

# Over-indebtedness Report Austria 2019

## Debt advice: state-approved



The 10 state-approved debt advice organisations provide free services, they are granted public subsidies and they are officially recognized, entitled to use a specific debt advice label. They receive public funding from the federal states. Officially recognised debt advice organisations aim at sustainable solutions rather than short-term results. They help clients plan individual repayment programmes and also analyse the reasons for debts and overindebtedness. They are affiliated to the ASB umbrella organisation and employ qualified staff that are specifically trained for this type of work and regularly attend further training programmes.

### Reasons for over-indebtedness

unemployment / income decrease	29.0 %
former entrepreneurship	23.7 %
budgeting problems	18.6 %
divorce / separation	13.5 %

62 862 assisted persons  
in 2018

### Debt sums

67 654 Euro average debt (*Adjusted average: contains only values between 1 000 and 700 000 €*)

### Employment and income situation

36.1 % of clients are unemployed: 5 times more than in the general population.  
35.7 % of clients of debt advice centres have no more than 1 000 Euro income.

### Personal bankruptcy

10 024 insolvency procedures started in 2018  
68 % is assisted or represented by a debt advice centre during debt regulation

## Personal bankruptcy procedure

While the term personal bankruptcy is widely used, the official term given in the corresponding statute is debt regulation procedure, which is also referred to as repayment programme. The goal of debt regulation procedures is to give 'righteous and well-motivated debtors' a realistic chance to make a fresh start. The prerequisites that debtors have to meet include manifest insolvency, the obligation not to incur any further debt. During the repayment period the debtor shall be able to lead a life 'under modest conditions but in dignity'. In turn, collection measures are stopped and no interest rates have to be paid. If debtors meet the conditions of the repayment programme they are regarded as free of debt.

### Start of bankruptcy proceedings

Stop of collection measures and payment of interest/liquidation of assets

#### Repayment plan

Agreement of majority of creditors required; minimum offer corresponding to the attachable income expected in the next 5 years (repayment for max. 7 years)

if fulfilled in due time

Discharge of the residual debt

if rejected

#### Attachement of earnings

**NEW** May be implemented independent from the will of creditors; attachment above exempted subsistence minimum for 5 years; no minimum quota of debts to be paid back

if obligations observed

Discharge of the residual debt

## Financial education



In the context of debt advice, the term 'financial education' refers to the communication of basic knowledge and skills to enable a 'healthy' approach to money and to improve financial literacy. The focus is on the fundamentals of financial literacy to help children and young people make

sound money-related decisions in everyday life, thus preparing them for financial independence in adult life in the best possible way.

22.7 % of the clients of the debt advice centres are 30 or younger: even at a young age, their debts have become so high that they have difficulties paying them off.

Financial literacy can minimise the risk of over-indebtedness. The officially recognised debt advice services therefore also offer financial education programmes for children, young people and adults, in addition to advisory services for people with debt problems.

In 2018, 25 558 people were reached by the financial education services organised by the debt advice centres.

A total of 46 000 young people in Austria have meanwhile attended the modular financial education programme for school students and now own a 'financial driving licence'.

## Reference budgets

Reference budgets represent the monthly expenses of various types of household. They show what monthly income is needed to lead a life that permits one to eat healthy food, live in suitable housing, and which ensures a minimum level of social and cultural inclusion. The reference budgets for Austria drawn up by asb, with input from other European countries, are updated annually.

According to the reference budgets, in 2018 a person living alone had monthly expenses of EUR 1 416, and the at-risk-of-poverty threshold for this person was EUR 1 238. The 'protected' minimum income, i.e. the sum that must remain after attachment of earnings or in the case of private bankruptcy, was EUR 909 ('basic amount').

**The debt advice services therefore  
demand the following:  
An increase of the 'protected' minimum income  
to at least the at-risk-of-poverty threshold.**



## Easy language in debt advice services

Easy language in debt advice has been a focus of two projects run by asb. They are funded by the Austrian Ministry of Social Affairs. The goal of these projects is to help clients understand complex procedures and thus to prevent them from dropping out of the debt advisory process. Their main element is the debt dictionary, in which 70 technical terms on debt regulation are explained in easy language. In addition, the most important procedures involved are described in easy language. In workshops held all over Austria, staff of the debt advice centres are trained in the use of easy language in their work.

For more information:

[www.schuldenberatung.at/english](http://www.schuldenberatung.at/english)

[www.budgetberatung.at/budgetberatung/english](http://www.budgetberatung.at/budgetberatung/english)

