

ONLINE SEMINAR SERIES

# Good practices in debt advice

## MEETING REPORT

January 2021	19	21	26
September 2021	21	23	28

Commissioned by

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## **DISCLAIMER**

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## FOREWORD

Over-indebtedness has negative consequences, both for those consumers who have so much debt that they are unable to repay it, and for the creditors who are unable to get their money back. This is not a rare phenomenon. **According to recent research, up to 14% of people in the EU were not able to make scheduled payments.** Covid-19 has made this situation even worse, with many people facing financial problems since the start of the pandemic.

The Commission is committed to addressing this issue, while not penalising the fundamental role of credit. This will be done through the review of the creditworthiness assessment in the Consumer Credit Directive (CCD), in order to prevent inappropriate credit, and to develop debt advice.



**Didier Reynders,**  
European Commissioner for Justice

**Debt advice has a fundamental role as one of the most effective remedies for household over-indebtedness for both debtors and creditors.** Debt advisers support households in difficulty at a psychological level and can suggest suitable financial and legal solutions. They also help debtors to repay their debt in a feasible manner in which they can maintain a decent quality of life and personal dignity. For creditors, debt advice brings the direct benefits of facilitating a smooth recovery and lowering the costs of pursuing a debtor.

This **online seminar series on the exchange of good practice** is an important step forward, allowing debt advisers, policymakers and other stakeholders to share their experiences in providing debt advice and tackling over-indebtedness.



# 1

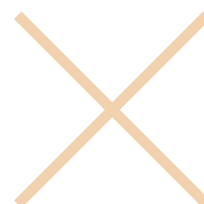
## Introduction

A substantial number of European households are having difficulties meeting their payment commitments, whether these relate to secured or unsecured borrowing, to payment of rent, or to utility or other household bills. Debt advisors play a crucial role in giving professional advice and finding the best solutions to help households get out of debt. Currently, there is only a tiny fraction of the qualified independent debt advisors needed to support all the over-indebted households.

Six online seminars were organised in January and September 2021 to exchange good practices in debt advice. These seminars showcased, to more than 500 debt advisors, policymakers and other stakeholders concerned with household over-indebtedness, concrete, proven and replicable examples that will further the development of debt advisors and debt-advice services.

This meeting report presents the 18 good practices that were exchanged during the online seminar series, information about the participants, feedback received from the participants, and the next steps of the Commission to further the development of debt advice services in the EU.

*The online seminar series forms part of the project on 'Provision of actions to extend the availability and improve the quality of debt advice services for European households' (Specific Contract No. 20198601). This project was commissioned by the European Commission and European Innovation Council and SMEs Executive Agency (EISMEA) and carried out by CEPS and VVA.*





# Good Practices in detecting households in need of debt advice

## 2

It is a taboo for most households to admit that they have financial difficulties and need help. These households either avoid asking for help from a debt adviser, thereby risking having to live on an income below the subsistence minimum for a longer period, or they wait until it is too late to repay the debt without debt settlement. In several countries there are initiatives that aim to identify households proactively requiring debt advice. These initiatives all aim to contact the household in the case of a specific event such as first or second arrears, disconnection from utilities, financial difficulties signalled by banks, or so on.

# PROFILING AND PREDICTING OVER-INDEBTEDNESS

# 2.1

**Mário Boto Ferreira**

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Many households obtain credit to finance necessary goods and services such as a mortgage for a place to live or a student loan to finance a college degree. A significant share of these households are unable to repay their debt or to meet essential living expenses.

Various risk factors can cause over-indebtedness, including adverse life events, financial illiteracy, reasoning bias, or economic crises. In most cases it is not just one, but multiple factors that cause over-indebtedness. This good practice aimed to create predictive models for over-indebtedness or risk of over-indebtedness by considering the various factors.

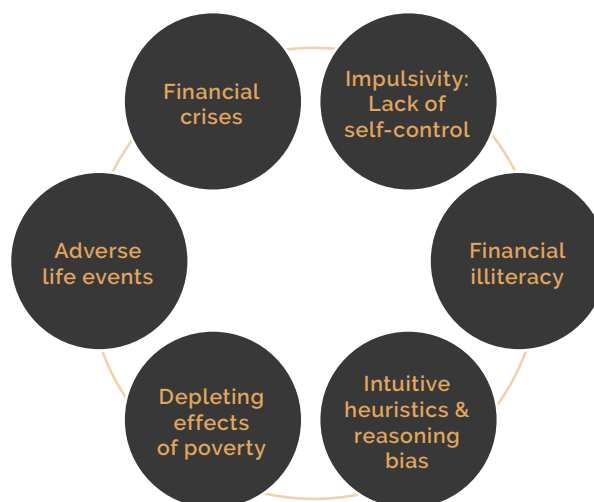
The data<sup>1</sup> on a population of 1 654 consumers who contacted the debt advisory services in Portugal during 2016 and 2017 were used in combination with machine learning (ML) techniques, to identify the most precise predictive model. Using ML it was possible to identify different profiles of over-indebtedness, including low-income, low credit-control and crisis-affected households. This means that there is no 'one-size-fits-all' solution when it comes to fighting and preventing over-indebtedness. The model can predict the profile of new cases of over-indebted households with a high accuracy (89,5%).

The knowledge on these profiles can contribute to counteracting over-indebtedness and preventing families from becoming over-indebted. Government programmes and interventions could be tailored to better respond to the specific challenges faced by the different profiles. Moreover, the ML model algorithm is further used to develop digital tools that are able to quickly assess the financial situation of the household and provide feedback (including alerts and suggestions).

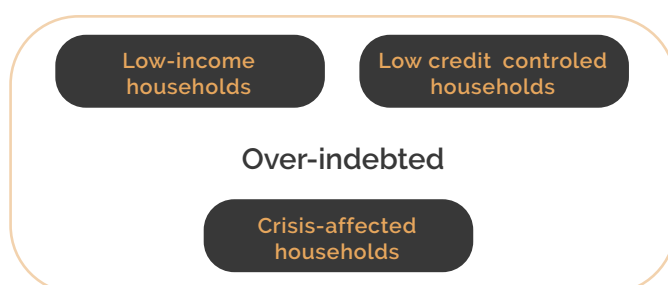
*"I think technology is not a silver bullet, but plays a key role, especially as we move closer to a cashless society. We know from research that people often seek debt advice when they are already at a critical stage, which could have been prevented by seeking help earlier. In the UK we're exploring the use of open banking to help identify people who start to show signs of indebtedness (e.g. missing repayments) and nudge them to seek advice earlier"*

UK debt adviser

## RISK FACTORS OF OVER-INDEBTEDNESS



## OVER-INDEBTEDNESS AS A MULTIFACETED PHENOMENON



<sup>1</sup> The data cover a broad range of variables to understand the full picture of consumers' financial health: family socio-demographics, total income, total expenses, employment information, and credit details, as well as consumers' perceived causes of over-indebtedness.

## UTILITIES-BASED DETECTION

# 2.2

### Sara Waelbers

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Over-indebtedness can have far-reaching impacts on the quality of life. As part of the constitutional right to lead a life of dignity, the Belgian legislator intends to guarantee households' access to utilities, including water, gas and electricity. In the implementation of this right, the Belgian regions have included access to debt advice.

If households do not pay their electricity or gas bill, the provision of the utility is transferred from the private supplier to the public network supplier. Water is always provided by a public water company.

The public utility providers need to request advice from the Local Advisory Commission (LAC) when they want to disconnect households that have not fulfilled their payment commitments for water, gas or electricity. The LAC consists of a social worker from the social services (OCMW), a council member of the Council for Social Welfare (*Raad voor Maatschappelijk Welzijn*), and a representative of the utilities company. It is chaired by a chief social worker of the OCMW.

The legislator does not allow the utility supply to be disconnected from households purely because of the inability to pay. The OCMW must assess whether each household's payment problems are due to over-indebtedness or unwillingness to pay.

This assessment requires social and financial research from the social worker, and has to be applied to households that can be reached by phone, in person or mail, and also to those that do not respond. Utility usage, ability to pay, need for referral to the OCMW for debt advice and other social services, and potentially unused social rights and benefits are all considered.

The LAC meets to decide whether the water, gas or electricity can be disconnected or not. In addition, the debt adviser in the LAC can plan for the OCMW to refer the household in need of debt advice to the most appropriate form of help.

There are, however, a significant share of households that reject the mediation from the OCMW and refuse to provide information about their situation. The OCMW must respect this but is encouraged to try to support the customer as much as possible throughout the procedure and to agree a debt settlement plan.

### FIGURES FOR FLANDERS REGION (2019)

#### Electricity

##### NETWORK SUPPLIED

80 000

2.9%

of households

##### BUDGET METER

39 000

1.5%

of households

#### Gas

##### NETWORK SUPPLIED

58 000

3%

of households  
with gas connection

##### BUDGET METER

26 000

1.4%

of households  
with gas connection

#### LAC

##### CASES

28 000

±1%

of households

##### CUT OFF

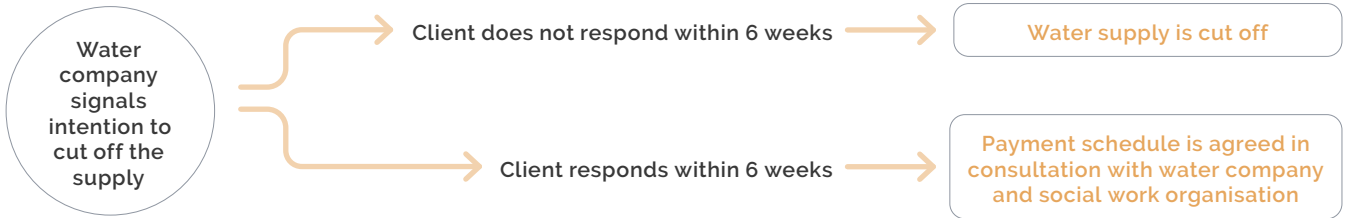
2 620

9.4%

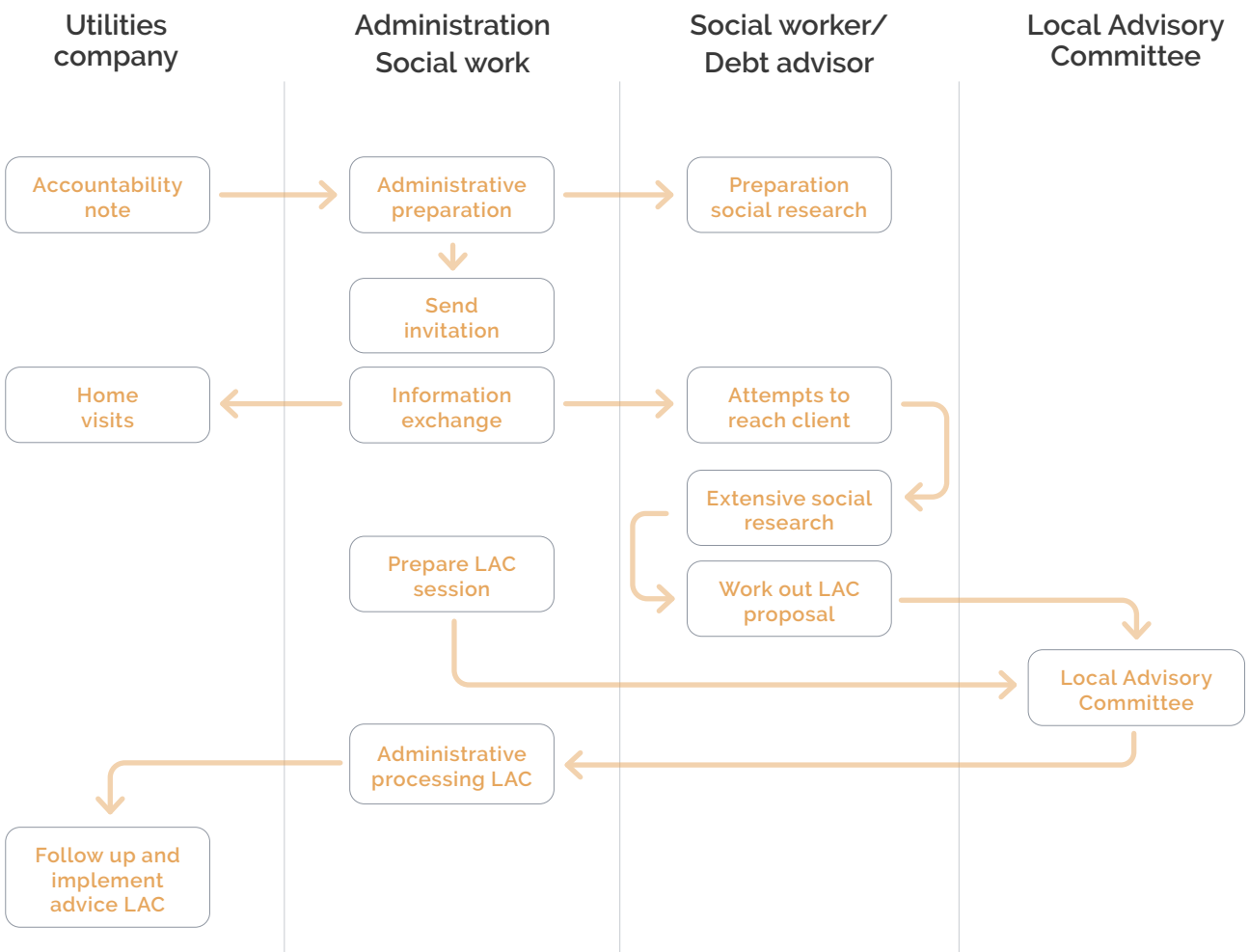
of LAC cases



### PROCEDURE WITHOUT REPAYMENT AGREEMENT IN THE LAC



### UTILITIES BASED DETECTION PROCESS



## FINANCIAL TRANSACTIONS-BASED DETECTION

# 2.3

### Benoît Ehret

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In general, banks have a good insight into the liquidity position of households. In France, this insight is used for early detection. As soon as they detect a financially vulnerable household, they have to follow up with support to prevent over-indebtedness. This early detection is required by law for all banks, payment and e-money institutions, and financial companies<sup>2</sup>. The law, adopted in 2014, also obliges institutions to offer follow-up support to the identified clients. According to the French central bank, *Banque de France*<sup>3</sup>, financial institutions have since then either introduced new early detection or revisited the mechanisms that were already in place.

Early detection mechanisms mostly rely on automated internal alerts related to financial activities such as revenues, expenses, overall balance, payment irregularities, and rejection of direct debits or bank cheques. Some banks also rely on personal information in their evaluations, such as professional and family situations. To detect over-indebtedness situations more preventatively, the direct adviser must also have a sound knowledge of the client's personal situation. This can be especially difficult when a client has several accounts with different financial institutions.

In 2019, the internal detection mechanisms of financial institutions detected 70% of the more than three million financially vulnerable customers. The improvement in detection systems allows most financially vulnerable customers to be identified by criteria specific to each bank, without waiting until they are actually over-indebted. The policy of French banks to consider any client with an income below the poverty line as vulnerable has led to the detection of almost one million clients. Nevertheless, in 2017, the French Court of Auditors<sup>4</sup> expressed some concerns about the acceptance rate of follow-up support. It indicated that the offer of support by mail is often not effective. In response, some institutions have implemented more proactive approaches based on phone calls and in-person appointments.

*“What is fascinating here is the early detection approach, which allows fragility to be anticipated and detected before credit default occurs. This makes the solution much easier to reach, because the situation is not so detrimental”*

Debt adviser from Belgium

This follow-up support can consist of debt advice, but also solidarity loans, debt restructuring or social mediation with other partners (reintegration in the labour market, housing, health, food, etc.). An early example of a bank's follow-up support suggested that nearly all these cases can be resolved fully or partially after following up<sup>5</sup>.

### FIGURES FOR 2019

*Financially vulnerable customers*

**3.4 million**

max. **5%**  
of population

*Customers benefitted from special offers*

**512 149**

**+33%**  
since end-2018

*Average annual costs of bank accounts*

FOR FINANCIALLY VULNERABLE CUSTOMERS

**EURO 255**

**-16%**  
compared with 2018

FOR CUSTOMERS BENEFITING FROM SPECIAL OFFERS

**EURO 151**

For more information:  
<https://bit.ly/3dzQpxb>

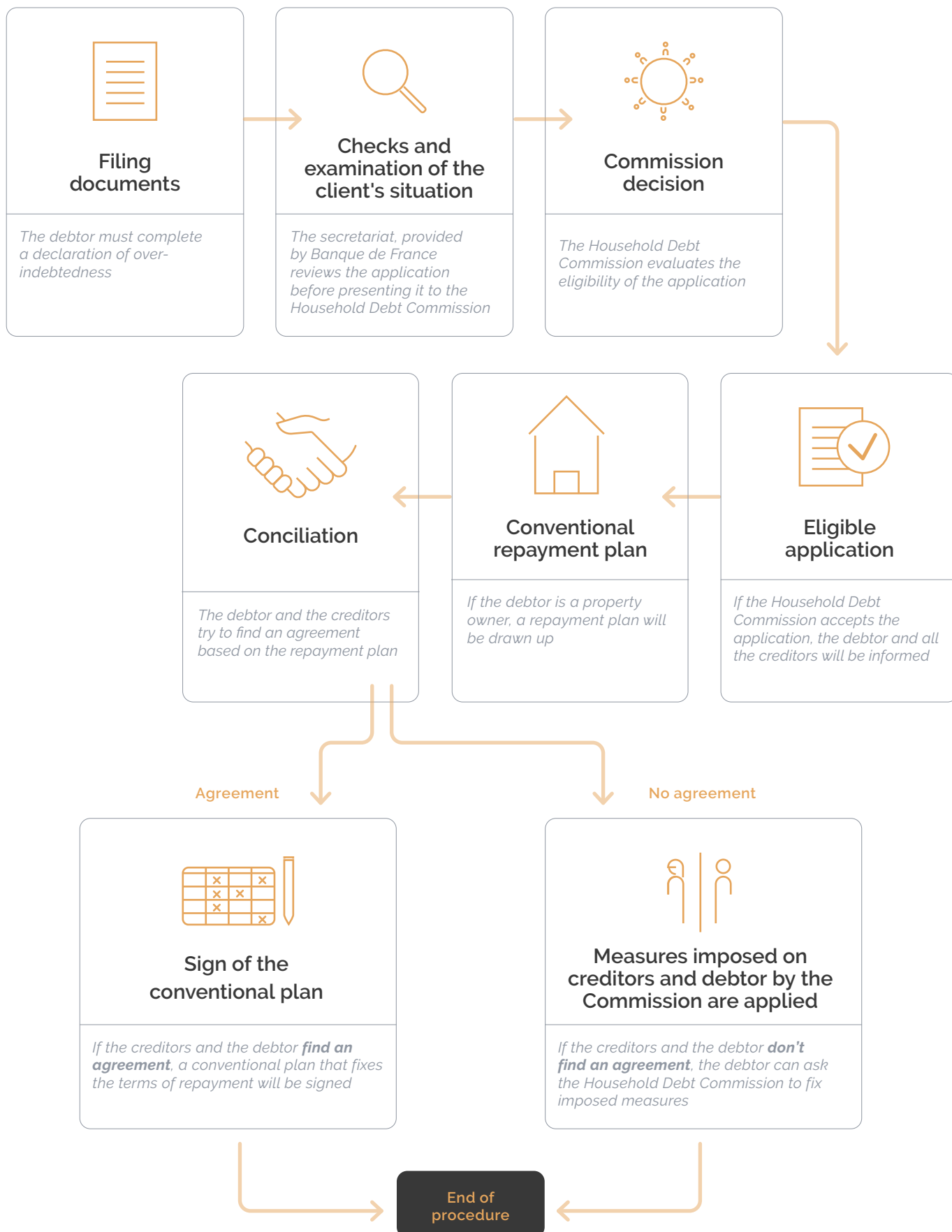
<sup>2</sup> Decree of 5 November 2014 approving the banking inclusion and over-indebtedness prevention charter

<sup>3</sup> Bank of France 2019, [Rapport annuel de l'Observatoire d'inclusion bancaire](#)

<sup>4</sup> Cour de Comptes 2017, [Les politiques publiques en faveur de l'inclusion bancaire et de la prévention du surendettement](#)

<sup>5</sup> Bank of France 2019, [Rapport annuel de l'Observatoire d'inclusion bancaire](#)

### TREATMENT OF OVER-INDEBTEDNESS



# Good practices in providing debt advice

# 3

Over-indebtedness is a multicausal issue that requires a case-by-case approach from the debt adviser. The debt adviser has to cover a broad range of competencies including financial, legal and social. A case-by-case approach makes standardisation and protocols that are initiated in most sectors to guarantee a minimum quality more complex. Nevertheless, there are various ways to contribute to high-quality and more cost-efficient debt advice, professional development of financial literacy, an ethics code for debt advice, and the design and implementation of effective debt advice interventions.

# PROFESSIONAL DEVELOPMENT OF FINANCIAL LITERACY

# 3.1

**Monika Tröster**

Deutsches Institut für Erwachsenenbildung (DIE) (DE)

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There are multiple options to improve financial education for students and young adults in countries like Germany. However, there is hardly any basic financial education for adults such as those seeking advice from debt counselling, employees with low-wages, participants in literacy courses, or people with disabilities.

Mismanagement of personal finances is only one of the various causes of over-indebtedness. Nevertheless, financial education is sensible, as households receiving debt advice often need to manage a tight budget for a considerable time. Debt advisers can act as interlocutors, showing their clients how to access further regional education and support services.

The importance of certain financial decisions varies depending on biographical transitions and major life events such as long-term unemployment, starting a family, starting a household, over-indebtedness, retirement, and divorce or separation. The educational needs and interests regarding topics and contents of basic financial education are thus not constant throughout the life cycle.

In the CurVe project, cooperation between debt advisers and education experts has proved successful in developing teaching materials. The debt advisers bring their expertise in the subject matter and content, while the education experts understand the need for simple language and can assess the level of the tasks.

The financial literacy competence model developed within the context of the project structures and determines the requirements for managing everyday financial affairs, explicitly and exclusively on a basic educational level.

Contained therein are six different financial literacy domains, including dimensions of knowledge, reading, writing and numeracy with the potential requirements for everyday life. The model is theoretically grounded as well as empirically founded and has been translated into practical and tailored learning materials.

*“Education is key and financial literacy should be incorporated into life skills as part of the school curriculum; it's never too early to learn how to save and prepare for the unexpected eventualities.”*

Debt adviser from Ireland

## COMPETENCE MODEL

Competence domains financial literacy	Knowledge	Reading	Writing	Numeracy
1. Revenue				
2. Money and payments				
3. Expenditure and purchases				
4. Budgeting				
5. Borrowing money and debts				
6. Making provisions and insurance				

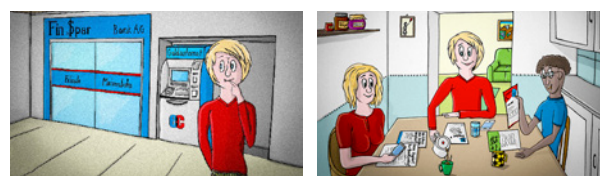
Everyday requirements

## MATERIALS



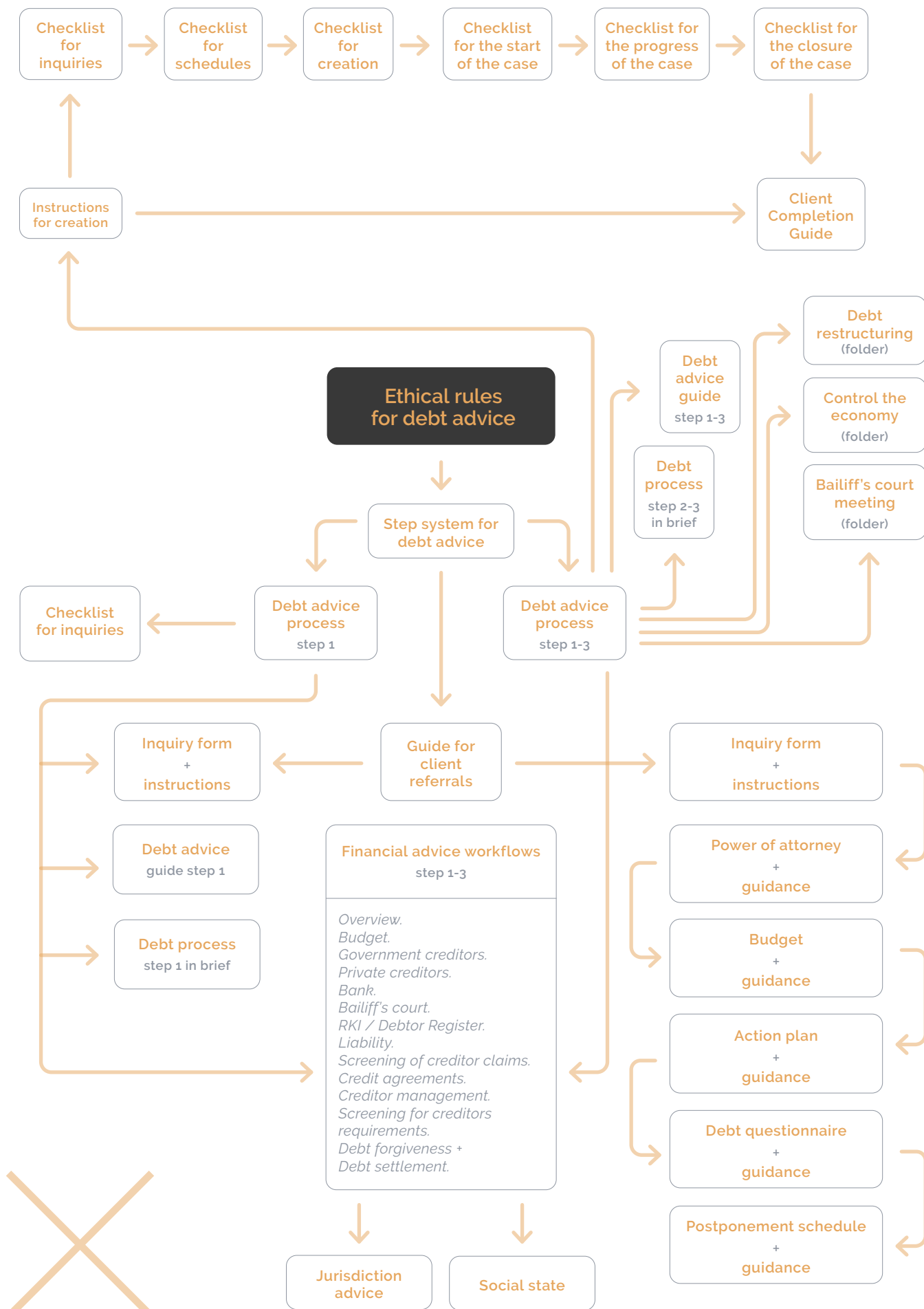
### Familie Müller

The family Müller example used to teach about household financial issues





## TOOLS



## DESIGNING AND IMPLEMENTING DEBT ADVICE INTERVENTIONS

# 3.3

### Tamara Madern

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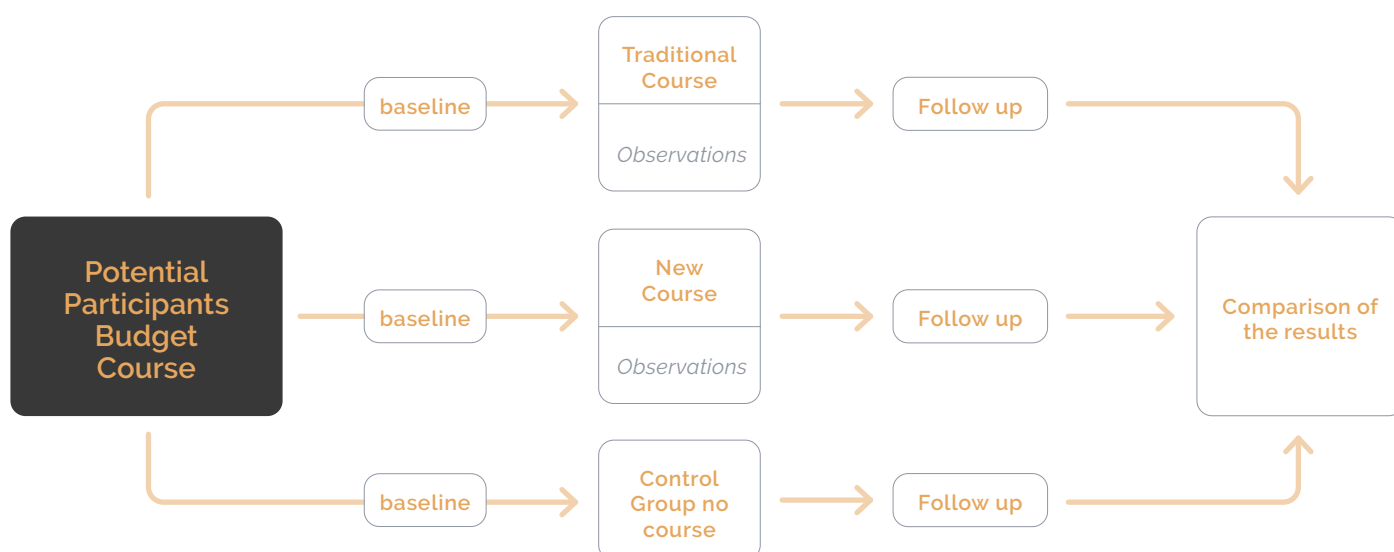
A large and growing number of debt-related intervention techniques are available. Many of these interventions are not effective, however, or their effectiveness has not been proved. For example, [Fernandes, Lynch & Netemeyer \(2014\)](#) found that interventions aiming to improve financial literacy explain only 0.1% of variance in financial behaviour. It is important to assess the effectiveness, but scientific research is expensive and not always accessible. This good practice provides principles for the design and implementation of debt-advice interventions by debt advisers themselves.

In setting up an intervention it is important to keep it sufficiently specific, in terms of deviation from the conventional approach and target group. It should further account for the time available and existing scientific knowledge.

The design and implementation of interventions can be broken down into three steps. The first step

is to plan the evaluation to prepare the intervention and gain more insight into whether the plan offers a potential solution to the problem, is feasible and accounts for the existing knowledge. Second is to design a framework that allows observation of the impact of the intervention, for example applying the new intervention to some debtors (experimental group) and keeping it unchanged for others (control group). Third and final step is the execution of the evaluation of the intervention in line with the plan and framework designed in the previous steps.

This good practice is based on a course within the training for debt advisers at master's level offered in the Netherlands, at the initiative of the programme 'Schouders Eronder' (a collaboration of five parties to strengthen professional capacity in debt relief). The training also includes courses on behavioural insights, law, personal leadership and professional ethics, and reflection.





# Good practices in agreeing settlement with creditors

# 4

Debt advice is a multifaceted service covering financial, legal, social and psychological aspects. One of the critical financial aspects is resolving excessive debt, which often requires getting an understanding of the financial capacity of the debtor and facilitating an understanding between the debtor and creditor. Various countries have initiatives to smooth the way to an agreement between debtors and creditors.

## AMICABLE DEBT SETTLEMENT IN FRANCE

# 4.1

### Elodie Aguilar

Crésus (FR)

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Debt advisors often try to reach amicable debt settlements with creditors and debtors before resorting to an insolvency procedure. A voluntary agreement to restructure the debt can be beneficial for both debtors and creditors, in terms of cost and timesaving on the settlement procedure. The Crésus Foundation in France ([See section 6.2](#)) has developed a unique mediation procedure in collaboration with financial institutions.

Many of the over-indebted ask for debt advice when they are already in a desperate situation. At this stage it is very difficult to find a solution to resolve the debt. Crésus, therefore, aims to provide advice before the situation has deteriorated this much. In fact, they are trying to be proactive and identify the debtors at risk before they ask for help.

Crésus partners with financial institutions to identify households at risk of over-indebtedness, as these have better insights into the financial vulnerability of individuals. The financial institutions inform Crésus when they detect someone at risk of financial problems.

In response, a debt advisor from Crésus gets in contact with the debtor and analyses their financial situation. This helps the debtor to understand their income, expenses and debt. They are also helped to identify excessive expenses that can be cut down and shown the options available to solve the debt issues.

When necessary, Crésus starts the mediation procedure between the debtor and creditor to restructure the debt. The restructuring can contain an extension of the repayment period, reduction of the interest rate, and reduction of the monthly payment. After the restructuring, the debtor should have sufficient monthly earnings to pay for essential expenses (e.g. housing, food and clothing).

The amicable debt settlement also means lenders benefit from the increased probability of repayment and avoid litigation costs.

Besides being mutually beneficial, it is also important that both the debtor and creditor trust Crésus as mediator. Crésus enhances trust by following a non-judgemental and open approach to the debtor and credible and serious file-building for the creditor.

**THE SUPPORT PROVIDED BY CRÉSUS  
DEPENDS ON THE AVAILABLE MONEY  
EACH MONTH (AMEM).**

**AMEM >400 EUR**

**Budget, moral and psychologic support**

**AMEM 100-400 EUR**

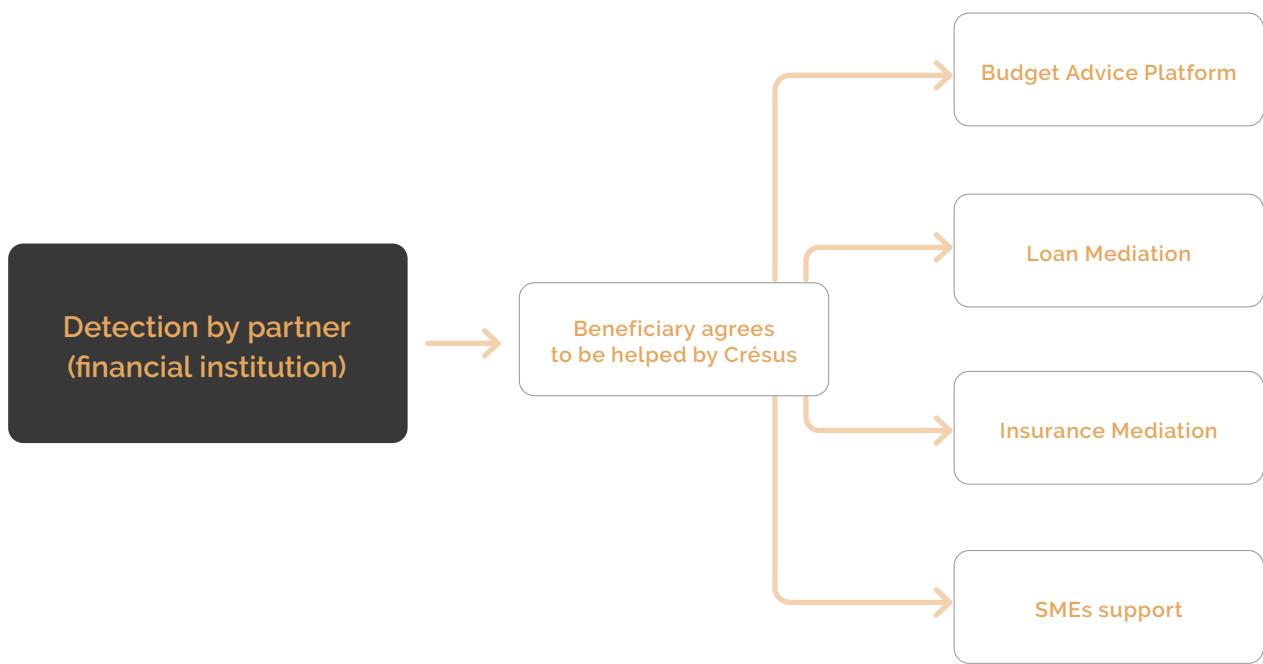
**+Amicable debt settlement**

**AMEM <100 EUR**

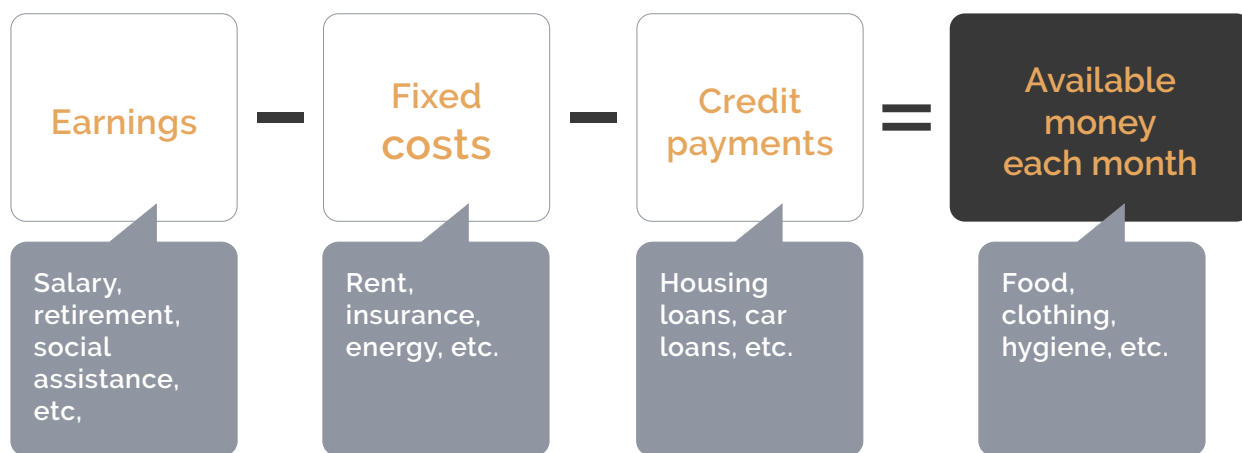
**+Support to court and central bank over-  
indebtedness procedure**

For more information:  
<https://bit.ly/3EheVgC>

## THE FINANCIAL SUPPORT PLATFORM



## CALCULATION OF AVAILABLE MONEY EACH MONTH



# AMICABLE DEBT SETTLEMENT IN IRELAND

## 4.2

### Gwen Harris

Money Advice and Budgeting System (IE)

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Amicable debt settlement can complement the insolvency procedure but can also be an alternative. In Ireland, the Money Advice and Budgeting Service (MABS) started offering amicable debt settlement in 1992, well before a personal insolvency regime was introduced in 2012.

The idea behind the amicable or voluntary debt settlement is that the debtor and creditor find a solution and the debtor repays the debt and reintegrates into society. Examples of alternative amicable solutions include reducing the interest rates, increasing the maturity, or a write-down of the outstanding balance.

Amicable solutions with creditors therefore provide a sustainable solution for both creditor and debtor by offering alternative solutions.

This means that the debtor is able to repay his or her debt, while retaining a realistic protected income. The income is ensured by protocols for a reasonable standard of life for the creditor, which are set depending on the personal situation, income and expenses of the debtor.

The protocols are formalising the partnerships between MABS and various creditors, including utility companies, banking associations, etc. These protocols define the procedures to follow for the debt settlements, and are regularly monitored and updated when needed.

The amicable debt settlement has some advantages over the personal insolvency regime for both creditors and debtors. It is less bureaucratic, more flexible and in many cases faster than personal insolvency. As personal insolvency is relatively new in Ireland, debtors in some instances have expressed a preference not to progress an application. Moreover, the amicable debt settlement is confidential, so the names of the debtors and creditors are not disclosed.

Furthermore, in most cases the debt is not written off, which is positive for both the creditors, and also appreciated by the debtors, who often feel personally responsible for the full repayment of the debt. The debt is in most instances made sustainable by reducing the interest rates and increasing the maturity.

Even though amicable debt settlement is often the preferred option, the MABS debt advisors always discuss all the options with the debtors, including statutory ones, and the debtors take the final decision.

#### MABS PROTOCOLS

Referring a borrower or customer in difficulty to MABS is included in a number of codes of conduct and other protocols including:

- **The Code of Conduct for Mortgage Arrears**
- **MABS and the Banking and Payments Federations of Ireland (BPMFI) Protocol**
- **Consumer Protection Code**
- **Residential Tenancies Board**
- **Moneylenders Code of Conduct**
- **Energy Provider Codes of Practice**
- **Transport for Ireland: Toll Charges**

MABS is currently working with other creditors such as local authorities and credit unions to develop more protocols for amicable solutions.

For more information:

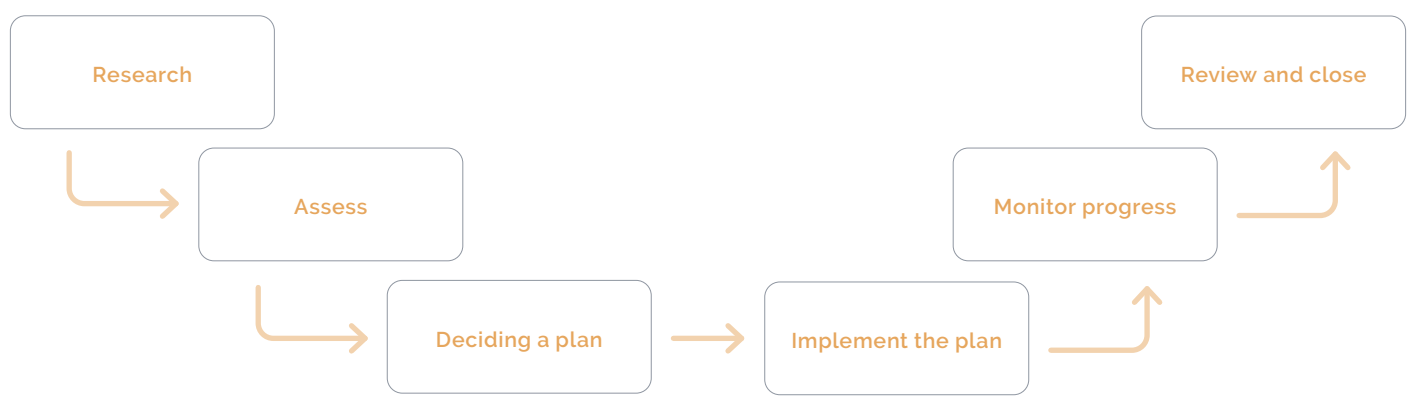
<https://mabs.ie>

**60**  
offices  
throughout  
Ireland

**8**  
regional  
offices



### THE MABS MONEY ADVICE PROCESS



### MAIN MABS PROTOCOLS

Energy Utility/MABS Operational Protocol

MABS and the Banking and Payments Federations of Ireland (BPF) Protocol

Abhaile Scheme

**Inclusion in code of conducts**

Mortgage Arrears

Transport for Ireland

Consumer protection

Residential Tenancies Board

Energy Providers

Moneylenders

## CODE OF CONDUCT FOR DEBT ADVISORS AND DEBT COLLECTORS

# 4.3

### Francesca Costabile

Forum Unirec and Asso-consum (IT)

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The activities of debt collectors are often adding stress to debtors. A better understanding between debtors and creditors can contribute to finding a workable solution for the repayment of the debt. A code of conduct can be a first non-regulatory step towards improving the relations with debt collectors for many debtors.

In Italy, the eight most representative consumer associations have agreed a code of conduct with Unirec, the association<sup>1</sup> of debt collectors, that governs the relationship between debt collectors and consumers. The code of conduct aims to promote ethical debt recovery by ensuring that the actions of debt collectors are adequate and proportional, and that abuses are prevented.

The code of conduct sets specific and clear rules on data processing in credit management, fairness of commercial practices, dispute resolution, telephone, postal and digital communications, and home visits. It requires debt collectors to follow a step-by-step process and careful approach in any interaction with the debtors so that consumer rights are respected. The rules in the code of conduct are compulsory for the members of Unirec.

The code of conduct is considered a success as it has improved the relationship between debtors and debt collectors. Moreover, since its adoption, there have been far fewer complaints from debtors about interactions with debt collectors.

The code of conduct was developed in 2015. It is evaluated regularly and updated following legislative and technological developments. The second edition of the code was published in 2017 and last revised in 2021, when a single body responsible for ensuring compliance with the code of conduct was introduced. There are further plans to address more GDPR concerns to strengthen the protection of consumer data privacy.

*"We are very proud of our cooperation with consumer associations. Even if we are facing the problems from different points of view, we always reach an agreement as we have the same objective, which is helping people in debt to exit their situation."*

Debt collector from Italy

Both the consumer organisations and Unirec consider the code of conduct a first step in their cooperation. They have recently agreed an alternative dispute resolution (ADR) mechanism, which aims to protect consumer rights and is regulated by an extrajudicial conciliation.

### CODE OF CONDUCT SUBSCRIBERS

#### Consumers Associations



#### Debt Collection Agencies



<sup>1</sup> Adiconsum, ADOC, Cittadinanzattiva, Federconsumatori, Movimento Consumatori, Movimento Difesa del Cittadino, UNC, U.Di.Con

# Good practices in innovation for debt advice

# 5

It is essential that debt advice continues to innovate to enable it to address existing and new challenges, and to take account of the increasing knowledge about the impact of over-indebtedness. Three important challenges for debt advice are to: i) address the psychological aspects of over-indebtedness within the advice; ii) come to an arrangement between debtors and creditors more quickly; and iii) address the new forms of over-indebtedness that the digitalisation of finance has brought.

## EMOTIONAL DEBT ADVICE FOR DEBTORS

# 5.1

### Kathy Wade

Money Advice Trust (UK)

[kmwade@hotmail.co.uk](mailto:kmwade@hotmail.co.uk)

Over-indebtedness has a large impact on the emotional well-being of debtors, who very often suffer from mental health issues like anxiety and depression. This has consequences on their physical well-being, including sleep deprivation and digestive problems. Moreover, it can affect their personal relationships and hinder their capacity to deal with personal finances, including solving debt issues.

For example, the stress leaves some of the over-indebted unable to face checking their mail in case there are bills in it. Others feel so overwhelmed that they are unable to function, entering into a vicious circle in which depression from being over-indebted prevents them from working, which in turn makes them unable to pay their debts. Moreover, the consulting of a debt advisor can be stress-inducing in itself as it involves sharing very intimate information and admitting to being over-indebted, which for many is a source of shame and anxiety.

Debt advisors can train their ability to identify and manage the emotions of debtors as well as their own emotions. In the UK the Money Advice Trust organises training for debt advisors to help them deal with the emotional well-being of debtors and also to learn to cope with the impact that providing debt advice can have on their own mental health.

Moreover, it is important for the debt advisors not to be judgemental and to remain open, creating a safe space for the debtor to share their problems. Debtors often do not see a way out. After listening to the client and assessing the financial difficulties and options, the debt advisor can empower debtors by informing them about their possibilities and encouraging them to take their own decisions without imposing any solution. This also needs the commitment of the debtor.

Delivering debt advice can also impact the mental health of debt advisors. To prevent the work from affecting their own emotional well-being, debt advisors should also have someone to talk to about their work. The debt advisors need to feel that it is not a weakness to recognise their emotions

*"In the future, we will focus more on the needs of consumers to share their feelings from an emotional point of view; a broader advice through which to feel that they can rely on our support to recover financially."*

Debt advisor from Romania

and that they are part of a larger organisation. Moreover, they should understand that in some cases, even with the best advice possible, things might not work out.

#### 10 ESSENTIALS FOR EMOTIONAL AWARENESS

1. Listen
2. Consider how your client is feeling
3. Consider your own feelings
4. Show empathy
5. Build trust
6. Recognise misunderstandings
7. Pause
8. Acknowledge your thoughts
9. Be authentic
10. Empathise

For more information:  
[www.moneyadvicetrust.org](http://www.moneyadvicetrust.org)





Mental Health - Care & Research  
Santé mentale - Soins et recherche

## TAKING CARE OF MYSELF WHILE PRACTICING PHYSICAL DISTANCING

It's hard when so many outlets and activities are canceled during the Covid-19 pandemic. Here are some ideas of how you can take care of yourself at home. Try and do something from two areas each day.



### BEGIN BY MAKING A DECISION ABOUT ONE THING YOU CAN DO TODAY.

Make a good decision; it doesn't have to be the best one. Making a decision focuses your attention and reduces worry. Decide to take the next right step!

**AND REMEMBER TO WASH YOUR HANDS!**

## ACCELERATING DEBT SETTLEMENT AND DEBT REPAYMENT

# 5.2

### Mirjam Zwennis-Deekman

Kredietbank Amsterdam (NL)

[mirjam.deekman@amsterdam.nl](mailto:mirjam.deekman@amsterdam.nl)

It usually requires quite a lot of time to come to an arrangement with the creditors on debt settlement. In the Dutch capital Amsterdam, the municipality has conducted various pilots to improve and shorten the settlement process.

Based on the pilots and debt advice experience, the debt advice service in Amsterdam consists of five broad steps towards a debt settlement.

First step: the debtor needs to be identified or needs to ask for help. In general, over-indebted households wait too long to ask for help. This increases the time the over-indebtedness lasts, and is also likely to make the resolution more complex, with higher debts and a larger number of creditors involved. Based on a pilot project in Amsterdam and a few other cities, debt advisors in the Netherlands are now obliged to approach the debtor proactively when they are in arrears on important services (rent, health insurance, utilities, communal tax, etc.).

Second step: after the debtor has indicated the need for debt advice, the debt advisor rapidly arranges a personal conversation with the debtor to get an understanding of the personal situation of the debtor. At the end of this conversation, the debt advisor will indicate the options for debt advice.

Third step: based on the identified needs of the debtor, the support is determined. The debtor can then obtain coaching, administrative support, social worker support, or an appointment with a specialised worker to prepare a plan to resolve the debt.

Fourth step: if advice is needed, the debtor will work with the debt advisor, following an action plan to resolve the debt. The involvement of the debtor in this process is important as the commitment to obey the agreed arrangements is needed from the debtor.

Fifth step: a calculation is made of what the debtor can pay to the creditors and a payment proposal

is made. The aim is to have the debt fully repaid; if this is not possible, a remediation proposal is made. To ease the finding of an agreement between the debtors and creditors, the debt advisors use covenants ([See section 7.3](#)) and loans by the Kredietbank Amsterdam.

Indeed, the Kredietbank Amsterdam is able to pre-finance the debt repayment to creditors. This allows a more favourable offer to be made to the creditors, as they will receive their funds immediately and no longer have uncertainty about repayment. In turn, the debtors have just a single remaining creditor.

The debt settlement process is further supported by an up-to-date IT system, which allows for consistent follow-up, and also ensures that the repayment ability as well as potential remediation are properly calculated.

#### CREDITORS WITH ADVANCE AGREEMENT

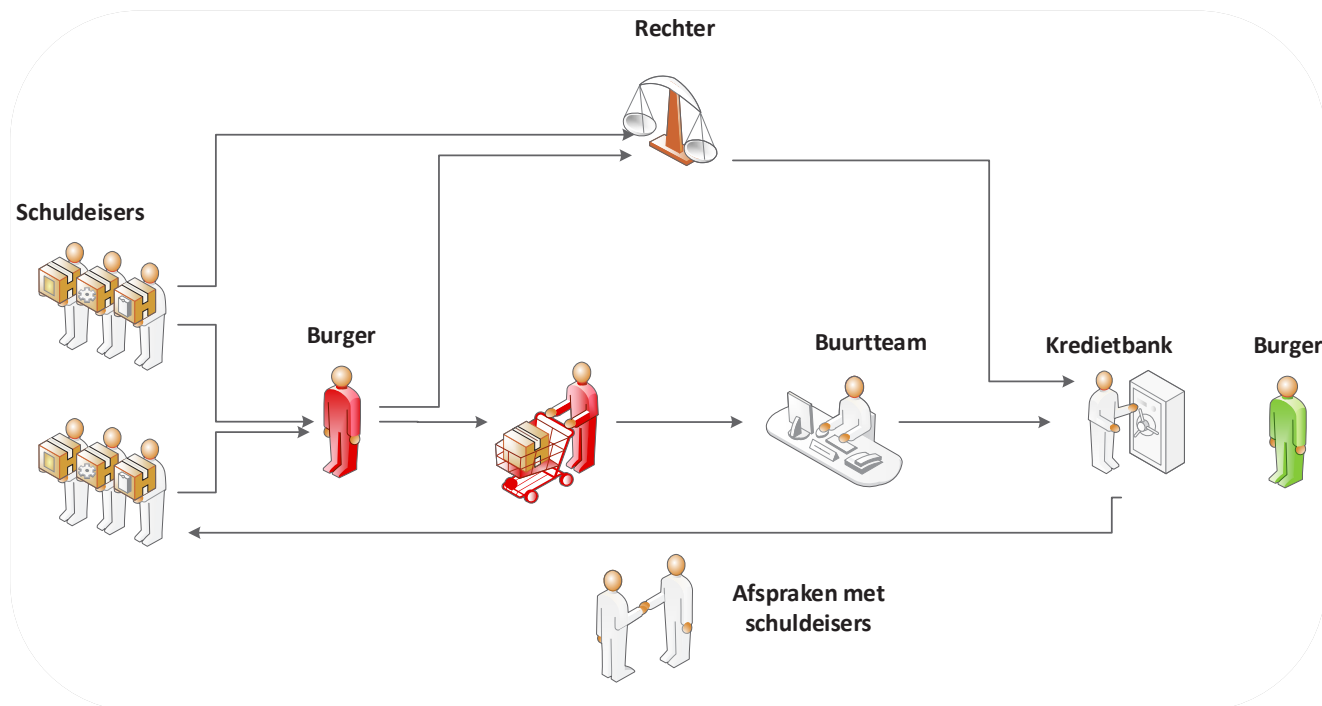
2018	2020
20	40

#### TIME REQUIRED FOR AMICABLE DEBT SETTLEMENT REQUEST

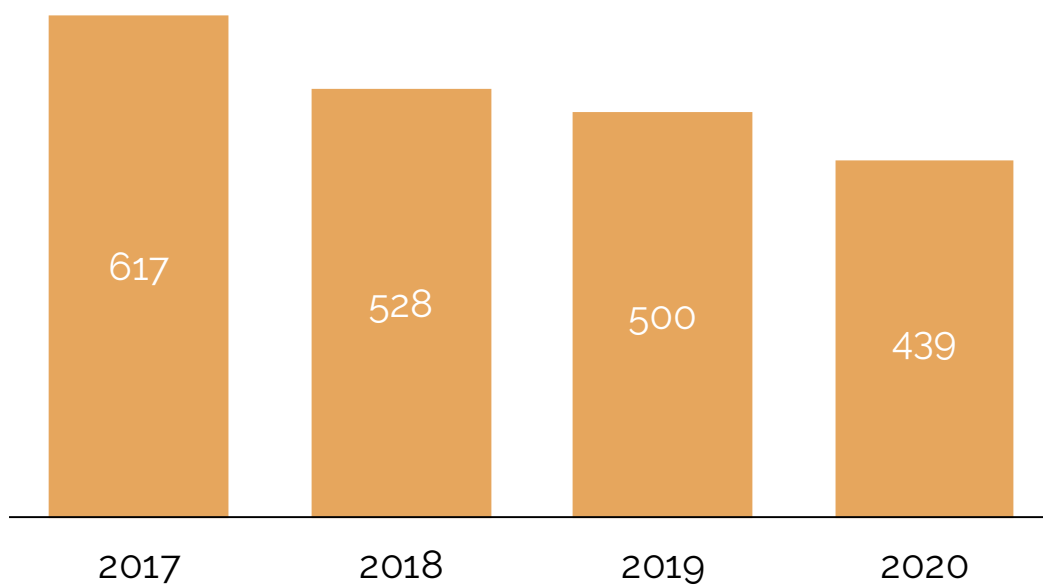
2018	2020
161 days	124 days

For more information:  
[www.amsterdam.nl/werk-inkomen/kredietbank-amsterdam/](http://www.amsterdam.nl/werk-inkomen/kredietbank-amsterdam/)

## REMEDiation BY THE KREDIETBANK AMSTERDAM



## AVERAGE NUMBER OF DAYS BEFORE START OF SUCCESSFUL DEBT ADVICE TRAJECTORY



## ADDRESSING NEW FORMS OF DEBT

# 5.3

### Dieter Korczak

GP Forschungsgruppe Studien (DE)

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### Sally Peters

IFF (DE)

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The emergence of digital or more specifically embedded finance has added a new cause of over-indebtedness, which requires a different approach from debt advisors. Embedded finance is the integration of a financial service with a non-financial service, product or technology. Embedded finance is attractive for e-commerce and other retailers because it increases customer loyalty and sales and adds new revenue streams.

A well-known example of embedded finance is the buy-now-pay-later option offered by many e-commerce platforms. According to Citizens Advice in the UK, about 10% of the customers who use buy-now-pay-later end up being pursued by debt collectors.

Embedded finance can thrive from enhanced customer information and stimulation of known irrational effects. The use of tracking and tracing of consumers through cookies and customer accounts allows the retailers to customise their product offering. Moreover, non-rational psychological stimuli are used to stimulate consumer purchases, including awareness effects, confirmation error, framing effects, money sum fallacy, payment decoupling effect, and payment transparency effect.

The payment transparency effect, for example, involves a reduced perception of performing a payment without a physical exchange or even an immediate transfer of money. Consequently, consumers are more likely to lack an overview of their expenses and become over-indebted.

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*“The finance (and embedded finance) industry is digitalising every aspect; debt advisory is still mostly analogue. We need to gear up and embrace more of the tech tools.”*

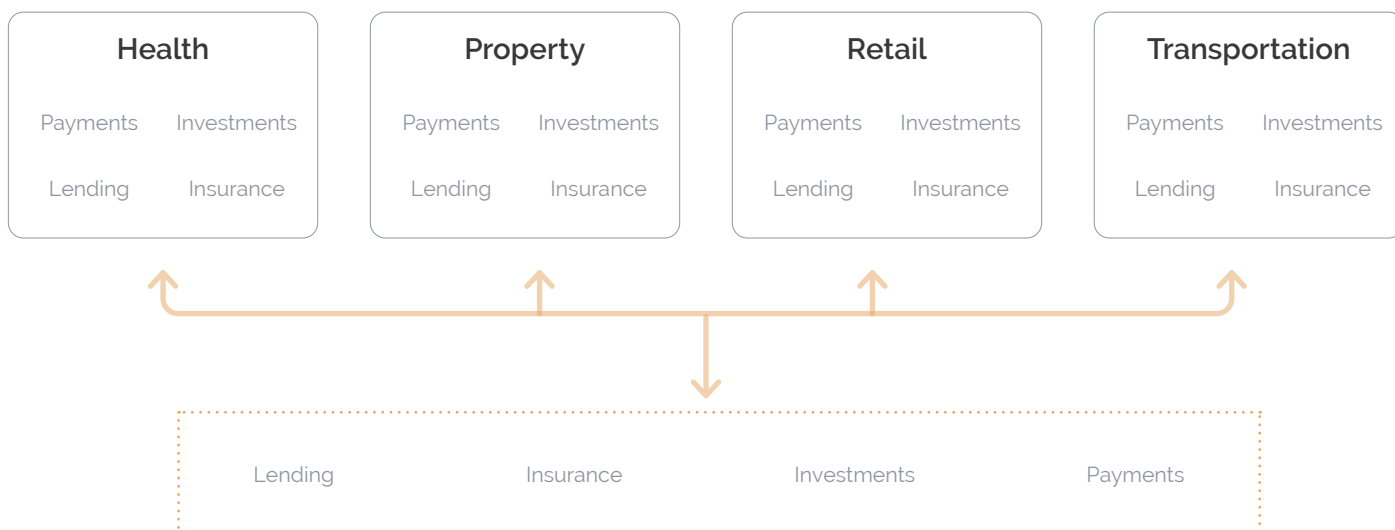
Debt advisor from Germany

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Debt advisors need to be aware of embedded finance and its potential for exacerbating over-indebtedness, so that they can raise awareness of its risks. More preventive actions might prove to be of fundamental importance. Debt advisors should incorporate their knowledge of these new embedded services in their debt advice, teach debtors about the potential traps and create easy-to-understand guidelines on digital purchasing, with basic recommendations such as erasing cookies to reduce the potential for persuasion.



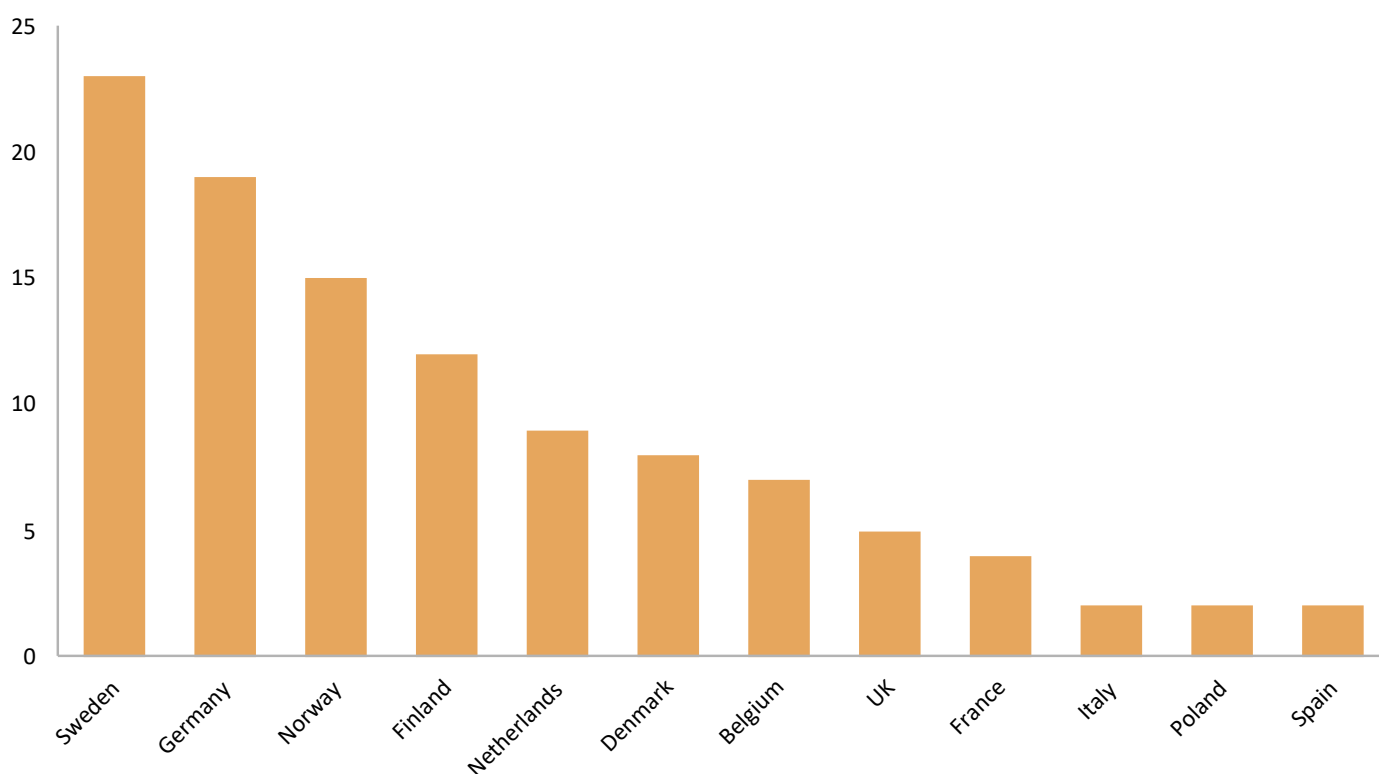
## EMBEDDING FINANCE IN INDUSTRY SOLUTIONS



## BUY NOW PAY LATER TRANSACTIONS

(share of e-commerce transactions, 2020)

% of e-commerce transactions



# Good practices in organisation of debt advice

# 6

Debt advice is necessary for over-indebted households in all EU Member States. The provisioning of debt advice at a sufficient scale is currently insufficient in many Member States. There are different potential sources for the necessary funding. In most Member States they are offered and/or financed by the governments, but there are alternatives, such as consumer organisations and the financial sector. Furthermore, to reduce the funds required, it is important to organise the debt advice efficiently. Not all over-indebted households need debt advice delivered in person; for example, sometimes it can be delivered by phone in a more standardised manner.



## DEBT ADVICE BY CONSUMER ORGANISATION

# 6.1

**Ana Passos**

DECO (PT)

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Debt advice can be provided by consumer organisations as part of their efforts to empower, protect and support their members in dealing with creditors. A consumer association takes the rights and interests of consumers into account, while granting them important advantages as a larger trusted organisation. Indeed, many debtors are ashamed of their situation and reluctant to ask for support and share their financial information, so debt advice provided by a trusted organisation helps to overcome this barrier.

Consumer organisations are the main providers of debt advice in several EU Member States, including Greece, Poland, Portugal, Romania and Spain. For example, in Portugal, consumer organisation DECO offers debt advice to its members. It has a team of multidisciplinary advisors that provide debt advice by different means of communication, such as face-to-face or on digital platforms. The debt advice is available across the entire country, through 8 offices and in partnership with 63 regional stakeholders, such as city councils and public and private organisations.

The debt advisors' process is to make a diagnosis of the financial situation of debtors that ask for support, and then prepare different customised options and solutions that fit the needs of the consumers. The entire process requires the commitment and involvement of the consumers to achieve a successful amicable debt settlement with creditors.

In each situation, the advisors assess the overall financial situation of the debtor, help to design a feasible payment plan and contact the creditors in order to reach an agreement. DECO manages to negotiate a deal with creditors in 80% of cases.

In addition to debt advice, DECO works to prevent financial problems for debtors and avoid misinformation. This involves promoting financial literacy and training, offering tools to manage a budget, identify non-necessary expenses, detect fraud, or apply for a loan. Moreover, DECO also offers financial guidance, helping consumers to develop a healthy budget, and provides useful information

*"DECO is a valuable organisation because it is near the consumer and also provides an answer for all consumers"*

Debt advisor working for a Romanian consumer organisation

to enable consumers to make informed decisions, sustainable choices and change behaviours.

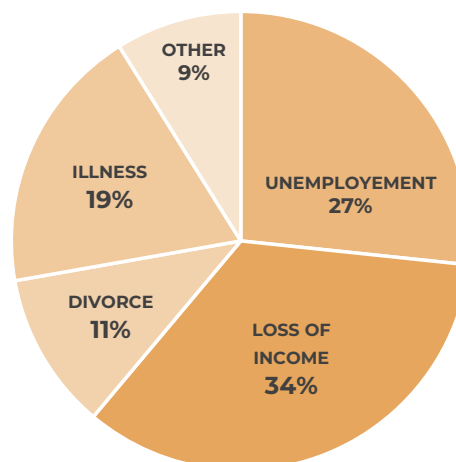
The funding for the debt advice provided by DECO comes from its members and partners. Nonetheless, DECO offers its services free of charge and it currently supports 30,000 consumers with debt problems per annum.

DECO is also recognised by the Portuguese Ministry of Justice to support over-indebted consumers.

### FIGURES FOR 2020

- 30100** consumers supported
- 5** credit liabilities on average
- 79%** of total household monthly income went to the payment of credit instalments
- 37%** default credit
- 34%** over-indebted due to loss of income
- 27%** over-indebted due to unemployment

### CAUSES OF OVERINDEBTEDNESS



For more information:  
<https://deco.pt>

## DEBT ADVICE PAID FOR BY THE FINANCIAL SECTOR

# 6.2

### Pauline Dujardin

Crésus (FR)

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Obtaining the necessary funding for independent debt advisors is one of the main challenges for most debt advice organisations across the EU. In most Member States debt advice is funded by governments, but there are also debt advice organisations funded by NGOs, consumer organisations and financial institutions.

The Crésus Foundation in France is an example of a debt advice organisation funded by financial institutions. Fifteen banks and credit institutions contribute to Crésus. The financing by financial institutions is based on the idea that those who can identify those at risk of over-indebtedness, and in some instances also contribute to the over-indebtedness, should also be partly responsible for solving it. This concept has been enshrined in French legislation that requires credit institutions to detect clients in a situation of financial fragility and if necessary provide them with information about a third party that can help them.

Depending on the size of the financial institution, Crésus receives a fixed amount for its financial literacy R&D. Additionally, financial institutions give Crésus around EUR 200 for each case transferred to them. The contributions from the financial institutions are more stable for Crésus than government subsidies, as these depend on political decisions and can be interrupted. This allows Crésus to dedicate less time to fundraising and more time to providing the advice to debtors.

Crésus provides both debt advice and financial education. The debt advice covers support of debtors with budgeting and debt settlement. The financial education aims to prevent financial problems for households by giving them the tools for effective financial planning.

The closer cooperation with the financial institutions can bring additional benefits to the debtors, as long as the independence of the debt advisors is maintained. It is possible for the financial institutions to identify financially vulnerable households at

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*"In the UK we are working hard to get clients into debt advice earlier and increasing the amount of money guidance (information to assist with money problems before clients get indebted)"*

Debt advisor from the UK

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an early stage ([See section 2.3](#)) and refer them to Crésus. Moreover, the closer relationship with the creditors contributes to building the trust necessary for finding agreements between the debtors and creditors ([See section 4.1](#)).

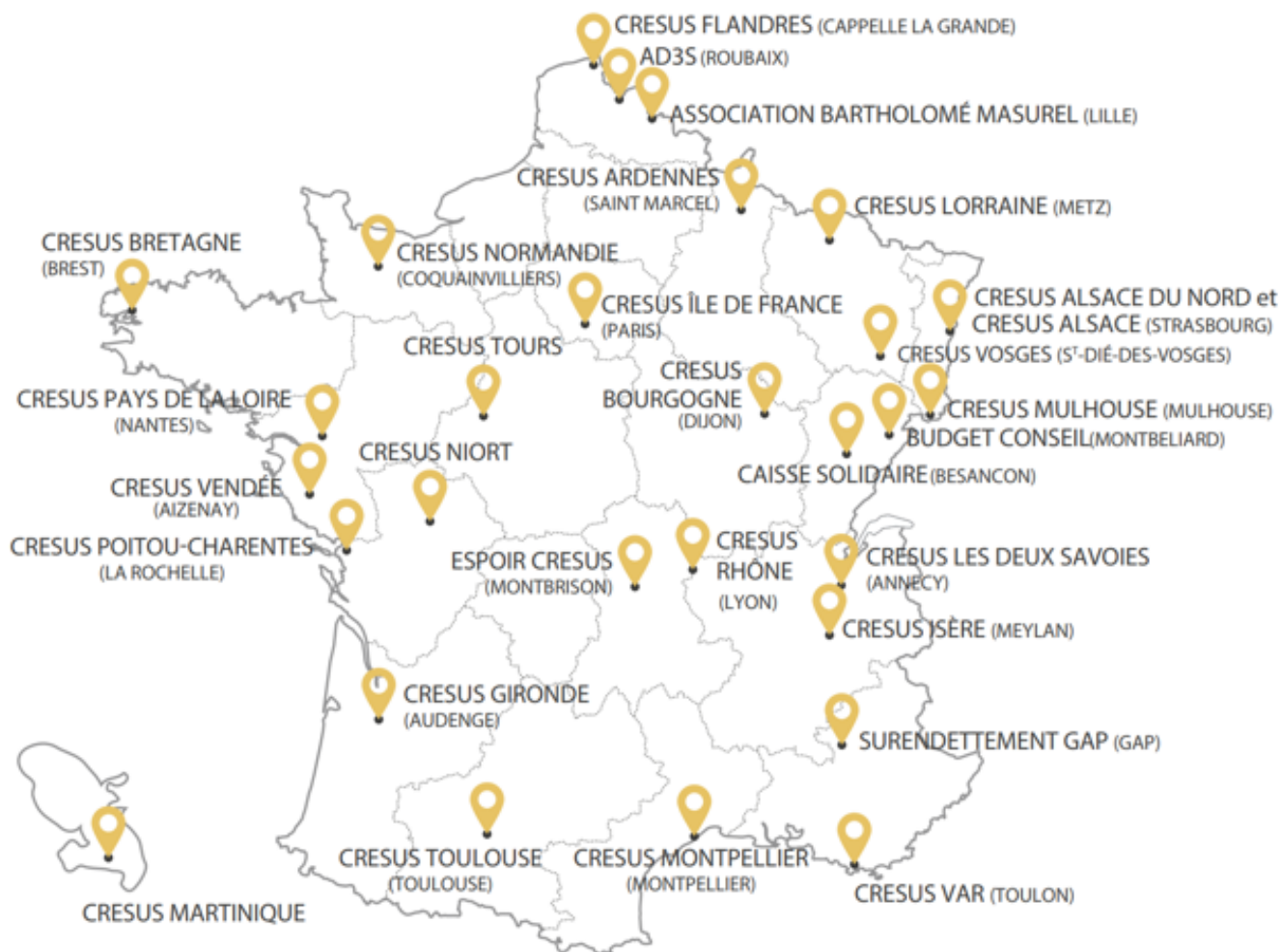
To safeguard the independence, Crésus advisors work in complete confidentiality with the debtors. This way, the financial institutions do not know the ways in which Crésus is supporting consumers. Moreover, Crésus obtains funding from multiple financial institutions, which avoids the sustainability of the foundation being dependent on the contribution of a single financial institution.

For more information:  
<https://bit.ly/3EheVgC>





**15**  
financial  
institutions  
partners



SIÈGES DES ANTENNES CRÉSUS (VILLE), auxquels il faut ajouter les permanences pour chaque antenne

## PUBLIC DEBT ADVICE HELPLINE

# 6.3

### Adrian O'Connor

Citizens Information Board (IE)

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Resources for debt advice are limited in most countries, which makes it even more important that the available resources are used efficiently. In Ireland, the Money Advice and Budgeting Service (MABS) has found a cost-effective solution by using a helpline as the first point of contact for debtors. Indeed, a helpline is easy to establish and allows those cases that do not require more specialised debt counselling to be addressed.

Debtors can contact the helpline through a single phone number or by email, or by using WhatsApp or Facebook if they want to chat. Information follows the debtor through the IT system. In this way, the debt advisor has all the information in a structured manner and the debtor does not need to provide information multiple times.

The professional advisors of the helpline can provide self-help materials, resolve the standardised information and advice cases, and perform an initial assessment for those cases that need support from a specialised debt councillor of one of the 60 MABS offices in Ireland ([see section 4.2](#)).

To understand the needs of the debtor, the helpline advisors collect information on the financial situation, which they store in the IT system. For example, they ask about all income and expenses, assets, and the number of people in a household. Based on this information, the trained advisors make a first assessment of the situation and organise the next steps. For payment problems with utility bills, the advisors are able to immediately provide a solution based on the protocols agreed between MABS and the utility companies.

The helpline and its phone number are well known in Ireland, and it has been extensively promoted by MABS and others. The creditors, including financial institutions and utility companies, publish the phone number on their letters. MABS also runs campaigns in traditional and social media, and web ads to promote the helpline.

The number of calls received by the helpline varies a lot across time. The helpline receives on average about 6 000 calls per quarter, but the number of calls is much higher when the economic situation deteriorates, than when the economy is booming. All calls to the helpline are free of charge and confidential and can remain anonymous.

#### HELPLINE IN FIGURES

**300 000** calls answered since 2007

**6 000** per quarter on average

**4 138** per quarter high MABS

**9 457** billion EUR total debt (2020)

**1.19** EUR debt average per debtor (2020)

**80 000** EUR debt average per debtor (2020)

For more information:  
<https://bit.ly/3Cfhyir>

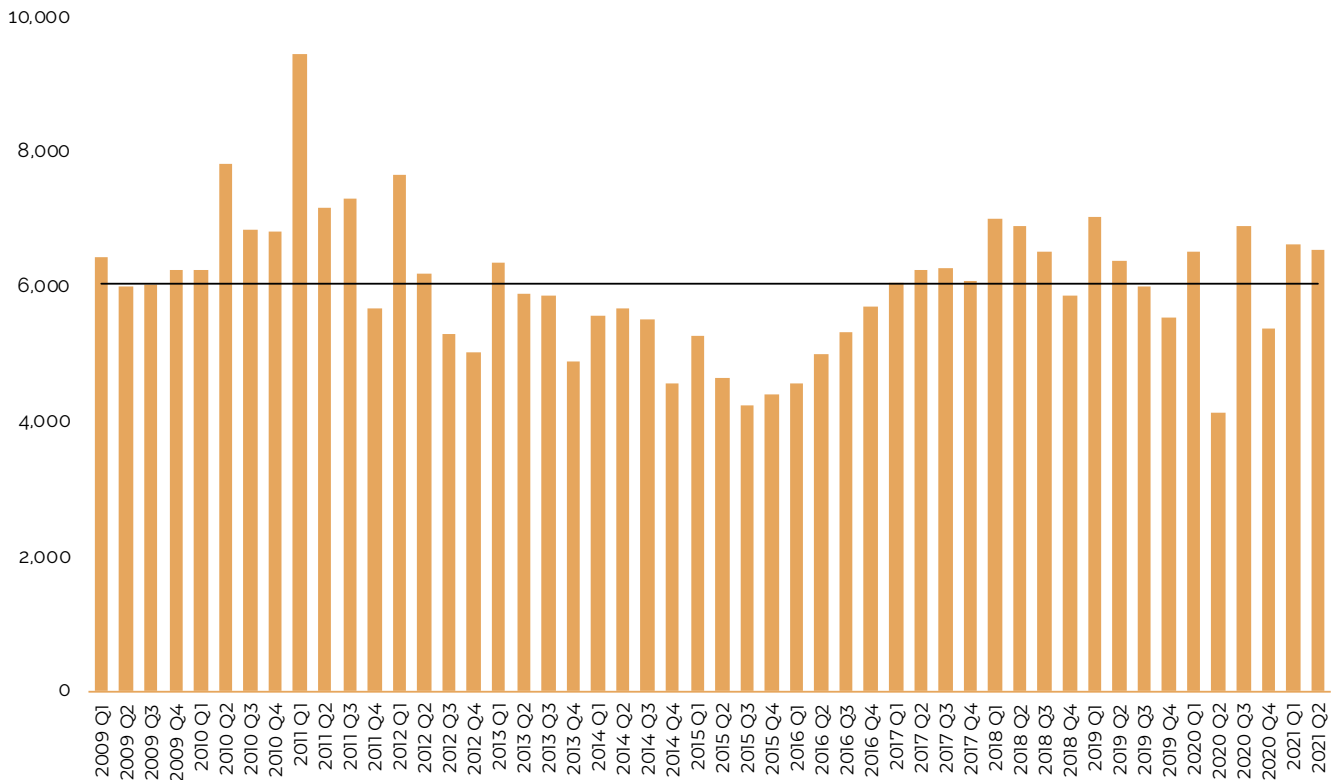
**MABS**  
 Helpline: 0818 07 2000  
 Mon - Fri 9am - 8pm



Heard by  
**3m adults (81%)**  
 on an average day

**HELPLINE CALLS 2009 - 2021 Q2**

■ Helpline Calls    — Helpline Calls Average





# Good practices in setting up the infrastructure for providing debt advice

Significant debt advice services are needed in all EU Member States, and to offer high-quality independent debt advice on a large scale, debt organisations are needed. Moreover, when debt advice is organised on a larger scale, there are scale advantages to exploit, as the living-wage calculation institute and covenants with creditors demonstrate.

## SETTING UP A COST-EFFECTIVE DEBT ADVICE ORGANISATION

# 7.1

**Hana Košan**

Kralji Ulice (SI)

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In about half of EU Member States, debt advice is only sporadically available, which calls for the creation of new debt advice organisations. Slovenian NGO *Kralji Ulice* (Kings of the Street) has been providing debt advice for several years to social housing households having difficulty paying their rent.

*Kralji Ulice*'s debt advice services have gradually grown over the past decade. It started in 2012 with a grant received from Switzerland to avoid evictions in the capital city of Ljubljana. A collaboration followed with the City of Ljubljana's Public Housing Fund against evictions of households living in one of the roughly 4 000 non-profit flats (social flats) and in around 400 emergency units. In 2016, *Kralji Ulice* expanded its activities to Maribor with financial support from the Maribor Public Inter-Municipal Housing Fund, the City of Maribor and the Housing Fund of Republic of Slovenia.

*Kralji Ulice* is notified when a household is in rent arrears. An employee or volunteer of the organisation then visits the household to assess the problems and when necessary supports the household in restructuring their administration, arranging financial, social and psychological support.

*Kralji Ulice*'s debt advice services are fully funded by the local and national housing funds and national government. The total budget for the debt advice services provided in Ljubljana and Maribor is about EUR 180 000 per annum. This allows *Kralji Ulice* to employ a small number of debt advisers, which are supported by a larger group of unpaid volunteers and interns. Overall, the programme was considered successful in reducing the number of evictions as well as realising a saving for the public housing funds of between EUR 5 000 and EUR 15 000 for each avoided eviction.



### FIGURES FOR 2019

#### Users

LJUBLJANA	255
MARIBOR	353
Total	608

#### Staff

EMPLOYEES	5
VOLUNTEERS	40
INTERNS	3
Total	48

For more information:  
[www.kraljiulice.org](http://www.kraljiulice.org)

## LIVING WAGE CALCULATION INSTITUTES AND TOOLS

# X 7.2

Arjan Vliegenthart and Marcel Warnaar

Nibud (NL)

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One of the main points of contention in debt settlement discussions of the debt advisers with creditors is the ability of debtors to repay. More specifically, the income of the debtors is relatively easy to determine, whereas there is disagreement about the portion of the wage that the debtor can retain. In the Netherlands, creditors and advisers use calculations of the minimum living wage from an independent institute. This limits the discussions between debt advisers and creditors, allowing for the same treatment of debtors in the same situation, and to enable the minimum living wage to be tailored to the situation of the debtor.

The National Institute for Family Finance Information (Nibud) is a very respected and well-known independent foundation active in the Netherlands. Based on extensive information about the actual income and spending patterns of households in the Netherlands, Nibud offers a large range of household budget-related services.

Through its website and other communication channels, Nibud targets households directly with information to support decision-making on matters that affect their budgets. But it also provides information to institutions (banks, other financial service providers, national and local governments responsible for debt advice, schools, etc.) that influence the budgets of households through their policies, advice, or education.

In the area of debt advice, Nibud has developed calculation tools to help the debt adviser determine the amount that the debtor can repay to the creditor. This is based on three factors: necessary spending (necessary goods and services for everyone), personally unavoidable spending (rent, special medical costs, etc.), and income-dependent necessity (the transition necessary for households moving from high income to minimum spending).

*“Your system has the advantage in that it seems to be better for the debtor, but also gives better returns for creditors, whose repayments are not absorbed by insolvency administrator costs.”*

UK debt adviser

Nibud is a non-profit organisation financed through annual contributions from the Dutch government and the financial industry (12.5% each) and the sales of own products and services (about 75%). In 2019 Nibud had about 33 employees specialising in debt advice, microeconomics, financial behaviour, tax law, financial education and communications. Nibud's 2019 annual budget was about EUR 3 million. The calculation tools are financed by licensing them to their users, mainly those from the financial sector.

### REPAYMENT CALCULATOR

**Afloseberekelaar**

Betaalt u partnerschuld?  Ja  Nee

Betaalt u kinderschuld?  Ja  Nee

Betaalt u voor kinderopvang?  Ja  Nee

Zijn er nog andere aflossingen die u moet betalen?  Ja  Nee

Heeft u betaald u aan andere aflossingen per maand? € 4

**Klantgegevens**

Wat is uw leeftijd? 34 jaar

Wooft u samen met een partner?  Ja  Nee

Heeft u (aanzienende) kinderen heeft u?  Geen

1
2
3
4
5
6

Wat is het totale netto inkomen dat u per maand heeft? € 3.200,-

**Resultaat:**

Aflossingscapaciteit per maand: € 84,-

Maximale Aflossingscapaciteit per maand: € 453,-

For more information:  
<https://bit.ly/3qJJo2x>

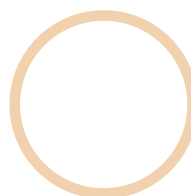
## COVENANTS WITH CREDITORS

# 7.3

Linda van Vliet

NVVK (NL)

[l.vanvliet@nvvk.nl](mailto:l.vanvliet@nvvk.nl)



The debt settlement procedures in many countries take up quite a lot of time for the debt adviser and other stakeholders involved. This is mainly because of the disagreements between the debtor and creditor about the amount that the debtor can repay, and the treatment of various creditors. Indeed, most over-indebted debtors receiving debt advice have several creditors, which requires a lot of communication with the creditors to find an agreement acceptable to all.

The Dutch association of debt relief lenders, *Nederlandse Vereniging voor Volkskrediet* (NVVK), has agreed covenants with some of the most important creditors. It currently has agreed covenants with various government organisations, health insurers, utility companies, national railways, online shops, and the three largest telecom companies. The covenants aim to improve the cooperation between debt advisers and creditors, promoting amicable procedures over legal default procedures.

In the covenants that the NVVK has agreed with various creditors, it has made agreements about amicable debt settlement. In simple terms the aim of the covenant is that the commitment to the creditor is entirely paid. However, if the debtor meets certain conditions defined in the covenant and the debt adviser does not consider it feasible that the commitment is paid, the debt adviser will request the creditor to agree to a partial remission. The covenants are not made public and can only be consulted by the members of the NVVK and the creditors involved. According to the NVVK the covenants are virtually the same for all the creditors involved. Except for some of the first, for instance with health insurers, the covenants only apply to members of the NVVK, which covers all the communes responsible for official debt advice.

The interviewed debt advisers indicate that these covenants work very well. Indeed, they ease the obtaining of acceptance from the creditors in cases where a partial debt remission is requested. They perceive that the creditors trust that the debt adviser has satisfied the conditions in the covenant for the partial debt remission. The NVVK is currently exploring further digitalisation and automation of the settlement procedures under the covenants, to smoothen the partial debt remissions.

Overall, the covenants shorten the debt settlement procedures, arrange equal treatment of debtors and reduce the work for both debt advisers and creditors.

### MAIN OBSTACLES TO SOLVE (NL, 2019)

*Outstanding debt*

**EUR 43 500**

*Number of creditors*

**14**

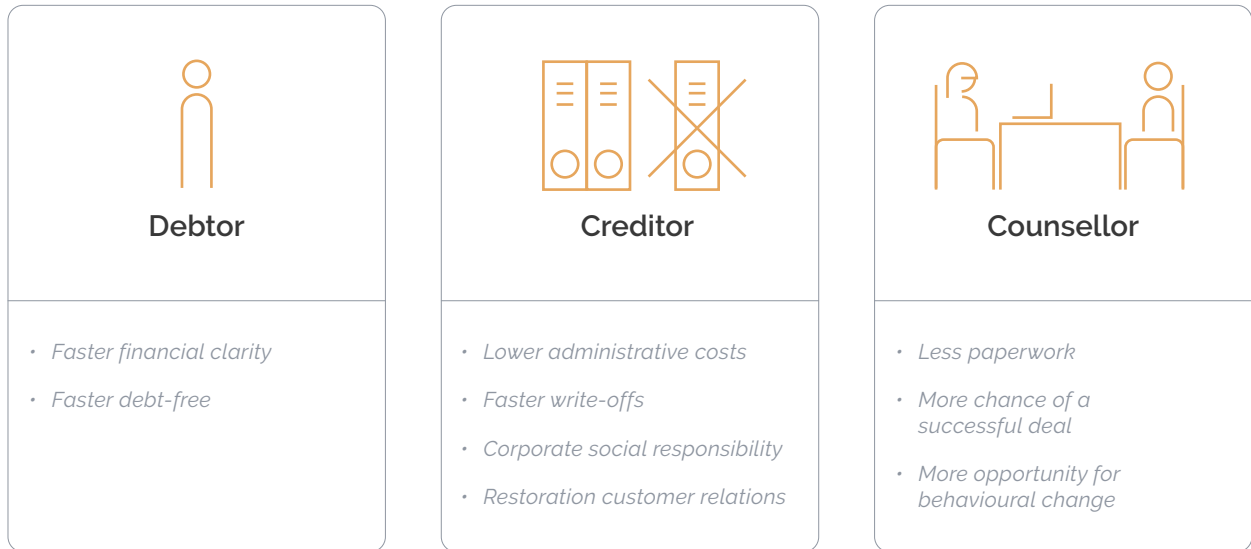
*Formal instances of communication*

**5**

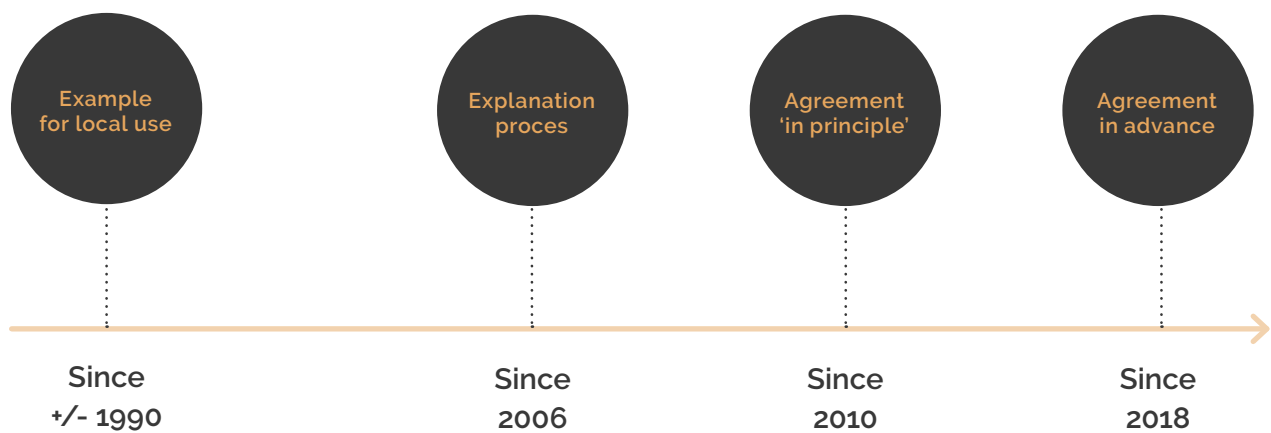


For more information:  
[www.nvvk.nl](http://www.nvvk.nl)

## MUTUAL ADVANTAGES OF COVENANTS



## EVOLUTION OF 'COVENANTS WITH CREDITORS'





# Conclusions

**Nils Behrndt**

Director for Consumers at DG JUST

The ongoing pandemic is amplifying the need for the development of high-quality independent debt advice services across the EU. Although it is still early for updated and aggregated data on the economic impact of the pandemic and its financial consequences, debt is obviously expected to increase at all levels and the capacity of many debtors to repay will be generally reduced. The consequences can be detrimental to debtors, creditors and society at large.

DG JUST is currently finalising the project on the 'Provision of actions to extend the availability and improve the quality of debt advice services for European households', of which the online seminar series was a part. There were three activities within this project.

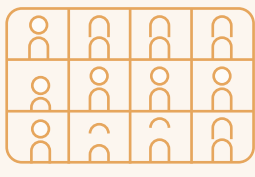
# 8



A study was undertaken on the funding required to provide high-quality independent debt advice to all those over-indebted EU households that need it.



A series of workshops were organised between April and June 2021 for the **capacity building of future debt advisors in six EU Member States** (Greece, Hungary, Italy, Poland, Romania and Spain), where debt advice is currently only sporadically available.



**Six online seminars to exchange good practices in debt advice** were organised in January and September 2021. The presentations and discussions during the online seminar series have delivered high-quality input, which will be taken forward into future workstreams.

The outcome of the online seminars and of the entire project will be positive and continue even after the project is finalised.

Additionally, in the recent Consumer Credit Directive (CCD) proposal, DG JUST has strengthened the role of debt advice. In Article 36 of the proposed CCD, EU Member States should ensure that debt advice is available for all citizens. It was very important to DG JUST not to oblige EU Member States to provide those services directly. The provision of debt advice varies across countries and the discussions during the online seminar series have shown these differences on debt advice on the ground. Explicitly, DG JUST wanted to make sure that all the positive initiatives that are already operational can continue irrespective of their modality, and that EU Member States really do have the choice to keep what is functioning and extend the services when they see certain gaps. This revision aims to create the conditions for EU

Member States to facilitate the delivery of debt advice irrespective of other considerations. That European consumers have access to debt advice services is the most important thing, not how they are precisely organised

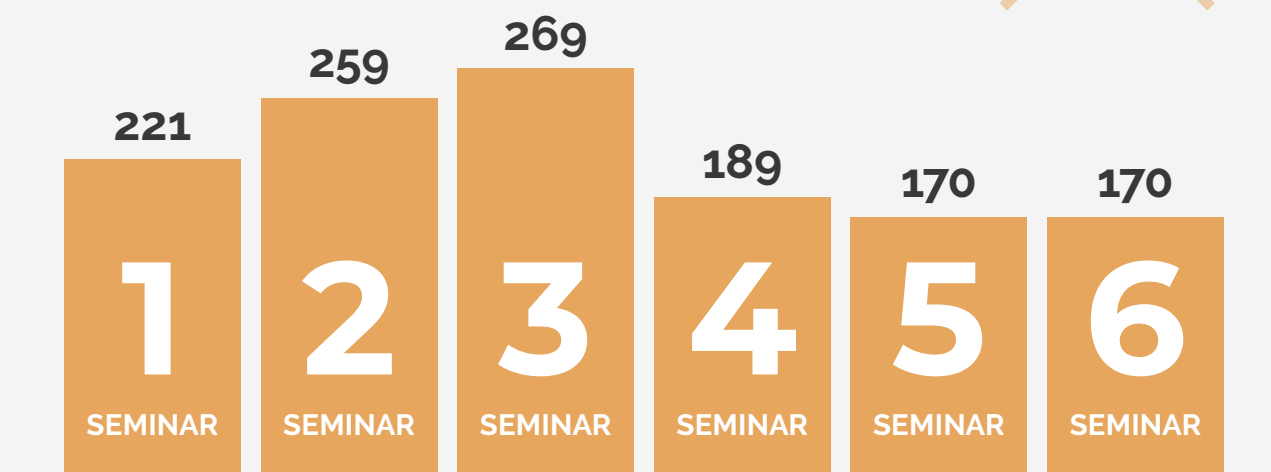
At the same time, DG JUST has launched grants and is now assessing the offers received. These grants will be addressed to create the conditions for stable delivery of debt advice in those countries where debt advice can be further strengthened.

The inspiring presentations and discussions on good practices will feed into the further revision of the CCD, and help DG JUST have it adopted in Council and Parliament relatively soon. This Directive will then help debt advisors in their daily reality to deliver this essential service to consumers who are in a very difficult situation and who deserve the support.

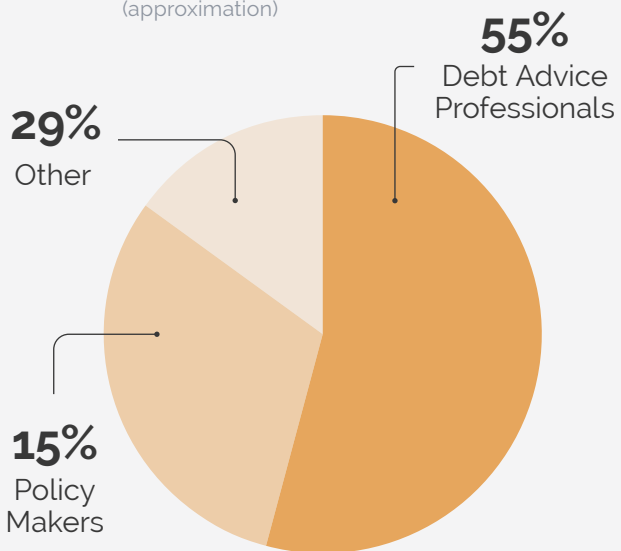
# Participants

In total, 530 people participated in the online seminar series, attending on average 2.4 seminars. Most of the participants were debt advice professionals (55%), with a substantial share of policymakers (15%). They participated from all EU27 Member States and the UK.

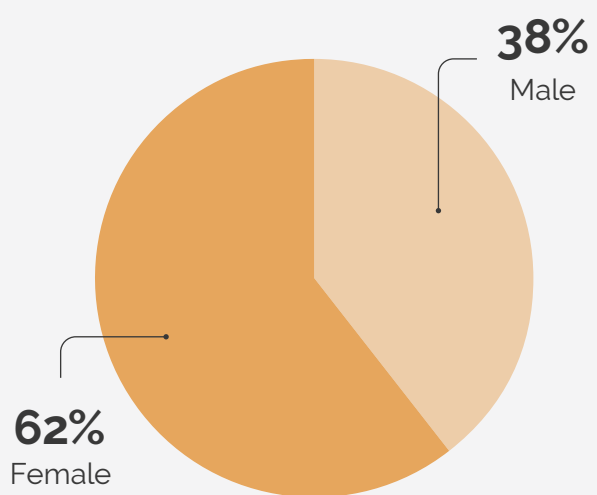
Total  
**530**



Profession  
(approximation)



Gender



## Across countries

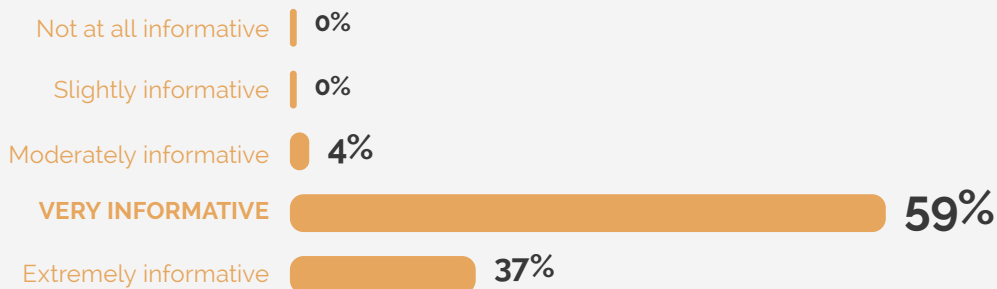




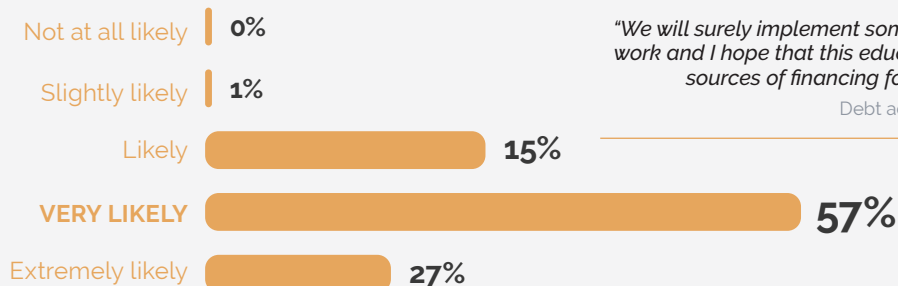
# Participant feedback\*

Nearly all the participants (96%) considered the online seminar series very or extremely informative. They nearly all indicated that it is likely to extremely likely that they will use the information obtained in practice within two years. Moreover, most of the participants (93%) are very likely or extremely likely to share the information obtained with their colleagues.

## How informative did you deem the seminars?



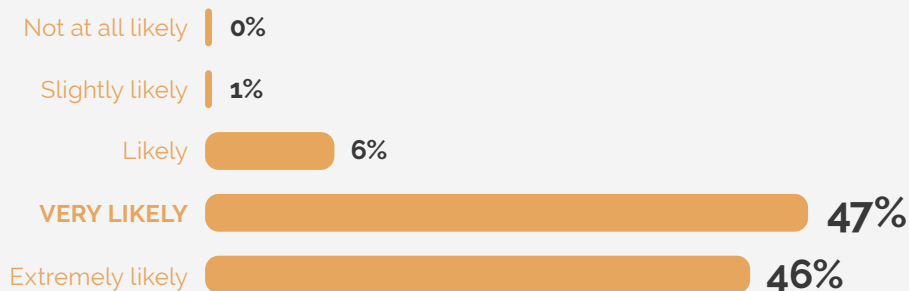
## How likely is it that in the next two years you will be using the information of the seminar in your own practice?



*"We will surely implement some of the practice in our work and I hope that this education will lead to more sources of financing for debt advice services."*

Debt adviser working for an NGO

## How likely is it that you will be sharing the information of the seminars with colleagues?



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