Eurofound

Managing household debts: Social service provision in the EU

Working paper

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Eurofound project: Managing household debt

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Introduction

Overall, household debt levels have risen sharply over the past decades in EU Member States. Household debts can be beneficial, for example by allowing households to smooth consumption over their lifetime. Nevertheless, debts can become problematic especially with a sudden, unexpected decrease in income or an increase in expenditure. The current financial crisis caused unemployment levels to rise, with the lagged impact still to be felt. This combination of factors has led to an elevated prevalence of over-indebtedness among households (Gutierréz de Cabiedes Hidalgo, 2009; European Commission, 2010a).

Household over-indebtedness is among the causes of the current financial crisis. In turn, the crisis exacerbated both public and private debt problems. Public debate focuses on government debts, with somewhat less attention being given to private debts. Above all for the short and mid term, household over-indebtedness deserves more attention.

For the purpose of this paper, household over-indebtedness is broadly defined as the situation where a household cannot comply with payment requirements – whether it be mortgage, utility or consumer credit payments – on a structural basis.

It is important to recognise the diversity of the problem. Not all debts are the same, not all debtors are the same and not all creditors are the same; contexts differ as well. Different types of over-indebtedness are interrelated in complex causal networks with a broad spectrum of social and health issues such as poverty, social exclusion, unemployment and labour productivity.

Although over-indebtedness is not restricted to a specific social or economic group, risk factors can be identified. Appropriate service provision (integrated both horizontally and vertically) can alleviate the problem once it has occurred, or can prevent debts from becoming problematic in the first place. This paper[1] discusses the need for policymakers and society at large to scale up the quality of these social services. It begins by examining the nature and extent of the problem before searching to disentangle some of the explanatory variables. It goes on to present different types of service provision responses observed across the EU and demonstrates how other social services can contribute to early referral and to effective dissemination of information. The paper concludes with recommendations for service providers, policymakers and researchers.

Over-indebtedness: a complex, timely problem

To better understand the issue and to develop well-designed policies, it is important to have meaningful indicators of over-indebtedness (Betti et al, 2001). If measured at all at a national level, most countries rely on two types of indicators (European Commission, 2008).

First, there are legal/administrative measures such as debt settlement. Nevertheless, many people seek alternative solutions to their problems and are not registered for administrative and legal procedures. Furthermore, since different countries have different legal enforcement and insolvency proceedings, these measures can hardly be used in comparative studies (Niemi-Kiesiläinen and Henrikson, 2005). Secondly, there are measures based on arrears in payments. Alternative indicators include borrowing–income ratios and use of debt advice agencies. These are discussed below.

[1] The paper benefited from feedback given by participants at the 'Managing household debts' workshop held in Brussels on 25 June 2010.

One indicator of the extent to which debts are problematic is whether people are unable to make due payments. While this indicator can be challenged as reasons for arrears may be diverse, this analysis will focus on mortgage, utility and other arrears. Table 1 provides data for the 27 EU Member States (EU27), indicating the percentage of the population unable to make different types of due payments at least once during 2008.

Table 1: *Arrears on due payments, 2008 (percentage of population)*

	Mortgage or rent payments	Utility bills	Hire purchase instalments or other loan payments
Bulgaria	2	33	6
Greece	6	16	12
Romania	1	24	3
Hungary	4	14	5
Italy	4	14	2
Slovenia	3	14	3
Ireland	6	8	3
Latvia	3	12	2
Cyprus	3	7	6
Finland	4	7	4
France	6	6	2
Poland	1	10	2
United Kingdom	4	5	2
Spain	4	4	2
Lithuania	1	6	3
Austria	4	4	2
Belgium	3	5	1
Estonia	1	7	1
Malta	1	7	1
Portugal	3	4	2
Sweden	2	6	1
Germany	2	4	2
Slovakia	3	4	1
Czech Republic	2	3	1
Denmark	1	2	2
Netherlands	2	2	1
Luxembourg	1	1	1

Note: Ranked by aggregate arrears.
Source: *European Union Statistics on Income and Living Conditions (EU-SILC) database, 2010*

Although cross-country comparison is problematic, it does provide a general overview of the situation. Overall, around 1%–6% of the EU population have been in mortgage or rent arrears, with considerable variation across countries. Arrears related to utility bills are generally more common, but vary from 1%–2% in Denmark, Luxembourg and the Netherlands to 24% and 33% in Romania and Bulgaria, respectively. With the exception of Greece (12%), 1%–6% of the EU population has been in arrears of hire purchase instalments or other loan payments. These percentages resonate with Eurobarometer 2009 data, suggesting that 7% of the EU population feels 'very much at risk' of being over-indebted and 20% feels 'fairly at risk'.

The risk factors and how over-indebtedness relates to different variables are discussed below. This is followed by a more in-depth examination of the extent and changing nature of the problem.

Nature of the problem: risk groups and the causal network

When looking at the underlying causes of over-indebtedness, broadly three groups of overcommitted debtors can be distinguished.

- The first group have experienced a risky life event such as unemployment, relationship break-up, leaving the parental home, business failure, illness or unexpected home repairs. Such events can trigger income and expenditure shocks, sometimes instantly turning indebtedness into over-indebtedness.
- A second group consists of people who without such a life event unconsciously, or consciously, gradually become overcommitted. They make use of available forms of credit, sometimes without realising that they might not be able to repay in the future. Lack of financial management skills and aggressive marketing by lenders may both lie at the origin of this. Another potential cause includes escalating consumption habits, sometimes triggered by addiction to alcohol or gambling and running up a credit card bill, often at early age.
- The third group of people are the least well-off (Huls et al, 1994). In contrast to the second group, they need to obtain credit in order to attain a reasonable standard of living. They are frequently subject to relatively high interest rates. Debt then becomes a substitute for adequate unemployment benefits, earnings, health insurance and other social provisions.

Possible consequences of over-indebtedness include:

- financial hardship;
- poor health (physical and mental);
- family stress;
- stigma;
- barriers to obtaining employment;
- exclusion from basic financial services (European Commission, 2009);
- work accidents and industrial disease;
- a strain on social relations (Carpentier and Van den Bosch, 2008);
- absenteeism at work and lack of organisational commitment (Kim et al, 2003);
- relational tensions;
- a feeling of insecurity.

As salaries disappear instantly in creditors' pockets, lower work motivation is a potential consequence. Employers can increase workers' pay satisfaction and improve productivity if they can reduce employees' financial stress (Kim and Garman, 2004).

In general, over-indebtedness can have a detrimental effect on various aspects of households' quality of life including a long-term impact on relationships and on the lives of children.

Over-indebtedness is not restricted to any social group (Huls et al, 1994). Nevertheless, risk groups include:

- people living in urban areas (Frade, 2003);
- families with children (Carpentier and Van den Bosch, 2008);
- young adults (Betti et al, 2007);
- single parents, recipients of benefits, long-term ill or disabled, and those living in privately rented accommodation (Balmer et al, 2006).

The 2009 Eurobarometer Special Survey on Poverty and Social Exclusion (TNS Opinion & Social, 2010) reveals that 50% of all unemployed EU respondents feel 'very' or 'fairly at risk' of being over-indebted. Furthermore, respondents less than 55 years old and those leaving school before the age of 20 felt somewhat more at risk. Data from the European Quality of Life Survey (EQLS) 2007 [2] on whether households reported actually having run into arrears over the past 12 months preceding the questionnaire reveal a similar picture.

Nevertheless, all these factors are interrelated: early school leavers might be more often unemployed and having a low income, rather than the actual fact of being unemployed, might be the underlying cause of running into arrears. Thus, it is not enough to just investigate prevalence rates among certain groups without correcting for other variables. Therefore, for this paper, a multinomial regression using EQLS data was conducted to test which variables enhance the chance of a household running into utility or rent/mortgage arrears, or both. The EQLS database does not include data on, for example, unsecured credit use.

The results of the analysis confirm the general picture. This is true for both EQLS data (Annex 1) and Eurobarometer (Annex 2) data. EQLS data show that, even after controlling for a wide range of variables, being single and having young children were associated with a higher prevalence of arrears in rent or mortgage payments, utility payments, and both rent and utility payments. The same holds true for being unemployed – even after correcting for the (significant) impact of having a low income. Eurobarometer data reveal that this is also true for expectations about future arrears. The data do not permit investigation of whether this separate impact of being unemployed comes from the group who recently fell into unemployment or from the longer-term unemployed people as well. People suffering from a chronic disease were also more at risk of running into utility or mortgage arrears.

Results from earlier research on the impact of age were also confirmed. Nevertheless, a more detailed story can be told based on the data. Young adults are indeed more at risk than elderly people, but this relation is non-linear: in particular, those households where the respondent was more than 50 years old rarely ran into arrears. The analysis further shows that this is not necessarily true for new Member States (NMS) that joined the EU in 2004 and 2007, with households of respondents aged 50 years or older running relatively often into utility arrears.

[2] http://www.eurofound.europa.eu/areas/qualityoflife/eqls/.

When this finding is compared with the age characteristics of households that seek debt advice, a similar picture emerges. For example, over the period 2004–2008, 27.7% of all German households had a main earner who was 65 years of age or older. In contrast, for those households that used debt advice services, only 2.2% had a main earner who was aged 65 years or older. Those between 55 and 65 years of age were also underrepresented among service users (9.4% versus 14.4% in the population). In contrast, those between 25 and 35 years old are overrepresented among debt advice users (25.1%) compared with the overall population (14%) (Knobloch and Reifner, 2010).

National statistics from the Irish Money Advice and Budgeting Service (MABS) also show remarkably low rates of elderly users; in the first quarter of 2010, only 1.1% of new clients were 65 years of age or older and the rate was only slightly higher at 1.2% during 2009. In the Czech Republic, rates for elderly people seem considerably higher, with 4% of users of Debt Advisory Centre services being 65 years of age or older, and 15% between the ages of 55 and 65 (Šmejkal, 2010). Naturally, the people who access debt advice services might not be representative of over-indebted households in general, and the groups that access such services are likely to differ across the EU. Nevertheless, these data complement and reinforce the picture that emerges from the analysis.

The data further show migrants to be among Europeans most at risk of running into both mortgage/rent and utility arrears. This is even true after correcting for variables such as income and respondents' social networks beyond their partner. Correcting for the number of children also showed a positive, significant (at the 1% level) relationship with having run into utility arrears or both types of arrears, but not for mortgage arrears alone. This might indicate that, while more at risk, this group is fighting particularly hard to stay in their dwellings. Overall, being a woman does not seem to increase the risk of running into arrears (to the contrary) and elderly people are generally less at risk of being over-indebted, but a closer look at the data reveals elderly women to be more at risk. Lastly, households owning their dwellings with a mortgage less often run into utility arrears.

A second regression (Annex 2) analysing Eurobarometer 2009 data on the determinants of expected future arrears further permits the impact of household's internet usage to be tested as an indication of its members' computer literacy and access to information. This variable seems important in reducing the perceived likelihood of running into arrears, putting those who are unfamiliar with information technology at a disadvantage. A potential explanation is that familiarity with information technology is a proxy for having access to information, and consequently to cheaper financial products, and to more and better social benefits.

It is important not to lose sight of the dynamics behind the data. There is often a dynamic interplay between structural, individual, relational and life course factors over time. The 'credit and debt journeys' of households are complex. Low income households in particular tend to be on a tightrope, tipping in and out of over-indebtedness within short time spans (Dearden et al, 2010). Debts can remain unproblematic for a long period of time, with a risky life event eventually tipping the balance. Over-indebted households, which subsequently cannot draw on private social networks for financial support, are most at risk of being unable to bear the additional burden triggered by such events. This group includes low-skilled and migrant workers (European Commission, 2010b). Unemployment is relatively widespread among them. At the same time, these disadvantaged groups tend to be relatively easy targets for high-cost lenders, who are sometimes operating illegally or at the periphery of the market.

The relation between over-indebtedness and all these other factors is a complex one. Over-indebtedness can be the cause, but also the consequence of:

- poverty and social exclusion (Balmer et al, 2006);
- health issues such as depression (Reading and Reynolds, 2001) and back pain (Ochsmann et al, 2009);
- risky life events such as divorce.

The relationship with financial exclusion is also complex. On the one hand, over-indebtedness can lead to financial exclusion, as over-indebted households will have difficulties obtaining more loans. On the other hand, financially excluded households are less likely to take on loans and thus to become over-indebted. Nevertheless, their exclusion from regular money-borrowing canals potentially makes these financially excluded households vulnerable to lenders charging high rates. This might still put these households at risk of becoming over-indebted.

A similarly complex story applies to social ties. On the one hand, qualitative research (Dearden et al, 2010) and now also the quantitative analysis of EQLS data above show that such ties reduce the risk of running into financial trouble. As the EQLS data reveal, these ties are especially effective when a situation gets really bad. Even when not providing direct financial help, a social network softens the effects of becoming over-indebted by providing psychological support, in-kind support, or steering those who are over-indebted towards finding a solution. Friends and family have, for instance, been identified as the most common referrers to debt counselling services (FLAC, 2009). On the other hand, financial dependence in particular frequently causes people to fall out with friends, family and partners (Dearden et al, 2010). Even when not drawing on the social network for financial resources, being unable to phone (with telephone lines cut off) or participate in social activities while experiencing debt problems may reduce the intensity of one's social network.

Causal relations further depend on the institutional framework and macroeconomic environment, varying among and within Member States. Demographic factors matter, as do institutional arrangements and cultural habits regarding home ownership, insurances and quality of pension schemes. For example, in Denmark, social welfare beneficiaries are not expected to repay debts, but become liable when they get a job. This provides people with a disincentive to take up employment (Korczak, 2004). Moreover, besides being part of a complex causal network, 'over-indebtedness' itself is a multi-dimensional concept. For example, economic, time, social and psychological dimensions can be distinguished (European Commission, 2008).

Extent of the problem: a changing landscape

Changing debts

As a consequence of inconsistencies in the definitions and indicators of over-indebtedness, cross-country comparison is challenging. Specific contexts further complicate straightforward interpretation. Take for example the debt ratio: that is, the household debt to income ratio. Public sector size, home ownership, pension schemes and demographics can explain why some countries have relatively high overall household debt as a share of income. For example, when household debts are high, but public pension funds are well-resourced, the high household debt might be less of a worry as it is offset by relatively large public savings to fund a relatively large future income flow.

Comparison of developments over time within Member States is less problematic. National measures and institutional contexts remained relatively stable. When looking at household debt as a percentage of gross domestic product (GDP) (Eurostat database 2010), only Germany observed a decrease over the period 1998 to 2008. Other countries showed increases of between 8.3 (Austria) and 45.5 (Spain) percentage points. In general, accumulation of household liabilities was concentrated in the second half of this period, with an 18 percentage point mean increase. While liabilities grew to great heights, the trend has not come to a halt as of yet. Countries for which 2009 data are available (Belgium, Greece, Hungary and Sweden) show a further increase compared with the previous year.

The increase has been most pronounced in the NMS, where initial levels were relatively low. This pattern is similar to what could be observed following EU accession of Greece, Portugal and Spain (Coricelli et al, 2006). In the Czech Republic, for example, household debt increased by more than a third between 2006 and 2007, with household savings reaching their lowest level since a decade (Czech National Action Plan (NAP) 2008–2010).

Liabilities as a percentage of GDP increased significantly and steadily over the past decade in almost every Member State. A 2010 briefing paper to the European Parliament identifies Cyprus, Denmark, Ireland, Portugal, Spain and the United Kingdom (UK) as the most indebted (Table 2).

Table 2: *Household indebtedness: size and change*

High	Moderate, significantly increasing	Moderate, marginally increasing	Falling, since 2002
Cyprus, Denmark, Ireland, Portugal, Spain, UK	Bulgaria, Czech Republic, Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia	Belgium, Germany, Luxembourg	Austria, Finland, France, Malta, Netherlands, Sweden

Source: *Based on European Parliament, 2010*

While related, indebtedness is not the same as over-indebtedness. The 2010 Proposal for the Joint Report on Social Protection and Social Inclusion (European Commission, 2010a) identifies Greece, Latvia, Lithuania, Austria and Portugal as most worrying country cases and warns of recent further increases in over-indebtedness and applications for loan arrangements in Austria, Belgium, Bulgaria, Luxembourg and (to a minor extent) Portugal. New evidence shows that applications for loan arrangements and over-indebtedness have increased in Belgium, Bulgaria, France, Luxembourg and also slightly in Portugal.

Although cross-country comparisons are difficult to make, they can be meaningful. For example, risk perceptions of becoming over-indebted differ greatly from country to country (Eurobarometer 2009 data). Around half of all respondents from Hungary (53%), Latvia (51%) and Spain (49%), compared with only around one in 10 in Denmark (9%), Sweden (10%) and Slovenia (11%) felt 'very' or 'fairly at risk' of becoming over-indebted.

Over-indebtedness is not a new phenomenon of the past few years. In their 1994 report for the European Commission, Huls et al (1994) noted that over-indebtedness became more frequent with the rise in consumer credit. Throughout the 2000s, there have been various forces at play, which triggered even more marked increases in indebtedness. Rising unemployment during the current financial crisis now tips the balance.

One force was the introduction of the euro which caused interest rates to tumble (for example, in Ireland and Spain), allowing households to borrow at low rates. Expected future growth and reduced risks of unemployment made banks willing to borrow. In addition, supply was enhanced by financial liberalisation and development of the single market in financial services. In particular, the NMS experienced strong development of credit agencies.

Another factor was the increase in real estate prices (mainly in Ireland, Spain and the UK). This allowed homeowners to borrow large amounts, as they held evermore valuable collateral. When the value of this collateral started to drop in several Member States, indebtedness turned into over-indebtedness for those who had borrowed on the basis of their increased asset prices (European Parliament, 2010). In a number of NMS, much of the increase in mortgage debt was in foreign currencies, which have tended to appreciate against domestic currencies as the recession hit, thereby pushing the value of outstanding loans up (Ward and Fondeville, 2009). In Poland, for example, two-thirds of the outstanding borrowing for housing purposes in October 2008 was in foreign currencies: euros and Swiss francs (European Commission, 2010b). Consequent increased monthly payments added up to often unexpected renovation costs faced by households that obtained their dwellings under favourable conditions from the state during the transition process in the 1990s.

Besides an increase in overall debt levels and the problems associated with this, the nature of the problem has also evolved – both in terms of the characteristics of the creditor and the form of credit. The importance of non-bank lenders increased markedly. In several Member States, such as Italy and the UK, financial intermediaries have gained significant market share over time, partly providing/intermediating 50% of consumer loans (Gerhardt, 2010).

In general, most debt throughout Europe consists of mortgages though naturally there are differences across the EU. For example, southern European countries generally have high home ownership rates, but few people own their houses through mortgages (European Parliament, 2010). The same holds for the NMS.

The share of loans that are consumer credits fell somewhat in most countries between February 2003 and February 2010 (European Central Bank (ECB) database 2010). It showed a relatively strong decrease in Austria, and also in France and Spain. Only in Portugal and Italy can an opposite trend be observed. The relative share of loans for house purchases increased somewhat for all countries for which 2003 data are available, but most markedly for Luxembourg, and also in France, Italy and Spain. While the ECB database only includes eurozone countries, mortgage loans for housing also increased more quickly in the Czech Republic than those for consumer loans (NAP 2008–2010). Here, the emerging situation differs from over-indebtedness problems in the 1990s when increased use of credit cards played a major role.

The quarterly ECB Lending Survey among banks sheds some light on the question of how the composition of debt will develop in the future. Banks expect demand for loans for house purchases to increase in 2010. This is less so for consumer credit and other lending. Whether this increased demand will result in higher household debts depends on whether banks are willing to cater for this demand. Household lending continued to rise in most EU countries in 2008–2009, yet at a slower pace than before the crisis (Gerhardt, 2010). After tightening of banks' credit standards for the approval of loans to households, these standards have loosened again in recent times.

Changing debtors

Only some very modest increases can be observed in a few countries when self-reported payment default rates for 2004 are compared with those countries with the 2008 data reported in Table 1. Nevertheless, other data suggest over-indebtedness to have become more problematic; for example, the number of foreclosures in Spain increased six-fold between 2007 and 2010, and mortgage arrears at Irish banks rose by 13% in the first three months of 2010. In Latvia, unpaid heating bills at the beginning of the 2009 were about 54% higher than in 2008 (European Commission, 2010a).

From the provider side, further evidence emerges that household debts indeed constitute an increasing problem. A survey by Eurodiaconia (a federation of organisations, institutions and churches providing social and health services and education based on Christian values) revealed that, according to its members, problems related to over-indebtedness have risen over the past few years (Eurodiaconia, 2010). The survey was carried out in early 2009 and assessed the immediate impact of the financial crisis, anticipating the medium-term impact over the next three years. A follow-up survey confirmed the observed trends. Members experienced an increased demand for services – especially debt counselling, emergency financial support and employment advice. Similarly, the UK Citizens Advice Bureau (CAB, 2009) saw enquiries about debt issues double over the past decade and observed further sharp increases as a result of the crisis. Calls received by the Finnish Guarantee Foundation's debt advisory line have also increased dramatically over the past two years.

When the groups hit by unemployment coincide with those holding relatively large debts, private insolvency will prevail. In the EU, this applies especially to young adults, affected relatively strongly by the crisis in terms of unemployment (Scarpetta et al, 2010). Young adults tend to have had better access to – and a more liberal attitude towards – credit. Being first-time home buyers and having young children further increases their likelihood of running into high debt (Balmer et al, 2006). Furthermore, in most European areas, young people have had relatively high expectations about their future income as they lived through a relatively prosperous period.

So, the demographics of over-indebted households seem to be changing. With it, other aspects are expected to change as well. One can think for example of the duration of over-indebtedness. Being young has been linked to being more likely to have debt problems that last at least a year (Balmer et al, 2006).

As discussed above, overall indebtedness has increased over the past decades. Low income groups are especially vulnerable (see, for example, Dearden et al, 2010). The 2008–2010 National Action Plan (Ministry of Labour and Social Affairs, 2008, p. 6) for the Czech Republic notes that increased indebtedness among low-income groups especially presents a risk:

> *These groups of residents very often borrow money from non-banking institutions, at high interest levels, for consumer purchases, because, due to their bad credit, they cannot secure a loan from a bank. This growing risk in the household sector can be observed in the increasing number of those, who are unable to pay their liabilities.*

In particular, debts related to utility bills are on the increase among low-income households. Nevertheless, a certain type of over-indebted household recently became more prominent. Such households are from the middle classes and usually have complex consumer habits. They are submerged in all types of debts and ask for social support through unconventional ways such as the internet (Frade, 2010). This new group tends to be more educated and arguably less in need of financial education. It is usually able to make at least part of the due payments because of either having accumulated savings or often through sustained, but reduced, wages.

A heterogeneous, changing problem on the rise

In short, over-indebtedness is a heterogeneous problem, enhanced by the crisis. Generous unemployment benefits are often of limited duration. In Spain, for example, they fall substantially after two years, or less. Furthermore, households that are not currently running into arrears might do so when they run out of the limited savings they have been drawing on after losing employment. Consequently, the problem of over-indebtedness cannot be expected to fade away anytime soon. While in some Member States the situation is more immediate than in others, it raises concern for the future. In addition, countries where the problem is currently not pressing should take notice. They can learn from experiences elsewhere to avoid the problem from arising or, when it is unavoidable, to provide optimal responses when needed.

Responses

National governments tend to have various policies in place that target poverty and enhance employment in general, not necessarily providing specific services for those who are over-indebted. Welfare services and policies (unemployment benefits, child benefits, social housing) help to avoid over-indebtedness and/or guarantee access to services and a basic level of well-being. Examples include the Polish government bill for subsidising electricity payments approved in early 2010 and the UK's 'social utility tariffs'. Some non-governmental organisations (NGOs) also tend to target poverty more generally.

Interviews with service providers as part of this analysis revealed that, while frequently on an ad hoc basis, these general service providers do sometimes refer over-indebted households to specialised debt agencies. For example, when over-indebted households in Ireland contact the Society of St Vincent de Paul in Dublin, they often receive some psychological or financial support and are subsequently made aware of debt advice services provided by MABS. In Zaragoza in Spain, Caritas frequently refers people to the Banks and Insurance Consumers' Association (ADICAE), active in the field of debt counselling.

Primary preventive and alleviative 'service providers' – especially among young people (Kempson, 2002) – tend to be families and friends. More institutionalised service provision is taken up by NGOs, the private sector and/or public agencies (see Table 3). Some of the NGOs have religious roots (for example, Tonbridge and Sevenoaks Debt Advice Centres in the UK), arise from international cooperation (for example, a Dutch–Hungarian cooperation to provide debt counselling in Hungary) or from individual initiatives (for example, SPES in Czech Republic). Many other NGOs originate from consumer protection organisations. NGOs often receive funds from government, both directly and indirectly. Banks also frequently play a role in financing them. When public, services are usually provided by local governments. In Finland, Norway and Sweden, for example, there is a legal obligation to ensure overcommitted consumers can access these services (Reifner et al, 2003).

Table 3: *Main debt advice service providers in EU Member States*

Member State	Main provider(s)
Austria	NGOs Local municipalities
Belgium	NGOs Public Social Assistance Centres (Centres publics d'Aide Sociale) Legal services
Bulgaria	No debt advice, but some help offered by consumer associations and the Ministry of Justice
Czech Republic	Citizens Advice Bureau Several NGOs including: • regional organisation 'SPES' (based in the region of Olomouc); • debt advisory centre – counselling in stringency, 'Poradna' (created in 2007 by the Czech Consumer Association and Česká spořitelna, Erste Holding, based in Prague, Ostrava and Ústí nad Labem)
Denmark	Consumer organisations
Finland	Municipalities Guarantee Foundation
France	Consumer associations NGOs such as Debtors Anonymous, Society of St Vincent de Paul Social workers (Over-indebtedness committees are not regarded as debt counselling agencies.)
Germany	Local authorities (for example, social welfare authorities and youth welfare departments) NGOs (Caritas/Diakonishes Werk/Red Cross) Confederation of German Welfare Organisations (Deutscher Paritätischer Wohlfahrtsverband) Workers' welfare Consumer organisations
Hungary	Local authorities with more than 40,000 inhabitants have to provide debt services, social allowance, housing maintenance support (utility) and debt counselling services. NGOs: • Továbblépés Adósságkezelö és Családsegítö Alapítvány: professional debt counselling organisation, exchanging best practice, making debt services more effective. • Caritas: generally supports people in need and helps with settlement of utility bills. • Ifjúságért Egyesület (Youth Association): provides preventive education about mobile phone and utility bills. • Jóléti Szolgálat Alapítvány: Social Welfare Services Foundation. • RES ('gap' foundation): employment organisation that tries to fill the 'gap' by helping, for example, elderly and young people to get a job.
Italy	Social cooperatives Consumer associations Caritas
Ireland	Money Advice and Budgeting Services (state-funded NGO) Free legal aid For-profit private mortgage debt advisers

Table 3: *Main debt advice service providers in EU Member States (cont'd)*

Member State	Main provider(s)
Lithuania	Legal advice centres
Latvia	Local government NGOs
Luxembourg	Service d'Information et de Conseil en Matière de Surendettement (1- administrated by the Ligue Luxembourgoise de Prevention et d'Action Medico-Sociales, 2- administrated by Inter-Actions) Ministry for Family Affairs and Social Solidarity
Netherlands	Public social services such as Social Welfare Foundation (SMO) of Helmond county, Volkskredietbank of a group of 10 municipalities in the region of Groningen Private organisations Attorneys
Norway	Municipalities
Poland	Consumer Association Credit Union Private companies such as CONSULTO
Portugal	DECO (consumer protection organisation) CIAC (municipal information centres for consumers)
Romania	Local social service offices
Slovakia	Association of Slovak Consumers
Sweden	Municipalities
United Kingdom	Consumer Credit Counselling Service National Debtline Citizens Advice Bureau (local branches) Money Advice Association NGOs such as Tonbridge and Sevenoaks Debt Advice Centres Fee-charging debt management companies (these deal with a significant number of households with consumer credit debts) Other related organisations such as Money Advice Trust (delivers the National Debtline) Institute of Money Advisers (professional association for money advisers)

Source: *Authors' investigations, Debt Advice in Europe website* (**http://www.sfz.uni-mainz.de/2626.php**) *and questionnaires to the Council of Europe Member States by the Finnish Ministry of Justice (2004) and Reifner et al (2003) as described in Niemi-Kiesiläinen and Henrikson (2005)*

Specific measures aimed at addressing the problem of over-indebtedness take various forms and are integrated with other social services to different degrees. Debt counselling, including non-judicial debt settlement, can provide for a solution when a household has debt problems. The advantage of these over judicial procedures is that they tend to be less costly and can protect those in trouble with adverse credit records from court judgement (European Commission, 2008). They can also be faster and less stigmatising.

Financial education can improve the capability of individuals to understand information so as to evaluate the sustainability of borrowing and to create greater awareness of the consequences of their spending decisions. In the case of risky life events, financial education can help individuals understand existing instruments that can reduce the impact of such events. Financial education is usually an important component of debt counselling. Debt counselling differs from financial education in that it aims to guide individuals through their specific situation, helping them to make the best decisions in their particular circumstances (Vandone, 2008). Preventive education and debt counselling are discussed in turn below, with a focus on quality service provision.

Preventive financial education

Particularly in the case of unexpected life events, well-targeted education on financial aspects of life potentially helps citizens to avoid becoming over-indebted. Issues covered can include awareness of:

- additional currency risks in countries where loans are given in foreign currencies (mainly the NMS);
- risk of investments in real estate and stocks;
- costs of vices such as smoking in terms of hours worked;
- complex consumer credit arrangements to buy, for example, cars;
- mortgage arrangements;
- pension arrangements;
- irreversible, multiple month mobile phone contracts.

Often, 'reference budgets' are calculated to give consumers guidance as to what expenditure patterns fit their budgets (ECDN, 2009). Consumer organisations and other NGOs, banks and other lenders, governments and educational institutions are the usual providers and initiative-takers. Reference budgets are also used to give policymakers and those involved with debt settlement an idea about what resources are needed to sustain at least a minimum level of quality of life for those affected (Jérusalmy, 2010).

Some efforts are aimed at people who are about to enter a period with an enhanced chance of becoming over-indebted. For example, the UK charity Unlock works with pre-release prisoners and the French consumer association Ctaconso provides an informative website aimed at young people aged between 11 and 18 years. In Austria and Germany, a '*Schuldenkoffer*' (Debt suitcase) was developed in the context of an EU project. Originally a 15-kilo aluminium box with information material on the issue of handling money and consumption, it is now available on a CD-ROM. Other Austrian activities to educate the public include a popular comic series, the summer 2005 campaign, '*Eine hohe Handyrechnung ist out. Verlieben ist in*' (High mobile phone bills are out. Falling in love is in), and the training of persons on financial matters who were then presumed to pass on knowledge to their peers. For instance, a figure called 'Trapper Johann' appeared in pedestrian areas, markets, schools and factories, where he performed a specifically developed action theatre on the topic of 'young people and debt'. In addition, the education campaign SELBERSCHULDen (a wordplay with 'debt' and 'your own fault') was started (Berghuber, 2005).

In Spain, the consumer organisation together with the Catalan regional government created a 2008 documentary, '*Endeutats, sobre la teranyina*' (Indebted, on the spider web) which follows the situation of four different households with debt problems.

Many initiatives come from associations of different partners. For example, in Germany, '*Bank und Jugend im Dialog*' (Bank and youth in dialogue) is a partnership between schools, banks and debt advice services. The Financial Education Survey (FES) notes the potential risk of one bank having the main stake in the provision of financial education services; it can use the services for marketing purposes, which potentially conflicts with the objective to help consumers out of problematic debts (FES, 2007). Nevertheless, banks can improve services by providing resources, valuable expertise and practical solutions. Other initiatives include the EU-wide online consumer education services provided by Dolceta (an online consumer education project involving the 27 countries of the EU) and financed by the European Commission.

This listing of educational initiatives is by no means comprehensive. The spectrum of services is broad. For example, another policy option is a mandatory awareness course before being allowed to take on large credits. Furthermore, rather than having a mosaic of relatively uncoordinated efforts (for which claimed 'independence' can be hard to verify by consumers) and relying on voluntary education (where those who really need it are often unlikely to attend), high school curriculums can – and often do – capture basic knowledge regarding the issues and could even include some explicit training targeted at avoiding over-indebtedness.

Debt counselling and settlement

Other services focus instead on people who have already run into financial difficulty. At this stage, financial education is frequently considered to be of little help – at least in the short term. In the face of events such as unemployment and relationship breakdown, more immediate hands-on help is needed. Moreover, options are limited for people on low incomes. Nevertheless, financial education can still be a helpful element of services for those who are already over-indebted, especially to avoid reoccurrence (Orton, 2010).

Help for over-indebted households frequently comes from governments or NGOs. Nevertheless, the private sector also has a role to play. Some companies provide debt counselling services to employees. For example, the German airline Lufthansa has been running a relief fund (*Lufthansa Unterstuetzungswerk*) for almost 50 years. This fund supports employees who suddenly find themselves in a situation of financial difficulty through no fault of their own. These employees can be entitled to an interest-free loan. If a loan cannot be granted, Lufthansa supports the indebted employees in obtaining specific counselling. A major bank in Portugal, Millennium BCP, supports employees who need financial support, for instance, for medical reasons. Within the context of corporate social responsibility (CSR), some banks offer services for individuals beyond their own employees who would otherwise be financially excluded. Examples include Zweite Sparkasse in Austria and Dexia (in partnership with the public social assistance centres) in Belgium. Furthermore, several NGOs receive funding from the private sector. For example, the Finnish Guarantee Foundation receives funding from the Finnish Slot Machine Association.

In addition, there are for-profit debt counselling agencies. Some EU countries have established institutional arrangements to avoid some aggressive approaches by costly debt settlers who do not always improve the situation (Goodman, 2010; Reddan, 2010). Examples include regulations that prohibit certain kinds of debt counselling in France, and licensing requirements in Austria, Belgium, Germany and Luxembourg (Niemi-Kiesiläinen and Henrikson, 2005).

For-profit counselling services receive fees from indebted clients but sometimes also operate on behalf of the creditor. Charging fees for counselling is not restricted to for-profit agencies. It is not uncommon for NGOs to charge clients at least some minimum payment (for example, MABS in Hungary).

Debt counselling services usually provide citizens with tailor-made advice and concrete help in settling debts. The third-year results of a UK study that is following low-income debt advice users over a period of six years shows that users find three elements of advice most helpful:

- having someone to talk to;
- being given information and options;
- enhancing their ability to deal with creditors.

Nevertheless, users of the services recognised that advice has limits in what it can achieve and some saw the service provision (rather than the content of the advice) as unhelpful (Orton, 2010).

Debt counselling agencies often help people to increase understanding of existing regulations. For instance, the threat of being cut off from the energy supply when households cannot pay their utility bills any more can be immediate. In the UK, gas and electricity can be disconnected but, since 1999, water companies can no longer disconnect domestic water supply. Overall, except for Austria, Greece, Ireland and Luxembourg, most Member States have measures in place to ensure access to utility services (Reifner et al, 2003). In order to maintain access to these basic services, agencies make consumers aware of these rights. Over-indebted households are sometimes also unaware of benefits they are entitled to. Debt counsellors can help. For example, the Personal Finance and Debt Advice Project in Liverpool in the UK helped 1,500 clients to collectively increase their income by around GBP 850,000 (about €1.02 million as at 7 September 2010) by helping them to claim their benefits and tax credits (CAB, 2009).

As well as providing administrative help in accessing benefits, in raising awareness (and championing enforcement) of regulations and in correctly filling out forms to apply for bankruptcy or debt restructuring arrangements, debt counselling can consist of various other services. Mediation between debtor and creditor is an important element. Mediation with third parties can also help. For example, the special relationship of MABS with Ireland's extensive credit union network, which helps clients to open savings accounts and obtain affordable credit, has been argued to contribute positively in particular to the quality of services provided (Korczak, 2004). Furthermore, debt services often provide psychological support; sometimes indirectly by providing a listening ear and a helping hand, and sometimes with actual psychological help being provided.

Immediate financial support can also be part of the service package. For example, NGOs that are more generally fighting poverty provide small payments to avoid people being cut off from utilities. Over-indebted households have been shown to economise on food in order to pay creditors (Riga Welfare Department, 2009; Dearden et al, 2010). To avoid the deterioration of the quality of life of over-indebted households beyond a basic level, Latvian municipal social services are considering providing these households with food vouchers instead of direct financial relief. On the other hand, financial support aimed at helping households pay their utility bills to ensure reconnection to basic services can in practice be used by households for other things (such as vices). Hungarian public social services are considering making payments direct to utility companies by default instead of the current system of optionally directing them through the household's own accounts.

A principal activity of debt counsellors is to provide over-indebted citizens with a perspective to regain control over their financial situation. This includes realistic plans to settle debts. An example can be found in Finland. Besides municipal money and debt advisers, Finland has a national Guarantee Foundation which offers guarantees for bank loans of private persons in excessive debt. The Foundation provides them with 'restructuring loans', which are used to combine several debts into one. It was set up in 2003 when the introduction of the euro was seen as potentially making people lose control over their finances.

Country experts for a European Commission report (2008) suggest the following key ingredients for a successful non-judicial debt settlement scheme. First, there should be built-in incentives for creditors to participate (including supervision of the debtor, realistic payment plans, lower fees than court ones) and disincentives for them to use judicial procedures (such as costs recovered from the debtor). Secondly, there need to be incentives for debtors to participate, such as:

- time limits on payment plans;
- partial debt write-off (following consideration of whether both lending and borrowing were responsible for the debt);
- advice and support on budgeting to make payment easier and relapse less likely.

Partnerships form an important part of effective service provision. For example, local MABS offices in Ireland are organised and managed by local community-based management committees which typically consist of representatives from the Credit Union, Society of St Vincent de Paul, Community Welfare Service, Department of Social, Community and Family Affairs, Centre for the Unemployed, Citizen's Information Service, local authority and a variety of local community groups. These committees ensure that services respond to the needs of the local community while still being linked into the national structure. Similarly, MABS in Hungary cooperates with local authorities, family support centres, childcare services and the energy sector. Further examples can be found among the numerous good practices identified by a 2006 FES conference and a survey with 39 responding stakeholders (FES, 2007). Such partnerships and recording procedures in advice manuals have further been identified as success factors (Korczak, 2004).

Access and integration

An important aspect of quality debt service provision is accessibility. A first component of access is whether those in need are aware that services exist. People in severe financial need might turn to relatively aggressive creditors, which tend to drive people into stressful situations when collecting payments. When debtors are struggling to find a way out of their debt, this can impact on their health and overall well-being.

Delays in contacting debt counselling services are not uncommon. For example, in-depth interviews among 38 MABS clients revealed that over 85% felt they should have approached the organisation at an earlier stage. Reasons behind such delays can be diverse. In the Irish study, 58% cited lack of awareness of available services and 21% cited fear of being judged (FLAC, 2009). In Finland, around 40% of the population was found to be unaware of the existence of municipal debt counselling services (Veikkola, 2010). Other potential reasons include households' desire to solve problems themselves, debt advice centres lacking the capacity to assist people at an early point, and the debt advisory centre's incentive structure with, for example, reimbursements depending on the number of insolvency registrations it performs (Knobloch, in press).

A second element of accessibility concerns the fact that services have some entitlement requisites. For example, local government services in Hungary require households to have debts above a certain threshold, having gone through at least six months of over-indebtedness and earning less than a certain amount. Over time, these requirements have been adapted. For example, households whose utilities have been cut off also became entitled to help. This was because utilities tend to be cut off after two months of arrears, thus leaving households for four months without utilities before being entitled to assistance.

The medium through which advice is given varies. Face-to-face advice services are generally seen as the most effective, albeit expensive. A cheaper alternative includes telephone counselling. 'Debt lines' were pioneered by the earliest debt counselling service in Europe, the Birmingham Settlement Money Advice Centre set up in the UK in 1971 (Conaty (1986), cited in Huls et al, 1994). Organisations in many countries, such as the Guarantee Foundation in Finland and MABS in Ireland, currently have such debt lines. These phone lines potentially improve access to debt counselling services, with guaranteed anonymity. The same holds true for the many internet services currently available. Several websites have been developed with the facility to calculate reference budgets and obtain online advice. The Guarantee Foundation in Finland, for example, launched online debt services in April 2010. By June, 60 (mostly young) people had registered for the service. In comparison, the Foundation received 22,920 calls to its debt line during 2009 (Veikkola, 2010).

One-door policies can further enhance accessibility. They can also avoid people staying away because of the stigma attached to the specific condition, but in particular make it easier for people to find the assistance they need in a complex web of services. The French 2003–2005 National Action Plan, for example, mentions the regional *commissions de surendettement* (over-indebtedness commissions) guaranteed by the French central bank. These commissions serve as a single-entry point providing personalised solutions for over-indebted households seeking help.

Apart from accessibility, responsiveness and the type of services offered, the extent to which the approach provides a structural solution matters. Just dismissing one's debts through bankruptcy laws does not prevent the problem from arising again. In general, it can be argued that it is crucial for insolvency procedures to provide tools for advice and help during the period following the declaration of insolvency. It has been stressed that debt advice, a supervised rehabilitation period, financial education and social help to find sources of income and to manage household expenditures better need to be equally provided during this period of rehabilitation (Reifner et al, 2003; Gerhardt, 2009; Frade, 2010).

In most EU Member States, debt discharge is conditioned by a partial payment obligation and by a number of requirements concerning the debtor's behaviour. In the United States (US), discharge is conditioned to a lesser extent. Nevertheless, it should be noted that the spectrum is broad in the EU, with the UK coming closest to the US system (Reifner et al, 2003; Gerhardt, 2009; Frade, 2010). Other Member States do not provide the option of a debt discharge. Spain, for example, passed a bankruptcy law (*ley concursal*) in 2003 which provides for debt settlement plans that can result in a reduction of the debt (maximally half of the amount) or an extension of the payment period of maximally five years (Gerhardt, 2009); nevertheless, it does not foresee debt discharge.

Conclusions

Messages for service providers

There are some important messages for service providers. Although over-indebtedness is not a new phenomenon, the landscape has changed in terms of:

- the type of debt;
- countries affected;
- characteristics of over-indebted households and of lenders.

With current levels of poverty, services aimed at the poorest people will have priority. For example, Eurodiaconia's members expect demand for food programmes to increase. The supply side has also changed; for example, the types of loans and the media through which they are marketed such as the internet and SMS (Short Message Service) text communication. Services aimed at preventing over-indebted households from making their situation worse by taking on more debts, or preventing households previously over-indebted from running into trouble again, should adapt to this changing environment.

Secondly, the financial crisis has burdened governments with large public debts. Service delivery may therefore have to rely on privately funded NGO initiatives rather than on government programmes. Because determinants of over-indebtedness are heterogeneous and complementary, the measures identified to combat the phenomenon must be likewise. Service providers are adapting their roles and are exploring sets of measures most appropriate in the context of the financial crisis. Simultaneously, service providers have to compete more fiercely for public funds, search for funds elsewhere, and increase their efficiency and effectiveness.

Until recently the over-indebted consisted mostly of households affected by unemployment for a long time. In the face of the current crisis, the more recently unemployed people became an increasingly prominent group among those in need. For example, among users of German debt advisory services, unemployment or reduced working hours became a more frequently reported trigger of over-indebtedness (Knobloch, in press), with a 5.9% relative rise in the first quarter of 2009 for the first time since 2006, and an increase of 1.9% as the 'main' trigger. In a recent publication on managing social services in the current crisis, the European Social Network (ESN, 2010) notes new clients to be typically lower-middle class families whose wage-earner(s) became unemployed and who have debt problems.

People who have recently become unemployed are consistently – and increasingly – identified as among those most at risk of becoming over-indebted. When an individual is made redundant, it does not only put their household at risk of becoming over-indebted, but potentially sets off a cascade of problems in socially interconnected households. This certainly holds true for countries with weaker welfare states (Frade, 2010) where social ties tend to be a substitute for public support. The risk increases when tensions created by unemployment trigger subsequent risky life events such as divorce. Employers, employees and – often – trade unions are those first aware of when employees are being made redundant (or subject to wage cuts), or when this might happen in the near future. Among others, labour unions and employers are thus in a position to contribute to improved service delivery. The causal relation can also be reversed, with over-indebtedness triggering problems at work. Similarly, in this second case, social partners are in a position to take early notice.

The question arises regarding what employers and trade unions can do to help prevent households from running into escalating problems triggered by their debts. Trade unions can negotiate debt advisory services as part of employees' benefit package and employers can invite debt advisers to participate in information sessions. Furthermore, before being made redundant, employees can be made aware of the existence of potential help offered in the respective Member States. This includes debt advice services and arrangements to negotiate plans for dealing with debts. The social partners can play an important role in early referral and in ensuring mobilisation of social services (Gloukoviezoff, 2006). The social partners can also help people currently unemployed. For example, they can fight financial exclusion at the root by dropping requirements to have a bank account for taking on employment (Šmejkal, 2010). They can also provide active help for employees to open a bank account. As mentioned above, financially included households are generally more likely to stay away from high-cost lenders.

Messages for policymakers

Policymakers need to react as well. After the deregulation of credit markets in the 1980s, western European countries faced rapid increases in consumer debts. While in some countries the area remains largely unregulated, the situation triggered many Member States to establish consumer bankruptcy laws in the early 1990s (Niemi-Kiesiläinen, 1999). The momentum of the current financial crisis can be used to improve policy and to promote social justice. Where services are lacking, they can be established, and where services are present, quality and accessibility can be improved. A similar impetus was provided by the financial stress at the end of the last century.

There have been many 'bottom-up' service initiatives across the EU. Examples include 10 municipalities in the Dutch region of Groningen which jointly set up the Volkskredietbank, and an individual who – inspired by observations abroad – took the initiative to establish the organisation SPES in the Czech region of Olomouc. While geographically diversified service delivery can be beneficial, there is a risk of excessive fragmentation.

Apart from the geographical aspect, there is fragmentation of the types of services delivered. Over-indebtedness is strongly interrelated with several different social indicators. A policy response that focuses narrowly on the debt itself is unlikely to provide a sustainable answer to the problem. Integrated approaches are limited within one or at most two domains – either legal (bankruptcy, criminal), health (mental, physical) or social (housing, unemployment). For example, the Dutch debt clearance procedure (WSNP) aims to help good faith debtors and their creditors. Too many of the applying debtors were argued to have little prospect of benefiting from it due to psychological or other problems. Another concern was that the judicial authorities were becoming overburdened. The solution was sought in restricting access to the WSNP to those debtors who are actually ready for it and to reduce the workload facing the judiciary and the administrators (Korczak, 2006). The risk with such a specialised service is that debtors who do not qualify are merely dismissed. A more integrated system, with potential referral to debt advisory services and when necessary to mental health workers, could provide a solution. Policymakers can steer the situation towards enhanced integration.

There have been a significant number of calls for integration. It is harder to find answers to the question in the literature of how this can be achieved and of what exactly is meant by integration. One way is to use services that are not primarily targeted at over-indebted households to identify, before it is too late, those households that might run into trouble. The fact that over-indebtedness can be the cause, but also the consequence of many other social conditions, is discussed earlier. As these conditions may precede over-indebtedness, referral by other public services could be possible. The fact that over-indebtedness is a potential cause of further trouble in other areas makes timely referral crucial.

Referral by other social services can only occur if certain social services are more frequently used by people who are likely to become over-indebted. Eurobarometer 2009 data allow analysis to determine whether this is the case. The data include a question on the perceived likelihood of falling behind with payments over the next 12 months. Ordinal logit analyses were applied to investigate the determinants of the level of perceived risk of running into different types of arrears (see Annex 2 for detailed results).

Overall, the general image outlined before emerged again from the analysis with the unemployed, poor young people with children, and the elderly in the NMS most at risk. Nevertheless, usage of different social services also materialised as significant predictors. Perceived risk of upcoming consumer credit, rent and utility arrears were all associated with relatively high current (or recent) usage of public employment, social housing and social assistance services by a certain household or people close to them. For utility arrears, this was also true for long-term care. Perceived higher risk of mortgage arrears was only associated with higher current usage of childcare services. While further research is needed to better understand the reasons behind these associations, it is clear that certain social services can potentially be used for early referral and dissemination of preventive information.

Messages for researchers

Besides calling for a more integrated policy approach, a similar argument can be made for research. Instead of a multidisciplinary approach, most studies primarily take an economic or legal point of view. Multidisciplinary approaches are rare. Furthermore, few are focused on social service provision.

Despite the large quantity of research available, it is still unclear how integrated social services work best to prevent excessive debt problems or to manage over-indebtedness. Scanning Member States' policy landscapes for good practice can provide policymakers with ideas. Cross-country analysis can help to analyse which types of integrated social services work best and which do not. Rather than presenting snapshots of good practice, a 'process approach' could be taken to indicate the problems that specific service providers encountered and how they tried to solve them.

Even with high-quality social services, they are pointless if people do not use them. Research can reveal what governs citizen awareness of the services and explains their usage, and how to influence these factors. One area that could be explored is online debt advice, but it was not possible to identify a study that assesses whether it is worth the investment – for example, in terms of how demand for this relatively new form of counselling develops and how effective its various services are.

Most existing original research regarding social services for over-indebtedness draws on examples from debt advisory service users. Such research can answer many useful questions, but it reveals little about those who failed to access debt advisory service providers. Other research based, for example, on enforcement attempt data from credit bureaus suffers from different issues. For instance, the perception of over-indebtedness is narrowed to credit bureaus' relevant aspects and certain information is not disclosed (Knobloch, in press). In addition, these data exclude over-indebted people who successfully avoided the worst (potentially with the help of social services).

A rare example in the area of over-indebtedness of a sampling strategy which circumvents these problems includes the approach adopted by Dearden et al (2010). In their qualitative study on credit and debt in low-income families, they drew their sample of over-indebted households by going from door to door in low-income neighbourhoods. No quantitative studies following a similar approach to this qualitative study are known. In order to obtain a complete picture, it is important to ensure such strategies are represented in the pallet of sampling methods.

Although the general linkage to employment and health care issues is clear, much about the precise causal framework of over-indebtedness remains unknown. Improved understanding of such mechanisms can help design more effective content of service delivery. Statistical assessment based on the data of one country is sometimes presented as a general rule with scant international analysis. While several valuable EU-wide studies exist, in-depth studies often focus on one country only, for example, Germany (Haas, 2006; Knobloch and Reifner, 2010) or the UK (Kempson, 2002; Balmer et al, 2006; Dearden et al, 2010; Orton, 2010). There is a need to add to the EU perspective.

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Annex 1: Explaining arrears, multinomial regression results

	ARR = 1		ARR = 2		ARR = 3	
	Coefficient	Significance	Coefficient	Significance	Coefficient	Significance
Intercept	-0.953***	0.000	-1.914***	0.000	-0.273	0.184
HEL	-0.035	0.634	0.123	0.335	-0.205***	0.004
INC	-0.147***	0.000	-0.062***	0.000	-0.120***	0.000
CHI	0.158***	0.000	0.082	0.100	0.140***	0.000
SNG	0.050	0.667	-0.026	0.898	0.237**	0.031
SNGCHI	0.879***	0.000	1.149***	0.001	0.511**	0.013
MIG	-0.748***	0.003	0.206	0.429	0.405***	0.004
ILL	0.430***	0.000	0.503***	0.000	0.150	0.060
FIFP	-0.588***	0.000	-0.043	0.860	-0.281*	0.050
NMS12	-0.203	0.095	-0.222	0.281	-0.247**	0.031
FIFPNMS	0.374**	0.010	0.055	0.854	0.196	0.201
OWNMOR	-0.642***	0.000	0.301**	0.030	0.186**	0.032
FIFPFEM	0.404	0.070	0.566	0.138	0.411**	0.048
AGE	-0.054	0.385	-0.491***	0.000	-0.357***	0.000
FEM	-0.650***	0.002	-0.549	0.091	-0.533***	0.003
UNEM	0.451***	0.000	0.625***	0.001	0.702***	0.000

Notes:
ARR = 0 (reference category) if household has been in no arrears over the past 12 months, 1 if household has been in utility arrears, 2 if household has been in rent or mortgage arrears, and 3 if household has been in both rent or mortgage, and utility arrears.
HEL = can ask for financial help beyond partner (1) or not, INC = income, CHI = Number of children, SNG = being single (1) or not (0), SNGCHI = SNGxCHI, MIG = migrant (1) or not (0), ILL = chronic illness (1) or not (0), FIFP = being 50 years or older (1) or not (0), NMS12 = NMS (1) or not (0), FIFPNMS = FIFPxNMS12, OWNMOR = own a house with a mortgage (1) or not (0), FIFPFEM = FIFPxFEM, AGE = age, FEM = female (1) or male (0), UNEM = unemployed (1) or not (0).
Coefficients are marked when significant at the 1%***, 5%** or 10%* level. EQLS data: 15,753 observations for which no variable was missing and were thus validly used in the analysis.

Annex 2: Explaining expected arrears, ordinal logit model

		Mortgage		Rent		Utility		Consumer loans	
		Coefficient	Significance	Coefficient	Significance	Coefficient	Significance	Coefficient	Significance
Threshold	1	-1.071***	0.000	-1.515***	0.000	-2.224***	0.000	-2.066***	0.000
	2	0.012	0.931	-0.138	0.298	-0.560***	0.000	-0.803***	0.000
	3	1.543***	0.000	1.604***	0.000	1.581***	0.000	1.006***	0.000
Location	INC	-0.453***	0.000	-0.489***	0.000	-0.681***	0.000	-0.603***	0.000
	CHIU15	0.076***	0.000	0.011	0.563	0.055***	0.002	0.070***	0.000
	SNG	-0.102	0.468	0.356***	0.006	0.400***	0.001	0.075	0.548
	SNGCHIU15	-0.102	0.814	-0.060**	0.040	-0.081***	0.003	-0.011	0.697
	FIF5P	-0.754***	0.000	-0.560***	0.000	-0.708***	0.000	-0.545***	0.000
	NMS12	-0.044	0.333	-0.054	0.219	0.226***	0.000	0.008	0.851
	FIF5PNMS	-0.027	0.756	0.281***	0.000	0.438***	0.000	0.060	0.432
	FIF5PFEM	0.143*	0.052	-0.001	0.991	0.067	0.281	-0.045	0.496
	AGE	-0.071**	0.014	-0.169***	0.000	-0.053**	0.034	-0.146***	0.000
	FEM	-0.116***	0.002	0.028	0.440	-0.042	0.217	-0.044	0.213
	UNEM	-0.001	0.993	0.228***	0.000	0.331***	0.000	0.213***	0.000
	USELTC	0.104*	0.072	0.045	0.404	0.121**	0.015	0.059	0.256
	USSECHC	0.130**	0.012	-0.003	0.960	-0.061	0.197	-0.017	0.728
	USEPEM	0.094*	0.073	0.174***	0.000	0.216***	0.000	0.163***	0.001
	USESHO	0.055	0.414	0.174***	0.000	0.265***	0.000	0.146**	0.013
	USESAS	0.009	0.861	0.151***	0.002	0.358***	0.000	0.261***	0.000
	INT	-0.276***	0.000	-0.385***	0.000	-0.584***	0.000	-0.488***	0.000

Notes:
Dependent variable: looking at the next 12 months, would you say there is a high risk (1), some risk (2), not much of a risk (3) or no risk at all (4) of falling behind with 'paying your rent on time' / 'paying your mortgage on time' / 'repaying consumer loans' / 'paying utility bills on time'?
INC = income, CHIU15 = number of children under 15 years old, SNG = being single (1) or not (0), SNGCHIU15 = SNGxCHIU15, FIF5P = being 55 years or older (1) or not (0), NMS12 = NMS (1) or not (0), FIF5PNMS = FIF5PxNMS12, FIF5PFEM = FIF5PxFEM, AGE = age, FEM = female (1) or male (0), UNEM = unemployed (1) or not (0). USELTC, USECHC, USEPEM, USESHO, USESAS: has used in the past 12 months or is currently using (or someone close to the respondent) respectively long-term care services, childcare services, public employment, social housing or social assistance services (1), or not (0). INT = internet user (1) or not (0).
Coefficients are marked when significant at the 1%***, 5%** or 10%* level. Eurobarometer 72.1 wave (including Special Eurobarometer 321 on Poverty and Social Exclusion), n = 26,719 with varying numbers of missing observations among the four models.

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