

A photograph of a woman with dark hair and glasses, wearing a light pink long-sleeved top, holding a baby. The baby is wearing a pink top and looking towards the camera. The woman is looking down at the baby. The background is slightly blurred, showing what appears to be a play area with toys.

Debt on Teesside: Pathways to financial inclusion

Debt on Teesside: Pathways to Financial Inclusion

- 2-year action research project funded by the Northern Rock Foundation
- Partnership between Thrive /CAP and Centre for Social Justice & Community Action, Durham University
- Household interviews
- Mentoring scheme
- Community campaigns



Research questions

1. What factors shape and/or constrain households' financial choices?
2. How effective is mentoring in changing behaviour and attitudes towards managing money?
3. What contribution does engagement in community-based activities have on people's financial choices?
4. What role can various partner agencies play in developing a coordinated approach to tackling financial exclusion in poor neighbourhoods?
5. What are the key lessons that can be learnt from this project that can be used elsewhere?



Financial Exclusion

Financial exclusion is ‘a state where individuals cannot access the financial products and services that they need’ (Transact 2010: 2).

Lack key financial products: bank account, savings, insurance and pensions

High risk: lone parents, the unemployed and those in social housing.



Credit use in low income Households

- Credit is used to 'smooth' income and expenditure flows (Dearden et al, 2010; Signoretta,2011)
- 69 per cent of low-income households are credit users (Ellison et al, 2011)
- Two-thirds of low-income households have no savings, rising to three-quarters of those in the lowest income quintile (ibid)
- Low income households often need small amounts of money to be paid back over a flexible period of time.



Debt in low income households

- Catalogues
- ‘Doorstep loan’ companies – APR 1068.50%
(‘Provi’, Greenwood’s)
- Rent to Own companies – e.g. BrightHouse and PerfectHome
- Payday Loans – APR 1,700% – 4, 200%
(Wonga).
- The Social Fund (Budgeting and Crisis loans)
- Informal lending – friends and family
- Illegal lending – loansharks



Price comparison

BrightHouse

Cash price – **£632.85**



Total – £1,613.14

(including *optional service and contents cover) *Required for purchase

Direct buy (online)

Cash price – **£451.85**



Price difference:

£1,161.19



Durham
University

School of Applied Social Sciences

Debt on Teesside: household characteristics

Age of key contacts	No.
18-24	6
25-34	9
35-44	5
45-59	4

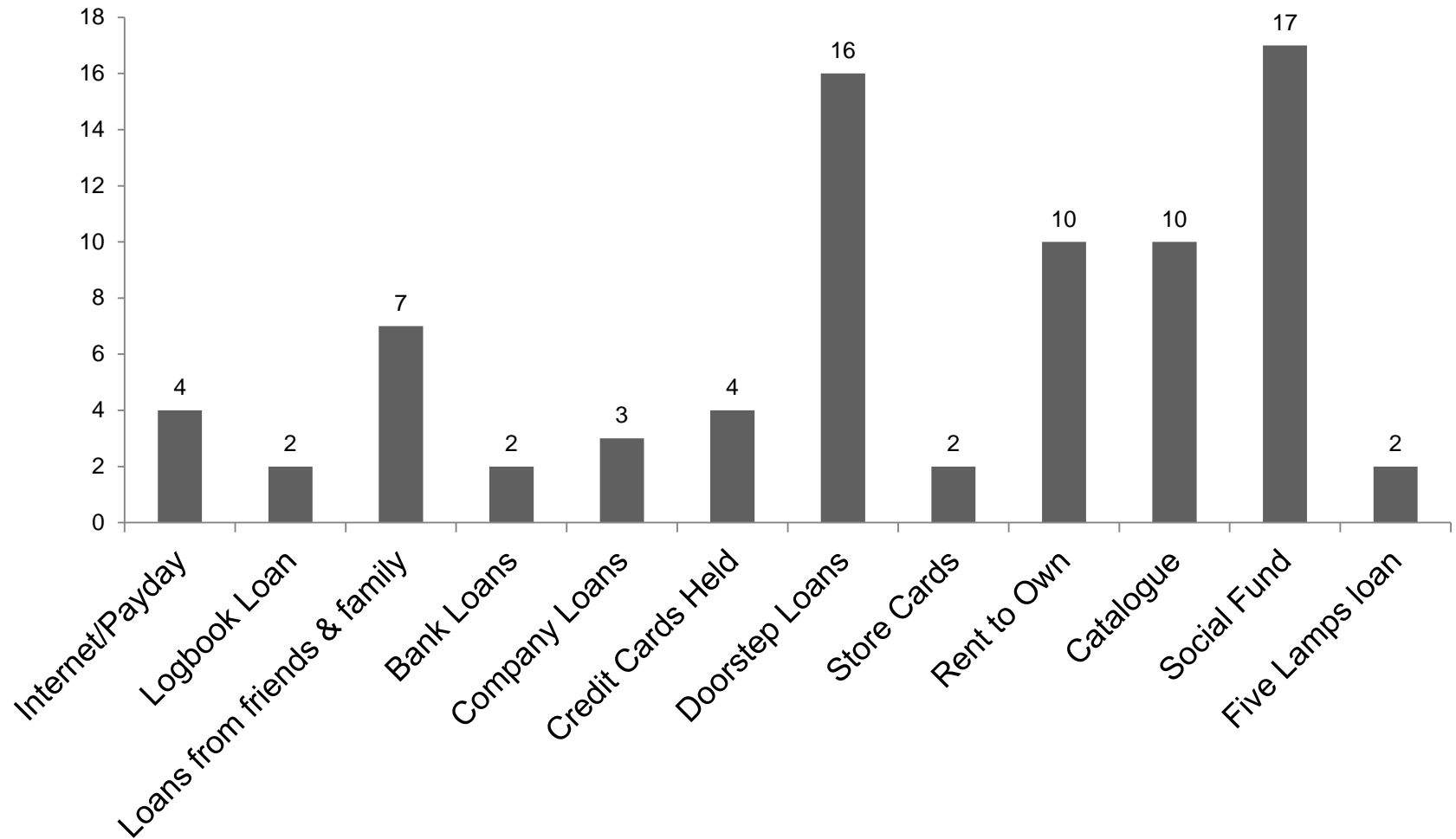
Types of households	No
Lone parent	13
Couple with children	6
Couple no children	1
Single person household	4

Household characteristics

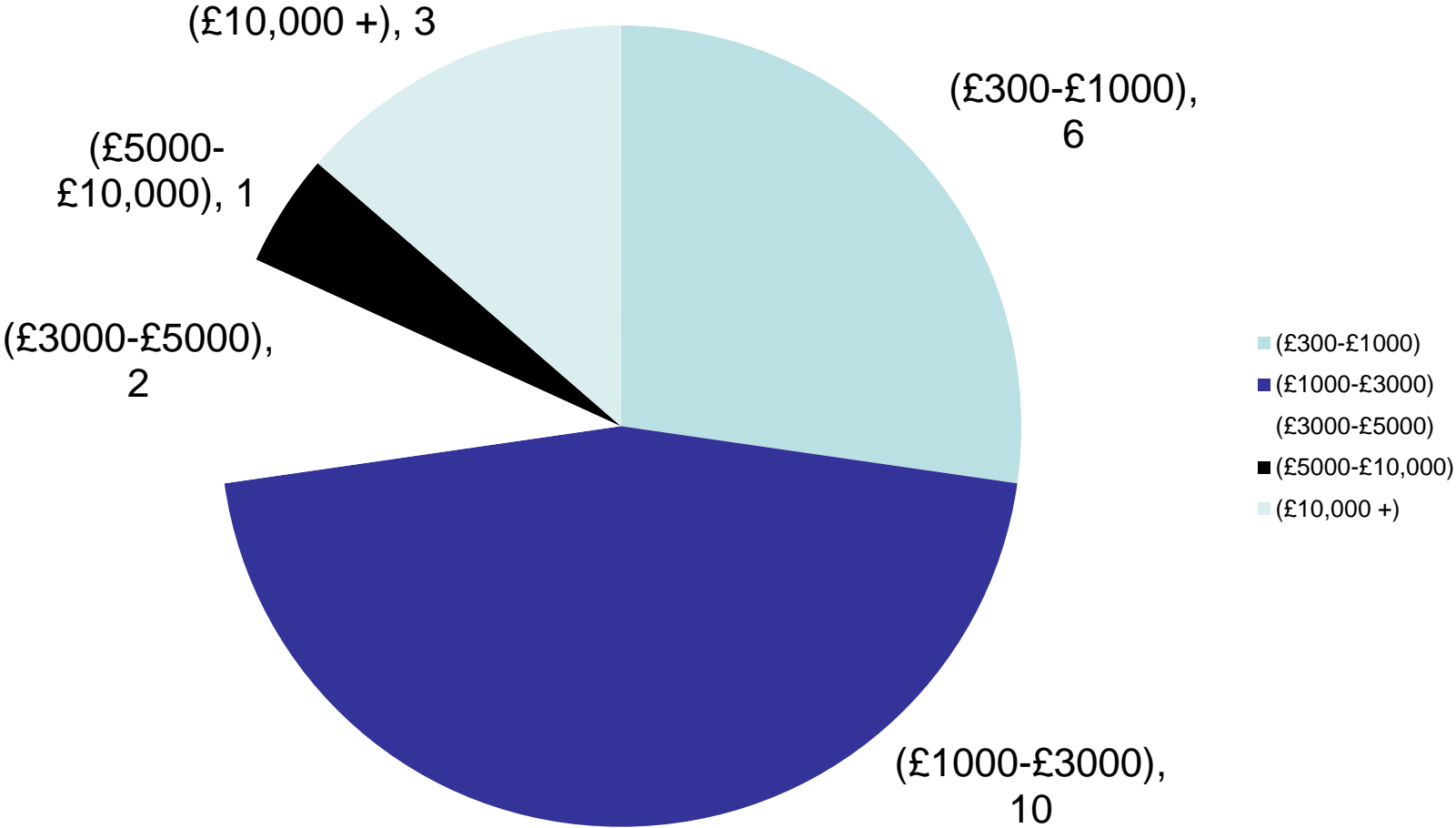
Types of households	No bank account	Basic bank account	Current bank account
Lone parent	4	8	1
Couple with children	-	3	3
Couple no children	1	-	-
Single person household	2	2	-



Credit use by households



Amount of household debt



Qualitative findings

- Reasons for Credit Use : pathways into debt
- Normalisation of debt
- Financial Choices
- Control
- Self social inclusion

Reasons for credit use: pathways into debt

Major Events	Everyday Uses	Social norms
<ul style="list-style-type: none">•Benefit changes•Moving house•Having a baby•Relationship breakdown• ‘Cost of living going up but income not’	<ul style="list-style-type: none">•Food•Energy bills•Rent•Debt repayments	<ul style="list-style-type: none">•Social occasions – birthday and Christmas• Acceptable standards of living:<ul style="list-style-type: none">- TV and games- mobile phones- furniture (new beds for children, sofa, wardrobes)



Financial ‘choices’

The washer broke and I had no money to buy a new one, so we had to get one out of BrightHouse and that TV over there as well. (Household 8, lone parent, one child)

My daughters needed Christmas presents and it was the only way to get it [*money*]. The only way I could do it was a Provi loan and [*they*] came round my house with £400 like that, ‘here you go’ [*gestures giving money*]. And it kind of deteriorates from there.
(Household 15, single man, 3 children living elsewhere)



Financial 'choices'

'I know you're paying a lot more [*at PerfectHome*] you could probably get two wardrobes and a new double bed for that, with mattress, for about a thousand pounds. I know you're paying over the odds but I don't have the money to go and buy it.' (Household 10, couple, one child)

'I can afford to pay it weekly. It's the only way I can do it.' (Household 9, lone parent, two children)

'It's the only option to go to them [*doorstep loans*] – other than the loan sharks but I'm not that stupid'.

(Household 4, couple, three children)



Juggling debts

‘The reason why we got behind on the council tax is that we were too concentrating on the rent. We skint ourselves one month to pay the rent arrears off...’
(Household 10, couple, one child)

‘I often miss one or something like that to pay the electric. So it’s just basically I have to miss one out to pay another one and then next time I have to miss another one out to pay another one, because I can’t pay them all off.’ (Household 18, single woman)



Normalisation of debt

‘[E]veryone is in the same boat’.

(Household 4, couple, 3 children, total debt around £3000)

‘I think a lot of people will be in the same boat as me, people round here, the same as what I am’.

(Household 14, lone parent, 4 children, more than £10,000 of debts)

‘It’s not very easy [*to borrow money from family*] because my mum and my dad and family are all in the same boat as me really’.

(Household 17, Lone parent, 2 children, total debt £5000)



Control

‘Don’t know how much I need to pay back to social [...]They take £9.30 a week from benefits’ (HH 20)

‘One week I’ll, when I go to the bank I’ll have like £140 pound in, oh yeah, buzzing, they haven’t took much off and then another week I’ll go and I’ll have £89 pound. It’s like a week! It just depends what they feel like on the day I suppose’ (HH 15)

‘they just stopped my money one day and that Thursday till the following Thursday I had to go without, just £47 and it got worse from there kind of thing’. (HH 16)

‘The child tax had got stopped for some reason’ (HH21)



Self Inclusion

- Decisions around money are not merely economic – emotional elements and moral discourses in decision-making.

‘Why should your kids suffer just because you haven’t got enough money?’ [June 2011 workshop].
- Getting credit enables people to participate as a ‘typical’ member of consumer society.
- Purchasing respect and inclusion

Alternatives?

Responsible alternative sector – Credit Unions, Five Lamps. New ways forward?

Cap on credit — Financial Conduct Authority (FCA), will have the ability to cap the costs of credit when it takes over regulation in 2013

Encouraging saving?– a lack of savings, and lack of experience of ever having any savings, means that borrowing and spending is constructed around *not* having savings.

Additional Issues

Welfare Reforms –

- Cuts to Housing Benefit, ‘Bedroom Tax’, changes to social fund, contributions to Council Tax, Increase in length benefit sanctions

Work in progress by the Institute for local governance found that :

- Stockton may lose between £13 million and £20m.
- Most affected - families with children some people with disabilities
- expectation of rising debt levels amongst claimants.





Thank you

www.dur.ac.uk/beacon/socialjustice/researchprojects/debt_on_teesside/



Durham
University

School of Applied Social Sciences

DEBT ON TEESIDE : PATHWAYS TO FINANCIAL INCLUSION

Mentoring – An evaluation to
date

Tracey Herrington

Our vision

- ▣ Recruit and train community volunteers to offer mentor support to financially excluded households
- ▣ Mentors to develop a relationship that would gain the trust of households and motivate them to be fully involved in the project
- ▣ Mentors to work with households initially to do a detailed analysis of their financial situation, followed by on-going intensive mentoring

'support them in positive change and moving away from high cost credit'

- ▣ Examine the impact of mentoring on behaviour, attitudinal change and choices around money management

Project delivery in practice:

- ▣ Both community and partner employee mentors were recruited and offered training and support
- ▣ Mentors were initially assigned up to 4 households
- ▣ Visits with households were arranged on a monthly basis
- ▣ Session 'plans' were introduced

Challenges:

- ▣ Recruitment of mentors - challenging
- ▣ Delivery of sessions – co-ordination of all parties
- ▣ Constraints and difficulties of carrying out mentor role (supportive v advice)
- ▣ Affecting positive change – ‘a pattern of perceived management’ ... ‘they know what they should do ... but don’t always do it’

What has worked well – households' comments

- ▣ Feeling able to 'offload' and talk to someone
- ▣ Having the encouragement to want to 'get out of debt'
- ▣ Finding out what help and advice is available
- ▣ Now actively looking at ways in which to save money – jars, Credit Union....
- ▣ Receiving practical support (help with phone calls / filling in forms..)
- ▣ Reduced payments to door step lenders
- ▣ Incentivised saving scheme

Mentors' comments

- ▣ Able to convey information to households 'in a way that they can understand it'
- ▣ Able to develop a positive relationship and gain trust
- ▣ Delivering sessions has seemed to build confidence and enabled households to take some steps they might have hesitated to take in the past (seeking debt advice)
- ▣ Participant is now more focussed on her goals
- ▣ Household is starting to take action to resolve current problems and prevent them from happening again

- 'Made me aware of how important projects in the local community are... If household had not had the initial knock on the door and been invited to take part in the project – she would have been financially excluded for years to come with her debts out of control'

'HH states her situation has improved both financially and emotionally – she no longer breaks down worrying about her debts'

Impact - Positive steps taken

- ▣ Number of participants have sought advice from CAB
- ▣ Mentors have raised awareness of alternatives to high cost credit
- ▣ All participating households have filled in budget sheets
- ▣ Several households are taking responsibility for finding out exactly how much they owe and when specific repayments are due to end

Lessons learnt:

- ▣ Recruitment of mentors
- ▣ Factoring in time to fully enable the development of relationships
- ▣ Household retention – pre motivational work
- ▣ To fully appreciate financial difficulties are not always viewed as a priority every day of their life. The building of a relationship reveals other pressing concerns
- ▣ Full time co-ordinator ‘v’ full time mentor



- Campaigns update:
 - Affordable Credit Assessment
 - No cold callers
 - Next steps



Rent-to-own company £20

Rent-to-own company £20

Catalogue £20

Sub-prime loan £37.50

Doorstep lender £5

Doorstep lender £50

Doorstep lender £5

Doorstep lender £5

Doorstep lender £5

Doorstep lender £35

Doorstep lender £70

Log book loan £36

Been paying them back since I started work at 18, 20 years ago

Owed about £800 as they gave her 6/7 loans in total

Meant to be paying £65pw..!

Case study: Claire
Weekly outgoings to lenders

£405

Income

£308.50pw

Total
outgoings
to lenders,
(juggling
different
debts)

Case study: Claire
Weekly outgoings to lenders



- 'Claire' Continued...
- [Why stopped paying certain debts?] =
- "I had to think 'well right, my priority ones at the time. I had to pay the ones that would get on my case the most. A phone call or a letter is not as bad as when they're at the door giving you grief'"
- "When I first went on with them, I did a form. It was very brief, it wasn't a full run down of the stuff. When they done another loan, you never got asked if you could afford it, no. It was just 'here, here, here'"
- "I hardly ate anything. I don't know how I survived."
- This time last year, I was crying all the time. I've seen me walking round with holes in my shoes. If me friends gave me clothes for them, it was like Christmas. I used to shop at the second hand shops for myself.



- 1 That the Office of Fair Trading review the affordability assessment requirements of lenders contained in its Irresponsible Lending Guidance, and consult on a proposal to establish a total borrowing limit based on a set ratio of the borrower's income. In order to ensure that the borrowing limit is enforceable, all high cost lenders should be required to register their loans on a national database;
- *"Taking on the Money Lenders: Lessons from Japan"*, Centre for Responsible Credit, November 2012

Beware the doorstep lender





- Next Actions:
 - Invite local lenders to roundtable with customers (conduct local actions on doorstep lenders if refuse)
 - Do some video vox pops with households and other leaders illustrating campaigns
 - Liaise with Centre for Responsible Credit
 - Gather case studies with other local partners - Money Pathways, joining with Movement for Change North East, SDAIS, Financial Inclusion groups and M'bro Council.
 - Report to Information Sharing Group in London convened by Friends Prov and Centre for Responsible Credit.