

Members Business debate on the launch of  
Drowning in Debt briefing sheets by Citizens  
Advice Scotland  
Thursday 12<sup>th</sup> November 2009

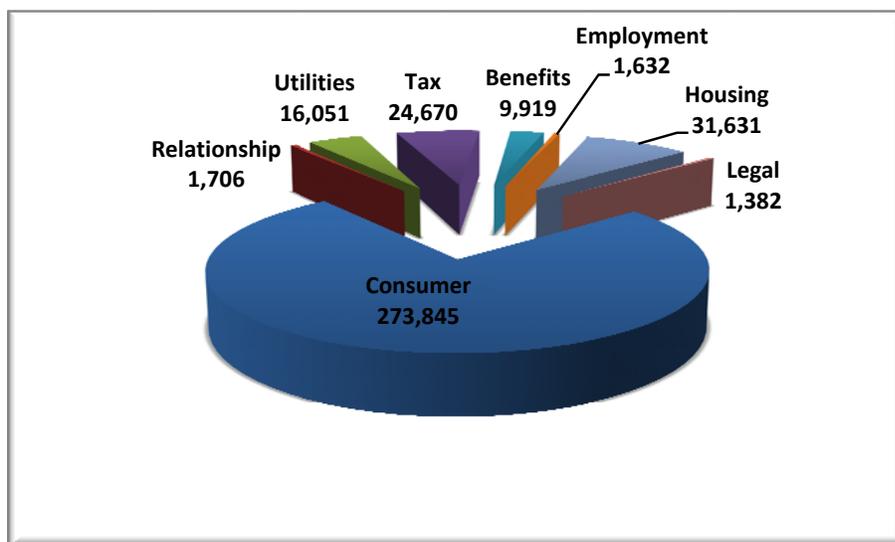
## Summary

New research findings on debt have been published today by Citizens Advice Scotland that set out the barriers and problems faced by vulnerable groups in Scotland such as lone parents, older people, young people and those who are sick or disabled. Also published are the findings on both how CAB debt clients cope with being in debt, as well as how creditors have been behaving since the recession began to take hold.

## Background

In 2008/09 the Citizens Advice Bureaux service dealt with 360,836 debt issues – a 14% increase from the previous year.

### All debt issues brought to Scottish bureaux 2008/09



- Consumer debt accounted for 273,845 issues brought to bureaux in 2008/09. Consumer debt issues are the largest area of debt enquiry for Scottish citizen advice bureau
- Debt accounted for 54% of the increase in all issues dealt with by Scottish Citizens Advice Bureau between 2002-3 and 2007-8. This increase is due to the growing complexity of debt

## The Research Findings

- The average debt is now £20,193, an increase of 50% over the five years from 2003.
- CAB debt clients face significant “debt stress”. For every £1 of monthly income, CAB debt clients owed on average around £28 of debt.
- Over half of CAB low income debt clients had monthly incomes of less than £800 and one quarter less than £400, with half having no income other than pensions or benefits. Despite their low incomes they had a **phenomenal debt stress level of 1:52. For ever £1 of monthly income, they owed £52 of debt.** These clients in the poorest income bracket, had to rely on the most extensive higher cost forms of credit, such as, door step loans, high interest rate credit cards, pay day advance and cash converter lenders and rent to own retailers.

## Creditor Behaviour

- Our research found that in the past five years, debt collection has become more aggressive. Clients reported that they felt pressurised into paying their debts, irrespective of whether or not they could afford to. Furthermore, more than one in ten clients had lost track of who their original debt was owed to, due to the involvement of debt collection agencies.
- The findings showed that creditors pursued legal action on only one in ten debts, preferring to use informal methods of debt recovery. Very few creditors used formal debt recovery methods such as bank or earnings arrestments.

## Coping with debt

- The majority of clients use their own coping strategies to deal with debt, including borrowing from family and going without essentials. Four in ten clients reported that they had gone without essentials to try to cope with their debt
- Two-thirds of clients would consider using the low income low assets (LILA) route to bankruptcy. However, the £100 fee for accessing the LILA route can be an obstacle for many clients, with only one in five stating they could unconditionally afford the fee.

## What change is required?

CAS believes that:

- Lenders and policymakers should increase support for existing money advice services to address growing demand and to target these services at disadvantaged groups.
- The Scottish Government should ensure that LILA and Debt Arrangement Scheme are accessible to all those stuck in a cycle of debt and consider cancelling the £100 fee which is prohibitive to people already in debt.
- Governments should introduce tighter regulation on creditor behaviour as well as improving legal protection and remedies for people experiencing creditor harassment.

- Lenders and policymakers should ensure that affordable mainstream credit is accessible for low income groups through a wider application and access to cheap sources of borrowing such as credit unions and extensive reform of the Social Fund.

A fuller version of our proposals is available on request.

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