MONEY AND MENTAL HEALTH
POLICY INSTITUTE

MONEY ON YOUR MIND

THE MONEY AND MENTAL HEALTH POLICY INSTITUTE
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FOREWORD

MONEY ON YOUR MIND

Sex, religion and politics people will happily talk about all day long. Yet talking about money, that's a taboo in polite society – heaven forbid someone admit to their friends that they're struggling. Throw mental health into the picture and you have a degree of silence that is deafening.

That's why this survey, the first from the new Money and Mental Health Policy Institute, is so powerful and revealing. Thankfully as the stigma about mental health has diminished people have been willing to open up to us to reveal how money and mental health problems interact.

I want to give enormous thanks to all who bravely took part. We've always assumed they were a marriage made in hell and this is confirmation.

We already know that half of British adults with a debt problem also have a mental health problem. You can't fix one without the other.

This report now helps us to understand why: it sheds light on the financial experiences of nearly five and a half thousand people with mental health problems. It is an unprecedented insight, and the findings are stark. People with mental health problems told us that, as well as having less income when they are unwell, they are spending more, finding it harder to manage their finances and in many cases even taking on new credit that they would otherwise have avoided.

Luckily attitudes in business and the financial services industry have improved over recent years. Although there is still a long way to go, there is now more support for people with mental health problems who are managing financial issues. Yet there's never been any real focus on stopping this mess happening in the first place.

That's the aim of the policy institute, to come up with solutions, and work with others to put them in place. Yet this isn't about doing it in isolation – it's about bringing consumers, mental health groups, trade bodies, firms, regulators and politicians together to make it all work.

So a message to those working in financial services, in retail, health and in policy; come with us. To fix this we need you. We don't have time to worry about what's taboo any more, let's get the conversation started.

Martin Lewis
Money and Mental Health Founder and Chair

Executive summary

Money and mental health are intricately linked. Mental health problems make it harder to manage your finances and living in financial stress can harm your mental health. This report sets out a detailed analysis of how and why this happens, based on the experience of nearly 5,500 people who have lived with mental health problems.

- 86% of respondents said their financial situation had made their mental health problems worse.
- 72% of respondents said their mental health problems had made their financial situation worse.

Falling behind with bills

More than half of our sample had fallen behind with bills in the last year. When asked to explain the main reasons, our respondents selected:

- Mental health problems: 67%
- Difficulties managing money: 60%
- Living on a low income: 55%
- Job loss / drop in wages or benefits: 36%

Work to improve the lives and finances of people with mental health problems needs to consider financial management and mental health as well as income replacement and employment.

Altered financial behaviour during periods of poor mental health

A very high proportion reported changes in their spending patterns and ability to make financial decisions during periods of poor mental health. Respondents said that during periods of poor mental health they had:

- Spent more than usual: 93%
- Found it harder to make financial decisions: 92%
- Put off paying bills: 74%
- Avoided dealing with creditors: 71%
- Taken out a loan that they wouldn't otherwise have taken out: 59%

This finding demonstrates that respondents believe their own financial behaviour during periods of poor mental health contributes to poor financial outcomes. **Work to help people with mental health problems needs to explore ways to help them avoid 'financial self-harm'.**

Mental capacity at the point of sale

In line with the criteria of the Mental Capacity Act 2005, we asked our respondents to consider how their mental health problems had affected their decision-making in applications for credit that they had made during the last 12 months.

- 24% said they were unable to understand the terms and conditions.
- 38% said they were unable to remember what they had been told about the loan.
- 48% said they were unable to weigh-up the advantages and disadvantages of the loan.

- 34% said they were unable to communicate their decision, ask questions or discuss the loan with the organisation that they applied to.

These findings demonstrate that mental capacity at the time of applying for credit is a significant issue, and one that needs further exploration.

Mapping the journey from financial difficulty to mental health problems

Financial difficulties can lead directly to mental distress. Many of those in financial difficulty report anxiety, worry, and depression directly attributed to their financial position. Insomnia and suicidal ideation are also prevalent.

There are also indirect causes of mental distress. We identify four:

Demands on time or mental energy:

Dealing with financial difficulties can require a great deal of time and effort. There is increasing evidence that living with financial difficulties carries a cognitive load that affects people's capacity to think about or process other information such as their mental health or recovery.

Creditor action:

While much creditor practice has improved and some respondents recounted positive experiences, where bad practice occurs it can have a profound impact. Perceived excessive contact by creditors, unaffordable demands, and the repossession of home or possessions can all harm mental health.

Social/Financial exclusion from activities and support network:

Financial difficulties often lead people to become excluded from activities, social groups, or behaviours that are known to support mental health and wellbeing - including taking a break or reducing hours at work. Exclusion can be caused by financial difficulties or by psychological barriers, such as feelings of shame.

Going without "essentials":

Going without essentials such as food or heating can be harmful to both physical and mental health. Respondents whose financial circumstances had forced them to cut back on essentials often reported feeling worthless.

Relationship difficulties:

Financial difficulties can have a dramatic impact on couple relationships. The subsequent impact on mental health of both relationship breakdown and stress in ongoing couple relationships was prevalent in our respondents' stories.

Mapping the journey from mental health problems to financial difficulty

Respondents described, alongside unmanageable debt, a wide variety of financial difficulties including:

- Running down their life savings
- Being dependent on others for subsistence
- Becoming financially excluded
- Relationship difficulties

Mental health problems were described as contributing to relationship breakdown by some respondents, resulting in an income shock of some kind.

Loss of or low income

We identified two pathways from mental health problems into debt that relate to income: persistent low income due to un- or under-employment and income shocks as a result of a mental health crisis or relationship breakdown.

Physical health problems

Some respondents explained their mental health problems had triggered - or been triggered by - physical health conditions or disabilities, leading to loss or further loss of income and/or higher costs.

Mental health treatments
Respondents noted side-effects of treatments affecting physical health and cognitive capacity, and thus leading to employment loss or financial mismanagement.

Cognitive impairments
Many respondents said their mental health problems had impaired their cognitive functioning, making it harder for them to manage their finances. This included problems with budgeting, paperwork, judgement, memory and timekeeping.

Psychological barriers
Many respondents describe themselves as in a state of denial, phobic about their finances, or disengaging completely from contact with creditors or their financial situation.

Higher spending
We have identified seven different drivers for increased spending, six of them psychological or cognitive. These are:

- **Manic spending** during a high or period of mania
- **Nihilistic spending** where the transaction, or life itself, is considered meaningless
- **Comfort spending** to boost low mood
- **Social value spending** to boost status or self-worth by giving money or gifts to others
- **Impulsive spending** where respondents couldn't recollect or attribute purpose to the transaction
- **Addictive spending** to feed an addiction

In addition, some people reported they had spent more because of higher costs, and another group reported restricting their expenditure, beyond what would be considered rational, as a result of anxiety.

Shaping the work of Money and Mental Health
Our vision is of a world where mental health problems don't lead to financial difficulty, and where problems with money can be managed without long-term impacts on our mental health. We will use this evidence to help us design our programme of future work, and build evidence-based proposals for policy interventions by government, regulators, advice agencies, health services, retailers and financial service providers.

Financial Services
We urge the financial services industry to build on recent progress by continuing to develop products, settings, and systems to help people stay out of financial difficulties.

Retailers
We call on the retail industry to explore ways to support customers with mental health problems, as part of the wider movement on responsible retailing.

Health professionals
Health professionals should be aware when diagnosing mental health problems of the potential impact those conditions may have on a person's financial status.