



# Summary of the Seminar on “Over-indebtedness - The role of debt advice”

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The workshop on debt advice was a follow-up to the study on over-indebtedness that the Commission published in 2014. This study showed that one of the effective tools to address the issue of over-indebtedness is debt advice.

## The workshop covered five broad areas:

1. the different ways debt-advice is provided in the EU;
2. the personalised approach to debt-advice and its effectiveness to address over-indebtedness;
3. “amicable” debt-advice and its main features;
4. the funding of debt-advice; and 5. the usefulness of debt-advice for creditors.

The workshop confirmed that there is a rising demand for debt advice in the EU, and that it can be an effective tool to support households in financial difficulty before they end up in a situation where they are completely insolvent.

## The participants identified the following key points during the workshop:

- Debt advice should be defined as **the provision of information and support to households that are in arrears but are still at least partially solvent**. Once a household is no longer solvent, debt advice is no longer appropriate and effective. At this stage, insolvency proceedings are needed instead. Because of this, **timely access to debt advice by households is crucial**. Tools such as early warning systems put in place by creditors can assist in achieving this.
- A **personalised and “amicable” approach to debt advice is more effective than a standardised approach**. The personalised and amicable approach ensures that the specific needs and situation of the household concerned are taken into account. In addition, it reconciles the needs and objectives of all stakeholders (i.e. households, creditors, etc.). Research/data shows that personalised debt advice has a 70% success rate and that every €1 spent on personalised debt advice results in savings of €3 on public spending.

- There is **great diversity of the way debt advice is provided in the EU**: in terms of actors involved (public authorities, publicly funded organisations, NGOs, consumer organisations, private for profit entities) as well as funding, services provided and their impact.

**Based on the findings of the seminar, the participants made the following recommendations:**

- It is clear from data that already exist that debt advice has a positive impact on society as a whole. However, **additional data/research would be useful to have a fuller mapping of the nature of debt advice in the EU and its impact.**
- Findings show that **debt advice is most effective if the debt advice process is “amicable”, involving all stakeholders.** Under this approach, the seemingly contradictory aims of stakeholders (including public authorities and creditors) are reconciled and the dignity of the debtor is taken into account.
- The **development of innovative sources of funding should be encouraged** to address the current rising demand for debt advice. National examples of such innovative sources of funding were presented and included levies on the financial services industry or the use of penalties paid by energy companies for wrongdoings.