

# Mental Health and Money Advice Good Practice Creditor Guidance

## Briefing Note

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### Introduction

This briefing note supports the launch of [Mental Health and Money Good Practice Creditor Guidance](#) from Citizens Advice Scotland. By bringing a clear focus on the connection between mental health and money problems, our Guidance sets out a baseline of Principles that creditors can adopt and embed into their organisations.

These Principles are aimed at creditors, both public and private, to improve debt collection practices for those trapped in the vicious cycle of debt and mental health problems. Using real life examples and working with our Citizens Advice Network, our Guidance provides practical solutions for commercial firms, financial services, local government departments and public bodies to better support those who have poor mental health or mental illness that can make managing money more difficult.

### The need for Mental Health & Money Guidance

- The link between debt and mental health is well known and creates a vicious cycle which traps people in debt, poverty and poor mental wellbeing.
- There are numerous good practice guidelines which cover vulnerabilities, particularly for the private creditor sector but rarely extends to public services.
- However, these current vulnerability practices need a prism which channels the specific lens of mental health.
- The impact of COVID-19 and the current cost of living crisis on both money and mental health has been astronomical meaning the need to act is now more prominent than ever.

### Key Principles under the Guidance

- Having a Holistic View of Debts and consider the consumer's whole debt situation, not just the debt owed to them as a creditor.
- Building a relationship with customers based on Trust by treating them as experts on their own lives and how their mental health impacts on them and their money.
- Adopting a Tell Us Once system where disclosures of mental health issues can be flagged and shared across the entire organisations so customers don't have to repeatedly tell their story.

- Offering Extra Time than the standard forbearance to give people the space to seek and engage with additional support for their mental health AND money issues.
- Channel Choice not Channel Shift where creditors offer a range of communication channels to allow customers to use preferred method to contact them.

## **The Link between Money and Mental Health**

The intrinsic link between debt and mental health is well known with debt in itself being the cause and consequence of poor mental health.

In 2004, the Independent Review of the Banking Code<sup>1</sup> recognised the impact poor mental wellbeing and mental ill-health can have on a person's ability to manage money and deal with their debts. Since 2004, there have been significant strides in this field, particularly in the private creditor sector with the Financial Conduct Authority's work in tightening regulations and expectations under the Principles of Good Business<sup>2</sup>.

But this good practice rarely extends to government debt collection practices, as they are not regulated by the FCA. That being said, in Scotland, there has been a significant culture shift towards treating people with dignity, trust and respect. This is best demonstrated within the work by Social Security Scotland and their People's Charter, although, this is concentrated on benefit claimants rather than debt collection<sup>3</sup>.

With 1 in 3 of us in Scotland experiencing mental health problems, it is important to note that no two people with the same diagnosis will have the same experience with their mental health issue. This is due to the variations in their personal situation as well as the different types of symptoms, medications and treatments which may be involved in that person's mental health journey.

This means that those who have mental health issues cannot have systems and processes which is one size fits all but rather tailored to their specific individual needs. This is especially crucial when someone with mental health issues is also trying to deal with their financial difficulties such as managing money or problem debt.

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<sup>1</sup> Linda Cannon, "Review of the Banking Codes 2004: Recommendations of the Independent Reviewer and Initial Response on behalf of subscribers to the Codes", (November 2004)

<sup>2</sup> FCA, "Guidance for Firms on the Fair Treatment of Vulnerable Consumers", (February 2021)

<sup>3</sup> Social Security Scotland, "Our Charter", (January 2019); <https://www.gov.scot/publications/charter/>

The stigma someone in debt can feel can be challenging<sup>4</sup> as can the stigma faced by those with mental health issues<sup>5</sup>. If a person has both mental health and debt issues, it can feel insurmountable. Therefore, when disclosing these issues to creditors, it is imperative people are met with empathy and understanding.

Sadly, over the last few years, the impact of COVID-19 and the current cost of living crisis on both money and mental health has been astronomical<sup>6</sup>. COVID-19 has been routinely and consistently associated with the substantial rise in the symptoms of mental ill-health<sup>7</sup> which in turn can impact on a person's capability of managing money, earning potential<sup>8</sup> and ability to deal with problem debt<sup>9</sup>.

Following COVID, the UK began to experience a rapid and continuing rise in the cost of living which by many experts is seen as more than just an economic crisis but rather a public health emergency. With thousands of households across the UK and in Scotland struggling to afford the essentials such as food, rent, heating or transport, this is having a tremendous impact on people's mental and physical wellbeing<sup>10</sup>.

Therefore, at a time with vulnerability in this area is expected to increase, the need for a dedicated response to those struggling with mental health and money issues is vital.

Our Mental Health and Money Good Practice Creditor Guidance provides this clear focus for that response which connects these dual issues. It sets out a baseline of 10 principles which we believe should be the minimum standards creditors, whether public or private, would aim to exemplify.

By adopting CAS's 10 Mental Health and Money Principles as a baseline along with the Action Plan, creditors in both the private and public sector have clear, practical and tangible guidance on meeting these standards.

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<sup>4</sup> Lowell, "Hidden Debt – Why we don't talk about our debt problems" (March 2021): <https://www.lowell.co.uk/about-us/lowells-blog/financial-health/hidden-debt-why-we-don-t-talk-about-our-debt-problems/>

<sup>5</sup> See Me, "Stigma and Discrimination: Starting a Movement", (March 2020): [See Me | More Than Half Of People Experiencing Mental Health Conditions In Scotland Still Face Stigma And Discrimination \(seemescotland.org\)](#)

<sup>6</sup> Money Advice Trust, "The Cost of COVID: Exploring the impact of Coronavirus on household finances", (March 2021)

<sup>7</sup> James Banks, Daisy Fancourt and Xiaowei Xu, "Mental Health and the COVID-19 pandemic" (March 2021) Institute for Fiscal Studies.

<sup>8</sup> Nikki Bond and Conor D'Arcy, "Income in Crisis: How the Pandemic has affected the living standards of people with mental health problems", (June 2020) Money and Mental Health Policy Institute

<sup>9</sup> Nikki Bond and Merlyn Holkar, "Help Along the Way: Making debt advice accessible to people with mental health problems", (July 2020) Money and Mental Health Policy Institute

<sup>10</sup> LSE, "The Cost of Living crisis is a Public Health Issue", (Feb 2023)

<https://blogs.lse.ac.uk/politicsandpolicy/the-cost-of-living-crisis-is-a-public-health-issue/>

Through endorsement, insight and collaboration from other third sector organisations, governments and regulators such as the FCA, it would create a true culture change across the financial sector.

It will allow the good practice which is already in place to be streamlined and utilised within the sphere of mental health and money, emphasising the importance of mental health as well as encouraging it to be prioritised and boosted for those living with financial difficulties.

#### **Money and Mental Health: Key Stats**

- Following the pandemic and cost of living crisis, it is estimated that as of September 2022, nearly 10 million people are over-indebted in the UK (Money Advice Trust, Impossible Choices)
- Almost half of people in problem debt also have a mental health problem and nearly one in five people with mental health problems are also in problem debt.
- According to a survey conducted by the Money and Mental Health Policy Institute (November 2021) those with mental health issues were more likely to struggle with debts and priority bills.
- 35% of those with Mental Health problems struggle to communicate with essential services such as utility firms, energy companies and banks, 76% find at least one communication, such as telephone calls or online only options particularly difficult to use or distressing.
- 1 in 3 people with Mental Health issues who disclosed a Mental Health problem to a financial service or Local Authority, weren't offered any additional support. (The state we're in, MMHPI)
- 59% of Scots have said the Cost of Living Crisis has had a negative impact on their mental health (See Me, Time to Talk Feb 2023)

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