MONEY AND MENTAL HEALTH POLICY INSTITUTE

MONEY ON YOUR MIND

THE MONEY AND MENTAL HEALTH POLICY INSTITUTE

JUNE 2016

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.

Section One - The links between money and mental health

The link between mental health problems and financial difficulties has been widely acknowledged for many years, and is well documented in academic literature. It is clear that living with a mental health problem can lead people into financial difficulty; it is equally clear that living under financial stress can trigger episodes of poor mental health.

What we already know:

1 in 2 British adults with a debt problem has a mental health problem [1]

1 in 4 British adults with a mental health problem has problem debt [2]

Debt problems increase the chances of poor mental health – people with debt problems are twice as likely to develop major depression [3]

The more debt a person has, the more likely they will have a mental health problem [4]

Debt can make recovering from a mental health problem harder – people with depression and problem debt are four times more likely to still be depressed when contacted 18 months later (compared to those with depression but no problem debt) [5]

Mental health problems can make 'financial recovery' harder – due to:

- their association with subsequent unemployment, reduced hours/salary, and benefit reductions/delays
- hospital admissions or side-effects from medications
- people becoming anxious or unwell when contacted by creditors, or finding it difficult to communicate with debt collection or debt advice staff [6]

A relationship exists between debt and suicide, poor physical health, fuel poverty and alcohol and drug dependence. [7,8,9,10]

The Money and Mental Health Policy Institute has been founded on the strength of this evidence to conduct research and policy development, and so break this devastating link between financial difficulties and poor mental health. We conducted a survey of more than 5,000 people with lived experience of mental health problems to help shape our work. Our objective in conducting this research has been to deepen our shared understanding of the complex chains of causality that lead to this strong correlation between financial difficulties and poor mental health.

This report is the first of two analysing the results of our survey. A second publication, reporting our findings on the interactions between consumers with mental health problems and the financial services sector, advice agencies and mental health services will be published later this summer.

[1] Jenkins R, Bhugra D, Bebbington P, et al. Debt, income and mental disorder in the general population. Psychological Medicine 2008; 38: 1485-1494.

[2] Jenkins R, Bhugra D, Bebbington P, et al. Mental disorder in people with debt in the general population. Journal of Public Health Medicine 2009; 6: 88-92.

[3] Skapinakis P, Weich S, Lewis G, et al. Socio-economic position and common mental disorders: Longitudinal study in the general population in the UK. British Journal of Psychiatry 2006; 189: 109-17.

[4] Fitch C, Hamilton S, Bassett P, et al. The relationship between personal debt and mental health: A systematic review. Mental Health Review Journal 2011; 16, 4:153-166.

[5] Fitch C, Trend C, Chaplin R. Lending, debt collection and mental health: 12 steps for treating potentially vulnerable customers fairly. London. 2015.

[6] Ibid.

[7] Meltzer H, Bebbington P, Brugha TJ, et al. Personal debt and suicidal ideation. Psychological Medicine 2011; 41: 771–778.

[8] Richardson T, Elliott P, Roberts R. The relationship between personal unsecured debt and mental and physical health: a systematic review and meta-analysis. Clinical Psychology Review 2013; 33: 1148-1162.

[9] Thomson H, Thomas S, Sellstrom E, Petticrew M. Housing improvements for health and associated socio-economic outcomes. Cochrane Database of Systematic Reviews 2013.

[10] Fitch C, Hamilton S, Bassett P, et al. The relationship between personal debt and mental health: A systematic review. Mental Health Review Journal 2011; 16, 4:153-166.


CREDIT CARD

Section Two - Our findings

This section sets out the findings from six of the questions in our survey that were designed to elicit information from respondents about the impact of their mental health on their financial position and vice versa. Our objective was to establish a more granular understanding of how the causal pathways operate from one problem to the other.

Below, we report on respondents' answers to the questions:

- In your opinion, has your financial situation made your mental health problem(s) worse?
- In your opinion, have your mental health problem(s) made your financial situation worse?

In addition, we analysed a total of 4,126 free text explanations from 2,912 respondents giving their account of why this had happened. It is important to note that, in addition to identifying the pathways from poor mental health to financial difficulty and the reverse, a subset of respondents identified external triggers for the onset of both their financial and mental health problems. These included redundancy, physical health problems, income loss, benefit changes, relationship breakdown and bereavement.

We then go on to analyse how participants' mental health problems affect their financial behaviours. We report on responses to questions on the following topics:

- How do mental health problems affect applications for credit, at the point of sale?
- How do periods of poor mental health affect particular financial behaviours?

2.1 In your opinion, has your financial situation made your mental health problems worse?

86% of respondents said that their financial situation had made their mental health problems worse.[11] Responses were similar across all income groups except for those with a household income of £1000 or more per week, where only 67% agreed with this statement. Nevertheless, still more than two thirds of the high income group believe that financial difficulties had contributed to their mental health problems, demonstrating that financial stress does not only have an impact on those in poverty, but can affect people regardless of income.[12]

By breaking responses down by mental health diagnosis, we can see how the strength of this effect varies between different mental health problems.[13] It appears that financial difficulties are more likely to have an impact on those with particular mental health problems such as bipolar and borderline personality disorder, although it is likely that some of this effect can be attributed to variations in income between those with different conditions.

[11] Based on 2,329 responses.

[12] Here and below, in particular in our analysis of the qualitative responses, we observe variations between the responses of those reporting different mental health conditions. Our survey was of a non-random sample and it is not possible to make any claim of statistical significance in these variations. We report variations in the data which will be useful to guide more detailed and precise inquiries and research.

[13] Respondents were able to choose more than one diagnosis, but were not asked to provide a primary diagnosis. In our analysis here and below, we report the results for all those who reported a particular diagnosis, regardless of whether they had reported any other conditions.

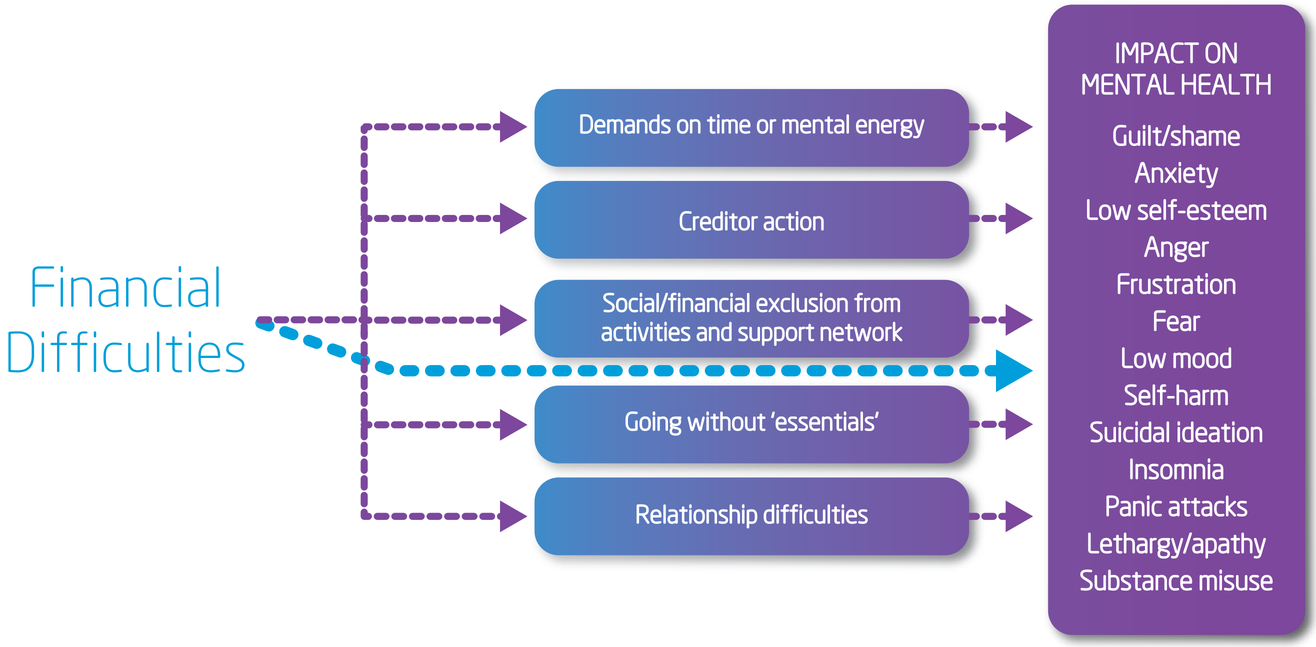
	Yes	No	Couldn't Say
Dementia (including Alzheimer's)	84%	6%	10%
Psychosis or Schizophrenia	85%	4%	11%
Alcohol or drug dependence	86%	5%	10%
Seasonal affective disorder	86%	5%	9%
Post-natal depression	86%	4%	10%
ADHD or ADD	87%	4%	9%
Depression	88%	4%	8%
Anxiety disorder	88%	4%	8%
Obsessive compulsive disorder	89%	5%	7%
Panic attacks	89%	3%	8%
Phobia (any)	89%	3%	8%
Eating disorder	90%	2%	8%
Post-traumatic stress disorder (PTSD)	90%	2%	7%
Bipolar disorder	91%	4%	5%
Personality disorder	91%	2%	7%

This provides clear evidence of the negative impact that financial difficulties can have on mental health. In all cases, remarkably few respondents denied that their financial situation had affected their mental health. Indeed, only 5% of respondents were confident that their financial situation had not made their mental health problems worse; the remaining 9% of respondents were unsure.

We then asked respondents to give an explanation with a free-text box; 1,588 respondents provided a detailed answer.[14] Our analysis of their responses enables us to map in detail for the first time the journey that people with mental health problems believe they have taken from financial strain to mental health symptoms.

[14] Many respondents provided explanations that mapped the impact of their finances on their mental health, but also provided explanations mapping the reverse: the impact of their mental health on their finances. This is unsurprising, given the complex causality involved and the fact that respondents were not aware that the subsequent question would provide them with an opportunity to describe the impact of their mental health problem on their finances. For ease of comprehension, in this section of the report, we analyse only those responses that we coded as describing the impact of financial situation on mental health; responses that described the reverse are analysed below in Section 2.2 regardless of where they were submitted in the survey.

Routes from financial difficulty to mental health problems



Financial difficulties

The blue arrow represents the direct effect that financial difficulties can have on mood and mental health. This is the most common pathway and is arguably the easiest to understand. We identified a wide range of emotional states and symptoms of poor mental health in respondents' contributions as shown in the diagram above. Dominant among these were reports of anxiety, worry or stress (cited by 619 respondents), and of low mood, depression or lethargy (cited by 498 respondents) but reports of insomnia and suicidal ideation were also common (cited by 133 and 155 respondents respectively).

> "My financial situation causes stress every day it's like a black cloud hanging over me every day. It never goes away... I never thought I would be unwell this long. I don't know when or how I will ever get on top of it."

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 difficulty carries a cognitive load that affects people's capacity to think about or process other information.[15] The anxiety described by many of our respondents also appears to carry a cognitive load, crowding out their capacity to deal with other concerns or take on the administrative burden of dealing with their financial affairs. 176 respondents said money worries were "constantly" or "always" on their mind.

> "[I'm] constantly worrying about making payments. The embarrassment. Not being able to provide for my family. Constantly stressed."

Creditor action

Over the last ten years, a huge amount of work and effort has gone into improving the practice of creditors in dealing with those with mental health problems. This was reflected in the responses of some of our survey participants, who reported compassion, forbearance or understanding from their creditors when they explained their mental health problems; those who had these kind of positive experiences with creditors often reported a positive impact on their mental state as a result.

> "The branch staff made me feel confident to tell them about my depression and health condition. I was allocated a personal advisor who 'held my hand' through every step. His patience was endless and most importantly for me I finished every visit, phone call and email conversation feeling in control and with my dignity in tact."

Nevertheless, the actions of creditors can often be an important element of the causal chain between financial difficulties and mental health problems. Respondents described four common ways in which creditor behaviour contributed to negative mental health outcomes.

[15] Mani, A., Mullainathan, S., Shafir, E., & Zhao, J. (2013). Poverty impedes cognitive function. Science, 341: 976-980.

Contact:
Many respondents perceived contact by creditors to be excessive, and that the regularity and tone of this contact (by phone, letter, or face to face) was contributing to a deterioration in their mental health. In the extreme, excessive contact, in particular when a large number of creditors are contacting an individual simultaneously, can lead to feelings of anxiety, paranoia and exhaustion.

"[I received] relentless attention from every supplier and creditor that had to be juggled, batted back or ignored. With every week and month the relentless managing and dealing with financial issues compounded my already weak state."

Repossession:
Ultimately, some of those who get into financial difficulty end up losing their home or an item on which credit was secured, or having possessions taken from them by bailiffs to pay debts. Respondents who had experienced repossession of goods bought on credit, bailiff visits and, in particular, the repossession of or eviction from a home, often reported feelings of humiliation, guilt or shame, sometimes accompanied by anger

"Being made bankrupt and having my home repossessed had a terrible effect on my mental health and I don't think I will ever feel secure again."

Unreasonable treatment:
In some cases, respondents perceived the behaviour of creditors to be perverse, unreasonable, or irrational. Examples include payment plans that were perceived to be so unaffordable as to be ludicrous, fees and charges that were larger than the original debt, or different information given by different employees of the same company.

It is not possible in this research to make a judgement about the circumstances and appropriateness of creditors' reported behaviour; it is clear, however, that when a debtor perceives, rightly or wrongly, that a creditor is irrational or perverse, this has an impact on the debtor's mental state.

Respondents reported feelings of hopelessness or impotence, and in some cases, anger or frustration.

"Bailiffs turning up with no understanding of my conditions and being threatening/intimidating, getting taken to court over TV licence when I thought the woman who came told me it would not be a problem."

Predatory lending/retailing:
Many respondents blamed financial institutions and/or retailers for some or all of their financial difficulties. As above, the survey is not able to tell us whether in reality particular lending practices or retailing strategies are exploiting vulnerable individuals, but our respondents' belief that they have been preyed upon appears to add to their sense of mental distress, often generating emotions of anger, frustration and guilt.

"I didn't understand a lot of the conditions and repayments when taking out a loan. I left not even remembering most of the meeting in the bank. I prob[ably] would have done anything they said and signed anything to get out of there."

Social/Financial exclusions from activities and support network

A substantial group of respondents described the way in which their financial difficulties had led them to become excluded from activities, social groups, or behaviours that are known to support mental health and wellbeing. Exclusion can be caused by financial difficulties themselves, such as not having enough money to take part in social activities, but can also be caused by psychological barriers, such as feelings of shame.

"My clothes are tatty and threadbare, covered in a shabby coat and worn with even shabbier shoes. People judge you at work by your appearance and I know I'm being judged. My appearance generally adds to my feelings of being low status and low self worth."

Many respondents reported that their financial difficulties had damaged friend and family relationships and thus, informal support networks. Respondents who were working often described themselves as unable to take a break, reduce their hours, or have a holiday because of their financial situation; this requirement to work at an undesirable pace was contributing to their stress and anxiety. A further group of respondents described inadequate housing as a significant source of mental distress.

"I felt I had to make excuses for not attending family social occasions and meals out because of embarrassment over having no money. This leads to further isolation and a sense of worthlessness."

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; some of those who had cut back on food had found this exacerbated or provoked an eating disorder. Where children were in the house, respondents often reported feelings of guilt about their children going without.

"I often skip meals or eat breakfast cereals to save money and rarely put the heating on which causes more worry because I have anaemia and should be looking after myself better."

"I am currently having one of my bad days. This stems from having a nil balance in my account, limited food in my house, no toilet roll, 2 school trips to pay for and my daughter needs new school trousers."

Relationship difficulties

Financial difficulties can have a dramatic impact on all relationships, but couple relationships in particular. Research by Relate has shown that more than half of couples consider money worries to be among the top three strains on their relationship,[16] and that those most adversely affected by the post-2008 recession were eight times more likely to end their relationship than those who had not been affected.[17] The subsequent impact on mental health of both relationship breakdown and stress in ongoing couple relationships has been well documented.[18] It is also possible to isolate this chain of causality in our survey responses: 94 noted the impact of their financial difficulties on their relationship, including many who had hidden their financial circumstances from their partner, with adverse consequences for their own wellbeing. Below, in section 2.2 we also examine respondents' accounts of the impact of their mental health problems on relationships.

"I'm so ashamed of myself I entered an IVA [Individual Voluntary Agreement]. My partner nearly left me and even now doesn't know the full truth. I felt useless and I am someone whom has been bankrupt because of debt."

[16] Undy H, Bloomfield B, Jopling K, Marcus L, Saddington P, Sholl P. The way we are now: The state of the UK's relationships. Relate. 2015.
[17] Kneale , Marjoribanks D and Sherwood C. Relationships, Recession and Recovery: The role of relationships in generating social recovery. Relate. 2014.
[18] Walker, J., Barrett, H., Wilson, G. & Chang, Y-S. (2010) Relationships Matter: Understanding the Needs of Adults (Particularly Parents) Regarding Relationship Support. London: Department for Children, Schools and Families.

2.2 In your opinion, have your mental health problem(s) made your financial situation worse?

72% of our respondents said that their mental health problems have made their financial situation worse, with only 15% denying any financial impact. [19] As before, there is a substantial difference between the responses of those with the highest and lowest incomes. 83% of those on the lowest incomes answered 'Yes' to this question. Those with the highest incomes were the least likely to report a financial impact from their mental health problems. Nevertheless, more than two thirds of this group, with income of more than £1,000 a week, believed their financial situation had been adversely affected, demonstrating that mental health problems can affect finances through a variety of mechanisms, not simply through loss of earnings.

As above, it is possible to break this result down by diagnosis, to see which conditions are most likely to affect a person's finances. The spread between conditions is larger in this set of responses than in the previous one, suggesting that there is more variation in the way that mental health problems affect finances than the reverse. The conditions of most concern are the same two as before, bipolar and personality disorder.

[19] This question had a substantially higher response rate than the preceding question, however, with 4,068 responses, 1,739 higher than the previous question. Therefore a total of 2,929 people said their mental health had affected their finances; 1,997 people said their finances had affected their mental health.

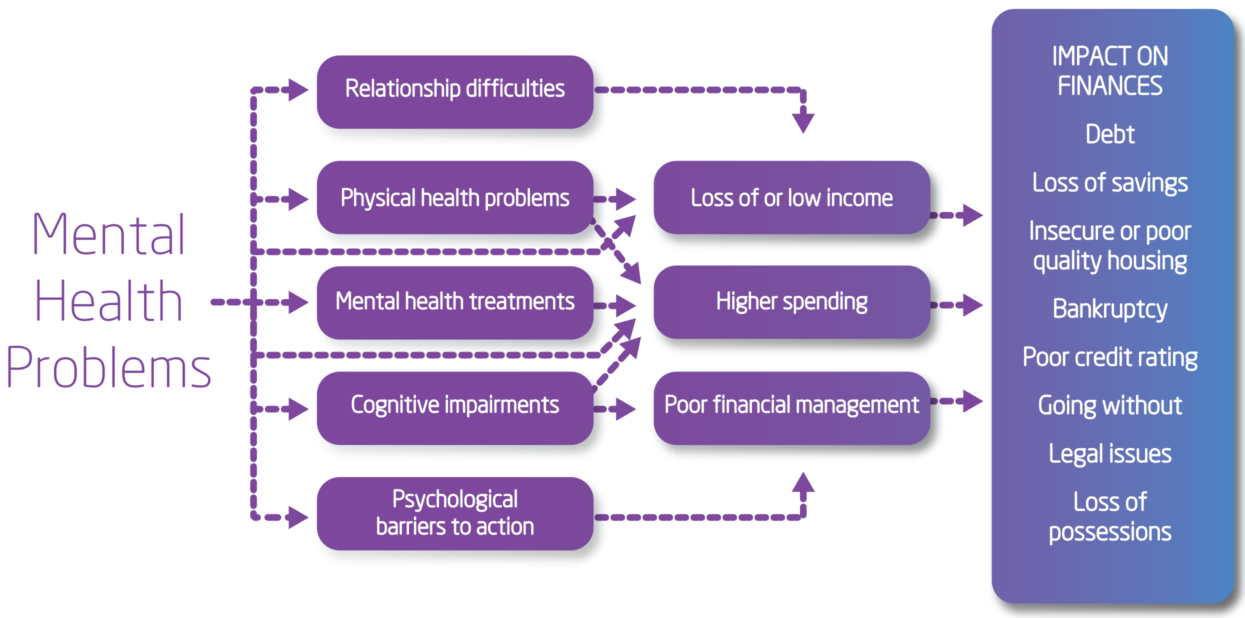
	Yes	No	Couldn't Say
Post-natal depression	73%	14%	14%
Depression	75%	13%	13%
Eating disorder	75%	10%	15%
Anxiety disorder	75%	11%	13%
Dementia (including Alzheimer's)	76%	11%	13%
Panic attacks	78%	10%	13%
Phobia (any)	79%	10%	11%
Seasonal affective disorder	80%	9%	10%
Obsessive compulsive disorder	80%	10%	10%
ADHD or ADD	81%	8%	12%
Post-traumatic stress disorder (PTSD)	81%	8%	11%
Alcohol or drug dependence	82%	6%	12%
Psychosis or Schizophrenia	84%	7%	9%
Personality disorder	85%	5%	10%
Bipolar disorder	88%	5%	7%

We then asked respondents to give an explanation with a free-text box; 2,538 respondents provided a detailed answer. Our analysis of their responses enables us to map in detail respondents' journeys from mental health symptoms to financial difficulties; it will be instantly observable that the map is more complex than the one mapping the journey in the opposite direction.

A wide variety of financial outcomes are outlined in the final box, recognising that the symptoms of financial distress described by our respondents are more diverse than problem debt. Traditionally, research has looked mainly at the correlation between debt and mental health problems; our survey responses demonstrate that in future, research must look at a wider range of adverse financial outcomes. Respondents described, alongside unmanageable debt, financial difficulties including:

- Running down their life savings
- Living below the poverty line, often as a result of losing or giving away money
- Being forced to live in dangerous or inadequate housing
- Being dependent on others for subsistence
- Living with few or inadequate possessions
- Becoming financially excluded, unable or unwilling to use mainstream financial services

Routes from mental health problems to financial difficulty



Relationship difficulties

Relationship difficulties were identified by respondents as an important pathway from mental health problems to financial difficulty. Mental health problems were described as contributing to relationship breakdown by some respondents; this often resulted in an income shock of some kind to one or both parties.

"I did not always make rational decisions, and got confused over what I had agreed to. The worry of it all makes it worse. My partner left me because of my mental health problems and that means I have half the income now to live on."

A further set of respondents identified relationship difficulties as an external trigger for either their financial difficulties, mental health problems, or both.

"I first started getting into debt at university after a breakup of a relationship and I would spend to make myself happy."

Loss of or low income

We identified two distinct, but linked, pathways from mental health problems into debt that relate to income and earning capacity. One group of respondents identified that their finances had been adversely affected by persistent low income due to living on benefits, being unable to work, or being unable to work full time. For the majority of this group it was their mental health problem that had made it difficult or impossible to work, though for a subset, a physical health condition or disability was the primary reason for their lack of employment.

"I struggle to hold down long term, stable employment. Bouts of unemployment put a massive strain on my finances."

A further group of respondents identified an income shock - usually loss of earnings as a result of a mental health crisis, but sometimes as a result of a relationship breakdown - as the primary link in the causal chain between mental health problems and financial difficulties.

It was clear that for some, an income shock evolved into persistent low income, but even for those who found a way to restore their income, the period of earning loss was repeatedly described as a substantial contributing factor to financial difficulty.

"Have suffered a 1/3 drop in wages - have tried to carry on as normal but that isn't possible... I am now on sick leave with unknown prospects as to whether a return to work is possible."

Physical health problems

Some respondents explained that their mental health problems had triggered - or been triggered by - physical health conditions or disabilities. This can be an important pathway towards financial difficulty, potentially leading to loss or further loss of income and/or higher costs.

"I suffered a number of strokes which affected my brain function. I was bored and depressed being at home as I could not go to work as I was physically and mentally unable to do so. The guilt of my illness made me feel worthless, so I started buying gifts for my children by way of compensation as they were having to do so much for me."

Mental health treatments

Treatments for both physical and mental health problems were also identified by respondents as an important link in the chain. In particular, respondents noted:

- Side-effects of treatments affecting physical health, including weight gain, and so to higher costs or employment loss
- Side-effects of treatments affecting cognitive capacity, and leading to employment loss and/or impairing financial management and judgement

"I think that prescribed medication for a chronic pain problem causes a "foggy" memory, I now make lists and notes for myself so that I do not forget."

Many respondents complained of delays in securing treatment. For some this had a financial impact by reducing their employability. For others, who chose to pay for private treatment, it had a financial impact by increasing their outgoings.

> "I start sessions to formally diagnose my condition on the 23rd of this month. I have to pay for this privately to obtain this diagnosis as there is no NHS funding."
>
> "I'm also in private counselling as the NHS have abandoned me so I'm paying £35 a week for this. I'm really worried about money and am almost constantly anxious about this."

Cognitive impairments

More than 900 respondents reported that their mental health problems had impaired their cognitive functioning, thus making it harder for them to manage their finances. We identified four sub-themes highlighted by respondents, as well as a substantial number who identified a more general inability to think clearly, which we classed as general cognitive impairment. The sub-themes we identified are:

Budgeting and numeracy:

Respondents noted that during periods of poor mental health their ability to comprehend numbers, construct or adhere to a budget was impaired.

> "Worrying about the amount of money coming in vs what is needed to pay money owed, household bills, feed and clothe three children and ourselves exacerbated my anxiety levels making it impossible for me to think rationally or logically about budgeting. My mind became almost paralyzed and I was unable to make even simple decisions e.g to have cereal or toast at breakfast."

Form-filling and paperwork:

A group of respondents described themselves as unable to deal with or understand the various bureaucratic requirements of day-to-day financial management, benefit applications, or applications for debt relief.

> "I find it hard to concentrate on forms and evaluate explanations. Many forms seem daunting and are not often asking similar questions... not understanding the right information makes it a problem dealing with finance basically."

Judgement:

The largest group of respondents described their mental health problems as having substantially affected their ability to make sensible, rational or balanced decisions. Most of these respondents detailed financially damaging actions they took while unwell which they described with words such as "reckless", "incomprehensible", "stupid" or "idiotic".

> "I get ideas in my head and feel as though they are the best ideas ever, I think that by taking another loan to pay existing loans will help when actually it makes things worse. I overthink and blow things out of proportion all the time making my judgement hazed."

Memory and timekeeping:

Many respondents described problems with forgetfulness, in particular with regards to appointments, purchases, paying bills and making financial decisions. Respondents explained that this cognitive loss had led to financial difficulty by incurring fees, charges and penalties, including benefit sanctions.

> "Anxiety affects my ability to deal with often quite simple situations. I forget passwords and then have too much anxiety to contact organisations to sort the problem out."

Psychological barriers

The cognitive impairments set out above often lead to financial mismanagement or passivity, and thus to financial distress. However, we identified an important separate pathway to financial passivity which appears to be driven by a set of psychological factors, distinct from the cognitive impairments detailed above. We describe these as 'psychological barriers to action': responses where survey participants described themselves as in a state of denial, phobic about their finances, or disengaging completely from contact with creditors or their financial situation. This includes refusal to open the post, answer the telephone or the door, or check bank statements.

Inevitably there is substantial overlap between this and the cognitive impairments set out above, in particular the inability to process numbers or paperwork. Without in-depth discussions with respondents, it is often difficult to tell whether an individual is prevented from dealing with their finances by cognitive incapacity or psychological impediment, and given that the outcome is the same it may not always be necessary to know. We interpreted many responses as fitting within both categories, but believe it is important to identify that both pathways exist, and should be considered in seeking to understand financial passivity.

"Being in debt has meant I can continue to indulge my pattern of avoidance. I don't want to avoid reality, but it's too stressful to think about the thousands I'm actually in debt."

Higher spending

Below, we report the overall findings from our quantitative analysis that shows the vast majority of respondents have spent more during a period of poor mental health. Our analysis of the free text responses by survey participants allows us to break down the psychological and other causes of this increased spending. We have identified seven different drivers for increased spending.

Manic spending:

Respondents described spending money during periods of mania, or during a "high". This is usually a period of high emotion and mood, with loss of judgement and inhibition. This pattern predominates among those with a bipolar diagnosis.

"Whilst in a manic phase, I have obtained credit cards and bought holidays, cars and general shopping."

Nihilistic spending:

We have described as nihilistic spending that which respondents described as driven by a belief that either the transaction or the world itself is of no consequence. Some respondents described spending in this way because of a belief that the world, their life, or money, was soon to come to an end. This pattern appears to be particularly common amongst respondents with depression or PTSD.

"The iller I got the more I spent. Eventually I was constantly considering suicide and on this basis I spent more, as I wasn't going to be here."

Comfort spending:

This was the most commonly identified pattern of spending among our respondents. People described themselves spending money to improve their mood, make themselves feel better, or give themselves a treat. This pattern appears to be common across all conditions; for those with bipolar this form of spending was described as occurring during the depressive phase of the condition.

"I comfort shop. When I feel down, depressed or low I shop to cheer myself up. Buying things gives me a high, cheering me up, but is very short lived hence a lot of debt."

Social value spending:

A substantial number of respondents spent money on others, or gave it away, during periods of poor mental health, in order to boost their self-esteem, restore a sense of purpose or social value in their lives, make others happy, or assuage feelings of guilt for inadequacy in interpersonal relationships (in particular inadequacy as a parent). This pattern is closely associated with comfort spending, as it appears also to be an attempt to boost low mood, but through impacts on others rather than the self.

"Felt a better person when buying stuff, lots of it for family and friends. I loved being generous as felt it made people like me."

Impulsive spending:
Many respondents described their spending decisions as thoughtless, reckless or impulsive. This was particularly prevalent among those who described themselves as having lost judgement during their period of poor mental health. Unlike the themes above, this kind of spending seems to have no psychological purpose attributed to it by respondents: they are often unable to explain it.

"When I take out a loan I spend it all within a month, then when I realise what I have done it just makes me more depressed."

"Can't really explain it but my mental health makes me make purchases in impulse and make instant decisions without thinking."

Addictive spending:
A distinct subset of respondents attributed their increased spending to an addiction. This includes gambling addictions and addiction to substances such as alcohol, cigarettes and other drugs, which are often expensive. Some respondents described themselves as addicted to shopping.

"I am addicted to ringing psychics on premium rate phone lines and as a consequence have run up huge phone bills and incurred large amounts of debt."

Increased costs:
The final cause given by respondents for additional spending was increased costs due to their mental health problems. This included higher fuel bills due to being at home and the costs of treatment such as travel expenses and prescription fees. However, just 47 respondents attributed their increased spending to these health-related costs.

"I have to get 3 prescriptions a month for my bipolar which is expensive when you're on a low income."

A smaller subset of respondents identified decreased spending during periods of poor mental health: restricting their expenditure beyond what would be considered rational as a result of anxiety.

"[I] live in fear of running out of money in my later years (currently in my 50's). On a salary of around £15k tops, I have saved many thousands of pounds. This impacts on my daily life as I feel I cannot do the things that "normal" people do. Such as stopping for a coffee when shopping, buying full price groceries at the supermarket, replacing things when they are broken etc. I am exhausted from scrimping and saving."

2.3 In the last 12 months, what have been the main reasons why you have been unable to pay bills when they are due?

It is clear from the analysis above that there are many complex reasons why people with mental health problems get into financial difficulty. This hypothesis is reinforced by the responses given when we asked respondents who had got behind with bills in the last 12 months to explain why they believed this had happened. Respondents were permitted to give more than one answer.

2,261 people responded to the question: their answers are shown below. While living on a low income is clearly an important factor, our survey shows mental health problems and difficulties managing money to be the most commonly reported reasons for getting behind with bills.

- Mental health problems - 67%
- Difficulties managing money - 60%
- Living on a low income - 55%
- Job loss / drop in wages or benefits - 36%
- Physical illness or disability - 21%
- Delays in payment of wages or benefits - 12%
- Change in circumstances - 11%
- Other[20] - 9%
- Drop in income due to relationship breakdown - 9%
- None of these - 4%

It is clear from this finding that work to improve the lives and finances of people with mental health problems needs to consider supporting financial management and mental health as well as income replacement and employment.

2.4 Financial behaviours during episodes of poor mental health

To develop a better understanding of how mental health problems can lead to getting behind with bills, we asked people about patterns in their financial behaviour during periods of poor mental health.

Our evidence shows that people systematically spend more than they can afford and struggle with the process of managing money.

- 93% have spent more than usual
- 92% have found it harder to make financial decisions
- 74% have put off paying bills
- 71% have avoided dealing with creditors
- 59% have taken out a loan that they wouldn't otherwise have taken out

These results paint a clear picture. Almost all of our respondents told us that their mental health problems have impaired their financial decision making in one way or another - fewer than 3% of respondents said they had not altered their financial behaviour in any of the ways mentioned during a period of poor mental health.

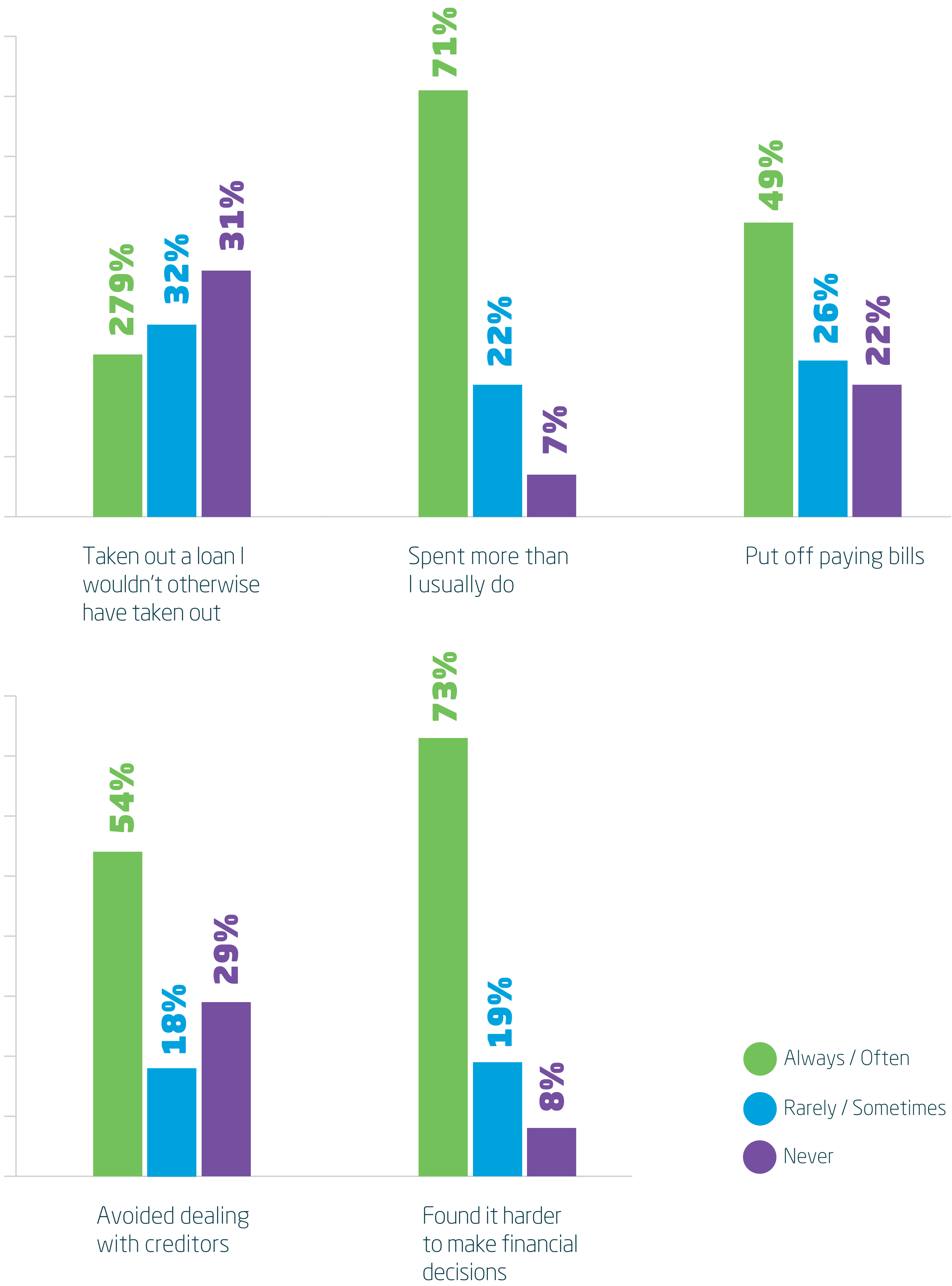
We were able to compare the incidence of these five financial behaviours by respondents with different diagnoses. Incidence was high across all conditions and across each behaviour. However, four conditions consistently appeared at the top of the table, with the highest reported incidence of changed financial behaviour:

- Alcohol or drug dependence
- Bipolar
- Personality disorder
- ADHD or ADD.

Two conditions were consistently at the bottom of the table, with lower, but still significant, incidence of changed financial behaviour: anxiety disorder and depression.

These findings demonstrate 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.

[20] 200 people responded "other" and specified reasons why they were unable to pay their bills on time.


279%
32%
31%
71%
22%
7%
49%
26%
22%
Taken out a loan I wouldn't otherwise have taken out
Spent more than I usually do
Put off paying bills
54%
18%
29%
73%
19%
8%
Avoided dealing with creditors
Found it harder to make financial decisions
Always / Often
Rarely / Sometimes
Never

2.5 Mental capacity at point of sale

As set out above, during a period of poor mental health, 59% of our respondents have taken out a loan that they believe they would not otherwise have taken out. Indeed, 10% said that they always do so when they are unwell, and a further 17% said that they do so often. While new credit appears to be significantly rarer than higher spending, each decision to take out "a loan" is likely to involve larger financial consequences than an individual spending decision, and therefore the potential for detriment if people take out inappropriate loans is much higher.

Mental capacity is a person's ability to make an informed decision at a specific point in time. Legislation on mental capacity differs slightly across UK countries. In Scotland, the Adults with Incapacity (Scotland) Act 2000 provides a framework for safeguarding the welfare and managing the finances of adults who lack capacity due to mental disorder or inability to communicate. In Northern Ireland, the equivalent legislation is the Mental Capacity Act (Northern Ireland) 2016 which gained Royal Assent on 9 May.

In England and Wales, the relevant statute is the Mental Capacity Act 2005. This deems a person unable to make a specific decision if they are cannot, at the time, satisfy all four of the following criteria:

- Able to understand the information relevant to the decision
- Able to retain that information
- Able to use or weigh up that information as part of the process of making the decision
- Able to communicate their decision (by talking, using sign language, or through any other means)

We used these criteria from the Mental Capacity Act, and asked our respondents to consider how their mental health had affected their decision-making in applications for credit that they had made in the last 12 months. Their responses are set out in the charts on opposite page.

High numbers responded that they "couldn't say" whether they had mental capacity according to these criteria. This may be because these are complex questions, or because respondents could not recollect the period in question in sufficient detail. It would be wrong to assume that not being able to say if you had capacity means you did not. Nevertheless, it is worth observing that only a minority of respondents were confident they satisfied all of these capacity criteria at point of sale.

- Only 31% satisfied all four of the criteria at the moment when they applied for credit
- 54% were unable to satisfy at least one of the criteria
- 16% were unable to satisfy any of the four criteria

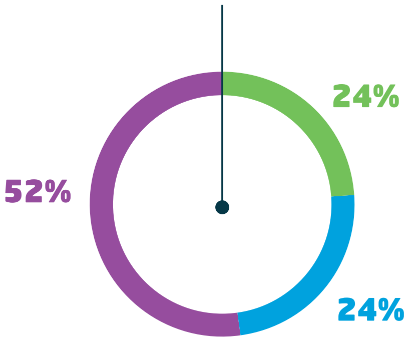
16% of respondents applied for credit in the last twelve months despite being:

- unable to understand the terms and conditions of their loan
- AND unable to remember details about their loan
- AND unable to weigh up the advantages and disadvantages of the loan
- AND unable to communicate their decision, ask questions, or discuss the loan with the provider they had applied to.

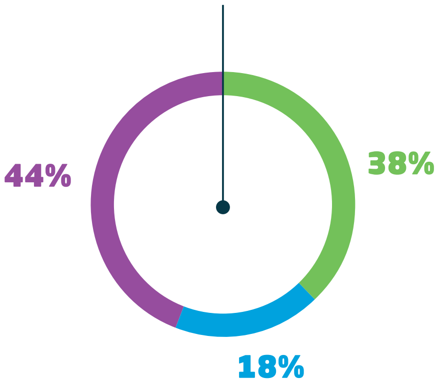
Law and regulatory guidance expect lenders to presume that all borrowers have the mental capacity to make an informed decision about a loan (to prevent discrimination against people with certain conditions), unless the lender also knows or reasonably suspects that a mental capacity limitation exists. Therefore the fact that a borrower believes they did not have mental capacity at point of sale is not, necessarily, an indication of any wrongful practice by the lender.

Mental capacity at point of sale

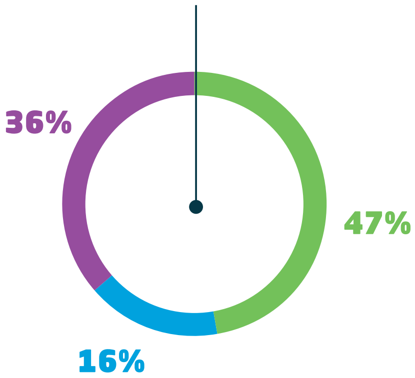
Due to my mental health at the time I was not able to understand the terms and conditions of the loan (i.e. what I would need to do to repay it).



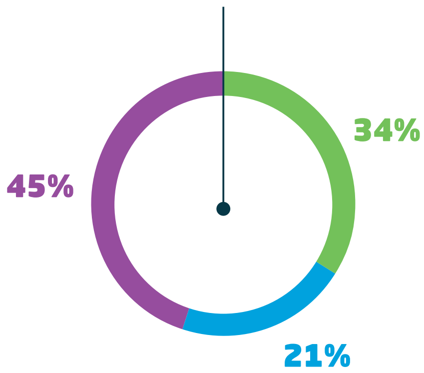
Due to my mental health at the time I was not able to remember what I had been told about the loan.



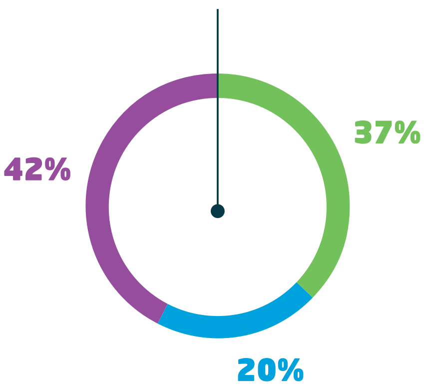
Due to my mental health at the time I was not able to weigh up the advantages or disadvantages of the loan.



Due to my mental health at the time I was not able to communicate my decision, ask questions, or discuss the loan with the organisation I applied to.



Due to my mental health at the time I was not able to make a decision about whether to take out the loan or not.



Agree
Couldn't say
Disagree

While we are not able to determine whether lenders had any indication or knowledge of capacity limitations at the point of sale, the high numbers reporting that they may have lacked capacity suggests more consideration is needed of appropriate ways to identify and support people going through periods of poor mental health in their financial decision-making.

This is reinforced by the finding that 38% of respondents say they were unable to decide whether to take out a loan or not, due to their mental health. This self-assessment suggests that mental capacity at the time of applying for credit is a significant issue for people with mental health problems.

By breaking these results down by mental health diagnosis, we can develop a more detailed picture of how specific mental health problems can affect the different elements of financial decision making. Alcohol dependency, bipolar, personality disorder and psychosis appear to have the clearest link to capacity limitations, while these limitations appear less prevalent in those reporting depression, anxiety and postnatal depression.

Money and Mental Health will work with lenders and mental health practitioners to conduct further research and policy development on mental capacity at point of sale.


BILL

Section Three - Conclusions and recommendations

Our research confirms the need for urgent action to help those with mental health problems get and stay out of financial difficulty, and to reduce the impact of financial difficulty on people and their families. These findings will shape the work of Money and Mental Health in the years to come, as we strive to untangle this complex network of problems and identify practical, workable solutions for the financial services industry, regulators, policy makers and healthcare professionals.

Financial services

The financial services sector has made huge progress in recent years in the way it deals with customers with mental health problems who find themselves in financial difficulty. We congratulate those companies who have introduced specialist teams, trained frontline staff in mental health awareness, and demonstrated the impact appropriate forbearance can have on both mental health and financial recovery.

We now urge the financial services industry to build on this work by developing products, settings, and systems to help people stay out of financial difficulties in the first place. With such high numbers reporting changes in their spending and financial management during periods of poor mental health, it is clear many people with mental health problems need help to prevent financial harm when they are unwell. The financial services industry has a vital role to play, using technology and innovation to provide better budgeting tools, settings that enable self-regulation and self-control, and sophisticated permission sets that enable carers or trusted third parties to offer support and supervision during periods of poor mental health.

This is particularly important for providers of new financial technologies, many of which are focused on reducing friction in transactions.

While friction is often simply economic inefficiency, for many consumers with mental health problems, it is a useful check on harmful behaviour. We call on the UK's FinTech sector to lead the way by considering the needs of consumers with mental health problems in the design of transaction and retailing technology and find ways to retain or even increase friction for people who need this functionality.

Retailers

The credit sector is often blamed for its impact on consumers' mental health, but it is clear from our research that people who get into financial difficulty do not do so exclusively to pay essential bills. Many of our respondents described the detrimental impact of the retail environment - in particular online - and retail advertising on their finances during periods of poor mental health. Promotional activity that may be reasonable for the majority of consumers can have a detrimental effect on someone in a vulnerable mental state. Retailers may, in some circumstances, be better placed than financial services providers to spot unusual patterns of behaviour from particular customers and help to protect them.

We therefore call on the retail industry, in particular catalogue and online, to explore ways to support customers with mental health problems seriously, as part of the wider movement on responsible retailing.

Health professionals

As recommended by Mind, the Royal College of Psychiatrists and others, health professionals should consider the impact of financial distress on people with mental health problems. Efforts to disseminate best practice on identifying financial stressors among those presenting with mental health problems are to be commended, and the rise in the availability of advice services in healthcare settings, or by referral, is welcome. Many health professionals use the Debt and Mental Health Evidence Form to support their patients by providing proof of their health status to creditors, and we encourage them to continue to do so.

In addition, health professionals should be aware when diagnosing mental health problems of the potential impact those conditions may have on a person's financial status, and the risk this poses to recovery, whether they are currently in difficulty or not. Early referral to advice, or encouragement to seek financial support from family and carers, could help prevent financial difficulties from emerging, or worsening, and potentially improve health outcomes.

Our research programme

It is clear that much more work is needed on mapping and analysing the financial behaviours of those with mental health problems, and the correlation between spending, saving and mood. Money and Mental Health aims to work closely with financial institutions and consumers to conduct large-scale analysis of transaction data among people with mental health problems.

It is also clear that many of those experiencing poor mental health would benefit from advice and support to improve their financial capability. Money and Mental Health will work with advice agencies and frontline health services to pilot, trial and evaluate ways to improve the uptake of debt and financial advice, and boost financial capability. In particular, we are keen to explore better ways of improving financial management among those with severe and enduring mental health problems, working with existing support networks within community mental health teams.

More than 1,500 of those who completed the survey have volunteered to take part in our further research. Money and Mental Health will develop a research panel of consumers with experience of mental health problems, with whom we will work closely in the future to develop and test policy, products and approaches.

Section Four - Methodology

The survey was conducted online between 4 March and 15 April. It was publicised on national TV and radio, local BBC radio and via social media. It was also shared via the weekly Money Saving Expert email on 9 March, on the Money Saving Expert website and on the Money and Mental Health Policy Institute website.

6,183 Responses were received in total. Our objective was to collect responses solely from those who have lived experience of a mental health problem, however, and 770 were disqualified on this ground, leaving a total of 5,413 valid responses. This is not a random sample of the population, or of the population of those living with mental health problems:

- 78% of respondents were female but approximately half of those with a mental health problem are female
- The incomes of respondents were higher than the average among the population with mental health problems. The percentage of respondents in each income band is set out below, with a comparison to the data on incomes of those with mental health problems in the British Adult Psychiatric Morbidity Survey (BAPMS). [21]
- Nevertheless, the survey over-represents those individuals who have financial difficulties alongside their mental health problem(s) due to the fora in which it was shared and the introductory explanations used by some of those who publicised the link for us. 53% said they were behind with bills against 12% of the wider population who report being behind with bills in the Understanding Society sample. [22]
- Respondents with depression and anxiety were the most likely to complete the survey; this can be partially accounted for by the heavy weighting of female responses as these conditions are most prevalent among women. However we also collected a substantial number of responses from those with less common conditions.

Qualitative data

Three researchers analysed the text data submitted in response to the open text questions. Two worked together to establish the themes identified in the data; the third worked independently. The researchers then met to finalise a single set of themes based on their separate analyses.

Respondents' free text contributions have been reported verbatim, except where spelling corrections have been made by the report authors. Any addition for context or omission for brevity from the verbatim response is marked in the text with [addition] or ellipses to mark an omission. Names of organisations have been redacted as we are not able to verify claims made.

We are not publishing the full text of all submitted free text responses. However those with a research interest are invited to contact us to apply for access.

[21] National Centre for Social Research, Adult Psychiatric Morbidity Survey, University of Leicester. 2007

[22] Institute for Social and Economic Research and NatCen Social Research, Understanding Society. University of Essex. 2015.

Income breakdown

	Less than £100 per week	£100-£199 per week	£200-£299 per week
Money and Mental Health	7%	18%	18%
BAPMS	14%	22%	15%

	£300-£399 per week	£400-£499 per week	More than £500 per week
Money and Mental Health	14%	15%	27%
BAPMS	12%	9%	28%

Prevalence of different mental health problems

	Anxiety	Depression	PTSD	Personality Disorder
Money and Mental Health	55%	79%	12%	9%
BAPMS	61%	52%	12%	4%

	ADD/ADHD	Eating Disorder	Alcohol or drug dependence
Money and Mental Health	3%	9%	7%
BAPMS	2%	7%	17%

References

Fitch C, Hamilton S, Bassett P, et al. The relationship between personal debt and mental health: A systematic review. Mental Health Review Journal 2011; 16.

Fitch C, Trend C, Chaplin R. Lending, debt collection and mental health: 12 steps for treating potentially vulnerable customers fairly. London. 2015.

Institute for Social and Economic Research and NatCen Social Research, Understanding Society. University of Essex. 2015.

Jenkins R, Bhugra D, Bebbington P, et al. Debt, income and mental disorder in the general population. Psychological Medicine 2008; 38.

Jenkins R, Bhugra D, Bebbington P, et al. Mental disorder in people with debt in the general population. Journal of Public Health Medicine 2009; 6.

Kneale D, Marjoribanks D and Sherwood C. Relationships, Recession and Recovery: The role of relationships in generating social recovery. Relate. 2014.

Mani, A., Mullainathan, S., Shafir, E., & Zhao, J. (2013). Poverty impedes cognitive function. Science, 341.

Meltzer H, Bebbington P, Brugha TJ, et al. Personal debt and suicidal ideation. Psychological Medicine 2011; 41.

National Centre for Social Research, Adult Psychiatric Morbidity Survey, University of Leicester. 2007

Richardson T, Elliott P, Roberts R. The relationship between personal unsecured debt and mental and physical health: a systematic review and meta-analysis. Clinical Psychology Review 2013; 33.

Skapinakis P, Weich S, Lewis G, et al. Socio-economic position and common mental disorders: Longitudinal study in the general population in the UK. British Journal of Psychiatry 2006; 189.

Thomson H, Thomas S, Sellstrom E, Petticrew M. Housing improvements for health and associated socio-economic outcomes. Cochrane Database of Systematic Reviews 2013.

Undy H, Bloomfield B, Jopling K, Marcus L, Saddington P, Sholl P. The way we are now: The state of the UK's relationships. Relate. 2015.

Walker, J., Barrett, H., Wilson, G. & Chang, Y-S. (2010) Relationships Matter: Understanding the Needs of Adults (Particularly Parents) Regarding Relationship Support. London: Department for Children, Schools and Families

Acknowledgements

This report was written by Merlyn Holkar and Polly Mackenzie of the Money and Mental Health Policy Institute with the support of Nic Murray, Helen Undy, Boaz Nathanson and Meredith Cane.

The survey was designed with Chris Fitch, Research Fellow at Personal Finance Research Centre, Bristol University, and with the support of Mind, the mental health charity.

The authors would like to thank everyone who helped publicise the survey, including the team at Money Saving Expert, Mind, Good Morning Britain, Turn2Us, CAP, Cifas, MyBnk, MyWayCode, PayPlan, the BBA, Bipolar UK, the CSA, and National Debtline, as well as our Trustees and Advisory Board.

Most importantly of all, our heartfelt thanks go to everyone who contributed their story to our research.