



PEPPI Webinar 4

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Debt advise and debt settlements by NGO's in Finland

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Debt advise and debt settlements in Finland

Three major actors:

- Public sector 1.
 - General Debt Advice, Organized by Ministry of Justice and its area legal aid authorities
- Public sector 2.
 - Social lending, organized by Wellbeing services counties in Finland
- Third sector / NGO's
 - Guarantee Foundation is the only nationwide actor
 - Some local NGO-actors and the diaconia of Finnish evangelic Lutheran church

Guarantee Foundation

- A nationwide NGO since 1990-
 - Founded by NGO's close to Finnish Evangelical Lutheran Church, NGO's working on the field of mental health and alcohol abuse and Ministry of Justice
- Our aim is to
 - prevent economical problems of households and
 - help people out of over-indebtedness
- Approx. 25 employees
- Approx. 1,7-1,9 M€ annual budget
- Approx. 85-90 % of funding comes from The Finnish Lottery Association via the Funding Centre for Social Welfare and Health Organizations.
- All of our services are free of charge

What do we do?

Guarantee Foundation aims to help people to manage with their own finances.

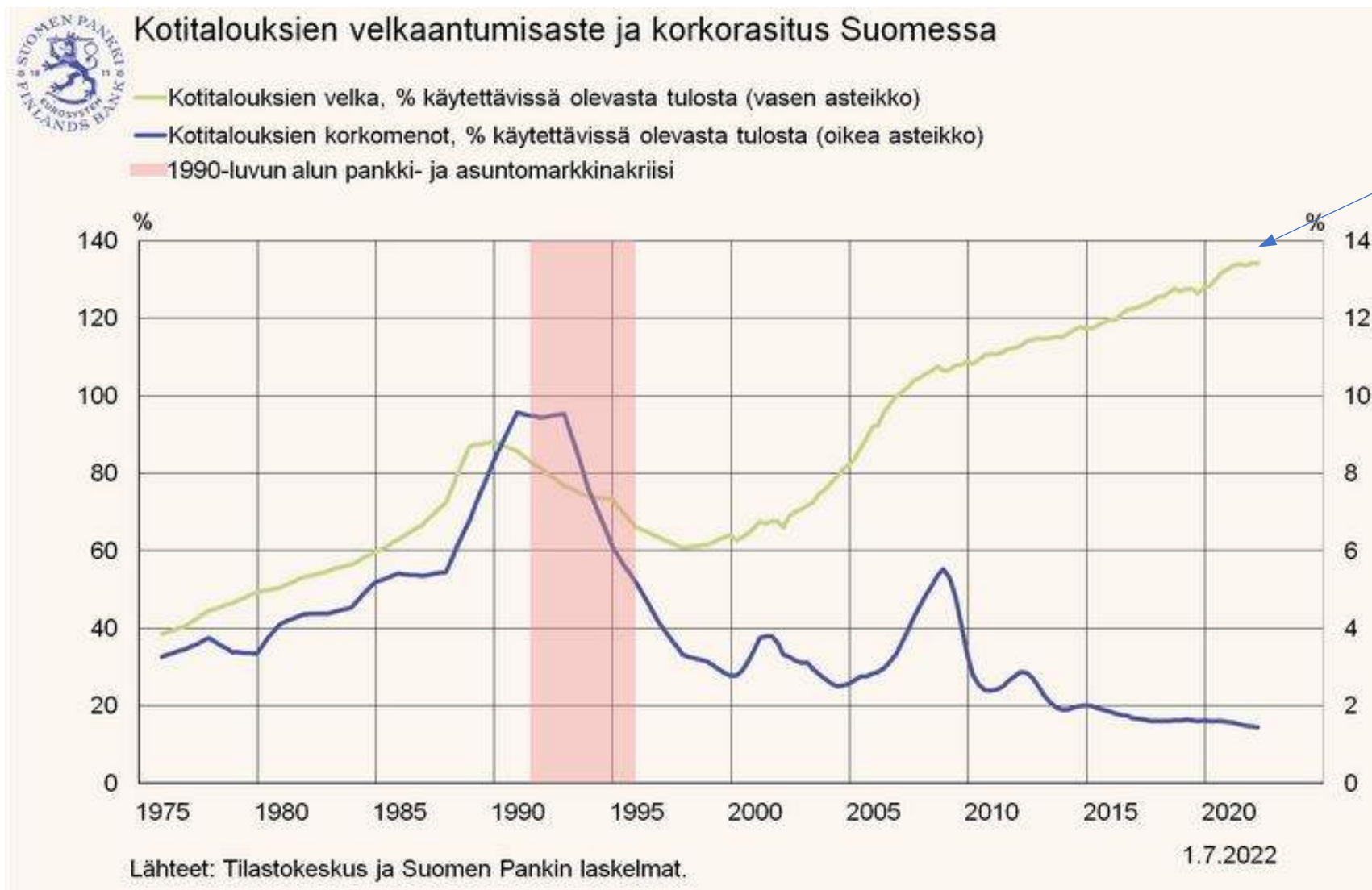
- Especially we bring services and self-help tools to different kind of financial crisis, that household's meet.

Our lobbying and advocacy-work aims to find ways to better legislation, regulation and practises.

And in practise we :

- Aim to help the debtor to cope independently with his debts and finances by developing means and enhancing to improve the situation of financially vulnerable people.
- We try to bring advice and solutions to solve debt problems in practise by offering telephone and web counselling for free of charge.
- Provide guarantees for consolidation loans.
- Provide micro-credits for necessities, for people with lower income.
- Give training about money and debt matters, specially for volunteers and professionals, who meet people in need.
- Promote good financial practices and develop affordable financial services.
- Raise awareness of financial well-being, budgeting, saving, consumption and credit market, payment defaults and poverty.

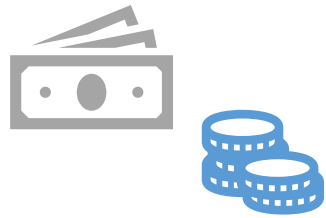
The indebtedness ratio in Finland



31.12.2021

134,2%

Main reasons for over-indebtedness with The Guarantee Foundations debt settlement clients



28 %
incompetence in
managing money /
financial illiteracy



15 %
divorce



10 %
health problems



9%
unemployment



9 %
addiction



8 %
on behalf of
another

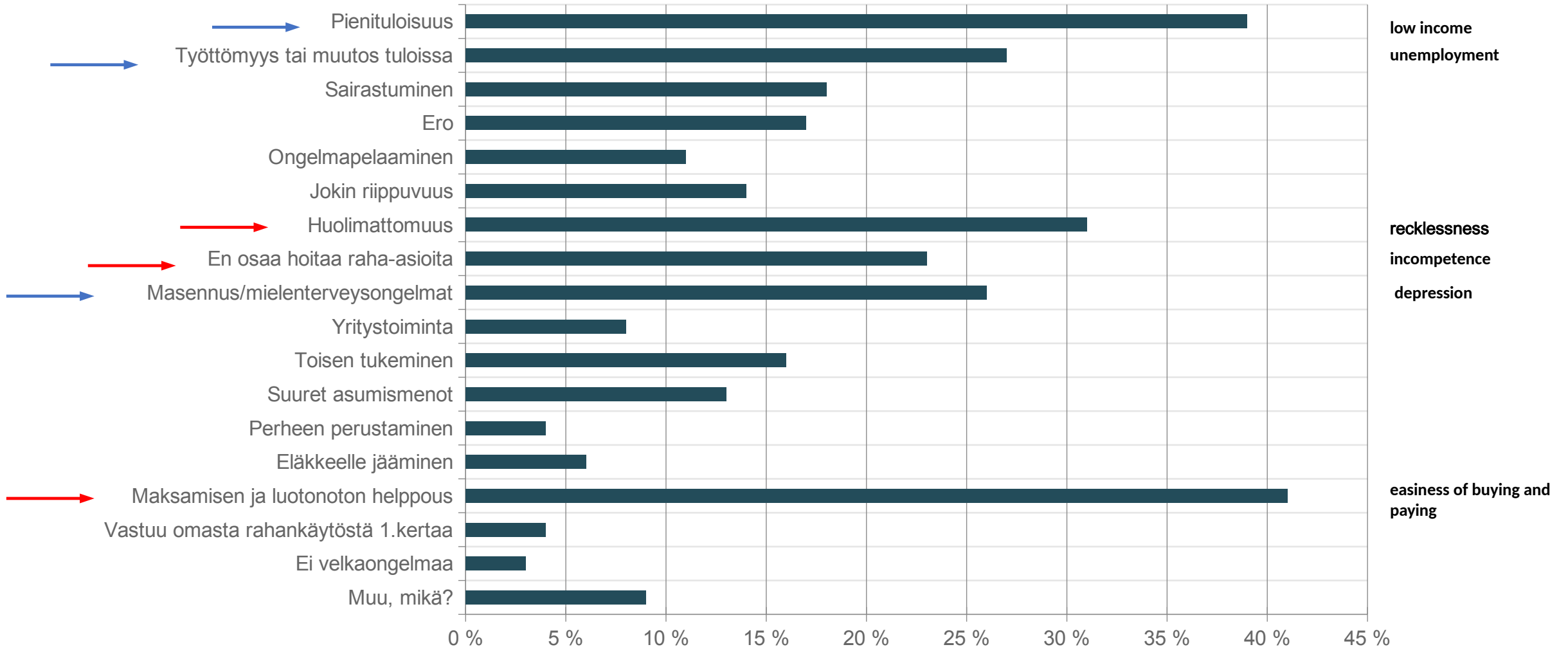


5 %
low income



5 %
entrepreneurship

What is the reason for your financial problems?



Funding of Finnish NGOs

- Since 1930's Finnish NGOs have been mainly funded by the profits of national lottery and slot machines which have been shared by 1. the Ministry of Social Welfare and Health and 2. by the Ministry of Education and Culture.
- Guarantee foundation has received public allowances since 1995 in order to provide debt settlement and debt advise services (and also other services and developmental projects).
- First the allowances came from the Finnish Slot Machine Association from 1995-2016 and then strictly from the Ministry of Social Welfare and Health (shared in practice by the Funding Centre for Social Welfare and Health Organizations) from 2017.
- From the beginning of 2024 the allowances will be shared strictly from the state budget.

Voluntary Debt Settlements

- The debt settlement model was established in 1991, against the aid fund collected by the Finnish evangelic Lutheran church.

The settlements have been operated since 1995 on the basis of a debt settlement fund, set aside separately by the state. Also, this fund has been settled by the Funding Centre for Social Welfare and Health Organizations and the funding comes from The Finnish Lottery Association fund (and from the beginning of 2024 straight from the state budget)

- Funds are separated from organization grants.
- The amount of the fund is at the moment approximately €4,700,000.
- According to an agreement, made with Finnish banks, guarantees can be given multiplied by seven $€4,700,000 \times 7 = €32,900,000$.

The Voluntary Debt Settlements process in practise

- The customer first applies for a guarantee for a structured debt settlement loan from the Guarantee Foundation.
- The customer informs to foundation his/her incomes, outcomes and debts.
- With a settlement loan all the clients debts and bills are meant to be combined to a one new structured loan.
- Only some loans will continue to be paid aside structured settlement loan. For example mortgage, car loan and student loan are not combined to a structured loan.

Debt advise by phone and chat counselling

Anonymous and nation-wide counselling for persons having trouble with their debt and payments or their family members

In discussions we

- formulate understanding of the overall outline of persons economical situation
- offer first aid advices
- guide to the further actions and help

Thank you!