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Toward Good Practice: A Review of Money Advice Services and Debt Management Systems in Ireland, the United Kingdom, France and Germany

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This scoping paper is prepared for the development of a future project on personal and household debts under UNRISD's Alternative Economies for Transformation Programme (2021–2025) and is coordinated by the following partner organizations: The Credit Counseling and Recovery Service (CCRS) and the Association for Supporting the SDGs for the United Nations (ASD).

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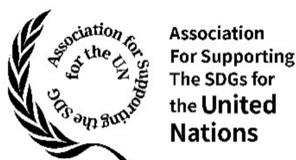

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Executive Summary

The aim of this scoping paper, commissioned by the United Nations Research Institute for Social Development (UNRISD), is to inform the development of a new research project on personal and household over-indebtedness and assistance for those who experience it. It focuses on lessons and good practices that can be learned from the provision of financial advice, debt counselling and debt management[1] in four European countries, namely: the Republic of Ireland, the United Kingdom (England and Wales), France and Germany. These three discrete but related measures have emerged as a response to the widespread experience of financial difficulty and over-indebtedness in these countries.

Each of these countries has a different way of addressing personal or household debt problems, but each has two key things in common. First, money advice services, focusing on both financial advice and debt counselling, are available in each country albeit constituted in different ways and involving differing legislative and administrative arrangements. Second, debt management or resolution systems, often referred to as personal insolvency processes, are provided in each of the four countries, but again vary, in this instance both in terms of how they operate and how money advice services interact with them.

With respect to money advice dimensions, we find that both financial advice and debt counselling are commonly core elements of service delivery, but the former is less likely to be used discretely. This is because the majority of clients presenting tend to do so only when a debt problem has occurred, primarily in light of the consequences, including the stigma frequently associated with it. As a result, services tend to be more curative than preventive. There is further common ground in terms of founding principles, practitioners and processes, but less convergence with regards to structure, funding and coordination. An emerging body of research suggests that these services have considerable impacts, both at individual/household and societal levels, but that these tend to be militated by underlying socio-economic issues such as marginalization, poverty and inequality. There is thus a need for societies to compliment service provision with re-distributive reform to increase impact.

The relationship between money advice services and debt management/personal insolvency systems is closer in certain case study countries than others. The key lesson here is to ensure that the work of the former fully informs and compliments that of the latter while allowing space for services to advocate independently on behalf of clients on account of the power imbalance vis-à-vis better resourced creditors. It is also important to note that many debtors are likely to choose non-statutory solutions for various reasons, particularly privacy. As regards the debt management systems themselves, a series of good practice principles emerge from the work of various theorists covering aims, access, process, moratoria, essential living expenses and debt discharge.

[1] For ease of reference throughout this report, we use the term “money advice” to refer to financial advice and debt counselling, as services tend to incorporate both within the same process. The term “debt management” is used to refer to debt settlement/resolution and personal insolvency systems.

Overall, we conclude that good practice financial advice, debt counselling and debt management architecture would comprise elements from each of the four countries analysed, together with some additional features. In terms of the provision of financial advice and debt counselling, a publicly provided, creditor contributory, nationally co-ordinated, community-focused, statutory-based structure is recommended, which aims to encourage initial contact as early as possible, preferably pre-difficulty. Related services, which we suggest be called "money advice services", should be based on a series of clearly understood founding principles that emphasize human rights, empowerment and equality. A clearly identifiable money advice process has emerged over several decades and stood the test of time, and those implementing it should be both appropriately trained and accredited with reference to it. More broadly, evaluation should be designed in from the outset to ensure that impacts are measurable both at the individual household and societal levels.

In terms of debt management, personal insolvency schemes should incorporate a body able to impose settlements on creditors, subject to a right of appeal in the courts. These arrangements should be based on holistic and realistic income retention proposals drawn up by applicants in conjunction with money advice professionals who would then have an important supportive role during the moratorium or process period and perhaps beyond. Cost should not be a barrier to access and reasonable discharge time limits should apply, accelerated wherever possible. For debtors with no or limited surplus income and assets, relief should be widely available to ensure that no one is too poor to become insolvent. A voluntary alternative should always be available to those wishing to avoid a statutory procedure.

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Acronyms

AI	Approved Intermediary
BDF	Banque de France
EQLS	European Quality of Life Survey
DRN	Debt Relief Notice
DRO	Debt Relief Order
DSA	Debt Settlement Arrangement
EU	European Union
EU-SILC	EU Survey on Income and Living Conditions
FCA	Financial Conduct Authority
IFF	Institut fur finanzdienstleistungen
IVA	Individual Voluntary Arrangement
IRR	Interest rate restrictions
IT	Information technology
MABS	Money Advice and Budgeting Service
MAS	Money Advice Service
MAPS	Money and Pensions Service
NINA	No income, no asset
NGO	Non-Governmental Organisation
PIA	Personal Insolvency Arrangement
PIP	Personal Insolvency Practitioner
PCB	Point Conseil Budget
RLE	Reasonable Living Expenses
UK	United Kingdom
UNRISD	United Nations Research Institute for Social Development

1. Introduction

1.1. Background

This report is commissioned by the United Nations Research Institute for Social Development (UNRISD), to contribute to the development of a new research project on personal and household over-indebtedness and assistance for those who experience it. This UNRISD research project focuses on the increasing access to, and use of, consumer credit of varying types in developed and developing countries, associated increased in personal and household over-indebtedness and arrears, and as a consequence, persistently high levels of poverty, deprivation and financial stress.

1.2. Aim and objectives

The aim of this scoping paper is to inform the development of this new research project by identifying good practices which can help to inform developments in other countries, including in the developing world. It focuses on lessons that can be learned from the provision of financial advice, debt counselling and debt management in four countries within Europe, namely Ireland, the United Kingdom (England and Wales specifically), France and Germany. These four countries are chosen to reflect differing approaches to service provision and debt management for households in financial difficulties. In order to flesh out these lessons, three objectives are set, namely to:

(i) Identify commonalities and differences between services and systems among these four countries;

(ii) Evaluate the effectiveness of these services and systems in addressing household over-indebtedness from a consumer or debtor perspective;

(iii) Recommend good practices to inform developments in other countries.

1.3. Key concepts

For the purposes of this paper, the three key concepts are defined and categorised in line with a typology developed by the European Commission (2008a) as follows:

> "Financial advice" refers to 'one to one' advice on household money management and budgeting, including income maximisation, expense planning and bill payment. Such advice is commonly categorised as a more **preventative** approach towards personal debt.
>
> "Debt counselling" refers to more holistic, casework-type support in dealing with a multi-faceted, personal or household debt problem. Debt counselling may be thought of as a more **curative** approach towards addressing personal debt.
>
> "Debt management" commonly refers to systemic solutions available via legislative processes, which provide for debt relief, debt settlement and personal insolvency. This type of approach is often referenced as a **rehabilitative** one in that it involves the discharge of related debt after a specified period.

It is important to note that these concepts and indeed approaches are not discrete and that there is often an inter-relationship between them. Someone in financial difficulty who approaches a debt or money advice organisation whether in person, by telephone or via their website, will generally receive both financial advice and debt counselling, both to deal with the current problem and prevent re-occurrence (Orton 2010; Stamp 2009). Further, on the basis of the advice provided, some of those so presenting may choose to pursue a legislative personal insolvency resolution, and may even be assisted in this regard by the organisation in question if it has an associated statutory role (Korczak 2019).

1.4. Report structure

In the sections that follow, we begin (Section 2) by contextualising the problem to which financial advice/debt counselling and debt management is a response, namely household-level or consumer over-indebtedness. In Section 3, we focus on money advice services, which provide financial advice/debt counselling in the four case study countries, and compare and contrast related structures, principles and processes to identify common themes and potential good practices.

Section 4 addresses various features of debt management systems in the countries chosen, such as how they are constituted, the processes involved, their relationships to money advice services, and progressive themes which could be replicated in other countries. In Section 5, we focus on the impacts of money advice and debt management at both household and societal levels before we conclude (Section 6) with an overall conclusion and summary of key lessons emerging from our findings. The enquiry is conducted primarily by way of secondary, desk-based research, and draws on published data, articles, research papers and critiques from academics and consumer-centred policy analysts over time.

2. Context: financial difficulty and over-indebtedness in Europe

Financial advice/debt counselling services, and legal processes aimed at managing personal debt, are policy responses to the emergence of widespread personal and household financial difficulty, and associated over-indebtedness, across Europe. For the purposes of this scoping paper, “over-indebtedness” is defined as a situation where a household is having – on an on-going basis – difficulties meeting (or falling behind with) their commitments, whether these relate to servicing secured or unsecured borrowing or to payment of rent, utility or other household bills (CIVIC Consulting 2013).

It is important to note, however, that there is no European consensus either on a definition or on ways to measure the phenomenon (Betti et al. 2007; Bouyan and Musmeci 2016; Eurofound 2020). There are however a number of indicative data, research reports and academic critiques which, taken together, provide a profile of the extent, nature, causes and characteristics of personal/household over-indebtedness across Europe, and thereby illustrate the context within which associated advice services and legal systems operate within the case study countries.

2.1. Extent

Data garnered by way of an EU Survey on Income and Living Conditions (EU-SILC), conducted annually by national official statistical organisations on behalf of the European Commission, are sometimes used to provide a snapshot of the extent of household financial difficulty across the European Union (EU) as a whole. By way of example, in a study undertaken for the European Commission for in the years following the Global Financial Crisis, researchers examined the responses across the then 28 member states[2] to a question on households' ability to make ends meet (CIVIC Consulting 2013:62).[3] It was estimated as a result that 25.6 percent of the total EU-28 population at that time (2011)–around a quarter–had either "difficulty" or "great difficulty" in making ends meet.[4] As regards the four case study countries, the relevant percentages were: Ireland (32.1); France (19.7); United Kingdom (16.5), and; Germany (9.4).

The same dataset (EU-SILC) also contains a specific question on experience of arrears with mortgage, rent, utility bills or hire purchase payment during the previous twelve months. According to the most recent available data from Eurostat, the official statistical agency of the European Commission, in 2020, over 8 percent (8.6) of the EU population were in arrears with their mortgage, rent or other items, such as utility bills or hire purchase payments, which are typically paid in instalments (Eurostat 2022). Among the four case study countries, the order remained the same with the relevant percentages on the most recent data as follows: Ireland (13.9); France (8.9); United Kingdom (8.8), and Germany (5.2).[5]

A further indicator of widespread financial difficulty in Europe can be found in responses to the European Quality of Life Survey (EQLS), last undertaken in 2016. Analysis of this dataset by Eurofound (2020:9-10) found that the proportion of people aged 18 years or more who either (i) had arrears in terms of rent or mortgages, consumer credit, loans from family or friends, or utility or telephone bills or (ii) difficulty/great difficulty in making ends meet, amounted to 21 percent or over one in five. In this instance, France (at 24 percent) was the most prominent of the case study countries followed by Ireland and the UK (15 percent respectively) and Germany (13 percent). Hence whichever indicator or dataset one uses, the evidence suggests a substantial minority across Europe, and within each of our case study countries, continues over time to be at risk of over-indebtedness.

2.2. Characteristics

Not everyone, however, is at equal risk of over-indebtedness. A body of statistical evidence now exists to the effect that the phenomenon is closely correlated, both as a cause and a consequence, with socio-economic factors, predominantly poverty[6] (Betti et al. 2007; D'Alessio and Iezzi 2013) and financial exclusion[7] (Gloukoviezoff 2007). As such, it impacts disproportionately on certain

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2 The UK departed from the European Union (EU) on December 31st 2020.
3 The question is as follows: "Thinking of your household's total income, is your household able to make ends meet namely, to pay for its usual necessary expenses?" The options given were: 1. With great difficulty. 2. With difficulty. 3. With some difficulty. 4. Fairly easily. 5. Easily. 6. Very easily.
4 "Making ends meet" means ensuring that income covers expenditure.
5 In the case of the UK, the most recent data related to 2018. For Ireland, France and Germany, data are published for 2020, albeit qualified by a break in time series for France, Germany and Ireland.
6 Defined as having an equivalised net income of less than the 60% of the national median (Eurostat 2021).
7 Defined as an inability to access or use mainstream or conventional financial services and products that are appropriate to a person's needs (European Commission 2008b).

marginalised cohorts within society, particularly those who are unemployed, ill or disabled, separated, parenting alone, renting socially and on lower incomes (Russell, Maitre and Donnelly 2011).

Financial difficulties or debt problems can also take many forms, depending on various societal factors such as the degree of financial regulation, cultural norms, availability of credit and tenure profile. In terms of the case study countries for example, mortgage arrears has proved to be a particular problem in both Ireland (Waldron and Redmond 2014) and the United Kingdom (Aron and Muellbauer 2010), where owner occupation/property ownership has been promoted as the most desirable form of tenure type and a process of financialisation of the family home is discernible (Aalbers 2016; Downey 2014; Martin and Ryan-Collins 2016).

In Ireland, this was a process aided by a combination of increased availability of finance following Economic and Monetary Union (Whelan 2013) and non-intrusive regulation, a nexus that led to extensive and imprudent lending during the so-called "Celtic Tiger" period (Houses of the Oireachtas 2016). In France and Germany in contrast, where rented accommodation is more widespread, other types of debt problems are more commonly reported such as in relation to revolving credit, utility and telecommunications arrears, public creditors and unsecured bank loans (Gloukoviezoff 2011; Gloukoviezoff and Graham 2013; Georgarakos and Graham 2013; Korczak 2019).

A further example relates to the provision of sub-prime lending, primarily in the form of high cost, unsecured (often doorstep collected) credit to low-income, generally financially excluded borrowers. In countries such as France or Germany where interest rate restrictions (IRR) apply, this category of lending is a minor feature; by comparison, such lending is much more common in both the Irish and UK credit markets where restrictions do not apply (Faherty, McCarthy and Byrne 2017). The corollary in the latter countries is a higher risk of related debt problems, as a result of high interest repayments taking up a considerable portion of weekly income, resulting in fewer resources for essential household expenditure including housing, food and utilities (Gibbons, Vaid and Gardiner 2011).

2.3. Causal factors

An extensive literature has developed on the causes of household financial difficulty, and can be broadly divided into four categories. The first of these may be described as structural factors, defined as those arising from socio-economic processes such as labour market failure and inequality of opportunity (Braucher 2006; Russell et al. 2013). The second category relates more to individual factors, or those factors that occur at the level of the individual or household, such as changes in circumstances, attitudes, money management or mismanagement, and borrowing (Ford et al. 1995; Duhaime 1997). The third category can be defined as institutional factors, primarily relating to the way financial institutions operate but also to the way the legal system functions, sometimes referred to as systemic factors (Duygan-Bump and Grant 2006). The fourth and final category concerns cultural factors, whereby particular norms commonly necessitate borrowing (Stamp, Murray and Boyle 2012) and certain lenders are preferred, even though these are known by borrowers to be expensive (Rowlingson 1994).

In some cases two categories of factors interact to produce over-indebtedness; for example, structural and individual factors (Webley and Nyhus 2001; Zhu and Meeks 1994; Stone and Maury 2006). This multi-dimensionality to the experience of personal debt problems is further compounded by what are often described as "debt triggers", which act as the catalyst for the development of a spiral leading to over-indebtedness and perhaps personal insolvency. Common examples here are a sudden reduction in income through shorter working hours, unemployment or redundancy, an unexpected increase in needs perhaps on account of illness or disability, and emotional crises arising from relationship breakdown, addictions and mental health issues (Hinton and Berthoud 1988).

The majority of these triggers are in essence exogenous or force majeure in nature and tend to impact disproportionately on those more marginalised to begin with, a trend that we have witnessed more broadly in terms of the COVID-19 pandemic as a whole (Frazer 2020). The complex interaction between the range of causal factors and triggers identified above is crucially important in framing appropriate policy responses to financial difficulty and over-indebtedness. This is because measures such as financial advice, debt counselling and debt management will only work successfully if they directly relate to the factors that give rise to the problem in the first place. This is why for example, the provision of debt advice (an individual or behavioural-based measure) will only work up to a point if not accompanied by associated structural and institutional reform (Stamp 2011).

2.4. Consequences

An understanding of the consequences of personal over-indebtedness is also important in term of designing suitable policy measures to address it. A useful typology in this regard has been developed through work undertaken for the European Commission (CIVIC Consulting 2013). This study, based on European-wide analysis, identified consequences at four levels, namely: individual, household, financial services industry and societal. Taking each of these briefly in turn, individual consequences identified relate mainly to personal welfare in terms of reduced standard of living, social stigma and exclusion, relationship difficulty and breakdown,[8] potential loss of liberty, and deteriorating health and wellbeing, both in physical and psychological respects (CIVIC Consulting 2013:174-183). As regards the latter, a considerable body of literature has emerged regarding impacts on mental health, including in terms of suicidal ideation (Hintikka et al. 1998; Fitch et al. 2007; Gathergood 2012; Hiilamo and Grundy 2020; Warth et al. 2020; Ahlstrom and Tjulander 2020).

At the household level, over-indebtedness effects identified comprise enforced deprivation, including inability to fund children's social activities, energy poverty, and societal sanctions in terms of eviction, home repossession, disconnection of essential services, and loss of essential goods. Further impacts related to financial exclusion through closure of bank accounts and access to credit, and labour market effects as a result of inability to access, progress or continue in employment and increased work absence (CIVIC Consulting 2013:184-194). Both individual and household consequences are directly relevant to the provision of financial advice/debt counselling services and debt management options, as they present a barrier to early engagement,

[8] This could also be a cause of over-indebtedness.

thereby making problems harder to resolve when debtor presentation finally occurs (Mannion 1992).

Consequences at financial service and societal level are more indirect and therefore of less relevance to this particular paper. Nonetheless, financial service impacts can arise in terms of bank stability as a result of non-performing loans, impaired balance sheets and credit constraints. Further, at the societal level, economic effects can include reduced aggregate demand, employment, and growth, while widespread over-indebtedness can also place considerable strain on public services such as health and housing, and legal systems dealing with non-payment and debt enforcement (CIVIC Consulting 2013:195-200). Hence, addressing financial difficulty and over-indebtedness early and effectively will result in considerable benefit to individuals, households, communities, institutions and society at large as discussed below in Section 5.

3. Money advice services (financial advice/debt counselling)

In this section, financial advice/debt counselling services in France, Germany, Ireland and the United Kingdom (UK) are examined with a view to identifying commonalities and divergences in terms of structures, principles and processes, and thereby good practices and lessons for other countries. As referenced in the introduction, financial advice largely operates as a component of debt counselling rather than a stand-alone element, hence each of these two dimensions is addressed under the heading of "money advice", the conventional term for 'one to one' advice relating to both money management and dealing with personal debt.[9]

It is not possible from service statistical data to identify how many enquiries concern money management solely, but research suggests that the majority of people do not seek assistance until a debt problem has occurred, often after a considerable time lag (Eurofound 2020:27; CIVIC Consulting 2013:218; Georgarakos and Graham 2013:174). Hence in our experience, most cases involve both advice and counselling. In Ireland for example, an "information only" category used to describe once-off assistance, comprises fewer than 5 percent of all new cases (Money Advice and Budgeting Service 2022). In countries where there is a strong emphasis on judicial debt settlement procedures, the evidence suggests that very few clients of debt counselling services also receive economic (budget planning) counselling (Valkama, 2004). The four countries chosen as case studies reflect differing approaches to the provision of financial advice/debt counselling (Gibbons and Stamp 2010) and we now briefly consider each in turn.

3.1. National, centralised model (Ireland)

Money advice in Ireland is almost the sole preserve of a publicly funded, centrally coordinated network of Money Advice and Budgeting Services (MABS). Funding is provided by central government via a specific government department responsible for social protection, and channelled through an independent statutory body (the Citizens Information Board), which is responsible for service provision and accountability. MABS services were initially established in 1992 by way of five pilot projects specifically designed to combat moneylending among low-

[9] Financial education initiatives and web-based budgeting tools are beyond the scope of this paper.

income families (Dillon and Redmond 1993). Over the following two decades, MABS developed into a countrywide service consisting of over 50 independent companies, dealing with a range of financial and debt problems including mortgage arrears, in respect of which it was assigned particular responsibilities by government in the aftermath of the Global Financial Crisis (Citizens Information 2022).

Up until 2018, the service operated on a community development type model in that over fifty independent voluntary management companies, each limited by guarantee,[10] managed provision at local level. Since then, MABS services have been restructured on a regional basis by the Citizens Information Board, and now consist of eight companies, each with their own voluntary, limited liability, board, together with two support services.[11] Up until the advent of Covid-19, services dealt with around 19,000 new cases each year, with the Helpline dealing with approximately 22,000 calls per annum, though numbers have fallen since as a result of a hiatus brought about by associated public health and social support measures; waiting times are generally very short in the main having been quite considerable in the aftermath of the Global Financial Crisis (Money Advice and Budgeting Service 2021).

The service received an annual budget of around EUR 24 million[12] in both 2017 and 2018 (Houses of the Oireachtas 2018) and employs in excess of 300 staff. The majority of frontline workers are employed as money advisers, while others have more specialised roles in relation to mortgage arrears,[13] personal insolvency,[14] administration and helpline advice. There has been little independent or ongoing evaluation of service impact, with the available evidence suggesting that interventions have significant health, wellbeing and money/debt management improvements, albeit militated by persisting structural and socio-economic inequalities which disproportionately affect its predominantly low income client base (Stamp 2011; Boyle 2019). Nonetheless, MABS has been identified as a model of best practice at EU level (Korczak 2004).

3.2. Umbrella model to coordinate discrete services (United Kingdom)

Money advice in the UK has a long history with its first independent service, the Birmingham Settlement Money Advice Centre, dating back to 1971. Throughout the following decades, a range of such services developed on a somewhat ad hoc basis. In addition to independent advice centres such as that above, many developed as part of more generalist services such as those offered by locally-funded Citizens Advice Bureaux (Citizens Advice 2022a) and local authorities or municipalities (Conaty et al. 1992:559). Others developed from more charitable origins such as the StepChange Debt Charity, funded almost entirely by voluntary contributions from

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[10] This is the company structure provided for "not for profit" entities.

[11] The first of these, MABS Support CLG, is responsible *inter alia* for the training and support of MABS staff. The second, National Traveller MABS, promotes financial inclusion among the marginalised Irish Traveller community.

[12] Approximately 6 million EUR of this each year related specifically to MABS' mortgage arrears functions as part of the Abhaile scheme (see footnote 13 below).

[13] These advisers are referred to as Dedicated Mortgage Arrears Advisers (DMA), a strand of the government's Abhaile Scheme of which MABS is the hub (https://mabs.ie/abhaile/). Abhaile (the Irish word for home) is a free, state-funded, financial and legal advice service for insolvent borrowers who are in danger of losing their homes due to mortgage arrears.

[14] Some MABS staff are specifically trained and authorised by the relevant statutory body, the Insolvency Service of Ireland, to process Debt Relief Notices, a statutory personal insolvency option targeted at low income, low asset debtors (Stamp and Joyce 2022), discussed in Section 4 below. This is the only aspect of its work in which MABS has a specific statutory basis.

creditors through a fair share model in accordance with the distribution of debt repayments by service clients (Collard and Finney 2013:505). Although not considered in this paper, which is focused on publicly supported provision, there is also a history of considerable private sector involvement through debt management/resolution type companies,[15] reflecting a more market-centred, entrepreneurial and cost saving approach to dealing with debt (Ramsay 2012).

Efforts to standardise service provision and ensure quality of service followed with various national bodies being set up on a voluntary basis. Examples here are the Money Advice Association, later to become the Institute of Money Advisers in 2006, established to promote good practice standards among practitioners, and the Money Advice Trust, set up in 1991 to broaden the funding base to incorporate creditor contributions on a "polluter pays" basis. The latter now provides both national and business telephone debt-lines, together with training for debt advisers (Money Advice Trust 2022). As in Ireland, certain money advisers are licensed through their organisations to process a personal insolvency option targeted at low income, low asset debtors, namely a Debt Relief Order (Conway 2021), while (unlike in Ireland), not-for-profit organisations are required to hold a debt counselling licence from the regulatory body, namely the Financial Conduct Authority (FCA). It is estimated that Citizens Advice services assisted 258,000 people in 2020/2021 with almost half reporting an improvement in mental health (Citizens Advice 2021). The Money Advice Trust helped over 170,000 people through its telephone and web-chat services in 2021, with 90 percent of callers reporting a reduction or stabilisation of their debts (Money Advice Trust 2022).

A ground-breaking development occurred in 2012 with a government initiative to establish The Money Advice Service (MAS), funded through a levy on the financial services industry, which took responsibility for the coordination of face-to-face debt advice services at that time (CIVIC Consulting 2013:212). In 2019, the MAS was absorbed into a new, broader body in the form of the Money and Pensions Service (MAPS), which describes itself as "an arm's length body, sponsored by the Department for Work and Pensions" (Money and Pensions Service 2022). MAPS has five core functions, which include provision, funding and support of debt advice, money guidance by way of website, call centre and web-chat services, and the promotion of financial wellbeing and consumer protection more generally. Unlike Ireland, there is much more emphasis on evaluation in the UK, including in terms of the public value/social return of debt advice (Citizens Advice 2014; Clifford et al. 2014; Europe Economics and the Money Advice Service 2018).

3.3. Regionalised/municipal model (Germany)

The concept of debt counselling in Germany predates even the UK, with the first services identifiable from the late 1950s, growing throughout the following decades to around 1,450 debt counselling centres across the country by 2019 (Korczak 2019:12). Similar to the UK, Germany is a further example of a somewhat fragmented approach to money advice provision, with services provided by a combination of regions, municipalities, charities, consumer organisations and Non-Governmental Organisations (NGOs), many of which receive public funding from

[15] These services often involve drawing up a voluntarily-agreed 'Debt Management Plan' with the debtor's unsecured creditors, which may involve an oversight fee.

these regions (European Commission 2008a:84; CIVIC Consulting 2013:210; Georgarakos and Graham 2013:189; Eurofound 2020:24; Korczak 2019:12). These centres are spread somewhat unevenly as a result of municipal funding decisions and constraints, and often concentrated in urban areas with larger populations (CIVIC Consulting 2013; 213), hence there can be long waiting times in some areas (Georgarakos and Graham 2013;190; Korczak 2019;12). Notwithstanding, services are clearly widely used with in excess of 570,000 people advised in 2018 according to the Federal Statistical Office of Germany (Eurofound 2020; 27), a reach in terms of the adult population that appears to be considerably higher than other European countries, and almost twice as high as Ireland (Eurofound 2020;28).

Uniquely among the four case study countries, responsibility for debt counselling is explicitly assigned as a municipal function by national government through the country's social security code (Korczak 2019:12), though it is reported that municipalities are only required to establish their own advice agencies if the provision of advice by the charities they fund is not sufficient. (CIVIC Consulting 2013:210). It is thus widely perceived more as a form of social work than in other countries (Korczak 2019:12; Ebli 2003). Again as in the UK, co-ordination hinges on the creation of national networks to bring disparate bodies together in terms of promoting good practitioner practice, information sharing and collaboration between provider organisations (CIVIC Consulting 2013:219; Georgarakos and Graham 2013:190; Korczak 2019:12). In line with the UK, and unlike Ireland and France, there is an emphasis on evaluation of debt advice services in Germany, with several examples and associated positive effects in terms of employment, income and standard of living cited in the literature (CIVIC Consulting 2013:218; Eurofound 2020:17)

A major development in terms of debt counselling occurred in 1999, with the commencement of personal insolvency legislation, discussed in detail in Section 4.2 below. In order to be eligible to apply for consumer insolvency, a debtor must first attempt to reach an 'out of court' consensus with all his/her creditors in which s/he must be supported by a "suitable person or office", the two most common of these being lawyers and regional state sponsored debt counsellors (Kilborn 2004:273). Thus, what is sometimes termed insolvency counselling has since become a further field of debt counselling activity (European Commission 2008a:86). There are suggestions that this development has exacerbated both demand and wait times, and caused confusion and a blurring of the lines between debt counselling (municipal) and insolvency counselling (regional), and associated responsibilities between and within them (Georgarakos and Graham 2013:191-192; Eurofound 2020:24).

3.4. Predominantly voluntary model (France)

In France, a more disjointed financial advice/debt counselling landscape exists, primarily due to the emphasis on a unique, Central Bank led, debt management procedure, discussed in detail in Section 4.1 below. A review of the relevant literature indicates there to be no organised provision of financial advice/debt counselling at national level (European Commission 2008a; Gloukoviezoff 2011; Gloukoviezoff and Graham 2013; CIVIC Consulting 2013; Eurofound 2020). Advice on problem debt is available on a somewhat ad hoc basis through three main channels. The first of these is via the local authority/municipal sector in the form of social workers in social service departments (European Commission 2008a:84), although the providers

are not specialist money advisers as in Ireland or the UK, and concerns have been expressed about both training and capacity in this regard (Gloukoviezoff 2011:132; CIVIC Consulting 2013:213). This channel, appears to be the most common route for debt advice (Gloukoviezoff and Graham 2013:157)

The second channel consists of the financial service sector itself. A major cooperative bank (Crédit Agricole) for example has set up dedicated 'gateway points' ("points passerelles") whereby people can talk to trained counsellors about their financial difficulties (Gloukoviezoff and Graham 2013:157). These volunteer advisers, reported to be administrators or former employees, number 130 at the time of writing, and are located in 80 offices across France, operating independently of sales (Crédit Agricole 2022). There is evidence that this initiative may have led to a marginal reduction in debt collection costs, albeit militated by regional heterogeneity leading to inconsistencies in approach (Gloukoviezoff 2011:133).

The third channel comprises the voluntary or NGO sector, with a number of different organisations involved (Eurofound 2020:21). Many of these appear to be relatively small, locally based groups. The largest charitable body involved in the provision of debt advice is regularly cited as the Crésus Foundation (CIVIC Consulting 2013:211; Gloukoviezoff and Graham 2013:157; Gloukoviezoff 2011:132; Eurofound 2020:21), a charitable organisation dedicated to addressing financial, economic and social exclusion since 1992 (Crésus 2022) As part of its network of members and associations, around 400 volunteers from professional backgrounds provide general debt advice in terms of solutions to financial difficulties; Crésus is also involved in financial education projects (Valdani, Vicari and Associati 2021). The debt advice component is financed largely by financial institutions, although the services provided operate entirely independently and confidentially of the funders.

With respect to co-ordination, our understanding is that the French government is developing an authorised label ("PCB" which stands for "Point Conseil Budget" or Budget Advice Spot) for bodies such as NGOs that are considered suitable for helping people address financial problems. We are advised that there are approximately 500 PCBs at the time of writing. However, there appear to be no specific requirements for PCBs, although each must be able to provide advice on budgeting and dealing with debt, for example through the Banque de France debt management process. We are advised that since 2019, NGOs labelled "PCB" receive limited public support (EUR 15,000 per year) from the French government for a period of three years. Crésus itself reports a majority of service users (60–80 percent) being able to improve their financial situation. In terms of evaluation, in common with Ireland, little independent analysis appears to have been undertaken on the impacts of debt advice in France, including in terms of the PCBs, with concerns expressed about service capacity (Gloukoviezoff 2011; Gloukoviezoff and Graham 2013) and a reluctance to reveal user data (Eurofound 2020:27).

3.5. Comparative analysis

A number of the studies cited above have also involved a comparative dimension, and have explored the various elements that need to be considered in terms of designing a good practice financial advice/debt counselling infrastructure. These components may be divided into the

following: type of service; guiding principles and processes; structure and funding; and quality and consistency.

Type of service

The start point here has to be identifying in a societal sense who needs advice, what exactly is it that they need, and how would they best like to receive it or in other words, to ensure that the solution fits the problem and not the other way round. While the "who" can be partly ascertained by official societal data on for example poverty and deprivation,[16] the "what" and "how" need to be garnered by engaging with over-indebted people as to their needs. It is noticeable that in each of the four case study countries, initiatives have overall been largely 'top down' in nature, albeit with some excellent examples of community led initiatives among the charitable/NGO bodies involved.

In the absence of research on over-indebted people's needs, our sense and experience is that people require advice that is accessible to them, to know that it is there for them and to feel that the adviser is on their side, given the power imbalance that exists between atomised consumer debtors and well-resourced creditor institutions (Joyce and Stamp 2014). It is noticeable that in much of the research, there are references to people not being aware of the existence of money advice services until relatively late in the day (Eurofound 2020:26-27). For some, familiar with information technology (IT) and how to use it, remote services, perhaps supported by telephone or web support, will be suitable; for others, unable to afford or to use IT, in person advice will continue to be required by way of a convenient location. There are also those who, though familiar with IT, still need in person support in order to build or rebuild confidence and capacity. This points the way towards a blended model with a local, community presence, as has developed to varying degrees in each of the four case study countries.

Principles and processes

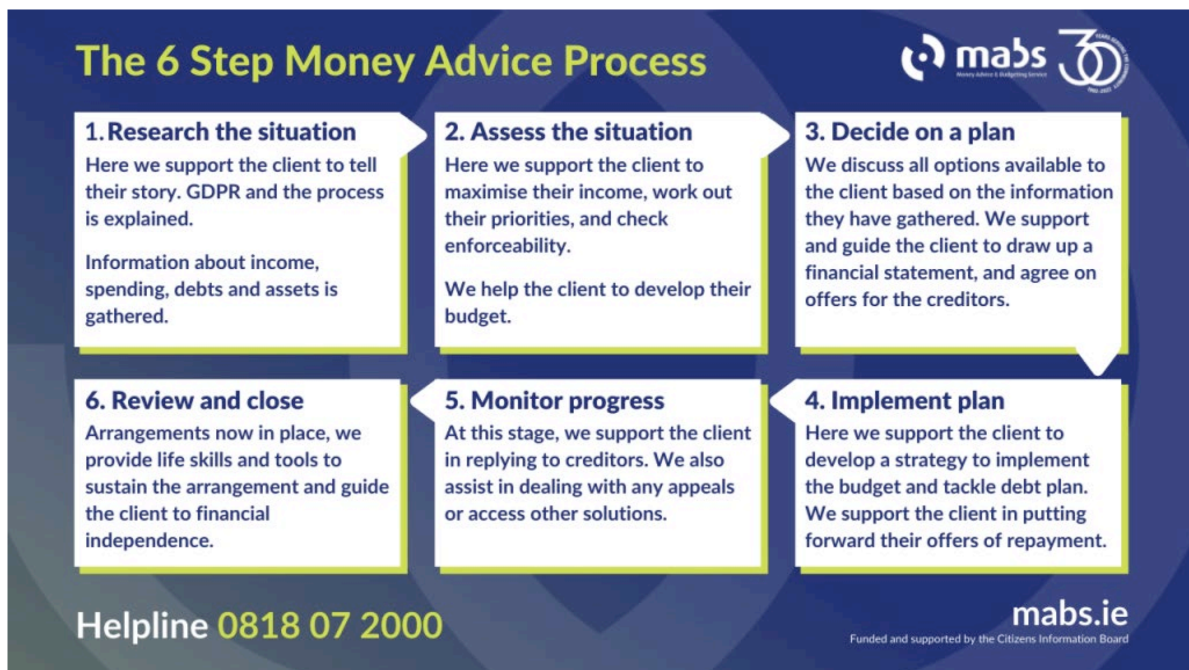
There is much consensus in each of the four countries as to guiding principles that should act as the bedrock for money advice services, and these are helpfully summarised in work undertaken for the European Commission (Valdani, Vicari and Associati 2021). To further summarise, services should be: (i) Client-centred, at an appropriate level to an individual client's needs (ii) Free at the point of use (iii) Independent of funders, creditors or third parties (iv) Confidential, with information being co-owned by the client and service in question (v) Accessible to all who need it regardless of location or status (vi) Credible among the public, creditors, legal system and third parties (vii) Professional, in terms of ethics, standards and practices (viii) Non-judgmental, in terms of clients' past behaviour and subsequent decisions (ix) Advocative, through ensuring the client's voice is heard in accordance with his/her capacity (x) Empowering, to build or rebuild a sense of confidence and control (xi) Rights-based, through informing clients of welfare entitlements, legal/consumer rights, and due process (xii) Reflective, in terms of service impacts, learning, and using experiences garnered to put forward proposals in terms of law reform and social policy.

[16] There is also the emerging phenomenon of so-called "middle income" debt, whereby households in receipt of otherwise reasonable incomes find themselves in financial difficulty on account of servicing higher levels of debt, particularly in terms of mortgages/housing loans.

It can be useful for clarity to express these principles into a combination of mission statement, aims, objectives and/or service user charter (MABS in Ireland for example has each of these). Such statements and documents make it absolutely clear as to why the service exists in the first place, what it stands for, who it is aimed at, either exclusively or primarily, and how it works with clients. Apropos the financial advice/debt counselling process based on these principles, again there is much consensus in the literature in this regard. Drawing particularly on pioneering work carried out by Groth (1994) in Germany and the Child Poverty Action Group (1993)[17] in the UK, it is possible to distil the by now tried and trusted financial advice/debt counselling process into a flowchart as has been helpfully done by the Irish MABS Helpline (Figure 1).

It should be noted that not every case follows this process in a linear manner. Sometimes a client may just not be ready to move through the stages or may suffer a setback or re-lapse during the process, perhaps due to an adverse change of circumstances. The Chart also demonstrates the range of skills (such as interviewing, counselling and advocacy), knowledge (for example in terms of welfare, consumer and legal rights) and abilities (to manage caseloads, work at the client's pace and keep appropriate records) required in the provision of client-centred money advice. The aim of the process is to enable a client to devise and implement an affordable, sustainable money and debt management plan, which resolves outstanding debts, anticipates foreseeable future demands, and enables him/her to live with dignity.

Figure 1. The Money Advice Process



Source: MABS Helpline (Ireland)

17 The most recent edition of the Child Poverty Action Group's Debt Advice Handbook, its 14th, was published this year, 2022.

Structure and funding

As we have seen, there are four different types of structure and associated funding arrangements within our case study countries. The easiest to follow perhaps is the Irish (MABS) entirely public funded model, which has one funding body in the form of a central government department, a regional structure, and three national support organisations, one of which, the Citizens Information Board, has overall responsibility. The drawbacks of this model are its total dependence on one funding source, considerable regional autonomy with the potential for inconsistencies in approach and provision, and its lack of a statutory basis other than in terms of its personal insolvency function. In comparison to the UK and Germany particularly, there is a notable lack of associated impact data, with statistics relating mainly to throughputs.

The UK umbrella type model has the advantage of a broader pool of funding sources, including creditors, more opportunity for local and sectoral initiatives, a strong history of associated research and evaluation, and a licensing dimension to enhance credibility. Disadvantages are its lack of a statutory base, the more precarious nature of some of its funding sources (some Citizens Advice Bureaux have closed in recent years for example),[18] and its convoluted network of disparate groups and bodies, albeit with a considerable degree of partnership and co-ordination. The German model also has the advantage of longevity, coupled with legislative bases for services, both in terms of financial advice/debt counselling generally and personal insolvency advice specifically. There is national coverage as a result of regional co-ordination of discrete services, and again as in the UK, a body of research, analysis and data exists in terms of evidence to influence policy (IFF 2020). The drawbacks with the German approach are similar to the UK's in some respects, namely issues around funding sources, cohesion and patchy provision.

The French model is arguably the weakest of the four in terms of debt counselling, given its reliance on charitable sources, on volunteers, and on professionals with other primary responsibilities. That said, moves towards co-ordination by way of PCB's are encouraging, and the French debt management architecture means that statutory solutions are more accessible than voluntary ones, in stark contrast to the situation in Ireland for example as we will see. Taken together, perhaps the ideal model would combine elements of each, namely: the single branded, centrally co-ordinated, national "blended" network (Ireland); the broader funding base, emphasis on practitioner accreditation/association, and capacity to continually reflect (UK); the legislative basis, stronger linkage to personal insolvency, and focus on evaluation (Germany); and the back up of a statutory body to impose settlements should voluntary negotiations through money advice services fail (France).

Quality and standards

To these should be added the need to develop promotional networks and initiatives to encourage earlier debtor access, the longer-term aim of moving in time into a more preventive and less curative role, and the usefulness of having one standardised accreditation process for all practitioners. In respect of the latter, there are several examples of good practice, ranging from the Certificate in Money Advice Practice (UK), Advanced Diploma in Money Advice Practice

[18] UK Parliament (2017).

(Ireland), and a special certificate by way of a training programme offered under the BAG-SB, the German association of money advice practitioners.

As to the background of practitioners, these tend to come from a broad range of backgrounds such as people from the community and voluntary sector, and those with experience in the legal, creditor or finance fields. Given the range of skills, knowledge and abilities required by those engaged in holistic financial advice/debt counselling (Kirwan 2019), three operational approaches are identifiable. In the UK, the idea of a tiered/support unit to take on more difficult cases has been pioneered; in Ireland, technical and casework support via a dedicated support company, including access to legal advice, continues to be provided; and in Germany, there are references to interdisciplinary teams, reflecting the differing dimensions to personal debt scenarios (Valdani, Vicari and Associati 2021:12).

4. Debt management systems (personal insolvency)

In this section, debt management/personal insolvency systems in France, Germany, Ireland and the United Kingdom are examined in order to identify similarities, disparities and as with money advice, common themes and lessons for other countries. In particular, we focus on the relationships between financial advice/debt counselling services and the respective systems in each country and how these two dimensions can best work in tandem. A considerable body of academic work has emerged in recent decades, as theorists have sought to examine not just the components of particular insolvency regimes but crucially *why* these have developed in the ways that they have. In this section, we rely primarily on analysis undertaken by three leaders in this particular field, namely Kilborn (2003; 2004; 2005; 2015), Ramsay (2012; 2017), and Spooner (2012; 2014; 2018).

4.1. Commission system (France)

The French debt management system has been commended as a model of best practice in Europe (European Commission 2008a:95), although various critiques highlight certain deficiencies with regard to it (Kilborn 2004; Ramsay 2012), including in terms of the lack of a money advice support dimension (Gloukoviezoff 2012; Gloukoviezoff and Graham 2013). At the heart of the system is the French Central Bank or Banque de France (BDF), an unusual role for a Central Bank in this respect, perhaps best explained in this instance by a motivation by the State to manage narratives about debtors and over-indebtedness and to regulate the credit environment (Ramsay 2017.)

The debt management – sometimes referred to as debt settlement – scheme involved dates back to legislation in 1989 in the form of the “Neiertz Act”. This legislation also instituted a credit reporting system and led to the establishment the following year of regional ‘household over-indebtedness commissions’ under the auspices of the BDF, often with several offices in the same region (Gloukoviezoff and Graham 2013:158). These commissions, who are legally assigned with considerable discretion, are extra-judicial with a membership drawn from public administration, financial institutions and consumer groups, together with consultants on legal and social work

related issues. A BDF representative acts as secretary, effectively undertaking the information, negotiation and advisory parts of the process (Kilborn 2004:637-638; Ramsay 2012:213).

There are in essence three levels of relief for debtors making an initial application, free of charge, to their local commission. The first category relates to “ordinary” measures such as an extended repayment period, or the reduction or elimination of interest. The second involves “extraordinary” measures, such as deferral, moratoria, or the full or partial remission of debt, while the third in essence acts as a form of bankruptcy in the form of a personal recovery procedure, reserved for those whose financial situations are "irremediably compromised” with no hope of repaying any significant portion of their debts (Kilborn 2004; Ramsay 2010; Gloukoviezoff and Graham 2013). In such cases, debts can be cancelled and assets liquidated while for those considered suitable for a repayment plan, the maximum period is currently seven years, unless it involves retention of the family home when no maximum applies (Eurofound 2020:33).

Our understanding is that while the courts formerly had a role in approving certain applications (where creditor agreement could not be achieved for example and in respect of personal recovery applications), this situation has now changed. As a result of the Justice 21 law, designed to modernise French legislation for the 21st century, both the need for a court to approve a personal recovery procedure and debt resolution measures recommended by local over-indebtedness commissions have now been removed.

The idea of a “one-stop shop” with a statutory basis for dealing with over-indebtedness clearly has its merits. The number and frequency of reforms to bring it to where it is today are striking, suggesting that albeit incrementally, and arguably insufficiently in some instances, legislators have responded to practical issues as they have emerged over time, such as creditor intransigence, unrealistic repayment lengths, inability to pay, length of time on an associated official register, and minimum income retention or *reste-á-vivre*. The periodic publication of data on applicants is also useful in terms of profiling personal over-indebtedness.

The system has, however, had its critics over time. These criticisms mainly relate to the absence of money advice expertise on the commissions, and to a failure to build such support into the process. This deficiency has led to suggestions that repayment plans may sometimes be too ambitious and unrealistic, hence the number of re-applications (Gloukoviezoff 2011). There is also an apparent lack of data on impacts and successfully completed plans, while cost/benefit concerns have also been expressed by the French audit office (Cour des Comptes 2010). Finally, the deficiencies in money advice infrastructure discussed earlier suggest that voluntary alternatives are not likely to be as readily available in France as in other case study countries for example.

4.2. Tiered system (Germany)

There are two main differences between the German and French debt settlement systems. The first is that unlike in France, in Germany debt counselling agencies play an integral role; the second is that the focus is on the process rather than the body overseeing it. With reference to the latter, the German model contains four dimensions, namely a mandatory (non-judicial) out-

of-court settlement attempt, followed by (if it fails) a (judicial) in-court settlement attempt, a simplified bankruptcy procedure with asset liquidation, and a discharge or "well-behaviour" period, which was reduced from six-years (Heuer 2020:46) to three years in October 2020 by way of an amendment to the relevant insolvency legislation.[19] The overseeing and handling of repayments made by debtors is handled by an administrator or trustee appointed by the court and there are strict employment and job search requirements (European Commission 2008a:90). This model is underpinned by one piece of legislation that provides for non-judicial debt settlement, judicial debt settlement, and personal bankruptcy (European Commission 2008a:88). It is estimated that over time, 9.5 adults per 10,000 of the German population commence consumer insolvency proceedings (Eurofound 2020:41).

The German legislation was enacted in 1999 and amended in 2001 to increase access through *inter alia* possible cost deferral for those unable to afford court fees (Georgarakos and Graham 2013:193). The Germany personal debt management/settlement procedure has several features generally considered to be positive, at least in principle if not in practice. The first is its intention to keep as many cases as possible out of the courts, although the evidence suggests that a combination of creditor intransigence and inadequate debtor resources can render the first stage largely redundant in the vast majority of cases (Georgarakos and Graham 2013:192). The second is the legal requirement for debtors at the initial "non-judicial" stage of the process to seek advice in preparing their proposed repayment plan from a "suitable person or agency", namely a state-sponsored debt counsellor (Kilborn 2004:295). Again, however, the potential here appears unfulfilled, mainly due to lack of capacity to respond to demands expediently as a result of inadequate funding by the municipalities responsible (Kilborn 2004:274; Heuer 2020:54).

The third dimension is the social focus of the system, which involves inculcating financial responsibility by way of a reflective, re-socialisation period designed to re-integrate debtors into economic life, as opposed to a debt collection emphasis designed to ensure dividends to creditors (Kilborn 2004:296). This focus is demonstrated by the finding that 80 percent to 90 percent of consumer bankruptcy cases in Germany produce no payments whatsoever to creditors (Heuer 2020:46), primarily as a result of protected income/wage exemption increases (Kilborn 2004:295). However, the German system has failed to put in place an efficient debt relief measure for so-called "no income no asset" (NINA) debtors, who face hurdles in the form of a multi-step procedure, and in respect of whom the system returns little or no payment to creditors despite high administrative efforts and incurred costs (Heuer 2020).

Other notable aspects of the German model include the potential for wage garnishment, excluded debts (for example in the form of fines), and the forfeit of a portion of any inheritance (Eurofound 2020:38-40). Also worthy of note is amending legislation in 2014 that allows for early discharge after three years upon payment of 35 percent of the debt involved. However, the evidence suggests that only a tiny percentage of cases have resulted in such a discharge (Heuer 2020:59; Eurofound 2020:51). Overall, while there is much to admire in the German system, a sense prevails that the normative tension between responsibility to repay ones debts and the

[19] (S.287 (2) Insolvenzordung "InsO").

granting of relief in cases where people just cannot pay them as a result of forces beyond their control, has not been satisfactorily resolved.

4.3. Hybrid system (United Kingdom)

In comparison to both Germany and France where systems are more joined up and publicly centred, in England and Wales, a more fragmented mixed economy involving both public and private providers has developed in both the personal insolvency and debt advice domains (Ramsay 2012). This fragmentation is further evident in differing debt management/personal insolvency options being provided for different amounts and types of debt.[20] Starting with lower amounts of debt, more positively, and in contrast to Germany for example, there is a specific procedure aimed at 'no income, no asset' (NINA) debtors with relatively low levels of debt in the form of a Debt Relief Order (DRO) procedure, provided for by way of the Tribunals, Courts and Enforcement Act 2007, which came into force in April 2009 (Conway 2021). Unlike in France but similar to Germany, the debt counselling sector has an involvement, in this instance acting essentially in an administrative capacity in processing applications made to it. Only certain agencies, mainly but not exclusively publicly supported ones, are statutorily authorised to act in this role as 'approved intermediaries' (Insolvency Service UK 2022a).

A court official, in the form on an 'Official Receiver', is responsible for making the actual order itself, again by way of an administrative as opposed to court-based process (Conway 2021:8). Access is limited to those fulfilling strict eligibility criteria in terms of (low) income, (limited) assets, (modest) debt amounts and (responsible) behaviour, and certain debts such as court fines and family maintenance are exempt. Related thresholds were increased in 2021 in an attempt to increase access, though a set-up fee continues to apply (Conway 2021:15-16). The most recent data indicate an increase in DROs following these changes, with take-up averaging at about 3.8 adults per 10,000 adults in England and Wales (Insolvency Service UK 2022b), a rate considerably higher than its Irish equivalent (Stamp and Joyce 2022:16). Certain behavioural 'good faith' requirements are also placed on successful applicants during a 'supervision' period of twelve months, after which related debts are discharged (Insolvency Service UK 2022a).

For those with surplus income and more assets, an entirely separate out of court (non-judicial) procedure is provided for by the Insolvency Act 1986, consisting of what are referred to as Individual Voluntary Arrangements (IVA). An IVA is a consensual, formal and legally binding agreement to repay debts over a specified period of time, most commonly five to six years, at a reasonably affordable rate either by periodic payment(s), lump sum(s), or a combination of both (Citizens Advice 2022b). It is often referred to as an earned fresh start mechanism (Walters 2009:27). The arrangement must be drawn up and managed by a registered insolvency practitioner (generally a private accountant or lawyer but some publicly supported debt advice services such as Stepchange have in-house practitioners), and be approved by a court. Fees are charged by the practitioner based on the amount to be paid back through the IVA and a minimum debt threshold applies (Citizens Advice 2022b).

[20] The Irish system is unusual in that it contains an option to resolve both family home mortgage and non-mortgage debt within the same process (by way of a 'Personal Insolvency Arrangement', see 4.4. below). Secured debts such as mortgages are generally excluded from (non-judicial) debt settlement systems elsewhere (Law Reform Commission 2010:5).

Promoted as an alternative to bankruptcy, IVAs have potential benefits for all stakeholders. Consumers for example can avoid the stigma and consequence of becoming 'bankrupt', and there are suggestions that successful IVAs can also promote financial responsibility and financial inclusion (Walters 2009:32). Creditors can receive higher dividends than would otherwise be returned through bankruptcy. Practitioners increase profits by way of fees, and the State incurs fewer costs and administrative burdens that would otherwise be associated with bankruptcy proceedings. Taken together, IVAs may be viewed as 'a responsible reaction to the challenges of the open credit economy' (Kilborn 2003:890). Criticisms of IVAs relate mainly to their market driven nature (Walters 2009:8), failure rate (Spooner and Ramsay 2014:3) as a result of sometimes related overly ambitious payment plans and associated fees (Eurofound 2020:52), unsuitability for structural or behavioural debtors (Moser 2019), and the emergence of mass production providers concerned more with fees than affordability (Ramsay 2012:215; Walters 2009:25). The number of IVAs has remained stable over the past few years, averaging out at around four times the number of DROs (Insolvency Service UK 2022b).

To complete the picture of the UK insolvency architecture, two other options are available. The first of these is bankruptcy, a process provided for by statute, amended substantially by the Enterprise Act 2002, and administered by a statutory body in the form of the 'Official Receiver'. The amending legislation reduced the discharge period from three years to one year, and further relaxed many of the extensive restrictions, disqualifications and prohibitions that had been previously imposed on bankrupts (Walters 2009:12). The numbers of bankruptcies increased immediately following these changes, a period when bankruptcy numbers considerably exceeded IVAs, but in more recent years this trend has reversed to the point where at Quarter 1 2022, individual bankruptcies numbered fewer than 7 percent of IVAs and around a quarter of DROs (Insolvency Service UK 2022b).

The second is an administration order procedure, which is now rarely used. This procedure is administered by county courts - the lowest court in the UK civil court system – for debts which must number two or more and involve no more than GBP 5,000 in total. There must also be an unpaid court judgement in respect of at least one of the debts (Citizens Advice 2022c). The court assesses affordability, and where an order is made, the debtor in question is required to pay a monthly payment for up to three years, this payment being distributed by the court on a pro rata basis to the creditors involved. No fee is payable by the debtor up front, but the court retains 10 percent of the relevant payment to cover administration costs. Orders can be varied where circumstances change. Discharge takes place when debts are fully cleared or at the end of the time limit, when any remaining balance is discharged. Only 84 applications and 74 orders were made during 2021, a continuing trend suggesting that this option is becoming largely redundant (Ministry of Justice UK 2022).

4.4. Balanced interests system (Ireland)

Prior to 2012, there was no personal insolvency or debt management system in Ireland, with the exception of a bankruptcy procedure, largely inaccessible to individuals in large part as a result of a twelve-year discharge period, indicative of a conservative, moral approach to over-indebtedness (Stamp 2016). This situation changed in 2012 with the enactment of the Personal Insolvency Act

2012, driven in larger part by reform commitments on the part of the then government as part of Ireland's economic adjustment or "bailout" programme (European Commission 2011:52). This Act also amended the somewhat outdated bankruptcy provisions and reduced the discharge period, which now stands as a result of further amendment, at one year.[21] Unusually, the preamble to the legislation specifically sets out its objectives as follows:

> (a) The need to ameliorate the difficulties experienced by debtors in discharging their indebtedness due to insolvency and thereby lessen the adverse consequences for economic activity in the state,
>
> (b) The need to enable creditors to recover debts due to them by insolvent debtors to the extent that the means of those debtors reasonably permits, in an orderly and rational manner, and
>
> (c) The need to enable insolvent debtors to resolve their indebtedness (including by determining that debts stand discharged in certain circumstances) in an orderly and rational manner without recourse to bankruptcy, and to thereby facilitate the active participation of such persons in economic activity in the state.[22]

The legislation, heavily influenced by developments in the UK (Law Reform Commission 2010) and by political influences (Spooner 2012), created three new statutory debt management options (Insolvency Service of Ireland 2022a). These consist firstly of a Debt Relief Notice (DRN) – modelled on the UK's DRO procedure - for low income, low asset debtors who fulfil strict eligibility, behavioural and supervision requirements. Appropriately trained and authorised MABS advisers, act as Approved Intermediaries (AIs) to administer the process, and realistic minimum income retention is allowed based on a consensual, budget standard methodology (Collins et al. 2012). Early discharge is available upon payment of at least 50 percent of the outstanding balance.[23] In other respects, however, the DRN is less progressive than its UK counterpart and indeed the model previously recommended by the Law Reform Commission (2010), particularly in terms of the lengthier supervision period involved (three years as opposed to one), which has resulted in relatively low numbers of applications and approvals (Insolvency Service of Ireland 2022b:11), and calls for reform (Stamp and Joyce 2022).

The second mechanism, referred to as a Debt Settlement Arrangement (DSA), is modelled on IVA's in the UK and involves a consensual approach to discharging higher amounts of unsecured debt (Spooner 2018). The DSA is based, as in France and Germany, on income retention, earned fresh start over a period of time (up to 5 years but often accelerated as a result of a "lump sum" arrangement), and the involvement of an intermediary, in this instance a Personal Insolvency Practitioner (PIP), generally a specifically authorised accountant. As with DRNs, there have been considerably fewer numbers of DSAs than expected, primarily on

21 Bankruptcy (Amendment) Act 2015, section 10. Despite discharge after one year, the former bankrupt may be required to make payments out of surplus income over and above reasonable living expenses for up to three years following adjudication.

22 Personal Insolvency Act 2012, preamble, p.11.

23 Personal Insolvency Act 2012, s.37.

account of poorly resourced debtors who cannot afford to make proposals that would both return a suitable dividend for creditors and pay the associated intermediary's fee (Spooner 2018). As a result, paradoxically, many can find themselves too poor to become insolvent in the absence of appeal and zero payment plan mechanisms (Waterford MABS 2016).

The third, and arguably most innovative, new option consists of a Personal Insolvency Arrangement (PIA), similar to a DSA in terms of process, but designed to settle secured as well as unsecured debts. This mechanism was included primarily in response to a massive, family home mortgage arrears problem that manifested itself in the fallout from the Global Financial Crisis and peaked in 2013 (Spooner 2018). As with the DRN, initial conservatism in the drafting of the legislation led to a slow start in terms of applications, resulting in subsequent amendments in an attempt to improve access. Arguably the most notable of these is a mechanism that empowers the courts to review and, in certain circumstances overturn, creditors' rejection of a PIA proposal put forward via a PIP (Spooner 2018:804).

Despite such changes, PIA approvals, although by some distance the largest of the three categories, continue to be low relative to expectations (Insolvency Service of Ireland 2022b), due to largely to a combination of inadequate borrower resources and creditor intransigence (Roche 2022). A further notable development is the promotion of PIA through a state-funded voucher scheme, administered through MABS as part of the Abhaile[24] initiative, whereby *inter alia* insolvent debtors in serious mortgage arrears[25] can receive free legal and financial advice (Citizens Information 2022). It appears that over 60 percent of PIAs begin with an Abhaile financial advice consultation with a PIP (Government of Ireland 2021:26[26]). In common with DRN, DSA and PIA, numbers of bankruptcy adjudications are also low, likely in part due to the legislative requirement to seek either a DSA or PIA prior to a bankruptcy application.[27]

4.5. Comparative analysis

As with the financial advice/debt counselling literature, a number of the studies cited above have also involved a comparative dimension, and have examined the various elements that need to be considered in terms of designing a good practice debt management/personal insolvency infrastructure. These components may be divided into the following: money advice involvement; dignity to live; earned discharge; and an 'imposing' body.

Money advice involvement

Common among all approaches is the desire to keep personal insolvency out of the civil courts if at all possible by exploring a non-judicial solution in the first instance. This objective makes perfect sense from the perspective of all parties or stakeholders involved, but in order for it to be fulfilled, money advice providers need to be fully integrated into the related architecture at all stages and this is not the case in any of the four countries reviewed at present, although good practices are identifiable.

24 See footnote 13 above.
25 We understand this to consist of at least three months' accumulated arrears in practice.
26 This calculation is based on the total number of vouchers (2,851) divided by the total number of approved PIAs (4,464) over the relevant period 2016 to 2020.
27 Personal Insolvency Act 2012, section 145(b)(4).

The German legislative requirement to first seek money advice to explore options is certainly a model of good practice, but this sector clearly needs to be better resourced if it is to discharge this function effectively and efficiently. It is also worth reiterating that many people on balance will prefer a voluntary solution as opposed to a statutory one, as participation in a statutory debt management/relief programme is invariably recorded on a public register (World Bank 2014:46). Once a statutory route is chosen on an informed basis, money advice support in terms of budgeting, planning and money management appears largely to cease in each of the four models, with matters being handed over to a third party such as an over-indebtedness commission (France), insolvency practitioner (Ireland and the UK) or court appointed administrator or trustee (Germany). Where money advice services do continue to have an input, it is largely confined to low income, low asset cases (UK and Ireland) and to an administrative as opposed to an advocative role, a deficiency highlighted in France and Ireland for example as in need of redress (Gloukoviezoff 2011; Boyle 2019).

Dignity to live

The vast majority of statutory debt management mechanisms reviewed involve considerable periods of time, up to six years in some cases, and it is in this context, aside from any social or moral considerations, that dignity to live becomes a key factor. There are many ways of assessing this, and these can range from stricter or less generous calculations based on subsistence to those which provide for a more socially constructed baseline recognising people's broader needs (European Commission 2008a). Plans that are unrealistic in this context are likely to run into difficulty as already noted (Kilborn 2005; Ramsay 2012; World Bank 2014)

A good practice model here is the Irish one, both in terms of 'development and final product' according to a leading theorist (Kilborn 2015:343). Drawing on extensive work carried out on consensual budget standards, the body responsible for implementing and monitoring the provisions of the personal insolvency legislation (the Insolvency Service of Ireland) periodically updates and publishes a set of guidelines on Reasonable Living Expenses (RLE). The legislation provides that 'regard should be had' to RLEs when proposing a DRN, DSA, PIA or Bankruptcy', thus they are not strictly mandatory. The guidelines contain various categories and reasonable expenditure amounts that constitute a socially acceptable, minimum standard of living for households of varying types and compositions (Insolvency Service of Ireland 2022c). This is not to say that the guidelines are perfect in every respect; it is argued for example that they do not fully reflect rural life and associated costs, and do not respond quickly enough to sudden increases in inflation (Stamp and Joyce 2022).

Earned discharge

The main problem here is the sheer length of payment plans, which as we have seen can be as long as seven years in France, and six in the UK and Ireland although, as alluded to earlier, many are accelerated. In many other European countries, shorter periods have become more the norm with examples of three years in several, mainly Northern European countries such as Germany, the Netherlands, Finland, and Denmark. This is also the period length provided for in terms of Administration Orders in the UK discussed earlier, and chimes with an expert view that the shorter the repayment period involved the better the chance of it succeeding (World Bank 2014:86).

The issue of earned discharge also arises in a low income/asset setting, where it is common to find a range of behavioural or good faith requirements that must be complied with in order to avail of discharge of debt at the end of the prescribed period (Heuer 2020; Spooner 2018; Conway 2021). The intention here appears to prevent people 'gaming the system' through incurring debt wilfully and then expediently escaping from it as a result of criteria that are too lenient. In practice, the opposite has transpired to be the case, with complex, lengthy and onerous conditions combining to restrict access, compounded in the Irish DRN case at least by the inclusion of what resembles a debt collection element (Spooner 2018). The balance between 'earn' and 'discharge' thus seems somewhat out of kilter here.

An argument has been made for "a single portal" for all debtor insolvency petitions, through which those (the likely majority) with no or low income/assets would be steered towards debt relief, possibly with an income payment proviso should there be surplus income or an improvement in circumstances during the moratorium period. The minority with high debt values, high incomes, and assets likely to produce significant returns to creditors if realised, would be directed towards bankruptcy (Spooner and Ramsay 2014). It is further contended that such direction should also encompass debt settlement measures and is best carried out by a suitably qualified public official (Walton 2022).

An imposing body

Here the good practice evidence points very much towards France, where the Banque de France through its over-indebtedness commissions, essentially enforces settlements by what theorists refer to as "cram down" on recalcitrant creditors, a term used in United States bankruptcy law (Kilborn 2004:276). In Germany and the UK, this role is fulfilled by the courts, but only as part of a judicial process while in Ireland, it is solely provided in the context of PIAs and therefore only where repossession of the family home is at risk. Once again, however, no system is perfect and in the case of France, lack of money advice expertise on the commissions, over-lengthy payment plans and insufficient *reste-á-vivre* provisions have been highlighted as weaknesses as referenced above.

Nonetheless, there is much to commend in a system that has an official arbiter, and which further uses its function both to promote responsible lending and to produce statistics which provide policymakers with important data upon which to base policy. Important context here is the already referenced power and resource imbalance in the personal finance domain between creditor and debtor that overwhelmingly favours the former. This disparity can often lead to stasis if ultimate decision-making power is (albeit indirectly) assigned to the more powerful party by way of a consensual/agreement type model as in the UK or Ireland.

To summarise, each of the four case study countries embodies good practice elements in certain respects. None has understandably got everything right despite varying degrees of amendment over time, and there are components of other (for example Scandinavian) systems that might usefully be incorporated. Further, there are common deficiencies. None of the countries studied provides for money advice intervention throughout, although Germany does so at the outset. In addition, certain types of debt, such as sums owed to public authorities, are commonly excluded

or at least excludable, which while understandable in terms of trying to protect the public purse, means that a debtor with such liability may not be totally debt free at the end of a debt settlement process.

Finally, while much insightful academic work has been carried out in terms of analysis and critique, not one of the countries concerned appears to build in evaluation to its debt management infrastructure. Even where it does, as is the case in Ireland for example where a review requirement is incorporated within the legislation itself,[28] a considerable period of time can elapse between enactment and evaluation, particularly when government priorities might lie elsewhere. Thus, a legislative review of the relevant part of the Irish legislation is several years overdue at the time of writing. Last, but by no means least, the focus of each of the personal insolvency options reviewed remains on debt discharge. While this dimension is hugely important, for people to fully get on with their lives there is also a need to re-integrate such debtors into society and ensure they are financially included at the completion of the discharge period. The evidence here is somewhat patchy and suggests that whether this happens or not is largely viewed as up to the market and not to the legislature (Gloukoviezoff 2011).

5. Impacts

Identifying the impacts of money advice services and debt management systems, in particular on debtor users, is a difficult task as evaluation is rarely if ever incorporated into service or system development. Hence where it does occur, it tends to consist of once-off pieces of work by academics and social researchers, often focusing on relatively new clients (Kempson 1995), a notable exception being a longitudinal review of money advice services in the UK (Atfield et al. 2016). Most of the evidence identifiable relates to the impact of money advice services as opposed to debt management systems, although evidence from Ireland suggests that the effects in each instance may not be that dissimilar (Stamp 2011; Boyle 2019).

5.1. Individual/household level

A large body of academic work, dating back over thirty years, has emerged, particularly from the UK, in terms of the impacts of money advice interventions on service users. Taken together, this body of work gives a series of insights into the benefits and limitations of such engagements. Turning first to benefits, where service users have disposable income that just needs better re-distributing among creditors, money advice works really well in doing just this, both by way of direct negotiation and self-help support (Mannion 1992).

Money advice also works well in terms of addressing immediate problems or crises through preventing adverse developments such as eviction, energy disconnection and imprisonment (Williams 2004). Further, it enables debtors to explore and in some cases challenge liability for various loans, prioritise those debts with the harshest sanctions such as housing and utilities, and access debt relief/personal insolvency measures of which they may otherwise be unaware (Kirwan 2019). Improvements in financial circumstances (both perceived and actual),

28 Personal Insolvency Act 2012, section 141.

understanding of personal finances, levels of anxiety, general health, relationships and housing stability are also identifiable (Pleasance et al. 2007).

More recent work has involved a longitudinal element, which provides insights into how money advice works for people over the medium to longer term. In an ongoing study of low-income clients of not-for profit services, Atfield et al. (2016) categorised users into three types. The first category comprised a group who were now debt free as a result of personal insolvency, sale of possessions or receipt of a lump sum, and reported increased confidence both in general and in terms of ability to deal with creditors. Benefits also included having had someone empathetic to talk to and 'buying time' to enable improvements to happen.

A second cohort, though not 'debt free', were now able to at least manage their debts by way of voluntarily negotiated payment plans albeit over considerable periods of time; in these cases, money advice had helped them cope with debt and contain if not resolve it. For the third and final cohort, described as living in intractable debt largely on account of long-term dependence on fixed welfare-based incomes, the value of money advice intervention lay more in having someone to talk with for support and in common with the other two groups, 'reducing the wider impact debt has on their physical and mental health, family and other circumstances' (Atfield et al. 2016:10-11).

Research in Ireland, based on interviewing money advice service clients between six and twelve months after initial presentation, has also identified longer-term impacts of money advice intervention. Similar to the UK findings, these commonly relate to ancillary benefits such as better communication with creditors, more accessible payment facilities, re-assessment of spending, increased understanding of money, alleviation of pressure, and improvements in health, wellbeing and relationships (Stamp 2011). In addition to these positive outcomes, researchers in Australia have further identified specific benefits in relation to older people, comprising improved financial literacy, avoidance of financial hardship, maintaining financial wellbeing, quality of life and positive ageing (West and Ramcharan 2019).

In terms of limitations, there is evidence that for those dependent on lower fixed incomes, money advice tends to fulfil more of a management or containment – as opposed to resolution - role, as people just do not have the resources to pay their creditors (Hinton and Berthoud 1988; Mannion 1992; Orton 2010; Atfield et al. 2016). As a consequence, early relief by way of a 'honeymoon period' can fade for those in such circumstances after a number of months (Jones, Wainwright and Doling 1993). These findings are corroborated by Williams (2004), who concludes that there is little evidence that counselling, whether in a money advice or health context, improves people's ability to deal with chronic, underlying problems such as low income. This latter view arguably sets the bar too high for money advice however, given that poverty is generally considered more of a structural and spatial than individual issue (Townsend, 1979).

The evidence in terms of the impact of debt management/personal insolvency mechanisms at the individual or household level appears to be much scarcer. Nonetheless, impacts identifiable in small-scale, qualitative studies largely mirror those for money advice intervention in terms of improved health, general wellbeing and peace of mind, and reduction in financial distress, which

enable participants to regain control over day-to-day finances and make, albeit limited, lifestyle improvements. However, where ongoing low income is involved, debt relief does not of itself lead to increased financial wellbeing, ability to meet future financial goals, or resilience to cope with future unexpected life events. (Boyle 2019). Contributory factors here include failure to incorporate a money management/budget-planning element into the debt management process and lack of policy emphasis on ensuring financial inclusion at the end of it.

Similar findings are identifiable in a longitudinal study carried out in Germany as to the impact of the insolvency process on social inclusion, health and life satisfaction more generally (Lechner 2011). Bankruptcy users engaged in the six-year "good behaviour" period were surveyed in year one (2007) and year three (2009), resulting in the development of an insolvent debtor typology by combining the number of stated reasons for insolvency with their varying types. Three debtor types are identifiable. The first consists of those (Type 1) with the fewest stated causes relating solely to everyday risks such as unemployment, separation/divorce and failed self-employment. This group had the best start point in terms of inclusion, fulfilled needs and labour market integration, and was found to be practically "re-integrated" after 2-3 years of the good behaviour period (Lechner 2011:76). The second category (Type 2), were less integrated to begin with, had more unfulfilled wishes, and reported a larger number of reasons relating to a combination of factors such as everyday risk, family problems and naïve financial behaviour. This group were found to have an increased risk of falling back into debt and a social inclusion deficit that could not be managed by an insolvency process alone; more intensive support would thus be needed to achieve social reintegration by the end of the six-year period (Lechner 2011:76-77).

The third and final category (Type 3) were the most marginalised group to begin with, and reported multiple reasons for insolvency comprising losing track, loss of control, financial naivete, lack of resources and day to day chaos. The debtors concerned reported falling life satisfaction values during the process, were in essence "stuck" at the same social inclusion level as at its outset, and were the most likely to incur new debt. After an initial honeymoon period, satisfaction levels had stagnated or deteriorated, and full inclusion looked increasingly unachievable (Lechner 2011:77-78). This is a group who clearly required expedited debt relief and ongoing support.

Levels of mental health and trust in debt/money advisers are further factors associated with the success or otherwise of formal debt resolution mechanisms. A recent UK study, which focused on adherence to debt advice in relation to subsequent completion of IVA (debt settlement) applications, found that those with poorer mental health levels when initially seeking advice were less likely to make an IVA application (Andelic and Feeney 2022). Moreover, while trust in the adviser was high among both adherents and non-adherents, those displaying more trust in the adviser were less likely to recall specific IVA-related information from the initial appointment, suggesting that mistrust in the source of information 'may lead to more careful processing' (Andelic and Feeney 2022:4).

5.2. Societal level

Although the broader benefits of money advice and debt management have never arguably been fully captured, there are some positive indicators. Work on the economic impact of debt advice

services alone, carried out in the UK for the (then) Money Advice Service (Europe Economics and the Money Advice Service 2018), indicates a total, social, monetary gain of between GBP 301-568 million, equivalent to around EUR 354–668 million at the time of writing. This figure comprises estimated benefits in terms of improved mental and physical wellbeing, productivity, debt recovery and prevention of problem debt re-occurrence. These estimates do not take into account potential benefits in terms of family relationships, self-employment, homelessness, crime and credit consumption, hence they are likely to underestimate the total economic impact that debt advice has. Another UK study estimates that the cost of advice provision is only a small percentage of that involved in debt-related social costs and lost economic output (Pleasance et al. 2007). Evidence from the Netherlands, again based on a cost-benefit calculation, suggests that each Euro spent on debt counselling activities returned in the region of EUR 2 in social benefits Hochguertel 2013:366). It is also argued that many social outcomes of debt advice interventions are not readily quantifiable on a monetary basis (McCaul and Stamp 2020).

As regards debt management systems, the evidence from Germany suggests that personal insolvency can have direct benefits with regard to debtor wellbeing and ability to live, and indirect ones in terms of 'inculcating some sense of financial responsibility', enabling people to become 're-socialised' and to 're-enter the open credit economy' (Kilborn 2004:296). A broader analysis for the World Bank further concludes that such regimes can reduce both lost productivity and costs to families and communities, create incentives for responsible lending, and help to attain broader goals for economic development (World Bank 2014). To these should be added savings in terms of further debt recovery costs that would otherwise be incurred by creditors 'throwing good money after bad', and reduced resource demands on legal systems that would otherwise be dealing with multiple actions with regard to the same debtor(s). As to the success of the individual programmes themselves, research from the Netherlands suggests that seven in ten debtors who finalise a debt settlement procedure end up with a clean slate, with related debt fully discharged (Hochguertel 2013:368).

6. Conclusions and key lessons

Over-indebtedness, defined as a household inability to meet both essential living expenses and debt repayments as they fall due, continues to be a significant phenomenon throughout Europe. The problem plays out differently in various countries depending on the relevant credit market, culture around money, regulatory environment and level of owner occupation, but remains strongly associated in each with poverty and structural inequalities within society. Debt problems largely come about as a result of a complex interaction of factors, and commonly surface following a "trigger" event external to the individual concerned, which results in a loss of income and/or increased expense. The resulting debt spiral can quickly escalate out of control, as people struggle to meet commitments from an insufficient pool of resources.

In comparison to the pace at which a debt problem can escalate, a long period of time can elapse before assistance is sought either by way of money/debt advice services or through entering a debt management programme of some kind. This is because of the social stigma that regularly attaches to debt problems, inability to cope with increasing demands, and resulting fear as to

what might happen in the event of non-payment. Often people just try and ignore things[29] and hope that the problem will go away, while many remain unaware of the supports that could assist or lack the wherewithal to access them. It is against this backdrop that financial advice/debt counselling services and debt management/personal insolvency systems must be judged. For ease of reference throughout this report, we use the term "money advice" to refer to the former - as services tend to incorporate financial advice and debt counselling within the same process - and "debt management" with regard to the latter.

Turning to money advice first, analysis of the four case study countries identifies four distinct models, namely: a national centralised model (Ireland); an umbrella model (UK); a regionalised model (Germany); and a voluntary model (France). Each has its advantages and disadvantages as discussed above, but taken together a number of good practice themes emerge. First, it is important that services respond to need and are accessible to all, ideally through a blend of in person and remote channels. A range of public, private, creditor, charitable and philanthropic funding sources are identifiable across the case study countries, but what is perhaps most important is that services are sufficiently funded and independent of funders. There is for instance a compelling argument for partnerships, such as by way of a publicly collected levy on credit institutions, to fund or part-fund money advice services in conjunction with public and charitable funding. A statutory basis is also key to ensure clarity, continuity and consistency.

As regards founding principles, there is much commonality between countries. Given the causes and consequences of over-indebtedness outlined earlier, it is important from a debtor's perspective that key values are not just embodied but also practised and evident. Clients must feel for example that they are not being judged, that the information they divulge will be treated confidentially, and that the service offered operates at an appropriate level and pace relative to their capacity. Credibility, professionalism and quality standards are important dimensions at service delivery level in terms of third party engagement with creditors, courts and other relevant bodies. Adopting rights-based, accessible and reflective principles should help to ensure that money advice services also fulfil a societal role, through using insights and data received through client engagement to inform social policy development within society as a whole. The by now tried and tested six stage money advice process - involving initial research, assessment, planning, implementation, monitoring and review – remains a template for good practice.

Turning now to debt management, again four distinct models are identifiable namely: the commission system (France); a tiered system (Germany); a hybrid system (UK); and, a balanced interests system (Ireland). As with money advice, each has its advantages and disadvantages but once again, taken together, a number of good practice themes emerge. First is the importance of having an independent body able to impose settlements on creditors who might be uncooperative, or require more money than a debtor can realistically afford. The evidence also indicates that payment plans are more likely to succeed if they are shorter in duration and based on what it realistically costs to live inclusively in a given set of circumstances at a given point in time.

[29] This is often referred to metaphorically as "burying one's head in the sand".

Debt relief, including possible access to a zero-payment plan, is clearly needed for those who would otherwise be too poor to become insolvent as a result of having insufficient resources to pay modest dividends and/or intermediary fees. Further, money advice provision, particularly in terms of financial advice around budgeting and planning, needs to be integrated into the personal insolvency process from start to finish. Added to this is the need to ensure that those completing debt management/personal insolvency plans or programmes are able not just to have any residual debt discharged, but also to have a clean slate in terms of access to financial services such as banking, credit and insurance.

Finally, there will always be debtors with a preference for voluntary arrangements as an alternative to complex processes and their public dimension in the form of public registers or databases. This points to the need for the promotion of early money advice engagement to enable debtors to explore both their statutory and non-judicial options and their respective advantages and disadvantages, so that an informed choice can be made before matters get out of hand. Whichever option is chosen, incentives for financial betterment can help to provide motivation to continue with a plan/programme, whereas disincentives can have the opposite effect.

In closing, it is noticeable that evaluations of money advice services and debt management systems from a user perspective tend to be few and far between. This is primarily due it seems to a failure to incorporate an evaluative dimension into the development of a service or system from the outset. As a result, evaluation tends to be somewhat ad hoc and ‘after the event’ rather than being designed in. There appears to be little user feedback in terms of personal insolvency systems for example, although small sample work in Ireland suggests these can be transformative for people. More information is available in terms of the impact of money advice services both in individual and public value respects, with considerable individual, household and societal benefits again identifiable, albeit militated by persisting socio-economic inequalities.

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