



Study on European consumers' over-indebtedness and its implications

Focus group research findings: Romania

Ipsos
September 2022



EUROPEAN COMMISSION

*Produced by European Innovation Council and SMEs Executive Agency (EISMEA) on behalf of
Directorate-General for Justice and Consumers*

Directorate B - Consumers

Unit B.1- Consumer policy and sustainability

Contact: Francesco Gaetano

E-mail: Francesco.GAETANO@ec.europa.eu

European Commission

B-1049 Brussels

Table of Contents

1. Introduction	4
1.1. Methodology.....	4
1.2. Interpreting the data.....	4
2. Focus group findings for Romania	6
2.1. Awareness and perceptions of the problem of over-indebtedness	6
2.2. Coping strategies for over-indebtedness	7
2.3. Measures to tackle over-indebtedness	9

1. Introduction

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

1.1. Methodology

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

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

1.2. Interpreting the data

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

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

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

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

among group participants, while at the same time disclosing group social norms and consensus.

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

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

2. Focus group findings for Romania

Key Insights

- Participants in the Romanian focus groups considered debt, and also over-indebtedness, to be very common in their country. They attributed this to the generally poor state of the Romanian economy and what they saw as the failure of their government to take effective action to improve the situation. The rising cost of living and increased level of unemployment following the COVID-19 pandemic were seen to have made matters worse.
- Many participants also attributed over-indebtedness specifically to low wages that were insufficient to cover the expenses of an average household, making it very common for people to build up debt.
- The most commonly suggested coping strategies in the face of over-indebtedness were to reduce expenditure (for instance by spending less on leisure activities) or try to increase one's income – for example by getting an (additional) job. The option of selling assets was also mentioned, as was the option of debt restructuring.
- Participants' pessimistic assessment of the Romanian economy and the government's (lack of) response in this regard impacted their assessments of potential measures to tackle over-indebtedness. Most of the measures discussed were considered to be ineffective in the face of the significant difficulties many households were facing.
- The idea of financial education programmes proved somewhat of an exception to this, however, and was generally seen as potentially helpful in the longer term. There was a hope among participants that such programmes, if delivered in schools, could counter what they regarded as "learned acceptance" of debt in Romania, and help produce a new generation of consumers with greater financial competency than their elders.

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

All participants agreed that **debt** was extremely prevalent in Romanian society, and something that a significant proportion of the population, especially poorer but also middle-class people, experienced in the course of their lives. Most participants associated debt not so much with loans and credit, but rather with challenges paying for everyday expenses – in the first place, regular, fixed expenses such as rent and bills – but also basic necessities such as food, medicines and transportation. They commonly described how the ongoing presence of debt in a person's life could result in their suffering considerable levels of stress. Participants with personal experience of over-indebtedness described debt and impacts it had had on them in particularly emotional as well as rather fatalistic terms, commenting that it was something many people were born with and also died with, without any choice.

"We're so used to debt we don't even notice it anymore. We give [money] to one thing this month, we give to another thing the next month. I'm so used to the word debt I can't even manage to describe it."

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

"It's very hard to fit everything in 1800 lei. Don't ask me how I sleep at night, how much I worry."

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

Over-indebtedness was seen as something that happened when a person's debts significantly exceeded their available income. Participants contended that people in this situation were often unable to see a way out, which in turn could have a severe negative impact on their mental health. At the same time, and as in the case of debt generally, they felt the problem was very common among Romanians – to the extent that it could even be considered the norm, with only a small upper-class segment of the population (the was specific mention of public officials) left unaffected. The main perceived reason for this was that wages were often too low to keep pace with the rising cost of living, an issue that was seen to have been aggravated by the generally poor state of the Romanian economy, and high unemployment in many sectors following the COVID-19 pandemic.

"I don't see any way out of this problem for regular people, for the next 50 years."

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

"[We have seen] these mad price increases, starting with energy prices in the summer and finishing with bread, oil, transport [prices]. And my salary hasn't changed."

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

2.2. Coping strategies for over-indebtedness

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

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

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

a high level of debt and struggle to see how they will ever pay this off.	would not be able to afford to repay a further loan
---	---

2.2.1. Vignette 1

Participants almost unanimously agreed that the financial difficulties of the couple in this vignette (Vlad and Ioana) were the inevitable result of poor decisions they had made – in particular, a perceived refusal to restrain their spending and a lack of work ethic on Vlad's part. Participants framed their rejection of the couple's behaviour in explicitly moral terms, labelling their failure to address their problems as "irresponsible". For some, these feelings were amplified by the fact that the couple has made use of benefits to support what was generally seen as a rather comfortable lifestyle.

The strongly negative assessment of the couple's behaviour also seemed rooted, at least in part, in more general socio-cultural values held by a majority of participants. There was a shared feeling that by staying at home and letting his wife be the (sole) earner, Vlad was not fulfilling his proper role of head of the family. For this he was seen as particularly to blame for the couple's problems. A few participants went as far as to suggest that, if Vlad was not able to support his family, Ioana should leave him and find a husband who was.

"I would never stay with a man that doesn't work. I'd rather raise my children alone."

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

Participants also often appeared to hold generally negative views of people who relied on social benefits, characterising them as essentially opportunists. They saw the couple's behaviour and their ascribed unwillingness to improve their situation as providing confirmation of this, which effectively served to reinforce the stereotype in their minds. Such views, however, might have been impacted by the fact that none of the participants appeared to have had much experience with social benefits or knew people who had.

The view that the couple was largely to blame for the own problems was reflected in the nature of the solutions participants suggested. They were unanimous that **Vlad should urgently find a job** (even abroad if he was not able to find one in Romania) and that the household **should reduce their expenditure**, including by spending significantly less on leisure and vacations.

"They should rethink their entire life, from A to Z."

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

Almost none of the participants could relate to the couple's situation from their own experience. However, one participant did describe how in her job in social services she had encountered similar cases, and how her own husband had once had to stay home from work for several months after undergoing surgery. Drawing from this experience, she commented that there might be unknown factors underlying the household's problems, and thus rejected overly negative judgements that put all responsibility squarely with the couple. Still, this perspective did not receive much traction among other participants.

2.2.2. Vignette 2

Compared to their evaluation of the first vignette, participants were generally much more understanding of the situation described in the second vignette. They tended to agree that the

man's (Cornel's) financial issues were the result of circumstances beyond his control. That said, some of those without personal experience of over-indebtedness did comment that he had been unwise to remain in a low-paying job at his age and could perhaps have put more effort into finding a better one before his problems had the chance to escalate.

Participants initially found it difficult to think of anything that Cornel could do to resolve his problems, with some of them characterising it as a rather desperate position to be in. Upon further discussion, however, a view emerged that his best option would be to **try negotiating a debt restructuring with his bank**, if possible. If that were not an option available to him, some thought that the best alternative would be for him to **sell his house and move to a smaller, more affordable apartment**. Both actions, participants reasoned, would decrease his burden of fixed expenses, allowing him to build up the financial buffer for unexpected events that he was currently lacking.

"He should talk to the bank and refinance the debt. It will help him. He can't stop buying water to pay his debt. He can talk to the bank to get a lower repayment."

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

A second set of coping strategies suggested focused on increasing his income rather than on reducing his debts or expenses. In particular, there was suggestion that he could **find a second job** or **rent out one of his rooms**. One participant, without personal experience of over-indebtedness, said that, if she were in Cornel's position, and if the house had a garden, she would try to **grow vegetables and sell them for extra income**.

2.3. Measures to tackle over-indebtedness

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

Table 2.2: Measures presented to participants in the focus groups

Measures to change people's attitudes and behaviours

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

Measures aimed at improving the types of credit services available

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

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

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

2.3.1. Measures to change attitudes and behaviours

In general, there was a strong feeling among the participants that these measures sounded helpful in theory but would do little in practice to tackle over-indebtedness in Romania, at least in the shorter term. This reflected their view that the root cause of the problem was structurally low wages, and that any attempts to change attitudes or behaviours would not alter that. Participants with personal experience of over-indebtedness, especially, felt that the economic situation in Romania had deteriorated to such an extent that any “soft” measures would not help people experiencing, or at risk of, over-indebtedness.

“[The measures] are very good, but completely absurd for people in our situation.”

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

Building on this pessimistic assessment, **almost all participants felt that policies aimed at encouraging people to save more, and advertising campaigns highlighting the risks of poor credit choices, would be largely ineffectual.** The dominant perspective was that people were not able to save money anyway, and that many of them at some point had no choice but to rely on a loan or credit, even if that meant having to approach non-traditional lenders.

In the course of the discussion **a more positive perspective did emerge on the idea of financial education programmes, however.** Several participants observed that children in Romania were implicitly taught from a young age that debt was inevitable and indeed necessary to survive. The example of grocery shops was given, where it was often possible to buy everyday products on store credit. Financial education programmes in schools were seen offering a potential counter to such perceived negative influences, especially if these were to teach young people financial management skills, such as the importance of having a household budget. Thus, while participants overall felt that the measure would not make any difference for themselves or other people from their age group, they thought that it could at least be useful for future generations.

“Our children won’t want to live in one bedroom or a studio, and they have already learned from their parents that, if they get a loan, they can buy a house.”

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

“I think financial education will also help us. Because young people my age, for instance, they spend a lot. They don’t have any financial education anymore. And it is a real problem since our wages aren’t increasing but the prices are.”

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

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

The discussion around this sub-set of measures tended to centre again on the structural problems seen to underlie over-indebtedness in Romania (i.e., low wages and the poor state of the economy), and how these might limit the potential impact of any attempts to change people’s relationship with credit. Most participants also found it difficult to understand how these measures would work in practice or how they personally might benefit from them. For example, one person pointed out that **a reduction of fees on the early repayment of loans would only be useful if one had enough money to make an early repayment in the first place.** The consensus was that this would not be the case for a large majority of people with outstanding loans.

Some participants did support the general idea of **state-provided low- or no-interest loans, especially because they thought these could serve as an alternative to high interest loans offered by banks**. However, very low levels of trust in the government led most of these participants to doubt whether it would be able to manage such a complex undertaking. Participants with no experience of over-indebtedness were also concerned that the loans might not always be granted to those who were most in need of them, but rather to people with sufficient financial means to secure a bank loan at market-level interest rates.

“Those state loans with no interest...you should be very careful with them, so they don't end up in the wrong hands, like with [European Union] funds.”

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

2.3.3. Measures to help people get out of debt

Strong pessimism about the general economic climate in Romania and the financial health of many households was also the frame through which participants evaluated measures to help people get out of debt. Thus, these measures too were felt to be out of touch with the real issues the country was facing, and **there was widespread agreement that neither increased access to debt advice services nor the development of digital tools would help people address their financial problems**.

As the discussion progressed, it emerged that awareness of debt advice services was very low among the participants. Indeed, none of them could name any specific organisations offering such services. To the extent that they were able to form a general conception in their minds of what the services might do, their assumption tended to be that banks and other lending institutions must be behind them. This fuelled further negativity towards such services, with participants surmising, for example, that debt advice might simply be part of lenders' sales strategies and geared ultimately towards encouraging more borrowing. Based on this perspective, there was a view that making such services more available could actually serve to *increase* Romanian households' debt problems.

Reaction to the idea of publicly-provided digital tools to help people budget was similarly unenthusiastic. Besides the overall feeling that this measure too failed to address the root causes of over-indebtedness, participants appeared to have difficulty understanding how such tools would work in practice, and how they would be relevant for them personally.

“How could digital tools help? It allows you to know some exact things, but how can it help when you have [an income of] 18 million [Lei] per month and you have to pay 15 million to the bank? What could it tell you more?”

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

2.3.4. Other measures suggested

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

- public protests against the government to force them to take action to improve the general economic health of the country
- encouraging people to self-educate on how to economise through day-to-day lifestyle changes like reducing food waste

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

A clear finding of the focus group research in Romania was that very few of the measures discussed resonated to any great extent with participants – this owing to their belief that the main cause of over-indebtedness was deep-rooted structural problems, not least low wages. Still, they did see some potential in the idea of **financial education programmes**, especially if these were targeted at young people in schools.

The potential measure that elicited the most negative reaction was publicly-provided digital tools to help people budget and keep track of their spending.

GETTING IN TOUCH WITH THE EU

In person

All over the European Union there are hundreds of Europe Direct centres. You can find the address of the centre nearest you online (european-union.europa.eu/contact-eu/meet-us_en).

On the phone or in writing

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696,
- via the following form: european-union.europa.eu/contact-eu/write-us_en.

FINDING INFORMATION ABOUT THE EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website (european-union.europa.eu).

EU publications

You can view or order EU publications at op.europa.eu/en/publications. Multiple copies of free publications can be obtained by contacting Europe Direct or your local documentation centre (european-union.europa.eu/contact-eu/meet-us_en).

EU law and related documents

For access to legal information from the EU, including all EU law since 1951 in all the official language versions, go to EUR-Lex (eur-lex.europa.eu).

EU open data

The portal data.europa.eu provides access to open datasets from the EU institutions, bodies and agencies. These can be downloaded and reused for free, for both commercial and non-commercial purposes. The portal also provides access to a wealth of datasets from European countries.

