



Study on European consumers' over-indebtedness and its implications

Focus group research findings: Ireland

Ipsos
September 2022



EUROPEAN COMMISSION

*Produced by European Innovation Council and SMEs Executive Agency (EISMEA) on behalf of
Directorate-General for Justice and Consumers*

Directorate B - Consumers

Unit B.1- Consumer policy and sustainability

Contact: Francesco Gaetano

E-mail: Francesco.GAETANO@ec.europa.eu

European Commission

B-1049 Brussels

Table of Contents

- 1. Introduction.....4
 - 1.1. Methodology 4
 - 1.2. Interpreting the data 4
- 2. Focus group findings for Ireland6
 - 2.1. Awareness and perceptions of the problem of over-indebtedness..... 6
 - 2.2. Coping Strategies for over-indebtedness 8
 - 2.3. Measures to tackle over-indebtedness 10

1. Introduction

This report presents the findings of focus group research conducted in Ireland as part of a study of European consumers' over-indebtedness and its implications. The aim of the focus group research was to gather improved knowledge of the perspectives, perceptions and wider challenges of consumers as regards over-indebtedness, with a particular focus on identifying how they would respond (or have responded) to finding themselves in this situation.

1.1. Methodology

Online focus groups (each comprising 5-6 participants) were conducted in 18 EU Member States: Bulgaria, Croatia, Czechia, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, the Netherlands, Poland, Romania, Slovakia, Spain and Sweden. Two groups were conducted in each country, one among consumers who had experienced over-indebtedness and the other among consumers who had not¹. Quotas were set with the aim of ensuring that both groups included a mixture of consumers based on gender, age, income, working status household composition, area type (urban/rural) and self-assessed level of financial education² and financial literacy³. While every effort was made to meet the quotas, this was not always possible: Some last minute drop-outs from the focus groups necessitated additional, late stage recruitment, during which it proved challenging to identify substitute participants who met all of the relevant criteria. Table 1.1 (overleaf) shows the target and achieved sample profile for each of the focus groups in Ireland.

The focus groups were conducted by experienced qualitative researchers in the main national languages of the countries concerned. To ensure a consistent approach across the countries, the moderators used a discussion guide designed by the core research team in discussion with the Contracting Authority. All fieldwork took place between 28 July and 11 August 2022.

1.2. Interpreting the data

Qualitative research aims to identify and explore themes and issues relating to the subject being researched. The assumption is that themes and issues raised by participants reflect themes and issues in the wider population(s) concerned. The precise extent to which they apply to those wider population(s), or specific sub-groups, cannot be quantified – for example, in terms of percentages – or generalised beyond participants in the study (as is possible with representative survey research). The value of qualitative research rather lies in identifying the range of relevant perspectives and experiences that exist, the considerations underpinning these, the ways in which people construct meanings and understand specific issues, and the potential impact or implications of all of this. With regard to focus group research specifically, the dynamics of the discussions can reveal a rich tapestry of viewpoints and understandings

¹ Experience of over-indebtedness was assessed using the following question: *In the last 5 years, have there been any periods lasting more than one month when you have been unable to afford all of your payments or financial commitments, resulting in you getting into debt? Payments or financial commitments might include things like your mortgage or rent payments, utilities bills, credit repayments, insurance payments or other outgoings.*

² Financial education was assessed using the question: *People have different attitudes and behaviours in relation to personal finances. How much importance would you say you place on things like budgeting and saving? A great deal, a fair amount, not very much, none at all, or is it not something you think about?*

³ Financial literacy was assessed using the question: *How would you rate your overall knowledge on financial matters? Would you say it is very high, fairly high, about average, quite low or very low?*

among group participants, while at the same time disclosing group social norms and consensus.

Table 1.1: Target and achieved sample profile for the focus groups in Ireland

Variable	Target composition per group	Group 1: consumers who had experienced over-indebtedness	Group 2: consumers who had not experienced over-indebtedness
Gender			
Male	At least 2	2	3
Female	At least 2	4	3
Age Category			
Under 55 years old	At least 4	5	5
Over 55 years old	At least 2	1	1
Household Structure (Under 55s only)			
Single person household	At least 2	2	4
Household with children under 12 years	At least 2	3	1
Income			
Middle income	At least 2	4	2
Lower income	At least 3	2	4
Working Status			
Full-time or part-time (on a stable basis)	At least 2	4	5
Not working / working only occasionally	At least 3	2	1
Urbanity/Rurality			
Large town/city	At least 3	2	4
Small to middle-sized town or rural	At least 2	4	2
Financial education			
Higher	At least 3	4	5
Lower	At least 2	2	1
Financial literacy			
Good	At least 2	3	2
Poor	At least 3	3	4

2. Focus group findings for Ireland

Key Insights

- The focus group participants in Ireland believed that having some form of debt was very common. They also believed that over-indebtedness was common and, indeed, becoming increasingly so.
- Perspectives on the main causes of over-indebtedness differed slightly depending on whether or not participants had themselves experienced the problem. Those who had tended to see it as resulting mainly from external factors, such as the rising cost of living, unexpected expenses, and the ready availability of online loans and pay later apps. Those who had not experienced over-indebtedness tended to focus more on individual-level causes, such as a desire to have the latest consumer goods in response to peer pressure.
- Suggested coping strategies in the face of over-indebtedness were maximising one's income through employment (including by working extra hours or in more than one job), minimising non-essential expenditure, shopping around for the best interest rate on loans, avoiding quick loans, making use of credit unions, drawing up a household budget and seeking external support.
- Participants were aware of various different types of external support available to consumers in Ireland, including social welfare benefits, government grants for home repairs, and debt advice provided by local authorities and the Money Advice and Budgeting Service (MABS). Those with experience of over-indebtedness placed particular value on such external forms of support – whereas those with no such experience were more inclined to emphasise the importance of taking personal responsibility for solving one's financial problems.
- Particularly popular measures for tackling over-indebtedness were measures aimed at improving the types of credit services available (among those with experience of over-indebtedness) and financial education programmes (among those with no such experience).

2.1. Awareness and perceptions of the problem of over-indebtedness

Asked what came to mind on hearing the term **debt**, participants in Ireland mentioned a range of exclusively negative associations. All of them associated debt with feelings of fear (for example, in relation to facing late payment penalties from the bank) or stress. Participants with experience of over-indebtedness also associated debt with general financial instability and lacking a sense of control over one's situation. They emphasised the pressure that having debt could put on a person's income, especially if their purchasing power was also decreasing due to bills going up, which could make it difficult to meet other regular expenses like rent or mortgage payments. Participants with no experience of over-indebtedness observed that the term debt generally carried negative connotations in society and often brought stigma and shame to those affected, sometimes to the detriment of their mental health.

"With all the bills that I have to pay, I'm scared that if I can't do it the bank will come and take over my mortgage."

(Male, under 55 years old, experience of over-indebtedness)

"From [my experience at work], there is a lot of shame and stigma. A lot of people are afraid to ask for help."

(Male, under 55 years old, no experience of over-indebtedness)

All participants agreed that being in debt was very common and they identified a variety of underlying reasons for this. Firstly, they contended that the practice of taking out loans was widespread to the point of normal, referring to mortgages but also to unsecured loans for leisure activities or holidays. Secondly, they felt that the increasingly ready availability of online loans made the borrowing process easier and faster than ever, resulting in some consumers having multiple loans simultaneously, including online loans on top of credit cards. Thirdly, they observed that the rising cost of living (specifically, rising energy, food and rent prices) combined with stagnating salaries meant that some people could no longer afford their regular bills. In this context, loans were seen as presenting an obvious solution. Finally, participants spoke about how social pressure, and especially peer pressure through social networks, often left people feeling that they had to own certain trendy products or brands in order to fit in.

"[Debt] is very common. Now, you can easily go online and get a loan. So, on top of your credit card debt you have these other debts. It's only going to get worse."

(Female, under 55 years old, experience of over-indebtedness)

"Much more people go into debt now. They can't afford simple things. I know people who take out loans for going back to school or even holidays, it's just a way of life now."

(Female, under 55 years old, no experience of over-indebtedness)

The term **over-indebted** was understood to refer to the situation of having an accumulation of debts, or multiple loans at once, and being unable to pay these off. Some participants elaborated that the over-indebted may find themselves in a situation where their debt repayments (or the combination of their repayments and their regular expenses) significantly exceeded their monthly income. At the same time, one participant with past experience of over-indebtedness was keen to point out that the situation could be characterised by having an accumulation of a large number of *small* debts, not just a few larger ones. Generally, over-indebtedness was seen as a very serious situation that was difficult to get out of. All participants believed that the problem, like debt generally, was on the increase. Those who had previously experienced it, said they knew people who were currently in the situation.

Participants' views on main causes of over-indebtedness tended to differ depending on whether or not they had themselves experienced the problem. Notably, both groups agreed that over-consumption and unemployment resulting from the COVID-19 pandemic were among the key causes. However, those with experience of over-indebtedness also emphasised the impact of the general cost of living increases, discussed above, as well as the role of unexpected expenses (such as home repairs), and the growing use of online loans and apps that allowed consumers to pay later (such as Klarna or Clearpay). They contended that such debt repayment solutions made the borrowing process easier and also gave borrowers the impression that they would be able to pay back the money quickly – whereas, in reality, they may end up taking out too many loans and struggling to repay these alongside their other regular bills. Participants with no experience of over-indebtedness, meanwhile, attributed rising

over-indebtedness to the impact of social media and the extent to which it contributed to consumers feeling “obliged” to have the latest consumer goods.

“Klarna or Clearpay gives you the impression that it's easy to pay for small things but it's just adding to your actual debt. Every month, you have multiple bills to pay. They are automatic payments, you can end up with an overdraft.”

(Female, under 55 years old, experience of over-indebtedness)

“There is a lot of [...] keeping up with the Joneses, or, if you like, keeping up with Kardashians [...]. I have nephews and they don't understand the difference between buying something used versus buying something new.”

(Male, under 55 years old, no experience of over-indebtedness)

2.2. Coping Strategies for over-indebtedness

To stimulate discussion of, and gauge participants’ perspectives on, possible coping strategies in the face of over-indebtedness, they were presented with two different vignettes, each describing people who were over-indebted, then asked what they felt these people could do to improve their situations. The vignettes are presented in Figure 2.1 below.

Table 2.1: Over-indebtedness vignettes presented in the focus groups

Vignette 1	Vignette 2
<p>Niall and Aisling are a married couple who live with their two school-age children in a house that they rent from their local commune. Aisling works in a call centre part-time. She is reluctant to work more hours because she previously suffered from a stress-related mental health problem that left her unable to work for an extended period. Niall does not work because the couple believe that if he did, they would be worse off financially due to a loss of benefits. The couple regularly struggles to afford the combined cost of their rent, utilities bills and food bills. They also regularly use credit cards and other short-term loans to afford things like new clothes, household items, leisure activities and holidays. As a result, they have accumulated a high level of debt and struggle to see how they will ever pay this off.</p>	<p>Collin is 59 years old and lives alone in a small house which he owns. He works full-time in a care home, where he earns a low wage. He has looked for another job with better wages but has been unable to find one for which he is qualified. Over the last year, he has been finding it increasingly difficult to afford the rising costs of his usual bills and payments and has sometimes had to draw on his savings to do so. However, he recently had a problem with his roof and had to spend all of his remaining savings to have it fixed. As a result, he has had to start drawing on credit to afford his monthly outgoings, and his debt is mounting. He worries about facing another major unexpected expense as he would not be able to afford to repay a further loan</p>

2.2.1. Vignette 1

In response to Vignette 1, both groups agreed that the couple’s situation could have been avoided through better financial decision-making – though one participant with experience of

over-indebtedness felt like the underlying reasons for the couple's reliance on credit cards were not sufficiently clear to draw such immediate conclusions.

Suggested coping strategies for the couple included:

- **getting back to work:** Participants were unequivocal that Niall could earn an income that exceeded the benefits he received. Some also felt that Aisling could increase her working hours if she first sought treatment for her mental health issues
- **avoiding unnecessary expenses** (including clothes, leisure and holidays) and spending only on essentials (rent, groceries and loan or overdraft repayments)
- **using credit card less and exercising caution in the use of short-term loans** – or avoiding such loans altogether given they tended to come with high interest rates
- **contacting the local council or a professional advisor to get help with budgeting and money management**, as well as **information on available benefits** or other forms of support. The Money Advice and Budgeting Service (MABS) was mentioned spontaneously as a possible source of professional advice

Participants with experience of over-indebtedness were quicker than those without to suggest external sources of support and benefits, and more likely to think these would prove effective. Drawing on their own personal experiences in this regard (including with MABS), they pointed out that professional advisors would be better-equipped than the couple themselves to come up with appropriate solutions to their problems. Participants without experience of over-indebtedness were more inclined to talk about the need for the couple to go back to work and take personal responsibility for resolving their situation – in terms of exploring available options and cutting out unnecessary spending.

"Both partners should work, that's the first option that comes to my mind. If they both work full time, they will have higher income and pay back their loans."

(Male, under 55 years old, no experience of over-indebtedness)

"They need a third party [...] to help them budget [...], help them see where they are overspending or where they could be making cost savings [...], so that they feel they are a part of [the solution]. That is really important from a mental health perspective as well."

(Female, under 55 years old, experience of over-indebtedness)

"First step should be to contact MABS, second step is to go to the social welfare. You can get benefits for three years, they can make a cost analysis, make up budgets and help you."

(Female, over 55 years old, experience of over-indebtedness)

2.2.2. Vignette 2

In contrast with their reactions to Vignette 1, all participants expressed sympathy for the man in Vignette 2 (Collin). Those with experience of over-indebtedness were especially sympathetic, describing Collin's situation as difficult, especially due to his age – they shared a view that a person's working situation, and by extension their personal finances, became more precarious in later life (due to reduced employment and salary opportunities, as well as a higher chance of redundancy). Those with no experience of over-indebtedness thought that Collin's situation was quite common, and that it pointed to the general importance of planning ahead and having sufficient savings. At the same time, they found it difficult to think of how Collin's

specific situation could have been avoided. Indeed, they tended to feel that he had somehow been “failed by the system” and was in an unfair situation.

"It's quite hard to find a solution for his situation [...] Because of his age, you can't expect him to work as much as younger people."

(Male, under 55 years old, no experience of over-indebtedness)

Suggested coping strategies for Collin included:

- **looking for an additional part-time job, extra hours at his current job or a new full-time job with better pay**, in order to increase his income
- **avoiding taking out multiple loans or short-term loans** with higher interest rates, to minimise any additional debt acquired. There was also some suggestion that, if did require a loan, he should **contact a credit union** as these offered lower interest rates and flexible repayment plans
- **applying for government grants for any future housing renovations** – which, it was noted, could potentially result in no-cost renovations
- **getting professional help from social welfare or other organisations** to access benefits and/or enrol in courses to improve his employability
- **contacting an insurance company** to see what they could cover for any future house repairs
- **making a monthly budget, including** setting out how much money he had coming in and going out each month, prioritising expenses, and planning how to pay back any debt

Participants with experience of over-indebtedness focused more than those without on the importance of Collin **managing his income through budgeting and seeking external help**. They were also generally quicker to come up with other actions he could take to improve his situation. One of these participants mentioned that a neighbour had been in a similar situation and reached out to **community welfare services**, which proved helpful. Participants with no experience of over-indebtedness, on the other hand, focused more on the need for Collin to **work more** to increase his income.

"I actually do know someone who was in this situation [...] Social welfare sorted him out with benefits [...] They were also able to [...] put him through the [heavy goods vehicle] course so he was able to get a job doing that."

(Female, under 55 years old, experience of over-indebtedness)

2.3. Measures to tackle over-indebtedness

Following on from the discussion described above, participants were presented with some measures that could be put in place to try to prevent people from becoming over-indebted, then asked for their views on these. The measures fell into three main types: measures to change people’s attitudes and behaviours; measures aimed at improving the types of credit services available; and measures to help people get out of debt when they experience it (Table 2.2 below).

Table 2.2: Measures presented to participants in the focus groups

Measures to change people's attitudes and behaviours

- Financial education programmes – for example, in the workplace and in schools - on the importance of budgeting and saving
- Advertising campaigns to raise awareness of the risks linked with poor credit choices
- Policies that encourage people to save more for the future or for short term or unforeseen needs (e.g., tax relief on investments or pensions savings, tax-free savings accounts)

Measures aimed at improving the types of credit services available

- Measures to encourage responsible lending practices (e.g., checking and ensuring loan levels reflect borrowers' financial status and ability to repay the loan with their income; limiting interest rates on credit to a reasonable level; and limiting fees for early repayment)
- The introduction of state-provided low- or no-interest loans

Measures to help people get out of debt when they experience it

- Increased availability of debt advice services
- Digital tools provided by public authorities to help people budget and keep track of their spending

2.3.1. Measures to change attitudes and behaviours

Participants' reactions to this sub-set of measures were mixed. With regard to the idea of **financial education programmes**, on the one hand those with no experience of over-indebtedness viewed these mainly favourably, seeing them as a good preventative method that could help to empower people. They felt that both schools and workplaces would be suitable settings within which to deliver such programmes, with the former providing an opportunity to educate children early on in life and the latter serving as an optional measure for those who felt they needed support during their earning years. They further suggested that the topic of budgeting should be a central focus for any education programmes. On other hand, participants with experience of over-indebtedness largely dismissed the idea of financial education programmes, on the basis that these would do nothing to address the key underlying cause of over-indebtedness, which they perceived to be the rising cost of living combined with stagnating salaries.

"When I think of tax reliefs, I think it will benefit rich people because most people can't afford having a pension and adding money to it. Richer people can afford pensions and more."

(Female, under 55 years old, experience of over-indebtedness)

"It's really important to have education around this topic, it will stop a lot of people taking out loans."

(Male, under 55 years old, no experience of over-indebtedness)

With regard to the idea of advertising campaigns to raise awareness of the risks of poor credit, choices, participants were generally dismissive. In part this was because they felt such advertising would be unlikely to penetrate people's consciousness given the flood of other adverts they encountered every day. Participants with experience of over-indebtedness also commented that the measure, like education programmes, would not tackle the root causes of over-indebtedness.

In terms of **policies aimed at encouraging people to save, participants generally felt that these would only help certain groups**, namely, the middle class and upwards, because people with lower wages either already did not pay much tax or could not afford to save. Indeed, the term “tax relief” was very much conceived of as something *‘for’* richer people.

2.3.2. Measures aimed at improving the types of credit services available

Reaction to this sub-set of measures was generally positive. The idea of **state-provided low- or no-interest loans was particularly well-received**, with participants viewing this as a sensible measure that would give people the welcome option of a loan that was easier to repay than products offered by other providers. **The idea of measures aimed at encouraging responsible lending practices was especially popular among participants with experience of over-indebtedness**, who felt that putting more responsibility on the shoulders of lenders would help counter the tendency for some consumers to lack self-control when it came to spending and take out loans they could not afford. At the same time, they commented that the implementation of the measure would need to be carefully monitored by government as there was a risk that lenders would remain more focused on their profits than on citizens’ best interests.

"[These measures] are really interesting, especially the state-introduced low interest loans. They already do it for business, why not for people?"

(Male, over 55 years old, experience of over-indebtedness)

"I think these measures can have a great impact. People would only take loans when they are actually able to pay them back and that are more suitable to their situation."

(Male, under 55 years old, experience of over-indebtedness)

2.3.3. Measures to help people get out of debt

Participants generally felt that these measures represented nothing new and so showed limited enthusiasm for them. They pointed out that good debt advice services already existed, with some referring again to MABS. Similarly, they noted that various budgeting apps were already easily accessible online. Aside from these points, there was also again comment that the measures, though potentially helpful for some people, would not address the key problems of stagnating wages and rising prices.

2.3.4. Other measures suggested

A participant with experience of over-indebtedness was keen to emphasise that any new measures or subsidies introduced to tackle over-indebtedness should be means-tested so that they were directed only towards those who really needed them. Meanwhile, a participant with no experience of over-indebtedness expressed a desire to see both a greater choice of banks for consumers and also government-supported investment products. On the latter point, he felt that, at the moment, someone wishing to invest (as opposed to merely save) was being penalised by the government through high taxation.

2.3.5. Summing up: Perceived most and least efficacious measures for preventing over-indebtedness

Overall, participants with experience of over-indebtedness felt that the likely most efficacious measures for tackling over-indebtedness were those **aimed at improving the types of credit**

services available (for reasons outlined above). Participants with no experience of over-indebtedness expressed greater support for **the idea of financial education programmes**.

In terms of the least popular of the measures, differences between the two groups were again evident. Participants with experience of over-indebtedness tended to be especially dismissive of measures aimed at **changing people's attitudes and behaviours** and those aimed at **helping people get out of debt**. Indeed, they characterised these measures as mere attempts to "make the government look good." Participants with no experience of over-indebtedness, on the other hand, were most negative about **measures to encourage responsible lending practices**.

GETTING IN TOUCH WITH THE EU

In person

All over the European Union there are hundreds of Europe Direct centres. You can find the address of the centre nearest you online (european-union.europa.eu/contact-eu/meet-us_en).

On the phone or in writing

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696,
- via the following form: european-union.europa.eu/contact-eu/write-us_en.

FINDING INFORMATION ABOUT THE EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website (european-union.europa.eu).

EU publications

You can view or order EU publications at op.europa.eu/en/publications. Multiple copies of free publications can be obtained by contacting Europe Direct or your local documentation centre (european-union.europa.eu/contact-eu/meet-us_en).

EU law and related documents

For access to legal information from the EU, including all EU law since 1951 in all the official language versions, go to EUR-Lex (eur-lex.europa.eu).

EU open data

The portal data.europa.eu provides access to open datasets from the EU institutions, bodies and agencies. These can be downloaded and reused for free, for both commercial and non-commercial purposes. The portal also provides access to a wealth of datasets from European countries.



Publications Office
of the European Union