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The Money and Mental Health Policy Institute is a research charity, established by Martin Lewis to break the link between financial difficulty and mental health problems. This response to the APPG on Poverty consultation on the poverty premium sets out evidence from our research, including the results of a new survey of 451 people with lived experience of mental health problems drawn from our Research Community of over 5,000 volunteers. All quotes are from members of the Community who have participated in our research.

Mental health problems do not discriminate on the basis of income, and people across the income spectrum are affected. However experiencing a mental health problem does make it less likely that a person will be in work, increase the risk that a person will experience income shocks, and make it harder to manage money in other ways. In this consultation response, we aim to help the APPG understand the links between the poverty premium and broader debates around consumers in vulnerable circumstances.

Background

- One in four adults are experiencing mental health problems at any time.¹ This equates to nearly 12 million consumers across the UK.² Across a lifetime, half of us will be affected.³
- People experiencing mental health problems are less likely to be in employment, and when they are in work this is more likely to be temporary or low-paid.⁴
- For many, this will mean that essential services account for a greater proportion of their expenditure.
- Mental health problems can have an impact on our cognitive and psychological functioning, affecting our ability to control impulses, shortening our attention spans, impairing short-term memory and reducing our ability to problem solve and plan ahead.⁵
- These, in turn, can have a significant impact on our ability to manage money, and to navigate markets for essential services. In short, mental health problems can make it much harder to manage essential services and to get a good deal – when those affected are often also less able to afford the premiums associated with being a less engaged consumer.
- People experiencing mental health problems are three times as likely to be in problem debt,⁶ and half of people in problem debt also have a mental health problem.⁷

¹ McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

² Money and Mental Health calculated using Office for National Statistics, Population Estimates for UK, England and Wales, Scotland and Northern Ireland: mid-2016.

³ Mental Health Foundation. Fundamental facts about mental health 2016. 2016

⁴ Mental Health Taskforce. The Five Year Forward View for Mental Health. NHS England. 2016

⁵ Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

⁶ Jenkins R et al. Debt, income and mental disorder in the general population. *Psychological Medicine* 2008; 38; 1485-1493

⁷ Jenkins R et al. Mental disorder in people with debt in the general population. *Public Health Medicine* 2009; 6, 3: 88-92.



What is the extent of the poverty premium, in which areas of service or goods provision does it exist, and why does it exist?

In a survey of 451 people with lived experience of mental health problems, we found that:

- Only 14% of respondents said that they don't pay more for essential services when unwell.
- Six in ten said they pay more for heating and electricity (60%) and for food (61%) when unwell.
- Just under half (44%) said they pay more for transport when unwell and a third (31%) said they paid more for medical expenses.⁸

Among the drivers of higher costs, many participants mentioned that their illness meant they were less able to shop around for groceries and cook from scratch, meaning they were reliant on more expensive ready meals. One third (35%) reported that they, or someone else in their household, find it fairly or very difficult to get to good-value shops for food and groceries.

“I am unable to cook my own meals and develop a dependency on ready meals. Also a lot more comfort food “

For some, using public transport is very difficult when unwell, and they rely instead on taxis.

“If I am so unwell that I cannot drive we have to use taxis as I am not able to use public transport because of severe anxiety.”

People who struggle with public spaces or leaving the house also discussed the high delivery costs of online shopping delivery.

“I'm not as able to get out of the house, so I have to order more things online and this isn't always cheapest - especially if I need something ASAP and have to pay for next day delivery.”

“I can't go to the supermarket so I order online, but that means I need to use a supermarket that delivers, which isn't the cheapest.”

Other people mentioned the additional energy costs of being at home all day.

“I use a lot more heating being at home instead of work.”

⁸ Base for this question: 421 people with lived experience of mental health problems

Many participants also noted how their ability to shop around and stick to a budget was impaired during periods of illness, meaning they were likely to go with the default or first option they found even if it was more expensive.

“I also can’t think clearly enough to plan a weeks shop so end up doing shopping just for that meal when I’m hungry which ends up more expensive in the long run.”

“[You] don’t have the time or energy to find good deals so you lose out.”

The cost of medication and additional therapy appointments was also mentioned by many participants.

“The cost of prescription medicines increases every year so any medicines through the doctors now cost nearly £10 per item.”

Many of these reported additional expenses are explained by common symptoms of mental health problems, including:

- A lack of motivation – when a person is finding it difficult to complete routine self-care tasks, like washing, eating and getting dressed, checking whether they are getting the best deal on essential services is not a priority;
- Short attention span – many mental health problems are associated with difficulties concentrating, which can make searching through a wide variety of tariffs or suppliers, or carefully scrutinising a bill, much harder;
- Unreliable memory – a very common symptom of many mental health problems, and a side-effect of some treatments. It can make remembering when bills are due or when your tariff or contract ends very difficult;
- Impulsivity – which can lead people to take out inappropriate contracts without fully understanding the consequences;
- And reduced planning and problem solving ability – which makes it difficult to work out the best in a range of complex offers.

In previous research,⁹ we also identified common problems with anticipating and understanding bills. In a survey of 434 people with lived experience of mental health problems, we found that almost all (95%) respondents reported having been surprised by the size of an essential service bill. For people with low financial resilience, this can lead to falling behind with payments or emergency borrowing. Many people with mental health problems also report struggling to understand their bills for essential services. These difficulties are likely not unique to people with mental health problems, but can be more acute for this group due to the negative impact that mental health problems can have on cognitive and psychological functioning. These problems can be exacerbated by the way that tariffs are structured or bills are designed. Respondents to

⁹ Holkar M and Evans K. Levelling the playing field. Money and Mental Health Policy Institute. 2017.

our survey highlighted jargon and the complexity of information contained in some bills as particularly problematic. Others reported feeling overwhelmed and unable to distinguish the key message from bills. Respondents also reported being confused by tariff pricing structures, additional charges that do not appear in headline deals, differences between estimated and actual billing, and instances where prices rise part way through a contractual period.

Limited payment options can cause further problems for people with mental health problems. Direct debits are invaluable for many, because they ensure that bills are paid on time, even when people are acutely unwell. However, they can be too inflexible for those with irregular incomes, who may find it harder to guarantee that they have enough to pay on a specific day of each month. For others, quarterly billing or irregular changes in direct debit amounts can mean that people struggle to keep track of their essential service usage and receive unexpectedly large bills, which can cause stress and confusion. Some people with mental health problems are choosing more expensive billing options, such as prepayment energy meters, to avoid these drawbacks of quarterly billing, putting additional pressure on their household finances.

Some people with mental health problems report rationing consumption or self-disconnecting from essential services because of money worries. Others describe cutting back on food to pay the bills. This may be attributable to the difficulties that people with mental health problems face trying to get a good deal, the inaccessibility of support services, and the fact that people with mental health problems are more likely to be living on a low income. Such exclusion can leave people isolated, and take its toll on their mental and physical health.

What steps have been taken by national government, local authorities, public bodies, business or investors to mitigate the poverty premium and how successful or otherwise have these been?

Often, initiatives aimed at reducing the costs of essential services rely on strengthening competition between providers. Our research suggests that people experiencing mental health problems face systemic barriers to engaging with markets, and these approaches are unlikely to benefit them.¹⁰ The poverty premium they face is thus likely to persist. Approaches taken have included:

- Increasing the information available to consumers - for example, by including information on the previous year's price, or of savings available by changing tariffs in bills and other communication. Often these messages go unheard by people with mental health problems, who may struggle to open post, or to find motivation to act on the information.
- Capping prices has proved effective in reducing the price of high-cost credit, often a last-resort for those on low incomes who are unable to borrow elsewhere. The coverage of the cap, however, is very limited, and other forms of lending available to

¹⁰ Holkar M and Evans K. Levelling the playing field. Money and Mental Health Policy Institute. 2017.

those with low or fluctuating incomes, including doorstep lending, overdrafts and rent to own, remain expensive.

What else could be done by local authorities, national government or public bodies to mitigate the situation?

A perverse incentive against switching is created where support for vulnerable consumers is not consistent across the market. Consumers receiving Warm Home Discount, for instance, may have a strong disincentive to switch, as other providers may apply different entitlement criteria or may have exhausted their limited supply of discounts. More generally, consumers with mental health problems who are receiving additional support may face a disincentive against switching if they would have to disclose information about their mental health to a new provider, in order to receive the equivalent support. We believe that introducing minimum standards of service for those experiencing mental health problems across essential services providers could help to reassure consumers and encourage switching. We are pleased that the recent Consumer Markets green paper included a commitment to exploring the possibility of such standards.¹¹

The mechanisms for switching are also often a barrier to engagement for people experiencing mental health problems. Many people with mental health problems, particularly anxiety disorders, are phobic about using the telephone.¹² This can be a significant barrier to market engagement, particularly where customers must make a telephone call to cancel an existing contract before switching. The mobile phone market appears to be particularly problematic for this, with customers often having to call and cancel their contracts to obtain the PAC code needed to transport their number. Regulators and national government could ensure that consumers are not forced to use a single communications channel to activate a switch, thereby allowing consumers who struggle with certain channels to engage with the market.

In the longer term, government and regulators should consider the design of the marketplace for essential services. The current design, which relies upon active consumer engagement, ultimately places those who are less able to engage at a disadvantage, when they are also those who are least likely to be able to afford to pay a premium. This does not have to be the case. We would urge government and regulators to consider the benefits that data-driven markets, AI and automation mechanisms could offer in this space, making it easier for all consumers to access the benefits of competition.

What else could be done by business and investors to mitigate the situation?

¹¹ Department for Business, Energy and Industrial Strategy. Modernising consumer markets: green paper. 2018.

¹² NHS Choices. Social anxiety disorder (social phobia). <https://www.nhs.uk/conditions/social-anxiety/>. (last accessed 07 December 2017).



Many essential services firms could do more to make their services accessible to people experiencing mental health problems, which could also mean people pay less. This may include making it easier to access information and contact providers in a variety of ways (for example, over email and webchat in addition to post and phone); simplifying tariffs, and offering proximate reminders at the end of contracts to encourage consumers to re-engage to overcome possible memory issues.

Money and Mental Health are currently working in partnership with the Cabinet Office and Nesta through the Inclusive Economy Partnership to develop the UK's first set of accessibility standards for mental health in essential services markets, and would be pleased to provide further details of this work to the APPG if it is of interest.

Next steps

Further information on the relationships between mental health problems and essential services markets is contained in our recent report, [Levelling the Playing Field](#) (also attached to this email). We would be happy to discuss this, and our recommendations above, in greater detail if this is of interest - please contact us to arrange a meeting.

Best wishes,

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