



Money and Mental Health submission to the Money and Pensions Service's call for evidence on debt advice clients with deficit budgets

Introduction

The Money and Mental Health Policy Institute is a research charity established in 2016 by Martin Lewis to break the link between financial difficulty and mental health problems. The Institute's research and policy work is informed by our Research Community, a group of 5,000 people with lived experience of mental health problems or of caring for someone who does.

This written submission has been informed by this powerful, lived experience testimony, as well as our wider body of research. In particular, it draws on two of our research projects:

- [Help along the way](#), which was sponsored by MaPS and explored how to improve the accessibility of debt advice services for people with mental health problems.
- new research from October 2022 with 193 people with severe mental illness (SMI) about their needs in accessing debt advice while acutely unwell.

Our response addresses seven of the 22 questions from the consultation.

Background

- **Nearly half (46%) of people in problem debt have a mental health problem.**¹ During the pandemic, people with mental health problems were three times more likely to have fallen into problem debt than the wider population (15% compared to 4%). They're more likely to be in debt for larger amounts and are nearly twice as likely to owe more than 50% of their annual net income.²
- **People with mental health problems are less likely to be able to meet their everyday living costs.** Our survey during the pandemic found that over a third (37%) of respondents with mental health problems disagreed their income was usually enough to meet the costs of their everyday outgoings.³ National polling in 2021 found that almost half (48%) of people with mental health problems had taken out new credit, and over a third (35%) had done so to pay for essential living costs such as food, heating or housing.⁴

¹ Money and Mental Health Policy Institute. [The facts](#). Accessed: 07/11/22)

² Bond N and D'Arcy C. The state we're in. Money and Mental Health Policy Institute. 2021

³ Money and Mental Health Research Community survey of 511 people with lived experience of mental health problems. 2020

⁴ Money and Mental Health analysis of online polling conducted by Opinium. 5,001 people with mental health problems. Surveyed between 25 June and 22 July 2021.

- **Challenges meeting essential living costs mean people with mental health problems are more likely to be in a deficit budget.** - Four in ten (41%) of the people Citizens Advice help with debt have mental health problems and are struggling with a negative budget.⁵ One in five (19%) of new clients to debt advice charity Christians Against Poverty reported that mental ill-health was the primary reason for their debt crisis.⁶
- **With a higher likelihood of deficit budgets, people with mental health problems face additional barriers to engaging with debt advice services.** Common symptoms of mental health problems, such as difficulties communicating, impaired clarity of thought and reduced concentration or problem-solving skills, can make accessing and acting on debt advice more challenging.⁷ Recent research by JRF found that every marker of mental distress is raised substantially for those who cannot keep up with their regular payments, contributing to the cyclical nature of financial difficulties and mental health problems.⁸
- **The consequences of mental health problems and unaddressed deficit budgets can be devastating.** People in problem debt are three times as likely to have thought about suicide in the past year.⁹ Even after controlling for age, gender, employment and experience of traumatic events, people in problem debt are still 1.8 times as likely to have thought about suicide in the last year.¹⁰
- **As the cost of living crisis becomes more entrenched, it continues to take a toll on not only people's pockets but their mental health.** Given the cyclical nature between financial difficulties and mental health problems, we are concerned about the rising number of people with mental health problems who end up in a deficit budget and, similarly, increases in the number of people in a deficit budget who develop mental health problems.
- **For people experiencing mental health problems with deficit budgets, debt and insolvency solutions are often not a silver bullet.** Persistent low incomes from benefits or wages mean people cannot meet basic living costs even when debt issues are resolved.¹¹ This challenge is compounded for people with mental health problems who may be unable to work due to their mental health problems and are reliant on low levels of benefits. For others, unfair treatment in the workplace means that people with mental health problems can struggle to secure employment and retain or progress in work.¹²
- **Tailored and targeted interventions for people with mental health problems with deficit budgets are crucial.** Many solutions to supporting people in deficit budgets require system-level policy change aimed at increasing incomes and reducing essential

⁵ Martin J and Lane J. Negative budgets: a new perspective on poverty and household finances. Citizens Advice. 2020

⁶ Christians Against Poverty. On the edge: Client report. June 2022

⁷ Bond N and Holkar M. Help along the way. Money and Mental Health Policy Institute. 2020

⁸ Clark T and Wenham A. Anxiety nation? Economic insecurity and mental distress in 2020's Britain. November 2022

⁹ Bond N and Holkar M. A Silent Killer. Money and Mental Health Policy Institute. 2018

¹⁰ Money and Mental Health analysis of online polling conducted by Opinium. 5,001 people with mental health problems. Surveyed between 25 June and 22 July 2021.

¹¹ Christians Against Poverty. Unlocking a new start. 2019

¹² Bond N and D'Arcy C. Mind the income gap. Money and Mental Health. 2021

living costs. However, there are opportunities for debt advice and essential service providers to work with MaPS and the Financial Conduct Authority (FCA) to identify tools to better support people with mental health problems in deficit budgets.

Q1. Do you agree with our understanding of how deficit budgets and situations vary? Is there anything you disagree with or anything you can add?

Money and Mental Health broadly agrees with MaPS' understanding of deficit budgets. We agree with the definition of deficit budget clients as those whose income is less than their essential costs of living and ongoing priority bill payments, such as council tax, energy, housing and telecoms (excluding debt repayments) and that this remains the case after debt advice which includes a financial statement and income maximisation support. We welcome the clarification on how deficit budgets can fluctuate in size and duration during the debt advice journey. However, we disagree that wider income maximisation support should be limited to what is available as part of the provider's existing service. We believe MaPS has a role to play in defining the range of income maximisation support services that debt advice services should provide.

Q2. Noting that every client has individual circumstances, if you were to segment deficit budget clients into groups with similar characteristics, what key cohorts would you recognise? What do these look like, and what are the major differences between them?

Understanding the differing needs of cohorts of deficit budget clients has huge potential to build and target better-tailored support for those who need it. Below we make the case for people with mental health problems to be understood as a distinct cohort. However, in doing so, it is important to be mindful that understanding the needs of clients in this way does not create unintended consequences. All services delivered to clients with deficit budgets should be created with universal design principles in mind. By understanding the barriers, people with deficit budgets may face in accessing debt advice, we can find ways to change the standard offer of support, so they work for everyone. We believe universal design changes could help improve the support all clients with deficit budgets receive - whether they have a recognised or unrecognised mental health problem. However, even with universal design style changes, there will still be some people who require additional support because of their mental health problems. With this in mind, we propose one distinct cohort should be clients with mental health problems.

Four in ten (41%) deficit budget clients have a mental health problem.¹³ The cognitive and psychological effects of their mental health problems can mean they face additional challenges in managing money and engaging with debt advice services. For example, our research found that six in ten (60%) respondents with experience of mental health problems found gathering information about their finances and sharing it with a debt advice provider difficult. Almost half

¹³ Martin J and Lane J. Negative budgets: a new perspective on poverty and household finances. Citizens Advice. 2020

(49%) found putting the plan to address their financial problems into action hard.¹⁴ In recognition of these distinct needs and the higher likelihood of being in a deficit budget, as a minimum, clients with mental health problems should be a distinct segmentation. This refinement would allow for a more accurate understanding of deficit budget clients' needs and allow for their needs to be catered for accordingly.¹⁵

Ideally, MaPS would go further than this single classification and propose a more granular understanding of the mental health problems facing clients, splitting this cohort into two distinct groups, as set out in Table 1.

Table 1: Proposed segmentation of people with mental health problems in deficit budgets

Cohort	Definition	Needs and differentiation
Common mental illness (CMD)	People currently experiencing symptoms of common mental disorders such as anxiety or depression	The cognitive and psychological effects of mental health problems can make dealing with deficit budgets harder, and engaging with and acting upon debt advice more challenging. People with CMD may face moderate capability and capacity challenges to engaging with debt advice. Undertaking tasks may be problematic, or they may need support to take action. ¹⁶
Severe and enduring mental illness (SMI)	Such as people experiencing bipolar, psychosis, schizophrenia, personality disorder, eating disorder or addiction. Or those in an acute phase of their mental illness or in crisis	The challenges to coping and dealing with deficit budgets and engaging with debt advice can be magnified for people with SMI. When people are acutely unwell, their functional capacity is likely to be significantly impaired - such as their ability to complete ordinary daily tasks. Their ability to engage with debt advice or carry out associated tasks is likely to be minimal, requiring casework and support. ¹⁷

Grouping all people with mental health problems into one cohort of deficit budget clients fails to accurately understand the variation in capability and capacity challenges people face. These challenges can be lesser or greater depending on how a person's mental health problem impacts their ability to function. The conflation of all people with mental health problems risks the unintended consequences of failing to identify solutions that appropriately meet people's distinct needs adequately. A more granular understanding of mental health problems allows for services to be designed and solutions to be targeted to meet people's needs.

¹⁴ Bond N, Evans K and Holkar M. A little help from my friends. Money and Mental Health. 2019

¹⁵ Martin J and Lane J. Negative budgets: a new perspective on poverty and household finances. Citizens Advice. 2020

¹⁶ Bond N, Evans K and Holkar M. A little help from my friends. Money and Mental Health. 2019

¹⁷ Bond N. Making debt advice accessible to people with serious mental health problems. Money and Mental Health Policy Institute. 2022

Q3. What data do you think would be most valuable to collect to build a sector-wide understanding of who deficit budget clients are, how they differ from each other, the options they do/don't have available and their support needs?

We agree with the proposals for specifications of data collection with deficit budget clients. In prioritising the most valuable data collection points, we suggest the following data points should be considered a priority for data collection.

1. Experience of mental health problems, ever, within the last two years and/or currently
2. The number of debts, including the number of different creditors¹⁸
3. Debt size and debt types, e.g. priority vs non-priority debts
4. Deficit budget size and type, e.g. duration and structure
5. The key reason for a deficit budget, specifically whether it was due to a change of situation or ongoing low income
6. Income source(s) - to help understand the structural drivers of deficit budgets

Focusing on these seven data collection areas will allow MaPS to design and deliver services which meet the needs of clients experiencing mental health problems with deficit budgets. Data should also be used to inform wider public policy and the systemic drivers of deficit budgets.

Q4. Do you agree with our understanding of how deficit budget clients are currently supported by debt advice services? Is there anything you disagree with or anything you can add?

We agree with MaPS' understanding that debt advisers face huge challenges in providing sustainable solutions to people with deficit budgets. While we agree with the overarching challenges MaPS has identified, we diverge from MaPS on several counts in our understanding of the situation, as detailed below.

A lack of clarity about what is included as part of income maximisation means support to deficit budget clients varies hugely. Income maximisation is an important route to help reduce deficits for many clients. However, the lack of clarity around what counts as income maximisation means the way in which deficit budget clients are supported by the debt advice sector differs significantly between services. This makes it difficult for clients to choose which service is most suited to their needs. Access to high-quality, thorough income maximisation services is particularly crucial for people with mental health problems, who may, due to the cognitive and psychological effects of their mental health problems, require a greater level of support to maximise their income.

We disagree with MaPS' suggestion that it is not possible to cover all aspects of income maximisation within a single debt advice journey. The narrow understanding of what constitutes a debt advice journey here is restrictive. When working with clients with mental health

¹⁸ To understand the cumulative collections activity a client is facing and contribute to research on the average number of debts people have. To help inform an industry-wide adoption of an acceptable volume of creditor contact to people in debt

problems, services need to be designed around and tailored to their needs. Debt advice journeys should not be considered complete because clients fail to attend or tasks are left incomplete, and a better understanding of clients with mental health problems needs should be baked into the design and delivery of services. We disagree with the assertion that it is not possible to cover all aspects of income maximisation with a generalist debt advisor's expertise. This is insufficient. For people in a deficit budget, particularly those with mental health problems, income maximisation support is crucial to assist them in addressing financial difficulties. Where incomes can be maximised through interventions such as benefit take-up or support to use comparison websites to reduce bills, this can make a significant and sustained difference. As such, there should be no debt advice without full and comprehensive income maximisation, and debt advice services should be equipped to deliver this in full according to a client's needs.

Formal debt solutions can be out of reach for people with a deficit budget. People with mental health problems can struggle to complete tasks required to utilise a debt solution, such as gathering information about debts owed or understanding complex confirmation of advice letters. These tasks can prove overwhelming when faced with the cognitive and psychological effects of mental health problems.¹⁹ Formal debt solutions do not resolve the cause of a negative budget either, and without support to address the cause, there's a very real risk that people are left with budgets that are unsustainable and insufficient. Consequently, people with mental health problems risk accumulating problem debt again.²⁰

Mental health problems can impact people's capabilities, and people can struggle to take action to improve their circumstances. The challenges debt advisers face in supporting deficit budget clients can be compounded when trying to assist clients experiencing mental health problems, who can face both capability and capacity limitations to engage with and act on advice. We agree that many clients with deficit budgets are adept budgeters and have done everything they can to reduce outgoings before presenting for advice. However, for people with mental health problems, this can be complicated by capacity limitations, where problem-solving, clarity of thought, and the need to self-advocate can serve as a barrier to reducing outgoings and undertaking tasks required to address their circumstances. Many clients with mental health problems, particularly those with SMI, require support from advisors, such as help to access entitlements or negotiate with creditors. However, advice delivery models differ in the extent to which they can provide extra support (e.g. casework, advocacy) to clients. These variations in services delivered and the support offered can make it difficult for deficit budget clients with mental health problems to get the support they require.

Debt advice services, as they are currently configured, are ill-suited to the needs of people with mental health problems, particularly those with SMI or in crisis. The challenges outlined above that clients with mental health problems and in deficit budgets face seem in direct conflict with MaPS' recent recommissioning exercise. Here, as part of the efforts to serve more people, commissioning models for debt advice prioritised remote debt advice journeys, shifting

¹⁹ Bond N and Holkar M. Help along the way. Money and Mental Health Policy Institute. 2020

²⁰ Christians Against Poverty. Unlocking a new start. 2019

the default service online. Proposals were put forward to slash community-based debt advice services, which, due to channel delivery and local knowledge, are often highly skilled at providing complex casework for people with mental health problems.²¹ Furthermore, while requirements were included for all regionally contracted services to commit to mental health training for advisors, this requirement was omitted for remote delivery. Consequently, for those people with mental health problems who *could* be served by remote advice journeys, the likelihood of the advice meeting and being tailored to their mental health needs was lower.

Q18. What are your views on the opportunities above?

The options outlined provide an opportunity to better support people with mental health problems in deficit budgets, including both distinct cohorts of people with CMD and those with SMI; below, we present our views on the opportunities outlined.

- **Which has the biggest potential to help deficit budget clients?**

More comprehensive income maximisation - Resource-intensive income maximisation services should be targeted at all clients with mental health problems as standard, both those with CMD and SMI. MaPS, in its role as the largest funder of debt advice in England and based on a comprehensive understanding of the needs of debt advice clients and in consultation with the sector, should appropriately define the parameters of income maximisation within debt advice and adequately fund the provision of a regularised income maximisation service across the country.

Help to obtain/maintain creditor forbearance - Where a client cannot repay, it is likely to be in the interest of all parties to identify this efficiently so that costly collections and enforcement activity can be paused and the burden on clients lifted. We agree with the opportunities outlined and support developing a shared understanding of who deficit budget clients are and their prospects for repaying debts. This is particularly the case in relation to the collection and review of evidence to support creditors in offering forbearance to clients with mental health problems.

Streamlining the preparation, submission and review process for the collection of evidence would work to provide a more efficient and less painful process for creditors, advisors and clients. This should build on the work in recent years to reduce creditors' reliance on the Debt and Mental Health Evidence Form (DMHEF). Here, MaPS can draw on previous work between Money and Mental Health and Money Advice Trust. [The need-to-know guide](#) makes the case for a stepped approach to requesting medical evidence and encourages creditors to consider if evidence is really needed, what questions creditors require answers to, and if these answers can be evidenced in other more readily available documentation customers may have to hand.²²

²¹ Bond N. Recommissioning debt advice services: meeting the needs of people with mental health problems. Money and Mental Health Policy Institute. 2021

²² Bond N and Fitch C. The need to know. Money and Mental Health Policy Institute and Money Advice Trust. 2020

- **Which has the least potential to help deficit budget clients?**

We believe that all of the options outlined would prove useful in improving support to clients with deficit budgets. Above, we have presented options that we think would be most universally helpful to all clients with mental health problems, including those with CMDs or SMI. However, the opportunity around supporting clients to make difficult decisions and trade-offs is the opportunity that we believe would prove useful when targeted to clients in the SMI cohort rather than universally to all clients with mental health problems.

Making decisions about difficult trade-offs is hard, and facilitating these conversations requires skill and sensitivity. People with mental health problems, particularly those with SMI or in crisis whose difficulties may impact their capacity to weigh up and retain information, can face even greater challenges when making these difficult trade-offs. Advisors should be equipped with the skills to support people with SMI with deficit budgets to have these difficult conversations. To do so, advisors require training to understand the needs of people with SMI, including how certain SMIs can impact people's decision-making capabilities and how to present information in a manner that aids understanding and comprehension. The recent exclusion of advisor mental health training from recommissioning bids within the remote service delivery does not support the delivery of this. MaPS should act to build this understanding and skill as an essential element of training for both regional and remote debt advice delivery.

Q19. Are there other ways of better supporting deficit budget clients you think are important to explore/ have potential? What are these and how would these deliver value for clients/ value for money?

The primary solutions to supporting deficit budget clients squarely sit at a government level to help raise income levels and reduce living costs. However, beyond the opportunities identified in the call for evidence, there are steps MaPS, and the debt advice sector can take in collaboration with creditors to ensure better support and treatment of deficit budget clients.

The debt advice sector and creditors have a well-established history of working together. The Standard Financial Statement (SFS) is a tool used to summarise a person's income, outgoings, and debts owed. MaPS, within its statutory responsibility to improve the quality, consistency, and availability of debt advice services, collaborates annually with representatives from the debt advice and creditor sectors to agree on spending guidelines for the SFS.²³ The sector should utilise this established working partnership to arrive at other positive solutions to target support to reach clients with mental health problems as early as possible in their deficit budget journey to prevent mounting and entrenched problems.

A shared understanding of the needs of clients with mental health problems should be developed, with recognition of how the experience of mental health problems can impact a person's capability and motivation to seek support and take action. Consideration should be given to how creditors can better support people into debt advice journeys beyond simple

²³ Money Advice Trust, [Introducing the Standard Financial Statement](#). (Accessed 30/11/22)

signposting and application of 30-day standard Breathing Space. To this end, we propose the following four opportunities that would require the sector to work together to support deficit budget clients with mental health problems:

1. **Develop budgeting support tools that can better support people in managing their money.** Good fintech tools already exist in some challenger banks, such as Monzo and Starling, where customers can apportion their money to different pots to help with budgeting. Financial services firms should develop fintech money management tools and roll them out more widely to help people who may struggle with budgeting, particularly those with mental health problems.
2. **Develop a model of warm referral to advice services rather than over-reliance on signposting.** Partnerships should be routinely established between creditor collection departments and advice agencies. Agencies should have the capacity to take direct referrals from creditors for clients with mental health problems in deficit budgets. In recognition of the impact of mental health problems on people's ability to take assertive action and advocate for themselves, advice services should proactively reach out to clients.
3. **Develop tools to support clients to safeguard themselves when well, from future harm when unwell.** Financial service providers should work with MaPS to develop tools to allow people to safeguard themselves when well, from future harm when unwell. These could include developing third-party access tools that allow customers to be supported by identified third parties in managing their money. These tools should be easily and flexibly turned on and off by customers.²⁴ Debt advice services should work together to promote these tools to clients and offer support to put them in place.
4. **Develop a shared understanding of the financial circumstances of people who are unable to work due to ill-health and design processes and tools to support them.** Employment and Support Allowance (ESA) is a benefit awarded to people who are unable to work due to ill health. Recipients are placed in one of two groups, those with limited capability for work (LCW) and those with limited capability for work-related activity (LCWRA). The former LCW group may have limited capability to work but may be assessed as closer to the labour market and able to prepare for work by undertaking voluntary work, training or CV preparation. Those in the latter group, LCWRA, are considered to be further away from the labour market and are typically considered too unwell to prepare for work. Eligibility for Employment and Support Allowance (ESA) is typically reassessed periodically, between six months and three years after the decision. Where a customer is in receipt of ESA, specifically in the LCWRA group, it can be reasonable to assume clients' health and financial circumstances will not change in the short to medium term, and certainly not within a typical 30-day Breathing Space period. Where clients are in receipt of ESA and in the LCWRA group, creditors should consider an extended period of respite from collections activity. Standard forbearance for people in deficit budget, whose financial and health circumstances are unlikely to change in the short to medium term, may temporarily relieve pressure, but where typical debt solutions are beyond reach, the recommencing of collections activity after 30 days risks

²⁴ Bond N, Evans K and Holkar M. A little help from my friends. Money and Mental Health. 2019

placing additional pressure on people and drives despair.²⁵ The sector should be transparent with customers about this forbearance for people in receipt of ESA and in the LCWRA group and provide template letters for clients to send to creditors to this effect. This would support many people with mental health problems, particularly those with CMD, who may be able to act on this advice and self-advocate with support.

Q21. If these opportunities were implemented, what outcomes might it be possible for (some) deficit budget clients to achieve? Please consider both financial and non-financial outcomes and, where relevant, link your answer to the key cohorts you identified in your answer to Q2.

The financial and mental health outcomes of implementing suitable and sustainable solutions for clients with mental health problems in deficit budgets are vast. People can be provided with longer-term relief from the sometimes devastating effects of debt collection activity. Where the solutions identified above are implemented, they have the potential to reduce demand on the advice sector to negotiate with creditors to make 'exceptions' for clients and streamline the process for creditors collection staff too. Importantly, where these solutions are sufficiently simple and streamlined, it will maximise the opportunity for people with mental health problems, particularly those with CMD, to take positive action themselves to resolve their circumstances. Providing relief from the stress of collections activity, while it does not resolve people's deficit budgets which remains a task for the government, frees people to focus on their mental health and recovery and avoids exacerbating their mental health problems.

²⁵ Bond N and Holkar M. A Silent Killer. Money and Mental Health Policy Institute. 2018