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ONLINE EVENT

Provision of actions to extend the availability and improve the quality of debt-advice services for European households

TRAINING HANDBOOK

SESSION 1

Commissioned by Commission européenne

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1

Introduction

This handbook is the basis of the first training session which provides participants with a full theoretical overview of first session's live training. The trainings are tailored for potential debt advisors who will learn on how to improve the quality of debt-advice services for households in their countries.

This handbook and the provision of trainings are part of a wider DG JUST project on Provision of actions to extend the availability and improve the quality of debt-advice services for European households.

During the first session, you will learn about:

- Ethic principles in debt advice (introduction)
- Module 1: Debt advisors and target groups
- Module 2: Financial education for debt advisors
- Emotional support for people experiencing financial difficulty

The English version of this handbook is the original version (translations are provided in six languages: Polish, Greek, Romanian, Italian, Spanish and Hungarian).

2

Introduction to ethic principles

By
Sandy Madar
Sebastian Løper

2.1 Ethic principles in debt advice

This chapter is designed to provide an overview of basic good practices in **five** key dimensions to establishing and developing good practices within debt advice or debt counselling services. These **five** dimensions and the key questions addressed are as follows:

(i.) **Guiding principles** - what core values/ethics should underpin services and those who work within them?
(ii.) **Structure and funding** - how should a service be set up/developed in line with these values?
(iii.) **Meeting needs** - who are the target group(s) and how do you reach them?
(iv.) In the next chapter we continue the following dimensions:
(v.) **Process** - what steps are involved in the debt advice/counselling process?
(vi.) **Competencies**- what do advisors need to know and be able to do

Before we begin to address these dimensions and questions, we briefly address three important background issues. These are: terminology; the development of debt advice/counselling in Europe, and the context for debt advice/counselling.

2.2 Terminology

This Module is predicated on the belief that the **individual** who requires assistance of some sort for whatever reason is the most important person in the debt advice/counselling process. Such persons are sometimes referred to as service users or debtors, but for the purposes of this Module we use the term **"client"** as it emphasises the professional nature of those involved in providing the service.[1]

The terms **debt advice** and **debt counselling** are sometimes used interchangeably but for the purposes of this Module we make a distinction between them as follows:

- ✓ **Debt advice** involves the provision of information and options to people without creating an ongoing relationship between the provider and recipient. It may be thought of as a once-off engagement, or indeed a series of "once off" engagements where a person returns for more information and options from time to time. The service provider role here is basically to act as an informed advisor to the client.
- ✓ **Debt counselling** by comparison involves a deeper, more interpersonal relationship where the provider acts more as an empowering advocate or caseworker; an example is where a client needs more intensive support including representation with regard to a particular debt or related issue. This is a more holistic type service, and although those providing advice and counselling require the same level of knowledge, those engaged in counselling require enhanced skills (and therefore training) in terms of interviewing, advocacy and case management for example.
- ✓ Although we rarely use it here, the term **"money advice"** is sometimes used in preference to debt advice or debt counselling, as it is thought to convey a more positive impression to clients and potential clients (the term "debt" having a more negative association).

[1] As presented in Section 2.5, one of the guiding principles of debt advice is that the service should be free of charge. However, debt advisors are professionals and therefore they should be paid (even though many advisors are volunteers).

2.3 The development of debt advice/counselling in Europe

Both Germany and the United Kingdom (UK) can be considered pioneers of what we now know as debt advice/counselling. The first German services can be traced back to the late-1950s, becoming more established in the 1970s, while in the UK, the Birmingham Settlement Money Advice Centre was established in 1969. In Ireland and France, origins date back to the early 1990s, while in Denmark debt advice/counselling is a more recent development (2007).

There is no one model or size that fits all and a sort of patchwork has developed across Europe more broadly. Thus, you will find some services that have developed from *national* concerns, while others have a more *regional* or *local* origin. There are examples of debt advice/counselling services emerging in response to *broader* society issues such as poverty and to *specific* ones such as high cost credit (for example, moneylending). *Public* bodies, *private* institutions, *civil society* and *charities* can each be identified as drivers, supporters or indeed funders of debt advice/counselling development in different countries.

Whatever their origin and initial motivation, the key to a successful debt advice/counselling service is to make sure that it - and those who work within it - operate in a *professional, ethical* manner for the benefit of those in need of help (both existing and potential clients). By **ethical** here, we mean: (i) operating in accordance with agreed standards and procedures; (ii) not taking any action on a client's behalf without their express permission; (iii) presenting accurate information to creditors and third parties, and; (iv) keeping clients - and where appropriate creditors - informed of case developments.

2.4 The context for debt advice/counselling

Debt advice/counselling is a service-based response to personal, consumer or household debt problems. A body of literature on the causes and consequences of what is sometimes termed "over-indebtedness" has emerged over the past few decades. In general terms, there are **five** key dimensions to understanding why and how debt problems occur at the individual/household level. These can often be related to each other and may be summarised as follows:

- ✓ Societal issues, such as poverty, disadvantage and inequality; this means that certain marginalised groups are invariably at increased risk of over-indebtedness;
- ✓ Financial institution issues, such as aggressive credit marketing, irresponsible lending and excluding people from using financial services;
- ✓ Individual issues, such as money mismanagement, over-borrowing, relationship breakdown or addiction;
- ✓ Cultural issues, such as how previous generations or peer groups manage money;
- ✓ Debt triggers, which are things that happen to bring underlying financial problems to the surface such as unemployment, wage decreases, separation or ill-health leading to a drop-in income or increase in expenditure.

The background to the emergence of a debt problem can therefore be a complex one, but in general terms we can conclude from available research that the vast majority of people in financial difficulty **do not want** to be in this position, and embarrassment about being so may mean they **delay** seeking advice. Further, the main reason most are in trouble is because of **things that have happened to them or around them**. This brings us neatly to the first of our six core themes, namely the fundamental importance of guiding principles or values for services and professionals aiming to assist people with money problems.

2.5 Guiding Principles

What core values/ethics should underpin services and those who work within them?

Underlying principles and values are of vital importance in debt advice/counselling. Put simply, they provide a bedrock or touchstone not just for ongoing service delivery, but to help resolve any **dilemmas** that may emerge, for example in terms of dealings with clients or creditors. Several principles/values have already been mentioned in earlier descriptions of services in Ireland, France, Denmark and Germany, and when combined with those applied elsewhere in Europe, a core set of grounding principles or values may be summarised as follows:

- Client-centred (The debt advice/counselling must be responding to the client's needs, which will vary depending on each client, this also implies that participation of the client is voluntary, as the debt advisor/counsellor cannot force the client to do anything);
- Free (Debt advice/counselling should be free, as no client should have to pay for debt advice/counselling, the logical reason being that there is a reason for them to seek debt advice/counselling) – on the other hand, debt advisors are professionals and therefore in terms of principle they should be paid, although a large number of them are volunteers;
- Independent (The Advisors/Counsellors may not be influenced by funders, creditors or third parties);
- Confidential (Information is co-owned by the client and service concerned and not to be released without the client's express permission. This creates the conditions of openness, transparency and trust which is necessary for a successful counselling process.);
- Accessible (Debt advice/counselling must be available to all who need it regardless of location or status);
- Credible (To efficiently advice/counsel over-indebted people, the organisation(s) need credibility among the public, creditors, legal system and third parties);
- Professional (The advice/counselling must be conducted professionally in terms of ethics, standards and practices to ensure the best possible outcome and handling of each individual who seeks the help of debt advisors/counsellors);
- Non-judgmental (clients should not be judged in terms of decisions made or what they intend to do with the information or advice provided);
- Empowering (Guidance seekers are actively involved in all steps of the guidance process, this ensures transparency, which will help the guidance seeker understand why something is necessary, and maybe even teach them some skills, which they can use in the future after the debt advisors have done their job. Acting in partnership with clients will also help them to build confidence);
- Rights-based (clients should be informed of their income/welfare entitlements, consumer/legal rights and due process prior to considering repayment options);
- Effective (both in respect of impact on clients and society as a whole in addressing over-indebtedness, social and financial exclusion; hence services should be regularly and preferably independently evaluated).

As we saw earlier, such principles can be distilled into a mission statement, aim or set of objectives (as in Germany, Denmark or Ireland), so that a debt advice/counselling service is absolutely clear as to: (i) **why** it exists in the first place; (ii) **what** it stands for; (iii) **who** it is aimed at, either exclusively or primarily and; (iv) **how** it works with clients.

2.6 Structure and Funding

How should a service be set up/developed in line with these values?

A service in general will have three components; a **funder** or funding source; a **management** or co-ordinating body; and staff who provide and support the service. Good practice in relation to each of these three components will involve the following considerations:

Funding: some services draw their entire funding from a single source, while others are funded through a combination of sources (public, private, civil society and/or charity). If funding is an issue therefore, it might be worth exploring alternative sources. In any event, ability to operate independently is key, while services will need to be **accountable** to funders for what they are doing with their money. Most funders will require information on:

- ✓ Inputs (time and resources spent by the service on its various aspects);
- ✓ Throughputs (the numbers of clients who make contact with the service and their profiles/demographics); and
- ✓ Outputs (what happens to those who have engaged with the service and the debts with which they present).

Further, it is good practice for debt advice/counselling services to *build in evaluation* from the outset so as to be able to **measure their impacts** in relation to the objectives they set themselves or those that are set for them, and if necessary to adapt as circumstances require. A 'Social Return on Investment" (SROI) model is sometimes used for this purpose, but we need to avoid being too focused on "cost-benefit" and not sufficiently so on *wellbeing* impacts which are not measurable in these terms. As regards funding, determining what is or is not **adequate** presents considerable challenges for debt advice/counselling services particularly at the start up stage. As a result, most services tend to start from a small scale and build from there to avoid being 'swamped' by clients in their set up stage, and to get a sense of what demands might be out there, from where and from whom.

Data on the extent, characteristics and nature of household over-indebtedness in the relevant country, region or locale in question would of course be extremely useful information to those contemplating establishment, development or expansion of debt advice/counselling services in a particular area. Often, such information does not exist unfortunately. In its absence, some countries have recommended or applied a sort of ratio type calculation, such as one advisor for every 10,000 people (ECDN), 25,000 (Ireland) or 40,000 (Finland) in the given target group or population for example.

Management: services can have differing management structures, a common one being a voluntary management board comprising people who share the service's basic values. In these instances, the board manages the service independently of funders and in addition to accountability has further responsibilities in terms of *recruitment* and *employment*; *governance* and *compliance* with legal requirements; *planning* and *development*, and; *staff support* and *supervision*. Board members will require **appropriate training** on these matters. In other instances, debt advisors/counsellors will be employed directly by large public bodies such as municipalities, local authorities or social work departments who in effect assume these responsibilities.

Another important management role is **setting boundaries** for the service in terms of target group or 'reach', what constitutes a reasonable case or workload, and with regard to the limitations of a debt advice/counselling service. Subscribing to the principles or values outlined above does <u>not</u> necessarily mean that debt advice/counselling services have to – or indeed should – attempt to do everything themselves. Those experiencing debt problems may be encountering associated psychological difficulties, underlying addictions and complex legal processes, which may be beyond the capacity of individual debt advisors/counsellors to resolve. It is important therefore that services are **networked** with - or have particular **access** to - other supports such as counselling, addiction or legal services, so that clients who need more specialist support with particular aspects of their lives or problems can avail of it.

Staff: the core aim or objectives of the service in essence dictates the amount and competencies of staff who will be needed to ensure it/these are met. A service solely with an advice focus may decide for example to recruit and train staff with a "self-help" ethos in mind. An example here is a telephone helpline or web-based service, such as that operated by the Step Change Debt Charity in the UK. While debt advice staff need to have a range of knowledge about various aspects of personal debt (which we discuss later on), they will need **particular skills** associated with the provision of assistance in a remote or distanced setting such as telephone interviewing or electronic communication skills.

In comparison, a service with a debt counselling/casework ethos will require staff with a **different skill set** including the ability to develop and maintain relationships with clients, maintain a professional distance, manage a large complex caseload, and to act as a representative advocate. In some instances MABS (Ireland) being an example, both debt advice and counselling elements are combined in a sort of *triage* type approach; a helpline provides the first port of call and assesses whether “self-help” is an appropriate response or whether more intensive support is needed, in which case referrals are made to regional casework services.

Conclusion

It is not possible in an introductory module such as this to go into depth on the various aspects of ethics and principles of a debt advice or counselling service. What we have aimed to do here, therefore, is to present a number of questions and considerations that anyone involved with such services should take into account. At various points, we make specific suggestions for good practice based on experience over many years. In some instances, these draw on mistakes made and in others from things that were tried successfully.

Collectively, the material in this Module draws on the experiences over time of the provision of debt advice/counselling in four countries, namely Denmark, France, Germany and Ireland. No one person or country has a monopoly on wisdom or indeed all the answers, but in this Module, we hope at least to point you in the right direction as you work to develop or improve services in your respective countries.

3

MODULE 1

Debt advisors and target groups

By
Sally Peters
Dieter Korczak
Gwen Harris
Sandy Madar
Sebastian Løper
Stuart Stamp

Debt advice and debt counselling is given to people with financial problems. The problems can be light at the beginning and developing to heavy over-indebtedness, bankruptcy and insolvency. Bankruptcy and insolvency are usually defined by law. For over-indebtedness however-though it is for quite a long time prevalent in the European countries- does not exist a commonly shared definition.

Dubois et al (2020: 3) defines over-indebtedness broadly and only in the scope of missed payment commitments, though this must be on a more structural basis and not just one month where consumers miss a payment. Another definition which is quite common in Germany is: “Over-indebtedness is the failure to meet payment obligations leading to the economic and psychosocial destabilization of debtors. Over-indebtedness thus means more than simply the fact that, after deduction of the regular living costs, the remainder of the monthly income is no longer enough to cover the instalments due. Instead, it also harbours enormous social and psychological consequences.” (Korczak&Pfefferkorn 1992).

Financial and psychosocial destabilization intensify each other. Over-indebted persons have a two-times higher risk to be or get sick. A recent study confirms the interrelation of over-indebtedness, anxiety, stress and social stigma (Hiilamo 2020).

3.1 Debt advisor competencies

The field of debt counselling demands vast quantity of as well as different types of knowledge. But before starting the most important thing to make clear is: who are the people, who are to receive the counselling? Are they ordinary citizens who are "just" experiencing economic hardship? Are they socially disadvantaged or vulnerable? Do they have a criminal background? Or are they suffering from any kind of disorder? At the same time, each of these groups of people have vastly different problems regarding debt, some may be gamblers, some may have a ton of small loans with high interest rate, and some may have only one creditor who nonetheless makes life difficult for the citizen.

The different groups demand a different set of skills and knowledge to handle, as they face different types of problems. For example, a socially vulnerable person often faces other problems such as substance abuse, homelessness, or are abused by family members or criminals; on the other hand, former criminals often face different legal issues, but also issues with job and education when they re-enter society after having served their time in prison; people who are addicted to gambling of course face their addiction. These are all problems that can lead to more debt, prevent them from seeking help with their debt, and generally be a hindrance when trying to become debt free.

As a consequence of these different types of problems, you cannot expect that for example a lawyer, who has spent 6 years studying laws and another 6 years doing legal work, would be able to properly reach someone who is socially disadvantaged, vulnerable or have a mental disorder on day one, and the same goes for a social worker to a criminal and an ordinary citizen; they all have different kinds of problems which demand a very different set of skills to help manage.

3.1.1 Who delivers debt advice?

While it is easy to think so, debt advice is not the same in each country where it is provided. And we would argue that there are three different types of debt advisors based on tasks they actually perform:

Firstly, we have the economic advisors. The economic advisors provide relatively simple advice on economic matters, this means basic, concrete, and oral counselling that does not merely include legal questions in connection to any given dispute, but also the practical and economical possibilities for the further action, which will help the client, who seeks legal aid, gain a basis for making the decision on whether to continue the case. The advice will be performed solely via phone, email, letter, or a webcam meeting. Economic advisors are thus especially aimed at helping people who are not aware of their legal position and options when considering their debt, but who have personal basis and resources (or have these through their network) to handle their debt problems after receiving qualified economic advice. The economic advisors handle minor economic problems that can either be taken care of in one session or with minor amount of research done by the manager, who will contact the client as soon as possible via phone or email, with either an answer or a referral to any relevant authority or legal aid organisation, who can help the client.

Secondly, we have the *debt manager*. The debt manager provides debt advice and debt counselling, meaning that the debt manager provides debt advice at a much deeper level compared to the economic advisor. The principle is that the manager provides help for self-help combined with minor assistance. If the citizen's situation gives ground to it, minor case work will also be performed by the manager. When estimating the necessity of this, special weight is put on whether the citizen possesses the preconditions and the resources necessary to facilitate the contact with his or her creditor(s) and the court themselves. The debt manager also handles heavier cases mostly to the socially disadvantaged and vulnerable, to these individuals the debt manager offers an expanded and holistic counselling and economic case work where we take care of the client's economic issues. The counselling entails a holistic review of the citizen's economic health, and an administration of the citizen's passives, including administration of a payment scheme. This requires comprehensive administrative work because one needs to administer all of the citizen's economic issues. This also requires the manager to contact the creditor and the court, and to act as assessor at the enforcement court or probate court if possible. The councillor will also do screenings; calculate the client's ability to pay, budgets, etc. Finally, the councillor will also be responsible for negotiating repayment schedules with the creditor, as well as to act as assessor at the filing of requests of debt settlements (in-depth assistance and practical handling and the client's fiscal problems).

Lastly, there are the *money advisors*, who does what the two former types of debt advisors do, but in addition they also take a holistic look into the social and legal circumstances of the citizens who ask for their help. This is important because as debt is not always the root cause of all the social and legal issues, which citizens have. Often it is the prior social and/or legal issues that actually lead to the citizens becoming overindebted. Taking a holistic view on the citizen's economic, social and legal issues at the same time thus ensures that citizen's not only get a manageable household economy, but also get taken care of all the root problems that caused them becoming overindebted in the first place.

3.1.2 The required competencies of debt advisors

The causes and triggers of over-indebtedness are manifold. In addition to unemployment, illness including addiction, separation and divorce as well as failed self-employment, low income and poverty are central factors that can cause, trigger or favour private over-indebtedness. Credit marketing also play a role as socio-economic factors. In addition, individual consumption behaviour as well as individual skills and knowledge are relevant for the emergence and duration of over-indebtedness careers and the associated multiple problem constellations. The counsellor must also keep all these issues in mind.

As you will see from the above sections, debt advice/counselling is a complex activity, albeit often a rewarding one for those engaged in it. As has become evident from the former section explaining the different types of debt advisors, the required competencies for the debt advisor varies depending what type of advisor you are.

If you are an economic advisor, an education within household finances and banking. This should give you the necessary knowledge and skills to give people the relatively simple advice on the household finances.

As a debt manager you would need an education within Financial Management or perhaps a bachelor’s in financial management and services. This will provide you with the necessary knowledge about debt and household finances to effectively provide debt advise.

As a money advisor you will need a Leaving Certificate, or equivalent, with a minimum of three years’ experience of working in the area of consumer debt, money management or other relevant setting. Money advisors need social work and counselling methodological expertise, knowledge and understanding of social and macroeconomic contexts. Counselling requires the following expertise and knowledge:

- basics in the areas of social work and counselling methodological skills
- the legal bases relevant to over-indebtedness (social law, administrative law, basic civil law and specific knowledge of enforcement and insolvency law).
- intercultural competences, in particular in the field of psychology
- be able to integrate current research results into their professional activities

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While the knowledge required by advisors/counsellors will vary depending on the laws, systems and processes in different member states, below we offer a broad checklist as to what those involved in debt advice or counselling need to know and be able to do. The causes and triggers of over-indebtedness are manifold. In addition to unemployment, illness including addiction, separation and divorce as well as failed self-employment, low income and poverty are central factors that can cause, trigger or favour private over-indebtedness. Credit marketing also play a role as socio-economic factors. In addition, individual consumption behaviour as well as individual skills and knowledge are relevant for the emergence and duration of over-indebtedness careers and the associated multiple problem constellations. The counsellor must also keep all these issues in mind.

Approach or attitude is also important, relative to core values and principles, so in the Table below we summarise these three dimensions as follows: Approach; Skills; Knowledge (ASK).

Table 1: An Overview of Approach, Skills and Knowledge required for Debt Advice/Counselling

Competency	Examples
Approach	✓ Be Non-Judgmental ✓ Show Empathy ✓ Show Respect ✓ Maintain Confidentiality ✓ Focus on Empowerment ✓ Go at the client's pace ✓ Be open to learning and keep abreast of new developments ✓ Be open to support & supervision ✓ Co-operate as a team
Skills	✓ Good literacy and numeracy ✓ Client contact (listening/interviewing/communication/ dealing with literacy issues) ✓ Creditor contact ✓ (buying time/ negotiation / advocacy / communication) ✓ Third party contact ✓ (making referrals/receiving referrals/seeking support/legal process involvement) ✓ Case recording ✓ (IT competency / thematic reporting / highlighting policy issues) ✓ Case management ✓ (time management, managing a caseload, looking after yourself)
Knowledge	✓ Welfare rights ✓ Basic taxation ✓ Legal system (as it relates to personal debt) ✓ Relevant legislation (consumer credit, debt enforcement, statute of limitations) ✓ Codes of conduct and practice relating to different types of credit/debt ✓ Debt enforcement processes ✓ Personal insolvency/statutory debt solutions ✓ State/public supports ✓ Community groups/supports ✓ Voluntary groups/supports ✓ Financial service/payment options

Lastly, it is important to note, that any interaction with over-indebted advice seekers requires further counselling training. This training is necessary to teach all debt advisors the ethics of the trade, the principles of debt advise and of course how to interact with over-indebted people.

A. Who delivers debt advice

Ideally, the team of a counselling centre is interdisciplinary. Social workers/social pedagogues, lawyers, economists, *ecotrophologists*[2] or comparable professions complement each other in a multi-professional team with their respective competences. Multi-professional teams also increase the quality of counselling through the possibilities of professional specialisation with division of labour and mutual support.

The "typical" degree is a university degree in social work/(social) pedagogy or social sciences. With their correspondingly broad spectrum of subjects, come closest to meeting the requirements profile for tasks in social debt counselling.

It is also important to have at least one person or cooperation with a person who has a law degree. A law degree leads to fundamental knowledge of civil, enforcement and insolvency law and enables the assessment of claims, the defence against and limitation of enforcement measures, the legal, economic and strategic conduct of negotiations and the implementation of insolvency proceedings.

[2] Ecotrophology is a branch of nutritional science concerned with everyday practice. It is mainly in Germany that it is seen as a separate branch of health care (the word is rare outside Germany). More information at: http://www.encyclo.co.uk/meaning-of-ecotrophology

B. Training and development systems for debts advisors

It is important to note, that any interaction with over-indebted advice seekers requires further counselling training. This training is necessary to teach all debt advisors the ethics of the trade, the principles of debt advise and of course how to interact with over-indebted people.

Legal regulations change frequently. In addition, there are constant new developments in professionalism. In order to increase counselling competence, it is necessary for staff to take advantage of in-service training. These can be internal and external.

Professional conferences are important to exchange experiences and information with colleagues. Participation in working groups, especially regional and local ones, is also important for practical counselling work.

For the induction of new staff, qualified professional support and/or the possibility of observation in already existing facilities must be ensured, this should be coupled with introductory courses where the new staff learn about ethics, GDPR, the target groups and how debt advice is generally handled within the organisation.

It should be described as a general module. References to the four models can be made (e. g. in textboxes), but the description of the theory should not focus on a specific model (if possible).

3.1.3 The Principles of good debt advice

The principles of good debt advice are discussed in more details in Chapter 2. All good debt advise is based on a set of principles - these principles ensure that the advice given live up to standards for good and ethical advice. The principles are mainly derived from the ethical self-understanding and also help creating trust between the advisor and the advised, a trust which is important for the success of the debt advice.

Voluntariness

Those seeking advice decide voluntarily whether to use the services of debt counselling or not, if a person is forced into using debt counselling, the risk is that whatever the debt advisor does will bounce off, and not have any effect.

Autonomy

Those seeking advice decide on their own responsibility about the ways and goals of possible change within the support process. The counsellors respect the autonomy of the counselling seekers and design the counselling process in an open-ended way.

Confidentiality

The assistance provided is confidential in order to create the conditions of openness, transparency and trust necessary for a successful counselling process

Participation

Guidance seekers are actively involved in all steps of the guidance process - this ensures transparency, which will help the guidance seeker understand why something is necessary, and maybe even teach them some skills, which they can use in the future after the debt advisors have done their job.

Help for self-help

The counselling seekers are supported in recognising and using their existing resources and abilities. This enables them to increase their self-esteem, develop their self-help potential, build up skills and develop life perspectives. Furthermore, the self-organisation of those affected is to be stimulated.

3.2 The legal situation of debt advice – how to contract with clients and providers

In view of the high number of over-indebted persons and households it could be supposed that debt and money advice or debt counselling is a general and free social support offer.

But this thinking does not take into account that the responsibility for getting into debt is seen very differently. David Graeber has analysed the semantic of debt brilliantly in his famous book “Debt. The first 5.000 years”. Debt is something very specific and they arise by very specific situations. Semantically debt is very often a synonym for “sin”, “guilt” or “misdemeanour”. As the saying goes: “Whoever is in debt is to blame”. The responsibility for over-indebtedness is more often seen in the debtor himself than in adverse life circumstances. The regulations for a “fresh start” of bankrupt people are therefore in all European countries connected to a so-called “well-behaviour” period.

Especially the creditors see the responsibility for debts in the attitudes and the behaviour of the debtor. Therefore, they have a preference for any kind of making it difficult for the debtor. In former days this led to imprisonment for debt. This historical and societal background makes it even today difficult for the funding and financing of debt advice and debt counselling. There should be reasonable budgets for debt advice and debt counselling on a sustainable basis in each municipality. But mostly it is the case that these budgets have to be negotiated each year or each legislative term from scratch. The providers of debt advice, mainly welfare organisations, have to give reasons for their financial needs to the municipal parliaments, to (saving) banks, to foundations, to sponsors.

In publicly funded agencies, the counselling services have a contract with the public funder. Counselling for those seeking advice is then usually free of charge. There is no extra contract between the person seeking counselling and the counselling centre.

3.3 Those in need of debt advice

This chapter could contain the following:

A. **Identifying target group(s)**

Debt problems can affect almost anybody who experiences deterioration in their financial circumstances. Some debt advice/counselling services take a **universal** approach whereby anyone in need can avail of the service. Others restrict or **target** use to a geographical area or to particular socio-economic or cultural groups, or at least prioritise those within them. As we have seen, certain factors increase the risk of experiencing debt problems, and COVID-19 has highlighted these across Europe. Emerging evidence from the pandemic to date, combined with a body of research into personal debt problems over time, enables us to identify **where** and **among whom** over-indebtedness is more likely to occur. In no particular order, the risk of difficulty is increased by experience of one or more of the following:

- An income shock or drop;
- Below average income or poverty;
- Unemployment;
- Precarious employment;
- Illness or disability;
- Parenting alone;
- Separation;
- Social tenancy;
- Welfare dependency;
- Membership of a marginalised group;
- No or limited wealth or savings;
- Living in a deprived area;
- Being unable to access or use information technology.

This list is not exhaustive, and there will be factors in some countries that are more relevant than others. Nonetheless, the list above provides a useful template for developing publicity and social media campaigns, networks, **relationships** and referral protocols with organisations who work with these various groups and in relevant areas.

These areas may include the following target groups:

- People with financial problems e.g. young adults, elderly people, single parents
- Marginalized or social excluded groups who are more risk of becoming indebted, homeless, drug abuse, ex-prisoners
- House owners
- Small business Owners, solo entrepreneurs/ self-employed
- Lack of access to credit: people that are visited by money lenders, “dirty” quick loans, payday loans
- Children, students

The target group often also depends on the funding of the service. Many services define a clear framework of who may receive counselling from them. In Germany, (former) self-employed people may only receive counselling from publicly funded agencies under very narrow rules. Most services exclude them. In Ireland while the primary target group is low-income households, the service is available and accessed by all citizens. In

Denmark the target group is those who are socially disadvantaged including homeless, drug-abusers, ex-prisoners and those on low income who are at risk of being socially excluded.

Over-indebtedness is mainly caused by unemployment, health problems, failed self-employment, separation/divorce. Furthermore, there are some specific individual factors which have to be taken into account and considered in the counselling process:

- Socialization and experience deficits resulting in a kind of naivety
- Exaggerated consumption as compensation and for the improvement of self-esteem
- Insufficient skills for economic life planning
- Difficulties resulting from divorce or relationship problems
- Specific diseases and addictions, including obsessive gaming
- Uncertainty about consumer rights and social transfer allowance

B. Connecting with the target group(s)

While networking will help to reach some of those most at risk of debt problems, there will be others who may be reluctant or unable to come forward for help for various reasons. Stigma or embarrassment is one such reason, given the moral dimension that often attaches to inability to repay debts, while another may be lack of awareness of the debt advice/counselling available or indeed whether to trust it given the sensitivities around personal finance. Some people will just not be ready yet to acknowledge or deal with their financial difficulties, so debt advice/counselling services must be prepared to reach out appropriately and sensitively and be patient in allowing clients and potential clients to proceed at their own pace.

Reaching the target group again also depends on the donor. For most services, the people have to contact and visit the counselling centre themselves. There are only very few services that go directly to other counselling centres to reach the people better.

But even a well-developed debt counselling service does not ensure that all people are reached. Those directly affected are joined by those indirectly affected, such as families with children. In addition, there is a growing number of people at risk of over-indebtedness, for whom suitable counselling services must be provided. According to estimates, debt counselling in **Germany** reaches only 10-15 percent of those affected. In Germany, people are mainly reached through referral by other offers or websites. There is hardly any activity in social media. There are only a few isolated advertising campaigns. One reason for this may also be that the counselling capacities are not sufficient to advise additional people seeking advice. A “right to debt counselling” has been demanded in Germany for a long time. This has not yet been implemented.

Denmark: The Social Legal Aid’s (TSLA) target group is limited due to restriction set forth by the National Board for Social Services (NBSS). TSLA helps the socially disadvantaged and vulnerable firstly by finding them where they live, TSLA’s Counselling Team visits hostels and homes for the socially vulnerable and disadvantaged, as experience has shown that this group will not seek out help by themselves. TSLA also have collaborations with public and private institutions who refer socially vulnerable people with debt problems to TSLA. TSLA also has a *Prison Taskforce,* who visit people who have been imprisoned and wants help managing their rising debt, which they have no chance of managing themselves while imprisoned. TSLA have a number of websites upon which they try to create awareness on debt and over-indebtedness on one of them DinGaeldshjaelp.dk (eng.: Your debt help) provides a list of everyone offering free debt advice in Denmark. Lastly, TSLA makes extensive use of its social media accounts to both create awareness on social issues and over-indebtedness as a problem, but also to provide their followers, most of whom are over-indebted, with useful advice on managing their debt and household economy.

Ireland: MABS engage in many forms of media, local and national, social media, messenger, self-help tool. Consumer protection codes and legislation in Ireland recommend a referral to MABS for people that creditors may identify as being in difficulty. This process of referral provides a link between the credit industry and consumer protection. MABS has a long-established tradition of partnerships with other NGOs and supports agencies, including charities, welfare agencies and financial industry to name a few.

> The COVID 19 crisis is a major challenge in Europe right now. It is leading to the emergence of many new groups for debt counselling who need help.

4

MODULE 2

Financial education for debt advisors

By
Ewa Kruk
Beata Świecka
Dieter Korczak

This chapter contains the following:

- The role of financial education in shaping financial awareness,
- Financial education at different stages of life,
- The role of the advisor in raising financial literacy during consultancy,
- Description of sample educational projects in Europe
- Practical division of debt advisors. How can debt advisors strengthen competences in financial education?
- Financial education as an element of counselling for over-indebted people
- Practical toolkit: Reading; Financial Dictionary, Financial Calculators; Videos, Quizzes; Homework.

4.1 The role of financial education in shaping financial awareness

Financial education aims to increase financial knowledge and skills, rationalize financial decisions, efficiency of personal finance management, and implementation of assumed financial and non-financial goals. It is a process that can begin at every stage of life and last a lifetime. The process of acquiring financial competences starts with acquiring knowledge, which should (but not necessarily does) translate into enhanced skills. It may end at the stage of gaining knowledge and bring about no change in the financial behaviour. The recipients receive knowledge, but do not use it in practice, thereby their attitudes remain unchanged. The Nobel Prize winner Stigler (1983) pointed to three reasons of the low level of financial literacy in the world:

a. First, achieving a high level of knowledge in any discipline is difficult, as it requires practice, intelligence, and educational support.

b. Second, the economy is deceptively simple, because the economic public discourse is usually conducted in a very accessible way, by missing the entire methodical (including the mathematical) apparatus that underlies within economic regulations. This can give the recipients a false impression of understanding the complicated economic mechanisms.

c. Third, sometimes people engage in wishful thinking and prefer simple and direct solutions of resolving their problems, which makes them prone to propaganda and manipulation around knowledge of how the economy works – especially the economic policies. As it was mentioned in the first point, achieving high level of knowledge requires educational support. Which is the reason why we talk about financial education.

Financial education is a crucial foundation for raising financial literacy. Before we start to describe financial education in more detail, we must explain what financial literacy is. There is no common definition for financial literacy in the literature. Financial literacy has different meanings for different people and organizations.

Financial literacy consists of the following elements:

- **Financial knowledge:** knowledge and understanding of economic concepts and mechanisms of the finance and economy. Financial knowledge helps households to understand the financial concepts and procedures as well as the methods of solving financial problems using the acquired knowledge. It is the knowledge of how to manage the money, how to remain financially stable, take a rational financial decision, and achieve well-being,

- **Financial skills:** application of acquired financial knowledge in consumer, saving, investing and debt decisions (analysis, evaluations, choices). It is the ability to use the knowledge and understanding by managing an unexpected or unpredictable situation to solve a financial problem and convert it to a benefit and opportunity to one's advantage.

- **Financial attitudes:** motivation and readiness to use the knowledge and skills in various life situations. They are the individual characteristics that take the form of tendencies towards a financial practice or action. They show the inclination or likelihood of a person to behave accordingly.

- **Financial behaviour:** behaviour in the specific situations in the financial market.

The figure below illustrates the concept of financial literacy:

FINANCIAL LITERACY			
Financial KNOWLEDGE	Financial KNOWLEDGE	Financial ATTITUDES	Financial BEHAVIOUR
Understanding the financial concepts and procedures as well as the use of this understanding to solve financial problems.	The ability to use knowledge and understanding to manage an unexpected or unpredictable situation in order to solve a financial problem and convert it to a benefit and opportunity to one's advantage.	Readiness to use knowledge and economic skills in various financial situations.	Behaviour in specific situations in the financial market.

Source: B. Świecka, D. Korczak, Al. Grzesiuk, O. Wyszkowska - Kaniewska (2019), Financial literacy and financial education. Theory and survey, Gruyter, Berlin, Boston.

The table below illustrates the learning outcomes for financial and literacy – "Financial Resilience" and "Financial Well-Being":

Dimension	Learning outcomes
Knowledge	1. What are early warning signals in over - indebtedness. 2. What are the needs and what are the desires? 3. How to keep control over money/financial discipline. 4. How to take care of expenditure. 5. How to cope with a financial shortfall. 6. How to save money. 7. How to raise an emergency fund. 8. How to plan and manage household budget. 9. How to make informed decisions. / How to make financial decisions based on critical thinking. 10. How to manage money better. 11. Things to consider before taking a credit. 12. Understanding the costs of borrowing - knowing options for the credit and understanding the consequences. 13. How to avoid over-indebtedness. 14. What are the relevant legal and social rules? 15. How to avoid and solve emergency situation. 16. How to protect assets and family. 17. Where to find help in financial area: charity. 18. Types and use of insurance. 19. What is a fraud situation and how to avoid it?
Skills	20. Earning money - covers various topics around livelihood, employment and entrepreneurship. 21. Investing Money - exploring options of investing money. 22. Understanding cost of borrowing - knowing options for the credit and understanding the consequences. 23. Functioning in the financial environment. 24. Selecting the best financial product offers based on critical information analysis. 25. Financial planning and budgeting.
Attitude	26. Attaining a long-term focus or view into the future - reflecting/considering actions and being sensitive to risk. 27. Consideration of the well-being of others - reflecting on the impact on others; having a sense of responsibility towards others; sense of empathy and compassion. 28. Making safe financial choices. 29. Developed sense of self-worth with an ongoing interest in continuous learning. 30. Passion for the projects that one is involved in, as well as passion towards one's own self-development. 31. Solving financial problems.
Behaviour	32. Practical hermeneutic interpretation work while maintaining the competence to act and make decisions for the clients. 33. Empowerment of the clients. 34. Resource oriented debt counselling. 35. Psycho-social stabilization of the client. 36. Respecting the privacy and data protection. 37. Understanding inter-cultural differences.

Financial education can be divided according to several criteria (Świecka, 2017):

1. **The criterion of the form of education:**

- formal education – learning at school according to curricula which enable the acquisition of full or partial qualifications
- non-formal education – institutional learning according to programs that do not fall within the scope of formal education
- informal education – gaining knowledge through experience. It involves shaping attitudes and behaviours as a result of the acquired experience, the educational impact of the environment (family, friends, work environment, etc.). It includes not only developing knowledge and skills, but also shaping attitudes and values

> Debt advisors can be involved mainly in non-formal education and informal educatio

2. **Age criterion:**

- financial education of children – carried out from the earliest grades until the end of primary school
- financial education of the adolescents – carried out in the junior high school and high school
- adult financial education – carried out during the college or university studies, professional and hobby courses, trainings, workshops, study tours, seminars, conferences, from 18 and upwards

> Debt advisors can be involved mostly in adult financial education, but also in children and adolescent education.

3. **Vulnerability criterion:**

- persons in precarious financial life conditions – low income, part-time jobs, limited contracts, small-jobs, poor people, over-indebted persons
- persons in crisis: unemployment, divorce, sickness, addiction
- start-ups: household foundation, family foundation, solo-entrepreneurs, business start-ups
- victims of financial products: credit taking, mortgages, insurances, financial investmen

> Debt advisors can be helpful in all cases.

5. **Recruitment criterion:**

- school financial education - implemented in two segments; firstly, among students, secondly among teachers involved in financial education
- academic financial education - implemented in two segments; firstly, among students, secondly among academic teachers involved in financial education
- non-school and non-academic financial education - carried out in the form of competitions, extracurricular activities, workshops, training, vocational courses, etc.

Debt advisors can be involved mostly in non-academic financial education but can also involve in activity with academic tasks.

6. **Distance criterion:**

- stationary financial education - a form of education in which a significant part of the classes is carried out in the direct contact of the teacher with the student
- distance financial education (or distance learning, e-education, e-learning, virtual education, remote education) - a form of teaching using the internet, in the form of multimedia presentations, short movies, or on-line meetings with the teacher

Debt advisors can be involved in stationary education and distance learning using Facebook, YouTube or make webinars, seminars and on-line conferences.

7. **Time criterion:**

- partial education - lasting for a certain period of time, e.g., monthly and weekly courses, annual studies
- continuing education - consisting of moments of partial education, lasting throughout life.
- Debt advisors can be involved mostly in partial education

Debt advisors can and should be involved in the financial education of households in three areas: primary prevention, secondary prevention (proactive counselling) and financial revitalization (Świecka 2009).

Prevention activity

Primary prevention - which includes a comprehensive, multifaceted approach activities preventing the emergence of the phenomenon of insolvency. These are activities occurring before the appearance of symptoms, warning signs, implying a of insolvency. Primary prevention can be carried out either by households, institutions that provide credit, including mainly financial institutions, as well as state and government. Activities of primary prevention are applied before the occurrence of symptoms of insolvency.

Secondary prevention (Proactive Counselling) - applied in a situation where the signals are detected indicating the emerging threat to insolvency. Their aim is to halt the deteriorating financial situation and to alleviate the causes of liquidation or insolvency. The activities are measures that a household can undertake to reduce the threat of insolvency. Proactive counselling should be undertaken when the initial symptoms persist. It is much more difficult than primary prevention and has limited capabilities. In the phase of proactive counselling debt advisor can give advice, how:

- to find information about additional work to increase revenues to enable the elimination of arrears in the repayment of obligations
- to use “snowball method” of paying faster credit
- to use rules 20/30/50 to pay for goods and services
- the use of welfare aid, charities, religious organizations, trade unions can help
- to limit purchases of food and/or durable goods
- to buy “intelligently”, i.e. cheap, good quality and sustainable products
- to reduce or completely abandon expensive holiday trips
- to reduce or temporarily suspend payment of utilities such as rate of credit, phone, internet, electricity, water, gas bills and etc., to regulate other subjectively important payments
- bailiff of work
- insolvency law of work
- consumer credit law of work

This kind of proactive treatment may be helpful, but in the long term, without any additional measures to increase sources of income, increased risk of insolvency may arise. Financial revitalization activities (rehabilitation) are therapeutic activities applied to households that are already insolvent. This action of repairing one part of what has already been broken in order to achieve a favourable financial position, and on the other hand, to achieve a much better state that provides better opportunities for the development of the household.

Financial education raises the level of financial literacy of overindebted clients. It is necessary to understand the concepts, issues, financial mechanisms related to their problems. Lack of basic knowledge hinders the advisor's communication with the client. It is also an obstacle in explaining accurately the client's financial and legal situation. Financial education shapes the client's attitudes, and it is necessary to influence the client to take corrective action. The client usually adopts a passive attitude and expects the advisor to act on his behalf. Financial education aims to increase the client's self-confidence in order not to be afraid of dealing with a financial institution, creditor or debt collector, asking the questions and understanding the answers. Financial education is necessary for the client to take effective corrective action to solve the financial/legal problem. Financial education prevents the social and financial exclusion of clients - it should stop a process of increasing insolvency. Financial education should strengthen financial awareness in a sustainable way so that the over-indebted person can cope on his own in the future. Financial education in the counselling process is multidimensional and does not only focus on the subject of counselling itself.

4.2 Financial education at the different stages of life

Financial education is a process of life-long learning. It should start at a very early age to raise awareness in a young age already and build up the competences and skills. Then the transformation age from adolescence to young adulthood, usually at the age of 18 years, is a focal point. A lot of new financial challenges are troubling the young adults. In the adult life, job decisions, conditions and the location of the workplace, need for mobility, interconnectedness with the world by the digital media, family needs, credit decisions, financing the whole lifestyle become a continuous pressure. Even in the senior age, the financial challenges do not stop. Having worked all your life and yet not being able to have a dignified and stable life in old age is a major problem that comes with modernization. In addition, there is the need to deal with new digital technologies and financial products. Financial education must therefore set different priorities for each age group and find specific forms of communication.

Financial literacy is increasingly considered to be an essential life skill, and as early as of 2005, the OECD Recommendation advised that “financial education should start at school. People should be educated about financial matters as early as possible in their lives” (OECD, 2005). Younger generations are not only likely to face ever-increasing complexity of financial products, services and markets, but they are more likely to handle more financial risks in adulthood compared to their parents. In particular, they are likely to bear more responsibility for the planning of their own retirement savings and investments, and the coverage of their healthcare needs and they will have to deal with more sophisticated and diverse financial products. Knowledge in the workplace or in other settings can be severely limited by a lack of early exposure to financial education and by a lack of awareness of the benefits of continuing financial education.

The table below illustrates the cycle of life and needs of financial literacy and financial education:

N	Cycle of life	Questions/needs for financial knowledge	Financial education
1.	Early Childhood (Age 3-5)	✓ What is money? History of money. ✓ What is the value of money? ✓ How the money looks like? ✓ What can we buy for coins? ✓ Where can we buy and what? ✓ How much can you buy with coins and how much with paper money?	• Picture of money – what does it look like, what is it for? • Short plays, drawing, connecting objects.
2.	Middle Childhood (Age 6-8):	✓ What is a store, a bank for? ✓ Where does the money come from – "from the wall (means ATM)?" ✓ Explaining relation: job- earning - money - spending and saving. ✓ Why and for what we have to pay? ✓ How much do the individual goods cost, how much does the everyday shopping cost? How should money be spent (e.g., not all at once)? Needs and wants. ✓ How to manage the pocket money? ✓ Charity action - money in action. ✓ Goal for spending: buy – save - charity. ✓ What is debt?	• Finance in the elementary arithmetic (1euro + 1euro = 2 euro) • Observation of family • Experience (buy in shops) • Making a piggy bank. • Children's play shop: playing different roles - seller, cashier, customer. • Reading short texts with financial stories for further discussion.
3.	Late Childhood (Age 9-11)	✓ How to do shopping in a store? Preparing shopping list. ✓ How much do various things cost? ✓ Financial planning - e.g., plan a birthday party/ excursion with money exchange calculation. ✓ What to do in order to have more money? ✓ Does money bring happiness or not? ✓ Can financial management be learned? ✓	• Play a game (Cash flow, Monopoly, Dilemma) • Exercises focused on financial skills related to day-life situations. • Reading longer texts with financial stories for further discussion and solving problems.
4.	Adolescence (Age 12-20)	✓ How to open an account in the bank and in internet? ✓ Do we need emergency fund? ✓ How big the emergency fund should be? ✓ Financial planning - driving license, buying a car. Going to college? Which college? How much does it cost to study in another city/country? ✓ Planning career - choosing career path, university degree, first job. How a level of education, acquired qualifications at specialized vocational courses can influence the amount of future earnings. ✓ How to manage personal budget? - using Apps and other helpful tools. What is a priority in consumption? ✓ Spending and saving/investing money? Safety and risks. ✓ Credit, loans and other debt situations. How to pay off the debts. Early debt warning. Where can I get help? ✓ Insurance products (first car). ✓ When and how to open an account on the internet? ✓ How to choose the best bank account for teenagers? ✓ How to choose the best contract phone deal? ✓ Who can have a prepaid or a debit card?	• Play a game (Cash flow, Monopoly, Dilemma) • Theory at school with practice • Observation of the college • Experience • Short courses • Internet • Books
5.	Early Adulthood (Age 20-35)	✓ Buy or rent a house/flat? ✓ How to pick the best offer on your house? ✓ How to acquire and use a credit card wisely? ✓ How to find a well-paid job? ✓ Cook for oneself or eat out? ✓ How quick the debt should be paid off? ✓ Should you buy life insurance? If yes, what kind and for how much? ✓ Contribute to a retirement plan? How much? ✓ Have a deposit or buy cryptocurrency? ✓ Save or consume money? ✓ Saving and investing. ✓ Changing the structure of household budgets in the context of having a family and covering children's' education expenses. ✓ Full-time job, part-time job or individual company's ✓ taxes. ✓ If save, how much? ✓ If save, how? For what? ✓ Should I start saving for pension?	• Play a game (Cash flow, Monopoly, Dilemma) • Experience • Short courses • Internet • Books
6.	Midlife (Age 35-50)	✓ Save or pay off the debt? ✓ Choose a deductible on car insurance, on homeowner's insurance? ✓ How to save for various needs? ✓ Is it better to save a money or go for vacation? ✓ Invest? How to invest? ✓ Buy gold or cryptocurrency or other financial products? ✓ High risk investments vs low risk investments. ✓ Children's education – covering expenses.	• Play a game (Cash flow, Monopoly, Dilemma) • Experience • Short courses • Internet • Books
7.	Mature Adulthood (Age 50-80)	✓ Vacation or staycation? ✓ Use new solutions in banking and finance (for example mobile payment, internet banking, cashless payment, etc.)? ✓ Retire or work a few more years? ✓ Buy annual health insurance? ✓ Financial frauds. ✓ How to make a will? ✓ Should I transfer my property before death? ✓ Should I transfer my business to the family?	• Play a game (Cash flow, Monopoly, Dilemma) • Experience • University of III year • Short courses • Internet • Books • Intergenerational transfer of knowledge
8.	Late Adulthood (Age 80+)	✓ How to make a will? ✓ Should I transfer my property before death? Must transfer the business to the family? ✓ Dealing with internet banking to manage finances from home. ✓ Safe shopping online. Consumer rights. ✓ Financial frauds.	• Intergenerational transfer of knowledge to grandchildren

4.3 The role of the advisor in raising financial literacy during consultancy

The role of the financial advisor in assessing the warning signals and applying appropriate tools to minimize the risk of household over-indebtedness and insolvency is summarised below.

Financial education is recommended both for debt advisors and their clients, i.e., households. Financial education is a lifelong process. Financial education helps debt advisors to identify early warning signals that assist in assessing a household's financial condition and are an important factor in assessing and lowering the risk of household’s insolvency.

By identifying tuition fees, debt advisors can identify where the problem is and how big it is. Then, the debt advisor can take countermeasures to solve the household’s problem. Households that are clients of debt advisors often need a quick solution to a pressing problem first. As well as to alleviating inflammation in the patient's body they need a diagnosis and often long-term treatment of the disease, such as the lack of financial literacy. Early warning signals are a helpful tool in treating and increasing financial literacy. The most popular and largest group of quantifiable signals include warning signals understood as information generated based on deviations from the desired values of individual (or groups) of financial parameters or the appropriate indicators based on them. Identification of appropriate financial red flags and their analysis are essential to adapt to a dynamically changing environment. Signals are designated based on deviations from the desired variables, they can be negative and positive. Treating the household as a system, one can find indicators informing about upcoming events inside the household and in its surroundings, which may disrupt the functioning of the household. These signals are created based on information that are analysed using the group or individual financial and non-financial indicators created by household members, and above all by the person who deals with financial management in the firm.

Early warning signals (EWS) mainly inform about the threats to the functioning of the household, as well as about unused and unnoticed opportunities. A single piece of information and a set of information may allow you to mitigate the risk well in advance and notify you about the risk of insolvency. In the lending process, the bank's actual exposure to credit risk starts from the moment the loan is granted and ends only when it is fully repaid. Therefore, constant supervision along with the reporting system, about alarming signals regarding the financial situation of the household, correlating with an appropriate reaction of credit services, is a necessary condition for effective credit risk management. Therefore, it seems important to know about alarming warning signals. The earlier the information is received, the more likely it is to reduce the risk of over indebtedness. There are many early warning signs. Their main task is to signal any threats inside the household and its surroundings. The commonsense belief that evil comes from the outside makes it difficult to see the dangers inside the household. Households show red flags well in advance of default (which, unfortunately, is not always measurable).

They are usually characterized by ineffective management of financial resources, high and increasing degree of debt, decrease in income, delays in timely payment of liabilities, lack of financial reserve, etc. The occurrence of symptoms of insolvency threat, with the simultaneous lack of security in the form of a financial reserve, savings, life insurance for a household member with an income that would allow him to avoid a crisis, as well as no home, apartment, car insurance against random events (fire, flood, theft).

EWS can be divided into several categories:

- EWS occurring in the environment can be called external, i.e., independent of the household, occurring in the household environment. It is proposed to divide them into:
    - an EWS of an economic nature, which may include such factors as: deteriorating economic situation of the country and the world, financial crisis, increase in interest rates on loans, increase or decrease in rates currencies, bad situation of the labour market, rising prices of goods, services, and rent housing, water, gas, electricity and etc.
    - EWS of a social nature, which include quality deterioration life, decline in social moods etc.
    - an EWS of a legal nature, including all standards legal regulations, including banking, tax and bankruptcy law and etc.
- Household’s early warning signals which can be called internal and can be divided into three categories:
    - EWS of a current (operational) nature, i.e., related to the current functioning of the household. It can include: a significant reduction in the amount of income, delays in repayment of principal and interest on the loan taken or loans from financial institutions, delays in paying liabilities, including towards providing institutions mass services, loss of income, high and increasing degree of household debt, credit roll-over, increasing the loan amount, payment gridlocks, excessive indebtedness,

negotiations with banks regarding the deferral of loan repayments, property sale, increase in financial costs (increase in loan interest, increase in the exchange rate of the currency in which the loan is taken, late payment of interest debt repayment, increase in additional fees), no insurance in the event of death or illness of a member of household with the highest income, no home or apartment insurance, car for random events, no security in the form of a financial reserve, no financial reserve;

- **an EWS of a strategic, operational and decision-making nature**, the financial situation of a household in the long term. It can include freezing of funds in the form of a missed investment, mistakes or lack of planning of income and expenses, long-term over-indebtedness;
- **EWS of a behavioural nature** that, contrary to appearances, they may have relevant influence on the occurrence of other signals. It can include: lack of economic knowledge, - disagreement between household members regarding financial management, bad health condition, alcoholism, drug addiction, shopaholics, gambling, excessive optimism, excessive pessimism, tendency to take risks, tendency towards consumerism ("gadgetry").

Upon recognizing the early warning signals, the debt advisor can identify the household's situation and determine how they can help to increase the household's financial literacy to better manage its finances. Tools such as home budget, balance sheet, and cash flow statement can be helpful for this. The following rules are also helpful in increasing the financial literacy of a household by debt advisors: The debt snowball method, The Kakeibo principle or Rule 50/20/30.

4.4 Examples of educational projects in Europe to prevent over indebtedness.

CASE OF POLAND

The educational package “I think, I decide, I act - Finance for the youngest” - for early financial education in primary schools (SKEF – Society for Promotion of Financial Education – www.skef.pl)

Financial education is one of the key competences in the modern world. Since their early years, children start to be naturally interested in the surroundings, also as far as the financial environment is concerned. It is well-worth using this interest to make it easier for them to acquire the financial knowledge and skills and prepare them for the role of an informed participant in the social and economic life. The way for gaining the crucial skills needed by the child in the future seems to lie in the experiencing, acting and translating theoretical knowledge into the practical. Meeting this need halfway, the Society for Promotion of Financial Education has developed a package on financial education titled “I think, I decide, I act - finance for the youngest” prepared by Professor Małgorzata Żytko from the University or Warsaw, Dr. hab Alina Kalinowska-Iżykowska from the University of Warmia and Mazury and Ms Ewa Kruk from SKEF.During the 80 hours of regular lessons children can improve their financial literacy and they work on the following thematic areas: money, earning money, household, enterprise, shop, financial institutions, saving and investing, solidarity and mutual support.

Systematic classes over a longer period of time (2-3 years) and the possibility of integrating the contents of the package into the core curriculum of early childhood education make it possible to achieve the best and lasting results. Mentioned package among others:

- builds children’s knowledge in economics and finance;
- develops skills related to functioning in the financial environment;
- enables personal experience related to money management;
- supports development of mathematical skills of school students in the context of everyday economic and financial experiences;
- develops the ability of critical thinking;
- encourages self-searching of information, carrying out experiments and analysing sources and texts related to money matters;
- supports understanding of the humanistic dimension of financial processes;

This is an excellent example of a project that, if implemented early in life, can be an important factor in reducing the number of people who become over-indebted in the future.

The Society for Promotion of Financial Education (SKEF), based in Gdynia, was established in 1997 and is a nationwide non-governmental organisation mainly engaged in initiating, running and supporting activities for the sake of financial education in various age groups. SKEF provides free consulting to over-indebted people. Its activities and educational projects have already covered several thousand beneficiaries, including: primary and secondary school students, young adults, seniors. This has contributed to the acquisition of many valuable experiences by the Society and consistent development of our activities to prevent over- indebtedness.

CASE OF AUSTRIA

Financial driving license - a project implemented in various regions of Austria (SCHULDNERHILFE OÖ).

The Financial Literacy Driver’s License in Upper Austria is an example of a project and innovative instrument in the prevention of over-indebtedness which was developed by the SCHULDNERHILFE OÖ (a state-approved debt advice service in Upper Austria). The aim of the project is to provide practical financial knowledge on three different levels depending on the target group and age: basic, advanced and professional. The topics on the different levels correspond to the age, level of knowledge, interests and type of school or education of the participants and differ in content and didactic preparation. It is advisable to implement all levels of difficulty to increase financial competencies of participants as well as to strengthen and developed their financial security and ability to make responsible decisions. The main target groups of the FLDL are:

- students of polytechnic schools (ninth grade in Austrian school system) and vocational schools in Upper Austria
- adolescents and young adults in labour market measures for unemployed people or socio-pedagogical projects as well as trainees in companies

For every target group there are five specifically designed modules: three are held by specialists in prevention of over-indebtedness of the SCHULDNERHILFE OÖ and the two remaining modules are for self-development. The SCHULDNERHILFE OÖ provides the teacher/trainer with all the needed teaching-materials and background information for the work with the students. To obtain the FLDL it is necessary to complete three modules at least (level 1) or to pass all five modules (level 2). In the end of the FLDL a finance-check in the form of an online quiz. This quiz is meant to show the state of knowledge of each student and shall give the possibility to repeat and deepen the topics worked out during the modules. After successful completion, participants finish with a driving license in Upper Austria receive their certificate during a ceremonial act. This certificate is positively perceived by employers in Upper Austria and should therefore be an integral part of any meaningful application document.[3]

The Erste Financial Life Park (FLIP) in Wien, Austria - is not only a museum, nor only a science centre. FLiP is a facility for innovative financial education. It promotes know-how in money topics and helps young people to develop the skills it takes to manage their personal financial affairs responsibly and independently. Insufficient knowledge of financial issues and weak financial skills negatively affect the economy, society and culture. The main goal of FLIP is to increase the interest of children, youth and adults in finance and the economy, and in this way to support and strengthen their ability to manage their personal finances responsibly as it is a key moment in the fight against young people's growing indebtedness. FLiP is not a marketing tool, but a knowledge transfer centre dedicated exclusively to education on finance and economics. The FLiP Experience is a visitor programme that takes visitor groups to a series of stations along a “learning trail”. The sequence of the stations can be modified to suit the needs of each group and tailor the content accordingly. The visitor groups are accompanied by an educator who leads the group, explaining the stations and their sequence, activates the necessary elements to launch interactive content, explains and manages the games and sums up the outcomes. There is also a virtual wallet - tablet computer which visitors use to participate in the games at the stations, read information on the screen, enter input and solve tasks. FLiP has a modular structure, and each station has its own educational and thematic focus. The tour starts with a personal perspective, broadening the horizon step by step along the trail to end with a global view. FLIP offers two-hour tours for groups of students aged 10 and above. Each group is accompanied by one or two FLiP guides, depending on the size of the group. The maximum group size is of 32 persons. Admission and guided tour are free of charge (with the possibility to have English language tour).

CASE OF GERMANY

Financial competence information exchange (FinKom) - the event organized by German NGO "Präventionsnetzwerk Finanzkompetenz” with idea of nationwide exchange of information and presenting prevention projects.

An example of an inspiring event (every two years) to organise a forum for the exchange of information between experts from the prevention sector. It is not only an opportunity to present prevention projects but also to establish cooperation between different actors and sectors. The projects that are newly presented at FinKom receive a certificate and are awarded with logo ("Fink"). Such activities support the formation and development of preventive programmes in financial education. Participants in the event are given an insight into work ranging from social education and school to banking and science. In this way, different approaches are explored in more detail with concrete examples

The prevention network **Finanzkompetenz e. V.** advocates for efficient economic and financial education and advice as well as appropriate framework conditions for fair consumer protection.

The purpose of the association is achieved through implementation of events and specialist conferences, formation of networks, development and implementation of projects, funding of projects and research projects or acquisition of third-party funds for the implementation of national projects.[4]

[3] More:https://www.schuldner-hilfe.at/praxisnahes-wissen-zu-geldthemen.html; https://www.eesc.europa.eu/sites/default/files/resources/docs/rathwallner.pdf

[4] More info about projects: https://pnfk.de/ueber-uns/projekte/ and https://pnfk.de/

CASE OF NETHERLANDS

National Institute for Family Finance Information (Nibud)[5] is a well-known and respected non-profit, independent foundation in the Netherlands that supports private households on financial education e.g., money management and helping with taking individual, responsible decisions which have consequences on the budgets. Moreover, Nibud increases the expertise of institutions (banks, financial service providers, debt help organisations, advisors, and schools) for as much these influence the budgets of private households with education, advice or their policy. The Nibud's employees are specialists in micro-economics, debt help, financial behaviour, fiscal law, financial education, and communication.

Reference budgets - project on patterns of expenditure for different types of households to live at a designated level of well-being. It is based on household composition, disposable income, and other characteristics (like housing and the possession of a car), such a budget reflects the circumstances of an individual family unit. Nibud has actual figures on the spending patterns of Dutch inhabitants.[6] Nibud's reference budgets are the basis:

- for the norms on mortgage and consumer credit in the Netherlands
- of poverty measurement
- plays an important role in the Dutch society

CASE OF FRANCE

Dilemme - innovative Budgeting and Finance education project in France with large scale board game (Cresus Foundation[7]).

The objectives of the game are:

- to confront the issues of budget management while using hands-on methods
- to teach the basic knowledge required for making clear decisions regarding the financial products
- to promote responsible consumer behaviour
- to provide information regarding the rights and obligations of every individual with financial issues: banking, loans and insurance in general
- to break down the money taboo in French society and open up dialogue on the subject of money using accessible tools in order to support citizens to become responsible in their financial literacy

Dilemme is a large-scale board game for up to four teams and 16 participants over 14 years old Participants should complete a medium-term project and earn 10 leisure points, paying predefined monthly charges at the same time. There are actions based on hands-on experience on budget management and making individual decisions and leisure activities (for life balance). Moreover, participants must handle with banknotes, counting (math arithmetic), savings account books, budget spreadsheets. Also, during the game they answer questions' cards focused on financial knowledge. This educational project is accessible for: educational establishments, social organisations, financial and insurance institutions. The project is led by a community of 1,700 ambassadors. There is also a Dilemme® App with updated Card games (to avoid the obsolescence & to make fast updates and translations) and possibility to set the game for specific audiences and situations. The French experience demonstrates that this kind of project can be a crucial platform for cooperation of different stakeholders (individuals, bankers, insurers, animators) who are engaged in prevention of over-indebtedness.[8]

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[5] https://www.nibud.nl/

[6] This Handbook explains how reference budgets are calculated: https://www.nibud.nl/wp-content/uploads/Handbook_of_Reference_Budgets.pdf

[7] www.cresus.org

[8] More: https://fjarmalavit.is/en/first-steps-in-finance

CASE OF ICELAND

The first steps in finance – textbook from Iceland

"First steps in finance" is a textbook by Gunnar Baldvinsson for young people who are taking their first steps towards becoming financially independent. It helps with studying basic aspects of personal finance and teachers can request copies of the book for their students, free of charge. Also, you can find directions, slides for teaching, slides with questions and tasks, answers to questions. The book was recently translated to English language and has been introduced to teachers from many European countries.[9]

4.5 Practical debt advisors' division. How can debt advisor strengthen competences in financial education?

1. **Courses and professional trainings (formal and informal) organized by universities and organizations/institutions specializing in specific areas of financial education, e.g. insurance, consumer bankruptcy, financial products, taxes.** It is worth establishing cooperation with specialists and institutions from specific areas of financial education, that will support debt advisors in improving their professional qualifications and update their rapidly changing financial knowledge. Many of them, due to the type of services provided by debt advisors, are willing to organize the free trainings. The benefit is mutual, the advisors gains and updates his knowledge, and the institution is sure that the information provided by them is used for the benefit of clients and the spread of the financial knowledge. The use of financial tools support the work of an advisor such as interest calculator, budget calculator (see examples in Practical Toolkit).
2. **Participation in specialized seminars, conferences, webinars - national and international, during which, in addition to gaining new information, there is possibility to establish contact with specialists in various areas of financial education**. A separate group for cooperation for debt advisors are researchers and academics who, by presenting the results of research, illustrate the current state of the phenomenon of over-indebtedness in households in the national and European perspective, can profile over-indebted persons, identify the educational needs for over-indebted people in terms of financial awareness and also be helpful in creating useful tools that would be used for early warning process against over-indebtedness.

Examples

Financial education events organised by the OECD

OECD Financial Resilience Webinar Series

European Platform for Financial Education

More EU level examples available in the Financial Literacy Playbook for Europe

European Money Week is an annual initiative in March involving more than 35 European countries with many activities, e.g., classroom teaching sessions, seminars and conferences

EIB Online course on Financial Development and Financial Inclusion

Projects of The European Banking & Financial Services Training Association (EBTN)

Finance Watch conferences and webinars

[9] More: https://fjarmalavit.is/en/first-steps-in-finance

3. **Reading articles, publication, legal regulations and case law related to financial products and services.** Nowadays there are many professional portals on the Internet and contents published by experts, not only specializing in particular areas of financial education (taxes, insurance, loans, etc.) but also showing a broader perspective of financial education - statistics, reports (e.g., on indebtedness), or commenting current changes in legislation and financial products offer. In many European countries, governmental and self-governmental institutions maintain portals with up-to-date educational content.
4. **Case study - analysing clients' documents, e.g., loan agreement regulations. Financial institutions selling financial, or insurance products and services indicate regulations in contracts, which contain terms, definitions or references to specific regulations.** This is the fastest way to learn specific financial terminology, it is a great material for self-study. Especially that both agreements and regulations often change in financial institutions, so it is important to keep track of these changes in the financial market.
5. **Exchange best practices with other members of the advisory team regarding their experience with client cases and the knowledge they have gained.** New team members may be unsure of their competences at the beginning, so it is good to have experienced persons in the team, who will become mentors for new employees and will supervise the work of younger colleagues, supporting them with their knowledge, skills and shaping appropriate attitudes and mindsets also in the area of financial education. More experienced employees also prefer to work in a team, which is open to exchange of experience and assistance, especially in difficult situations, which often arise while dealing with over-indebted people.
6. **Due to the wide range of knowledge needed to perform the role of debt advisor**, it is sometimes necessary to divide employees by specialization, for example, someone has in-depth knowledge of inheritance, and someone else on social security. Then, when a client comes in for advice on over-indebtedness, but related to another area of knowledge, other advisors know who in the team to turn to for help. They are confident that the client will receive complete information and the best service.
7. **Personal life experiences.** Every advisor, in addition to the knowledge and skills acquired through formal and informal education and work, has personal financial experiences that also build his/her financial literacy. Many people struggle with various financial difficulties during their lives or observe such struggles in their families. Such practical experiences are very valuable, as they often allow for a personalised approach to the client and their case. The words: *"Yes, I've been through this too and I know how to help you. We can handle this situation"* can put the client in a positive mindset to move forward and allow them to believe that they are able to have fresh start again.

4.6 Financial education as an element of counselling for over-indebted people

Financial education (along with legal knowledge) is a consistent and integral part of the counselling process. The debt advisor uses financial education as a multifunctional tool that, when used efficiently, can help to get out of over-indebtedness and to start living a debt-free life. **The debt advisor's work with the client consists of two elements:**

- short or long-term assistance in solving the client's problem by providing financial/legal advice and/or drafting a letter/document
- financial/legal education of the client, which is understood as increasing the client's financial knowledge and/or shaping attitudes and/or acquiring skills
- Usually, both elements occur simultaneously due to the inefficient level of financial literacy.

Debt advisor using elements of financial literacy

1. **Explains basic financial terms and concepts** that the client does not understand and answers questions that bother him. Sometimes a client does not ask such questions in the bank because he is afraid that he will not understand the answer[10], does not know nor understands the financial terms used by the bank employee, does not understand the content of credit agreements. Providing the over-indebted person with a safe place, explaining everything in a calm manner using simple language adjusted to his cognitive and intellectual capabilities is highly recommended. A client comes for advice because he usually has several debts that exceed his financial possibilities. The counsellor can then explain to the client what a debt is, what is in the loan contract, what consolidation loan is and what opportunities and risks it poses. He can also explain what an APR is and tell about the pre-contractual information. In this way the consumer can understand his obligations, the features and risks connected with a certain product and use this knowledge to compare products from different financial institutions to make an informed choice.
2. **Provides advice on how to operate and safely use financial products** (e.g., credit cards). Many people have credit cards, but do not know how to use them to avoid paying interest or do not remember to pay off their debt within the interest-free period. Some people do not even know what a "grace period" is. When we buy a new stove, we read the manual and try to find out what features the new appliance has. In the case of a credit card, customers are most interested in what their credit card limit is, and that is pretty much all they want to know. Without the knowledge of how to use a credit card safely and what the fees are, it is difficult to talk about financial awareness. Since credit cards are high interest products, many customers end up over-borrowing. It is also the debt advisor's role to make clients realise that sometimes it is better to forgo having a credit card and not have a temptation to make unnecessary expenditures.
3. **Demonstrates where to find and how to use financial tools** such as a budget calculator or Annual percentage rate of charge (APRC) calculator. Thus, it teaches practical skills that support financial self-reliance.
4. **Explains the procedure and guides the client step by step**. Let us consider the following situation. An overindebted client, who took out credit for its partner but with whom he has not signed any credit agreement, comes to the debt advisor. Not only the client is no longer able to pay the loan instalments, but in addition he does not make ends meet with the entire amount of his incomes. After verification of the credit documents and conducting an in-depth interview, the debt advisor concludes that the financial situation of the client is so deteriorated that there is no other solution than declaring bankruptcy (it is a precise duty of the debt-advisor to find all the possible solutions for repaying the debts before considering bankruptcy, which is only the extreme solution). Presenting the procedure of declaring bankruptcy, the advisor guides the client step by step and indicates the stages of the consumer bankruptcy procedure (if other solutions are not possible), how to put the information about credit liabilities (credit agreements) in order, or what other information should be obtained to fill in the application to the Court. These measures are taken not only to raise the client's awareness and financial responsibility but also to reassure him that his difficult financial situation may get better.
5. **Positively encourages an over-indebted client to take actions in financial area**, which will help to fight with excessive debt, e.g., debt advisor encourages to look for additional job, to take part in professional training in order to get better job, to talk to creditors. The debt advisor does not judge the client and supports him in the process of getting out of debt, indicating ways of solving problems. Sometimes it is necessary to write to the client the next steps of action, and sometimes ask him to do it on his own and make him feel responsible for the decisions. A positive attitude allows the over-indebted person to believe that financial education can be their supporter.
6. **Alerts clients to situations that threaten their financial situation**. There are many people (especially seniors), who became over-indebted because they did not have financial literacy and were naive. For instance, many seniors become victims of investment schemes. They have life savings, which makes them more vulnerable. Sometimes fraudsters pose as financial advisors to get access to their retirement funds and savings. Once they have access to the funds, they take their money and run away. Also, some companies market expensive, luxury products and offer loans for these products with very high interest rates. The customer buys the goods on credit and after returning home clears his head and wants to withdraw from the contract, which is quite a complicated process.
7. **Other examples of frauds**: lotteries (must pay a fee to obtain the prize), the grandparent scam (playing on emotions and pretending grandchild in financial trouble who immediately needs money to be sent via Western Union), Internet – phishing emails sent by scammers asking seniors to update their bank or credit card information.
8. **Explains the idea of debt.** Many customers fail to understand that a financial institution is a for-profit enterprise, so they do not lend money for free. Customers are surprised that when they borrow a certain

[10] Read also: Financial Dictionary – Understand Financial Jargon

amount of money, they must pay back much more. They also believe that the money they borrowed is their property.

9. **Accompanies in the process of independent financial decision-making** by pointing out different solutions and consequences, thus teaching critical thinking.
10. **Identifies reliable sources of information and institutions where assistance can be obtained** to support efforts to get out of excessive debt. Indicates where to find and how to use financial tools such as credit calculator, mortgage calculator, budget apps, etc.
11. **Leads and organizes preventive activities:**
    - **with client** - prints out a budget sheet for the client and tries to motivate, to record and to keep track of the expenses; explains the difference between a need and a wish; encourages financial planning; explains the purpose of saving and how to repay a loan in difficult situations, explains how to budget with a low income, how to choose the best-fit of insurance or credit offer. Helps with financial planning and budgeting helps to prepare individually tailored budget and goes through the expenses with reflection and critical thinking.
    - **training, meetings and lessons in schools, universities, libraries, universities**. The debt advisor can enter partnerships with other professionals, institutions, local governments, local communities to conduct joint activities, e.g., Debt Free Day, World Savings Day, Global Money Week.
    - **writes articles describing customer issues**. Sometimes a new financial product appears on the market that may pose a threat to consumers' financial security (e.g., cryptocurrencies). An article describing such a product and the associated risks can be also a social campaign - a warning against falling into over-indebtedness.
    - **prepares educational materials**, e.g., leaflets, brochures, guides, which the customer can constitute a reliable source of information for consumers. The topics of the leaflets can be planned based on the types of issues with which clients most often come forward, e.g., inheritance of debts, consumer bankruptcy, credit contract.

4.7 Practical toolkit

Financial Dictionary

- More information about financial products and services can be found here in: English, Romanian, Polish, Greek, Hungarian, Spanish and Italian.
- European Central Bank Glossary (EN): https://www.ecb.europa.eu/home/glossary/html/glossf.en.html

Examples of financial calculators

- This household budget calculator lets you track where the money goes every month - this is the first step to cutting back. You should gather such information as pay slips, credit card bills, council tax bills and insurance policies before you start using the calculator. (EN): https://www.thisismoney.co.uk/money/bills/article-1633404/Household-budget-calculator.html
- Savings plan calculator - Do you have the motivation to save? Use the savings plan calculator to find out what amount will be raised depending on the amount of capital and saving period. In this way you can direct your savings goal. (DE): https://www.geldundhaushalt.de/budgetplanung/rechner/sparplanrechner
- If you are considering buying a property, you should realistically calculate how much it can cost. You can use the financing calculator to determine the overall financial framework you need (DE): https://www.geldundhaushalt.de/budgetplanung/rechner/finanzierungsrechner
- Mortgage Calculator (DE): https://www.geldundhaushalt.de/budgetplanung/rechner/kreditrechner

Videos

- For a simple breakdown of APR. It could help you to understand loan rates in more detail before you borrow any money: https://www.barclays.co.uk/loans/what-does-apr-mean
- How to Use Credit Cards Wisely: https://www.youtube.com/watch?v=fle2zwbeVMs; https://www.youtube.com/watch?v=-QIGLu5idkM
- How to Pay Down Debt: Strategies for Debt Payoff: https://www.youtube.com/watch?v=O3FRc9USz8g
- CRASH Course in Credit Terminology! https://www.youtube.com/watch?v=ihyDVGjZGvk

Quizzes

- How financially fit are you? https://financialfitness.hsbc.co.uk
- What is your money style quiz? https://www.moneymakesense.co.uk/article.php?xArt=14

Homework

Find websites, videos and other sources of information with content on financial education in your country and report to us. Do banks and other financial institutions have this kind of information, too? Are there any other partners for you on financial education topic who can deliver it for debt advisors?

No	Country	Organisation
1.	Greece	Hellenic Financial Literacy Institute Education portal on the website of the National bank
2.	Hungary	Education portal on the website of the National bank National Consumer Association
3.	Italy	AIEF (Association) ADEIMF (Association) Quello Che Conta (Committee) Education portal on the website of the National bank Educazione Finanziaria Private Bank's website
4.	Poland	Rzecznik Finansowy (State agency) SKEF (Association) Ministry of Finance The Polish Chamber of Insurance (PIU) Economic educational platform established by the National Bank of Poland
5.	Romania	APPE (Association) JA Romania (Association) Education portal on the website of National bank Private Bank's website
6.	Spain	Financial website AEP Financieros (Association) Education portal on the website of National bank Financial website Private Bank's website Private Bank's website
7.	Europe	European Consumer Centres (ECCs)

5

Emotional support for people experiencing financial difficulty

By
Simon McNair

Various research has shown that experiencing problem debt is associated with anxiety and depression; that those experiencing problem debt are more than twice as likely to have suicidal thoughts; and that psychological ill health has a negative impact on people's capacity to manage their debt, causing more distress, and in turn creating a debt-trap. [11] [12] [13] [14]Furthermore, research involving bankrupted clients of a debt management firm in the UK indicates that problem debt causes more stress for women, who also are more prone to experience shame, and guilt in relation to their financial difficulty.[15] Self-conscious emotions such as shame, guilt, and embarrassment are a particular issue in relation to debt, as not only are they particularly negative emotions, but they often are the reason why people do not seek debt advice sooner.[16]

Besides the emotional impacts, problem debt is also associated with heightened stress.[17] A key effect of stress is that it saps peoples' mental resources, which can make it all the more difficult for someone to actually work through their problems. Psychology research says financial difficulty is associated with a "scarcity" mindset, where people in financial difficulty have a narrowed attentional focus.[18]

These kinds of emotional, and psychological impacts are of importance to debt advisors, who often need to not only help clients with practical guidance (e.g., budgeting skills) but may also need to provide emotional support. Understanding the differences between the kinds of self-conscious emotions a client may be feeling, and how stress affects the mind, will mean debt advisors can better tailor their advice for the individual client, and provide more holistic support.

The Money Worries (And how to beat them) debt advice booklet

The Money Worries booklet was developed as part of a three-year research project led by Dr. Simon McNair at Leeds University Business School in the UK. The research was carried out in partnership with Citizens Advice, the largest independent provider of debt advice in the UK. The project involved interviews with debt advice clients, and advisors; a survey of debt advice clients; and a field trial that evaluated the impact that the booklet had for clients when used as part of the advice process.

The Money Worries booklet aims to help debt advisors, and clients, to better understand the emotional impacts of debt, and provides advice on:

a) How to recognise different kinds of self-conscious emotions (guilt, shame, embarrassment), and the different ways they may impact a client's progress

b) Understanding the impacts of stress on how we think, act, and feel

c) Identifying common ways that people tend to put themselves down about debt

Throughout, the booklet also provides specific advice about how to *overcome* these kinds of emotional barriers, including written exercises, thought exercises, and physical exercises.

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[11] Bridges, S., & Disney, R. (2010). Debt and depression. *Journal of health economics*, 29(3), 388-403.

[12] Taylor, M. P., Pevalin, D. J., & Todd, J. (2007). The psychological costs of unsustainable housing commitments. *Psychological medicine*, 37(7), 1027-1036.

[13] Meltzer, H., Bebbington, P., Brugha, T., Jenkins, R., McManus, S., & Dennis, M. S. (2011). Personal debt and suicidal ideation. Psychological medicine, 41(4), 771.

[14] Lenton, P. and Mosley, P. (2008) Debt and Health. Working Paper. Department of Economics, University of Sheffield.

[15] Feeney, A., & McNair, S. (2012). Emotions and the psychology of debt. Report commissioned by Grant Thornton UK LLP.

[16] Collard, S., Finney, A., & Davies, S. (2012) Working households' experiences of debt problems: A research report prepared for StepChange Debt Charity.

[17] Brown, S., Taylor, K., & Price, S. W. (2005). Debt and distress: Evaluating the psychological cost of credit. Journal of Economic Psychology, 26(5), 642-663.

[18] Mullainathan, S., & Shafir, E. (2013). Scarcity: Why having too little means so much. Macmillan.

EXAMPLE 1.

Helping clients to challenge self-criticisms

Try these two simple exercises to shake yourself out of the negative

OUT WITH THE NEGATIVE!

Ask yourself these four questions to challenge negative thinking:

1. What good do I get out of putting myself down?
2. Do I really believe I'm this bad, or am I exaggerating?
3. Are there any positives I'm ignoring - no matter how small?
4. What would be a more useful thing to do right now, instead of criticising myself?

IN WITH THE POSITIVE!

At the end of each day, make a note of positive steps you took today:

1. Something I did well today was
2. Today I felt good about myself when
3. had a good time with… (a person, a place or experience)
4. Something good I did for someone else was

It's not easy to challenge negative thinking, and it doesn't happen all at once. Try reminding yourself to stay positive by keeping a note of these questions, perhaps on your phone.

One area the Money Worries booklet covers is self-criticism. The stresses of problem debt can often mean that people can feel that they are somehow failing or aren't capable of solving their issues. This can undermine their self-confidence.

The booklet not only describes a range of typical negative thought patterns that clients may experience; it also provides specific tips on how people can break these cycles of negative thinking.

EXAMPLE 2.

Helping clients to plan their next steps using a goal-setting exercise

NEXT STEPS

1.My goal

Example: "Getting in contact with my creditors"

2.Step-by-step actions I need to take to achieve my goal *(you may not need all the steps)*		BEFORE How worried am I? (1-10)	AFTER How bad was it really? (1-10)
Step A	"Make sure I know the numbers to call"		
Step B	"Set aside time to make calls"		
Step C	"Be clear how much I owe each creditor, and how much I can afford to pay"		
Step D	"Make notes about what I want to say on the call"		
Step E	"Practice some deep breathing before each call"		

If your BEFORE WORRY level was 7 or higher for any step, ask yourself:

Am I using any of the harmful ways to cope on (pg. 3 of Money worries and how to beat them)

Am I thinking about this step using the negative partners on (pg. 9 of Money worries and how to beat them)

If AFTER the task you found any of the steps more upsetting than you expected, ask yourself:

Was there something that went wrong this time that I could prepare for better next time?

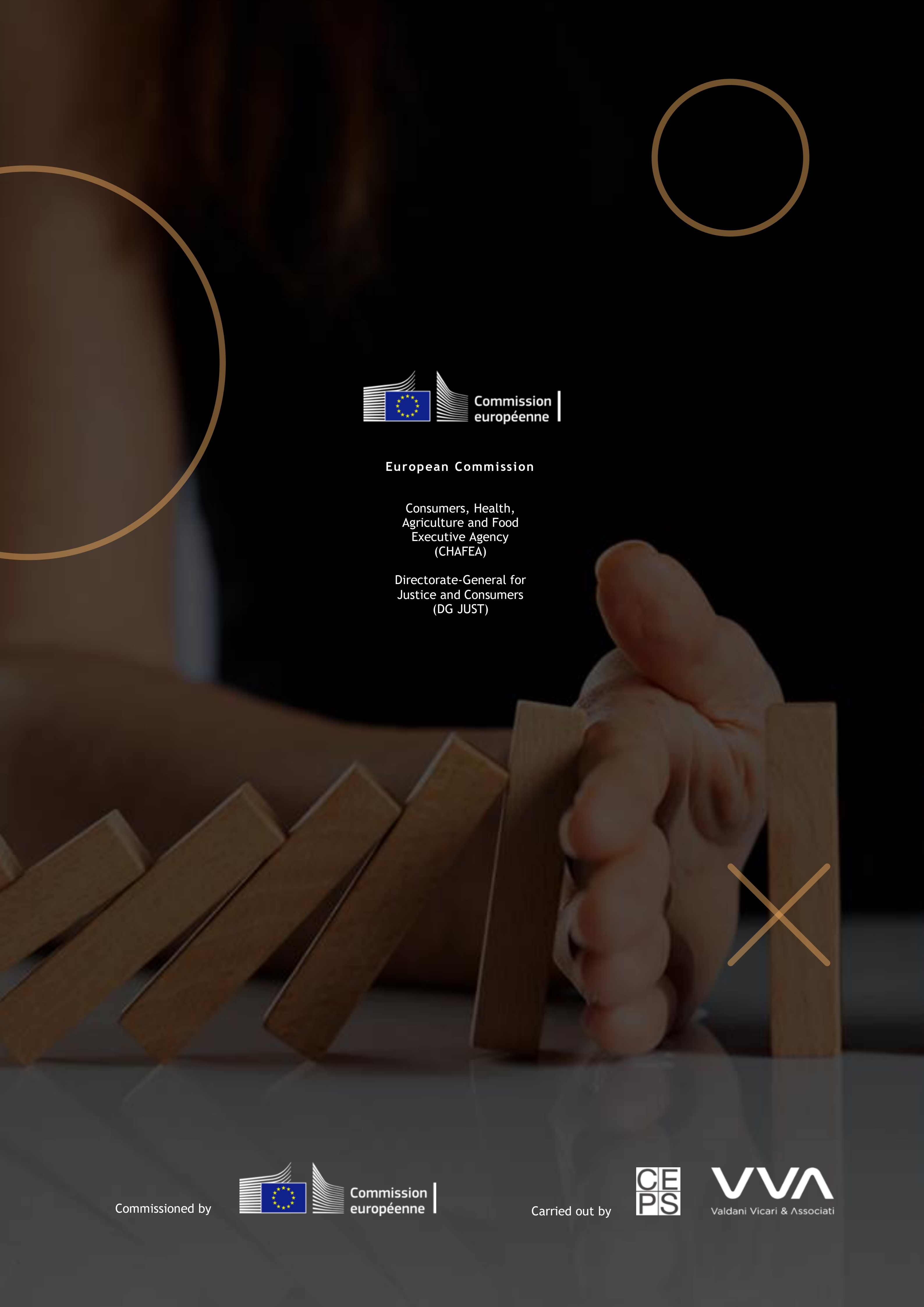
Are there any other steps I should have taken before that one?

Do I need any other help to do this next time? Try asking you advisor about what you can do.

Debt advice often involves setting clients on a path of action and empowering them to work on a number of particular goals to ease their debt burden. When stressed, though, it can be difficult for clients to remain "on track" towards their goal.

The booklet contains an "action sheet" to help clients break down their goals into smaller, more manageable steps and ensure clients continue to make progress.

During the upcoming session on April 30th, Simon will introduce the Money Worries booklet in more detail, including his research that identified the kinds of emotional barriers debt advice clients often face. The booklet is freely available on the Online Academy to all debt advisors who wish to use it as part of their service.



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