



## Provision of an European Platform for the Prevention of Over-indebtedness by the Increase Accessibility and the Improvement of effectiveness of Debt Advice for Citizens (PEPPI)

German social debt advice system and funding of debt advice services

Manfred Westphal (formerly vzbv), Germany



Co-Financed **by the European Union**

ECDN © 2023



# Debt advice in Germany – system and funding

## Contents

Situation of overindebtedness in Germany

Debt advice as field of action of social work

- Legal basis and responsibilities of debt and insolvency advice
- System of public and associational welfare and consumer advice
- Debt advice in the context of social work and consumer advice

Arbeitsgemeinschaft Schuldnerberatung der Verbände (AG SBV)  
as the umbrella organisation of associational social debt advice

- Origin
- Agreement and contents of the work
- Organisation of the work
- Focus

Special challenges in social debt advice

Where are we today?

# Situation of Overindebtedness in Germany

## Number of overindebted people

- The collection company Creditreform estimates since some years the number of over-indebted persons in Germany by using their registered files
- According to the latest report about 6 million private persons (= 8,48 % ratio) (Creditreform, 2022) are over-indebted in Germany
- <https://www.boniversum.de/aktuelles-studien/schuldner-atlas>
- Critics regard these figures as underestimation as Creditreform has no access to non-credit taking ways of over-indebtedness

# Occasions and causes of overindebtedness

Reasons for overindebtedness (Federal Office for Statistics, 2022)  
(Big Six)

– Unemployment	20,0 %
– Divorce / Separation from partner	12,0 %
– Illness / Addiction / Accident	17,0 %
– Uneconomic budget management	15,0 %
– Failed self-employment	8,0 %
– Permanent low income	10,0 %

# Debt counseling as a field of action of social work - **Legal basis**

## for debt counseling

- Social codes (Entitlement to counseling)
- Responsibilities
  - Municipalities and Districts
    - Advice in own sponsorship or
    - Transfer and assignment of tasks to external service providers (= free welfare and consumer advice)
      - free advice for debtors

## for insolvency counseling

- Insolvency regulations
- Responsibility
  - 16 Federal States (like Bayern, Northrhine-Westfalia, Lower Saxony)
    - Recognition and funding of appropriate counseling centers

## Result

- Separate legal and financial responsibility

# Debt counseling as a field of action of social work

## Associational welfare and consumer advice

### Associations in social work

- Fields of activities
  - especially deal with children, adolescents, poverty, addiction, rehabilitation, debtors etc.
- Arbeiterwohlfahrt (AWO) – worker welfare
- Deutscher Caritasverband (Caritas) - catholic
- Diakonie Deutschland (Diakonie) – protestant
- Deutscher Paritätischer Wohlfahrtsverband (Parität) – German parity welfare association
- Deutsches Rotes Kreuz (DRK) – German Red Cross

### Consumer Advice

- Verbraucherzentrale Bundesverband (vzbv) – Federation of German Consumer Organisations, Umbrella of more than 40 organisations, esp. of the 16 consumers centers in the Federal states providing consumer advice
  - consumer centers in the 16 Federal states
  - Representation of consumer interests vis-à-vis the supplier side
  - Funding by the states

# Debt counseling as a field of action of social work

## Costs

The costs for running a debt advice service are on average per year €90.000 – €110.000 in Germany

These costs include:

2 FTE with an average gross salary of €32,905.08 per year. The hourly wage is €17.10. A debt counsellor earns an average of €2,742.09 gross per month. The monthly salary can increase to €3,500 with work experience. Additional expenditures for secretary /assistant and overhead costs (rent, utilities, social security....)

# Arbeitsgemeinschaft Schuldnerberatung der Verbände (AG SBV) **Working body of debtor counseling organisations - Origin**

## **Field of activity Debt Counseling**

### **– Until 1995**

- First debt counseling centers founded between 1973 and 1977
  - In 1983 there were 40 - 60 centers in Germany
    - In sponsorship by welfare organisations or municipalities (and their social services)
- Foundation of the federal working body of professional debt counselors in 1986, Bundesarbeitsgemeinschaft Schuldnerberatung (BAG-SB)
  - by the debt counselors themselves
- No supraregional cooperation and representation of the field of work vis-à-vis politics
- Competition between the BAG-SB and the welfare organizations



# Arbeitsgemeinschaft Schuldnerberatung der Verbände (AG SBV) Origin

## ... Field of activities debt counseling

- Period 1995 - 1999
  - 1995 Conference of BAG-SB, welfare and consumer organisations
    - Milestone: Agreement for cooperation on working level on April 6, 1995
      - All seven organisations or their predecessors participating
    - Objectives
      - Representation of common concerns of all debt counseling organisations
      - Development of a constitution, of work-flows and rules of procedures
      - Representation of interests vis-à-vis ministries, politics and other associations (like banking associations)
      - Development of standards of counseling

# Arbeitsgemeinschaft Schuldnerberatung der Verbände (AG SBV) Agreement

Agreement of members signed by all seven presidents / managing directors (2000)

- Common platform for a professional and cross-associational cooperation
- **Objectives**
  - Promotion of the professional work of debt counseling and organised information, advice and cooperation between members
  - Support on the federal level vis-à-vis state bodies and administration at all levels
  - Participation in legislative processes,
  - Support of education on federal level
  - Cooperation with science and research
  - Conferences
  - Promotion of international cooperation

# Arbeitsgemeinschaft Schuldnerberatung der Verbände (AG SBV)

## Work and organisation since 2000

No own office, but the place of work of the respective speaker

- No funding by the associations of the state

Speaker and deputy elected for two years

- currently: Roman Schlag (speaker) and Michael Weinhold (deputy)

Each member names two representatives for the standing committee

Decisions are taken with a majority of two thirds.

Meetings of the standing committee take place 4-6 times a year

There can be special working groups (permanent or ad-hoc)

- they prepare decisions and their members are named by the AG SBV
- The following working groups exist: lobby work and finances, insolvency law, foreclosure law, digitization, energy poverty...

# Arbeitsgemeinschaft Schuldnerberatung der Verbände (AG SBV) Anzahl Beratungsstellen in Deutschland

Number of the debt counseling centers (ca.)

– AWO	110
– Caritas	500
– Diakonie	450
– DRK	30
– Parität	100
– vzbv =	30
– BAG-SB	no own counseling centers

Number of counseling centers of municipalities and districts: 200

Total number of nonprofit debt and insolvency counseling centers in Germany

– 1.400 – 1.450

# Special challenges in debt counseling

## Funding of counseling

- because of a permanent lack of funding other means had and have to be chosen, e.g. a cooperation body, effective ways of lobbying, consumer education in schools etc.
  - Each federal state, each municipality and district has a funding system of its own. The banks are not obliged to fund debt counseling although they are partly responsible for high debts, but at least one banking group (savings group) had committed regionally to support social debt counseling by money.
  - Insufficient funding leads to long waiting times for debtors
  - Objective: common funding of debt and insolvency counseling (Bavaria as the first state has completely delegated the funding of insolvency counseling to the municipalities).
- uniform funding and access to debt counseling

## legal right to counseling for all debtors/consumers

- Such a legal right applies only for a limited group of authorised people like ones that get a basic security in old age

# Where are we now?

High recognition for the work of the debt counselors by politics on all levels

- Federal funds for projects to the extent of one million Euro a year
  - Problem on the federal level:
    - No permanent support
    - No promotion / funding of ongoing debt advice
  - Example for a project:
    - Funding of a project to develop concepts for outreach debt counseling for seniors
  - Funding structures stay precarious
    - Problem of separated responsibilities: the federal government may not fund counseling work-

## Where are we now?

Concept of social debt counseling with standards for counseling (published in 2020 for a better differentiation against commercial and dubious debt counselors and to give guidelines for a better qualification

- development of common standards in the further qualification

Shortage of skilled experts

Early involvement and participation in the legislative process (e.g. concerning the consumer credit directive)

- improving debtor protection through professional and political action

Development of standards with digitizing the work of debt counseling

# Social Debt counseling in Germany

## Conclusion

Debt counseling is highly recognised in Germany but not funded sufficiently.

As funding of debt counseling can be precarious other objectives as preventive action get the more important.

The AG SBV with its good cooperation between seven associations is highly recognised as a sort of umbrella organisation and as a representative of debt counseling.

Access to debt counseling is dependent on residence, status and the regulations in the federal state of the residence.