

Funding of debt-advice across the EU

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Presentation for workshop on “Over-indebtedness – the role of debt advice”

Hans Dubois, Eurofound

Often mixed funding types & levels, but predominantly:

I Public

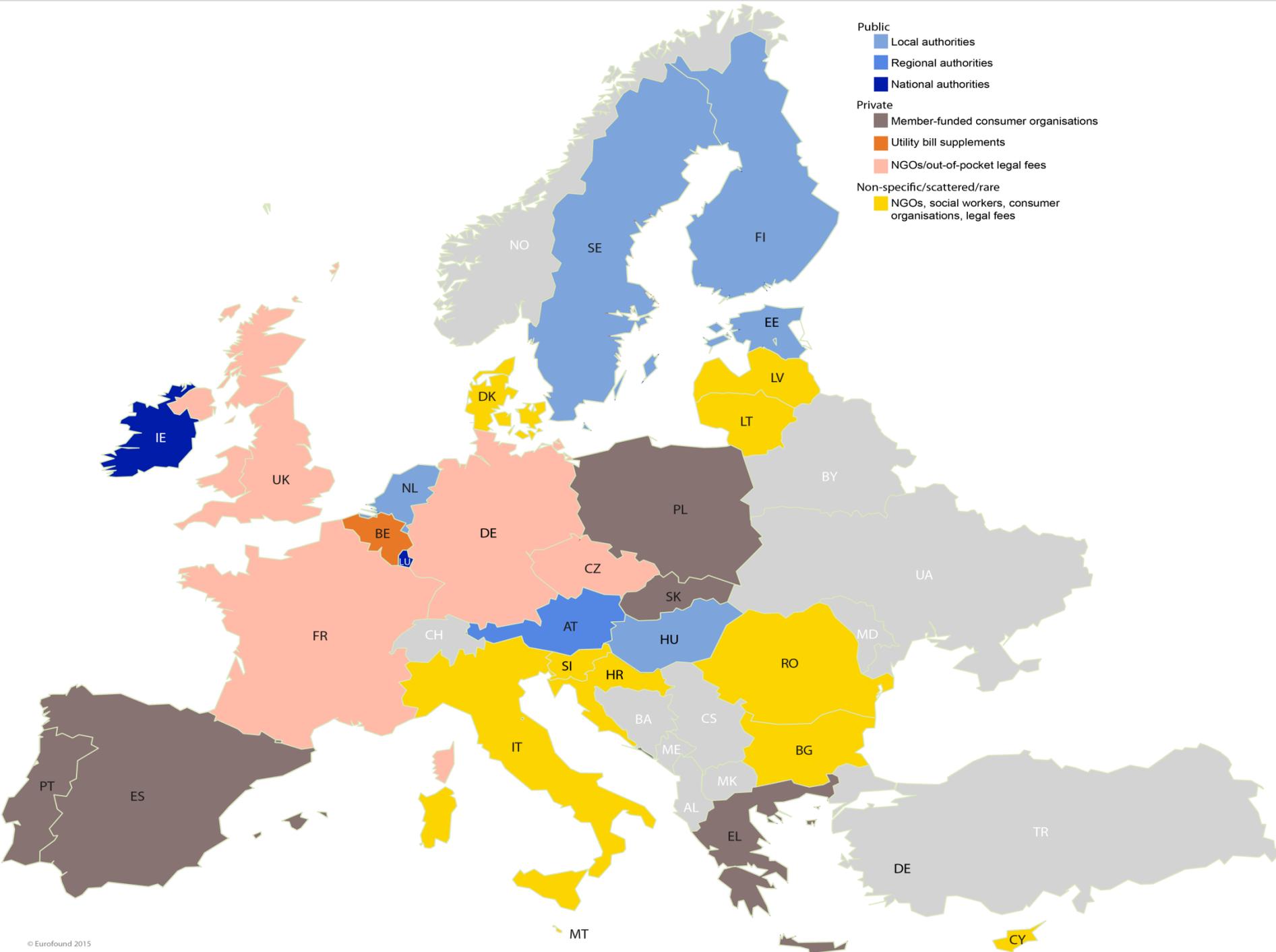
- Local (EE, FI, HU, NL, SE)/regional (AT)/national (IE, LU) authorities or bodies (specific/consumer)
 - AT, EE, FI, HU, IE, LU, NL, SE

II Private

- Membership-funded consumer organisations (& out-of pocket lawyer fees)
 - EL, SK, ES, PL, PT
- Utility bill supplements paid by consumers
 - BE
- Charity (& out-of pocket lawyer fees)
 - CZ, DE, FR, UK

III Non-specific/scattered/rare (NGOs, social workers, consumer organisations, out-of pocket lawyer fees, public but only projects non-specific or small): **BG, CY, HR, DK, IT, LV, LT, MT, RO, SI**

- Public
 - Local authorities
 - Regional authorities
 - National authorities
- Private
 - Member-funded consumer organisations
 - Utility bill supplements
 - NGOs/out-of-pocket legal fees
- Non-specific/scattered/rare
 - NGOs, social workers, consumer organisations, legal fees



- Complex: e.g. Debt advice in BE is provided by municipalities/NGOs/lawyers, regulated nationally, financed predominantly by Energy Fund (energy bill contributions consumers, implemented by providers) and complementary funding regional government
- Diverse: other actors are also fund debt advice, for example:
 - Ministry of Justice in SK
 - Local government in DE & UK (and a network in PT, with private funding by utility over-payment unable to return to consumers)
 - NGOs (partially publicly funded) in NL
- Incomplete: gaps in coverage/limited access
 - Explicit non-coverage
 - NL: owning a home, being in a divorce, or disorganised administration
 - HU: small municipalities not obliged & small debts not always covered (problem: early intervention)
 - Limited access
 - When fee-charging: too expensive (e.g. PT)
 - Many countries (IE/FR): not for (small) businesses
 - Limited capacity (e.g. ES, small municipalities in SE)
 - Lack of awareness of entitlement to services (Eurofound, 2015 forthcoming, 'Access to benefits: reducing non-take-up'*)

* See: <http://www.eurofound.europa.eu/access-to-benefits-in-times-of-crisis>

- Trends in funding
 - Crisis provided challenges (demand up, resources down)
 - on shoulders of other public services (social workers, primary care)
 - debt advice strengthened (laws** NL 2012, PT 2012, EE 2005 even if not always effective, IE debt advice more staff in crisis context, FR is working on implementation of a national advice bureau network, etc.), also registers, settlement laws
 - More for-profit private actors e.g. in IE & PT
- For-profit money (few examples, but...):
 - Funds debt advice
 - Levy: UK biggest funder of debt advice is the Money Advice Service (£30m in 2013/14) through contracts with providers; levies raised from authorised financial firms, payment institutions and e-money issuers.
 - Voluntarily: DK banks pays part of hours that employees spend as debt advisers, further funded by the Danish Ministry of Social Affairs and Integration
 - Reportedly provides ‘advice’ (MT, LT)** (fine line with ‘sales’)
 - Funds tools (FI: Guarantee Foundation by gambling; BE: Fund to address over-indebtedness by credit providers, since 2009 also gambling and telephone)
 - Raising awareness debt advice (public/NGO) to employees/clients

- Activities/role of 'debt advice' vary between country-contexts (more so than among funding), with:
 - Nature of the problem (country differences & trend of changing clientele: large debts, new-to-need);
 - Existence & nature of debt settlement/consumer bankruptcy laws*;
 - Way in which organisation has emerged (e.g. from consumer organisations noting demand, or from social workers);
 - Presence other specialised services (division of work with Benefit Maximisation Liverpool; FLAC in Ireland).

*Dubois, H. and Anderson, R. (2011), 'Managing household debts in the EU: An integrated approach to service provision and the interaction with legal debt arrangements', in Anderson, R., Dubois, H., Koark, A., Lechner, G., Ramsay, I., Roethe, T. et al (eds), *Consumer bankruptcy in Europe: Different paths for debtors and creditors*, European University Institute Working Papers LAW 2011/09, pp. 81–96, available online at http://cadmus.eui.eu/bitstream/handle/1814/18255/2011_09.pdf?sequence=1

- Continuity, clarity, ‘soft-enforcement’, homogeneous services & capacity may be strongest with public funding
- Some diversity (duplication) with various forms of funding
 - Advantages: reach groups which may have low trust in government (often creditor itself), do not find their way, not reached by limited capacity, or are just more used to contact certain service
 - Disadvantages: not always able to give best advice, for example large debts & limited enforcement; hard to find way through fragmented system, same cases treated unequally – fairness (FI 2001 reform); funding by 1 financial service provider/for-profit without quality control risky.
- Regardless of funder, quality & access of services is crucial:
 - heterogeneity in cases (causes & circumstances): heterogeneous solutions, but similar cases should be treated similarly (training);
 - broad focus, often not narrowly administrative;
 - establish relationships of trust, identify underlying problems;
 - pro-active systems (triggered by arrears to utility, social housing, social health insurance, telecom, or credit providers).

- Private
 - **Poradna NGO (CZ)**
 - founded in 2007 by bank & consumer association
 - now funded for 99% by 5 banks, 1% local subsidies, seminar receipts, etc.
 - budget €400,000/year, 10FTE debt advisors, about 1,000 new clients/year
 - 2/3 of work: help people fill-out forms to file for debt settlement
 - *some debt advice in CZ is provided by: mainly publicly funded NGOs, lawyers, fee-charging for-profit*
- Public
 - **Money Advice and Budgeting Service (IE)**
 - funded by national budget, under Citizen Information Board
 - budget €17.4million/year, 250FTE staff, 53 ‘companies’ across Ireland, about 20,000 new clients/year
 - mostly: negotiating with creditors and budgetting
 - *some debt advice in IE is provided by: mainly privately funded NGOs (SVP), fee-charging for-profit*

Thank you

Hans Dubois

Hans.Dubois@eurofound.europa.eu