



Study on European consumers' over-indebtedness and its implications

Focus group research findings: Czechia

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1. Introduction

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

1.1. Methodology

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

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

1.2. Interpreting the data

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

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

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

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

consensus.

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

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

2. Focus group findings for Czechia

Key Insights

- The term debt was commonly associated with negative emotions like fear and worry, especially among participants with previous experience of over-indebtedness. It was also associated with the ready availability and use of credit cards and high interest loans offered by non-traditional lenders.
- Over-indebtedness was understood as the situation of having multiple loans simultaneously and being unable to repay these. There was a consensus that the problem, like debt generally, was becoming increasingly common due to the rising cost of living combined with a determination on the part of consumers to maintain their existing standards of living regardless. Low levels of financial literacy among some consumers and aggressive advertising on the part of loan companies were seen to be further fuelling the problem.
- Suggested coping strategies in the face of over-indebtedness were reducing unnecessary expenditure, selling assets, maximising one's income through employment (even if this meant retraining to qualify for a better-paid job) and seeking financial advice. Among participants with no experience of over-indebtedness, the options of loan consolidation and the 'Gracious Summer' period were also mentioned.
- Among participants with experience of over-indebtedness, the most popular potential approaches to addressing the problem were financial education programmes (for all age groups) and increasing the availability of debt advice services. Among those with no experience of over-indebtedness a more popular potential approach – and one suggested spontaneously in the focus groups – was addressing the high cost of housing through the development of city-owned housing to buy or rent.
- Among both groups, a potential measure that proved considerably less popular was publicly-provided digital tools to assist people in managing their finances.

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

Asked what came to mind on hearing the term **debt**, the focus group participants mentioned a range of exclusively negative associations. Among participants with experience of over-indebtedness, the associations tended to be affective in nature and included "fear", "concern" and "problems." To an extent, this reflected the fact that several of these participants were currently finding it difficult to meet their regular payments and worried about what the future might hold in this regard. Among participants with no experience of over-indebtedness, common associations with the term debt more often centred on perceived causes or facilitators of the problem. In particular, they mentioned credit cards and also loans offered by non-traditional lenders like Home Credit, which were seen as almost synonymous with high rates of interest and low protection for consumers. The heavy advertising of such loans was felt to have contributed to the products becoming increasingly popular and, subsequently, to rising levels of debt. At the same time, some participants with no experience of over-indebtedness contended that a lack of self-discipline among consumers when it came to spending was also an important factor contributing to growing loan use.

"I am very concerned about what comes in the future, especially with the increasing costs of energy."

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

"If you do not have discipline, you will create debts."

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

Over-indebtedness was described as the situation of having multiple loans simultaneously and being unable to pay these back. Some participants also referred to it as a "debt trap" because people affected often found themselves having to take out new loans in order to repay existing ones, such that the situation became self-perpetuating. There was a strong consensus that, like debt generally, over-indebtedness was becoming increasingly common. This trend was attributed to the rising cost of living (rising energy bills received particular mention) combined with a determination on the part of consumers to maintain their existing standard of living regardless. Low levels of financial literacy among some consumers and aggressive advertising on the part of loan companies, as discussed above, were seen to be further fuelling the problem, increasing the likelihood of people making bad financial decisions in the face of challenging circumstances.

"[Over-indebtedness] is common. People are used to high standards and do not want to change it, so they take out loans."

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

"[Over-indebtedness] is common because people make wrong calculations and spend more than they earn."

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

2.2. Coping strategies for over-indebtedness

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

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

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

In respect of **Vignette 1** there was a strong consensus among participants that the couple's problems could have easily been avoided had they not used credit cards and loans to pay for things they could not afford, like holidays. Some participants contended that people should only borrow money if they had a secure job and were therefore in a position to pay it back.

Reflecting this, among the most commonly suggested coping strategies for the couple were to stop **borrowing and to spend only on "basic needs"** rather than on other, non-essential goods and services. Participants were also in general agreement that Tomáš should **get a job** – and specifically one that paid more than the value of the state benefits he received. Some felt that Jana should work too, at least part-time, and perhaps also claim some benefits given she has a mental health problem. Some participants also suggested that the couple could consider taking advantage of the '**Gracious Summer**' event, during which Czech citizens had the opportunity to pay back any debts they owed to public institutions and state or semi-state companies, minus interest or penalties.

Participants with no experience of over-indebtedness suggested other coping strategies for the couple, including **consolidating their loans** and **seeking financial advice**, either from a bank or debt advice company or via online searches. Participants with experience of over-indebtedness did not mention any of these options. Indeed, one such participant said that, when his sisters had faced similar problems to the couple in the vignette, the only solution they had felt was available to them was asking family and friends to help.

In contrast with their reactions to Vignette 1, participants expressed more sympathy for the man described in **Vignette 2** (Petrovi), who they felt was less at personally at fault. Still there was some disagreement as to whether or not his situation could have been avoided. Some participants commented that he could have undertaken some retraining so that he could have applied for better-paying jobs. Indeed, they felt that this course of action remained one of the main strategies available to him to overcome the financial challenges he now faced. Other participants disagreed with this assessment, however, contending that it would be difficult for someone of Petrovi's age to access training or employment opportunities.

"He should do a re-training course to have a chance of getting a better job."

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

"It could not be avoided, he is almost retired, hard to find a better job."

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

Despite these differing perspectives, participants were broadly aligned when it came to identifying other possible coping strategies for Petrovi. They suggested that he could **cut back on any unnecessary expenses** (cigarettes and alcohol were specifically mentioned) and also **rent out part of his home or else sell it** and buy a (cheaper) flat instead. Participants with no experience of over-indebtedness further suggested the option of seeking "one time" financial assistance from social services.

2.3. Measures to tackle over-indebtedness

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

Table 2.2: Measures presented to participants in the focus groups

Measures to change people's attitudes and behaviours

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

Measures aimed at improving the types of credit services available

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

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

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

2.3.1. Measures to change attitudes and behaviours

Participants were highly supportive of the ideas of financial education programmes and of advertising campaigns to raise awareness of the risks associated with poor credit choices. Regarding the former they felt that such programmes should be made available to consumers of all ages and, as such, should be provided in a variety of settings, including schools, workplaces, banks and municipal offices. They also agreed that the programmes should major on the importance of having a household budget and on how to develop one, reflecting their belief that Czech citizens were poorly informed in this regard. At the same time

one participant was keen to point out that financial education programmes would not work for everyone as there would always be certain “problematic” individuals who behaved “irrationally” around money, regardless of the difficulties this brought.

In terms of advertising campaigns to raise awareness of poor credit choices, participants were especially in favour of a multi-media approach being pursued – again, in order to reach a maximum number of people. Thus, they suggested adverts not only on television and other media but also in public places – for example, on posters or billboards.

There was notably less support, and even some disdain, for the idea of policies aimed at encouraging people to save more. Participants typically remarked that many people, especially those at greatest risk of over-indebtedness, did not have any money they could save, so the policies would effectively be redundant.

"If you do not have anything but debts, you cannot be saving."

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

"I cancelled my saving account because I did not have any money to put in."

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

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

While participants generally supported these measures in principle, they tended to say that it would be very difficult, or nearly impossible, to implement them. In relation to measures to encourage responsible lending specifically, they were very sceptical that lenders, especially non-traditional lenders like loan firms, would be willing, or could be compelled, to conform to the requirements. In relation to state-provided low- or zero-interest loans participants doubted that the state could afford to fund these. One person also raised question as to how eligibility for the loans would be established and by whom, to ensure a fair approach.

"Zero-interest loans would be great, but I think it is not realistic."

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

"The zero interest loans cannot be for everyone. Who would decide, who is eligible? It would be unfair."

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

2.3.3. Measures to help people get out of debt

There was very strong support for increasing the availability of debt advice services. Participants felt Czech consumers were very much in need of such services, but that provision was somewhat lacking at present – indeed they could name only one specific organisation that provided debt advice – ‘People in Need’, albeit some were aware that debt companies also operated in this space. They felt strongly that, regardless of who provided it, debt advice should be free of charge, given that consumers in financial difficulties would be unlikely to be able to pay for it.

"If the financial advice was for free, that would help."

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

The idea of publicly-provided digital tools to help people manage their finances received a generally negative reception. Participants raised several concerns about such tools: Firstly, they did not believe that these would be widely used in Czechia, partly because similar services were already available from banks. Secondly, they felt the tools would exclude some older people who might not be able to access or use digital technologies. Thirdly, there was a view that the tools would be much less effective than in-person advice for those experiencing difficulties. Finally, some participant was uncomfortable with the idea of entering information into a publicly-owned platform – either because they were generally anxious about the idea of sharing personal information, or because they lived in a town where “everybody knew everybody” and so feared that they might be identifiable from the information they provided.

2.3.4. Other measures suggested

In addition to the measures discussed above, participants suggested other types of provision that they felt would help to prevent people becoming over-indebted. These included:

- Measures to address the high cost of housing – including:
 - efforts to tackle “ever increasing” mortgages
 - the development of more city-owned housing to buy or rent
- Employer-provided loans
- A ban on the advertising of loans and on direct marketing by loan companies
- A government website detailing the risks associated with different types of loan

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

Asked to comparatively evaluate the various different measures considered over the course of the focus groups, participants with experience of over-indebtedness reiterated their strong support for **financial education programmes** and for **increasing the availability of debt advice services**. Those with no experience of over-indebtedness felt the most important measure was one of those suggested spontaneously in the group: the development of more affordable, city-owned housing. The two groups were in agreement when it came to the perceived least effective of the measures discussed: both rejected the idea of publicly-provided digital tools to assist people in managing their finances.

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