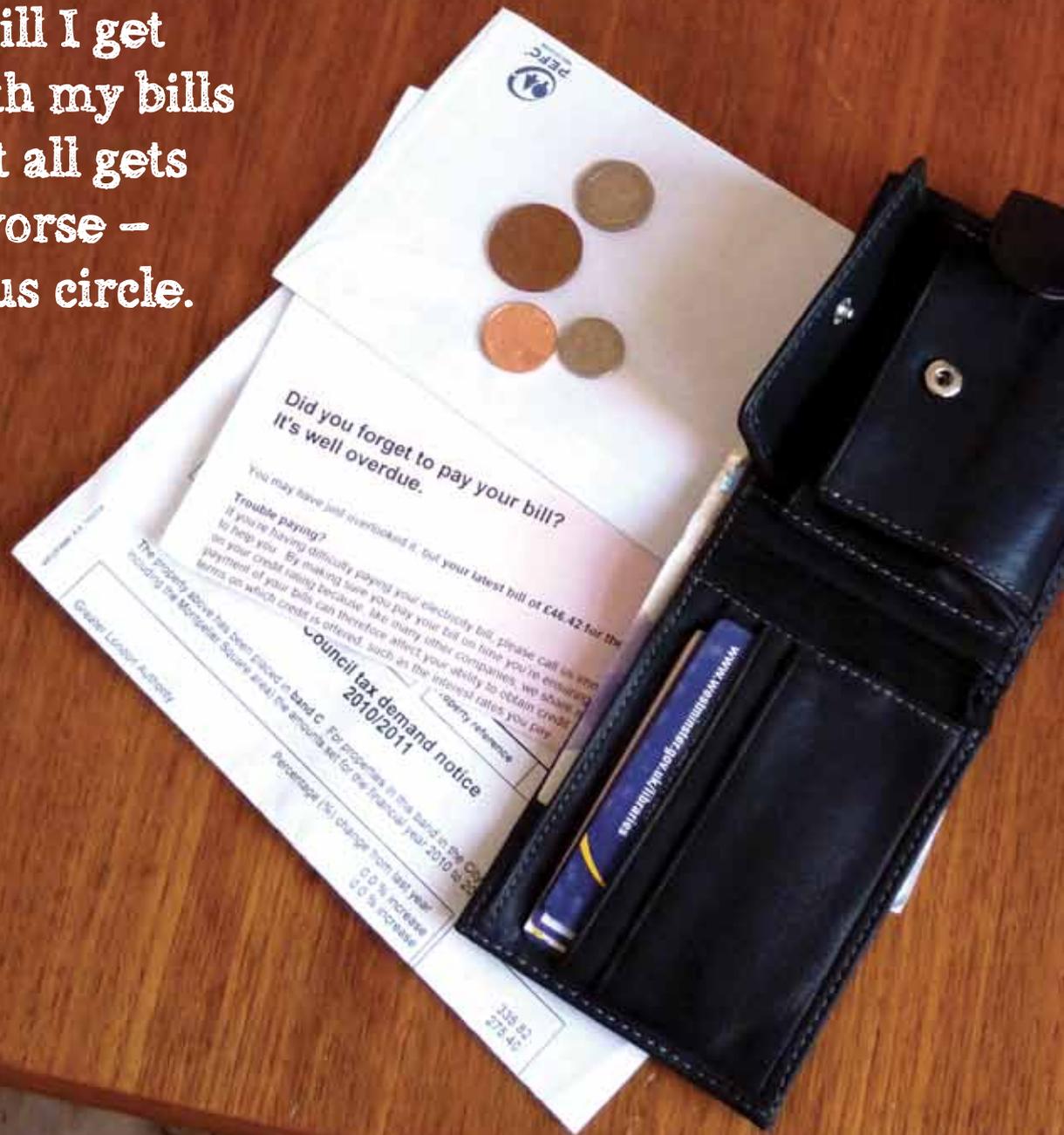


When I'm ill I get behind with my bills and then it all gets so much worse – it's a vicious circle.



# Still in the red

Update on debt and mental health

# Contents

Background	1
Executive summary	4
Living with debt and poverty	5
Links between debt and mental health	7
Seeking support and solutions	10
Conclusions	14
Recommendations	15
References	17
Appendices	18



# Background

## Debt and mental health

There is a well established link between debt and mental health. Government surveys report that in Britain:

- one in six adults is living with a mental health problem (ONS, 2001)
- one in four adults with a mental health problem is living with debt or arrears
- Three times as many adults with mental health problems report debt or arrears, compared to those without mental health problems (ONS, 2002).

On the basis of these figures, as many as 1.75 million British adults with mental health problems may be living with debt or arrears.

Debt is not only an issue for people already living with a mental health problem. Research studies indicate that debt can be both a consequence and catalyst of mental health problems, including:

- anxiety and stress
- depression
- self-harm and suicidal thoughts
- strain on personal relationships, social inclusion and self-esteem.

Financial organisations, money advice bodies, health professionals, and people with mental health problems need to be aware of this dynamic relationship.

Debt that can be repaid or managed is not inherently problematic. Access to credit and financial services is increasingly a component of modern life and can enhance individuals' lives. The majority of people with a mental health problem have the skills and capacity to manage their finances. It is when debt becomes difficult for an individual to cope with and this affects their mental health (or vice versa), that appropriate responses from creditors, health and social care professionals and debt advisers are required.

Consequently, it is important to distinguish between 'debt' and 'problem debt'. In this report we focus on those individuals experiencing mental health problems and problem debt. We define 'debt' as having outstanding money to repay, and 'problem debt' as occurring where an individual is two or more consecutive payments behind with a bill or repayment

## Mind's previous research

Mind's original 'In the red' survey, in 2008, demonstrated the complex and multifaceted relationship that can exist between debt and mental health as well as highlighting the personal impact on those affected. This survey led to a wider campaign on these issues with recommendations for financial organisations, health services and professionals, and advice services.

Following the publication of the In the red report, Mind engaged with key organisations, coalitions and authorities to try and improve the way that people experiencing both mental health and debt problems were treated.

After debt collection and bailiffs emerged as a key issue in the original survey, Mind conducted follow-up research which helped to raise the media profile of concerns in this area. In particular, we wanted to draw attention to the large number of people with mental health problems who report having contact with bailiffs, and the detrimental impact on respondents' health caused by bailiffs' methods.

Although Mind's 'In the red' campaign is now being scaled back for the time being, we hope that this fresh round of research will support those partners still working on these issues and encourage others to promote further improvements.

## External context

Since the publication of the original 'In the red' research, there has been a severe credit crunch followed by a global recession. It is likely that this will have had a substantial impact on levels of debt and the experience of those in debt. This impact may well have been mixed, however, with a contraction in the availability of credit occurring alongside job losses and high levels of inflation.

During the same period, there have also been developments in how the relationship between debt and mental health is being addressed by the relevant authorities and organisations. These developments include:

### Money Advice Liaison Group resources

The Money Advice Liaison Group (MALG), a forum working for greater and better communication, understanding and professionalism among organisations with an interest in personal credit and debt, produced their *Debt and Mental Health Evidence Form* in August 2008 to assist creditors in obtaining relevant evidence on a customer's mental health. MALG also released an updated version of their *Good Practice Mental Health Guidelines* in the Autumn of 2009.

### The Lending Code

In 2009 *The Banking Code* (British Bankers Association, 2005) was replaced by *The Lending Code*, which featured a new section on how creditors were expected to treat customers experiencing financial difficulty and mental health problems (Lending Standards Board, 2009). An independent review, completed in 2011, led to a second version of *The Lending Code* featuring additions to its section on mental health, and strengthening its requirements (Lending Standards Board, 2011).

### Credit Crunch Stressline

In August 2009, the NHS launched a telephone helpline for people suffering from stress as a result of the credit crunch, the recession, and financial difficulties. This line has referred people on to local health and advice services.

### Government policy

*New Horizons*, a cross-governmental strategy produced by the Department of Health for improving the mental health of the population and services for those with mental health problems acknowledged the relationship between indebtedness and mental distress (Department of Health, 2009). *New Horizons* was superseded by *No health without mental health* which also featured a commitment to tackle the wider social determinants of mental health problems, such as debt; for example, by recognising the public health benefits of debt advice (Department of Health, 2011).

### Office of Fair Trading guidance on mental capacity and irresponsible lending

In 2010, the Office of Fair Trading published draft guidance on how creditors should respond, at the point of lending, to concerns about prospective customers' capacity to enter into a credit agreement (Office of Fair Trading, 2010). It emphasises the distinction between mental health and mental capacity. The Office of Fair Trading also produced guidance on what it sees as irresponsible lending in March 2010. An updated edition from 2011 also covers issues around mental health and mental capacity (Office of Fair Trading, 2011).

## Royal College of Psychiatrists research

In 2010 the Royal College of Psychiatrists published results of a national survey into creditor practice, looking at the treatment of customers experiencing financial and mental health difficulties (Royal College of Psychiatrists, 2010a and 2010b). It highlighted areas of existing good practice and identified areas for improvement accompanied by recommendations for best practice.

## Who is this report about?

This report is about the lives of people with experience of mental health and debt problems. It is based on data from two surveys, each administered online and by post:

- A first survey conducted between December 2007 and January 2008, with a total of 1,804 eligible participants.
- A second survey conducted between February and March 2011, with a total of 878 eligible participants.

People were eligible to participate in the surveys if they had either used a mental health service in the previous two years or experienced mental distress in the last two years. A wide range of mental health diagnoses were reported, with depression and anxiety the most frequent diagnoses on both occasions. The survey covered England and Wales.

This report is also informed by four focus groups carried out at different local Minds with service users who had experience of both debt and mental health problems. These focus groups took place alongside the 2011 data collection and provided the quotes given in this report.

## Mind's new research

This report seeks to bring our understanding of the experience of those with both debt and mental health problems up to date. The report compares the findings from the 2011 survey to the original results in 2008. It also includes new areas of research not covered by the 2008 survey.

Since the sample size for the 2011 survey is smaller than that for 2008 (878 in 2011 compared to 1,804 in 2008), and neither was a random sample, we need to be wary about drawing any firm conclusions based on comparisons between the two sets of data. However, both studies provide a clear insight into the relationship between mental health problems and debt which has not been considered in other pieces of research. Although we need to be cautious, the clear differences in results between the two surveys may well indicate changes of context and circumstance between 2008 and the present.

As noted earlier, Mind's 'In the red' campaign is being scaled back for the time being, but this 'refresh' of the original survey aims to encourage others within the creditor, government and health sectors to consider what action needs to be taken next. Mind is also producing a new set of information and resources (see [www.mind.org.uk/money](http://www.mind.org.uk/money)) to help people who are experiencing debt and mental health problems, making use of this research to ensure that these publications are as relevant and useful as possible.

# Executive summary

The key findings from this report are split into comparisons between the 2008 and 2011 samples, and findings from new areas of research that were not covered in the 2008 survey but deemed relevant.

## 2008/2011 comparisons

- Average borrowings in the 12 months prior to the survey were almost £1,000 less among the 2011 sample than the 2008 sample.
- However, the average amount owed on credit and store cards was over £500 higher for the 2011 sample.
- Fewer people in the 2011 sample were in problem debt and the consequences of their financial difficulties had been less severe.
- Respondents in the 2011 survey had more negative perceptions of creditors but their actual experiences of creditors appeared to be a little better than that of respondents in 2008.
- Responses about where people sought help with their problems and how they thought their debt and mental health interacted were very similar between the 2011 and 2008 samples:
  - Most went to a free advice agency, friends and family, or the creditor for advice about their debt.
  - Most people believed their debt had made their mental health worse and their mental health had made their debt worse.
- Over 30 per cent of all respondents, and over 40 per cent of those in problem debt, did not feel that they were able to take a reasonable decision about whether to take out their loans.
- More than three-fifths of all respondents and three-quarters of those in problem debt reported often feeling confused about their finances.
- Almost 60 per cent of those in problem debt had told their health or social care professionals about their financial difficulties.
- Nearly half of respondents who had been in touch with a debt advice service had told their adviser about their mental health problems.

## Conclusions

Knowledge and practice has clearly improved in a number of areas but there is still a lot of room for improvement. All of the original 'In the red' recommendations are still relevant and valid but we believe there are some particular areas that need to be focused on:

- Banks and other creditors need to build on improvements and existing good practice, making use of all available guidance (see Appendix 2).
  - Creditors need to take serious consideration of customers' mental capacity when providing loans, based on the Mental Capacity Act.
  - More work needs to be done to help people develop financial capability to ensure that they can keep control of their finances.
  - There needs to be an assurance that people can access quality debt advice from staff with an understanding of mental health.
  - The signposting and provision of debt advice from health and social care professionals needs to continue to expand and improve.
- The vast majority of respondents did not believe their creditors were aware of their mental health problems at the time of taking out loans.

## New research areas from 2011

- The vast majority of respondents did not believe their creditors were aware of their mental health problems at the time of taking out loans.

# Living with debt and poverty

## Financial circumstances

There were interesting differences between the borrowing and debt patterns of respondents in the two surveys. Respondents in 2011 had, on average, borrowed less over the 12 months before the survey than those in 2008. However, in terms of money owed on credit and store cards, average debts were higher in 2011 than in 2008.

This may reflect the restrictions on credit that were experienced during the intervening years and the economic uncertainty that made conditions less favourable to lending. This, alongside high rates of inflation and, for many, economic hardship, would have made it difficult to reduce existing debts.

This analysis is supported by two other findings from the research:

- 45 per cent of respondents had not borrowed in the last 12 months, compared with 28 per cent of respondents in 2008.
- Only 18 per cent had borrowed from a bank or building society compared with 35 per cent in 2008.

The most common source of borrowing, as with the 2008 survey, was loans from friends and family (used by 53 per cent of respondents).

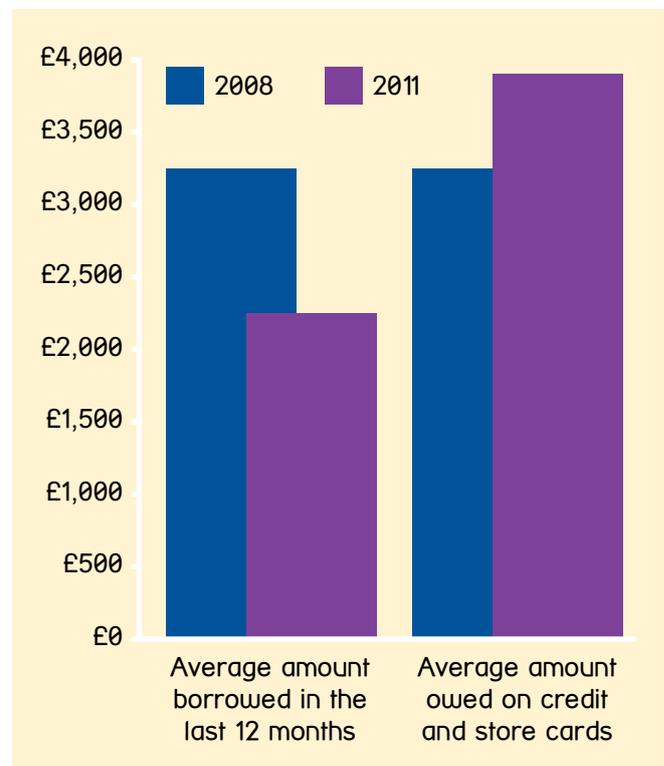
**“I could only get high interest loans, which seems to be a problem for most people on low incomes.”**

## Problem debt

We define problem debt as being two or more consecutive payments behind with a bill. The proportion of respondents in problem debt from the 2011 survey was two out of five, compared to one in two in the original 2008 survey.

In 2011, 58 percent of participants reported that they had been unable to pay a bill at the final reminder due to a lack of money (compared to

Figure 1. Financial situation of respondents in 2008 and 2011.



84 per cent in 2008). The most common bills that participants were unable to pay were credit/store cards, telephone bills and gas/electricity bills, with very similar results to the 2008 survey.

Overall, the consequences of unpaid bills were less severe for the 2011 respondents than for those in 2008 (see Table 1).

Although problem debt was less prevalent in the 2011 sample and those who were in problem debt had experienced less negative consequences than the 2008 sample, there is clearly still a serious issue with people with mental health problems getting into problem debt and with the impact of problem debt on people's mental health.

It is disappointing that so many people are finding themselves in this position and that interventions have not come about earlier in the process to

**Table 1. Consequences of unpaid bills by those in problem debt in last 12 months (2008, n=924; 2011, n=357).**

2011 rank	Consequence	2008		2011	
		(n)	%	(n)	%
1	Threatened with legal or court action.	720	77.9	244	70.7
2	Contacted by bailiffs or debt collectors.	472	51.1	173	50.1
3	None of these.	121	13.1	70	20.3
4	Received a County Court Judgment.	235	25.4	62	18.0
5	Other.	90	9.7	24	7.0
6	Had a charging order taken out against your home.	44	4.8	11	3.2
7	Been declared bankrupt.	44	4.8	4	1.2
8	Lost your home through repossession or eviction.	22	2.4	4	1.2

help with their debt and mental health problems. From focus groups and case studies we know that the spiral into concurrent serious debt and mental health problems is a common story.

**“After a while I stopped opening letters; it was like I was an ostrich with my head in the sand. If I didn’t see the contents of the letters then I didn’t worry about it.”**

**“I’ve got to really, really struggle to not have more debt because I’ve got to pay my bills, and it’s really hard sometimes.”**

## Living standards

The living standards of respondents were poorer than for the 2008 sample, with 45 per cent living on below £200 a week compared to 40 per cent in the original survey. For those in problem debt this figure rose to 54 per cent (compared to 49 per cent in the 2008 sample). During this period, the Government’s definition of the ‘poverty line’ shifted to £235 a week, meaning these are conservative estimates of the proportion of respondents living in poverty.

Although fewer respondents in problem debt reported having to cut back on utilities as a result of their financial situation (60 per cent compared with 82 per cent in 2008), a new question on disconnection revealed that one in five respondents with problem debts had experienced a utility disconnection in the last 12 months. The majority of these were telephone disconnections.

# Links between debt and mental health

## Mental health at the time of borrowing

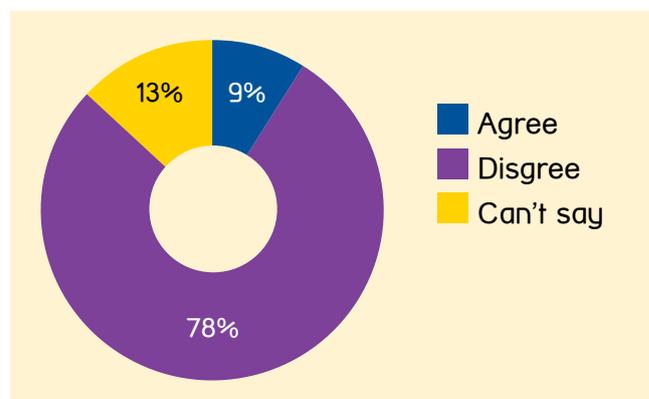
The questions in this section were introduced in the 2011 survey. This means that there are no previous data to compare against, but it also represents a new area of research which is vitally important for discussions around creditor policies and mental capacity.

The most common method of taking out loans or credit cards was online (Table 2). The proportion of online borrowing among the 'problem debt' group was the same as that for all respondents, which does not corroborate arguments that online lending creates greater potential for irresponsible lending (although this sample does not allow us to draw firm conclusions). However, online borrowing does present considerable challenges when considering whether a potential customer has the mental capacity to understand the terms and conditions of the loan.

Almost a tenth of all respondents reported that creditors were aware of their mental health problem at the time of taking out credit, although our data do not indicate whether this is because the borrower told the creditor this, or whether the borrower felt their creditor had assumed this without it being said.

Very few respondents reported creditors asking questions about their mental health at the time of lending. Only three per cent of all respondents reported creditors expressing concerns about their ability to manage the loan or credit as a result of their mental health problem(s).

Figure 2. "The lender was already aware of my mental health problems."



However, this lack of awareness, enquiry and concern about the mental health of applicants for credit did not reflect how respondents felt their mental health affected their ability to make an informed decision about borrowing. As might be expected, this was an even greater issue for those respondents in problem debt (see Table 3 for full results):

- Three in 10 respondents said they were not able to make a reasonable decision about whether to take out the loan or not. This increased to four in 10 among respondents in problem debt.
- A quarter of all respondents said they were not able to understand the terms and conditions of the loan. Among respondents in problem debt, this figure increased to a third.
- Over a third of all respondents and almost half of those in problem debt reported not being able to ask questions or discuss the loan with their potential creditor.

Table 2. How people took out credit (2011 only).

People who took some or all of their loans or cards out in the following way.	All		Problem debt	
	(n)	%	(n)	%
Face to face	170	34.1	95	33.8
Telephone	110	22.1	73	26.0
Online	237	47.5	133	47.3

**“Not one of them has ever asked about my mental health – not one. I realised that I better make it clear to them, but I was actually very frightened about telling them, mainly because I already felt weak in front of them anyway.”**

**“The problem with ‘mental health’ is that it’s the one thing that describes me irrespective of anything else in my life.”**

While none of the above statements gives a definitive indication of an individual’s mental capacity to take out credit, these findings suggest mental capacity affected individuals’ self-reported ability to make an informed decision about borrowing. The Office of Fair Trading has recently published draft guidance to creditors on mental capacity and irresponsible lending (OFT, 2010 and 2011). This guidance tells creditors what to do if they might reasonably suspect a prospective borrower lacks the capacity to borrow.

Creditors should not simply withhold credit from anybody who has difficulties understanding the terms of the credit they wish to take out. Rather, creditors are expected to provide support to anybody experiencing such difficulties, so that they acquire the capacity to make a reasonable

decision. If an individual then still appears to lack capacity, the creditor is expected to find out whether this is the case.

Given this regulation, the survey data suggest that creditors still have much to do in terms of supporting customers (and not only those with mental health problems) who may not have the capacity to make an informed, reasonable decision about whether to take out credit.

## Relationship between debt and mental health

Respondents were asked about how they thought their mental health and financial problems interacted. The results were very similar to those from the 2008 sample, reinforcing the message that a two-way relationship can exist between debt and mental health:

- Among the whole sample, nearly three-quarters thought that their mental health problems had made their debt worse. This rose to over four-fifths among those in problem debt.
- Almost nine out of 10 of those in problem debt felt that their financial difficulties had made their mental health problem(s) worse.

**Table 3. Thinking about the loans you took out in the last 12 months, how do you feel your mental health was at the point you took out these loans? (2011 only.)**

Statement	All Agree (%)	Problem debt Agree (%)
I was not able to remember what I had been told about the loan.	47.2	58.7
I was not able to ask questions or discuss the loan with the organisation I applied to.	37.4	45.7
I was not able to make a reasonable decision about whether to take out the loan or not.	30.9	41.6
I was not able to understand the terms and conditions of the (ie, what I would need to do to repay it).	25.5	32.3

**“I think being in debt definitely affects your mental health. It’s the stress of being able to keep on top of paying for everything, isn’t it, paying for your bills and paying to feed yourself. I definitely get more stressed when it comes to being in trouble with money and it can make me ill.”**

**“Debt happens, it’s a double-edged sword isn’t it? You get depressed and then you spend, or you spend and then that makes you depressed. It’s a vicious circle.”**

## Managing money

Alongside questions relating to mental capacity, the 2011 survey included new questions about financial capability among people with debt and mental health problems.

- Over three-fifths of all respondents reported often feeling confused about their finances, this rose to three-quarters among those who were also in problem debt.
- Three out of five of our sample reported often avoiding opening bills, with four out of five of those in problem debt reporting the same.

- Over 80 per cent of the people in our survey said they often feel that they are struggling to manage their finance, rising to 95 per cent among those in problem debt.

Other results showed that many people did not know how much money they had available each month, did not put monthly budgets together, and did not save money, with higher rates for those in problem debt (see Table 4 for full results).

Where focus group participants had been able to budget and manage their finances, this had been a significant factor in their climbing out of problem debt. This suggests that more proactive steps need to be taken to ensure that people have access to relevant advice and support on managing finances, such as that provided by *Mind’s Money and mental health: Keeping on top of your finances* (Mind, 2011).

**“You just need to say I can afford this, I’ve worked out my finances to the best of my ability and this is what I can afford.”**

**“We went through a process of drawing up a budget sheet, there were some debts I wanted to actually carry on paying off, but the majority of them I just couldn’t afford to do at all.”**

Table 4. Money management practices (2011 only).

Statement	All Agree (%)	Problem debt Agree (%)
I often feel that I am struggling to manage my finances.	83.4	94.5
I often feel confused about my finances.	62.0	75.6
I often avoid opening bills.	61.3	79.2
I feel confident about knowing how to go about setting up a savings account.	60.6	49.1
I am aware of the amount of money I have to spend each month.	56.1	50.1
I regularly put a budget together to allocate how I will spend my money each month.	35.1	30.9
I regularly put money into savings.	19.1	7.4

# Seeking support and solutions

## Creditor response to problem debt

Only about a third of those respondents in problem debt in the 2011 sample had informed the organisation they owed money to that they had a mental health problem (slightly more than in 2008). The reasons identified for non-disclosure were similar in 2011 to those in 2008. However, respondents' perceptions of the likely response from creditors did seem more pessimistic in 2011 (see Table 5).

However, this apparently increased fear of creditors was not matched by deterioration in the experiences of those who did inform creditors of their mental health problem. Among this group the response was fairly similar to the

2008 sample, with some improvements in creditor behaviour in areas such as treating customers sympathetically and sensitively, and a reduction of the perception that they were treating customers unfairly due to their mental health problems (see Table 6, overleaf).

Despite these slight improvements in experiences of creditors, there is still clearly substantial room for improvement. Banks and other creditors need to continue to improve mental health awareness among staff and procedures for dealing with customers who declare a mental health problem. The Royal College of Psychiatrists' guidance for creditors in this area is a valuable resource in this regard, providing clear practical advice but also explaining the business case for improving practice.

Table 5. Reasons among participants with problem debts for not disclosing mental health problems to debt organisations (2008, n=924; 2011, n=237).

Statement	2008 %	2011 %
I did not believe they would understand my mental health problem.	63.2	72.6
I wasn't aware that it would make any difference to how the organisation dealt with the debt.	59.1	70.0
I do not like telling people about my mental health problems.	56.5	65.4
I was concerned about what they would do with the information about my mental health problem.	40.5	64.1
I thought I would be treated unfairly if I did.	32.3	53.6
I did not think I would be believed.	47.4	52.7
I was worried that it would stop me getting credit in the future.	27.4	48.9
I thought they would take money from my disability benefits to repay the debt.	11.6	22.4
Other.	8.2	4.2
Not applicable / None of these.	5.2	6.8
The totals are greater than the sample sizes because people were asked to tick all options that applied.		

**Table 6.** Experiences of those people with problem debts who did inform creditors of their mental health problem (2008, n=291; 2011, n=89)

Statement	2008 %	2011 %
Once I had told the organisation about my mental health problems, staff treated me sympathetically and sensitively.	16.3	20.0
I was asked for my consent to record details about my mental health problems.	14.9	8.4
I was clearly told what would happen to any information I provided about my mental health problems.	3.9	3.6
I had to explain my situation to several people in the same organisation.	59.1	54.2
Staff asked questions about how my mental health problems were affecting my financial situation and ability to make repayments.	28.4	10.7
Despite telling the organisation about my mental health problems, I felt as though I was harassed about my debt repayments.	82.6	82.1
I felt that my mental health problems were taken into account when a decision was made about my financial difficulties.	10.3	8.3
I felt I was treated unfairly by the organisation because of my mental health problems.	50.7	44.4
Base excludes those who did not disclose their mental health to creditors.		

**“I felt overwhelmed and it was very difficult trying to get this over to the creditor, to say to them: ‘You’re not the only one who’s doing this to me and it’s causing me even more problems, mentally I can’t cope’.”**

**“Sometimes now when you get a letter you also get a sheet they put in the letter sort of saying where to get help and advice, which they never used to do.”**

**“If they send a letter asking for their debt to be paid back, which they’re entitled to do and you respond telling them there’s a problem, they have to by law take another tack with you to try and work out a good way to solve the problem. So the key thing is communication.”**

**“Some organisations have been really sympathetic and understanding, and have helped me to pay any debts and made them stress free. Whereas other organisations have been less willing to assist me.”**

## What support did those with problem debt seek?

As in the 2008 sample, two-thirds of respondents in 2011 with problem debt sought some form of support or advice for their financial difficulties. The sources of this support or advice were also similar to the previous sample, although more people in 2011 were turning to family and friends and fewer to free

advice services like Citizens Advice Bureaux. A new option in this question also revealed that about 28 per cent of people had sought support or advice from their bank.

The 2011 survey also asked new questions about how health and social care professionals dealt with respondents' debt issues and how debt advice professionals dealt with respondents' mental health problems.

### Health and social care professionals

Our previous research suggested that health and social care professionals had a key role to play in helping people experiencing mental health and debt problems to access appropriate support.

In the 2011 survey, more detailed questions were asked about the support people in problem debt received from their health and social care professionals. These questions revealed that:

- Nearly three-fifths of those in problem debt had told a health or social care professional about their financial difficulties.
- Three out of 10 said that their health or social care professional had asked them unprompted about financial difficulties.
- Nearly a quarter said the professional had helped them to find relevant advice and help; for example, from a money advice agency.
- However, over a quarter reported that they felt the health or social care professional did not see their financial difficulties as being relevant to their mental health.

The data suggest that some health and social care professionals recognise financial difficulty to be relevant to patients' mental health but, overall, practice appears to be very mixed.

Among those in problem debt who did not tell their health or social care professionals about

**Table 7. The main source of help or advice sought by people with problem debt (2008, n=924; 2011, n=247).**

2011 rank	Source of help or advice	2008		2011	
		(n)	%	(n)	%
1	Citizens Advice Bureau or other free advice service.	385	63.2	134	54.3
2	Family or friends.	285	46.8	130	52.6
3	The organisation(s) that were owed money.	248	40.6	73	29.6
4	Your bank.	–	–	69	27.9
5	Other.	102	16.7	55	22.3
6	MH service or mental health professional.	141	23.1	50	20.2
7	Housing officer.	61	10.0	28	11.3
8	Mental health organisation; eg, Mind, Rethink.	41	6.7	28	11.3
9	GP or health visitor.	121	19.8	23	9.3
10	Social worker.	32	5.2	17	6.9
11	Community leader or faith leader.	10	1.5	5	2.0

**Table 8.** Reasons for not telling health and social care professionals about financial difficulty (2011 only).

If there were occasions when you did not tell a health or social care professional about your financial difficulties, what were your main reasons for doing this?	Problem debt (n)	%
I do not like telling people about my financial problems.	187	64.0
I wasn't aware that it would make any difference.	154	52.7
I thought they would not understand.	130	44.5
I was concerned that they would think I wasn't able to cope on my own.	116	39.7
I thought they would take away control of my own money.	45	15.4

their financial difficulties, the reasons for not disclosing were mixed and overlapping (see Table 8).

Mind's 'In the red' campaign has pushed for improved support from the health and social care sector for those experiencing debt and mental health problems. This work has included the production of a factsheet for GPs and other primary care staff on debt and mental health; our input into resources such as the Royal College of Psychiatrists' *Final Demand* booklet providing advice to health and social care professionals (Royal College of Psychiatrists, 2009); and our assistance with the Credit Crunch Stressline set up by the NHS at the start of the recession. We are pleased that many people have been able to access support related to their debt issues through their health and social care.

**“I have [health] interventions within the support plan that was drawn up for me to take into account when I forget and I start buying lots of things and incurring debts. I make sure that my team know about it so that they can intercede and support me and give me some practical help.”**

**“It’s not easy because it takes years. You’ve got to form those relationships with your professionals and have the right people supporting you.”**

### Debt advice professionals

Of those who had been in touch with an advice service (such as a Citizens Advice Bureau) as result of problem debt, nearly half had told the debt adviser about their mental health problems.

Subsequent questions on how advisers had treated people who had disclosed suggest very mixed practice across the debt advice sector. Overall, however, more respondents felt they had been treated fairly, sensitively and sympathetically than did not, and more reported being asked follow-up questions about the financial impact of their mental health problems than did not.

**“I felt I was being passed from pillar to post because I’m sure [the debt advice services] didn’t know how to deal with somebody with a mental health condition.”**

# Conclusions

The period between Mind's original 'In the red' survey and this update of the data has seen one of the worst recessions in memory hit Britain: credit has frozen up, markets have collapsed, inflation has rocketed and jobs have been decimated. It would have been reasonable to expect devastating effects in terms of people's personal debts and the knock-on impact for their mental health.

The fact that the picture painted by the data in 2011 is relatively similar to that of 2008 is, therefore, rather encouraging. It suggests that the impact of the recession may have been offset by improvements during the same period in terms of whether and how people get into problem debt, and how this situation is dealt with when mental health is also a factor. In some areas, such as levels of borrowing, the incidence of problem debt and its consequences, things seemed to have improved in the intervening period.

However, there is still much to be done to minimise problem debt occurring and to help those experiencing both debt and mental health problems. The economy is yet to pick up and the impact of cuts, designed to reduce the national deficit, will almost certainly mean that tougher times are ahead for many people. Job losses and high inflation are likely to lead to increased numbers of people entering indebtedness many of whom, in turn, are likely to develop common mental health problems (Skapinakis et al., 2006). We also know that people with mental health problems continue to experience problems with bailiffs and the Government is yet to introduce new regulation of the industry, as proposed in the Tribunals, Courts and Enforcement Act 2007.

Alongside these difficulties, services such as money and debt advice, as well as mental health services, are likely to be strained as a result of cuts and reorganisations. This means that it may well be harder for people to access the right support at the right time. However, some of these changes, such as GP commissioning and central co-ordination of debt advice by the

Money Advice Service, also present opportunities to improve how people in these situations are assisted and supported.

Our data suggest that there has been some improvement in how banks and other creditors treat customers with debt and mental health problems. Many banks and creditors have really started to engage with this issue and awareness of mental health is better than ever before. It is hugely encouraging that there have been changes to *The Lending Code* produced by the British Bankers' Association, the Building Societies Association and the UK Cards Association, to take better account of mental health. Alongside this, other useful guidelines include the Credit Services Association's code of practice, the Finance and Leasing Association's lending code, the Money Advice Liaison Group's guidelines, and OFT guidance on irresponsible lending. All of this information is helping banks and creditors to continue to improve policy and practice.

However, changes in creditor practice are much more likely to happen if consumers and customers know about their rights and know what they should be expecting from creditors. If people start referring to these sets of guidance and codes of practice then creditors may be more likely to take action.

Creditors also need to think seriously about the issues raised in our data concerning mental capacity and financial capability, with so many respondents feeling confused about their finances and uncertain about their decisions to take out loans. However, it is equally important that there is no blanket discrimination against people with mental health problems by creditors and that any restrictions on lending comply with the Mental Capacity Act and make use of the OFT's draft guidance for creditors on mental capacity. In line with the Equality Act, creditors need to ensure that they are making reasonable adjustments to services and products to account for the difficulties people with mental health problems may face in terms of mental capacity and financial capability.

Finally, our research suggests that we also need to be looking beyond those organisations lending the money if we are to effectively support people experiencing debt and mental health problems. Health and social care professionals need to be more aware of the impact debt can have on people's wellbeing and need to be willing and able to explore these issues with their service users. Money and debt advisers also need to recognise the significant role mental health can play in people's debt and factor this in when giving advice and support.

We have come a long way since Mind first investigated these issues three years ago, but much more can still be done to ensure that fewer people end up experiencing the dual burden of debt and mental health problems.

## Recommendations

Mind's *In the red* report made 14 wide-ranging recommendations aimed at reducing the incidence and negative impact of concurrent debt and mental health problems. These recommendations are included in Appendix 3. Although there have been improvements in a number of the areas these recommendations cover, they all remain relevant and important in terms of making further progress.

The intention behind this refresh of the 'In the red' data was principally to inform ongoing work in this area rather than to make specific recommendations. However, there are areas where improvements have been slow. The external circumstances have changed substantially in the intervening period and the new survey covered some areas not discussed in the original research. Below are suggestions for actions that need to be taken and areas that need further consideration.

### **Banks and other creditors need to build on improvements and existing good practice, making use of all available guidance**

Based on the 2011 data, but principally from engagement with the sector, we know that awareness of the relationship between debt and mental health problems has increased dramatically among banks and other creditors over the last few years. We also know that there is recognition of the importance of these issues and a willingness to find practical solutions to reduce the number of customers experiencing debt and mental health problems, and help those who are in this situation.

Creditors need to build on this strong foundation and begin to ensure that good practice in relation to dealing with customers with mental health problems, and helping those customers experiencing both debt and mental health problems, is embedded in procedures and protocol.

Quality guidance and support for creditors wishing to address these issues now exists and we encourage them to make use of these resources and begin to make improvements as soon as possible. We particularly recommend:

- *Debt collection and mental health: Ten steps to improve recovery*, Royal College of Psychiatrists.
- *Good Practice Guidelines: Debt Management and Debt Collection in Relation to People with Mental Health Problems*, Money Advice Liaison Group (MALG).
- *Irresponsible lending: OFT Guidance for Creditors*, the Office of Fair Trading.

### **Creditors need to take serious consideration of customers' mental capacity when providing loans**

Our survey data from 2011 suggests that significant numbers of people with mental health problems have had some issues around mental

capacity at the time of taking out loans. Creditors need to ensure they take adequate steps to gauge whether a customer has the mental capacity to enter into a loan, provide clear explanations of the terms and help customers who are experiencing difficulties, for example, with understanding the details of a loan.

As with general practice towards customers with mental health problems, we know that there is increasing awareness and willingness to respond to this issue, and we also know that good guidance is available in this area. Creditors need to act on this guidance urgently.

### **More work needs to be done to help people develop financial capability to ensure that they can take control of their finances**

Another new area of research in our 2011 survey revealed that respondents had significant concerns about their ability to manage their finances. This is an issue that all relevant parties have a stake in resolving. If people have better financial capability then they are less likely to get into problem debt, which can cost creditors money, and are therefore less likely to experience mental health problems. This in turn relieves some of the strain on health and social care services.

There is good practice to build on, such as the Credit Crunch Stressline and the *Final Demand* advice booklet for health and social care professionals. Mind has also recently produced new resources in this area, making use of information from our survey, including the booklet *Money and mental health: Keeping on top of your finances* (Mind, 2011). These resources and others need to be promoted and disseminated as widely as possible by creditors, advisers and health and social care professionals.

### **There needs to be an assurance that people can access quality debt advice from staff with an understanding of mental health**

There are serious concerns about the continued provision of debt advice. Despite respite funding for the Financial Inclusion Fund, which pays for a huge amount of debt advice, its future is still unclear. Added to this, the reshaping of Legal Aid will mean that only those in severe need will be eligible for statutory support.

The Money Advice Service is due to take over co-ordination of all debt advice and, while we welcome this move, we are concerned about how viable the provision of widely available, high-quality debt advice will be in the wake of such substantial cuts. Although we received many positive reports from those who had used debt advice services and disclosed their mental health problems, there is also clearly room for better understanding of mental health within the debt advice sector or at least more effective signposting towards advisers with this expertise.

### **The signposting and provision of debt advice from health and social care professionals needs to continue to expand and improve**

As with debt advice staff, there were some really positive signs from our survey that health and social care professionals are taking the connections between debt and mental health seriously and responding appropriately. This was a new area of research and there is clearly plenty of positive practice to be building on.

However, there were a significant number of respondents who didn't feel their health and social care professionals had been responsive to their financial circumstances and the unprompted investigation of these was relatively rare. The spread of information and resources to relevant health and social care professionals should continue to improve this situation.

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# Appendices

## Appendix I – Methodology

### Survey development

#### 2008 Survey

- The Royal College of Psychiatrists worked with the Personal Finance Research Centre, Bristol University, to design the survey and to determine the topic guides for the focus groups that were also part of the research.
- A policy and literature review was conducted to assess the relationship between mental health and debt. To supplement this, a brief review of the legislation and guidelines relating to debt, financial difficulties, and mental health was undertaken. This covered England and Wales, and incorporated Money Advice Liaison Group (MALG) guidelines, and DTI strategy 'Tackling Over-Indebtedness' (DTI, 2006). This provided a foundation for the research in terms of identifying what these guidelines and policies called for, as well as gauging the extent to which they were being applied in practice.
- An advisory group was conducted to support and help develop the survey instrument. The group comprised service users, mental health professionals, and debt and finance advisers.
- The survey was designed on the basis of the policy review and advisory group.
- The survey used quantitative and qualitative questions.

#### 2011 Survey

- The 2008 survey was adapted and developed in consultation with the Royal College of Psychiatrists. A number of new questions were added, reflecting emerging areas of interest, and several were deleted. On the whole, the survey was kept as similar as possible to the 2008 survey in order to enable comparisons of results.

### Data collection

- **2008 Survey:** The survey was administered online and by post during December 2007 and January 2008.
- **2011 Survey:** The survey was administered online and by post during February and March 2011.

### Data analysis and write-up

- People were eligible to participate in the survey if they had either experienced mental distress, or had used a mental health service in the last two years.
- The survey focused on people living in England or Wales.
- All data is self-reported.
- Where data are presented regarding total amounts of debt or income, these figures are based on respondents' estimations. No formal instructions were provided as to how calculations should be completed.
- **2011 Survey:** In total, Mind received 98 completed postal surveys and 930 surveys were completed online. A total of 878 completed surveys fulfilled the inclusion criteria.
- **2008 Survey:** In total, Mind received 215 completed postal surveys and 1,829 surveys were completed online. A total of 1,804 completed surveys fulfilled the inclusion criteria.

### Research limitations

The survey is based on a non-random sample. Response bias may therefore have occurred, and certain groups may be over-represented.

The survey did not cover hospital patients – researching debt among people in hospital is a separate piece of work that Mind may undertake in the future. While the survey does not cover all of the factors which bear upon the issue of debt, poverty and mental health, it makes an important

contribution to current knowledge and action on this issue. Some questions were included to allow comparison with other financial surveys.

Where data are presented regarding total amounts of debt or income, these figures are based on respondents' estimates. No formal instructions were provided as to how calculations should be completed. They have not been checked against supplementary material provided by respondents or others.

## Appendix 2 – Key resources, research and stakeholders

### Resources

Consumer Credit Counselling Service (2011), '[CCCS Debt Remedy](https://debtremedy.cccs.co.uk)', available online at <https://debtremedy.cccs.co.uk>

Department of Health (2002), *Mental Health Policy Implementation Guide: Community Mental Health Teams*, London: Department of Health

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### Stakeholders

[British Bankers Association](http://www.bba.org.uk): [www.bba.org.uk](http://www.bba.org.uk)

[Citizens Advice](http://www.citizensadvice.org.uk): [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

[Consumer Credit Counselling Service](http://www.cccs.co.uk): [www.cccs.co.uk](http://www.cccs.co.uk)

Credit Services Association: [www.csa-uk.com](http://www.csa-uk.com)

Finance and Leasing Association:  
[www.fla.org.uk](http://www.fla.org.uk)

Financial Services Authority: [www.fsa.gov.uk](http://www.fsa.gov.uk)

Lending Standards Board:  
[www.lendingstandardsboard.org.uk](http://www.lendingstandardsboard.org.uk)

Money Advice Service:  
<http://moneyadviceservice.org.uk>

Money Advice Liaison Group: [www.malg.org.uk](http://www.malg.org.uk)

Office of Fair Trading: [www.offt.gov.uk](http://www.offt.gov.uk)

Rethink Mental Illness: [www.rethink.org](http://www.rethink.org)

Royal College of Psychiatrists – Debt and mental health research and intervention programme:  
[www.rcpsych.ac.uk](http://www.rcpsych.ac.uk)

UK Cards Association:  
[www.theukcardsassociation.org.uk](http://www.theukcardsassociation.org.uk)

## Appendix 3 – Original 'In the red' recommendations

1. Better regulation of doorstep lenders and private finance companies.
2. Improved access to affordable sources of credit.
3. Better regulation of bailiffs.
4. Customers with mental health problems should be able to ask their bank to flag their current account and monitor it for unusual spending patterns.

5. Banks to respond appropriately to missed payments by customers with mental health problems.

6. Energy and water companies to improve their service to people with mental health problems.

7. Adherence to the new Money Advice Liaison Group (MALG) Good practice guidelines.

8. Creditors should have procedures in place to ensure that people with mental health problems who are in debt are treated fairly and appropriately.

9. Specialist mental health training for bank, debt-collection agency and debt-purchasing company staff.

10. Training for health and social care professionals so that they can identify debt triggers and sources of help for money problems.

11. Health and social care professionals to work with creditors and debt advisers when supporting clients who are experiencing problem debt.

12. Advisers who are able to provide information about debt and welfare benefits to be based at GP surgeries.

13. Development and dissemination of a guide to money management for people with mental health problems to be distributed through GP surgeries, hospitals and third-sector mental health organisations.

14. Improved access to money and debt advice services.

# Acknowledgements

Mind would like to thank the Royal Bank of Scotland for funding the research for this report and the accompanying resources that Mind has produced. We welcome their support in understanding and tackling the issues addressed in this report.

We would also like to thank Ryan Davey for the original analysis of the survey data; Chris Fitch from the Royal College of Psychiatrists for his support and advice during the project; the staff and service users of Brighton, Havant and East Hants, Kensington and Chelsea, and Lancashire Minds for their assistance in running the focus groups; and all the people with experience of mental distress who took the time to complete the questionnaire.

We're Mind, the mental health charity for England and Wales. We believe no one should have to face a mental health problem alone. We're here for you. Today. Now. Whether you're stressed, depressed or in crisis. We'll listen, give support and advice and fight your corner. And we'll push for a better deal and respect for everyone experiencing a mental health problem.

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ISBN: 978-1-906759-36-0

Registered charity number 219830,  
Registered in England number 424348  
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