MONEY MATTERS

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The Peppi Project. First Results

ecdn
european consumer debt network

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Editorial

Dieter Korczak
ECDN President & PEPPI Coordinator

This issue of Money Matters focuses on the provision of debt advice services in Europe. Why is extensive provision so important? Because over-indebtedness of private households is a growing problem in Europe. Over-indebtedness is a multifaceted phenomenon with a negative impact on different stakeholders and society as a whole (Debt Advice Stakeholders Forum, 2018). Debt advice and debt counselling service structures are the most effective help and support for people in financial difficulties.

Recent figures from European research demonstrate that over-indebtedness of private households cannot be neglected by societies. According to the latest figures of Eurostat (2021) 21.7 percent of the EU population is at risk of poverty or social exclusion. The absolute figures are even more shocking; circa 97 million people. Thirty-two percent of people do not believe they would be able to withstand the financial shock equal to the value of a month's income. The fear is even higher than the EU average in Member states Croatia, Latvia, Greece, Cyprus, Lithuania, Romania, Bulgaria, Italy, Hungary, Slovenia, (Eurostat, 2020).

But do these countries have a good structure of professional, cost-free help in the interest of the debtors? No, not at all.

What is meant when we are using the term debt advice? Debt advice (also called money advice, debt counselling or credit counselling) generally refers to information and advice for people who are over-indebted, meaning unable to meet the contractual payments on their household bills, consumer credit or other financial agreements, or for those who are at risk of not being able to meet these payments.

Debt advice can take on different forms and be organised in different ways.

According to the results of various information sources (e.g. Eurofound, 2020) an insufficient, inadequate, or completely lacking provision of debt advice is the case in 13 EU Member States: the above mentioned countries plus Spain, Slovakia, and Malta.

To address this situation the EU published a call Grants for action for promoting stable debt advice services in June 2021. The call prioritised the following activities:

- make providers of assistance of debt advice more accessible to consumers, including the improvement of their operational capacity in resolving consumer problems
- develop the networking of debt advice entities
- promote monitoring activities of the functioning and the effectiveness of debt advice mechanisms

To access these grants, the European Consumer Debt Network to fight and prevent over-indebtedness and to promote financial inclusion (ECDN) made an application and received contracts from the European Commission to carry out the project *Provision of an European Platform for the Prevention of Over-Indebtedness by the Increase of Accessibility and the Improvement of Effectiveness of Debt Advice for Citizens* (PEPPI). ECDN has signed 13 grant agreements to implement projects in 13 member states. The projects are co-funded by the EU. For better visibility and identification of the projects two logos were developed.

Provision of a European Platform for PEPPI the prevention of over-indebtedness

All about Finance PEPPI the prevention of over-indebtedness

In the grants the main aim of the projects in the thirteen countries were defined as:

- to increase the accessibility of debt advice services
- to improve the operational effectiveness of the structures for providing debt advice services through the creation or the strengthening of specific networks of experts, technicians, and debt advisors.

The project will run until December 2023. This issue of Money Matters is a kind of interim report, a mid-term review. The views expressed in the articles by the national coordinators of the project reflect what they have experienced in the first nine months of the project.

It can be summarised that the civil society sector is on a very low level in many countries. There is no regulation for establishment and provision of of debt advice.
Existing services were scattered. The main problem in establishing a stable debt advice network is the lack of financing and missing support by other NGOs, governments and the national banks. Therefore many activities of the national coordinators were directed to build the foundation for the development of an advisory structure. This was done by analysing and reporting the national situation, by identifying relevant stakeholders in the field, by organising personal and online network meetings.

In some countries the further development will be heavily influenced by the new Consumer Credit Directive (CCD). The draft of the new CCD expresses in Article 36 that member states shall provide debt advisory services: Member States shall ensure that debt advisory services are made available to consumers who experience or might experience difficulties in meeting their financial commitments. Once the new CCD has been transposed into national law, there is a great chance that debt advice services will be funded and their establishment promoted. Slovakia provides an example of positive action before the new CCD comes into force. There, 46 new debt counselling centres were established in 2021 and 2022, which work as a holistic concept throughout the country.

National coordinators gathered in Malta for a PEPPI conference in March 2023, this exchange of information and ideas is reflected in this edition which provides an overview of the coordinators presentations. We look forward to meeting again later in 2023 at the end of the project to reflect on, and hopefully celebrate, the collective sucesses.

Co-funded by the European Union

Challenges facing Bulgaria: Over-indebtedness & scaling a debt advice service

Willy Pierre Abbal
Temida Foundation, Bulgaria

Overview

Bulgaria joined the European Union on 1 January 2007, alongside Romania. Both countries remain outside the Schengen agreement, however Bulgaria is likely to become a Eurozone country before Romania; Bulgaria has been admitted to the Exchange Rate Mechanism and it is expected to join the Euro from 1 January 2024. EU membership has led to significant reforms and improved living standards for many Bulgarians; however, Bulgaria remains at the lower end of almost all comparable tables with other member states, as the poorest member state. This situation is not aided by political instability; Bulgaria has had five elections in the past two years.

Financial problems

Despite Bulgaria's gross domestic product doubling since EU membership, Bulgaria remains with the lowest wages in the EU. It is estimated that more than 30% of the Bulgarian population is experiencing, or at risk of, poverty or social exclusion. In addition, the financial literacy of the Bulgarian population is below the EU average. Bulgaria has also been experiencing significant inflation in recent years; currently, Bulgaria ranks fifth in inflation growth in the EU (16.4% in February 2023). The volume of retail loans has increased by 40% since 2011 however it appears that the level of non-performing loans (NPL) has decreased but this can be attributed to the fact that most NPL are sold onward to alternative collection companies and are therefore not adequately recorded.

The proportion of the Bulgarian population at risk of, or facing over-indebtedness is significant, consisting of lone parents, older people, entrepreneurs, minority ethnic groups, young people, unemployed people. The triggers for over-indebtedness in Bulgaria reflect the same experiences across the EU; a drop in real income and renumeration. With low financial literacy, and when faced with a problem that needs an immediate resolution, consumers in Bulgaria have embraced loans to repay debts.

Legal protections & assistance

Compared to the rest of the EU, Bulgarian consumer protection and awareness is in its infancy. Bulgaria is one of the last EU countries without a clear bankruptcy law, a 2015 interpretative decision allows debtors to use what was previously a business-only bankruptcy law on a case-by-case basis. It is difficult to access credit reports, the only data provider is slow, and the information provided is unclear.
While there are private lawyers and consultants available to provide financial advice, these are beyond the financial reach of households experiencing financial exclusion. Bulgaria does not currently have any free debt advice networks, and while there are financial literacy initiatives, these are not coordinated. Many free (or with a cost) financial literacy initiatives are managed by NGOs, state bodies and other organisations, and are focussed on children and teenagers, there is nothing available for adults.

Temida Foundation

In June 2021, a collaboration between willing bankers and psychologists formed the Temida Foundation in Bulgaria. The purpose of this new Foundation was to provide financial coaching free-of-charge. However, without State-wide support, limited resources and low awareness among local institutions, it has been difficult to gain ground. Temida has demonstrated considerable innovation through developing digital solutions for a wider reach. Temida has also been very active in developing networks within the EU, such as with the European Consumer Debt Network, to increase the Temida profile and to learn from others.
Temida established a website with practical information about savings and budget management. Temida has also devised digital gaming tools for financial education and made available a budgeting app to coach Bulgarian consumers. In addition, Temida has tried to build capacity within Bulgaria through training 40 people as debt advisors. To date, 20 people have been assisted through a holistic approach. People seeking assistance are provided with an analysis of their situation from a legal, financial and psychological approach. An action plan is developed with the client, and the progress is tracked and tweaked with quality of life as a key performance indicator.

However, it is clear from the individuals who have accessed Temida's service that they should have accessed these types of services two to three years before they did, when the debt problems were first emerging. Unfortunately, Temida can see from the case histories that people have fallen into a cycle of debt while trying to resolve the situation on their own. Temida's negotiation powers are significantly curtailed by the fact that there is no legal framework within which to provide the necessary services.

Despite an overall positive assessment, and despite having the ability and tools, Temida does not have the resources to expand beyond a pilot scheme to having a national impact. Political instability and lobbying by financial institutions make it difficult to access resources.

To develop a pro-bono network of much needed debt advice services in Bulgaria, Temida would like to see these services being provided with a legal framework within the forthcoming EU Consumer Credit Directive. In addition, successful models such as that demonstrated in Slovakia could be rolled out in other member states, generating synergies and economies of scale, with the ability at a network level to monitor the implementation of free debt advice services across the European Union.

Willy Pierre Abbal is national coordinator for the Peppi project in Bulgaria

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Over-indebtedness in Croatia

Igor Škrgatić, Padobran, Croatia

Overview

Croatia, with a population of 3,871,833 (Census, 2021) has experienced a significant 'brain drain' (circa 500,000 people) since EU membership (2013). The official statistics state there are 230,000 people who are over-indebted (measured by blocked accounts), but it is likely that the figure is closer to 400,000. The main causes of over-indebtedness mirrors that of other member states, with one particular to Croatia – loans denominated in CHF. Bank debt, although decreasing, accounts for half of Croatian debt with debt to the state and the telecoms industry also playing a significant role. Other creditors that are not included in the official statistics also account for over-indebtedness, for example, debt collectors, lawyers.

Debt advice

Until 2018 when funding ceased, counselling centres, with professionals specialised in financial services advice, were active under the consumer protection associations funded by the Ministry of Economy. There are currently two civil society organisations and one social impact company providing debt advice:

Croatian Alliance of Consumers (CAC) – integrates 15 Croatian consumer protection associations

Padobran (Parachute), a financial inclusion association, to help over-indebted citizens to terminate financial and social exclusion and gain control over personal finances

BE-ON advisory services Ltd. – a company for financial advisory and credit intermediary services, specialising in restructuring debt for citizens with blocked accounts

Padobran has a counselling centre at the FINA[1] office in Zagreb, and temporary counselling centres at five other locations operating as part of the Leap Out of the Debt project, implemented by the consortium CAC, Padobran and BE-ON. BE-ON is the only commercial solution for financial obligations for citizens, recently co-owned by the Feelsgood Social Impact fund, an investment fund that invests in projects with measurable social impact.

Main stakeholders

[1] *https://www.fina.hr/en/homepage*

Legal conditions

Over-indebtedness escalated in 2018, with the increase in blocked citizens to more than 325,000 with a total debt of HRK 43 billion. The following suite of laws were designed as a response:

- A law on natural persons debt (Official Gazette 62/18, effective from 21 July 2018) enabled write-offs of debt to the state at its various levels. HRK 1.3bn was written-off for 150,474 citizens and 6,248 citizens were unblocked.
- (Official Gazette 68/18, Art.33, effective from 4 August 2018) Payments at the expense of the bailiff of a natural person, that had not been collected in full within three years from the date of receipt in FINA and for which there had been no collections in the previous six months, were no longer enforced. This relieved 225,322 debtors partially or completely, and 50,695 citizens were unblocked. A simple consumer bankruptcy procedure was also made possible using FINA; in the first wave, agreement was reached for 11,524 citizens, and FINA periodically now sends invitations for simple bankruptcy to eligible citizens.
- In addition, since April 2022 amendments to the consumer bankruptcy law came into force reducing the period of checking consumer behaviour from five to three years in line with EU.

Despite these measures (the amount of debt over 365 days decreased from HRK 41.8 to HRK 17.1 billion, and the number of long-term blocked citizens from 278,594 to 232,879), the situation did not change significantly for the following reasons:

- These measures were made according to the 'one size fits all' principle, not taking into account the difference in the amount and origin of the debt and types of debtors across social categories.
- Debts written-off based on the Act on Execution of Financial Assets have not disappeared, but are still visible on FINA reports, and 'professional creditors' monitor this and can initiate new enforcements.
- The concentration of the problem is with 'mega-debtors' who benefited most from the measures: in the category over HRK 1 million, there were 4,667 debtors with a total debt of HRK 21.9 billion (52% of the total amount of blocked citizen accounts), this number decreased to 1,598 debtors with a total debt of HRK 7 billion (40% of the total amount).
- The number of blockages of smaller amounts is increasing even after the application of government measures.
- The share of banks and telecoms as creditors is falling, while the share of the state, electricity suppliers and other sectors, where there are debt collection agencies specialising in debt management, is increasing.
- The category of debtors with whom nobody engages deserves a special review; over-indebted citizens with regular incomes who have the potential to get out of this situation through reprogramming/restructuring of total debts. These measures have had unintentional consequences for these debtors; tightening the criteria for determining creditworthiness and complicating the reprogramming process.

Financial prevention activities

Several stakeholders, including the Ministry of Finance and the Croatian National Bank, have come together to establish a National Financial Literacy Programme aimed at prevention, mostly of younger people, through the education system. The Croatian Banking Association and some of the banks individually organise workshops and programmes to promote financial literacy. An academic, Professor Toni Milun of the Algebra University College, is an active figure in Croatia working to make mathematics more accessible and therefore financial information and decisions more understandable to everyone.
In general, the civil society sector in Croatia is at a very low level of development, especially in the segment of consumer protection, and the main cause of this is insufficient state funding; associations rely on project funding, which is unsustainable for developing a quality advisory service for over-indebtedness.

Igor Škrgatić, is national coordinator for the Peppi project in Croatia

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Debt Advice in Cyprus

Virginia Christou,
Legal Advisor of Cyprus Consumers Association

Overview

According to the 2021 population census, Cyprus has a population of 918,000 people. In the Mediterranean region, Cyprus is considered one of the most prosperous countries with one of the highest GDPs in the area, with most of the economy focused on the service industry, chiefly tourism. However, it is estimated that over 100,000 people in Cyprus are over-indebted, which corresponds to 11 percent of the population.

Household problems

Households in Cyprus face a variety of financial problems and difficulties. One of the most common problems is the difficulties they face in repaying loan instalments. Another key concern is the deprivation of basic goods, due to rising prices experienced across Europe as consumers have limited income, and it becomes more difficult for them to pay for the basic essential items and goods they need. There is a noticeable reduction in the purchasing power of the consumer. It is estimated that the purchasing power of consumers has decreased by 10% in the last year. In addition, inflation in Cyprus reached 10.9% in July 2022 and in February 2023 it fell to 6.7%, which also affects the purchasing power of consumers. Other problems experienced by Cypriot consumers include the fact that the average bank interest rate over the past ten months has risen by three percent, bringing the average bank interest rate paid by borrowers to five percent (for the consumer, residential and business loans).
One more issue, is that less than 20% of the population of Cyprus possess a high level of financial literacy, while more than 50% are considered to have low skills in this area. This lack of knowledge causes the consumers to make wrong financial decisions.

Providers of existing debt advice services

There are many private financial advisors in Cyprus. Unfortunately, however, the cost of financial advice is on average €300 - €400, which is difficult for some of the population to pay. There are no financial advisors offering services for free. The only organised bodies that offer a part of the financial services free of charge are two voluntary associations, the Bank Borrowers Protection Association and the Cypriot Consumers' Association. Unfortunately, regarding financial education, there are no competent bodies who promote financial advice in an organised manner in Cyprus. Also, there is no substantial and organised free financial education in Cyprus.

ΚΥΠΡΙΑΚΟΣ ΣΥΝΔΕΣΜΟΣ ΚΑΤΑΝΑΛΩΤΩΝ
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However, there are some organisations that have as an objective to take measures to inform consumers about issues related to financial matters, as well as the reduction of the phenomenon of financial illiteracy. For example, the Central Bank of Cyprus, has created an ad-hoc committee for the promotion of financial literacy and education in Cyprus. Also, the Association of Cyprus Banks runs two financial education programmes, one for primary schools and another for high schools, in which they educate children to take smart decisions about their economic future when they will become adults.

Barriers and challenges for the better provision of debt advice

One of the barriers for the better provision of debt advice in Cyprus is the high cost of education, because this type of education is based on private initiative. There is no free education for debt advice, so you can be educated only through institutions like universities which have a cost.

Given the economic challenges facing the people of Cyprus, the state or European organisations should be interested in offering financial education on an organised basis and free of charge to the consumers. There is the potential for organised consumer protection groups to offer this training free of charge, on an organised basis to the consumers, but unfortunately, they do not have the financial resources needed to organise this type of training. Organised training can be done with educational seminars in the consumers‘ areas of residence. This way of training would be immediate, effective, accessible and would facilitate consumers.
Also, the creation of a simple and understandable website, through which many consumers would be able to access the advice relevant to their situation would be very helpful for the better provision of debt advice in Cyprus.

Developing the website for financial education within the PEPPI project

As part of the PEPPI project, the Cyprus Consumer's Association is working on development of the website for financial education. Currently, the Cyprus Consumer's Association are working on gathering all the relevant information for the website and it is intended that the site will be available to consumers in the short term. It is intended that the website will include a variety of content and topics, including information about financial decision-making, financial needs at the different stages of life, effective financial planning, and tools for consumers to develop tailormade household budgets.

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Overview of over-indebtedness and debt advice in Greece

Anastasios Kokougiannis,
Attorney at Law ek pizo, Greece

Overview

According to the 2021 census, Greece's population (including migrants and refugees) is 10,432,481 people, while the Greek population is 9,716,889, decreasing by 3.5% since the 2011 census. The official statistics state that 26.3% of the population (2,722,000 people) are at risk of poverty or social exclusion. The unemployment rate is 10.9%.

Over-indebtedness and legal remedies

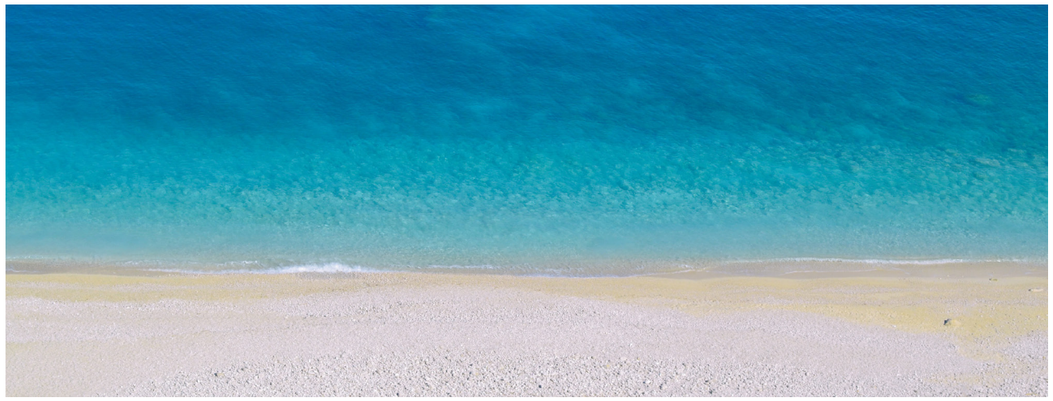
Since the financial crisis, over-indebtedness has been a major issue in Greece, affecting a large number of consumers and businesses. However there remains no legal framework to provide debt related advice. There are no official data on the number of individuals experiencing over-indebtedness. However, it is a conservative estimate that the figure is close to a million.

The main financial problems for households in Greece include inflation (the general rate is currently 3%, while the rate related to food and non-alcoholic beverages is much higher), the increase of interest rates, the increase in energy costs (all energy prices are linked to the energy stock market under EU legislation) and rent increases.

According to a December 2022 report from the Bank of Greece, the total outstanding amount of loans was €168,3bn. The non-performing loans (NPLs) amounted to €13,8bn (€1,5bn consumer loans, €3,3bn mortgage loans and €8,8bn business loans). Aside from NPLs owed to Greek banks, another €70,6bn of NPLs have been bought through securitization by non-Greek funds and are being managed by Greek services. Part of this securitization has been made through 'Project Hercules' (Law 4649/2019), which allowed Greek banks to transfer NPLs to a special purpose vehicle issuing senior, mezzanine and junior bonds. Once certain conditions are met, the State guarantees senior bonds a commission. When 51% of the mezzanine and junior bonds are sold at a positive value, the NPLs are extracted from the banks' balance sheet.

The size and severity of over-indebtedness led to the introduction of personal insolvency legislation. Law 3869/2010 gave consumers the opportunity to resort to court to regulate debts for three to five years, as well as keep their primary residence based on its value, with a payment plan of 30 years maximum. Over 150,000 petitions were filed, many of which were rejected due to legal reasons (supposed willful misconduct of the consumer). This law, which is no longer applicable, underwent many amendments, most of which led to less protection for consumers. Other insolvency and primary residence protection legislation followed, but this was unfortunately not sufficient for consumer protection.

The current applicable legislation for debt regulation and provision of second chances (Law 4738/2020) concerns both households and businesses and allows for debt regulation not only for banks, but also State and Social Security Funds. It includes two kinds of procedures: the first is



through an online platform for debt regulation out of court, where automated solutions are generated by an algorithm. There is also the possibility of mediation, in case the debt planning is rejected by the debtor. So far 49,600 applications have been filed, concerning €27,7bn of debt. The second procedure is an insolvency procedure before court. It can also be initiated by creditors and includes the liquidation of the debtor's assets.

Law 4738/2020 provides special protection for vulnerable consumers and their primary residence, based on the debtor's income and the value of the property.
In the debt regulation through the online platform, the State subsidizes mortgage loans for five years. In case the court procedure is followed, a private entity buys the property and rents it to the consumer for 12 years. After this period, the consumer can buy the property back from the entity.

Debt advice & Financial Education

The main options for consumers to access debt advice are the Special Secretariat for Private Debt Management (Ministry of Finance), consumer associations, lawyers and accountants.

The Special Secretariat for Private Debt Management established 45 Consumer Information and Support Centres in large cities across Greece. The main purpose is to inform over-indebted consumers and businesses about their rights and obligations in the process of dealing with difficulties in paying their debts, as well as provide customised advice and directions concerning possible legal routes. Unfortunately, in practice the support centres are under-functioning and mostly just provide general information on debt-related legislation.

Consumer associations offer inexpensive debt advice, and employees tend to be sufficiently educated/trained on legal, financial and debt issues. They also play an important role in debt prevention and consumer education and frequently deal with psychological aspects of over-indebtedness.

Lawyers are more expensive than consumer associations. However, they provide customised advice and are the only stakeholder who can represent consumers before courts in insolvency procedures.

Accountants usually offer inexpensive services, but their advice mainly concerns debt owed to the State or Social Security Funds. Moreover, consumers do not tend to use them for bank debt problems.

The main stakeholders providing financial education are:

- the General Directorate of Consumer Protection (General Secretariat of Commerce – Ministry of Development and Investment)
- the Bank of Greece
- the Hellenic Financial Literacy Institute (NGO founded in 2016)
- consumer associations

While a lot of progress has been made, there is still a long way to go to reach higher standards and attach proper importance to financial education.

Anastasios Kokougiannis is national coordinator for the Peppi project in Greece

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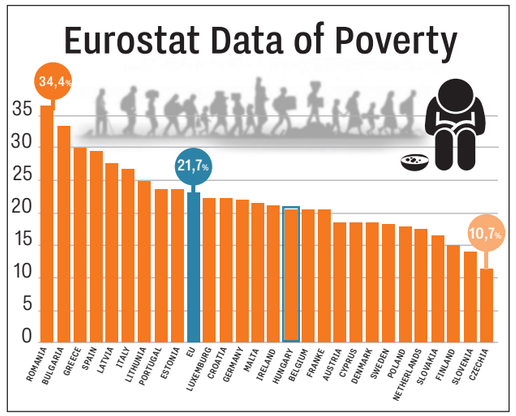
Over-indebtedness in Hungary

Jozsef Meszaros, Cognative ltd., Hungary

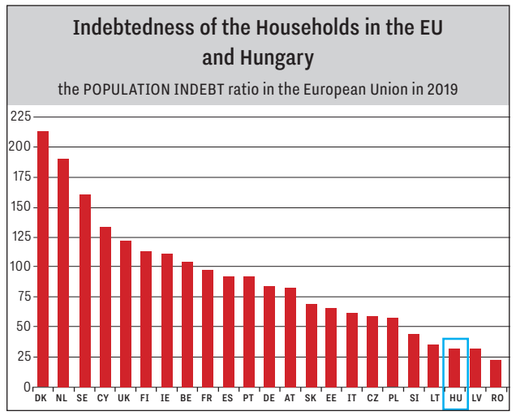
Overview

Hungary is a landlocked country, bordering seven countries with a population of 9.71 million (World Bank, 2021). Hungary has been an EU member state since 2004, and in the Schengen Area since 2007. However, Hungary has not yet joined the euro currency although there have been plans to do so, but these did not come to fruition due, at least in part, to high levels of public debt. According to Eurostat data (2021) the number of people in Hungary experiencing, or at risk of poverty and social exclusion, is just under twenty per cent. Hungary therefore is in the mid-range compared with other EU member states.



Poverty and Over-indebtedness in Hungary

The Hungarian Central Statistics Office notes the considerable regional variations in salaries, with Budapest having the greatest wealth while households in the north of the country are, on average, more than three times poorer than those of the capital. In Hungary, almost one million people earn less than HUF 100,000 (approximately €260) per month.



Hungary was not immune to the global financial crisis. In 2010, the debt ratio peaked at 67.8% and after 2010 this figure decreased due to income growth and the reduction of the loan portfolio. Over-indebtedness due to foreign currency-based loans was a serious problem between 2000 and 2011 with a reverse in this trend up to 2018 due to government intervention. By 2018, the proportion of household loans had decreased to approximately 31.6%, this was a reduction back to 2004 levels.

In the aftermath of the global financial crisis, while non-performing loans increased significantly in Hungary, large scale debt consolidation programmes were launched, however these did not apply to the most vulnerable debtors. These programmes enabled non-delinquent debtors to repay their debt in a lump sum which significantly reduced debt repayments for debtors who would have otherwise defaulted. The debt relief measures for the most vulnerable debtors were unsuccessful or were too limited in timing or conditions, and in addition changing criteria for access to social housing created an additional disadvantage. Only one percent of debtors filed for private bankruptcy, possibly due to a lack of knowledge or overly strict conditions.

Research completed in 2022 (Dobránszky-Bartus) with debtors with long-standing debts and little hope of a solution demonstrates the complexity and precariousness of living with over-indebtedness in Hungary. Interviewees were trying to live in the shadows of the state and institutions to avoid repayment of debt that they could not afford. Interviewees were not working in taxable jobs, as significant portions of the salary would be deducted at source. In addition, these jobs would not be available locally and would require, even for a minimum wage job, travel costs and family and childcare complexities due to time away. Therefore, interviewees were working in the undeclared economy to make ends meet. Similarly, electronic payments and bank accounts were avoided to reduce or avoid all contact with the creditor banks, and to avoid deductions. Previous experience with banks had led to shame, and the debt situation resulted in considerable household stress. Meanwhile, interest continues to accrue and without a taxable presence, certain state benefits may not be available, further deepening a poverty trap.

Debt Moratorium: Covid 19 and debt relief in Hungary

Due to the economic crisis caused by the Covid 19 pandemic, the Hungarian government permitted a moratorium on loans which was extended three times and was lifted in mid-2022. It had been anticipated that this would result in mass default; however, the banks are reporting that the number of non-paying debtors has been minimal with people continuing to repay regularly following the lifting of the moratorium. This can be attributed to preferential state programmes since the beginning of 2023 - personal income tax refunds, pension premiums, and very low levels of unemployment. The first serious wave of of non-payment is expected in connection with consumer loans with non-fixed interest rates. In the case of personal loans, the interest rate has increased dramatically recently - up to 10 percent. In the same way, a dramatic increase in installments is expected for all short-term, non-fixed loans not affected by the interest rate cap.

From mid-2022, bailiffs were able to restart auctions and enforcement actions related to them, but this affects debtors whose cases had been pending with the bailiff for several years and who could not or did not want to take advantage of the auction moratorium to reach an agreement with creditors. The number of these procedures may temporarily be higher than in previous periods, since the accumulated case backlog following the two-year moratorium. However, the Hungarian Court Bailiffs' Faculty (MBVK) has not published current statistics on the number of proceedings, so there are no accurate data on the real situation. Many of these properties are not burdened by a single debt, but rather have several foreclosures in progress. The most common are tax debts, child support, compensation, utility bills (this accounts for about a third of executions), telephone debts, and bank debts.

Almost 460,000 payment orders were issued for debts due in 2021 in Hungary, 20,000 more than a year earlier. However, the number of applications was still below the level of 2019 before the coronavirus epidemic. The vast majority of the issuance of payment orders was initiated by debt collectors and companies providing public services, such as public transport and utility companies, as well as mobile service providers. The Hungarian National Chamber of Notaries (MOKK) emphasizes that those who do not agree with the payment order should object in time, otherwise enforcement may be initiated against them due to the debt. Last year, the proportion of those who disputed the claim decreased.

Provision with debt advice services

The Family Protection Service in Bankruptcy is a central body belonging to the Government Offices, which coordinates tasks related to the debt settlement of private individuals undergoing private bankruptcy.

Its duties under the Act include:

- publish information materials for the public on the measures to be taken to avoid the accumulation of debts and over-indebtedness, the conditions and procedures for initiating debt settlement, and the model forms, applications and declarations of rights relating to debt settlement
- supervise the professional activities of family administrators, and the administrative and organisational conditions for contacts with the parties to the proceedings

It has specific tasks for judicial and extrajudicial debt settlement proceedings.

The Family Protection Service in Bankruptcy's regional branches include Family Trustees, who play a key role in private bankruptcy proceedings. They are also assisted by a team of three members, who also have a high level of professional knowledge and expertise in legal, social, and economic fields and carry out administrative tasks.

The Hungarian National Bank is the main provider of financial literacy. In order to improve the financial awareness of the adult population, and consistent with the MNB's financial stability and financial consumer protection objectives, the MNB developed its complex information system called Financial Navigator, which is aimed at providing credible and accessible information to wide sections of society through various channels about typical financial decisions as well as the aspects and risks to be considered while taking informed financial decisions (MAGYAR NEMZETI BANK, Annual Report 2021).

In addition to the website of the MNB Financial Navigator Programme, the Financial Navigator Consulting Office Network, financed and professionally supervised by the MNB, has been operating since 2011 and serves approximately 20,000 clients annually, including those with debt problems. The consultants of the Office Network provide clients with a free, professional service that is independent of the interests of market players and is available in all county seats. Customers can contact the specialists in person as well as via telephone or electronic channels. The offices are operated by civil organisations that have a contractual relationship with the MNB, the advisers attend at least two mandatory training sessions per year, take annual exams, and the MNB regularly checks the quality of the service.

The MNB's important professional partners are the Magyar Máltai Szeretetszolgálat Egyesület, (The Maltese Charity Association), whose main profile is the protection and restoration of the financial balance of cumulatively disadvantaged households.

It has to be pointed out that there is no real consumer support in that field in Hungary. There were scattered services rooted in the past by tiny NGOs. The services of the National Bank of Hungary and the Máltai Szeretetszolgálat do not focus on debt advice.

Jozsef Meszaros is national coordinator for the Peppi project in Hungary,

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Household Indebtedness and Financial Education in Italy

Giorgio Calcagnini, University of Urbino Carlo Bo, Italy
Federico Favaretto, University of Urbino Carlo Bo, Italy
Germana Giombini, University of Urbino Carlo Bo, Italy

Overview

Italy has experienced many of the same economic trends observed across Europe in recent years, the impact of the Covid-19 pandemic was somewhat mitigated by EU and government interventions and as the global economy tried to quickly catch up with consumer demand in the face of supply chain and other logistical problems, the conflict in Ukraine further impacted availability of goods and services. However, the Italian GDP has returned to, and outperformed the pre-pandemic levels, albeit sluggishly. Italian consumers have been subject to the same problems with inflation as the rest of the EU however this has slowed down significantly in the most recently available data (ISTAT, 2023).
At the end of 2022, the resident population of Italy was 58,859,717 – about 179,000 less than at the beginning of the year, despite the positive contribution of the foreign migration balance.

Household Indebtedness

Household spending, which grew particularly robustly in the second and third quarters, so much so that it was above the level at the end of 2019 for the first time, has slowed at the end of the year 2022 (Visco, 2023). It has been affected by the weakness of disposable income in real terms, despite government interventions aimed at calming energy prices and mitigating their impact on household purchasing power, especially for less affluent households, which were most affected by higher energy prices and higher food costs, also largely a consequence of the conflict in Ukraine. Italian corporate and household debt remains low in international comparison. In relation to GDP, it is 112% overall, compared with an average value of 168% for the euro area. Over the past decade, household debt has remained broadly stable at just over 40% of GDP. An additional risk mitigating factor for households is the ample availability of liquid assets: last September, deposits and working capital exceeded €1.6 trillion.
Despite rising inflation, accumulated resources appear capable of supporting household ability to meet financial commitments even in an adverse scenario characterised by reductions in real income and significantly higher than expected interest rate increases.
In 2020, the median income of Italian households was higher than in 2016, the latest available data, but still almost eight percentage points lower than the peak reached in 2006, before the last three recessions that hit the Italian economy (see Figure 1).
Between 2016 and 2020, the Gini index of equivalent income remained essentially unchanged while the share of low-income individuals, those whose equivalent income is less than 60% of the median income, declined.
The share of indebted households rose, breaking the decline that began after 2008. Among these households, however, the weight of the financially vulnerable (who have an equivalent income below the median and an annual debt service expenditure of more than 30% of their income) decreased by four percentage points compared to 2016. Contributing to the reduction was the expansion in 2020 of cases in which a debt moratorium could be obtained (see Figure 2).

FIGURE 1 | AVERAGE HOUSEHOLD INCOME (blue) AND EQUIVALENT INCOME (red) (constant prices, 2006=100). Bank of Italy

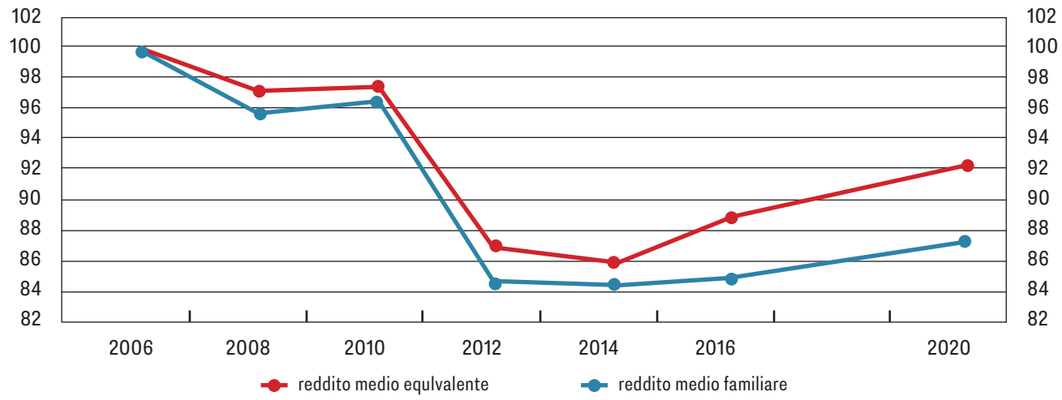
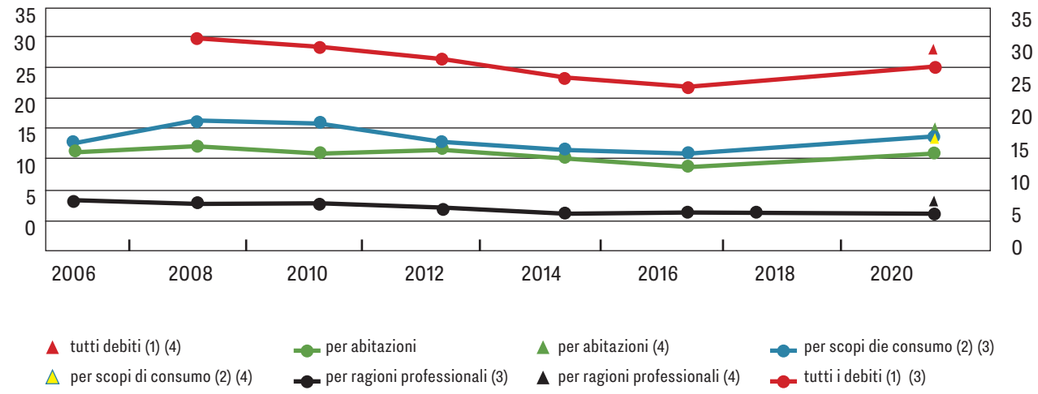


FIGURE 2 | SHARE OF HOUSEHOLDS IN DEBT BY DEBT PURPOSE: Total debt (red), consumption (blue), housing (green), professional (black). (percentage values) – Bank of Italy.



Source: [XXXVIII edition of the Bank of Italy's Survey on Household Income and Wealth (SHIW, 2021)]

Debt advice services

In Italy, debt advice services do not have a specific discipline and are not widespread throughout the country. In contrast, debt settlement is regulated (first, Legge 3/2012, then Codice della Crisi d'impresa e dell'insolvenza).
A recent paper from the Bank of Italy on debt advice (Antenucci and Caldarelli, 2022) describes the actors that might be qualified to provide such services. Debt advice services could be provided by nationally recognised consumer associations registered with the Ministry of Economic Development, along the lines of the French and Portuguese model, which focus on a debt advice model entrusted to the non-profit sector. In addition, municipalities could take on the role of debt advisor both as bodies close to the citizen and because of the competencies already attributed to them in the area of social services. It also cannot be ruled out that the Bank of Italy may also play an institutional role.

- There are several initiatives but no consolidated public presence and there may be difficulties of coordination
- There is no regulation
- There may be a skills gap when a holistic approach is needed (e.g. psychological problems)

Financial Education in Italy

According to the International Survey of Adult Financial Literacy (OECD/INFE, 2020) Italy has among the lowest levels of financial literacy. Young people and low-income individuals represent the two categories - often overlapping - that tend to suffer most from the consequences of a lack of financial literacy: the former are exposed daily to a risk of excessive and unconscious indebtedness; the latter often have difficulty in understanding and using financial products.

Financial education services

Among the main actors that provide financial education services in Italy there are:

- Comitato EDUFIN – The committee consists of the Ministry of Economy and Finance, Ministry of Education, Ministry of Economic Development, Ministry of Labor, Bank of Italy, Consob, Covip, Ivass, Ocf, National Council of Consumers and Users.
  Website: https://www.quellocheconta.gov.it/it/

- L'ECONOMIA PER TUTTI. The Bank of Italy's new financial education portal. News, videos, calculators, games and infographics will enable a learning experience that is both fun and concrete. It stands in natural continuity with the national 'Quello che conta' portal, is aimed at everyone: young people and adults, students and teachers.
  Website: https://economiapertutti.bancaditalia.it

- The 'Fondazione per l'Educazione Finanziaria e al Risparmio' established on the initiative of the Italian Banking Association is a legal entity under private law, nonprofit, which pursues socially useful purposes by promoting Financial Education, in the broader concept of Education for Conscious and Active Economic Citizenship, to develop and disseminate financial and economic knowledge.
  Website: https://www.feduf.it/

- BPER. Idee che valgono -B-education: ideas that count is a national project, promoted by BPER Bank in collabo-ration with FEduF and CivicaMente, aimed at university students. The goal of the project is to promote Financial Education and Sustainability as transversal citizenship skills.
  Website: https://www.bper.it/perche-sceglierci/educazione-finanziaria/b-education

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Giorgio Calcagnini & Germana Giombini are national coordinators for the Peppi project in Italy.

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Overview of debt advice provision in Latvia

Dieter Korczak, ECDN President

Latvia, located by the Baltic Sea, has a population of 1.8 million inhabitants. In 2022, 6.9% of the Latvian population has arrears in key financial commitments (mortgage or rent, utility bills or hire purchase) (EU-SILC, 2022). This percentage decreased from 22.4% in 2013. However recent data show that many Latvians have a negative view of the economic situation; in 2023, 66% described the economic situation in negative terms (Eurobarometer, 2023). This is in line with the fact that 44% of Latvian households are unable to face unexpected financial expenses (EU-SILC, 2022).

Debt advice services that are available for Latvian households include legal counselling, money and debt management, and social and psychological assistance. However, debt advice in Latvia is almost exclusively provided by private entities (i.e. legal professionals, private lawyers and for-profit companies) (VVA&CEPS, 2021:22). The majority do not provide debt advice as a holistic approach but often provide just legal advice or offer debt consolidation ‚solutions'. If debt advice is considered as a number of services provided by a single provider or a number of providers in a coordinated manner, such advice does not exist in Latvia on any level. There is a great need to improve the provision of debt advice in Latvia; just 0.3% of people in arrears receive any form of debt advice (VVA&CEPS, 2021).

However, the Consumer Rights Protection Centre (PTAC) is one of the important actors providing general advice to consumers rather than specialised services on debt, PTAC can provide help when there has been a possible infringement of consumer rights. PTAC operates under the supervision of the Ministry of Economy, under the Consumer Rights Protection law.

The Latvian National Association for Consumer Protection (Latvijas Patērētāju interešu aizstāvības asociācija /LPIAA) is a not-for-profit NGO with a mission to protect and promote the rights and legitimate interests of Latvian consumers in various sectors of the economy and society at large, including providing support and assistance in solving consumer problems. It has consumer advisers in different regions of the country. LPIAA also offers debt advice to consumers, but the organisation does not have enough resources to ensure sufficient coverage, so this service is not actively promoted, and most consumers are likely not aware of it.

A project by the European Bank for Reconstruction and Development (EBRD), in cooperation with the European Commission (Directorate-General for Structural Reform Support) and a consortium of financial, legal, and communication experts recently finished an evaluation of the information resources on financial distress available to stakeholders in Latvia. The project aims to support the financial wellbeing of the Latvian public amidst current inflationary pressures. The project shows that a high number of people have searched for information on the management of financial distress in the past, especially in the consumer group, and that the awareness of the options available to deal with

financial distress is low. A key outcome of the project is a new action plan, issued by the Ministry of Justice, for engaging with individuals and businesses seeking information on financial distress. These include an innovative set of algorithms for future use on a user-friendly Latvian government information website, which will direct stakeholders to the best opportunities and information available for the management of financial distress. Once implemented, this will significantly ease the process for gathering information about what to do when consumers and businesses enter a state of financial distress.

The project also made five high-level recommendations for improving communication to businesses and consumers, taking into account two closely interlinked topics: financial literacy and early warning:

- Strengthening cooperation among government institutions to implement activities in coordinated manner
- Developing more user-friendly content for the target audience
- Using both digital and non-digital communications channels
- Piloting projects to be implemented in municipalities, as well as institutions like the State Probation Office and the Latvian Prison Administration, to help their clients to understand how to manage financial distress
- Conducting an awareness raising campaign to make sure information about materials available[1]

However, a date for the implementation of the recommendations and the scope of the activities have not been specified.

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[1] Source: Ministry of Justice 2021, https://www.tm.gov.lv/

Helping the indebted population in Lithuania: slowly moving in the right direction [1]

Simona Deduchova, Create Lithuania & Rūta Trainytė, Lithuanian Consumer Alliance

Debt and savings statistics

Around 14% of people of working age in Lithuania have debts they cannot pay. According to the Lithuanian State Data Agency, more than a third (36%) of Lithuanians said they do not have any savings for unexpected expenses above €380. Those living below the poverty line reported that they could not pay rent, utilities, or cover mortgage or other loans on time due to lack of money.
Not having savings and not being prepared for life's unexpected events is one of the bigger risk factors for over-indebtedness.
Lithuania still has one of the highest deductions to cover debts compared to neighbouring countries – up to 30% of the salary below the minimum monthly wage (MMA) and up to 50% above the MMA. These percentages discourage people from working and those who do work from maximising their income. They choose to quit or operate in the shadow economy.

Stakeholder groups

To better understand why the debt situation is the way it is, it is helpful to look at the stakeholders who affect, or are affected by, the factors that influence the debt situation.
Public authorities

- Ministry of Social Security and Labour (SADM). The institutions subordinated to the SADM – Sodra and the Employment Service (UŽT) - also play an essential role in the debt ecosystem.
- The Ministry of Justice (MoJ) regulates debt recovery procedures, payroll deductions and bailiff instructions.
- Ministry of Finance (MoF). The most prominent institutions in the debt context are the Audit, Accounting, Asset Valuation and Insolvency Management Service, which assists bankruptcy and insolvency procedures for natural persons, and the State Tax Inspectorate, which is respon- sible for the efficient and accurate administration of taxes.
- Bank of Lithuania (LB). In addition to its supervisory role, the Bank of Lithuania pursues policies to contribute to the financial system's stability as a whole.
- Municipalities. They can provide direct legal aid, social assistance (e.g., debt relief), and other debtor support.

Non-governmental organisations (NGOs)

- The National Network of Poverty Reduction Organisations is one of the most active organisations researching and advocating for debt relief measures.
- Lithuanian Consumer Alliance (LCA) works to ensure the protection of consumers of financial services. It supports debt prevention through the development of debt counselling services.
- The Financial and Credit Management Association (FIKVA) is a member of LCA. Its experts help people make personal financial plans and advise them on revising loan terms in their interactions with credit institutions.
- The Vilnius University Law Clinic provides free primary legal assistance to help debtors navigate court decisions, bailiffs' demands and repayment conditions.
- The Lithuanian Association of Social Workers provides help for people in hardship situations.
- An NGO called „Pactum" ran the project „Debt is not a problem, I will work – I will pay back".

[1] Source document for this article: https://data.kurklt.lt/wp-content/uploads/2023/04/Skolu-situacijos-Lietuvoje-apzvalga_KL-Simona-ir-Rokas_2022-12-16.pdf [Accessed 14 June 2023]

Debt collectors

- The Lithuanian Chamber of Bailiffs (LCB) brings together the bailiffs responsible for recovering debts through compulsory legal proceedings. They have over 250,000 debt recovery cases in their portfolio.
- Debt buying and/or collection companies are private alternatives to public bailiffs (e.g. 'Conlex', 'Julianus Inkaso').

Participants in the consumer credit market

- Credit institutions - banks and credit unions.
- Consumer credit providers.
- Leasing companies (usually affiliated to banking groups).
- Peer-to-peer lending platforms.
- 'CreditInfo' is a provider of credit information and risk management solutions. 'CreditInfo' maintains the largest debt database in Lithuania to calculate consumers' credit ratings.
- Loan comparison platforms - allow you to compare the interest rates and repayment terms of loans. Helping people to find the potentially best solution for them, thereby plugging gaps in financial literacy (e.g. 'Lenders').

Causes of arrears among residents

The Bank of Lithuania's 2022 survey identifies the following reasons for default: salary reduction, loss of a regular source of income, family increase, unforeseen expenses, and an increase in everyday expenses.
Lithuania's most prominent at-risk groups are single-parent households with one or more children, couples with three or more children, and other diverse families below the poverty risk line. These households have fewer savings, experience liabilities as a more significant burden (compared to the average family), and have less money for current expenditure, thus being forced to borrow. These groups are also not always able to pay their non-housing bills (telephone, internet, education or medical bills) on time due to lack of money. Often, the problem of indebtedness for individuals, especially families, stems from a lack of social skills and financial literacy.

Help for people in arrears

There is no unifying body to regulate, integrate and provide comprehensive support measures. However, some help is available, for example, free primary legal aid provided by municipalities and NGOs. NGOs also provide counselling, accompaniment and, to a lesser extent, psychological support.
From July 2022, a person who has indicated to the Employment Service under the Ministry of Social Security and Labour that their debts are the main reason for not being able to get a job can get a 'person's in preparation for the job market' jobseeker status. That allows the Employment Service to help that person to cope with this problem.
The bankruptcy of a natural person is also possible in Lithuania. In 2017-21, an average of 347 bankruptcies of natural persons were opened yearly.
In addition to state-guaranteed legal aid, municipalities, in exercising their autonomous municipal function, have the legal basis to grant additional social support in cases not provided for in the 'Law on Cash Social Assistance to Needy Residents'. Municipalities can give a lump-sum, targeted, regular, or conditional allowance or provide other social support.

Good practices

As mentioned above, assistance to the indebted population in Lithuania is fragmented. Some NGOs run projects to help people in debt. For example, 'Pactum' ran a project providing debt counsellors and psychologists to help people in debt facing employment problems. The project provided mediation services (dealing with bailiffs, negotiating payment arrangements or more favourable conditions) and information as well as counselling services on debt management.
The Employment Service ran the Employment Promotion and Motivation for the Unemployed and Beneficiaries model, which developed into the Employment Enhancement Programme in 2023. One of the model's main objectives is to combine employment promotion and motivation services with cash social assistance and personalised assistance through the employment of case managers. The programme's continued implementation is secure, as cooperation between the Employment Service, NGOs, and municipalities is well established.
In September 2022, the Bank of Lithuania established the Financial Literacy Centre, whose main objective is to increase society's financial and economic literacy.
The Consumer Alliance is leading PEPPI in Lithuania with the aim of increasing the availability and efficiency of debt counselling services, by creating or strengthening dedicated networks of expert counsellors, providing training to stakeholders, and developing a website to assist over-indebted people.

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Action on debt and debt advice: Malta

Helena Holland, Assistant Director, Social Security, Department of Social Security, Ministry for Social Policy and Children's Rights, Malta

Overview

Malta, is the smallest EU member state by surface area, comprising the archipelago of islands of Malta, Gozo and Comino. However, Malta is the most densely populated country in the European Union and one of the most densely populated countries in the world. The population of Malta in 2022 was 533,286; a 1.24% increase from 2021. There are approximately 1,265 people per square kilometre living in Malta and therefore housing is a key demand.
The highest annual inflation rates in February 2023 were recorded in housing (14.27%), of which rent registered an annual rate of 8.85%. Housing costs in Malta are continuously on the rise, both the property purchase and rental market continue to increase. Schemes and incentives to assist low-income families with rent or assistance for first time buyers can mitigate but they are not enough. In addition, Malta is heavily reliant on importation of goods and therefore the recent cost of living crisis felt across Europe has been particularly acute in Malta.
According to the National Statistics Organisation (NSO), in 2020 16.9% of people in Malta were considered at risk of poverty, with 15.1% of people unable to pay for unexpected expenses and 8.4% would be categorised as materially deprived. The Maltese Central Bank's Household Finance and Consumption Survey (2020) estimated that a third of Maltese households had some form of debt and the percentage of households with mortgage debt was 23.6%.

Debt Advice

There are no formal debt advice services in Malta, however debt advice services are provided informally together with other assistance, by some entities and non-governmental organisations (NGOs). Caritas does provide a debt advice service ad hoc to victims of usury who request such service.
The Foundation for Social Welfare Services (FSWS) and some NGOs provide guidance on financial capability by assessing service users' needs, debt situation and other circumstances. They assist with budgeting and action plans, liaise with utility providers to reach an agreement for repayment and offer psychosocial and therapeutic assistance as necessary.
Some Maltese NGOs provide debt relief, food packages and clothing. Food packages are also provided through FSWS to eligible households through the 'Fund for European Aid to the Most Deprived' packages and the state funded food distribution scheme.

ĠEMMA: increasing financial capability in Malta

When it comes to financial capability which is a primary component of debt advice, the Retirement and Financial Capability Group (RFCG) now known as ĠEMMA was the first to introduce this concept and financial literacy in Malta in 2017.

ĠEMMA is recognised as a credible financial capability platform – with the following being its strategic partners - GWU, the UĦM, the Central Bank of Malta, BOV, MSV Life, HSBC Malta Foundation, the University of Malta, the Malta Chamber of SMEs, Mental Health Malta, the Local Councils Association, APS Bank and Aġenzija Żgħażagħ, Lifelong Learning, E-Skills Malta, the Junior Achievement Young Enterprise Foundation, the University of Malta, Artificial Intelligence Department.

ĠEMMA created Malta's first portal on financial capability (https://gemma.gov.mt/) with resources, tools and educational videos and information on money management, retirement, debt and other financial related areas for various cohorts and ages. It also created Malta's first accredited training in financial literacy at levels three and four as part of a European Social Funded Project titled 'Knowledge, Training, Communications and Support Measures in Support of Vulnerable Groups' (ESF2.63). The Malta Council for the Arts, Science, and Technology (MCAST) partnered with the RFCG to design and launch the two training programmes. The level three programme was based on two units; 'Managing Money', and 'Investment and Personal Financial Planning' and ran from July 2018 until June 2021. The Benefits Management course was aimed at social security employees and ran from July 2018 until December 2020.

In addition, ĠEMMA runs activities aimed at children and young people through school competitions, events and online events using youth social media platforms and ĠEMMA is also part of the State Summer school programme 'Skolasajf'.

ĠEMMA also runs webinars for adults and sessions for the over sixties age group on financial capability and digital financial literacy. From time to time and upon request, ĠEMMA runs information sessions and training sessions for governmental entities' staff, as well as for NGOs and other groups such as mental health services professionals and service users, or self-employed persons.
ĠEMMA subscribers are also notified of new blog posts and receive a newsletter every three months.

Future work

The creation of a formal debt advice service in Malta presents a number of challenges.
ĠEMMA is participating in the PEPPI project to prepare the groundwork for an advisory structure to be developed. ĠEMMA is using the advantage of PEPPI participation to help other stakeholders by sharing resources, but also learning from other member states knowledge and best practices. Within Malta, PEPPI participation has brought awareness to over-indebtedness and facilitated engagement with stakeholders.

The advisory formal structure still has to be created although discussions are underway. It is essential to get all primary stakeholders on board so that debtors and creditors understand that feasible debt repayment plans and support not only grant a decent quality of life for an over-indebted person, but can also bring direct benefits to their creditors such as a smooth recovery of funds and lowering costs in pursuing debtors.

Finally an accredited training course needs to be created and delivered, and the right people need to be recruited to undergo and qualify from this training. All of this work is to ensure that in the future Malta can have a succesful debt advisory service which meets the needs of people who find themselves in difficulty because of over-indebtedness.

Helena Holland is national coordinator for the Peppi project in Malta.

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Overview Regarding Improving and Increasing the Accessibility of Debt Counselling in Romania

Ph. D. Rodica Diana Apan,
Associate Professor, Lawyer, Romania

Introduction

Debt counselling is a new concept in Romania and services would need to establish trust, train debt counsellors, and would need to immediately provide a high-quality service to reinforce trust and ensure sustainability. PEPPI RO has completed a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis of stakeholders with one key question as the focus:
How could they contribute to developing a national network of debt counselling?

Consumer Associations – NGOs

In Romania, although uncommon, consumer associations can be established as NGOs to provide information, recommendations, and advice regarding various products and services. Consumer associations have initiated and developed only a few projects related to consumer information and advice and these are mainly online. Therefore, a potential solution would be to develop debt advice consumer centres within consumer associations under the supervision of the National Authority of Consumer Protection (NACP). In its 2021 report, NACP indicates as a top priority the need to develop Consumer Centres and to ensure that they function properly [1].

The National Authority for Consumer Protection (NACP)

The NACP can address over-indebtedness through insolvency procedures for individuals, but obtaining resources for additional activities could prove difficult. However, there is potential in the NACP to improve the legal framework for debt counselling activities, encouraging consumers and credit providers to seek debt advice, and making it a priority to support consumer associations that provide debt advice.

Social Assistance Departments and Authorities

The social assistance system is provided by both state and local authorities, but debt counselling is not integrated within the services, and staff do not have the relevant training or possibly the time to take on additional tasks. Although the system has widespread reach, it would not include people outside the social assistance services who could also require debt counselling. The role of consumer associations could be of importance to these other clients, and the two systems would have to be developed in parallel.

[1] *https://anpc.ro/wp-content/uploads/2022/06/RAPORT_ANPC_2021.pdf, accessed on 18.04.2023.*

Universities

At universities currently there are no specific courses or curricula for debt counselling, and these would have to be developed. It would also need to be decided in which discipline this training would be situated. However, in the short term, academics could partner to establish training guidelines and a framework.

Mental Health Professionals

One of the most pressing issues for over-indebted people is the psychological/emotional impact of the debt burden. Counselling aimed at addressing debt problems needs to be supplemented with psychological support from specialised sources, however currently psychologists would not be specialised in the impacts of over-indebtedness. However, psychology and psychiatry are highly developed professions in Romania so there is great potential, but these may be hampered by insufficient research and resources.

Social and Entrepreneurial NGOs

Currently, such NGOs provide general counselling to socially vulnerable people and to small-scale entrepreneurs, but in future, they could direct clients toward, or provide, debt counselling. However, people generally have little faith in these associations, and over-indebted small-scale entrepreneurs are hesitant to admit their situation.

Credit Providers and Debt Collectors

Both credit providers and debt collectors could play a role in preventing over-indebtedness through encouraging debtors to seek independent advice. However, it is often these same credit agencies that provide the loans creating the debt problems, but they should be applying the Code of Best Practices of the Romanian Banking Association (RBA), implementing the Code's provisions for struggling debtors and socially vulnerable clients [2]

Figure 1: Mapping of the stakeholders in the national network of the PEPPI RO project

Conclusions

Debt prevention in Romania is based on the National Strategy for Financial Education, [3] which, once approved, will establish targets and guidelines for the next four years. This strategy does not include education regarding debt and over-indebtedness. Within the PEPPI RO project, one of the ways the issue of debt prevention is addressed is through the creation of the website [under construction consiliereconsumatori.ro] which will provide financial education focused on preventing over-indebtedness and will include an app to help families calculate their budgets and will also give consumers tools for dealing with credit providers.
In summary, the goals of the project are to improve: the general framework for debt counselling; establishing and developing bodies for debt counselling; training professional debt counsellors; securing consistent, long-term financing for debt advice projects; simplifying access to independent debt advice for struggling debtors; using debt counselling to reduce the burden of over-indebtedness.
The main objective is to start a national movement to develop independent debt counselling, integrated within the European movement, in line with the principles, experience, and best practices of the European Community.
This article represents a synthesis of the material presented at the European Conference, Malta, 23 March, 2023, held within the PEPPI project.

Ph.D. Rodica Diana Apan is national coordinator for the Peppi project in Romania

This project has received funding from the European Union's Single Market programme under grant agreement No 101055551

[2] https://www.arb.ro/codul-de-conduita accessed on 18.04.2023
[3] https://www.edu.ro/sites/default/files/Strategia%20nationala%20de%20educatie%20financiara_proiect.pdf accessed on 18.04.2023

Free Debt Counselling in Slovakia

Ladislav Šutý, Manager, National Project Free Debt Counselling
Peter Daniel, National Expert, Slovakia

Country profile

Located in the heart of Europe bordering Austria and Hungary, Slovakia as it is known today came into existence 30 years ago following the break-up of Czecho-Slovakia in 1993, with its capital city now being Bratislava. Slovakia has an area of 49,000 square kilometres, and the population in 2021 was approximately 5.5 million. Slovakia is an OECD member since 2000, an EU member state and part of the Schengen zone since 2007, and euro-zone member since 2009. With the GDP per capital of US$38,620 Slovakia's GDP is 47 out of 192 countries (IMF estimated, 2022).

Indebtedness in Slovakia

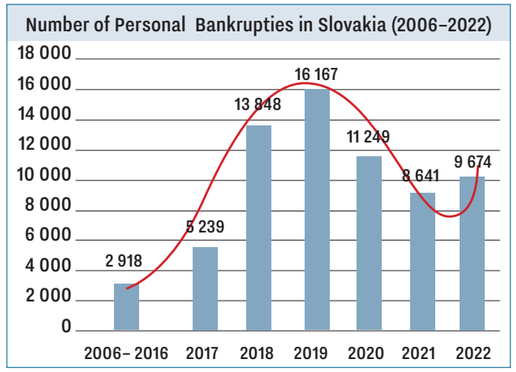
EU SILC (2021) stated that 5.7% of the Slovakian population face severe material deprivation (cannot afford a minimum of 7 of 13 tracked goods and/or services items), 3.9% of households have low work intensity (total months when the household members below the age of 65 worked was <20% of their work capacity), and 12.3% of households (representing circa 662,000 people) lived with an income below the level of poverty (<60% of national median of the disposable equivalized income after social transfers). In combination, these indicators state that 15.6% of the population are at risk of poverty and/or social exclusion.
SILC (2021) also shows that 6.3% of households were delayed with mortgage repayments, other loans, rent, and/or utilities, and 27% of households declared that they would not be able to face unexpected expenditure over the national poverty limit (€424/month for a single-member household).

Based on the monthly bank loans report of the National Bank of Slovakia, the authors calculate the percentage of non-performing loans (NPL) as of December 31, 2022:

	Total loans value (EUR ths.)	Non-performing loans (EUR ths.)	NPL percentage (%)
Spolu úvery poskytnuté v EUR	**48 856 901**	**866 288**	**1,77 %**
A. Consumer loans	5 170 078	347 743	6,73 %
B. Loans for housing	40 822 676	448 405	1,10 %
Mortage loans	*38 316 224*	*314 490*	*0,82 %*
C. Credit cards	285 473	23 559	8,25 %
D. Bank account overdraft & revolving loans	368 731	23 861	6,47 %
A + B + C + D	**46 646 958**	**843 568**	**1,81 %**
Percentage of Ato D on Total	**95,48 %**	**97, 38 %**	

Personal bankruptcy rapidly increased after 2016, when the legal conditions for commencing bankruptcy were simplified. This decreased in 2020 due to stricter legal conditions, and Covid-19 related measures by the government and commercial banks regarding instalment deferral. However, personal bankruptcy increased again in 2022 when deferred instalments were due, and the financial reserves of entrepreneurs and household savings were squeezed due to double-digit inflation and rapidly rising interest rates. Unfortunately, this trend is anticipated to continue 2023–2024, despite regulation of energy prices.

Annual and monthly volume of personal bankruptcies		
Year	Total volume	Montly average
2006–2016	2 918	22
2017	5 239	437
2018	13 848	1154
2019	16 167	1347
2020	11 249	937
2021	8 641	720
2022	9 674	806
TOTAL	67 736	

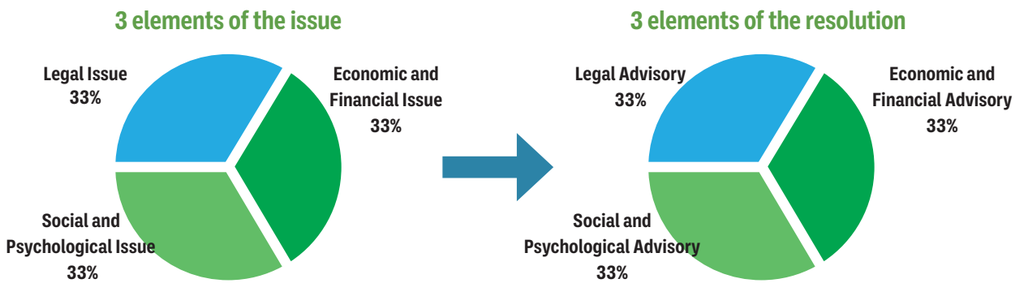


Free debt counselling in Slovakia

In 2020, the Ministry of Labour, Social Affairs & Family (https://www.employment.gov.sk/sk/) and its agency, the Central Office for Labour, Social Affairs & Family (https://www.upsvr.gov.sk/), worked with a group of experts to apply for EU funding (Operational Programme Human Relations, Priority Axis 8 – REACT EU) to develop free debt counselling in Slovakia. Funding of €13.5 million was received for the period October 2020-December 2023, and work is underway to prepare for Phase II with the eventual aim that free debt counselling could be financed by the national government in due course.

Forty-six debt counselling sites were established across the country in 2022 with four employees in each: a finance counsellor, legal counsellor, psychologist, and administrator. The debt counsellors operate in an integrated way combining financial, legal, and psychological aid under one roof. In total, there are 184 debt counsellors and administrators in all the regions and eight managing employees in Bratislava.

All these staff are full-time employees in the public interest, directly in the structures of the Central Office for Labour, Social Affairs & Family as a specific Department of Free Debt Counselling. Finance counsellors deal with the household budget including the potential for income increases, property selling and/or renting, risky economic behaviour, and avoidance of personal bankruptcy. Legal counsellors are focused on the analysis of (non-)contractual liabilities, statute of limitations and other reasons limiting the creditors' actions (including consumer law provisions). They are also alert to criminal behaviour of either creditor or debtor. Psychological counsellors identify the attitude of the client and impact of the debt on behaviour, and support self-confidence and motivation.
Until now more than 9,300 people visited us, of which approx. 7,500 clients signed the contract while the remaining 1,800 just asked for a simple advice. The debt counsellors operate an integrated way (i.e.: they combine financial, legal, and psychological aid under one roof for each client). Even if we're focused on debt intervention (counselling) although some debt prevention searching clients are already coming.



As our logo says (see below), We Help to Debtors (Pomáhame dlžníkom), it means that no income or property limits apply – every individual person (incl. sole entrepreneurs) can ask for the support.

pomáhame dlžníkom

We are just limited by keeping zero interference with commercial lawyers (we can't act as legal representatives of the client) and financial agents & advisers (we can't recommend specific financial services and/or products).

Cooperating organisations – creating informal networks

Our Free Debt Counselling project already intensively cooperates with almost 20 organizations representing debtors, creditors, minor communities, financial consumer protection, etc., having formal Memorandum of Understanding signed with almost 10 of them. We cooperate closely with the National Bank of Slovakia (responsible for financial consumer protection and financial literacy), Slovak Banking Association, the Association of Slovak Collections Agencies, with the Slovak Chamber of Executors, the Slovak Chamber of Psychologists, the Association of Financial Agents and Advisers, with the Centre of Legal Aid (under Ministry of Justice, providing free legal representation and being the only official entry point for personal bankruptcy applicants), with the Prison & Court Guard Corps (under Ministry of Justice, having special project for the people leaving prisons in less than 3 months), with the Information Offices for Crime Victims (under Ministry of Interior), with Social Insurance (state organization for pension, unemployment, and long-term sickness insurance), with several health insurance companies, several NGOs focused on financially and socially excluded communities as well as municipalities and community centers established by them.

Useful links:
Website of the Free Debt Counselling:
https://pomahamedlznikom.sk/
Facebook site of the Free Debt Counselling:
https://www.facebook.com/BezplatneDlhovePoradne

Ladislav Šutý is national coordinator for the Peppi project in Slovakia.

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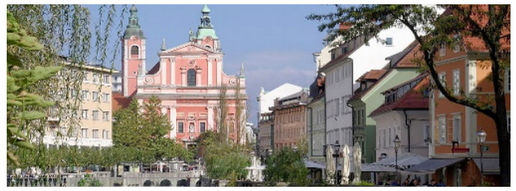
Overview: The Debt Advice Situation in Slovenia

Dieter Korczak, ECDN President



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Overview

Slovenia, surrounded by Italy, Austria, Hungary and Croatia, has a population of 2.1 million inhabitants. Some social indicators attest to Slovenia having a good social situation. Slovenia has consistently been ranked among the top 30 happiest countries in the world for the past few years, in 2023 it was ranked 22nd in the list of 137 countries evaluated. The country's healthcare system, education, and standard of living have been cited as contributing factors to its happiness ranking. In the Misery Index 2021 (summing the rate of inflation and unemployment) Slovenia is, with only six percent, in a much better situation than many other countries. The average indebtedness is low compared to the average in the euro area and in the European Union. However, there are other data suggesting that Slovenia may have some emerging concerns. In 2019, 12.2% (N=120.626) of the Slovenian population had arrears on key commitments. They were only surpassed by Greece (41.4%), Bulgaria (29.3%), Cyprus (17.6%), Croatia (15.7%) and Romania (15.4%) (Eurostat – EU Silc).

Consumer protection & rights

The Slovenian Ministry of Economic Development and Technology has responsibility for consumer protection. This is regulated and governed by several laws, covering consumer disputes arising from a contractual relationship between a trader (supplier of goods or services) and a consumer.
If the consumer cannot resolve the dispute with the trader through direct negotiations or complaint, they have the option of an out-of-court resolution of consumer disputes with the selected body registered and included on the list of out-of-court dispute resolution bodies at the Ministry of Economic Development and Technology.

Consumers that experience problems when exercising their rights in relation to Slovenian traders can call a freephone number operating within the Ministry of the Economy, Tourism and Sport. Consumers who made a purchase in another EU Member State, in Norway or Iceland can contact the European Consumer Centre operating within the same ministry for advice or assistance.

Out-of-court dispute settlement has been implemented in Slovenia with the Out-of-Court Resolution of Consumer Disputes Act. Out-of-court dispute settlement bodies are competent to decide on business-to-consumer disputes initiated by the consumer, except in the field of medical services and public services without economic interest. The decision is binding for both parties if they were made aware of the consequences of a binding decision and they agreed to it in writing. If the consumers go to court they can get free legal advice by application.

There are several registered organisations in the field of consumer protection. The public service concession for the provision of information and education to consumers was awarded to the Slovenian Consumers' Association (ZPS) on 3 May 2023. This public service includes the implementation of activities relating to consumer information and education with the view to ensure greater consumer protection and a greater selection, accessibility and higher quality of goods and services, as well as to inform consumers on exercising their rights.

The NGO kolektiv99 (https://www.kolektiv99.si/) engages for the right of bank clients. There are also some other NGOs providing humanitarian support, for example, Slovenska Caritas, and the Red Cross Slovenia.

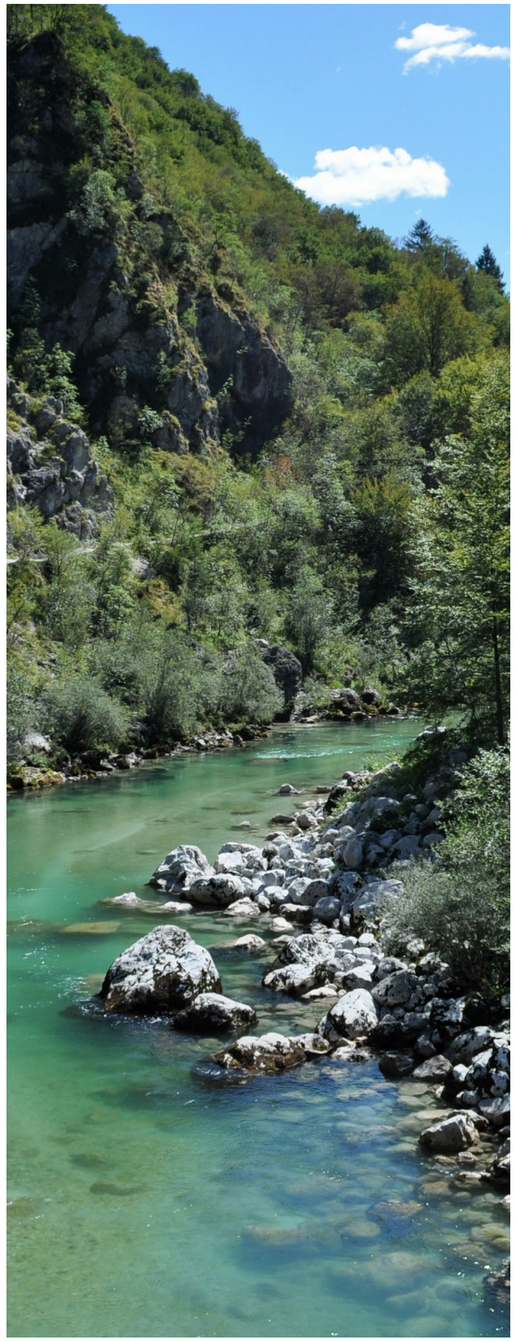
Financial literacy, advice and prevention activities

The Banka Slovenije has significantly enhanced its activities in the area of financial literacy over the last four years. They have taken different approaches to presenting children and young people topics that are important for understanding the financial environment in which they are growing up, and to teach them a responsible attitude towards money and savings. They are aware that financial literacy is one of the central bank's key tasks. For this reason, they have put the strengthening of this area at the core of their strategic objectives in the coming years. One of their most important objectives is to strengthen financial literacy in the curricula of primary and secondary schools, and to include financial topics at all levels of the education system.

Yet, debt advice services are very uncommon and considered under-developed in Slovenia. The debt advice situation in Slovenia is defined as sporadic (Eurofound, 2020). Consumer organisations reportedly provide some debt advice, but their capacities are not focused on these services and are rather limited. A large share of debt advice is reliant on private lawyers and consultants and the most common procedure followed is personal bankruptcy.

One exception is the organisation Prelomi (SOS debt programme), an NGO offering psychological support for social distress caused by over-indebtedness and other financial difficulties. Another organisation, Kralji Ulice, provides support to individuals having difficulties covering the cost of renting social housing.

The potential total costs of debt advice in Slovenia - if it would cover the need - are calculated to be €6,290 million. The benefits of providing debt advice to all households in arrears range from €6,919 million (minimum) to €33,337 (maximum) (VVA&CEPS 2021:45).



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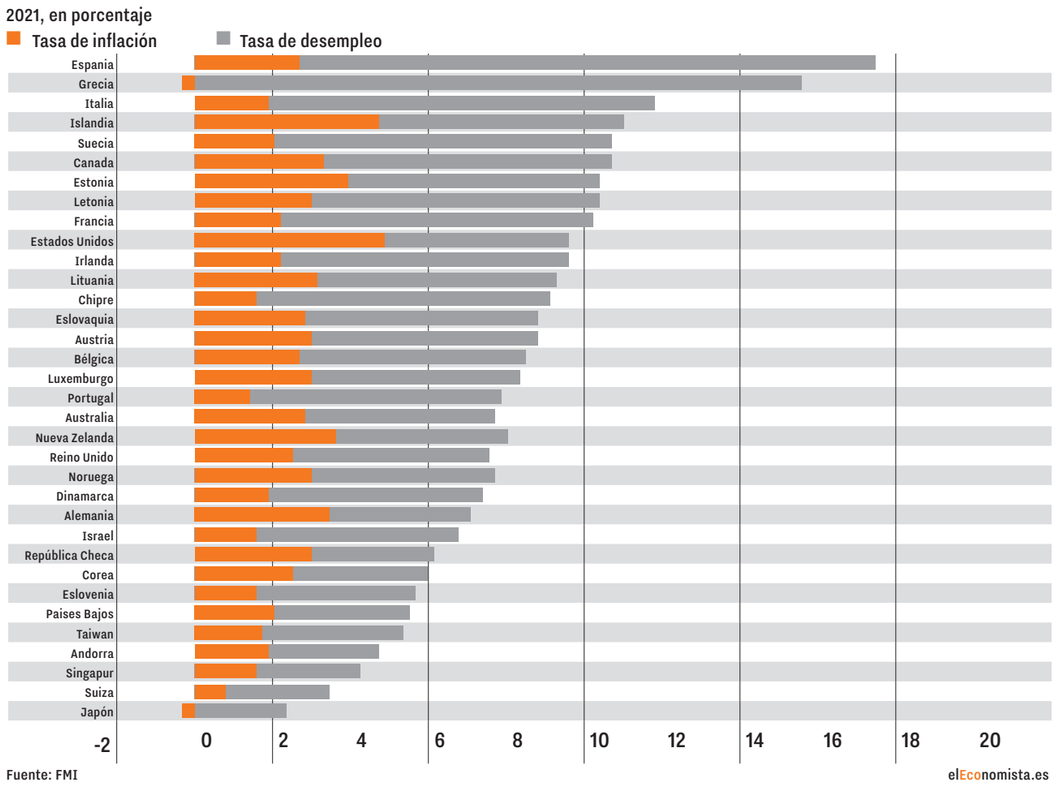
Over-Indebtedness & Debt Advice Situation in Spain

Carlos Javier Zarco Pleguezuelos,
Lawyer, Bankrupcy Administrator & Mediator, Spain

Over-Indebtedness impact on citizens: from bad to worse

In Spain, it was expected in the aftermath of the Covid-19 pandemic that the economic effects would dissipate, however by mid-2021 the cost of basic necessities (electricity, fuel, food) was increasing, and has continued to defy expectations by continuously rising. This was not a post-pandemic effect.

In the 1970s, the economist Arthur Okun created the 'Misery Index' calculated by summing unemployment and inflations indexes (which currently are 13% and 7.5% in Spain respectively, the food inflation index is 15%). According to FMI data (2022), Spain is in first position within the industrialized countries range:



Overview of Spanish data:

- Spain has a population size of 47.6 million people.
- Spain has the highest unemployment rate (3,02 million people, 12.4%) in the EU-27 and the situation is particularly bad for young people; the youth unemployment rate is 32.3%.
- The situation is deteriorating with rising numbers of people in poverty or at risk of social exclusion (AROPE, 2020): 27% vs 25% in 2019 (ECV: Conditions of Life Survey, by Official Statistics Institute, INE).
- In 2020, 12,9 million people were at risk of social exclusion and this figure is higher for 2023 due to inflation.
- In 2020, 7% of people in Spain were experiencing severe material deprivation (Eurostat). Some southern regions (related to tourism and Covid-19 restrictions) are above 8% – there is a strong economic imbalance between regions in Spain.
- Spain is going to be the last EU member state to recover pre-pandemic GDP:

Crecimiento PIB entre 2019 y 2014

Irlanda	38,5 %		Dinamarca	7,3%	
Malta	14,0 %		Letonia	6,1 %	
Eslovenia	12,7 %		Suecia	6,0 %	
Croacia	12,6 %		Portugal	5,6 %	
Polonia	12,5 %		Belgica	4,9 %	
Lituania	11,8 %		Finlandia	4,7 %	
Rumania	11,4 %		Unión Europa	4,6 %	
Chipre	10,8 %		Eslovaquia	3,8 %	
Hungaria	10,8 %		Austria	3,7 %	
Estonia	10,3 %		Francia	3,0 %	
Bulgaria	10,3 %		Italia	2,2 %	
Luxemburgo	9,4 %		República Checa	2,2 %	
Grecia	7,7 %		Alemania	1, 2%	
Paises Bajos	7,5 %		España	0,7 %	

Debt Advice & Financial Education Services

Spain has different providers of these services:

Public: social workers, Bank of Spain:

- Financial Education website.

Semi-Public:

- Charities (e.g. Cáritas, Cruz Roja)
- Partly financially supported by governments: Bar of Lawyers (free justice mechanisms for people without financial resources), specialized consumer associations (ASUFIN, ADICAE, UCE).
- Special cooperation agreements between public and private sector: Bar of Lawyers and town halls, OMICs (in Catalonia: OFIDEUBTE).
- PEPPI-ES is working to create a sound and robust financial education website, and a debt advice net to join synergies between stakeholders.

Private:

- Lawyers, economists, bankruptcy/insolvency/debt-restructuring practitioners.

The 'Second Chance' Law Reform

Following the recent adaptation (2022) of the Spanish Insolvency Act (due to the European Insolvency Directive) insolvency has been enshrined as a true right, rather than a mere 'legal benefit' as it was previously considered.

- Article 486: The debtor in good faith may request the exoneration of debts through one of the two itineraries established by the Insolvency Law.
- Article 487: situations where the debtor will not be entitled to get the exemption.

The main issue that arises here is that the legislation does not define the good/bad faith debtor as mandated by the Directive. The Directive establishes the principle of full exemption by virtue of which insolvent persons must have access to at least one procedure that leads to full exemption. That being the case, the adaptations that have been made in Spain to the Directive (DIR 2019/1023), although it recognises this right for entrepreneurs and individuals, does not respect this principle precisely because of the large number of requirements that the new regulation has put in place for its concession.

In the same way, the list of credits not exonerated in the new Consolidated Text is so broad that, even if the exemption were granted, in some cases it would become inoperable because of the large number of non-exonerating credits.

If the Directive includes the duty of the member states to ensure access to the exemption by excluding from it a series of cases assessed in art. 23.4, it is unclear why Spain goes beyond this.
In short, if the Spanish rule is aimed at giving a second chance to insolvent bona fide entrepreneurs and consumers, it is not understood why they are punished with restrictions on access and limitations to debt exemption not provided for in the Directive.

For instance, limitations to access the exemption are as striking as the imposition of serious tax, social security or social order sanctions for an amount greater than €5,000. People on whom such sanctions had been imposed will not be able to ask for exoneration, except for in case of payment, so it is possible that the true rationale behind such restrictions is, to get - at all costs - the payment of the mentioned penalties/sanctions. And that payment, overrides the Directive, which only establishes the limitation of the exemption (not limitations on access to the mechanism) for criminal sanctions (art.23.4, b)

Other limitations to access in the transposition are:

- The affectation of the person who requests exoneration by the declaration of his guilt in another bankruptcy procedure. This implies the imposition of a double penalty, those imposed in the conviction statement, but also an additional one, the impossibility of accessing the exoneration in the future.
- The impossibility of accessing the exemption due to the lack of collaboration with the bankruptcy administration. This, which may seem fair in principle, has the implication that this lack of cooperation is already regarded as a cause of guilt, so that a person whose participation has not been initially called into question, may be deprived of access to exoneration on the same basis due to a second-level analysis on this issue.

Similarly, non-exonerable credits have increased to a great extent: previously they were limited to public credits and for food, but now a greater number of credits are considered as not exonerable:

- Public credit: it is true that with the reform the public credit becomes exonerating in the amount of € 10,000 for debts arising from taxes and another €10,000 for social security contributions, but the rest is non-exonerable. But the Directive (art. 23.4) does not have any amount of exclusion from the exemption of public credit.
- The debtor's home: Even if the home is exonerated in the bankruptcy proceeding, it could still end up being seized by non-exonerating credits; even if it were saved by a payment plan presented by the bankrupt, it could still be seized by those creditors that keep holding credits that cannot be exonerated.

Carlos Javier Zarco Pleguezuelos is national coordinator for the Peppi project in Spain.

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email: secretary@ecdn.eu

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GP Forschungsgruppe
Breitscheidstraße 16
16321 Bernau bei Berlin/Germany
+49 (0) 3338 45 95 45
info@ecdn.eu

Publisher‘s reader:
Noelle Cotter

Editor:
Dieter Korczak

Layout and Preproduction:
Marianne Graetz