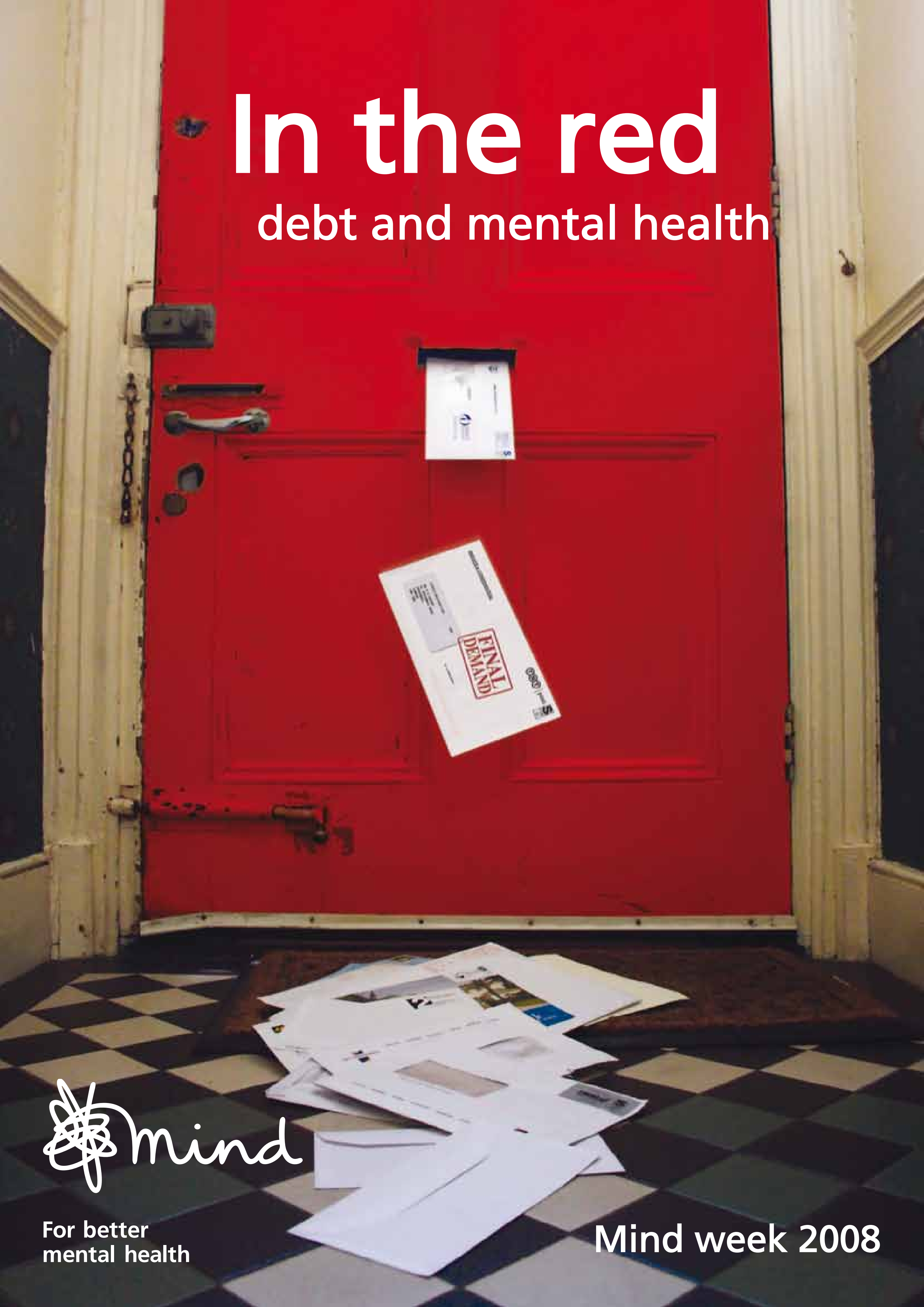
In the red

debt and mental health



For better
mental health

Mind week 2008

Foreword

Severe debt isn't just a financial problem. It causes relationships to break up, people to lose their homes and families to break down. No matter who you are, it can send you to the pits of despair.

Yet for many who already live with mental distress, debt is a common problem. My usual rant is to rally against the ethos of responsible lending, in order to focus on responsible borrowing.

After all, the idea of putting those whose business is making money from lending in charge of when and how we can borrow is ridiculous.

Yet a few years ago I had my eyes opened. A man came up to me to thank me for my website. I asked him if he'd saved much money and his answer surprised me:

"I don't use it for myself. I'm a mental health case worker; almost every one of my clients has debt issues. It's tough for them to control many areas of their life. I use your site to help them sort through their problems."

That was in the earlier part of my career. Since then, that story's been echoed with an ever-increasing volume many times since. Yet while the noise grows, the coverage doesn't. On a number of occasions, I've pitched to TV outlets, to be told the story doesn't resonate to enough people.

Rubbish. The correlation between those in debt and those with mental health issues is far too strong. Most people have either had issues themselves or have a family member who has. This is a growing blight on our society and one we have to tackle.

For some people with mental health problems, there are times when being responsible for yourself simply isn't possible. When that happens our nation's ease of credit is a potential disaster scenario.

Yet this must be tempered by the fact that we can't disenfranchise people from the credit market. Debt isn't bad – bad debt is bad. A rational decision to borrow and do it cheaply is fine; mortgages, car loans and other investment-based borrowing is a part of our modern financial world.

These questions aren't easy ones, and too few people want to focus on them. That's why I'm delighted to be involved with and support the Mind week 2008 campaign.

Martin Lewis
money saving expert

Background

This report explores the relationship between debt and mental health. It includes a survey of the experiences of debt among 1,804 people living with mental distress or using mental health services. The survey focused on their use of credit and loans over the preceding 12 months, and the impact of debt problems on health and quality of life. It also considered the respondents' experiences – good and bad – of contact with banks, lenders and creditors, and their perception of the support available to those living with debt and mental health problems.

Mind conducted an online and postal survey across England and Wales between December 2007 and January 2008. Our respondents had either experienced mental distress or had used a mental health service in the preceding two years. Respondents were recruited through mental health organisations and money advice organisations and websites.

In addition, qualitative data were gathered during a series of eight focus groups that were held across England and Wales in January and February 2008 involving 56 people with experience of debt and mental health problems. These facilitated discussions covered the same areas as the survey.

Mind would like to thank: Chris Fitch and Simon Tulloch of the Royal College of Psychiatrists, who conducted the research; Sharon Collard of the Personal Finance Research Centre, Bristol University, for her assistance in designing the survey and analysing the data; the staff and service users of City and Hackney Mind, Mind in Brighton and Hove, Havant and East Hants Mind, Dorset Mind, Richmond Mind, Southwark Mind, Mind Powys Mind and Havering Mind for their assistance in running the focus groups; and all the people with direct experience of mental distress who took the time to complete the questionnaire. We are also grateful to the Financial Services Authority for contributing funding towards the focus groups.

Contents

Key findings

How much debt were respondents in?

- Respondents owed an average of £3,250 on credit or store cards.

In the previous 12 months:

- respondents had borrowed an average of £3,257
- 70 per cent of people had been unable to pay a bill at the final reminder
- 50 per cent reported missing two or more consecutive payments with at least one bill
- 78 per cent of those with problem debt had been threatened with legal or court action
- 51 per cent of those with problem debt had been contacted by bailiffs or debt collectors.

Living standards of those with problem debt (see 'definitions')

- Almost 50 per cent were living on a weekly household income of £200 or less, defined by the Government as 'living on the poverty line'
- 56 per cent had gone without food due to a shortage of money
- 51 per cent had gone without heating
- 92 per cent reported not being able to socialise
- 87 per cent needed to borrow money or use a credit card to pay for food or other everyday spending
- 71 per cent ran out of money every week or most weeks.

Creditors' responses to those with problem debt

- 63 per cent did not tell creditors about their mental health problem because they didn't think they would understand
- 47 per cent chose not to tell because they thought creditors would not believe them.

Of the 37 per cent who did tell creditors:

- 83 per cent had been harassed about debt repayments despite informing the organisation of their mental health problems
- 79 per cent felt their mental health problems were not taken into account when a decision was made about their financial difficulties
- 74 per cent felt they were treated unsympathetically and insensitively by staff after telling the organisation.

Key issues

One in four people will experience a mental health problem during their life (Goldberg and Huxley, 1992). It is difficult to disentangle the inter-relationship between debt and mental health, but the links are clear. Being in debt can negatively affect a person's mental health, while living with a mental health problem increases the likelihood of falling into debt.

Financial organisations

Not all banks, lenders or other creditors have services in place for people with mental health problems who are in debt. Financial organisations need to improve their understanding of mental health, striking a balance between sensitivity and commercial demands.

Health services and professionals

Health professionals are not engaging with the issue of debt because they lack relevant knowledge (Sharpe and Bostock, 2002). Healthcare and other relevant support workers need to improve their knowledge and understanding of debt.

Advice services and professionals

The quality and accessibility of support and advice available to people with mental health problems need to be improved.

People with experience of mental distress are three times more likely to be in debt*

* Office for National Statistics (2002a)

Definitions

Debt

This is defined as having outstanding money to repay. Someone is therefore 'in debt' if they have a personal bank loan, owe money on credit cards or utility bills.

Problem debt

In this report, we define 'problem debt' as occurring when a person has been two or more consecutive payments behind with a bill in the last 12 months.

Priority debts

These are debts with the most serious consequences for non-payment, such as the loss of an essential service (eg, disconnection of domestic utilities) or court action that could lead to the loss of liberty.

Poverty

The Government's definition of poverty is where a household has an income less than 60 per cent of median national income. In this report, the figure we use is 60 per cent of the contemporary equivalised median (before deduction of housing costs) of £210 week (£10,920 per annum).

People with a diagnosis of bipolar disorder or schizophrenia are four times more likely to be in debt*

Mind's 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.

Introduction

One in 11 people in the UK reports being in debt or in arrears. For people with mental health problems this rises to one in four (Office for National Statistics, 2002a). Relatively little research has been done on debt and mental health; however, those studies currently available demonstrate that the two are closely linked.

The 2008 Mind week campaign comes at a critical time. Personal debt is already an established concern in public and governmental circles. These concerns have been framed within a wider debate on UK consumer debt. The credit, advice and health sectors are becoming increasingly aware of the issue and its relation to mental health, but more attention must be drawn to it.

Mind is concerned that the services and support provided by banks and other creditors to people with mental health problems and debt are patchy and often substandard. There is an urgent need to investigate these so they can be analysed in relation to the various standards and codes of practice that govern them (see Appendix 2).

The extent of debt

At the end of January 2008 total UK personal debt (including mortgages) stood at £1,409 billion; an increase of around £120 billion over the previous 12 months. Average household debt (excluding mortgages) in the UK was £8,985; this figure increases to £56,588 when mortgages are included.

Britain's personal interest repayments have soared to a record £94.6 billion in the preceding 12 months: an annual increase of over 15 per cent. The average interest paid by each household on their total debt (including mortgages) is approximately £3,800 each year, an increase of £500 over the last year (Credit Action, 2008).

Debt, poverty and mental health

In the UK people with experience of mental distress often live on lower than average incomes: over 75 per cent are reliant on welfare benefits (Office for National Statistics, 2002b) and unemployment rates are as high as 76 per cent (Office for National Statistics, 2003). Furthermore, disruptions in benefit payments are often reported by people with mental health problems. This can push people further into debt by compromising their ability to make payments.

The stigma and discrimination experienced by people with mental health problems act as barriers to social inclusion and recovery. Research by the Social Exclusion Unit found that 83 per cent of people with experience of mental distress identified stigma as a key cause of social exclusion (Social Exclusion Unit, 2004). Being in debt adds to the existing barriers and further limits people's life chances.

Mental health problems can act as a pathway to debt. Debt is not, however, only a problem for people with existing mental distress. The onset of debt problems can have a negative impact on a person's mental health. Therefore, debt can also act as a pathway to mental health problems. Difficulty with debt can lead to or be caused by:

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

A substantial amount of evidence has shown an association between socioeconomic status and mental health problems. In short, poverty is both a determinant and a consequence of mental health problems. Relationships exist between low income levels (Payne, 2000), higher rates of unemployment and being on a benefit (Meltzer et al., 1995), poor housing and mental health problems (see review in Davis, 2003).

Research also indicates that debt is socially patterned, affecting some social groups more than others, including those with mental health problems (Department for Trade and Industry, 2004).

Debt is not inherently problematic. Access to credit and financial services is increasingly a component of modern life and can actively enhance people's lives. The majority of people with mental health problems have the skills and ability to manage their finances.

Ninety-five per cent of UK adults do not view their debt as a 'heavy burden', and only four per cent say they have outstanding consumer debt or debt arrears of more than three months (DTI, 2005).

Therefore it is important to distinguish between 'debt' and 'problem debt'. In this report we focus on those people experiencing mental health problems and problem debt (see p.5 for definition).

Our research provides important evidence to inform and shape the debate. To our knowledge, it represents the first national survey focusing exclusively on debt and mental health and includes the first qualitative data-set on this issue. It complements and strengthens recent initiatives, including the 2007 Money Advice Liaison Group guidelines for creditors and money advisers on debt and mental health (MALG, 2007)

Previous research

The most robust evidence of the extent of debt among people with experience of mental distress comes from a large government survey undertaken in 2000 (Office for National Statistics, 2002a). This found that nine per cent of people without mental health problems reported debt or arrears, whereas 24 per cent of people with a mental health problem such as depression or anxiety, and 33 per cent of those with a diagnosis of bipolar disorder or schizophrenia, were in debt.

The survey found that a higher proportion of people with mental health problems reported debt on every measure than those without. The most common arrears among respondents with mental health problems were priority debts such as domestic bills, rent and council taxes (although consumer debts were also cited). People with mental health problems were four to five times more likely to have had a domestic utility disconnected.[1]

A later analysis of the study data also found that the more debts people had, the more likely they were to have some form of mental health problem (Jenkins et al., 2008).

What impact can debt have?

Research studies are currently unable to establish whether debt is primarily a determinant of mental health problems or a consequence of mental health problems, although the fact that the two are linked is clear.

Anxiety and stress

A survey of 1,000 participants in the USA found that self-reported anxiety increased with the ratio of credit card debt to personal income (Drentea and Lavrakas, 2000). Research undertaken with 374 people seeking debt advice from a UK consumer advice service found that 62 per cent reported that their debt problems had led to stress, anxiety or depression, and over a quarter of the total reported seeking GP treatment for this (Edwards, 2003).

Depression

A longitudinal study of single and married mothers examined the relationship between marital status, poverty and depression in a sample of inner-city women. The study found that the risk of depression among single mothers was double that of married mothers and that there was a correlation between long-term depression and financial hardship (Brown and Moran, 1997).

Self-harm and suicidal thoughts

In a community study of over 4,000 Finnish participants it was found that difficulties in repaying debts during the last 12 months (student loans, bank loans, credit cards, loans from friends/family) was an independent predictor of suicidal thoughts. Participants who had experienced repayment difficulties were more likely to have marked symptoms of mental health problems (Hintikka et al., 1998).

> "The worry of the debts and not being able to pay bills just makes everything seem worse and you feel as if things will never change and you will never be able to pay or catch up with arrears. When you receive threatening letters for repossession or to be taken to court or even bailiffs – it makes everything bleaker, and suicide becomes more inviting the more the letters arrive."[2]

A number of UK studies on debt have been conducted with people who self-harm. In an uncontrolled study, it was found that 37 per cent of 147 patients assessed after an act of self-poisoning were in debt. Critically, more than three-quarters of those in debt had not sought help. It was also found that people who were in debt were more likely to self-harm and would report more depression and hopelessness after the act (Hatcher, 1994).

1. Figures were three per cent of people without mental health problems, 11 per cent of those with a mental health problem such as depression or anxiety and 14 per cent of those with a diagnosis of bipolar disorder and

2. All unsourced quotations are taken from survey respondents or participants in our focus groups.

A comparative study of the finances of 53 accident and emergency patients who had harmed themselves and those of 53 patients from a fracture clinic found that almost three times as many in the self-harm sample reported "significant worries with debt that you cannot repay" than in the control group – 37 per cent compared with 13 per cent (Taylor, 1994).

Social consequences

Debt may be implicated in isolation and social exclusion, and places strain on relationships. People who manage to meet debt repayments may be overstretching, with consequences for their health and social wellbeing. Finally, feelings of shame, social embarrassment and a sense of personal failure associated with debt may make people unwilling to disclose or discuss their financial situation (Hayes, 2000).

Why do people get into problem debt?

The most obvious explanation for problem debt is a lack of money, which may result in people borrowing money or delaying the payment of domestic bills. Lack of money may be the result of living on a low income or arise from unexpected changes in circumstances such as changes at work, redundancy or relationship breakdown.

Mental health problems

Mental health factors can also affect a person's financial situation. These factors include the onset of mental health problems, greater spending as a result of a particular condition (eg, bipolar disorder and spending sprees) and communication difficulties when a person with a mental health problem becomes isolated and unable to deal with a debt problem.

"…the burden you have to carry with all this debt and all these problems just makes your depression worse. There doesn't seem to be any light at the end of the tunnel and you just get more and more trapped in poverty."

A few studies have considered the correlation between mental health problems and debt (Grossi et al., 2001; Spinella et al., 2004) and some have described disorders such as 'compulsive shopping disorder' (Black, 2001; Aboujaoude et al., 2003).

The results of a study examining financial competence among people with a diagnosis of schizophrenia found that they performed significantly worse than the control group in all scores on the financial competency assessment tool used in the study (Niekawa et al., 2007). Another study found that people diagnosed with schizophrenia did significantly worse at a number of simulated daily activity tasks relating to the areas of finance, shopping and communication than a control group (Klapow et al., 1997).

Other studies have taken a social perspective, with authors suggesting that people may borrow money because of their unhappiness at being labelled 'mental patients' and consequently attempt to purchase material goods and the desirable lifestyle that supposedly goes with them (Fitch, 2006).

Sociodemographic characteristics

People in their 20s and 30s – regardless of mental health – are more likely to have debt problems. Bank of England research has reported that 37 per cent of those who found debt a 'heavy burden' were between 25 and 34 years of age (Tudela and Young, 2003). This may be due to stage-of-life debt such as student loans, having children and setting up a new home, and also to the more liberal attitudes towards credit that young adults have been shown to have (Kempson, 2002). In addition, tenants are more likely than homeowners to report debt problems; single-parent families are more susceptible to debt than other families; and women are over-represented on most debt indicators (DTI, 2005).

Availability of credit

The wider availability of credit in the UK during the past two decades has also played a role. This is largely due to two factors: the deregulation of financial markets in the 1980s and the entry of US lenders into the market in the mid 1990s, which resulted in intensified competition, aggressive marketing and the targeting of new customer groups (including those on low incomes).

This substantial evidence base reveals the critical need for further research into how debt problems affect a person's mental wellbeing and how a person's mental health problem can affect their financial capability and, ultimately, their experience of debt.

Mind's research aims to build on previous findings and suggest specific actions for the relevant agencies.

Mind's research

Key tables and figures are presented alongside the text. For details of the study's methodology see Appendix 1.

How much debt were respondents in?

The data for this section were collected via self-reported estimates from 1,804 respondents. Seven out of 10 reported borrowing money during the previous 12 months, of these:

- over half reported borrowing more than £2,500
- 17 per cent between £2,500 and 5,000
- 16 per cent between £5,000 and £10,000
- 17 per cent more than £10,000
- the average amount borrowed was £3,257[1]
- in total, respondents borrowed £4.15 million.

The average amount owed on credit or store cards was £3,250[2] and respondents owed a total of £3.6 million on these cards.

Sources of credit

Among the 1,299 respondents who had borrowed money over this period, friends and family were the most common source (56 per cent). One in three respondents had a loan from a bank or building society (35 per cent) or had bought goods from a catalogue (34 per cent).

Many people interviewed by Mind as part of eight focus groups were in debt because of purchases they made from mail order catalogues. A significant number reported that it was far too easy to order items from catalogues despite not being able to pay for them:

1. This was calculated by multiplying the minimum value of each category (eg, using the value of £500 for the category "£500 or more, but less than £1,000") by the number of people in that category (eg, multiplying £500 by the 170 participants reporting borrowing "£500 or more, but less than £1,000)."
2. This was calculated using the same approach as above.
3. The poverty income threshold generally adopted and used is 60 per cent of contemporary equivalised median household disposable income before the deduction of housing costs. In 2004 to 2005, this represented an income of £210 per week (Office for National Statistics, 2007).

Who was surveyed?

- Total sample: 1,804 respondents with experience of mental distress.
- Key subgroup of sample: 924 respondents with problem debt (see p.5 for definition) and experience of mental distress.
- Over 40 per cent of respondents were living in poverty.[3]

"We were able to get loans, credit cards, run up debts on various catalogues and no one actually bothered to find out if we could pay any of it back."

One participant specifically asked to be taken off the mailing list for a particular catalogue, but she was still sent the catalogue and was able to order more items despite her mounting debts:

"I limit myself to £40 a week to live on so I can pay for all these catalogue debts."

In the red

At the time of our survey six out of 10 respondents owed money on their credit or store card, of these 1,141 people:

- nearly half owed more than £2,500
- 14 per cent between £2,500 and 5,000
- 15 per cent between £5,000 and £10,000
- 18 per cent more than £10,000.

Over half of the respondents stated they were overdrawn on their bank or building society account (54 per cent).

Finally, when asked how they were managing, almost 84 per cent of all respondents stated that they were "just about getting by" or worse.

Although only a small proportion of our survey respondents reported borrowing from a doorstep lender (seven per cent) or a private finance company (nine per cent), participants from the focus groups reported significant problems with these sources of credit:

> "Company X prey on you … they come and knock on your door and say: 'Do you want to borrow some money off us?' … and since they are the only one who will offer you credit you take it, never mind the high interest."

Other research also indicates that people with mental health problems borrow from high-cost home credit or doorstep lenders, with annual percentage rates (APRs) ranging from 100 per cent to 400 per cent or more (Collard and Kempson, 2005). This demonstrates the need for more affordable credit.

Accessing credit with high interest rates can result in people getting further into debt. However, there are alternative, more affordable sources of credit available to people.

The Social Fund is administered by Jobcentre Plus and provides lump sum payments, grants and loans. Loans and Community Care Grants from the Social Fund are discretionary and not for a standard amount. People can get help from the Social Fund for important costs that are hard to pay for from a person's regular income.

Credit unions are financial co-operatives owned and controlled by their members. They offer savings and low interest loans. Many credit unions now also offer a range of services including a current account, direct payment of benefits, ISAs and Child Trust Funds. However, the coverage of credit unions is still limited. Only a small percentage of respondents who had borrowed money over the preceding 12 months reported obtaining money from the Social Fund or a crisis loan (12 per cent), or taking out a loan from a credit union (three per cent). This could be due to a lack of awareness or because people are unable to access them.

A report by the Independent Review Service for the Social Fund revealed that Social Fund applicants and potential applicants are experiencing very real difficulties accessing the fund, pursuing their cases and getting satisfactory decisions (Independent Review Service, 2007).

Recommendations

Better regulation of doorstep lenders and private finance companies

Mind calls on the Office of Fair Trading (OFT), under the new provisions of the Consumer Credit Act 2006, to set out a rigorous process for gathering information on lenders' compliance with legislation and guidance and to take steps to ensure companies address any poor practice. At the moment identification of poor practice is over-reliant on consumer complaints.

In addition, the OFT licensing conditions should require lenders to show evidence of mental health awareness training.

Improved access to affordable sources of credit

Mind calls for better promotion of, and accessibility to, the affordable sources of credit open to people with experience of mental distress.

Mind calls for the following developments and changes to enable the credit union movement to increase capacity and coverage to make their services easily accessible to people with experience of mental distress:

- Legislation allowing credit unions to reach out to new areas and make the most of partnerships with housing associations and employers, increasing access to credit union services.
- Local authorities and other community organisations to assist credit unions in increasing accessibility and credibility by helping with accommodation, developing partnerships and, where possible, providing funding to support the development of credit unions.
- Community organisations and private sector organisations such as banks and major employers to assist by seconding staff to credit unions, mentoring and participating in governance.

Mind also calls on the Government to take urgent action to ensure that Jobcentre Plus meets its legal duty to accept and fairly assess applications to the Social Fund. The Government needs to improve the poor administrative practices common in the processing of Social Fund applications.

In the red

In focus

Compulsive spending

Paul Davidson has experienced depression and PTSD for most of his life, and for Paul financial difficulties have been part and parcel of living with undiagnosed mental health problems. Without the support of professional treatment, for many years excessive spending was the only outlet for his distress.

"A feeling of desperation is fundamental in getting people into debt. Some people self-harm, some people drink, but with me it's a desperate need to spend."

Paul would spend all of his income on things he didn't need, often buying the same item again and again.

"I buy things for that feel good factor. But when I've bought things, there's a massive down and a feeling of: "Oh god, what have I done?"

Meanwhile, he would struggle to pay for even basic necessities such as rent, utilities and food, and had his gas and electric cut off several times. After a personal tragedy, Paul ran up a phonebill of £1,350 in just three months, for which he still owes money eight years down the line.

"I spent every penny I had. I spent it at the pub, I spent it at bingo, I even relied on my bingo winnings to pay my debts."

Paul's compulsive spending would have continued but the turning point finally came when he started receiving counselling from Mind in Gateshead.

With the help of his counsellor, he came to understand that his excessive spending was linked to his feelings of trauma. He has since received psychotherapy for his problems and has gradually learned to control his spending.

"It has been a long but positive struggle since then, still lots of spending sprees, but due to the help I received, I am much more stable and in control of my finances."

"A feeling of desperation is fundamental in getting people into debt. Some people self-harm, some people drink, but with me it's a desperate need to spend."

Problem debt

For the rest of the report we focus on the experiences of the 924 respondents with problem debt. While previous studies have simply reported on people in 'debt' we used a more robust definition of 'problem debt' (see p.5).

More than fifty per cent of all respondents were in problem debt (defined as being two or more consecutive payments behind with at least one bill). The most common forms of missed payment were for credit or store cards (47 per cent), loan repayments (36 per cent) and council tax (35 per cent).

Of the respondents with problem debt, 33 per cent were living with at least one child aged 16 or under. A further eight per cent were living with at least one child aged between 16 and 18 who was at school or college. While this report focuses on the experiences of adults, this finding has clear implications for the Government's strategy on eradicating child poverty.

Among those respondents who were behind with two or more consecutive payments on a bill, more than half of those also reported being in arrears on three or more different bills.

Utility bills, council tax payments and rent or mortgage repayments are generally viewed as priority bills by debt advisers as they bring the most significant consequences for non-payment, such as the disconnection of domestic utilities, eviction or legal action. A major concern is survey respondents reporting they were two or more consecutive payments behind on priority bills.

Consequences of unpaid bills

Of the respondents who had missed two or more consecutive payments, over three-quarters had been threatened with legal or court action (78 per cent). Over half had been contacted by bailiffs or debt collectors (51 per cent), and over a quarter had received a County Court Judgment[1] (25 per cent).

Survey results

- 50 per cent of survey respondents were in problem debt.
- 78 per cent of respondents in problem debt had been threatened with legal or court action.
- 51 per cent of respondents in problem debt had been contacted by bailiffs or debt collectors.

The process of debt recovery can have serious implications for someone's mental health as demonstrated by the experiences of people we surveyed:

"I was threatened with disconnection of my gas and electricity supply, my council tax bill was passed to bailiffs and I was threatened with eviction."

"Anxiety has made communicating with creditors difficult, especially over the phone. I often screen calls and do not answer those I know are going to be creditors. Depression and anxiety causes me to procrastinate, obviously this leads to letters and calls being put off – often leading to more charges for non-payment as I have not been in contact to provide reasons or to state that I am finding payment difficult."

"I got very frightened that the creditors would burst into my home and take my things away. I got very stressed. I tried to cope by not opening the mail. I felt very depressed."

An analysis of 500 case reports from Citizens Advice Bureaux in England and Wales found that 64 per cent of bailiffs were felt to have been exhibiting behaviour of harassment or intimidation, 40 per cent misrepresented their

1. This is an order made by the court that you must repay the debt, either for the amount agreed between you and your creditor or, if you can't agree, a payment set by the court.

Table 1. The consequences of unpaid bills experienced by those in problem debt in last 12 months

Consequence*	%
Threatened with legal or court action	77.9
Contacted by bailiffs or debt collectors	51.1
Received a County Court Judgment	25.4
None of these	13.1
Other	9.7
Been declared bankrupt	4.8
Had a charging order taken out against your home	4.8
Lost your home through repossession or eviction	2.4

* Based on 924 respondents; people were asked to tick all that applied.

powers of entry, 25 per cent threatened debtors with imprisonment and 42 per cent charged excessive fees.

In over half the cases, the debtor was reported as being 'vulnerable', a category including people with experience of mental distress. The bailiffs concerned were either breaking the law or were in breach of their own industry code and nationally agreed standards of practice. They were driving already vulnerable people deeper into poverty and debt (Citizens Advice, 2007). Similar experiences were reported by our survey respondents.

> "I had to twice pay bailiffs fees twice of £300 in total due to council tax bills from a previous property, the total amount that was owed was £110, I had to pay more due to bailiff fees, when I asked the council if I could pay them direct they said that the bailiff would still collect his fee regardless!"

Mind is concerned that the new Tribunals, Courts and Enforcement Act gives bailiffs too much power to force entry into people's homes. While there are safeguards in place, they are insufficient and instances of bad practice may rise owing to bailiffs' increased powers.

> "One debt-collector … told me he could break into my house and take my stuff while I was out, another said they'd get me sent to prison. When you're in a low place you sort of believe them even though you know they can't do that."

Recommendation

Better regulation of bailiffs

Mind calls for the Equality and Human Rights Commission to conduct an inquiry into bailiffs in order to examine policies and practices as they relate to disabled people, in particular to people with mental health problems.

County Court Bailiffs are bound by the public authority Disability Discrimination Act (DDA) duty to have due regard to disability issues, including those pertinent to people with mental health conditions. The statutory guidance that accompanies the DDA suggests the following as ways to fulfil this duty:

- taking steps to take account of a disabled person's disabilities, where that involves treating disabled people more favourably than other persons
- elimination of harassment of disabled people that relates to their disability
- promotion of positive attitudes towards disabled people.

Mind urges all statutory agencies that use bailiffs to include disability equality duty specifications in their procurement contracts.

The Ministry of Justice has developed guidance on this issue for enforcement officers but it is not enough. The Government needs to build on the enactment of the new Tribunals, Courts and Enforcement Act 2007 by regulating bailiffs to ensure effective safeguards for people with mental health problems.

Reasons for problem debt

Mental health problems (66 per cent), living on a low income (66 per cent) and difficulties in managing money (58 per cent) were the most common reasons given by respondents for being in problem debt (Table 2).

Mental health and debt

Respondents with problem debt were asked to comment on the relationship between their mental health problems and their debt. Over 85 per cent of people felt that their mental health problems had made their debt or financial difficulties worse. As a respondent remarked:

> "Being depressed and on tablets, I compensate myself with buying items that are not always needed. I am not on top of bills and then forget to make payments and deal effectively with issues. I do a very good ostrich impression and bury my head in the sand."

Meanwhile, 91 per cent of respondents said their debt or financial difficulties had made their mental health problems worse.

The credit sector and the Government tend to take a negative view of people who do not engage with debt repayment and see them as 'bad' debtors. What is needed is recognition that people often don't engage with debt management simply because they can't. The reason that someone may not seem to be co-operating or responding may be because of their mental health problems.

People who have been diagnosed with bipolar disorder may have particular problems managing their finances. During a manic, or 'high', phase, people can feel euphoric, brimming with ambitious schemes and ideas, their confidence excessively high. They may reach financial decisions that seem sensible to them at the time but which, in retrospect, are not. People may spend money extravagantly and build up considerable debts.

Survey results

Mental health problems, living on a low income and difficulties in managing money were key reasons given by respondents for being in problem debt.

A person may be quite unaware of these changes in their attitude or behaviour. After a high phase is over, they are often shocked at what they have done and by the consequences they face.

Mania may occur periodically, but depression is the most consistent symptom. People may feel overwhelming despair, guilt and worthlessness. They may feel chronic fatigue and gain weight, or have difficulty sleeping. They lose interest in everything. Problems concentrating and remembering things can make life very difficult and undermine the simplest tasks. The experience of bipolar disorder may provoke suicidal feelings.

Table 2. Main reasons for being in problem debt

Reason*	%
Mental health problems	66.2
Living on a low income	65.8
Find it difficult to manage money	58.1
Drop in wages or benefits	28.5
Physical illness and disability	23.4
Job loss or redundancy	20.3
Changes in circumstance; eg, new baby, moving home	18.9
Delays in payment of wages or benefits	18.0
Drop in income due to relationship breakdown (eg, divorce)	12.4
Other	7.6
None of these	0.4

* Based on 924 respondents; people were asked to tick all that applied.

It is at this point when people have to come to terms with the financial difficulties and debts they have incurred while in the high phase:

"The manic episodes of my illness cause me to spend excessively creating debt problems. The depressive side causes me to neglect money issues and put me into arrears. This spirals out of control very quickly and it can be very daunting to face rectifying it."

"When I am high I have no value of money and I just spend, spend, spend… this often goes unnoticed until the bills arrive, then I don't have the money to pay it back. I would like to be put on appointeeship,[1] but my social worker says it will take away my independence."

Procedures and policies need to be put in place that allow people to protect their finances while still retaining autonomy. For example, the Royal Bank of Scotland can apply a marker to a person's account at their request that will highlight a disability (including a mental health problem) and prevent them from going into overdaft.

Customers can voluntarily add information about their mental health problems to the credit files held by credit reference agencies (CRAs) in a 'Notice of Correction'. In doing so, a customer indicates that they want this information to be known to creditors, although it will only be accessed when a credit search is made.

The three major CRAs have agreed a standard form of words that customers (or those authorised to act on their behalf) might choose to add to their credit record to flag up relevant mental health problems. A Notice can be added or removed as required by the customer or representative, and will leave no 'footprint' of any kind once it has been removed. This can be useful for people who have bipolar disorder and may be prone to erratic spending during high periods.

1. An appointee is a person authorised by the Department of Work and Pensions to receive the benefits of another person because they are unable to do so themselves due to physical or mental disability.

Recommendations

Customers with mental health problems should be able to ask their bank to flag their current account and monitor it for unusual spending patterns

Mind calls for banks to allow customers to put flags on their current accounts to question erratic spending in specified time periods. Mind would like to see this adopted as common practice for people who would like to protect their finances when they are unwell and may be at risk of making unwise financial decisions.

Mind also calls for a safeguard system whereby customers either have to give a predetermined period of notice or joint authorisation from a designated friend or support worker before a flag can be removed from their account.

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

Mind calls for banks to have procedures in place to respond appropriately to customers who have disclosed their mental health problems and have missed payments.

If a customer has been unwell and unable to manage their finances then the banks should waive penalties for missed payments. The missed payment should be viewed as an indicator that the customer is experiencing difficulty and the case should be referred to a specialist mental health team within the bank. If the bank lacks resources for this, there should be a sufficient level of training for staff to ensure they can deal appropriately with customers with mental health problems.

If a person misses a payment or does not have sufficient funds to cover a payment collected by direct debit, they can incur a bank charge. If this then takes the individual over their limit or into an unauthorised overdraft, it can trigger a 'debt spiral', which can prove difficult to control if you are already on a low income. A participant in the Brighton focus group told us: "I went £2.30

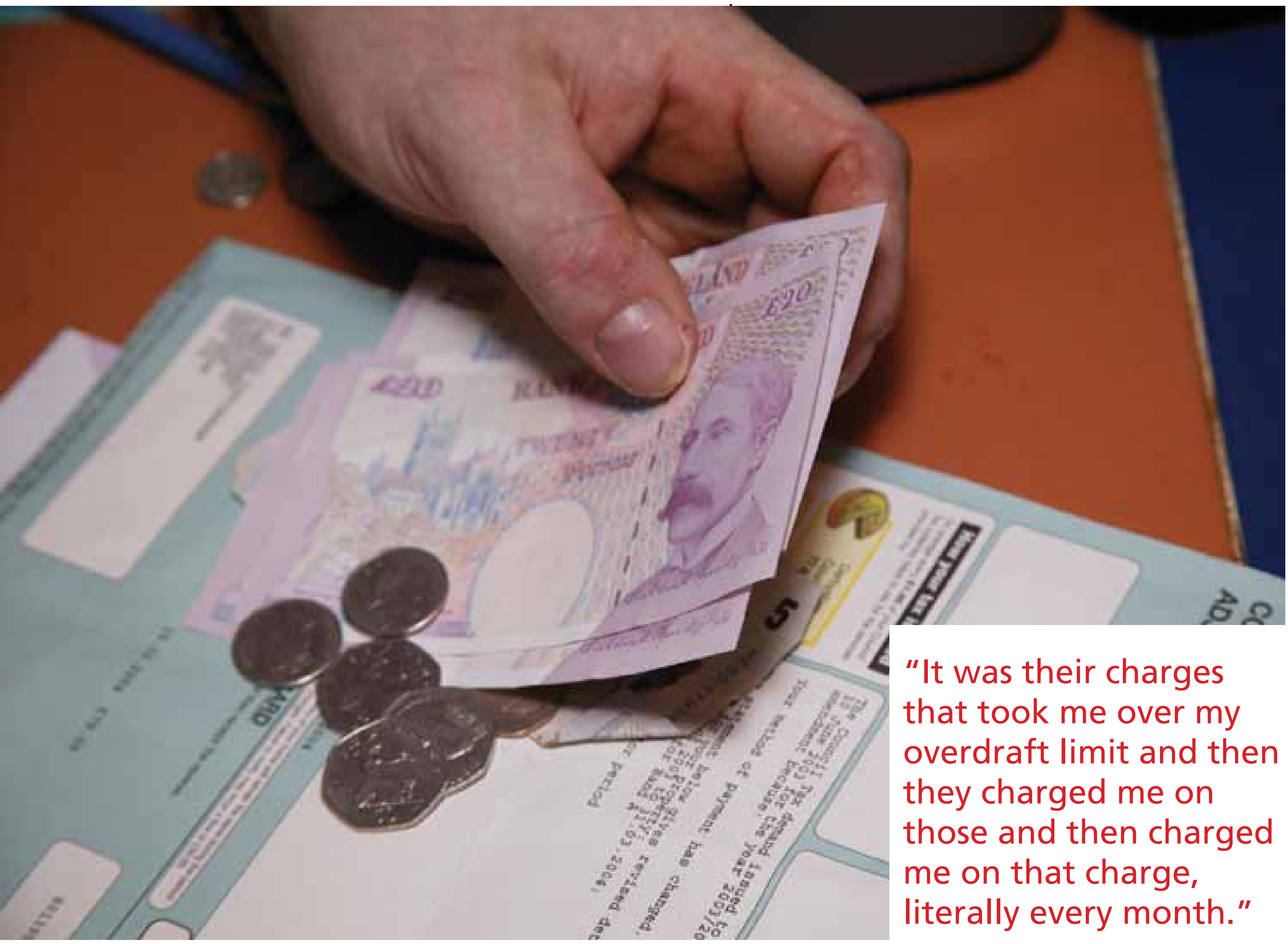
overdrawn on a debit card which they'd sworn blind wouldn't let you go overdrawn and then they give you bank charges."

A problem highlighted by the Southwark focus group was the impact that disruption to benefits can have. A number of people reported that their benefits had stopped as a result of administrative errors or due to reassessments, therefore reducing their income and their ability to cover their outgoings:

"I self-harm sometimes and with all this stress with the finances when they stopped my Income Support, I really wanted to self-harm and hurt myself … I managed to speak to my CPN [community psychiatric nurse] and we came to an agreement that if I became too stressed then we'd meet up for a coffee."

"I phoned up Income Support and DLA [Disability Living Allowance] and still the Income Support team haven't sent the DLA team the information they need. As the DLA are still waiting for information my council tax isn't being paid."

A related problem is the requirement for documentation. A number of participants who took part in the focus groups said they were unable to access certain benefits because they did not have the necessary ID. One participant had been unable to claim Income Support for the past five years, despite being entitled to it, because he did not have the right documents.



"It was their charges that took me over my overdraft limit and then they charged me on those and then charged me on that charge, literally every month."

Living standards

These data use government definitions to indicate the proportion of respondents on the 'poverty line' (those with a household income of less than £210 per week). The financial data provided in this section are self-reported estimates.

Almost 50 per cent of respondents who were experiencing problem debt had a household income below £200 per week.

Cutting back on utilities

Over 80 per cent of people with problem debt reported that they had to use less than they needed of water, gas, electricity or the telephone (Table 3).

"They gave me one bill for £80 because I was having a bath every day, so I had to cut down my baths."

Another problem experienced by focus group participants was being placed on key meters for utilities. People were given keys when on a low income or because of past debts. This is a more expensive way to pay for electricity and some people experiencing mental distress may have difficulty going out to top up their key. Mind welcomes the recent budget announcement that the Government plans to cap these tariffs.

Table 3. People with problem debt who have cut back on their utilities

Utility*	%
Water	25.2
Gas	54.9
Electricity	57.7
Telephone (including mobile phones)	65.0
None of these	17.5

* Based on 924 respondents; people were asked to tick all that applied.

Survey results

- Almost half of all respondents were living on, or below, the poverty line.
- 80 per cent of respondents who were experiencing problem debt had to scrimp on gas or electricity because they could not pay the bills.

"If you live in a small apartment like me you have a meter key, if you phone up the electricity department and say that you would like your account to be monthly then they'll say no you can only have that key because you're on a low income … you can't win, as paying by key is very expensive."

Going without

Due to a shortage of money, almost everyone with problem debt had been forced to go without a number of items (Table 4). Over half of the respondents said that they had not been able to telephone friends and family (58 per cent) and almost all had reported not being able to go out or socialise (92 per cent).

Previous research by Mind found that over two-thirds of people with experience of mental distress felt that isolation caused or contributed to their mental health problems and 80 per cent felt that isolation made it harder for them to recover or cope with their mental health problems (Mind, 2004).

"Having a support network is critically important to helping you cope with your debt."

A significant proportion of people said they had gone without heating (51 per cent) or food (56 per cent). It has been shown that poor diet has an adverse effect on mental health (Mind, 2002).

When asked if they could meet an unexpected expense of £500 without having to borrow some or all of the money, almost 90 per cent stated they could not.

Recommendation

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

Mind calls for energy and water companies to provide a better service to people with mental health problems – one which is more flexible and responsive to the needs of the individual. Energy and water companies currently offer a number of services for disadvantaged customers. This usually involves the customer being placed on a Priority Services or Vulnerable Customers register, which ensures that the person can speak to the same contact every time. They may also be entitled to a reduction in charges if they are in receipt of certain benefits, they can ask for help understanding bills and they can apply for money from the company's hardship fund.

These services should target people with experience of mental distress. A number of energy and water companies are sensitive to the needs of customers with mental health problems but this good practice needs to be adopted across the sector. All customer-facing staff should receive mental health awareness training to assist them in identifying and assisting customers who have mental health problems.

In addition, people whose mental health issues have contributed to a build-up of debt with energy and water companies should be dealt with sensitively and offered a range of methods to enable them to make affordable payments towards their debts and ongoing usage.

Table 4. Items that people with problem debt have gone without because of a shortage of money

Item	%
Going out/socialising	91.9
A holiday	79.9
Clothes	79.7
A hobby or sport	70.6
Shoes	69.4
Telephoning friends or family	58.0
Food	56.4
Heating	51.2
Never go without	1.0
Money is not short	0.1

* Based on 924 respondents; people were asked to tick all that applied.

Difficulties in managing money

When asked how they felt they were managing financially, three-quarters of respondents stated that they were finding it 'quite' or 'very difficult'. Over the preceding 12 months, 71 per cent stated that they had run out of money either 'every week' (42 per cent) or 'most weeks' (29 per cent).

"I was struggling to pay my bills, rent and repayments on the loan. I was then writing cheques to survive whilst my account was overdrawn and was repaying the amounts of the cheques every month as well as heavy bank charges."

Borrowing money for everyday spending

In the preceding 12 months, 87 per cent of respondents with problem debt had had to borrow money or use a credit card to pay for food or other everyday spending.

"I am unable to buy food some weeks. I have no social life. I live four miles from the nearest bus stop and have no transport and have to walk four miles each time I go to work or the shop."

In focus

The Royal Bank of Scotland

The Royal Bank of Scotland (RBS) is leading the sector in response to this issue. It has a number of helplines for staff to use if they have any questions regarding a customer's disability, whether it is a physical disability or a mental health problem. RBS central support staff will work with branch staff and the customer to try to find a mutually agreeable solution in each case.

RBS has advisers within their specialist debt collection units who have experience of working with disadvantaged clients. Unit staff also receive mental health awareness training from Money Advice Plymouth, which is part of Plymouth and District Mind. In the past RBS debt collection staff have gone to visit clients who have mental health problems face-to-face to discuss debt repayment plans and have worked collaboratively with the individual's support worker to address the debt.

The Royal Bank of Scotland has funded Mind's publication of a series of booklets providing advice and information to help people manage their money. The 'Money and mental health' series includes the following titles:

- *Looking after your personal finances*
- *Staying in employment*
- *Starting your own business*
- *Managing on benefits.*

Creditor response

Fewer than one in three people with problem debt informed the organisation to which they owed money that they had a mental health problem.

Many respondents did not like telling people about their mental health problems (56 per cent). People also felt that they would not be understood (63 per cent) or that it would not make any difference to how the organisation handled their debt (59 per cent). Almost half (47 per cent) did not think they would be believed (Table 5):

> "Because I do not have any disability that anyone can see it's as if I am pulling a fast one and pretending. It is real and it is shocking and painful. It's like a curse … the establishment treat me like a scrounger."

Recent research has shown a worsening of public attitudes to mental distress over the last 10 years in England and Wales, with an increase in misunderstanding and fear (Department of Health, 2007).

Survey results

Good practice exists, but the majority of respondents either perceived creditors in negative terms or said they had experienced unsympathetic or insensitive treatment.

Experience where creditors were informed

The people who had informed organisations of their mental health problems rated their experience against a number of statements (Table 6). Of those that had disclosed their mental health problems, 28 per cent reported being asked questions about how it was affecting their financial situation and 16 per cent of said they had been treated sympathetically by staff.

However, a large proportion of respondents reported that they were not asked questions about how their mental health issues were affecting their financial situation (64 per cent):

- 74 per cent said they were treated unsympathetically

Table 5. Reasons people with problem debt gave for not disclosing mental health problems to debt organisations

Statement*	%
I did not believe they would understand my mental health problem	63.2
I was concerned about what they would do with the information about my mental health problem	40.5
I was worried that it would stop me getting credit in the future	27.4
I do not like telling people about my mental health problems	56.5
I thought I would be treated unfairly if I did	32.3
I did not think I would be believed	47.4
I wasn't aware that it would make any difference to how the organisation dealt with the debt	59.1
I thought they would take money from my disability benefits to repay the debt	11.6
Not applicable	5.2
Other	8.2

* Based on 924 respondents; people were asked to tick all statements that applied.

- 80 per cent weren't informed of how information they provided about their mental health problem would be used
- 79 per cent felt that their mental health problems were not taken into account when decisions were made.

Eighty-three per cent of respondents had been harassed about debt repayments despite telling creditors about their mental health problems:

"My phone is ringing from 8am to 9pm, every single day. It seems like there are shift systems, there will be four hours solid where literally every 15 minutes someone will phone… so now I'm terrified every time my phone rings."

"I was in debt for about £7,000 and I went to the bank saying I needed help as I couldn't pay it back and they said, 'If you borrow another £15,000 that will help.' So now I owe £25,000… I open the letters but I just throw them away."

Although our respondents identified good practice among some creditor organisations, people with mental health and debt problems often see creditors as lacking understanding, or feel they have been treated unsympathetically and insensitively.

The majority of people with a mental health problem have the skills and ability to manage their finances. However, all banks should be equipped to deal with people in debt who have mental health problems and need help.

"The only thing that helped me was one of my bank accounts. After six months they offered to let me pay half of what I owed and said they would pay the rest, so I borrowed some money from a friend… and cleared the debt."

Table 6. Experiences of those people with problem debt who informed creditors of their mental health problem

Statement*	Agree (%)	Disagree (%)	Can't say (%)
Once I had told the organisation about my mental health problems, staff treated me sympathetically and sensitively	16.3	74.3	9.4
I was asked for my consent to record details about my mental health problems	14.9	70.9	14.2
I was clearly told what would happen to any information I provided about my mental health problems	3.9	80.1	16.0
I had to explain my situation to several people in the same organisation	59.1	32.0	8.9
Staff asked questions about how my mental health problems were affecting my financial situation and ability to make repayments	28.4	63.7	7.9
Despite telling the organisation about my mental health problems, I felt as though I was harassed about my debt repayments	82.6	12.9	4.5
I felt that my mental health problems were taken into account when a decision was made about my financial difficulties	10.3	79.0	10.7
I felt I was treated unfairly by the organisation because of my mental health problems	50.7	22.7	26.6

* Based on 291 respondents.

A number of leading banks do have policies and procedures to help support customers with mental health problems who feel that their mental health issues may affect how they manage their finances. The bank and the individual can then work together to deal with the debt problem. This good practice needs to be adopted across the sector.

"When I went in for an appointment they asked me what my problem was and why had I been in hospital for six months, so I told them, and I will say that the phone calls and letters did stop."

Recommendations

Adherence to the new Money Advice Liaison Group's *Good practice guidelines*

Mind calls for all organisations within the financial industry to adopt and build the *Good practice guidelines* into their policies and procedures. Organisations should also commit to reviewing how well the guidelines have been implemented. To obtain a copy of the MALG *Good practice guidelines* please visit www.moneyadvicetrust.org

The MALG guidelines on debt and mental health represent the first ever detailed UK recommendations on what creditors should do when a person has debt and mental health problems (MALG, 2007). These guidelines aim to supplement existing industry codes for banking, leasing, and credit service organisations (British Bankers Association, 2005; Finance and Leasing Association, 2006; Credit Services Association, 2006).

The Money Advice Liaison Group is a non-policy making body, so cannot impose the guidelines on the creditor sector. While Mind endorses the guidelines, we have focused on certain key principles within them to make specific recommendations in this report.

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

Mind calls for all creditors to have procedures in place that ensure people with mental health problems who are in debt are treated fairly and appropriately.

Collection action by creditors should be proportionate to all the circumstances, including customers' likely longer-term ability to repay. Creditors should consider writing off unsecured debts when mental health problems are long term, hold out little likelihood of improvement and make it unlikely that the debtor will be able to repay outstanding debts.

Creditors that outsource debt should ensure that third parties comply with the MALG Guidelines and relevant codes of practice. Creditors should only pursue enforcement through the courts as a last resort and when appropriate.

Creditors should consider writing off debts where a person's mental health means they did not have capacity to contract. Currently the law states that a contract is void where the other party (the lender) was aware of the incapacity. However, in Scotland debts can be struck off where there is incapacity without the other party having notice. Mind welcomes MALG's intention to investigate this issue in 2008.

Creditors should also establish whether the mental health problem will affect a customer's ability to deal with telephone, written or face-to-face communication.

Where a creditor has been notified of a mental health problem they should allow a reasonable period for relevant evidence regarding the influence of mental health problems on a customers' ability to manage their debt.

The collection of appropriate evidence on how a person's mental health problems affect their ability to manage or repay their debt should be undertaken using a common form that all parties – creditors, money advisers, health professionals and people with personal experience of debt and mental distress – recognise. MALG has developed the Debt and Mental Health Evidence Form to meet this need.

In focus

Solent Mind

Solent Mind's money advice service is the result of collaboration between Solent Mind and Southampton Citizens Advice Bureau. The partners won funding from the Big Lottery Fund to provide money advice to people with severe mental health problems for whom traditional money advice services may not be appropriate.

"With many advice services, you'll go in for an appointment, they'll sit with you and help you budget, and then you might not see them again for months. There's not the capacity for them to do any follow-up or more intensive support, but that's what some people need," says Jo, an adviser with the project.

The Solent Mind team provides assertive financial outreach, helping clients wherever they feel comfortable, rather than making them come in to an office.

"We'll meet someone in their home, and we'll go with them to a bank or post office to help them open an account or whatever's necessary. Some people have difficulty leaving the house, or have difficulty travelling. Traditional services aren't set up to help people with agoraphobia or other conditions that stop them getting out."

The project started following the success of a pilot project providing advice in GP surgeries. Sadly, funding for that wasn't available. But it confirmed what Solent Mind thought – that forging close links with other community services, especially healthcare, and providing advice in an environment where people feel comfortable are crucial to success with the most excluded clients. "It's important that healthcare professionals know you're there, and trust you to help," says Michelle, an adviser, "as they are often the first people to notice when something financial is causing problems."

"People are often very distressed when they first contact us. They get to the point where creditors are calling them many times every day, at all sorts of hours. People tend to pay whoever's shouting at them the loudest."

"It's very frightening to be chased by creditors," Jo says. "People are often very distressed when they first contact us. They get to the point where creditors are calling them many times every day, at all sorts of hours. People tend to pay whoever's shouting at them the loudest. They don't know how to stop it so they agree to anything; they agree to pay more than they can afford, then they just end up in even more trouble."

Banks are unscrupulous, Jo and Michelle say. People with credit card debt are given consolidation loans to pay it off from the same bank, but their cards aren't taken away, so they end up with more credit. Then they get given another loan to pay that off, multiplying their credit and incurring yet more interest.

People who lose their jobs through mental ill health are in a particularly vulnerable situation. With financial commitments, perhaps including a mortgage, they often resort to credit cards to pay for utility bills and even mortgage repayments.

Clients with supporting documentation from a psychiatrist or community mental health nurse are in a far stronger position when negotiating a payment plan or to have debt written off. "It would make a big difference if bank staff had better training in mental health," says Jo.

Although the money advice service only started taking on clients in late 2007, they are already concerned about their capacity to meet the high levels of need for debt advice. "We could tell early on that the project was going to be extremely busy," Jo says. "The frightening thing is when you realise you may not be able to help everyone who needs it."

What support did people seek?

Respondents with problem debts were asked whether they had sought any advice or support for any issues relating to their financial difficulties in the previous 12 months. Two-thirds confirmed they had.

Where was advice sought?

The most common source of advice was free advice services, such as the Citizens Advice Bureau (63 per cent):

> "The CAB office helped me to do a budget and work out how much I could pay back to my creditors. I stuck to that budget for years."

> "I spoke to the CAB and told them about my mental health problems and they got in touch with the bank… I didn't realise that they couldn't touch my DLA [Disability Living Allowance] so we were much better off after speaking to someone."

However, friends and family (47 per cent) also rated highly as a means of providing support (Table 7). This may reflect the fact that family and friends were reported as being the most common

Table 7. The main source of help or advice sought by people with problem debt

Source of advice*	%
Citizens Advice Bureau or other free advice service	63.2
Family or friends	46.8
The organisation(s) that were owed money	40.6
MH service or community psychiatric nurse	23.1
GP or health visitor	19.8
Other	16.7
Housing officer	10.0
Mental health organisation; eg, Mind, Rethink	6.7
Social worker	5.2
Community leader or faith leader	1.6

* Based on 611 respondents; people were asked to tick all that applied.

Recommendation

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

Mind calls for banks, debt-collection agencies and debt-purchasing companies to ensure a basic general standard of relevant mental health awareness training across the staff cohort.

The advisers within the specialist debt-collection units at Royal Bank of Scotland receive mental health awareness training and use this to work more effectively with the customer who is experiencing problem debt. This good practice should be adopted across the sector.

If it becomes clear that because of a person's mental health problem standard processes are not appropriate, the person should be referred to a specialist team within the organisation trained to help customers with more complex issues.

The cost benefit of specialist teams may well work in organisations' favour, as such teams would have the skills and experience to process cases more efficiently and effectively. If organisations are unable to support a specialist team they should ensure that members of staff who have relevant training are able to assist customers.

Survey results

66 per cent of respondents with problem debt sought some form of support or advice for their financial difficulties.

source of credit. It can have negative implications for a person's support network, if people are unable to pay back money they have borrowed from their family or friends. It may strain the relationship to breaking point and exacerbate mental health problems.

A large proportion of people (41 per cent) asked the organisation to which they owed money for support. Although many people had used mental health services in the previous two years (60 per cent), less than a quarter had spoken to a mental health professional about their financial difficulties (23 per cent).

Why some people did not seek advice

Of the respondents experiencing problem debt, 34 per cent did not seek advice. The most common reason people gave was embarrassment (62 per cent). Failure to seek the advice and support necessary to address problem debt can lead to an increase in anxiety which will affect existing mental health problems.

A number of local Mind associations have set up successful schemes (see p.26) where a CAB debt advice worker holds advice surgeries at the local Mind association. There is a need for debt advice to be offered to people with experience of mental distress within other healthcare settings.

Community Links is a charity running community-based projects in east London. The GP Advice Project places welfare advisers from Community Links in GP practices and other primary care locations. It was established in 2003 by the Newham Council Social Regeneration Unit. In 2005 an evaluation report of the project was published, outlining its key achievements. At the time of publication, the project had seen 4,562 clients and the projected income increase from benefits and tax credits for clients was £4,546,119 in total.

Recommendations

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

Mind calls for training on debt, its effect on mental health and the associated triggers and indicators. This should form part of pre-qualification and continuing professional development training for any support worker who will be in contact with people with experience of mental distress.

In particular Mind believes mental healthcare professionals should have the basic knowledge necessary to intervene effectively before a crisis emerges. This would involve knowing the danger signs, knowing where to signpost the individual for more specialist debt advice and working collaboratively with the debt advisers.

There are a number of 'debt catalysts' that may trigger new debts or increase existing ones, including: income disruption relating to receipt of benefits; major life changes; and pressure from creditors. Healthcare professionals should be aware of missed payments or penalties for missed payments and financial breakdown, where a person may be overwhelmed and try to ignore what is happening.

Mind is seeking support to develop these materials in collaboration with the Money Advice Trust (MAT), the Institute of Money Advisers and the Royal College of Psychiatrists.

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

Mind calls for health and social care professionals to work in a joined-up way with creditors and advice agencies.

Recommendation

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

Mind calls for primary care trusts (PCTs) in England and local health boards (LHBs) in Wales to further commit to funding debt and welfare advice services in primary healthcare settings. Some advice is already delivered in such settings but provision is patchy.

The Government has funded a major expansion in face-to-face money advice via the Financial Inclusion Fund (FIF). Funding from the FIF for debt advice must incorporate outreach work from 2008 to 2011.

Primary care trusts and local health boards should explore – in conjunction with existing advice agencies – how these services can be brought together at a local level; for example, by locating existing money advisers in GP surgeries, and in the longer term locating GP surgeries and money advice services under one roof.

The project provides an accessible service that significantly improves people's health and mental wellbeing through addressing poverty and related social welfare issues. It simplifies the benefits process for those patients who have difficulty completing application forms owing to levels of literacy or lack of confidence.

In 2005, the Birmingham Citizens Advice Bureau delivered advice sessions in 46 GP practices and the four local primary care trusts (PCTs) provided 70 per cent of the funding for this work.

According to the Chief Executive of North Birmingham PCT: "There is now general agreement, backed by hard evidence, on the contribution that good welfare advice can have on the health and wellbeing of the individual. The big issues that influence our health are still education, housing and income; along with smoking, exercise and diet. The [CAB] work has demonstrated again and again its ability to help citizens with these big issues. We are proud of the leadership we have given for this approach." (Citizens Advice, 2005)

However, the large proportion of people who didn't know who to ask (45 per cent) or thought that no one would be able to help (47 per cent), indicates the need to publicise the availability of support services.

People sometimes only learn about support services by chance. A participant in the Dorset focus said: "I got in touch with the court as I was getting all these letters saying I would be taken

Recommendation

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

Mind calls for the Department of Health to produce guidance on money management for people with mental health problems. This would include information on financial capability and debt self-help.

The Financial Services Authority (FSA) recently announced a new initiative targeted at parents. They are planning to distribute packs giving guidance on topics such as budgeting, benefits and childcare options to help improve people's financial capability and knowledge.

Mind believes that similar literature relating to debt advice and support should be made available in settings that are easily accessible and frequently visited by people with experience of mental distress. These would include GP surgeries, hospitals, third sector mental health organisations and other community settings.

An audit of what is already available should be carried out and the Department of Health should fund the development and dissemination of any further material needed.

to court. They told me about the Consumer Credit Counselling Service where you put down all your debts and you fill out all these forms and you send them off and they freeze all the interest so you're not getting further into debt."

There is a need for guidance that is widely available and which gives people the basic information they need about services and other money management information.

It is also noticeable that the proportion of the problem debt group who thought they didn't need help (10 per cent) was less than half that in the overall sample (24 per cent). However, the proportion who didn't seek advice due to feeling unable to pay the amount owed was much larger in the problem debt group (42 per cent) than in the overall sample (21 per cent).

Participants in the focus group that Mind held at City and Hackney Mind had received some training from workers at the local Mind association on how to budget and help to regain control of their finances. A number of participants said that support workers had given them help in contacting their creditors to negotiate debt repayment terms.

Another problem faced by people trying to access debt or financial advice is the lack of resources. A large number of services across the country have been cut or are under threat owing to funding problems. The focus group in rural Wales reported that the local CAB had recently closed and the nearest branch was now 30 miles away. It can also be harder to access support in rural areas because of long distances and transport difficulties.

The way in which advice is delivered needs to be much more flexible in order to assist people with experience of mental distress. This can be quite difficult to achieve, as the vast majority of advice services are severely under-resourced. There can be long waiting lists for appointments. Some services do not provide appointments, but instead operate a first-come-first-served policy which means they can only work with the first 10 people in the queue. Other advice services will only take clients by referral:

"Advice services are not accessible by everyone… you have to be referred. Services that are available to everyone you have to wait so long for… you have to phone and they give you an appointment, which may be long way away."

"I was not given any help, the CAB are very difficult to get in touch with when you're working."

Recommendation

Improved access to money and debt advice services

Mind calls for banks to work with the Government to improve access to independent debt advice services for people with mental health problems.

Mind welcomes the initiative by the Government to produce a framework for delivery of a generic financial advice service for the United Kingdom. Mind also acknowledges that banks already provide funding to support debt advice and related activities but calls for banks to contribute more through the disbursement of their corporate social responsibility funds.

Existing and future debt advice services need to be better targeted at people with mental health problems and services need to take account of the gaps in provision raised in this report.

In focus

Mind in Bexley

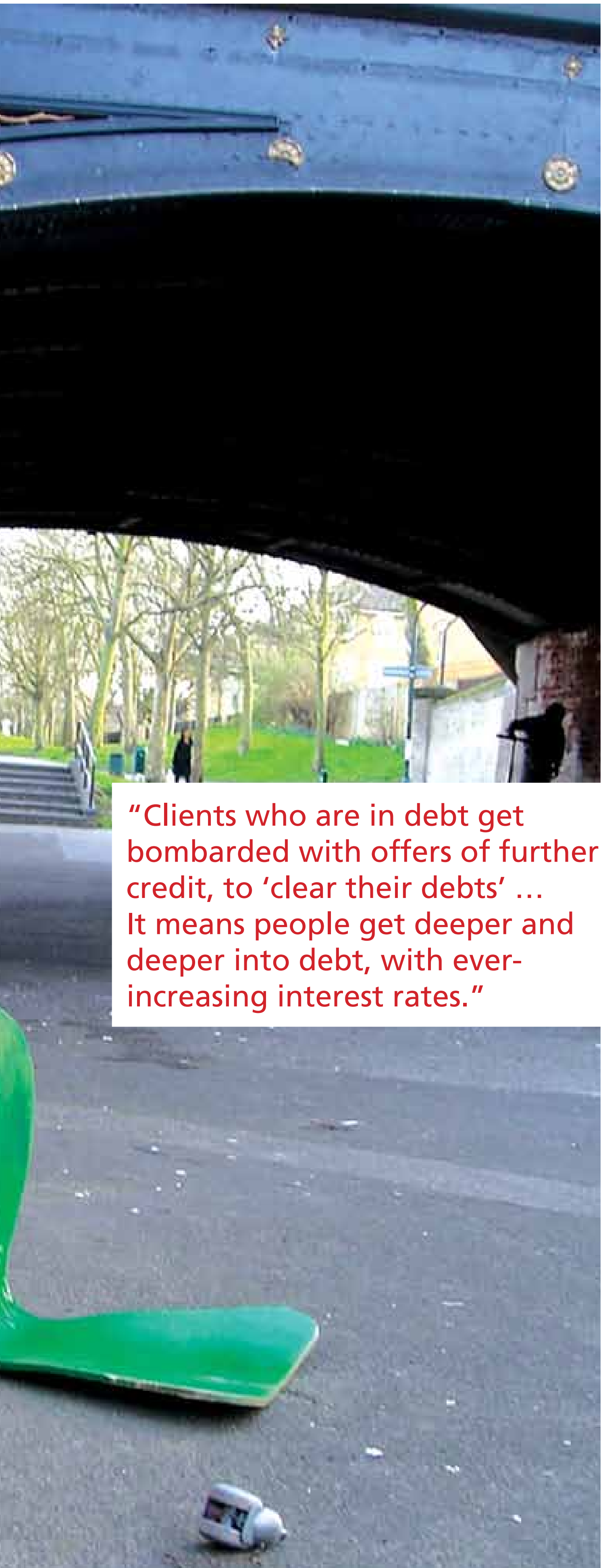
Sue White knows both sides of the coin. She has been in finance for 25 years, working for a bank and as a licensed debt collector. She's also had debt problems herself, and now advises indebted clients at Mind in Bexley's welfare rights service.

With a waiting list almost as big as her client base, Sue knows there is a desperate need for debt advice. "I've been doing this for 20 years," Sue says, "and it's getting worse and worse. Everyone is throwing credit at you these days."

Lenders will often use gifts as incentives to encourage people to take out credit. One client of Sue's was offered a free camera to take out a credit card, even though he told the company that benefits were his only income. He was later able to run up around £2,000 of debts.

"Most of my clients tell the credit companies that benefits are their only income, but that doesn't deter these lenders." The interest rates of private lenders can be far higher than those of other lenders. Door-to-door lenders will lend as little as £50, and charge very high interest rates. Often, Sue says, the smaller the sum they've borrowed, the more aggressively people in debt will be pursued, with collection companies constantly trying to increase the due amount with spurious charges, such as a fee for sending a letter. Sue's clients who have borrowed small sums often did so to cover basics – children's clothes or even food.

"Clients who are in debt get bombarded with offers of further credit, to 'clear their debts'," says Sue. "It means people get deeper and deeper into debt, with ever-increasing interest rates."



"Clients who are in debt get bombarded with offers of further credit, to 'clear their debts' … It means people get deeper and deeper into debt, with ever-increasing interest rates."

Many of Sue's clients are aggressively pursued by debt collectors, often using unlawful tactics. "People will get phonecalls throughout the day, every day. And often late at night or very early in the morning. It's sheer bullying, but they get away with it because people don't know their rights and they don't know how to stand up for themselves. For someone who's very ill, even opening the post is a daunting prospect. When I was ill, I ignored the letters, so I know how it feels."

Sue supports clients by helping them to set a realistic budget, encouraging them to be frank about their spending. "I need to know everything," she says, "even if that includes money spent on drugs or alcohol. There's no point working out a budget that shows someone can afford to repay £10 a week, only to find they're not paying it because they spend that last £10 on drink. So building up trust is important. I tell clients there's nothing they can tell me that will shock me. Then I contact their creditors to negotiate a repayment plan. Some creditors will demand more than a client can pay. But a debt adviser knows what a court will consider reasonable, and that's the line we work along. If a creditor demands more, I tell them to take the client to court, and let the court decide the repayment plan. They tend to back off at that stage. But very few people in the best of health would feel confident to say that to an intimidating debt collector, let alone someone living in poverty on benefits with mental health problems."

"There's plenty of need out there for debt advice," says Sue, "but not much help."

Conclusion

Our research revealed that a large proportion of respondents were struggling financially and were finding it difficult to regularly meet payments. As a result of this, over three-quarters of respondents with problem debts had been threatened with legal or court action and over half had been contacted by bailiffs or debt collectors.

The fact that people are experiencing problem debt has a direct impact on how they live. People reported having to cut back on food, gas and electricity.

People also reported a reluctance to disclose their mental health problems to their creditors. Those that did confide felt they had not been treated fairly afterwards. The findings reveal an urgent need for safeguards that enable people to protect their finances when they are unwell.

"I consider myself to be on the same level as my friends but I need my friends to be my guarantor. If I need to pay by cheque, I have to ask my friends to write one … I'm less of a person because of my money problems."

A large proportion of respondents who were experiencing problem debt were in contact with mental health services, but less than a quarter had spoken to a mental healthcare professional about this. This demonstrates the need for a more holistic approach to support in health and social care to promote financial education and capability.

Creditors and debt advisers working with people with mental distress and problem debt may require medical evidence, which can prove difficult to obtain and lead to delays. There needs to be better co-ordination and a sharing of information between health and social care professionals and debt advisers.

Our survey revealed that many people have difficulty accessing debt advice services. Reasons for this included a lack of knowledge about how or where to access services, feelings of embarrassment and inability to access services due to a lack of resources or inflexible appointment systems.

Existing advice services need to understand the relationship between debt and mental health problems and work with the financial industry and other creditors, with support from the healthcare sector, to address this pressing issue.

As an example of how this might work in practice, the Financial Services Authority (FSA) is working with Mind to help people with mental health problems and debt to take control of their finances.

The FSA has awarded Mind a £95,000 grant as part of its work towards the National Strategy for Financial Capability. The money will enable Mind to train staff at local Mind associations across the country so that they are able to deliver their own financial capability surgeries. These workshops aim to assist people in building up their financial management skills and improving their circumstances over time.

The grant will also enable Mind to develop a financial section on its website that provides advice and information for anyone with mental health problems who is struggling with debt. It will include information aimed at hard-to-reach groups such as people who have recently left prison and those who have been in hospital for a psychiatric condition.

Appendix 1 – Methodology

Survey development

Mind commissioned the Royal College of Psychiatrists (RCPsych) in September 2007 to carry out a new piece of research on debt and mental health. The RCPsych worked with the Personal Finance Research Centre at 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 Liaison Advice 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 meeting was conducted to support and help develop the survey instrument. The group comprised service users, mental health professionals, and debt and finance advisers. On the basis of the policy review and advisory group, the survey was designed including quantitative and qualitative questions.

Data collection

In December 2007, 3,500 questionnaires were sent to Mind's networks of people with direct experience of mental distress and other disability and debt forums. The survey was also available for online completion and as a download from Mind's and the Royal College of Psychiatrists' websites from the beginning of December 2007 until 14 January 2008.

Mind received 205 completed postal surveys and 1,599 surveys were completed online – a total of 1,804.

People were eligible to participate in the survey if they had either experienced mental distress in the last two years or had used a mental health service in the last two years. The survey focused on people who lived in England or Wales. All data were self-reported.

Age and sex

The majority of respondents were female and most responses were from 30- to 39-year-olds.

Mental health

A wide range of mental health diagnoses were reported. The most frequent diagnoses were for depression and anxiety. Respondents could select as many diagnoses as they felt applied and formal diagnostic criteria were not stipulated.

Economic indicators

Over 40 per cent of respondents were living on a poverty income.[1] Thirty-six per cent of respondents described their employment status as either 'employed full time' and a further 36 per cent described their status as 'unable to work because of ill health'. More than a third of the respondents considered themselves disabled. In terms of household income, including money from work, social security benefits and any other regular income, almost two-thirds had a household income below £16,000 per year. Over 40 per cent of respondents were not receiving any form of benefits.

Other indicators

People were also asked to provide information regarding their living arrangements. The largest group of respondents shared accommodation with either a wife/husband or a partner (44 per cent). Almost a third of respondents lived with children under 16 years of age. A similar proportion (29 per cent) lived alone.

1. The poverty income threshold generally adopted and used is 60 per cent of contemporary equivalised median household disposable income before the deduction of housing costs. In 2004/05, this represented an income of £210 per week (Office for National Statistics, 2007)

Focus groups

Qualitative data were also captured from a series of eight focus groups that were held across England and Wales in January and February 2008 involving 56 people with experience of debt and mental health problems.

The focus groups explored in greater depth some of the issues raised in the questionnaire responses. The locations were selected as being representative of various socioeconomic/deprivation categories.

The sessions were held at City and Hackney Mind (9 January 2008), Mind in Brighton and Hove (23 January 2008), Havant and East Hants Mind (24 January 2008), Dorset Mind (25 January 2008), Richmond Mind (30 January 2008), Southwark Mind (1 February 2008), Mind Powys Mind (4 February 2008) and Havering Mind (5 February 2008).

Mind co-ordinated a network of experts on debt and mental health to inform our policy recommendations. The network provided a range of views from across the advice and mental health sectors and people with experience of debt, to all of whom we are extremely grateful for their time and assistance.

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 could not cover hospital inpatients, as debt work with people in hospital is a separate area of research to which Mind could return in the future. While the survey did not cover all of the factors which bear upon the issue of debt, poverty and mental health, we are confident it makes an important contribution to current knowledge and future actions.

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. They have not been checked against supplementary material provided by respondents or others.

Appendix 2
The role of lenders

The voluntary Banking Code Standards Board (which sets standards for UK banking practice) stipulates that lenders should assess customers' ability to repay before extending credit. Only two of the following four criteria have to be taken into account: an income and expenditure budget, an assessment based on previous knowledge of the customer (account history), a credit score or an external credit reference check.

Reference to working with customers with health and debt problems – including mental health – is made in the Lending Code (Finance Leasing Association, 2006). The Lending Code sets out standards of good practice for the finance and leasing industry. It is produced by the Finance and Leasing Association which is the representative body for the UK consumer credit, motor finance and asset finance sector.

The Lending Code states that particular care will be taken if someone is experiencing health problems (including mental health), when lenders have been notified. This includes: appropriately training staff to handle accounts (including those dealing with complaints and collecting debts); being sensitive to the individual's condition; and responding appropriately when dealing with the client or person authorised to act on their behalf.

The Credit Services Association works for the benefit of those UK companies active in relation to unpaid credit accounts. Debt recovery agencies, tracing and allied professional services also have a code of practice which makes reference to people with mental health problems (Credit Services Association, 2006). This code indicates that CSA members need to pay "due regard and deal sensitively with people where evidence has been given, or is apparent, that the individual is incapacitated by mental or physical disability."

The 2005 Banking Code sets out voluntary minimum standards for how banks, building societies and other banking service providers treat their customers. Currently it does not make reference to customers experiencing debt problems who also have mental or physical health problems. However, the 2008 Banking Code does – for the first time – indicate that the issue should be considered in relation to new guidelines from an organisation called the Money Advice Liaison Group (MALG).

The MALG *Good practice guidelines* on debt and mental health were published in 2007, and represent the first detailed UK recommendations on what creditors and advisers should do when a customer or client has debt and mental health problems (MALG, 2007). The MALG guidelines are voluntary, but it is hoped that reference to their existence in the Lending and Banking Codes will help creditors identify improved ways to work with customers with mental health and debt problems.

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Registered charity number 219830
Registered in England number 424348

ISBN 978 190356788 3