







Debt Action NI Report 09/10

Debt Action NI is primarily a face to face debt advice service which has been in operation since November 2009.

It is available across 13 Council areas and is delivered by the equivalent of 16 trained and experienced full time advisers who collectively provide 600 hours of debt advice per week.

Data is collected using Advice Pro; a secure web based recording system. Statistics and trends relating to the project were recorded and monitored.

For the reporting period 1st November 2009 – 31st October 2010, Debt Action NI dealt with			
1,642 clients	Almost £28.7 million of debt	5,092 debts	

The service is targeted at some of the most vulnerable members of society, including those on a low income or in receipt of benefits, those with a disability or health related problem as well as those most at risk of losing their home. Debt Action NI has made a real impact on people's wellbeing and has helped alleviate much of the stress and anxiety caused by debt.

There are many causes of debt, some of which are outside the control of the client, for example a change in circumstances such as redundancy, a bereavement or ill health. Other reasons include irresponsible lending, the mis-selling of products and changes in government policy and regulation.

Debt Action NI has raised a range of policy issues with government including the potential effects of the reduction in Support for Mortgage Interest (SMI) on clients and the impact of the Debt Relief Order (due to be introduced in 2011). We have also challenged the bad practice of lenders and the failure on the part of some to adhere to court Pre-Action Protocols.

Demand for the service is likely to increase as people experience further financial difficulties as a result of the recession, public expenditure reductions, welfare cuts, declining house prices and increasing unemployment levels. Government statistics show from 2007-2010 unemployment rose from 4% to 7.6%.

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Case Study

Client contacted the service as he believed hat he had been mis-sold a Payment
Protection Insurance policy when he took out a loan.

The adviser contacted the lender in question and the client was awarded over £7,000 in settlement of the claim.'

HELPI

Debt Action NI Workload

Debt Type	Overall Total (£)	Number of Debts	Average Debt (£)
Mortgage	9,056,746.11	256	35,377.91
Credit Card	6,264,286.78	1,930	3245.74
Personal Loan	3,941,659.93	609	6,472.35
Secured Loans	1,759,226.64	119	14,783.42
Bank Loan	1,372,732.56	160	8,579.58
Business	1,088,495.96	87	12,511.45
Overdraft	1,048,631.27	330	3,177.67
Hire Purchase	675,902.02	114	5,928.97
Tax	509,985.74	36	14,166.27
Legal Fees	456,011.22	84	5,428.71
Family and Friends	323,052.21	30	10,768.41
Credit Union	321,755.06	69	4,663.12
Store Card	292,570.84	245	1,194.17
Catalogue	277,701.42	323	859.76
Mortgage Shortfall	273,569.63	6	45,594.94

Top 15 displayed

Of the total amount of debt, the highest debt dealt with was mortgage debt at over £9 million (over 32% of the overall total debt) which includes capital of nearly £7 million and arrears of over £2 million. This was followed by credit card debt which amounted to almost £6 million.

Secured loans rank as the fourth highest debt dealt with. These are loans that require an asset, invariably the home, to be pledged as collateral against a default in payments. Failure to make payments can result in the lender taking action to repossess the property. Secured and mortgage debt combined amount to over £10.8 million, accounting for over one third of the total amount of debts.

Any increase in interest rates, combined with any changes to the SMI available (reduced from 6.08% to 3.63% in October 2010 and currently at 3.91%) is likely to put a number of homeowners at a higher risk of repossession resulting in a greater need for Debt Action NI support.

Number of Debt Types (%)



Although mortgage debt accounted for the highest amount of debt, it ranked sixth behind catalogues, overdrafts, personal loans and credit cards in terms of the number of enquiries.

Average debt and client count per Council area

Council Area	Average Debt per Client (£)	Number of Cheffs
Armagh	10,151.65	69
Ballymena	24,907.86	108
Belfast (HRS)	10,123.60	90
Belfast East	19,909.83	135
Belfast North	16,229.70	176
Belfast South	14,381.95	78
Belfast West	6,886.13	119
Cookstown	7,368.84	59
Craigavon	20,086.56	26
Downpatrick	13,699.47	85
Limavady	26,447.66	132
Lisburn	19,587.46	111
Magherafelt	14,304.81	149
Moyle	2,830.11	20
Newry & Mourne	12,089.71	92
Omagh	41,779.69	79
Strabane	22,004.16	114

The average debt per client was £17,468 with 7 Council areas exceeding this: Omagh, Limavady, Ballymena, Srabane, Craigavon, Lisburn and East Belfast. In other areas (such as those within the Noble top ten index of social deprivation) for example, Newry and Mourne, Moyle and Cookstown the amount of debt per client was below average. Demand for debt advice was highest in North Belfast, followed by Magherafelt, East Belfast, Limavady, West Belfast and Strabane highlighting the need for debt advice in areas of deprivation, particularly to those on low income or benefits who have limited access to credit.

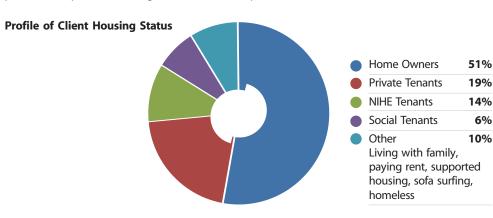
Case Study

'Clients are a married couple with no children and in receipt of benefits. The wife is disabled and the husband is her carer. The SMI cuts have reduced their benefits by £100 per month and they now have to pay over £400 per month towards their mortgage themselves.

They are already struggling to make ends meet and the only way they might be able to avoid losing their home is by using their Disability Living Allowance to pay their mortgage.'

Home Protection/Long Term Support

Debt Action NI has sought to safeguard the client's home, whether owned or rented via the provision of specialist housing debt advice and representation.



Advisers have assisted clients with housing arrears by helping them access the SMI Scheme, negotiating a change in their mortgage agreement and providing advice on alternative housing options where it's not possible to save the home.

Specialist housing debt advisers have made representations at the County and High Courts and to the Chancery Master. Clients have been prevented from losing their home in 43 cases. In 21 cases the court granted the lender a possession order but this was suspended to allow clients time to pay off the arrears. In 3 housing cases the proceedings were adjourned generally as the client was able to considerably reduce the arrears. Advisers have also been able to negotiate an agreement with a secured lender before the matter went to court.

Case Stud

A young married couple in full time employment had fallen behind in their secured loan payments due to over indebtedness. They had over £10,000 in arrears, other priority debts of £24,000 and non-priority debts of £6,000. Their lender had started court proceedings to repossess the property. The adviser was able to negotiate with the lender to add the arrears onto the loan and to extend the term of the mortgage. They also negotiated token payments with the non-priority creditors. This was an excellent result for the couple as they were able to keep their home.

Options and Outcomes

Debt advice is a complex, intensive and in many cases lengthy process. So far Debt Action NI has recorded 1,193 outcomes for clients.

Debt Management Plans (DMPs) represent the highest outcome at 37% which is probably due to the low income levels of Debt Action NI clients. In these cases the adviser has been able to successfully negotiate with creditors to come to a repayment plan that the client can afford; based on their overall financial situation. DMPs are reviewed regularly in line with creditor requirements and also as client circumstances change. Where it is suitable Debt Action NI can arrange for a single repayment in the form of a DMP.

The second highest outcome is one-off advice at 19%. These outcomes related to cases that were less complex and could be dealt with over the telephone.

The advisers assisted 55 clients in entering bankruptcy and 21 clients were referred for an Individual Voluntary Arrangement (IVA). The substantial fees associated with bankruptcy and the requirement for disposable income or assets for IVA's made these options inaccessible to the more vulnerable users of the service even where bankruptcy was the most appropriate remedy. Many of these clients will be able to access the Debt Relief Order when it is introduced as there is only a small fee attached.

Other outcomes represent 19% which is the 3rd highest category. This category includes cases where debts have been written off, full and final settlements and budgeting.

Case Study

Client approached the service as her husband suffered a severe stroke which left him unable to communicate. The couple were in their late 60's and in receipt of DLA, Carers Allowance, Housing Benefit and State Retirement Pension. The client's husband had 1 debt of £6,500 and for the past 8 months the creditor had refused to speak to the wife and would not accept any payments from her. The adviser liaised with the Lending Standards Board about the matter which resulted in the debt being written off and an award of £300 in compensation to the client due to the stress that was caused.



www.debtaction-ni.ne















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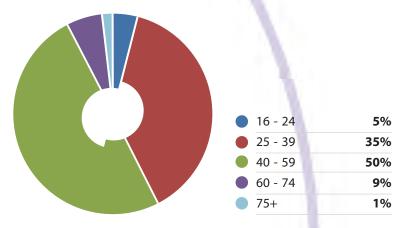
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Client Profile

Debt Action NI is free at the point of delivery and whilst it is delivered from within 13 Council areas, it can be accessed by people living outside these areas. We undertook a coordinated media campaign which raised awareness of the service on over 190 occasions through the local press, radio and television.

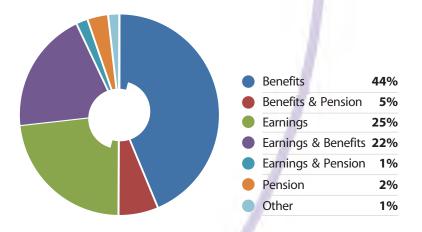
There was a 50/50 split amongst male and female users with 50% aged between 40 – 59 year olds.

Client Profile by Age



Debt affects people of all ages and backgrounds. Increasing unemployment levels in NI will affect the ability of those of working age to change their circumstances and better manage their debts.

Client Income Source Profile



Four in 10 service users relied solely on *benefits* for income (44%), a quarter of people relied on *earnings* whilst 22% were in receipt of both *benefits and earnings*.

The Debt Action NI service was targeted at and accessed mostly by people in receipt of benefits and those on a low income. Those unfit for work and those in full time employment each made up 26% of the clients; followed closely by those registered unemployed at 18%. Also, 1 in 7 service users experienced mental health difficulties highlighting the strong link between debt and mental health.

Case Study

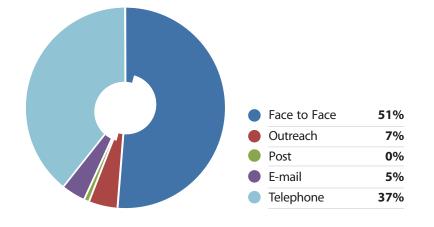
Client with mental health issues, on benefits and living in sheltered housing took a loan for £800 from a doorstep lender without a requirement of proof of income.

Client was unable to maintain payments and contacted a Debt Action NI adviser who negotiated with the lender and had the debt written off due to health reasons.

Access to the Service

Advisers operated a triage system with different entry points to the service through which emergency cases could be identified and the most appropriate method of service delivery used. This resulted in timely, accurate and relevant debt advice provision that was client centred and avoided lengthy waiting times. In emergency cases advisers dealt with clients by the following day.

Initial Contact Method



Whilst primarily a face to face debt advice service, Debt Action NI was delivered through a multi-channel approach which integrated telephone and a dedicated website www.debtaction-ni.net.

The website went live in May 2010 and received 2,170 visits with 6,342 pages viewed and 1.693 (78%) new / unique visitors.

The main pages visited:

- Home page 2,620 (41%)
- Debt Help 1,112 (17.5%)
- Leaflets 583 (9%)
- FAQs 573 (9%)

The website generated 57 referrals through the self-help section of the website and 61 telephone calls. 51,000 leaflets on a series of topics were also circulated.

Customer Feedback

To date 247 customers have provided feedback on the Debt Action NI service.

User feedback has been very positive with the main source of referrals being through word of mouth by family and friends (54%). 99% said they would recommend the service to others.



Quality of Service

The quality of the Debt Action NI service has been maintained by the rigorous quality assurance processes and checks undertaken by Advice NI and DETI as well as through the regular training/information sessions provided to advisers. Over 20 training sessions were undertaken including Prevention of Homelessness as a Consequence of Debt, Introduction to Bankruptcy, Suicide Awareness and the Psychology of Debt. Client views on service provision were very positive as outlined in the table below.

	Excellent / Really Happy	Very Good / Fairly Happy	Fair / Unhappy	Poor / Unhappy
Location	60%	36%	3%	1%
Waiting Time	85%	14%	0%	0%
Quality of Advice	85%	15%	0%	0%
Affect my Situation	73%	26%	2%	0%
Alleviate Stress	75%	24%	2%	0%
Importance of Service	95%	5%	0%	0%
Overall Experience	86%	13%	1%	0%

Case Study

Client was on a low income and was on sick leave due to the financial stress and anxiety of having £6,000 of unsecured debt. The adviser agreed a debt management plan and instead of dealing with 4 creditors the client made a total payment of £35 per month that covered all creditors.

Client's circumstances have since improved. She has returned to work and increased payments to £99 per month.

Demand for the service is likely to increase as people experience further financial difficulties....

Debt Action NI

Armagh	Advice NI Armagh	(028) 3752 8462 07578 468591
Ballymena	Gingerbread NI	(028) 2564 4960
Belfast	East Belfast Independent Advice Centre Housing Rights Service North Belfast Advice Centre SCA Ltd Southcity Resource and Development Centre	(028) 9096 3003 (028) 9024 5640 (028) 9039 1225 or 9072 9971 (028) 9032 9085 (028) 9050 4959
Cookstown	STEP	(028) 8676 1875
Craigavon	Liaise	(028) 3832 5764 or 07578 497922
Down	Mindwise Downpatrick	(028) 4461 6527
Limavady	Limavady Community Development Initiative	(028) 7772 9148
Lisburn	Advice NI Lisburn	(028) 9260 7840 07578 417678
Magherafelt	Magherafelt District Advice Service	(028) 7930 0444
Moyle	Bushmills Community Centre Womens Information and Resource Centre Youthlinks Building	07578 026304 (028) 7035 6573
Newry & Mourne	Mindwise	(028) 3082 5250 07578 497922
Omagh	Omagh Independent Advice Services	(028) 8224 3252
Strabane	Neighbourhood Assist	(028) 7188 4307 07578 239978

Contact

For further information and details of outreach provision, visit the debt help section of our website www.debtaction-ni.net