

1. Executive summary

There is strong existing evidence that financial difficulties and mental health problems can be interrelated. However, less is understood about how money and mental health can impact on people from minoritised ethnic communities in the UK.

To build an understanding of this, The Money and Pensions Service commissioned The University of Bristol and the University of Southampton to conduct qualitative research and a desk review of academic literature in this area, with an aim to:

- Develop further knowledge on the compounding impact of mental health and money problems on members of minoritised ethnic communities.
- Identify the factors that can limit ethnic minority communities' engagement with debt advice and money guidance services.

In total, we completed 21 semi-structured interviews with a range of organisations who support those from ethnic minority communities with financial difficulties and/or mental health problems. These interviews explored the way in which members of certain minoritised ethnic communities may experience financial issues and mental health challenges differently, and the way that these issues interact for those in these communities. We also explored the barriers that those from minoritised ethnic communities face with regard to seeking support with these issues and consider what could be done to improve the experience of those from minoritised ethnic communities when seeking advice.

In addition, we conducted a review of published academic literature. This revealed a lack of research that focuses on the way in which ethnicity impacts the relationship between mental health and finances in the UK. While some research has been conducted on this subject in the USA, little to-date has been published in the UK. This is despite, numerous UK focused studies being conducted with sufficient sample sizes, that have collected the

necessary variables to explore such relationships. Therefore, further research is needed – both quantitative and qualitative – on this subject to fully understand it better.

1.1. Key findings from the interviews

1.1.1. Financial problems faced by members of minoritised ethnic communities

Those we interviewed spoke of the particular difficulties that their clients from ethnic minority communities are more likely to face:

- **Living on a low income due to difficulties finding good quality employment**
 - For example, as a result of language barriers, qualifications from abroad not being recognised in the UK, or living in poorer areas of the UK, all of which can make it harder to find opportunities for employment.
 - Discrimination also played a key role in preventing those from minoritised ethnic groups finding work and there was a tendency for those from minoritised groups to work in insecure forms of employment (e.g. gig economy) or risk exploitation from working in the grey economy (e.g. working at car washes).
- **Challenges with the benefit system**
 - Difficulties in understanding what was described as a complex system, understanding where to get appropriate information and a lack of awareness of entitlements.
 - No recourse to public funds – migrants may be unable to access benefits due to visa restrictions/immigration status.
 - Certain policies such as the two-child limit and benefit cap disproportionately impact those from minoritised ethnic communities.
 - Language barriers, digital exclusion and navigating the complexities of a new country (e.g. first generation migrants) are all factors that can make understanding and accessing the benefit system harder for those from ethnic minority communities.
- **Additional costs specific to their communities**
 - Cost of living increases may disproportionately impact those from minoritised groups e.g. those from Traveller communities relying more heavily on gas bottles.
 - Larger family sizes can result in higher expenditure.
 - Some communities may be based in expensive locations with high property prices (e.g., more likely to live in London where property prices are higher).
 - Some cultures place more importance on financially supporting family, so may want to “make sure that everybody is taken care of” such as by through remittances (sending money to family in country of origin).
 - Some cultures place high general importance on ‘community’ and ‘family’, and certain cultural obligations can be expensive (e.g. Kosher food costing more; expectations to attend funerals/weddings; costs associated with religious festivals and family events).
- **Turning to high cost, informal or illegal forms of credit**
 - There was a general consensus that those from minoritised ethnic communities were generally less likely to have consumer debt, but household bill arrears, fines and low-level borrowing were common. Debts may also be accrued to finance family obligations and as a result of a reluctance to claim benefits.
 - Due to language and cultural barriers, along with a lack of awareness of alternative options, it was more likely for those from minoritised ethnic communities to use higher cost forms of credit. Conversely, some were more likely to borrow from family and rely on informal forms of support.

- A lack of non-usuary products (products that don't charge interest) available in the UK can also lead to higher fees and therefore less competitive rates than those applied by equivalent mainstream lenders for those seeking faith-compliant financial products.
- There appeared to be a heightened sense of stigma associated with debt among certain communities. This, along with lower literacy levels and language barriers, meant that some were less likely to be aware of debts and/or be able to tackle debt.
- **May be financially excluded or lack financial knowledge and capability**
 - Those from minoritised communities may be less likely to access or make the most of financial services, for example not being able to access bank accounts or only accessing basic banking facilities.
 - Barriers to accessing bank accounts included a lack of documentation (e.g. lack of ID or proof of address); language barriers and lack of digital access; discriminatory and unhelpful attitude of some banks (although this may be improving) or those from minoritised communities assuming that they will be excluded and therefore not attempting to access services.
- Financial knowledge and capability were reported as being limited among certain minoritised ethnic communities, while cultural stigma around talking about money was also seen as a barrier to improving financial knowledge for some people.

1.1.2. Mental health and money problems in minoritised ethnic communities

Minoritised communities often face additional burdens on their mental health, for example through trauma and grief (for those fleeing conflict), isolation, bullying and racism, a feeling of 'not belonging' to the UK, or the effects of

physical illness and disability (being especially prevalent in some communities) causing added mental strain. Furthermore, mental ill-health is often regarded as a taboo subject in many communities and talked about even less than in the population overall. In some languages, the terms 'mental health' and 'depression' do not exist.

We found the link between mental health and money problems in minoritised ethnic communities to be strong, and identified the following issues:

- A 'vicious cycle' between money and mental health problems exists regardless of ethnic background.
- Many members of minoritised communities face a 'double stigma' where it is particularly difficult to discuss either money or mental wellbeing, so discussing the two together may be especially challenging. This – coupled with close-knit family and community ties – can lead people to delay seeking help and may cause 'poor' financial decisions.
- There was concern about the long-term mental health impacts on children of using them as translators when talking about financial difficulties and/or mental health problems.
- People with limited English language skills may experience additional stress or anxiety about dealing with paperwork or written communications about their finances.
- Some people with no recourse to public funds face particular anxiety if they find themselves unable to work (often due to poor mental health in the first place) as they are unsure about what support they may be able to access, if any.
- Issues such as no recourse to public funds or communication difficulties can also cause additional challenges for those from minoritised ethnic communities who are experiencing domestic or economic abuse.
- A lack of trust in the system can result in fears over being penalised or sanctioned when

seeking help, which can cause people to put off looking for support.

1.2. Recommendations

Given what we heard from interviewees about the current financial and mental health difficulties facing minoritised ethnic communities, along with what they considered to work well when providing tailored support in relation to money guidance and debt advice, we recommend the following:

- **To help resolve language barriers there should be:** dedicated budgets for interpreting services, greater emphasis on recruiting staff that speak community languages, better provision of material written in multiple languages, clear advertising of which members of staff speak which languages and future testing into how different words and phrases (in English) are perceived and understood by different groups of people.
- **To build trust in the support available there should be a focus on:** longer-term job security of advice staff, longer-term client outcomes rather than short-term targets (e.g. number of clients seen), ensuring the workforce reflects the characteristics of the local population (wherever possible), building partnerships with local community organisations and providing the right debt solution first time, every time.
- **To build understanding of financial support available in the UK there should be:** investment in teaching the ‘basics’ of how the financial and benefit system works to minoritised communities, more ‘one-stop shops’ of support services who can provide a more holistic service, better connections between services, more training for advisers on signposting, and close collaboration and co-location of money guiders and debt advices nested within mental health services.
- **To overcome cultural barriers to support:** all support should be ‘culturally responsive’ (recognising and accounting for the needs of diverse communities), encourage ‘culturally

adapted’ support (best led by people who are members of the community being supported), encourage early, preventative help seeking from minoritised communities. Wider campaigns to reduce the stigma or shame around financial difficulties and mental health should take ethnicity into account with a particular need to challenge concerns around being sanctioned or punished for engaging with authorities. Furthermore, diverse voices should be included in the policy-making process, greater clarity provided to debt advisers on how to complete Standard Financial Statements in relation to remittances and/or spending on family abroad or culturally-related expenditure that might be challenged by creditors.

- **To improve collective understanding of communities’ needs there should be:** better collection of data to consider ethnicity, migration status and language ability; re-analysis of existing data with an ethnicity focus, further research (e.g. speaking to those from communities directly).

While the focus of our recommendations was on what the advice sector can do, it was clear, however, that the issues that such communities face are not solely the responsibility of the advice sector.

Participants raised a range of issues and many of these fall beyond the remit of MaPS. The findings of this research therefore may be of interest to a wide range of stakeholders including other Government departments, the financial services sector, the wider social welfare legal advice sector, and health and care providers.

There is only so much that an adviser can do to support someone living on an insufficient income. This is particularly challenging given the current cost of living pressures. There is only so much that families can do to cut back their expenses without damaging the long-term health and wellbeing of their children. With the cost of living set to spiral, there is only so much pressure that support services can absorb.

Lastly, we would like to thank all of the organisations who took part in this research and

all of the organisations that are already doing amazing work to help support those from minoritised ethnic communities. We hope that we have done justice to your thoughts and with these recommendations can move toward an environment in which those from minoritised ethnic communities feel better supported with regard to both their financial and mental health needs.

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