Money Matters

The Consumer Debt Net Newsletter November 1999 No 3/99

Contributions from
Luxembourg ✪ Estonia ✪ Norway ✪ Finland ✪ Denmark
Ireland ✪ Scotland

Message from the Editor

Welcome
to the latest issue of Money Matters.

I hope we have been able to provide you with some interesting and thought provoking articles. You will see that one of the articles is from a Social Work perspective and does, I believe, serve to underline that whilst poverty, debt and social exclusion are not mutually exclusive they should be approached in a way that allows for the issue of social inclusion to be more roundly addressed.

As always, I am looking for articles for the next issue and once again I remind you that this is your newsletter. If you have something that may interest colleagues in other countries then simply send it to me (remember, it must be in English) and I will do the rest.

C o n t e n t s

Money Matters is also available on Internet: http:/www.kov.se
Please send articles and information to the Editor, Joan Conlin Ramsay, 23 Riverside Gardens, Wormit, Newport on Tay, Fife Scotland. DD6. 8NQ.
Tel: + 44 1382541216; Fax: + 44 1382541006.
E.mail: joascot@aol.com
Project leader: Ann-Mari Rydell, The Swedish Consumer Agency
Cartoon, front page: Olle Qvennerstedt
Layout: Gull-Britt Hedman, The Swedish Consumer Agency

Luxembourg

Assignment and seizure of wages in Luxembourg

Christian Schumacher is an Economist and Head of the Service National de Lutte contre le Surendettement in Luxembourg and a member of the CDN Board of Management.

Introduction

Many of the families consulting the "Service National de Lutte contre le Surendettement" are subject to assignment and/or seizure of wages, retirement pensions or other allowances.

For the majority of these debtors, their salary/pensions or allowances are their only form of income and they therefore need to be protected by law and, at least in that way partially removed from the creditors' grasp.

The loss of assigned wages to repay consumer credit debt often leaves the debtor without sufficient income to maintain a basic standard of living and in some instances results in non-payment of housing and utility bills.

The charge of simultaneous contractual seizure and assignment of wages worsen problems.

Legislation in force

The implementation of assignment and seizure of wages in Luxembourg is governed by the modified law of the 11th November 1970. The seizable and assignable rates are fixed by article 4 of that law and periodically adjusted by grand-ducal regulation, the last one being in 1993.

Safeguarding a protected minimum income

The present mechanism as enforced by law determines assignable and seizable rates for 5 income portions and attempts to guarantee a protected minimum income to the debtor.

The non-assignable and non-seizable portion depends on the respective level of income.

However, this system does not prevent social injustice. In cases of multiple assignments and/or seizures, the debtor with a monthly net income greater than 57.000 LUF will only receive 41.200 LUF after deductions.

Debtors with lower incomes might have to deal with a disposable income lower than the guaranteed minimum income as fixed by the legislator. The guaranteed minimum income is neither assignable nor seizable.

(As the amount of the "RMG" depends on the household composition, there may be a large difference between the non-assignable amount (41.200 LUF in some cases of assignment and seizure and 49.100 LUF in others) and the amount of the "RMG" attributed to families earning more than 57.000 LUF/month.)

These rates have not been adjusted since 1993 and the system based on percentage deductions of net wages does not take into account increases in the price index, adjustments of wages and retirement pensions and the evolution of the social minimum income.

For people having to cope with assignments of wages, this results in a real diminution of their purchasing power and can lead to poverty and social exclusion.

Double deductions

It frequently happens that recovery of a consumer credit debt is executed by using both assignment and seizure of wages.

Christian Schumacher is Head of the Service National de Lutte contre le Surendettement in Luxembourg and member of the CDN Bord of Management.

Instead of protecting the debtor's income, this procedure leads to a double deduction on his salary.

A few socially and financially underprivileged households are particularly effected by this and at the moment, there is still no legislation to deal with simultaneous assignment and seizure.

Recovery of alimonies

In accordance with article 8 of the law of the 11th November 1970, creditors seeking to recover alimonies may assign the debtor's income for a larger portion than that fixed by article 4 of the same law.

In cases of multiple assignments and seizures, the debtor also assigned for alimony recovery may find himself with a disposable income considerably lower than the guaranteed minimum income.

Family and household circumstances

Contrary to other systems in force in Europe, Luxembourg legislation makes no reference to the family and household circumstances of the debtor. This results in the assignable and seizable amounts staying the same whether the debtor is single or is head of a family.

It would be preferable to define assignable and seizable rates by basing them on the family or household composition as is done in Germany.

Reforming proposals

In order to meet modern social requirements and in view of the above issues the present legislation should be changed.

To achieve this, the legislator will have to:

- establish a link between the non-assignable and non-seizable amount and the level of the "RMG" in order to guarantee a minimum protected income to the debtor in cases of multiple assignment and seizure of wages
- establish a system for fixing assignable and seizable rates taking into account conventional and legal increases in wages and retirement pensions
- prohibit double deduction from wages by simultaneous assignment and seizure as a method of recovering a consumer debt
- modify the order of deduction in favour of alimony recovery, with assignment and seizure for other debts being executed afterwards
- take into consideration the family and household circumstances of the debtor

For further information contact:
Christian Schumaker
☎ + 352 488333/300
Fax + 352 488337
E.mail: christian.schumaker@ligue.lu

Estonia

The Student's Loan

In the following article Anu-ell Visberg and Viia Parts of the Estonian Agricultural College explain the technicalities of obtaining a Student loan and the outcomes of a survey carried out amongst students.

There may be moments in everyone's life when we need an amount of money that we do not have.

Young people in education are frequently in this position and in order to solve this problem a student may go to a bank and ask for a student loan.

The student loan is a long term loan with an interest rate of 5% and has been available in Estonia since 1993. This means that costs related to higher education can be covered, good loan conditions are available with future repayment decreasing. Student's loans are granted on the basis of a loan agreement completed by the bank and the borrower. The loan agreement establishes the data, rights and responsibilities of the parties (21 articles in total).

About the Loan

To be entitled to a student loan the individual must be a citizen of the Republic of Estonia or be a person residing in the Republic of Estonia with a residence permit, the course of study must be longer than the limit of nine calendar months and applicants must be attending a designated college or educational establishment.

To obtain a student loan, the loan applicant must submit to the bank a written loan application and proof of study and income as well as other documentation.

Possible Problems

During the first few years that student loans were available, a number of young people applied for loans and manipulated the weaknesses of the system to secure loans and not complete courses. However, the number of false applications has been reduced due to the actual amount of loan now being paid in two instalments.

The first part is paid during the autumn term and the second at the beginning of the spring term.

Student Survey

After having discussed the subject of loan agreements with 199 students of the Estonian Agricultural University, Tartu University and Tartu Medical School, the authors believe that many students who have taken out a loan have no clear understanding of their obligations under the loan agreement.

The percentage of students who took a student loan was 83.8%. For 63.9% of them the loan meant having resources to cover their costs related to studying and everyday living. Some 25.3% of the respondents used the student loan because it is a long-term loan granted on favourable conditions.

There were also single students who used the loan to finance foreign travel (4.8%), to buy a car or a computer (10.2%) and some for no definite purpose (6.6%).

Before the loan agreement was signed, 28.9% of the students read the conditions very thoroughly, 68.7% generally and 2.4% students paid no attention to the conditions at all. Some said they were aware of their responsibilities, but still made mistakes when answering some very crucial questions.

Guarantors

In accordance with the Estonian Law of Education the state will guarantee the loan, with interest being paid by the borrower. Previously the banks had no control over guarantors and cross-securing became possible, e.g. three loan applicants could be guarantor for each other at the same time. Now only different individuals can secure different loans taken out in different years.

The guarantor should specify the extent of their responsibilities before signing the agreement. The Contract of Guarantee can be restricted to a certain amount of money or period, for example, guaranteeing the loan for the first year only. In cases where the borrower fails to fulfil his/her obligations, these will have to be met by the guarantor.

Borrower's responsibilities

The borrower should know that the procedures and period for loan repayment depend on several factors:

- will the syllabus be completed to its full extent or
- will the student leave the school for some other purposes.

In cases where the syllabus has been completed in full - the loan amount repayment starts six to twelve months after the student graduates and has to be repaid during a period equal to double to the time spent in learning.

Where the student leaves the school for some other reasons - the loan repayment starts after six, interest repayments start three months after leaving the school and the repayment has to be completed during a period equal to the time spent in the educational institution.

However, attention should be paid to the words *"the latest"* mentioned in the loan agreement, as the banks do not have wait for the maximum period. Some borrowers have received repayment schedules that ask for quicker loan repayments – for example, in six or three months after leaving the school.

Anu-Ell Visberg, the Estonian Agricultural College

When the loan agreement is signed, the borrowers commit themselves to give the bank written notice within three days of graduation or leaving the school for some other reasons (also giving the reason for ex-matriculation). In cases where the borrower fails to fulfil this responsibility, the bank can charge him /her an amount equalling to 1000 EEK (125 DEM).

Repayments

The loan principal and interest are to be repaid on a quarterly basis in accordance with an annuity repayment schedule developed by the bank. The repayment schedule is mailed to the borrower at his/her last known address forty five days after he has left education. The bank will assume that the schedule was delivered. Deliberate or thoughtless behaviour by the former student may therefore lead to sanctions being taken by the bank.

At the present time the student only becomes aware of the repayment levels after they have taken the loan and completed education. This could be avoided by providing them with a preliminary repayment schedule at the time of signing the loan agreement.

All respondents were asked to assess the amount they had to repay, of these, 62% were unable to give the amount, 38% were aware of the amount, but where they were asked to express this amount in kroons, 2 (3.2%) of the students who gave the correct answer were not able to explain it, 9 (14.3%) underestimated and 31 (49.2%) overestimated the amount.

Students should be aware that, during the study period, the bank will deduct the annual amount of interest to be repaid from the amount to be issued for the next year. In cases where a student does not wish to take a loan every year they must ensure that they have sufficient funds in their bank account to repay the interest amount by the 15th September.

The loan principal and interest must be repaid on fixed dates and in fixed sums as set in the schedule and the borrower is held responsible for paying the amount into his/her bank account in time. A daily charge of 0.2% is made if there is insufficient funds in the account.

In cases where penalty charges are levied the bank will claim the charges, then interest and then the principal amount of the loan in that order. Only 18.6% of those surveyed were aware of the right sequence of the repayment amount.

The loan repayment can be postponed in cases of military service or maternity leave. This should also extend to young mothers where maternity leave can extend for up to 3 years or alternative solutions should be sought.

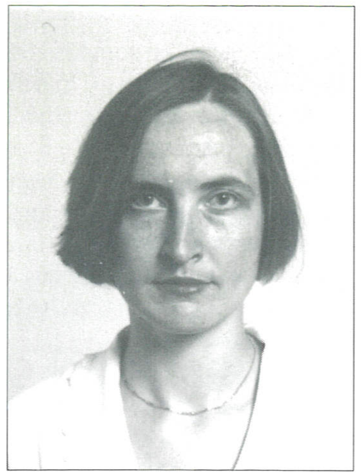
Summary

Students who are unable to gain employment soon after graduation or who are limited to minimum wages, or those who have personal family problems or have a multiple debt problem are all likely to have problems repaying their student loan.

Under present law the interest on the loan can be deducted from income before tax.

The survey clearly shows that

- students do not read the content of their agreement before signing it and that they have only a general understanding of their responsibilities and little knowledge of their future repayments..
- guarantors are not aware of the real extent of their liabilities and therefore agree to secure a much larger loan than they imagined
- borrowers frequently fail to inform the bank that they have graduated or have left education for some other reason.
- the borrower must be aware of the penalties where they fail to have the amount of money required for loan repayment in their bank account by the day of repayment.
- in cases where young people do not have a permanent job or have other problems, the lack of money can extend their loan liabilities over many years.



Viia Parts, the Estonian Agricultural College.

For further information contact:
Anu-Ell Visberg
Viia Parts
Estonian Agricultural University
☎ + 372 7 466 137
fax: + 372 7 400 104
E.mail: anu@eau.ee
viia@eau.ee

Newsflash

In the last year, up to August 1999, the State has paid bank loans and interest for 267 former students, totalling 2,175,421 Estonian kroons.

After the announcement made at the beginning of July that the debtors names would be made public, some former students repaid their loans immediately and 54 agreed their repayment schedules (Estonian daily newspaper "Postimees" 27/07/99).

On 2nd August 1999 the Ministry of Financial Affairs published the list of 196 study loan debtors on its Internet page (www.fin.ee). Changes in the current system of giving study loans are being discussed in the Ministry in order to increase the banks' own liability.

Norway

Financial difficulties during periods of economic growth?

Christian Poppe Researcher at the Norwegian National Institute for Consumer Research (SIFO) provides a thought provoking article on a socially important phenomenon occurring in Norway.

The period from 1995 to 1998 was one of marked economic expansion in Norway in terms of employment growth as well as real wage increases. The financial crisis that ushered in the decade was a thing of the past. However, interest rates began to escalate in autumn 1998, engendering prospects of increased unemployment. All at once, the discussion about the correlation between debt and financial difficulties was the focus of renewed interest. This should not came as a surprise to anyone: experience has taught us about the potential consequences of high unemployment combined with high lending for individual households. Fortunately, the most dire predictions did not come to fruition, but the abrupt rise in interest rates was a tangible reminder of how dependent households are on the market. Accordingly, we should now be asking ourselves: How well prepared are we, really, for a possible economic downturn?

The assessments are largely based on two different lines of reasoning. The one is also reason to note that this definition does not imply any one-to-one relationship between financial difficulties and debt problems. In other words, households with loans may well default on other bills without necessarily failing to service their loans.

Based on data collected from October and November in 1996 and 1998, SIFO's analyses generally indicate that 9 to 10% of households have financial difficulties even during extended periods of fiscal expansion. Further, 6 to 7% experienced this type of financial difficulty during the 12 months prior to the time of the interview. This indicates that the scope of the problem remains relatively high even during periods of rapid economic growth. Approximately 1/4 of those who reported experiencing financial difficulties state that they find it difficult to service their loans. This suggests that debt obligations are given high priority, and are hardly one of the first bills to be left unpaid.

However, it is possible to trace a more fundamental correlation between loans and financial difficulties. This is because importance attached to debt is not only reflected in households' failure to service loans. Naturally, households with loans can readily choose to default on other bills instead. This is no doubt the main reason why households in debt are more than twice as inclined to encounter financial difficulties as others. When a household's debt exceeds three times its income, the chances of experiencing financial difficulties rise by nearly four-fold. The paradox is that this can happen in a period during which the average burden of debt has dropped from 1.7 in 1996 to 1.4 in 1998. There has probably never been better correspondence between the burden of debt and capacity to pay than there is at the present time.

A marginal situation?

However, this paradox illustrates the significance of financial difficulties as a marginal situation. The problem affects a small minority of households. In many ways, this minority is atypical and subject to forces other than those which benefit the majority. For example, SIFO's figures show that even though the average burden of debt has been reduced in the 1990s, there is a high proportion of heavy debt in important social groups. This applies in particular to single people of all ages, with and without children, where the percentage of those who have borrowed more than three times their income varies from 8% to 22%. The proportion is also relatively high, approx. 6 or 7%, among younger, recently established households, that is, in young families without children or with toddlers.

Christian Poppe, the Norwegian National Institute for Consumer (SIFO).

in the credit and labour markets alike. This may be troublesome to cope with in everyday life. Accordingly, it is reasonable to assume that borrowers are more inclined than others to experience financial difficulties. Further, it is crucial to be aware that several processes may be in play simultaneously in different social groups. And finally, since one and the same household may experience vastly different financial circumstances throughout the life cycles of its members, their liquidity and risk exposure will vary in step with stage of life. In so far as these assumptions are valid, it is no great surprise if the number of households experiencing financial difficulties turns out to be high even during periods of general fiscal expansion.

SIFO's analytical conclusions

SIFO's analytical conclusions not only bolster the risk line of thought, but also indicate why the 'averages' concept is fundamentally wrong. First, however, it must be underlined that these analyses define financial difficulties as lacking the means to pay a debt at the absolutely final deadline. Additionally, this lack of solvency must be a recurrent problem for the household. Given this type of definition, the calculations must first and foremost be interpreted as estimates regarding the number of households in a financial grey zone, where some are affected severely and others less so. There

Thus the paradox helps explain why the reasoning based on averages is wrong. Granted, average figures undoubtedly indicate the general economic development trend, that is, they show that the standard of living has risen considerably during the 1990s. However, assuming that the issue at hand is indeed a marginal situation, the whole point is that those who have financial difficulties *cannot* be described in terms of general averages. Those who have enjoyed satisfactory wage growth and managed to save money will be unlikely to wind up in the group with problems. It is the others, i.e. those who have not benefited fully from the positive trends or who in some other way deviate from the average, who have encountered or are likely to encounter financial difficulties. Indeed, the greatest potential for growth in the scope of this problem is to be found in groups who deviate most from macroeconomic averages.

In other words, the welfare society does not solely produce progress; it also contributes to the existence of a grey zone comprised of households fighting an uphill financial battle. Granted, towards the end of an economic upswing, financial difficulties are a marginal problem. But as long as households' standard of living is more or less linked to general market trends, payment difficulties will represent a potential threat to far larger groups if there were to be a downturn in the economy. And this is precisely why the phenomenon is of such considerable social importance.

For further information contact:
Christian Poppe
☎ + 47 67 399 600
Fax + 47 67 591 948

Finland

A new debt counselling Bill for Finland

The Finnish Ministry of Justice is preparing a law on debt counselling in Finland. The aim of the law is to ensure that debt advice services are available across the whole country and thus reduce the costs of overindebtedness.

Until this prospective legislation the debt counselling services have varied across the country and it has been the responsibility of the local authorities to organise the services. Debt counselling is provided, in the main, by the municipalities with a partial financial contribution from the State. Recent years have seen the closure of some debt counselling offices in some of the Finnish municipalities.

A working party set up by the Ministry of Justice has drawn up the proposed legislative change. The Bill proposes that debt counselling will become a statutory obligation for every municipality. This would ensure access to the service for every citizen and thus strengthen the principle of equality whilst increasing the resources for debt counselling.

The working party has proposed that debt counselling should still be provided mainly by the municipalities but that supervision of debt counselling services would become the responsibility of the National Consumer Administration.

The Bill proposes that debt counsellors would also provide information to debtors in relation to budgeting matters and assist them to deal with their debt problems and also provide help on debt settlement matters. This would result in an increase in the provision of advice and assistance on voluntary debt settlement, which has gained more and more importance as the number of debt settlement cases going through the courts have reduced. The Bill, once it has become law, will serve to emphasise the preventative element of debt counselling.

Funding for the service will be provided with two thirds of the cost being paid by the municipalities and one third by the State. The working party has estimated that this would, in reality, mean a 40% or 2 million Euro increase in the cost of debt counselling to the State.

For further information contact:
Olli Pohjakallio
☎ + 358(0)9 7002 8818
Fax + 358 (0)9 7002 8812
E.mail: olli.pohjakallio@aatsto.inet.fi

Stop Press

The 2000 Lillehammer Conference ⇦

In partnership with the Swedish Consumer Agency and CDN, the Norwegian Consumer Council are planning to arrange the next European Conference on Household Economy.

The conference is entitled "Household Economy in Unpredictable Markets" and will take place in the picturesque city of Lillehammer, approximately 200 km north of Norway's capital Oslo, on the 5th – 7th of June 2000. At this point, preliminary planning has been undertaken, a pre-invitation letter has been distributed from the Minister of Consumer Affairs, and an agency has been employed to deal with the technical aspects of the project. Hopefully, some 300 delegates from most European countries will participate in Lillehammer.

As many readers of Money Matters will know, the conference is a follow-up to successful previous conferences under the CDN banner. The first conference was held in Stockholm in 1994. After Sweden, the hosts have been Scotland (1996), Finland (1997) and Ireland (1998). These conferences have focused on consumer debt problems. The conference in Lillehammer will have a broader approach and also address other relevant consumer economy issues. However, the objective of the Conference is to search for strategies to prevent households from getting into serious economical distress. Emphasis will be placed on interdisciplinary issues, on the exchange of experiences between countries and regions, and on dialogue between professions (practitioners, local authorities, academics and researchers).

Target groups for the conference will be individuals in the public and private sectors (including financial institutions and NGOs) that work with household economy, social scientists carrying out research within this field, and representatives of authorities and others working with consumer issues and related areas. There will be a special effort to encourage participants from Central and East Europe, especially from EU-applicant ountries such as the Baltic countries, Poland and the Republic of Czechoslovakia. The Lillehammer Conference will hopefully provide an opportunity for an open and constructive dialogue about household conomy and related issues. Due to budgetary matters, we cannot distribute the final invitation until early next year. However, we already now take the opportunity to say – in Norwegian– "Velkommen til Lillehammer".

Denmark

Money Matters – In Social Work, but…

Niels Hjelm Veirup Secretary of the EU Liaison Committee of the International Federation of Social Workers (IFSW) gives his own personal points of view and ideas on personal debt and related issues within a social work context.

Social work is a multi-task orientated 'tool' with a goal of finding the best ways to assist *people in need* in finding their personal way of developing and changing their lives. It is carried out by a large number of people who all claim to come from a professional tradition and training – and who operate in their own area of work whilst, in the main, sharing the same the same goal as the workers in the field. Added to this is the growing consciousness amongst social workers that human/social rights must be advocated for and that contributions from social work should be made to assist in the creation of schemes and policies governing the assistance society will give to those in need.

With this statement in mind it is a little difficult, to put it mildly, to try to present a social work view on the work related to Consumer DebtNet.

Following my participation at last year's very interesting and superbly organised conference in Malahide, Ireland I have been asked to contribute to Money Matters. It was originally suggested that, because I am a member of the Board of the Danish Association of Social Workers, a Danish contribution was the obvious choice. However, I am also the Secretary of the International Federation of Social Workers (IFSW) EU Liaison Committee and it is in this capacity that I shall attempt to present some views. These views are all based on my personal assumptions and thoughts. IFSW does not have an official policy on personal debt and related issues – but we focus on access to services and are keen advocates for the need to improve social inclusion of all citizens, regardless of their socio-economic situation, gender or ethnic roots.

In 1996-97 IFSW Europe (the joint operations of IFSW European Region and the IFSW EU Liaison Committee) with the support of and in co-operation with the European Commission DG V organised a project focusing on the social work contribution to the fight against social exclusion: "Social Exclusion & Social Work: Facilitating Inclusion". It became clear during the initial steps of collecting concrete examples from projects all over Europe that social exclusion was connected to a lot more situations than the traditional EU view where unemployment was the main (and sometimes referred to as the sole) reason for people being excluded.

Lack of income

Lack of income is of course a major problem for those affected as is being dependent on social assistance or whatever public support schemes are available in the different European countries but it became apparent that a range of other situations meant that it was difficult or impossible to participate as a citizen in a social setting.

Many of the social workers therefore created – with or without support from the official "establishment" – projects which focused on creating "counter" activities enabling single parents, the handicapped, the homeless, street children /youth migrants and refugees, substance abusers and people living in poverty to create a sort of self-reliance awareness.

I cannot of course claim – and do NOT wish to do so – that the issue of income is not important. For too many people dependency on social assistance and unemployment benefit combined with "assistance" from a grey (or is it black as the night) money market has developed – with very little chance of getting out of the dependency. Although some come back to employment the potential for improving one's own situation through loans of mortgages is impossible due to the conditions or the security needed to obtain such credit. Living in poverty and not knowing how you get through the next day or the next week is of course a situation that should not be accepted. So securing a decent life is also important both for social work and social workers.

Lack of public awareness

However, another finding that emerged from the project is the lack of public awareness of the circumstances that many of their fellow citizens experience. A number of reasons for this can be listed but they seem to be on a line between more political ideologies which aim to control the poor (social policy?) and on the other hand the lack of knowledge that seems to underpin (or perhaps that is going too far) the non-existent demand for equality.

There are political ideologies – supported by scholars of economics – which include the need to have a certain portion of the population living at a level, which is lower than the average. This often leads to demands for enabling systems of assistance built on a good protestant principle that work is good for you, i.e. you must work to get social assistance. Often the nature of the work, due to its lack of perspective or substance, is stigmatising for the people involved. It is called activating people but often you find a portion of those involved unable to live up to the conditions and therefore they become once more – socially excluded.

The need to know more about the way such systems operate or indeed just the situation of those without stable income (or income at a very low level) does not seem to be recognised. There is a tendency to forget or look the other way – "don't bother me" – while the problem can only be solved by a greater awareness. It is difficult to identify who can change this but with the tendency to promote a new sort of social neo-liberalism – which certainly is not focused on creating solidarity – the need for social workers to illustrate their experiences becomes evident!

The need to change potential life conditions is not only an issue at an individual level – it is also important for the future of out society. With a large proportion of the population left without the possibility for improving their own lives and thus being unable to participate in society, we end up with a serious threat to the stability and democratic basis of our society. It will lead to division and the fight to either maintain one's own situation or to improve it. Some will call this a dynamic situation but with ends so apart it appears to be too difficult to make these meet.

As stated in the beginning of this note I must repeat that the above is a personal statement – there are in social work a vast number of approaches to the solution of problems. The need for change is a universal element in social work – the element of participation is another. Social work must be aware of its need to utilise its accumulated experiences and demand that Europe reaches out to people in need. We might not have a chance – but what we have we must grasp.

For further information contact:
Niels Hjelm Veirup
☎ + 45540385758
Fax + 4597252145
E.mail: ifsweu@post8.tele.dk

Ireland

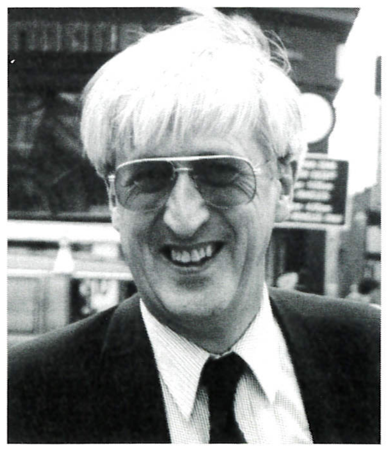
Evaluation

An evaluation of the Money Advice and Budgeting Service commenced in January 1999. The first phase is now completed and a Report on this phase will be launched by Mr. Dermot Ahern T.D. Minister for Social Community and Family Affairs in November.

The evaluation process

Phase 1: An initial broad sweep thematic phase designed to provide a strong sense of the MABS as it is currently operating. The identification of potential priority areas of policy to be addressed and themes to be examined will form part of this phase.

Phase 2: Forms the main bulk of the evaluation process as determined by the needs identified in Phase 1. It is envisaged that this phase would involve a balanced emphasis on qualitative and quantitative data gathering.



Liam Edwards, National Co-ordinator for the Money Advice and Budgeting Services, Ireland, and Chairman of the Consumer DebtNet.

Phase 3: Centres around a longer term objective in line with good practise, which is the development of a self-evaluation framework for the implementation at project level. This would facilitate the on-going evaluation of the service both quantitatively and qualitatively within an agreed framework. It is envisaged that this process would be managed at local level but would feed into the national intelligence and facilitate comparative analysis and sharing of good practise across projects

Phase 4: Constitutes the completion of a final evaluation report including a review of the piloting of the self-evaluation process

Pilot debt settlement programme

Agreement has been reached between the Irish Bankers' Federation (IBF) and the Money Advice and Budgeting Service (MABS) on a proposal for a pilot Debt Settlement Programme. The agreement has been presented to the Irish Mortgage and Savings Association, the Irish Finance Houses Association, credit unions, public utilities, local authorities and others in order to obtain their support and participation in the pilot.

The pilot will operate in designated areas in Dublin over a period of six months during which suitable cases will be processed. It will be used as an alternative to the legal process and will be designed to help debtors in these areas to address the problem of their debt and with the assistance of money advisers to formulate an affordable repayment plan.

For further information
Liam Edwards
☎ + 353 21270055
Fax: + 353 21317339
E.mail: edwardsl@tinet.ie

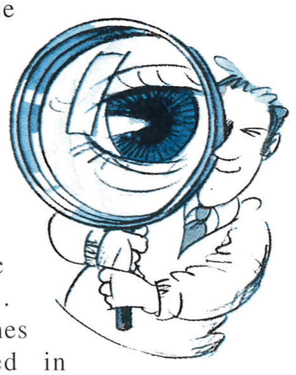
Scotland

Money Advice Scotland Update

The past months as ever have been extremely busy. Although The M.A.S. Conference was held in June there is still a lot of follow up to be done: writing to speakers, workshop leaders and soforth, to produce a Conference Report, which is then distributed widely. This year's theme of "A new Scottish Parliament – a new beginning for money advice?" is an important one as the new Scottish Parliament has a fresh approach to Scotland and is keen to be inclusive, which is good news for money advice. Money Advice Scotland has met with the Minister for Social Inclusion who is extremely keen to ensure that the needs of those individuals who are socially or financially excluded are given due consideration.

One of the issues which has been raising its head over time has been that of consumer education. MAS is keen that it can participate in the wider debate regarding consumer and indeed financial education. To that end we are involved in working in partnership with the Financial Services Authority Consumer Education Forum and have an input to the Scottish Consultative Council on the Curriculum's work. Recently Money Advice Scotland, through its Chief Executive, delivered a speech on the position in Scotland with regard to consumer education and financial literacy and the role of money advice. The conference was held in the Business School at Nottingham University, which was extremely well attended. A Conference Report will be available in respect of the proceedings of the Conference.

Other news to report is of the research which MAS is carrying out with regard to the number of agencies in Scotland giving money advice, their locaions and the levels of advice. There is a distinct lack of research which is relevant to Scotland specifically, as opposed to the whole of the United Kingdom. What has become clear is, the changing patterns of money advice provision.



Prior to local government reorganisation, there were advisors who were money advice specific officers. Changing times have resulted in advisors within local authorities now adopting a much more generic role, dealing welfare rights, money advice, and sometimes consumer aadvice. The research which embraces many other aspects of money advice will be published late 1999/early 2000.

For further information
Yvonne Gallacher
+ 44 14115720237
Fax: + 44 141 5715741

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 throuht 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 relation 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.

CDN
Consumer DebtNet
The European Consumer Debt Network

THE EUROPEAN CONSUMER DEBT NETWORK

A project supported by the Nordic Council of Ministers

Chairperson: Liam Edwards, Money Advice and Budgeting Service, Social Welfare Service, Centre Park Road, Cork, Ireland.
Phone: + 353 21317339; Fax: 353 21317339; E-mail: liam.edwards@welfare.eirmail400.ie

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