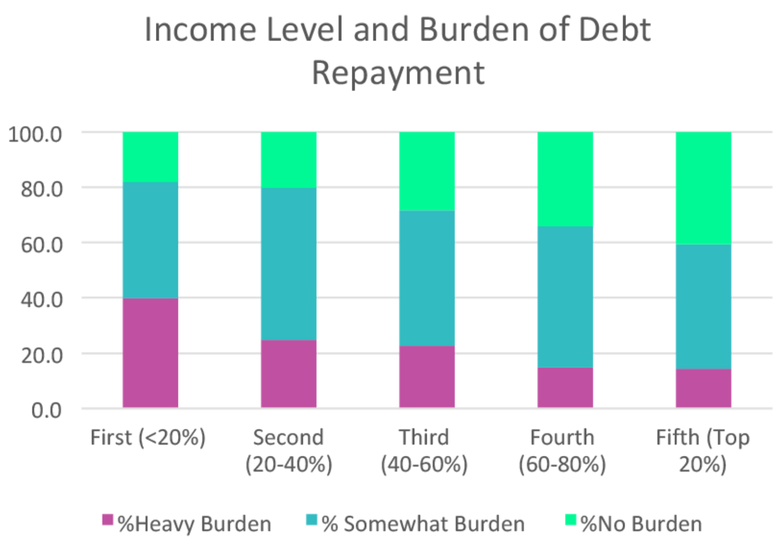
4.1.2 Income levels

Income levels according to the EU-SILC Survey are broken down in terms of the following quintiles:

- First Quintile: population with lowest 20% income levels
- Second Quintile: population with 20-40% income levels
- Third Quintile: population with middle income, 40-60% income levels
- Fourth Quintile: population with high income, 60-80% income levels
- Fifth Quintile: population with the highest income, top 20% income levels

In Figure 3, we highlight the percentage of each income brackets and their burden of debt repayments.

Figure 3 All Income Quintiles and Burden of Debt Repayment

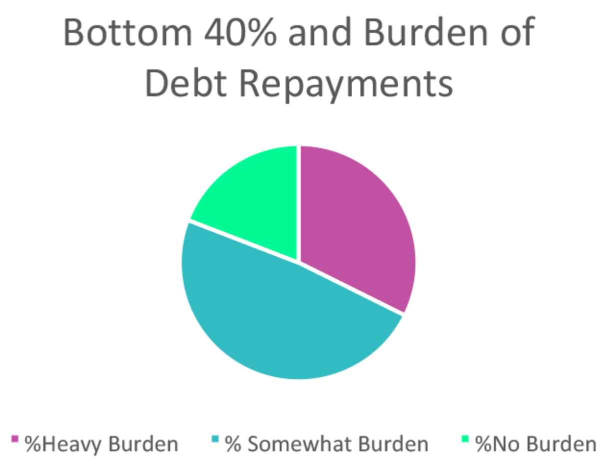


Source: EU-SILC (2017)

Perhaps unsurprisingly, the above figure illustrates that those households that are struggling the most in terms of the burden of debt repayments are those in the lowest 20%- and 40%-income quintiles (39.8% and 24.8% are facing a "heavy burden" of debt repayments respectively). For the purposes of our research, we categorise those households who are "low-income" as in the bottom 40%.

The following pie graph isolates the data specifically for these households:

Figure 4 Low-Income Households (Bottom 40%) and Burden of Debt Repayment



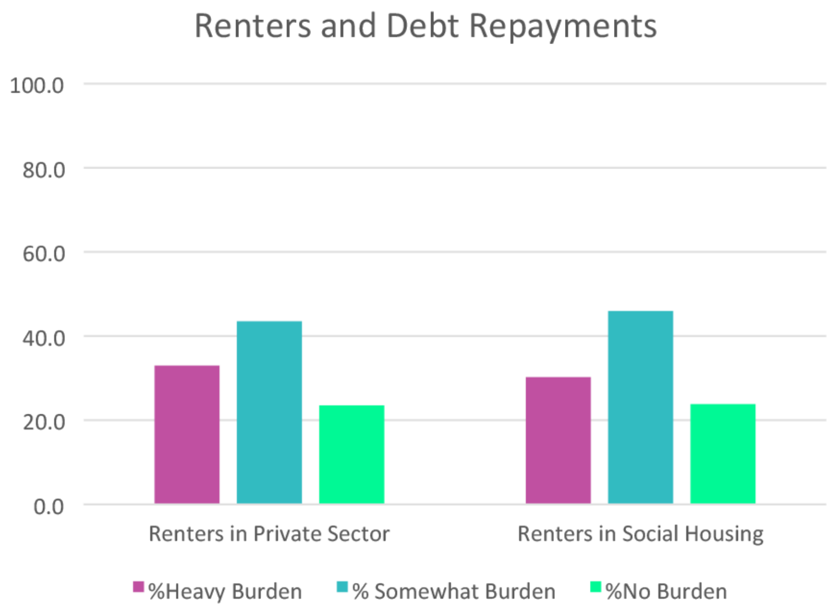
Source: EU-SILC (2017)

This pie chart shows that over a third (32.2%) of low-income households are over-burdened by debt in Ireland – with a further nearly 50% at risk of becoming over-indebted with debt repayment amounts as "somewhat" of a burden. In other words, 1 in 3 low-income households face problem debt and are "struggling" at the moment, and a further 1 in 2 are "squeezed" or potentially at risk.

4.1.3 Renters

As this project specifically looks at non-mortgage debt, the data most relevant concerned the percentage of renters with debt who face unmanageable debt levels. As illustrated in Figure 5, renters face a significant likelihood of having debt repayment levels that are a "heavy burden" – with 30.2% of those renting in social housing and 33.0% of those renting in the private sector.

Figure 5 Renters and Burden of Debt Repayment



Source: EU-SILC (2017)

Figure 5 illustrates a worrying trend – as we know from previous research, the inability to meet repayments on debt could lead to an inability to pay rent, which could result in significant challenges and the possibility of eviction for renters in the private sector.

For further clarity, in Table 2 we illustrate the different profiles of renters who are over-indebted and living in private rental accommodation versus social housing. A key difference is that persons in social housing pay rent (below market price) to a local authority, or are in receipt of HAP (housing assistance payment) or other relevant social transfers.

Table 2 In profile: Renters in Private Accommodation vs. Social Housing

	Renters in Social Housing	Renters in Private Sector
Where do they live?	• 84% living in urban area • 16% living in rural area	• 76% living in urban area • 24% living in rural area
What household type?	• 21% single parent households • 21% single adults (under 65)	• 18% single-parent households • 29% single adults (under 65)
What income level?	• 69% bottom 40% income brackets	• 63% bottom 40% income brackets
At work?	• 32% employed	• 63% employed

Source: EU-SILC (2017)

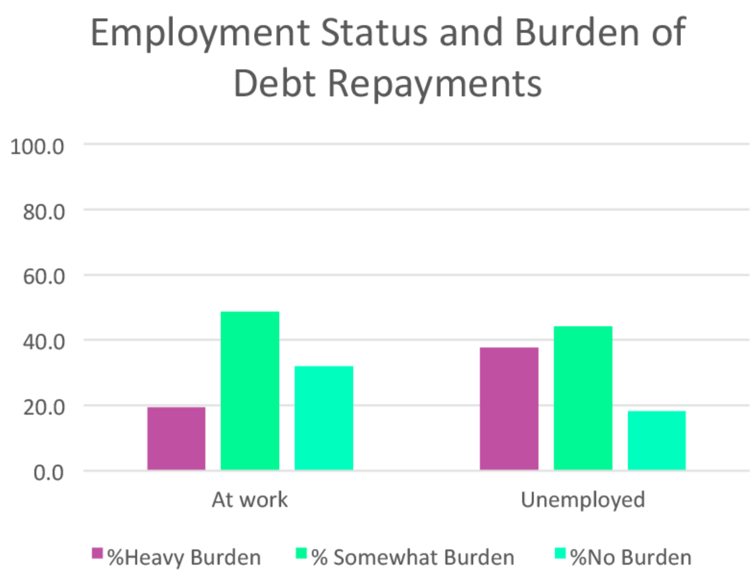
The impact of debt repayment levels on renters is particularly important as renters tend to have lower financial capability than home owners (CCPC 2018). We posit that these findings directly correspond with the current lack of affordability of housing and the skyrocketing price increases for private rental accommodation, particularly in recent years. As illustrated in the table, the group is rather similar in profile – with the exception of the "in work" category. There are a significant number of renters in social housing who are not in work but are unemployed, ill or disabled, retired and in-home home carers.

In addition, nearly two-thirds (63%) of over-indebted renters in the private sector are at work. We explore employment status and burden of debt repayment in Section 4.1.4.

4.1.4 Employment status

We look specifically at employment status as a variable in terms of the burden of debt repayment across all housing types in Figure 6 below.

Figure 6 Employment Status and Burden of Debt Repayment

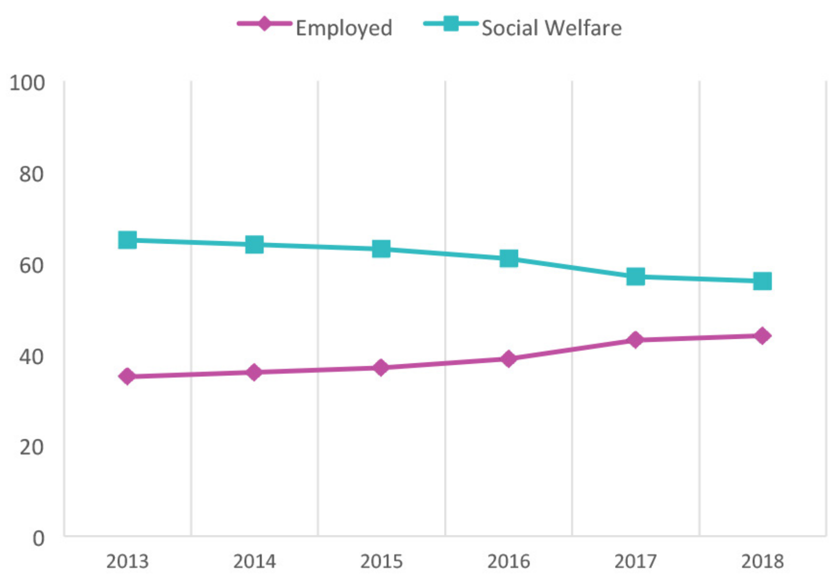


Source: EU-SILC (2017)

As illustrated in Figure 6, nearly 20%, or 1 in 5, workers in Ireland are struggling debt repayment burdens. This figure jumps to nearly 40% of those who are unemployed. Nearly 50% of all workers face debt repayment levels that are a "somewhat heavy burden" that places them at risk of becoming over-indebted in the future, and less resilient to financial shocks.

According to some of the MABS Money Advisors we spoke with during this project, there has been an increase in MABS clients who are employed. This is consistent from findings from MABS own data shown in Figure 7.

Figure 7 Percentage of new MABS Clients (2013-2018) and their source of income



Source: Annual MABS Statistics from 2013-2018

Figure 7 captures how the percentage of new MABS clients who are employed has been rising steadily over the past 5 years. While unemployed persons in Ireland still have a greater risk of over-indebtedness, it is clear that there is a growing cohort of the working population who also face problem debt. As mentioned previously, this is particularly true for single-parent households – as over 50% of over-indebted single-parents are employed.

According to one MABS Money Advisor:

> *Certainly from 2009 and 2010 onwards, we started to get more people who would be considered professionals. We see everything from surgeons, to teachers, to Gardai, and you know prior to the crash we never saw them. Probably when they ran into difficulties, they just got more credit, whereas when they ran into the crash, they weren't able to access more credit […]*
>
> *It's [also] the working poor. They would have historical high levels of debt that they're still trying to service. Also, the incomes have reduced. They might be working but they're not at the same level they were in 2007 […] So, income has remained the same while the cost of living has gone up. The level of debt has been persistently there, they haven't been able to deal with it.*

Unmanageable levels of debt affect all income groups and households across Ireland – but there are a few households that are disproportionally facing this debt and its consequences. In the next section, we explore how the EU-SILC data reported on rental and utilities arrears and the specific cohorts who are facing issues.

4.2 Arrears in the previous 12 months

In this section, we explore the types of debt people faced, and the extent to which they reported getting into payment arrears for costs associated with housing and utilities in the 12 months prior to taking the survey. It is important to note that the EU-SILC data only provides limited questions concerning the state of arrears, and in this section, we focus specifically on those that most closely related to our research objectives, such as the following:

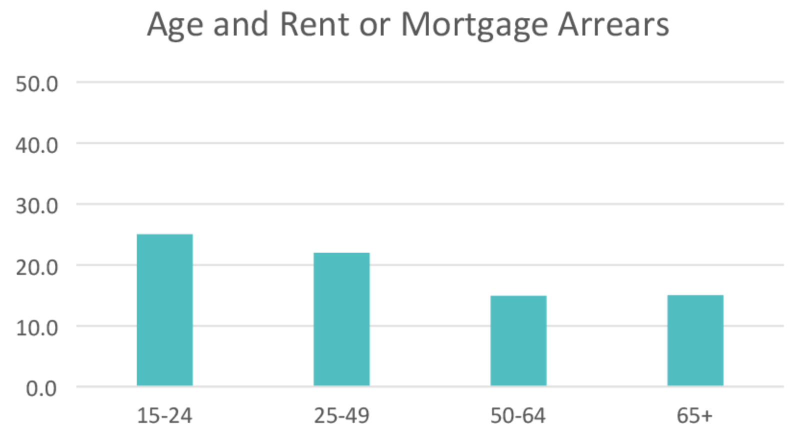
- Household has been in arrears for rent or mortgage payments in the last 12 months
- Household has been in arrears for payment of utility bills in the last 12 months

The EU-SILC dataset also does not distinguish the number of times that a household went into arrears, and just states that it was at least once in the prior 12-month period. Along the same line as the rest of this research, the percentages we extracted from the data set for these questions are only for those households who responded that these questions were applicable to them and their households.

4.2.1 Mortgage or Rent Arrears

Unfortunately, for this section the 2017 EU-SILC dataset did not distinguish between rent and mortgage arrears – so we left the two together in the following analysis. However, for some indicators such as age we can make inferences considering the type of arrears the respondents incurred. For example, see Figure 8 below:

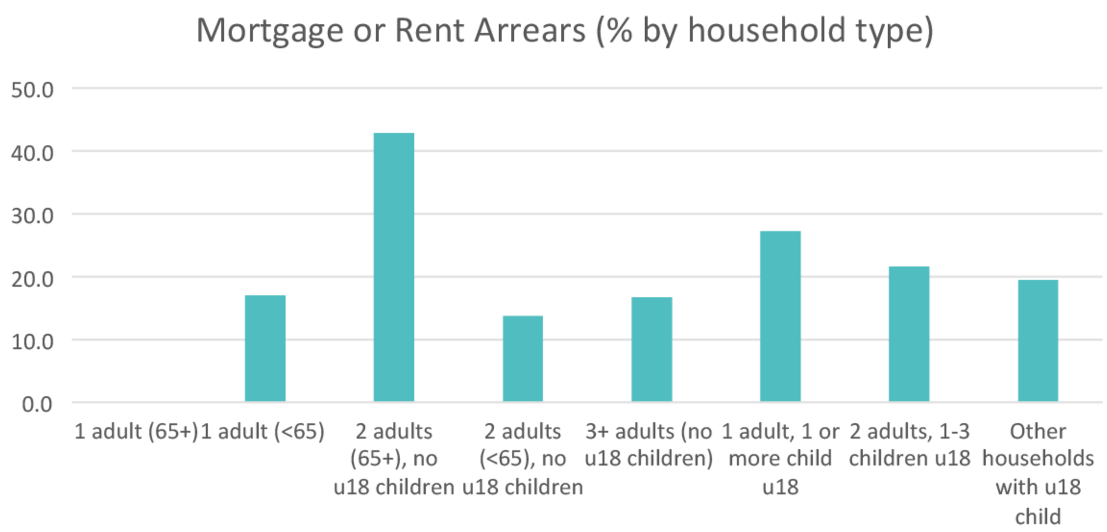
Figure 8 Age and Rent or Mortgage Arrears in the last 12 months



Source: EU-SILC (2017)

Most likely, those respondents between 15-24 years old are not homeowners. Therefore, the type of arrears that 25% of that age group faced is rental arrears. However, Figure 8 also reveals that 22% of 25-49 year olds faced some type of arrears and inferences on that type of debt is more difficult to determine. Those respondents in the 65+ bracket are most likely are homeowners, and therefore faced mortgage arrears. In the following figure, we highlight the household type and the mortgage or rent arrears.

Figure 9 Household Type and Rent or Mortgage Arrears in the last 12 months



Source: EU-SILC (2017)

Figure 9 shows the distribution of mortgage or rent arrears according to household type. It may be possible to infer that the 43% of households with an older couple (2 persons 65+) most likely faced arrears for mortgage debt. At the same time, older people who have to rent are more likely to be lower income, and hence more likely to be in arrears. Presumably mortgage payments would be getting quite low later in life for older homeowners, so the burden would be lower. It is possible therefore that these figures pertain to older people with insufficient income who must rent. Also, it is important to note and consistent with our other findings is that the number of arrears faced by single-parent households is relatively high at nearly 30%.

It is safe to assume that all households who faced mortgage or rent arrears at least once in the 12 months prior to taking part in the survey are most likely overburdened by debt commitments and are facing other financial difficulties.

4.2.2 Utilities Arrears

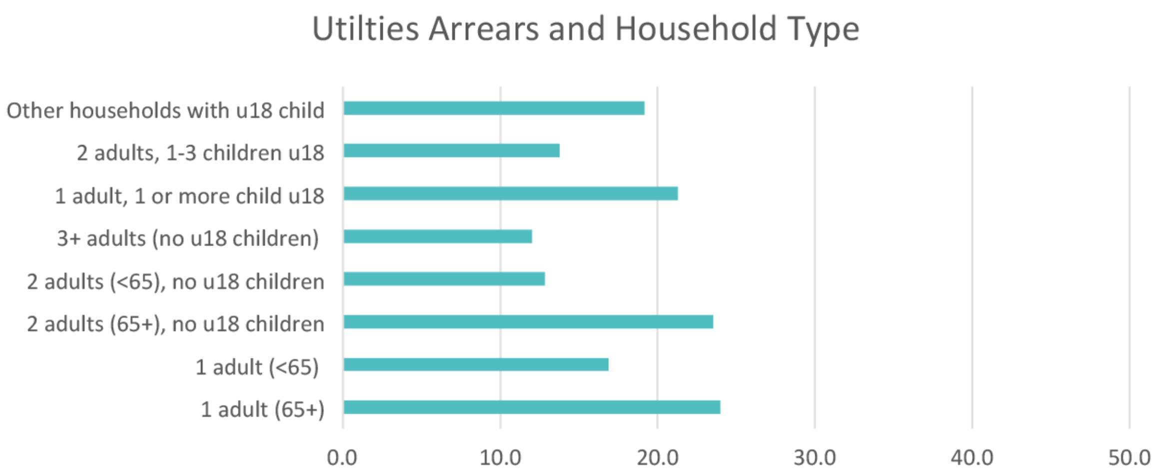
The second type of arrears we explore in this section is utility arrears. According to the MABS Money Advisors we interviewed for this project, the incidents of clients coming to them with utilities arrears has been increasing in recent years.

According to one MABS Money Advisor,

> *Utilities can be a massive issue, where people don't pay their bills. Because something else might crop up, their electricity bill might come through the door for €200 and if they haven't budgeted for that, sure their income might only be €200, so they actually can't pay that, so they might put that to one side, and risk a disconnection. And some people will, during the summer months be disconnected with their gas, because it's not something they're going to have to face until the weather gets cold again.*

In the EU-SILC survey, respondents were asked whether or not they faced utility arrears in the last 12 months. Unfortunately, the specific types of utility arrears are not clarified in the survey – and therefore we do not know if the arrears were for gas or electricity bills, phone or TV license payment, etc. However, it is still an important gauge to determine the extent people are struggling to meet these necessary living costs.

Figure 10 Utilities Arrears and Household Type

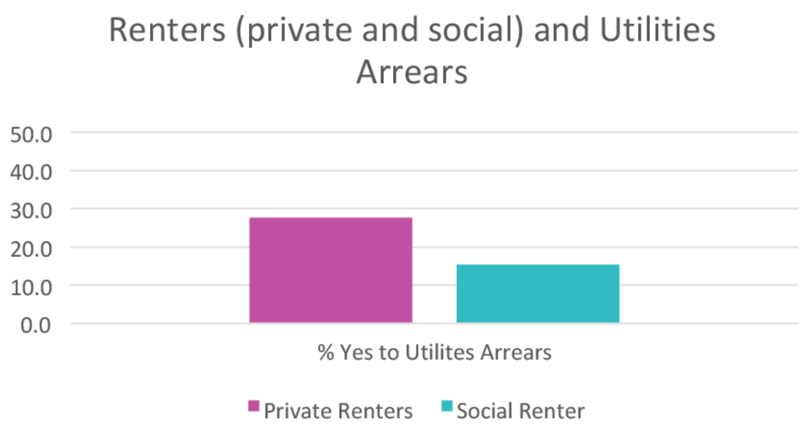


Source: EU-SILC (2017)

Interestingly, the percentage of each of the household types surveyed who encounter utilities arrears are more or less uniform, ranging from 12% (households with three or more adults) to 24% (for single adults over 65). The rate for single-parent households is rather high, consistent with the other indicators, at 21.3%. On the whole, the household types with the highest percentage of utilities arrears appear to be older people, where 24% of single adults over 65, and 23.5% of couples over 65 experienced arrears on various utility bills at least once in the 12 months prior to the survey.

Additionally, the following figure demonstrates the percentage of renters in both private and social sectors and the incidences of arrears:

Figure 11 Utilities Arrears and Renters in the Private and Social Sector



Source: EU-SILC (2017)

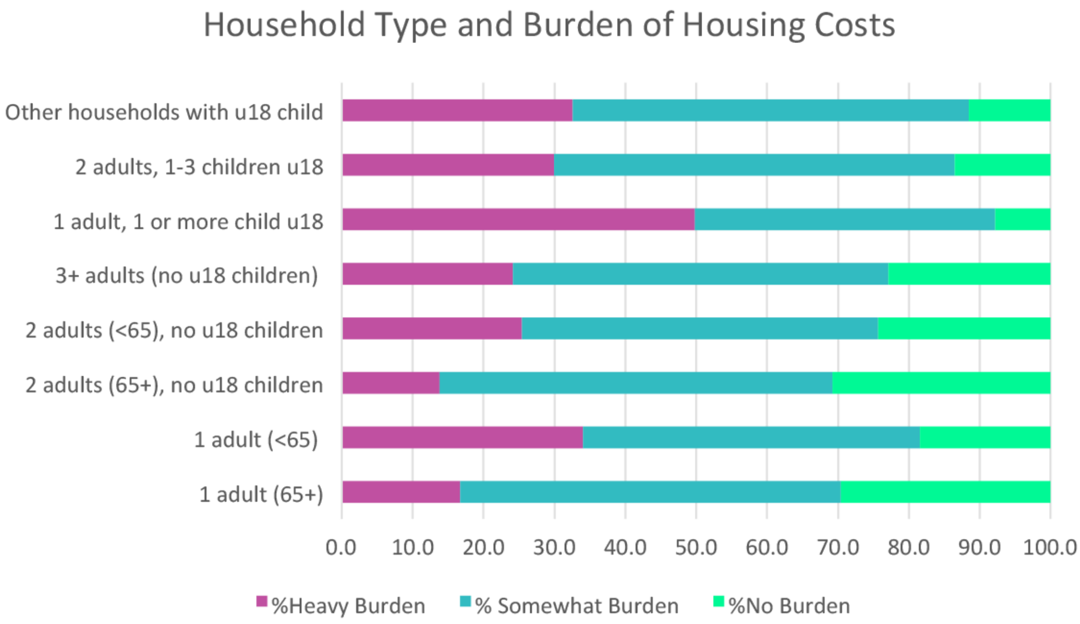
Rather starkly, nearly 28% of renters in the private sector reported that they went into utilities arrears at least once in the 12 months prior to the survey. We posit that this is inherently linked to the rising cost of living in Ireland, and the particular financial hardship associated with renting in the private sector. We continue to discuss these themes in the following section.

4.3 Burden of housing costs

In this section, we briefly focus on other questions related to financial well-being, such as the "burden of housing costs". While these questions are not directly related to debt levels per se, they provide an important snapshot of who is struggling in Ireland and those particularly at risk of increased financial hardship. Respondents in the EU-SILC Survey were asked *the burden of housing costs.* Similar to the question on debt repayments, the options were: *A Heavy Burden, Somewhat of a Burden* and *No Burden at all.*

Respondents also had the option to not answer the question if it was not applicable. The following Figure 12 reveals how respondents answered the survey in terms of household type:

Figure 12 Household Type and Burden of Housing Costs



Source: EU-SILC (2017)

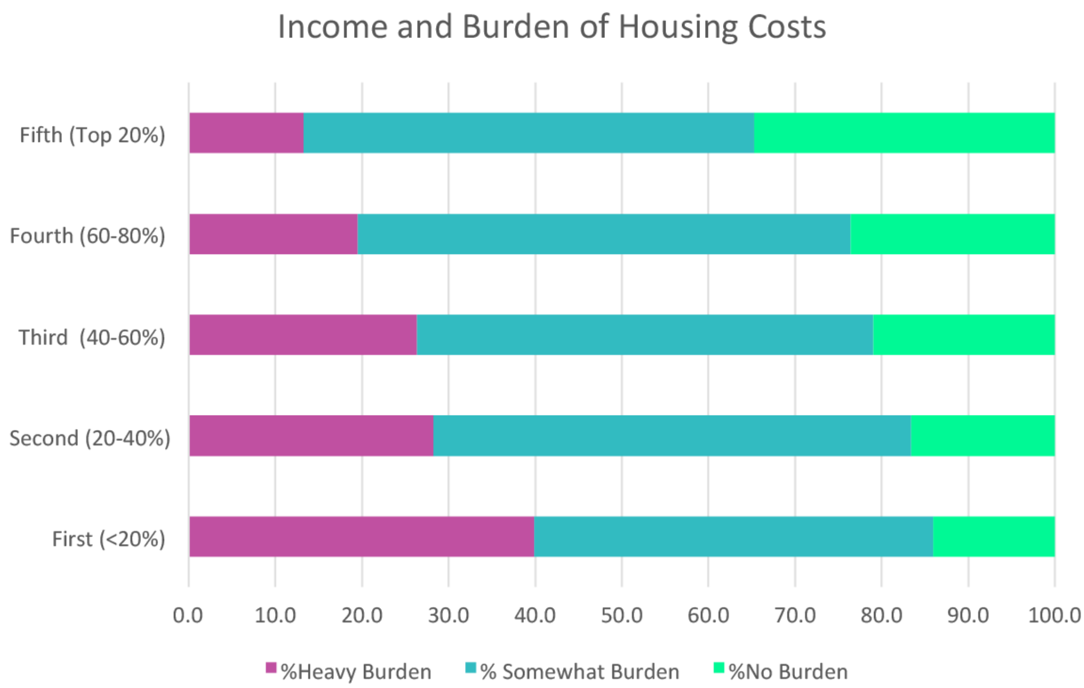
As illustrated in Figure 12, almost half of single-parent households that answered this question reported that their housing costs were a "heavy burden" with an additional 42.4% saying that the burden of housing costs was "somewhat" of a burden. These percentages are relatively high – perhaps unsurprising at it is consistent with the other data we have explored.

Generally speaking, it is important to note that those households with children under the age of 18 scored higher than other households in terms of the burden of household costs:

- Households with children under 18 years old reported 32.6% (heavy burden) and 55.9% (somewhat burden)
- Households with 2 adults 1-3 children under 18 years old reported nearly 30% (heavy burden) and 56.5% (somewhat burden).

A high burden of living costs can result in increased need to borrow for essential living expenses and decreased financial capability.

Figure 13 Income and Burden of Housing Costs

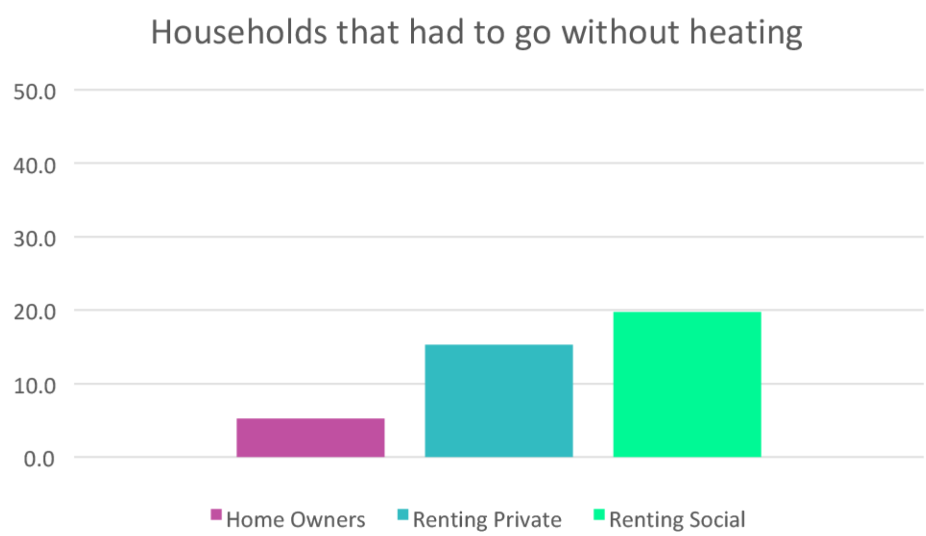


Source: EU-SILC (2017)

The *more* income someone has the *less* burden their overall housing costs. Figure 13 reveals the extent of this difference and demonstrates the responses to the burden of housing costs based on income quintile – with the lowest income brackets (bottom 20% and bottom 40%) having the highest percentages, 28.3% and 39.3% respectively, of households that face housing costs that are a heavy burden.

Directly connected to the burden of overall housing costs is whether or not certain households had to go without heating in the 12 months due to lack of money. Figure 14 presents how the survey participants responded – in particular those renting from the social or private sectors as well as homeowners.

Figure 14 Renting vs. Homeowners: Households that had to go without heating



Source: EU-SILC (2017)

As demonstrated in Figure 14, the percentage of home owners that had to go without heating due to lack of money is significantly lower (at 5.2%) than the number of renters in the private (15.3%) and social (19.8) sectors. This is consistent with the findings of the report that renters have lower financial capability than home owners, and many are struggling to make ends meet.

We continue this discussion of these core findings with a more segmented data analysis presented in the following Section 5: *The Struggling and The Squeezed.*

5. The Struggling and the Squeezed

5. The Struggling and the Squeezed

As illustrated in Section 4, the EU-SILC Survey provided key information considering *who* faces problem debt in Ireland. In this report, we highlighted the evidence from the data concerning Irish households and debt, such as the "burden of debt repayments", "mortgage or rent/utilities arrears" as well as questions related to the overall "burden of housing costs" and "whether or not a household had to go without heating".

In this section, we break down these trends concerning over-indebtedness in Ireland, and identify which groups of the population are "struggling" financially and which groups are "squeezed". Those groups who are struggling are understood to be the least financially resilient and at the greatest risk of financial difficulty – and debt repayments are a "heavy burden" on many of these households[80]. Those who are "squeezed" are barely getting by in terms of their financial commitments, and for the majority, their debt repayment amounts are "somewhat heavy".

In particular, we expand upon the profile of this group in terms of two central financial behaviours: (1) the ability to save income on a regular basis and (2) borrowing in order to meet everyday costs[81]. As mentioned earlier in this report, these behaviours are two key determinants of financial capability.

Below is a summary table of much of the data presented in this Section – a profile of the households that are struggling and squeezed, on the basis of "household type", "income level" and "accommodation type".

Table 3 Summary of EU-SILC Data on Struggling and Squeezed

	Struggling	Squeezed
Overburdened by debt repayments	• Single Parents: **36.3%** • Households in bottom 20% income: **40%** • Renters (private sector): **33%**	• Single adults (under 65): **31%** • Households in bottom 40% income: **32%** • Renters (social housing): **30%**
Not able to save income on a regular basis	• Single Parents: **70%** • Households in bottom 20% income: **77%** • Renters (private sector): **60%**	• Single adults (under 65): **56%** • Households in bottom 40% income: **66%** • Renters (social housing): **66%**
Borrowing in order to meet everyday costs	• Single Parents: **30%** • Households in bottom 20% income: **15%** • Renters (private sector): **13%**	• Single adults (under 65): **12%** • Households in bottom 40% income: **9%** • Renters (social housing): **19%**

80 We base these definitions on the chart from Money Advice Service (MAS) in the UK: https://masassets.blob.core.windows.net/cms/files/000/000/936/original/Market_Segmentation_-_Segment_Infographics_-_Revised_February_2018.pdf
Our use of these terms differed somewhat from the MAS use in order to accommodate for this project's focus on uniquely non-mortgage debt as well as low-income households (in bottom 40% income brackets). We acknowledge that the split between "squeezed" and "struggling" can be arbitrary – however we were confident that this was a clear means to categorise the data collected.
81 These two behaviours are also the only two properly addressed by EU-SILC.

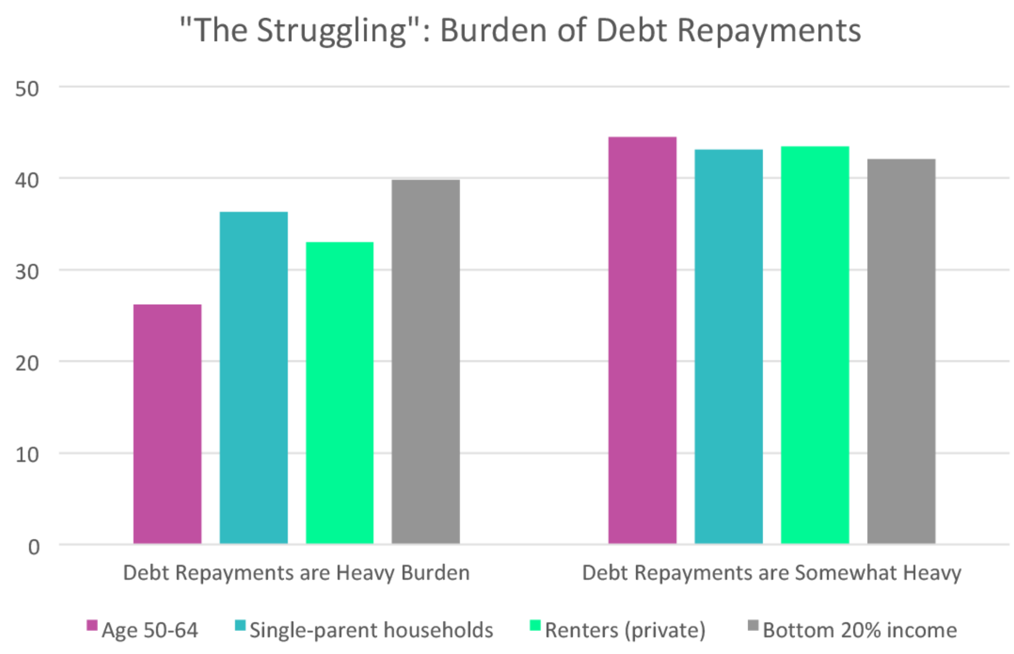
5.1 In profile: "Struggling" Households

According to the EU-SILC Data – there are many groups in Ireland who are struggling in terms of their financial commitments and the burden of debt repayments. In this section, we focus on the particular profile of this segmented group based on the data.

- Single parents
- Age 50 – 64[82]
- Bottom 20% income levels
- Renters (private sector)

This group also struggles more than other cohorts of the population in terms of the two key financial behaviours for financial capability: ability to save and not borrowing to meet everyday expenses. We further break down the data for this group in the Figures presented in this section.

Figure 15 The Struggling: Burden of Debt Repayments



Source: EU-SILC (2017)

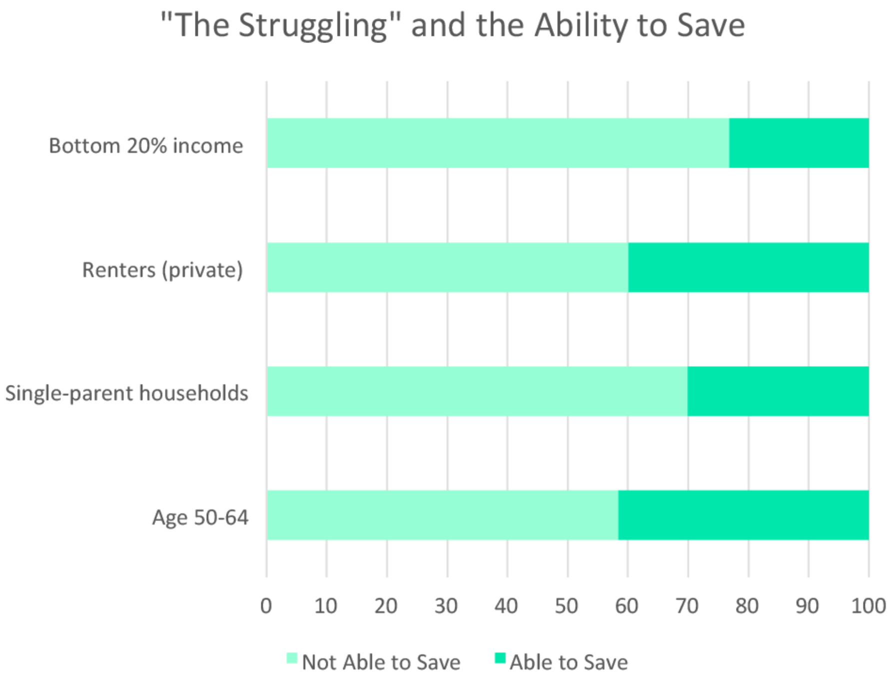
As illustrated in Figure 15 above, there are a significant number of households in this cohort who struggle to manage their debt repayments. The percentages span from 26.2% for adults age 50-64, 33% for private renters, 36.3% for single-parents and nearly 40% for those in the bottom 20% income bracket. In addition, over 40% of each group in this cohort responded that their debt repayment levels were "somewhat heavy". This is arguably quite high, and reveals the percentage of households struggle to meet financial commitments on a regular basis. Unfortunately, we do not know the specific type of debt these repayments are for – as this information is not revealed in the data. However, we can infer (specifically from private renters) that much of this debt is not related to having a mortgage.

82 It is important to note that there was only a small distinction between age 50-64 and age 24-49 in terms of debt repayment levels according to the EU-SILC data.

In this analysis we also specifically explore the "struggling" group in terms of two key financial behaviours, the ability to save income on a regular basis and not borrowing for everyday living expenses. It is important to note that across the data set, the ability to save was a key issue – and of all of the participants in the EU-SILC survey only 53% said they were able to save on a regular basis. This number dropped significantly for low-income households. Income level is the principal determinant of someone's ability to save and unsurprisingly, having less income is linked to greater financial difficulty and hardship.

In the following Figure 16, we outline how each of the "Struggling" households responded in terms of their ability to save income on a regular basis.

Figure 16 The Struggling: Ability to Save



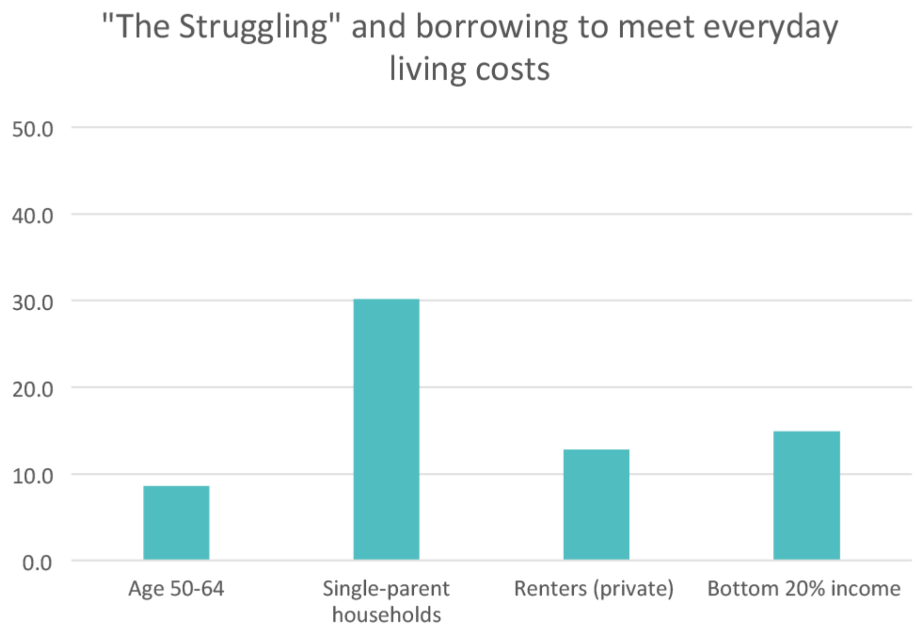
Source: EU-SILC (2017)

According to the information presented in Figure 16 above, the percentage of struggling households able to save on a regular basis range from approximately 23% to 42%. When taking a closer look at these figures, it is important to note that only **30%** of single-parent households reported that they are able to save on regular basis – and this was significantly lower (nearly 10%) than all other household types.

In addition, 4 out of 5 renters in the bottom 20% income quintile are unable to save on a regular basis. In the circumstance of negative financial shock or unexpected event, this group may risk falling into private rental arrears in order to cover any unforeseen costs.

The second key financial behaviour is not borrowing to meet everyday living expenses. Such expenses can include basic bills, food and other daily expenditures.

Figure 17 The Struggling: Borrowing to meet everyday living costs



Source: EU-SILC (2017)

As illustrated from Figure 17 above – the percentage of "the struggling" who borrow to meet everyday living costs is relatively much lower than the percentage who have the ability to save. This implies that these households are *just about* able to cover everyday expenses – but are barely coping with these costs. The specific percentages for these groups include: 8.9% for adults age 50-64, 13% for private renters and 15% for those in the bottom 20% of income brackets.

It is important to note that single-parents were the highest of this cohort, with nearly 30% reporting that they borrow to meet everyday living costs. This corresponds the other data presented in this Section – and reveals that lone parent households remain a particularly "struggling" household group in terms of financial capability in Ireland.

5.2 In profile: "Squeezed" Households

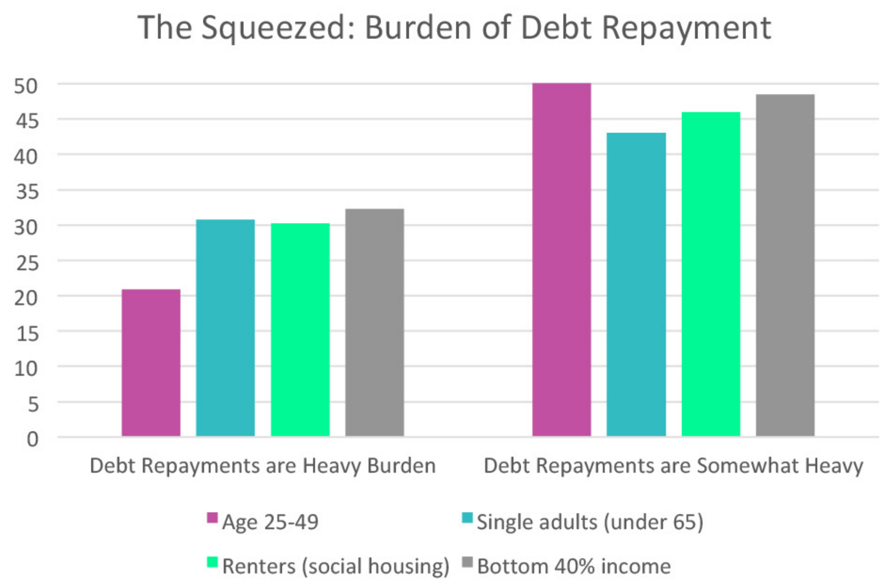
In this Section we explore the "squeezed" households. These groups are perhaps better able to manage their everyday living expenses than the "struggling" but are still living on a shoestring, with many facing debt repayment amounts that are "somewhat heavy". According to the EU-SILC data, the profile of those "squeezed" households include the following:

- Age group: 25-49
- Household type: Single adults (less than 65)
- Renters (social housing)
- Bottom 40% income

The profile of these cohorts is interesting on several points – the data supports claims that single earning households face more augmented financial stress and difficulty than dual earner households. This is directly linked to rising costs of living and housing costs in the Irish context.

In the following Figure, we present the percentages of "squeezed" households and how they reported (when applicable) on the burden of their monthly debt repayments.

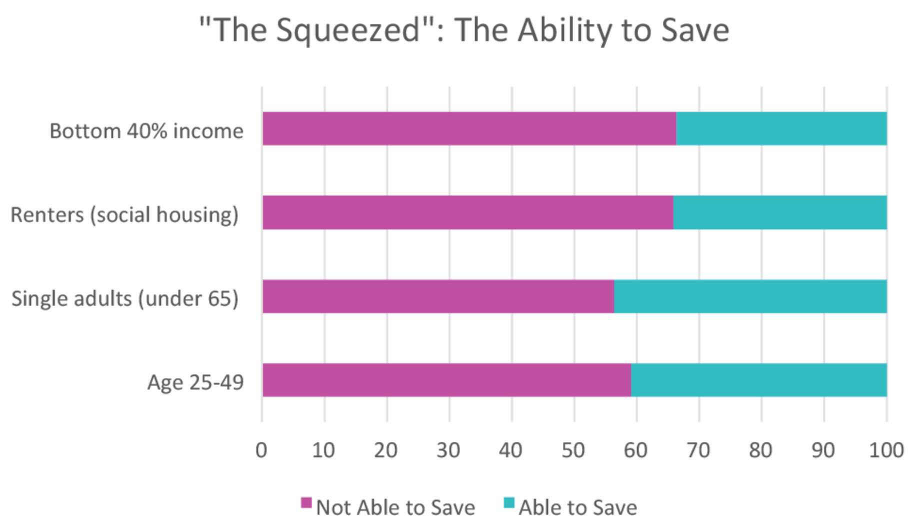
Figure 18 The Squeezed: Burden of Debt Repayment



Source: EU-SILC data (2017)

Compared with the debt repayment burdens of "the struggling" cohort presented in the prior section, the percentage of "the squeezed" with heavy burden of debt repayments is lower on the aggregate: ranging from 21% for adults age 25-49 to 32% for those in the bottom 40% of income brackets. However, the percentage facing debt that is a "somewhat heavy" burden is rather high – signalling that this cohort is at potential risk of financial hardship in the event of a negative financial event or shock. The percentages for the groups averaged to approximately 48% - revealing that nearly half of the adults in these groups are on the cusp of extensive financial difficulty.

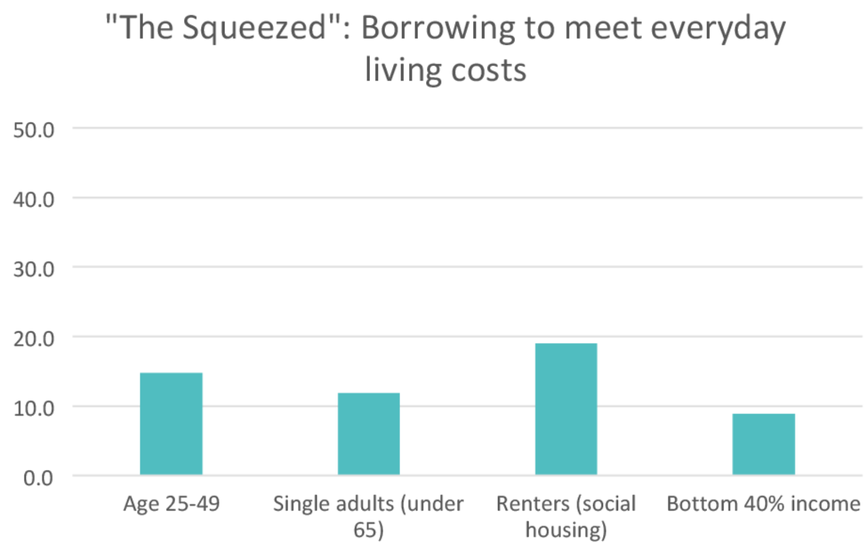
Figure 19 The Squeezed: Ability to Save



Source: EU-SILC (2017)

In terms of the two main financial behaviours, "the ability to save" and "not borrowing to meet everyday living costs", the "squeezed" fared slightly better than the "struggling" groups. As evident from Figure 20, the percentage of "squeezed" households who are able to save ranged from approximately 34% to 44%. This is quite low, and further demonstrates how the "squeezed" have a limited capacity to meet financial commitments and remain in a stable financial position.

Figure 20 The Squeezed: Borrowing to meet everyday expenses



Source: EU-SILC (2017)

As illustrated in Figure 20 above, the percentage of squeezed households that borrow in order to meet everyday living costs ranges from approximately 9% to 19%. The highest cohort in the squeezed category is renters in social housing. As mentioned previously, these households tend to have less income and are less economically active than other households (in particular renters in private accommodation). However, it is a worrying trend that nearly 1 in 5 of these households need to borrow in order to make ends meet – and thus are facing serious financial hardship.

As demonstrated in this Section – both the "struggling" and "squeezed" households in Ireland are facing financial difficulty. The differences between the groups in terms of the two financial behaviours profiled in the EU-SILC Survey is rather minimal on the whole – revealing that understanding a strict dichotomy between the two groups is not perhaps an accurate representation of the data. For example, nearly 15% of the 25-49 age cohort ("squeezed") cited the need to borrow for everyday living expenses as compared with only 9% of the 50-64 age range ("struggling"). In addition, nearly 19% of renters in social housing ("squeezed") needed to borrow for everyday costs versus 13% for renters in the private sphere ("struggling"). Such overlap reveals the nuances and ambiguity between the groups, and we posit that is also reveals the need to assess and address the living conditions and financial wellbeing of the households across all of these demographics. However, the use of these categories of "squeezed" and "struggling" enables an important and further layer of analysis to the data – for example, it is particularly useful in highlighting how single parent households are struggling relatively more in comparison to other household types.

In the following Section 5.3, we offer some conclusions and draw out critical insights from the data analysis depicted in this report.

5.3 Summary of key findings from data

Sections 4 and 5 offered an in-depth presentation of the data from the EU-SILC Survey from 2017 as it relates to household debt in Ireland as well as in relation to certain financial behaviours and indicators. The following is a concise overview of some of the key findings from this data and presented in these sections.

- Income levels are a direct indicator of the extent to which particular households are "struggling" in terms of the burden of debt repayment as well as facing arrears. 32% of low-income households (in the bottom 20% and bottom 40% income brackets)[83] in Ireland who are in debt are over burdened by debt repayments.
- As this research is particularly concerned with non-mortgage debt, the situation of renters in both the private and social housing sectors was of particular interest. We classified those in the private rental sector as "struggling" – as over 33% are over burdened by debt repayment, nearly 28% faced utilities arrears in the previous two months, and only 40% are able to save income on a regular basis – with this number dropping to 20% for renters who are in the bottom 40% income brackets. In addition, those who are renting in the private sector are nearly *four times more likely* to go without heating due to lack of money than those who own their homes.
- Single-parents remain one of the most consistently "struggling" cohorts across household type. In Dublin, there are 66,365 single parent households and in Ireland there are 218,817 (which is 1 in 5 Irish households and 1 in 4 Irish households with children) according to 2016 CSO Census data. According to our research, over 36% of single-parent households are overburdened by debt amounts, and 1 in 2 said their overall housing costs are a heavy burden. It is important to note that a further 21% of single parent households faced utilities arrears and 27% faced mortgage or rental arrears.
- In addition, more than 1 in 2 single-parent households are employed. This shows that working does not necessarily equate to financial security – and this was a consistent finding across the research. 19.4% of all workers in Ireland that have debt face unmanageable burden of their debt repayments.

The findings presented in these Sections correlate with the other findings in this report, in particular that, in Ireland, there is no "typical household" that faces high levels of debt and problem debt can affect households across demographics. However, through our evaluation of the data we suggest that there are particular groups who appear to be more at risk of having low financial capability and financial resilience, such as single-parent households, renters and low-paid workers.

83 It is important to note that this figure pertains to only those respondents to the EU-SILC (2017) who stated that debt was "applicable" to them and their lives.

6. Policy Recommendations

6. Policy Recommendations

> *While policy makers may not be able to solve individuals' behaviour constraints, they can certainly recognize those constraints and design policy to account for them.* (World Bank 2015, p. 120)

This report traces the context of household debt – and reveals that there are many persons and families in Ireland, in particular low-income households, who face unmanageable levels of debt and other financial difficulties. In this section, we list the key policy recommendations that emerged during the course of the research. These recommendations relate to both the practical concerns regarding household debt, as well as ways to improve insolvency options and expand debt advice services.

As discussed throughout this report, personal debt is an intricate policy issue – and there is no one-size fits policy solution. However, policy makers have an obligation to recognise the wider contextual factors at work and to design policies that take structural issues directly on board.

Recommendation 1: Improve data collection and analysis on household debt

As discussed in the previous section, there is a lack of quality data on many socio-economic issues in Ireland, and that includes household debt and the use of financial products. There is a need for data that highlights the specific types of debt and arrears Irish households face across the board, as well as those specific households at risk of falling into problem debt. The EU-SILC data provides an important but incomplete picture of these factors. We agree with other academics in Ireland that call for more regularly collected and collated data on household debt, as well as personal data on access to financial services and the scope of consumer use of certain financial products. This data should also be analysed regularly in order to influence policy and be made accessible to the public.

To understand socio-economic conditions, Ireland relies quite heavily on surveys and statistical datasets organised by the European Union and other intergovernmental bodies, such as the OECD, and not enough from domestic sources. The sample sizes for EU surveys tend to be rather small compared with national surveys and also take longer to process, as the EU bodies are oftentimes collecting and reviewing data from several member states at once. The data can then sometimes be delayed in its release into the public domain. We posit that more national sources of data collection should be supported here in Ireland or tied into existing mechanisms already at work, such as the Census.

Recommendation 2: Information and flexibility concerning insolvency options

Several of the MABS Money Advisors we spoke with highlighted the lack of clarity concerning the services of the ISI, and in particular, what exactly happens after a debt relief notice or a personal insolvency arrangement is carried out. The following excerpts from the interviews with Money Advisors shed further light on these concerns:

> *I suppose a big concern a lot of people have is what happens after [a Debt Relief Notice]. […] It's unclear, and we have consistently asked the question, has anything changed around this? Is there more clarity for people so we can tell them yes, this is a definite fresh start for you. No one seems to be able to answer – you know? So that's concerning. And it's possibly why we have such a slow uptake initially on the insolvency solutions. I think if enough people go through it and at*

the end, they are able to start again, other people will follow. I think it will get busier if that does happen. But time will tell! Some tweaks in the insolvency laws could help that. So, the legislation has to be altered. I think they review every year or every 18 months to see what little tweaks need to be done. […]

In his research, Roche (2018) identified similar issues with the ISI, and specifically regarding the lack of centralised administration of the services as well as the lack of clarity concerning the solvency options presented. Also, these services appear to be rather punitive for low-income households, especially those who are working and may also have a mortgage. These households may require more flexible arrangements that allow for their change in circumstances.

For example, Mary, the MABS service user from Donegal who we interviewed for this project, discussed in her testimony how she was concerned to sign up to an insolvency arrangement, because if she were to fall ill again (she had been treated for both breast cancer and a heart condition in recent years) she would have to leave work and may need to receive disability payments. Such adjustments in income would be impossible during a supervisory period for a personal insolvency arrangement (PIA) – which is the arrangement she potentially qualifies for. Her testimony is cited below:

So say if I was getting a full wage and I could go to the PIP and the PIP makes arrangements for me on a 7-year basis or whatever it is, saying [to the creditors] "she's going to pay you X Y and Z". But say 3 years down the line if I got sick [again], and I go back to a €198 [disability payment] off the government so I can't pay, X Y and Z that certain amount, then that's classed as me breaking the insolvency contract. So, that's null and void. So, then the next thing, all the letters again… so there's no contingency for anybody that's on the breadline, and that's exactly what the people need. You need a poor man's PIP, because it's the poor people who really can't afford to pay these debts. They really cannot, they do not have the income to pay these debts, or to pay a PIP. So, it's the poorest people who are suffering the most. That's my opinion anyway. […]

My point has been, I have no way, I know if you go into insolvency thing, you know after seven years there's a cut-off point if you go through that, you know, but I don't have that because, I'm not a stupid woman…I had two cancers and a heart attack in three years and ten months, I'll be fifty seven now at the end of this month, like I also work in the medical profession, and I know myself getting cancer twice in three years is not good. So, I can't join an insolvency thing, because if I get sick again and my income goes back to getting a €198 off the government, where do I go?

The lack of flexibility of current insolvency options for a change in income or status is part of the reason some people appear to be reluctant to take one on. It seems quite unfair and punitive for an agreement to not take allowances for illness or a significant change in status that is outside of the control of individuals.

Recommendation 3: Better coordination of national debt support services

The Money Advisors also spoke about the ways their impact in helping people become debt free is inhibited as they are limited in what they can actually offer to their clients. For example, one Money Advisor stated as follows:

I think where we [MABS] fall down as a service is that we cannot provide the client with legal information. We cannot provide the client with full insolvency advice, like a Personal Insolvency

Practitioner. We do have one [a PIP working for MABS] …but he just went and did that himself and we sort of use him as an insider. What they need to do with the service is they need to open it up and we need to have a "one-stop shop" for want of a better [word], that we can say to the client OK when you come to MABS we can refer you to this system. We think you need legal advice on this, we have a team of legal advice, we think you may need to go down the bankruptcy route but before that you're going to have to get a PIP involved, get them in and say look we have PIPs in here, we have people who are experts in bankruptcy, etc.

Part of this argument is that if the services of MABS were more entangled and coordinated with the work of the ISI, this would help ensure that clients receive all of the information they need in one place. This "one stop shop" for debt relief needs would involve expanding the powers of MABS to that of a Personal Insolvency Practitioner (PIP) and being able to process other insolvency options in addition to DRNs. Also, as mentioned previously, while MABS services are free to clients, PIPs are not.

This concern is clearly illustrated in the following quote from the same MABS Money Advisors cited above:

If they qualify for the DRN which is the "bottom", for want of a better word, it's the bottom rung of the insolvency – so we only deal with clients who don't have mortgage debt and clients who have up to 35,000 worth of debt. We can send them through the insolvency side of it from here, so they get a one stop thing, they come in, speak with the Money Advisor, if they qualify, they go right through to the very end and they walk out debt free. If they have any level of debt higher than the 35,000, we have to refer them onto a PIP. Now we can provide the vouchers for them to go to the PIP but the PIP is sort of a stand-alone thing. So, we don't really know what happens to them after that. If they need bankruptcy advice, we don't know what happens to them after that, if they need legal advice, we can send them off for legal advice but we can only do so much.

And I think if the service was opened up, that we're going right, we provide the services of a PIP, we can provide legal things, we can keep you in-house. I think that would be a much better way in that the client can go from start to finish once they come through the door, right through until they're going to walk out with bankruptcy, with an insolvency solution, or a debt relief notice. They stay under the MABS, or it doesn't have to be MABS, but you know what I mean, they come in and we can say right go to this PIP but it's all under the one umbrella.

Is there scope in Ireland to restructure all of the debt support services (legal, solvency, debt advice, counselling, etc.) under "the one umbrella"? The ISI and its services are evaluated on a regular basis, and the terms of insolvency agreements have changed since the service was established in 2013 (for example, the amount of debt that qualified for a debt relief notice was expanded from €20,000 to €35,000). Even though there has only been a relatively small percentage of persons that have had successful insolvency agreements, this report supports the important work of the ISI and recognises its achievements since its inception. However, we also find that there is a need to expand the service, centralise it, provide for more direct information on the effects of the arrangements and allow for more flexibility in terms of supervisory periods.

Recommendation 4: Consumer protection and regulation of financial products

Research by Kriese et al. (2019) explored the role of "financial consumer protection" (or FCP) using data from 102 countries surveyed in 2013 by the World Bank Global Survey on FCP and Financial Literacy. In their findings, they investigated the importance of financial consumer protection within recent efforts to expand financial access and financial inclusion. In particular, Kriese et al. (2019) cited how there is a growing need for "the existence of regulations and mechanisms protecting the consumer from abuse and the ability of the consumer to invoke for his relief these laws and mechanisms where he or she has been abused" (Kriese et al. 2019, 1).

On an international level, there is a concern that new financial products are not regulated sufficiently and there is a lack of effective disclosure of information up-front. There is also more and more evidence of deceptive advertising by suppliers of financial products and the impact that is having on consumers (Ardic et al., 2011; Kriese et al. 2019). There is evidence of such deceptive practices taking place in Ireland, and many Money Advisors we spoke to for this project highlighted the specific worries they have that clients do not adequately understand products such as PCPs (personal contract plan) and other hire purchase agreements.

Ireland also has a relatively high rate of low literacy levels across the population – with recent OECD statistics showing that 1 in 6 adults in Ireland struggle with basic reading and writing, and 1 in 4 with basic maths[84]. Low literacy learning is intimately connected to wider issues of social and economic inequality and poverty. Literacy also affects people's abilities to understand certain fine print on financial products. As one Money Advisor stated:

> *People would have debt and stuff [from catalogues] and don't realise the debt that they're paying, there's definitely a financial literacy thing, or [an] education thing to be done there. And don't get me wrong, I love looking through catalogues and stuff but people don't realise the rates of interest that they're paying even compared to a credit card or something. As I say, there's definitely education to be done there.*

Along a similar vein, one Money Advisor also spoke about a worrying finding that people in low-income areas may be intentionally targeted by financial institutions in order to get them to sign-up to products they do not properly understand. The following quote reveals what she has witnessed:

> *Now what happens sometimes in this area is [for example…] a bank came in and they offered credit cards, loans attached to credit cards and they got details. […] I don't know where they got the names and addresses from but they targeted a lot of people in this area and gave them pre-approved credit cards for €500 and there was a pre-approved loan attached to the credit card for €250. All you had to do was sign the paperwork and send it back, there were no credit checks or anything done and loads of people in the area got stuck. They started on the credit cards then they started getting personal loans out […] They're still paying them off. Ten years later, and I'm still dealing with the fall out of those.*

Such loan tactics are undoubtedly unethical and should be regulated – and there is a need for more research and evidence in the public domain on the impact of such campaigns, specifically those that directly target low-income communities in Ireland.

84 CSO (2013) PIAAC Survey Results https://www.cso.ie/en/csolatestnews/pressreleases/2013pressreleases/pressreleasepiaac2012surveyresultsforireland/

Recommendation 5: Expansion of the "It Makes Sense" Lending Scheme

As mentioned previously in this report, to date less than 35% of credit unions in Ireland are issuing the "It Makes Sense" or Personal Microcredit Loans. This lending option involves issuing small loans (from €500 – €2,000) at low interest rates and geared towards those on social welfare. The objective is to deter the use of moneylenders[85].

We support recent efforts from the Department of Employment Affairs and Social Protection to encourage more credit unions to offer the Scheme, by waiving the repayment fee if clients chose to repay through the Household Budget Scheme (for more on this, see Section 3.1.2)[86]. We posit that the expansion of this Scheme, including the participation of more credit unions, should also involve opening up restrictions of who can access it – and therefore helping build the financial capability of low-income households (including those in work). Potentially, the Scheme could be expanded to those who are working in low-pay employment, who also may have difficulty accessing affordable lines of credit – in particular in times of emergency. However, we recognise that the Scheme is still fairly new and more research is needed on its impact and effect – and in particular, on the extent to which it helps to develop certain money management skills, such as positive borrowing and repayment behaviours, of marginalised and low-income groups.

Recommendation 6: Monitoring of the behaviour of creditors and the methods they use to pursue clients

A recurring finding throughout the research concerned the fact that many creditors use aggressive tactics to target debtors. This can result in deep psychological consequences for households, resulting in feelings of shame and isolation, as well as instil an in-depth fear and distrust in financial institutions. Such sentiments were illustrated by the users of MABS Services as well as from the Money Advisors. There seems to be an intentional targeting of particular, and perhaps more marginalised, groups that appear to involve a seemingly relentless pursuit of debts that are rather low comparatively. These were the tactics used by banks, credit unions and private debt companies (that bought arrears from a traditional financial institution for a discounted price).

For example, one Money Advisor stated as follows:

> *I have seen banks go after a €200 debt more aggressively than a €2,000,000 debt.*

Another discusses the false information told to debtors, such as their possessions can be taken from them without a court order.

> *[This Private Debt Company] is horrendous. And you'll find with the clients, all the clients across the board, they don't understand. The frightening tactics they put on the clients – what they say to them straight off is: "we can send a sheriff out to your house and he can take anything that he wants to take". Now that's not true, technically they can send a sheriff out but only when they've gone through the whole courts process and that's their last resort.*

And another discusses how some moneylenders also use scare tactics, and say false information:

85 ILCU (2019) https://itmakessenseloan.ie/participating-credit-unions/

86 See: https://www.longfordleader.ie/news/business/502017/credit-unions-committed-to-encouraging-more-people-to-turn-away-from-moneylenders.html

I know that [this moneylender] had been very much saying don't go to MABS, it'll damage your credit rating.

At the same time, Mary and Aidan, the two MABS services users we spoke to for this project, described the hurt and fear they felt when different creditors used such scare tactics on them.

In the following testimony, Mary described an incident where a creditor called her at her workplace (a hospital) instead of through her mobile phone or MABS.

That's actually what they [did]. Phoned the hospital, got through to the reception, got through to personnel, and through to an emergency department and spoke on the desk where they take calls if there's an ambulance coming through in twenty minutes. You know, it's unbelievable; I was so upset that day. I was heaving. I told her [the Creditor] that, "my cards are on the table, I'm not hiding, this is my situation, and yes you have been contacted by MABS". […] they were getting the payments, because [MABS] asked me to do that, and I done it… I followed to the best of my ability. So there are a lot of things to look at in this country, because phone calls like that could certainly tip people over the edge.

Aidan also spoke of a time recently where a creditor phoned his mother looking for him (he is currently homeless and living with her), a number he ensures he had never provided. His testimony is below:

My mum has her own home phone, I don't touch that phone, and she was getting calls from, she didn't know who it was, but it turns out it was the credit union. Now I don't know how they got her phone number, but I told MABS this and they were horrified and said they have no right to do that. […] They started ringing, confusing my mother, and then they started calling to the door. And I told MABS this, and they said they've no right, they do that again and we'll deal with it, we'll get a letter out to them […] A week later I got this threatening letter [from the credit union], and the stress had gone down, and as soon as the letter came in it was like, thanks but no thanks, and that's when I called MABS. [The letter] was just like: "we're getting you".

[…] I owe €22,000 [down from €30,000]. I was trying to say this before to the credit union, I owe you the money, guilty, and somewhere down the line you'll get it back. And it's been going on for a few years now but to me they're blowing it up to a nuclear problem.

In this report, we propose that there should be safeguards in Ireland that prevent misinformation and deceptive tactics used by creditors to target clients. There should be protections in place to protect people from these methods. As made evident in this research, creditors are willing to use such aggressive and scare-mongering tactics for those who are engaging with MABS and trying to repay debts, one can only imagine the tactics they use with those who are not engaging with them.

Undoubtedly, MABS Money Advisors should be at the forefront of consultations concerning the development of new policies in Ireland as they relate to personal debt. However, this does not seem to be the case. According to one Money Advisor,

We really do not have a mechanism for raising them [social policy issues] properly. We used to have someone who was a social policy person […] a spokesperson for MABS in the government, and that is really not there at the moment. All you can do if you have issues here is raise them at meetings with other Dublin offices. So say, for example, you are having a problem with XYZ utility

> *company – they are not offering deals, they are really going for the throat on this… you can talk to the other offices… but it doesn't seem to go anywhere.*

This is particularly concerning as MABS Money Advisors would be well-placed to offer key insight into what is happening in terms of creditors and they witness first-hand the way their clients are treated by different institutions – both private *and* State-run. This same Money Advisor continued with the following comment:

> *One other problem would be that we are funded by Citizen's Information, and they don't like you criticising them. It's like "don't bite the hand that feeds you" and don't go criticising other government departments. Which, invariably you obviously would be – the housing, the social welfare and whatever else. You are raising welfare issues, which generally go back to another department. I would say that it is almost a deliberate policy from higher up, "let's let them [MABS] raise social policy issues per se, but then just let them disappear into the ether".*

There are many advantages to having MABS as a national and publicly-funded service – there is a MABS presence in every county in Ireland and the service is free to those who seek counsel and support. However, MABS should also have a direct means to, if necessary, critique aspects of the state and to influence policy as it directly relates to household debt.

Recommendation 7: Support targeted policies that address structural issues related to household debt and financial wellbeing

It is also important to note that specific policies that address the curative and remedial options for personal debt only go so far – there is a need for more robust intervention in terms of alleviating the contextual factors and contributors to over-indebtedness in Ireland: specifically in terms of the lack of affordability of housing, income levels, the overall cost of living and access to decent financial services across all areas and populations in Ireland.

On this point, we would support efforts to raise wages, including the living wage campaign, in order for low wage workers in Ireland to have greater financial capability[87], as well as the implementation of new housing policies[88] and greater regulation for moneylenders[89].

These types of interventions would provide the preventative support needed to ensure more households (specifically low-income households) escape the financially precarious situations that oftentimes results in over-indebtedness.

87 Living Wage (2019) https://www.budgeting.ie/living-wage/
88 Social Justice Ireland (2019) https://www.socialjustice.ie/content/policy-issues/type/housing
89 St Vincent de Paul (2019) https://www.svp.ie/highcostloan

7. Developing a Financial Capability Training

7. Developing a Financial Capability Training

In this section, we explore the context and information most relevant to the development of a training or intervention to support the development of financial capability. This discussion is based on the research we have conducted for this project, as well as our engagement with local actors. Considering the Irish context, there is a need for the development of individualised and bespoke supports that encourage the development of financial capability and financial resilience across large sections of the Irish population.

Programmes that prioritise building financial capability and financial resilience for individuals are sparse in Ireland. Centralised websites supported by the Citizens Information Board (CIB) and the Consumer Competition and Protection Commission (CCPC) offer information regarding money, insurance, tax and debt. These resources are largely "self-service" and rely on individual initiative. Our project seeks to address this gap and design an innovative financial capability pilot training based on the project's findings and targeting key groups of the population, such as *single-parent households* and *workers in low-paid jobs*. In addition, while we maintain that there is a need for such services and supports throughout the country, in this section we look at how and why such a service could be deployed in Dublin specifically.

The financial capability training would address the factors for debt cited in this report by integrating tools to support making life choices as well as more self-confidence and self-awareness with greater knowledge of financial management that could help participants attain a better financial position. This starts with assessing *what is happening* in people's lives and understanding the particular challenges people face in overcoming obstacles and gaining financial well-being.

In this section, we offer an overview of prospective at-risk groups of the population and provide a rationale for focusing on these groups who live and work in Dublin. We also give practical recommendations for the training design and implementation.

7.1 Who is at Risk? Lone parents and Low-pay workers

We found that, in Ireland, there are specific groups at particular risk of low financial capability. We offer an overview of these groups below:

(1) Single-parent households

According to the 2017 EU-SILC data, single-parent households face increased financial hardship when compared with other demographics in Ireland. As cited in Section 6 of this report, these households are largely (84%) women-led according to CSO data. The research has shown that single parents are more likely than other households to face utilities arrears and to go without heating due to lack of money. In addition, our research has found that over *a third of* single-parent households who are in debt are facing over-indebtedness and struggling with debt repayments.

Over 50% of over-indebted single-parent households are also in work. 21% faced utilities arrears and 27% faced mortgage or rental arrears. 1 in 2 reported that their overall housing costs were a heavy burden.

Below is a chart of further important statistical information related to single parent households, in particular those living in Dublin.

In Profile: Lone Parents living in Ireland
In Dublin, there are approximately 66, 365 single parent households[89]. To put this into the national context, there are 218, 817 in Ireland (about 1 in 5 households)[90].
Those living in households with one adult and one or more children aged under 18 had the highest deprivation rate in 2016 at 50.1% - meaning lone parents are 2.5 times as likely to be experiencing deprivation than the rest of the population[91].
People in lone parent households continue to have the lowest disposable income out of all households with children in the State.
One parent families account for 36% of all families with children living in Dublin City, 28.2% of all families with children living in South Dublin, 23.1% of all families with children in Fingal, and finally one parent families account for 22.4% of all families with children in Dún Laoghaire-Rathdown.

(2) Low-pay workers

This research also identified low-paid workers as an additional at-risk group of low financial capability. According to the OECD, the incidence of low pay refers to the share of workers earning less than two-thirds of median earnings.

According to the EU-SILC data, 40% of all employed persons are not able to save on a regular basis, and this figure climbs to 77% when looking at those in the bottom 40% income brackets. Low-paid workers also suffer from utilities and rental arrears at a much higher rate than those with more income. This is a particular concern and reflects wider characteristics of the Irish labour market.

Single-parent households and low-pay workers are also more likely to have low financial capability if they are *renting* in the private sector. Renters typically have lower financial capability than home owners.

Below is a table of further important statistical information related to the situation of low-paid workers in Ireland – a group that comprises a significant portion of all workers in the Irish labour market.

90 One Family Ireland (2019) Available at: https://onefamily.ie/media-publications/facts-figures/
91 CSO (2016) Available at: https://www.cso.ie/en/releasesandpublications/ep/p-cp4hf/cp4hf/fmls/
92 https://onefamily.ie/media-publications/facts-figures/

In Profile: Low wage workers living in Ireland

In 2017, approximately 23% of workers living in Ireland were classified as low-pay. This figure is the fourth highest level of low pay in OECD countries, behind only the U.S, Latvia and Romania[92].

Another way[93] to look at wage distribution in Ireland is in terms of "median pay". useful measurement that the CSO has produced is median pay (measuring the mid-point in income) versus "average pay".

- For instance, for workers in Ireland in 2018:
- Average weekly pay was €740
- Median weekly pay was €593
- 63% of workers earned less than the average pay (€740/ week)
- And *50% of workers earned less than median pay (€593/ week).*

The number of low paid workers increases based on sector, and is as high as 1 in 4 for those who work in hospitality or food industries. The absolute number of low-pay workers in retail is also high – at 1 in 6 (King 2019). These low-paid workers tend to be female, young and single-parents.

7.2 Why Dublin? Financial precarity in Ireland's capital

The need for the development of a pilot training programme in Ireland that focuses on financial capability is of particular relevance to Dublin, due to the soaring cost of living in recent years and rising deprivation levels. We provided extensive statistical analysis of these factors in Section 1.

To compliment this, in this section, we draw out a further and itemised profile of Dublin in terms of these factors, and in particular cost of living and housing.

Population:

- 1,335,000 people live in Dublin according to the latest census figures, and Dublin has 27.6% of all households in the country (CSO). Next highest was the South West region at 14.9%.

Cost of living:

- Recent cost of living data by Mercer[95] found that Dublin is the most expensive Eurozone city (followed by Milan and Paris).
- Dublin is by far the most expensive region to live in in Ireland. According to the July 2019 findings from the Living Wage Technical Group, a resident in Dublin should make at least €500.55/week to meet the standard cost of living, whereas this figure drops to €392.42/week

93 OECD (2019) https://data.oecd.org/earnwage/wage-levels.htm
94 This information is taken from Taft (2019) https://notesonthefront.typepad.com/politicaleconomy/2019/11/closing-the-gaps.html?fbclid=IwAR3ePJKh3x4QpXued1ZtDiQVAxDUQoCocrwQPyHx1polwNDb5ycQm1t_EWw
95 https://www.mercer.ie/newsroom/mercers-25th-annual-cost-of-living-survey-finds-cities-in-asia-most-expensive-locations-for-employees-working-abroad.html

and €402.45/week respectively to live in other cities and towns in Ireland. In rural areas, this amount drops to €379.10/week[96].

Housing:

- In Dublin, rent now accounts for over half (51.9%) of a single person's minimum living costs, and monthly rent prices increased by over €90 since 2018[97].
- In 2015 – 2016, Urban households spent on average €179.79 per week on housing costs compared with €126.64 for Rural households. This is principally due to higher expenditure on rent in urban areas, €62.73 compared with €10.20 for rural areas.
- According to the CSO, the highest rise in rent between 2011 and 2016 occurred in Dublin City where there has been an average increase of 30% in private rents. Rises in excess of 20% were also recorded in Dún Laoghaire–Rathdown (26.2%), Fingal (22.8%), South Dublin (22.7%) and Kildare (20.3%).
- Also, between 2011 and 2016, the number of households paying more than €300 a week in rent increased by 166%, and more than 85% of these households were in County Dublin[98].

There is also a specific divide in Dublin in terms of certain areas of the county that face more social and economic deprivation than others.

For example, the North East area of Dublin – a name given to certain suburbs located along the Northern Fringe – contain some of the most disadvantaged neighbourhoods in Ireland (such as Priorswood, Darndale, Kilbarrack, Kilmore West). In the chart below, we explore specific demographics of this cohort, revealing the economic situation of a particular, low-income area in Dublin.

Table 4 In profile: North East Dublin catchment

Region:	North East area of Dublin, the suburbs that are located along the Northern Fringe of this contain some of the most disadvantaged neighbourhoods in Ireland (Priorswood, Darndale, Kilbarrack, and Kilmore West).
Population:	In 2016, the population in the area was 137,364.
Unemployment:	On the whole, 6% of the population of this catchment area experience unemployment. This is statistically higher when compared to national unemployment figures at 4.5%. However, some small areas in the catchment, for example Priorswood, unemployment levels reach rates of 47.73% for males and 53.57% for females.
Single parents:	There were 7,883 lone parent families living in this catchment area. The ratio of lone parent families is extremely high in neighbourhoods worst affected by deprivation. In some cases, almost half (45%) of all families are headed by a lone parent, well above the Dublin average of 23%. In eight most disadvantaged areas 39% of families are lone parent.

Source: Northside Partnership

96 Living Wage Calculation (2019) https://www.livingwage.ie/download/pdf/living_wage_2019_-_4_page_document.pdf
97 Living Wage (2019) https://www.budgeting.ie/living-wage/
98 CSO (2016) https://www.cso.ie/en/csolatestnews/presspages/2017/census2016profile1-housinginireland/

7.3 Practical recommendations: Interventions to build financial capability

International research (World Bank 2015; OECD 2019; Kempson and Poppe 2018) has demonstrated that the following key practical recommendations are integral in shaping people-centred support for the development of financial capability:

1. People are more likely to pay attention to financial education and training if it is personalised and specifically targeted to their needs.
2. The power of the media and advertising.
3. Important for habits to be formed and reinforced early in life – including will-power and self-control skills.
4. Building behaviours that prioritise saving for purchases (versus buying on credit).
5. Providing robust and accessible opportunities for comparison shopping and negotiating prices.
6. Importance of keeping track of spending on a regular basis.

These key points are mirrored in the recent work of Vyvyan et al. (2016) who investigated the perspectives of 18 financial coaches in Australia in order to assess the best financial capability strategies. The research found that the following factors are of particular importance:

- Confidence, self-esteem and self-belief
- Gender and socio-economic status
- Short-term focus rather than future orientation as a key inhibitor of financial effectiveness
- Social expectations and influences of a partner, family, and friends
- Financial capability programs should address these behavioural and contextual factors rather than concentrating purely on literacy
- Financial capability and financial effectiveness are complex and difficult to define, therefore more effort and rigor is required to support the development, design and evaluation of financial literacy/capability programmes the impact of financial capability in Australia (Vyvyan et al. 2016).

In Ireland, we propose the development of a practical support for building financial capability that expands on the findings of international literature and best practice and takes on board our own observations of the Irish context for this research.

We are proposing that this "training" is framed as follows:

> *An intensive and personalised "training" that builds financial resilience and financial capability in Ireland that is transferable to different contexts and acts as a preventative measure to household problem debt[99].*

As mentioned earlier in this report, this intensive and personalised programme orientated towards building financial resilience and financial capability will complement existing programmes and services being offered in Ireland (for more on this, see Section 3 of this report).

99 For more on preventative measures at work currently in Ireland, see discussion in Section 3.

The particular role of educational training and supports is well-documented according to international best practice (World Bank 2015; OECD 2019). In particular, we are proposing to design a training that incorporates a mixed-methods delivery, including *both* designated and personalised 1:1 support as well as learning in a group environment. These supports will be designed in such a way as to provide participants with the necessary basic numeracy skills and financial literacy learning within the sense of personal capabilities and knowledge. The programme will also incorporate peer to peer support to help participants develop the confidence to put these skills into practice. The individual sessions will reinforce the elements of the group training, providing a space for participants to apply what they have learned and help them devise personal strategies to confront real life events and challenges as they arise.

There are three interrelated practical recommendations that we posit should be incorporated into any such financial education programme. In the table below, we list the themes, the reasons why they are important here in Ireland and their role in building overall financial capability, as well as their related activities and outcomes.

Table 5 Bespoke Financial Education

Practical Recommendation	Potential approach to incorporating this into training	Related information and the importance of the "practical recommendation" in an Irish context
(1) Financial education	This theme relates to building upon current skills in basic accounting to understanding options for borrowing and saving. It also includes a blended component of numeracy learning.	*Basic literacy and numeracy levels and their applicability in an Irish context:* Recent OECD data demonstrates that 1 in 4 Irish adults (age 18-65) have basic levels of numeracy, and struggle with simple maths skills such as subtraction. Ireland scores quite low in terms of these skills when compared to other European countries. As such, including some basic numeracy and literacy skills learning is an essential aspect to this programme. *International literature: importance of focusing on action:* Based on international practice (World Bank 2015; OECD 2019) focus on "learning" will not just look at information gathering – but specifically on actions and behaviours. This focus will be integrated into every level of the intervention – not just providing knowledge but encouraging positive financial behaviours through practical exercises.

(2) Understanding rights and entitlements	This theme relates to education about the risk of money lenders, and analysis of effective spending habits and attitudes toward money.	*Knowledge and awareness concerning debt services and supports:* Social stigma against debt is quite strong in Ireland. Even though there are national debt relief services in Ireland, people may not engage due to lack of knowledge or institutional distrust. Direct financial education on how to engage with MABS and the ISI (in particular) and the services they offer is integral to this programme. *Low-income households and financial access:* In Ireland, in terms of understanding options for borrowing - the use of moneylenders is generational – and many people borrow from moneylenders because their parents and/or grandparents borrowed from them. For certain households, moneylenders may also appear to be the only available source of credit.
(3) Growing current capabilities	Integrating financial management with building confidence about the skills the participants already have and growing these capabilities while devising specific life goals and opportunities.	*Importance of empowerment and building self-confidence:* This links to the importance of building confidence in using financial services and financial planning (better numeracy skills, saving small amounts on a monthly basis, changing spending patterns in order to avoid problem debt). *Offering practical tools to encourage positive and goal-orientated actions:* This also links to behaviours - and includes setting out long term and short term goals, maximising income, active saving, shopping for financial products, dealing with personal debt and so on. *Supporting (when applicable) digital platforms:* It may also be helpful to connect with useful digital supports, with an understanding that an important caveat in relation to apps (and other digital tools) is that they can exclude those who don't have access to a smartphone/laptop and those who have unmet digitial literacy needs.

To conclude, we argue that there is a strong need for the development of a pilot training in Ireland that focuses on the development of financial capability. Such a programme is of particular relevance in urban areas such as Dublin, where the cost of living has soared in recent years and deprivation levels are increasing.

As discussed throughout this report, low financial capability and problem debt in Ireland is directly related to overarching structural norms and issues concerning the cost of living, social deprivation and financial exclusion, housing and income levels. Addressing these structural issues is necessary in order to properly address the systemic problems facing low-income households in Ireland. However, in order to prevent further exacerbation of these issues, we suggest that an immediate intervention is needed that will operate as a "preventative measure" to support low-income households and build financial capability. We suggest that for such an intervention to be effective it must include a mixed-method delivery component that is both personalised and involves group and peer-peer support. It should also include a capability-focused approach and a focus on encouraging confident behaviours and actions and meets participants *where they are* and builds on the current skills they already have.

8. Irish households and non-mortgage debt: What we have learned

8. Irish households and non-mortgage debt: What we have learned

In 2018, research from Ireland's Competition and Consumer Protection Commission (CCPC)[100] indicated that there are two fundamental *behaviours* that affect financial capability and well-being across all persons and income groups in Ireland: (1) *active saving*, and (2) *not borrowing for daily expenses*. At the moment, our research would indicate that many Irish households are struggling in both of these areas – and in particular, low-income households.

A recent study from consumer tracker *Switcher.ie* suggests that as many as 6 out of 10 Irish persons have to borrow/use savings to cover essential bills, including utilities, rent and mortgage payments, motor insurance and so on[101]. The cost of living has risen steadily over the last 10 years, and there has been a significant increase in the number of persons renting, as the average age of first-time home ownership climbed from 28 in 2008, to 35 in 2016[102]. Understanding household debt in Ireland is directly connected to the rising cost of living and lack of affordable housing, as well as access to financial services and income levels. Unsurprisingly, low-income is associated with low levels of financial capability. Low-income households are disproportionately affected by unmanageable levels of household debt versus higher income households.

According to EU-SILC data[103] collected in Ireland in 2017, low-income households (in bottom 40%) reported that:

- **32%** of low-income households who have debt are over burdened by repayments
- **77%** of all low-income households did not/could not save on a regular basis

Households with less disposable income must spend a greater percentage of their income of everyday living costs – and therefore have lower financial capability. Additionally, renters traditionally have lower financial capability than homeowners[104]. These trends point to a mounting problem of persistent low financial capability for many persons and families living in Ireland.

In addition, this research identified that single parent households are at particular risk of over-indebtedness. According to the EU-SILC data:

- **36.3%** of single-parent households with debt are over burdened by debt repayments

100 CCPC (2018) Financial Capability and Well-being in Ireland https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/12/Financial-capability-2018.pdf

101 Jacinta Bonus (2019) https://switcher.ie/blog/money-saving-tips/irish-households-struggling-to-cover-essentials-bills-resort-to-using-their-savings/

102 CSO (2016) Profile 1 Housing in Ireland: https://www.cso.ie/en/releasesandpublications/ep/p-cp1hii/cp1hii/tr/

103 According Dr Stuart Stamp from NUI Maynooth, "European Central Banks such as the Central Bank of Ireland are generally considered to be inadequate sources of data on consumer debt. The reason for this is that such institutions gather data at macro-economic level rather than at household or individual level" therefore, "the EU Survey on Income and Living Conditions (EU-SILC) is the most appropriate instrument for this purpose. This survey is carried out annually in Ireland by the Central Statistics Office (CSO)" (Stamp, 2009 p. 8).

104 CCPC (2018).

- **70%** are not able to save income on a regular basis.
- Nearly **1 in 2** single-parent households say their overall housing costs are a *heavy burden.*

In our research we also found that many persons that face difficulty with saving and debt repayments are, in fact, working. According to the EU-SILC Data from 2017:

- Nearly **20%** of working households are over-burdened by debt repayments.
- **40%** of employed respondents were unable to save any income regularly.

At first look, these figures appear to jar with recent statistics that show that, on aggregate, Ireland's household debt as a proportion of disposable income is falling on a national scale[105]. However, based on similar research on household debt completed recently in the UK[106], these figures may be misleading/ give a false sense of security; it is the *distribution and type* of debt that should be the focus, versus the macro-economic numbers. As such, in Ireland, the debt to disposable income ratio remains more than double where it was in 2004. It is important to note that these national figures have reportedly benefited from the statistical treatment of non-performing loans that have been sold by banks to private debt companies to tidy up balance sheets[107]. Households *in stress* face monthly debt repayments at growing percentages of their disposable income – pushing them to borrow from high interest lenders in times of crises or emergencies. This can result in a "debt trap" or a cycle of debt repayment and borrowing that is difficult to escape.

There is a clear need for preventative measures to help build the financial resilience and capability of specific cohorts of the Irish population, specifically in Dublin, such as renters, single-parent households and those working in low-pay or precarious employment. In the case of an adverse economic downturn, many sections of the Irish population may be grossly ill-equipped to adjust to such scenarios, which include a potential financial crash/recession, the impact of Brexit, and so on.

Programmes that prioritise the expansion of financial capability, knowledge and skills for individuals are minimal in Ireland, particularly those that target adults[108]. We are proposing to address this gap, and we recommend the development of a financial capability programme that focuses on building trust and empowerment and helping people take control of their own financial situations. Any such training would also need to consider the wider social and structural contexts at work in Ireland as well.

The objective of this report was to outline the social context for household debt in Ireland. We sought to both draw from statistical data as well as the human stories of the day-day dealings with problem debt, from both Money Advisors at MABS as well as their clients.

We conclude this report with the final story from Mary, in her own words, the MABS service user from Donegal:

105 O'Brien, C. (2019) Irish household debt falls but levels still high compared to EU neighbours https://www.irishtimes.com/business/economy/irish-household-debt-falls-but-levels-still-high-compared-to-eu-neighbours-1.3785558
106 Resolution Foundation (2018) Causes and Consequences: the role of household debt in 21st century Britain. https://www.youtube.com/watch?v=gRhWZunY18I
107 Cantillon (2019) https://www.irishtimes.com/business/economy/fall-in-irish-household-debt-ratio-flatters-to-deceive-1.3928491
108 As mentioned previously, the newly established government body CCPC (Competition and Consumer Protection Commission) has rolled out programmes targeted for financial literacy training for young adults in Ireland, including workshops in secondary schools. MABS offers similar programmes. There are several online trainings and platforms that offer some information and trainings on financial literacy – these are largely "self-service": and include websites such as moneymatters.ie, moneycounts.ie – amongst others. There is little public information to raise awareness of the existence of such programmes, and their impact is difficult to determine.

I mean, subconsciously, you know, I knew that "I'm drowning" …I was drowning in debt. And, you tried for as long as you could to cope for as long as you could, but it's not an easy thing to go and say to somebody, you know, I've borrowed this and I've borrowed to pay debt and then borrowed to pay that debt. At the time it all seemed very sensible to me, I'm in a situation now basically Amie, if my car tanked tomorrow, and I need a car to get to work, I work in Letterkenny, you know, I can't access finance to get a car… But I also take responsibility, I put myself into that position, I understand that. I'm not trying to hide behind [it]. The reason I'm telling you about [my daughter's] death and illnesses and that, is how much it can throw you back, back into the depths of despair because you've absolutely nothing. You're sitting up with the [Bank] with a begging bowl in your hand, hoping they'll give you three months moratorium, or six months moratorium. And, you're waiting on an appointment to go to the doctor the next day, or you have an appointment to go to the doctor the next day (and they have) to tell you whether your cancer's spread or not spread, you know, do you understand what I'm saying? […] But, as I said, only for MABS I would be, can't even imagine where I would be, I wouldn't even want to think about that.

9. Select References

9. Select References

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This report contributes to a renewed discussion of household debt in the Irish context and explores the current problems and trends related to debt and access to credit amongst households, concerning non-mortgage debt.

Our research highlights the needs of the most vulnerable households in Irish society, including those who are in the lowest income brackets (bottom 40%), renters (in the social and private rental sector) as well as single-parent households. We also map the national policies and government services at work to address debt and related issues.

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TASC (Think-tank for Action on Social Change) is an independent progressive think-tank whose core focus is addressing inequality and sustaining democracy.

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