

Need For Debt Advice

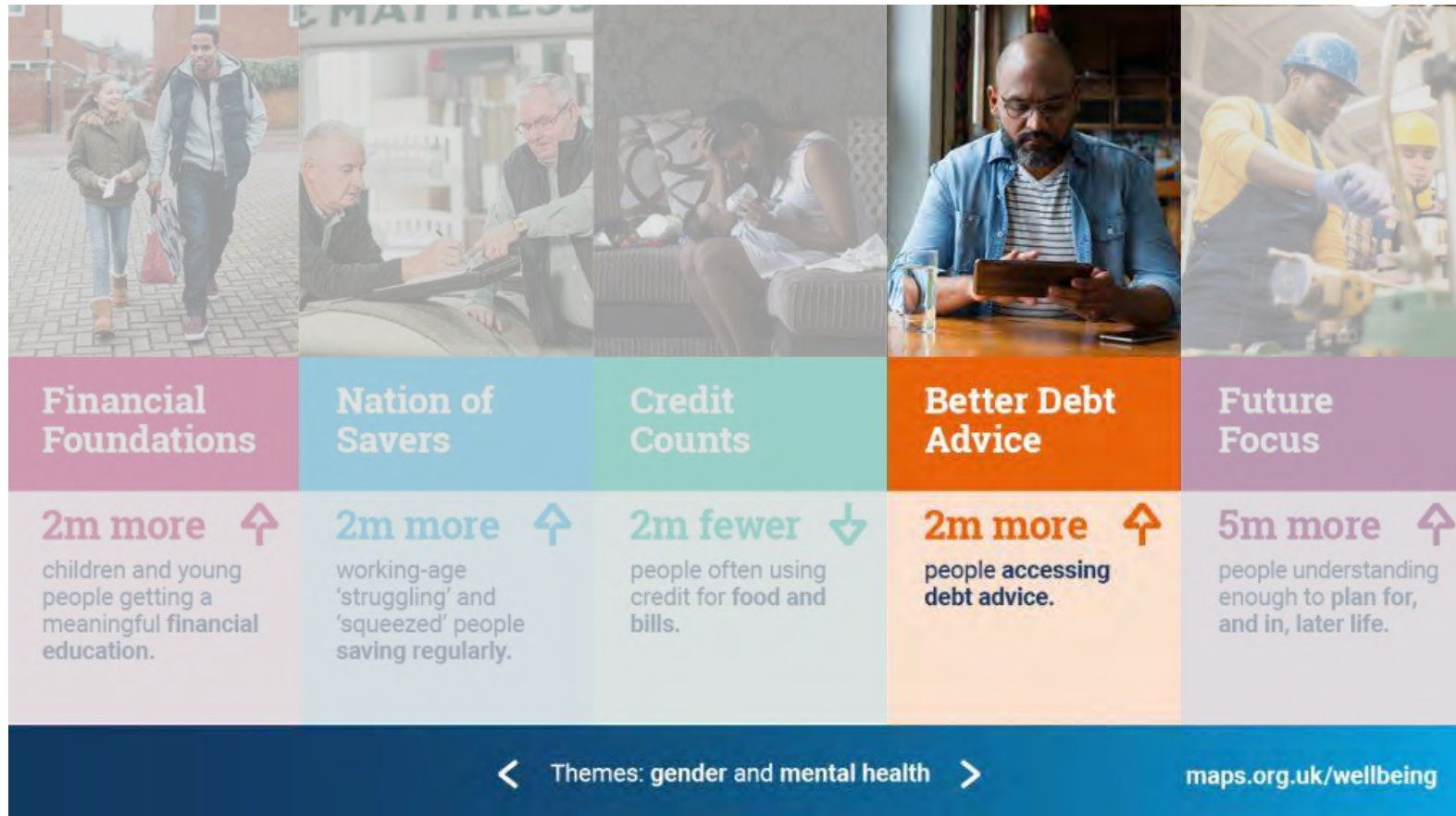
Explanation Of The Measure Developed By MaPS

Paul Das – Consumer Insights Manager
February 2022



Money &
Pensions
Service

Why we measure the need for debt advice



It's one of the measures of progress against a national goal of our UK strategy for Financial Wellbeing

It's also used to allocate funding for debt advice at a national level

Following an external literature review, MaPS' statisticians created a graduated measure based on arrears, moderate/major events and use of high-cost credit. The measure has been independently peer reviewed by academics with relevant expertise

How we measure need for debt advice

The Debt Need Survey

A large survey which MaPS has run for several years. It is **representative of the UK adult population**

Who do we interview and how?

Just over **22,000 people** interviewed every year in August and September for ~15 mins. We use a “blend” of online research panels to ensure we have coverage of different types of people

This approach allows us to access a **broad cross section of the population including socially deprived communities.**

The interview is a self-completion exercise, with no interviewer present making it **easier to discuss sensitive topics**

What does the interview cover?

- Attitudes towards **debt advice** and interactions with providers
 - How people feel about their **household finances** and money management in general
 - **Arrears** on credit commitments and bills
 - **Use of High Cost Credit**
 - **Adverse events/impacts** (financial and personal)
- ... and much more

The Component Parts of the Measure



Have been behind **any** bills or credit commitments in the **last 6 months**



Being behind on **any** bills or credit commitments **now**



Bills which have **serious consequences for non-payment** such as rent, mortgage, gas, electricity or owing money to government bodies e.g. unpaid court fines income tax or NI

Other bills such as water bills, credit or store cards or unsecured personal loans

In the last 6 months ...



Disconnection or prepayment meter imposed by utility company or not being able to pay for food or essentials



Court summons, bailiff contact, eviction or repossession



Using payday lending, logbook loan or an unauthorised overdraft

What are the categories within the measure?

Using these components, we have created six groups of people. They can be summarised as follows

Group	Key Characteristics	Need For Debt Advice
1	People with minimal financial difficulties . They either have no credit or are finding it perfectly manageable to pay bills and meet credit commitments	No signs of needing advice or guidance
2	People who are mostly managing to service their credit and pay bills but some signs of concern such as finding it difficult to keep up or the occasional missed payment	Would benefit from money guidance via the MoneyHelper website or other sources
3	This group have early indicators of problem debt – starting to build up arrears including a few with priority debts	At a tipping point and need to seek guidance before their situation worsens
4-6	Strong indications of needing debt advice. Currently behind on at least one priority bill, facing early or late-stage creditor action and using credit to pay for essentials	Definitely need regulated debt advice

These two groups combined represent **people at risk**, a cohort we need to support so their situation does not worsen

This group need **full debt advice** from a regulated provider

Group 1



Money & Pensions Service

Key Characteristics	Need For Debt Advice
People with minimal financial difficulties . They either have no credit or are finding it perfectly manageable to pay bills and meet credit commitments	No signs of needing advice or guidance

No Arrears in Last 6 months



No Current Arrears



No Negative Impacts



No Major Events



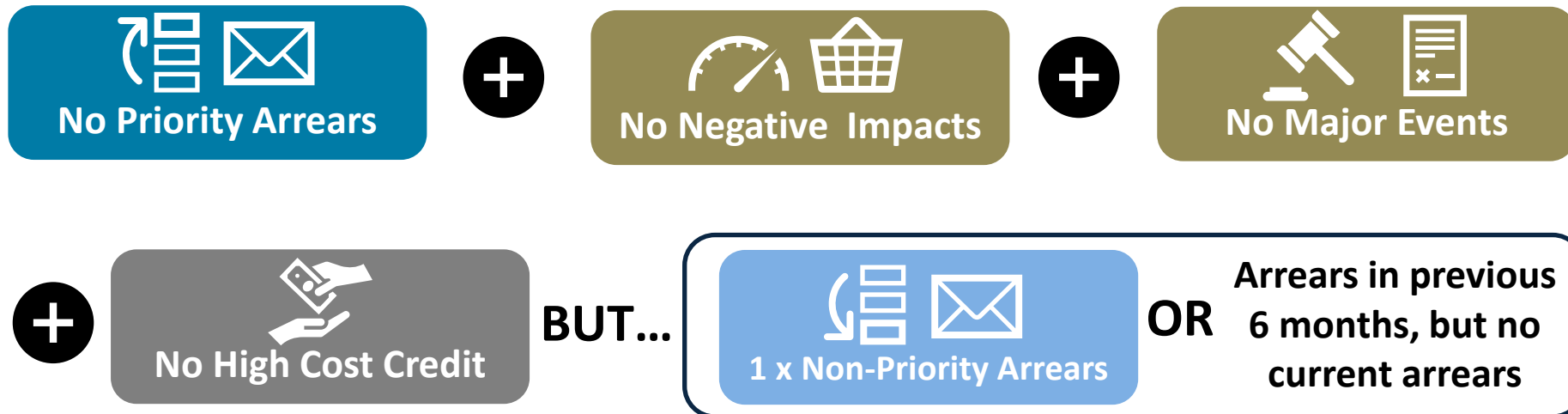
No High Cost Credit

Group 2



Money & Pensions Service

Key Characteristics	Need For Debt Advice
People who are mostly managing to service their credit and pay bills but some signs of concern such as finding it difficult to keep up or the occasional missed payment.	Would benefit from money guidance via the MoneyHelper website or other sources

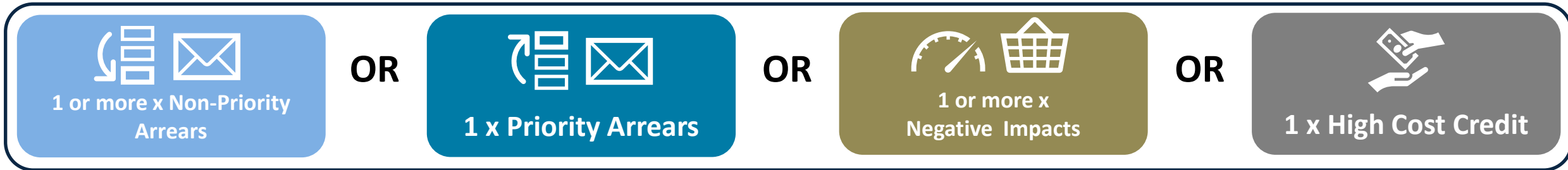


Group 3



Money & Pensions Service

Key Characteristics	Need For Debt Advice
This group have early indicators of problem debt – starting to build up arrears including a few with priority debts	At a tipping point and need to seek guidance before their situation worsens

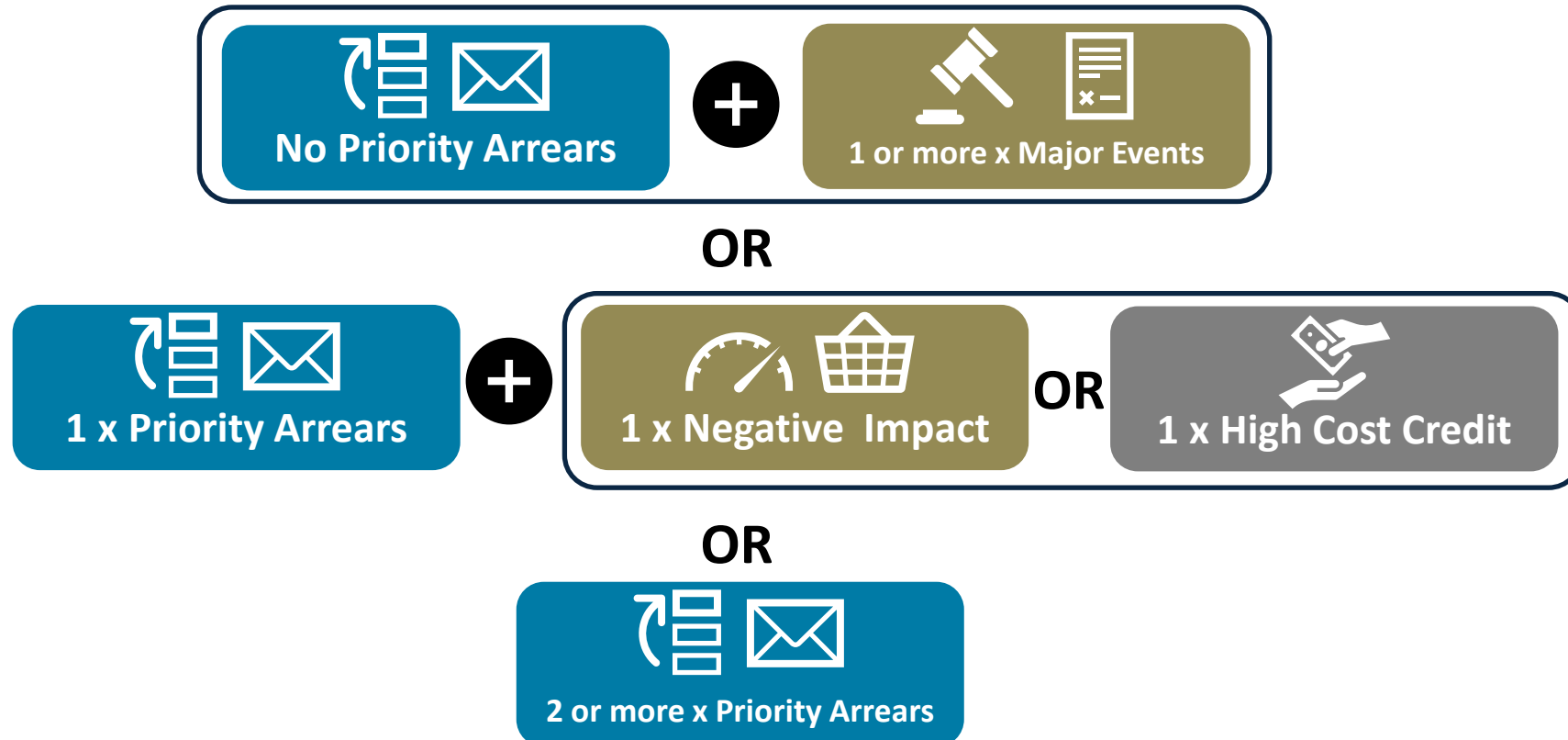


Groups 4-6



Money & Pensions Service

Key Characteristics	Need For Debt Advice
<p>Strong indications of needing debt advice. Currently behind on at least one priority bill, facing early or late-stage creditor action and using credit to pay for essentials</p>	<p>Definitely need regulated debt advice</p>



Thank you

moneyandpensionservice.org.uk



Money &
Pensions
Service