**Debt-advice stakeholder forum: main elements of the discussion and presentations**

**The event in a nutshell**

The forum was organised with the aim to collect views from the different stakeholders on the importance and the effectiveness of debt-advice to address overindebtedness.

The debate has confirmed that debt-advice has a very positive role to help clarify the situation of the debtors, prioritise the actions they need to put in place, facilitate the negotiation between the parties and help debtors to better manage their funds and schedule their repayments.

Moreover, it was agreed that debt advice is a tool that in the same time can help households to recover and banks to recuperate credits and that it is very effective if provided at an early stage.

As a result, the Commission committed to facilitate the exchange of best practices and the initiatives aimed at capacity building. In addition, the Commission will reflect on other possible actions, for example in the area of funding.

**Context and Presentations**

**Structure of the meeting:**

1 -A first plenary session including an introduction by the JUST Director General, two introductory presentations by a debt advisor and a representative of the creditors and videos of overindebted households who availed of debt-advice

2 – Three parallel sessions, dedicated to discuss:

2.1 - the main characteristics of good debt advice and how it works,

2.2- the broad economic and social context

2.3 - the role of debt advice in the recovery of over-indebted households

3 – A last plenary session, where the results of the three parallel sessions have been explained and where the Commissioner has closed the event.

**First plenary session**

**JUST Director-General, Ms Tiina Astola**, emphasised the impact of over-indebtedness and the related risks of social and financial exclusion and stressed that both preventive measures, such as adequate financial education, and remedial ones, such as debt advice, are needed.

The representatives of both debt advisors and creditors agreed that debt advice is a tool that in the same time can help households to recover and banks to recuperate credits. Here are their presentations:  

Videos with the concrete experience of hit households were also shown, illustrating the positive impact that debt-advice may have on their life.

**First parallel session**

This session was devoted to analyse the main characteristics of good debt advice and how it works. Concerning the requirements and challenges for debt advisors, the main issues raised were

- Theoretical knowledge and experience

- Personal quality (rationality, empathy, creativity…)

- Needed to create trust and offer quality advice

- Funding is the key challenge. It should be sufficient to ensure the quality and independence of the process

- Financial education can work well when it is provided in the adequate manner. At the very least it can trigger an initial reaction.

Concerning the consequent recommendation, they are:

- Quality requirements and training

- Develop Code of conduct / best practices

- Make available training modules

- Certification?

- Financing needed for independence, irrespective of the financing mix

- Information about debt advice: create a source of information about where debt advice is available across the EU

Here are the presentations:



**Second parallel session**

This session was dedicated to discuss the broad economic and social context. The main points raised, including the controversial issues, were that

- Overindebtedness is a multifaceted phenomenon with a negative impact on the society and the single stakeholders. Remedies are beneficial for all stakeholders involved

- Debt advice as a useful tool to clarify the situation, prioritise the actions, facilitate the negotiation between the parties and help debtors to better manage their funds and schedule their repayments. It is very effective if provided at an early stage.

- Debt-advice should not be separated from fight against poverty

- Regulatory framework – is it fit for purpose?

The consequent recommendations were therefore

-Need to create the conditions for the provision of debt advice across the EU, taking into account the specific cultures and existing structures

-Need to properly measure the economic impact of debt advice

-Need for debt advice to be provided at an early stage

-Exchange best practices to foster a culture of debt advice

Here are the presentations:



**Third parallel session**

This session dealt with the role of debt advice in the recovery of over-indebted households. The main points raised, including the controversial issues, were that

-Overindebted people are, or perceive to be, in a desperate situation. They are incapable to find solutions and do not know what to do.

-Debt-advisors offer them solutions and a hope, having in mind their concrete situation and needs (amicable debt-advice). They facilitate the repayment of debts while ensuring that the debtor has a decent life and can repay his debts in a reasonable time and manner.

-Behavioural economics show that people are not rationale in their choices. This entails reconsidering what type of rules might be needed to protect people: for example, easy products and secure standard basic options seem effective to prevent wrong choices.

-The provision of debt advice is clearly insufficient and not accessible enough.

The consequent recommendations were therefore that

- Debt advice should be available for all EU citizens everywhere. In addition, people should be made aware about where to obtain debt advice

- The funding of debt advice should be sufficient and should come from impartial source

- The Commission is requested to act asap to contribute to ensure the full availability of good quality debt advice services.

Here are the presentations:



Due to the absence of a representative of the credit industry, **Ms Jennifer Johnson** (European Mortgage Federation) kindly accepted to replace her last moment. In line with the traditional position of the industry, she explained the position of credit institutions (delivering credit is always the result of a worth analysis by the provider, not an arbitrary decision), stressed the need to prevent overindebtedness and emphasised the positive impact of consumer financial literacy.

**Final plenary session**

The three rapporteurs explained what happened in the sessions they chaired. Here are their presentations, agreed by all participants, which summarise the discussions:

  

Finally, **Commissioner Vĕra Jourová** drew the conclusions of the event. She stressed the importance of debt advice as a win-win tool for all parties. In particular, she emphasised that consumers should be put at the centre, and should be empowered to take the right decisions.

As a result of this day, the European Commission will work to facilitate the delivery and the availability of debt advice, by

- assisting the organisations that want to offer such advice,

- helping spread awareness of best practices.

In addition, the Commission will consider the possibility to

-address funding/capacity building programmes, and

-promote debt advice across all Member States.