

Control of personal debt and the advantages of employment

Policy & Resources Scrutiny Committee
In depth Scrutiny Project 2015/16

August 2016

Preface

“Unfinished business is never satisfying, but on this occasion to offer a report back as to what we found at a whole day mini conference, seems right and justified.

The depth of the debt project was always going to be a challenge and I have come to realise that even if we had "finished" by issuing recommendations, we would not have been that much further advanced, in the context of the complex issues.

The idea of an anti debt fair is still something I hope we can achieve, despite the fact that there are two new civic projects to take centre stage for 2016/2017.

My colleague Councillors and I spent an un-apologetic time period looking at the issue of funeral poverty and how this affected too many people. The 2016 Budget agreed a 4% increase in funeral costs – something which I did not support. The position now is that the current administration is now faced with looking at all costs afresh as part of the 2017 budget (in the light of continuing budget pressures) - what will happen, only time will tell.

So debt pressures and challenges are still too prevalent but even this late publication of our mini conference day will make a contribution to the never ending civic concern around debt.”

*Councillor Mark Flewitt,
Chair of the in depth scrutiny project
2015/16*

“The Working Party reviewed all aspects of personal debt and the many reasons relating to personal debt increases and found mounting costs with limited employment prospects together with the processes used by Banks and Finance Houses to analyse credit worthiness virtually forced people into high interest finance providers. Credit reference agencies together with a plethora of sub agencies hold incorrect information on people who find it difficult to have wrong information corrected and the system allows unscrupulous concerns to manipulate the system and force those with financial problems into further difficulties.

It is hoped that this report will highlight our concerns and will elevate the various issues to Central Government for action.”

*Councillor Brian Ayling
Chairman, Policy & Resources Scrutiny Committee 2016/17
Project team member 2015/16*

1. Introduction



In 2015/16 Municipal Year, Members of the Policy & Resources Scrutiny Committee undertook an in depth project investigating the issues of the control of personal debt and the advantages of employment. Led by the cross party project team members, the project aimed to understand the issues around personal debt and its impact on residents; the control of personal debt; the support available to residents to stop them getting into debt and the advantages and benefits of employment. The aim was to raise resident and all member awareness about the issues and to make appropriate recommendations.

Debt is something that can potentially affect anyone of us. This review was the start of the debate to help residents in the borough. The way to do this is for actions to be joined up, working together in a partner-led way.

Our thanks go to all those who were involved with the project – particularly the witnesses called to share their views, expertise and insights – and all the Project Team members who undertook to investigate a number of key areas for the review.

2. Method of the investigation

The Committee was supported by a project team comprising:-

-  Councillor Mark Flewitt, Chairman, Councillor David Garston, Councillor Brian Ayling, Councillor Alan Crystall, Councillor Lawrence Davies, Councillor Cheryl Nevin, Councillor Derek Kenyon and Councillor Chris Walker.
-  Officer support was provided by Fiona Abbott

The project team met on four occasions and considered a range of information and evidence and number of work streams were investigated by the project team.

3. Briefing / information considered during review

- (i) Dealing with loan sharks https://www.youtube.com/watch?v=d_Ja0n9WJSk
- (ii) Licensing of loan companies
- (iii) Credit reference agencies
- (iv) Funeral Poverty
- (v) Information on debt / individual insolvencies in Southend and financial stress
- (vi) Mortgage debt (interest only mortgages)
- (vii) Role of education
- (viii) Illegal Money Lending Team, including a detailed briefing from the IMLT to the Project Team in January 2016
- (ix) Loan sharks witness statistics (want a *shark free* Southend)
- (x) Information from CAP
- (xi) Essex Savers net Credit Union workshop

4. Mini conference

The main evidence gathering session for the review was a **mini conference** held on 4th February 2016. This session was facilitated by John Cooke, the then Healthwatch Southend Manager and invited witnesses attended to give their views, see **Table 2**.

The questions were sent to the witnesses in advance and are set out in **Table 1**.

The session was run in a workshop style format, reflecting the objectives of the review.

Table 1

	Questions
1	<i>In your opinion what are the main reasons / causes of people getting into personal debt here and is the situation getting worse?</i>
2	<i>What do you see as the main effect on residents / impact on residents (a residents story)? What are the trigger points in people's lives / signals that are struggling?</i>
3	<i>What are agencies doing to help support residents to stop them getting into debt? Are there any significant gaps in support?</i>
4	<i>What do you think to be the best route to getting message out?</i>

The list of witnesses is outlined in **Table 2**. The project team would like to formally thank the witnesses for giving up their time to attend and for sharing their insights.

Table 2

Name	Representing
Carl Robinson	Department for Place, Regulatory Services
Trish Carpenter	Citizens Advice Southend
Holly Lippold	Trust Links
Jane Dresner	Advocacy for Older People
Revd Hannah Bucke	Southend Interfaith / Foodbank
Richard Leadley	Christians Against Poverty (CAP)
Gavin Dixon	Kings Money Advice Centre (KMAC)
Alison Davies	Essex Savers net Credit Union
Mick Davey	Essex Savers net Credit Union
Jeremy Martin	Department for Place, Southend Energy
Coral Fallon	Community Integration Team, ECRC
Paul Felice	Community Integration Team, ECRC
Rosanna Ridgeway	Jobcentre Plus, DwP
Judith Codarin	South East Alliance of Landlords, Agents and Residents (SEAL)
Martin Ransom	SEAL
Simon Putt	South Essex Homes
Lorraine Goldsmith	Benefits, Department for Corporate Services
Pam Watson	Finance, Department for People
Christine Lynch	Revenues, Department for Corporate Services
Cathy Braun	Access and Inclusion, Department for People
Ellen Butler	Customer Services, Department for Corporate Services
Sian Hines	The Hub, Department for Corporate Services
Julia MacKenzie	Streets Ahead, Department for People

In advance of the witness session, each witness was asked to provide some brief information about them / their organisation (a 'pen picture') and what they see as the main issues.

The following project team members attended the witness day on 4th February – Councillor Mark Flewitt (Chairman), Councillor David Garston, Councillor Brian Ayling, Councillor Alan Crystall, Councillor Lawrence Davies, Councillor Cheryl Nevin, Councillor Derek Kenyon and Councillor Chris Walker.

Apologies for absence were received from – Cath Wohlers - England Illegal Money Lending Team, Steve Ackroyd - RBS, Denise Rossiter - Essex Chambers of Commerce, Nick Williams - Keymed, Jon Horne - Stobart Aviation, Bobby Evans - Tesco, Tracey Nicola – Department for Corporate Services, Keith Harding - Department for Corporate Services and Councillor Ron Woodley – Leader of the Council.

The following items formed the paperwork for the meeting:-

- ✚ Response to questions Holly Lippold, Trust Links
- ✚ Response to questions from Lorraine Goldsmith, Essential Living Fund (SBC)
- ✚ Information on Essex Savers net Credit Union
- ✚ Press release re loan sharks and debt
- ✚ Information highlighted by Citizens Advice Southend
- ✚ Introduction to work of the KMAC
- ✚ Response to questions from Christine Lynch, Revenues (SBC)
- ✚ Response to questions from Richard Leadley, CAP
- ✚ Response to questions from Steve Gibbs, RBS
- ✚ Response to questions from Julia Mackenzie, Streets Ahead (SBC)
- ✚ Response to questions from Gavin Dixon, KMAC
- ✚ Response to questions from Sian Hines, The Hub (SBC) was circulated to the project team after the meeting.

5. Themes to emerge at mini conference

The following main themes emerged during the event, which was organised into 3 sessions:-

Question 1

In your opinion what are the main reasons / causes of people getting into personal debt here and is the situation getting worse?

Pointers of what was discussed at the event

- Overwhelming view that the situation is getting worse
- Reasons 'are as wide as town itself' – some examples mentioned were - mental health issues considerable need in Southend; divorce; relationship breakdown; events triggers such as illness; culture of debt (consumption) & societal pressure to consume; criminal activities targeting vulnerable residents (on-line scams); peer pressure; redundancy; addictions
- Education needed at school level
- Budgeting – need more work on prevention
- There is what can be called 'good debt & bad debt' with people having good weeks & bad weeks
- Mortgages and crunch – big issue in next 5 years
- Difficult if don't have support mechanisms available
- Complex systems & (the tone of) written communications from statutory agencies – can get unclear or threatening communications
- Fuel and funeral poverty highlighted
- Impact of Universal Credit?
- Benefit cap & pressure to cut them – massive impact on finances when already tight
- Older people and re mortgaging to help younger family

- Cost of holidays if have school aged children
- Don't tend to 'touch' money now - financial literacy

Question 2

What do you see as the main effect on residents / impact on residents (a residents story)? What are the trigger points in people's lives / signals that are struggling?

Pointers of what was discussed at the event

- Residents story very powerful
- Easy to get credit on line and no control (affordability checks)
- Scamming / befriending sites
- Predatory culture
- Crack down on pay day loans – loan sharks / door step loans bank on people not being able to pay!
- Lack of financial understanding
- Role of Credit Unions and differences in repayment levels from other lenders! (e.g. significant differences if borrowed from CU instead of loan shark)
- Seaside town context
- Poor diet / poor self care
- Mental health issue mentioned – need specific help – spend money don't have
- Need checks and balances on system
- If have council tax arrears have additional charges (and difficult to get out of as debt increases year on year)
- There are triggers which point to problems – e.g. access Essential Living Fund, use Foodbanks, which indicates have insufficient funds for the basics
- CAP – on average takes someone a year to make call to ask for help
- *"When you can get into debt without the effort of getting off the sofa I believe we have a serious problem".*

Question 3

What are agencies doing to help support residents to stop them getting into debt? Are there any significant gaps in support?

Pointers of what was discussed at the event

- Role of local authority – ELT team, Street Ahead etc
- Money management courses at CAP led to debt advice
- Encourage use of cash against card
- Avoid use of bailiffs / legal proceedings will help people – more pastoral approach
- *"we really need to break cycle of debt and poor money management so that individuals take control of their finances."*
- Trust Links – refer to other organisations
- Money management calculator on Council website
- RBS – invested in debt management office & fund other organisations through donations, fair share contributions or a levy
- Citizens Advice Southend role and KMAC
- Life events have massive impact on income / expenditure
- Education – courses need crèche facilities when run
- 'invest to save' & budget sessions needed in schools

- Mention of 'Your Home Newcastle' – make huge difference (see www.ownyourown.co.com)
- Illegal Money lending Team – more partnership with local authorities, voluntary sector (310,000 people are in the grip of loan sharks nationally)

Question 4

What do you think to be the best route to getting message out?

Pointers of what was discussed at the event

- Awareness & prevention is key
- Foodbank includes leaflets in packs
- Could leaflet in areas (where debt occurs?) and where to go for help ('may not read it but if not there, can't!') - signposting
- Do a leaflet campaign when send out other documentation (e.g. benefits) – along lines 'how to make your money go further'
- Need to think about how agencies can reach people sooner
- SEAL happy to include information on debt advice on their community website – see www.mystreetsouthend.com
- Need some adverse publicity
- Use social media (but one size doesn't fit all)
- Use community hub / digital hub
- Loan scams – need to get banks to put stop on withdrawals
- Issue of financial literacy - need compassion, dignity & respect
- Also need to educate people to know outcomes of their decisions
- Need positive marketing approach too
- Approach TV producers / soap – have debt / loan shark story
- Schools use personal health and social education time & also integrate into other subjects
- Ask Youth Council for views

6. Some emerging outcomes from review

The review proved to be a thought provoking and wide ranging project, looking at issues such as credit reference agencies, loan sharks and funeral poverty. There was greater Member awareness of the issues facing a number of our residents, for example, the Project Team considered detailed information from the Illegal Money Lending Team on the issue of illegal loan sharks and also considered information about the Credit Union in Southend.

A great deal of good work is taking place in Southend and based on the evidence from the review, a lot of good around to help and support residents who face debt issues and to help them.

There are a number of issues from the review which now need to be taken forward, as follows:-

- a) As a way forward a third sector assembly should be convened to 'show case' event (anti debt fair) for the debt agencies to promote awareness. This will provide an opportunity for stakeholders to show support and advice (the expectation is that the resourcing for the event will be met by sponsorship). A number of programmes or work streams should also be developed to take

forward e.g. helping people maximise income, working in a joined up way (see also (g) below.

- b) That awareness raising about Credit Reference Agencies be included in the work mentioned above and that some can provide information to people on a no-charge basis.
- c) The Council should embed financial inclusion as a cross cutting priority.
- d) All statutory agencies should be asked to review their literature promotional materials, social media presence sent to residents so that opportunities to sign post residents who may be experiencing difficulties are not missed (or lead to residents falling further into debt).
- e) The Council should encourage the use of Credit Unions (Essex Savers Credit Union), and promote membership of them to staff and residents and also look at other ways of supporting its work.
- f) Partners need to look at targeting outreach opportunities in the wards with higher number of households likely to experience financial stress.
- g) The Council's Head of Learning be asked to raise with School / FE Governors the need for improved financial literacy of primary and secondary school pupils and for a more structured approach to financial literacy incorporated into the school curriculum (utilising the resources of organisations such as Illegal Money Lending Team for example), including generic financial advice for school leavers.

The Executive is asked to consider the report and identify how best to progress the work.

