

Money *Matters*

The Consumer Debt Net Newsletter December 1998

No 3/98



Some of the delegates at the European Conference in Dublin in September 1998. From the left: Jan Siebols, Jens Ring, Geraldine Cullen, Dermot Ahern TD, Minister for Social, Community and Family Affairs, Ireland, Joan Conlin Ramsay, Donal de Buitleir and Liam Edwards.

Contributions from:

Austria ☆ Netherlands ☆ Spain ☆ Sweden

➤ A brief summary of the events at the European Conference
held in Dublin in September 1998 ◀

Message from the Editor



Welcome to this issue of Money Matters, it is slightly delayed but I hope you will feel it has been worth the wait.

We are pleased bring to you a summary of the latest European conference dealing with consumer debt issues. The conference, funded by the ECDGXX1V and the Ministry for Social, Community and Family Affairs (Ireland) was held in Co. Dublin on the 23-25 September 98 and hosted by the NSSB (Ireland) and CDN. The theme of the conference "Consumer Debt Problems in a Changing Europe" allowed for the coverage of a wide range of topics, including some old ones but more importantly it raised awareness of some extremely important and previously neglected issues. A very successful conference and many thanks to all who participated.

I would like to use this opportunity to thank the Nordic Council of Ministers for the continuing invaluable support and encouragement in funding this newsletter and of course the staff of Konsumentverket (Sweden) without whom this newsletter would not be possible. I would particularly like to express my thanks to Göran Andersson who has administered the project so ably, sadly he will not be doing this in this future but his support and encouragement have been an inspiration.

Finally, the old, old cry, where are your articles? I constantly need articles for Money Matters, so give your distant colleagues a taster of the situation in your country and what you are doing by writing an article for your newsletter.

All of us working on MM wish you a Merry Christmas and a happy and prosperous New Year.

Joan Conlin Ramsay

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Methods and behaviour of collection agencies towards indebted consumers in Austria

This brief article provides an overview of the behaviour and the practices of debt collection companies in Austria in relation to the overindebted Austrian consumer. The research, co-ordinated by Hans Grohs (ASB) was commissioned by the Austrian Department of Consumer Affairs.

All figures in the article relate to the Euro at the current exchange rate in relation to Austrian Schillings.



Hans Grohs, ASB, Austria

Collection agencies are most frequently used by mail-order houses (33 %) and banks (21 %). Mail-order houses ensure that they can enforce their system for dealing with consumers who default on their contracts

and transfer their costs to the consumers through common contractual terms which are included in the agreements. Researching these collection clauses showed that in most cases the common contractual terms are traditionally in the small print and are hidden in the appendage of the generously designed and colourfully attractive catalogues. Their usefulness is simply one of fulfilling a formal requirement, they have little or no informational or awareness raising capability in relation to the consumer.

We found that :

- 48 % of all pursued claims amount to less 725 Euro
- 45 % of the affected households have an income below 1,087.5 Euro

Many cases of outstanding debts for claims up to 362.5 Euro are pursued against households with an income of up to 725 Euro (41 %). This income group however represents an important share of customers buying on instalment plans.

Both the actual charged prosecution costs (a) as well as the rates allowed by

the so called Inkassoverordnung (collection decree) issued by the Minister for Economic Affairs in 1996 (b) reach the highest level allowed with 44 % of (a) and 128 % of (b) of the claims being claims up to 145 Euro. In relation to claims up to 362.5 Euro, one has to reckon with costs of 23 % and 65 % of the claim if a collection agency is called in. Where claims are for more than 725 Euro costs are reduced to 7 %.

The introduction of the collection decree in 1996 did not maintain the status quo in relation to costs of collection agencies. It actually caused an enormous leap in costs. On average it allowed for tripling of the bill then and is still partly affecting today's charged costs.

Detailed information about the costs and the rate of interest can be found in correspondence in only 1 out of 10 cases. In 75 % of the letters sent neither charges nor interest rates nor the amount of the initial claim is clearly shown, indeed there is no transparency. The collection decree does not provide for a regulation

that would allow the consumer to instigate a demand for a detailed breakdown of the costs etc.

In the course of correspondence, particularly that dealing with instalment plans, it is common for the agencies to use bland letters to persuade customers not only to offer payments but also to persuade them to agree and accept the agencies proposals and salary seizures through obtaining the customers signature and not providing detailed explanations. In this arena it is still common through the use of things like very personal letters or standardised bland letters, to attempt to ensnare the spouse or partner as a liable joint debtor or guarantor.

In this context pursuing claims barred by the statute of limitations and achieving a reinstallation of the debt, through an ill informed acceptance by the consumer, can be clearly shown to be a consumer trap.

In relation to inquiries for information the collection agencies basically demonstrate behaviour that is both informative and co-operative. The reaction to definite payment offers however clearly show that where the consumer is unrepresented in 67 % of cases their offers of payment find little to no agreement, whereas a negative attitude towards debt advisers is shown to be in the area of 41 %.

As well as sending out letters, which is a usual approach used by all collection agencies, 53 % of the agencies make home visits and 40% contact the employer of the affected consumer. However, more seriously, 20 % of the agencies use both direct or indirect threats of criminal charges being brought against the consumer if the consumer fails to pay.

As well as these more common methods of collection and mechanisms there are others showing more extraordinary behaviour and tactics which are mentioned in the study.

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The debt situation in the Netherlands

This brief outline of the debt situation in the Netherlands at the present time is presented by Jan Siebols, NVVK and Executive member of the CDN Board.

Present Situation

In 1996, 667,700 households in the Netherlands had an income below the social minimum. A quarter of these households were experiencing a problem debt situation, which means payment arrears or an insufficient capacity to redeem the debts. A rough estimate is that 200,000 households are currently facing enormous debt problems. People are no longer able to deal with their financial obligations themselves.

In the Dutch society, like in all others, there are several vulnerable groups, the elderly, people with physical or psychological disabilities, single parents and people with a different cultural background. Some of them have not enough money to cover the basic cost of living, some cannot afford to replace essential durable goods.

Financial and psychological causes and effects are often entwined with the problematic debt situations, because financial problems often bear important social consequences. Debts may very well lead to a definite impoverishment of those households and a complete dislocation of the normal accepted way of living. The longer one has to live in poverty the more difficult it is to escape from it.



Jan Siebols, member of the CDN Board.

Provision for dealing with debt related issues

Debt assistance is assistance provided to people with problem debts or budgeting problems. On one hand, financial - technical issues are regulated on the other, people are given instructions on how to deal with their financial position. Debt counselling, debt re-organisation and financial management are the obvious methods. Several authorities like the social welfare or social security offices and the municipal credit banks play an active part in this team. These authorities each have their own aims, methods and possibilities. For

several years they have worked for a multidisciplinary, central register point from where the problem can be handled and where possible resolved. The municipal banks often provide a central point in these clusters of auxiliary institutions.

Legislation

When all attempts to solve the debt problem have proved unsuccessful the debtor may apply for help through the new legislation for debt counselling for naturalised persons. In the past when creditors did not agree with the settlement offered by the debtor only a bankruptcy or distraint on income or unemployment benefit remains. This however, offered no real solutions, because the creditors did not collect their claims to the full and the debtor could still be pursued for his debts for years on end.

Ten years ago politicians expressed the idea that debtors should be allowed to make a fresh start. This was based on the idea that a household in financial distress hardly contributes to the economy of the country as a whole. After a long period of preparation, this has resulted in the new law which gives debtors a better chance of a future free of debts. The legal settlement, which comes into force on the 1 December 1998 will make this fresh start possible and may help to avoid bankruptcy.

Extended role for the Municipal Banks

The Municipal banks played a distinctive intermediary role in the whole process leading to the introduction of this new legislation. In the past they have already performed a prominent role in debt settlement by mutual agreement and they will continue to do so. In the new legislation as it is now established they will extend their tasks to acting as trustees during the period of the legal term.

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SPAIN



Debt settlement in Spain

A brief overview of the situation in Spain in relation to Debt Settlement is provided here by Celina Ecenarro Menaza of the Basque Consumer Association

Background Information

Legislation

General legislation relating to debt settlement for private individuals does not exist, the area of law that applies to consumers is Law 28/1998 effective from 13th July 1998 and dealing specifically with the law relating to hire purchase for personal property.

Bankruptcy

Bankruptcy can be an option but the judge or the tribunal will use their discretion in relation to the causes of the bankruptcies that may be due to accidents, unemployment, serious illness, industrial accident or injury, misfortune and so on. The judge can determine the period of any payment plan, he can also modify the period set out in the contract, determine a surcharge for the cost of new postponements and restrict contracted penalty clauses. It should be noted that the law does not provide for the determination of the period of a payment plan, that decision is left to the judge to determine using his experience and discretion.

System peculiarities

The legislation is only applicable to debts derived from the purchase of personal properties. It does not include the purchase or renting of a dwelling and neither does it apply to supplies and services. Judicial participation is

exceptional and the judges function is optional rather than compulsory. The legislation does not make provision for special adjustments.

Voluntary Settlement:

The legislation does not provide for voluntary settlements, but the Spanish legal system allows them because, with some limitation, a freedom to reach agreements between debtors and creditors already exists.

Introduction

In contrast with the European countries who have previously outlined their legislative system in relation to overindebtedness the Spanish legal system has not a specific mechanism designed to resolve the problems relating to consumer overindebtedness. The Spanish legal system treats these cases according to the legislation laid down in the traditional Civil Law. In reality, this means that the debtor who can not pay his debts is forced to face up to them or face the option of being declared insolvent with a duty to pay his debts.

The law remits the management of consumers to certain professionals (these professionals must be final addressee of the purchased goods or services). In this type of case, the professional advising the consumer can make use of special proceedings existing in the Civil Trial Procedure Law to deal with the situation where the debts are greater than the consumers ability to repay. These proceedings are the suspension of

payments and bankruptcy.

In accordance with article 1255 of the Spanish Civil Law, creditors can make an agreement with their debtors, but this option does not solve the debt settlement problem since it is clear that the consumers interest is not served by the existence of a law to ensure the meeting of economic duties even in extraordinary circumstances.

To conclude, it should be said that the Spanish legal system does not allow for the intervention of judges in situations where the overindebted consumer could be favoured. The law takes a punitive approach, where the debtor has received the stipulated services and is unable to make payment and breaches the terms of the contract, by maintaining the obligation to repay the debt if the creditor fulfills the contract.

The current situation

The introduction of Law 28/1998 on the 15 September 1998 changed the legislation in favour of the overindebted consumer as well as the introduction of the law relating to the hire purchase of personal property on the 13 July 1998. This law assists the consumer who is overindebted and unable to meet his economic obligations, but it only assists where the contracts have originated under certain consumer legislation.

The purpose of the new legislation is to regulate:

- hire purchase contracts for personal property,
 - the loan contracts entered into in order to obtain these properties,
 - securities taken to ensure the completion of contractual duties.
- The law is not valid in questions of
- purchase or renting of a dwelling payment for the supply of services to the dwelling,
 - mortgage loans to purchase the property.

As a result it is not very helpful for Spanish consumers because it does not include the credit obtained for these housing related loans. As a consequence Spanish consumers are unprotected in terms of loans taken for the purchase of

a dwelling or services to that dwelling. If the debtor does not pay the mortgage the creditor can sell the dwelling at auction.

However, a Judge can intervene in situations of overindebtedness:

- in exceptional circumstances
- unemployment
- casualties
- serious illness
- occupational injury
- other misfortunes.

The judicial involvement is an exceptional event, and the Spanish legislator has not extended protection for the overindebted consumer. However, the Spanish Constitution ensures that laws are interpreted and applied to support consumers.

But what can judges do in these cases? They can:

- set new periods for payment of the debts,
- modify the periods set up in the contract,
- establish a surcharge in the price to cover the new postponements,
- restrict penalty clauses.

The judge is the person who can establish new periods for payment of the debts. This fact is helpful to consumers because they are going to be judged by a neutral person. The overindebted consumer has to be judged by the Courts and Tribunals in the place where the defendant is domiciled. As a consequence, the questions concerning the overindebtedness of consumers for the acquisition of personal property are going to be dealt with in courts of the First Instance.

Conclusions

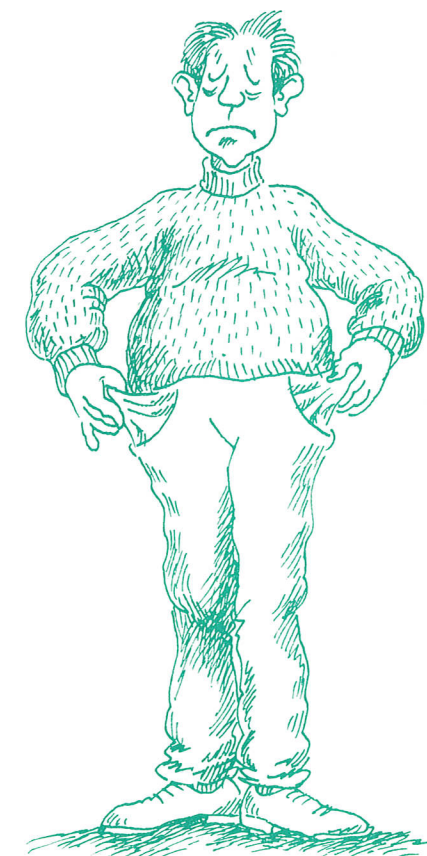
To sum up, it can be said that:

- the Spanish legal system has not an effective instrument to solve the problems of consumer overindebtedness,
- the Spanish Civil Law should be taken into account when laws are produced by the Parliaments of the Spanish Communities,
- discussions about hire purchase for personal properties show the overindebted consumer is more protected because it is the judge who is going

to modify the periods set up in the contracts in order to allow the debtor time to pay,

- judicial involvement is an exceptional event. The Judge acts in cases of consumer insolvency due to unemployment, illness or other such changes in circumstances which can not be controlled by the debtor,
- the facility for judicial moderation is not applicable to dwellings, domestic supplies and payment of services,
- the Spanish legal system allows agreements between debtors and creditors to remedy a situation of overindebtedness,
- Spanish law should have a general quality and not an exceptional quality. It should be approving a law similar to the ones in Finland and France where all kinds of payment obligations are taken into account.

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Consumer Debt Problems in a Changing Europe

CDN is delighted to be able to bring you a brief summary of the events at their recent European Conference held in Dublin, Ireland in September 1998.

This, the third such CDN conference to be held, was co-hosted by CDN in partnership with the NSSB, Ireland. Funding for the conference was received from the European Commission, DGXXIX, Consumer Policy Unit and from the Department of Social, Community and Family Affairs.

The conference was a major success with 238 delegates from 26 countries attending, key note speeches were of a very high quality and the wide range of workshops introduced new topics and developed those old topics just that little bit further.



CDN Executive Group. From the left: Matti Harkonen, Jan Siebols, Hans Grohs, Liam Edwards (chair), Joan Conlin Ramsay (vc.), Ann-Mari Rydell, Melina Mousaraki and Norman Laws.

Conference Theme

The theme of the conference was "Consumer Debt Problems in a Changing Europe" and it served to address and discuss some of the changes and possibly the problems that consumer debtors will face upon the introduction of the Euro and the single currency.

We will provide just a brief account of the keynote speeches and an overview of the workshops, however some of the workshops brought new areas for discussion and we will provide a more detailed approach to a selection of those workshops over this and the next issue.

Keynote Speeches

The keynote speech opening the conference was given by Dermot Ahern TD, Minister of Social, Community and Family Affairs, Ireland. Outlining the challenges ahead for delegates as being to develop innovative and imaginative strategies, to engage the problem of consumer debt and to seek to manage and influence the scope and impact of consumer debt on those sections of society which are most vulnerable and least equipped to deal with change. He emphasised the need to achieve the required convergence and consensus in

policy between countries and developing and disseminating best practice amongst the countries participating in Consumer DebtNet.

He stressed the need to ensure that the massive growth in consumer credit does not lead to an equal growth in consumer debt. Ahern drew attention to the developments in Ireland and the methods they had adopted to deal with the situation highlighting the development of the Money Advice and Budgeting Service and the growth in Credit Unions.

Speakers over the period of the conference represented several European countries and covered a variety of themes.

Introduction of the Euro – implications for debt advice practitioners"

The opening day saw Jan Siebols (Netherlands) and Katrin Schweren (Belgium) lead the conference to a flying start with their thoughts and reflections on "The introduction of the Euro-Implications for Debt Advice Practitioners".

Siebols spoke about the consumers concerns and objections to the introduction of the Euro, saying that consumers had a fear of change or not yet being fully prepared for change,

concern about an increase in the cost of living in general, concerns about the loss of social advantages compared to neighbouring countries, problems linked to integrating the Euro into the wider perspective of Europe, resistance to the new scale of prices and values and legal uncertainty.

Emphasising the need for the consumers relationship with the new currency to be based on confidence and the transition to the Euro not having a negative influence on their economic and social lifestyles he informed delegates that in order for a smooth transition consumers must be convinced, able to check the facts for themselves and not be put off by the loss of their traditional units of pricing and values. He urged that particular attention should be paid to the more vulnerable members of our society, particularly in relation to information and stressed the need for a central universal positive registration system that will see every new consumer credit agreement registered along with any delay in redeeming the debt.

Siebols spoke of the need for continued consumer protection in particular in the area of cross border consumer credit agreements and the importance of having those agreements regulated by European legislation and about the important role that CDN has to play as the international organisation in this field.

His fellow speaker Kátrín Schweren from BEUC focusing on the two Council Regulations and the three Council Recommendations related to this area, provided an overview of the legal framework for consumers and some of the implications that the Euro would bring for debt advisers in the areas of information, preparation and vigilance.

Schweren gave information on legislation (Council Regulation Article 3 of Reg 1103) relating to the continuity of contracts which states explicitly that "there should not be any amendment of the legal instruments" therefore long term contracts should not be altered because of the introduction of the Euro with the exception that if the consumer agrees to the company re-negotiating the contract because the contract refers to Art

3 and the consumer does not understand this reference.

She went on to explain that this legislation also referred to the "rounding principle". This regulation states that all the amounts for all legal instruments of all contracts have to be converted with the conversion rate. It sets the rounding principles very accurately to say that rounding should be done to six significant figures. Moving on to the second regulation, Schweren explained its impact on the consumer by defining it as the regulation that deals with the Transitional Phase and the Final Phase. That part of the legislation addressing the 'Transitional Phase' deals with the 'no compulsion' and 'no prohibition' principles and ensuring that consumers are not forced to use the Euro if they do not wish to do so. Whilst that part of the legislation dealing with the 'Final Phase', which lasts six months from the 1 January 2002 till July 2002, ensures that both the national currency and the Euro are legal tender during this time but that national legislation may alter this period.

A brief explanation of the three Council Recommendations addressing the areas of double price indication, costs of conversions and monitoring and dialogue followed. Schweren wound up her excellent presentation by looking at the implications for debt advice practitioners, urging them to give guidance to consumers on when it starts, how it works, what will happen to bank accounts, what rights will people have and what will happen to long term contracts. As well as adopting the new language of the Euro to assist people to deal with their budgets and adapt to the new values the practitioner should be on the look out for abusive practices.

Debt Settlement and Bankruptcy

The second day of the conference was chaired by Jens Ring, Deputy Head of Unit, Consumer Policy and Consumer Health Protection Unit, DGXXIV of the European Commission. The morning session theme was Debt Settlement and Bankruptcy, this included presentations on Examination of Practices throughout

Europe. The speakers for this first session were Egil Rokhaug (Norway) and Hans Grohs (Austria)

Rokhaug gave an overview of the situation in the Nordic countries, stating that they had been experiencing consumer overindebtedness for the last twenty years and that because of this all of the Nordic countries apart from Iceland now had Debt Settlement legislation. He explained the main differences between the different Nordic legislation as:

- Norway and Finland allow two individuals to apply jointly, in Norway they must live together whilst in Finland the debtor and the guarantor can apply jointly even if they do not live together.
- The Finish act is the only one which protects the debtor against bankruptcy during the debt settlement process.
- Despite the fact that all countries have an insolvency condition it is formulated differently in each country although the meaning is not in reality very different. For example, in Norway the condition is "permanently incapable of meeting one's obligations" but in all countries a condition of a "serious debt problem" is a reality.
- Norway alone has a continuing responsibility for unknown debts after the payment programme is completed.
- Each country has a different way of handling different debts, in Denmark all debts apart from mortgage debts can be reduced, in Norway most state debts are treated differently from other debts, whilst in Sweden there are many exceptions and in Finland there are no exceptions for state debts.
- Denmark and Sweden allow for the reduction of debts but Norway and Finland allow only for the re-arrangement or postponement of the debts.
- Sweden and Norway both have a voluntary part and a compulsory part to the process, Finland and Denmark do not have a voluntary stage and debtors or creditors must apply direct to the court..

- In Norway a debt settlement must not be offensive to other debtors or society in general, in Sweden and Denmark it must be reasonable for the debtor to obtain a debt settlement and in Finland there is a list of circumstances that would prevent debt settlement.
- In all countries the debt settlement may be altered after it has been established but each system varies.
- The length of the repayment programme varies in each country, with it usually being five years, it can be ten in Finland and Norway if the debtor is allowed to keep their own home.

Hans Grohs presented an outline of the situation relating to private debtors, debt advice organisations and the new bankruptcy legislation in Austria.

Grohs supplied statistics to demonstrate the causes of overindebtedness which clearly demonstrated the similarity between countries. Statistics showed that 15 % of Austrian adults are indebted, 150,000–200,000 households out of three million are estimated to be experiencing overindebtedness.

He explained that debt advice had existed in Austria for 12 years and that at the beginning of the 90s there were only 20 advisors, today there are 100 employed throughout Austria. The advisors are employed in a wide range of different agencies but all belong to the ASB the national umbrella organisation for debt advisors. The ASB are funded partly from central government and partly by the Ministry for Working Affairs. Debt advice offices are mentioned in the new bankruptcy legislation and advisors have a right to represent debtors in court. Debt advice organisations are recognised by the Ministry of Justice if they employ at least three advisors, provide successful and reliable debt advice for two years on a non profit basis, is equipped with the latest technology and is commented on and certified by ASB.

Grohs went on to provide information on the new personal bankruptcy legislation that came into force in January 1995. The outline provided the following procedural information:

- If the first step of attempting an extrajudicial agreement is not successful the debtor can request the court to begin bankruptcy proceedings.
- Evidence of an attempt of an out of court settlement must be demonstrated. The debt advice agency can certify that negotiations were attempted and failed.
- There is opportunity for a compulsory settlement, which means a minimum of 20% within two years or 30% within five years has to be made, creditors (a majority of 50% of present creditors representing 75% of present volume of debts) are legally obliged to vote on accepting the debtor's offer.
- An instalment plan where debtors must make a reasonable offer that takes into account their expected income for the next five years, all assets are utilised, and debtors must agree to pay a certain percentage of entire debts within a maximum seven year period. There is no minimum figure and creditors must vote to accept the offer. If circumstances change the debtor can renew the offer and creditors have to vote again.
- A probationary period exists where the creditors have refused to accept the instalment plan but during this time the debtors will only receive the basic subsistence amounts from their income and must fulfil some criteria. If within seven years the debtor has repaid 10% of his total debts then the remainder can be remitted, if he can repay more than 50% within a three year period then the process finishes early.

Social Lending/Social Investment

The second presentation of the day focused on Social Lending /Social Investment and presentations were made by Leo Haidar (UK) and Benoît Granger (France).

Haidar spoke about using banking law and regulation to find an accommodation between the profit motive of banks and

the financial needs of low income consumers, all of this was in the context of financial services becoming increasingly important to the individual but banks had to be more ruthless to make profits etc. He spoke about his research looking at the social responsibility of credit institutions in the EU, considering the interrelationship between retail banking and social benefit. He considered the problems surrounding translating concepts of socially responsible commercial behaviour into law giving examples of whether banks should consider the social impact of a decision to close a branch in the community or whether they should go further and positively discriminate and endeavour to support people and businesses in deprived areas. Haidar explained that the law is an absolute, in that things are either legal or illegal whilst social responsibility is not an absolute and that law is an inappropriate tool to use in an attempt to achieve banking activity that is socially responsible.

He compared social banks with ordinary commercial banks in the field of social aims and stated that experience showed that banks with stated social aims did not tend to offer better access to consumers. He believed that Credit Unions in the UK could not yet offer many banking services. Haidar explained that in the UK it is possible to live without basic banking services but it is more expensive because some commercial lenders offer credit services that are extremely expensive with APR figures of 300 %.

Benoît Granger from DGXXIV, European Commission gave an insight into the difficulties surrounding the theoretically guaranteed right of access to 'basic financial services' as laid down in European directives.

She highlighted three main areas in which the situation is worsening:

- Payment method; with the number of cheques not being covered increasing, the numbers of consumers currently banned from banking doubling between 1993–1997 to in excess of two million, almost 80 % of them remaining banned for over a year.



Delegates to the conference, Timothy Mhina, Sweden, and Elin Jonsdottir, Iceland.

- Access to credit for business loans; people starting small businesses are not able to access business loans with a problem of determining the quality of a project as well as monitoring and support.

- Access to consumer loans (the debt burden); the companies are becoming more prudent and law can result in shutting off access to credit for many vulnerable consumers.

Granger suggested that the reasons for the negative changes from banks could be related to reducing transaction costs, in that small customers incur staff costs, technology costs etc.

She raised the issue of a new factor in the creation of specific financial facilities which are attempting to provide answers to the problems previously discussed by detailing the development of associations and other risk bearing initiatives that manage to provide services no longer given by banks. She explained that to date these ventures may be, quantitatively speaking, tiny but that they are rapidly developing.

Consumer Education and Debt Models of Best Practice

The afternoon presentations addressed a favourite area of debate and discussion, that of consumer education and models

of best practice. Presentations were given by Ann-Mari Rydell (Sweden), who stood in at the last minute because of the illness of Hans Näslund and Janet Kehelly (Ireland).

Rydell spoke about the experience in Sweden and the other Nordic countries, starting with the belief that there is a need to address the issue at an early age and educate young people on the verge of their adult life and so laying the basis for them to become strong consumers. Information was provided on the Nordic Plan of Action of 1996–99, ranging from seminars through to developing teaching materials, influencing teacher training and taking a broader European approach. The main areas of knowledge covered included:

- Consumer Legislation, Personal Finance, Economics.
- Advertising and persuasion.
- Consumption and the Environment, Global Resources.
- Housing, Clothing, Transportation.
- Price and Quality, Diet and Health.

Rydell presented the results of an evaluation of the education programme and detailed the important work of the Swedish Consumer Agency in producing teaching aids, textbooks, influencing teacher training, providing support to local advisors and teachers on project work, and development of the Young Consumer competition. Rydell also praised the Norwegian approach to

consumer education where personal finance and information technology are now a compulsory subject in the upper secondary school.

Kehelly focused on how the Money Advice and Budgeting Services (MABS) in Ireland were beginning the process of education with those most at risk. She gave an insight into the development, structure and aims of MABS and how they are dealing with the current situation explaining that their remit is primarily to deliver a money advice service and not education to community groups. However, they have started education programmes focusing on information giving, raising awareness and educating.

Kehelly explained that money management courses had been piloted in some areas, work had been undertaken with community and voluntary workers to raise awareness and improve skills and targeting education at the creditors. They have, she said, identified the challenges they have to face, they need to take stock of their approach at an individual and national level, consider how they allocate funds. They recognise that they need to share their experiences with other organisations, to participate in a cross flow of information and to use their resources to the maximum in a strategic way.

Consumer DebtNet

The third and final morning was set aside to deal with CDN business. Liam Edwards, Chair of CDN gave a brief summary of the history of CDN, he informed delegates that the number of participating countries had risen from the original nine in 1994 to twenty six in 1998 and that the European Commission, DGXXIV had provided CDN with a letter of support, circulated in eleven official languages.

The organisation had been re-structured in that there was now a Board of Management with representatives from each country, from this is elected an Executive Group. Each member of this executive group has accepted responsibility for disseminating information to a number of neighbouring

countries and has agreed to act as a central point for information or enquiries in relation to establishing more access to the CDN Board.

Future challenges had been identified and a draft constitution and standing orders were currently under discussion, CDN will need to identify its members in order to facilitate the future development, as always CDN was facing the task of securing adequate funding to allow it to meet the demands placed on it.

The CDN project Collection-Watch has been extremely successful and has published the findings on debt collection practices across Europe.

Joan Conlin Ramsay, Vice Chair and Editor of Money Matters gave a brief summary of the position of Money Matters, she thanked the Nordic Council of Ministers for their continued support. Delegates were urged to write articles and other interesting pieces for their newsletter.

Edwards informed delegates that

CDN will continue to go forward as the recognised international organisation dealing with consumer over-indebtedness. He expressed his thanks to Jens Rings, DGXXIV, European Commission, Nordic Council of Ministers, Department of Social, Community and Family Affairs, and the Board of CDN for their continued support.



Members of CDN Board. Standing from the left: Matti Harkonen, Liam Edwards, Eva Trube, Christine Roland Levy, Norman Laws, Gaby Graichen, Jan Siebols and Jens Ring. Sitting from the left: Ann-Mari Rydell, Celina Manzana Ecnarro, Isabelle Herrmann, Joan Conlin Ramsay, Sofia Pereira and Cynthia Baker.

Workshops and Papers

The following is a list of papers presented in the Conference workshops. Workshops grouped to fit within a particular theme.

Introduction to the Euro

- 1 **SOCIAL EXCLUSION & DEBT - ARE THERE OPPORTUNITIES TO INFLUENCE POLICY?**
Presentation by: Joan Conlin-Ramsay, (Scotland); Jim Walsh, (Ireland)
- 2 **THE SPECIAL NEEDS OF MARGINALISED GROUPS - WILL THE EURO CHANGE ANYTHING?**
Presentation by: Liam O'Dwyer, (Ireland)
- 3 **EU DIRECTIVES ON CONSUMER CREDIT - WHAT ARE THE IMPLICATIONS FOR THE CONSUMER?**
Presentation by: Jens Ring, (Bruxelles)



Jens Ring Leading workshop.

- 4 **FINANCIAL INSTITUTIONS - RESPONSIBILITIES FOLLOWING THE INTRODUCTION OF THE EURO**
Presentation by: Paul McGarry, (Ireland); Felix O'Regan, (Ireland)
- 5 **CREDIT AGREEMENTS THROUGHOUT EUROPE - HOW TRANSPARENT ARE THEY?**
Presentation by: Melina J Mousouraki, (Greece)
- 6 **ACCESS TO CREDIT AND ACCESS TO BANK ACCOUNTS - EFFECTS OF THE INTRODUCTION OF THE EURO**
Presentation by: Christian Schumacher, (Luxembourg); Ulf Groth, (Germany)

- 7 **INTRODUCTION TO THE EURO - IMPLICATIONS FOR MONEY ADVICE PRACTITIONERS WORKING WITH MARGINALISED GROUPS**
Presentation by: Gabi Graichen, (Germany)

Debt Settlement & Bankruptcy; Social Lending

- 8 **DEBT SETTLEMENT IN EUROPE - VARIATION IN PRACTICE**
Presentation by: Olli Pohjakallio, (Finland); Jean Michel Jude, (France); Raquel Alvarey Alonso/Manuel Valin Lopez, (Spain)
- 9 **BANKRUPTCY LEGISLATION - EXPERIENCES TO DATE, EXPECTATIONS FOR THE FUTURE**
Presentation by: Paul Joyce, (Ireland); Genie Hendriks, (Netherlands)
- 10 **OVERINDEBTEDNESS - THE COST TO SOCIETY**
Presentation by: Richard Ahlström, (Sweden)
- 11 **ROLE OF THE CREDIT UNION IN IRELAND**
Presentation by: Mary Griffin, (Ireland); Jim Walsh, (Ireland)
- 12 **ROLE OF THE FINANCIAL INSTITUTIONS AS RESPONSIBLE LENDERS**
Presentation by: Brian Knott, (UK)
- 13 **CAN MONEY ADVICE BE STANDARDISED ACROSS EUROPE?**
Presentation by: Hugo Grote, (Germany); Pauline Allen, (Scotland)

Consumer Education and Debt

- 14 **DOES CONSUMER EDUCATION WORK?**
Presentation by: Matti Harkonen, (Finland)
- 15 **POVERTY & DEBT - HAS EDUCATION A ROLE TO PLAY?**
Presentation by: Séamus Woods, (Ireland)
- 16 **DEVELOPING EDUCATION ON DEBT - ROLE OF THE STATUTORY AND VOLUNTARY SECTOR**
Presentation by: Josephine Garry, (Ireland); Ole-Erik Yrvin, (Norway)

- 17 **DO MONEY ADVISERS HAVE A ROLE IN CONSUMERS' EDUCATION?**
Presentation by: Stuart Stamp, (Ireland)
- 18 **YOUNG PEOPLE IN DEBT**
Presentation by: Peter Kopf, (Austria)
- 19 **EDUCATION IN RELATION TO DEBT – SHARING EXPERIENCE OF LOCAL PROJECTS**
Presentation by: Bettina Harsleben, (Germany); Tina O'Donnell, (Ireland)
- 20 **EXPERIENCE OF MONEY ADVICE IN IRELAND – AN URBAN AND RURAL PERSPECTIVE**
Presentation by: Maria McCaul, (Ireland)
- 21 **TRAINING AND ACCREDITATION**
Presentation by: Yvonne Gallacher, (Scotland); Eva Creely, (Ireland); Anne Kavanagh, (Ireland)
- 22 **PARALEGAL APPROACH AND COUNSELLING APPROACH**
Presentation by: Paul Joyce, (Ireland); Adrian Coles, (UK)
- 23 **COLLECTIONWATCH PROJECT – DEBT COLLECTION PRACTICES ACROSS EUROPE**
- 24 **CURRENT RESEARCH FROM THREE COUNTRIES**
Presentation by: Elaine Kempson, (UK); Dieter Korezak, (Germany); Cionneach Shanks, (Ireland)
- 25 **The implications of New Technology on the Consumer**
Presentation by: Vilhelm Nordenanacker (Sweden)
- 25 **The Psychology of Debt**
Presentation by: Cathy Walker, (UK)
- 27 **Money Advice throughout Europe - Funding issues**
Presentation by: Cynthia Baker, (Italy); Alan Jarvis, (UK)
- 28 **Research Exchange**
An opportunity for those engaged in research to exchange information
- These papers are available on request from:
National Social Service Board
7th Floor, Hume House
Ballsbridge
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Specialist Workshops

Summary of the Workshops

Ita Mangan, Rapporteur for Conference did an excellent job in collating the outcomes from each of the workshops, covering a wide range of topics and presenting the following summary to delegates.

Introduction

In each workshop, a presentation was made by one or more speakers and the participants then discussed the issues arising. While the workshops were grouped around particular issues, there was considerable overlap between those on 'Introduction to the Euro' and 'Consumer Education'. The 'Specialist Workshops' were, by their nature, more disparate.

Overall, in the workshops and in the general discussions following plenary sessions, there was a quite remarkable consensus on some issues: in particular, on the need for EU regulation and for consumer education. There were different views on who should pay for consumer education and consumer protection.

Introduction To The Euro

In the workshops under this general theme, there was considerable emphasis on the technical details which everyone, including money advisers, needs to know. It was recognised,

however, that the really important issue for people with debt problems was the wider question of overall consumer protection and some form of guaranteed minimum income. People whose income is inadequate to meet their needs will still have an inadequate income whether it is denominated in francs or in euros; their major problem remains lack of money. The concept of a *minimum protected income* (i.e., income after debt repayments) was raised in a number of workshops.

Some workshops covered issues relating to the technical details about the euro. 'Dual pricing' or 'double labelling' was regarded as essential. While this practice is recommended at EU level and the Irish Government has decided to implement it. It was felt that it would be better if this was a requirement set out by the EU, and not just an option available to national governments.

It was suggested that there is a need for a more integrated approach by the EU to the problems which consumers may experience with the Euro. There are currently three DGs dealing

with issues relating to consumers and debt and there does not seem to be any coordination among them.

The EU institutions are placing far more emphasis on promoting the concept of the Euro than on genuine information about it.

There is a need for consumer confidence in the Euro. The standard economists' arguments about the beneficial effects of low inflation and greater competition may not attract many people. The perceived benefits, especially, greater competition, may not, in practice, be available to all. In particular, those perceived benefits may not be accessible to those on lower incomes and people who are disadvantaged in other ways.



Consumer Protection

It was argued that there is a moral obligation on the EU, whose project this is, to protect consumers. This protection could be improved by, for example, making it a requirement to have greater transparency in consumer credit contracts and introducing stricter regulation of those contracts. This is necessary because of the significant imbalance in contractual relationships between suppliers and consumers, especially poorer consumers. Distance contracts pose particular problems because of different legal systems. The EU should address this issue in order to protect consumers and enable them to benefit from competition. There should be standardised terms and format for consumer contracts throughout the EU.

Other areas which the EU should address include strengthening of the Unfair Terms in Consumer Contracts Directive, establishing a limit to costs arising from default of contract, and a more consistent approach to debt collection. The question of debt prevention should also be addressed at EU level and it was suggested that a specific Directive on Housing Credit may be needed.

There was agreement that this protection should all be set out at EU level but there were different views as to who should pay for consumer protection and, in particular, what the role of the financial institutions should be.

Concern was expressed about the difficulties that debt practitioners would face in being sufficiently well-informed in order to advise clients on cross-border contracts.

Some participants were concerned that the removal of direct national control over budgetary policy might mean that the ability of the voluntary and community sector to influence policy would be reduced. The question of poverty-proofing policies was raised. This is now the official policy in Ireland

but doubt was expressed as to whether or not it would be possible to have European Central Bank policies poverty-proofed.

Debt settlement and bankruptcy

In these workshops, quite detailed descriptions were given of the debt settlement provisions in a number of European countries. There were considerable differences between the systems and, of course, some countries do not have any such systems. Settlements may reduce, postpone, re-arrange, or reschedule the debt.

Some debt settlement provisions made particular arrangements for protecting the family home. Some allowed the *fresh start principle* (which participants greatly favoured) and some allowed assignment of wages (attachment of earnings). In a later workshop on research it was stated that assignment of wages is available in six EU countries as part of consumer credit contracts.

There was a general acceptance that the existence of specific debt settlement legislation does improve the position of debtors. The question then arises as to whether or not it ensures a more responsible attitude by lenders. This question was not answered.

While there was general agreement on the need for harmonisation of systems within the EU, it was accepted that there are problems in translating socially responsible commercial behaviour into law.

Participants wanted a single EU regulatory approach with the principle of a fresh start, and some also wanted the establishment of a positive credit register.

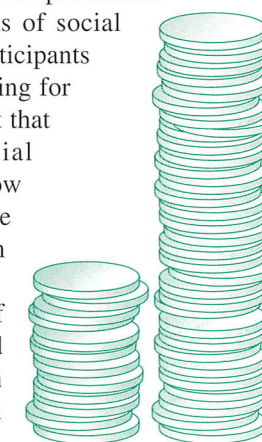
It was noted that there is no money advice service available in the countries in transition towards joining the EU. It was felt that such should be put in place before accession.

Concern was expressed that debt settlement provisions may effectively guarantee financial institutions against risk. Financial institutions are not philanthropic institutions. They charge interest in order to cover the risk involved, among other things. Does legislation provide them with further protection against risk which they ought to bear themselves?

There were suggestions that there should be a contribution from the financial sector towards debt prevention.

Credit unions and other forms of social lending were discussed. Some participants expressed wariness of niche banking for low income customers. It was felt that this may lead to further social exclusion. There is a need to know more about the numbers of people who are effectively excluded from holding bank accounts.

The social and health costs of overindebtedness were outlined and added further to the arguments in favour of regulation and the fresh start principle.



Consumer education and debt

There was total agreement on the need for consumer education at all levels, starting at primary school. The only question which arose for school-based education was: 'Should it be a separate subject or part of an overall life-skills programme?'

The provision of consumer education outside of school is much more complex. There were lengthy discussions on who should provide it and how should it be financed.

It was agreed that non-school consumer education should be widely available, and there was general consensus that it should be provided by either state or local government. The role of the financial institutions in this regard was addressed. Some felt that they should pay for consumer education and debt prevention, on the basis of the 'polluter pays' principle. There was general agreement that the financial institutions were not suitable for actually delivering such education.

Consumer education should be largely concerned with debt prevention.

It was also argued that governments have a responsibility to enable people to live without getting into debt.

Specialist workshops

These workshops dealt with, among other things, training and accreditation of money advisors, the exact scope of the job, the need for research and exchange of information and best practice, the need for research on common method of calculating over-indebtedness, and the different sources of funding for debt advisory services. There were reports on the progress of the Collection Watch Project.

The findings of recent research were outlined.

Among the issues arising was the question of what constitutes independent debt advice. The question of money advisors as lobbyists for their clients was addressed. How does debt advice fit into other advisory services? There is a need to ensure that there is an integrated service. It must be a mainstream service, otherwise there is danger of further exclusion. Money advisors need to be aware of income support and related services and of the effects their advice will have on other aspects of life, for example, maintenance agreements.

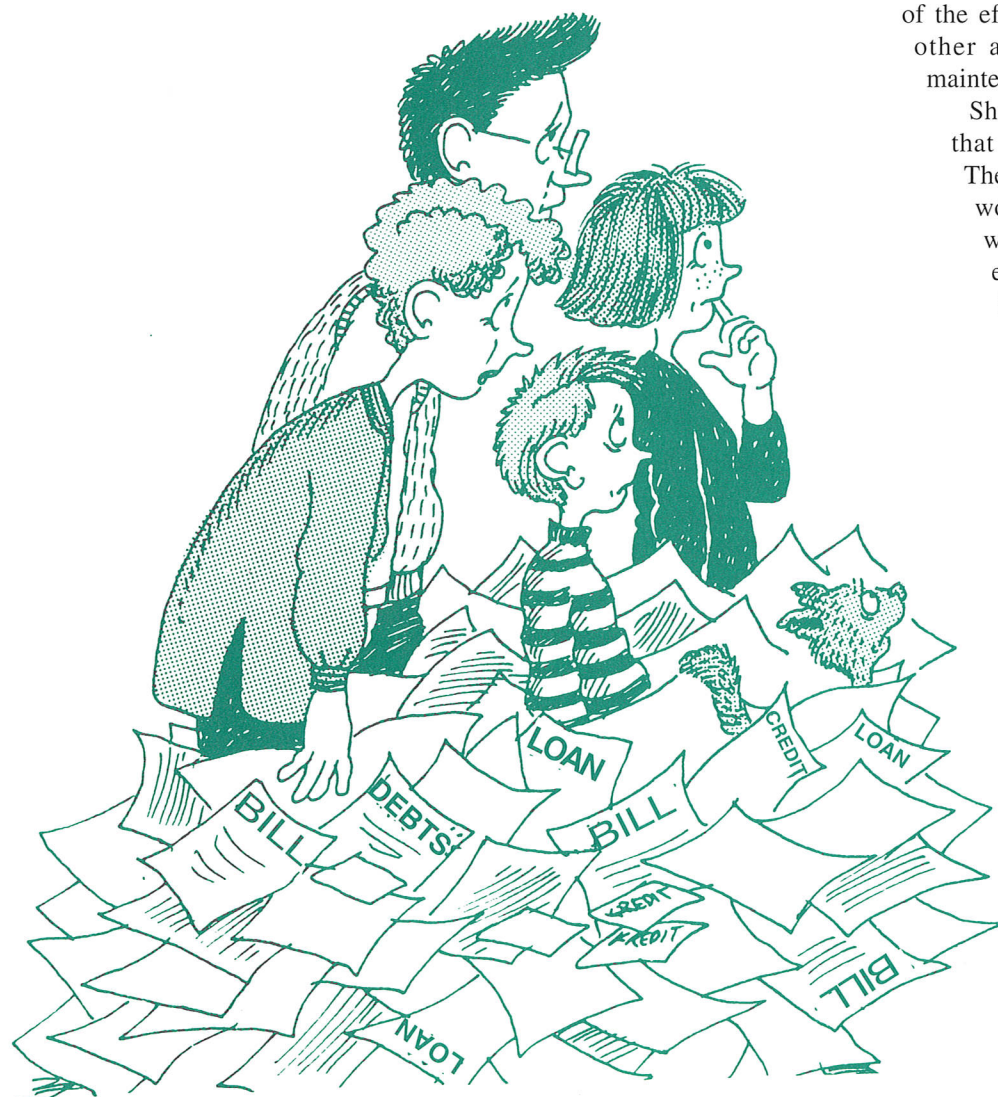
Should money advisors be called that or are they debt counsellors? There is more to this than simply words. It was pointed out that the words we use are loaded - for example, middle and higher income groups generally are described as having credit, while lower income groups are said to be in debt.

In the final discussion, it was pointed out that 0.25% of the EU budget goes to consumer policy. This simply does not allow for extensive consumer services to be provided at EU level.

For further information on workshops contact:

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National debt advice associations in Austria/Germany/Luxembourg/Switzerland

Country	Austria	Germany	Luxembourg	Switzerland
Money Advice Association	ASB-ARGE Schuldnerberatungen, Scharitzerstraße 10, A-4020 Linz*	ARGE SBV Arbeitsgemeinschaft Schuldnerberatung der Verbände c/o SKM-Zentrale, Marius Stark, Ulmenstr. 67 D-40476 Düsseldorf		Dachverband Schuldenberatung, c/o Christine Goll Postfach 1274, 8031 Zürich
Board member of CDN	Hans W. Grohs*	Gabi Graichen DRK Teutonengasse 3 07743 Jena Eva Trube Lfl Bolkerstr. 32 40213 Düsseldorf	Christian Schumacher* Service National de Lutte contre le Surendettement 38, rue du Laboratoire L- 1911 Luxembourg	Isabelle Herrmann Sanierungshilfe Rufacherstr. 54, 4055 Basel
Money Advisers Network	ASB	B-AG SB Bundesarbeitsgemein-schaft Schuldnerberatung e.V., Wilhelmstr.11, 37117 Kassel splittet in LAGs - (local area networks)	National committee coordinating the activities of organisations working in the field of overindebtedness	Dachverband Schuldenberatung
Number of organisations offering money advice in your country?	10 acknowledged specialised organisations, members of ASB	Social welfare, money advice organisations and various other organisations with about 1300 money advisers (overview in: BM Familie und Senioren - Was mache ich mit meinen Schulden 6. Auflage)	*Service National de Lutte contre le Surendettement Inter-Actions Faubourgs Service Endettement	13 members, 7 specialised money advice agencies
Formal or informal network?	Formal	It is an informal and formal network	Formal and informal	Formal
Person or organisation responsible for distribution of information	ASB-ARGE Schuldnerberatungen, Dr. Hans W. Grohs	B-AG SB Bundesarbeitsgemeinschaft Claudia Kurzbuch	Service National de Lutte contre le Surendettement	Christine Goll Dachverband Schuldenberatung, Postfach 1274, 8031 Zürich
Journal or newsletter	ASB-Informationen (4x)	BAG-Information Wilhelmstr. 11 37117 Kassel (4x) local newsletters i.e. mark(t) & pfennig; Infodienst Schuldnerberatung		Bulletin (1-2x)
Bankruptcy legislation for private persons	Since 1995	Starts 1999	Will probably be voted in 1999	Since 1889!



Overindebtedness Affects Health – what are the costs to Society?

This paper presented at the 3rd CDN European Conference Consumer Debt Problems in a Changing Europe September 1998, Malahide, Co. Dublin, Ireland shows the outcomes of a study of overindebted individuals in Sweden supported by the Swedish Consumer Agency. Richard Ahlström works in the Department of Caring Sciences, Mid Sweden University, Sundsvall Sweden.

How frequent is overindebtedness in European countries?

In Europe today, we are facing a situation where many individuals and their families are stuck with a continuous inability to pay their debts. According to the Office of the Director of Consumer Affairs (Ireland), approximately 25-30 million Europeans are overindebted, and another 70 million are balancing on the edge of overindebtedness (Fagan 1997). If this holds true, it means that we are dealing with a new large-scale social problem in Europe.

A dilemma that makes it difficult to make valid comparisons inside countries as well as between countries, is the lack of a satisfactory definition of overindebtedness. This in turn, makes it extremely difficult to estimate the real number of overindebted people. Another problem in this area is (i.e. to estimate the number of overindebted people) that we do not always have access to all files about overindebted individuals. For example, in Sweden, it would mean collecting information both from open, public registers, such as the Swedish



Dr. Richard Ahlström, Department of Caring Sciences, Midsweden University, Sundsvall, Sweden.

enforcement service (Kronofogdemyndigheten) and the private credit-rating agencies (Upplysningscentralen). But, in addition to this, we would also need to

get access to the commercial bank's secret files of so-called necessitous credit. Only then, could we present reliable data about the actual number of

overindebted individuals in Sweden. However, this is in principle not possible, since it would require a very complicated lawsuit, which might take many years to complete.

Taken together, this probably means that we have to rely, at least to some extent, on public survey material, rather than material collected from diverse registers. In comparison with registers, surveys also have the great advantage of being able to come up with "fresh" data.

One example might highlight this; According to the Swedish enforcement service and the private credit rating agencies, the number of Swedes with payment problems in 1998 is in region of 6-8% of the population. However, a recent survey (1999) based on interviews made by the Swedish Consumer Agency (Konsumentverket) involving approximately 2.000 individuals drawn from the Swedish general population, come up with an alarming rate of 20% of the population! The definitions of "payment-problems" are probably not identical in these studies, but the sheer difference in results is striking. I have addressed the problem of not yet having a satisfactory definition of overindebtedness, since this is crucial for our understanding of the whole phenomenon, in all its aspects, in particular, for example is the way in which overindebtedness affects health.

Overindebtedness and affects on health

Many years ago, money and debt advisors throughout Sweden, pointed out that many of their clients (i.e. people in debts) seemed to be in poor physical and mental shape. It is sad that these observations from practitioners has not until now, been taken seriously by health professionals and politicians. In fact, there is only a handful of studies, made by researchers, that address the problem of overindebtedness and health. Apart from a few qualitative studies, based on interviews with a limited number of overindebted people, there are only two studies, to my knowledge, that are addressing the problem from an epidemiological perspective, using

quantitative methodology.

The flat study, published in Finland, by Nykänen et al (1995), screened the mental health of a group of approximately 250 overindebted households in the City of Vantaa. This study employed the general health questionnaire, which is a health-screening instrument that allows comparisons between a target group and the normal, overall population. The study concluded that over 70% of the target group suffered from mental problems, that is over three times higher than the overall Finnish population. Every third person in the target group had considered suicide, whereas the same figure in the overall population was 3%. On the basis of this study, the authors claimed that the mental health of the target group was alarming.

The second study, which is now underway, presents data from a sample of approximately 500 overindebted individuals, recruited from 25 communities throughout Sweden (Ahlström, 1988). The focus of this study was to evaluate the health and quality of life of these individuals in a broad perspective. As outcome measures (dependent variables), reports about documented health problems were used plus the administration of the Short Form -36 Health questionnaire (Sullivan, Karlsson & Ware, 1994). The Short Form -36 is a modern, internationally, widely accepted protocol for health-screening purposes. It is based on self reports, and results in a health-profile including eight different health-dimensions (i.e. physical functioning, role-physical, bodily pain, general

Table 1. Frequency of reported health problems among overindebted individuals (Target group) in comparison with the prevalence of the same health problems in the age-corrected, overall normal population.

Health problem	Target group (n = 200)	Overall, Swedish normal population
Coronary Heart Disease	11%	0.8%
Hypertension	15%	1.3%
Diabetes	3%	1.2%
Ulcers	32%	2.5%
Liver/gall	11%	0.7%
Cancer	4%	1.5%
Rheumatism	9%	1.3%
Gout	2%	.05%
Headaches	42%	2%
Allergies	26%	8%
Mental Problems	28%	17%
Problems to focus and concentrate	34%	—
Pain in back, neck and shoulders	61%	—

health, vitality, social functioning, role-emotional and mental health). This health-profile allows comparison between target individuals, target groups and norm values obtained from the overall normal population.

As background, mediating or independent variables, a number of economic, sociological instruments were used. (e.g. standard demographic characteristics, kind, size, number and age of debts, negotiating/not negotiating for debt adjustment, etc.). In addition, a battery of psychological instruments that are often used by public-health professionals in epidemiological risk-assessment of morbidity (e.g. coronary heart disease, hypertension, cancer, diabetes, ulcers etc.) were used. These

were; vital exhaustion, coping behaviour, social support, anger expression, cynical distrust, and residential satisfaction.

Summing up the results from this study (the results in the review of this study, are based on the first 200 Subjects analysed), it is obvious that there is a very marked negative health-effect in this sample of overindebted Swedes. First of all, when it comes to the reports of health problems, there is a pronounced overrepresentation of such problems in comparison to the normal population. The frequencies of a subset of those health problems reported among individuals in the target group, together with the prevalence in the age-corrected, normal population, are listed in Table 1,

When inspecting the results presented

in Table 1 one very obvious question introduces itself, namely, at what point in time did these individuals start to face health problems, like the ones listed in the Table 1? Was it before they got into debt, or after? Luckily, since, there is also information about the time of the onset of debt problems, one is able to trace back, at what time the health problems started in relationship to the debt problems. On average, the sample of overindebted individuals in this study has been overindebted for a period of 7 years. When comparing that time period (i.e. the onset of debt problems) in relationship to the mean values of the onset of the health problems listed in Table 1, one is able to produce the following picture (Fig 1).

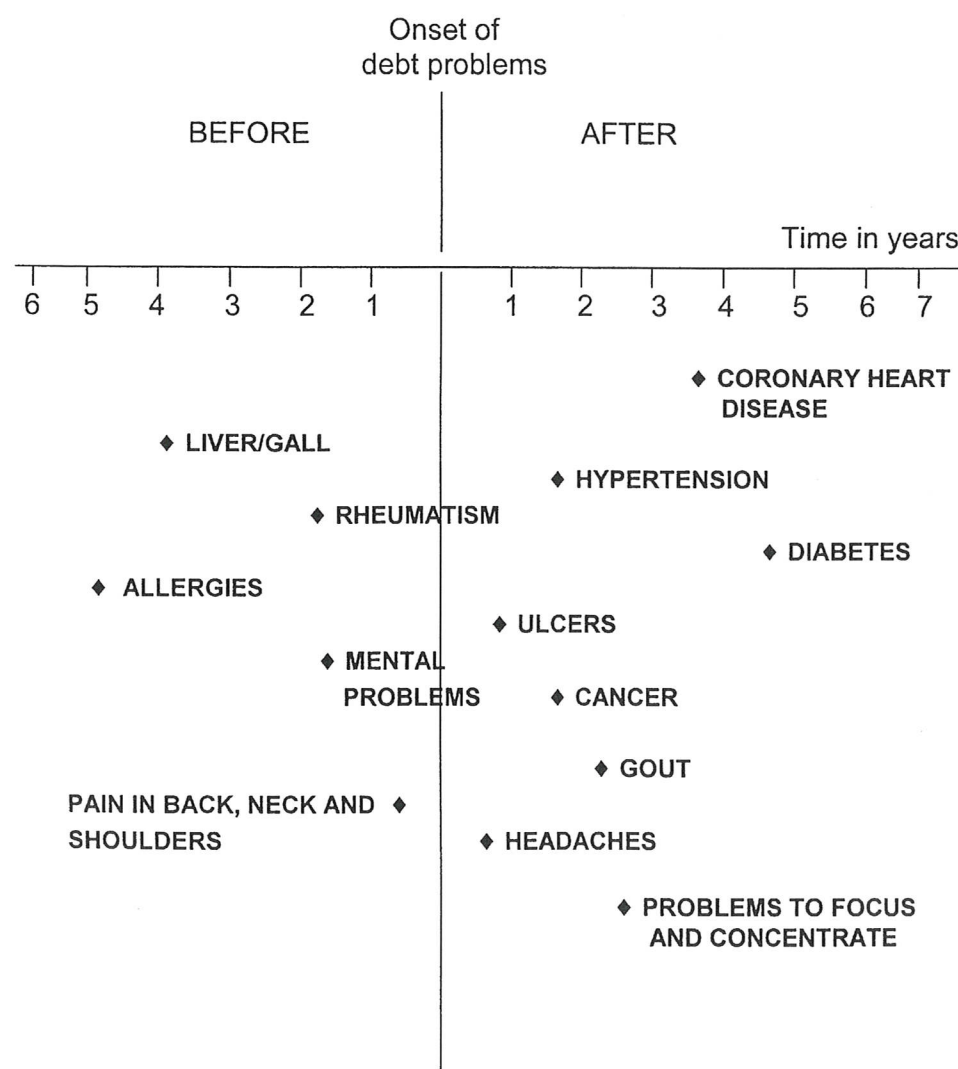


Fig 1. The time of the onset of health problems in relation to the onset of debt problems in a sample of overindebted Swedes (n = 200)

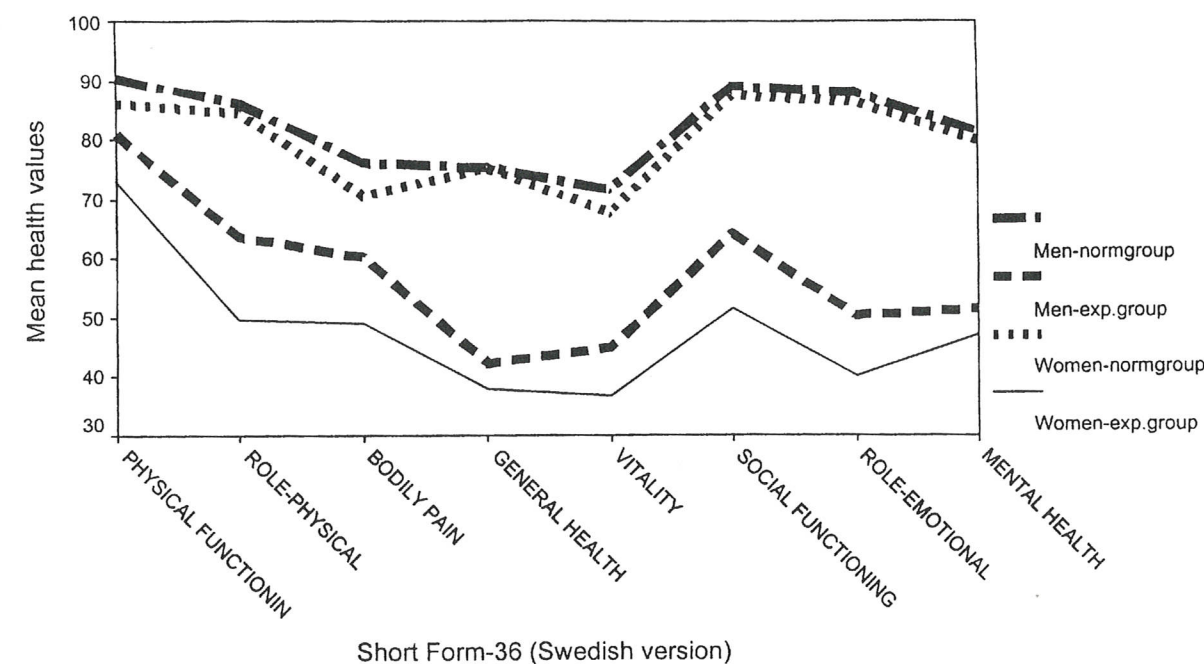


Fig 2. Mean health values (Short Form -36) obtained from a sample (n = 200) of overindebted Swedish men and women in comparison with norm health values in the normal population for men and women.

The results captured in Fig. 1 have of course, to be evaluated carefully. For example one should keep in mind the epidemiological incidence (i.e. the number of new cases of a disease that naturally occur within a specified population during a given period of time) when considering this specific group of health problems. Also, it is important to keep in mind that the analysis depicted in Fig 1, is based on a sample that is limited in size (i.e. n = 200).

When it comes to the Short Form -36 health screening procedure, the results taken from the target group of overindebted individuals are strikingly low in comparison with the normal data obtained from the normal population.

Low health values such as these (i.e. for overindebted men and women), are only seldomly found in the normal population, and if found, then are usually associated with disability pension, old age (i.e. 75+ years) and/or severe chronic disease. It is also noteworthy, that the gender difference that exists with regard

to health in the normal population is magnified in this particular sample of overindebted individuals. That is, overindebted women's health values are significantly lower than those obtained for overindebted men.

The results from the battery of psychological instruments used in epidemiological risk assessment were all of great importance in explaining the very low Short Form -36 values obtained in this study. The results of three of these psychological instruments (i.e. vital exhaustion, cynical distrust and anger expression) are specifically interesting in this study, since they are all related to an elevated risk of myocardial infarction.

Vital exhaustion, refers to a long-term feeling of "running out of power". Cynical distrust is a personality characteristic that can best be described as a lack of trust in other people and a tendency to see other humans mainly as users. Anger expression, in terms of not letting one's feelings out (so-called Anger-in), when feeling hurt or frustrated

in everyday life hassles, can also be seen as a personality characteristic. In epidemiological research, it has been verified that high values on these three instrument correlates highly with future onset of myocardial infarction. In fact, these three instruments in combination, are one of the best predictive tools we have in epidemiological research on the risk for future myocardial infarction, particularly when compared to physiological measurements,

Taken as a group, the individuals in this study have significantly higher values (appr. 20 %), than the normal population for cynical distrust and Anger-in but the results obtained for vital exhaustion are not just higher than the normal population, they are actually extremely elevated. The reference value for the normal population is 8.1 points, whereas in the sample of overindebted individuals the value is 24.8 points. That is a threefold increase! According to the test rationale for vital exhaustion, individuals scoring more than 21 points

are considered to be a high risk for myocardial infarction. Therefore it seems likely, that many overindebted individuals will be future victims of myocardial infarction. Already in the quite small sample (n = 200) hitherto analysed in this study, 13 subjects have reported that they have fallen ill with coronary heart disease in the period after the onset of debt problems. Another 17 subjects report hypertension during the same period. Unfortunately, we have not had the possibility to screen these subjects in a health check-up by physicians, so we do not know the exact diagnosis behind the label "coronary heart disease", but still the frequency of subjects with cardiac and vascular problems is very high, when considering the same age group (i.e. 40 - 49 years) in the general population.

Taken together, the results from this study suggest severe stress reactions resulting in physical and mental health disintegration.

Economic implications – the costs to society

From the review of this study it is obvious that overindebted individuals are highly affected when it comes to health and

quality of life, compared to the overall general population. The question now, is how much these health-problems will incur costs to society, when one considers a number of health-economy related issues, like health care, medication, loss of production (sick-absences), rehabilitation, and so on.

After inspecting Table 1, one can see that the frequencies of common health problems in the normal population are vastly increased in this sample of overindebted individuals. This will probably imply that these individuals also need to use many more health-care services than normal. There is, for example, already clear evidence in this study, that overindebted individuals are in great risk of having myocardial infarction. Therefore, it is interesting to look somewhat closer at the so-called cost and benefits of myocardial infarction treatment.

Let me first say, that there are no clear-cut definitions of the concepts of cost and benefit in the area of health economy. Different health economists have different ways of seeing this, but one way to make estimations is to differentiate between direct costs and indirect costs. In Sweden the direct cost of an uncomplicated myocardial infarction is at present (1997) £3,480 per patient. That

amount of money covers the stay at hospital (usually 1 week) and medication during that stay. However, the indirect costs (loss of production, sick-absences, early retirement, rehabilitation, travel costs etc.) add up to approximately £10,000 per year, per patient during the first 5 year period after the myocardial infarction (Levin, 1999). Unfortunately, there is still no reliable data covering a more extended period of time (i.e. more than five years after MCI). Anyhow, when summing up the direct and indirect costs in Sweden, for this particular health complication, we came up with a sum of approximately £55,000 during the first five years after myocardial infarction, per patient.

In comparable countries, for example in Germany and United States the costs would be in the range of 2-3 times as much as those in Sweden. This is certainly a considerable amount of money. What we need to know now, and it is urgent, is how many overindebted individuals there are in Europe. How many of these individuals will be victims of myocardial infarction, as well as other health problems, as a consequence of being in debt.

That is the only way to get an answer to the economics of health and overindebtedness.

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Economic disgrace and living in poverty!

This brief article reflects and clearly demonstrates the difficulties and trauma faced when living with overindebtedness. It is written by a front line debt advisor from the county of Skaraborg, Sweden and is drawn from a study carried out by debt advisors over a twelve month period between October 96 and October 97.

Debt advisors in the county of Skaraborg came together to carry out a study of clients experiencing overindebtedness over a twelve month period between October 1996 and October 1997.

Clients in fifteen municipalities were asked to fill in a questionnaire about their health, the embarrassment they experienced and how the situation effects their families. A total of 353 people contributed to the study by providing their answers. At the end of the twelve month period, nine families were also interviewed about their lives.

The purpose of the study was to shed some light on the situation of those living in very difficult economic situations. The results of this study have been used in presentations to the enforcement service, banks, other financiers and the different agencies in the community who are meeting clients living with overindebtedness.

The study clearly demonstrates what it is like to live in poverty:

- ❖ 73% claim their health has worsened because of their economic problems,
- ❖ 73% have trouble sleeping,
- ❖ 55% of the men and 73% of the women experience headaches more frequently,
- ❖ 65% experience a higher incidence of depression than before the existence of the debt situation,
- ❖ one out of five has no one with whom they can discuss their problems,
- ❖ the majority of the clients are renting apartments, only 21% are living in owner-occupied houses.

- ❖ 54 % are divorced or single. In many cases the economic problems have played a major part in the breakdown of the marriage,
- ❖ the level of education is low with 65 % finishing their education after comprehensive school,
- ❖ only 35% have a higher level of education (the corresponding figure for the county is 63%),
- ❖ 37% of the women and 28% of the men are unemployed,
- ❖ 89% have had debt problems for longer than one year,
- ❖ 83% experience worry over their problems on a daily basis,
- ❖ 33% gave up seeing their doctor,
- ❖ 66% refrain from seeing a dentist,
- ❖ 30% can sometimes not afford to buy medicine,
- ❖ 50% are smokers despite (or because of) their economic problems,
- ❖ 78% have not changed their drinking habits,
- ❖ 17% of men interviewed state they are drinking more because of their economic problems.

(The figure for the county as a whole is 51 % living in owner-occupied houses)

The survey also showed that the adults questioned experienced the lack of a social life, it was made clear that when faced with setting priorities in order to deal with their economic situation then the children always came first. The majority of clients who contacted the debt advisors had lived with their debt problems for a long time and were aware that social security benefits were calculated without taking into account



Anette Björnberg, debt advisor, Sweden

loans and other debts. However, even where the situation was becoming deplorable only 50% attempted to claim social security benefits within the last twelve months.

The stress of their economic situation affected their well-being and many of those interviewed had experienced problems paying the bills that have occurred as a result of their situation.

Finally, using the words of one of the interviewees, a description of life when living with debt problems.

"I would really like to buy some clothes or shoes for myself. It's four years since I bought something. I could really use some money to buy clothes for my daughter. I am terrified when I think that she may become sick and I can't afford to visit a doctor or buy medicine. I feel really bad, disturbed, often have stomach aches and headaches."

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Consumer Debt Net Aims and Objectives

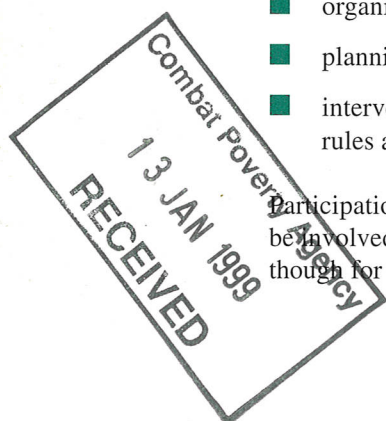
**"The network shall deal with debt and budget advice,
budget standards, household economic analysis,
consumer and social problems due to
overindebtedness."**

The main objective of the network is to encourage member organisations to provide practical action to prevent consumer overindebtedness and to facilitate consumer assistance by the provision of budget and debt advice. The network will also strive to achieve exchanges of information and research results which may provide more general knowledge of such practices and the way in which they are handled in various countries.

Consumer Debt Net will:

- establish and maintain an up to date list of contacts in each participating country,
- maintain regular contacts, in particular by means of an annual conference and exchanges of view on matters of topical interest through multilateral contacts of all kinds,
- mutually exchange information to enable members to gain an overview of each others methods, legal and administrative arrangements,
- to work towards better and commonly accepted methodology and definitions relating to debt advice, budget standards and debt prevention throughout Europe,
- collect information on creditors practice and procedures in relation to consumers and to co-operate informally at an operating level in preventing marketing malpractice's as they arise. Participants should use their best endeavours to assist each other, subject to national law and practice and availability of resources,
- organisation of special training for advisers,
- planning and realisation of collective actions in European countries,
- intervention on European legislation, for example in relation to debt settlement, credit rules and bankruptcy laws.

Participation is open to organisations from each European country, who would normally be involved with budget advice, debt settlement, debt counselling or budget standards, though for certain countries other arrangements may be necessary.



THE EUROPEAN CONSUMER DEBT NETWORK

A project supported by the Nordic Council of Ministers

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