



# Debt advice: Evaluating the long-term outcomes

## Executive report

What we have learned from a two-year, longitudinal pilot study encouraging debt advice take up



Money &  
Pensions  
Service

# Debt advice: Evaluating the long-term outcomes

## What we've learned from a two-year, longitudinal pilot study encouraging debt advice take-up

Our two-year quantitative pilot longitudinal study of debt advice (PLS) is now complete. Running a large-scale longitudinal study successfully is by no means a given, so it is reassuring the pilot has demonstrated solid evidence that doing so is feasible and likely to produce valuable insight. This short report summarises our approach and its implications for a full study, with a detailed report available on our website.<sup>1</sup>

### Why does understanding the long-term impact of advice matter?

Problem debt is damaging and debilitating. It is associated with a range of negative factors for people, including poor mental and physical wellbeing, relationship issues, reduced productivity and an increased risk of homelessness. It also has a detrimental effect on society, businesses and the economy.

The reasons why people experience problems with debt are complex, as it is rarely a single issue which is the cause but rather a variety of factors. Causes and effects intertwine adding to the complexity. We also know that other competing issues and behavioural barriers can cause people to delay acting to resolve debt problems and achieve the best outcome from debt advice.<sup>2</sup>

Knowing what works in tackling problem debt is vital, so the Money and Pensions Service (MaPS) has taken the first steps toward a longitudinal study that will build a comprehensive understanding of the medium and long-term impacts that debt advice has, as well as how to design services most effectively. This has rarely, if ever, been attempted either nationally or internationally.<sup>3</sup>

### Why a longitudinal survey design?

Currently, evaluations on debt advice services focus on their clients and in most cases only on short term outcomes. These evaluations do not include a counterfactual group, which means it is not possible for them to tell what part of any change in outcomes is due to the advice and what is due to other unrelated factors.

A longitudinal survey design offers a method to overcome these limitations: to study how people manage their debts, how this influences their lives, to what extent debt advice is helpful – and, crucially, giving confidence that the outcomes we see are attributable to that debt advice.

By isolating the effect of debt advice, a large-scale longitudinal study allows us to measure how effective debt advice is in achieving the best outcomes for clients, including building resilience to avoid returning to problem debt. By comparing outcomes over time between people who sought debt advice and those who didn't (the counterfactual group) we can gain valuable insights for designing services for people who are reluctant to engage with debt advice, or for whom debt advice has a lesser impact (for example households with deficit budgets).

Large-scale longitudinal studies are time consuming and resource heavy, so we undertook our PLS to understand how a full study could be delivered successfully. **Our pilot is now complete, and the key conclusion is that a large-scale longitudinal study of debt advice is feasible, important and timely** – and can provide the evidence base we need to inform future policies on debt advice and related services.

<sup>1</sup> For the main report MaPS (2022) "Debt advice: Evaluating the long-term outcomes. What we've learned from a two-year, longitudinal pilot study encouraging debt advice take-up" please visit <https://maps.org.uk/wp-content/uploads/2022/09/MaPS-Debt-advice-longitudinal-pilot-evaluating-the-long-term-outcomes-what-we-learned.pdf>

<sup>2</sup> For detailed evidence see the report commissioned for MAS (now MaPS) to Europe Economics (2017) "The Economic Impact of Debt Advice" <https://moneyandpensionsservice.org.uk/wp-content/uploads/2021/03/economic-impact-of-debt-advice-summary.pdf>

<sup>3</sup> A targeted literature review of the limited research that has taken place was undertaken for the Money Advice Service (MAS) (now MaPS) by the Personal Finance Research Centre, University of Bristol and is presented in "Debt advice: A scoping study for measuring outcomes (April 2016)". <https://maps.org.uk/wp-content/uploads/2022/09/Debt-advice-A-scoping-study-for-measuring-outcomes.pdf>



## Why not use an alternative approach?

Only a longitudinal survey comparing the outcomes between people who seek debt advice and those who don't can provide the rigour in research equivalent to our proposed design. There are two suitable alternatives to our recommended design:

- Option 1 - A full-population longitudinal study. It offers the advantage of identifying the full range of dynamics involved in over-indebtedness. However, this design is considerably more expensive because the sample would be many times larger than our proposed design. It will include a representation of people not over-indebted at the baseline (approximately 85% of the adult UK population) in addition to those who are currently over-indebted (15%).
- Option 2 – Include the encouragement to seek debt advice within an established longitudinal survey. This would significantly reduce our ability to determine the cause of any changes in outcomes since established longitudinal surveys have fewer people in the sample who have sought advice, so meaningful effects are more difficult to capture. Besides, established panel owners are unlikely to accept the addition of a randomised encouragement to their panel, as it risks contaminating their data collection.

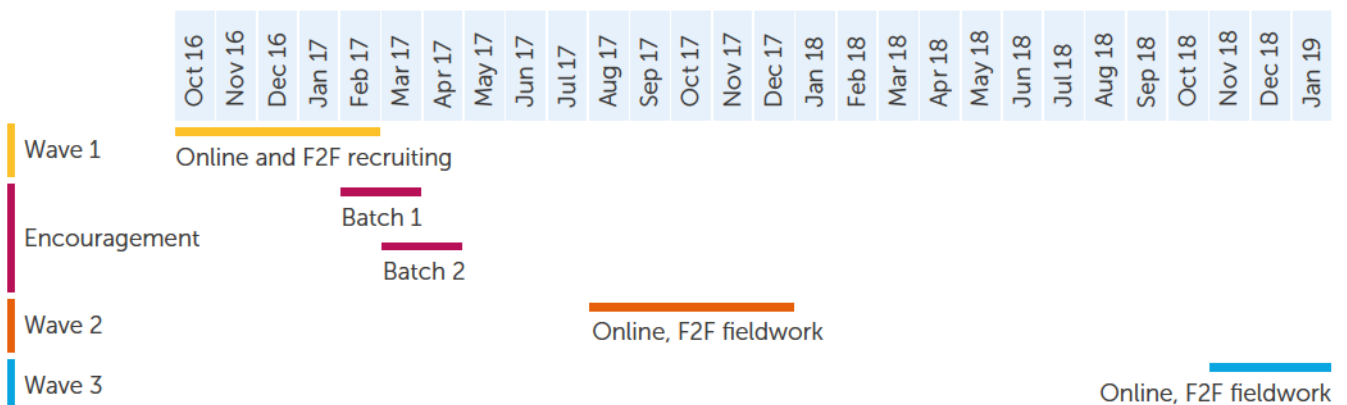
## What did we do?

We designed, implemented and evaluated our pilot to give us a clear understanding about the feasibility of, and most effective methodology for, a large-scale study. Our broad approach was to identify a sample of participants and interview them at different points in time, using control and treatment groups to enable us to isolate the effects of debt advice. We tested different methods for recruiting and contacting the participants, and ran the PLS for more than two years (October 2016 to January 2019).

From our online and face-to-face (F2F) recruitment survey (46,092 people interviewed in wave 1), we identified a sample of people in the UK facing debt problems (1,929 people eligible).<sup>4</sup> Eligible respondents were systematically stratified and randomly allocated to either the control or treatment group.

The treatment group received encouragement to contact a debt advice service,<sup>5</sup> in the form of written communications and proactive calls from debt advice support professionals. Communications were designed to promote engagement: using reassuring language, avoiding the word 'debt', stressing confidentiality, in a simple and personalised style and suggesting few immediate actions.<sup>6</sup> Individuals in the control group were not pro-actively encouraged to seek debt advice. We tracked the outcomes of both groups across two interview waves (wave 2 and wave 3).

Figure 1. Summary of the main PLS activities

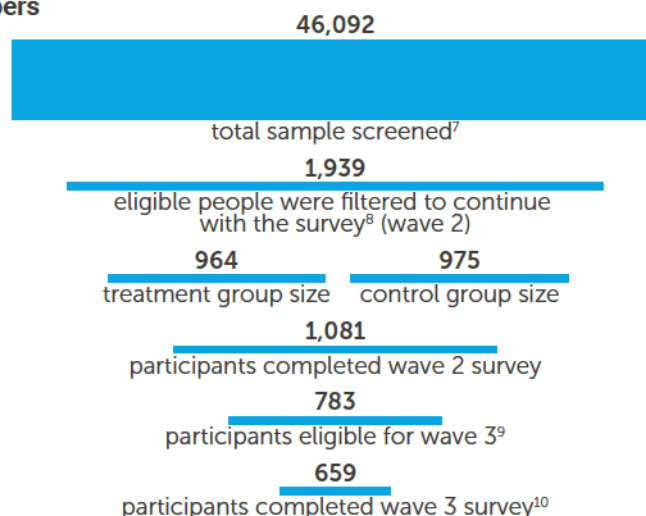


4 Both recruitment processes, online and face-to-face, used quotas to ensure that the overall profile of the interviewed sample matches the UK population in the main demographic variables, such as gender, age, ethnicity, working status, etc.

5 For a detailed explanation of the eligibility criteria and stratification selection process and results please see the PLS design and Methodological sections of the main report MaPS (2022) "Debt advice: Evaluating the long-term outcomes".

6 For the full encouragement design, behavioural elements and communication templates report please visit <https://maps.org.uk/wp-content/uploads/2022/09/MaPS-Debt-advice-longitudinal-pilot-evaluating-the-long-term-outcomes-what-we-learned.pdf>

## Survey participants in numbers



## Key findings: feasibility & lessons learned for the large-scale study

Our survey design results are encouraging. Notably eligibility, participation and attrition rates demonstrate that understanding longer term debt advice outcomes is possible:

- for our design, the total eligibility rate is 4.3% and the response rate is 55.8% (wave 2) and 40.5% (wave 3). Being in the treatment group did not increase the probability of participants dropping out, so treatment and control groups can be confidently compared in subsequent waves;
- a range of valuable outputs can be measured at different points in time: in the PLS, surveys took place six months after the initial encouragement (wave 2) and a year later (wave 3). To capture long-term effects, such as return into problem debt or behaviours after debt plans, we recommend a further survey (wave 4) two years after wave 3, which appears feasible as PLS participants became very engaged with the project;<sup>11</sup>
- our results demonstrate that retention rates do not challenge the feasibility of a large-scale longitudinal study. There is an indication that, as financial wellbeing improves, participants are less interested in continuing the study. Findings demonstrate the use of a dynamic incentive structure throughout the large-scale study would help response rates.

**See the Learnings and recommendations section in our main report on ways to increase response rates, including:**

- using personalised messages to participants, so that they are aware of the importance of sharing their own experiences to improve service design to help others;
- using tailored strategies to reduce response burden and increase participation of young adults;<sup>12</sup>
- modifying monetary incentives, for example making small increases in follow-up waves.<sup>13</sup>

### Encouraging people to seek formal (rather than informal) advice

We found that being encouraged, as part of the pilot, to seek help with debt increases the likelihood of people asking for informal help: seeking help from friends and family and self-help were the main choices made by those encouraged, but not formal debt advice. This is something that we want to limit in the large-scale study, as it narrows the evidence on the impact of advice giving; the challenge is how best to encourage participants to ask for formal debt advice when they are reluctant to do so.

7 Over-indebted respondents were also excluded if they had received debt advice in the last six months. The proportion excluded ranged from 17% in the face-to-face omnibus to 30% in the online omnibus.

8 Once duplicates were excluded (different unique IDs being required), as well as respondents recruited from the online panel (due to uncertainty over permission being given to be recontacted). Breakdown by mode: 476 respondents from the face-to-face omnibus, 466 from the online omnibus and 997 from the online ad-hoc survey.

9 At wave 3, the survey agency changed and participants had to agree to share their contact details with the new agency. 298 respondents were unwilling to share their details, making it impossible to re-contact them.

10 Breakdown by experimental group: 331 control and 318 treatment.

11 We find our sample is highly engaged at wave 3, 84% of respondents completed the survey and 98% of them gave consent to be contacted for a follow-up wave.

12 For the main report MaPS (2022) "Debt advice: Evaluating the long-term outcomes. What we've learned from a two-year, longitudinal pilot study encouraging debt advice take-up" please visit <https://maps.org.uk/wp-content/uploads/2022/09/MaPS-Debt-advice-longitudinal-pilot-evaluating-the-long-term-outcomes-what-we-learned.pdf>

13 For a review of targeted survey procedures see Peter Lynn (2017) "From standardised to targeted survey procedures for tackling non-response and attrition Survey Research Methods".

**i** See the Learnings and recommendations section in our main report on ways to enhance the encouragement's effectiveness, including:

- directly addressing the tendency for people to seek informal help when pro-actively encouraging them to seek help.
- starting the intervention immediately after finishing the recruitment interview or soon after;<sup>14</sup>
- tightening the definition of over-indebted, using other metrics of being in problem debt and symptoms related to being at risk of debt-related events.<sup>15</sup>

## Key findings: customers & their behaviours

This section looks at outcomes for customers using our pilot data, **the largest longitudinal dataset so far gathered on debt advice in the UK**. Findings should be seen only as starting points for further research, as the primary objective of our PLS was to test the feasibility of a large-scale longitudinal study.

### Effects of receiving encouragement to seek help

Those who receive the encouragement as part of the survey are more likely to seek help, albeit informal help (such as asking friends for help), than those who do not receive the encouragement.

Our pilot evidence suggests informal help, such as from friends and family, does not tackle the root causes of an individual's debt, despite respondents reporting a greater feeling of wellbeing. There is clearly a sense of relief, even though effective strategies to tackle debt are not adopted.

Receiving the encouragement makes people focus on paying their existing debt, but not by reducing spending. In fact, spending seems likely to increase, together with the probability of experiencing financial difficulties (such as not being able to afford basics and being contacted by creditors), and of people reporting that they are not able to organise their money from day to day.



### Possible outcomes when seeking formal debt help

As pro-active encouragement did not increase the probability of seeking formal debt advice, we cannot use the randomised encouragement design to assess the effects of receiving formal advice. However, we can still use our PLS to compare the outcomes at wave 2.

Descriptive evidence from our study finds that it tends to be those facing the greatest level of financial difficulty who will take steps to access formal debt advice, which is likely to mitigate and counteract those difficulties. We found suggestive evidence that formal debt advice, in comparison to not receiving it:

- **increases** the probability of adopting strategies to reduce spending;
- **decreases** the probability of being turned down for credit;
- **increases** knowledge and understanding of the steps needed to get out of debt;
- **leads to a better**, self-reported financial situation, wellbeing and even physical health.

This suggests that it is important to route people to effective sources of help and earlier engagement.

**i** The main report contains more recommendations on how key elements can be further improved, alongside operational pointers.

<sup>14</sup> For example, the encouragement could start at the end of the recruitment survey. The eligible participants will be redirected to a dedicated webpage to receive a call from a debt provider. Participants who are unable to receive the call there and then can book a call-back, log into online debt advice or link to the MoneyHelper debt advice locator tool.

<sup>15</sup> In March 2022 MaPS published a new measure for "Need of Debt Advice". This measure uses multiple behavioural indicators of financial distress producing a smaller cohort of people than the "Over-Indebtedness" measure used in the PLS. For more details see <https://moneyandpensionservice.org.uk/2022/02/23/who-needs-debt-advice-in-2022>



## Conclusion

To be effective and obtain the best outcomes from the limited funding available, debt advice not only needs to relieve immediate financial pressure but support people to build the skills, confidence, attitude and capabilities to manage money in the long term.

Evaluating the long-term role of debt advice on people's financial behaviour and capability, levels of indebtedness and general wellbeing is challenging. Currently, evaluations on debt advice services focus on their own clients and, without an appropriate comparison group, these evaluations cannot inform what part of any changes in outcomes is due to debt advice and what is due to other factors. Moreover, debt advice is a complex process, including self-help advice as well as direct assistance.

Only with a comprehensive study can we identify how and to what scale certain groups of people will benefit from receiving debt advice in the first instance, and the results of the PLS provide a strong case that a large-scale longitudinal study with multiple follow up waves is feasible. It can provide the large sample needed to produce robust evidence that can inform better service design and better long-term outcomes for people in problem debt, for those that seek debt advice and for those who don't. It can provide valuable insights to design services for people for whom debt advice has a lesser impact (for example households with deficit budgets), and can help others to understand whether it would be more beneficial to prioritise, for example, activities aimed at getting people into work, debt write-off or mental health services.

Knowing this will be key to developing future engagement strategies and to designing effective services for both those who can benefit from debt advice and those that require different support for their debt problem.

## Recommendations

The recommended approach for a large-scale longitudinal study is a randomised encouragement design composed of four survey waves, with the following key components:

- a recruitment survey (wave 1) to form the baseline of the study, using an online survey, with face-to-face surveys to boost subgroups under-represented by an online panel.
- recruitment of at least 5,000 eligible people at the outset, to provide a sufficiently large sample of people to participate in the following three waves.
- the encouragement intervention for formal debt advice should take place immediately after the recruitment survey, steering people away from seeking advice from friends and family and using the survey script to identify the most suitable nudge.
- a wave 2 survey six months after wave 1, when many benefits from receiving debt advice are experienced.
- a wave 3 survey one year after recruitment, to measure outputs around developing capabilities and resilience.
- a wave 4 survey two years after the wave 3 survey, to capture long-term effects such as behaviours after the ending of debt action plans, returns to problem debt etc.

We also recommend a preliminary phase to develop and evaluate the encouragement design. Besides testing the tools to use for the intervention, this phase will provide further information on the impact of the encouragement, aimed at considerably reducing the cost of the large-scale longitudinal study.

## Next steps

Given the encouraging PLS results and to enable us to continue as a leading funder of quality debt advice, our next step is to commit to carrying out a large-scale longitudinal study. We will invite the debt advice sector later in this financial year – and the wide range of organisations that benefit from this sector's work – to contribute their thoughts and collaborate to ensure the large-scale, longitudinal study happens and is undertaken as effectively as possible.