The impact of debt advice

The Citizens Advice service provides free, independent and confidential information and advice on debt to over 455,000 people a year. This is offered face-to-face, over the phone and online.

Citizens Advice Bureaux provide value through advice provision. This is estimated to be worth at least £750 million annually to society. Debt advice forms a vital part of this service. Citizens Advice carries out rigorous evaluation to understand how our advice benefits clients. Our research has shown that we help two thirds of our clients resolve their problem within three months of contacting a bureau.

Why is debt advice needed?

£1.46 trillion
Total UK personal debt

£6,389
Average household debt excluding mortgages

Being in debt is not necessarily a problem if people are able to manage their liabilities. As the figures above indicate, borrowing is a prevailing characteristic of the UK. Debt becomes problematic when people cannot afford their repayments without sacrificing other essential expenditure.

The YouGov Debt Track survey found that:

22 per cent of households ‘constantly struggle’ to keep up with bills and payments or were falling behind

11 per cent of households in financial difficulty or already involved in a formal debt action

Cost to society

Problem debt has direct costs for government and society. The Legal Service Research Centre estimates that:

The typical cost of debt to local authorities and health commissioners is £1000 per debt problem

Damage to individuals

For individuals, the costs are not just financial. Problem debt can have a negative effect on their relationships, employment, education and plans for the future. Research with CAB clients confirms this:

- 24 per cent of debt clients reported difficulties in their relationships with other people
- 42 per cent suffered physical detriment and 78 per cent were stressed, depressed or anxious

Debt and mental health

There is an established relationship between debt and mental health issues. Research by the Money Advice Service found that 1 in 2 people seeking debt advice also have a diagnosed mental health condition. Two thirds of those who have been diagnosed report more than one condition.

People with mental health conditions are more likely than those without a diagnosed condition to have experienced negative consequences of debt, such as a court summons, having landline or mobile phones cut off or having a pre-payment meter installed.

Worryingly, people with debt and mental health conditions often don’t seek financial help.
How does Citizens Advice help?

We offer a combination of generalist and specialist advice to tailor our service to clients’ needs. We work with clients to assess their liabilities, draw up a financial statement and identify ways to resolve their problems. In some cases we may act on our clients’ behalf, such as liaising with creditors or processing Debt Relief Orders.

455,000 clients were provided with debt advice by Bureaux in 2013-14
1.6 million problems with debt were dealt with by Bureaux in 2013-14
6.1 million views of debt and money pages on our Adviceguide website 2013-14

Advice leads to outcomes...
Research in 2014 showed that over 149,000 clients had their debt problem solved after contacting a Citizens Advice Bureau, equating to 8:

2 in 3 debt clients’ problems solved

Citizens Advice research also found that advice benefitted not just debt clients’ financial health but other areas of their lives too, especially their mental well-being:

- 89 per cent felt less stressed, depressed or anxious
- 53 per cent reported improved physical health
- 18 per cent found it easier to do their job or find a job

Finding a way forward...
We help clients by prioritising and rescheduling debt and helping them to create Debt Management Plans. When debts are rescheduled, priority debts such as Council Tax, Local Authority housing arrears, and income tax will be paid first.

Rescheduling debt benefits local and national government

Building financial capability
Information and advice can only go so far in helping people with problem debt if they do not have the skills, knowledge or confidence to make good financial choices and to keep avoiding crises. CAB are introducing money advice sessions throughout the service in 2015. These integrate debt advice and financial capability education.

CAB clients £10 per week better off

Produced by Citizens Advice Impact & Evaluation Team, 2015

Sources:
1 Citizens Advice (2014) Making the Case.
3 Department for Business Innovation and Skills (2013). Credit, debt and financial difficulty in Britain, 2012.
4 ‘Financial Difficulty’ defined as being more than three months in arrears on bills.
6 Royal College of Psychiatrists (2009). Debt and mental health: What do we know? What should we do?.