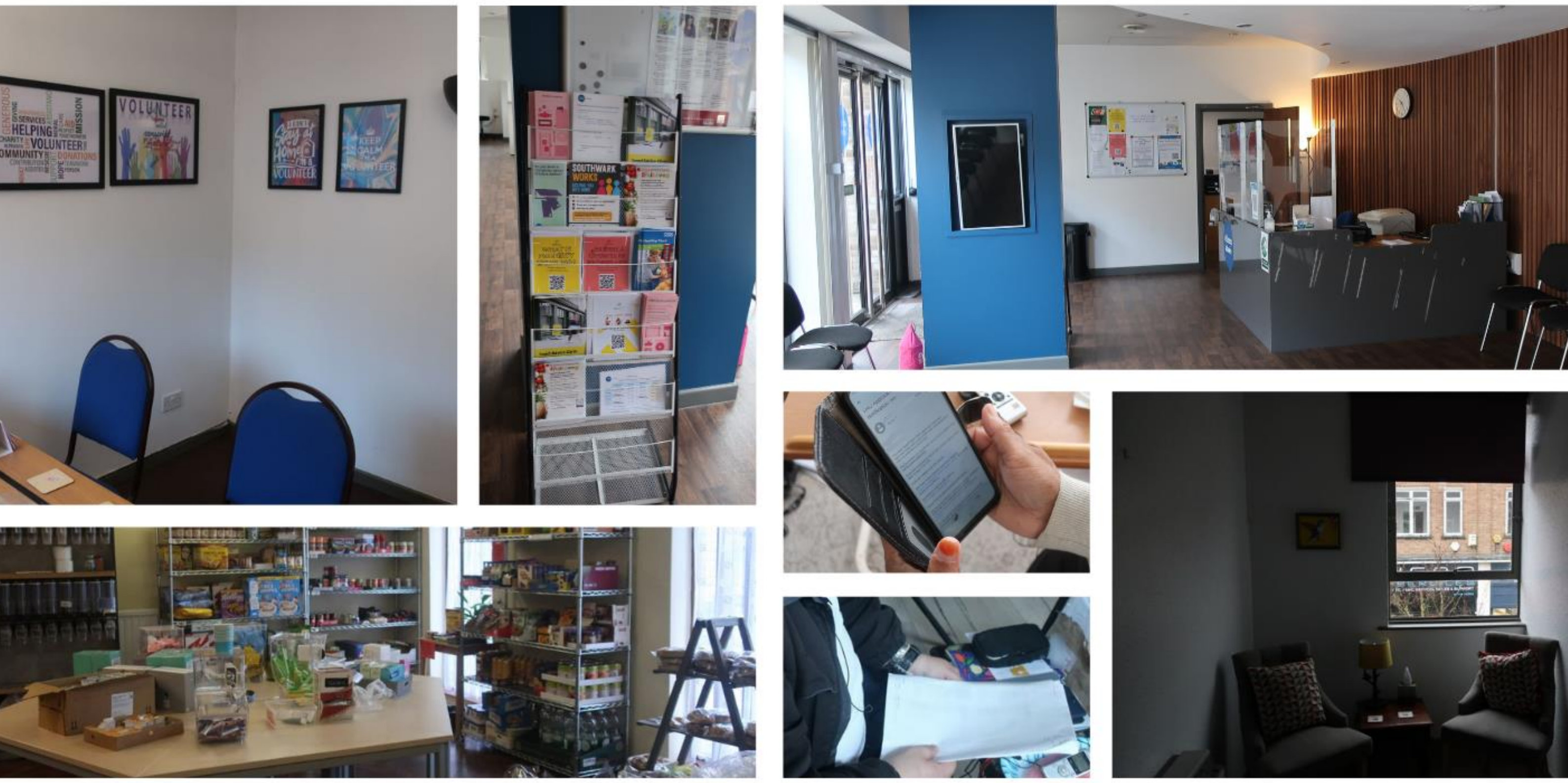
Debt advice in the post-pandemic landscape

Research report
August 2023



REVEALING REALITY
Money & Pensions Service

About Revealing Reality

Revealing Reality is an independent, multi-disciplinary research agency, working with regulators, government, charities, and private sector organisations. We provide insight to inform decision-making, policy recommendations and service design and to help drive change. We conduct detailed qualitative and quantitative research into services and the people who use them – observing how systems function and capturing a range of different perspectives to understand user experience and unmet need.

We are passionate about including the voices of those less often heard from in research, to ensure the experiences and perspectives of all users are placed at the heart of policy and service development.

Our work also includes exploration of people's behaviours and motivations, with an emphasis on understanding these within the context of people's real lives.

Acknowledgements to all the organisations that took part

Thank you to everyone who has contributed to or made this research possible. A particular thank you to all the debt advice staff who spoke with us and respondents who shared their experiences.

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Executive summary

The Covid-19 pandemic created unprecedented changes not just in debt advice, but across many sectors, drastically altering the economic landscape and the way that organisations were able to work and deliver their services.

This research was commissioned by the Money and Pensions Service (MaPS) to explore this change within the debt advice sector. Through qualitative interviews and site visits and quantitative surveys, it aims to explore how services have changed since the pandemic, to update MaPS' knowledge of debt advice clients and the debt advice landscape in 2023. MaPS has the goal of two million people accessing debt advice services who need it. Its aim is to ensure that debt advice services are commissioned that meet people's needs.

Many debt advice organisations reported an increase in clients, likely as a result of the pandemic and cost-of-living crisis's effect of people's financial situations, employment, and relationships. Two distinct client groups emerged: those on the lowest incomes experiencing negative budgets and relying on savings, and middle earners who were financially struggling or experiencing debt for the first time. It seems there is an opportunity to adapt debt advice services for both these groups. Advisers expressed difficulties in finding solutions for budget-deficit clients, as the options usually open to them to increase someone's disposable income reduced. Those on higher incomes also tended to have fewer additional needs and more manageable debt. There may be value in exploring 'lighter-touch' offers for them.

Many of these clients' needs were the same as those seen in research before the pandemic, namely to get reassurance about their financial situation. However, organisations reflected that clients were presenting to them with more complex needs, which went beyond debt. For example, advisers noted there had always been additional challenges when supporting those with mental health conditions, but that the volume and complexity seemed to have grown – potentially as a result of the pandemic and cost of living pressures. Some advisers hypothesised that clients were coming to debt advice with wider issues in lieu of other mental health or support services.

Across the sample, there were three core factors that seemed to be shaping the needs, attitudes, and experiences of debt advice clients. These were:

- The perceived impact they felt debt had on their life
- The sense of obligation they felt to repay their debt
- Their financial capabilities

For debt advice, many organisations were forced to quickly scale up or adapt to a remote way of working, having previously delivered more services in-person. This included video calls, telephone, and webchats, with many organisations offering multiple channels or 'omnichannel offer'. Although there were some examples of organisations suggesting certain channels for specific elements of their service, there was rarely a strategy or structure in place to outline which channels worked best at which points or for which clients.

Background

Context

By 2030, the UK Strategy for Financial Wellbeing has the aim that two million more people access debt advice services, who need them. Its aim is to improve provision through commissioning and ensure that services are meeting client need.

In 2022, MaPS commissioned this research to explore how the debt advice sector – particularly community debt advice in England – may have changed since the pandemic, to update its knowledge of debt advice clients and the debt advice landscape. The Covid-19 pandemic created unprecedented changes not just in debt advice, but across many sectors, drastically altering the economic landscape and the way that organisations were able to work and deliver their services.

Organisations had to make immediate structural shifts as a result of the pandemic, with restrictions in place at the time forcing most community-focused organisations to quickly adapt to a remote way of working, having previously delivered more services in-person. This had effects both on the nature of the service provided to clients themselves, as well as on the dynamic of the teams within debt advice organisations and the way that these organisations were able to train and support their employees.

For clients and potential clients, the pandemic had a significant impact on the job market, causing a lot of people to lose or reduce their incomes. This is likely to have played a role in the increasing volume of clients seeking debt advice. When combined with the government moratorium on creditors during the pandemic and the recent cost of living crisis, many more clients are now seeking debt advice than before and during the pandemic, as creditors are once again seeking to recover money owed, and many people are struggling to pay their bills, let alone their debts.

This report builds on previous knowledge, such as the work conducted in 2017, which aimed to establish 'best practice' in debt advice service and help promote good practice and innovation across the industry. This project intertwined observational research, qualitative research with a wide diversity of respondents (professionals and individuals who were in difficult financial situations, including vulnerable clients), interviewing 120 staff as well as 150 clients of debt advice.

This work therefore aims to identify client needs and the best way of meeting them at a time of considerable change in the wake of the pandemic. Specifically, this report evaluates what clients need from debt advice services after the pandemic, understand how debt advice services were operating, and how debt advice generally was meeting people's needs, especially for clients in the most vulnerable circumstances.

In line with MaPS' goals, Revealing Reality focused on three main research objectives:

- First, we aimed to uncover patterns, segments, and profiles of clients, and understand what their met and unmet needs were – especially for those clients who were more vulnerable.
- Second, we wanted to provide MaPS with an updated understanding of how debt advice services were operating if they had changed since 2020 and what the impact of these changes was for clients.
- Third, we wanted to give MaPS an updated understanding of the composition of the market and the structure of services following the changes the sector went through during the pandemic, including staffing models and channels.

Research methodology

The research took a multi-stage approach to meet the full list of research objectives outlined by MaPS.

Qualitative fieldwork	**Site visits (x10)** including interviews, shadowed appointments, and observations	**Client interviews (x80)** Remote and in-person interviews with clients, including 30 with additional needs	**Creditor interviews (x15)** With a range of organisations with whom people typically owe money	**Debt advice staff interviews (x50)** With 20 management / head office staff and 30 frontline advisers
Quantitative fieldwork	**Providers survey** (N=85)	**Client survey** (N=750)		

Qualitative research with clients, organisations and creditors

This involved interviewing four main groups of people:

- 80 clients, including 30 with additional needs
- 20 frontline debt advisers and 20 senior staff at debt advice organisations
- 10 site visits at debt advice organisations
- 15 creditors

Non-vulnerable and vulnerable debt advice clients

The sample included clients with a wide array of experience, including a range of additional needs, demographics, background, and circumstances that may impact someone's need or access of debt advice.

Depth interviews lasted 2-3 hours with a mix of in-person and remote interviews. Clients without additional needs or 'non-vulnerable' were predominantly conducted remotely. Those with more complex circumstances or additional needs were mostly conducted in-person to ensure detailed data was captured about their experience of accessing debt advice. Interviews were also adapted for any additional needs or preferences of the respondent.

Interviews explored the experiences of clients with debt advice services, mapping their journey in detail, as well as identifying what worked well and any challenges they had encountered. Interviews also covered client perspectives on the benefits and pain points attached to different models and channels of advice delivery. Through mapping needs and challenges experienced by clients, this research was able to analyse and develop key criteria for grouping clients, as well as mapping met and unmet needs, and highlighting priority areas for change.

Frontline and senior staff at debt advice organisations

The research included a range of organisations covering their size, funding, and location to capture a spread of services that operate in England. It included both remote and community organisations, with a focus towards the latter. Interviews were conducted with both senior and frontline staff to get a detailed picture of different roles and services within debt advice.

Interviews with senior staff aimed to gather a more general understanding of the profile of their current clients. They were often able to identify who was better or less well-served by their current services, to understand the changes their services and client journey had gone through since the pandemic. This identified innovations, perceived best practice, and pressures on service delivery, as well as met and unmet needs from the organisations' perspectives.

Interviews with debt advisers provided a more 'hands-on' perspective on service delivery, and direct knowledge about their clients and their needs. These interviews were used to further map client groups in terms of met and unmet needs, gather ideas for innovation and improvement, and identify opportunities for change.

Site visits with debt advice organisations provided further insight into these areas, as well as providing valuable opportunities to observe debt advice appointments and understand the spaces in which debt advice is given for a more in-depth understanding of how this may shape client experiences.

Creditors

Creditor interviews included local authorities, utility companies, and banks, to capture the full range of debts that clients might owe, and a breadth of experience in different types of creditors.

Remote creditor interviews worked to better understand their position in the debt advice landscape, especially in terms of signposting or referring clients to debt advice organisations, or providing them with debt solutions.

Quantitative surveys with organisations and clients

Organisation survey

The survey for debt advice organisations explored changes to organisations' services, delivery channels and client bases since the pandemic in a format that allowed direct comparison between respondents.

The online questionnaire format provided an alternative, sometimes more detailed, view of organisations, through allowing respondents to reflect and look up details in their own time. To encourage participation, the length of the questionnaire was limited to 15 minutes.

85 debt advice organisations completed the survey, with an employee from each organisation responding. Since there exists no comprehensive list of debt advice organisations in the UK, an opportunistic sampling strategy was used, recruiting from the networks established in the qualitative research.

The participants had a spread of client facing and managerial responsibilities within their organisation. 60% provided debt advice to their clients directly, 56% managed teams of advisers or other client facing staff and 35% were involved in strategy or operational issues. The sample offered a broad regional spread throughout England. The sample was largely made up of smaller organisations, with over half of the sample representing organisations with 10 or less employees.

Of the 85 organisations, almost all were local level organisations, many of which were local branches of large, charity funded debt advice organisations. Only two organisations were nationwide organisations.

Customer survey

The customer survey included 750 panel respondents from the UK who were currently accessing debt advice or had done so since the pandemic. Fieldwork took place between 1 and 6 June 2023.

The profile of respondents who took part was broadly similar to the national population, with a skew towards people from lower socio-economic groups and people from younger age groups. It is probable that this is due to people in these groups being more likely to seek debt advice.

Online panel surveys are considerably faster and more cost efficient than other types of survey but only include people who have opted in to joining a panel. We would expect panels to be less accessible to some, for example, people with limited internet access, low levels of literacy, or higher accessibility needs have additional barriers in taking part.

Who is accessing debt advice since the pandemic?

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Who is accessing debt advice since the pandemic?

The Covid-19 pandemic prompted an unforeseen shift in the provision of debt advice. At the same moment in time, many people's immediate needs changed and services had to be provided differently to comply with restrictions and preferences.

This chapter explores how those changes have affected who is accessing debt advice since the pandemic, which also coincides with a period of steep inflation, huge increases in household energy costs, and what has widely been described as "the cost of living crisis".

Many debt advice organisations reported an increase in clients

The biggest change that debt advice providers reported is an increase in the volume of clients since before the pandemic.

The pandemic itself provided a period of relative calm for many debt advice organisations, as the government moratoriums gave people space and time. However, debt advice organisations reflected that since the end of the pandemic their caseloads were much higher than before it began.

> *"Obviously, during the pandemic, creditors have had to back off so it was much quieter for a year or nine months… And then it picked up and 2022 was our busiest ever year."*
> Debt adviser, community organisation

> *"In the last 18 months, we've hit a 200% target or thereabouts. Inundated does not describe adequately what we're seeing and what we're going through. The advisers have got excessive caseloads, they're tired and burnt out."*
> Debt adviser, community organisation

7 out of 10 organisations surveyed for this project reported a perceived increase in the volume of clients since the pandemic, across all regions and different sizes of organisations.[2]

> *"We're seeing a different type of advice-seeker. Clients who had perhaps always worked, who had never been in receipt of benefits, coming in and being horrified at how little they would actually get because they had lost their job… That was a new experience for us."*
> Debt adviser, large debt advice organisation

> *"We were seeing more people who were working, who did have a part time job or other income, and couples who were struggling when the cost of living kicked off towards the beginning of last year. With energy prices rising it got much, much worse."*
> Debt adviser, community organisation

There were several hypotheses about why this had occurred, and many advisers attributed it to a combination of reasons. It is likely that debt and associated financial challenges accrued during periods of furlough, unemployment, or economic inactivity during the Covid-19 lockdowns. As the UK has transitioned to 'living with Covid', there has also been a re-engagement with support services. The cost-of-living crisis has also placed growing pressure on many household's finances.

[2] How has the volume of debt advice customers served by your organisation changed since the Covid-19 pandemic? (n=85)

Both the pandemic and cost-of-living crisis had caused clients to seek debt advice

Some debt advice clients interviewed as part of this work had their income impacted, or lost their jobs or businesses, during the pandemic. This was often offset temporarily by government moratoriums, and for those who could access it, the furlough scheme. However, this loss of regular income had lasting effects on people's financial situations.

Clients who already had limited disposable income felt the consequences of their job loss or reduced income more strongly during the pandemic and cost of living. For example, Andrea (27) was working as a cleaner before the pandemic but lost her job and had limited savings to fall back on.

Andrea, 27
London

Remote advice
No solution

Andrea lives alone and works full time as a supervisor at a cleaning company.

Before the pandemic, she was working as a cleaner, but she was made redundant due to the pandemic. She was unemployed for over a year and struggled with the loss of income. She received a small redundancy payment and had some savings, but they didn't last long as she had been in debt in the past and was still feeling the impact on her financial situation. She began to miss her credit card payments, so she turned to payday loans to make ends meet.

At the time of seeking debt advice, she owed approximately £5,000 in debt across four credit cards and payday loans. She sought advice from a national charity – she was advised to take a Debt Management Plan but rejected the advice as she didn't want it to have a knock-on effect on her ability to use credit.

"I got laid off when Covid hit because the office couldn't afford to stay open… I got into debt because I didn't have a job and I was doing a lot of borrowing and it just got out of hand"

By contrast, some clients had stable financial situations before 2020. Richard (39), for example, had taken a £40,000 loan to set up his business a few years before the pandemic, and until 2020 had been managing very well, adapting his payments to match his income and overpaying when he could. But with the successive lockdowns, Richard had to shut his business down repeatedly, and lost a few of his staff to freelance work in the meantime. As a result, he started getting into energy arrears, as well as struggling to make minimum repayments for his loan. He went to debt advice not knowing what to expect and ended up negotiating with his creditors directly, but reflected that without the pandemic, he would probably never have got into debt.

Although they were not always a direct result of the pandemic, relationship breakdowns were sometimes precipitated by the lockdowns. This led to further financial difficulties for respondents at a time when their own support networks as well as wider support services shrunk. Respondents who had gone through such situations often struggled to split assets and resolve shared debts that had built up during their relationships. A couple of women mentioned that they did not receive child maintenance from their partners – though this was not something debt advisers mentioned when discussing opportunities to maximise incomes.

Jill, 55
Cheshire

Remote advice
Debt Management Plan

Jill lives with her 16-year-old son and works as a cleaning supervisor. During the pandemic, she went through a complicated split from her partner, and at the time of the interview, she did not know where her partner was or how to contact him.

Before splitting, Jill and her partner had lived a busy social life, going on holidays and treating themselves. They felt they could afford to live this way, but used credit to help finance it. As Jill had a steady job and income, they took out credit cards and loans in her name, whilst her partner, who was self-employed, gave her money every week to help with repayments.

Her debts became unmanageable once this income stream from her partner disappeared. When she sought debt advice, Jill had built up around £22,000 in debt across 12 credit cards and a loan. She was signposted by a national charity to another national debt advice organisation, where she was advised to begin a Debt Management Plan.

"The biggest cause was splitting up with a partner. Obviously straight away there's less money coming into the household… All the debts are in my name, so I'm liable to pay for them. Then things kind of doubled, really, because I wasn't getting any help and I was left to pay them on my own"

Finally, the pandemic also had an effect on some clients' mental and physical health, a consequence of sustained isolation, long Covid, or longer waiting times to access NHS services. One client, Alistair, said that his anxiety and depression had worsened due to the lockdowns and the months of loneliness and uncertainty this brought. This was also recognised by organisations.

> *"We already had many clients with mental health issues, and with the pandemic, their conditions worsened. And then other clients developed mental health problems because of the pandemic. So now 95% of our clients have a mental health condition."*
> Senior debt adviser, community organisation

The types of client seeking debt advice remained similar, but with two new groups seeking advice

Whilst the volume of clients seemed to increase, many organisations reflected that the types of client had remained similar to before the pandemic. Many organisations were supporting both more and less vulnerable audiences, people with physical and mental health conditions, people who had experienced income shocks, and those whose debt problems had built up over time.

Across the debt advice organisations involved in this work, there were two client groups that many felt were more greatly represented in their current caseloads compared to life pre-pandemic.

1. People on the lowest incomes, including those experiencing deficit budgets

The majority of debt advice organisations said that since the pandemic they had seen an increase in clients with negative budgets. Many of these clients were using their savings to meet basic needs and borrowing large sums of money from family and friends. Six out of 10 of the organisations surveyed saw an increase in clients using savings to meet their basic needs.[3]

Many organisations reported difficulty in supporting these clients who were experiencing deficit budgets. Some debt advisers reported that the types of advice and support they typically offered within their standard practices didn't seem to be working for clients in this situation.

[3] Has there been any change in the volume of customers with these characteristics served by your organisation since before the pandemic? (n=85)

"There are a lot more people now who have great, great difficulty making ends meet. There are a lot more people who can only make token payments, who can't really do debt management plans."
Debt adviser, community organisation

"Post-pandemic and with the cost of living, we see a lot more people who are having nervous breakdowns about just struggling to make ends meet on a low income… But they just are absolutely desperate and trying to see how they can make things work."
Debt adviser, community organisation

In addition, many organisations had seen an increase in repeat clients who had experienced debt advice in the past, sometimes several times. These were often those on the lowest incomes, who were impacted by loss of income during the pandemic. For example, debt adviser from a community organisation had noticed a higher number of repeated clients in 2022, and linked it to the wider, national economic situation: *"Some of our clients are coming back… because of the pandemic and cost of living, they're just back in debt again"*.

2. People earning higher salaries who are financially struggling or experiencing debt for the first time

Many organisations described an increase in what they deemed to be 'middle earners' accessing debt advice. While actual earning figures weren't always provided, the sense was that this included people who were in households where all parties were working, and the household income was higher than advisers generally saw before the pandemic. These clients had also typically not previously struggled financially or experienced debt in the past.

"We're also starting to see increasingly people who are in work, not just on benefits, with the debt issues starting now to come to the fore."
Debt adviser, community organisation

"There's more people struggling with the cost of living… it's a much wider scale, it's not only the people on the lowest incomes now."
Debt adviser, national organisation

This aligns with findings from the client survey. 53% of respondents on incomes of over £55,000 reported having experienced increased or unexpected expenses, compared to 42% of the wider sample.

Debt advisers reflected that some of these clients appeared to be slightly more financially capable and more proactive in dealing with their debts. Within the survey, financial capability was measured through a set of questions that captured respondents' self-reported confidence in managing money, dealing with financial paperwork and communicating with debtors. Each respondent was classified as having low, medium or high capability depending on the average of their responses to these questions. 92% of clients with incomes of over £55,000 were classified as having high financial capability, compared to just a third of those on incomes of less than £11,500.

Not all of these 'middle earner' clients had significant debts. The qualitative interviews with people who had sought debt advice suggested that some newer middle-income earners were particularly worried about experiencing debt because they had never done so before, despite often experiencing smaller amounts of debt than many other customers seeking advice. For example, 20% of those who had or were having debt advice on an income of £50,000 or above reported their highest level of debt was under £2,000.

For example, Melissa (28) sought debt advice in early 2022 after accumulating around £500 in credit card debt a result of several changes in circumstances: she had lost some of her income due to going on maternity leave, and also had spent some money on house renovations in late 2021. Before this, she had been on a steady income, but together with the rising cost of living, and her partner's individual debts of over £1,000, she was extremely nervous about being in debt, and was determined to resolve her own £500 before it escalated.

"It was really scary because obviously I've always been in the green before and I've never really had any problems with that kind of thing."
Melissa, 28

For these 'middle earners', some advisers theorised that the burgeoning public narrative around the cost-of-living crisis may have increased anxiety around debt, motivating people to manage their debts sooner than some clients might have before the pandemic.

"We are seeing… a few clients where we wouldn't actually cast them as being in debt. They're not really in debt but the panic about the cost of living means they're coming to us a bit earlier. There's definitely a significant increase in people's stress and anxiety around money just across the board."
Senior debt adviser, national organisation

What is shaping customer needs?

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What is shaping customer needs?

Clients seeking debt advice had a range of needs around their financial skills and knowledge, The needs that customers had remained similar to those in previous research, whilst these, along with their attitudes and engagement with debt advice seemed to be shaped by three factors: the perceived impact of their debt, their sense of moral obligation to repay their debts, and their financial and wider capability.

Many of these clients had the same needs of debt advice as they did prior to the pandemic

In previous work for Money and Pensions Service[4] around best practice in debt advice in 2017, core client needs were identified as:

- **Improving clients' financial situation:** Finding effective and affordable debt solutions that are appropriate for clients, increasing their income through I&E, and building savings to reduce reliance on credit.
- **Enhancing clients' financial skills and knowledge:** Teaching clients how to budget, prioritise bills and payments, improving understanding of financial products, and how to deal with unexpected expenses.
- **Fostering a more positive outlook:** Helping clients to be confident in their own ability to improve their financial situation, feeling motivated to take responsibility, and teaching clients to maintain these changes over a long period of time.

In this piece of research, these needs were still apparent for debt advice clients. For many of the clients, there wasn't significant evidence for any shifts in terms of how debt advice is being delivered to better meet these needs.

Debt advisers provided reassurance to clients which tried to improve their outlook

Debt advisers were clearly working hard to help a range of clients identify opportunities to maximise their income and to find an effective debt solution. This offered immediate relief for many clients, who were often stressed, anxious and emotional during early interactions with debt advice. Half of clients surveyed reported seeking debt advice to 'feel better about their financial situation' (51%), and many clients interviewed had valued the reassurance and support of advisers in those early moments in the process.

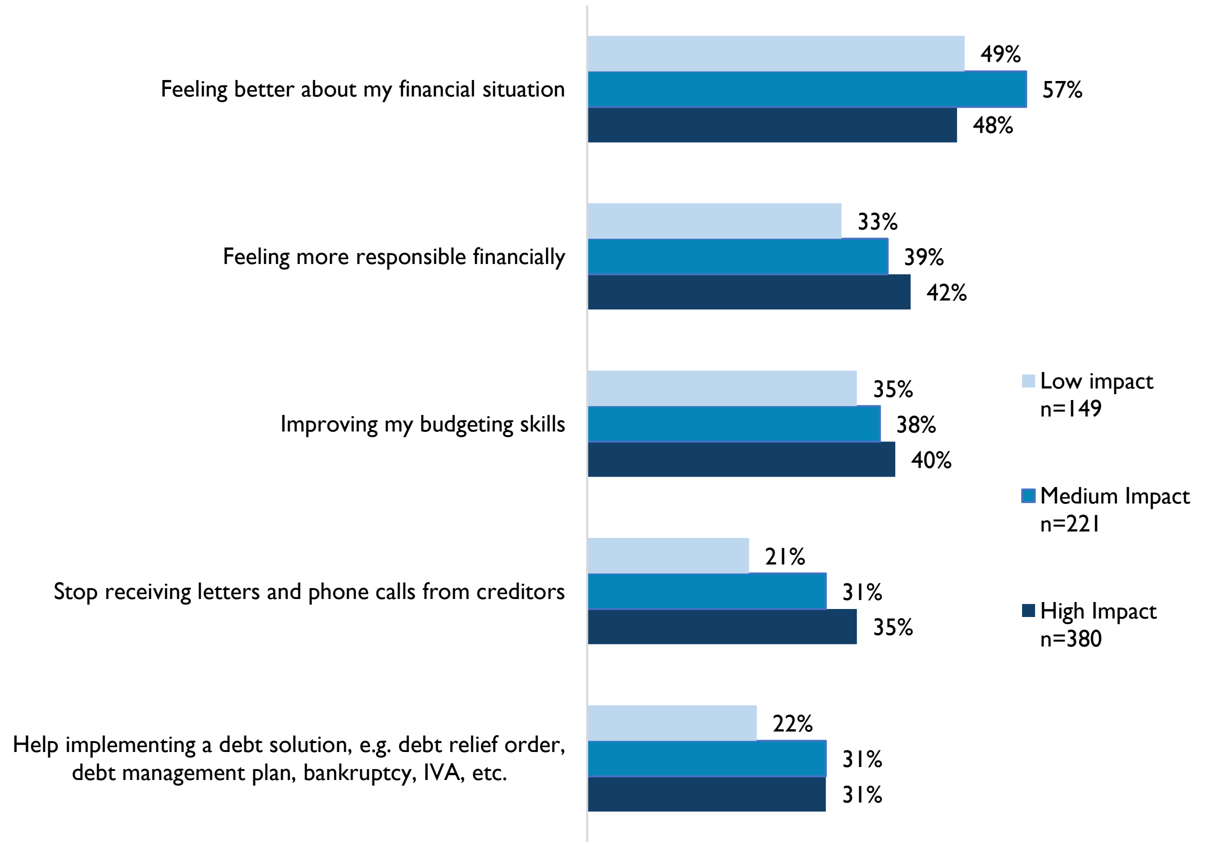
Unsurprisingly, those who felt debt had a greater impact on their life were more likely to want debt advice to help them achieve more tangible outcomes, such stopping contact from their creditors.

Half of clients sought debt advice to feel better about their financial situation

[4] https://maps.org.uk/wp-content/uploads/2021/03/mas-debt-advice-best-practice.pdf

'What did you hope the outcome of seeking debt advice would be?', broken down by percieved level of impact of debt on life

Base= total sample. n= 750



As well as emotional support, some respondents reflected that their interactions with their adviser had shifted their outlook on their income, debt, and borrowing. A few reported feeling more able to 'control' their spending in the future and more aware of their debt as a problem and not something they could avoid. For example, Karla found emotional reassurance from her debt advice, and Molly reflected on both her financial and emotional wellbeing improving.

Karla, 45
Midlands

Remote advice
Debt Management Plan

Karla lives with her young daughter and works part-time at a care home.

Karla first sought debt advice 20 years ago and began a Debt Management Plan but left this early.

In 2018, she opened a café using private and family loans, but had to close it in 2020 due to the pandemic. As a result, she began to struggle with her finances and turned to loans and credit to get by. At the time of seeking advice, she owed around £20,000 across credit cards and loans. She felt extremely anxious and was losing sleep over her debts, but having been in debt before, she was afraid to tell her family for fear of being judged as she had previously made promises that she wouldn't get back into debt.

When she did seek debt advice, she felt the adviser reassured her by being friendly and telling her she should be proud of reaching out for support.

"They told me, "you've been really brave, the hardest bit is asking for help, you've done fantastically"… I think it was the relief of knowing there was someone there on my side"

> *"I've got better mental wellbeing and I feel more in control and like I'm not spiralling. If I hadn't sought advice, I would have thought that I didn't have a problem and might have continued spending or not cutting back as much, rather than dealing with my debt. They [debt advice organisation] made me understand that it's not good and that I needed to pay it off."*
> Molly (22)

There was inconsistency in the financial knowledge clients gained through debt advice

Of the 750 clients surveyed, only 4% reported not making any changes to their behaviour as a result of seeking debt advice. These often included smaller, short-term, and more practical changes, such as spending less on non-essentials (52%) or making a budget (51%).

However, in interviews with clients and advisers, there still seemed to be a lack of focus on longer-term behaviours or shifts in attitude to debt or borrowing. While some clients appeared to be picking up some financial knowledge from their debt advice journey, it seemed to be unstructured, piecemeal, and dependent on the person. From interviews with debt advisers, some organisations were attempting to teach financial and budgeting skills as part of debt advice, however, this often seemed to come as part of the income and expenditure review early in the process, and clients interviewed in the research were not always making longer term changes following the advice.

For example, Naomi (40) did receive more tailored advice and a solution when she was struggling with around £3000 of debt across credit cards and a loan, but this didn't seem to lead to significant behavioural changes. She sought debt advice after missing a mortgage payment. She received remote debt advice and began a Debt Management Plan (DMP). She reflected that the adviser was 'insistent' on giving her budgeting advice and ensuring she was receiving the best deals on her bills, but aside from starting to pay her bills immediately when they came in, she didn't seem to have made any wider behavioural changes or started to budget.

However, for a few clients in the sample, debt advice did have a positive impact on their ability and attitude towards managing their finances.

For example, Kim (50) was once in debt to nine creditors due to credit cards and payday loans that she built up 'trying to get by'. She felt that it 'spiralled' out of control, until she felt she had to seek advice. She initially went to her credit card company and was directed to a debt advice organisation. She was able to become debt-free through an Individual Voluntary Arrangement (IVA). This experience caused her to transform her lifestyle and mindset, avoiding credit products entirely and teaching her children to use credit sparingly or only when necessary and able to pay it off. She now uses a bank account with savings pots to save for specific goals, allowing her to plan ahead and save instead of resorting to credit cards for such expenses. Upon reflection, she felt she wished she had sought advice sooner.

Similarly, Nasrin (28) reflected that she felt more in control of her finances after seeking advice. She felt she understands better what to do if she is in debt, how to negotiate her financial commitments with creditors and how to avoid interest fees, which she didn't before.

Some clients 'rejected' the advice they were given and sought further options from other organisations

One in five survey respondents reported trying more than one organisation to compare different solutions or advice (22%). Likewise, in interviews, clients gave a range of motivations for contacting multiple debt advice organisations. These ranged from clients not receiving the solution they wanted to responding to receiving poor customer service or communications, and incorrect solutions. In the survey, 6% specifically mentioned trying more than one organisation as the previous advice or solution did not work.

1 in 5
clients are getting advice from multiple organisations

Some clients approached debt advice with a clear idea of the solution they wanted, then sought additional advice when they weren't offered it. This was often the result of having done further research themselves. They approached organisations to confirm they could get the solution they wanted, and if they weren't happy with the solution suggested, went elsewhere.

In some cases, this might mean that people using debt advise services are 'shopping around' for solutions they 'prefer'. There is some indication that is approach is more likely to be taken by people who with higher capability, and from higher socio-economic groups, higher education qualifications, and higher incomes. It could be that people in these groups are more likely to have the resources and confidence to take this approach.

For example, Mary (78) wanted to check that the advice she had been given was correct and sought another opinion to confirm this. Mary was struggling for money after she had retired from work, and had had built up around £14,000 across three credit cards. After seeing adverts on TV and social media around equity release clauses, she thought that solution might be appropriate for her. She sought advice to confirm that she would be able to do this, but was told that a lease in her clause made her ineligible and suggested she take a Debt Management Plan instead. Mary did not want this, and so she went to another organisation to confirm if the information she had been given was correct. Mary ignored the advice and did not enter into a Debt Management Plan, instead choosing to manage her debts herself by making cutbacks in her spending.

Similarly, Jane (64), owed around £35,000 in debt following a marriage break down. She went to three different organisations for advice, but did not feel like any of them provided her with a solution she liked. She believes she has good relationships with her creditors and hopes to pay off her debts, but did not want to follow the advice of any of these organisations.

Some received advice and a solution from an organisation that they were initially happy with. Later, however, they became unsatisfied with the route taken or organisation itself. This meant that they would go to another organisation for new advice or solutions.

For example, Carson (56) was a repeat debt advice client. He initially received advice and a DRO from one organisation – he found the advice and the face-to-face format useful, but he disliked the religious stance taken by the organisation. After his DRO ended, he fell into further debt as his benefit payments were reduced and he was unable to work due to his health. He went to a different, remote, organisation as he had heard positive feedback about the organisation from a friend.

In some cases, those who were unhappy with the advice they received simply tried to manage their debts themselves, often feeling that they could try to 'muddle through' and manage through their own budgeting. These were often clients who had less severe debts and felt they had some leeway to make cutbacks.

For example, Laura (47) was advised to make cutbacks to her lifestyle to help with her debt, such as spending less on shopping and installing a prepayment meter. She felt this was unfair and decided to continue managing the debt herself by paying what she can above her minimum payments.

Others who sought advice from multiple organisations had taken unsuitable solutions that, later on, didn't seem to fit their circumstances or help to resolve the challenges they were facing.

For example, Rico (38) owed around £26,000 in debt. He initially started an IVA with a private company but was not satisfied with the level of advice he had been given, or the way that the options were explained. After starting his IVA, he then decided on bankruptcy through a national charitable organisation, who he felt gave him more informative budgeting help and debt advice.

The breadth of types of debt advice clients, their circumstances, their debt issues and potential solutions can make the delivery of debt advice a significant challenge for organisations across the country. There is common parlance to default to talking about "vulnerable clients" as one group, and separate from clients who are "not vulnerable" – but is this the most useful way to think about the client base for all different organisations?

Three core factors impact the needs, attitudes and experiences of debt advice clients

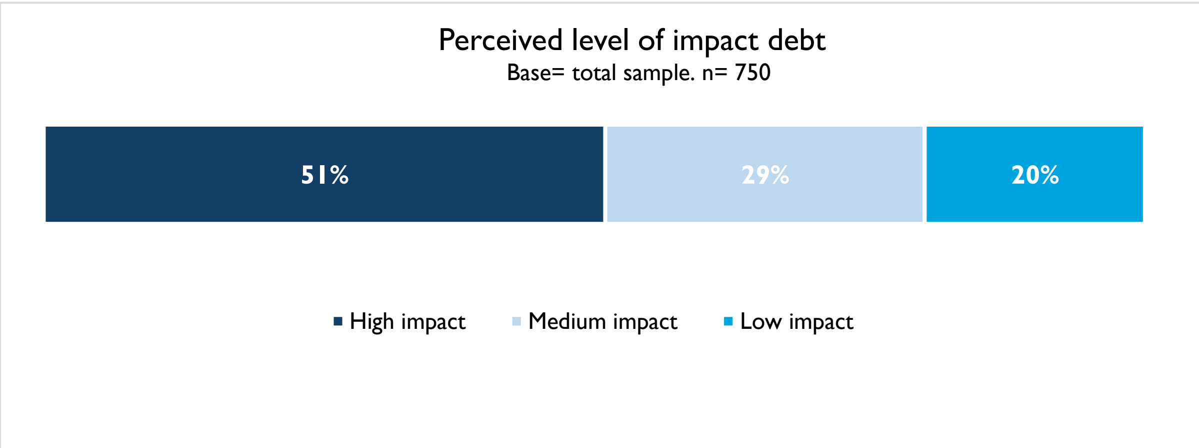
This work has identified three factors which seem to have the biggest impact on the needs, attitudes and experiences of debt advice clients. Although these are not new ideas, they seem to be the most accurate representation of how to break down the audience in the most useful way to understand what type of service should be delivered to them. By definition, debt advice is supporting clients through the presentation of legal solutions that they can choose from. Therefore, this section explores the motivation and psychology of customers within the qualitative sample.

1. The perceived impact of their debt

The specifics of the debt situations clients can find themselves in can vary hugely – in terms of the total amount owed, the number of creditors, and the types of creditors. Being in debt can also impact people in a range of ways, from specific financial impacts like finding it hard to get further lines of credit, to broader areas of life such as eviction or having energy disconnected, to the additional stress of debt affecting people's health and relationships.

However, throughout this qualitative work, there didn't seem to be any significant trends related to these practical or objective details. Instead, the biggest needs from advice seemed to stem from the perceived impact of the debt on their lives. How it felt to people seemed to dictate how they engaged with debt advice, what they were looking for, and how they could benefit from receiving advice.

Many of the of clients (51%) surveyed reported being heavily impacted by their debt, including declines in mental health, worsening personal relationships, and wider effects on their finances and control over their assets. Unsurprisingly, this category of clients is more likely to be on lower incomes. Those with disabilities, and particularly mental health issues, are also more likely to report debt having a higher subjective impact on their lives. This could be because disabled people have fewer resources than other groups to manage debt. In some cases, high levels of debt may be a cause of mental health issues.



Individuals who perceived their debt to have a high impact often felt overwhelmed and anxious, making relieving the pressure of their debt especially important. These people may be helped by a more holistic approach, including emotional support, practical steps to tackle their debt, and signposting to wider organisations for support.

For example, Patrick struggled with the emotional impact of his debts.

Patrick, 32
Cheshire

Remote advice
No solution

Patrick lives with his two children and works as a supervisor at a company. He has been experiencing debt for approximately 10 years and has found the last five years have been particularly challenging.

Over time, he built up debt on credit cards and loans, as he felt he needed them to supplement his income. He started to get behind on his payments and the debt built up. During this time, he struggled with the emotional impact of being in debt and felt he was struggling to get out of it.

He initially ignored his debts but could no longer when he received a letter from his bank informing him that they had frozen his credit card as a result. At the time of seeking advice, Patrick owed approximately £14,000 across credit cards and loans. He called his bank and was referred to a remote debt advice charity. He was advised to take a Debt Management Plan (DMP) but chose not to follow the advice as he felt this wouldn't give him control over his finances. Instead, he chose to follow the advice of Martin Lewis and ask his creditors for breathing space.

"Being in debt means that there are things that if I don't pay for, my life is going to get a million times worse…. It feels like being put in a hole, and every time I dig, somebody throws sand back in. So it feels like I'm fighting against the tide, and it's hard"

On the other hand, individuals who perceived their debt to have a low impact on their life often didn't feel as concerned and were less likely to see resolving their debt as a priority. In these cases, clients might need help recognising the importance of their debts and the potential consequences of neglecting them while providing support throughout the process.

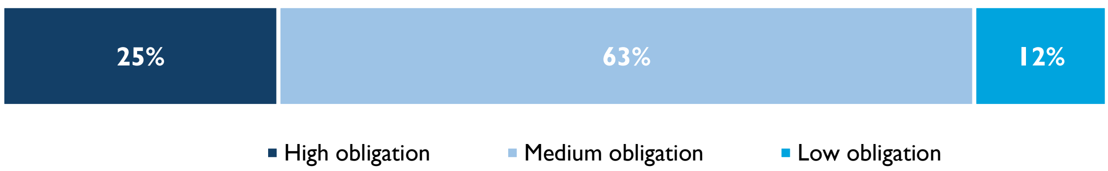
For example, Andre (39) sought debt advice after taking out a £40,000 loan for his business and getting into energy arrears of £800 during the pandemic. He initially found the loan repayments manageable and took payment holidays when needed, but the pandemic made this more difficult. He felt there weren't many consequences initially and kept 'living life' as he had been for his children. He was feeling hopeful about his financial situation, but saw seeking debt advice as 'research' to see what his options could be. He felt dejected when speaking with his creditors, but started a debt management plan after receiving advice.

2. Client attitudes towards best repayment

There were a range of attitudes towards debt and repayment highlighted through the qualitative interviews with clients. Some had a strong sense of obligation to pay back their debt in full and fast, as the 'right' thing to do. The sense of obligation to repay debt shaped how clients accessed debt advice, what they were looking for from the service, and their likelihood of following the advice or solution given to them. While debt advice does not itself not present repayment based solutions as 'better', by understanding a client's sense of obligation to repay there is the opportunity to better utilise motivational drivers or overcome any barriers.

These groups of clients were explored further in the client survey. Respondents were asked to define the extent to which they agreed or disagreed with a set of statements that related to attitudes people can have around debt. These included statements such as 'companies can cope if some customers don't repay their

Level of obligation felt to repay debt
Base= total sample. n= 750



debts', 'it is a high priority for me to repay my debts', and 'it is always wrong to avoid paying off your debts if you are able to do so'. [5]

Overall, most clients surveyed had a high sense of obligation to repay what they owed. There were a small number (12%) who felt a low level of obligation to repay the money they owed creditors. Young people were the least likely to view the ability to repay their debts as an important factor when making decisions about debt solutions. A fifth of all under 35s who had sought debt advice surveyed fell into this category. Compared to older age groups, they were less likely to see paying off debts as a high priority, more likely to believe companies could cope if some customers didn't repay their debts, and less likely to report having completed the debt advice they were given to the best of their ability.

For those who feel less of an obligation to repay their debts, this sometimes means a desire for their debt to be written off and led to a lack of compliance with filling out their I&Es and disengagement with advice. Clients with this attitude may need to be motivated in different ways to take steps forwards. This could potentially include the negative implications of not repaying debts, the cost of interest on debts, or emphasising the freedom of being without debt.

Many of these clients avoided their debts for some time, before a trigger moment caused them to feel they had reached a crisis point and take action. These moments included missing payments on credit cards or mortgages, or tangible reminders such as calls or letters from creditors. However, taking action did not always mean a shift in someone's sense of obligation to repay their debts – some sought advice with the goal of getting rid of the debt, rather than paying it off.

For example, Shane (54) first went into debt to pay for his wedding, despite working two jobs at the time. He and his wife felt they would always be in debt and felt it was an inevitable part of life, so they managed their debt themselves and made it work by juggling around their finances to maintain payments. However, when Shane was made redundant in 2021, they felt they could no longer manage their debts this way and sought advice.

Similarly, Nicole (47) started experiencing debt as she was paying high amounts of money for her daughter's rent and living costs at university. She built up approximately £8,000 of debt across credit cards and payday loans that she used to pay the credit card bills. She had previously been in debt and her partner paid this off for her, so she felt a sense of shame around being in debt again and didn't want to tell her partner. Nicole also struggles with depression and anxiety, which made it difficult for her to come to terms with the debt and take action. However, when she received a court summons and had her car, which was on loan, seized by bailiffs, she felt she needed to seek advice. She spoke to four debt advice organisations as she wasn't satisfied with what they were offering – she felt their language was too direct, impersonal, and didn't want someone else to be managing her finances for her. When she eventually decided on a national charity, she was told she was too late and couldn't be helped. In the end, she had no choice but to tell her partner, who paid the debt off for her.

A number of clients who felt a stronger sense of obligation to repay their debts often had a greater desire to start paying them off, leading to more committed engagement with advice. This was seen for clients with a range of levels of income and debt. They might benefit from being given more autonomy in managing their debt repayment and help in developing their financial capability skills to do so.

It is worth noting that the reverse is also true and that a high sense of obligation can also be a barrier to engagement. For example, these clients may not want to use an insolvency option – even if this might be the best outcome for them. In these instances, debt advice services may need to adapt their approach to encourage customers to overcome the aversion to insolvency.

For example, Arthur (47) struggled to manage his family's finances at a time when they were moving home and struggling with rising bills and interest rates due to the increasing cost of living. He built up £41,000 of debt across multiple credit cards trying to manage this. As he hadn't experienced debt before, and worked in a finance-related role, he felt a sense of guilt and shame around not being able to manage the family's finances.

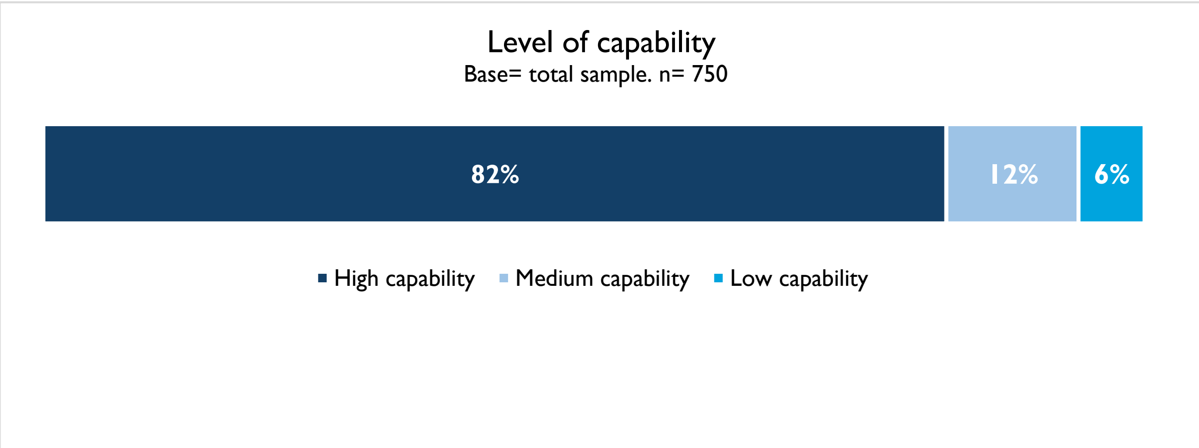
[5] "It is important to me to pay off what I know" was not included in the index as answers to this question were very similar to the question "it is a priority to pay off what I know". Including both measures in the index would mean that the overall score was weighted towards that concept.

He looked into debt solutions himself and was very uncomfortable with the idea of writing off the debt, as he felt this would be avoiding responsibility. He wanted to pay everything back and feared potential consequences on his professional life. In the end, he went to a fee-paying company to consolidate his debts and make a plan for repaying his debts.

3. Financial and wider capability

Clients came into debt advice with wide ranging backgrounds and experience, meaning capability levels varied widely as well. This was both in terms of financial skills but also in other areas of their life, such as general organisational skills, literacy, numeracy, understanding of complex bureaucratic systems, and some elements of physical or mental health conditions.

Overall, four in five clients (82%) surveyed had high capabilities. This included feeling confident doing financial-specific activities such as managing their money or dealing with financial paperwork, to broader skills in life such as managing administrative tasks or managing daily responsibilities. They were more likely to have higher incomes, more educational qualifications, and experience fewer objective or subjective impacts of debt on their life.



Clients with higher capability levels had often simply fallen into debt due to income shock or change in circumstances. They had a more comprehensive understanding of the advice and concepts that were being explained to them and a greater ability adapt their spending and behaviours better, and so they usually required advice that would help them with their current circumstances. These clients may benefit from being encouraged to take more responsibility for their debt and use their financial understanding to adapt their spending in the long-term to avoid falling into debt again.

The proportion of clients surveyed who had 'low' capabilities was small (6%). However, compared to clients with higher levels of capability, this group were more likely to report feeling more severely impacted by their debt, in terms of negative effects on their mental health, stress levels, and sleep. They were also more likely to be contacted by their creditors, bailiffs, or the courts.

As well as being more impacted by their debt, this group was likely to need more intensive support. Advisers reported clients with lower general capability levels tended to struggle more with understanding advice and acting on their money and debts. These clients may require basic financial budgeting support and digestible strategies to manage their money and affairs better, to level up their skills around money and help them understand their situation better.

Struggling with one category of capability did not necessarily mean people would struggle with all. For example, some clients had higher financial capability but low organisational capability, leading to difficulty in managing their debts. Other clients had high organisational capability but low financial capability, requiring more support in understanding financial concepts and managing their money effectively.

What do debt advice services look like now?

REVEALING REALITY Money & Pensions Service

What do debt advice services look like now?

Many debt advice organisations reported giving more advice remotely than before the pandemic

Many debt advice organisations surveyed had changed their delivery channels as a result of social distancing rules, with over half reporting a shift towards remote offers since the onset of the pandemic.[6] Of the remaining organisations, four fifths said they regularly offered remote services both before and after the pandemic. Remote services were delivered through a range of channels, including phone calls, video calls, WhatsApp, and webchat. Of the 750 clients surveyed, 90% received at least part of their debt advice through remote channels.

Organisations continued to offer remote services to clients after in-person services were able to resume following the pandemic. As a result, many organisations now delivered 'omnichannel' support, meaning clients can access and interact with debt advisers through a variety of channels.

A few who had moved to or increased their use of remote channels felt there was still a significant benefit in having an initial appointment in-person with a client. In-person appointments allowed for time and space for both the client and the adviser to share detailed information and talk through any questions or next steps in a clear way. After this first in-person appointment, these organisations were then open to adapting to the needs of their client in terms of what channels were used for the remainder of their interactions.

> *"Most of our clients are happy to have a telephone conversation or have the combination of face-to-face and telephone advice. Many want the flexibility to come through and meet the adviser, and then follow that up with more telephone advice or email exchanges"*
> Senior debt adviser, Community organisation

Remote working was more flexible and efficient, but raised some challenges around quality assurance and teamwork

As well as remote offers for clients, many organisations moved to remote or hybrid ways of working. Many organisations reported certain benefits from remote working for advisers and the organisation. This included more flexibility in when advisers could see clients, as well as increased efficiency in the number of clients that advisers could engage with in a day. However, some did report that there were logistical challenges, such as navigating and sharing paperwork.

> *"We've realised that telephone support or remote appointments can work in many ways quicker. Because you're in control of the appointment. It cuts down a lot of the small talk"*
> Manager, community organisation

Remote working also improved the work-life balance for some advisers. It meant they could adopt working patterns to best suit their lives and personal commitments, such as childcare. Remote work eliminated the need for commuting, saving time and costs for advisers. A few organisations also reported financial savings on office rent, as a hybrid working model reduced the need for office space.

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[6] As highlighted in the methodology section, the sample for this survey had a skew towards small, local level organisations. Of the sample of 85 organisations, over half the sample were organisations with 10 or less employees, and only two were nationwide.

> *"For the whole workforce, working from home means we have that flexibility because you're not having to spend time travelling."*
> Debt adviser, community organisation

However, some advisers felt less supported working remotely than they did before the pandemic. While training was still available over video call, they found remote working meant they received less support and supervision when dealing with stressful and complex circumstances with clients. Some advisers found it more difficult to discuss challenges with their managers, as many opportunities to talk through difficulties informally disappeared when working from home.

> *"Remote working has definitely been challenging in terms of supervision for some advisers. The information is all there in case you need it, but the more pastoral sense of supervision and support has been more difficult."*
> Senior debt adviser, national organisation

Remote working also posed new challenges in terms of quality assurance, with less supervisor engagement. Some organisations had tried to adapt, now relying on different channels and mechanisms to quality assure and upskill staff. For example, one national organisation reported an increased reliance on national information provided through their internal staff learning systems, and one-to-many learning content, such as webinars, as advisers are engaging less with their local supervisors.

Some advisers also found it hard to adapt to virtual training, however. Organisations that relied on volunteers often had to quickly upskill people with limited digital skills. Even with slightly less demand in the first months of the pandemic, some had to reduce their workload to ensure training was done.

> *"Training was given over Teams rather than face-to-face. The same was true with new starters, which we found was a bit of a struggle. It's already a lot of information to take on, without having to do it on PowerPoint."*
> Debt adviser, national organisation

A few organisations reported that the move to remote working across both debt advice and creditors' organisations had weakened relationships between them. It was harder for advisers to communicate with creditors and put solutions in place for their clients. A few organisations described increased challenges in being able to contact the 'right person' at a creditor or other support organisations that they would signpost clients to. They found themselves having to go back multiple times and found it more challenging to find the correct contact details.

> *"Contacting creditors has got a lot harder with Covid because they expect you to have an online account or an app… In the past, we would have emailed them or written to them. Now, you go into a webchat and they don't have an email address and they don't know what the address should be."*
> Debt adviser, community organisation

Remote debt advice benefited some clients more than others

Some clients were perfectly happy with a remote service

For some clients, a remote service worked well and delivered what they needed in terms of accessing and receiving debt advice. This included clients who had received community advice in a remote format and advice from fully remote organisations. Unsurprisingly, advisers reported that clients who tended to get the most value from remote advice were those who felt more confident online and using digital devices, as well as being more skilled and knowledgeable when it came to their finances. Those who had more straightforward debts and fewer wider stresses or complications in their life also tended to find the remote offer easy and straightforward.

For example, Melissa is 28 years old and lives with her partner and children. She was satisfied with having regular check-ins remotely and felt she received a consistent level of service. She spoke with the same adviser for her follow-up calls and appreciated the level of 'positive pressure' she felt from this.

40% of organisations surveyed reported that young people and families with children had benefitted most from an increased remote offer of debt advice. During interviews, advisers reflected that this was likely due to their benefitting from the increased convenience and flexibility as debt advice could now fit around the demands of family life.

> *"I'm broadly stereotyping here, but younger single people, young parents, single parents, they are more than happy to get a phone call. It saves some bus fare, it saves them having to get the kids watched."*
> Manager, Community organisation

Clients who seemed less committed to following advice tended to have less success through remote services

There have always been clients who disengage from debt advice. Advisers reflected that this seemed even more likely from some clients who used remote-only channels. Some referenced the increased difficulty of building rapport with clients when speaking remotely, making it harder to hold clients to account or ensure they felt motivated to actively engage. It's worth noting that building rapport remotely is not impossible, but that it might require a considered approach to service design, as well as alternative training and skills to in-person channels.

For example, Nabeel had experienced a shift in contact from phone contact to online, which shifted how he was engaging with the organisation.

Nabeel, 41
Yorkshire

Remote advice
Debt management plan

Nabeel sought debt advice from a remote organisation after having £110,000 of debt from his mortgage, loans and credit cards. After speaking with an adviser, he entered a debt management plan.

Whilst on the plan, he had experienced a shift from in-depth phone contact with the organisation to a solely online function, with little direct contact. Each year, he filled in an income and expenditure form that was automatically emailed to him. When he first began the plan, he was required to submit documents and have a phone conversation with an adviser to review what he had submitted but had noticed that the follow-ups had stopped in the last two years, leading to him believing no one was reading it in detail.

He was concerned that his true income would flag him as not being able to afford his repayments, and so took this as an opportunity to alter the figures he included to suit his needs.

"Now, you do your budget review online. If I'm putting the same figures back in, then there's no reason to speak to me. So even if one of the figures has changed by £10 a month, I could adapt the rest, so the figures stay the same, and they wouldn't have to call me"

Some advisers thought remote services were less effective for customers with additional needs

Beyond challenges around building rapport, some vulnerabilities or capability levels also factored into how effective remote channels were for clients, and led to preferences for in-person support. This was often linked to mental or physical health conditions, digital literacy, and financial capability. In other cases, advisers reported challenges explaining financial details and outlining advice remotely for certain clients. Unsurprisingly, this was especially the case for clients who advisers felt struggled in terms of their financial capability.

> *"Our clients are unable to engage over the phone or digitally because they have physical or mental health issues, because they're isolated, or they don't have the digital connection to be able to get online, or don't know how to do it."*
> Senior debt adviser, Community organisation

Debt advisers dealing with less digitally confident clients or those they considered more vulnerable expressed a strong preference for face-to-face channels. One organisation was looking for new premises so they could revert to doing more in-person appointments because "they work much better, it can resolve things a lot faster, sitting down with someone". For now, they were reserving face-to-face services for those who they saw as the most vulnerable. This included those with mental health conditions, those who struggled with reading and writing, or were digitally excluded, and thus unable to easily "jump online" to check information or contact creditors.

One debt adviser working in a smaller, community-level organisation said that many of their clients weren't confident using digital devices and struggled to share necessary documents via email or text. Another adviser was trying to overcome this by asking clients to show their documents over video calls, which weren't always possible to read.

> *"Plenty of people want telephone advice but it does come with challenges… Mainly providing documents and sending encrypted emails – a lot of clients with mobile phones can't do that because their phone won't allow them to. So it means clients are being excluded from receiving emails."*
> Debt adviser, remote organisation

Remote services also seemed to be more challenging for clients with language barriers or limited internet access. While remote translation services were available, many advisers reported that non-English speaking customers still didn't receive as good a service as English speakers because of challenges finding information online, initially contacting organisations, and feeling clear on what next steps were.

> *"Everything is digital by default now. But people who have got English as a second language can't communicate through those channels and don't understand what's going on with their claims. The most vulnerable, the people who struggle the most, are just left drifting."*
> Debt adviser, National organisation

How well are debt advice services meeting clients' needs?

REVEALING REALITY

Money & Pensions Service

How well are debt advice services meeting clients' needs?

This report has highlighted recent changes to how debt advice is delivered by organisations, with a clear increase in debt advice being provided through a range of remote tools. Who is seeking debt advice has expanded to new groups of clients that may not have previously sought debt advice. This includes middle earners who don't have significant debts, and people on the lowest incomes, often facing deficit budgets.

So how well are the new ways of delivering debt advice meeting the needs of customers, both pre-existing and newer groups? Overall, the core customer needs identified in previous MaPS reporting on debt advice still require work in terms of service delivery. Alongside these, additional challenges for delivering high quality debt advice in the post-pandemic landscape were raised. These included clients' long-term financial wellbeing and capability, finding solutions for those with deficit budgets, supporting those with mental health conditions, and making the best use of a range of access channels.

There was limited evidence that advisers are focusing on clients' long-term financial wellbeing and capability

Long-term financial wellbeing or capability was not often mentioned by advisers and organisations as a priority. This lack of emphasis on financial education suggests that it was not forming a core part of their processes. Some clients did seem to come away from the debt advice process with improved financial capability and budgeting skills. This tended to be the outcome of having gone through their income and expenditure as part of the process, rather than a formal 'financial education' element.

For example, Louis (25) lived alone and had recently graduated university. He had built up debts of approximately £24,000 from his undergraduate and postgraduate degrees, the latter being with a for-profit loan company. He began struggling to make rent payments, so he contacted a debt advice charity. He received remote advice over a few online touchpoints but felt he hadn't been given clear guidance or a clear plan for how to deal with his debts, and that the budgeting advice he was given, such as spending less on groceries, would not help with his debts. The charity advised him to contact his housing association, but he is struggling to get a response, and his financial situation is worsening.

The lack of emphasis placed on improved financial wellbeing and capability could be explained by the high volume of clients reaching out to organisations and the lack of resources advisers reported. In some cases, it seemed that advisers felt they had to prioritise meeting short-term, immediate needs, or felt that shorter-term relief was possibly more appropriate than long-term.

As a result, it seemed that advisers were often focusing on the immediate goal of relieving clients' debt or finding a possible solution, rather than longer-term education. When debt advice organisations are feeling stretched or under pressure, it is understandable that they may not be prioritising longer-term education, and prioritising meeting immediate client need instead.

Organisations expressed difficulties in finding solutions for budget-deficit clients

As mentioned previously, debt advice providers reported they had seen an increase in clients with deficit budgets. Many reflected this was likely linked with the impact of the pandemic of their employment or the rising cost of living, including energy bills and food.

Typically, advisers used the income and expenditure process to find ways to maximise a client's income, understand their spending habits, and manage how the client was going to be able to pay back their debt. Advisers reported this process becoming increasingly challenging as they struggled to find additional sources of income or ways to reduce someone's expenditure, whereas in the past, it felt like there had been more flexibility to do so. They were struggling to find solutions for these clients and reported feeling unsure as to which solutions to suggest. There were many cases for example where clients may not have enough spare budget to make any payments towards a debt management plan. It could also be the case that even a customer who has managed to clear their debt through a debt relief order, may immediately be reliant on further credit but won't be eligible for another order for 6 years and won't be able to afford to take bankruptcy.

Across advisers and organisations, it seemed that different approaches were being taken to this. This was especially in terms of what different advisers saw as ‘reasonable’ suggestions to make to reduce someone’s expenditure.

In situations where clients did present deficit budgets, organisations reported that they were trying to write-off clients’ debts or looking for charitable solutions to finance solutions, such as applying for funds or grants.

> *“The number of clients who have a deficit budget and the size of these deficits has increased massively. It’s quite a rarity for us to talk about making payment arrangements for clients these days because they've got no available surplus to pay to anybody… It’s really difficult when you're talking to a client who's got more than they’ve got coming in, what solution do you offer them? You can tell them to write their debts off through insolvency, but they’ll be back in six months’ time looking for advice again and that’s not what we want.” –* Organisation manager, community organisation

Supporting clients with complex mental health conditions raised significant challenges for some advisers

Advisers reflected that clients with significant mental health challenges often faced more challenges at many different stages of the debt advice process. Some had a poorer understanding of debt advice and could disengage more frequently. For some, this meant that they needed a greater number of touchpoints with the debt advice service or more in-depth contact, such as face-to-face appointments. Of the 750 clients surveyed, 11% reported experiencing temporary issues with their mental health, with 15% reporting long-term challenges. While this is not a majority of clients, the additional challenges advisers felt these clients had receiving debt advice make the needs of this group an important one to explore.

> *“I think post-pandemic, we're seeing a lot more people with vulnerabilities and additional needs that we're having to support… I think there is a visible difference to pre-pandemic”*
> Manager, community organisation

In addition to these needs around debt advice, advisers reflected that these clients typically required greater and more holistic support than what could be offered through the current scope of their debt advice service. This may be connected to a possible lack of other options for support around other challenges they’re facing, such as mental health or their living situation. Some advisers mentioned that they felt many had closed as a result of the pandemic.

Advisers noted there had always been additional challenges when supporting those with mental health conditions, but that the volume and complexity seemed to have grown – potentially as a result of the pandemic and cost of living pressures. This may be linked to worsening mental health due to lockdowns and financial pressures.

Advisers were trying to adapt in a range of ways, with a tension between the benefits of in-person versus remote. Some felt that a remote offering would work best in these situations, as this would give clients the flexibility to engage when and how they wanted to. It may also be easier for someone to feel comfortable rather than travelling to and attending a face-to-face appointment. However, they flagged that remote offering for these clients did also create challenges around engagement. Other advisers felt that a more in-depth face-to-face approach was better-suited for clients with more complex mental health needs, who they felt typically needed greater support. However, many organisations that said this were those with a predominantly in-person offer. It’s also worth noting that of the 750 customers surveyed, the types of people who had used remote versus in-person were roughly the same. This suggests other factors or needs were driving people’s use of channel, such as mental or physical health.

Some advisers hypothesised that clients were coming to debt advice with wider issues in lieu of other mental health or support services. They expressed that clients were approaching them with challenges beyond debt advice – such as mental health challenges, longer-term challenges around work and unemployment and illness – and felt that this may be due to shortcomings by other similar services. This was also reflected in the customer survey as a number of the issues experienced by those seeking debt advise were not directly related to income and expenditure. Respondents reported experiencing mental health issues (15% longer term and 11% temporary issues), physical health issues (12% long term and 6% temporary) and domestic violence (4%). Additionally, 16% mentioned they hoped to be signposted to other services as part of the support they received. This could suggest that some demand is coming from people who might have benefited from alternative forms of support.

Similarly, advisers described stressful encounters with clients in which they expressed struggling with wider issues. Advisers described these encounters as being emotionally taxing and well outside the scope of their role and training.

> *"A lot of our clients might have other issues, so we signpost them to counsellors, food banks, social care and homeless shelters…. It is extremely testing work, and sometimes it is emotionally traumatic as sometimes clients react angrily."* - Adviser, community organisation

Communication channels are not always being used strategically to best support clients

Although there were some examples of organisations suggesting certain channels for specific elements of their service, there was rarely a strategy or structure in place to outline which channels worked best at which points or for which clients. Some organisations were offering omnichannel approaches for clients. For example, community organisations offering a predominantly face-to-face service using telephone contact with clients for smaller moments during the debt advice journey that require less time, such as requesting information or double-checking details. This approach could provide greater flexibility for clients to engage as and when they want to, as well as having benefits around resource and saving time for debt advice organisations.

Debt advisers felt that the pandemic and associated lockdowns had made some clients more comfortable on the phone. A few advisers also noted remote channels worked better for some clients, especially those with full-time jobs as they found it easier to schedule calls for the evening.

> *"We used to deliver all services face-to-face, but now we have a hybrid model. We still do deliver face-to-face advice, but also do a lot more on telephone."*
> Debt advice manager, community organisation

> *"We're a predominantly face to face organisation with clients coming into our office as we feel that's what works best for our clients. However, we communicate by phone call in the middle of the process to get basic information or for clarification with them, or if we know the client well."*
> Manager, Community organisation

It's worth noting that as many of these changes were made rapidly in response to the Covid-19 lockdowns, it is understandable that many organisations were instead simply offering a range of options to clients, often leaving it to their personal preference.

Opportunities

Opportunities

The pandemic, and the subsequent ‘cost of living’ pressures, has shaped both the number and profile of clients accessing debt advice, and prompted changes in the delivery channels used by debt advice organisations, with a shift to remote or omnichannel service delivery.

While many of the clients accessing debt advice have characteristics similar to those accessing advice before the pandemic, there is a new tranche of clients. These clients are typically middle-income earners, who have faced unexpected financial struggles due to rising costs, and have not had prior experience of debt. Organisations also described an increase in their low-income customer base facing challenges with budget deficits.

These changes to the economic landscape, the provision provided by debt advice organisations, and the volume and types of clients who are seeking advice all pose dilemmas for debt advice organisations, but also open up exciting opportunities for the ways in which the debt advice sector can change.

Below, we explore some of these opportunities to improve debt advice so that it better meets the needs of people in the UK.

How could remote debt advice options be deployed more strategically?

- How can omnichannel be utilised better to be more tailored to different respondents’ needs?
- How can omnichannel offers work for more complex cases and vulnerable groups?

As outlined in this report, many organisations were delivering more debt advice remotely than before the pandemic, and using a wide array of channels to do so, such as phone, video call, email, text, WhatsApp, with some also starting up webchat avenues.

However, most organisations were not tailoring their channel usage to individual clients’ needs at appropriate points of their debt advice journey. Some clients were happy with a purely remote service, but other clients would have preferred more face-to-face contact, especially during the initial meetings with advisers.

There is an opportunity to tailor clients’ debt advice to suit their preferences and needs at different stages of their debt advice journey, so that debt advice organisations can deliver advice that is most appropriate to clients’ needs, while also making the most of the flexibility that a predominantly remote service has given organisations.

This also applies to the service delivered to clients with the most complex needs and to vulnerable groups. Typically, debt advice organisations reserved face-to-face appointments for those with the most complex needs and vulnerable groups, but there is scope to use a more effective omnichannel service for these clients. It is also worth noting that, as there are many different facets of vulnerability, an option for remote provision may work better for some circumstances.

Deciding how to get the best value from remote versus face-to-face debt advice services, and how to determine which type of service is most suited to each client may involve considering factors such as the complexity of the client's debt situation, their preferred mode of communication, and their level of confidence and trust in digital technologies. It may also involve ongoing evaluation and monitoring of service delivery to ensure that clients are receiving the support and guidance they need to manage their debts effectively.

Where could a ‘lighter touch’ debt advice deliver value?

- What is the best offer for those who are more capable, with less complex or smaller debt issues?

Debt advice organisations were providing advice to a newer cohort of typically middle-income earners, facing unexpected financial challenges due to rising costs, who had previously not accessed debt advice. This cohort often had different needs, such as higher capability and smaller debt issues. There may be value in exploring how to change the offer to best meet these customer’s needs, which could be ‘lighter-touch’ compared to other, more complex, customers.

How can debt advice services respond to the broadening array of issues clients bring to debt advice?

- How can debt advice services respond to wider complex needs without taking these on themselves?
- How can clients be directed towards alternative services to support with wider needs?

Organisations reflected that clients were presenting to them with complex needs, which went beyond debt. This was particularly true for co-located community-based organisations, where clients could be referred into debt advice having approached the organisation for another type of support. These wider needs included complex mental health challenges and wider challenges, such as physical health and illness, work and unemployment. Debt advice organisations are not typically set up to deal with these complex issues and it is not their responsibility to do so, and so there is a question around what they should be expected to do in these situations.

How can debt advice services ensure solutions are tailored to clients' motivations?

- How do debt advice services enable as many people as possible to access the right service the first time, and do not bounce around?
- How do debt advice services ensure advice is reframed and tailored to client's motivations?

Some clients had gone between services before accessing a debt advice service that worked for them. Often customers were not happy with the solution they were offered so would look elsewhere. This may involve a more comprehensive discussion about options available to clients, and more collaboration between debt advice providers to ensure that clients are directed to the most appropriate service for their needs.

How can debt advice deliver long-term changes for clients?

- How can the debt advice journey best ensure a long-term vision for clients that improves their financial capability?
- How can debt advice organisations make clients feel responsible, proactive, and in control about their debt?

There is a need for a long-term vision for clients that improves their financial capability and longer-term outcomes. This could involve providing ongoing support and guidance to help clients manage their debts, improve their financial literacy, and develop the skills and confidence needed to take control of their finances.

It is important for clients to feel responsible, proactive, and in control of their debt. This may involve debt advice services providing advice and support that is tailored to their motivations and takes into account their individual circumstances, goals, and aspirations, as well as offering practical tools and resources that help them to take action and make positive changes.

How can debt advice services ensure quality and support for clients are maintained with delivering remote services?

- How can clients feel as supported by a remote service as an in-person service?
- How can the best relationships be formed with all different types of creditors?
- How can debt advisers feel supported by their colleagues in remote working settings?

The shift to remote working has posed challenges for quality assurance and teamwork within debt advice organisations, as well as difficulties in working with partners such as creditors. For some clients, this shift has made it easier to disengage with services.

While it has bought about some benefits to advisers and organisations, steps should be taken to ensure service quality and levels of support for clients are maintained.