



## **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)**



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## WEBINAR 3

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### Debt advice funded by the private sector

Pauline DUJARDIN



CRÉSUS®



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**CRÉSUS Alsace**  
 Created in 1992

Over-indebtedness  
 Insolvency procedure  
 Microcredit  
 Budgetary support



**Fédération CRÉSUS**  
 Created in 2004

30 NGOs  
 Spokesman of CRÉSUS  
 associations  
 Technical support



**Fondation CRÉSUS**  
 Created in 2008

Budgetary platform  
 Financial education  
 Micro insurance  
 Tech innovations

# How are those NGO funded?

## PCB Associations

→ A subvention of 15.000 € each year for 3 years.

## CRÉSUS Associations « on the field »

- Subvention by government or local administrations,
- Partnership with local social workers,

## Association for the CRÉSUS Foundation

→ Companies such as banks and credit establishments address their vulnerable customers to the platform and pay for the support given to them.

## How did the idea to create partnership with economics actors come about?

- Observation from 15 years of activity : Houseolds are ashamed and come when the difficulties are already acute
- Looking for a solution to :
  - Meet households before they are over-indebted (first sign of fragility),
  - Don't depend on the political decision of the government (who did not finance debt advice),
  - Make the creditors pay for the support of households.

# Step to be funded by the private sector?

**First step (2008)** : Call for tender presented by La Banque Postale which contains support to the vulnerable customers

**Second step (2009)** : A big French credit institution which lost the call for tender took the idea to work with CRESUS

**Third step (2010's)** : Negotiation by the organisations of the Banking inclusion Charta which include the obligation for financial organisations to support their fragile client

# Make debt advice a legal obligation

## Art 8.

Credit institutions, payment institutions, electronic money institutions and finance companies undertake to offer their customers whom they have detected as being in a situation of financial fragility appropriate internal responses, and in particular to:

- offer, by any appropriate means, a meeting with the customer concerned in order to discuss his or her financial difficulties;

(...)

- if necessary, provide the customer with information on a third party that can help him or her, or even, with the customer's agreement, put him or her in touch with that third party.

To this end, credit institutions, payment institutions, electronic money institutions and finance companies shall organize themselves internally or, where appropriate, enter into partnerships with third parties, in particular associations, in order to facilitate customer referral, in agreement with the customer, when the financial difficulties cannot be dealt with solely within the framework of the credit institution, payment institution, electronic money institution or finance company concerned.

# How to be funded by the private sector?

The purpose of the Foundation is to **prevent over-indebtedness**, by focusing on social innovation opportunities.

Working alongside financial actors (such as banks or other lenders) which **detect** clients in financial distress, if possible before a situation of over-indebtedness occurs.

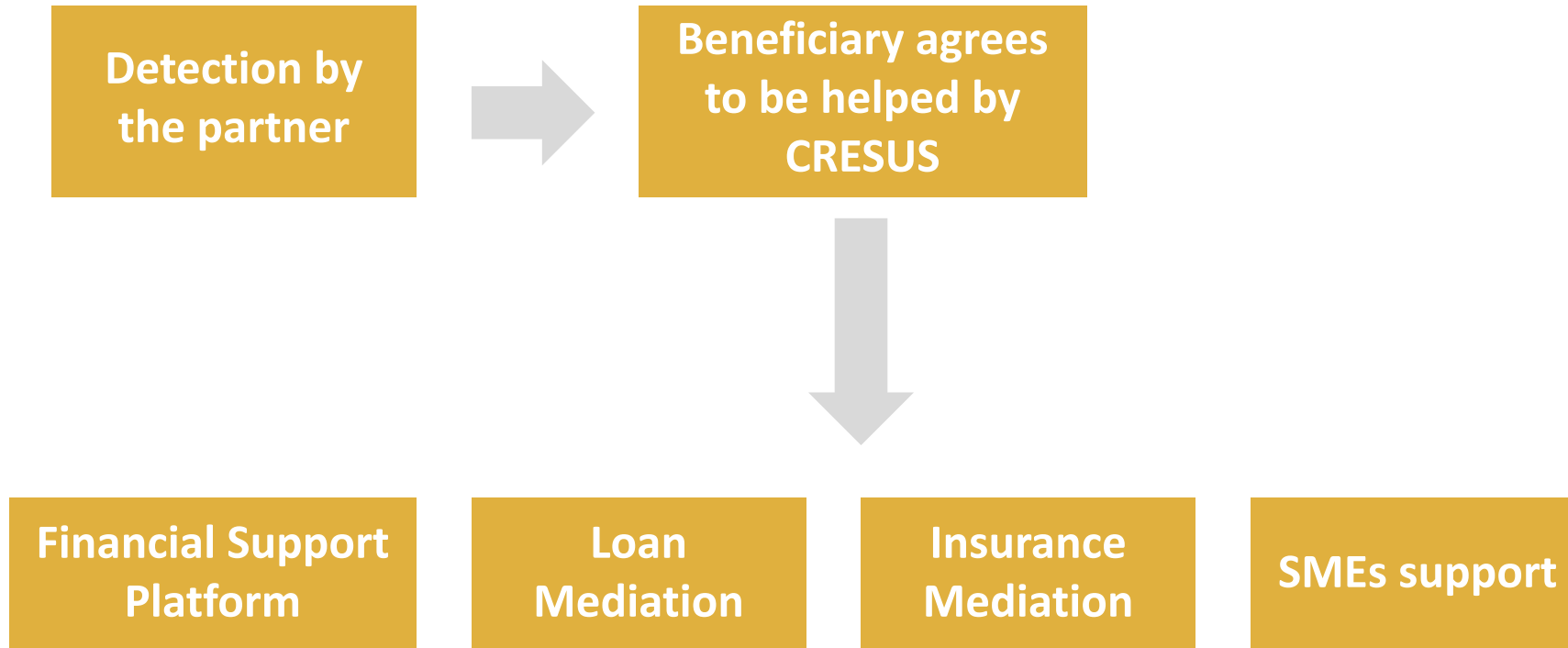
These clients can then be routed to the national phone helpline of CRESUS foundation.

As a **trusted third party**, the Financial Support Platform in Strasbourg help their beneficiaries to make a **diagnosis** of their financial situation and provide them with **appropriate recommendations** to resolve their financial problems.

In addition, the platform offers a **mediation and arbitration service** which aims to increase the beneficiaries' money available each month by renegotiating their monthly credit payments.



## The financial support platform



## The mediation process

**Mediation's aim:** contacting the beneficiary's creditors, proposing to them to reorganise their debts.

Debt restructuring means :

- reducing the monthly payment,
- increasing the duration of the loan and
- reducing the interest rates.

This allows to increase the beneficiary's available money each month. For CRESUS, this means food, clothing, hygiene etc.

All the debt advice activities of the foundation are based on prescription.

The CRESUS Foudation is funded by creditors (Banks and credit organisations) :

- A financial compensation for providing debt advice services (around €300 per file)
  - A fixed sponsorship which depends on the size of the institution to finance the R&D of CRESUS → which benefits from a tax reduction
- Our support stays always free for the beneficiaries



Éducation  
Entrepreneurs  
Junior

Change relationship to money, train responsible citizens and consumers with the right tools to gain autonomy and financial independence.

**Ambassadors** trained by the Dilemme team has several roles:

- The « Leader » of the session (rules, content, etc.)
- The « Expert » regarding the public and their needs
- The « Moderator » of the debates and exchanges between players, so that it benefits the educational purpose

→ 2000 Ambassadors (Bank employees, social workers, etc.)



# What principles for building such a structure?

- **Stay open**: We have much more to earn by working with banks and other financial institutions
- **Stay independent** : Remain a trusted third-party
- **Be pragmatic** and prove the affect of the action of the structure: importance of a solid IS to give solid statistics
- **Get recognised by the state** to have an impact on government policies

# Condition to build such partnerships

- **Building a trust relationship** with the creditor (by showing our impact),
- **Using the professionalization** to make your expertise recognized by the state and the partners,
- Don't hesitate to engage with **the media**



## Crédit à la consommation : les banques pousse-au-crime

*Consumer credit : Banks are a bad influence*

A recent case stroke JL Kiehl : a school director who made 390.000 € of credit within 5 years.

Every month, the women subscribed a new credit to reimburse the 8.800 € credit monthly payment : an infernal spiral

« *There is an overindebtedness bubble which is creating in the middle class, especially civil servant, denounce JLKiehl, because credit establishments are concentrating on this population, which is apriori solvent...when people in fixed term contract are excluded... »*

Un cas récent a frappé Jean-Louis Kiehl, celui d'une proviseure de collège ayant contracté pour **390 000 euros de crédit en cinq ans**. Chaque mois, cette femme devait souscrire un nouveau crédit pour rembourser ses mensualités de 8 800 euros. Un engrenage infernal.



"Il y a aujourd'hui une **bulle de surendettement** qui est en train de se créer auprès des classes moyennes, surtout les fonctionnaires, dénonce Jean-Louis Kiehl. Car les établissements de crédit se concentrent sur cette population a priori solvable, alors que les CDD sont exclus du crédit.

**Crédit revolving**

# How to convince partners to work with debt advice services

- Build a fidelity with their clients even when they are in a difficult position,
- Economy by avoiding over-indebtedness,
- Improving the Corporate social responsibility.



# The Financial Support Platform - Economical impact

## McKinsey study (2011)

	Financial institution	State
Cost avoided	Reduction in interest income, write-down of debt, legal support	Reduction in social debt
Cost reduction per file which avoids over-indebtedness	€ 16000	€ 2000
Total estimated cost savings in 2011	€ 125 million	€ 15 million

# The financial sustainability of the model

- Stable modal but fragile (based on voluntary decisions of creditors),
- Diversification of the partners (if one partner decides to withdraw for the next year, the others allow the model to stay stable),
- Permanent prospection of new partners,
- Participation at events about financial inclusion and states commission,
- Develop new programmes to reinvent ourself.