



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

September Webinar: 'The Psychosocial Problems of Debtors'



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‘The Irish Experience’



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Background

- Over-indebtedness is a welfare issue as well as a financial one
- Psychological aspects to personal debt are identifiable
- Social dimensions to debt problems are also well documented
- These effects play out at four levels from our experience in Ireland:
 - Individual
 - Household
 - Community
 - Societal
- They are also relevant to the work of Debt/Money Advisers
- Important context for non-judgmental, empowering, human-rights money advice work

Psychological aspects to personal over-indebtedness

- Much research (Scandinavia, UK, Germany etc) plus some in Ireland
- Stems from concerns around mental health dimensions to being in financial difficulty
- Also relevant to people's readiness to take action and thus to their capacity/ability to work with money advisers
- Over-indebtedness also has "physical" effects
- All are symptoms of a lack of financial wellbeing:
"Financial well-being" is defined as 'the extent to which someone is able to meet all their **current** commitments and needs **comfortably** and has the financial **resilience** to do so'

Context: “The Slippery Slope of Insolvency”

Stage One: *The Debt Trigger* (e.g. unemployment, illness, marital breakdown)

Stage Two: *Initial Missed Payment* (beginning of creditor pressure)

Stage Three: *Robbing Peter to Pay Paul* (the spread of debt)

Stage Four: *Multiple Debts* (multiple pressure)

Stage Five: *Contact with Creditor - Promise to Repay* (usually unrealistic)

Stage Six: *Broken Promises to Creditor* (further increased pressure, possibly debt collectors)

Stage Seven: *Diverse Personal Reactions* (frustration, aggression, denial, fear, isolation)

Stage Eight: *Legal Pressure* (creditor demands, solicitors’ letters, court summonses, court orders)

Stage Nine: *Financial Chaos* (enormous debt problems causing havoc)

Stage Ten: *Debtor facing Sanctions* (e.g. loss of home, utilities, essential items, liberty)

Stage Eleven: *Further Losses* (relationships, health deterioration, breakdown, suicide)

Source: A Debt Counselling Handbook, Birmingham Settlement, UK.

Psychological and Physical effects of debt problems in Ireland

Psychological and Physical effects of over-indebtedness

| Psychological effects | | |
|--|---|--|
| <input type="checkbox"/> Anxiety | <input type="checkbox"/> Feeling unable to cope | <input type="checkbox"/> Pleasure activities reduced |
| <input type="checkbox"/> Bitterness | <input type="checkbox"/> Frustration | <input type="checkbox"/> Sense of going mad |
| <input type="checkbox"/> Blame (self/ others) | <input type="checkbox"/> Guilt | <input type="checkbox"/> Shame |
| <input type="checkbox"/> Conflict (families/wider kin) | <input type="checkbox"/> Hopelessness | <input type="checkbox"/> Sleeplessness |
| <input type="checkbox"/> Conflict (partners) | <input type="checkbox"/> Isolation | <input type="checkbox"/> Stigma (neighbours) |
| <input type="checkbox"/> Conflict (parents and children) | <input type="checkbox"/> Loneliness | <input type="checkbox"/> Stress (buying clothes) |
| <input type="checkbox"/> Constant sense of crisis | <input type="checkbox"/> No end in sight | <input type="checkbox"/> Stress (keeping up with the neighbours) |
| <input type="checkbox"/> Constant tension | <input type="checkbox"/> No sex life | <input type="checkbox"/> Stress (school trips) |
| <input type="checkbox"/> Constant worry | <input type="checkbox"/> No social life | <input type="checkbox"/> Stress and depression |
| <input type="checkbox"/> Denial | <input type="checkbox"/> No-one to share anxieties with | <input type="checkbox"/> Suicidal tendencies |
| <input type="checkbox"/> Fear (of prison) | <input type="checkbox"/> Not inviting people round | <input type="checkbox"/> Vulnerability |
| <input type="checkbox"/> Feeling helpless | <input type="checkbox"/> Pessimism | <input type="checkbox"/> Worrying at night |
| Physical effects | | |
| <input type="checkbox"/> Agoraphobia | <input type="checkbox"/> Development of illnesses | <input type="checkbox"/> Migraines |
| <input type="checkbox"/> Blood disorders | <input type="checkbox"/> Eczema | <input type="checkbox"/> Nervous disorders |
| <input type="checkbox"/> Breakdowns | <input type="checkbox"/> Increased drinking | <input type="checkbox"/> Periods in hospital |
| <input type="checkbox"/> Consumption of Pills | <input type="checkbox"/> Medication | <input type="checkbox"/> Weight loss |

Social consequences of personal debt problems

These are helpfully summarized in a European context by Alleweldt et al, 2014. Each is relevant in an Irish context:

Consequences that affect social relations/participation:

- Reduced standard of living
- Deprivation (enforced)
- Stigma
- Exclusion from social norms / discrimination
- Relationship difficulties/breakdown
- Isolation /loss of support structures /loss of resilience
- Withdrawal from family & community

Consequences that can be considered punitive or imposed by the wider society on households:

- Sanctions (e.g. housing exclusion, imprisonment, disconnection)
- Financial exclusion (from banking, payment, credit, savings etc)
- Reduced labour market activity

Implications for Debt/Money Advisors

- Treating clients in a non-judgmental & respectful way is crucial
- Clients often become emotional when feel heard and valued (importance of counselling skills)
- Loss of power may be palpable, can take a lot of support to re-build
- Important to go at the client's pace
- Mutual/partnership working between adviser and client important (& sometimes with other agencies/groups)
- Empowering advocacy a useful concept (to discourage dependency)
- Building/re-building confidence can take time

Techniques for rebuilding client capacity / confidence

- Think of working with clients as a “partnership” or in a “mutual” way
- Ensure client makes all the decisions from the options available
- Adviser may need to do more at the outset of the money advice process if client is not yet ready to do things for himself/herself
- Encourage client to do more for themselves as and when s/he is able
- Lapses/re-lapses are common - don't lose heart - the money advice process is not linear!
- Engage in “change talk” – ask clients what they would like to change & why – what are their goals...
- Positive re-enforcement – recognize results and support self-esteem

Thank you for listening!

Any questions or observations?

Over to you...!

