

Review of Research into the Impact of Debt Advice

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SUMMARY

Discussions of legal advice services usually take it as read that these services are 'a good thing'. In the area of debt counselling, for example, there are many anecdotal accounts of the value of counselling in helping people deal with their debts and overcome the immediate problems. Families have been kept together; businesses and homes have been saved; even, in some cases, suicides prevented. However, when we attempt to quantify these effects, the picture becomes less clear-cut. In very few cases have there been attempts to compare outcomes for people who have had debt counselling with those who have not. Even where debt counselling does have an effect, it is unclear how much effect it has. For example, there are anecdotal accounts of counselling preventing suicide - but how many people are saved from killing themselves? One or two a year? Five? Ten? We simply don't know.

In part, the lack of systematic research reflects the difficulties of working in this area. Most debtors are very sensitive about their position and do not want anyone to know about it. They are reluctant to be interviewed, even in conditions of anonymity, and it would be difficult to collect precise detail of, for example, amounts owed and repaid or changes in their medical condition. As a result, the British socio-legal approach to researching this area has relied heavily on anecdote.

UK authors (including DCA reports) have commented on the paucity of quantitative research data. We considered that other countries might adopt a more rigorous approach. America, for example, is the home of a well-developed "law and economics" movement. However, this generally operates within a neo-classical economic framework and thus shows little interest in issues of distributive justice. The American record of research into the effectiveness of money advice appears limited. Personal communications from researchers in Canada and Australia suggested that we would fare no better there.

We therefore turned our attention back to the UK and looked at the work of people outside the traditional socio-legal establishment. What we found was that medical researchers and economists appear more willing than socio-legal scholars to take a quantitative approach.

Several authors, both in the UK and in continental Europe, have recorded the effects of money advice on the health of debtors. Although some commentators have criticised individual studies, it does seem that money advice has a positive impact on health and that this impact can be measured. We are not aware of any studies that have translated this impact into a financial benefit for the health service, but there is little doubt that this could be done.

Economists have adopted an analysis that looks at the overall benefit to society that is obtained from an injection of money (mainly welfare payments) that is likely to follow the introduction of welfare advice. They demonstrate that there are significant economic benefits

to wider society simply by virtue of there being more money available to be spent in poorer areas.

The most striking findings have been produced by non-academics: people working in money advice who are trying to justify their funding. The most notable is a calculation by Business Debtline. Using information on the number of employees in businesses coming to them for advice, they estimate the number of jobs they have saved. By taking Treasury figures, they can estimate the cost to the state of each person unemployed. In this way, they show that money spent on casework yields a 1,300% return in savings on unemployment. Whilst the calculations are crude, the margin is large enough for us to be confident that Business Debtline is cost-effective. Their approach does suggest a way forward for other agencies.

Overall, our review of the literature suggests that there is already some research into the effectiveness of debt advice but that this is limited. We have identified methodologies that could be used to extend our understanding of this area. There is an opportunity for co-ordination of existing work to produce more useful quantitative evidence for the value of debt advice.

1. Introduction

Since the introduction of civil legal aid in this country, there has been an assumption that offering free legal advice produces real benefits. The most obvious benefit is to the people who are being advised. Studies such as those by Hazel Genn demonstrate that people who are given advice obtain better results than the unadvised in a range of tribunals.¹

Advice agencies regularly report the benefits that their clients obtain from the advice they receive and, though such evidence is often anecdotal, it is frequently convincing. For example, an audit of the work of one advice centre for disabled people showed that in a single year it helped disabled people to claim a total of £979,330 in unclaimed benefits.² Money advice is particularly effective in this respect, as one of the first things that money advisers will do is to check that people are claiming all the benefits that they are entitled to.

Generally, free legal advice enables people to cope with a plethora of situations where they would be otherwise unable to obtain their legal rights or simply would not know how to deal with the forms and procedures that can often be part of everyday life. Any annual report of Citizens' Advice will illustrate how CABs offer invaluable advice to individuals.

However, when we seek to identify a benefit to society as a whole, the picture becomes less clear-cut. The Legal Services Commission (LSC) has therefore commissioned this literature review to identify any existing work on the economic benefits of providing free legal advice.

It is unrealistic to try to review all the literature on legal advice with the resources available.

The DTI's task force on tackling overindebtedness "recognises the importance of ensuring that consumers who do get into debt problems should have ready access to sound, high quality debt advice".³ Partly in response to this, the DTI is commissioning research to assess the value of providing early effective advice in debt and related areas.⁴ This review therefore concentrates on this area of advice.

After briefly looking at the historical reasons why debt counselling was originally introduced we examine the main benefits that contemporary authors see debt counselling as offering. In Chapter 4, we try to quantify the benefits. We pay particular attention to methodologies that

¹ Genn & Genn (1989) *The Effectiveness of Representation at Tribunals* Report to the Lord Chancellor

² Pybus (2000) *Dial House Chester: Independent Assessment Report* cited in ASA (2003) *The Impact of Advice: A brief report*

³ Consumer Affairs Directorate (2001) *Report by the Task Force on tackling overindebtedness* DTI: London p30

⁴ DTI (2004) *Tackling Over-indebtedness*

have been used in the past. We conclude with a discussion of an approach which has been applied to another welfare area and which might have applicability to cost-benefit analysis of money advice.

Chapter 5 discusses research that suggests that any evaluation of the financial benefits of welfare advice to society as a whole has to look at the economic impact of reducing poverty.

Although this exercise was primarily directed at looking at economic benefits, government policy lays stress on some of the non-economic benefits of legal advice and these are briefly outlined in Chapter 6.

Again, this review has concentrated on quantitative analysis but this is an area where a qualitative approach can yield important results. Some key studies are briefly reviewed in Chapter 7.

The report concludes with a discussion of the implications of these findings for future research.

2. The historical background

Early attitudes to debt counselling centred on the idea that debtors were inadequate people who needed help to manage their financial affairs. Thus, the Payne Committee⁵ recommended that a 'Social Service Office for Debtors' be established because "many debtors incur and fail to pay their debts because they are inadequate personalities or irresponsible in managing their affairs".⁶ Similarly, the Cork Committee report on Insolvency law⁷ foresaw a modest role for counselling, noting that it "might reduce the time spent by county court staff in advising debtors and would assist in sorting out debtors' muddles (sic) at an early stage."

⁵ *Report of the Committee on the Enforcement of Judgement Debts* (Payne Committee) Cmnd 3909 HMSO: London quoted in Davies (1986) 'Delegalisation of debt recovery proceedings: a socio-legal study of money advice centres and administration orders in: Ramsay (1986) [ed]: *Debtors and Creditors: A Socio-Legal Perspective* Professional Books Ltd: Abingdon

⁶ Ibid para 1210

⁷ *Insolvency Law and Practice, Report of the Review Committee* (the Cork Committee) Cmnd 8558 HMSO: London quoted in Ramsay (1986) 'Debtors and Creditors: Themes and Issues' in: Ramsay (1986) [ed]: *Debtors and Creditors: A Socio-Legal Perspective* Professional Books Ltd: Abingdon

In fact, research such as that by the DTI suggests that most people get into debt mainly by virtue of the fact that they are very poor.⁸ Although their finances become complicated because of issues of multiple debt, many are not essentially "irresponsible", "inadequate" or "muddled".

"People on low incomes are already living on a very tight budget. They generally have very good money management skills but life events – such as losing a job, illness, separation or having a baby – can tip them into problem debt."⁹

This has important implications for any discussion of the long-term value of money advice. Whilst counselling can often help people to deal with acute financial crises, ultimately money advice cannot change the underlying reality of the economics of poverty. Money advice is, therefore, seen by some authors as suitable for those with acute problems but an unsatisfactory approach to those with chronic debt.¹⁰ This means that one of the factors that have to be taken into account in assessing the value of money advice is how long after the advice is given the assessment should be made. It seems likely that money advice will have a positive effect for the first six months but that, in many cases, there will not be a long-term impact.

While the notion that debtors are 'feckless' may not be supported by such evidence as exists, the underlying rationale of the Payne and Cork Committees remains sound: one reason for offering debt counselling is to reduce the burden on the courts. Money advice is likely to be effective in this respect whether the problems are acute or chronic. Indeed Lord Woolf spelled out the importance of debt counselling in his report, *Access to Justice*:

"A clear message from my process of consultation has been that defendants as well as plaintiffs need better access to advice and assistance. This is especially so in relation to debtors, tenants and mortgage borrowers faced with claims for repossession of their homes and rent or mortgage arrears. Many of these will have multiple debt problems... To meet their needs, a range of advice is required on multiple debt and paying off arrears, advice on the issue of reasonableness for tenants facing repossession and advice on potential counterclaims."¹¹

⁸ More than half of households who are over-indebted have incomes of less than £7,500 per year: Kempson (2002) *Over-indebtedness in Britain* DTI: London

⁹ *Action on debt: why it matters and what you can do*. Social Exclusion Unit. p3. This document is available online at <http://www.socialexclusion.gov.uk/downloaddoc.asp?id=200>

¹⁰ For example Mannion (see note 53, below) writes, "Often the immediate feeling of relief and the reduction of stress tail off over time as the client is confronted with the practicalities of living, possibly for many years, on a very tight budget." (p63) There is some support for this view in the findings of Abbott & Hobby (see below, page 19). Their most positive results were shown after six months: later results were less clear-cut.

¹¹ Woolf (1995) *Access to Justice: Interim Report to the Lord Chancellor on the civil justice in England and Wales* LCD: London p125

3. Benefits of debt counselling

In order to put a value on the benefits of debt counselling, it is necessary first to decide just what those benefits are. We are interested here in the benefits to the wider society, not just the creditor and debtor. The literature identifies at least seven areas of social good that may result from the provision of debt advice. Here we identify these and discuss each briefly in turn.

a/ Reducing the burden on the courts

Debt counselling can reduce the burden on the courts in several ways.

1. Debt counsellors can establish which individuals simply cannot pay. They can then help debtors to negotiate with their creditors and thus avoid court action.¹² This benefits the creditors who avoid the costs of a court action, which cannot benefit them if the defendants simply cannot pay. However, removing debt claims from the court system has a *negative* impact on court revenues, as debt cases are one of the few areas where the revenue obtained is greater than the costs to the court, ie debt cases operate at a profit.¹³ In fact, small claims do not generate a surplus, so any study of the cost implications for the courts would have to look at exactly what size of claim accounts for the work handled by advice agencies. There is no indication in the DCA's report of this level of analysis being applied.¹⁴
2. In the absence of counsellors, court staff find themselves offering debt counselling. This is not necessarily the most cost efficient way of delivering this service. Cain's research¹⁵ in one county court suggests that debtors may come to the court to 'sort out' problems which are clearly resolvable. Despite this, their problems are not resolved because they do not express them in legal terms that the court is competent to deal with. She claims that it would have been possible to express the problems in legal terms so that they could have been resolved. A debt counselling service would, presumably, have assisted in this.

¹² Dominy & Kempson (2003) *Can't pay or won't pay?* LCD: London. Davies (1986) - note 5, above.

¹³ DCA (2004) *Consumer Strategy. Phase 1 Report. Volume 2 - Creditors and Debtors*

¹⁴ The savings on court costs are more straightforward in areas other than debt. For example, the Disability Rights Commission, in evidence to the Civil Justice Council's Financial and Social Costs Group, claims that "a system which promotes early intervention by the provision of advice and assistance, assists in saving costs and in promoting early resolution of disputes". (Pauline Hughes, Head of Legal Services, DRC, in a letter to the CJC 21/11/2003.)

¹⁵ Cain (1986) 'Who loses out on Paradise Island? The case of defendant debtors in county court' in Ramsay (1986) [ed]: *Debtors and Creditors: A Socio-Legal Perspective* Professional Books Ltd: Abingdon

3. Debt counsellors can help in the completion of paperwork for the courts.¹⁶ Many respondents have been reported as having difficulty with the forms¹⁷ and this obviously hinders the smooth running of the courts. Kempson & Collard report that applications for Administration Orders are often incorrectly completed and that in these cases court staff either have to help debtors themselves or refer them to a local advice centre.¹⁸
4. Debt counsellors can assist debtors in choosing appropriate routes through the court system. For example, Davies¹⁹ shows that people offered counselling are much more likely to use Administration Orders than those who are not.²⁰
5. Debt counsellors can assist debtors in negotiating settlements that they will be able to pay, thus reducing the need for further court intervention. For example, Davies²¹ found that where Administration Orders were made, debtors who had received advice were much more likely to keep up-to-date with their payments than those who had not.

All these effects could have a positive financial impact. A Registrar (District Judge) was reported as saying that the Birmingham CAB County Court Welfare officer was “worth to me up to half a Registrar in the saving of judicial time”.²²

A US study showed that providing legal assistance to poor people facing eviction in New York City's Housing Court "may ... enhance efficiency by reducing the number of motions, particularly post-judgment motions"²³.

¹⁶ See, for example, the discussion of the work of the Money Advice Centre in Davies (1986) - note 5, above.

¹⁷ Some of the studies, though, date back to the 1980s and since then forms have been revised and, in theory, simplified. It is likely, though, that many people still struggle with the forms, especially given UK illiteracy levels. In this respect, it is significant that Kempson & Collard's study (see below) was published this year.

¹⁸ Kempson & Collard (2004) *Managing Multiple Debts: Experiences of County Court Administration Orders among debtors, creditors and advisors* DCA: London

¹⁹ Davies (1986) - note 5, above.

²⁰ Kempson & Collard (note 18, above) also report that most people applying for Administration Orders are told about the by NFP agencies, usually a CAB or money advice service.

²¹ Davies (1986) - note 5, above.

²² NACAB (1987) *Citizens Advice Bureaux, Debt and the Courts* NACAB: London

²³ Seron, Van Ryzin, Frankel and Kovath (2001) 'The Impact Of Legal Counsel On Outcomes For Poor Tenants In New York City's Housing Court: Results Of A Randomized Experiment' *Law and Society Review* 35 p419ff

b/ Maintaining family stability

About one in twelve of people who were interviewed in a survey of people in financial difficulty said that their situation was having a bad effect on their relationships.²⁴ There are anecdotal accounts of people whose relationships do not survive debt²⁵ but there does not seem to be any quantification of this. Nor are the costs of divorce and family breakdown readily available. There is some survey evidence that people who have sought advice on debt feel that family relationships have improved as a result.²⁶ If this is the case, the economic costs of family breakdown are a saving that can be set against the cost of counselling. Another potential saving is that when children move because of family breakdown or re-housing following repossession, they often have to move school and their education can be disrupted.²⁷

c/ Maintaining people in employment

Business Debtline keeps detailed statistics on the outcome of all its face-to-face counselling since April 1996. In that time, 642 businesses have approached them.²⁸ Of these 81% are still trading. Of 1,191 people employed by these businesses, 952 of their jobs have been preserved.

Business Debtline has quantified the benefit obtained by preserving jobs. Using figures from the Centre for Economic & Social Inclusion, they put the annual cost to the Treasury for each person unemployed as over £15,000. Based on median unemployment figures, they estimate that each redundancy would cost the Treasury an average of £4,851.

"From 1st April 2002 to 31st March 2004, we preserved 186 jobs. Multiply by £4851 and the total becomes £902286 measured against 2 years running costs of the casework service which is approximately £64500."²⁹

Business Debtline has also conducted research to establish how effective their users thought they were.³⁰ They show, for example, that amongst those still trading today, three-fifths

²⁴ Kempson (2002) *Over-indebtedness in Britain* DTI: London p36

²⁵ See, for example, the qualitative study reported by Nettleton, Burrows, England and Seavers (1999) *Losing the Family Home: Understanding the social consequences of mortgage repossession*. York Publishing Services: York. Pages 34 – 35 discuss the impact of mortgage repossession on family life.

²⁶ For example, Gardner and Wells (2003) *Evaluation of Money Advice Debtline pilot and business case for development of 'National Debtline'* DTI/Deloitte & Touche: London

²⁷ Nettleton et al (Note 25, above) p43

²⁸ David Hull, Business Debtline. Pers comm. See also http://www.birminghamsettlement.org.uk/advice_businessdebt.htm#facts

²⁹ David Hull, Business Debtline. Pers comm.

believe the advice given by the Business Debtline helped them stay in business. This illustrates another difficulty with quantifying benefit, though: in the calculation above, Business Debtline has credited all the savings to their efforts, whereas it should, perhaps, be only 60% of them. Or perhaps their users underestimate Business Debtline's importance and the percentage should be higher. However you perform the calculation there is, inevitably, a considerable amount of guesswork involved.³¹

Debt problems can also result in people withdrawing from the labour market.

"Debt can act as a disincentive to work. People worry about the cost of starting work, bridging the gap until the first pay cheque and greater repayment demands. Problem debt can also cause ill health, absenteeism and loss of productivity for those in work."³²

Problems associated with debt include family breakdown and moving house - both of which can have an impact on your ability to keep your job, either because you've moved too far to travel or lost your child-care support network. One study reports that people who have been rehoused on council estates following repossession may be less able to get work because of 'addressism' amongst employers.³³

Another problem arises when people who are paying off a lot of debt are caught in the poverty trap where the more they earn, the more they have to pay back. This is particularly true of people repossessed with negative equity - every extra penny they earn is just taken by the building society to put toward debts they will never pay off.

The loss of economic activity is usually seen as a negative economic impact on society as a whole - especially if (as will often be the case) it results in individuals claiming benefits they would not otherwise need.

³⁰ Unpublished telephone research was conducted in July 2002 by saville rossiter base, an independent research agency.

³¹ Business Debtline would, quite reasonably, point out that whatever percentage you take, their efforts would still appear cost-effective.

³² *Action on debt: why it matters and what you can do*. Social Exclusion Unit. p4. This document is available online at <http://www.socialexclusion.gov.uk/downloadaddoc.asp?id=200>

³³ Op cit (Note 25) p38

d/ Avoiding stress-related problems

Stress is increasingly being accepted as a real problem in many aspects of life. Interestingly, the OFT sees the stress involved in resolving consumer disputes as a hidden cost borne by the consumer (although it is unable to put a cash value on this).³⁴

The stress associated with debt problems is much higher than that associated with general consumer disputes. There are many anecdotal accounts of very high levels of stress associated with debt problems. (In one study,³⁵ one of the debtors who was to be interviewed committed suicide before the interview could be conducted.) Kempson³⁶ identifies stress or anxiety as the most common consequence of financial difficulties. It is reported in about a quarter of all households in financial difficulty with one in twelve reporting mental health problems.

Citizens' Advice reports that by the time people with debt problems get to them, a quarter have sought medical help for stress, depression or anxiety.³⁷ Nettleton et al's study of families who had been repossessed found "all the participants in the study reported feeling stressed, worried, anxious and low, and a majority ... reported suffering from depression. The majority of these received some form of treatment [from their GPs or specialist counsellors]... Three people [in the thirty families interviewed] had received hospital in-patient treatment for depression and breakdowns." Other stress-related concerns included "one woman [who] reported that she still had an eating disorder two years on from the repossession",³⁸ while other respondents reported increased smoking and drinking (although most said they could not afford to drink).

A study published in Finland screened the mental health of approximately 250 over-indebted households in the City of Vantaa.³⁹ The study concluded that over 70% of the target group suffered from mental-health problems, three times higher than the overall Finnish population.

³⁴ OFT (2000) *Consumer Detriment*

³⁵ Whyley (1998) *Risky Business* PSI: London p106

³⁶ Kempson (2002) *Over-indebtedness in Britain* DTI: London p36

³⁷ Edwards (2003) *In too deep: CAB clients' experience of debt*. Citizens Advice: London.

³⁸ Op cit (note 25) p36

³⁹ Nykanen et al (1995) *Economical peace in the eye of the storm, Report No 17* Helsinki. Cited in *Fair, Clear and Competitive* - see Note 42 (below)

A further study, in Sweden, sampled 500 over-indebted individuals.⁴⁰ This study also showed a marked negative effect on physical and mental health in the over-indebted sample.

Plumpton and Bostock⁴¹ have conducted their own review of the literature on links between debt and mental illness in the UK. They conclude that:

"There is an established and growing body of evidence which associates poor health with poverty in the United Kingdom ... and across the developed world... Money worries [are] the most frequently cited cause of depression."

Stress has a real economic cost to society. In 1992, the CBI estimated the cost of mental health and stress-related problems to be in the region of £5bn through lost work days alone – equalling the total annual losses through theft.⁴² The decline in productivity associated with over-indebtedness is conservatively estimated to be 30% of salary. The cost of its workers' financial problems to a company can be estimated by multiplying 30% of a worker's salary by the percentage of the workforce with such problems. Using Elaine Kempson's figures (above) showing about a quarter of households reporting financial difficulties, the cost in terms of lost output could be as high as 1% of GDP.⁴³

In addition, chronic stress affects physical health. For example, psychological stress is associated with Coronary Heart Disease, Hypertension and Diabetes.⁴⁴ In her interviews with thirty repossessed families, Nettleton talked to four men with heart problems they attributed to the stress of repossession.⁴⁵

⁴⁰ Ahlstrom (1998) Health and quality of life in severe financial crisis. Preliminary Manuscript. Cited in *Fair, Clear and Competitive* - see Note 42 (below)

⁴¹ Plumpton & Bostock (2003) *Income, Poverty and Mental Health* Department of Psychological Services and Research Newcastle, North Tyneside & Northumberland NHS Mental Health Trust. Available on the Internet at http://www.debtadvicenorthumberland.org.uk/reports/Income_Poverty_and_Mental_Health.htm

⁴² DTI (2003) *Fair, Clear and Competitive – The consumer credit market in the 21st century* p137. For a general attempt to quantify the costs of mental illness, see The Sainsbury Centre for Mental Health (2003) *Economic and social costs of mental illness in England*

⁴³ *Ibid* p138

⁴⁴ Stansfeld, Fuhrer, Shipley, & Marmot (2002) 'Psychological distress as a risk factor for coronary heart disease.' *International Journal of Epidemiology* 38. (1). pp.248-255 Cited in Plumpton & Bostock - Note 41

⁴⁵ *Op cit* (note 25) p37

The stress of indebtedness is exacerbated by peoples' unwillingness to let friends or family know about their financial problems.⁴⁶ They are therefore unable to talk about these issues. Debt counsellors, simply by listening to the problems, and allowing them to be discussed openly, can reduce the stress on debtors. A survey of users of 'National Debtline' suggested that 40% of clients felt that their health has improved as a result of using the service.⁴⁷

Plumton and Bostock⁴⁸ claim that a recent survey of Mental Health Care Managers in Northumberland found that engaging with debt advice services was an effective way of ameliorating mental health problems. However, they go on to note that, while there are many anecdotal accounts of the value of debt advice, "there appear to be no studies in the U.K. using validated measures of health and well being which show the direct impact of debt advice on mental health". This seems an unduly harsh assessment in view of the studies that they cite, several of which are discussed below (page 17).

e/ Avoiding criminality

This is not usually seen as a major reason for offering debt counselling. Evidence from the Prisons Inspectorate, though, suggests that debt is a factor in criminality:

"50% [of prisoners] were assessed as having inadequate or problematic financial circumstances on entry into custody."⁴⁹

The Inspectorate concludes that prisoners should be given formal advice on debt management.⁵⁰ An experiment in providing debt counselling to prisoners released on probation does suggest that this leads to a reduced risk of re-offending.⁵¹

⁴⁶ See, for example: Moorhead, Sefton and Douglas (2004) *The Advice Needs of Lone Parents One Parent families*: London p49; Ford (1988) *The Indebted Society: Credit and Default in the 1980s* Routledge: London

⁴⁷ Gardner and Wells (2003) *Evaluation of Money Advice Debtline pilot and business case for development of 'National Debtline'* DTI/Deloitte & Touche: London

⁴⁸ Note 41, above.

⁴⁹ HM Inspectorate of Prisons (2001) *Through the Prison Gate: A Joint Thematic Review by HM Inspectorates of Prisons and Probation* p88

⁵⁰ *ibid* pp94 and 130

⁵¹ Samuel (2001) *NACAB Kent Probation Project: Report On Recidivism Amongst Clients Referred To The Project Between April 1997 And October 1998* cited in ASA (2003) *The Impact of Advice: A brief report*

f/ Avoiding homelessness

The importance of this is well summed up in a report by Ambrose and Stone, looking at the cost-effectiveness of CAB advisory activity.

"CAB advisory activity is a source of cost avoidance to the council in relation to the housing difficulties experienced by many clients. If the tenant of a local authority property falls into rent arrears there is a sequence of events starting with several warnings and going on to a notice seeking possession. If the tenant does nothing the situation is likely to escalate and as a final step the council, or other landlord as the case may be, may achieve repossession of the property.

If the council is the landlord a series of costs ensue from this sequence of events. There are costs in relation to the Possession Order, the Bailiff's Warrant and time, a void period for the property, possible vandalism during this period, loss of rent flow, re-letting expenses and, probably heaviest of all, in some cases the cost of re-housing the household in emergency accommodation. Further, once tenants have been evicted they are very unlikely to repay the rent arrears and costs of possession action because there is no incentive to do so. This has the effect of increasing bad debts."⁵²

Landlords are particularly likely to benefit when people get money advice as rent is a priority debt and therefore the first to be considered when advisors become involved in re-scheduling clients' debts.⁵³

Shelter estimates the local authority's costs for evicting a tenant for rent arrears is between £1,913 and £3,190.⁵⁴

There is no doubt that advice services do have an impact in this area. Very few people are represented at possession hearings but when they are the likelihood of a possession order being granted is measurably reduced.⁵⁵

⁵² Ambrose and Stone (2003) *Eleven plus to One: The value of Brighton and Hove Citizens Advice Bureau to the local economy* Health and Social Policy Research Centre, University of Brighton pp 8-9

⁵³ Mannion (1992) *Dealing with debt: an evaluation of money advice services* HMSO

⁵⁴ Neuberger (2003) *House keeping: preventing homelessness through tackling rent arrears in social housing*. Shelter: London pp14-15

⁵⁵ From 22% to 4%. Watts (1987) 'Local authority possession proceedings' *Legal Action* Feb pp6/7. Cited in Kempson (1995) *Money Advice and Debt Counselling* PSI: London. See also Nixon, Hunter, Smith and Wishart (1996) *Housing cases in county courts* Policy Press: Bristol. A controlled experiment in New York City (see Note 23, above) showed that people represented in Housing Courts and facing eviction (often for rent arrears) were much less likely to be evicted than those who were not represented.

g/ Ensuring that people get any credits they are entitled to

Although there is no overall economic benefit to society if people claim entitlements because of debt counselling, there is a clear benefit to them and this would normally be viewed as a positive result.

Whyley⁵⁶ notes that for self-employed people, in particular, claiming benefits can be difficult and many self-employed people do not believe that they have any benefit entitlement.

Several reports, discussed elsewhere in this summary, have estimated the amounts of unclaimed benefit recovered by various specialist advice agencies but this is not information that seems to be routinely recorded by money advisors. It would be useful if money advisors did routinely record and publish such information.

4. Quantifying costs and benefits

We have seen that there are benefits to society as a whole when people in serious debt are given money advice. Indeed, the DCA's consumer strategy makes this explicit:

"Advice is effective in resolving debt problems at an early stage, and such problems may cost far more to the state if they are allowed to perpetuate."⁵⁷

The DCA report does not provide any references or empirical support for this claim. Other authors have specifically pointed to the *absence* of any such evidence. In 1992, Mannion commented:

"The provision of advice to people who have money problems is generally held to be 'a good thing', although there is relatively little evidence about how or why this is so and no hard economic evidence about the costs or benefits which accrue to debtors or creditors."⁵⁸

The following year, another report reflected very similar ideas.

"Whatever the certainty about this view [that money advice is 'a good thing'] it is only partially supported by empirical studies... This is not so much a case of research arriving at contrary conclusions, but rather that the research has been limited in the

⁵⁶ Above - note 35

⁵⁷ DCA (2004) *Consumer Strategy. Phase 1 Report. Volume 2 - Creditors and Debtors* p95

⁵⁸ Mannion (1992) *Dealing with debt: an evaluation of money advice services* HMSO p1

questions it has sought to answer... The proposition has not been adequately tested."⁵⁹

The DCA does acknowledge the need for more research:

"At present there is limited quantitative evidence of the impact of debt advice on other social outcomes... **The DCA is commissioning [such] research.**"⁶⁰ [Stress in original]

The Council for Civil Justice has identified the absence of such studies as a serious problem:

"The Committee believes that if adequate funding is to be provided for frontline information and advice, policy-makers will also need to be convinced of the financial arguments in terms of overall savings to national and local government budgets. A *significant research study needs to be commissioned* to identify economic models which could be applied to future funding decisions."⁶¹ [Stress added.]

Perhaps, then, we should look to other jurisdictions to find such studies.

We looked for research in America, Canada and Australia but we found very little.

Albert Currie, of the Canadian Department of Justice, responded to a request for any work he was familiar with by writing:

"I am involved in the research component of a self-representing litigants assistance project in Vancouver. I have been thinking about how to get some qualitative, exploratory information from that research. However, *I could not develop a research design that would obtain solid results about social and economic effects.*"⁶² [Stress added]

A query to the Australian Commonwealth Attorney-General's Department produced this response:

"Unfortunately we aren't able to point to any literature on the social and economic benefits of legal advice."⁶³

A paper from the Credit Research Centre at Georgetown University, takes as its starting point that:

⁵⁹ Jones, Wainwright & Doling (1993) *Money Advice - Users' experience* University of Birmingham, Dept of Social Policy p21

⁶⁰ DTI (2003) *Fair, Clear and Competitive – The consumer credit market in the 21st century*

⁶¹ Ling (2003) *For the want of a nail....The Case for Information and Advice* Civil Justice Council: London

⁶² Currie - pers comm. Albert Currie is the Principal Researcher: Access to Justice and Legal Aid, Department of Justice.

⁶³ Pers comm. Our request for information was relayed via Don Fleming at the University of Canberra School of Law. This was the reply he received.

"We are aware of no empirical studies of financially troubled debtors to determine the long-term impact of having received credit counselling."⁶⁴

Potentially, the most useful studies should be those conducted by the US Legal Services Corporation (LSC). The Act establishing the LSC required that it conduct regular evaluations of its work. Further, the LSC is supposed to target legal representation to address poverty issues in the community as a whole. Thus evaluations should demonstrate quantitatively how legal advice and assistance in a range of areas has improved the conditions of poor communities.

In fact, few evaluations have been conducted.⁶⁵ Probably the most significant was 'The Delivery Systems Study', a report presented to Congress in 1980. This was the result of five years of empirical study of different ways legal services could be delivered. The models were differing mixes of salaried lawyers and private practitioners. Each 'model' of legal service delivery was rated on cost, quality, client satisfaction and impact on the poverty community. The critical criterion was the impact on the poverty community. The methodology consisted of two elements: seeking to categorise what constituted 'impact work' and identifying and analysing it where it was taking place.⁶⁶ The approach relied heavily on peer review and it is not clear how valuable it was in producing objective measures of the impact of legal advice on the wider poor community.

Recording outcomes

So, if there is little work being done abroad, what UK research is there?

An assessment of the quality of independent money advice in the UK noted that:

"On the whole ... agencies in ... [our] survey did not monitor outcomes. Four in ten agencies undertook some outcome monitoring, but only a third did so routinely."⁶⁷

The manager of Bristol Debt Advice Centre has also noted that, although advice agencies produce reams of statistics, few of these measure the outcomes of debt advice.

⁶⁴ Elliehausen, Lundquist and Staten (2004) *The Impact of Credit Counselling on Subsequent Borrower Behaviour* Unpubl. Available from Prof. Staten: statenm@msb.edu

⁶⁵ Houseman *Accountability To LSC: Outcome Measures, Evaluations And Unintended Consequences* www.lri.lsc.gov/pdf/03/030127_houseman.pdf

⁶⁶ This description of the study draws heavily on Cooper (1981) 'The Delivery Systems Study: A Policy Report to the Congress and the President of the United States' *Modern Law Review* 44 pp308-319

⁶⁷ Collard, Steele and Kempson (2000) *Quality Assured? An assessment of the quality of independent money advice*. Money Advice Trust: London p48

"There are two key questions that don't always **both** get answered: 'Why are we doing what we do?' and in determining whether we've been successful or not, 'What *difference* have we made?'.⁶⁸

The article goes on to argue for the importance of quantitative recording of the benefits that counselling brings, not only to individual debtors but also "to their friends, families and communities". The approach recommended is to include questions about outcomes on client questionnaires.

The problem with such an approach in the context of a *financial* justification of debt advice is that it does not collect precise quantitative data. Gratifying as it is to know that 43% of those counselled are coping with their debts "much better"⁶⁹, this does not allow us to say how quickly debts are being paid off.⁷⁰ Similarly, while 19% say that their health is "much better", we do not know if this reflects an actual reduction in visits to GPs and costs to the NHS or simply a perception of well being. This is not to belittle the importance of such outcomes: merely to point out that they do not allow a financial benefit to be calculated.

Given that the article is encouraging other agencies to adopt outcome measures in client studies, it might be helpful if advice were given as to the questions that could usefully be included.

A major problem in quantifying the outcome of debt counselling is that most debtors are very sensitive about their position and do not want anyone to know about it. Around half of those calling Business Debtline do not give their addresses.⁷¹ They are very reluctant to take part in research projects. Business Debtline has been trying to collect contact details and permission to interview for a telephone survey in planning since early this year. Of around 5,000 telephone callers to have contacted them since February, fewer than 50 have agreed to take part in a follow-up survey.

It is possible to record outcomes in broad terms. We have seen (above) that Business Debtline records outcomes but this is only possible for face-to-face contacts. Telephone callers are often anonymous and it is therefore impossible to follow them up to track outcomes.

The Consumer Credit Counselling Service (CCCS) conducted follow-up questionnaire research with their clients. They found that more than a quarter of respondents who made a

⁶⁸ Green (2002) 'Making a difference?' *Quarterly Account* Issue 66 pp5/7

⁶⁹ Op cit p7

⁷⁰ Nor does it allow comparison with those who have not been counselled.

⁷¹ David Hull, Business Debtline, pers comm

comment claimed that their dealings with CCCS had resulted in a tangible improvement in the quality of their lives.⁷² No attempt was made to translate this into quantifiable financial terms.

Moorhead et al's study for the Community Legal Service measured outcomes in crude terms. For example, they recorded that in 23% of debt matters advice led to "action by a third party being prevented".⁷³ Without knowing the amounts involved, it is difficult to put a direct economic value on this, let alone estimate the secondary costs avoided.

The most detailed quantitative evaluation we have found⁷⁴ demonstrates "that the receipt of one-to-one credit counselling is associated with a positive change in borrower behaviour over an extended period". People who have been counselled are much less likely to default on debts in the future. However, no attempt is made to put a cash value on the economic benefits of this.

A smaller scale, but important, study was reported in the UK in 1992.⁷⁵ This used a linked pairs approach to examining the success or otherwise of counselled debtors versus a non-counselled control in paying off their debts. The results demonstrated that debtors who had received money advice were much better than the control group when it came to paying off priority creditors. The results for other creditors were ambivalent.

Taken together, research on the effectiveness of counselling suggests that it *is* effective in dealing with the most urgent problems. There is little, if any, evidence that it improves peoples' ability to deal with chronic, rather than acute debt problems. The study that did show "a positive change in borrower behaviour over an extended period" was conducted in the US, where issues of 'priority' and 'non-priority' debtors are likely to be different. It would be interesting to see such a study repeated in the UK, which should be possible given that a proven methodology now exists.

⁷² Consumer Credit Counselling Service (CCCS): Customer service & counselling survey (December 2002)

⁷³ Moorhead et al (2001) *Quality and Cost: Final Report on the Contracting of Civil, Non-Family Advice and Assistance Pilot* The Stationery Office: London p70

⁷⁴ Elliehausen et al (2004) See Note 64, above. The authors claim it as "the first time" that such a study has been published.

⁷⁵ Mannion (1992) *Dealing with debt: an evaluation of money advice services* HMSO

Impacts on health

The one area where there does seem to have been an effort at quantitative evaluation of advice services is where these have been associated with primary health care.⁷⁶ Veitch evaluated the health outcomes of Citizen's Advice input in health service settings, including general practice.⁷⁷ He found that patients' scores on the Nottingham Health Profile improved following use of the advice service, though the increases in scores were not statistically significant.

Another study concluded that a CAB project giving advice to HIV sufferers led to reported improvements in both mental and physical health.⁷⁸

Studies in a deprived area of Liverpool⁷⁹ looked at the impact of welfare benefits advice on the health of patients from seven GP practices. They used the SF-36 Health Related Quality of Life Profile to measure the impact of benefits advice on the health of 68 patients who used the advice service. Of the 68 patients using the service, almost three-quarters received new benefits. The SF-36 scores for these patients increased over a twelve month period. Two thirds of these patients stated that the increase in their income changed the way that they felt about life, with increases in levels of optimism, confidence and quality of life. They also reported lower levels of stress, worry and depression and reduced their requests for GP consultations and prescriptions and they decreased their visits to Accident & Emergency departments.

⁷⁶ One of the best qualitative studies - see below - was also in a health-care setting. It seems likely that this bias reflects a culture of experimental evaluation that is more often linked to clinical studies than socio-legal work. If this is so, it suggests that the problems of evaluating advice schemes rest as much in the culture of the researchers as in the technical issues that such evaluations raise.

⁷⁷ Veitch (1995) *Prescribing Citizen's Advice: An evaluation of the work of the Citizen's Advice Bureau with health and social services in Birmingham*. CAB: Birmingham. Cited in Plumpton and Bostock - Note 41

⁷⁸ Waterhouse (1997) *A research report describing user needs, service satisfaction and advice outcomes' in relation to the Camden CAB Service HIV project*. Cited in ASA (2003) *The Impact of Advice: A brief report* It is worth noting, though, that this conclusion is based on just 20 cases, 18 of which showed improvement.

⁷⁹ Abbott & Hobby (1999) *Evaluation of the health and advice project: Its impact on the health of those using the service*. Health and Community Care Research Unit: Liverpool

Abbott & Hobby (2000) 'Welfare benefits advice in primary care: Evidence of improvements in health.' *Public Health*. 114. pp.324-327

Abbott (2002) 'Prescribing welfare benefits in primary care: Is it a health intervention, and if so, what sort?' *Journal of Public Health Medicine*. 24 (4) pp.307-312

All cited in Plumpton and Bostock - Note 41

In the group whose income did not increase following advice, the number of GP consultations, visits to the practice nurse, repeat and new prescriptions and referrals to secondary care all increased over the twelve month period. Abbott & Hobby's study is the first to show a measurable, statistically significant health gain associated with welfare benefits advice in a registered general practice population.⁸⁰

The difficulty of quantitative evaluation, even in this particularly well-researched area, is reflected in Borland and Owens' criticism of these, and similar, studies:

"Generally there has been concern about the small sample sizes used in these experiments ... and on the difficulty of isolating the effects of CAB intervention from other factors."⁸¹

One problem is that it is difficult to produce effective control groups, not least because of the ethical implications of withholding advice that, at the least, is likely to result in people obtaining higher benefit levels.⁸²

Emanuel and Begum (in another evaluation of practice-linked CABs)⁸³ point out that while their study, like several others, fails to produce conclusive results it is one of a series that show positive, although not statistically significant, effects of welfare advice on health.

One of the most recent studies in this area (by Borland and Owens⁸⁴) does claim to demonstrate a verifiable link between the availability of advice and general health.

The 'Law and Economics' movement

Apart from issues of health, we are unaware of any studies that have specifically addressed the area of debt advice and attempted to put an economic value on the benefits such advice brings to society as a whole.

⁸⁰ Although Emanuel and Begum commented (in regard to the data on the effect of income changes): "Given the results are so wide ranging and sample size is so small, their use is limited." (see note 82, below, p35)

⁸¹ Borland Owens (2004) 'Welfare Advice in General Practice - The Better Advice, Better Health Project in Wales.' *Family Medicine On-Line* <http://www.priory.com/fam/advice.htm>

⁸² Emanuel and Begum (2000) *What do you advise Doc? A Citizens' Advice Bureau in primary care in the West Midlands. Manchester Monographs 40*. Centre for Higher and Adult Education, Faculty of Education, University of Manchester p12

⁸³ Ibid

⁸⁴ See Borland (2004) *Better Advice, Better Health. Final Evaluation Report CAB/Excel-Link/University of Wales: Bangor*

There is a well-developed "law and economics" movement (mainly in the United States) but it generally operates within a neo-classical framework and thus shows little interest in issues of distributive justice. This means that there are few studies focussing on social welfare law and the interests of the poor. In fact, economic analyses of debt issues often highlight the fact that the most ruthless pursuit of debtors can be the most effective way to recover outstanding money.⁸⁵

Evaluating Information Packs

Much welfare law advice seeks to empower the consumer. This is particularly the case in debt advice, where it is common to provide people with 'packs' to help them sort out their problems themselves.⁸⁶ Yet Giddings and Robertson point out that "little work appears to have been done ... on consumer participation in legal services ... and this ... suggests that we need to know far more about the utility and effectiveness of legal self-help".⁸⁷

There *is* quite a lot of research to show that people appreciate the information packs but it suffers from two flaws as far as quantifying benefit is concerned. Firstly, consumers of legal advice are often not in a good position to evaluate how good it is. An audit of a CAB service to HIV sufferers concluded:

"There is a difference between user satisfaction with advice and outcomes and professional assessment: users are much less critical compared to professional evaluation."⁸⁸

Secondly (and crucially), such surveys seldom ask respondents to quantify the benefit they obtained.

Giddings and Robertson conducted a group discussion with legal advice staff in Queensland, addressing the value of self-help guides. Because of the issues raised, most of these guides

⁸⁵ For example, Berthoud & Kempson (1992) *Credit and debt: the PSI report*. Policy Studies Institute: London noted that creditors who take a hard line persuade more people to pay in full (albeit at the risk of many paying nothing). Creditors who agreed to repayment over time found only one out of ten paid up in full.

⁸⁶ For example, those provided by National Debtline (see http://www.birminghamsettlement.org.uk/advice_natdebt.htm#top) or the factsheets available online from Citizens' Advice: http://www.adviceguide.org.uk/nw/index/life/debt/debt_fact_sheet_index.htm

⁸⁷ Giddings and Robertson (2003) 'Large-scale Map or the A-Z? The place of Self-help Services in Legal Aid' *Journal of Law and Society* 30 (1) p112

⁸⁸ Waterhouse (1997) *A research report describing user needs, service satisfaction and advice outcomes' in relation to the Camden CAB Service HIV project*. Cited in ASA (2003) *The Impact of Advice: A brief report*

"are no longer available without the client also receiving [face to face or telephone] legal advice".⁸⁹

Giddings and Robertson conclude:

"There also remain some important questions regarding [these ...] self-help services that are not easily answered. For example, 'Why is there so much use made of these services when nobody can say with certainty how effective they are?' There is clearly a need for further research in this area."⁹⁰

A possible approach

An example of how the total social cost of an intervention (here in terms of education) can be estimated is provided in a study for the DfES. This project looks at the economic costs of young people leaving school at 16 and then becoming unemployed (rather than entering education or training). The authors explain that:

"Costs were interpreted broadly to include costs to individuals, their families and to the rest of society. An attempt was made to provide estimates across the lifespan of the defined group... The implications for public finance costs, which include changes in benefit payments and taxes were also investigated."⁹¹

The exercise looked at a group of 16-18 year olds 'Not in Education, Employment or Training' (NEET) and compared their likely future experience with that of young people who were not 'NEET' at the time of the study. This involved looking at issues such as the likelihood of increased criminality in the 'NEET' population and the costs of this to society. The study accepts that they were unable to quantify many of the costs and that some (for example, health problems associated with unemployment) were simply excluded.

The areas that were costed were identified by a literature review,⁹² in the same way as we have identified debt-related issues such as relationship breakdown or stress related illness (although at greater length and in much more depth). The review identified the main risk factors associated with being NEET. Estimates were made of the number of individuals who were NEET and who would fall into each risk group. Published data on the costs associated with each issue (eg Home Office figures on the public finance cost of criminal activity) were then used to estimate the total lifetime cost associated with being NEET. Although the

⁸⁹ Op cit p115

⁹⁰ Op cit p115

⁹¹ Godfrey et al (2002) *Estimating the Cost of Being 'Not in Education, Employment or Training' at Age 16-18* DfES: London p i

⁹² Coles et al (2002) *Literature Review of the Costs of Being 'Not in Education, Employment or Training' at Age 16-18* DfES: London

technicalities were difficult, the underlying rationale was straightforward and it did allow the authors to produce an estimated cost to society of individuals being NEET.

Applying a similar approach to demonstrate the economic efficiency of debt counselling assumes that the research planned by the LSC will show counselling to produce some positive effects: for example, that those who receive counselling are less likely to require medical treatment for stress at follow-up than those who were not counselled. If such differences can be demonstrated, a similar econometric exercise could be conducted.

We have been unable to find any similarly detailed studies in the area of legal advice. However, Barnardo's have developed some case studies highlighting what they claim to be the cost-benefits of early intervention with 'at risk' children. In the case of 'Michael',⁹³ parental debt is identified as a significant element in his moving to a life of crime with consequent costs to social services, the police, the prison service and (because of his criminal activities) the community. Barnardo's use published statistics to quantify these costs and the costs of the various interventions that might have reduced the problem. The cost of debt counselling accounts for £243.25 of the £27,487 of investment that Barnardo's estimate would have resulted in savings of £320,452. However, there is no attempt to indicate the comparative cost-effectiveness of the various different investments.

5. Wider economic benefits

Some authors have pointed out that money gained by individuals because of legal or other advice tends to be spent in the community and thus brings economic benefits that can offset the cost of providing the advice. This approach sits well with the "Law and Economics" model mentioned above and it is not surprising to see the benefits of legal aid in Virginia being discussed in these terms. Writing in *Virginia Lawyer*, Mark Braley claims:

"From a purely economic perspective, the legal aid/private bar partnership produced millions of dollars in benefits for low-income Virginians and their broader communities. For example, last year, they won an estimated \$4.5 million in direct federal and other benefits for their clients... Together with the \$5.6 million in federal grant funds ... *the legal aid-private bar partnership injected more than \$10 million into local economies last year in the form of salaries, rent and goods and services purchased from local businesses.*"⁹⁴ [Stress added]

Several British authors have adopted similar arguments. Peter Ambrose has analysed the income generated to clients in one year of operation by Brighton and Hove CAB. The total is something over £676,000. Ambrose argues that this money represents an "increase in

⁹³ Hughes, Downie & Sharma (2000) *Counting the Cost of Child Poverty* Barnardo's: Ilford pp31-34

⁹⁴ Braley (2002) 'The Legal Aid/Private Bar Partnership: Producing Greater Access to Justice and Millions of Dollars in Benefits for Low-Income Virginians' *Virginia Lawyer* June/July p44

spending power available to Brighton and Hove residents as a result of some of CAB's advisory activity". But he goes on to point out that "this heavily understates the beneficial effect on the local economy" because it fails to take account of the 'multiplier effect'. Crudely put, the multiplier reflects the fact that money "goes round and round", as it is spent and re-spent as those who provide goods and services buy them back in their turn. In the case of Brighton and Hove, an appropriate multiplier would be 1.7 "and the overall spending benefit to the local economy deriving from CAB advisory activity is therefore **£1,149,000**"⁹⁵. [Stress in original.]

The Fraser of Allander Institute has adopted a similar approach to evaluating the impact of welfare spending on the Glasgow economy. Glasgow City Council operates a Welfare Rights Service (GCCWRS) which provides welfare rights advice. In one year, they produced additional benefit payments of £10.795m for their clients. Using a variety of economic models and employment data, the Fraser of Allander Institute estimates that these payments resulted in the creation of 258 additional jobs across Scotland.⁹⁶

In an earlier paper, Ambrose develops the reverse argument: that all poverty brings hidden costs which are 'exported' to the wider community. He gives examples of specific costs (eg the loss of asset value of owner-occupied properties in poor areas) and categorises the degree to which these can be quantified - although he does not go on to perform any actual calculations.⁹⁷

These papers all demonstrate that:

1. There are significant benefits to wider society simply by virtue of there being more money available to be spent in poorer areas.
- and
2. Establishing exactly how much these benefits are worth is both complex and involves a considerable amount of estimation (verging on guesswork).

⁹⁵ Ambrose and Stone (2003) *Eleven plus to one: the value of the Brighton and Hove Citizens Advice Bureau to the local economy* Health and Social Policy Research Centre, University of Brighton p7

⁹⁶ Fraser of Allander Institute (2003) *The impact of welfare spending on the Glasgow economy* University of Strathclyde

⁹⁷ Ambrose (2003) *'Love the work, hate the job' Low Cost but Acceptable wage levels and the 'exported costs' of low pay in Brighton and Hove'* Health and Social Policy Research Centre, University of Brighton. See especially pp56/7

6. Non-economic benefits

UK authors have laid some stress on the non-economic benefits of debt counselling.

a/ Equity

Money advice is essential to provide an equitable basis for the relationship between creditor and debtor. Ramsay argues that debt recovery is essentially another example of bargaining in the shadow of the law and creditors, as 'repeat players' "may often be in a better position to take advantage of favourable rules and bear the psychological and economic costs of bargaining." This inequality can be remedied "by providing greater access to bargaining agents, for example, Citizens' Advice Bureaux and Money Advice Centres..."⁹⁸

There are published studies that show that people who deal with their creditors with the help of money advisors do get better results than those who don't. For example, one study showed that people who complete the paperwork for Administration Orders by themselves had payment levels that were, on average, twice those set for people who had been helped by an adviser.⁹⁹

Cain's study shows that around two thirds of debtors don't even respond to a court summons and those who do reply to the claim often fill the forms out incorrectly, resulting in their defences being ignored.¹⁰⁰ Money advisors can at least provide them with the opportunity of a fair hearing.

Platts, in her evaluation of the Debtors (Scotland) Act, pointed out that many debtors failed to benefit from the rights that the reform of debt law offered them because they failed to read and understand the literature informing them of it. She concluded that:

"If rights are to be provided ... it is equally important that people are made aware of their rights in an effective way."¹⁰¹

⁹⁸ Ramsay -op cit (note 7)

⁹⁹ Kempson & Collard (2004) *Managing Multiple Debts: Experiences of County Court Administration Orders among debtors, creditors and advisors* DCA: London

¹⁰⁰ Cain (1986) - see note 15

¹⁰¹ Platts (1999) *Evaluation of the Debtors (Scotland) Act 1987: Overview* Scottish Office Central Research Unit: Edinburgh p59

b/ Tackling social exclusion

Government policy lays great emphasis on tackling social exclusion and its policies on debt advice are an important element of this.¹⁰² Johnsen, writing from a Norwegian perspective, points out the importance of legal advice in protecting the poorest members of society:

"The intention is to help the poorest and diminish class and social differences, however, the welfare improvements depend on actual use. A few schemes have mechanisms for automatic implementation but most presuppose some sort of legal activity from the people with entitlements. If they lack the skills and drive to utilise their legal positions, such schemes become ineffective. As a result, welfare schemes tend to become least effective for groups that suffer most from poverty because legal skills are unevenly distributed within societies."¹⁰³

7. Qualitative research

Although anecdotal evidence is plentiful and many publications include interviews with individuals who have sought money advice, there is little systematic research, even on a qualitative basis. Significant early examples include Hinton and Berthoud's work for the PSI¹⁰⁴ and Mannion's work with the Social Policy Research Group.¹⁰⁵ Both looked at a small number of cases in detail.¹⁰⁶ While the conclusions are similar (and convincing) in both cases, they have no wider quantitative significance and it is difficult to see how this approach (with its use of intensive one-to-one interviewing) could be extended further. Also, the studies did not look at the wider social impact of debt advice, merely how well or badly those advised coped with their financial situation.

One of the few recent examples is that reported by Sherr et al, who were researching the effectiveness of primary care based specialist welfare rights advice.¹⁰⁷ While this aspect of their study involved a single focus group of just four individuals it did differ from the anecdotal approach adopted by most authors. Those invited to the group were systematically selected

¹⁰² DTI (2004) *Tackling Over-Indebtedness*

¹⁰³ Johnsen (1999) 'Studies of Legal Needs and Legal Aid in a Market context' in Regan, Paterson, Goriely and Fleming (1999) *The Transformation of Legal Aid* OUP: Oxford. Also available at <http://faculty.law.ubc.ca/ilac/Papers/11%20Johnsen.html>

¹⁰⁴ Hinton and Berthoud (1988) *Money Advice Services* Policy Studies Institute: London

¹⁰⁵ Mannion (1992) *Dealing with debt: an evaluation of money advice services* HMSO

¹⁰⁶ Hinton and Berthoud looked at 26, Mannion at 15.

¹⁰⁷ Sherr et al (2002) *A stitch in time - Accessing and funding welfare rights through Health Service Primary Care* (unpubl)

to be representative of those who had attended an advice clinic.¹⁰⁸ Their responses suggested that there were identifiable benefits from their receiving advice. These included obtaining benefits after previous rejections and completing forms that they would not have returned otherwise. A larger scale project, perhaps with some degree of quantification, would seem possible. However, the fact that this study (albeit unpublished) was reported on such a small sample¹⁰⁹ suggests that few resources are being made available for this kind of work.

8. Recommendations

- We agree with the Council for Civil Justice that "a significant research study needs to be commissioned to identify economic models which could be applied to future funding decisions". We welcome the commitment of the DCA to further research in this area. (Page 13)
- If a major study were to be conducted, we would recommend that the approach adopted in the NEET study be extended to quantify the impact of unresolved debt problems using as a comparison group those who have been in debt but received counselling. (Pages 19-20)
- Consideration should be given to repeating Elliehausen's work with UK data. As the methodology has already been developed and the data should be readily available from credit agencies, the costs of such a study should be limited. (Page 16)
- The collection and publication of appropriate outcome measures should be a requirement for grant funding. (Page 15)
- The DCA (or some other central co-ordinating body) should work with advice organisations to develop model questionnaires for client surveys. This would have three valuable effects:

¹⁰⁸ Significantly, details are provided of how people were selected for interview (ibid p 106). This makes such a study, though very limited in scale, more credible (and useful) than the anecdotal accounts reported by many other workers in this field. Some other workers (eg Whyley - note 35) have attempted to recruit people systematically but have faced practical problems. Whyley, for example, achieved a largely self-selected sample of 40 people from 403 approached and, understandably, reported these in an anecdotal style.

¹⁰⁹ This was only a small part of the overall study, which was not primarily concerned with this aspect of the service

- It would enable agencies to produce questionnaires of a technically high standard.
- It would enable comparison between agencies.
- It would allow researchers to combine results from different agencies and thus obtain more reliable samples than are often available from any single source.