

# Money Matters

No 3/01

The Consumer DebtNet Newsletter ♦ December 2001



Contributions from  
Finland ★ Italy ★ Luxembourg ★ Scotland ★ USA ★ Ireland



# Message from the Editor

*Hello again,*

It feels that I have been opening this newsletter with that welcome for many years and I suppose I have.

I never believed, when I started this task in 1995 that I would enjoy it so much. Despite the fact that it has not always been easy to secure articles, they have always managed to be delivered, usually on time and usually by very busy people. To all of the contributors over the years I must express my heartfelt thanks and give my apologies for nagging them. However, please don't think that because this is the last hard copy that Money Matters will cease to exist, we intend to try and keep it going as a virtual newsletter.

I would never have been able to carry out the task of editing Money Matters without the skill, support and friendship given to me by colleagues at the Swedish Consumer Agency. Their contribution has been amazing and has come from many people in the agency. However, I would like to name a few, without whom this newsletter would never have worked, these are; Hans Näslund, Ann-Mari Rydell, Göran Andersson, Anders Gunnarsson and last but not least Gull-Britt Hedman. Gull-Britt has been responsible for the layout of the newsletter and has worked tirelessly to meet my standards, she has been an outstanding ambassador for her employer and I owe her a debt of gratitude for her work, dedication and skill.

I have been involved with CDN since its beginning and I am disappointed that funding to secure the future of CDN has not been forthcoming.

The future of CDN must include the establishment of a permanent Bureau with a full-time Secretariat. It is essential that CDN be funded, not only to continue the future development of its role but also to continue to put forward the views of those working at the front line with people suffering the trauma of over-indebtedness.

Our next and ongoing challenge is to secure core funding for this, it is urgently needed, we have proved we can do the job, we have the expertise and the will to meet the demands placed on us.

The European Commission need to work together with CDN to make best use of the resources we have, we are prepared to work in partnership, the question is are they?

The members of CDN are the experts in this field and we should never forget that, neither should the European Commission!

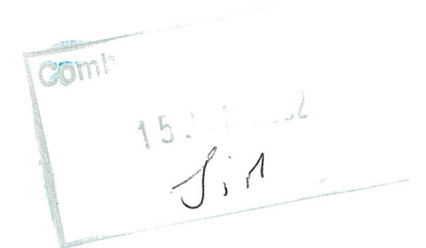
Thank you all and best wishes!

**Joan Conlin-Ramsay**  
Editor and Vice President  
CDN



# Contents

<b>Finland</b>	Young overindebted people in Finland	4
<b>Italy</b>	Draft Project for Legislation – To deal with a family's overindebtedness and the appointment of a "Family Economic Consultant"	5
<b>Luxembourg</b>	The first Luxembourg law introducing a debt regulation procedure	7
<b>Scotland</b>	News from Money Advice Scotland	9
	Research grant for Money Advice	10
<b>USA</b>	An American Approach	11
<b>Ireland</b>	A final word from Liam Edward President of CDN	13



**Money Matters** is also available on Internet: <http://www.consumerdebt.net>  
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: Anders Gunnarsson, The Swedish Consumer Agency  
Layout: Gull-Britt Hedman, The Swedish Consumer Agency



## Finland

# Young overindebted people in Finland

Virpi Koljonen MSc Researcher and Tarja Römer-Paakkanen M.Sc., assistant and researcher at the University of Helsinki provide an insight into their research relating to young people who are dealing with personal over-indebtedness.

**There has been a debate in Finland over the level of indebtedness of young people. In this article we describe the situation of some Finnish youngsters who are in debt and how the situation influences their life. Young over-indebted people are depressed and after they have failed with their personal economy they feel that the society should "rescue" them by giving them financial support.**

The study was conducted in Autumn 2000 and the purpose was to find out the experiences of the young debtors and how they cope with their debts. The data consists of 19 semi-structured-interviews of young clients receiving debt counseling in a metropolitan area of Finland.

In the study it was found that the main reasons for over-indebtedness were consumer loans and being a guarantor for other people's debts. To some people the reason was unemployment or they had taken many different loans. Some of the interviewees had taken new loans to pay the old loans.

The most critical moment for becoming indebted is the time when youngsters move from their parent's home to their own home and when they start to furnish their apartment. Sometimes the young people do not want to wait until they have enough money to buy things and they start to make their home by shopping on hire purchase.

Not one of the interviewees in this study was marginalized. The average income of the interviewees was 50 000 - 150 000 FIM which is not a bad level of income. It usually takes a long time before the indebted look for help and advice. The coping process can take

sometimes more than ten years. The process can be divided into four stages.

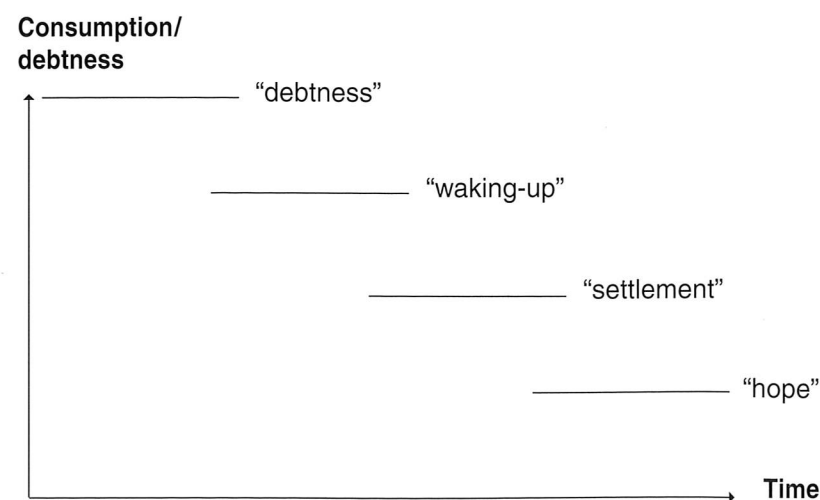
The first stage ("indebtedness") begins when the loans start to accumulate and there are some signs of difficulties in paying the bills and loans. In this stage the indebted do not necessarily notice the forthcoming problems and do not do anything to deal with the situation.

In the second stage ("waking-up") the indebted start to understand that something must be done when there is not enough money and the everyday life starts to be difficult. At this stage the debtors look for help and counseling.

In the third stage ("settlement") debt



Virpi Koljonen, M.Sc. Researcher, The University of Helsinki.



Coping process of indebted youngsters

counseling is used to an attempt to bring the situation under control. The debtors try to negotiate with their creditors and the counselors help with setting up a debt arrangement scheme. In this stage the interviewees live through difficult times and they see their future as gloomy.

In the fourth stage ("hope") interviewees try to pay debts in a managed way by using debt arrangements. The situation seems better unless their life is still very restricted. At this stage the youngsters should be helped to make new plans for their future so that they will not find themselves in this difficult situation again. There is a "flicker of hope" that they may be able to cope. In this fourth group the debtors can be divided into two groups:

These two groups are:

- ★ people whose ability to cope is certain
- ★ people whose ability to cope is uncertain.

Their survival depends on their mental resources, on other people's help and on financial support.

The results of this study show that the youngsters are not interested in the economic issues until they have serious problems with their personal money matters, however they still say that these matters should be taught in schools

For further information contact;  
Virpi Koljonen, M.Sc. Researcher  
E.mail: virpi.koljonen@helsinki.fi  
Tarja Römer-Paakkanen, M.Sc.

Assistant and Researcher

E.mail: tarja.romer-paakkanen@helsinki.fi  
University of Helsinki

Department of Economics and

Management

Consumer Economics

P.O. Box 27

FIN-00014 University of Helsinki



Tarja Römer-Paakkanen, M.Sc. assistant and researcher at The University of Helsinki.

## Italy

# Draft Project for Legislation

**– To deal with a family's overindebtedness and the appointment of a "Family Economic Consultant"**

Donata Monti, National Secretary of Adiconsum and President of the Found ex art. 15, law 108/96 explains their proposal.

## Background information

ADICONSUM was Founded in 1987 by CISL, it is an Italian association of consumers; all citizens can join. It is completely independent from companies, political parties, government and from the trade unions.

Adiconsum has a wide remit and its' articles of association cover many areas including:

- Food: against food refining and lack of control and is in favor of a "food education program" to be carried out in schools.
- Fight against commercial fraud.

- Product Safety.
- Customer care and tariff transparency.
- Promotion of laws for consumer protection in relation to:
  - a. Transparency in the banking sector;
  - b. "RC auto" reform;
  - c. Abolition of inequitable clauses;
  - d. Acknowledgement of national and local consumers' delegations.
- Conciliation system to settle legal cases.
- Information and legal advice regarding telecommunication companies.
- Fund against usury ex art. 15, law 108/96.

Within the framework of initiatives promoting consumer protection legislation, ADICONSUM has drafted a proposal for new legislation. The aim of the proposed new legislation is 'to prevent cases of over-indebtedness by introducing the "Families' Economic Consultant'.

## The Proposal

### Introduction: the analysis

There are two main considerations that have been taken onto account in designing this project:



1. The growth of a large number of families who are unable to save, coupled with a higher level of consumer spending (see the latest data issued by Istat and Centro Einaudi – BNL).
2. Evidence that an increasing number of people request help from Foundations and Adiconsum to deal with usury. They have entered a perverse cycle of debt – lending – other debt generating a non – sustainable debt exposure. Since annual income doesn't cover the debt, an alternative source of income, legal or illegal, is frequently used. The debt exposure doesn't in itself lead to creating difficulties for the family. However the growth of debt which is not supported by an adequate increase of income, inevitably leads to an economic and a family disaster.

A unique and homogeneous definition of over indebtedness has not been agreed upon yet. It is reasonable to define over indebtedness as "a debt position seriously out of proportion with the annual income of the indebted person so that the available economic resources don't allow the payment of the debt".

Not only must one take into consideration the quantitative criterion but also, and especially, the subjective element giving general numbers the correct shape of the problem.

Given the present condition of the Italian economy, it is not easy to deduce whether over-indebtedness is a social phenomenon or not.

At the moment some elements clearly identify the trend:

- The change in consumer saving and spending habits.
- The considerable increase of mortgages and consumer credit.
- The increasing number of credit cards.
- The growth of expense and rise in gambling.
- Job flexibility and precariousness of income.
- Stronger competition between companies with the subsequent reduction of margins.

In practice all these elements lead to uncertainty of income frequently moving upwards and downwards. The consequent risk is the need for finding new sources of income.

## Goals of the project

Taking into consideration the situation there are two goals:

- To solve the worst situations that probably lead to illegal loans.
- To prevent the progression from a small debt situation to a non-sustainable debt situation.

Analysing the main features of people requiring help from Foundations and from Adiconsum to deal with usury (see art. 15, law 108/96) it can be easily understood that most people either are over indebted, even if at different levels, or they are potentially over indebted individuals whose situation can change depending on the measures taken and interventions made.

Therefore the two concrete goals are:

1. To realise a draft project for a law which defines consensual techniques to overcome the debt situation
2. To appoint a "family economic consultant"; this individual can help families that are not adequately managing their economic resources, and give advice mainly in situations of great financial uncertainty.

## The draft project for a law to deal with over-indebtedness

The goal of the proposal is to reduce and possibly stop the situation of over indebtedness involving families that are unable to pay their debt back from their available income.

A possible solution is filing for bankruptcy involving representatives of different instances to find a reasonable compromise acting in a manner similar to a "clearing house" (e.g. see the French Commission on over-indebtedness), and not set by a third person (e.g. a member of the court). However, unlike the French experience, access to the commission can be made at any time.

This may allow a reasonable chance for a family to return to normal economic life after a period of over-indebtedness.

The key issue is the origin of the debt. A creditor realising the precarious economic situation of the applicant and taking advantage of it should be less protected than another one granting a loan to an applicant apparently more solvent.

## The Family's Economic Consultant

One of the key questions to be asked is: can the average citizen, even those with a high level of education, understand all the articles, laws, and regulations the legal system and the market produce?

Someone who needs advice and guidance does not easily understand the complexity of the situation and the resources available to deal with it.

A consultant not appointed by the State but linked to the 'not for profit' sector can build a strong relationship based on trust with his clients. The result is a continuous consulting job to manage their incomes.

The consultant doesn't manage existing savings but he could work to avoid a situation of over indebtedness. This is possible using financial, fiscal, and legal skills. A new concept of the Welfare State focused not only on an economic aspect but also on a way of life.

Considering the new role given to local authorities by the law 382/2000 in relation to the Welfare State, the consultant should be able to depend on the local authorities.

Adiconsum has acquired experience and collected information for the past three years to prevent the phenomenon of usury. This experience could be used to train consultants.

## Method and schedule to realise the project

The two concrete goals should be implemented separately but at the same time:

### The law

A possible agreement should be implemented with other Foundations, the "Forum del Terzo Settore", and with other consumer associations to establish the project. Also, one should study the best political strategy to make the Parliament aware of this (e.g. proposal of the Government, initiative of citizens).

The schedule should take into consideration the election of the new Parliament, and the timelines should be as follows:

- before July agree the draft agreement with the Trade Unions,

- in September start the dialogue with counterparts,
- in December the definition of the text and of the political and institutional proposal to start in January.

## The Family's Economic Consultant

The required profile should be made clearer. The following needs to be identified:

- the required educational background,
- the specific background,
- the internships done in this area of interest,
- job conditions, the contract of employment,
- the local authority on which the consultant depends.
- the relationship with other bodies working against usury at the moment.
- the chance to intervene and other aspects.

The role of the consultant should be defined by the new law on the Welfare State fighting poverty (Law 382/2000).

Since the period of time to implement the law 382/2000 can't be forecast, it is impossible to set the schedule at the moment.

In the meantime a group of cities where similar experiences of solidarity have been implemented should be studied. The presence of trained people managing the project should be carefully evaluated.

For further information contact:

Donata Monti

☎ + 39 06 44170224

Fax + 39 06 44170230

E.mail: previusura@tin.it



Donata Monti, National Secretary of Adiconsum and President of the Found art, 15, law 108/96.

# Luxembourg

## The first Luxembourg law introducing a debt regulation procedure

Christian Schumacher, Head of Office at the Service d'information et de conseil en matière de surendettement gives an introduction to new legislation in Luxembourg.

For many years, our debt-counselling agency, the "Service National de Lutte contre le Surendettement" with great support from its' parent organisation, the "Ligue Luxembourgeoise de Prévention et d'Action médico-sociales" have argued the need for a legal framework in the field of overindebtedness in order to find solutions to apparently unresolvable insolvency situations.

(See "Vademecum du Surendettement" by M. André THILL, part 1, point 22, page 16.)

## The new "Service d'information et de conseil en matière de surendettement"

Luxembourg has, from the 8<sup>th</sup> December 2000, its first law designed specifically to prevent overindebtedness and introducing a legal procedure for debt regulation of private persons.

Through this act, the 'Service national de Lutte contre le Surendettement' has changed its name to 'Service d'information et de conseil en matière de surendettement' and the following formed its mission:

- Dissemination of information on the subject of indebtedness and over-indebtedness of private persons
- Participating in preventative action
- Participating in debt advice training

for professionals working in the socio-educational sector

- Working out conventional repayment plans
- Participating in the debt regulation procedures
- Taking part in the work of the mediation commission and the judge
- Controlling the execution of the debtor's commitments
- Creating exchange and co-operation



- relationships with similar organisations
- Supervising the extension of over-indebtedness, searching for the sources and determining the consequences
- Working out measures to fight over-indebtedness and suggesting them to Government.

Debt counselling is free of charge in Luxembourg and the procedure is open to every resident private person not running a business, with evident and persistent financial problems. The debtor who has organised his/her insolvency is excluded from the procedure.

## A two phases procedure

The debt regulation procedure includes both a conventional and a jurisdictional phase:

### The conventional phase at the mediation commission

This phase starts by the deposit of an access request from the debtor at the 'Service d'information et de conseil en matière de surendettement', where its admissibility is checked, constitutes the file, works out a draft debt settlement plan in conjunction with the debtor and creditors. Finally, the Service hands over its draft plan and the file to the mediation commission.

The mediation commission supervises the plan and makes final proposals to all the parties.

Three situations may then occur:

- Where there is general approval by all the parties, the plan is ratified by all the parties and they are invited to sign the plan that contains its own execution modalities and the reciprocal obligations of all the concerned parties.
- Where there is disagreement, modifications are proposed by the commission.
- In cases of persistent disagreement, the failure of the first phase is pronounced.

When an access request is filed by the debtor, all legal debt enforcement procedures are suspended by law, excluding those who tend to get payment of alimonies.

If, after a period of six months from the presentation of the access request by the debtor, the proposed debt repayment plan has not been accepted by any of the concerned parties, the 'Service

d'information et de conseil en matière de surendettement' informs the debtor of the failure of the conventional phase.

## The jurisdictional phase at court

This phase starts if an agreement can't be negotiated between the debtor and the creditor and at latest six months after the beginning of the conventional phase.

In this case, the debtor, the creditor, the 'Service d'information et de conseil en matière de surendettement' or any interested party may ask the Justice of Peace to launch the second phase, that is, the jurisdictional phase at court.

The judge may at every stage of the jurisdictional phase pronounce the suspension of the legal debt enforcement procedures, excepting those tending to get payment of alimonies.

Finally, if the case presents chances to be fulfilled, the judge pronounces a sentence stipulating a repayment plan, which may content the following measures:

- Deferment of the payment of a part of the debt or even of the whole debt;
- Reduction of the interest rate;
- Suspension of the effect of a real guarantee without loss of privilege or reduction of the due amount;
- Discharge of costs or interests of a credit.

The judge may, if necessary, charge persons to assist the debtor in social, educational and financial matters to make sure that the debtor uses his remaining assets to meet the aim that they are supposed to meet.

The judge fixes the time schedule of the repayment plan, which cannot exceed the term of 7 years. He also determines the dates on which the fulfilment of the plan is checked.

The failure of the plan is pronounced by the judge if he remarks that the debtor:

- provided false documents to get or keep the benefit of the legal procedure;
- does not respect his obligations;
- has voluntarily increased his liabilities or reduced his assets;
- has organised his insolvency;
- has consciously made false declarations;



*Christian Schumacher, Head of Office at the Service d'information et de conseil en matière de surendettement, Luxembourg.*

- has missed to announce changes in his situation which may have justified the readjustment of the plan.

## The mediation commission

The mediation commission has six members:

- Two representatives of Government, one of these is the Ministry of Family Affairs who assumes the presidency
- competent in the field of consumer credit
- Two persons regarded as competent in the field of fighting overindebtedness

The members are named by the Minister of Family Affairs for a renewable period of 3 years.

## The Fund

A special Fund is created to grant loans to the debtors in order to allow them to regroup all or part of their debts. This is possible in both the conventional and the jurisdictional phase of the procedure on initiative of the mediation commission or the judge, after consulting the Service d'information et de conseil en matière de surendettement.

This loan, granted by the Fund, cannot exceed the amount of 10,252 € and has to be repaid within seven years.

On the initiative of the mediation commission or the judge and after consulting the Service d'information et de conseil en matière de surendettement, the Fund can:

- annul or reduce the interest rate;
- prolong the term of the credit;
- temporarily suspend the reimbursement of the credit;
- give a discharge to the debtor for the remaining amount after a certain period;
- exceptionally, after a term of seven years and after a re-examination of the situation by the mediation commission or the judge, reimburse part of the remaining amount or even whole of it, excepted taxes, alimonies or debts due to financial institutions. This is only possible for evident insolvency situations where there are no sufficient resources or assignable goods to allow a repayment of the debt.

No new reimbursement by the Fund may intervene within a period of ten years. This procedure cannot be invoked for debts due to professionals of the financial sector.

For further information contact:

*Christian Schumacher*

☎ + 352 488333/300

Fax + 352 488337

E.mail: christian.schumacher@ligue.lu



# Scotland

## News from Money Advice Scotland

**October 2001 saw Money Advice Scotland welcome three new members of staff, to carry forward the organisation's Training and Education plans.**

**M**ary Gray, our newly appointed Education & Training manager has responsibility for maintaining and developing Money Advice Scotland's role as an Approved Centre; for the developing of Advice and other related Scottish Vocational Qualifications, and to act as internal Assessor/Verifier. Mary will also develop training courses relating to Money Advice; evaluate all training carried out by Money Advice Scotland and co-ordinate all Continuing Professional Development of staff.

Mary has worked as a Money Adviser for ten years with North Ayrshire Council Social Services as well as an SVQ Assessor for Money Advice Scotland.

**Ken McEwan** our new Lead Tutor has responsibility for Money Advice Learning Opportunities, delivered on behalf of the Scottish Money Advice Trust Training Development Forum. Ken worked for the local Authority, spending five years as a debt counsellor and then twelve years as a Money Advice Training Officer.

More recently, Ken has spent eighteen months as a development officer in a local Citizens Advice Bureau. Ken has also been a part time lecturer at North Glasgow College in relation to the Higher National Certificate in Welfare Rights and Money Advice.

**Laura Dolan** our new Administrator/Co-ordinator, Learning Opportunities will ensure the effective co-ordination and administration of the Scottish Money Advice Training Development Forum Learning Opportunities for Money Advisers throughout Scotland.

Laura joins us from The Poverty Alliance and brings with her a wealth of

experience from the Non Governmental Sector

The specific and immediate goals of the staff are to:-

- Monitor and maintain the Yellow Route Generalist Level training (a group of learning opportunities which involve self study and two tutor led sessions), as well as the Blue Route which provides a parallel means of accessing training at generalist level, through distance learning with support from the Lead Tutor.
- Deliver 6 new Learning Opportunity sessions at skilled level.
- To ensure the quality of training remains high and that quality becomes a key factor in improving the calibre of Money Advice provision in Scotland. The team have been collating evaluation information, by



*Mary Gray, Education & Training manager, Money Advice Scotland.*



using a three tier evaluation system as follows:

- (a) Pre course evaluation, to evaluate the trainees entry skill level;
- (b) Immediately following the course **evaluation**, to ensure learning has taken place;
- (c) Follow-up evaluation, involves evaluating the effect of training on the individual and organisation after three to six months.

• To contribute to the development of the e-learning Strategy and eventually develop and maintain the skilled and specialist level provision within the Electronic Learning Resource (ELR) in Scotland.

• To assist Scottish Vocational Qualification candidates and assessor candidates to continue working towards the Advice level 4 qualification. A recent Focus day for Candidates highlighted that the SVQ in advice is changing both attitude and practice among those taking part and, candidates report an increase in enthusiasm for their work as well as a new learning curve. The standards are helping those taking part to pick up best practice around the country and adopt it in their own workplace.

Money Advice Scotland will continue to support candidates in the learning process by introducing Continuing Professional Development (CPD) for all our assessors

to ensure that they remain up-to-date with current knowledge and practice.

Through the team MAS will continue to run various training courses and seminars in addition to the above Learning Opportunities.

For further information contact:

Mary Gray,  
Money Advice, Scotland  
☎ +44 141 572 0237  
Fax +44 141 572 0517

E.mail: moneyadv@globalnet.co.uk

## Research grant for Money Advice

**Regrettably, this is the last hard copy publication of Money Matters and Money Advice Scotland is proud to have been a contributor since Money Matters was first published. We carry on this tradition by providing readers with an update on our work in Scotland.**

**I**t is a very buoyant time for Money Advice in Scotland, with changes in legislation relating to the enforcement option called poinding and warrant sale. We are also considering the proposed development of a community legal service in Scotland.

So...what's going on at Money Advice Scotland? Quite a lot, actually! MAS has recently been awarded a research grant of nearly £50,000, courtesy of the Scottish Executive (National Government in Scotland) to evaluate the quality of money advice in Scotland.

A Project Team has been set up, which will be managed by Professor Elaine Kempson of the University of Bristol, Personal Finance Research Centre. Sharon Collard, (also of the Personal Finance Research Centre) will be joined by Bob Burrows, Research and Policy Officer, Money Advice Scotland to complete the Project Team. An Advisory Group has been set up comprising of participants from the major networks in Scotland, to assist in advising the Project Team, on any issues which may impact on the Project.



Yvonne Gallacher, Money Advice, Scotland.

The research will involve interviewing personnel from the National Organisations in Scotland; the money advice providers; trainers; and, those responsible for dealing with the day to day running of the organisations. It is also intended to interview clients who have used the various money advice services. A substantial part of the research will

involve 'peer review' of cases. In total 20 agencies, including local authorities, citizens advice bureaux and other voluntary organisation providers, will be taking part, and over 300 cases will be reviewed.

It is envisaged that a Research Paper will be published in Autumn 2002.

And still more news!

### Money Advice Scotland Conference 2002

Plans are well underway in respect of our Annual Conference, which will be held in Edinburgh on Thursday and Friday 13 and 14 June 2002. All are welcome to attend. The theme of conference will reflect the ongoing change and the high profile of advice services across our country and it will focus on **Access to Advice Services in Scotland**.

### Farewell

It would be remiss not to mention Joan Conlin-Ramsay, who has been the editor of Money Matters since its inception.

Joan has worked tirelessly at achieving high standards, in order to produce a professional publication which we can all enjoy. Like others I am sure you will miss having Money Matters, in its present form, on your desk. I will certainly miss Joan's phone calls asking me for an article for Money Matters!

Whilst this is the end of an era, it is also the beginning of something new. I hope that through Joan (and others) we may continue to learn more about money advice in other European countries, and to import good practice, where it exists. It has been a privilege to have taken part over the years, and hope to meet with many of you again.

Yvonne Gallacher  
Chief Executive, Money Advice  
Scotland

☎ +44 141 572 0238

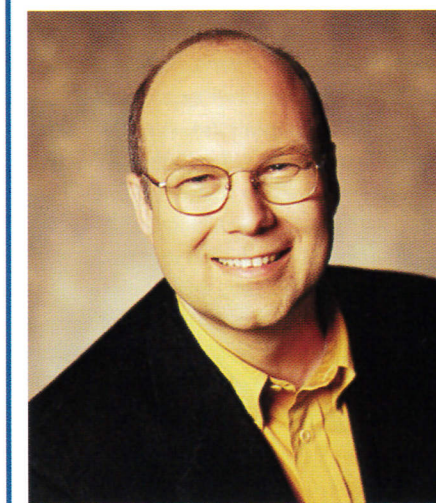
Fax +44 141 572 0517

E.mail: moneyadv@globalnet.co.uk

**USA**

*Readers will, I am sure, be interested in this article from a debt counselling organisation in the USA, it makes interesting reading and whilst I am sure many people won't agree with some of the concepts everyone will agree that it brings a different perspective to the work we do and that we can all benefit by the exchange of ideas and views.*

## An American Approach!



Steve Rhode, MBA, President, Myvesta.org, USA

In one of our programs, Comprehensive Bankruptcy Alternative, we spend 30-40 hours with our clients working out solutions. We really get to know who they are and when you spend years matching financial pictures with the real person you become very adapt at financial profiling. Years of experience have shown me that with only a limited amount of financial information you can categorize people into different groups.

The largest group of people I deal with are those people who have spent themselves into a difficult spot, mostly unconsciously, and expect to be rescued without any negative impact to their lives.

It is not unusual for us to have clients who have more than \$100,000 in credit card debt. The record this year is \$432,000. They have used the credit cards to finance a lifestyle they cannot afford. Often, the problem is masked for years until the credit runs out. The consumers cast the blame on the credit card companies, which is a horrible approach. Casting blame only leaves the consumer feeling like a victim. They then feel powerless to change their situation and so the cycle continues. Consumers use an endless supply of excuses why they find themselves in trouble. I'm sure we all hear the same group of excuses on a regular basis. So if we all hear the same excuses on a daily basis, what are the universal answers to help people in trouble?

### How Can I Help?

The struggle to help people overcome financial adversity is a difficult battle I face everyday. Sometimes the fight becomes overwhelming. The root cause of my occasional fatigue is not from rooting out bad people who take advantage of consumers. It's from trying to save people from themselves.

In 1994 I co-founded Myvesta.org, a nonprofit financial crisis and treatment center. We offer specialized assistance programs, a residential treatment program for compulsive spending and lots of self-help materials, which are available at our site, Myvesta.org. Our focus is solving the root underlying causes of financial troubles.

Money problems are not about the money. They are the symptoms of larger issues. Financial problems are the tracks that you have to follow to gain insight into the real issues.

### Two Basic Groups

Let's recognize that there are two basic groups of people in trouble.

- ❖ The first are those who live at a marginal level of income. They are



❖ The second group is those people who have assets but find themselves in financial trouble after a period of unconscious consumption. A great percentage of them could be classified as having impulsive or compulsive spending issues. They don't focus on their finances and money is often not a priority. Here in the States they are typically 30 to 60 years old, lead busy lives, are married, have kids, are frequently professionals, sometimes fail to pay their bills on-time and are surprised when money becomes a problem. They are often resentful, in denial or angry about their situation, about 40% clinically depressed, love to blame everyone else in the world for their troubles and expect to be rescued without any inconvenience. However, when they get into trouble, the experience can be traumatic and emotionally devastating. I feel this is an under served group that needs more of our attention.

## Current Work

For those clients in financial trouble, we have developed a program to help them negotiate with their creditors in hopes of avoiding bankruptcy. It's difficult. Our experience is that creditors would just as soon have their customers

Finally, if I can be of any assistance, please do not hesitate to contact me. If you have a difficult case you want to

E.mail: [steve@myvesta.org](mailto:steve@myvesta.org)



12

## A black and white portrait of a man with short, white hair. He is wearing a dark suit jacket, a light-colored dress shirt, and a dark tie with a light-colored circular pattern. He is looking slightly to the left of the camera with a serious expression. The background is dark and out of focus.

The Working Group dissolved in 1998 to make room for an eight-member Executive with representatives from Austria, England, Finland, Greece, Ireland, Netherlands, Scotland and Sweden. Each member of the Executive accepted responsibility for disseminating information to a number of neighbouring countries and agreed to act as a central point for information or enquiries in relation to establishing more access to the CDN Network. The full Board of CDN has representatives from each of the participating countries.



A detailed Business Plan has been adopted; Constitution and Standing Orders are in place. The Memorandum and Articles of Association are with a lawyer to incorporate CDN as a Company Limited by Guarantee in the spring of 2002. We now have a Bank Account with enough funds to pay our lawyer.

## European Commission Level

At European Commission level, the "Overindebtedness" dossier remains with DG SANCO (Health and Consumer Protection). However, at a time when some Member States are showing an increasing interest in the problem and it has been stated that measures to combat indebtedness are a priority, the European Commission has reduced the priority and ceased to support CDN activities.

The Portuguese Presidency held an "Open Debate" on "overindebtedness" at the European Council in April 2000. A number of Member States felt that the exchange of information at EU level could be useful in providing a more complete picture of the situation.

The Belgian Presidency has stated that "The measures to combat indebtedness are a priority" and organised a Seminar

on "Consumer Credit and Community Harmonisation" in November 2001.

The European Economic and Social Committee (ECOSOC) has produced an Information Report on "Household Overindebtedness" which recommended that a "Network of Member States, linked to the Commission, should be immediately set up to exchange information, harnessing the synergies generated by existing national observatories and the European Observatory on Family Policies, with a view to the future establishment of a Community Overindebtedness Observatory". ECOSOC followed this report with Public Hearing on Household Overindebtedness in Stockholm in June 2001. CDN accepted an invitation to attend this meeting and were surprised to hear that a Network for Advisers and Researchers should be established. CDN Representatives explained that the Network already exists and that the work is being done and continues to be done.

The EU Objectives in the fight against Poverty and Social Exclusion states at 2 (b) "To put in place policies which seek to prevent life crises which can lead to situations of social exclusion such as indebtedness, exclusion from school and becoming homeless". In their National Action Plans 2001-2003 many member states have outlined measures they are

taking or intend to take to combat indebtedness.

## The Strength of CDN

The strength of CDN is shown by its achievements, with very little resources. It has the best information, from frontline workers, on the problems being endured by those who are overindebted and on the actions required to relieve their situation.

It has always voiced the concerns of those who are overindebted at a European level.

On a practical level, CDN responded to the Report on the Operation of the Consumer Credit Directive. Of nine responses from consumer groups to this report, five could be attributed to CDN influence. More than forty responses were from creditor organisations.

The withdrawal of support has slowed progress but the CDN Network is still alive and will continue through the use of telephone, email and the website.

Meanwhile we must continue with our work.

*Liam Edwards  
President, CDN*

☎ + 353 21 4917476  
Fax: + 353 21 4317339

## Stop Press!

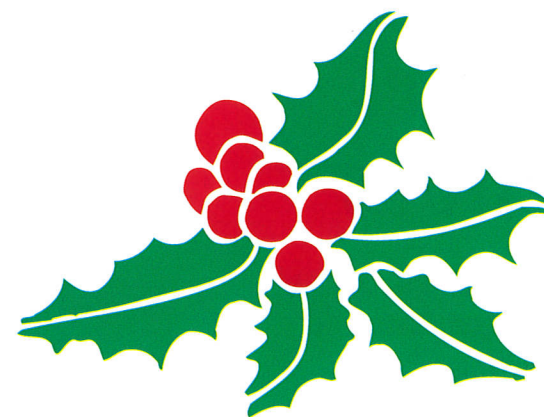
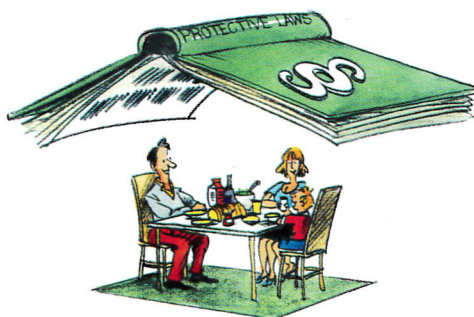
### Results of the Internal Market/Consumer Affairs/Tourism Council, 26th, November 2001

#### Resolution on Consumer Credit and Indebtedness (BG)

The Council adopted a Resolution on consumer credit and indebtedness. A report on statistical aspects on the question of over-indebtedness, launched by the Commission, will be published soon. Commissioner Byrne explained that the Commission intends to present a proposal early next year for amending the existing 1987 Consumer Credit Directive. The revision of the Directive will aim to set new common standards at a high level and to prevent segmentation

of the market by diverging national legislation. The proposal will also contribute to the aim of preventing consumer over-indebtedness.

*Liam Edwards  
National Co-ordinator  
Money Advice and Budgeting Service  
liam\_edwards@mabs.ie  
☎ + 353 (0) 21 4917476  
Mobile: + 353 (0) 87 2412518  
Visit: www.mabs.ie  
Visit: www.consumerdebt.net*



We wish you a  
Merry Christmas  
and  
A Happy New Year!





---

# 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 other 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.



---

## THE EUROPEAN CONSUMER DEBT NETWORK

A project supported by the Nordic Council of Ministers

President: Liam Edwards, Money Advice and Budgeting Service, Social Welfare Service, Centre Park Road, Cork. Ireland.

Phone: + 353 21 4917476; Fax: 353 21 4317339; E.mail: liam\_edwards@mabs.ie.

Visit: [www.mabs.ie](http://www.mabs.ie) and [www.consumerdebt.net](http://www.consumerdebt.net)

---