Ref. Ares(2022)142049 - 10/01/2022

European Commission

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

Funding of debt advice

December 2020

Written by VVA, CEPS
December 2020

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ECONOMICS & POLICY

This report was produced under the Consumer Programme 2014-2020, under a service contract with the Consumers, Health, Agriculture and Food Executive Agency (Chafea) acting under the mandate from the European Commission.

EUROPEAN COMMISSION

Consumers, Health, Agriculture and Food Executive Agency (CHAFEA)

Directorate-General for Justice and Consumers (DG JUST)

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Specific Contract No: 20198601

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

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Abbreviation	Definition
ADICAE	Asociación para la Defensa de Consumidores y Usuarios de Bancos, Cajas y Seguros - Spanish Consumer Association
ANPC	Autoritatea Națională pentru Protecția Consumatorilor - Romanian National Authority for Consumer Protection
ASB	Arbeiter-Samariter-Bund Österreich - Austrian Civil Society Organisation
AURSF	Asociația Utilizatorilor Români de Servicii Financiare - Romanian Financial Users' Association
AWO	Arbeiterwohlfahrt Deutschland - German Civil Society Organisation
BEUC	Bureau Européen des Unions de Consommateurs - The European Consumer Organisation
CAB	Citizen’s Advice Bureaus - United Kingdom civil Soicety Organisation
CAW	Centrum Algemeen Welzijnswerk - Centre for General Welfare in Flanders, Belgium
CCAS	Centre Communal d'Action Sociale - Communal Centre for Social Action in France
CCD	Consumer Credit Directive
CIB	Citizens Information Board - Irish governmental office
CPAS	Centres Public d'Aide Social - Social Services Provider in Wallonia, Belgium
DECO	Defesa do Consumidor - Portuguese Association for Consumer Protection
DGC	Direção Geral do Consumidor - Portuguese Dirctorate-General for Consumers
DISW	Deutsches Institut für Sozialwirtschaft - German Institute for Social Economy
DMP	Debt management plan
EC	European Commission
ECB	European Central Bank
ECDN	European Consumer Debt Network - European Civil Society Organisation
EKPIZO	Ένωση Καταναλωτών - Η Ποιότητα Της Ζωής - Greek Consumers' Association "The Quality of Life"
EU	European Union
EU SILC	European Survey on Income and Living Conditions
FTE	Full-time equivalent
GAS	Gabinete de Apoio ao Sobre endividado - Over-Indebted Support Office, Portugal
GDPR	General Data Protection Regulation
GP	General Practioner
HFCS	Eurozone households finance and consumption survey
HMR	Household's main residence
IMF	International Monetary Fund
INKA	ΓΕΝΙΚΗ ΟΜΟΣΠΟΝΔΙΑ ΚΑΤΑΝΑΛΩΤΩΝ ΕΛΛΑΔΟΣ - Greek Consumers' Federation
KEYD-GEYD	Κέντρα Ενημέρωσης και Υποστήριξης Δανειοληπτών - Γραφεία Ενημέρωσης και Υποστήριξης Δανειοληπτών - Borrower

Abbreviation	Definition
	Information and Support Centres - Borrower Information and Support Offices - Greece
LAC	Local Advisory Commission
LCI	Labour Cost Index
MABS	Money Advice and Budgeting Service - Government funded advice serivce in Ireland
MAS	Money Advice Service - Government funded advice service in the United Kingdom
MS	Member State
NACE	Nomenclature générale des Activités économiques dans les Communautés Européennes - Statistical Classification of Economic Activities in the European Community
NAO	National Audit Office - United Kingdom
NAV	Norges Arbeids- og Velferdsetaten - Norwegian Labour and Welfare Administration
NGO	Non-governmental organisation
NVVK	Nederlandse vereniging voor schuldhulpverlening en sociaal bankieren - Dutch Association of debt relief lenders and social banking
OCMW	Openbaar centrum voor maatschappelijk welzijn -Social services provider in Flanders, Belgium
PRELOMI	Inštitut za družinsko terapijo, svetovanje in izobraževanje - Institute for Family Therapy, Counseling and Education in Slovenia
QALY	Quality-adjusted life year
RACE	Rede de Apoio ao Consumidor Envidado - Portuguese Consumer Support Network
ROI	Return of investment
SAM vzw	Steunpunt Mens en Samenleving - Belgian Civil Society Organisation
SGLAS	State Guranteed Legal Aid Service - Lithuania
SICS	Service d'Information et de Conseil en Matière de Surendettement - Information and Counselling services in Luxembourg
SKEF	Stowarzyszenie Krzewienia Edukacji Finansowej - Polish National consumer association
UDAF	Union départementale des associations familiales - French departmental Civil Society Organisations
UNAF	Union nationale des associations familiales - French national Civil Society Organisations

Abstract

This document constitutes the first interim report for the "*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 European Commission Consumers, Health, Agriculture and Food Executive Agency and carried out by VVA and CEPS and supported by national experts and signed on 05 May 2020.

The project's **overarching objective** is to provide services aimed at extending the availability and **improving the quality** of debt-advice services for European households by way of identifying currently existing good practices in EU Member States, creating a platform for exchange of good practices and bring forth recommendations on further measures.

Based on the fundamental idea that consumer organisations and other consumer interest groups need to play an active role by informing consumers and monitoring markets, consumer representatives and experts are required to hold a robust understanding of general consumer policy issues along with a detailed and targeted knowledge of specific areas. The European Commission, by way of procuring this service, **will provide basic and advanced training for stakeholders** representing the interests of European consumers.

Specific objectives of the project include **gathering of information** on the scope and effectiveness of debt-advisory services, including an analysis of the ability of debt services to meet demands and deliver benefits. Moreover, the project will look at the estimated costs of the services and will make recommendations on improving the use of resources to provide better coverage for demands.

The project is composed of the following tasks:

- Task 0: Project Inception
- Task 1: A quantitative analysis of the resources needed by debt-advisors, also including a cost-benefit analysis of the impact of debt-advice on over-indebted households
- Task 2: Two targeted events aimed at fostering good practice exchange between debt-advice practitioners
- Task 3: Organisation of 12 training events in six Member States, where debt-advice is not adequately provided
- Task 4: Final reporting

This study comprises the result of Task 1 and is structured as follows:

- Chapter 1: Introduction
- Chapter 2: Methodology
- Chapter 3: Debt advice systems and services in Member States
- Chapter 4: Costs and benefits of providing debt advice
- Chapter 5: Conclusions and recommendations

The following annexes are submitted:

- Annex 1: References
- Annex 2: Results of the survey
- Annex 3: Results of the interviews

1 Introduction

Household over-indebtedness limits the potential of individuals and countries to develop intellectually, socially, and economically. While overall, a minority of the European households are over-indebted, this trend might well increase in response to the ongoing Covid-19 related measures and their impact on the economy. This study takes a close look at debt advice for households as an effective measure to address over-indebtedness.

The specific objective of the **study includes the gathering of information** on the scope and availability of debt-advisory services, including an analysis of the ability of debt services to meet demands and deliver benefits, with particular focus on the costs of debt-advice. Therefore, this study estimated costs of the services, the potential benefits that universal debt advice could bring and provides data on the funding needs to the Commission for its successive activities in this area. In this regard, it could also make recommendations on improving the use of resources to provide better coverage for demands.

This Chapter provides an overview of the key definitions used in this study, in particular related to household over-indebtedness, the potential negative impacts of it and debt advice. It concludes with a reading guide to this report.

1.1 Household over-indebtedness

A generally accepted definition of over-indebtedness does not exist yet.[1] However, the study by Civic Consulting of 2013 provided an excellent description, which is functional to the needs of this project, which could be described as the following: "*Households are considered over-indebted if they are having – on an on-going basis – difficulties meeting (or are falling behind with) their commitments, whether these relate to servicing secured or unsecured borrowing or to payment of rent, utility or other household bills. This may be indicated by, for example, credit arrears, credit defaults, utility/rent arrears or the use of administrative procedures such as consumer insolvency proceedings.*[2]"

The six main triggers of over-indebtedness are low income (poverty),[3] unemployment, separation and divorce, illness, consumer behaviour and failed self-employment,[4] whereby over-indebtedness is usually multi-causal.[5]

Living beyond one's means is also a main trigger, but in relation to all the other triggers only relevant in about 10% of the cases.[6] This is often driven by relaxed lending practices, easy access to credit (overdraft, credit cards, zero percent financing) and

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[1] A common definition does not exist, see: CIVIC Consulting (2013) The over-indebtedness of European Households: Updated Mapping of the Situation, Nature and Causes, Effects and Initiatives for Alleviation its Impacts, Final Report. Part 1: Synthesis of findings, 22 ff. Available at: https://ec.europa.eu/info/sites/info/files/final-report-on-over-indebtedness-of-european-households-synthesis-of-findings_december2013_en.pdf

[2] CIVIC (2013), p. 21

[3] CIVIC (2013), p. 78.

[4] Identified Triggers for over-indebtedness in Germany see: Korczak, D. (2019) Debt Advice and Over-Indebtedness in Europe, in: Money Matters No. 16/2019, 13. Available at: https://www.researchgate.net/publication/334494621_Debt_Advice_and_Over-Indebtedness_in_Europe.

[5] Peters, S./Größl, I (2020) iff-Überschuldungsreport, Hamburg, p. 19. Available at: https://www.iff-hamburg.de/wp-content/uploads/2020/06/iff-ueberschuldungsreport-2020_web.pdf; Keese (2009) Triggers and Determinants of Severe Household Indebtedness in Germany, Ruhr Economic Papers #150. Available at: https://www.rwi-essen.de/media/content/pages/publikationen/ruhr-economic-papers/REP_09_150.pdf.

[6] Peters, S./Größl, I (2020) iff-Überschuldungsreport, Hamburg, p. 19.

high-income expectations.[7] Other reasons are aggressive advertising and debt restructuring procedures by lenders.[8]

It is controversial whether lower financial literacy correlates with a higher risk of over-indebtedness[9] and financial education could prevent over-indebtedness. However, lack of financial education is not one of the six causes of over-indebtedness listed above.

Sales practices and credit products are also seen as drivers of over-indebtedness. Debt advice organisations report, that certain credit products like revolving credit cards are also triggers for over-indebtedness.[10] Debt rescheduling by banks and the abusive sale of residual debt insurance policies are also seen as a factor in rising debt.[11]

In addition, the European Commission study of 2008[12] proposed criteria to determine whether a household is over-indebted. These criteria combined a focus upon household's inability to meet their payment commitments ongoing basis. These cover borrowings (mortgages, consumer loans, etc.), but also others such as rent, utility and other payment commitments.

At national level also different definitions apply. For instance, in the United Kingdom, the term "over-indebtedness" is linked to the term "problem debt"; indeed, these are often used interchangeably, as they were in a key report on debt produced by the National Audit Office (NAO 2018). The focus upon "problem debt" raises an additional concern when considering "over-indebtedness", namely that to be over-indebted is also to be unable to maintain payments on the most problematic debts: those for which the consequences of non-payment are the most significant.

1.2 Negative impact of over-indebtedness

Over-indebtedness is not a singular problem of a few members of society. In 2011, the EU-SILC study showed that 11% of consumers had financial difficulties with payments on rent/mortgage, utility bills and/or hire-purchases/loans.[13] In 2016, the proportion of people aged 18+ at risk of over-indebtedness or difficulties making ends meet was estimated to be 21% across the 28 Member States of the European Union.[14] National figures are even higher. An estimated 25%-35% of the German population for example

[7] Klühs, T., Koch, M., Stein, W. (2020) Haushaltsüberschuldung hängt mit zu hohen Einkommenserwartungen und gelockerter Kreditvergabe zusammen, in: DIW-Wochenbericht No. 11-2020, 176-181.

[8] Moers, I. (2020) Herausforderungen moderner Schuldnerberatung (Lecture), p.6, Available at: https://www.diw.de/documents/dokumentenarchiv/17/diw_01.c.725314.de/wsiv-finkomverschuldung-200131-moers.pdf

[9] Bouyon, S., Musmeci, R. (2016) Two Dimensions of Combating Over-Indebtedness: Consumer protection and financial stability, in: ECRI Research Report No. 18, October 2016, 8. Available at: https://www.ceps.eu/download/publication/?id=9655&pdf=ECRI%20RR%20No%2018%20Over-indebtedness_0.pdf see lack of financial literacy as a trigger: "Measuring and promoting financial literacy are, therefore, core elements in order to strengthen consumers' ability to avoid and cope with over-indebtedness". Moers, I. (2020), 8: „Persons in debt have no less financial competence than the average. Due to their overburdened situation, however, they cannot (any longer) call up their knowledge rationally."

[10] Eurodiaconia (2015) Policy Paper: Household Over-Indebtedness in the European Union, 5.

[11] See for example Coppola (2019) The U.K.'s Biggest Financial Scandal Bites Its Biggest Bank – Again, in: Forbes online. Available at: https://www.eurofound.europa.eu/publications/report/2020/addressing-household-over-indebtedness "The picture was particularly bleak for people in financial difficulties who were taking out consolidation loans: a new PPI contract could be attached to each rolled-over loan, resulting in escalating premiums and increasing indebtedness."

[12] European Commission (2008), Towards a common operational European definition of over-indebtedness, Publication Office of the European Union, Luxembourg. Available at: https://op.europa.eu/en/publication-detail/-/publication/6a109c57-e618-422b-bb5c-d931ad47e976.

[13] Reported from CIVIC Consulting (2013), 32.

[14] Eurofound (2020), 10. In the year 2010 the percentage of consumers with a risk of over-indebtedness in the EU27 was estimated about 25 %, see: Eurobarometer poverty & social exclusion reports, cited after: CIVIC Consulting (2013), 60;

is in a precarious living situation, in which they are threatened by over-indebtedness,[15] while Eurobarometer estimates the risk of being over-indebted in Germany in relation to other EU Member States very low with 12 %.[16]

The effects of over-indebtedness[17] are social exclusion (loss of circle of friends and contact to neighbours), increased addiction problems, resignation and depressions, fears about the future, psychosomatic and other diseases, familiar conflicts, loss of quality of life, loss of access to financial services, loss of housing and poverty. Besides that, consumers often lose all their financial reserves and are confronted with legal procedures (bailiffs, debt collection).

There are also long-term effects for the families and the children confronted with over-indebtedness in a private household. Without external social and legal help over-indebtedness and poverty as its consequence can become entrenched. Reduction of over-indebtedness is also poverty prevention.

Lastly over-indebtedness is not only a problem of singular households but a general social problem in our society with negative economic effects on demand, employment, and growth.[18] Therefore, a state has not only a responsibility to reduce these problems for consumers and to minimise the effects of over-indebtedness as a welfare state but also for economic reasons.

1.3 Debt advice

Its high social and economic costs require policy makers to consider options to address over-indebtedness. Debt advice is widely considered as one of the most effective existing tools to address over-indebtedness of households.

In the context of this study debt advice is defined as the assistance provided by an independent advisor[19] to an (potentially) over-indebted household to find the best possible solution to get out of debt. The debt advisors providing the debt advice combine several services such as information provision, budget planning, support to debt settlement procedures and management of bank accounts, as well as a fundamental psychological support. The multi-causal nature of over-indebtedness requires debt advisors to tailor their advice to the specific needs and circumstances of the households concerned.

Although good quality debt advice is primarily addressing the needs of debtors, it also considers the interests of creditors. More specifically, the main objective of debt-advice is helping the over-indebted households to repay their debt, while still having sufficient income to carry on a decent life.

Debt advice is in some countries called money advice or debt counselling, which have a similar meaning. Importantly, debt-advice-like services, which are not acting in the interests of debtors are not covered by the definition of debt advice used in this report.

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[15] Groth u.a. (2019) Praxishandbuch Schuldnerberatung, 27th Edition, Köln, chap. 1, p. 7.

[16] CIVIC Consulting (2013), 60.

[17] See: Consequences of over-indebtedness for affected households in: CIVIC Consulting (2013), 174 ff.; Eurofound (2020), Addressing household over-indebtedness, Publications Office of the European Union, Luxembourg. Available at: https://www.eurofound.europa.eu/publications/report/2020/addressing-household-over-indebtedness.

[18] CIVIC Consulting (2013), 197; Haas, O. (2014) Overindebtedness in Germany, Working Paper N° 44, International Labour Office, Geneva, 14. Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_117963.pdf

[19] An independent advisor is not influenced by interests that (potentially) conflict with those of the beneficiary of theadvice.

1.4 Reading guide

The remainder of this report first provides an **overview of the methodology** used to gather data for this study in **chapter 2**. This includes descriptions of the desk research, survey and interviews held with stakeholders (incl. debt advisors, sector representatives, debt collectors, authorities, academics, etc.).

Chapter 3 provides an overview of the debt advice systems and services in Member States. More specifically, it describes the different debt advice systems as well as the level of development of the various systems. It also provides an estimation of the unsatisfied demand of debt advice.

Chapter 4 covers the results of a cost benefit analysis. It provides both an estimate of the cost and benefits of debt advice per household requiring debt advice. The analysis covers both the direct and indirect cost and benefits of debt advice.

Chapter 5 draws the main conclusions of the analysis as well as the recommendations to improve availability and quality of debt advice systems across the EU and the required funding to realise this.

2 Methodology

This chapter describes the methodology for the data collection of the study. The data collection entailed two main activities: i) Desk research and literature review; and ii) stakeholder consultation based on an online survey and semi-structured interviews.

2.1 Desk research and literature review

A robust desk research was carried out in order to obtain a clear and comprehensive overview of the current state of debt-advice services dealing with households' over-indebtedness across the EU. The desk research covered the following elements:

- Identification and mapping of the main stakeholders involved in national debt advice: all stakeholders involved in debt advice might potentially incur costs or receive benefits and thus provide our team with important data for the analysis.
- Identification of interview and survey contacts at national and EU level: the identification of relevant contacts for interviews and the survey is essential to ensure a representative sample and good participation/response rate.
- Identification of the main forms of debt-advice at national and EU level: this is important as costs of debt advice might be different across member states due to the various types of systems in place.
- Obtain qualitative and quantitative information about the good practices identified in the interviews and survey.
- Obtain qualitative and quantitative information about the needs, demands, benefits, costs and evaluations of policies adopted at national and EU level.

Differences in Member State level debt advice systems elevate the importance and necessity of conducting desk research at both national and EU level. Our research team scanned publications in the member state in national languages as well as in English. The information in the national language was collected by national experts, who synthesized and shared the information of the relevant approaches in English. The results of desk research were taken into account in the analysis and are presented in the reminder of the report.

2.2 Stakeholder consultation

The stakeholder consultation consisted of conducting an online survey and semi-structured interviews. For the online survey, the target number of responses was a minimum of 12 responses from large Member States (DE, ES, FR, IT, PL, and UK), and a minimum of 6 responses in the remaining Member States. For the interviews, the target number of responses was at least 200, with a minimum of 10 responses in large Member States and 5 in the remaining Member States.

The targeted relevant stakeholders in all Member States and in the UK, included public and local authorities, consumer associations, NGOs and charities active in the field, financial and credit services institutions, academics and experts. The survey was constructed following the development of questionnaires targeting these stakeholder groups:

- Debt advice providers;
- Industry respondents (e.g. creditors);
- Policy and regulatory framework providers; and
- General stakeholders who do not fall under the previous categories.

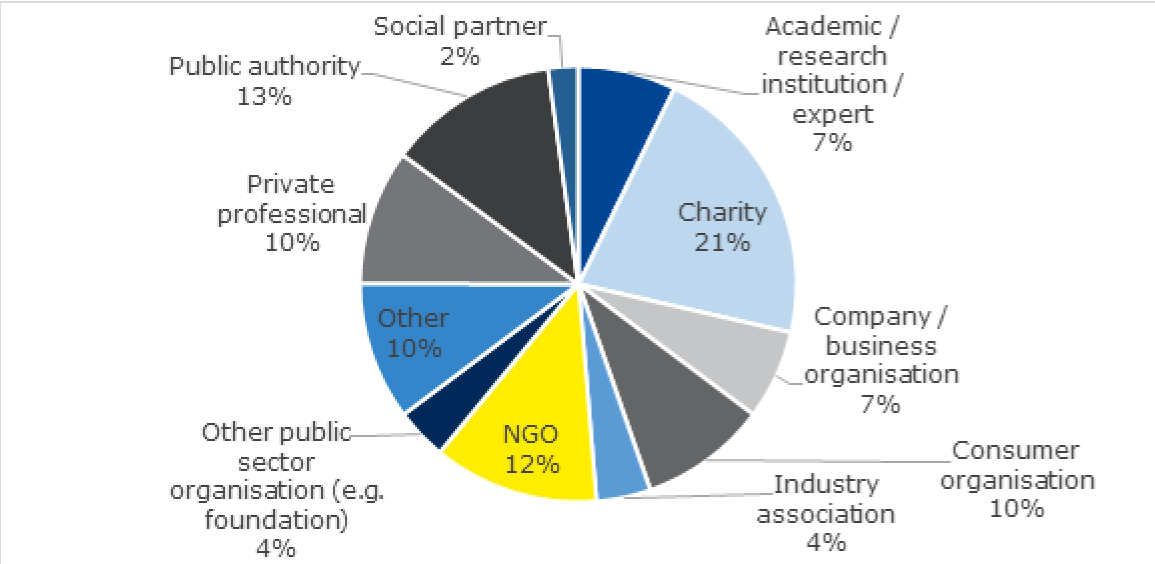
The response results of the stakeholder consultation activities is shown in the following sections.

2.2.1 Survey

The online survey[20] was available in English, French and German, and was officially launched on 3 August 2020. It was initially planned to run for eight weeks, which was extended.

At the closing of the online survey, a total of 503 responses was received[21]. Of these, 274 partial responses are recorded in the dataset and 229 complete responses. The main contributors were charities (21%), public authorities (13%), NGOs (12%), consumer organisations (10%) and private professionals (10%) followed by and company or business organisations (7%). The figure below describes the share of each stakeholder group that responded to the survey to date.

Figure 1: Stakeholder groups of survey respondents



The table below provides a breakdown of responses by country.

Table 1: Survey responses by country

Countries	Total
Austria	16
Belgium	24
Bulgaria	8
Croatia	9
Cyprus	10
Czechia	14
Denmark	14
Estonia	7
Finland	14
France*	13
Germany*	169
Greece	7
Hungary	8
Ireland	22

[20] https://www.surveygizmo.eu/s3/90255295/Provision-of-actions-to-extend-the-availability-and-improve-the-quality-of-debt-advice-services-for-European-households

[21] Including complete responses and partial responses. Partial responses include those that have not answered to all the questions of the online survey.

Countries	Total
Italy*	22
Latvia	7
Lithuania	5
Luxembourg	6
Malta	9
Netherlands	10
Poland*	19
Portugal	18
Romania	9
Slovakia	8
Slovenia	10
Spain*	19
Sweden	8
UK*	11
Others (third countries – CH and NO)	2
TOTAL	503

** For the big EU countries – DE, ES, FR, IT, PL and UK - a representative number of minimum 12 persons should provide response to the survey and for the other EU Member States – a minimum of 6 persons.*

2.2.2 Interviews

In-depth interviews with relevant stakeholders operating at European and member state level, including public authorities, academics, independent debt advisory providers were carried out in order to complement the information collected from the desk-based research and the survey.

The interview process consisted of four different activities (see Figure 2), including the: i) identification, ii) preparation of the interview guides, iii) conducting the interviews, and iv) reporting.

Figure 2: Interview process

The stakeholders identified for the interviews covered all the stakeholders based on their profession involved in debt advice. As the professionals involved with debt advice differ across countries, the types of stakeholders interviewed varied also across countries. In all EU Member States and the UK stakeholders were invited to participate in interview. In addition, preselected pan-European stakeholders were invited for an interview.

The following types of stakeholder were targeted for consultation:

- Consumer Associations
- NGOs and charities
- National or local public authorities
- Financial institutions
- Independent debt-advisors
- Credit reference agencies
- Academics and experts

The number of interviews conducted were quite similar across Member States. The exact number of interviews depend on the size and legal/institutional setting of the country, the presence of debt-advice services, the representativeness of the institutions involved and acceptance rate.

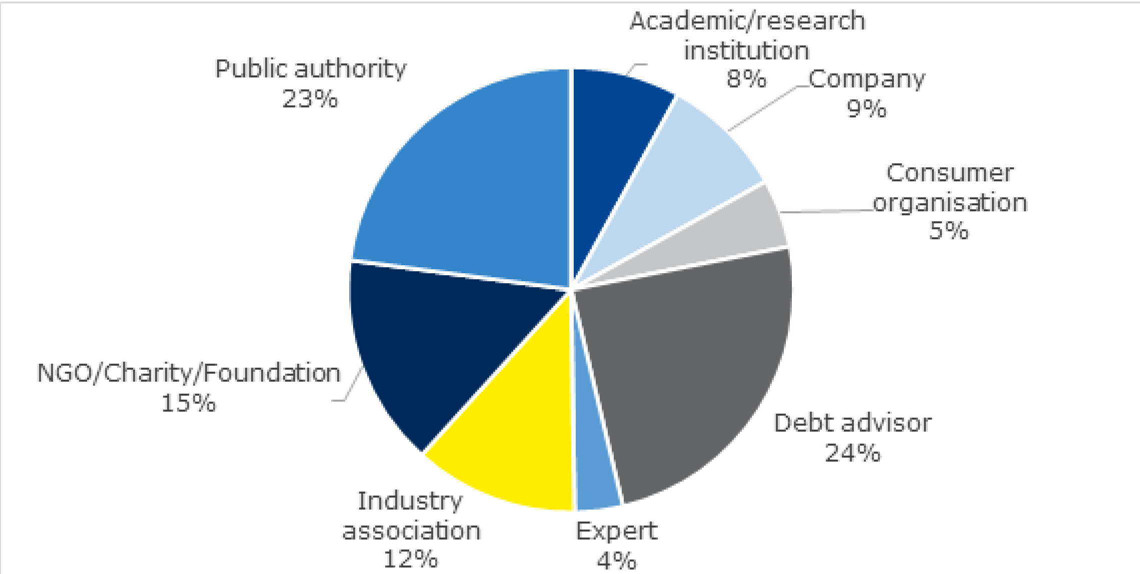
In total more than 200 interviews were conducted between May and December 2020. The interviews were with debt advisors, companies, industry associations, public authorities, NGOs/Charities/Foundations, workers/consumer representatives, academics and other experts.

Table 2: Overview of the interviews conducted

Country	Interviews	Country	Interviews
AT	7	IT	12
BE	7	LT	6
BG	7	LU	5
CY	6	LV	5
CZ	5	MT	4
DE	10	NL	10
DK	6	PL	10
EE	8	PT	7
EL	6	RO	7
ES	13	SE	5
FI	5	SI	5
FR	10	SK	6
HR	7	UK	10
HU	5	EU	8
IE	5	**Total**	**206**

Looking across stakeholder types, most provide debt advice. According to the latest interview status from 8 December 2020, the main groups of stakeholders were debt advisors (24%), public authorities (23%), NGOs, charities and foundations (15%) and industry associations (12%). The figure below describes the share of each stakeholder group that was interviewed.

Figure 3: Stakeholder groups of interviewees



3 Debt advice systems and services in Member States

This chapter discusses the impact at individual and societal level of over-indebtedness. Moreover, it defines the different types of debt advice and services. It describes the policy responses to household over-indebtedness and analyse in depth the availability and unsatisfied demand of debt advice.

3.1 Household over-indebtedness and its impacts

Over-indebtedness has far reaching impacts on a person's well-being, the economy and society as a whole. In our analysis we distinguish three main categories: enforcement impacts; emotional and relational impacts; and financial impacts.

3.1.1 Enforcement impacts

When considering the enforcement impacts of being "over-indebted", it is important to recognise that different creditors hold different powers of enforcement, and that between countries there are significant differences in the powers held by types of creditor, which may include mortgage lenders; consumer creditors; local and national governments; landlords; and utilities companies.[22] When an enforcement action takes place, there is a significant and long-lasting effect upon individual lives and relationships – where families are made homeless due to rent arrears, or where court officers or other enforcement agents make visits to remove goods or carry out other actions. Yet it is also the *threat* of these actions that has a significant impact upon over-indebted households. Debtors can find the process of attending court hearings or dealing with the knowledge that an enforcement agent might visit the family home immensely distressing and destabilising.[23]

For example, in the United Kingdom the debt advice sector employs a distinction between "priority" and "non-priority" debt. The concept of "priority debt" can be used across European jurisdictions to define those debts for which non-payment will incur the most serious repercussions: loss of home; potential imprisonment; or loss of essential goods or services. When each of these enforcement actions takes place – where families are made homeless due to rent arrears, where court officers or other enforcement agents make visits to remove goods or carry out other actions, or where debtors are imprisoned – there is a significant and long-lasting effect upon individual lives and relationships. Yet it is also the threat of these actions that has a significant impact upon over-indebted households. Debtors can find the process of attending court hearings or dealing with the knowledge that an enforcement agent might visit the family home, immensely distressing and destabilising.[24]

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[22] Eurofound (2020) *Addressing household over-indebtedness*. Publications Office of the European Union, Luxembourg. Available from https://www.eurofound.europa.eu/publications/report/2020/addressing-household-over-indebtedness. Accessed 5/11/20.

[23] See for example Payplan (2017). What is Britain's attitude to debt in 2017? Available at: https://www.payplan.com/blog/what-is-britains-attitude-to-debt-in-2017/

[24] Uhry, (2018) "Evictions in France" in Kenna, P., Nasarre-Aznar, S., Sparkes, P. and Schmid, C.U. (eds) *Loss of Homes and Evictions across Europe: A Comparative Legal and Policy Examination*. Pp.95-112. Cheltenham: Elgar.

3.1.2 ***Emotional, psychological and relational effects***

The ways in which over-indebtedness can impact upon the emotional, psychological and relational well-being of individuals, with potentially far-reaching and tragic consequences, has been a key point of concern for studies in the social and psychological sciences[25,26,27] as well those in health sciences[28,29] and the charity sector[30,31].

Evidence shows that over-indebtedness creates emotional and psychological issues associated with depression and anxiety[32,33], feelings of not being able to cope, an inability to imagine a hopeful future, and a loss of self-esteem.[34] It can create a sense of isolation and disconnection from family and friends that might provide emotional supports in these periods of difficulty.[35] Empirical studies on these impacts have been carried out primarily in the United Kingdom. As Lea (2020)[36] notes in his overview of evidence within clinical psychology, there is a clear correlation (if not evidence of a causative relationship) between problems with personal debt and the reporting of "psychological ill effects". At the extreme end of this relationship, Meltzer et al (2011)[37] showed a clear correlation between difficulties in meeting personal debt obligations and suicidal ideation. As a matter of fact, a recent study of over-indebtedness in Germany showed that 12.3% of over-indebted used antidepressants, compared to only 5% of the general population.[38]

These feelings of anxiety and stress at the individual level create household atmospheres in which intimate relationships can become strained to breaking point and children's upbringings can be defined by tension and fear.

The causal chain seems to go both ways, such that mental health issues worsen over-indebtedness problems, further complicating any possible solution or remediation.[39]

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[25] Deville, J. (2015). *Lived Economies of Default: Consumer Credit, Debt Collection and the Capture of Affect*. Abingdon: Routledge.

[26] Angel, S. (2016). The Effect of Over-Indebtedness on Health: Comparative Analyses for Europe. Kyklos: International Review for Social Sciences Vol. 69(2), 208–227

[27] Davies, W. Montgomerie, J., Wallin, S. (2015) *Financial Melancholia: Mental Health and Indebtedness*. London: PERC. Available from https://www.perc.org.uk/perc/wp-content/uploads/2015/07/FinancialMelancholiaMentalHealthandIndebtedness-1.pdf. Accessed 31/10/2020

[28] Richardson, T. Elliot, P. Roberts, R. (2013) "The relationship between personal unsecured debt and mental and physical health: A systematic review and meta-analysis" *Clinical Psychology Review* Vol. 33(8), 1148-1162

[29] Bridges, Disney, R. (2010) "Debt and Depression" *Journal of Health Economics*, Vol. 29, Issue 3, May 2010, Pages 388-403

[30] Stepchange (2020) *Paths to Recovery: Understanding Client Outcomes 15 months after debt advice*. Leeds: Stepchange. Available from https://www.stepchange.org/Portals/0/assets/pdf/Paths-to-Recovery_March-2020.pdf. Accessed 31/10/2020.

[31] Citizens Advice (2016) *A debt effect? How is unmanageable debt related to other problems in people's lives?* London: Citizens Advice. Available from Accessed 31/10/2020

[32] Bridges, Disney, R. (2010) "Debt and Depression" Journal of Health Economics, Vol. 29, Issue 3, May 2010, Pages 388-403

[33] Gathergood, J. (2012) "Debt and Depression: Causal Links and Social Norm Effects" The Economic Journal, Volume122(563) pp.1094-1114

[34] Urbanos-Garrido, R.M., Lopez-Valcarcel, B.G. The influence of the economic crisis on the association between unemployment and health: an empirical analysis for Spain. Eur J Health Econ 16, 175–184 (2015). https://doi.org/10.1007/s10198-014-0563-y

[35] Atfield, G., Lindley, R. and Orton, M. (2016), Living with debt after advice: A longitudinal study of people on low incomes, Friends Provident Foundation, York.

[36] Lea, S. (2020) "Debt and Overindebtedness: Psychological Evidence and its Policy Implications" *Social Issues and Policy Review* (Online Version of Record before inclusion in an issue) https://doi.org/10.1111/sipr.12074

[37] Meltzer, H., Bebbington, P., Brugha, T., Jenkins, R., McManus, S., & Dennis, M. (2011). Personal debt and suicidal ideation. *Psychological Medicine*, 41(4), 771-778. doi:10.1017/S0033291710001261

[38] Warth, Jacqueline; Beckmann, Niklas; Puth, Marie-Therese; Tillmann, Judith; Porz, Johannes; Zier, Ulrike; Weckbecker, Klaus; Weltermann, Birgitta; Münster, Eva; Francis, Joel Msafiri (2020) "Association between over-indebtedness and antidepressant use: A Cross-sectional analysis", PLoS ONE, Vol 15, No. 7, pp. 1-11

[39] Fitch Chris, Chaplin Robert, Trend Colin, Collard Sharon (2007): "Debt and mental health: The role of psychiatrists". Advances in Psychiatric Treatment (2007), vol. 13, 194–202

Furthermore, it is evident that debt has an independent effect on mental health, regardless of poverty.[40]

3.1.3 Financial effects

Over-indebtedness can lead to a significantly reduced standard of living. Where debt repayments exceed disposable income, families are forced to cut back on key areas of expenditure.[41] Of particular importance are where debt repayments are taken automatically from incomes, something that is currently done through different powers in different countries, meaning that debtors have less power to challenge repayment levels and prioritise their payments. Where this leads to reduced spending on essential goods such as food and heating, this can lead to long-term physical and mental wellbeing problems within the household.

A key criteria of "over-indebtedness" is "illiquidity": an inability to raise money (whether by saving income or drawing on affordable credit) to meet an unexpected expense (such as a new fridge or repairs to a car) or even to face the ordinary and daily basic expenses (many Charities are stressing the increase of previously "mid-class" households who are requesting their food distribution).[42] For over-indebted households, the only credit available (if any, and provided that adding further debits can be considered a "remedy" for them) may be available at a high cost: whether a high-interest loan, a loan that is guaranteed by a friend or family member, or a loan that is secured upon the item itself. Each of these credit options carry costs and risks that are not only borne by those who are not 'over-indebted'.

Furthermore, debt can harm future employment and housing prospects directly or indirectly. Direct effects may be the restriction on housing prospects due to a history of insolvency, while indirect effects may cause restrictions due to a decrease in mental or physical wellbeing. As a result of these financial effects, over-indebtedness can potentially feed and exacerbate future debt problems, creating a vicious cycle of debt and despair.

3.2 Types of debt advice providers

Debt-advice services are provided by debt advisors. These are independent professionals whose main task is to provide support to people dealing with difficult financial situations due to debt obligations. It does not matter, in this perspective, whether or not debt advisors, in doing their job, act on a commercial or voluntary position, are paid or not. What matters is if they are "independent", i.e. act as a person not influenced in his/her work by other interests potentially conflicting with those of the beneficiary of the advice (i.e. the over-indebted (or potentially over-indebted) household) to find the best possible solution to get them out of debt.

To achieve this result, debt-advisors need to operate with an open perspective, where elements of economy and financial management are accompanied by a good legal expertise and an intelligent psychological approach, in order to identify, person by person, the specific problems and the related specific solutions. The help provided by debt-advisors to the over-indebted households is therefore personalised, varies on a

[40] Jenkins, D. Bhugra, P. Bebbington, T. Brugha, M. Farrell, J. Coid, T. Fryers, S. Weich, N. Singleton & H. Meltzer (2008) "Debt, Income and mental disorder in the general population", Psychological Medicine, Vol. 38, pp. 1485-1493.

[41] Civic Consulting (2013) *The Over-Indebtedness of European Households: Updated Mapping of the Situation, Nature and Causes, Effects and Initiatives for Alleviating its impact*. Berlin: Civic Consulting.

[42] European Commission (2008) *Towards a Common Operational European Definition of Over-Indebtedness*. Brussels: European Commssion. Available from https://www.bristol.ac.uk/media-library/sites/geography/migrated/documents/pfrc0804.pdf. Accessed 31/10/2020

case-by-case basis and is tailored to the situation of each particular household. Debt advisory services can be provided by different organisations.[43]

These different types of providers found in the EU27 - Member States ("EU27") and UK can be grouped under six broad categories:

- Non-governmental organisations (NGOs) (churches, humanitarian organisations etc.), including both NGOs operating at own account and funded by governments;
- Consumer organisations;
- Social partners;
- Public authorities (local government, regional government, public authorities/bodies);
- Publicly funded organisations at some distance from public administration; and
- Private for-profit professionals or companies (lawyers, consultants, etc.).

Although in some cases there is active cooperation between the debt advisors, creditors and debt collectors, it is important not to confuse the activities, roles and interests of creditors and debt collectors with those of debt advisors.

Overall, debt advice services in the EU27 and the UK can be divided in four main groups (see Table below). This classification is performed on the main provider of debt advice. However, in most countries there are various (types of) providers of debt-advice services working next to each other.

Table 3: Classification of debt advice in the EU by main provider

Country	Main provider
Austria, Belgium, Denmark, Estonia, Finland, France, Ireland, Luxembourg, the Netherlands, Slovakia, Sweden and the UK	Public authority or publicly funded organisations
Czech Republic, Germany, Hungary, Italy, Malta, Romania, Slovenia	NGOs, Charities, other social organisations
Greece, Portugal, Poland and Spain	Consumer organisations
Bulgaria, Cyprus, Croatia, Latvia, Lithuania	Private

Source: VVA & CEPS elaboration based on desk research and stakeholder interviews

Debt advice is mostly provided by **public authorities or publicly funded organisations** in 12 countries (Austria, Belgium, Denmark, Estonia, Finland, France, Ireland, Luxembourg, the Netherlands, Slovakia, Sweden and the UK). In Austria, debt advice is generally provided by a network of state-approved debt advice centres funded by regional governments and grouped under an umbrella organisation[44]. In Denmark, debt advice is mostly provided by publicly funded organisations. The largest debt advice provider is the national consumer organisation[45]. In Estonia, Belgium, the Netherlands and Sweden, debt advice is generally provided by municipalities. Additionally, debt advice in Estonia is also provided by the "Estonian Unemployment Insurance Fund" but its services are accessible only to unemployed people. In Ireland and Luxembourg, debt advice is often provided by specialised national agencies, the "Money Advice and Budgeting Service" and the "Over-indebtedness information and advice service"[46] respectively. In Finland, debt advice is provided by local branches of the judicial administration. In Slovakia, over-indebted households can seek advice from the specialised advisory centre established by the Ministry of Justice[47]. In France, the main

[43] Based on Eurofound (2011): Household debt advisory services in the European Union. Available at: https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1189en.pdf.

[44] ASB Schuldnerberatungen

[45] Forbrugerradet Tank

[46] Service d'information et de conseil en matière de surendettement (SICS)

[47] Centrum pravnej pomoci

provider of debt advice services is a network of publicly funded associations[48]. Additionally, there exists a list of authorized debt advice centres[49] including public authorities and non-profit organisations financed by the French government. In the UK, debt advice is mainly provided by the network of debt advice centres financed by the Money Advice Service (MAS), a specialised government agency. In almost all countries where public authorities provide or fund debt advice, charities and non-profit organisations are also active. For example, the charity Saint Vincent de Paul of plays a significant role in addressing household over-indebtedness in Ireland, Café Exits provides debt advice services in Danish prisons and the Salvation Army's debt mediation service in Belgium.

Debt advice is mainly provided by **NGOs, charities or other social organisations** in 7 countries (Czech Republic, Germany, Hungary, Italy, Malta, Romania and Slovenia). In Czech Republic and Romania, the main provider of debt advice are independent organisations funded by credit institutions[50]. In Germany, there are four main organisations offering debt advice services, namely Caritas, German Red Cross, Parity Association[51] and Workers' Welfare Association[52]. These organisations are mainly funded through membership-fees, but they also receive public subsidies. In Hungary, debt advice services are mainly provided by the Charity Service of the Order of Malta. In Italy, there exists approximately 30 debt advice organisations, mostly linked to the Catholic Church. Additionally, private lawyers and financial professionals are also active in the field. In Malta, debt advice is almost exclusively provided by Caritas Malta. Finally, in Slovenia there exists a number of NGOs which assist over-indebted households (some of them receive public funding, e.g. SOS Debts Programme from the PRELOMI association[53]).

Debt advice is mainly provided by **consumer organisations** in five member states (Greece, Portugal, Poland, Romania and Spain). In Greece, Portugal and Spain, there exists a number of different organisations providing debt advice services to over-indebted households[54]. Additionally, in Portugal there exists a network of municipalities (i.e. RACE[55]) offering debt advice services in partnership with consumer associations. Similarly, a number of Spanish municipalities have activated several initiative in the field of debt advice. In Poland debt advice is mainly provided by the national consumer association (i.e. SKEF).

Finally, in five countries debt advice is almost exclusively provided by **private entities** (i.e. legal professionals and for-profit companies). This group includes Bulgaria, Cyprus, Croatia, Latvia and Lithuania.

This variety of actors is reflected in the survey responses as well. The table below provides an overview of the organisations responsible for debt advice services across countries.

[48] Chambre Régionale De Surendettement Social (Crésus)

[49] Points Conseil Budget

[50] Poradna in Czechia; Centrul de Soluționare Alternativă a Litigiilor în Domeniul Bancar (CSALB) in Romania

[51] Der Paritätische

[52] Arbeiterwohlfahrt

[53] Inštitut za družinsko terapijo, svetovanje in izobraževanje -PRELOMI

[54] INKA and EKPIZO in Greece; GAS and UGC in Portugal; Adicae and Asociacion de Usuarios de Bancos in Spain

[55] https://gasdeco.net/literacia-financeira/sobre-endividamento/pedir-ajuda/rede-de-apoio-ao-consumidor-sobreendividado-da-direcao-geral-do-consumidor/

Table 4: Which type of actors are responsible for providing debt advice in your country? [By country]

	Consumer organisations	NGOs	Public authorities	Private organisations	Other
Austria (n=10)	0%	90%	0%	10%	20%
Belgium (n=12)	42%	25%	83%	25%	33%
Bulgaria (n=6)	33%	33%	17%	33%	33%
Croatia (n=8)	38%	25%	25%	38%	13%
Cyprus (n=6)	67%	0%	67%	83%	17%
Czech Republic (n=9)	44%	100%	11%	22%	11%
Denmark (n=10)	80%	90%	60%	70%	10%
Estonia (n=6)	0%	67%	67%	33%	17%
Finland (n=11)	18%	82%	91%	9%	18%
France (n=9)	89%	33%	67%	0%	11%
Germany (n=90)	70%	89%	58%	42%	19%
Greece (n=4)	75%	0%	100%	25%	75%
Hungary (n=5)	0%	80%	80%	40%	0%
Ireland (n=11)	40%	10%	30%	10%	50%
Italy (n=14)	57%	21%	14%	50%	0%
Latvia (n=5)	40%	60%	40%	0%	20%
Lithuania (n=3)	33%	33%	33%	33%	0%
Luxembourg (n=4)	50%	100%	25%	0%	0%
Malta (n=2)	0%	100%	50%	100%	0%
Netherlands (n=4)	67%	33%	83%	67%	17%
Poland (n=14)	54%	62%	23%	31%	23%
Portugal (n=15)	93%	33%	53%	40%	13%
Romania (n=5)	60%	40%	80%	40%	20%
Slovakia (n=7)	57%	43%	43%	14%	0%
Slovenia (n=6)	17%	33%	17%	33%	17%
Spain (n=11)	55%	36%	55%	27%	9%
Sweden (n=5)	20%	0%	60%	0%	80%
UK (n=3)	67%	67%	67%	33%	0%
Total (n=295)	**55%**	**60%**	**51%**	**34%**	**19%**

Note: results are based on 295 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

3.3 Debt advice services

These different organisations also may provide a wide variety of services to their clients and individuals in general. The types of services that are often provided with regards to debt advice for households are detailed in this section.

3.3.1 ***Types of services***

Debt-advice services can combine various services to beneficiaries depending on the provider of the services and the legal framework. The services can be divided in three broad categories, which can be further divided in various subcategories: [56]

- Legal counselling:
  - Verification of legality of legal claims;
  - Settle disputes between debtor and creditor;
  - Support to debt settlement procedures (information about process, assist in getting access and getting through the process)

- Money and debt management:
  - Create structure in financial administration;
  - Prioritisation of payments;
  - Respond to payment requests (letters from creditors);
  - Restructuring of debt (e.g. expensive overdrafts/credit card loans to consumer loan);
  - Renegotiate the payment terms and amounts;
- Social and psychological assistance:
  - Refer to social services such as mental healthcare, employment and welfare services;
  - Contact point for social services concerning the financial matters.

Debt advice providers can, and indeed do, provide services related to other aspects than just legal questions and money/debt problems, namely mental health. In some Member States, citizens can also make use of social and psychological assistance in addition to the services usually provided by debt advice organisations or agencies.

It seems that counsellors can pursue two different roles during the debt advice procedure: either focusing on the clients own personal experiences and emotions or taking the role of an expert/professional problem-solver.[57] Their findings show that the best results were obtained when debt counsellors were able to alternate (when needed) between the two interactional strategies, keeping in mind both institutional goals as well as client concerns. In such cases, client collaboration was highest, and the counselling procedure was most successful. This further underscores the psychological aspect of debt advice services, namely that debt counsellors, have the ability to provide psychological assistance by helping clients overcome the stigma associated with debt problems. This speaks to the fact that debt counsellors, or at least good debt counsellors, can sometimes take on a psychological support role, by breaking down mental barriers many clients often have towards the subject of over-indebtedness.

Another more indirect way debt counsellors can take on the psychological support role successfully, is through cross-platform collaboration between debt advice providers and mental health institutions. Fitch (2007) argues that close cooperation between debt advice organisations and mental health institutions is necessary, and Jenkins (2009)

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[56] Based on Eurofound (2020): Addressing household over-indebtedness. Available at: https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19044en.pdf.

[57] See for example: Andelic Nicole, Stevenson Clifford, Feeney Aidan (2019): Managing a moral identity in debt advice conversations". British Journal of Social Psychology (2019), 58, 630–648 © 2018 The Authors British Journal of Social Psychology; Andelic, N., Feeney, A., & McKeown, G. (2019). Evidence for communicative compensation in debt advice with reduced multimodality. In ICMI '19 2019 International Conference on Multimodal Interaction (pp. 210-219). Association for Computing Machinery (ACM).

similarly calls for "*a renewed emphasis on coordinated 'debt care pathways' and better communication between local health and advice services*". This could be done in practice, by clients with both mental health and debt problems being cross-referred to and from mental health institutions and debt advice centres. In this sense, debt counsellors play an important role in ensuring that over-indebted individuals who are in need of psychological assistance, are able to do so, especially because people who have both debt problems as well as mental health problems, might have a hard time reaching out themselves. For debt counsellors to be able to refer relevant clients to mental health institutions however, it is necessary to ensure that counsellors can detect mental health problems to begin with and take it into consideration during the debt counselling process.[58]

3.3.2 Debt advice services in Europe

Based on the type of services, debt advice systems in the EU27 and the UK can be grouped in four main categories (see Table below).

Table 5: type of debt advice services

Country	Legal counselling	Money and debt management	Social and psychological assistance
Austria, Belgium, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Netherlands, Poland, Portugal, Slovenia, Spain, Sweden, the UK	✓	✓	✓
Croatia, Estonia, Finland, Ireland, Luxembourg, Romania, Slovakia	✓	✓	X
Bulgaria	✓	X	X

Source: VVA & CEPS elaboration based on desk research and interviews

In 19 EU Member States plus the UK[59] all three broad categories of debt advice services are available to consumers. These services are can be offered by different organisations. In practice, the over-indebted households may only receive just a selection of the services depending on the organisation they consult.

In 7 EU Member States[60], consumers can receive legal counselling and money and debt management advice, but do not have access to social and psychological counselling.

In only one EU Member States[61] the debt advice service available to consumers is legal counselling from legal professionals and lawyers.

Moving to the subcategories of debt advice services, legal counselling can be broken down in i) verification of legality of legal claims, ii) dispute settlement between debtor and creditor and iii) legal support in debt settlement procedures. Consumers across all the EU have access to legal support in debt settlement procedures either from debt

[58] Jenkins Rachel, Fitch Chris, Hurlston Malcolm, Walker Frances: "Recession, debt and mental health: challenges and solutions (2009): Recession, debt and mental health: challenges and solutions", Mental Health in Family Medicine 2009;6:85–90, 2009 Radcliffe Publishing.

[59] Austria, Belgium, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Netherlands, Poland, Portugal, Slovenia, Spain, Sweden, the UK.

[60] Croatia, Estonia, Finland, Ireland, Luxembourg, Romania and Slovakia.

[61] Bulgaria.

advisors or specialised lawyers. Additionally, in the majority of the countries[62] debt advisors also verify the legality of the claims from creditors and settle the disputes between debtors and creditors.

Money and debt management can be divided in five sub services, namely i) creation of a structure in the debtor's financial administration; ii) prioritisation of payments; iii) responding to payment requests; iv) restructuring of debt obligations, v) renegotiating payment terms and amounts. In about half of the EU Member States[63] debt advisors help over-indebted households to create a structure in their budget, advice consumers on how to prioritise payment obligations and respond to payment letters from creditors. In about one-third of the Member States, debt advisors also help over-indebted households to restructure their debt obligations and renegotiate payment obligations.

In 15 of the countries in which consumers have access to social and psychological assistance the support is provided by a debt advice organisation[64]. In the remaining 5 countries[65] debt advisors usually refer debtors to social service organisations.

Denmark

Denmark is one EU Member State where citizens can expect to receive psychological assistance through their involvement in the debt advice system. Den Sociale Gældsrådgivning (The Social Debt Advice), which is one of the major providers of debt advice in Denmark, has long-standing cooperation contracts with several mental health clinics, such as the Forskningsklinikken for Ludomani (Research Clinic for Gambling Addiction). The clinic has much experience treating clients with mental health issues, in this case gambling addiction. Many such citizens accumulate debt either prior or after diagnosis, which makes them prime beneficiaries of debt advice. The cross-organisational cooperation ensures that they are able to receive that debt advice, often simultaneously with their psychological treatment, since the clinic refers them to a debt advice organisation (in this case the Social Legal Aid. As mentioned previously, it can prove difficult to combat mental health without taking into account over-indebtedness (and vice versa), since the two are tightly interwoven, further underscoring the importance and effectiveness of such cooperation agreements.

Psychological assistance through debt counselling is relatively institutionalised in Denmark, due to the fact that debt advice providers are funded by the government. This is because public funding necessarily entails the formulation of formal agreements between debt advice organisations and mental health institutions, with clearly specified goals in relation to the number of clients cross-referenced.

The UK

In the United Kingdom for example, many debt advice providers take into account the mental wellbeing of their clients by explicitly recognising and addressing the psychological consequences of over-indebtedness, incorporating these insights into the debt counselling procedure itself, and providing relevant tools to citizens who stand to benefit from them. An example of this is the Money Advice Service. Another

[62] Austria, Croatia, Cyprus, Czech republic, Denmark, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Portugal, Slovakia, Slovenia and Spain.

[63] Austria, Belgium, Cyprus, Czech republic, Denmark, France, Greece, Hungary, Ireland, Italy, Portugal, Spain, The Netherlands

[64] Austria , Cyprus, Czech republic, Denmark, France, Greece, Hungary, Italy, Latvia, Poland, Portugal, Slovenia, Spain, the Netherlands, Malta

[65] Belgium, Germany, Lithuania, Sweden the UK

example is the Mental Health and Money Advice organisation, whose purpose it is to provide support for both mental and debt-related problems. The organisation provides information and guidance throughout a variety of tools, as well as functioning as a link between debt advice and mental health institutions (Mental Health and Money Advice 2020). Another recent effort to provide psychological assistance through debt counselling, spearheaded by the Money Advice Liaison Group, consisted of formulating specific guidelines to creditors and debt advisors on good practice when dealing with customers with mental health problems (MALG 2015). This less institutionalised approach is to some extent a result of the more decentralized debt advice system in the UK, in comparison to the vertical structure observed in the Danish case. The British debt advice system consists of many different debt advice providers, some funded publicly such as the Money Advice Service, while others are funded privately, such as the aforementioned Mental Health and Money Advice. In both cases, citizens do receive psychological support by engaging with debt advice.

Italy

Debt advice organisations in some countries go further in terms of providing psychological support to over-indebted individuals, not only cross-referencing citizens between mental health institutions and debt advice centers or formulating guidelines/tools, but also providing psychological support directly themselves (Eurofound 2020). An example of this is the Italian consumer organisation Adiconsum, and the "Don't Make Your Life a Game" campaign concerning gamling addiction. Adiconsum is one of the main providers of debt advice in Italy, and such has much experience dealing with over-indebted people, relatively many of whom are addicted to gambling, as the two phenomena often go hand-in-hand. The initiative consists of a number of activities, such as the establishment of a national helpline for those who struggle with gamling problems, the implementation of an awareness campaign and a national opinion poll which investigates perception behaviour related to gambling addiction (Adiconsum 2018). Italy is thus a EU Member State where debt advice organisations, in this case Adiconsum, work towards directly providing both debt advice and psychological support simultaneously themselves. It is worth mentioning however, that the initiative is not only targeted towards over-indebted individuals.

France

Another similar endeavour is undertaken by the Debiteurs Anonyme in France. Debiteurs Anonyme is an association primarily founded on volunteer work, whose purpose is to help people in severe debt who struggle with psychological difficulties arising from or related to their debt, such as anxiety, compulsive spending, addiction, stress, depression and so on. This is done by organizing anonymous meetings between debtors, where the attendees talk about their personal problems related to their debt and mental health (Debiteurs Anonyme 2020). Additionally, DA provides debt advice related to how debitors can best tackle their over-indebtedness. In other words, both debt advice and psychological support is accessible directly through the debt counselling procedure almost simultaneously.

Germany

Germany is a similar story in this regard, since the BAG-SB (Bundesarbeitsgemeinschaft Schuldnerberatung) employs among others workers with a background in psychology, whose job it is to ensure that the psycho-social aspect of the over-indebted clients background is taken into account, during the debt counselling procedure (BAG-SB 2020) (Korczak 2019).

3.4 Unsatisfied demand of debt advice

The aim of this section is trying to get some insights about the unsatisfied demand of debt of debt advice, considering the need for debt advice and the current provided debt advice.

3.4.1 Need for debt advice

We start from data available about debt and indebtedness within the European Union, in order to provide an overview of which countries are affected by the phenomenon.

Starting from multiple definitions of over-indebtedness, it is evident that the choice of a universal indicator is a very difficult task. Based on the results of the literature, some of the mostly used indicators are:

- *Cost of servicing debt* (e.g. debt to income ratio), in which both secured and unsecured debts could be considered (secured debt have a warranty, thus are deemed less dangerous).
- *Debt to assets ratio*, which considers the capability of the creditor to obtain the repayment of the debt through the sale of the assets of the debtor;
- *Legal-based variables* like rate of default, rate of credit delinquencies or average liabilities per bankruptcy (Betti et al, 2001);
- *Proportion of households perceiving themselves to be in difficulty*;
- Measures based on *arrears* (e.g. number of months);
- *Number of loans*: the assumption is that, above a certain number, loans should always be considered as a heavy burden (D'Alessio and Iezzi, 2013);
- *People that contact debt advice agencies* (very different methodology and measurement across countries, it does not exist everywhere).

The use of various indicators gives different answers to the estimate of over-indebtedness because they are likely to capture different debt problems and do not provide a "unique" measure. Benefits and drawbacks of considered indicators could be summarized as follows:

Table 6: Indicators of household over-indebtedness, strengths and drawbacks

Indicator	Cost of servicing debt	Default-based measures	Households that perceive themselves in difficulty	Arrears-based measures	Number of loans
Benefits	• Very intuitive • Easy to collect data • If poverty line is considered, a commonly accepted benchmark is used	• Easy data collection • May reveal both a risk of over-indebtedness and a very critical situation	• Based on a wide definition • Communicates also risk situations, even if other data lack	• Very intuitive • Easy collection of data	• Easy collection of data
Drawbacks	• One-size-fits all issue • Lack of consideration of financial and real assets • A cutback in credit would be interpreted as a good sign	• Do not measure over-indebtedness directly • Difficult to distinguish "accidental defaults" from people who decide not to pay • Suffer from a lack of international comparability	• Subjective measure • Distortions in case of comparison with an abstract model of well-being	• Difficult interpretation • Don't indicate risk situations • Possible • distortions in case of many arrears of small amounts (need a careful consideration of income level)	• Potentially non-reliable in case of several loan commitments of small amounts (that however can indicate also a great degree of difficulty)

Source: Falanga (2015) Over-indebtedness in the EU: from figures to expert opinions

Data on household (over-) indebtedness used in this study come mainly from two European studies: Eurozone households finance and consumption survey (HFCS)[66] and European Survey on Income and Living Conditions (EU SILC)[67]. The first is a study conducted by the European Central Bank with the participation of various national central banks. It is mainly focused on the Euro area and it is not specifically directed at over-indebtedness, but it has a section dedicated to debt and publishes some indicators of debt burden and financial fragility (ECB, 2013). The latter is a survey about the general living conditions of European households and shows some data referred to all EU countries about arrears and other situations of financial difficulties (Eurostat, 2014). In addition, some further specifications of information given by these two reports, coming from other authoritative European sources, will be analysed. A third source will be Eurobarometer, which is a survey about perception by European citizens of some relevant issues for the EU.[68] In particular, it deals with feelings of Europeans about risk of becoming over-indebted, that can be interpreted as a subjective indicator of over-indebtedness.

Table 7: Main sources of data used and their characteristics

Source	Responsible of the survey	Reference period	Contents
HFCS	European Central Bank (ECB)	2017	Data about debt and debt burden
EU SILC	Eurostat	2014-2019	Information about households' arrears
		2014-2019	Financial fragility
Eurobarometer	European Commission	2010	People who feel at risk of over-indebtedness

Source: Falanga (2015) Over-indebtedness in the EU: from figures to expert opinions

3.4.2 Indicators of household (over-) indebtedness

This section provides more detailed insights into these categories of household (over-) indebtedness listed above, as well as an overview of EU Member States' and the UK's current situation across them.

3.4.2.1 HFCS: Cost of servicing debt

The Household Finance and Consumption Survey (HFCS) provides detailed household-level data on various aspects of household[69] balance sheets and related economic and demographic variables, including income, private pensions, employment and measures of consumption. The latest survey waves were launched in 2014 and in 2017. This section presents the data of the 2017 wave making comparison with the 2014 wave.

Figure 4 presents the share of indebted households in the countries participating at the survey. According to the 2017 data, it is possible to note that Finland (58%), the Netherlands (57.8%), Cyprus (56.8%), Luxembourg (53.2%), Spain (52.7%), Ireland (51.8%), Belgium (49.9%), Estonia (48%), Portugal (45.7%), France (45%) and Germany (45.4%) have a percentage number of households indebted that is higher than the Euro Area average.

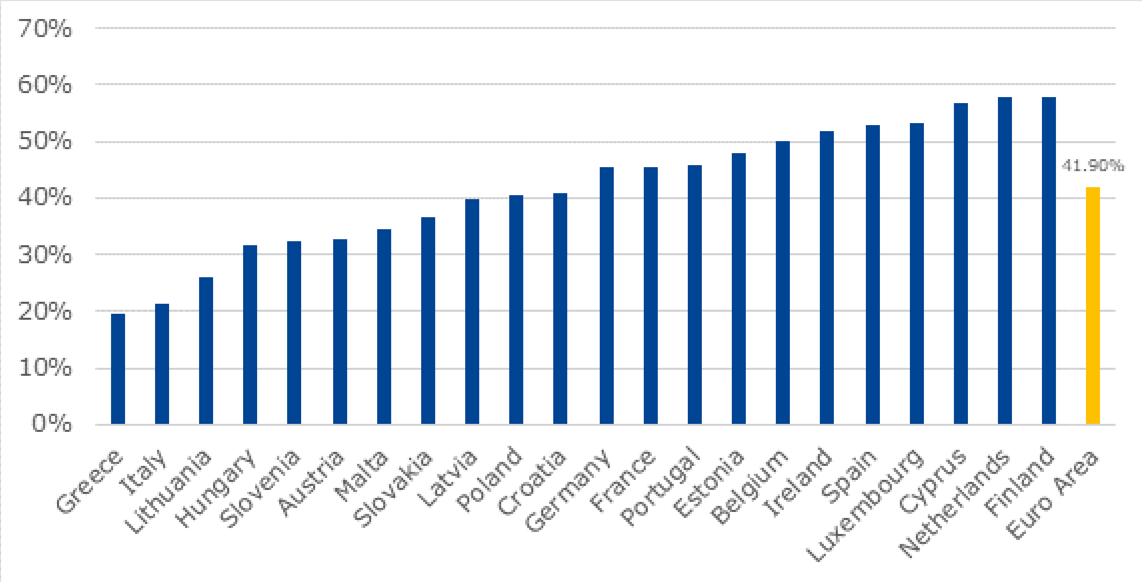
[66] https://www.ecb.europa.eu/stats/ecb_surveys/hfcs/html/index.en.html

[67] https://ec.europa.eu/eurostat/web/microdata/european-union-statistics-on-income-and-living-conditions

[68] https://ec.europa.eu/commfrontoffice/publicopinion/archives/ebs/ebs_355_en.pdf

[69] A household is defined as a person living alone or a group of people who live together and share expenditures

Figure 4: Percentage of households holding debt, 2017



Source: ECB - HFCS

In terms of debt composition, mortgage debt is the most significant component of households' debt portfolio by far in all Member State (Table 8). However, there are a number of Member States, where non-mortgage debts (e.g. credit consumption) have relatively more weight (above the Euro Area average) in the total portfolio composition. In details, those are:

- Outstanding *balance of credit line/overdraft*: Croatia (9,5%), Malta (4.7%), Lithuania (2.9%), Slovenia (2.5%), Cyprus (2.4%), Hungary (2.2%), Germany (2.1%) and Italy (1.1%);
- Outstanding balance of *credit card debt*: Estonia (2.0%)
- , Greece (1,4%), Croatia (1.2%), Poland (1.2%), Hungary (0.9%), Malta (0.8%), Finland (0.8%), Lithuania (0.7%), Slovenia (0.6%), Cyprus (0.5%), Spain (0.4%), Ireland (0.4%), Latvia (0.3%), and Portugal (0.3%).

Table 8: Shares of debt types on total liabilities % of total liabilities, 2017

Member State	Outstanding balance of mortgage debt	Outstanding balance of HMR mortgages	Outstanding balance of mortgages on other properties	Outstanding balance of non-mortgage debt	Outstanding balance of credit line/ overdraft	Outstanding balance of credit card debt	Outstanding balance of other non-mortgage loans
Euro area	**88.0%**	**69.6%**	**18.4%**	**12.0%**	**1.0%**	**0.2%**	**10.9%**
Austria	88.1%	81.9%	6.2%	11.9%	0.9%		10.9%
Belgium	94.1%	81.9%	12.3%	5.9%	0.3%	0.2%	5.4%
Croatia	65.7%	63.2%		34.3%	9.5%	1.2%	23.6%
Cyprus	90.8%	56.7%	34.1%	9.2%	2.4%	0.5%	6.3%
Estonia	88.2%	73.0%	15.1%	11.8%	0.2%	2.0%	9.6%
Finland	76.8%	68.8%	8.0%	23.2%	0.3%	0.8%	22.1%
France	84.1%	65.3%	18.9%	15.9%	0.4%	0.1%	15.4%
Germany	88.1%	58.1%	30.0%	11.9%	2.1%	0.1%	9.7%
Greece	82.5%	64.3%	18.2%	17.5%		1.4%	15.8%
Hungary	79.1%	67.7%	11.4%	20.9%	2.2%	0.9%	17.8%
Ireland	90.3%	71.0%	19.3%	9.7%	0.3%	0.4%	9.0%
Italy	80.6%	67.1%	13.5%	19.4%	1.1%	0.2%	18.0%

Member State	Outstanding balance of mortgage debt	Outstanding balance of HMR mortgages	Outstanding balance of mortgages on other properties	Outstanding balance of non-mortgage debt	Outstanding balance of credit line/ overdraft	Outstanding balance of credit card debt	Outstanding balance of other non-mortgage loans
Latvia	79.1%	65.2%	14.0%	20.9%	0.7%	0.3%	19.8%
Lithuania	88.2%	80.5%	7.7%	11.8%	2.9%	0.7%	8.3%
Luxembourg	91.4%	67.8%	23.6%	8.6%	0.6%	0.1%	7.9%
Malta	87.5%	72.9%	14.6%	12.5%	4.7%	0.8%	7.0%
Netherlands	97.3%	94.2%	3.0%	2.7%	0.7%	0.1%	2.0%
Poland	89.0%	75.6%	13.3%	11.0%		1.2%	9.9%
Portugal	93.6%	81.6%	12.0%	6.4%	0.1%	0.3%	5.9%
Slovakia	89.0%	82.2%		11.0%	0.3%	0.2%	10.6%
Slovenia	73.5%	57.1%	16.4%	26.5%	2.5%	0.6%	23.4%
Spain	85.0%	63.8%	21.2%	15.0%	0.6%	0.4%	14.0%

Source: ECB - HFCS

Having a debt *per se* is not an indicator of financial fragility or over-indebtedness. In order to measure that, the *debt to asset ratio* and the *debt-to-income ratio* are the most prominent indicators of debt burden and financial vulnerability gathered by HFCS. In detail:

- The *debt-asset ratio*[70] reflects the creditor's ultimate capacity to be repaid. In general, a value above 100% for this ratio may be an indicator of high insolvency risk, but this cannot be generalised – the higher and the more reasonably regular are the incomes, the higher is the threshold that a debtor may afford. The situation of a country like the Netherlands, in particular in the period before the crisis of 2008, demonstrates that not always it is possible to directly correlate this ratio with a situation of insolvency risk. However, the ratio of 100 is indeed significant in the majority of the cases. The median ratio of debt to total assets for the euro area decreased slightly, from 26.5% in 2014 to 25.5% in 2017.
- The *debt-income ratio*[71] is the most important indicator to understand and reasonably foresee the extent to which a household can service its debt.. From the perspective of the debtor, it is the most commonly used measure of debt sustainability in the medium to long run. While it does not outline in a very precise manner the monthly burden of households (this depends on the interest rate each loan carries), it is a good element of reference, in particular with the low levels of interest rates of the last years, which have restricted the possible non-foreseeable variations of the costs linked with the interest rate. The median debt-income ratio fell from 72.8% (2014) to 70.4% (2017), a decrease of 2.4 percentage points.

The table below presents the results of the HFCS by Member State.

[70] The debt to asset ratio is calculated as the ratio between total debt and total gross assets for indebted households. Total assets include the value of the household main residence for homeowners, other real estate property, vehicles, valuables (such as jewellery, works of art, antiques, etc.), value of self-employment businesses and value of household's financial assets.

[71] The debt to income ratio is the ratio of total debt to gross household income. Total gross household income is calculated as the sum of the employee income, self-employment income, income from public pensions, income from private and occupational pensions and income from unemployment benefits (items collected for households members aged 16+) and income from social transfers other than unemployment benefits, regular private transfers (such as alimonies), rental income from real estate property, income from financial investments, income from private business or partnership and regular income from other sources (items collected at the household level).

Table 9: Financial burden indicators, median ratios- Ratio in %

Member States	Debt to asset ratio of indebted households	Debt to income ratio of indebted households
Euro area	25.5%	70.4%
Austria	17.0%	34.0%
Belgium	26.4%	90.6%
Croatia	4.8%	26.6%
Cyprus	20.5%	208.6%
Estonia	15.3%	21.7%
Finland	38.1%	77.1%
France	21.5%	64.5%
Germany	26.6%	45.1%
Greece	24.6%	72.9%
Hungary	15.1%	38.3%
Ireland	22.7%	66.4%
Italy	15.9%	47.2%
Latvia	19.0%	21.2%
Lithuania	11.3%	43.9%
Luxembourg	19.4%	95.5%
Malta	13.5%	110.6%
Netherlands	52.1%	243.0%
Poland	6.1%	16.7%
Portugal	31.5%	131.6%
Slovakia	18.9%	61.1%
Slovenia	7.8%	27.6%
Spain	24.4%	112.9%

Source: ECB - HFCS

A level greater than 100% means very often that the available assets/income would be insufficient to cover the debts of households. By comparing Member States, it is possible to notice that high ratio level compared to the Euro Area average can be recorded in:

- *Debt to asset ratio*: Belgium (26.4%), Finland (38.1%), Germany (26.6%), the Netherlands (52.1%) and Portugal (31.5%)
- *Debt to income ratio*: Belgium (90.6%), Cyprus (208.6%), Finland (77.1%), Greece (72.9%), Luxembourg (95.5%), Malta (110.6%), the Netherlands (243%), Portugal (131.6%) and Spain (112.9%).

In particular, the 2017 income level was particularly high (although with not homogeneous impacts) in the Netherlands (243%), Cyprus (208.6%), Portugal (131.6%), Spain (112.9%) and Malta (110.6%).

Both these indicators also point out at risks from a financial stability perspective; however the debt-to-asset ratio not always depicts the burden faced by households (which needs to be assessed using also other indicators).

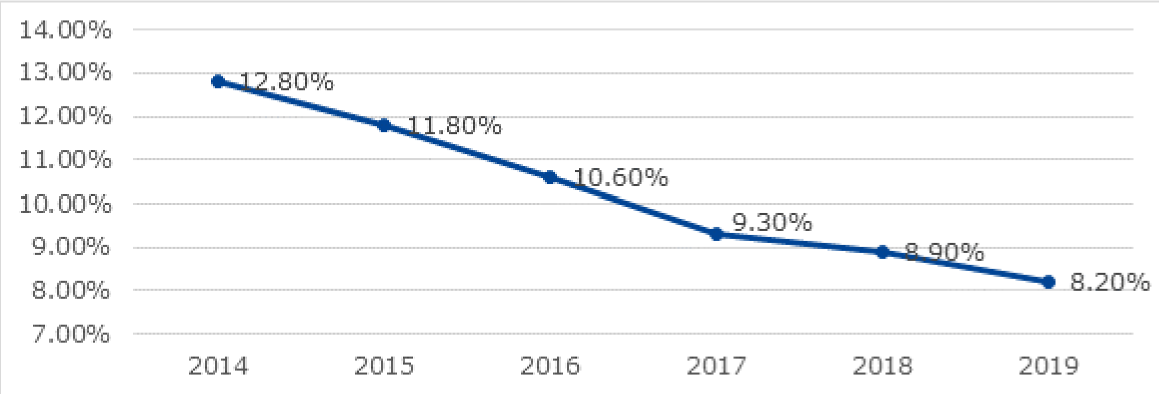
3.4.2.2 EU-SILC: Arrears

The EU-SILC survey provides estimates of levels of over-indebtedness directly measuring the overall frequency of arrears faced by households over time, it is considered a key indicator by the literature (Civic Consulting, 2013).

For this study, we report and analyse the combined arrears available in the EU SILC data: the total levels of arrears, arrears on mortgage or rent payments, arrears on utility bills and arrears on hire purchase instalments or other loan payments. These variables are specifically defined and are presented in the report as a percentage of the total household population.

The total arrears on these key commitments in the EU between 2014 and 2019 are depicted in the figure below.

Figure 5: Arrears on key commitments (mortgage or rent, utility bills or hire purchase) in EU27, 2014-2019[72]



Source: Eurostat - EU-SILC survey

It is possible to notice that the proportion of people in arrears in payment of rent or mortgage, utility bills, or hire purchase/other loan payments due to financial difficulties has been steadily declining in the last five years in EU27. However, the average disguises a wide variation at Member States level.

Table 10: Arrears on key commitments (mortgage or rent, utility bills or hire purchase), by Member State and the UK, 2014-2019[73]

Member State	2014	2015	2016	2017	2018	2019	2014-2019
Austria	6.10%	6.40%	6.50%	5.90%	4.90%	4.30%	-2%
Belgium	7.60%	6.90%	7.00%	5.40%	6.10%	5.50%	-2%
Bulgaria	35.30%	33.60%	34.20%	33.30%	31.90%	29.30%	-6%
Croatia	30.10%	29.90%	26.40%	21.90%	18.60%	15.70%	-14%
Cyprus	34.20%	31.60%	26.60%	24.80%	21.60%	17.60%	-17%
Czechia	6.10%	4.50%	4.40%	3.20%	3.00%	2.80%	-3%
Denmark	7.90%	6.30%	5.80%	6.00%	8.70%	7.30%	-1%
Estonia	12.00%	9.30%	8.90%	7.30%	8.00%	8.50%	-4%
Finland	10.70%	10.30%	10.90%	10.80%	10.70%	10.50%	0%
France	9.80%	8.90%	8.80%	9.10%	9.10%	8.40%	-1%
Germany	5.60%	5.20%	4.20%	4.40%	4.60%	3.70%	-2%
Greece	46.40%	49.30%	47.90%	44.90%	43.00%	41.40%	-5%
Hungary	24.50%	21.70%	19.00%	15.70%	12.80%	11.20%	-13%
Ireland	19.40%	18.90%	15.40%	13.00%	11.20%	11.20%	-8%
Italy	14.30%	14.90%	10.70%	6.10%	6.00%	*6.00%*	-8%
Latvia	21.40%	18.00%	14.90%	14.00%	13.80%	9.90%	-12%
Lithuania	11.30%	9.80%	10.70%	8.70%	10.30%	8.20%	-3%

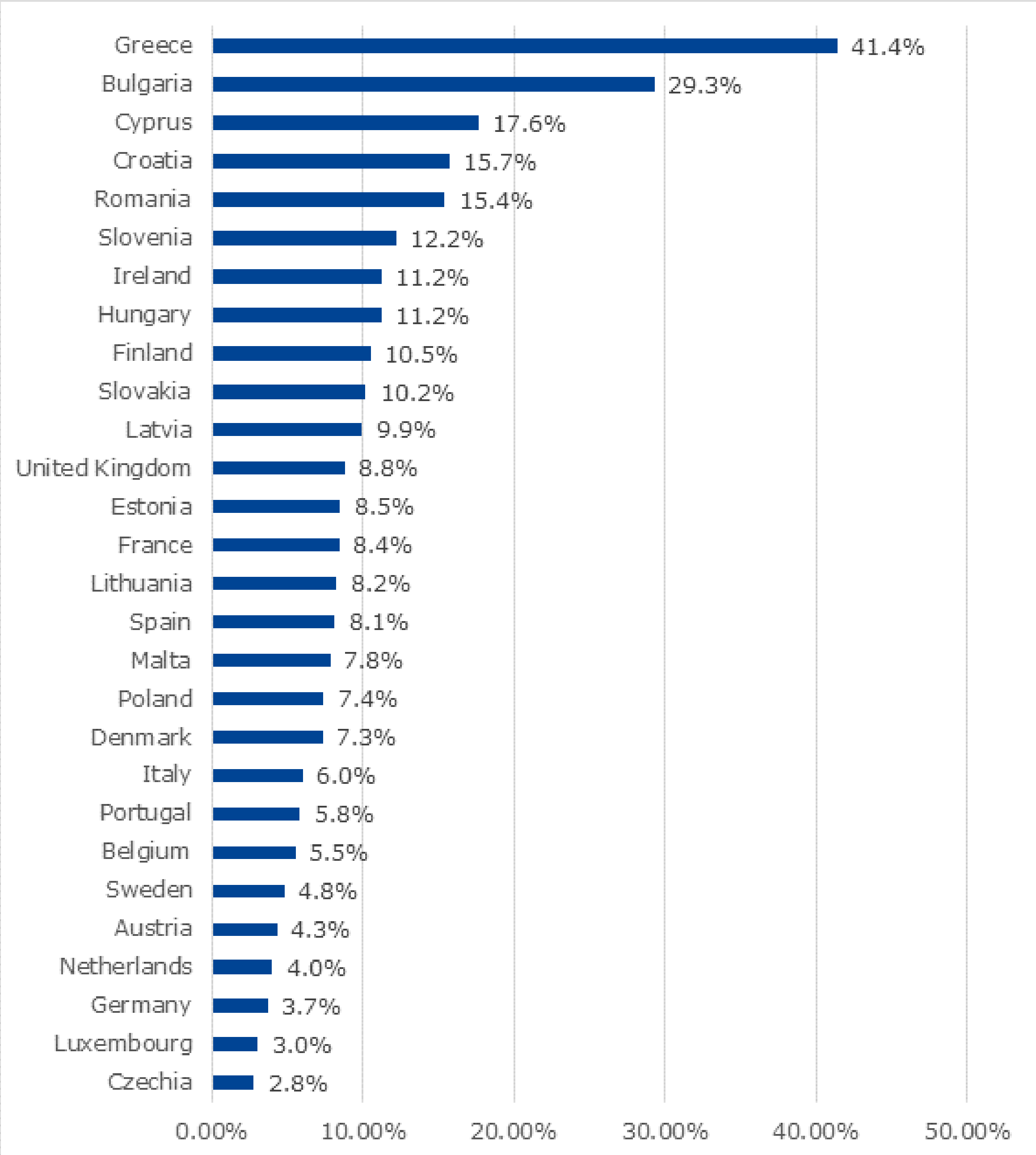
[72] Source: https://ec.europa.eu/eurostat/databrowser/view/ilc_mdes05/default/table?lang=en
[73] Source: https://ec.europa.eu/eurostat/databrowser/view/ilc_mdes05/default/table?lang=en

Member State	2014	2015	2016	2017	2018	2019	2014-2019
Luxembourg	4.90%	5.20%	6.60%	3.00%	*3.00%*	*3.00%*	-2%
Malta	15.50%	10.90%	10.40%	6.50%	8.10%	7.80%	-8%
Netherlands	6.30%	5.70%	5.00%	4.60%	3.80%	4.00%	-2%
Poland	15.40%	11.00%	11.00%	10.30%	7.70%	7.40%	-8%
Portugal	12.00%	10.20%	9.30%	7.70%	6.60%	5.80%	-6%
Romania	23.90%	19.60%	19.70%	17.30%	16.50%	15.40%	-9%
Slovakia	8.30%	7.50%	7.50%	7.40%	9.90%	10.20%	2%
Slovenia	22.50%	19.20%	17.40%	15.20%	13.60%	12.20%	-10%
Spain	12.50%	11.70%	10.60%	9.30%	9.40%	8.10%	-4%
Sweden	6.40%	6.00%	5.40%	5.10%	4.70%	4.80%	-2%
United Kingdom	10.80%	10.20%	8.70%	8.00%	8.80%	*8.80%*	-2%

Source: Eurostat - EU-SILC survey

Even though the proportion of people in arrears has decreased compared to the 2014 level (except for Slovakia +2% and Finland 0%), two Member States Greece (41.4%) and Bulgaria (29.3%) are respectively ca. five and four times the EU 27 average (8.2%) and further three Member States show ca. twice the EU average: Cyprus (17.5%), Croatia (15.7%) and Romania (15.4%). At the other extreme, in three Member States, Luxembourg (3%), Germany (3.7%) and Czechia (2.8%), fewer than 4% of those surveyed were in arrears.

Figure 6: Percentage of households with arrears on key commitments (mortgage or rent, utility bills or hire purchase/other loan payment), by Member State and the UK, 2019[74]



Source: Eurostat - EU-SILC survey

Adjusting these percentages to the number of households in the EU-27 and UK, the total number of households in arrears is provided in the table below.

[74] Source: https://ec.europa.eu/eurostat/databrowser/view/ilc_mdes05/default/table?lang=en

Table 11: Total Number of households in arrears on key commitments (mortgage or rent, utility bills or hire purchase/other loan payment) by Member State and the UK, 2014-2019

Member State	2014	2015	2016	2017	2018	2019
Austria	229,860	244,218	251,160	229,457	191,860	169,816
Belgium	353,537	324,252	328,482	257,132	290,994	268,111
Bulgaria	974,245	987,773	938,038	967,498	863,852	788,317
Croatia	457,189	444,553	390,931	322,280	274,090	232,560
Cyprus	98,770	94,010	83,870	79,658	70,589	61,771
Czechia	281,021	208,989	206,378	150,330	142,794	135,050
Denmark	186,472	149,505	138,463	143,754	208,991	175,835
Estonia	67,332	53,159	51,033	42,632	48,872	52,658
Finland	277,665	270,118	287,815	286,794	286,450	284,897
France	2,822,763	2,577,565	2,567,312	2,663,297	2,709,816	2,517,472
Germany	2,223,738	2,093,406	1,696,787	1,791,794	1,877,104	1,554,196
Greece	2,015,848	2,157,417	2,112,725	1,972,861	1,884,948	1,842,300
Hungary	1,011,777	900,897	788,234	648,630	527,974	461,910
Ireland	333,020	327,065	269,916	233,350	206,304	:
Italy	3,684,767	3,842,501	2,760,300	1,577,747	1,555,548	:
Latvia	177,684	149,886	124,519	119,014	117,893	85,714
Lithuania	147,906	130,487	148,901	118,059	136,135	107,281
Luxembourg	11,005	11,913	15,418	7,272	:	:
Malta	25,792	18,824	18,522	11,921	15,584	15,694
Netherlands	478,460	434,437	386,130	359,674	297,700	316,880
Poland	2,144,850	1,552,100	1,564,761	1,489,977	1,124,885	1,099,115
Portugal	487,512	416,435	379,459	315,908	273,544	240,590
Romania	1,785,378	1,464,061	1,471,590	1,294,369	1,236,560	1,155,862
Slovakia	152,479	138,518	138,420	138,713	186,952	193,321
Slovenia	193,995	169,478	154,721	133,927	120,646	110,352
Spain	2,291,113	2,149,992	1,955,085	1,721,663	1,746,576	:
Sweden	293,818	305,988	260,550	247,998	246,459	:
EU-27	**1,785,378**	**1,464,061**	**1,471,590**	**1,294,369**	**1,236,560**	**1,155,862**
United Kingdom	293,818	305,988	260,550	247,998	246,459	:
Total	**2,079,196**	**1,770,049**	**1,732,140**	**1,542,367**	**1,483,019**	**1,155,862**

Note: ":" missing data from Eurostat
Source: VVA & CEPS calculation using Eurostat EU-SILC % of households in arrears multiplied by total number of households [lfst_hhnhtych][75]

Another result that can be obtained from EU-SILC is the level of arrears by households' type (particularly referring to vulnerable groups). The group "*Single person with children*" shows the highest percentages of households in arrears. In a Member States comparison, it is possible to notice that the percentage of "*single person with children*" in arrears is ca. twice the 2019 EU 27 average in Bulgaria (39%), Croatia (40%), Greece

[75] Source: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfst_hhnhtych&lang=en

(54%) and around one time and half in Cyprus (32%), Ireland (29%), Slovenia (30%) and United Kingdom (30%).

Table 12: Arrears by type of households (mortgage or rent, utility bills or hire purchase), by Member State and the UK, 2019[76]

	Single person	One adult 65 years or over	Single person with children
European Union 27	**7%**	**4%**	**19%**
Austria	5%	2%	17%
Belgium	6%	2%	16%
Bulgaria	28%	27%	39%
Croatia	17%	11%	40%
Cyprus	12%	5%	32%
Czechia	3%	1%	7%
Denmark	8%	4%	27%
Estonia	7%	3%	19%
Finland	12%	2%	26%
France	8%	3%	20%
Germany	5%	2%	10%
Greece	32%	25%	54%
Hungary	11%	5%	24%
Ireland	7%	3%	29%
Italy	5%	2%	7%
Latvia	12%	7%	27%
Lithuania	9%	4%	21%
Luxembourg	*4.7%**	*0.5%**	*11.5%**
Malta	6%	3%	26%
Netherlands	6%	2%	14%
Poland	8%	5%	22%
Portugal	5%	2%	12%
Romania	19%	19%	25%
Slovakia	8%	5%	19%
Slovenia	12%	6%	30%
Spain	6%	2%	20%
Sweden	5%	2%	14%
United Kingdom	7%	1%	30%

* data as of 2017
Source: Eurostat - EU-SILC survey

[76] Source: Eurostat (2020). Arrears (mortgage or rent, utility bills or hire purchase) from 2003 onwards - EU-SILC survey [ILC_MDES05]. Available at: https://ec.europa.eu/eurostat/databrowser/view/ILC_MDES05__custom_265480/default/table?lang=en

3.4.2.3 Eurobarometer: Subjective assessment towards debt

The 2010 Eurobarometer 74.1, or Poverty and Social Exclusion report[77] provides an indication on how households view their own risk of being over-indebted.

The variable reported in this study specifically considered respondents being asked to assess how much they personally felt at risk of being over-indebted. The answers available were "very at risk", "fairly at risk", "not very at risk", "not at all at risk", and "don't know".

Across the EU 27[78], before Croatia's accession, one in four surveyed Europeans considered themselves at risk of being or becoming over-indebted.

Table 13: Percentage of European who feel at risk of over-indebtedness[79]

Member State	Very at risk	Fairly at risk	Not very at risk	Not at all at risk	Don't know	Total 'At risk'	Total 'Not at risk'
EU27	***6%***	***19%***	***31%***	***41%***	***3%***	***25%***	***72%***
Austria	*4%*	*24%*	*38%*	*33%*	*1%*	*28%*	*71%*
Belgium	*5%*	*24%*	*39%*	*31%*	*1%*	*29%*	*70%*
Bulgaria	*7%*	*19%*	*43%*	*22%*	*9%*	*26%*	*65%*
Bulgaria	*4%*	*22%*	*33%*	*38%*	*3%*	*26%*	*71%*
Cyprus	*12%*	*13%*	*21%*	*50%*	*4%*	*25%*	*71%*
Denmark	*3%*	*7%*	*33%*	*57%*	-	*10%*	*90%*
Estonia	*9%*	*23%*	*27%*	*40%*	*1%*	*32%*	*67%*
Finland	*2%*	*9%*	*28%*	*61%*	-	*11%*	*89%*
France	*6%*	*21%*	*28%*	*43%*	*2%*	*27%*	*71%*
Germany	*3%*	*9%*	*29%*	*57%*	*2%*	*12%*	*86%*
Greece	*7%*	*24%*	*41%*	*25%*	*3%*	*31%*	*66%*
Hungary	*21%*	*28%*	*29%*	*21%*	*1%*	*49%*	*50%*
Ireland	*7%*	*23%*	*36%*	*30%*	*4%*	*30%*	*66%*
Italy	*5%*	*20%*	*34%*	*36%*	*5%*	*25%*	*70%*
Latvia	*23%*	*29%*	*26%*	*21%*	*1%*	*52%*	*47%*
Lithuania	*8%*	*21%*	*23%*	*46%*	*2%*	*29%*	*69%*
Luxembourg	*5%*	*17%*	*25%*	*48%*	*5%*	*22%*	*73%*
Malta	*6%*	*16%*	*22%*	*50%*	*6%*	*22%*	*72%*
Netherlands	*3%*	*10%*	*42%*	*44%*	*1%*	*13%*	*86%*
Poland	*4%*	*19%*	*36%*	*36%*	*5%*	*23%*	*72%*
Portugal	*4%*	*21%*	*33%*	*40%*	*2%*	*25%*	*73%*
Romania	*12%*	*35%*	*27%*	*21%*	*5%*	*47%*	*48%*
Slovakia	*3%*	*18%*	*52%*	*23%*	*4%*	*21%*	*75%*
Slovenia	*3%*	*12%*	*37%*	*47%*	*1%*	*15%*	*84%*
Spain	*8%*	*19%*	*29%*	*42%*	*2%*	*27%*	*71%*
Sweden	*2%*	*5%*	*28%*	*64%*	*1%*	*7%*	*92%*
UK	*9%*	*26%*	*25%*	*39%*	*1%*	*35%*	*64%*

Source: Eurobarometer (2010)

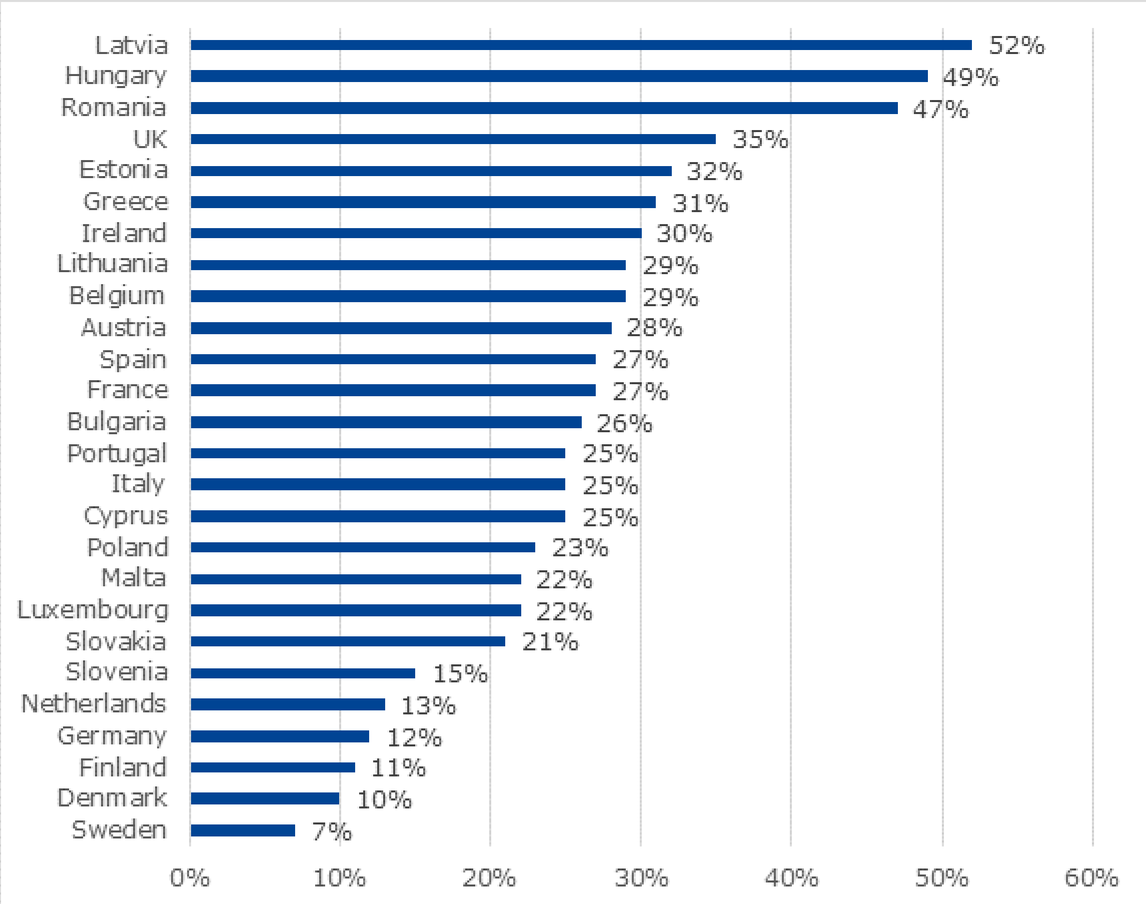
[77] Source: https://data.europa.eu/euodp/en/data/dataset/S800_72_1_EBS321

[78] As the Eurobarometer data refer to the year 2010, the EU 27 definition includes the UK

[79] Source: https://data.europa.eu/euodp/en/data/dataset/S800_72_1_EBS321

For the purposes of this study, the first two categories ("Very at Risk" and "Fairly at Risk") were combined and compared for each country. According to the Eurobarometer 2010 indicators, it is possible to notice that the level of perception to be at risk is ca. twice the EU average in Latvia (52%), Hungary (49%) and Romania (47%).

Figure 7: Eurobarometer respondents self-assessing as 'At risk' [80]



Source: Eurobarometer (2010)

Another prospective indicator for over-indebtedness gathered by the EU-SILC, is the share of households considered unable to face unexpected financial expenses. These households are not able to generate savings as a safety net and are likely to get into arrears when either their expenses increase, or their income diminishes.

Most of the EU Member States experienced a decrease in the inability to face unexpected financial expenses in the period 2014-2019 (with the only exception of Sweden, +0.1%). Remarkable down-turns have been recorded in Hungary (-42.9%), Poland (-19.3%) and Czechia (-19%).

[80] Source: https://data.europa.eu/euodp/en/data/dataset/S800_72_1_EBS321

Table 14: Inability to face unexpected financial expenses, by Member State and in the UK, 2014-2019[81]

Member State	2014	2015	2016	2017	2018	2019	Δ2014-2019
EU 27	**39.00%**	**37.40%**	**36.20%**	**34.00%**	**32.20%**	**30.90%**	**-8.10%**
Austria	23.90%	22.60%	22.60%	20.60%	20.10%	18.50%	-5.40%
Belgium	24.00%	25.70%	26.00%	25.50%	24.50%	25.30%	1.30%
Bulgaria	49.60%	53.40%	54.20%	53.20%	32.10%	36.50%	-13.10%
Croatia	63.70%	59.80%	57.70%	56.20%	52.90%	51.70%	-12.00%
Cyprus	59.80%	60.50%	56.60%	50.10%	49.50%	47.50%	-12.30%
Czechia	40.80%	36.00%	32.10%	28.10%	23.70%	21.80%	-19.00%
Denmark	28.50%	26.50%	24.50%	25.10%	25.20%	22.90%	-5.60%
Estonia	39.10%	36.70%	31.60%	36.30%	34.70%	31.40%	-7.70%
Finland	27.20%	28.40%	29.40%	28.50%	27.20%	26.40%	-0.80%
France	33.40%	32.80%	31.80%	29.60%	31.40%	30.60%	-2.80%
Germany	32.60%	30.40%	30.00%	29.30%	28.10%	26.00%	-6.60%
Greece	51.80%	53.40%	53.60%	52.70%	50.40%	47.80%	-4.00%
Hungary	75.90%	72.20%	50.80%	31.50%	33.30%	33.00%	-42.90%
Ireland	54.50%	50.20%	45.20%	41.60%	37.30%	37.30%	-17.20%
Italy	38.80%	39.90%	40.40%	38.30%	35.10%	35.10%	-3.70%
Latvia	67.40%	60.40%	60.00%	59.90%	55.30%	49.80%	-17.60%
Lithuania	54.70%	53.20%	53.20%	50.60%	48.80%	46.80%	-7.90%
Luxembourg	23.80%	23.00%	21.90%	20.40%	19.70%	16.70%	-7.10%
Malta	24.60%	21.40%	20.80%	15.60%	13.90%	15.10%	-9.50%
Netherlands	23.70%	22.90%	22.50%	20.70%	21.50%	21.90%	-1.80%
Poland	48.60%	42.30%	37.90%	34.80%	31.70%	29.30%	-19.30%
Portugal	42.20%	40.70%	38.30%	36.90%	34.70%	33.00%	-9.20%
Romania	52.70%	51.40%	54.50%	52.50%	45.90%	44.30%	-8.40%
Slovakia	38.90%	36.70%	37.90%	34.60%	31.50%	30.00%	-8.90%
Slovenia	45.80%	42.90%	41.70%	37.10%	33.10%	33.00%	-12.80%
Spain	42.70%	39.80%	38.70%	36.60%	35.90%	33.90%	-8.80%
Sweden	20.40%	19.80%	20.70%	19.70%	20.20%	20.50%	0.10%
United Kingdom	39.00%	38.40%	38.00%	32.90%	34.60%	34.60%	-4.40%

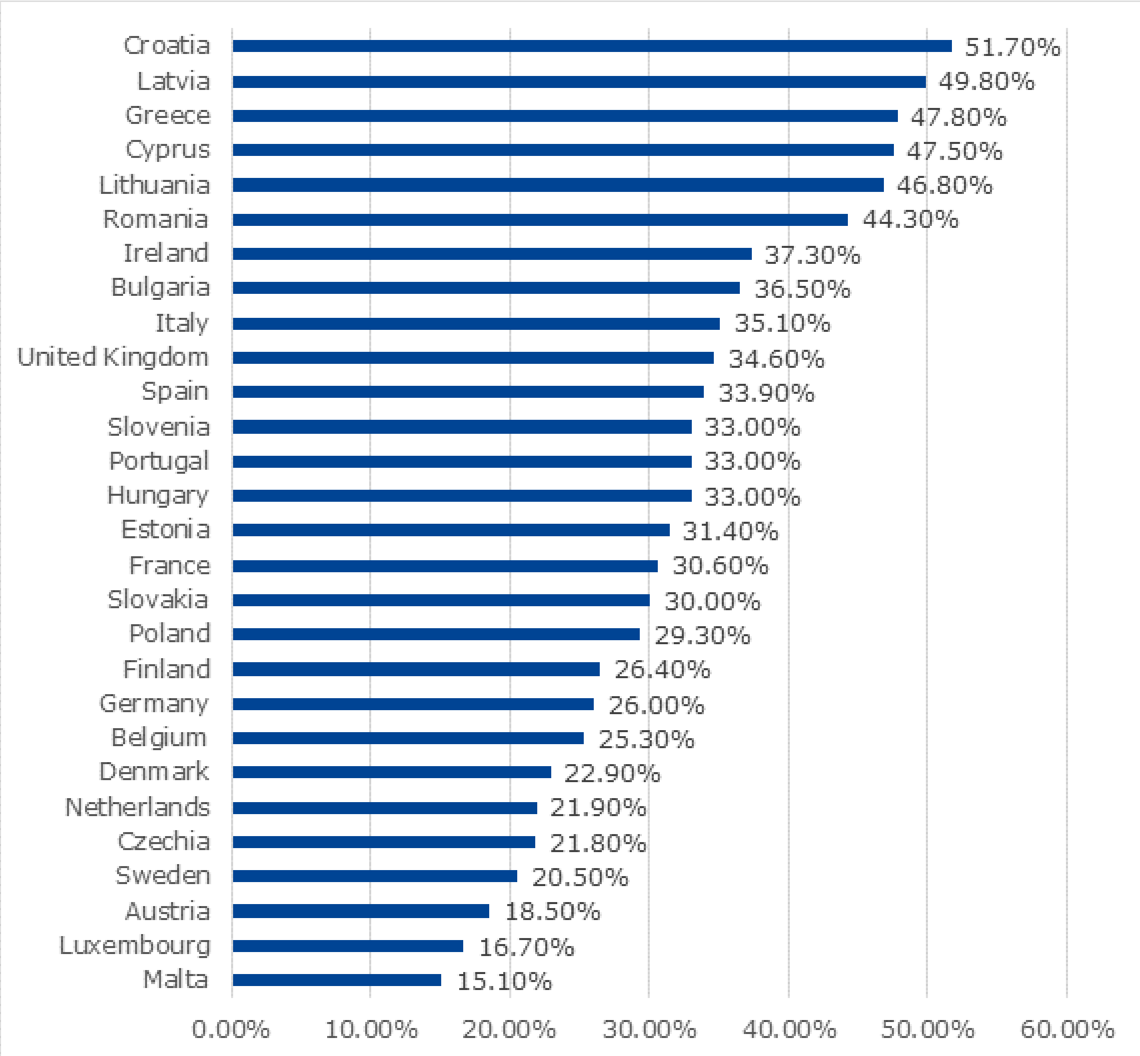
Source: Eurostat - EU-SILC survey

According to the 2019 data, Croatia (51.7%) and Latvia (49.8%) stand out as the two Member States where the inability to face unexpected financial expenses is most acute

[81]Source: https://appsso.eurostat.ec.europa.eu/nui/show.do?query=BOOKMARK_DS-056352_QID_503C10F4_UID_-3F171EB0&layout=TIME,C,X,0;GEO,L,Y,0;HHTYP,L,Z,0;INCGRP,L,Z,1;UNIT,L,Z,2;INDICATORS,C,Z,3;&zSelection=DS-056352INCGRP,TOTAL;DS-056352HHTYP,TOTAL;DS-056352UNIT,PC;DS-056352INDICATORS,OBS_FLAG;&rankName1=HHTYP_1_2_-1_2&rankName2=UNIT_1_2_-1_2&rankName3=INDICATORS_1_2_-1_2&rankName4=INCGRP_1_2_-1_2&rankName5=TIME_1_0_0_0&rankName6=GEO_1_0_0_1&sortR=ASC_-1_FIRST&sortC=ASC_-1_FIRST&rStp=&cStp=&rDCh=&cDCh=&rDM=true&cDM=true&footnes=false&empty=false&wai=false&time_mode=ROLLING&time_most_recent=false&lang=EN&cfo=%23%23%23%2C%23%23%23.%23%23%23&eub_bm=ilc_mdes04$DV_421&lang=en

among households. In Greece (47.8%), Cyprus (47.5%), Lithuania (46.8%) and Romania (44.3%) the level is higher than 40% (see figure below).

***Figure 8: Inability to face unexpected financial expenses, by Member State and in the UK, 2019*[81]**



Source: Eurostat - EU-SILC survey

3.4.3 Current provision of debt advice across countries

In order to identify the unsatisfied demand of debt advice, this study has first shown different indicators of over-indebtedness, so as to identify the potential demand for debt advice. The next step needed is to understand the current supply of debt advice services, so as to compare to the potential demand.

Previous sections in this chapter have already shown that debt advice is provided in many different ways across Europe. A study by Eurofound (2020) on "*Addressing household over-indebtedness*"[82] has mapped and grouped the Member States in three categories of debt-advisory services according to the availability: 1) "*relatively well established*", 2) "*averagely established*" and 3) "*rather not established*". According to the study, debt advice is considered relatively well established where the services cover

[82] Eurofound (2020), Addressing household over-indebtedness, Publications Office of the European Union, Luxembourg. Available at: https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19044en.pdf

the entire country, are used by a relatively large section of the population and often build on years of experience. Countries where debt advice is "rather not established" or even absent, those in need may turn to private lawyers or organisations without well-developed advice. The intermediate level of debt advice services or "considerable debt-advice", have somewhat more structured debt advice but with large gaps in availability, accessibility, and quality. Here, the following countries were categorised in those three groups:

- Relatively well-established debt-advice (3): AT, BE, DE, FI, FR, IE, LU, NL, SE, (UK);
- Considerable debt-advice (2): CZ, DK, EE, PL, PT;
- Sporadic debt-advice (1): BG, CY, EL, ES, IT, HR, HU, LT, LV, MT, RO, SI, SK[83]

Figure 9: Availability of debt-advice in the EU28 in 2019

Source: Eurofound (2020), Addressing household over-indebtedness, p.20 – compiled by Eurofound from the contributions of the Network of Eurofound Correspondents, Eurofound's own investigation and feedback by experts.

Given the wide variety of actors in the field, one main approach to understand the current number of debtors was to collect information from the main advisory providers in each country. The main sources included the country reports developed for Eurofound (2020)[84] and then continued by accessing annual reports of the main providers identified in these unpublished country reports. Where possible, the data was expanded through the interviews and survey responses, as well as to validate the information collected. In order to better understand these numbers of advice cases, first a short description of the advice system of the country is provided below.

[83] The research to date has identified 4 countries (BG, CY, HR and MT) where no debt-advice services are available. This list is expanded by adding countries in which debt-advisory services are only sporadically available.

[84] The non-published country reports were provided by Eurofound for the use in this report.

Table 15: Description of the main debt advice system per country[85]

Country	Level of advice availability	Description
AT	3	Debt advice services are provided by 10 organisations in all nine regions of Austria. They are coordinated by the umbrella organisation ASB Schuldnerberatungen GmbH. These 10 main offices have further 18 regional branches. They are supported by public funds, meaning that they provide free-of-charge advice services.
BE	3	Debt advice services in Belgium include "debt mediation" and "collective debt settlement". The main advice service is provided by CPAS (Centres Public d'Aide Social) in Wallonia and OCMW (Openbaar Centrum voor Maatschappelijk Welzijn) in Flanders, as well as Centres for General Welfare (CAW). SAM vzw, another provider was founded early 2018 as a merger of five Flemish support centres, established by a decree and is subsidised by the Flemish government.
BG	1	In Bulgaria, debt advisory services are absent or have a very limited capacity. Given its weak tradition of debt advice, services are rather sporadic and no main advice providers exist. The debt advice provision is mainly provided by private lawyers and consultants.
CY	1	In Cyprus, debt advice is rather not developed to completely absent and over-indebted people often turn to private lawyers, unregulated financial counsellors, relief organisations or general consumer organisations without specialised debt advice.
CZ	2	Debt advice services in Czechia are covered by a variety of counselling offices that are coordinated mainly by NGOs and Charity organisations. A few of them offer free-of-charge services to people in need, while the State does not play a key role in the provision of debt advice. The widest networks comprising various offices and majority of "non desk" activities are Poradna při finanční tísni which has been an European Consumer Debt Network (ECDN) partner, the NGO Člověk v tísni (People in need) and the Charity Charita Česká republika.
DE	3	In Germany, debt advice services are provided by a number of actors, including six welfare organisations, municipalities and federal states. Federal states often work with private advisors through an online platform. In addition, consumer protection agencies might also offer debt advice. The six leading organisations are: Caritas, the German Red Cross, the German Paritätische welfare organisation, the AWO - Workers' Welfare Association, the Diaconia and the Central Welfare Office for Jews.
DK	2	The Danish model of organising free debt advice services is through publicly funded private organisations, mostly operating with volunteers. The Ministry of Social Affairs allocates funding to nine organisations in particular providing debt counselling services.
EE	2	In Estonia, debt advisory services are offered sporadically but the main providers are local governments, to some extent by Eesti Töötukassa (e-Töötukassa) and a number of NGOs.
EL	1	Before 2010 to 2011, there was no money or debt and budget advice system in Greece. At this stage, there is no main debt advice agency, but the Consumer Ombudsman has been tasked to operate as mediator, especially in cases of debt restructuring. General consumer advice is provided by the Consumers' Federation (INKA) and Consumers' Association "the Quality of Life" (EKPIZO) and other providers such as the public organisation KEYD-GEYD.

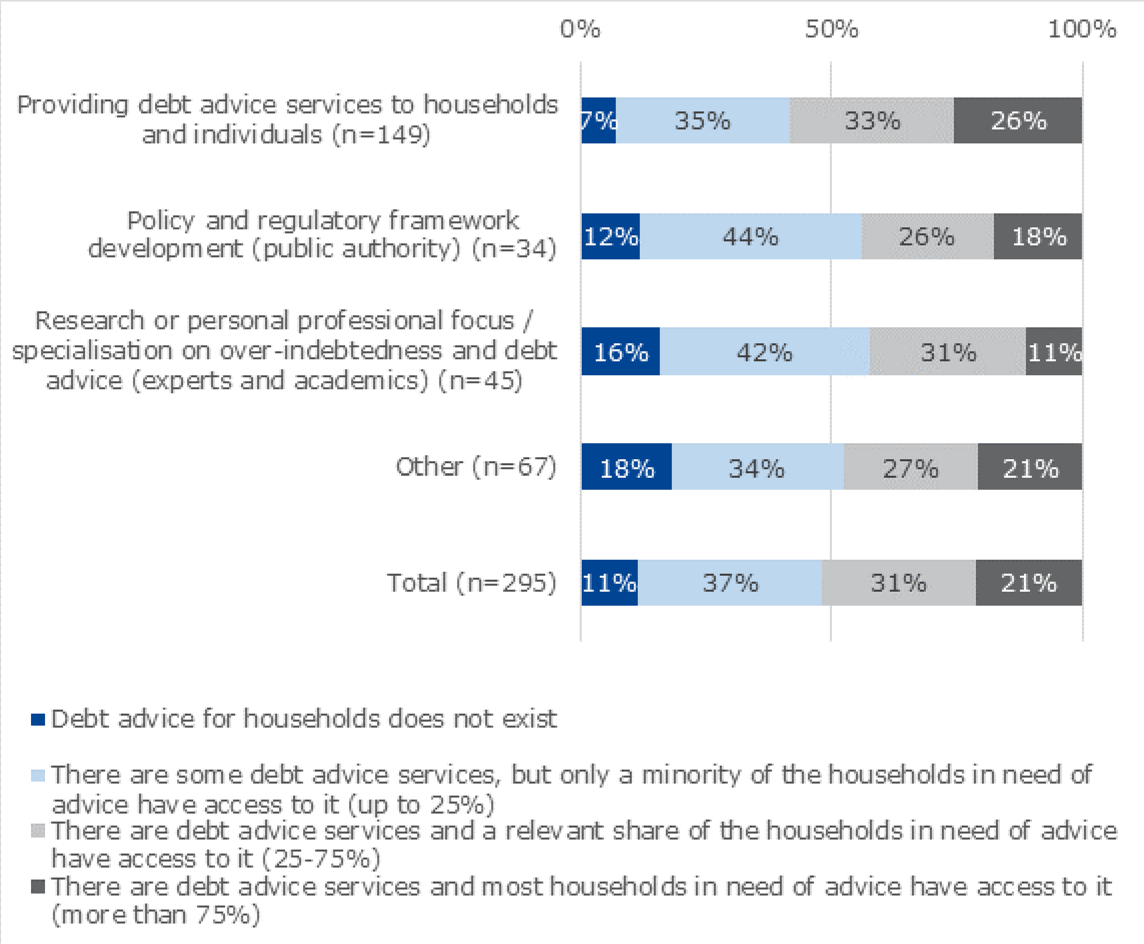
[85] The main sources included the country reports developed for Eurofound (2020) and then continued by accessing annual reports of the main providers identified in these unpublished country reports. Where possible, the data was expanded through the interviews and survey responses, as well as to validate the information collected.

Country	Level of advice availability	Description
ES	1	Spain has a weak tradition of debt advice and it is rather sporadically available. There is a wide diversity of types of organisations that provide advice on how to settle debts, including smaller NGOs to Charity organisations (e.g. Caritas) and consumer organisations. A main focus with debt advice in Spain is focused on mortgage debt. The available services, however, have been described as insufficient. Given the lack of centralised public services, Civil Society movements and organisations have started to fill the gap.
FI	3	The public debt advice services provided in Finland are currently undergoing a change of structure, moving from municipalities and local authorities to 23 local agencies of judicial administration (FI Oikeusaputoimisto).
FR	3	Debt advice services in France are mainly provided by organisations, including the Federation Crésus (Chambre Régionale de Surendettement Social), a non-profit network, CCAS (Centre Communal d'Action Sociale CCAS), a communal social actors centre, and National Unions (e.g. UNAF and UDAF). The Bank of France also plays a key role in the process of debt advice, as they cooperate with information points for mediation and forms partnerships with organisations offering debt advice.
HR	1	In Croatia, there is no concrete offer of debt advice on national level. There are publicly funded general Consumer Counselling Centres, however.
HU	1	Debt advice services were obligatory for local governments to be offered, which was abolished after March 2015, making it voluntary for the local authorities to decide whether to offer services. Due to these changes, debt advice services are mainly offered by private sector actors.
IE	3	In Ireland, the main debt advice service provider is the Money Advice and Budgeting Services (MABS), a government funded advice service that operates nationally through local offices under regional boards. It is fully funded by the Irish government through the Citizens Information Board (CIB), a government agency under the Department of Employment Affairs and Social Protection. Other organisations exist but are secondary players.
IT	1	In Italy, debt advice services are considered to be absent or have a particularly limited capacity. There are no main providers responsible for debt advice, but it is rather offered sporadically by private sector actors, a few NGOs (e.g. Caritas) and organisations such as the consumer association Adiconsum.
LT	1	Lithuania has a rather weak tradition of debt advice services and thus they are not offered or only sporadically. Those few sporadic services are mainly provided by the State-Guaranteed Legal Aid Service (SGLAS), private lawyers and consultant.
LU	3	Luxembourg created a Mediation committee for over-indebtedness (Commission de médiation en matière de surendettement) matters as well as an Information and Counselling services (SICS) in 2013. The mediation committee is the main actor in settlement procedures, while the SICS has a consulting and information role assisting debtors if they wish. The SICS comprises in particular two actors: the Ligue Médico-Sociale and Inter-Actions.
LV	1	The field of debt advice has been considered underdeveloped in Latvia. Compared to other Nordic and Western European countries, the services in Latvia are categorised as sporadic. The Consumer Rights Protection Centre is one of the sporadic actors, however providing general advice to consumers rather than specialised services on debt.
MT	1	Malta is categorised as a country where debt advice services are underdeveloped and only offered sporadically. One organisation that is closing the gap somewhat is Caritas Malta.

Country	Level of advice availability	Description
NL	3	In the Netherlands, municipalities are responsible for implementing policy with regards to poverty and debt assistant, operating under the responsibility laid out by the Municipal Debt Assistant Act.
PL	2	Debt advice in Poland is provided through the framework of free legal advice at point of free legal aid offices across the country. These points do not specialise and are not limited to the provision of debt advice only, however. There are also a few Financial and Consumer Advisory Centres coordinated by SKEF that specialise in financial and legal and consumer advice.
PT	2	Portugal's debt advice runs mainly through a network of local consumer support entities. These are free of charge and officially recognised by the Directorate-General for Consumers (DGC). These centres work in close cooperation with the main relevant organisations operating on these matters, in particular the Over-indebted Support Office (Cabinete de Apoio ao Sobre endividado – GAS DECO). Their services are not only limited to debt advice, but also offers other financial support and actions to promote financial literacy.
RO	1	The provision of debt advice and debt counselling in Romania is limited to almost absent. The National Authority for Consumer Protection (ANPC) is responsible for the coordination of national and local insolvency commissions and provides some support. Consumer associations (e.g. the Romanian Financial Users' Association AURSF or CREDERE Association) have filled this vacuum to some extent, albeit not being specialised debt advice providers.
SE	3	In Sweden, municipalities are obliged to provide budget and debt advice to individuals. The legislation also stipulates that the debt advice should continue throughout the debt restructuring process.
SI	1	Debt advice services are very uncommon and considered under-developed in Slovenia. Consumer organisations reportedly provide some debt advice, but their capacities are not focused on these services and rather limited. A large share of debt advice is reliant on private lawyers and consultants and the most common procedure followed is personal bankruptcy. One exception is the organisation Prelomi (SOS debt programme), which is an NGO offering psychological support due to social distress caused by over-indebtedness and other financial difficulties. Another organisation Kralji Ulice, provides support to individuals having difficulties covering their rents of social housing.
SK	1	In Slovakia, there is no publicly funded or guaranteed debt counselling system. A few private professionals and NGOs offer debt advice as part of their general services, such as the Centrum právnej pomoci.
UK	3	The UK has a hybrid system with publicly funded debt advice services coordinated through the Money Advice Service (MAS), Charities and private companies. It is considered a country with well-established debt advice.

With regards to the current level of development of debt advice services in the country of the survey respondent, the assessment of the system seems to be quite similar in each stakeholder group. Across all stakeholders, a large majority seem to agree that the systems can still be improved.

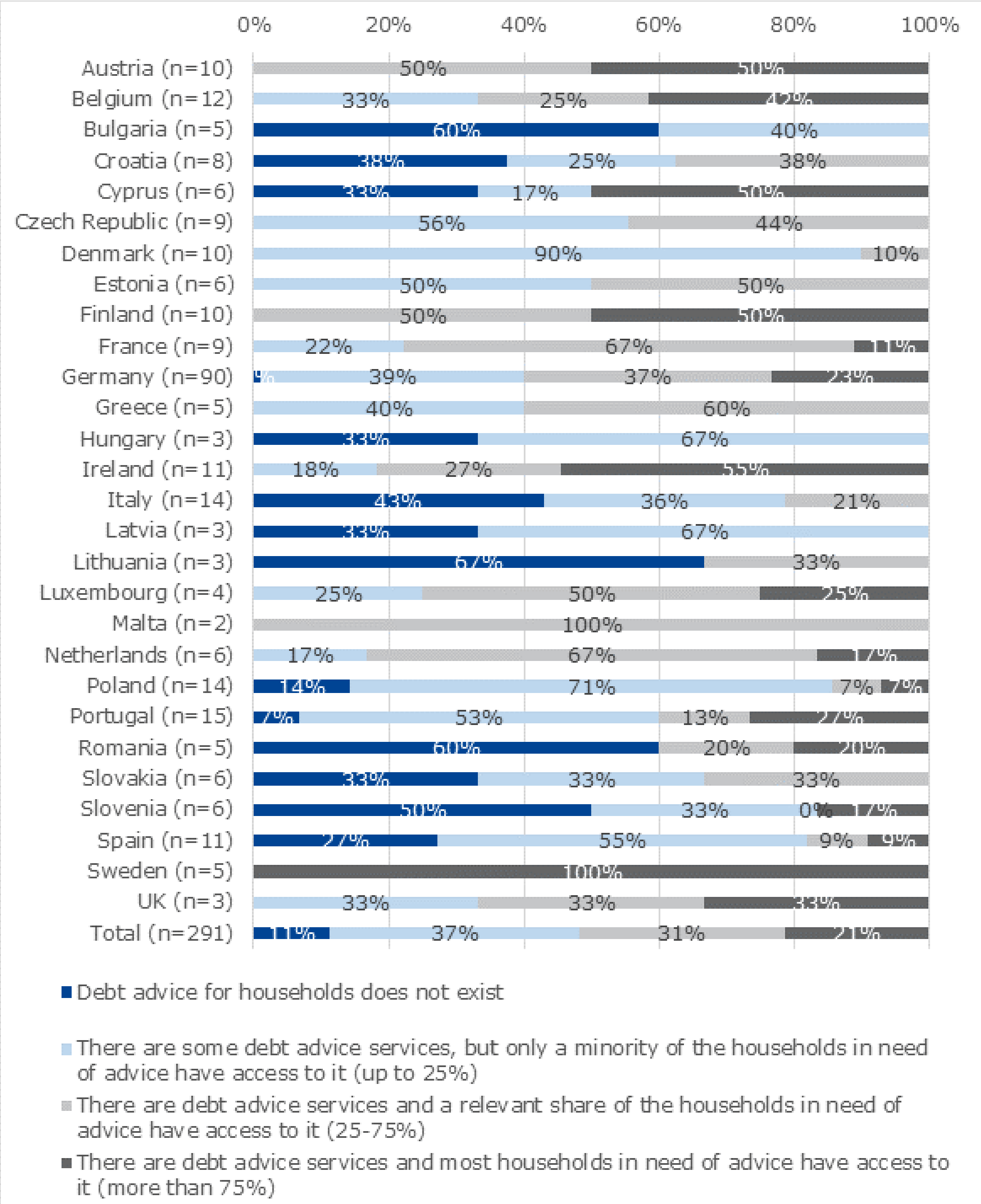
Figure 10: In your opinion, how developed is the provision of debt advice for (over-) indebted households in your country? [By area of involvement]



Note: results are based on 295 observations.
Source: VVA & CEPS elaborations based on online survey responses

On a country level, the situation is more divers. One hand, there are countries like Sweden where there is a high provision of debt advice. On the other hand, there are countries like Romania and Lithuania where there is very little debt advice. In case these numbers should be treated with cautions the response rates for someone countries are not high, there for the results are highly dependent on a few individual opinions. Despite these limitations, this table has been included here because of the significance of a country-specific analysis.

Figure 11: Provision of debt advice by country



Note: results are based on 291 observations.
Source: VVA & CEPS elaborations based on online survey responses

3.4.4 Unsatisfied demand in comparison of selected indicators

As the previous section shows, debt advice services are not accessible to all households that would need it. Where generally available, accessibility to services may be limited in many countries due to a number of reasons.

- Lack of awareness of the services existing;
- Fear of asking for help and social stigma;
- Capacity and supply constraints; or,
- Costs of advice.

Our main focus lies on the prior three shortcomings or barriers to accessibility of advice, because the largest majority of overindebted households cannot (and are not available to) afford the costs of the service. Therefore, the problems linked to the costs in general do not affect directly the majority of the overindebted households (they are rather a problem for the entities providing debt-advice). In this regard, the case of UK or of other countries where debt-advice is often available on a commercial base is an exception, not the rule.

Insufficient awareness of the citizens of the existence of these services is another main barrier of access to debt advice present in many countries.[86] Barriers to access advisory service are often stigmatisation with problem debt, physical access especially for debtors in rural areas and communication problems.[87] In France, for instance, one main shortcoming, apart from funding shortage on some occasion, is the lack of a more holistic debt advice service in which all segments of population are eligible. Other barriers France shares with the rest of Member States, include the lack of capacity, user fees, lack of awareness of the different debt-advice organisations and the present social stigma towards making use of them.[88] This is similar in Sweden, where a report found that municipal debt advice is rather unknown. Several municipalities have difficulties to fulfil the recommendations set out by the Swedish Consumer Authority. Although in 2019, all municipalities offered debt advice, there were differences in the resources and the type of support offered. 44% of municipalities did not have any external work/efforts, meaning that many municipalities did not offer active support during the debt reconstruction process, despite this being a legal obligation.[89]

A study in the UK identified advice gaps why people miss out on the benefits of advice.[90] The four gaps are:

- 5.4 million people in the **affordable advice gap** - this affects consumers who are willing to pay for advice and means that up to 5.4 million extra people would consider paying for advice if it cost less. Of the study about 27% of the people would pay for money advice if setting up a business; one in 16 would pay if they had debt problems; 20% would consider paying when making an investment and 6% would pay GBP 500 or more.
- 14.5 million people in the **free advice gap** - this affects people who would like advice but cannot pay for it. They believe that they would benefit from free advice and haven't taken any in the past 2 years. This includes 5.3 million people who have needed free advice in the past two years but haven't taken it and 735,000 who tried to access free advice but could not due to lack of supply. 500,000 people may have experienced a delay or had to take an appointment at an inconvenient time while taking free money advice in the past 2 years. Of those that say that they had needed advice but have not accessed it, 14% said that they tried to get free advice but were told the services were too busy. The study estimates that 735,000 people may have not been able to access free advice services due to overstretched services.

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[86] See for example for CZ: Klimentová, M. (2020). Kam dál v dluhové problematice? Výstup z kulatého stolu pořádaného Charitou Česká republika v rámci projektu Ke kvalitě v Charitě II1 dne 4. března 2020

[87] Eurofound (2020). Unpublished country report: Mapping debt services - Austria

[88] Eurofound (2020). Addressing household over-indebtedness

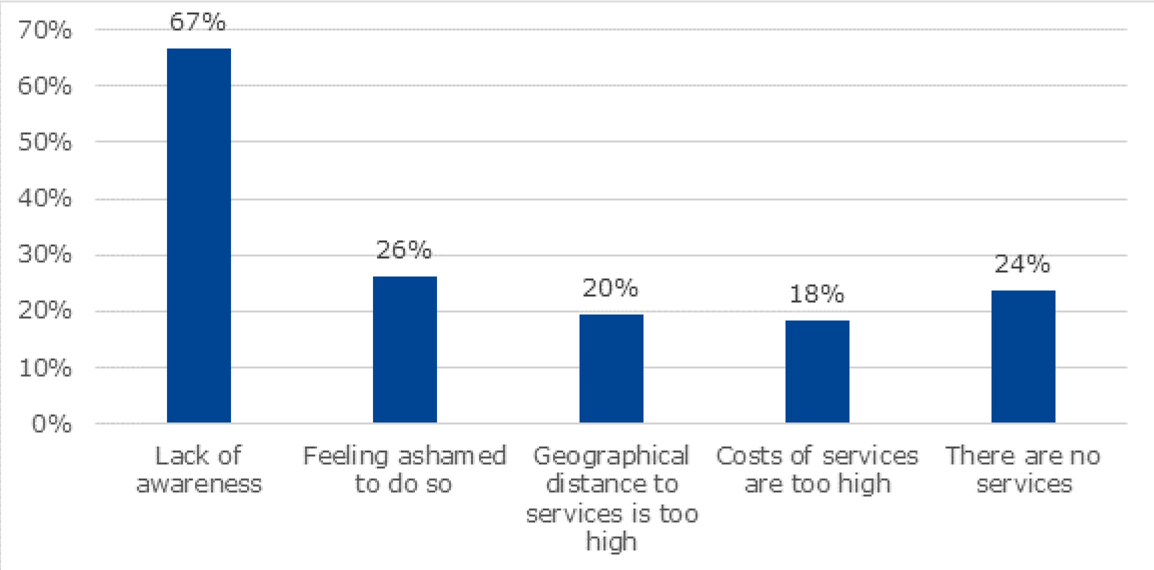
[89] Konsumentverket (2019). Rapport 2019: 06 Fördjupad samverkan mot överskuldsättning Slutrapportering till regeringen

[90] Citizens Advice (2015). The four advice gaps: An analysis of the unmet consumer needs around financial advice and public financial guidance

- 10 million people in the **awareness and referral advice gap** - this affects people that are not aware about the existence of advice. This includes 3.3 million who say they need free money advice but failed to get it because they did not know it exists and 3.4 million people who raised an issue but did not receive advice. The survey finds that only about 45% of people are aware that the UK government supports free guidance.
- 23 million people in the **preventative advice gap** in their lives - this affects those who would benefit from having money advice as a preventive measure

Survey results to this study showed that for more than 66 percent of the survey participants, awareness seems to be a reason for not participating in debt advice. This is by far the most frequently mentioned reason. This question was answered by less than 50 percent of participants, that is why a split view by country or area of work is not beneficial, since some of the sup-groups would have only a few responses.

Figure 12: In your opinion, what are the main reasons for households not being able to access debt advisory services?



Note: results are based on 240 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Looking into the differences across type of involvement, differences can be seen. For instance, compared to the other areas of involvement, the reason "feeling ashamed to access the services" was rather not considered a main barrier by debt advice providers.

Table 16: In your opinion, what are the main reasons for households not being able to access debt advisory services? [By area of involvement]

	Lack of awareness	Feeling ashamed to do so	Geographical distance to services is too high	Costs of services are too high	There are no services
Providing debt advice services to households and individuals (n=111)	72%	1%	27%	23%	19%

	Lack of awareness	Feeling ashamed to do so	Geographical distance to services is too high	Costs of services are too high	There are no services
Policy and regulatory framework development (public authority) (n=28)	57%	46%	14%	18%	29%
Research or personal professional focus / specialisation on over-indebtedness and debt advice (experts and academics) (n=43)	63%	47%	19%	9%	33%
Other (n=58)	64%	50%	9%	16%	24%
Total (n=240)	67%	26%	20%	18%	24%

Note: results are based on 240 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

The results across countries are similar, with the majority indicating the lack of awareness to be among the main reason why not all households access the debt advice services. To countries stand out: Bulgaria and Lithuania. In the former, one third of the participants mentioned the feeling of shame hindering the access to the debt advice services, while in the latter, the costs of the services and the lack of the services seem to be the main driving reason for a lack of access.

Table 17: In your opinion, what are the main reasons for households not being able to access debt advisory services? [By country]

	Lack of awareness	Feeling ashamed to do so	Geographical distance to services is too high	Costs of services are too high	There are no services
Austria (n=5)	60%	40%	40%	0%	0%
Belgium (n=7)	71%	71%	14%	0%	29%
Bulgaria (n=6)	0%	33%	0%	17%	17%
Croatia (n=8)	50%	25%	13%	13%	50%
Cyprus (n=3)	67%	0%	0%	33%	33%
Czech Republic (n=9)	89%	44%	56%	0%	11%
Denmark (n=10)	90%	20%	50%	40%	10%
Estonia (n=6)	67%	67%	0%	17%	0%
Finland (n=6_	83%	67%	17%	0%	33%
France (n=8)	63%	25%	38%	0%	13%
Germany (n=69)	62%	12%	28%	19%	22%
Greece (n=4)	75%	50%	0%	75%	0%
Hungary (n=5)	80%	40%	20%	20%	40%
Ireland (n=5)	80%	40%	0%	20%	0%

	Lack of awareness	Feeling ashamed to do so	Geographical distance to services is too high	Costs of services are too high	There are no services
Italy (n=14)	43%	14%	0%	29%	21%
Latvia (n=5)	80%	20%	0%	0%	0%
Lithuania (n=3)	0%	0%	0%	67%	67%
Luxembourg (n=3)	100%	67%	0%	0%	0%
Malta (n=2)	100%	50%	0%	50%	0%
Netherlands (n=5)	60%	100%	0%	20%	0%
Poland (n=13)	85%	0%	23%	15%	23%
Portugal (n=11)	82%	27%	27%	18%	27%
Romania (n=5)	80%	60%	20%	20%	60%
Slovakia (n=7)	71%	43%	14%	29%	43%
Slovenia (n=5)	20%	0%	0%	20%	80%
Spain (n=10)	80%	10%	10%	20%	50%
Sweden (n=1)	100%	0%	0%	0%	0%
UK (n=2)	100%	50%	0%	0%	0%
Total (n=237)	67%	27%	20%	19%	24%

Note: results are based on 237 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

These barriers to accessibility are likely to lead to late access to the services, which often make a successful debt advice service more difficult. Many people delay reaching out for help of the services. A study showed that 33% of clients wait over three years, 51% more than two years and 66% over one year before asking for help.[91]

Delays, however, may also stem from a capacity and supply constraint, as briefly shown above. Not only in the UK, a lack of supply might lead to a "free advice gap", also in Germany it is estimated that only 10% of overindebted consumers are covered by the existing structure of non-commercial state-subsidised debt advice services. This often leads to substantial waiting times for potential people in need to receive advice and support. Some countries report their waiting times: In Germany, the average waiting time is about three months, however, there can be waiting times of up to a year[92]; in Ireland, the waiting times are comparably short with an average of 2.9 weeks in 2014, following a decreasing trend from 3.7 weeks in 2012 and 4.28 weeks in 2011[93]; while in Sweden, 58 of 290 municipalities had a waiting period of more than four weeks (recommendation is maximum 4 weeks)[94].

Taking this into account, the table below gives an indicative range for unsatisfied demand of debt advice in the EU 27 and in the UK.[95] Indeed, the unsatisfied demand is

[91] Wyman, P. (2018). Review of debt advice funding.

[92] According to a debt advisor interviewed in Germany, one example of a debt advice office financed by the state (Lankreis) has a waiting time of 9 month, while others do not accept new clients anymore

[93] McCarthy, O. (2014). Cork MABS: Clients' experiences, opinion and satisfaction levels. Available at: https://cora.ucc.ie/bitstream/handle/10468/5087/4297.pdf?sequence=1

[94] Konsumentverket (2019). Rapport 2019: 06 Fördjupad samverkan mot överskuldsättning Slutrapportering till regeringen

[95] Disclaimer: these statistics are based on authors (VVA & CEPS) calculation

likely to be somewhere between the current level of debt advice and all the households that potentially need debt advice, measured by the households that were at least once unable to pay their mortgage or rent, utility bills or hire purchase.

Table 18: Unsatisfied demand by Member State and in the UK, 2019

Country	Households need debt advice		Households receiving debt advice		Estimated unsatisfied demand	
	Number (x1000)	%	Number (x1000)	%	Number (x1000)	%
AT	170	4.3%	60	1.5%	109	2.8%
BE	263	5.5%	83	1.7%	180	3.8%
BG	788	29.3%	Insignificant	Insignificant	788	29.3%
CY	58	17.6%	Insignificant	Insignificant	58	17.6%
CZ	135	2.8%	29	0.6%	106	2.2%
DE	1 513	3.7%	582	1.4%	931	2.3%
DK	176	7.3%		Unknown	176	7.3%
EE	53	8.5%	Insignificant	Insignificant	53	8.5%
EL	1 842	41.4%	Insignificant	Insignificant	1 842	41.4%
ES	1.514	8.1%	Insignificant	Insignificant	1 514	8.1%
FI	285	10.5%	53	2.0%	232	8.5%
FR	2 567	8.8%	202	0.7%	2 365	8.1%
HR	231	15.7%	Insignificant	Insignificant	231	15.7%
HU	462	11.2%	266	6.4%	198	4.8%
IE	206	11.2%	9	0.5%	198	10.7%
IT	1 556	6.0%	Insignificant	Insignificant	1 556	6.0%
LT	107	8.2%	Insignificant	Insignificant	107	8.2%
LU	7	3.0%	0.3	0.1%	7	2.9%
LV	86	9.9%	3	0.3%	83	9.6%
MT	16	7.8%	Insignificant	Insignificant	16	7.8%
NL	317	4.0%	89	1.1%	228	2.9%
PL	1 099	7.4%	2	0.0%	1 097	7.4%
PT	241	5.8%	29	0.7%	211	5.1%
RO	1 156	15.4%	Insignificant	Insignificant	1156	15.4%
SE	256	4.8%	23	0.4%	233	4.4%
SI	112	12.2%	Insignificant	Insignificant	112	12.2%
SK	193	10.2%	17	0.9%	176	9.3%
UK	2 553	8.8%	143	0.5%	2 411	8.3%
EU27 + UK	**17 964**	**8.1%**	**1 590**	**0.7%**	**16 375**	**7.3%**

Source: VVA & CEPS elaboration based on total number of households in EU 27 and UK (EU-LFS), the % of households in arrears (EU-SILC), interviews with debt advice practitioners and national sources

The figures indicate that up to 18 million households or about 8% of the EU27 and UK households might need debt advice and about 1.6 million households or about 1% of households receive debt advice. This would leave a maximum unsatisfied demand of about 16 million households or 7% of households. These figures are from just before the COVID-19 outbreak in early 2020.

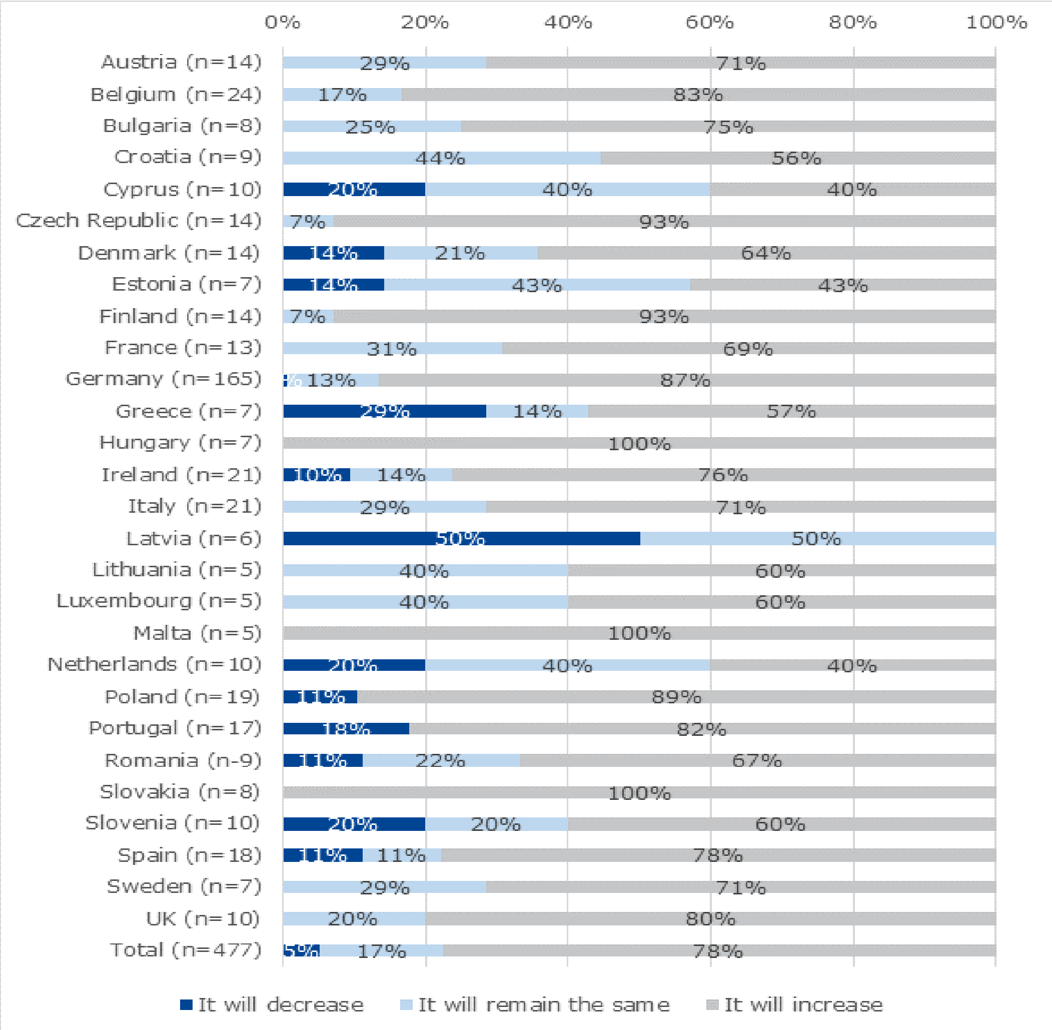
3.4.5 Covid-19 implications

The COVID-19 pandemic has caused major problems for the economy. Most of these effects have in first instance in most countries been mitigated by government measures (furlough schemes, tax deferrals, government guarantees, credit moratoria, etc.). Nevertheless, the COVID-19 pandemic is expected to increase of the demand for debt advice services for virtually all Member States included in the report in the upcoming period. The adverse macro-economic environment after the government measures will likely cause financial difficulties, which will also increase the need for financial advice and debt management. Indeed, a survey conducted in March 2020 with a number of adults in G7 countries found that 39% of respondents indicated that the virus had not yet impacted their household income, but expected it to do so in the future, while 31% of the respondents answered that they had already experienced an impact.[96]

The survey results support this expectation, with the future being assessed negatively almost everywhere, expecting an increase of household over-indebtedness in the next five to ten years. An exception is Latvia where nobody expects the debt to increase in the future. However, especially for such small countries with fewer answers, this the results should be read with care, due to potential inaccuracies.

[96] Statista (2020). Opinion of adults in G7 countries of the expected impact of the Covid-19 pandemic on their household income as of March 2020. Available at: https://www.statista.com/statistics/1107322/covid-19-expected-impact-household-income-g7/

Figure 13: In your opinion, how will household over-indebtedness likely develop in the next 5 to 10 years in your country? [By country]



Note: results are based on 477 observations the total shares may not sum to 100% as the "I do not know / no opinion" options have been taken out for visualisation.
Source: VVA & CEPS elaborations based on online survey responses

In addition, the COVID-19 pandemic poses also a challenge to the existing availability of debt advice capacity. The existing debt advice services are limited in capacity due to restrictive measures on person-to-person contacts.

However, the impact of the Covid-19 crisis is still unclear but will also likely have disruptive consequences on significant sectors of the population, in particular among the people who do not dispose of a stable working relation. In fact, it is expected that the level of households' over-indebtedness could increase significantly in the next period.

4 Costs and benefits of providing debt advice and funding needs to close the advice gap

This Chapter provides an overview of the costs of debt advice services, the benefits that advice can bring as well as an 'optimal' scenario estimation of the funding amount needed to cover all countries and households in arrears. Relevant in this case is to indicate that the ideal scenario is built on a model that aims at harmonising the needs, costs and benefits.

4.1 Costs of advice

As already noted in the previous sections, debt advice provision is not equally developed and organised in the same way across the EU, thus, the costs that apply will also likely vary. Regarding costs of providing debt advice services, there are many components that may have an influence. Based on previous literature and talks with experts, we have identified five main drivers:

1) *Type of services*: The type of services provided by debt advisory services to over-indebted people varies between countries, services and individual users. Overall, the services provided may include a budget overview, (economic) crisis intervention, budget planning and psychosocial counselling, and legal advice. Types of debt counselling can be subdivided according to the criteria of financial and legal counselling, practical life counselling, psychosocial help and preventive pedagogical counselling (Korczak, 2019). Some organisations also provide financial relief, to facilitate access to basic goods or to contribute to fees which may be in place for specialised help or debt settlement procedures. The Eurofound's study (2020) grouped activities under three main categories: 1) money and debt management, 2) legal counselling, and 3) linking to or providing other social services;
2) *Coverage*: The services of debt advice providers may target or cover specific groups (e.g. early/late detection, youth, recipients of social assistance, etc..) or focus on certain geographic areas (often the case in countries where local or regional governments provide debt advisory services within a national framework) (Eurofound, 2020).
3) *Providers of debt advice*: Many countries have various types of providers (i.e. civil servants, volunteers, private consultants) providing support alongside each other. The Eurofound's study (2020) grouped the types of providers in seven categories (and illustrated by examples):
    - Consumer organisations: ADICAE in Spain, GAS DECO in Portugal, and Ekpizo in Greece
    - Local authorities: in the Netherlands and Sweden
    - National consumer debt advice organisations: MABS in Ireland
    - Charities: Charity Service of the Order of Malta in Hungary
    - Social security/unemployment insurance organisations: NAV in Norway and E-töötukassa in Estonia
    - Employers: the military in Belgium
    - Private consultants and lawyers: in Bulgaria, Croatia and Cyprus

4) *Quality*: Access to debt advisory services is particularly effective if these services are of high quality (Eurofound, 2020). Previous research by Eurofound (2012) focused on factors that are important for the quality of the service. It highlighted, for instance, that debt advice should offer customised, consistent approaches. Registration of debt advisors, conditional on training, can help to assure quality
5) *Service delivering system*: Civic Consulting (2013) identified four main ways according to which the provision of debt advisory service is provided: 1) Face-to-face (the most common one in Europe, 81% of the sample of Civic Consulting's survey), 2) Telephone (67%), 3) Web-based (53%) and 4) Email/chat (45%).

Although there are different systems applied across Europe, a key indicator to measure the costs of providing services is the labour-cost associated to it, estimated in the number of hours dedicated per case.

Considering the heterogeneity of services and the data available, the estimates in the "*number of hours dedicated per case*" were taken from the countries where debt advice is "relatively well established" (i.e. the UK, IE, FR, DE, AT, NL, BE, SE, and FI) to then extrapolate EU-wide results.[97] For example, according to interviewees, the average time for advice in Germany is about 1 hour, in Sweden 90 minutes. In other countries, the averages are higher, such as in Denmark and Estonia (three hours).

One important consideration that applies to many of the cases of countries where advice is "relatively well established", is that the focus lies on 'self-help' of the client, rather than providing loan intermediation.[98] These sessions are likely to be shorter and simpler to conduct. Looking at the survey results, the average hours per case are estimated at 17, however, looking at the countries with more widely available government-based debt advice systems listed above, the average hours per case are 5. The difference may be explained due to the various types of advice providers across the countries. To clarify, comparing the average hours per case reported in the survey by main type of advice provider in the country, it becomes clear that the time reported is higher in countries where consumer organisations (average 19 hours per case) and NGOs/Charities (18 hours per case) provide advice. This may be explained by these types of organisations having a broader profile of services, while publicly funded services offer specialised debt advice services and can therefore make a clearer distinction of the time needed for debt advice. The survey data is likely to be an over-estimation of the actual average time spend on advice. In order to identify the discrepancy between the survey reported numbers and publicly available data, looking into the case of Estonia could help to adjust as both data are available. Here, the public authority records and publishes freely accessible the total casework hours spent for their debt advisory services, as well as the total number of cases. Taking these data to calculate the average working hours spent on each advice case, Estonia spends three hours per case.[99] In comparison, in the survey, other types of stakeholders provide differing estimates of the average hours per case (ten hours). Adjusting the survey results to this difference, the results are likely to be overestimated by about 33%. Adjusting the survey results to this proxy, the overall average hours per case spent across countries with publicly funded debt advice services is three as well. There are ranges of potential intensity or complexity of cases that will influence the advisor's work. For instance, within the Danish system, one of the main debt advice providers "Den Sociale Gældsrådgivning" categorises their clients within three steps, depending on how intense they estimate their clients' procedure to

[97] Within this study, the Member States also provided country reports with more detailed insights into their services

[98] See for example Austrian Federal Ministry of Social Affairs and Consumer Protection (2019). Ausweg gesucht: Schulden und Privatkonkurs (Searching for an escape: debt and personal bankruptcy). Available at: https://broschuerenservice.sozialministerium.at/Home/Download?publicationId=269

[99] Annual report statistics of the Social Ministry of Estonia. Retrieved from: https://sveeb.sm.ee/index.php?tid=DS3lbOzvby_DybSQSDppIpppppppI5xlDnyS

be. According to them, most cases fall within Step 1, which usually consists of short (about 1 hour) conversations that are often handled through phone or email exchange. With regards to more complex cases, in the case of Denmark Step 2 and Step 3 cases, require debt managers to take on a more active role together with their clients in step 2 (average of 20 hours per case) or to completely take over the client's debt problems, including from systematising debt arrears to collaborate and communicate with creditors for Step 3 clients (up to 50 hours per case). Indeed, the estimated average hours per case for a complex case in the survey results reach 52, 22 looking at the countries with publicly funded and delivered debt advice.

In summary, the hours spent on debt advice are shown in the table below. These estimations will serve as a basis to understand the overall costs of debt advice later on in this section.

Table 19: Working hours for debt advice, per case

Average	Simple	Intermediate	Complex
3	1	20	50

Source: interviews

These hours spent on debt advice cases can be further detailed by the type of service provided. On a general basis, this may be differentiated to time spent on diagnosis and on treatment. Diagnosis often comprises the first steps of collecting all the relevant information about the situation of the client, such as the financial background, expenditures and issues, both financially and non-financially. The treatment includes the main action points taken to deal with the clients' issues, such as budgeting advice or formal and informal debt settlement procedures.[100]

This approach is followed by many advice services in countries, where the system is more established. According to the main Austrian debt advice service provider (ASB Schuldnerberatungen GmbH)[101], the procedure to debt advice cases begins with first contact, arrangement of appointment and preparation of existing documentation, followed by a first consultation to discuss expectations, the current financial situation and measures to secure subsistence and other arrangements. This "diagnostic" part of the debt advice procedure takes about 42%, according to survey results. The treatment part of the services includes consultations for debt "rehabilitation" through recording of expenses and earning, debt assessment, providing other agreements and potential measures, or the option of private bankruptcy, as well as the concluding consultation with the possibility to follow-up. This is estimated to account for 58% of the time spent on advice cases, according to survey results.

Looking into the different types of providers, the share of time spent on diagnosis for publicly funded and delivered debt advice is 20%, compared to 80% treatment. NGOs, Charities and other social organisations spend more share of their time on diagnosis (40% average), while consumer organisations spend 30% and privately funded advice systems tend to spend most of their time on treatment (90%).

Table 20: % for debt advice, per case and type of service

	Diagnosis	Treatment
Publicly funded / public authorities	24%	76%

[100] See for example Advice Scotland (n.d.). Debt advice process. Available at: https://www.advicescotland.com/home/debt-advice-process/

[101] ASB Schuldnerberatungen GmbH (2020). 14. Österreichischer Schuldenreport. Available at: https://www.schuldenberatung.at/downloads/infodatenbank/schuldenreport/asb_Schuldenreport2020.pdf?m=1587454366&

	Diagnosis	Treatment
NGOs, Charities, other social organisations	40%	60%
Consumer organisations	32%	68%
Private	13%	87%
Total	42%	58%

Source: Online survey

Applying those shares to the hours per case spent, the hours per type of services is shown in the table below.

Table 21: Working hours for debt advice, per case and type of service

Average		Simple		Intermediate		Complex	
Diagnostic	Treatment	Diagnostic	Treatment	Diagnostic	Treatment	Diagnostic	Treatment
1.26	1.74	0.42	0.58	8.4	11.6	21	29

Source: Online survey

In order to arrive at a monetary estimate on the total costs of advice, there are two methodologies which can be applied:

I. The budget allocated to advisory services[102]; and

II. The labour-cost per hour index of a worker in the NACE Rev.2 "*Human health and social work activities*"[103]

Both aspects bring some benefits and limitations to the accuracy of the overall cost estimations, which are briefly discussed in the following paragraph.

With regards to the proxy "*budget allocated per service*", although being more robust in capturing the reality of the costs, it presents a main shortcoming in terms of availability and comparability. The total budget allocated by public authorities to debt advice services are often not recorded in Member States. Nevertheless, when these detailed budget data are reported, they can be deemed robust data, which applies in particular to Austria, Estonia, Ireland and the UK. In countries where consumer organisations and NGOs/Charities provide debt advice, the level of detail of the budgets allocated decrease and data becomes scarcer. Often, there are overall attributions of funding to consumer organisations, for example. An additional difficulty identifying the overall funding for debt advice with these two latter service providers is that there are many different organisations providing advice and the possibility of identifying them all, adjusting for their size and importance and having the relevant budget data available becomes minimal. In addition, by using the budget as proxy to overall costs for advice, we would have to assume the case of "no profits", meaning that all the resources received are spent throughout the year to cover costs. An example of this complexity is the UK, where debt advice services are well established and have a long-standing experience, as shown in the box below.

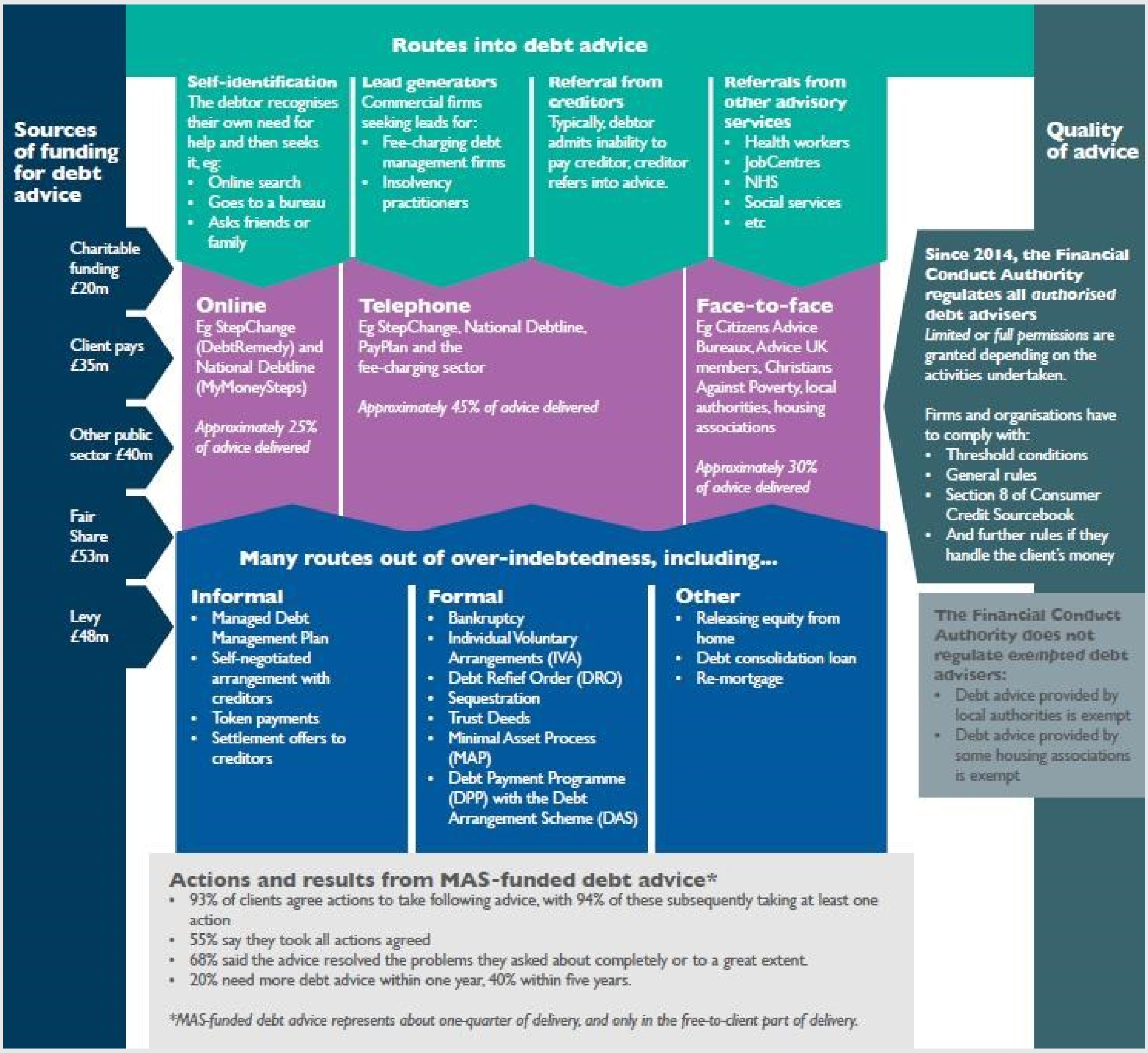
Box 1: UK example of cost of advice

The UK has a hybrid system operating with Charities and private companies. In particular, the main debt advice providers are the Citizens Advice Bureaux (CAB), a network of independent charities offering free and confidential advice online and face-

[102] Expert contributions by the ECDN in collaboration with the Danish Den Sociale Gældsrådgivning

[103] Eurostat lc_lci_lev. Available at: https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

to-face, and StepChange, a charity providing help services online. Both are mainly funded by the national and regional government(s) through funds and grants, the Money Advice Service (MAS) and other fundraising activities.[104] These advice services operate through three channels, namely online (about 25%), per telephone (45%) and face-to-face (ca. 30%). The schematic below summarises the main provision of advice in the UK, based on data from the MAS - Money Advice Service.



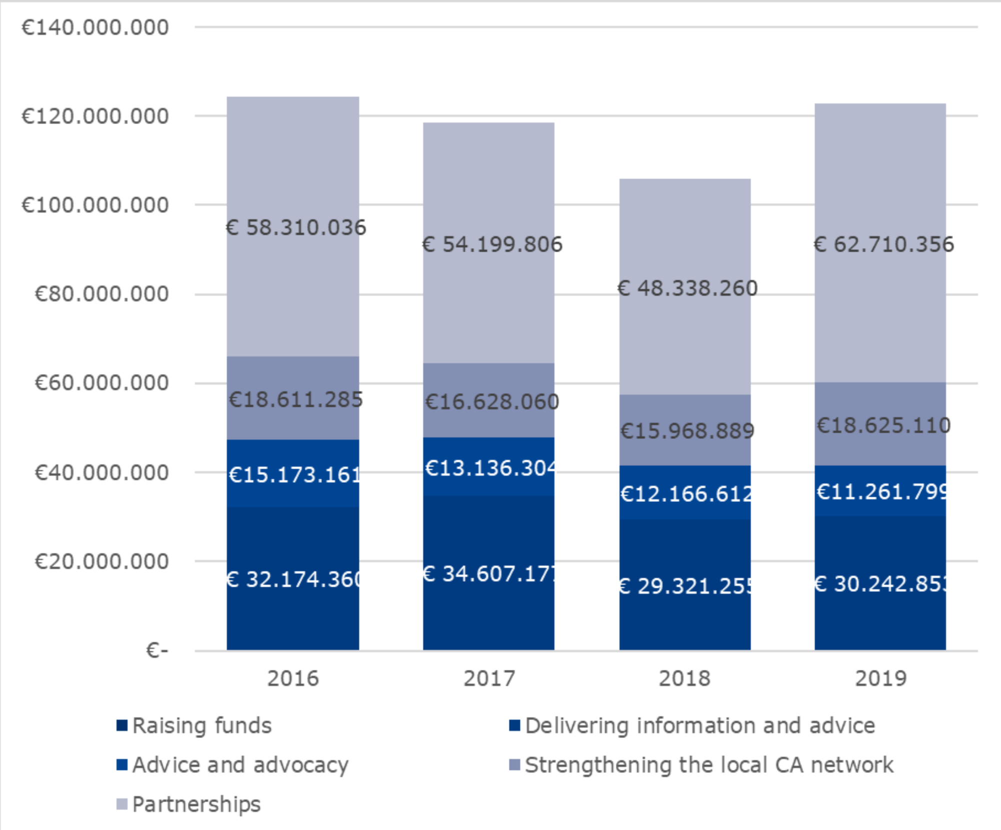
Source: Wyman, P. (2018). Independent review of the funding of debt advice in England, Wales, Scotland, and Northern Ireland, p. 13.

As shown in the schematic above, there are various organisations that provide debt advice services. Given the restricted time and the efforts that would be needed to collect all annual reports of each of these organisations in order to calculate all the budget allocated to debt advice and the costs (expenses), only the main provider was accessed for information. The total costs of advice, based on the MAS 2017, was EUR 228 million. When looking into the CAB (Citizen's Advice Bureaux), they also provide insights into the costs of advice by main type of activity.

[104]Source: Eurofound (2020). Non-published country reports on debt advice in the UK for Eurofound.

Figure 14: Total cost of advice, MAS 2017

Figure 15: Expenditure per activity and year, CAB



Of this expenditure, about 25% is direct staff costs, followed by 13% other direct costs, the provision of grants (47%) and support costs (15%). Support costs include expenses for premises and facilities management, finance, IT, and Communications department.

The second option for monetising the cost of providing debt advice is an extrapolation of a cost estimation based on a general labour cost indicator as provided by Eurostat. Although it may not fully depict the total costs borne by the different institutions (i.e. overheads are not included), the main strength of applying this estimation is the comparability it brings across countries. In order to provide a robust estimation of the costs, and on funding needs for debt advice across Europe and all countries, this comparability becomes indispensable. Comparability in this case is ensured, as labour cost differences across countries are adjusted in the available statistics provided by

Eurostat. Here, the indicator "Labour cost levels by NACE rev.2 activity" [lc_lci_lev][105] may be applied to the working hours per advice case, this way identifying the costs per working hour for debt advice while accounting for the country-specific economic context. Given that debt advice is, when available in the country, delivered by the public sector or the social sector (i.e. NGOs), the sector selected within NACE Rev.2 for the scope of this study is the "*Human health and social work activities*"[106]. The labour costs for EU-27 Member States and the UK are shown in the table below.

Table 22: Labour Cost Index (LCI)[107] by country, 2012 and 2016-2019, in Euros

GEO/TIME	2012	2016	2017	2018	2019
Austria	28.00 €	31.40 €	31.90 €	32.90 €	34.20 €
Belgium	30.50 €	30.50 €	30.90 €	31.20 €	31.60 €
Bulgaria	3.50 €	4.60 €	5.00 €	5.40 €	6.00 €
Croatia	10.30 €	10.30 €	10.90 €	11.40 €	11.80 €
Cyprus	:	:	:	:	:
Czechia	9.60 €	10.10 €	11.40 €	12.80 €	13.80 €
Denmark	34.60 €	36.60 €	39.40 €	40.10 €	40.80 €
Estonia	7.90 €	10.50 €	11.00 €	11.90 €	13.10 €
Finland	28.50 €	30.00 €	29.10 €	29.20 €	30.30 €
France	29.30 €	29.70 €	:	:	:
Germany	26.60 €	29.20 €	30.20 €	31.00 €	32.20 €
Greece	13.80 €	12.10 €	11.40 €	12.20 €	12.10 €
Hungary	4.70 €	4.40 €	5.30 €	6.00 €	6.70 €
Ireland	32.00 €	31.10 €	31.60 €	32.10 €	33.20 €
Italy	28.30 €	28.30 €	28.30 €	28.80 €	29.30 €
Latvia	5.20 €	6.60 €	7.00 €	8.50 €	9.80 €
Lithuania	5.70 €	7.00 €	7.60 €	8.70 €	9.80 €
Luxembourg	37.50 €	38.50 €	40.60 €	42.60 €	43.40 €
Malta	:	16.30 €	16.60 €	16.00 €	17.10 €
Netherlands	31.60 €	36.10 €	36.70 €	37.30 €	:
Poland	7.00 €	7.70 €	8.50 €	9.30 €	10.10 €
Portugal	12.30 €	13.10 €	13.70 €	13.50 €	13.90 €
Romania	3.70 €	5.70 €	7.40 €	9.40 €	10.30 €
Slovakia	8.30 €	10.20 €	10.70 €	11.60 €	12.70 €
Slovenia	16.20 €	16.70 €	17.40 €	18.00 €	18.90 €
Spain	22.30 €	23.20 €	23.20 €	23.20 €	24.10 €
Sweden	34.50 €	33.80 €	34.20 €	33.30 €	33.20 €
United Kingdom	25.30 €	27.90 €	26.80 €	27.70 €	28.70 €

Source: Eurostat lc_lci_lev. https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do
Notes: : data not available

[105] https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

[106] https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lc_lci_lev&lang=en

[107] According to Eurostat, "the data covered in the LCI collection relate to total average hourly labour costs and to the labour cost categories "wages and salaries" and "employers' social security contributions plus taxes paid minus subsidies received by the employer"". Available at: https://ec.europa.eu/eurostat/cache/metadata/en/lc_lci_lev_esms.htm

By applying the labour cost indicator from Eurostat to the working hours for debt advice, it is possible to provide a "*debt advice cost per hour (simple case), by advice case and by country*" according to the complexity of the case. This means that the LCI was multiplied by the number of hours needed per case complexity. Thus, the table below shows the cost per case (one individual).

Table 23: Labour cost by country and debt advice case, 2019

GEO/INTENSITY	Average	Simple	Intermediate	Complex
Austria	103 €	34 €	684 €	1,710 €
Belgium	95 €	32 €	632 €	1,580 €
Bulgaria	18 €	6 €	120 €	300 €
Croatia	35 €	12 €	236 €	590 €
Cyprus***	*36 €*	*12 €*	*242 €*	*605 €*
Czechia	41 €	14 €	276 €	690 €
Denmark	122 €	41 €	816 €	2,040 €
Estonia	39 €	13 €	262 €	655 €
Finland	91 €	30 €	606 €	1,515 €
France*	89 €	30 €	594 €	1,485 €
Germany	97 €	32 €	644 €	1,610 €
Greece	36 €	12 €	242 €	605 €
Hungary	20 €	7 €	134 €	335 €
Ireland	100 €	33 €	664 €	1,660 €
Italy	88 €	29 €	586 €	1,465 €
Latvia	29 €	10 €	196 €	490 €
Lithuania	29 €	10 €	196 €	490 €
Luxembourg	130 €	43 €	868 €	2,170 €
Malta	51 €	17 €	342 €	855 €
Netherlands**	112 €	37 €	746 €	1,865 €
Poland	30 €	10 €	202 €	505 €
Portugal	42 €	14 €	278 €	695 €
Romania	31 €	10 €	206 €	515 €
Slovakia	38 €	13 €	254 €	635 €
Slovenia	57 €	19 €	378 €	945 €
Spain	72 €	24 €	482 €	1,205 €
Sweden	100 €	33 €	664 €	1,660 €
United Kingdom	86 €	29 €	574 €	1,435 €
TOTAL	**66 €**	**22 €**	**440 €**	**1,100 €**

* Data from 2016; ** Data from 2018; *** as data for Cyprus are not available, estimates from Greece were used instead
Source: Eurostat

Applying these costs to the total number of households in arrears in 2019 (see Table 11), so to have an understanding of the overall costs that would apply in the case that not only persons with unmanageable debts receive advice but also for households that might eventually become over-indebted, the total average costs for the EU27 and UK would be EUR 2 billion, while the total costs if all the households in arrears were complex cases, would reach EUR 34 billion. In order to adjust to the total costs in the EU only (EU27), the costs for all households in arrears falling under the "average case" category would reach EUR 1 billion, while if all households in arrears would fall under a "complex case" category, the total costs would reach EUR 16.9 billion. It is important to note, that not all households in arrears would require debt advice services and that the majority of advice cases are considered to be "simple", following experts' insights indicated earlier in this report as well.

The table below shows the split of total costs by country and case intensity if all households in arrears were situated in each category of intensity.

Table 24: Total costs of advice per case intensity

GEO/INTENSITY	Average	Simple	Intermediate	Complex
Austria	€17,491,007	€5,773,730	€116,153,870	€290,384,676
Belgium	€25,470,564	€8,579,558	€169,446,278	€423,615,696
Bulgaria	€14,189,697	€4,729,899	€94,597,980	€236,494,950
Croatia	€8,139,607	€2,790,722	€54,884,207	€137,210,518
Cyprus	€2,223,742	€741,247	€14,948,485	€37,371,213
Czechia	€5,537,034	€1,890,694	€37,273,690	€93,184,224
Denmark	€21,451,882	€7,209,239	€143,481,442	€358,703,604
Estonia	€2,053,643	€684,548	€13,796,265	€34,490,663
Finland	€25,925,582	€8,546,895	€172,647,279	€431,618,198
France	€224,054,972	€75,524,148	€1,495,378,130	€3,738,445,326
Germany	€150,757,031	€49,734,278	€1,000,902,353	€2,502,255,882
Greece	€66,322,800	€22,107,600	€445,836,600	€1,114,591,500
Hungary	€9,238,208	€3,233,373	€61,895,994	€154,739,984
Ireland	€20,630,400	€6,808,032	€136,985,856	€342,464,640
Italy	€136,888,224	€45,110,892	€911,551,128	€2,278,877,820
Latvia	€2,485,712	€857,142	€16,799,983	€41,999,958
Lithuania	€3,111,137	€1,072,806	€21,026,998	€52,567,494
Luxembourg	€945,360	€312,696	€6,312,096	€15,780,240
Malta	€800,374	€266,791	€5,367,211	€13,418,028
Netherlands	€35,490,560	€11,724,560	€236,392,480	€590,981,200
Poland	€32,973,438	€10,991,146	€222,021,149	€555,052,873
Portugal	€10,104,772	€3,368,257	€66,883,964	€167,209,911
Romania	€35,831,734	€11,558,624	€238,107,654	€595,269,136
Slovakia	€7,346,183	€2,513,168	€49,103,432	€122,758,581
Slovenia	€6,290,064	€2,096,688	€41,713,056	€104,282,640
Spain	€125,753,501	€41,917,834	€841,849,825	€2,104,624,562
Sweden	€24,645,860	€8,133,134	€163,648,510	€409,121,276
Total EU-27	**€1,016,850,888**	**€338,950,296**	**€6,779,005,917**	**€16,947,514,792**
United Kingdom	€1,020,794,097	€344,221,265	€6,813,207,111	€17,033,017,778
TOTAL	**€2,038,831,954**	**€679,610,651**	**€13,592,213,028**	**€33,980,532,570**

4.2 Benefits of advice

The key finding of the Debt Advice Stakeholder Forum held by the European Commission in 2018[108] is that debt advice "*benefits all involved actors as it is a powerful tool to help over-indebted people who face an unsustainable debt burden and economic distress…*". Over-indebtedness has a number of impacts on the individual, as has been shown earlier in this report. These negative impacts can scale up to national level, which then may generate costs, the costs of over-indebtedness. The overall underlying idea of the benefits of providing free-of charge and quality debt advice lies in the potential to decrease the costs of over-indebtedness through various layers. The main reasoning followed by most countries is that debt advice generally leads to a decrease of debt levels while generating an increase of quality of life of the debtor taking advice.[109]

With regards to the benefits of the debt advice, clients include the ability of debtors to find a new or keep their job or the improvement of their psychological and physical health and wellbeing. According to a study by Europe Economics (2016), these can scale up from the individual to the overall society through the mitigation of expenditures including those related to healthcare and an increased credit repayment amount.[110] Overall, the study (Clifford et al. (2014) p.11) analyses 12 main impact areas of debt advice and in order to identify the effects of debt advice[111]. It follows a counterfactual approach by surveying an advised group and an unadvised group, both of which were comprised by individuals classified as over-indebted. Where possible, the impacts were quantified through the expected costs of over-indebtedness that debt advice might help avoid or defer:

- **Improved mental and physical health**: debt advice has proven to be socially beneficial through improving the quality of life of those who access these services. For instance, leaving non-mortgage debt was linked to improvement of +0.35 for quality of life index and decrease of -0.06 for depressive symptoms. Debt advice has beneficial impacts upon the incidence of depression, anxiety and panic attacks, which in turn decreases the costs of healthcare system through avoidance of psychological or psychiatric treatments amongst others;
- **Improved productivity:** financial distress often leads to lower productivity such as through absenteeism or presenteeism-based effects. While the effects of resolving financial difficulties on the recovery of productivity is less clear, an improvement of well-being due to debt advice potentially contributing to an increase in productivity;
- **Impact on creditor recovery:** It is estimated that debt advice can have a positive impact on creditors by improving the recovery rate and lowering the costs for debt collection. The full impact and relationship of debt advice on benefits to the creditor are however less clear;
- **Impact on risk of further debt cycles:** Debt advice is found to reduce the risk of debtors to enter further debt cycles but might only defer debt recycling rather than prevent it. Given the comparably long timeframe necessary to quantify this impact, a full estimation is not possible;

[108] European Commission (2018). First Stakeholder Forum on Debt Advice. Available at: https://ec.europa.eu/info/sites/info/files/conclusionsdebt_advice_forum_.pdf

[109] See for example Berden, C., & Kok, L. (2011). Kosten en baten van welzijn en maatschappelijke dienstverlening.

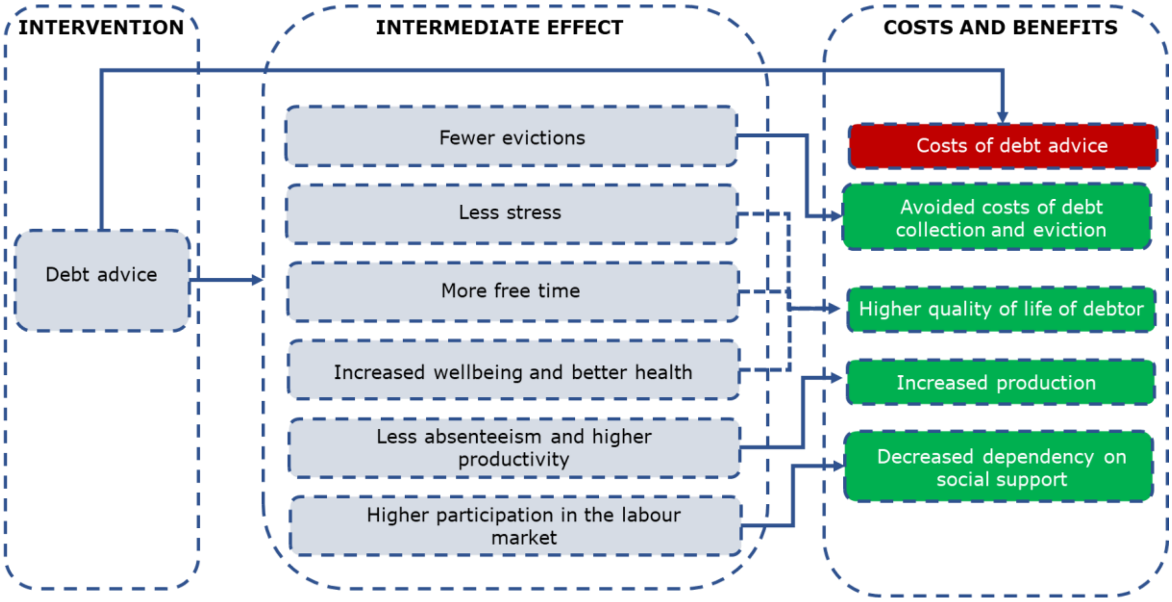
[110] Europe Economics for the Money Advice Service (2018). The Economic Impact of Debt Advice. Available at: https://www.moneyadviceservice.org.uk/en/corporate/economicimpactdebtadvice

[111] No effects were identified with regards to debt advice delaying entry into elderly care homes, the link between over-indebtedness and petty or desperation crime and the impacts of advice on benefits with regards to credit cycle is weak but the effects on employment are identified as plausible.

- **Benefits for small businesses**: Self-employment is commonly linked to personal funding and debt advice increases wellbeing for its owners, as well as business continuity, though evidence is scarce;
- **Improvements in family relationships:** Literature has shown a link between financial difficulties and relationship breakdowns, though empirical and quantitative evidence of how debt advice helps to resolve relationship difficulties is overall less available;
- **Impacts on experiencing homelessness:** Unmanageable debt often increases the chance of losing their homes, either directly through repossession or indirectly through unexpected loss of income leading to a lack of resources to cover expenses. Here, the direct effects of debt advice are difficult to isolate from other factors; and
- **Impacts on credit access:** While debt advice could lead to an initial negative impact of a reduction of a credit score compared to those who do not receive advice, it might lead to an improved post-advice recovery, which is why an estimation of the impacts was not possible.

A summary of the potential effects of debt advice and its costs and benefits is shown in the figure below.

***Figure 16: Effects of debt advice*[112]**



Source: SEO Economisch Onderzoek (2011), p.34

Looking at the improvement of mental and physical health, among 20 EU countries an increase of 0.54% in completed suicides for every 1% increase in indebtedness was observed. A survey of 1,546 debt advice clients resulted in 47% indicating that they had visited a General Practitioner (GP) as result of their debt. 5% of respondents indicated that the debt had led them to a hospital accident and emergency departments and 7% to other departments. 71% of survey respondents reported experiencing insomnia, 70% low energy and 66% headaches. Without interventions, up to two-thirds of people with unmanageable debt problems still face health problems 12 months later. [113]

[112] SEO Economisch Onderzoek (2011). Kosten en baten van welzijn en maatschappelijke dienstverlening.
[113] Tinella, M., McDaid, D., Knapp, M., & Guy, D. (2019). Providing debt advice: Economic evidence.

There is evidence that debt advice can, both directly and indirectly, contribute to better mental health. Debt advice can indirectly benefit clients by reducing their debt by negotiating with creditors, budgeting assistance and restructuring debt, and thus lessening the negative consequences of over-indebtedness on mental health.[114] However, debt advice can also more directly impact the psychological aspects of over-indebtedness. For example, Seleneko & Batinic (2011) show that the connection between over-indebtedness and psychological distress is mediated by the client's subjective perception of financial strain. This means that debt counselling can improve the mental health of clients, not just by directly managing their debt situation, but also indirectly by improving their own perception of their financial situation. Clients feel more at ease and less pessimistic about their debt problem, when speaking with a debt counsellor. Similar results are reported by Atfield (2018), stating that receiving debt advice was rated very positively by over-indebted individuals, even in those cases where debt advice did not reduce the debt itself. This is because debt advice procedures provided comfort, as a form of psychological support. In other words, the utility of debt advice services lies not only in the result, but the debt advice process itself. Andelic (2019a; 2019b) finds that non-verbal cues and positive emotional signals lead to positive outcomes in communication, especially when the topic is as personal as debt problems. Face-to-face advice where counsellors deliberately display empathy and signs of listening elicit more positive responses from those who receive the advice. Among the most comprehensive research into the role debt advice can play in mitigating negative psychological and mental health impacts of over-indebtedness is located in the United Kingdom. In their 10-year longitudinal study of clients of debt advice services, Atfield et al (2015:11)[115] emphasised the important role played by advice services, beyond their capacity to deal with debts, in providing debtors with "someone to talk to about their problems" in a situation that is profoundly isolating and shameful. Based upon interviews with debt advisers in Denmark, Rambøl (2020: 29) similarly emphasises the value for debtors of having a trusted figure to open and assess correspondence with creditors that they have been too anxious to open. For Atfield et al (2015: 11), this capacity of debt advice services to mitigate psychological impacts relies upon their ability to provide 'holistic' debt advice, where debt issues can be addressed alongside "health and well-being concerns".

Following the potential impacts of over-indebtedness on individuals and households, debt advice services have also shown to improve productivity and employment, personal relationships and child welfare, amongst others. Other reports found that debt advice can also support debtors in keeping their homes and remain an active member of the economy, considering that costs of debt advice are estimated to be lower than expenditure for support to people who have lost their homes.[116]

A study conducted by the Swedish Consumer Agency with debt advice participants in 2014 showed that most participants found the services to have been of great significance for helping to manage their financial situation and improving their self-esteem. According to the participants, the services had also helped them cope or decrease their feeling of hopelessness and they stated that it has had a significant impact on the success of the debt reconstruction.[117] This is the same tendency found in other studies, such as a report by IFF Research (2012) which identified that advice seekers thought that the solutions had helped them to decrease their debt levels to

[114] Turunen, E. & Hiilamo H. (2014) "Health effects of indebtedness: a systematic review", BMC Public Health, Vol. 14, No. 1, p. 489.

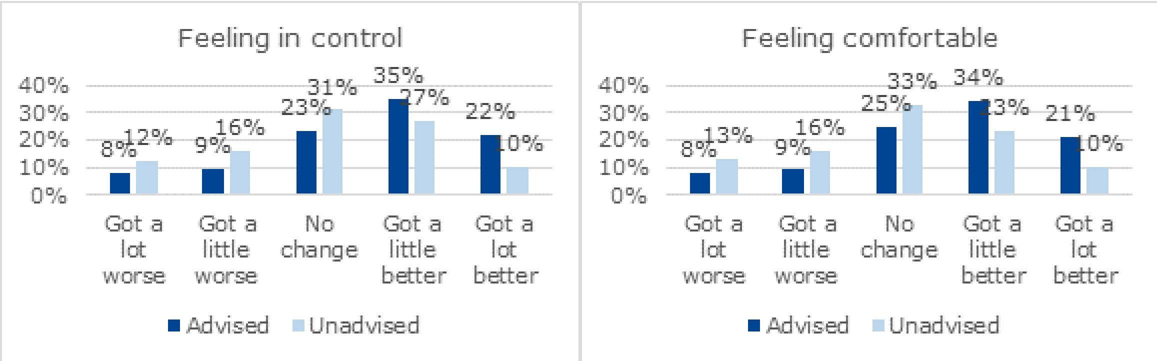
[115] Atfield, G., Robert Lindley and Michael Orton (2016) "Living with debt after advice: A longitudinal study of people on low incomes. York: Friends Provident Foundation. Available from https://warwick.ac.uk/fac/soc/ier/publications/2016/atfield_et_al_2016_fp.pdf. Accessed 31/10/2020

[116] Habitat for Humanity (2015). Thoughts about the abolition of the debt advice services. Available at: https://habitat.hu/blog/2015/02/gondolatok-az-adossagkezelesi-szolgaltatas-megszuntetesevel-kapcsolatban-3/

[117] Konsumentverket (2014). Är skuldsanering rehabiliterande? Available at: https://www.konsumentverket.se/globalassets/publikationer/produkter-och-tjanster/bus-och-kvl/rapport-2014-12-ar-skuldsanering-rehabiliterande-konsumentverket.pdf

some degree (71%) or a lot (28%).[118] Another study in Spain showed that 71% of debtors consulted believed that the services had empowered them when they negotiated with creditors and 52% indicated that the advice calmed them down.[119] Feeling in control of and feeling comfortable with the financial situation was also surveyed in the Europe Economics (2018) study, comparing individuals that were advised to those that were not. The results are presented in the figures below.

Figure 17: Feelings with regards to the financial situation of over-indebted individuals

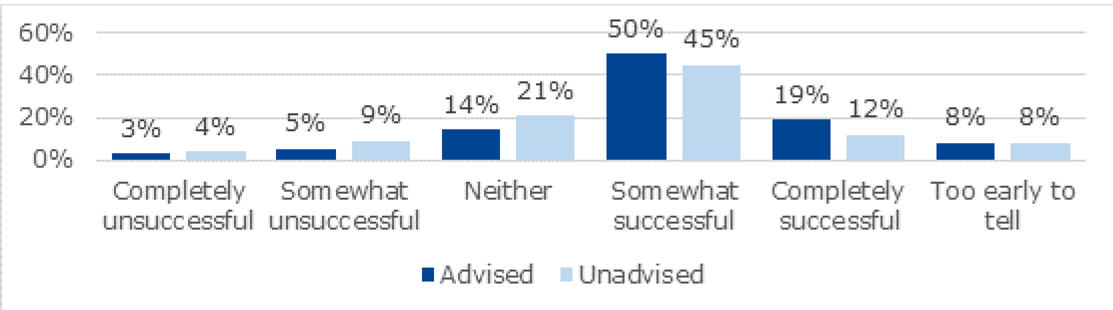


Source: Europe Economics (2018), p.25

There is a similar tendency when looking into the results of the interviews conducted for this study. Across most countries, providers of debt advice considered the perception of the people that received advice to be very positive, for example due to the neutral position of the debt advisor[120] or the natural role of an advisor not forcing certain actions but suggesting solutions[121]. The main gap to this positive view is the general level of stigma associated with experiencing financial problems and the resulting shame to accessing the support services. Once they have been accessed, debtors indicated to be satisfied with the services.[122]

Looking into the success of actions taken to solve debt problems, the study conducted by Europe Economics in 2018 also identified differences between over-indebted survey participants that were advised, compared to those that were not advised, as shown in the figure below.

Figure 18: Success of debt advice



Source: Europe Economics (2018) analysis, p. 24

[118] IFF Research (2012). Research Report: User needs from debt advice - Indvidual and Stakeholder Views. Prepared for Money Advice Service

[119] Ceballos Pena, D. (2013). Foreclosure mediation: a new phenomenon of coping with conflicts in an environment of social crisis. Available at: https://revistademediacion.com/en/articulos/foreclosure-mediation-a-new-phenomenon-of-coping-with-conflicts-in-an-environment-of-social-crisis/

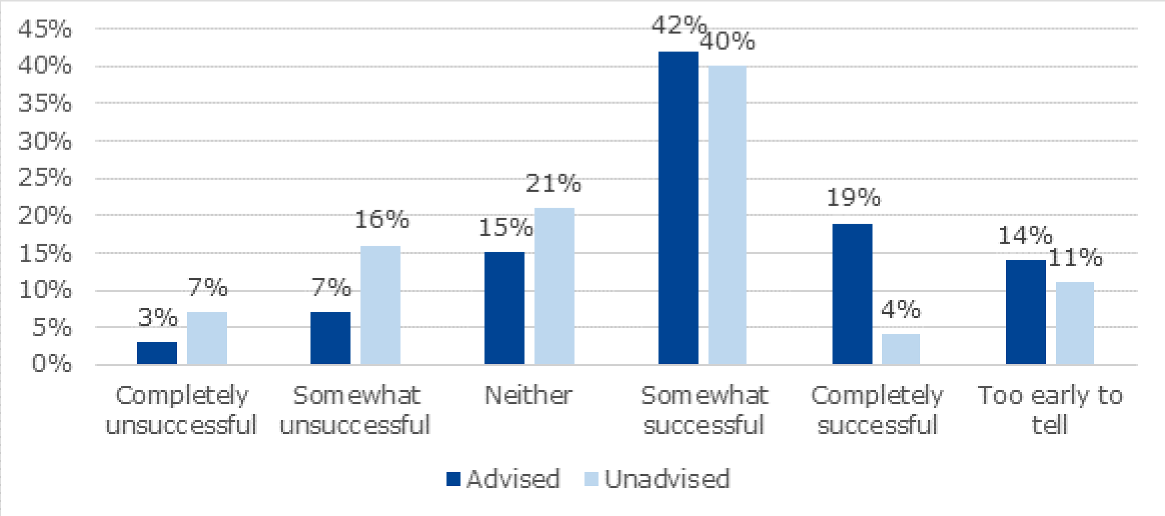
[120] Interview with an NGO in Slovenia

[121] Interview with a debt advisor in Sweden

[122] For example indicated in an interview by a Consumer organisation in Portugal

The difference between the success ratio increases when looking only at the group of over-indebted individuals where the debt-to-income ratio is above 1 is shown in the figure below.

Figure 19: Success of debt advice when debt-to-income ratio is greater than 1



Source: Europe Economics (2018), p. 25

There are a few studies at national level which attempted to quantify/monetise the benefits of free-of-charge debt advice. These studies measure or quantify the benefits of debt advice provision through a reduction of the costs borne by the government that result from the negative impacts of over-indebtedness. The box below provides insights into these countries' estimations.

AUSTRIA

In Austria, financial and economic benefits of debt advice services were estimated at EUR 5.30 return on investment for every EUR 1 spent. Other benefits are expected for creditors, as debt advice services have competent and reliable consultants that facilitate the communication between the debtors, creditors, and courts. Creditors may experience considerable times savings in obtaining information on the overall situation of the debtors and the probability of achieving and appropriate repayment rate increases.[123] The study showed the benefits brought to different sectors and actors. In order to understand the potential benefits or return on investment also for other countries, the table below shows the estimated benefits for Austria and the shares across the various sectors.

Table 25: Benefits generated through debt advice services per sector[124]

	EUR	%
Clients	36,000,000	63
Social institutions	540,000	1
Creditors	180,000	0.3

[123] ASB Schuldenberatungen GmbH (2020). 14. Österreichischer Schuldenreport (14th Austrian Debt Report). Available at: https://www.schuldenberatung.at/downloads/infodatenbank/schuldenreport/asb_Schuldenreport2020.pdf?m=1587454366&

[124] ASB Schuldenberatungen GmbH (2013). Studie zum gesellschaftlichen und ökonomischen Nutzen der Schuldenberatungen (Study on the societal and economic utility of debt advisory services). Available at: https://www.schuldenberatung.at/downloads/fachpublikum/asb_SROI_Analyse_Zusammenfassung_EndV.pdf?m=1371019248&

Employee provision funds	15,000,000	26
Public funds	2,700,000	5
Employers	2,700,000	5
District courts	100,000	0.2
TOTAL	**57,220,000**	**100**

GERMANY

A study in Germany conducted by the German Institute for Social Economy (Deutsches Institut für Sozialwirtschaft – DISW) (2017)[125] estimated the Return on Investment of publicly funded debt advice services across four benefit characteristics.

- Characteristic 1: Of the 20% employable advice seekers, 25% would have experienced a job loss without social debt advice;
- Characteristic 2: 0.56% of the debt advice seekers were dependent on unemployment benefits and were expected to be included again to the labour market throughout the procedure;
- Characteristic 3: for 4.5% of advice seekers that are unemployed the probability of integration to the labour market increases in the long-term, no short-term benefits were monetised;
- Characteristic 4: an estimated 175 debt advice seekers achieve an out-of court agreement, saving the costs of insolvency proceedings.

Following these benefits of advice and saved costs due to these effects, the study identified a return on investment of up to 200% or in other words, for every EUR 1 invested in social debt advice services a return of EUR 2.

NETHERLANDS

There are several cost-benefit analyses of the provision of debt advice conducted in the Netherlands. They mostly build on the theoretical basis of the effects of over-indebtedness and the avoided social costs achieved through debt advice, as visualised before. These cost-benefit analyses range from municipality level[126], an overall level per inhabitant[127] and based on a fictional region by generating different scenarios of number of clients reached[128].

In order to compare to the other countries' analyses, the ratio between the costs spent on debt advice and the resulting return or investment is calculated using the study by Integraal Inwonersbeleid en Processen (2009). In this study, the estimated costs per year are EUR 1,466,500 while the overall benefits per year range from EUR 2,091,962 to EUR 2,881,482.

Adjusting this, per EUR 1 invested there is an expected benefit of EUR 1.4 to EUR 2.

UNITED KINGDOM

In the UK, a study by Europe Economics in 2018 (pp.2-32) showed that if all impacts of over-indebtedness and all the quantifiable effects of debt advice are taken into account, "*combing these impacts with estimates of the healthcare system costs of treating these conditions and the scale of the advised over-indebted population*

[125] Langer, A. u.a. (2017) Bericht zum Forschungsvorhaben Herausforderungen moderner Schuldnerberatung, 52 f.

[126] Regioplan (2011). Maatschappelijk rendement van vrijwilligersprojecten in de schuldhulpverlening.

[127] Integraal Inwonersbeleid en Processen, afdeling BIS (2009). Het topje van de ijsberg: Maatschappelijke kosten-batenanalyse schuldhulpverlening Spijkenisse.

[128] Dutch Ministry of Social and Labour Affairs (2011). Kosten en baten van schuldhulpverlening.

indicate that the benefit in terms of reduced mental health care costs due to debt advice is between £50 and £93 million per annum. (...) We estimate that avoiding an episode related to depression or anxiety would have a QALY impact of £600–£800 per person. This equates to £24–£52 million per annum of additional social benefit. (...) The estimated present value of the benefit per debt management plan (DMP) is £2,020–£3,670 and in an insolvency solution is £1,760–£2,610 (being both the additional recovery of debts by creditors and also savings in the cost of recovery). We used these data to estimate that the per annum benefit associated with receiving debt advice is around £268–£596 million per annum in additional creditor recovery and reduced costs."[129] Furthermore, the studies identify an overall benefit of GBP 2.6 for every GBP 1 spent on face-to-face debt advice[130], while when accounting for the likelihood of people with debt problems to develop mental health issues being 33% higher than for those without debt problems, the total return on investment (ROI) reaches GBP 4.41 [EUR 4.9] for every GBP 1 [EUR 1.1] invested[131]. However, not only does debt advice relate to savings for the state expenditures, but debt advice clients also report an improvement of health (41% of surveyed clients) and a reduction of stress (67% of clients surveyed).[132]

Considering these country examples, it becomes clear that the real benefits of debt advice depend mainly on the social costs of over-indebtedness avoided. Similar to the cost estimation, a country comparison based on the various sub-categories of potential benefits, or avoided costs, would require further research into the different costs in each country (i.e. health care costs) which are also tied to the specificities of each country's social system[133]. However, in order to apply an estimation of the potential benefits of deploying a universally available and freely accessible system of debt advice in every country, this study uses ranges of estimated returns per EUR spent on advice (min. EUR 1.4, max. EUR 5.3). In order to compare the potential total costs of advice services to the potential benefits, the same calculation logic was applied. This means that based on the assumption that all households in arrears would represent an "averagely complex advice case", the minimum benefits would transfer to the costs multiplied by EUR 1.4 return on investment whereas the maximum benefits would imply the costs multiplied by EUR 5.3. Here it is also important to note, that this calculation was conducted on a general level so as to ensure a comparability across countries and Member States. In reality, there are differences in countries in terms of the social costs of over-indebtedness, meaning that the benefits would depend on those cost levels.

Looking into an average case, the total potential benefits of providing debt advice to all households in arrears[134] are shown in the table below.

Table 26: Potential total costs and benefits of providing debt advice to all households in arrears across Europe

GEO/INTENSITY	COSTS	BENEFITS	
		Min	**Max**
Austria	€17,491,007	€19,240,107	€92,702,336

[129] Europe Economics for the Money Advice Service (2018). The Economic Impact of Debt Advice. Available at: https://www.moneyadviceservice.org.uk/en/corporate/economicimpactdebtadvice

[130] Public Health England (2017). Commissioning cost-effective services for promotion of mental health and wellbeing and prevention of mental III-health.

[131] Tinella, M., McDaid, D., Knapp, M., & Guy, D. (2019). Providing debt advice: Economic evidence.

[132] London Economics (2012). Debt advice in the UK: Final report for The Money Advice Service

[133] For instance, there is no harmonised unemployment support system across Europe and each country applies their own approach

[134] Based on the underline assumption that no debt advice is provided in any countries (EU27 and in the UK)

GEO/INTENSITY	COSTS	BENEFITS	
Belgium	€25,470,564	€28,017,620	€134,993,989
Bulgaria	€14,189,697	€15,608,667	€75,205,394
Croatia	€8,139,607	€8,953,568	€43,139,917
Cyprus	€2,223,742	€2,446,116	€11,785,830
Czechia	€5,537,034	€6,090,737	€29,346,278
Denmark	€21,451,882	€23,597,070	€113,694,976
Estonia	€2,053,643	€2,259,007	€10,884,305
Finland	€25,925,582	€28,518,140	€137,405,582
France*	€224,054,972	€246,460,470	€1,187,491,354
Germany	€150,757,031	€165,832,735	€799,012,266
Greece	€66,322,800	€72,955,080	€351,510,840
Hungary	€9,238,208	€10,162,029	€48,962,502
Ireland	€20,630,400	€22,693,440	€109,341,120
Italy	€136,888,224	€150,577,046	€725,507,587
Latvia	€2,485,712	€2,734,283	€13,174,273
Lithuania	€3,111,137	€3,422,251	€16,489,028
Luxembourg	€945,360	€1,039,896	€5,010,408
Malta	€800,374	€880,411	€4,241,980
Netherlands	€35,490,560	€39,039,616	€188,099,968
Poland	€32,973,438	€36,270,782	€174,759,221
Portugal	€10,104,772	€11,115,249	€53,555,289
Romania	€35,831,734	€39,414,908	€189,908,192
Slovakia	€7,346,183	€8,080,801	€38,934,769
Slovenia	€6,290,064	€6,919,070	€33,337,339
Spain	€125,753,501	€138,328,851	€666,493,554
Sweden	€24,645,860	€27,110,446	€130,623,058
Total EU27	€1,003,044,209	€1,404,261,893	€5,316,134,308
United Kingdom	€1,020,794,097	€1,122,873,506	€5,410,208,713
TOTAL	**€1,815,102,736**	**€1,996,613,009**	**€9,620,044,499**

Source: VVA & CEPS calculations using the total costs of debt advice (average case of 3 hours) calculated using the labour cost indicator [Eurostat lc_lci_lev] of 2019 multiplied by 3 hours multiplied by the number of households in arrears in 2019. The benefits were calculated by multiplying the costs with EUR 1.4 for the minimum ranges and multiplied by EUR 5.3 for the maximum ranges.

One identified potential barrier between the benefits generated through debt advice and the incentives to invest has been assessed in a study in Sweden. Here, the municipalities fund debt advice services while the study has identified the overall country's healthcare and social insurance systems to benefit the most from the existence of good quality budget and debt counselling. This discrepancy of local municipalities investing in the services while the gains of the intervention only becoming clear long-term and on macro level, might decrease the incentives for the municipalities to continue providing the services.[135]

Looking at the importance of dealing with household over-indebtedness on a macrolevel, evidence shows that economic downturns are more severe when they are preceded by larger increases in household debt.[136] Indeed, the IMF study on household debt (2012) identifies that an accumulation of household debt amplifies slumps. Experiencing a shock to the borrowing capacity of debtors that force them to reduce their debt often translate to a decrease in aggregate activity, i.e. household consumption. The study also analyses policy responses to financially distressed households to mitigate aggregate effects of unsustainable household debt. One of the

[135] Konsumentverket (2011). Budgetrådgivning – en kortsiktig kommunal kostnad eller en lönsam social investering. Available at: https://www.konsumentverket.se/globalassets/publikationer/produkter-och-tjanster/bus-och-kvl/rapport-2011-11-budget-och-skuldradgivningsrapport-kortsiktig-eller-lonsam-konsumentverket.pdf

[136] International Monetary Fund (2012). Dealing with household debt (Chapter 3).

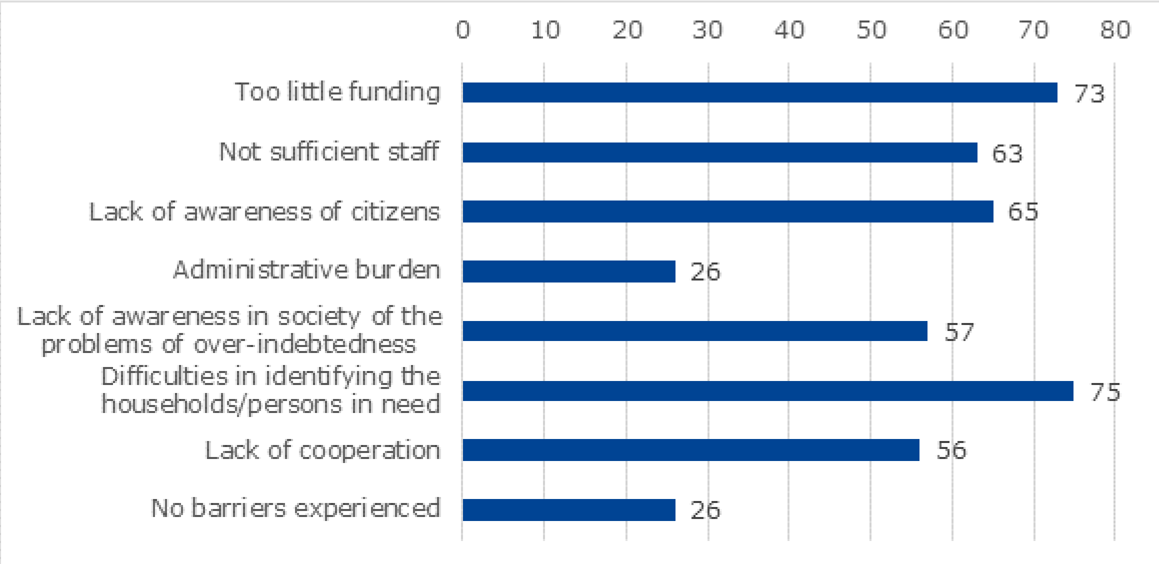
policy actions assessed is automatic support to households through a social safety net, meaning that automatic transfers to households with distressed balance sheets could reduce the risk of households to default and avoid the linked negative externalities. Another important policy action raised in the study is support for household debt restructuring (e.g. voluntary out of court household debt restructuring), that could help restore the ability of debtors to service their debt.

4.3 Funding and resources needs to close the unmet demand

The lack of sufficient funding for household debt advice has been widely acknowledged for some time. A study by Civic Consulting (2013) found that "*the need for adequate (public) funding of debt advice services in order to meet demand in a timely manner and to provide the comprehensive geographical coverage that many Member States lacked*" did not appear to have improved and continued to be a concern among stakeholders across Member States.[137] Indeed, the lack of (sufficient) funding for debt advice was also acknowledged by many of the survey respondents in this study.

For more than a quarter of respondents, budget and awareness is a problem. Awareness may be related to the budget, limiting the organisations' possibilities to increase and raise awareness. In general, few believe that there is not enough expertise. There seems to be a basis for good debt advice, only missing is the money to apply it effectively.

Figure 20: Have you experienced any barriers for you or the organisation you represent to provide (more) effective debt advice for households? [Number of responses]

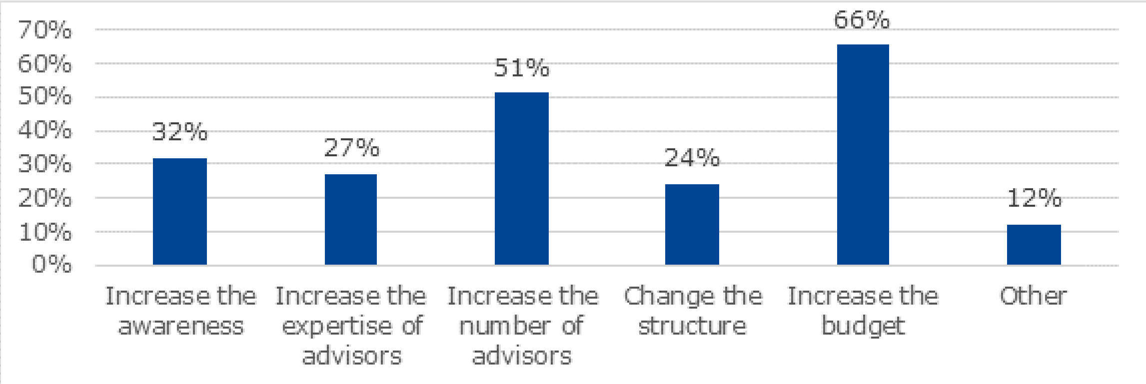


Note: results are based on 265 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

[137] Civic Consulting (2013). Over-indebtedness of European households: updated mapping of the situation, nature and causes, effects and initiatives for alleviating its impact (final report), p. 219. Available at: https://ec.europa.eu/info/sites/info/files/final-report-on-over-indebtedness-of-european-households-synthesis-of-findings_december2013_en.pdf

Linked to the previous questions, the survey respondents believe that the availability could be best improved by lowering the barriers. Therefore, most of the replies are either directly asking for more funding or are topics that are connected to funding.

Figure 21: In your opinion, what would be required to improve the availability of debt-advice for households in your country?



Note: results are based on 270 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

One of the questions this study therefore tried to answer was the size of the funding needed to cover the demand, in particular the unsatisfied demand.

Across the EU, two funding models are widely recognised. Coface summarised these two funding models for the Stakeholder Forum on Debt Advice in 2018[138]:

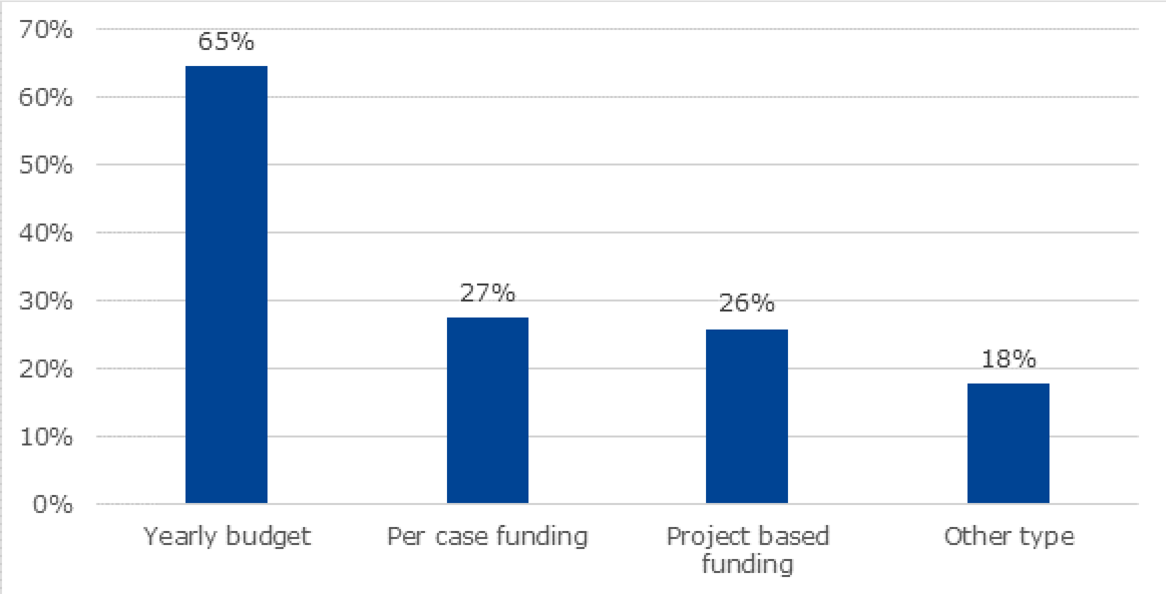
- Funded by the citizen through public funding via taxation; and
- Funded by the consumer through levies on the financial services survey and compensated for by more expensive financial products.

In this presentation, the hybrid case of the UK was presented, where some organisations receive publicly funded budget, and a share is retrieved from the amount recovered after a debt settlement was reached (about 10% of the amount recovered). For this study, the main funding model of interest is the first one, publicly funded, as for the second option a voluntary agreement by the industry would be required.

Looking into the survey responses, the same tendency can be observed. Most participating debt advice providers work with a yearly budget. The sum of the answers exceeds 100% because it is possible that organisations are using two different funding models. This question was answered by less than 25 percent of participants, that is why a split view by country or area of work is not beneficial, since some of the sup-groups would have only a few responses.

[138] Schmalzried, M. (2018). Coface presentation on "funding debt advice" for the Stakeholder Forum on Debt Advice and retrieved from the Main elements of the discussion and presentations report. Available at: https://ec.europa.eu/info/live-work-travel-eu/consumer-rights-and-complaints/consumer-financial-products-and-services/consumer-protection-financial-services_en

Figure 22: Type of financing structure

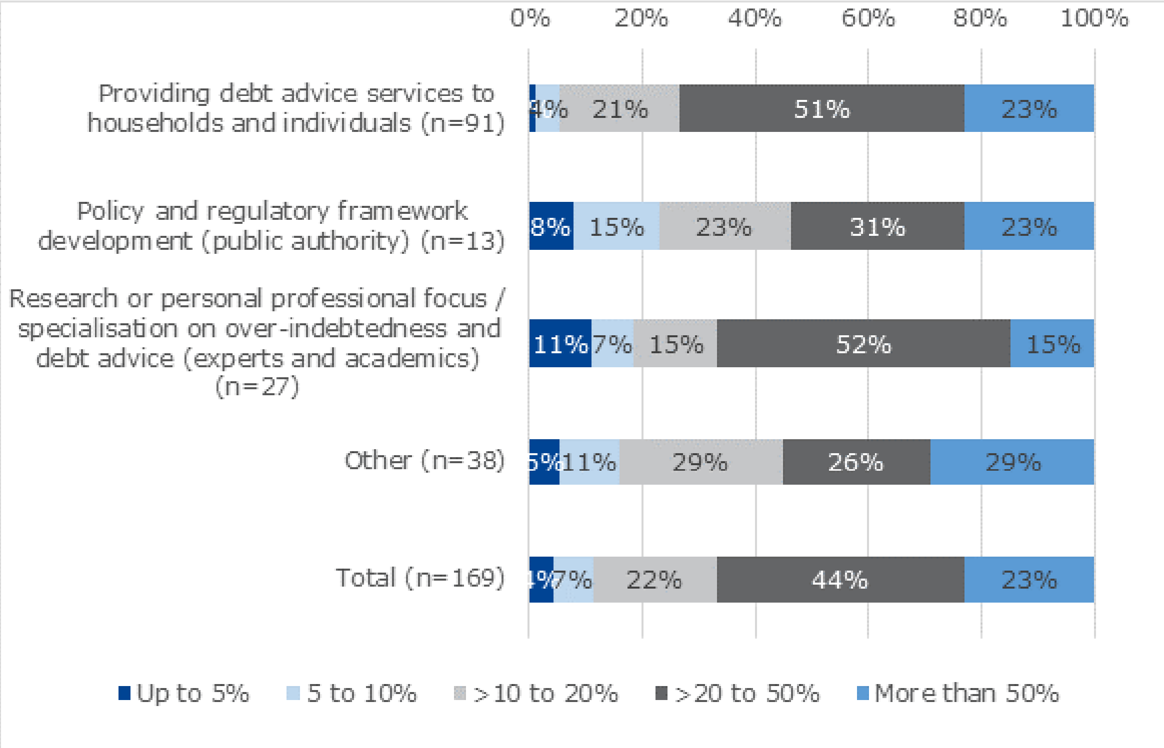


Note: results are based on 125 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

4.3.1 Ideal scenario: Funds needed to meet the demand

Looking into the increase of budget needed, almost a quarter of those survey respondents who believe debt advice needs a higher budget believe that the budget should be increased by at least 50 percent. Except for the financial service providers, the groups are very similar in their responses.

Figure 23: In your opinion, how much would the budget need to increase to improve the availability of debt advice? [By type of involvement]



Note: results are based on 169 observations.
Source: VVA & CEPS elaborations based on online survey responses

Considering the unsatisfied demand of debt service advisory which amounts to 13.964 million households in EU27 (Table 18), it has been estimated that **additional funding needed to cover the entire demand** (based on current needs and current spending in Member States) would amount to ca. **€1 billion**.

Table 27: additional funding needs to cover the unsatisfied demand of debt advice by Member State, 2019

Member State	Additional funding needs
Austria	€ 12,952,104.77
Belgium	€ 19,659,482.88
Bulgaria	€ 16,318,151.55
Croatia	€ 9,301,304.08
Cyprus	€ 2,419,813.44
Czechia	€ 5,012,544.79
Denmark	€ 23,406,964.53
Estonia	€ 2,361,688.88
Finland	€ 24,267,968.73
France	€ 242,055,805.35
Germany	€ 103,871,712.32
Greece	€ 76,271,220.00
Hungary	€ 4,548,164.30
Ireland	€ 22,767,433.96
Italy	€ 157,421,457.60

Member State	Additional funding needs
Latvia	€ 2,762,153.72
Lithuania	€ 3,577,808.01
Luxembourg	€ 1,037,530.00
Malta	€ 920,887.11
Netherlands	€ 29,331,366.40
Poland	€ 37,859,596.20
Portugal	€ 10,212,349.14
Romania	€ 41,206,494.56
Slovakia	€ 7,706,914.52
Slovenia	€ 7,354,133.16
Spain	€ 125,394,356.88
Sweden	€ 26,804,752.00
Total	**€1,016,804,158.88**

Source: VVA & CEPS calculation using the total costs of debt advice (Table 23) calculated using the labour cost indicator [Eurostat lc_lci_lev] of 2019 multiplied by 3 hours (average time spent per case) multiplied by the number of households representing the unmet demand (Table 18).

This estimate has been reached starting from the unsatisfied demand in every Member States (based on the 2019 level of arrears of households) and considering:

- The EU27 + UK average hours per case spent (Table 19);
- The labour-cost per hour index of a worker in the NACE "*Human health and social work activities*" in every Member States (Table 23);[139]
- Overheads costs, which are assumed to be 15% more to the labour costs (please refer to Box 2).[140]

Considering the data limitations, the methodology used for the funding needs provide robust estimate to describe the needs of the Member States. However, it represents an "*optimal scenario*" in which every household, representing the unmet demand of debt advice service, received an average of three hours counselling for free. In addition, the use of the *average time spent per case* provides a one-size-fit all solution that may not fully depict the complexity of the potential universe of cases.

In addition, the *average time spent per case* is based on the current services provided in the Member States, which does not capture the differences in the level of quality of the debt advice currently provided.

In fact, debt-advice can be a long-term process which often needs several meetings to collect information, to negotiate with the creditors, and also to solve social and familiar problems and to organise social welfare (electricity, shelter, food, government support, treatment of diseases, social contacts, a basic bank account etc...). In some Member States, the debt-advice might be limited to budgeting or legal advice without considering the social aspects of it.

In terms of source of funds, according to interviews conducted, private debt advice is not affordable for the majority of consumers concerned without additional financial resources. Private offers are often not adequate for the needs of over-indebted consumers and sometimes do not solve the problems but leads to an extension of the phase of over-indebtedness. There is also a certain risk, that non-independent providers do not work in the best interest of the consumers (high costs, bad settlements, no solutions that the people concerned can sustain in the long term). Even creditors, in

[139] Source: https://ec.europa.eu/eurostat/web/products-datasets/-/teilm100

[140] Based on the case study in Box 2, the overheads costs include expenses for premises and facilities management, finance, IT, and Communications department

some cases, seem to prefer judicial debt resolution and debt counselling solutions by state-recognised organisations rather than agreements by non-independent providers.[141]

4.3.2 *Other funding scenarios*

As indicated in the beginning of this chapter, the total amount of funds needed to close the unmet demand are based on a series of assumptions and harmonised level of data. **This would be the ideal scenario** where the funds are focused on a broad provision of support to all households facing potential difficulties, not only those that are already over-indebted.

The actual funding available on EU level targeted to this aspect of providing debt advice services could potentially fall under the European Social Fund (ESF).[142] The total funding amount might not reach the estimated costs or funds needed resulting from the quantification efforts based on harmonised data. Looking into potential options where the available funds might be lower than the estimated amount in this study, there are some options that could be explored.

First, targeted social projects or programmes for specific groups of vulnerable persons could be set in place and financed publicly, either though national or local level. One example of such a targeted programme is the case of Kralji Ulice in Slovenia, as presented in the box below.

Slovenia: Kralji Ulice

One of the organisations that provides debt advice and support indirectly is Kralji Ulice. This NGO, with their "Kings of the Street" programme, aims at reducing the personal, social, economic, and legal damage experienced by people experiencing homelessness, as well as empowering them.[143]

According to the interview conducted with Kralji Ulice, the programme began in 2012 with a focus on anti-eviction. First, they received funding from Switzerland and in 2013/2014 they began collaboration with the municipality of Ljubljana and the Ministry of Labour in Slovenia. Here, they received funding in order to support people living in one of the about 4,000 social flats and that are in arrears for rent payments.

They now have regular meetings with the municipality that arranges and provides those flats, whereby they receive a number of cases that experience problems in their rent payments. The organisation then meets with those people in person, support them in restructuring their budgeting but also providing social and psychological support.

With regards to the funding, this programme is fully publicly funding, receiving about 70% from the Ministry of Social Affairs and Labour in Slovenia and about 30% by the municipality of Ljubljana. The whole budget for Ljubljana was estimated at about EUR 80,000. This includes two people helping with visits. The programme was expanded to the second largest city in Slovenia, Maribor. Here, the budget was estimated at around EUR 100,000 for three people involved and many volunteers.

[141] CIVIC Consulting (2013), 222.

[142] This could be the case considering that the ESF finances the implementation of the principles from the European Pillar for Social Rights. This Pillar, under Chapter III, focuses on social protection and inclusion, including aspects of income, access to essential services and other social assistance. See for example: https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

[143] http://www.kraljiulice.org/kdo-smo/o-drustvu

Overall, the programme was considered successful in reducing the number of evictions (which could cost from EUR 5,000 to 15,000 each time) and this way contributing to a long-term reduction of homelessness.

Next to focused and targeted programmes, another potential way of supporting the implementation of debt advice with a limited budget could be to provide models for implementation of debt advice bureaus through local communities. This means that funding could be provided to those communities that wish to establish local debt advice bureaus by supporting the budget for rent for an office, two debt advisors for one year, ICT needed, etc. However, the long-term success of this option will depend on how the continuity of the incomes and the financial contributions will be guaranteed.

Third, the funding could be focussed on investing in researching and monitoring over-indebted households at the moment over the full period of debt advice, from beginning to end (about six to eight years). This could enable identifying the most successful measures and the best way to enable over-indebted people to reintegrate to a debt-free life. This could then serve as a potential starting point for selecting potential measures to implement in countries or regions where debt advice is not yet (fully) available, as to prioritise certain aspects.

A final option that would not require substantive funding could be in the area of harmonisation or sort of "standardisation". For instance, the EU could support the development of sort of standards that would enable to create a benchmark but also criteria for grants or programmes that help organisations to fulfil those standards.

Priority clustering

In order to understand potential priorities of funding, this study has developed a taxonomy of countries and a clustering of countries for the funding scenarios. One way of providing the funding support may be based on grants:", i.e. financial contributions awarded by the contracting authority to the grant beneficiary. EU grants, in particular, are funded by the EU general budget or the European Development Fund (EDF). There are two main types of EU grants:

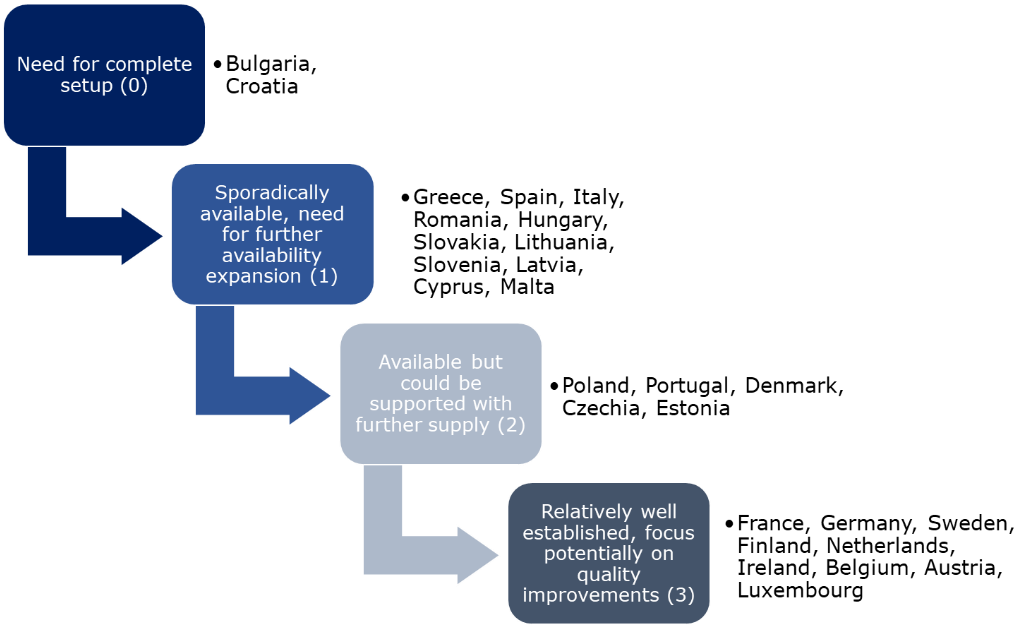
- An action grant funds a specific action intended to help achieve one of our policy objectives.
- An operation grant funds the operating costs of an organisation pursuing an objective supporting our policies."[144]

In this case, one potential way of providing the funding support could be through operation grants for organisations in the field to cover their operating costs for providing debt advice, including the costs for putting in place ex-novo new debt-advice bureaus.

First, the level of advice availability drives the needs for funding support in setting up first level of advice services. This level of availability was taken from Chapter 3 (see Figure 11), with the exception of two countries, Bulgaria and Croatia being assigned an own category as the main provision is focused on private actors. The clustering used for the scenarios is shown in the figure below.

[144] European Commission (n.d). Grants. Available at: https://ec.europa.eu/international-partnerships/grants_en

Figure 24: Clustering of countries in terms of funding priorities



Based on this clustering, the lower level of advice availability (top to bottom), the higher need for funding support (bottom to top).

However, not only the availability of advice is important to determine the different funding scenarios. Therefore, we have also clustered countries according to the number of households where demand is not satisfied. This had led to the following conclusions:

- i) Urgent: Top five priority countries where advice is not available and the size of unmet demand the highest are Bulgaria, Croatia, Greece, Spain and Italy;
- ii) Priority: Next to the urgent countries and following their level of availability and size of unmet demand are Romania, Hungary, Slovakia, Lithuania, Latvia, Slovenia, Cyprus and Malta;
- iii) Relatively well in place and future development to be observed are for Poland, Portugal, Denmark, Czechia and Estonia; and
- iv) Well established countries where the strategy could rather focus on other aspects such as quality are the countries France, Germany, Netherlands, Finland, Belgium, Sweden, Ireland, Austria and Luxembourg.

Country (EU-27)	Level of advice availability	Unsatisfied demand number
BG	0	788,317
HR	0	232,560
EL	1	1,842,300
ES	1	1,746,576
IT	1	1,555,548
RO	1	1,155,862
HU	1	198,000
SK	1	176,000
LT	1	136,135
LV	1	110,352
SI	1	83,000
CY	1	61,771
MT	1	15,694
PL	2	1,097,000
PT	2	211,000
DK	2	175,835
CZ	2	106,000
EE	2	52,658
FR	3	2,365,000
DE	3	931,000
NL	3	233,000
FI	3	232,000
BE	3	228,000
SE	3	198,000
IE	3	180,000
AT	3	109,000
LU	3	7,000

Legend	
Level of advice availability	3 = well developed
	2 = available
	1 = sporadical
	0 = need for complete set up (private only)
(yellow)	Top five priority countries
(green)	Secondary priority countries
(blue-grey)	Relatively well in place - future development to be observed
(pink)	Well established, strategy should focus on quality (e.g. training) than basic support for setting up services

Source: VVA & CEPS elaboration based on total number of households in EU 27 and UK (EU-LFS), the % of households in arrears (EU-SILC), interviews with debt advice practitioners and national sources

With regards to the size of the funds that could be required, various scenarios have been used. These are shown and explained in the sections below.

Scenario 1: Funding needs based on number of clients likely reached

Following the desk research and literature review conducted, about 6% of clients are reached on average. Applying this share to the real-life potential number of clients reached, the potential number of cases that would require attention within an initial setup of advice services becomes lower, to which the funding needs then adjust. This is helpful to have an initial understanding of a first step towards closing the demand gap. In addition, following the practice of a country where advice services are well established, the UK, about 30% of clients are face-to-face advice clients. These are then the potential clients that would come to an organisation and the advisors that could be setup supported by the funding.

Adjusting these numbers, to the potential number of households reached, as well as the average costs for an average case, the table below summarises the funding needs for Scenario 1.

Table 28: Funding needs for Scenario 1

Country (EU-27)	Level of advice availability	Unsatisfied demand number	Adjusted number of potential clients to reach (6%)	Adjusted number of potential clients to reach f2f (30%)	LCI per average case	Adjusted needs personnel
BG	0	788,317	47,299	14,190	€18	€255,415
HR	0	232,560	13,954	4,186	€35	€146,513
EL	1	1,842,300	110,538	33,161	€36	€1,193,810
ES	1	1,746,576	104,795	31,438	€72	€2,263,562
IT	1	1,555,548	93,333	28,000	€88	€2,463,988
TOTAL URGENT						**€6,323,288**
RO	1	1,155,862	69,352	20,806	€31	€644,971
HU	1	198,000	11,880	3,564	€20	€71,280
SK	1	176,000	10,560	3,168	€38	€120,384
LT	1	136,135	8,168	2,450	€29	€71,062
SI	1	110,352	6,621	1,986	€57	€113,221
LV	1	83,000	4,980	1,494	€29	€43,326
CY	1	61,771	3,706	1,112	€36	€40,028
MT	1	15,694	942	282	€51	€14,407
TOTAL PRIORITY						**€7,441,968**
PL	2	1,097,000	65,820	19,746	€30	€592,380
PT	2	211,000	12,660	3,798	€42	€159,516
DK	2	175,835	10,550	3,165	€122	€386,134
CZ	2	106,000	6,360	1,908	€41	€78,228

Country (EU-27)	Level of advice availability	Unsatisfied demand number	Adjusted number of potential clients to reach (6%)	Adjusted number of potential clients to reach f2f (30%)	LCI per average case	Adjusted needs personnel
EE	2	52,658	3,159	948	€39	€36,966
TOTAL SPORADICAL AVAILABILITY AND FUTURE DEVELOPMENT CATEGORY						**€15,018,480**
FR	3	2,365,000	141,900	42,570	€89	€3,788,730
DE	3	931,000	55,860	16,758	€97	€1,625,526
SE	3	233,000	13,980	4,194	€100	€419,400
FI	3	232,000	13,920	4,176	€91	€380,016
NL	3	228,000	13,680	4,104	€112	€459,648
IE	3	198,000	11,880	3,564	€100	€356,400
BE	3	180,000	10,800	3,240	€95	€307,800
AT	3	109,000	6,540	1,962	€103	€202,086
LU	3	7,000	420	126	€130	€16,380
TOTAL ALL COUNTRIES						**€22,574,466**

Source: VVA & CEPS elaboration based on total number of households in EU 27 and UK (EU-LFS), the % of households in arrears (EU-SILC), interviews with debt advice practitioners and national sources; and the Labour Cost Index (EU-LCI)

Scenario 2: Funding needs based on UK benchmark

Another approach followed for identifying potential funds for countries to close the demand gap and to set-up face-to-face advice, is the use of a country where advice services are well established and use the country as benchmark. Such a potential benchmarking country is the UK.

In order to identify the personnel and the other costs needed, data from the CAB are taken (see Box 1). Here, the CAB reports the costs of face-to-face advice and the share of costs per type of cost, such as personnel costs (25%) and other direct and support costs (28%). The remaining cost categories would not apply to the case of setting a first level of services (providing grants). In order to understand how much of the annual costs would apply to the other countries, two adjustments are made:

- Share of unsatisfied demand in the country, respective to the UK's unsatisfied demand, in order to adjust the respective costs to the potential pool of clients in the respective country;
- Price level indices respective to the UK, in order to adjust for macro-economic differences between the countries.

These shares are then applied to the costs for personnel and other direct and support costs for each country. The table below summarises the costs of one organisation to provide face-to-face (f2f) advice adjusted to the price levels[145] of the UK and unsatisfied demand vis-à-vis the UK, the other direct and support costs, and the total potential costs.

In order to facilitate the understanding, the main data used from the UK are the following:

- Personnel costs face-to-face advice: EUR 45,643,864
- Direct and support costs face-to-face advice: EUR 51,121,127
- Ratio direct and support costs over personnel costs: 1.12
- Price level index UK: 115.7

Applying these data to the various countries, the potential personnel costs and other direct and support costs benchmarked to the UK case are shown in the table below.Table 29: Funding needs for Scenario 2

Country (EU-27)	Level of advice availability	Unsatisfied demand number	Potential personnel costs for one organisation f2f	Potential other costs for one organisation f2f	Total needs f2f
BG	0	788,317	€6,823,519	€7,642,341	€14,465,860
HR	0	232,560	€2,515,291	€2,817,126	€5,332,418
EL	1	1,842,300	€25,080,461	€28,090,116	€53,170,577
ES	1	1,746,576	€26,749,469	€29,959,405	€56,708,875
IT	1	1,555,548	€25,503,687	€28,564,129	€54,067,816
TOTAL URGENT					**€183,745,545**
RO	1	1,155,862	€10,080,569	€11,290,237	€21,370,805
HU	1	198,000	€2,096,145	€2,347,682	€4,443,827
SK	1	176,000	€2,171,380	€2,431,946	€4,603,326
LT	1	136,135	€1,512,486	€1,693,984	€3,206,471
SI	1	110,352	€1,523,963	€1,706,839	€3,230,802
LV	1	83,000	€1,003,632	€1,124,067	€2,127,699
CY	1	61,771	€910,670	€1,019,951	€1,930,621
MT	1	15,694	€220,586	€247,057	€467,643
TOTAL PRIORITY					**€225,126,740**
PL	2	1,097,000	€10,913,449	€12,223,063	€23,136,513
PT	2	211,000	€2,920,819	€3,271,317	€6,192,136
DK	2	175,835	€3,838,071	€4,298,639	€8,136,710

[145] In order to do so, Eurostat's Purchasing power parities (PPPs), price level indices and real expenditures for ESA 2010 aggregates [PRC_PPP_IND]. Available at: https://ec.europa.eu/eurostat/databrowser/view/prc_ppp_ind/default/table?lang=en

Country (EU-27)	Level of advice availability	Unsatisfied demand number	Potential personnel costs for one organisation f2f	Potential other costs for one organisation f2f	Total needs f2f
CZ	2	106,000	€1,255,730	€1,406,418	€2,662,148
EE	2	52,658	€700,498	€784,557	€1,485,055
TOTAL SPORADICAL AVAILABILITY AND FUTURE DEVELOPMENT CATEGORY					**€266,739,302**
FR	3	2,365,000	€42,257,677	€47,328,598	€89,586,274
DE	3	931,000	€12,674,325	€14,195,244	€26,869,569
SE	3	233,000	€4,700,790	€5,264,885	€9,965,674
FI	3	232,000	€4,802,091	€5,378,341	€10,180,432
NL	3	228,000	€4,372,344	€4,897,025	€9,269,369
IE	3	198,000	€3,852,112	€4,314,365	€8,166,477
BE	3	180,000	€3,322,259	€3,720,930	€7,043,188
AT	3	109,000	€2,022,513	€2,265,215	€4,287,728
LU	3	7,000	€144,433	€161,764	€306,197
TOTAL ALL COUNTRIES					**€432,414,210**

Source: VVA & CEPS elaboration based on total number of households in EU 27 and UK (EU-LFS), the % of households in arrears (EU-SILC), interviews with debt advice practitioners and national sources; and price level indices (EU-PRC_PPP_IND).

Scenario 3: Funding a few advisors and locations for advice

Another way of providing a preliminary funding support to build first types of services, is the focussing of funds through grants that could cover personnel costs and other direct and support costs, as listed in the section before. In order to identify the potential personnel costs and the respective other direct costs for one location and two advisors, as recommended by an expert consulted for the study.

In order to adjust these personnel and other costs to the respective countries, a benchmarking approach was also used in this scenario. In this case, an estimate provided by a Danish organisation of one advisor's cost per year reaching EUR 47,383. Adjusting the costs to the country's price levels, the UK equivalent of the cost for one advisor per year would be EUR 41,096.[146]

The personnel costs for one advisor were then adjusted for the respective country's price levels and the other direct costs estimated by applying the same ratio of direct costs vis-a-vis personnel costs to the countries' personnel costs, the following funding needs for one organisation with two advisors are estimated.

[146] The adjustment to the UK is necessary in order to enable the estimation of other direct and support costs, as robust data on the distribution of those costs was only available for the UK

Table 30: Funding needs for Scenario 3

Country (EU-27)	Level of advice availability	Unsatisfied demand number	Costs for two advisors	Costs for direct costs over personnel costs	Total costs two advisors and other costs
BG	0	788,317	€18,790	€21,044	€39,834
HR	0	232,560	€23,478	€26,296	€49,774
EL	1	1,842,300	€29,552	€33,098	€62,650
ES	1	1,746,576	€33,246	€37,235	€70,481
IT	1	1,555,548	€35,590	€39,861	€75,451
TOTAL URGENT					**€298,190**
RO	1	1,155,862	€18,932	€21,204	€40,135
HU	1	198,000	€22,981	€25,739	€48,719
SK	1	176,000	€26,781	€29,995	€56,777
LT	1	136,135	€24,118	€27,012	€51,129
SI	1	110,352	€29,978	€33,576	€63,554
LV	1	83,000	€26,249	€29,398	€55,647
CY	1	61,771	€32,003	€35,843	€67,846
MT	1	15,694	€30,511	€34,172	€64,683
TOTAL PRIORITY					**€746,681**
PL	2	1,097,000	€21,596	€24,187	€45,783
PT	2	211,000	€30,049	€33,655	€63,704
DK	2	175,835	€47,383	€53,068	€100,451
CZ	2	106,000	€25,716	€28,802	€54,518
EE	2	52,658	€28,877	€32,342	€61,219
TOTAL SPORADICAL AVAILABILITY AND FUTURE DEVELOPMENT CATEGORY					**€1,072,356**
FR	3	2,365,000	€38,787	€43,441	€82,228
DE	3	931,000	€29,552	€33,098	€62,650
SE	3	233,000	€43,795	€49,051	€92,846
FI	3	232,000	€44,932	€50,324	€95,255
NL	3	228,000	€41,628	€46,624	€88,252
IE	3	198,000	€42,232	€47,300	€89,532
BE	3	180,000	€40,066	€44,873	€84,939
AT	3	109,000	€40,279	€45,112	€85,391
LU	3	7,000	€44,790	€50,164	€94,954
TOTAL ALL COUNTRIES					**€3,965,631**

Source: VVA & CEPS elaboration based on total number of households in EU 27 and UK (EU-LFS), the % of households in arrears (EU-SILC), interviews with debt advice practitioners and national sources; and price level indices (EU-PRC_PPP_IND).

Comparison of funding scenarios

The identification of different scenarios may be compared in order to understand the share that would go to the four priority groups but also to understand the potential usefulness of the different scenarios for each group. The table below shows the funding needs per scenario and country.

Table 31: Comparison of fundings by scenario

Country (EU-27)	Scenario 1	Scenario 2	Scenario 3
BG	€255,415	€14,465,860	€39,834
HR	€146,513	€5,332,418	€49,774
EL	€1,193,810	€53,170,577	€62,650
ES	€2,263,562	€56,708,875	€70,481
IT	€2,463,988	€54,067,816	€75,451
RO	€644,971	€21,370,805	€40,135
HU	€71,280	€4,443,827	€48,719
SK	€120,384	€4,603,326	€56,777
LT	€71,062	€3,206,471	€51,129
SI	€113,221	€3,230,802	€63,554
LV	€43,326	€2,127,699	€55,647
CY	€40,028	€1,930,621	€67,846
MT	€14,407	€467,643	€64,683
PL	€592,380	€23,136,513	€45,783
PT	€159,516	€6,192,136	€63,704
DK	€386,134	€8,136,710	€100,451
CZ	€78,228	€2,662,148	€54,518
EE	€36,966	€1,485,055	€61,219
FR	€3,788,730	€89,586,274	€82,228
DE	€1,625,526	€26,869,569	€62,650
SE	€419,400	€9,965,674	€92,846
FI	€380,016	€10,180,432	€95,255
NL	€459,648	€9,269,369	€88,252
IE	€356,400	€8,166,477	€89,532
BE	€307,800	€7,043,188	€84,939
AT	€202,086	€4,287,728	€85,391
LU	€16,380	€306,197	€94,954

The comparison between the funding scenarios showed, that the urgent cases would be assigned 28% of the total funds in scenario 1, followed by 42% in scenario 2 and 16% in scenario 3. The priority group (group 2) would receive 5% in scenario 1, 10% in scenario 2 and 24% in scenario 3. Group 3 would be assigned 6% of the total in scenario 1, 10% in scenario 2 and 18% in scenario 3. Finally, group 4 would receive 33% of the funding in scenario 1, 38% in scenario 2 and 42% in scenario 3.

Overall, scenario 3 shows the most balanced distribution of the total funds, which is understandable as it is linked to a specific number of advisors to be financed and the respective share of potential other direct and support costs being tied to the personnel costs. Nevertheless, funding scenario 3 would most likely be the most benefitting option in countries where availability of debt advice is very low, so as to enable existing organisations in the country to cover costs of setting up such a service. In comparison, in countries where advice is already relatively to well established, the targeting of funds to cover costs of setting up advice would most likely not bring the most added value. Instead, investments could focus on more targeted areas, such as local areas where the services are sporadically or to focus on the improvement of quality.

5 Conclusions

This chapter draws the main conclusions from the analysis performed and provides recommendations to contribute to a significant improvement of the current situation.

Household over-indebtedness is an important social and economic problem in the EU. There are millions of households that are unable to fulfil essential payment commitments and this might well increase in the upcoming years with the unprecedented economic shock caused by COVID-19 pandemic and the related lockdown measures.

Independent pro-active debt advice is a proven method to address over-indebtedness effectively. However, the availability and level of development of debt advice ranges widely across the EU27 and the UK. There are about 17 countries that offer debt advice to a substantial number of households, while in the other 11 countries debt advice is sporadically provided or non-existent.

In the majority of the countries' debt advice relies on NGOs, charities, other social organisations, consumer organisations and private professionals, which are often experiencing challenges to deliver their services to large groups. This primarily due to limited resources.

Among the public authorities and organisations that are funded by public organisations there are also resource constraints limiting their ability to deliver debt advice to over-indebted households, though in general it is easier for those to fulfil the debt advice needs.

There are also large differences in the services provided. In the countries in which debt advice is most developed the debt advisors offer legal counselling, money and debt management and social assistance. However, in about one-third of the countries the debt advisors do not deliver social assistance and money and debt management.

Based on the available statistics on households unable to pay their bills on time due to insufficient financial resources, there are in total about 18 million households in the EU27 and UK (representing about 8% of the total households) that are over-indebted. There are in total about 1.6 million households (representing about 1% of the total households) that receive debt advice. This means that over 90% of the over-indebted households or about 16 million households in the EU27 and UK currently do not receive debt advice, whereas they might use it.

It would require an additional about EUR 1 billion to provide a standard professional debt advice to all over-indebted households in EU27. Although COVID-19 might increase the number of households that require debt advice, the additional funds are likely to be less. First, not all of the over-indebted households are likely to accept the debt advice. In the most successful cases covered in this study there were still about 20 to 30% of the households that did not accept the debt advice. Second, in most of the countries debt advice is currently provided to households with the most problematic over-indebtedness, which require most recourses. If debt advice is expanded to all over-indebted the costs of debt advice is likely to decrease. Third, the costs could be further reduced through the implementation of some of the recommended good practices. Fourth, the share of new households experiencing over-indebtedness is likely to reduce over time, as the over-indebtedness of longer-term over-indebted households is reduced.

Based on the existing funding schemes, a possible options to gather the required funds could be through government contributions and creditors. The latter could be requested to provide some of the debt-advice, contribute based on their activities or the contribution could be deducted from the repaid amount by the debtor (i.e. the debt advisor receives a share of the repaid commitments). The contribution from both the government and creditors (especially by reducing the repayment) could be justified by the fact that these parties are likely to benefit from wider availability of debt advice.

The benefits to the debt advice include the ability of debtors to find a new or keep their job or the improvement of their psychological and physical health and wellbeing. According to a study by Europe Economics (2016), these can scale up from the individual to the overall society through the mitigation of expenditures including those related to healthcare and an increased credit repayment amount. In order to apply **an estimation of the potential benefits** of deploying a universally available and freely accessible system of debt advice in every country is that **per EUR 1 spent this will provide between EUR 1.4 - 5.3 in terms of equivalent benefits**, mainly referring to the social costs of over-indebtedness avoided.

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Annex 2: Results of the survey

Overall survey responses

Over 1,226 stakeholders were contacted directly, leading to 503 responses. Therefore, the overall target of replies was more than satisfied. It is also likely that significantly more than 1,226 stakeholders were reached, as the invitations were frequently forwarded through topic specific networks and associations.

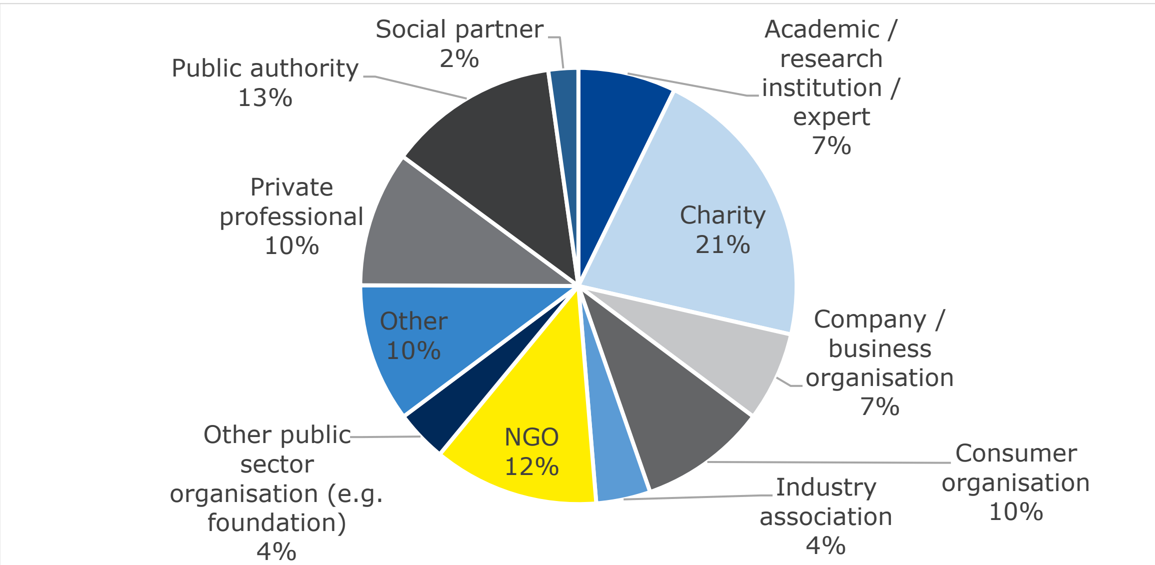
As agreed with the Commission and CHAFEA on 15 October 2020 the partial replies are were counted as valid responses to reaching the target numbers and were thus taken into account. The partial replies were treated carefully and were classified into three groups: low, medium, and advanced:

- A reply was considered advanced if the respondent has completed beyond the first section of the survey. The first section of the survey included the "about you" section, meaning the general information on the stakeholder (e.g. country of origin, type of stakeholder), as well as the section on "the development of household debt and debt advisory services"
- A reply was considered medium if the respondent has completed the first section of the survey only (until the end of section "development of household debt and debt advisory services").
- All other replies were considered as low responses and therefore excluded from the analysis.

Of initially 1,402 replies, 806 partial answers were considered as low and therefore excluded from the analysis. Furthermore 103 duplicates were removed. That left us with 268 valid partial replies by 05 November 2020. At this stage, 274 partial responses are recorded in the dataset. Together with the 229 complete responses, a total of 503 responses were thus received. The minimum target was met in nearly all Members States apart from Lithuania, and the UK.

According to the latest survey status from 4 December 2020, the main contributors were charities (21%), public authorities (13%), NGOs (12%), consumer organisations (10%) and private professionals (10%) followed by and company or business organisations (7%). The figure below describes the share of each stakeholder group that responded to the survey to date.

Figure 25: Stakeholder groups of survey respondents



Except in the United Kingdom, where there is one response is missing, the target was reached everywhere. For this reason, a certain representativeness can be assumed across the EU. More than 50 percent of the participants were directly involved in giving debt advise. Apart from Luxembourg, the four main stakeholder groups are represented in each country. The response to the survey was particularly strong in Germany.

Table below provides a breakdown of partial and completed responses.

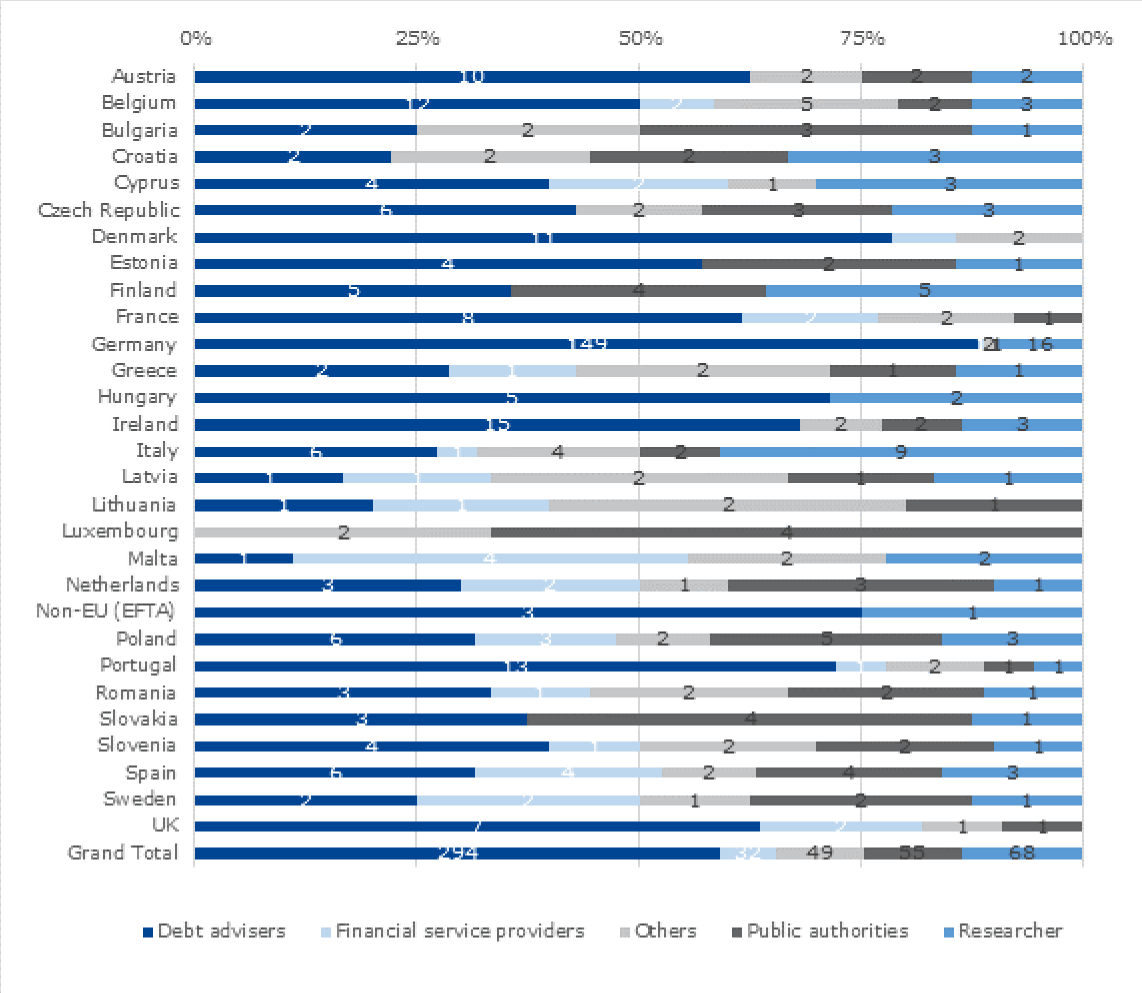
Table 32: Survey responses by country

Country	Partial (total)	Partial (advanced)	Partial (medium)	Complete	Total	Minimum target	Ideal target
Austria	7	1	6	9	16	6	9
Belgium	10	1	13	14	24	6	9
Bulgaria	6	1	1	6	8	6	9
Croatia	3	0	3	6	9	6	9
Cyprus	6	2	4	4	10	6	9
Czechia	7	4	3	7	14	6	9
Denmark	6	2	4	8	14	6	9
Estonia	3	1	2	4	7	6	9
Finland	6	1	5	8	14	6	9
France*	8	4	4	5	13	12	15
Germany*	114	30	84	55	169	12	15
Greece	5	1	4	2	7	6	9
Hungary	2	0	2	6	8	6	9
Ireland	15	1	14	7	22	6	9
Italy*	9	1	8	13	22	12	15
Latvia	1	0	1	6	7	6	9
Lithuania	2	0	2	3	5	6	9
Luxembourg	2	0	2	4	6	6	9
Malta	5	0	5	4	9	6	9
Netherlands	6	1	5	4	10	6	9
Poland*	6	0	6	13	19	6	9
Portugal	7	3	4	11	18	6	9
Romania	7	0	7	5	9	6	9
Slovakia	5	3	2	3	8	6	9
Slovenia	5	0	5	5	10	6	9
Spain*	9	2	7	10	19	12	15
Sweden	2	0	2	6	8	6	9
UK*	8	0	8	3	11	12	15
Others (third countries – CH and NO)	0			2	2	-	-
TOTAL	274	61	213	229	503	198	282

** For the big EU countries – DE, ES, FR, IT, PL and UK - a representative number of minimum 12 persons should provide response to the survey and for the other EU Member States – a minimum of 6 persons.*

The figure below shows the number of responses by country and area of involvement.

Figure 26: Survey responses by country and area of involvement

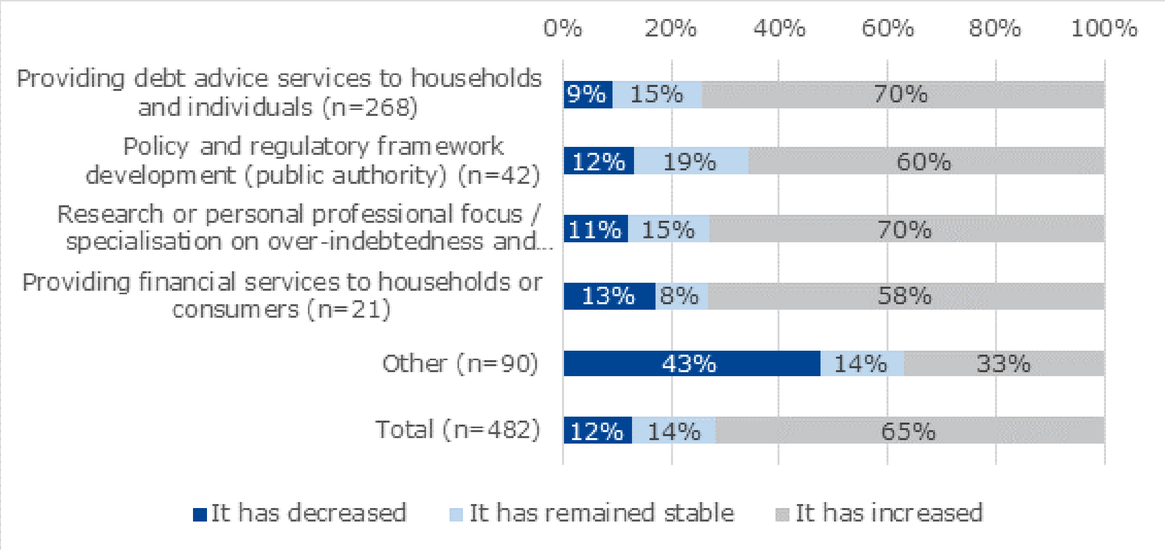


The current state and future development of household debt and debt advice services

The first set of questions asked in the survey aimed at understanding the stakeholders' perspectives, as well as potential country differences, as to the past and potential future development of household over-indebtedness.

Regarding the **past development of household over-indebtedness, the vast majority of respondents believe that the situation has worsened in the last 10 years**. This assessment is strongest in the group of debt advisors and researcher representatives, with around 70 percent of respondents. Only the financial service providers believe with a small majority that the situation has improved in the last 10 years. Over 50 percent of financial service providers do also believe that household over- indebtedness has increased.

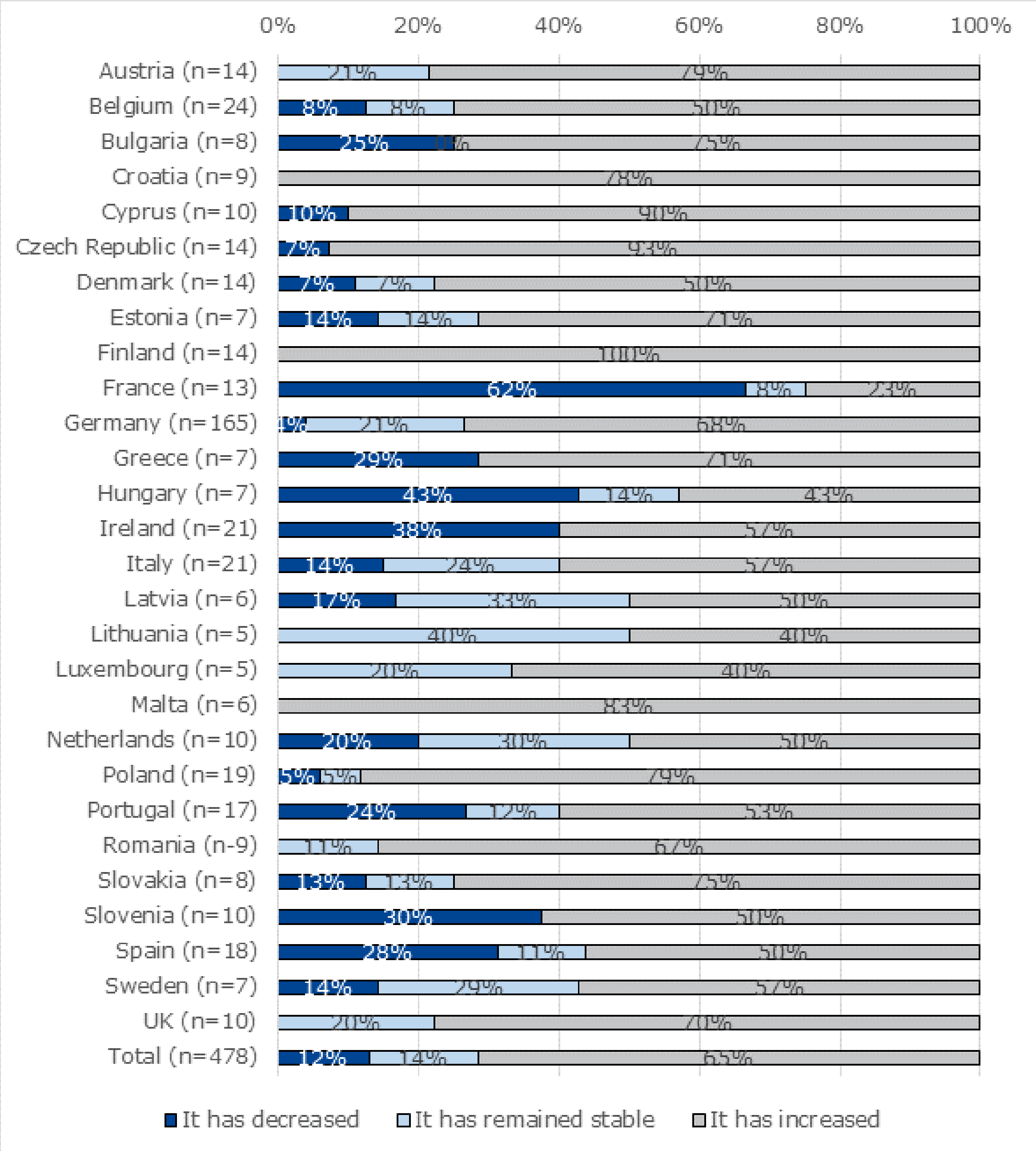
*Figure 27: **Household over- indebtedness development in your country over the past 10 years? [By area of involvement]***



Note: results are based on 484 observations. the total shares may not sum to 100% as the "I do not know / no opinion" options have been taken out for visualisation.
Source: VVA & CEPS elaborations based on online survey responses

On a country level, the picture presented above is much more diverse. In almost all countries, more than 50% of the participants still believe that the household over-indebtedness has increased, but there are exceptions. France stands out in particular, where a majority believe that the debt has decreased.

Figure 28: Household over- indebtedness development in your country over the past 10 years? [By country]

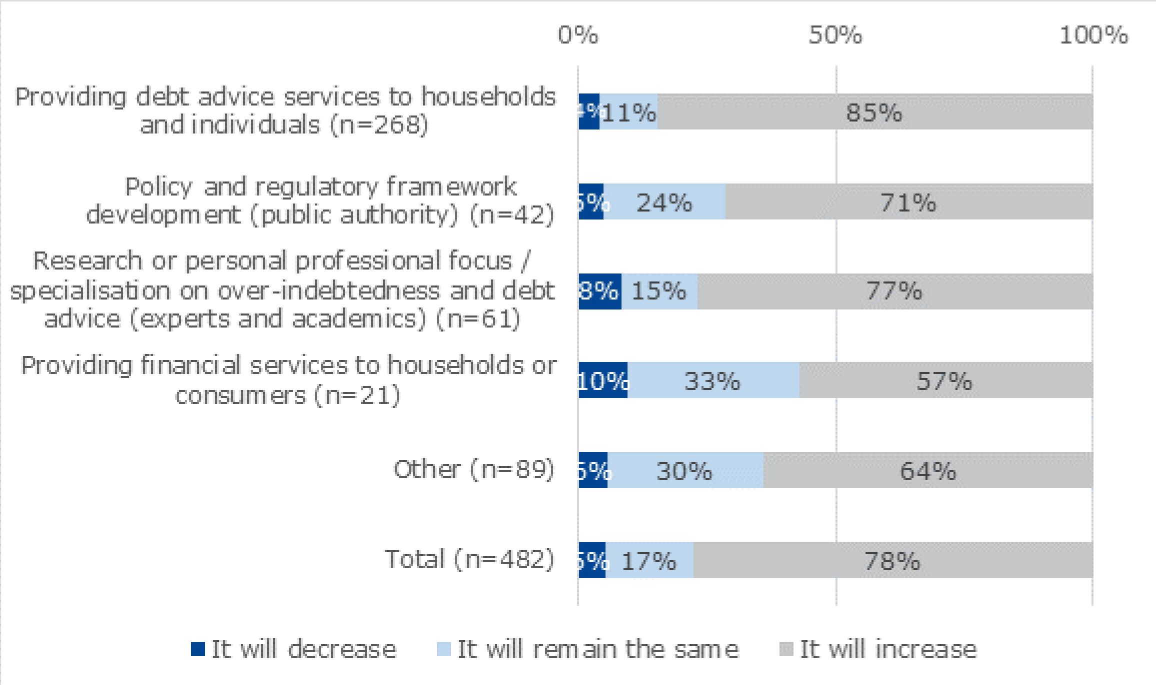


Note: results are based on 478 observations, the total shares may not sum to 100% as the "I do not know / no opinion" options have been taken out for visualisation.
Source: VVA & CEPS elaborations based on online survey responses

The next question aimed at understanding the opinions of the survey respondents with regards to the **likely development of household over-indebtedness in the next five to ten years.**

More than 75 percent of respondents believe that the situation will become worse in the next 5 to 10 years. Again, this assessment is partially strong among debt advisors and researchers. Again, financial service providers and other participants have more positive view. However, even among those groups more than 50 percent believe that household over- indebtedness will increase.

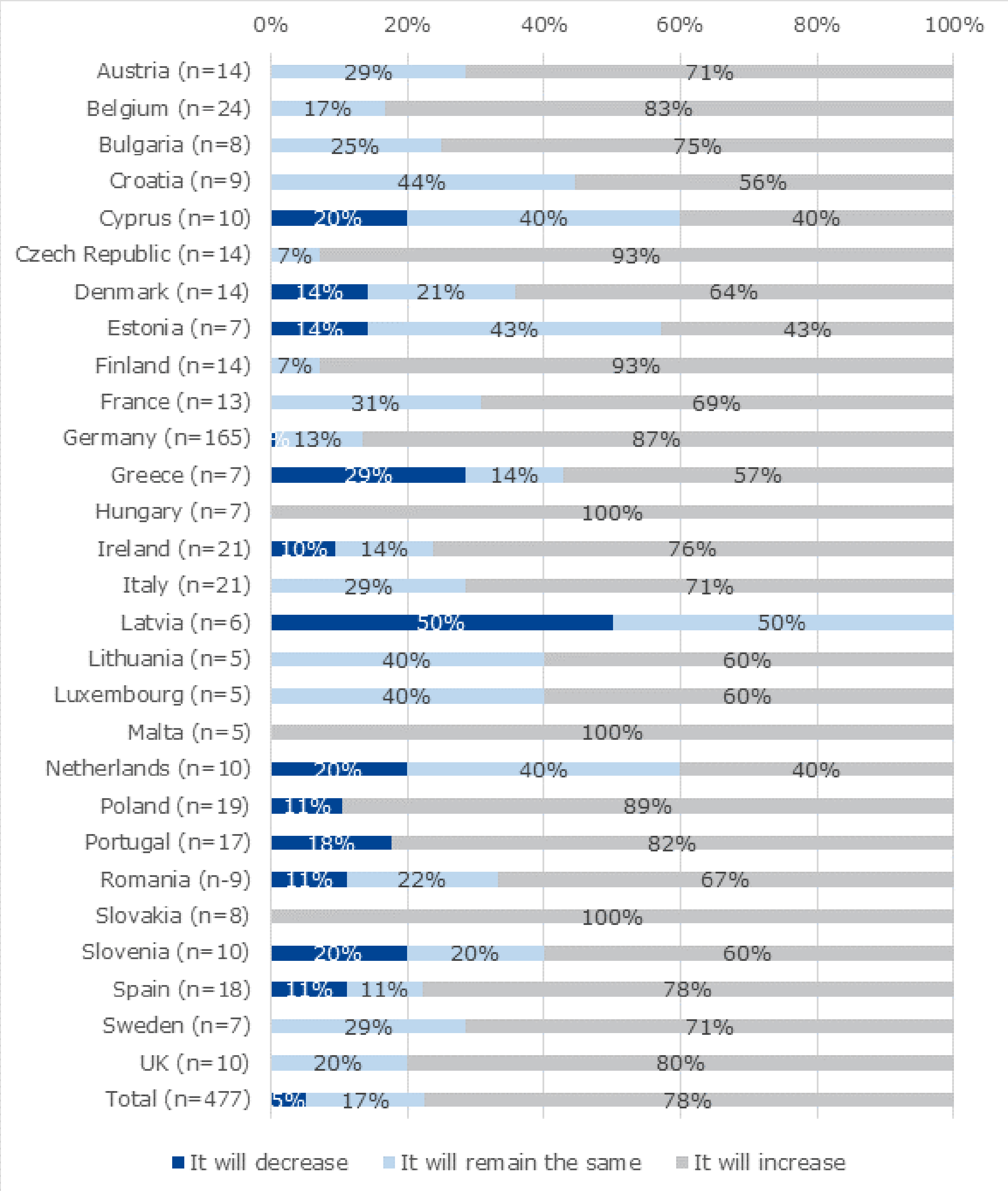
Figure 29: In your opinion, how will household over-indebtedness likely develop in the next 5 to 10 years in your country? [By area of involvement]



Note: results are based on 482 observations. observations the total shares may not sum to 100% as the "I do not know / no opinion" options have been taken out for visualisation.
Source: VVA & CEPS elaborations based on online survey responses

On a country level, the situation is similar. Possibly also under the influence of Covid-19, the future is assessed negatively almost everywhere. An exception is Latvia where nobody expects the debt to increase in the future. However, especially for such small countries with fewer answers, this the results should be read with care, due to potential inaccuracies.

Figure 30: In your opinion, how will household over-indebtedness likely develop in the next 5 to 10 years in your country? [By country]



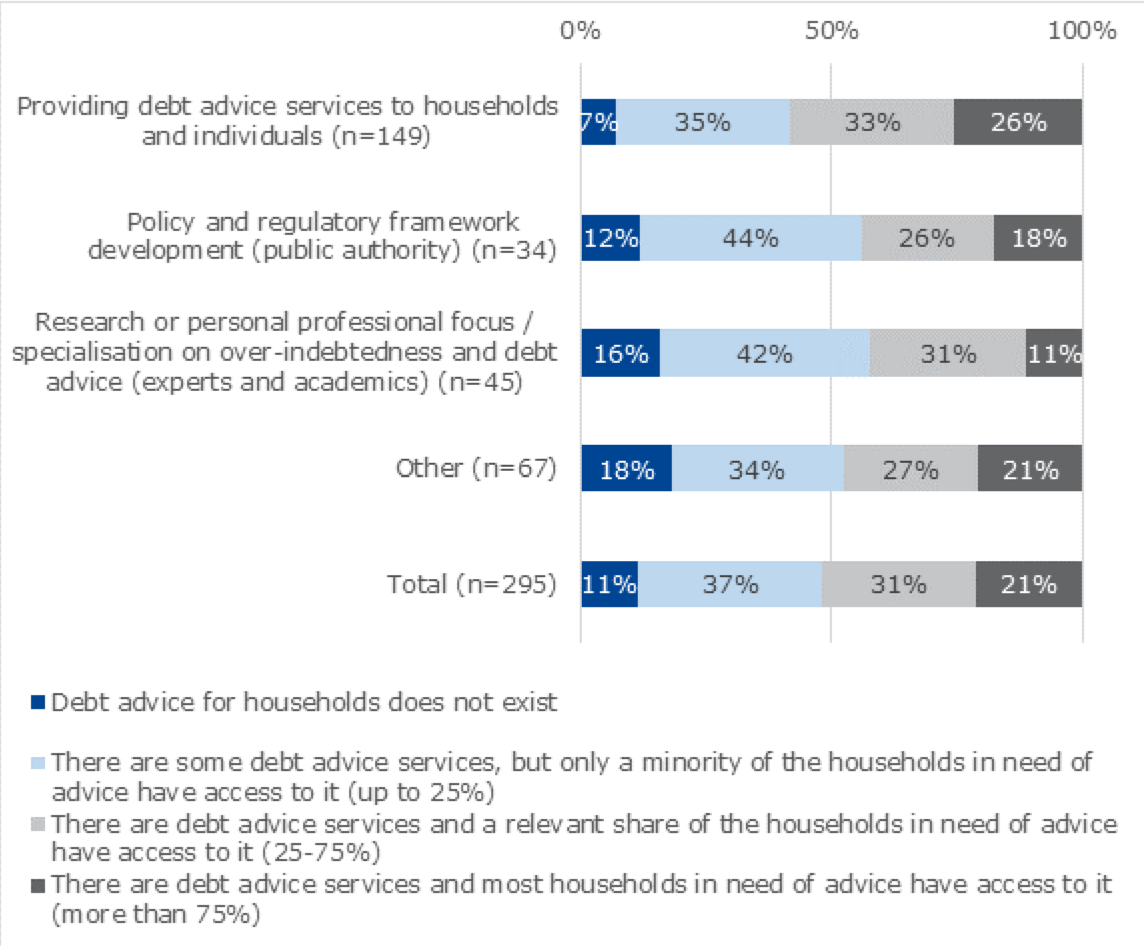
Note: results are based on 477 observations the total shares may not sum to 100% as the "I do not know / no opinion" options have been taken out for visualisation.
Source: VVA & CEPS elaborations based on online survey responses

Provision of debt advice

Similarly, the first section of the survey aimed at understanding the current status of the debt advice services existing in the country. This included aspects on the level of availability of the services but also potential barriers existing for households in need to access these, but also the perspective on the level of quality of the existing services.

With regards to the current level of development of debt advice services in the country of the respondent, the assessment of the system seems to be quite similar in each stakeholder group. Across all stakeholders, a large majority seem to agree that the systems can still be improved.

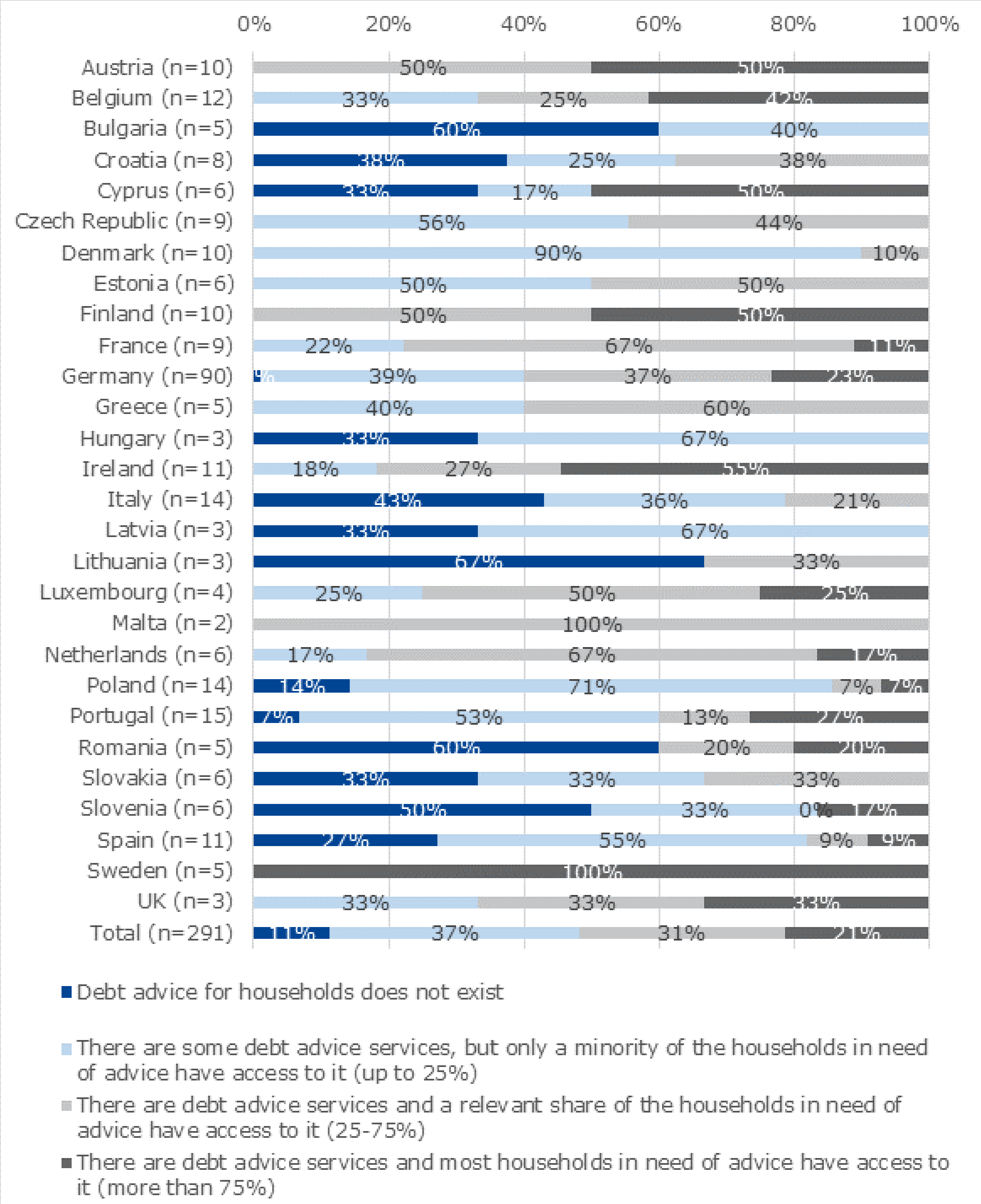
Figure 31: In your opinion, how developed is the provision of debt advice for (over-) indebted households in your country? [By area of involvement]



Note: results are based on 295 observations. Debt advisers: 168 observations; Financial service providers: 7 observations; Others: 29 observations; Public authorities: 42 observations; Researchers: 49 observations.
Source: VVA & CEPS elaborations based on online survey responses

On a country level, the situation is more divers. One hand, there are countries like Sweden where there is a high provision of debt advice. On the other hand, there are countries like Romania and Lithuania where there is very little debt advice. In case these numbers should be treated with cautions the response rates for someone countries are not high, there for the results are highly dependent on a few individual opinions. Despite these limitations, this table has been included here because of the significance of a country-specific analysis.

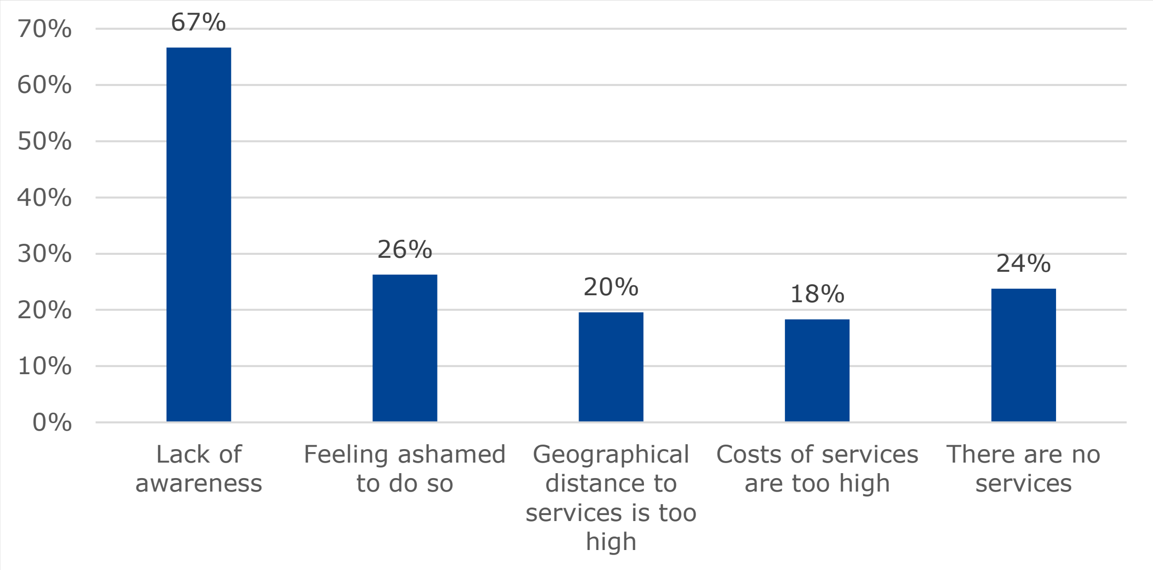
Figure 32: Provision of debt advice by country



Note: results are based on 291 observations.
Source: VVA & CEPS elaborations based on online survey responses

Those indicating that not all households can access the advice services were asked for potential reasons for them not being able to do so. Looking into potential barriers limiting the access of households to debt advice services, for more than 66 percent of the survey participants, awareness seems to be a reason for not participating in debt advice. This is by far the most frequently mentioned reason. This question was answered by less than 50 percent of participants, that is why a split view by country or area of work should be read with precaution, since some of the sup-groups would have only a few responses.

Figure 33: In your opinion, what are the main reasons for households not being able to access debt advisory services?



Note: results are based on 240 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Looking into the differences across type of involvement, differences can be seen. For instance, compared to the other areas of involvement, the reason "feeling ashamed to access the services" was rather not considered a main barrier by debt advice providers.

Table 33: In your opinion, what are the main reasons for households not being able to access debt advisory services? [By are of involvement]

	Lack of awareness	Feeling ashamed to do so	Geographical distance to services is too high	Costs of services are too high	There are no services
Providing debt advice services to households and individuals (n=111)	72%	1%	27%	23%	19%
Policy and regulatory framework development (public authority) (n=28)	57%	46%	14%	18%	29%
Research or personal professional focus / specialisation on over-indebtedness and debt advice (experts and academics) (n=43)	63%	47%	19%	9%	33%
Other (n=58)	64%	50%	9%	16%	24%
Total (n=240)	67%	26%	20%	18%	24%

Note: results are based on 240 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

The results across countries are similar, with the majority indicating the lack of awareness to be among the main reason why not all households access the debt advice services. To countries stand out: Bulgaria and Lithuania. In the former, one third of the participants mentioned the feeling of shame hindering the access to the debt advice services, while in the latter, the costs of the services and the lack of the services seem to be the main driving reason for a lack of access.

Table 34: In your opinion, what are the main reasons for households not being able to access debt advisory services? [By country]

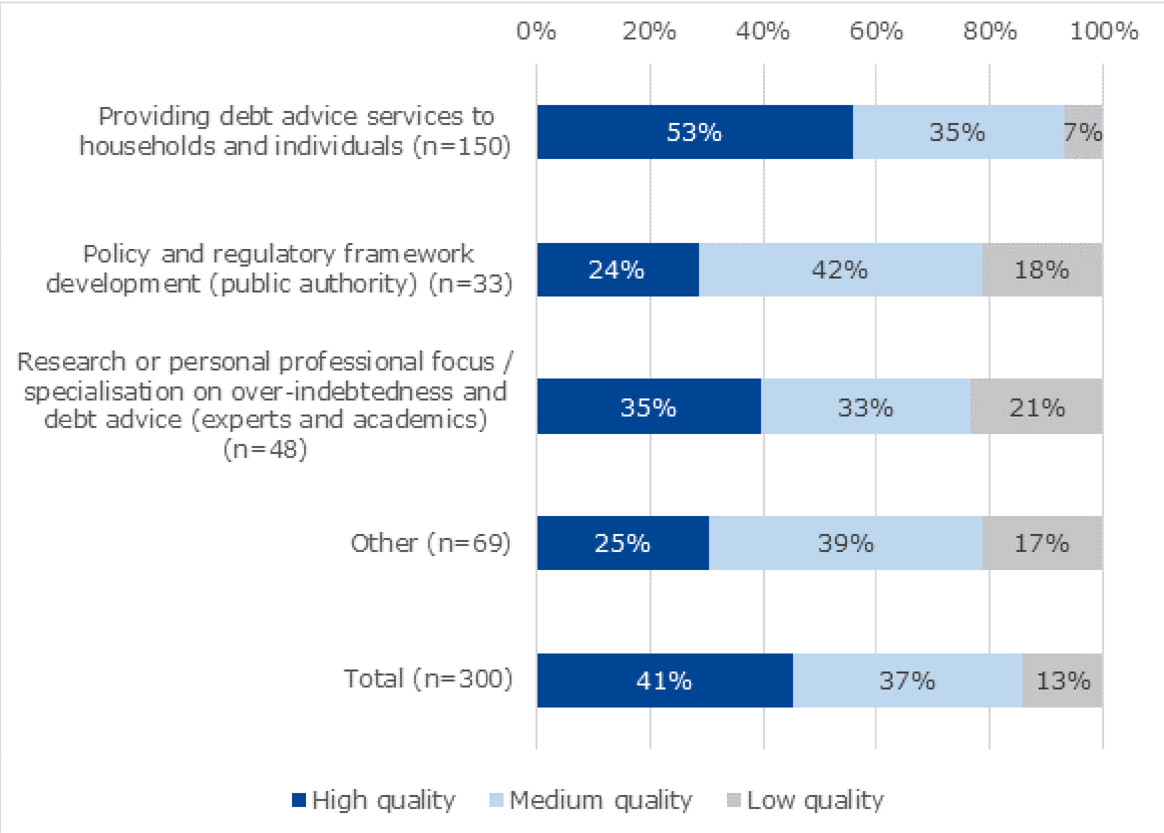
GEO/ACCESS BARRIER	Lack of awareness	Feeling ashamed to do so	Geographical distance to services is too high	Costs of services are too high	There are no services
Austria (n=5)	60%	40%	40%	0%	0%
Belgium (n=7)	71%	71%	14%	0%	29%
Bulgaria (n=6)	0%	33%	0%	17%	17%
Croatia (n=8)	50%	25%	13%	13%	50%
Cyprus (n=3)	67%	0%	0%	33%	33%
Czech Republic (n=9)	89%	44%	56%	0%	11%
Denmark (n=10)	90%	20%	50%	40%	10%
Estonia (n=6)	67%	67%	0%	17%	0%
Finland (n=6_	83%	67%	17%	0%	33%
France (n=8)	63%	25%	38%	0%	13%
Germany (n=69)	62%	12%	28%	19%	22%
Greece (n=4)	75%	50%	0%	75%	0%
Hungary (n=5)	80%	40%	20%	20%	40%
Ireland (n=5)	80%	40%	0%	20%	0%
Italy (n=14)	43%	14%	0%	29%	21%
Latvia (n=5)	80%	20%	0%	0%	0%
Lithuania (n=3)	0%	0%	0%	67%	67%
Luxembourg (n=3)	100%	67%	0%	0%	0%
Malta (n=2)	100%	50%	0%	50%	0%
Netherlands (n=5)	60%	100%	0%	20%	0%
Poland (n=13)	85%	0%	23%	15%	23%
Portugal (n=11)	82%	27%	27%	18%	27%
Romania (n=5)	80%	60%	20%	20%	60%
Slovakia (n=7)	71%	43%	14%	29%	43%
Slovenia (n=5)	20%	0%	0%	20%	80%
Spain (n=10)	80%	10%	10%	20%	50%

GEO/ACCESS BARRIER	Lack of awareness	Feeling ashamed to do so	Geographical distance to services is too high	Costs of services are too high	There are no services
Sweden (n=1)	100%	0%	0%	0%	0%
UK (n=2)	100%	50%	0%	0%	0%
Total (n=237)	67%	27%	20%	19%	24%

Note: results are based on 237 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Another relevant aspect with regards to debt advice is not only the overall availability but also **the quality of the services provided**. The quality of debt counselling is assessed quite differently depending on the background. The debt advisors themselves considered the quality to be higher than the researchers. Among all groups, the share of respondents how believe that the quality is low is relatively small.

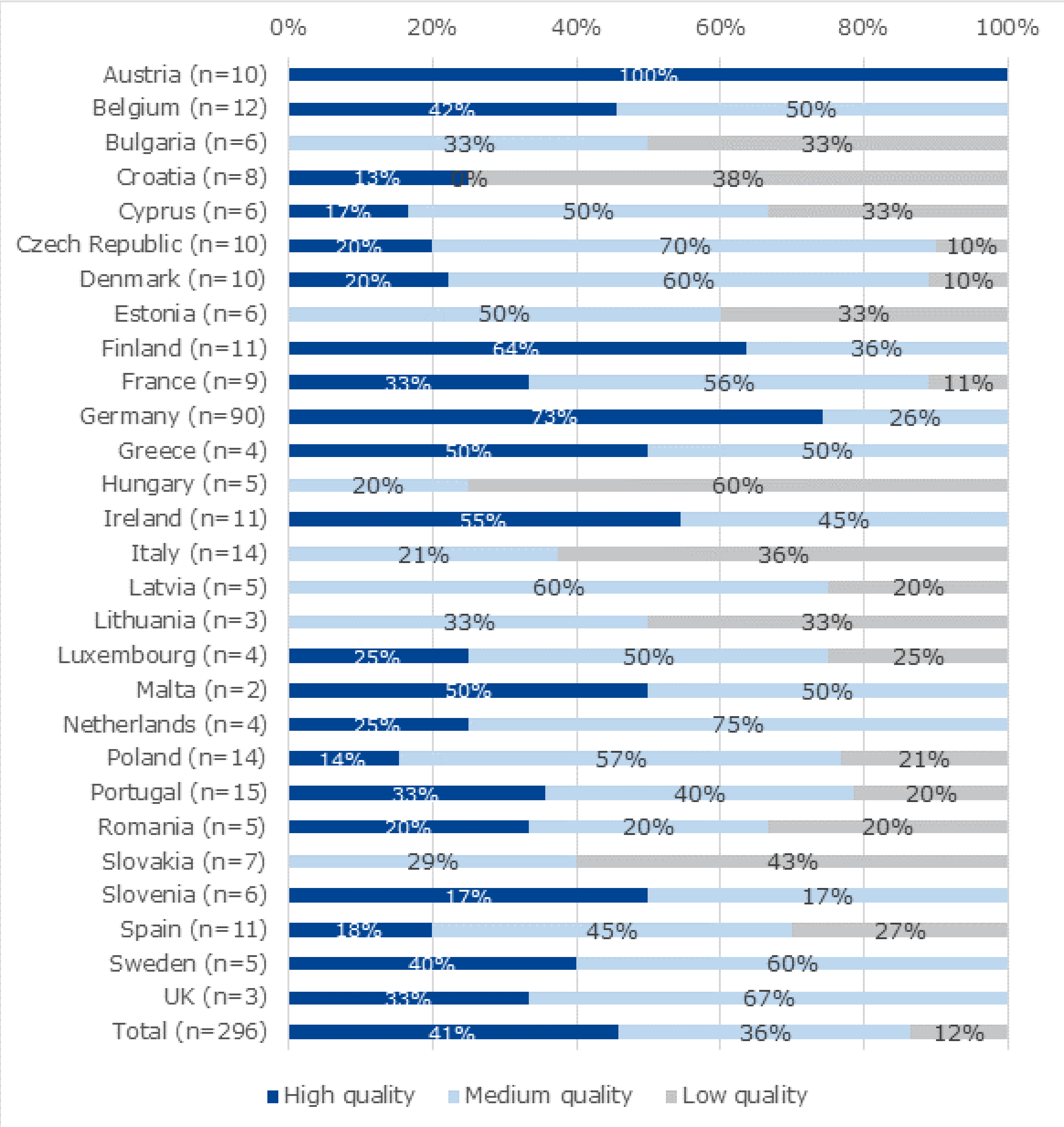
Figure 34: In your opinion, what is the level of quality of debt advice in your country? [By area of work]



Note: results are based on 300 observations. The total shares may not sum to 100% as the "not applicable" options have been taken out for visualisation. .
Source: VVA & CEPS elaborations based on online survey responses

Looking into the differences between countries, almost three quarters of respondents indicate the existing services to be of medium quality. The interesting differences are however between those countries that did not indicate their services to be of low quality or vice versa of high quality. Austria stands out as a country where respondents unanimously perceived their services to be of high quality. In comparison, none of the respondents from Bulgaria, Estonia, Hungary, Italy, Latvia, Lithuania, and Slovakia indicated their services to be of high quality.

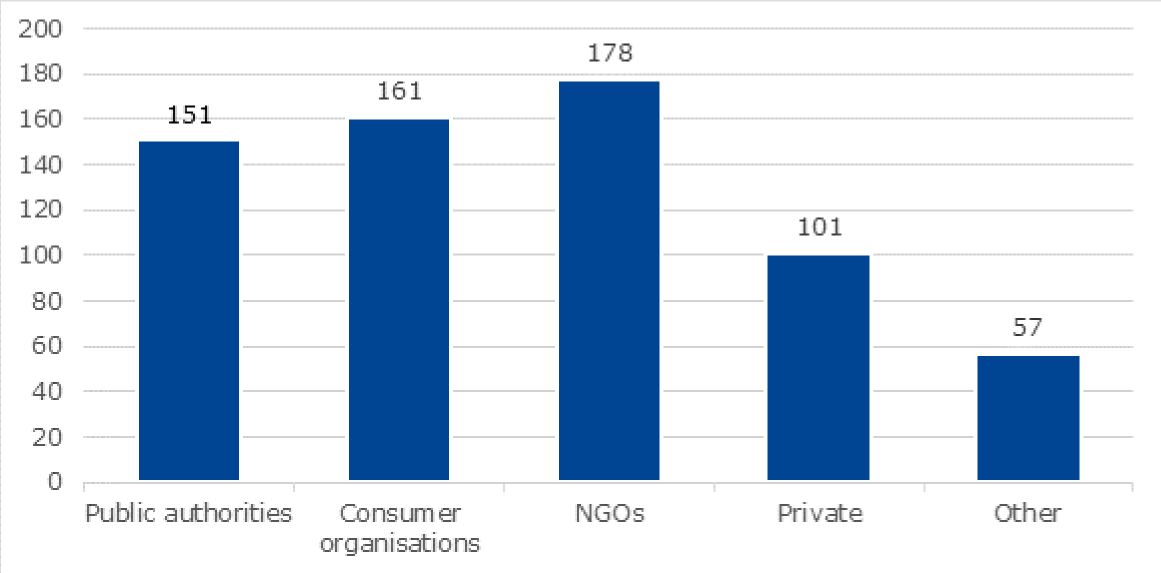
Figure 35: In your opinion, what is the level of quality of debt advice in your country? [By country]



Note: results are based on 296 observations. The total shares may not sum to 100% as the "not applicable" options have been taken out for visualisation.
Source: VVA & CEPS elaborations based on online survey responses

Related to the aspect of the current level of availability and quality of debt advice services, **the survey also asked for the type of actor responsible for providing debt advice in the country.** There could be multiple actors responsible for this or only one specific type of organisation. Here, understanding the type of organisation responsible could affect the way measures for improvement could be implemented.

Figure 36: Which type of actors are responsible for providing debt advice in your country?



Note: results are based on 301 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

The table below provides an overview of the organisations responsible for debt advice services across countries.

Table 35: Which type of actors are responsible for providing debt advice in your country? [By country]

	Consumer organisations	NGOs	Public authorities	Private organisations	Other
Austria (n=10)	0%	90%	0%	10%	20%
Belgium (n=12)	42%	25%	83%	25%	33%
Bulgaria (n=6)	33%	33%	17%	33%	33%
Croatia (n=8)	38%	25%	25%	38%	13%
Cyprus (n=6)	67%	0%	67%	83%	17%
Czech Republic (n=9)	44%	100%	11%	22%	11%
Denmark (n=10)	80%	90%	60%	70%	10%
Estonia (n=6)	0%	67%	67%	33%	17%
Finland (n=11)	18%	82%	91%	9%	18%
France (n=9)	89%	33%	67%	0%	11%
Germany (n=90)	70%	89%	58%	42%	19%
Greece (n=4)	75%	0%	100%	25%	75%
Hungary (n=5)	0%	80%	80%	40%	0%
Ireland (n=11)	40%	10%	30%	10%	50%
Italy (n=14)	57%	21%	14%	50%	0%
Latvia (n=5)	40%	60%	40%	0%	20%

	Consumer organisations	NGOs	Public authorities	Private organisations	Other
Lithuania (n=3)	33%	33%	33%	33%	0%
Luxembourg (n=4)	50%	100%	25%	0%	0%
Malta (n=2)	0%	100%	50%	100%	0%
Netherlands (n=4)	67%	33%	83%	67%	17%
Poland (n=14)	54%	62%	23%	31%	23%
Portugal (n=15)	93%	33%	53%	40%	13%
Romania (n=5)	60%	40%	80%	40%	20%
Slovakia (n=7)	57%	43%	43%	14%	0%
Slovenia (n=6)	17%	33%	17%	33%	17%
Spain (n=11)	55%	36%	55%	27%	9%
Sweden (n=5)	20%	0%	60%	0%	80%
UK (n=3)	67%	67%	67%	33%	0%
Total (n=295)	**55%**	**60%**	**51%**	**34%**	**19%**

Note: results are based on 295 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

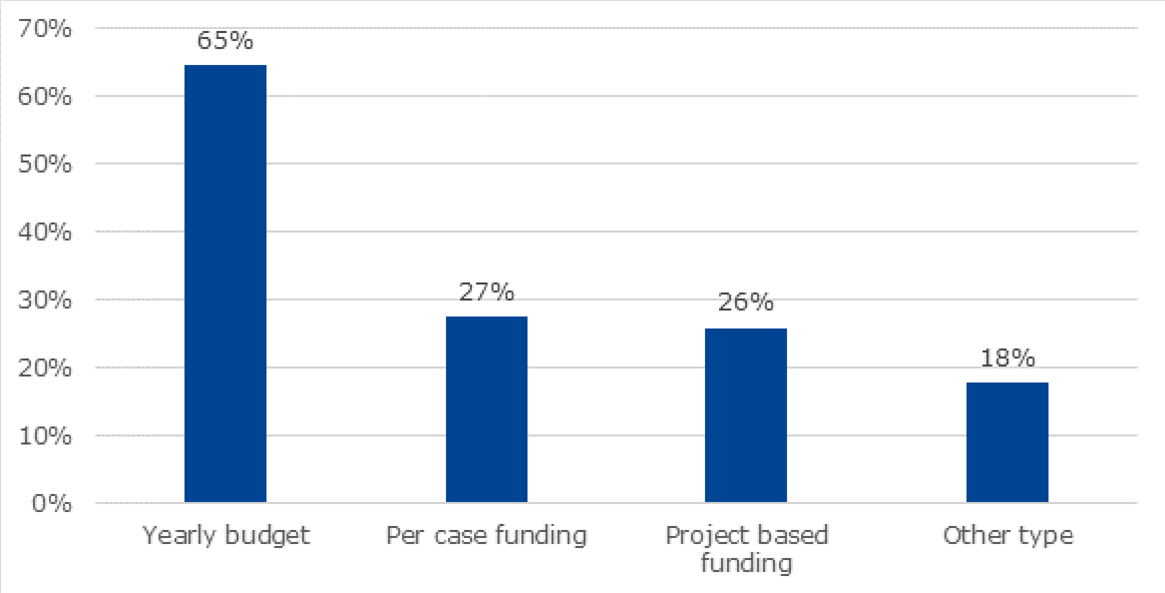
Debt advice providers where also asked more detailed questions about their operating costs, funding structures and services. These questions were aiming at supporting the quantitative data for the cost and benefits of debt advice. It is important to raise a few caveats with regards to these questions and section of the survey:

- **Cost and benefits data are often scarce**: Many organisations and representatives of the organisations participating in surveys do not have the detailed information on costs (e.g. number of staff, hours spent on specific cases, available resources for specific activities, etc.). This is in particular the case with social organisations, NGOs, public authorities and those operating outside the private sector. Here, monetised data is often only available on an overarching level, making a detailed assessment and a depiction of the real context a challenging task.
- **Data is collected on microlevel**: The way the survey is designed is to collect information on a microlevel (i.e. specifically to the organisation). This means that data cannot easily be extrapolated to the national level as this would only be possible in a representative sample. Instead, averages may be used in order to understand the general trend within countries or to compare with the results based on other data collection means (i.e. desk research).
- **Debt advice systems are very heterogeneous:** It is important to consider that an online survey does not have the potential of providing vast flexibility in the adaptation to specific cases. Debt advice services are quite heterogenous across countries, potentially generating the caveat that organisations in some countries might not have been able to respond to questions organisations from other countries could.

Keeping these shortcomings in mind, only a few questions asked were closed questions targeted at debt advice providers, i.e. the funding structure.

Most participating organisations work with a yearly budget. The sum of the answers exceeds 100% because it is possible that organisations are using two different funding models. This question was answered by less than 25 percent of participants, that is why a split view by country or area of work should be read with precaution, since some of the sup-groups would have only a few responses.

Figure 37: Type of financing structure



Note: results are based on 125 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Looking across countries, the table below shows the differences in responses across them. The low number of responses per countries (with the exception of Germany) should be kept in mind.

Table 36: Type of financing structure [by country]

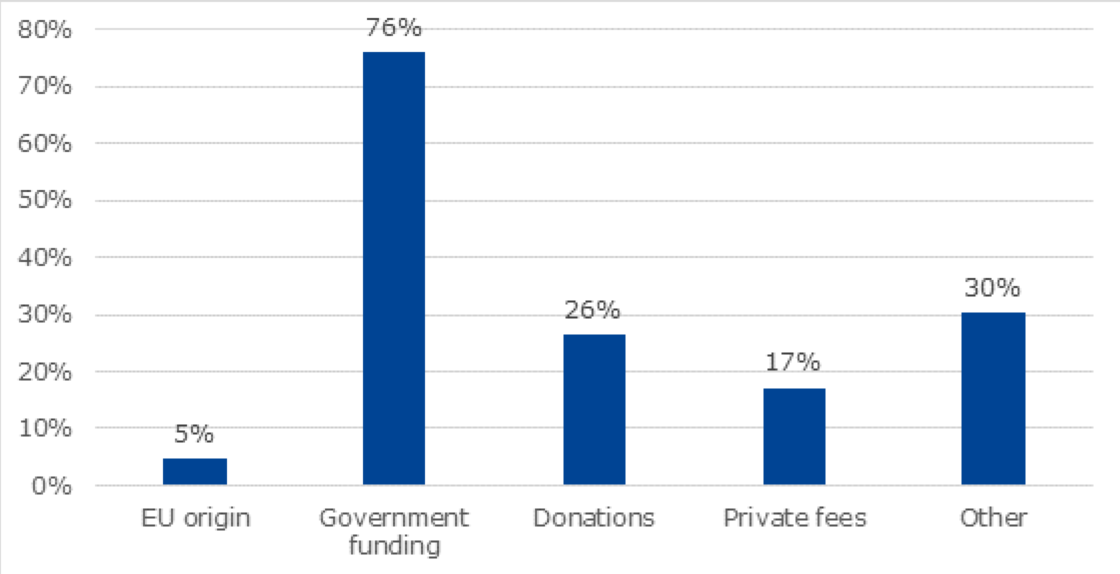
	Yearly budget	Per case funding	Project based funding
Austria (n=5)	100%	0%	20%
Belgium (n=3)	100%	33%	33%
Croatia (n=3)	50%	0%	0%
Cyprus (n=2)	0%	33%	0%
Czech Republic (n=3)	67%	0%	33%
Denmark (n=5)	40%	20%	80%
Estonia (n=2)	50%	100%	50%
Finland (n=2)	100%	0%	0%
France (n=4)	100%	0%	0%
Germany (n=61)	62%	41%	21%
Greece (n=2)	50%	0%	50%
Hungary (n=2)	50%	50%	0%
Ireland (n=3)	67%	0%	33%
Italy (n=3)	67%	0%	0%
Latvia (n=1)	100%	0%	0%
Netherlands (n=1)	100%	100%	100%
Poland (n=4)	75%	0%	25%
Portugal (n=8)	50%	13%	25%
Romania (n=2)	50%	50%	50%
Slovakia (n=2)	0%	0%	100%
Slovenia (n=1)	100%	0%	0%

	Yearly budget	Per case funding	Project based funding
Spain (n=3)	100%	0%	67%
Sweden (n=1)	100%	0%	0%
UK (n=1)	100%	0%	0%
Total (n=124)	**65%**	**27%**	**26%**

Note: results are based on 124 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

With regards to the source of funding, the majority of debt advisers receive their funding from the government. Only a small minority receives EU support. Some debt advisors have several sources of finance, so there are more answers than respondents.

Figure 38: What is the main source of funding of your organisation?



Note: results are based on 129 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

The table below shows the responses by country.

Table 37: What is the main source of funding of your organisation? [By country]

	EU origin	Government funding	Donations	Private fees
Austria (n=5)	0%	100%	0%	0%
Belgium (n=3)	0%	100%	33%	67%
Bulgaria (n=1)	0%	0%	0%	100%
Croatia (n=3)	0%	0%	0%	50%
Cyprus (n=3)	0%	0%	0%	33%
Czech Republic (n=3)	67%	67%	67%	0%
Denmark (n=6)	0%	50%	17%	50%
Estonia (n=2)	0%	100%	0%	0%
Finland (n=2)	0%	100%	0%	0%
France (n=4)	0%	100%	50%	25%
Germany (n=64)	3%	91%	28%	8%
Greece (n=2)	0%	0%	100%	100%

	EU origin	Government funding	Donations	Private fees
Hungary (n=2)	50%	50%	100%	50%
Ireland (n=3)	0%	67%	0%	0%
Italy (n=3)	0%	33%	33%	33%
Latvia (n=1)	0%	0%	0%	100%
Netherlands (n=1)	0%	100%	0%	0%
Poland (n=4)	0%	25%	25%	0%
Portugal (n=8)	0%	75%	0%	0%
Romania (n=2)	0%	0%	50%	0%
Slovakia (n=2)	0%	100%	50%	0%
Slovenia (n=1)	0%	100%	0%	0%
Spain (n=3)	33%	67%	33%	100%
Sweden (n=1)	0%	100%	0%	0%
UK (n=1)	0%	100%	0%	0%
Total (n=129)	5%	76%	26%	17%

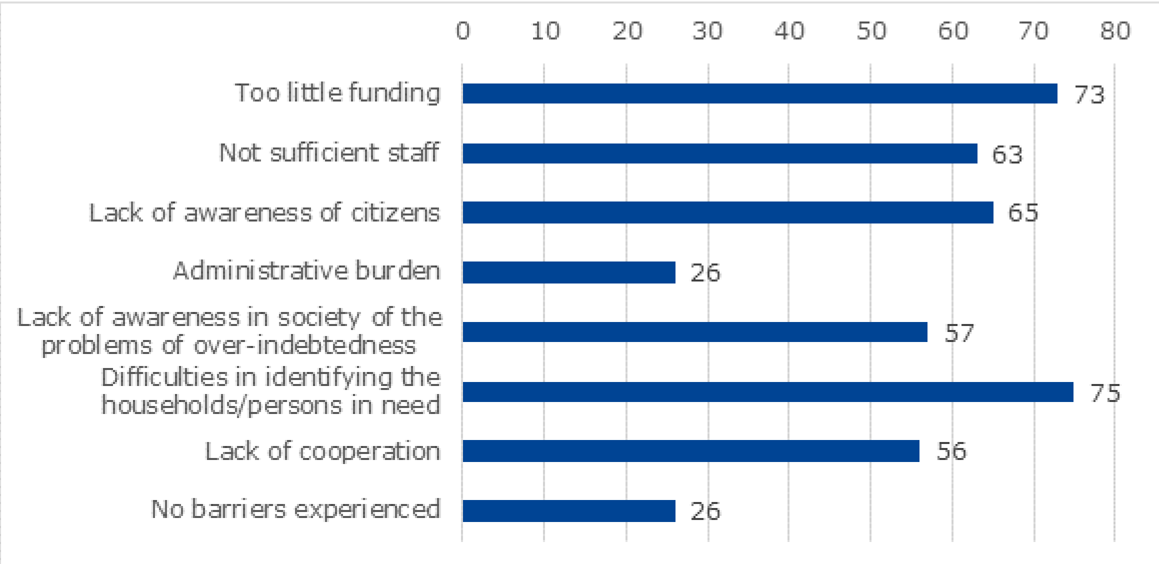
Note: results are based on 129 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Potential shortcomings of existing debt advice services

In order to identify potential needs for improving the provision of debt advice services, the survey asked for experienced barriers to provide (more) effective debt advice.

For more than a quarter of respondents, budget and awareness is a problem. Awareness may be related to the budget, limiting the organisations' possibilities to increase and raise awareness. In general, few believe that there is not enough expertise. There seems to be a basis for good debt advice, only missing is the money to apply it effectively.

Figure 39: Have you experienced any barriers for you or the organisation you represent to provide (more) effective debt advice for households? [Number of responses]



Note: results are based on 265 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

There are differences in the barriers experienced by type of respondent, as shown in the table below. While the majority of debt advice providers indicated the lack of funding to be a barrier in implementing (more) effective services (63%), the stakeholders in other areas of involvement provided different responses. For public authorities, the most mentions given were for difficulties identifying the households in need of advice, while researchers, academics and experts saw the lack of awareness of citizens as one of the most common barriers.

Table 38: Have you experienced any barriers for you or the organization you represent to provide (more) effective debt advice for households? [By type of involvement]

TYPE/BARRIER	Too little funding	Not sufficient staff	Lack of awareness of citizens	Administrative burden	Lack of awareness in society of the problems of over-indebtedness	Difficulties in identifying the households/persons in need	Lack of cooperation	No barriers experienced
Providing debt advice services to households and individuals (n=116)	63%	54%	1%	22%	1%	19%	1%	9%
Policy and regulatory framework development (public authority) (n=34)	0%	0%	32%	0%	32%	41%	24%	18%
Research or personal professional focus / specialisation on over-indebtedness and debt advice (experts and academics) (n=46)	0%	0%	46%	0%	39%	33%	37%	2%
Other (n=69)	0%	0%	46%	0%	39%	35%	43%	13%
Total (n=265)	28%	24%	25%	10%	22%	28%	21%	10%

Note: results are based on 265 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

The table below shows the barriers experienced by country. The total share of responses by country may exceed 100% as multiple answers could be provided.

Table 39: Have you experienced any barriers for you or the organisation you represent to provide (more) effective debt advice for households? [By country]

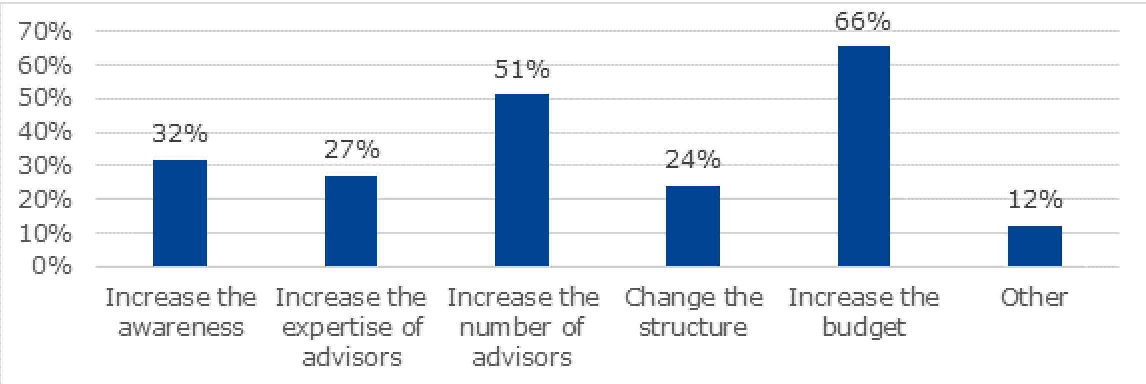
CTY/BARRIER	Too little funding	Not sufficient staff	Lack of awareness of citizens	Administrative burden	Lack of awareness in society of the problems of over-indebtedness	Difficulties in identifying the households/persons in need	Lack of cooperation	No barriers experienced
Austria (n=9)	44%	56%	11%	0%	0%	22%	0%	22%
Belgium (n=11)	9%	9%	27%	0%	27%	27%	18%	36%
Bulgaria (n=6)	0%	0%	33%	0%	17%	33%	33%	17%
Croatia (n=8)	25%	13%	25%	25%	0%	13%	38%	25%
Cyprus (n=6)	33%	33%	17%	0%	33%	17%	50%	17%
Czech Republic (n=8)	13%	13%	50%	13%	25%	38%	38%	0%
Denmark (n=9)	56%	33%	11%	11%	11%	44%	22%	0%
Estonia (n=5)	0%	20%	20%	0%	20%	40%	40%	20%
Finland (n=10)	10%	10%	50%	0%	10%	60%	40%	10%
France (n=7)	0%	29%	14%	14%	14%	0%	14%	0%
Germany (n=71)	54%	42%	8%	20%	15%	17%	4%	4%
Greece (n=4)	50%	50%	25%	25%	25%	75%	25%	0%
Hungary (n=5)	40%	40%	20%	0%	20%	80%	40%	0%
Ireland (n=9)	0%	11%	22%	0%	22%	33%	0%	22%
Italy (n=13)	15%	8%	31%	8%	38%	8%	8%	8%
Latvia (n=5)	20%	0%	40%	0%	40%	20%	20%	0%
Lithuania (n=3)	0%	0%	33%	0%	67%	0%	67%	0%
Luxembourg (n=4)	0%	0%	75%	0%	50%	50%	75%	0%
Malta (n=2)	0%	0%	100%	0%	0%	50%	50%	0%
Netherlands (n=6)	17%	17%	17%	17%	50%	67%	33%	0%
Poland (n=13)	8%	15%	31%	8%	31%	8%	23%	8%
Portugal (n=14)	14%	21%	29%	0%	21%	21%	21%	21%
Romania (n=5)	40%	20%	60%	20%	60%	60%	60%	20%
Slovakia (n=6)	17%	17%	17%	17%	50%	67%	67%	0%
Slovenia (n=6)	17%	17%	0%	0%	0%	0%	33%	0%
Spain (n=11)	18%	0%	45%	9%	18%	36%	27%	9%
Sweden (n=5)	20%	20%	60%	0%	20%	80%	0%	20%
UK (n=2)	0%	0%	50%	0%	0%	50%	0%	50%

CTY/BARRIER	Too little funding	Not sufficient staff	Lack of awareness of citizens	Administrative burden	Lack of awareness in society of the problems of over-indebtedness	Difficulties in identifying the households/persons in need	Lack of cooperation	No barriers experienced
Total (n=263)	27%	24%	25%	10%	22%	29%	21%	10%

Note: results are based on 263 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

The survey also asked the respondents **what would be required in order to improve the availability of debt advice for households**. The responses reflect the answers given to the previous question as most respondents believe the availability could be best improved by lowering the barriers. Therefore, most of the replies are either directly asking for more funding or are topics that are connected to funding.

Figure 40: In your opinion, what would be required to improve the availability of debt-advice for households in your country?



Note: results are based on 270 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Table 40: In your opinion, what would be required to improve the availability of debt-advice for households in your country? [By type of involvement]

	Increase the budget	Change the (financing) structure of the system	Increase the number of advisors	Increase the expertise	Increase awareness
Providing debt advice services to households and individuals (n=120)	83%	21%	60%	22%	1%

	Increase the budget	Change the (financing) structure of the system	Increase the number of advisors	Increase the expertise	Increase awareness
Policy and regulatory framework development (public authority) (n=34)	38%	18%	38%	18%	53%
Research or personal professional focus / specialisation on over-indebtedness and debt advice (experts and academics) (n=45)	62%	27%	51%	36%	60%
Other (n=69)	54%	32%	43%	36%	58%
Total (n=268)	66%	24%	51%	27%	32%

Note: results are based on 268 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Table 41: In your opinion, what would be required to improve the availability of debt-advice for households in your country? [By country]

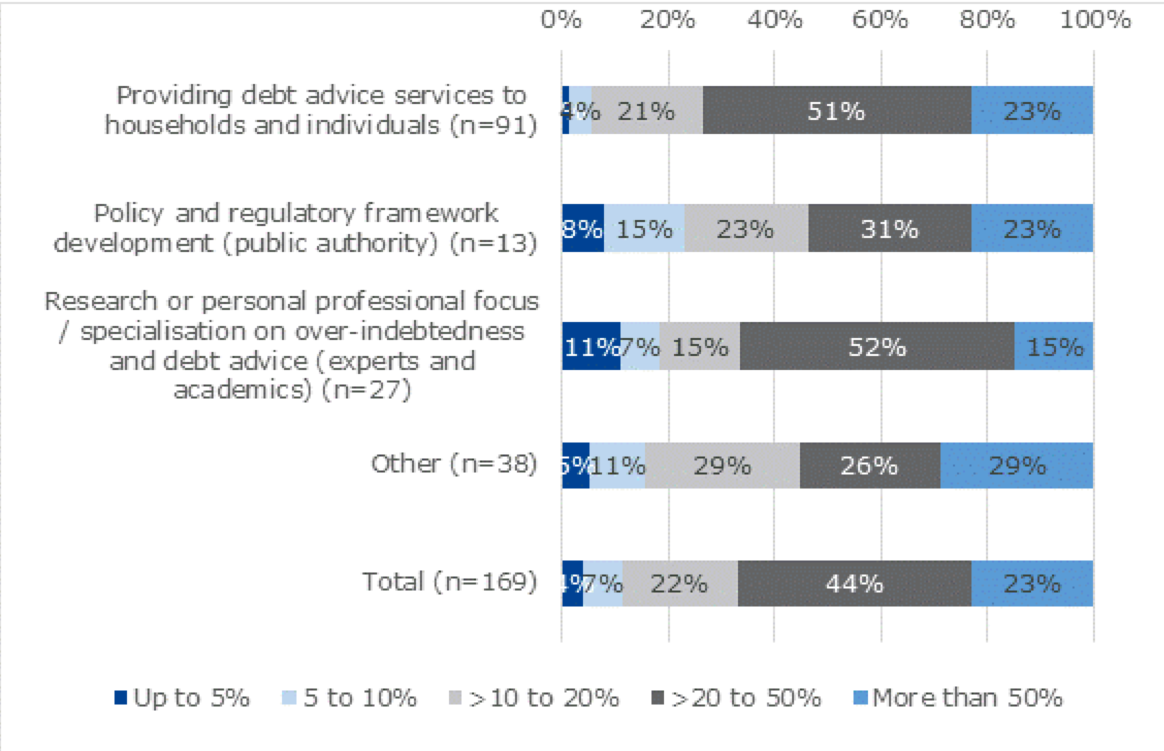
	Increase the budget	Change the (financing) structure of the system	Increase the number of advisors	Increase the expertise	Increase awareness
Austria (n=9)	89%	0%	89%	0%	11%
Belgium (n=11)	55%	36%	55%	18%	27%
Bulgaria (n=6)	17%	33%	17%	33%	50%
Croatia (n=8)	50%	13%	38%	25%	25%
Cyprus (n=6)	83%	17%	50%	33%	33%
Czech Republic (n=9)	78%	11%	67%	33%	56%
Denmark (n=9)	89%	22%	78%	44%	22%
Estonia (n=5)	40%	20%	20%	40%	20%
Finland (n=10)	40%	20%	60%	20%	70%
France (n=7)	57%	14%	43%	29%	14%
Germany (n=73)	95%	22%	75%	12%	15%
Greece (n=4)	75%	50%	75%	75%	25%
Hungary (n=5)	80%	60%	60%	20%	20%
Ireland (n=9)	22%	11%	22%	33%	33%
Italy (n=13)	31%	23%	15%	46%	46%
Latvia (n=5)	80%	0%	40%	0%	60%
Lithuania (n=3)	67%	33%	0%	33%	0%
Luxembourg (n=4)	25%	50%	0%	25%	100%
Malta (n=2)	100%	50%	0%	50%	100%
Netherlands (n=6)	50%	33%	17%	33%	50%
Poland (n=13)	31%	46%	46%	23%	46%
Portugal (n=14)	43%	29%	43%	64%	21%

	Increase the budget	Change the (financing) structure of the system	Increase the number of advisors	Increase the expertise	Increase awareness
Romania (n=5)	100%	40%	60%	80%	60%
Slovakia (n=6)	83%	17%	50%	67%	33%
Slovenia (n=6)	33%	17%	33%	33%	33%
Spain (n=11)	64%	18%	27%	9%	36%
Sweden (n=5)	60%	40%	60%	20%	80%
UK (n=2)	50%	0%	0%	0%	50%
Total (n=266)	66%	24%	52%	27%	32%

Note: results are based on 266 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

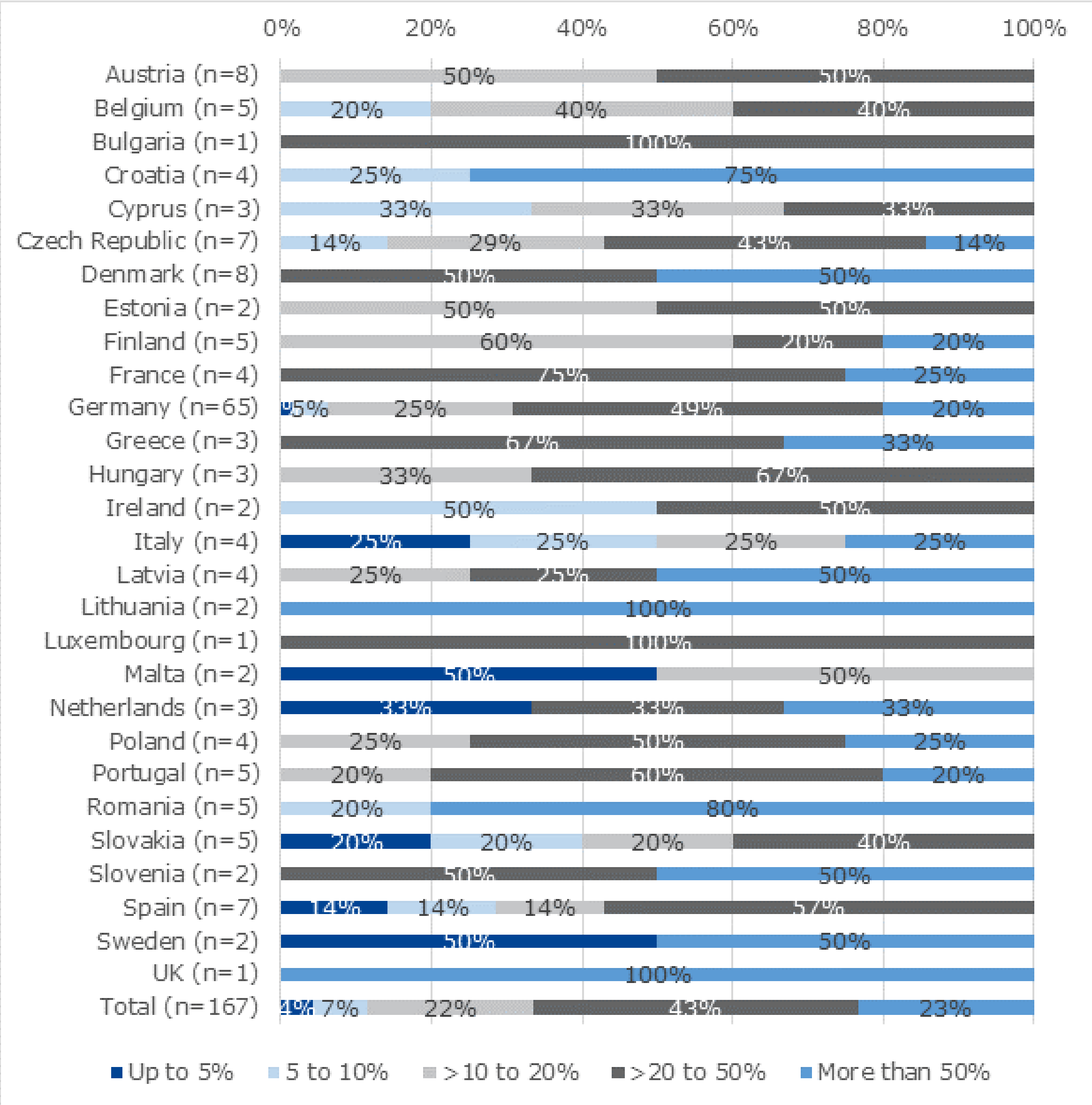
Those who indicated that the budget would need to increase in order to improve the availability of debt advice services were also asked how much this budget would have to increase. Looking into the increase of budget needed, almost a quarter of those who believe debt advice needs a higher budget believe that the budget should be increased by at least 50 percent. Except for the financial service providers, the groups are very similar in their responses.

Figure 41: In your opinion, how much would the budget need to increase to improve the availability of debt advice? [By type of involvement]



Note: results are based on 169 observations.
Source: VVA & CEPS elaborations based on online survey responses

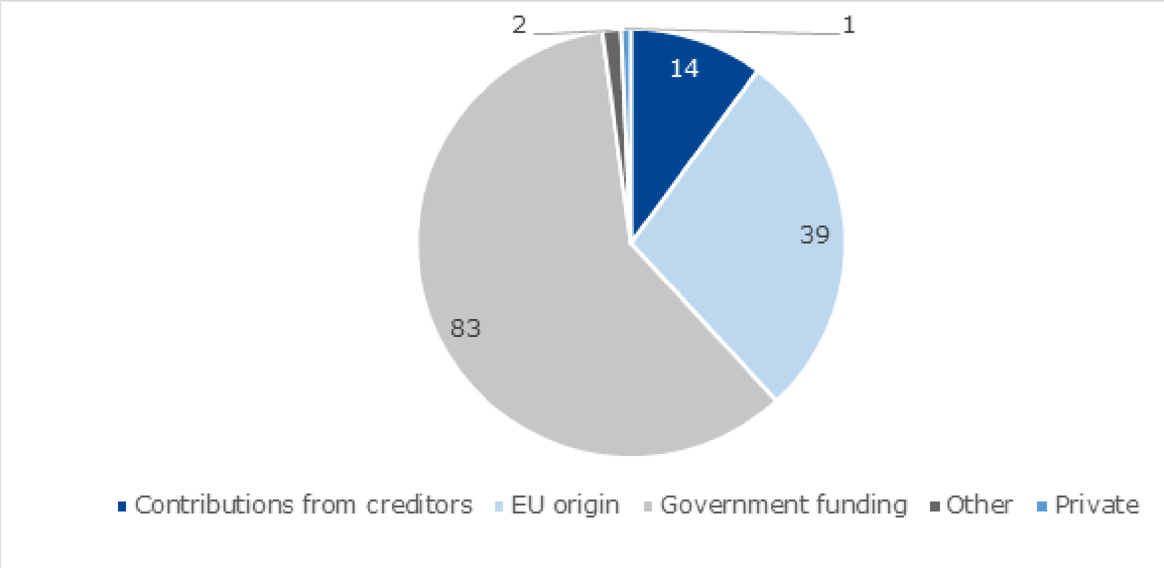
Figure 42: In your opinion, how much would the budget need to increase to improve the availability of debt advice? [By country]



Note: results are based on 167 observations.
Source: VVA & CEPS elaborations based on online survey responses

Not only was the size of the budget increase assessed, but also the most important source for it. The respondents mainly want this funding from the national government. However, a relevant number also wish for more funding from the EU. In general, a budget increase is clearly understood to be a government task.

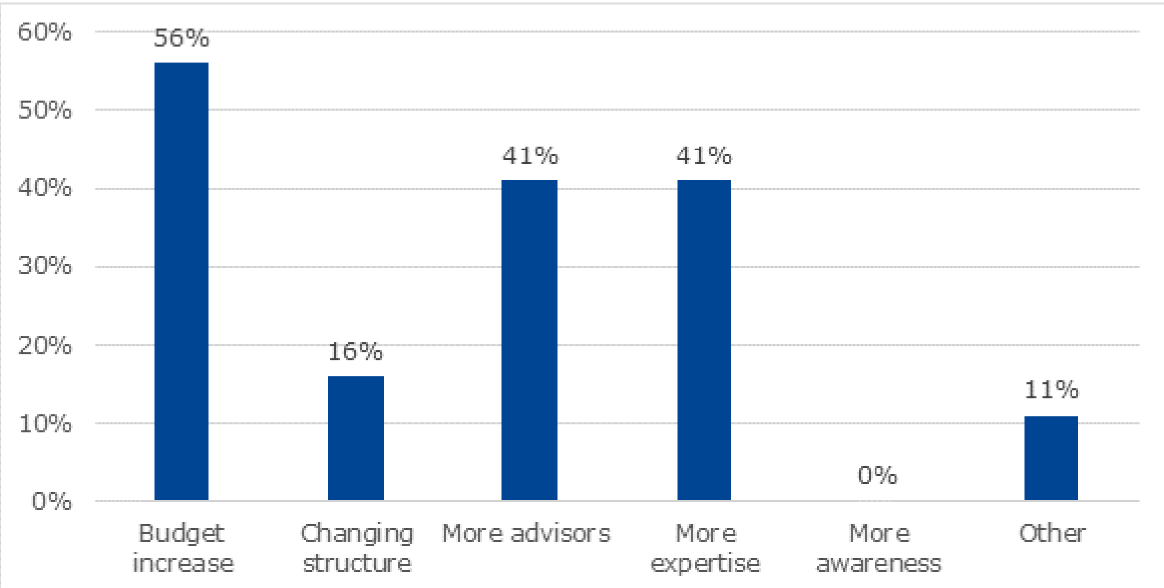
Figure 43: What would be the most important source of the budget increase to improve the availability of debt advice?



Note: results are based on 139 observations.
Source: VVA & CEPS elaborations based on online survey responses

Another similar question asked in the survey was on the **needs to improve the quality of the advice services.** As with the question of increased availability, the most common demand is for more budget. Awareness and systemic problems seem to be less of a problem, suggesting that the European Debt Advisory Service needs to be expanded rather than restructured.

Figure 44: In your opinion, what would be required to improve the quality of debt-advice for households in your country?



Note: results are based on 268 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Table 42: In your opinion, what would be required to improve the quality of debt-advice for households in your country? [By type of involvement]

	Increase the budget	Change the (financing) structure of the system	Increase the number of advisors	Increase the expertise	Increase awareness	Other
Debt advisers (n=140)	63%	6%	48%	61%	0%	14%
Financial service providers (n=5)	80%	20%	20%	40%	0%	0%
Others (n=28)	39%	25%	36%	50%	0%	11%
Public authorities (n=42)	38%	24%	29%	76%	0%	7%
Researcher (n=46	59%	33%	39%	46%	0%	9%
Total (n=261)	56%	16%	41%	59%	0%	11%

Note: results are based on 261 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Table 43: In your opinion, what would be required to improve the quality of debt-advice for households in your country? [By country]

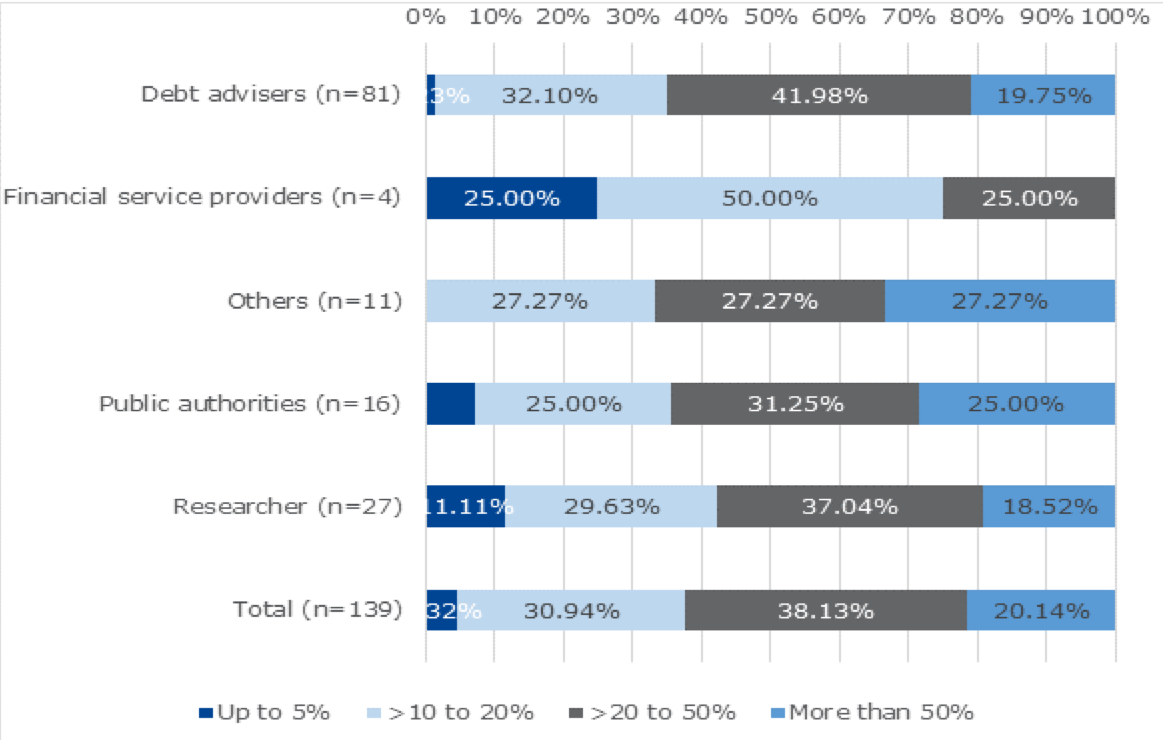
	Increase the budget	Change the (financing) structure of the system	Increase the number of advisors	Increase the expertise	Increase awareness	Other
Austria (n=9)	0%	67%	89%	11%	0%	0%
Belgium (n=10)	30%	60%	55%	50%	0%	0%
Bulgaria (n=6)	17%	0%	17%	33%	0%	0%
Croatia (n=7)	29%	14%	38%	29%	0%	0%
Cyprus (n=6)	17%	17%	50%	33%	0%	17%
Czech Republic (n=8)	13%	38%	67%	63%	0%	13%
Denmark (n=9)	11%	44%	78%	67%	0%	22%
Estonia (n=6)	17%	0%	20%	83%	0%	17%
Finland (n=9)	22%	33%	60%	22%	0%	22%
France (n=7)	0%	43%	43%	43%	0%	0%
Germany (n=72)	4%	56%	75%	28%	0%	15%
Greece (n=4)	25%	50%	75%	50%	0%	0%
Hungary (n=5)	40%	100%	60%	20%	0%	0%
Ireland (n=9)	11%	22%	22%	67%	0%	33%
Italy (n=12)	25%	17%	15%	58%	0%	0%
Latvia (n=5)	0%	40%	40%	40%	0%	0%
Lithuania (n=3)	0%	0%	0%	33%	0%	33%
Luxembourg (n=4)	25%	50%	0%	50%	0%	0%
Malta (n=2)	0%	0%	0%	0%	0%	0%
Netherlands (n=6)	50%	17%	17%	50%	0%	0%
Non-EU (EFTA) (n=2)	50%	0%		100%	0%	0%

	Increase the budget	Change the (financing) structure of the system	Increase the number of advisors	Increase the expertise	Increase awareness	Other
Poland (n=13)	31%	38%	46%	46%	0%	23%
Portugal (n=14)	7%	43%	43%	64%	0%	0%
Romania (n=5)	60%	80%	60%	80%	0%	20%
Slovakia (n=6)	33%	67%	50%	50%	0%	0%
Slovenia (n=4)	0%	50%	33%	50%	0%	25%
Spain (n=11)	18%	9%	27%	9%	0%	9%
Sweden (n=5)	40%	40%	60%	40%	0%	20%
UK (n=2)	0%	50%	0%	50%	0%	0%
Total (n=261)	16%	41%	52%	41%	0%	11%

Note: results are based on 261 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

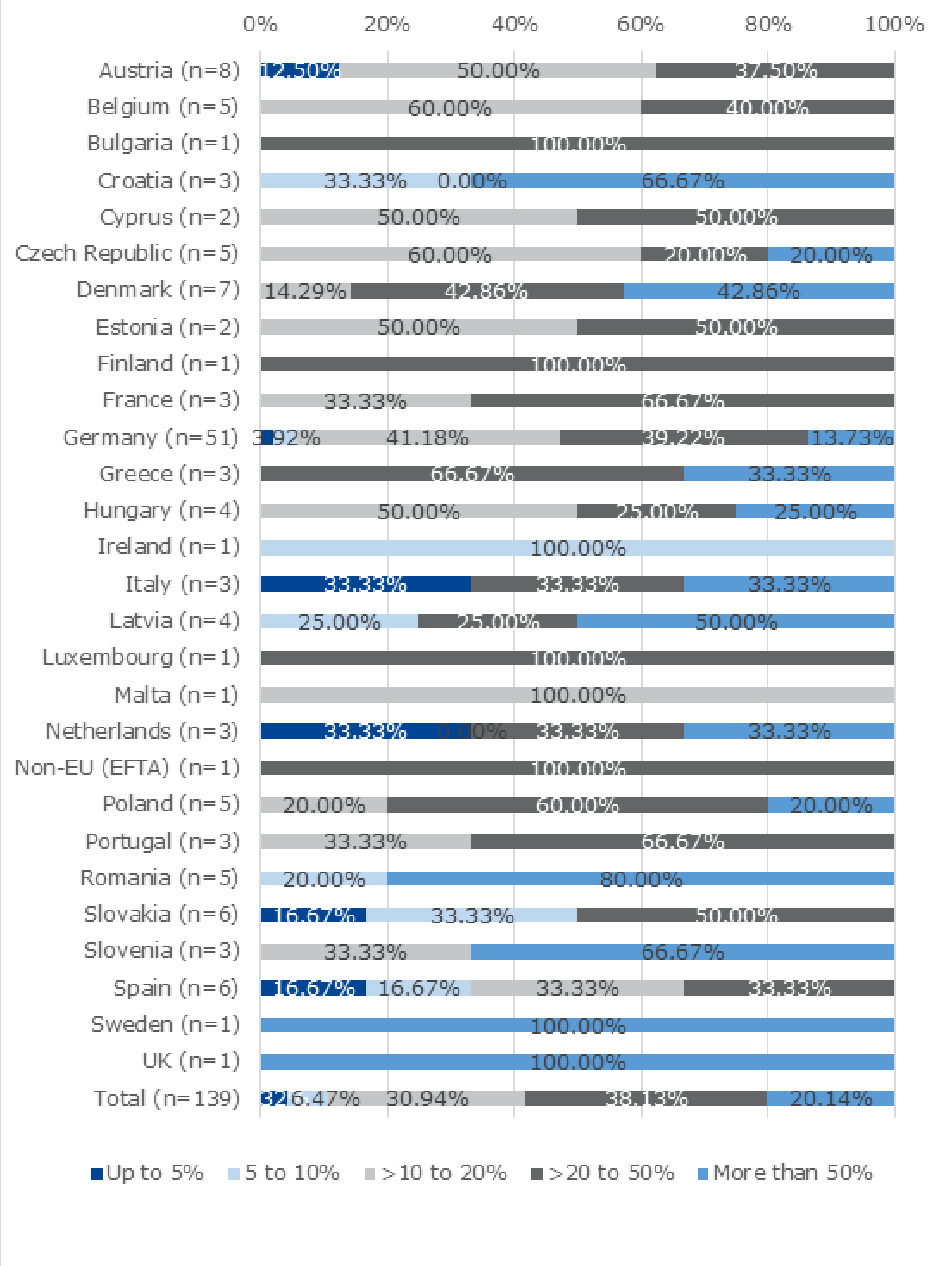
Just as with the question of improving availability, the question was asked how much the budget would have to increase to improve quality. It seems that in comparison, only a small budget increase would be necessary to improve quality.

Figure 45: In your opinion, how much would the budget need to increase? [By type of involvement]



Note: results are based on 139 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

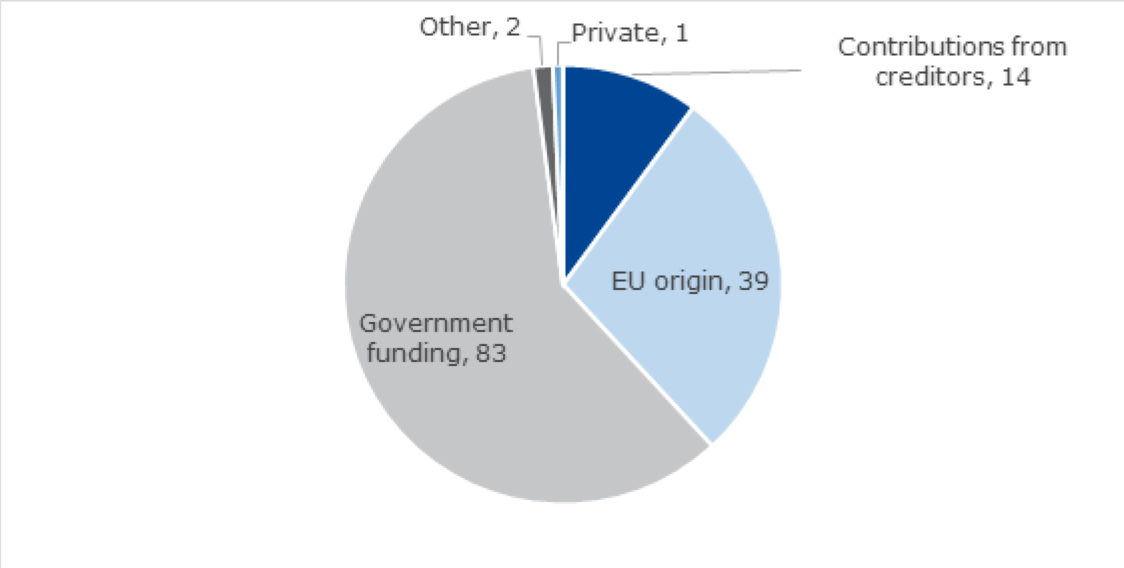
Figure 46: In your opinion, how much would the budget need to increase? [By country]



Note: results are based on 139 observations, multiple responses possible.
Source: VVA & CEPS elaborations based on online survey responses

Not only was the size of the budget increase assessed, but also the most important source for it, just like with availability assessment before. The respondents mainly want this funding from the national government. However, a relevant number also wish for more funding from the EU.

Figure 47: What would be the most important source of the budget increase to increase the quality of debt advice?

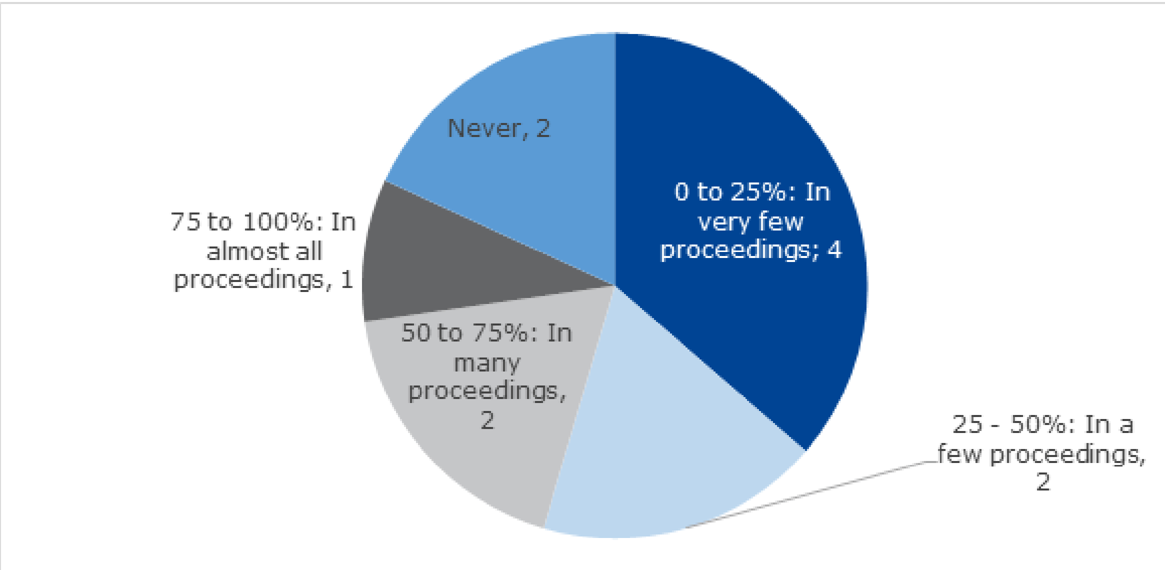


Industry

In order to make the survey as open and inclusive as possible, there were also some questions addressed directly to the industry. However, the number of responses in this area is relatively low. For the sake of completeness, two questions from this area are nevertheless presented below.

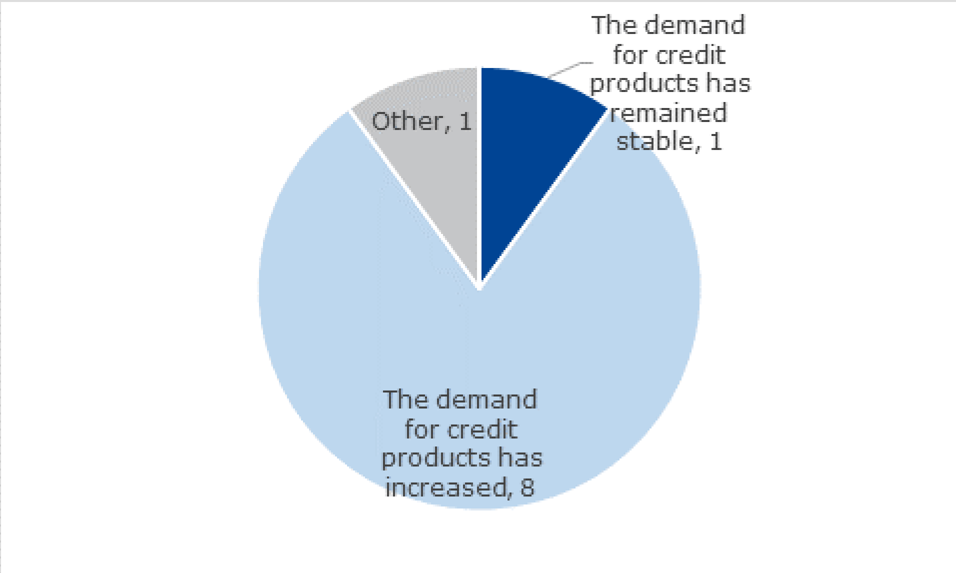
Eleven participants indicated how often they work with debt advisors. More than half of the participants never or only rarely cooperate with these services. Only one participant almost always works with debt counselling.

Figure 48: How often do you collaborate with debt-advisory services?



The respondents are fairly unanimous in their assessment of how much demand there will be for credit in the future. This view fits in with the view of the debt advisors themselves, both groups expect more private debt in the future.

Figure 49: Following your expertise, how has the rate of credit products' demand developed in the past ten years?



Annex 3: Results of the interviews

The objective of the targeted interviews was to obtain data and information from the main stakeholders identified in the stakeholder mapping exercise.

In total more than 200 interviews were conducted between May and December 2020. The interviews were fairly equally spread across the EU27 and the UK, with at least 5 interviews in smaller EU Member States, 10 or more interviews in larger EU Member States (see Table 2 for interviews per country).

Looking across stakeholder types, most provide debt advice. According to the latest interview status from 8 December 2020, the main groups of stakeholders were debt advisors (24%), public authorities (23%), NGOs, charities and foundations (15%) and industry associations (12%). In addition, also some companies, consumer representatives, academics and other experts were interviewed.

View on development of household debt and debt advisory services

According to the majority of the interviewees, household indebtedness has significantly increased in most EU countries during the past five years. The interviewees indicated several drivers behind the surge in household indebtedness.

The first driver behind this trend is the increasing level of urbanization. Real estate and rent prices have significantly grown as an increasing share of the population moves to urban areas where the property prices tend to be higher. As a result, the level of indebtedness amongst first-home buyers and tenants has increased over the past years. This affects in particular young people who usually have little savings and therefore are more at risk of over-indebtedness.

The second driver is the increasing demand for credit for consumption. This includes consumer loans granted by banking and non-banking financial institutions as well as credit cards and current account overdraft facilities. Several interviewees highlighted that the digitalization of financial services coupled with the current low interest environment eased the access to credit for consumable goods (e.g. home appliances, furniture, motor vehicles). The expansion in consumer loans is confirmed by the official statistics from national central banks[147]. In the past five years (from 2014 to 2019) consumer loans increased 25% in the EU, while mortgages increased 15% during the same period.

The third driver is the increasing demand for other types of loans (e.g. zero-interest loans, quick loans and payday loans). These loans often concern small amounts with relatively high interest rates and/or related costs (e.g. administration costs and insurances). Atypical loans are usually offered by non-banking institutions and due to their relatively small size are not subject to mandatory creditworthiness assessment. According to several shareholders, over the past five years, the demand for such loans has significantly expanded especially among the most vulnerable households. Quick loans and payday loans are often seen as the last resort to access liquidity. The accumulation of these loans is reported to be among the most important causes of over-indebtedness and personal insolvency.

On the contrary, a minority of the interviewees report that the average level of household indebtedness has decreased compared to 2014. This trend is registered in

[147] ECRI Statistical Package 2020

some Southern and Central Eastern European countries and is mostly the result of macro-economic and regulatory improvements in the aftermath of the sovereign debt crisis. Nevertheless, private indebtedness remains high among the most vulnerable households and in particular among people with very low level of education and members of marginalised communities.

Almost all interviewees agree that the ongoing pandemic of COVID19 will negatively affect the capacity of a significant number of EU households to make ends meet.

Current state of household debt and debt advice services

According to the interviewees, consumers in most of the EU countries have access to legal counselling, money and debt management advice and social and psychological assistance. However, debt advice services are reported to be insufficiently developed and capable to serve only a minority of the over-indebted households.

Debt advice services is particularly underdeveloped in countries where it is not directly funded by the government. In these countries debt advice is mostly provided by NGOs/Charities[148], consumer organisations[149] and/or private advisors[150]. Most of the NGOs active in this field finance debt advice services from their general budget, while a minority of them receive dedicated funding from local authorities or EU programs for their debt advice activities. The large majority of the consumer organizations ask debtors to join the organization and contribute with membership fees, which in most cases are less than EUR 100 per year. Private advisors usually assist debtors in insolvency procedures. Costs are usually paid by the debtor and often exceed EUR 5,000. Finally, a small number of organizations offering independent debt advice receive funding from creditors and utility companies.

It is important to notice that in many countries different actors cooperate and support the debtor in different phases. NGOs and consumer organizations are usually the first contact point for over-indebted households. They often perform a first assessment of the debtor's financial situation and provide personalized advice. In case of personal insolvency, most of these organizations refer the debtor to specialized lawyers. In some countries (e.g. Italy and Spain) the costs of debt advice in insolvency proceedings are considered by the Law as senior debt and thus are paid first. This means that such costs are *de facto* paid by the creditors as larger haircuts on their claims. In other countries (e.g. Lithuania and Slovenia), vulnerable households have the right to free legal advice from public defendants. Therefore, in several cases, the costs of specific debt advice services are not directly charged to the debtor.

On the contrary, debt advice is considered to be relatively well developed in countries where it is provided by public authorities or by publicly funded organizations[151]. In these countries, debt advice is offered free of charge to all people seeking help. In several countries, debt advice services are provided by the municipalities (e.g. Belgium, Estonia, the Netherlands and Sweden) or by specialized debt advice centres at the provincial level (e.g. Austria, France). In a few countries, debt advice services are provided or coordinated by specialized national authorities (e.g. Luxembourg, Ireland,

[148] Czech Republic, Germany, Hungary, Italy, Malta, Romania, Slovenia

[149] Greece, Portugal, Poland and Spain

[150] Bulgaria, Cyprus, Croatia, Latvia, Lithuania

[151] Austria, Belgium, Denmark, Estonia, Finland, France, Ireland, Luxembourg, the Netherlands, Slovakia, Sweden and the UK.

the UK). Finally, in some countries consumer organizations and NGOs receive public funding to provide debt advice (e.g. Denmark and Slovakia).

Overall, the public perception of debt advice services is very positive. Over-indebted households appreciate the opportunity to receive personalized independent advice and often consider debt advisors as the only ones willing to help them. The public perception more negative when also non-independent debt advice is considered. Several interviewees indicated that these advisors are sometimes considered to be taking advantage of the most vulnerable people.

The over-indebted households are also not always satisfied with the services of debt advisors. According to the interviewed debt advisors this is often related to unrealistic expectations from the debtors and that the debt advisor need to confront them with difficult messages. For example, some debtors are upset with debt advisors when they are informed that their assets – including their home – could be liquidated to repay their debts.

Despite the overall good reputation of debt advice, public awareness among consumers remains low. This is especially the case in countries where debt advice is not publicly funded. The interviews provided four main explanations for the low level of awareness.

First, in several countries, personal insolvency laws have been recently adopted and - according to several interviewees - procedures are not widely known. Second, limited capacity of many NGOs and social organizations active in this field. Debt advisors are often volunteers and raising awareness among over-indebted people is difficult. Third, some of the over-indebted households are hard to reach with traditional means of communications (e.g. website and mail). The majority of the over-indebted people have little financial education, some of them are illiterate or do not speak the native language. Fourth, access to information remains scarce as - in many areas of the EU - vulnerable households do not have internet access. Moreover, if they search on the internet they might be directed to the websites of non-independent advisors.

Mostly due to the low public awareness, limited availability, fear about high costs, and taboo/stigma are indicated as the main reason why only a fraction of the people in a situation of over-indebtedness are assisted by professional independent debt advisors. Moreover, the low public awareness and taboo/stigma around debt advice also causes that most households ask for debt advice too late. In many cases, debtors consult debt advisors only when their current accounts have been blocked and eviction orders have been issued. At that time they often have already a large number of creditors, receive penalty charges on their debt and it is much more difficult to come to an amicable arrangement with the creditors and avoid negative consequences (e.g. risk of losing house, etc.).

Over-indebtedness causes often a lot of 'stress' among the debtors, which makes them take sub-optimal (financial) decisions. The debtors are often ashamed about not being able to financially take care of themselves and their families financially and fear about the consequences of the over-indebtedness are reported to be the most common feelings among over-indebted people. Gaining the trust of debtors takes a lot of effort from debt advisors. Usually, it is only after the second meeting that debtors talk openly with their debt advisor about their problems. The stress also causes that debtors take decision that are not in their own best interests (e.g. apply too late for debt-advice, do not contact their creditors for an arrangement, sub-optimal priority in the payment obligations).

There also exist some objective barriers reducing access to debt advice. In some countries, debt advisors require an upfront payment. In Italy, some debt advisors charge debtors with approximately EUR 1 000. Entry fees constitute a serious barrier for vulnerable households and often deter them from consulting an independent advisor. However, it is important to mention that in Italy more than one-third of the costs charged to the debtor is spent in administrative fees (e.g. for cadastral surveys). In several countries, physical distance to debt advice centres and limiting opening hours[152] are also factors reducing access to debt advice. Finally, waiting lists for debt advice can be very long, especially in countries where such services are free of charge. For example, in certain Austrian provinces debtors have to wait more than 3 months, while in a few Swedish municipalities the waiting list can be as long as 10 months.

Main challenges and needs in debt advice

In most countries, interviewees did not identify best practices. In most of these countries debt advice is very much underdevelopment. In fact, only in a handful of countries with developed debt advice systems it was possible to identify best practices relevant for other countries.

Best practices covering different areas of debt advice were identified in Austria, Denmark, France, Italy, Netherlands, Sweden and the UK. A brief summary is provided hereafter.

The majority of the people in need of debt advice are not aware that such services exist. Therefore, raising awareness among over-indebted people is a challenge in many countries. In Sweden, social actors plays an important role in raising awareness about debt advice. It is common that social service agencies, health professionals as well as members of religious organisations refer people in financial difficulty to debt advisors. The Law Enforcement Agency is also tasked to inform the debtor about the possibility to access free of charge debt advice from their municipality.

Ensuring an easy access to the service is a priority to improve the accessibility to debt advice. In the UK and in Norway, consumers can get in contact with debt advisors by phone. This service allows debtors to get personalized help while preserving their privacy. Other initiative aimed at easing the access to debt advice can be found in Sweden. The municipality of Skellefteå organises regular public meeting where clients do not need appointment and can directly talk to debt advisors.

Complex procedures and entry fees also constitute strong barriers in accessing debt advice in many countries. In Italy, the organisation called 'Protezione Sociale Italiana' offers to their clients the possibility to file a personal insolvency case with a one-page document. This document offers information about the procedure and delegate the preparation of all necessary documents to the debt advisors. In addition the San Bernardino Foundation established a fund that covers legal costs for households that cannot afford to pay.

Fear and shame are the most common feeling among over-indebted people. For this reason, an empathic communication is key to gain the debtor's trust. In the UK, debtors have access to a large collection of visual content through the Money Advice Service website[153]. This includes leaflets and infographics as well as personal stories of former over-indebted people that managed to regain control of their financial situation.

[152] Debt advice is often provided during office hours, which makes it more difficult for working debtors to seek debt advice.

[153] https://www.moneyadviceservice.org.uk/en

To ensure high-quality of debt advice, some countries have established registers of accredited independent debt advisors. In Denmark, debt advisors can obtain an accreditation from the industry association Advice Denmark. In Italy, advisors assisting debtors in personal insolvency proceedings must be accredited by the Ministry of Justice (Registro OCC). In Austria, free of charge debt advice is offered by the network of state-approved debt advice centers grouped under the umbrella organisation ASB.

Institutional support is another key component to ensure a high quality debt advice. In Belgium, the Flemish regional government launched a program (SAM vzw) providing training and support to social professionals, organisations and volunteers active in the field of debt advice.

To incentive amicable debt settlement, the Dutch association of debt collectors NVVK has agreed with some of the most important creditors on specific conditions upon which debtors can request the creditor to grant a partial remission.

One of the most controversial discussion point during debt settlement procedure is the definition of the minimum wage that the debtor must retain to ensure decent living standards. In the Netherlands the responsibility for the calculation of the minimum living wage is given to an independent institution, namely the National Institute for Family Finance Information (NIBUD). This reduces the room of discussion between debt advisors and creditors and ensures fair and equal treatments of all debtors.

Over-indebtedness is sometimes correlated to other social problems. In France, the organisation 'Famille Rurale' provides their clients with guidance on the available aid program established at national and regional level.

The best practices discussed above contribute to better quality of debt advice in the country concerned, in some cases they could be replicated in other countries. These best practices are included in Chapter 4 of the report on good practices.

Many interviewees identified areas for further improvement. There are two common areas identified besides the limited awareness indicated above.

First, the large majority of debt advisors believes that more funding should be made available. This relevant in both countries where debt advice is almost exclusively provided by NGOs, consumer organisations and private companies and countries where debt advice is publicly financed. In Portugal, members of the publicly funded network of debt advice (i.e. RACE) did not receive funds for two years. In Germany, social organisations face difficulties in recruiting new debt advisors, as wages for such positions are very low.

Second, political commitment is low and that the government should be in charge of coordinating debt advice services. This would ensure equal access to debt advice and minimum quality standards for the advice provided.

Main policy solutions to strengthen debt advice

Insufficient engagement of the public sector, low level of financial education and lack of public awareness/availability are reported to be the most important barriers hampering the effectiveness of debt advice services in the EU. Taking into consideration these barriers, this section discusses three needs identified by the interviewees.

Over-indebtedness is a multifaceted problem with deep personal and societal implication. It can have long lasting impacts on family relationships and often brings debtors on the edge of social exclusion. Over-indebtedness can prevent people from accessing health care services and restrict opportunities for all members of over-indebted households. The cumulative impact of all the households dealing with a situation of over-indebtedness results in significant socio-economic consequences for the society as whole. Considering the increasing level of private indebtedness and the negative impact of the ongoing pandemic of Covid-19, it is expected that a large number of households will need independent debt advice. However, debt advice services in most of the EU Member States are insufficiently developed. This is particularly the case in countries where no public funding is available. However, during the ongoing pandemic, debt advisors expect that also in the countries where debt advice is more broadly available human and financial resources might proof insufficient.

Against this background, many interviewees consider political commitment and public funding as crucial elements to strengthen the provision of debt advice in the all EU Member States. Public funding could take different forms. It could be given as grant to i) NGOs, consumer organisations and other social organisations already active in this field; ii) the government or government authorities; iii) or new parties selected through a public tendering procedure. In this case, government would set minimum standards for the provision debt advice and award public funding in a competitive manner to the best offer. Alternatively, in those countries where the funding is not free of charge to the debtors, expenses associated with debt advice could be made tax deductible. This is currently according to the interviews not the case in any of the countries. The effect might for some debtors also be limited as they earn insufficient income to benefit from the deduction. In some countries also contributions from creditors are used, but these are often not sufficient to cover all costs for the debt advice.

The large majority of the interviewees agree on the fact that consumers have a low level of financial education. Whereas more effort should be paid in ensuring the compliance with the provisions regulating pre-contractual information, interviewees find that the most important problem is that many consumers do not understand the terms and conditions of the contract they are subscribing. A considerable share of indebted households seeking debt advice struggles with the concept of interest rates and some of them are illiterate. This is according to the respondents important because low level of financial education is generally associated with low capacity of budgeting.

Against this background, there is almost unanimous consensus among the interviewees that government should paid more effort in financial education. It is envisaged the possibility for government to design specific national strategies. Such strategies should be built upon three main pillars, namely i) the inclusion of financial education in the educational programs; ii) the provision of financial education training to adults; iii) the collaboration with creditors, NGOs, consumer associations and other social actors.The majority of the interviewees also agree on the fact that there is low awareness about the existence of debt advice services. It is not rare that highly indebted households lower their living standards but do not seek debt advice simply because they are not aware that such services exists. Even in countries where debt advice is free, some household do not seek debt advice because they are afraid of the costs that this would entail. Raising awareness about the existing services should therefore according to many interviewees be part of the policy toolkit to strengthen the provision of debt advice. Awareness campaign should be conducted using all mainstream communication channels, taking into account that vulnerable households do not have internet access in many areas of the EU. Similarly, such campaigns should adopt an empathic communication to overcome as much as possible the feeling of shame and fear often associated to over-indebtedness.

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