

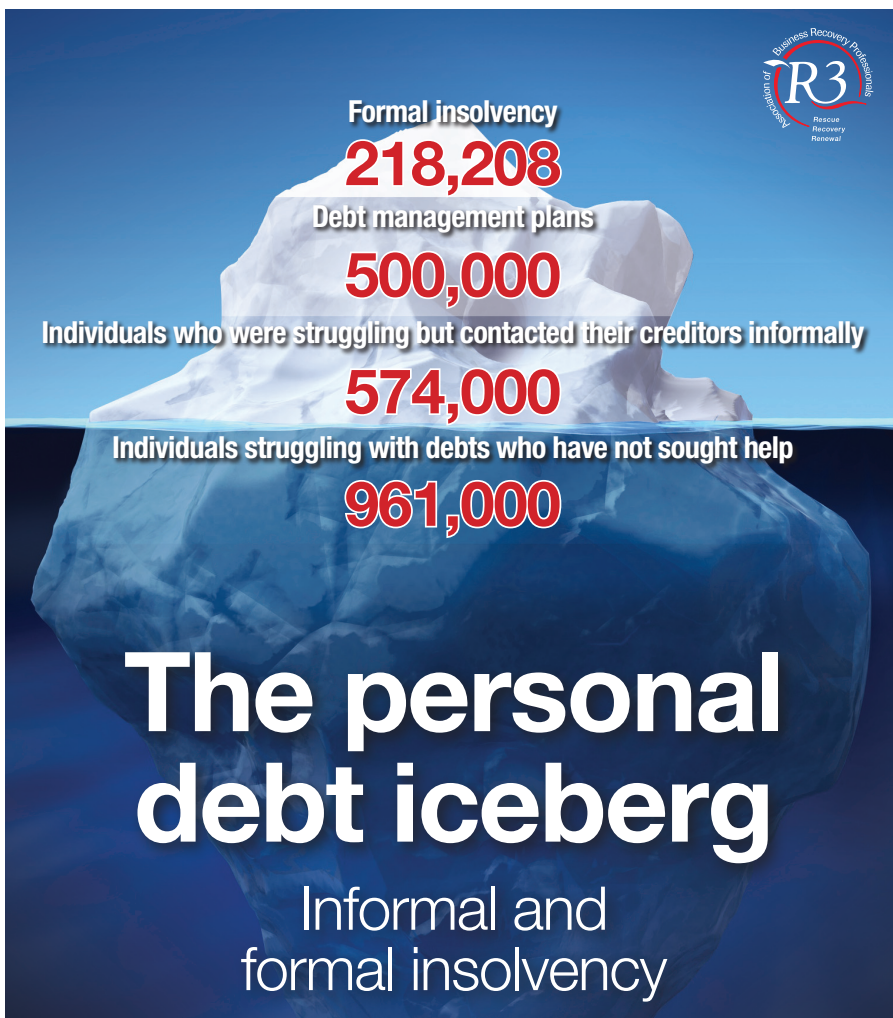
Struggling with debts without help



Personal insolvency has risen dramatically in recent years, with over 150,000 new personal insolvencies last year in the UK – a dramatic increase from just under 30,000 a year at the start of the decade. But while official statistics tell us the number of people in formal insolvency, it is clear that these figures are just the tip of a very worrying personal debt ‘iceberg’.

Industry estimates suggest that anywhere between 300-700,000 people are currently in a Debt Management Plan and R3’s independent research shows that there are also around 574,000 people who have contacted their creditors for help as a result of struggling with their debts. A further 961,000 say they are struggling with their debts but not seeking help.

Insolvency trade body R3’s independent research explores the views and experiences of individuals at the very bottom of the personal debt ‘iceberg’ – those who are struggling without help. Our research seeks to understand what the barriers to finding help are, how they are dealing with their debts on a day to day basis and how aware they are of the options available to tackle their financial distress.



Executive summary

- The biggest barriers to seeking advice are the view that the problem does not yet warrant action, a lack of knowledge of where to go for help or advice, and a mistaken belief that debt advice comes at a cost.
- Traditional fears also appear to continue to play a role – fears of perception or gossip, fears of being made bankrupt, fears about the knock-on effect for family, and a fear of letting anyone “in” in order to help.
- Asked why they have not yet sought help, younger respondents are more likely than older respondents to say ‘it’s easier not thinking about it’, ‘I don’t know where to go for help’ and ‘I’m worried what people will think’.
- Almost half of those struggling with their debts think you have to pay for debt advice (44%). Male respondents are more likely to think this is the case than female respondents (48% compared to 39%).
- More than one in ten individuals struggling with their debts have considered contacting a doorstep lender (13%), while 7% have actually done so.
- Around a third of individuals struggling with their debts (30%) have not spoken to their family or partner about their financial problems, almost one in four (23%) say they are trying to avoid contact with the people they owe money to and a fifth (19%) say they do not open their bills because they cannot face them.
- Younger respondents tend to be more likely than older respondents not to open their bills and to try to avoid contact with their creditors.
- Individuals who are struggling with their debts are far more aware of bankruptcy than any other debt solution available.

Section 1: Barriers to seeking help

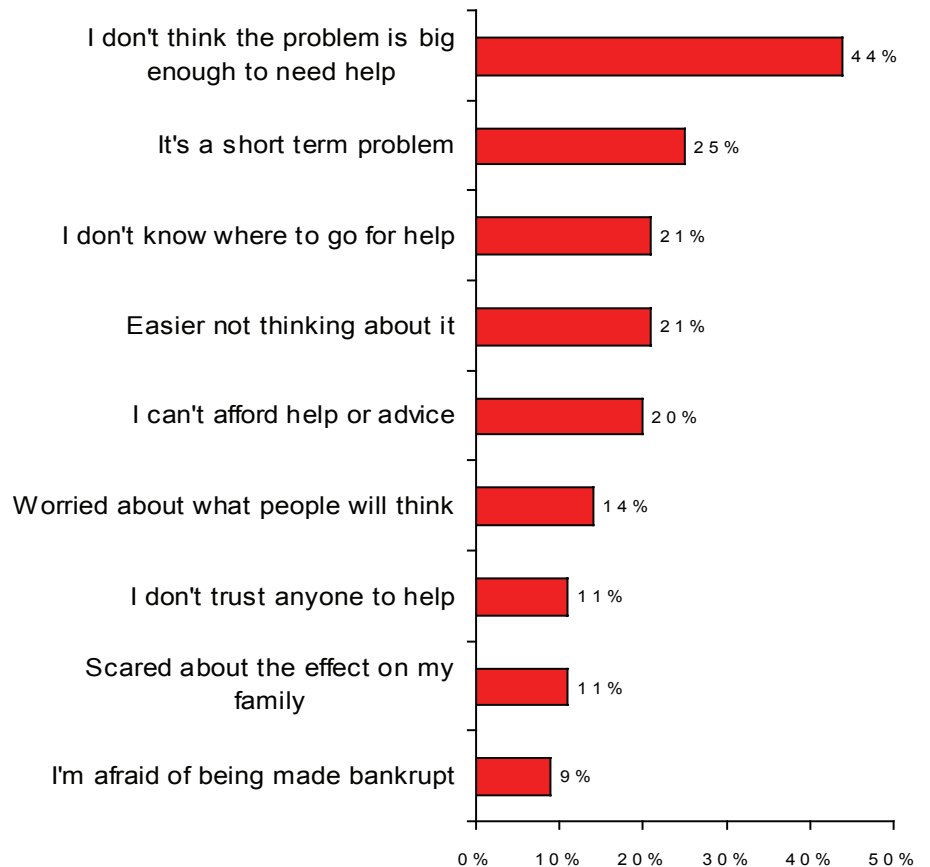
Asked why they haven't yet contacted anyone for help, the top reasons given by individuals struggling with their debts are that the problem is not big enough to require help (44%), followed by the feeling that the financial situation is just a temporary blip (25%).

Around one in five say that they have not sought help because it is simply easier not to think about the problem (21%), that they don't know where to go for help (21%) and that they can't afford help or advice (20%).

More than one in ten individuals who struggle with their debts admit to being deterred by what people will think (14%) and wary of the effect seeking help might have on their family (11%). 11% say they do not trust anyone to help them and 9% are scared of going bankrupt.

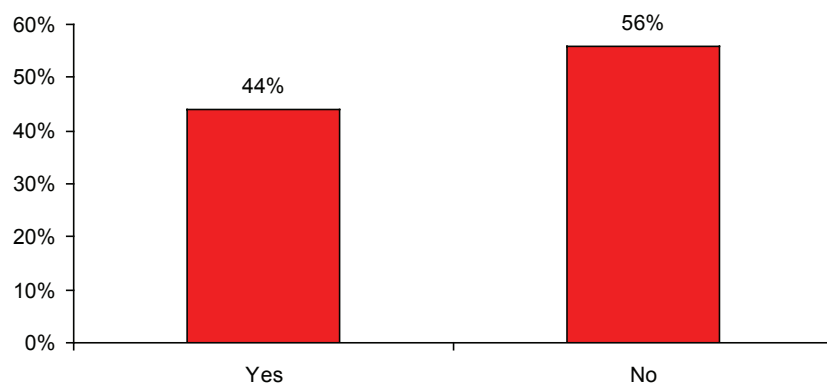
The results suggest that individuals struggling with their debts still hold the view that financial problems have to be severe to warrant advice. While it may be the case that these problems are resolved without advice, there is a risk that difficulties can quickly snowball out of control. There may be an element of "burying your head in the sand", perhaps connected to the relatively prevalent feeling that it is easier not to face up to the situation.

A lack of information, such as not knowing where to go for help and mistakenly believing that there is a cost incurred in receiving advice, is clearly still a significant factor deterring struggling individuals from seeking help. Traditional fears also appear to continue to play a role – fears of perception or gossip, fears of being made bankrupt, fears about the knock-on effect for family, and a fear of letting anyone "in" in order to help.



Section 2: A common myth – debt advice comes with a price tag

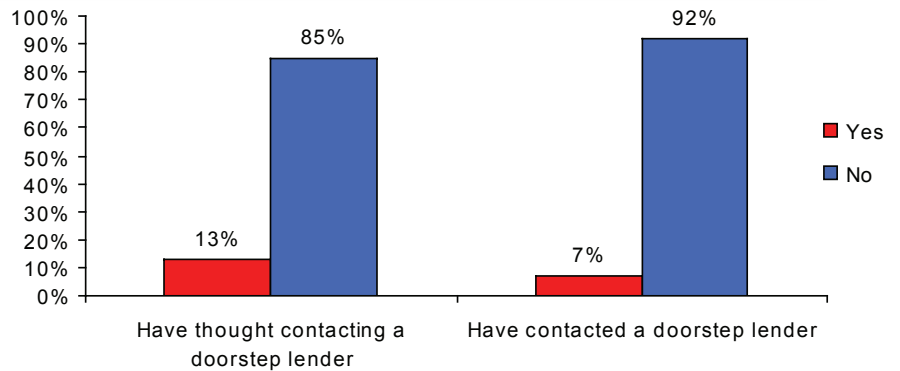
Asked whether or not you have to pay for debt advice, almost half of those struggling with debts think debt advice must be paid for (44%). Although this figure is worryingly high, only 20% identified 'cost' in the previous question as a key reason for not seeking help.



Section 3: Loan sharks – desperate times, desperate measures

More than one in ten individuals struggling with their debts have considered contacting a doorstep lender (13%), while 7% have actually done so.

There are an estimated 961,000 individuals in Great Britain who are struggling with their debts without help. Using these figures, we can extrapolate the data to infer that as many as 67,000 individuals may have contacted a loan shark or doorstep lender as they try to deal with their financial woes.

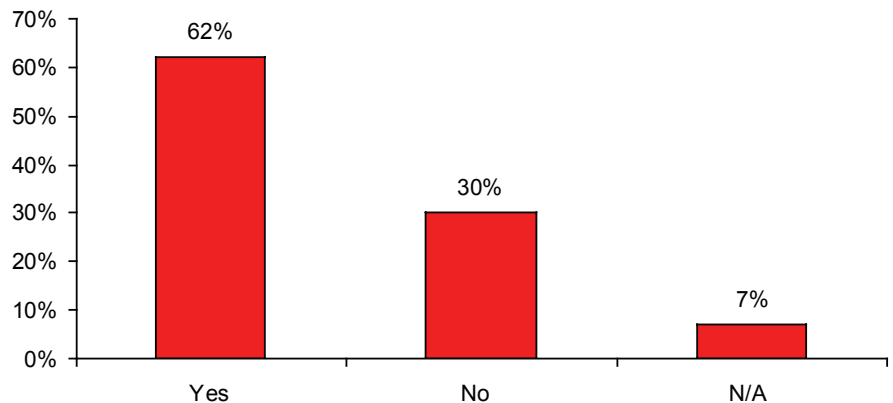


Section 4: Keeping the problem under wraps

A significant minority of individuals struggling with their debts have not told their partner or family about their financial situation, are not opening their bills because they cannot face them, or are trying to avoid contact with their creditors. Again this indicates that too many individuals struggling with their debts are not facing up to their financial difficulties; but by ignoring them, their problems are likely to worsen.

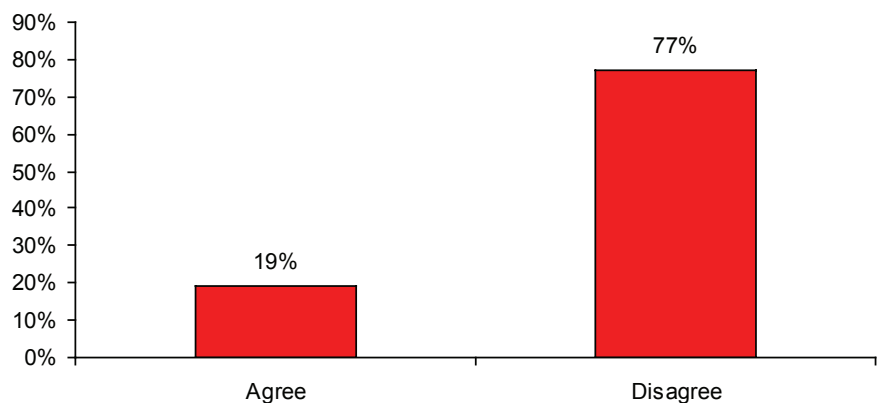
Have you spoken to your family about your debts?

Around a third of individuals struggling with their debts (30%) have not spoken to their family or partner about their financial problems, while around 62% have.



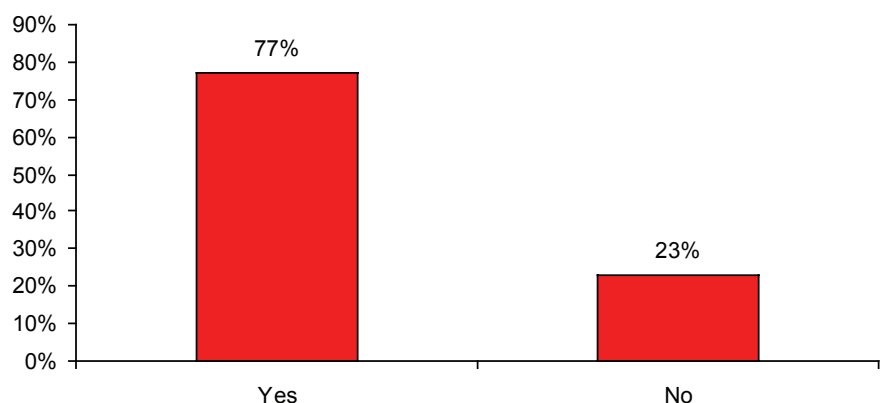
'I do not open my bills because I cannot face them'

Around a fifth (19%) of individuals struggling with their debts say they do not open their bills because they cannot face them; while 77% say this does not apply to them.



Are you trying to avoid contact with the people you owe money to?

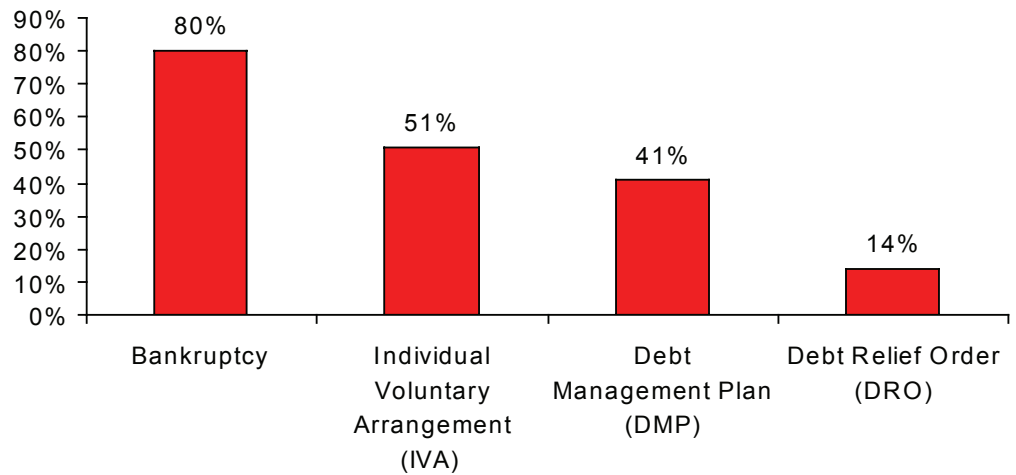
Almost one in four individuals struggling with their debts (23%) say they are trying to avoid contact with the people they owe money to.



Section 5: Awareness of options ‘out there’

Asked ‘have you heard of any of these’, individuals who are struggling with their debts are far more aware of bankruptcy than any other solution available (80% are aware of bankruptcy). It may be due to the impression that bankruptcy is the main option available to struggling debtors that many do not feel the problem is big enough to warrant help – they are not as aware of the raft of other options available, which are predominantly suited to those with less debt, but still in need of help to get back on the financial straight and narrow.

Around half are aware of IVAs (51%) and DMPs (41%). A small proportion (14%) have heard of DROs, which is perhaps unsurprising as the eligibility criteria are fairly strict and they are a relatively new procedure (introduced in April 2009).



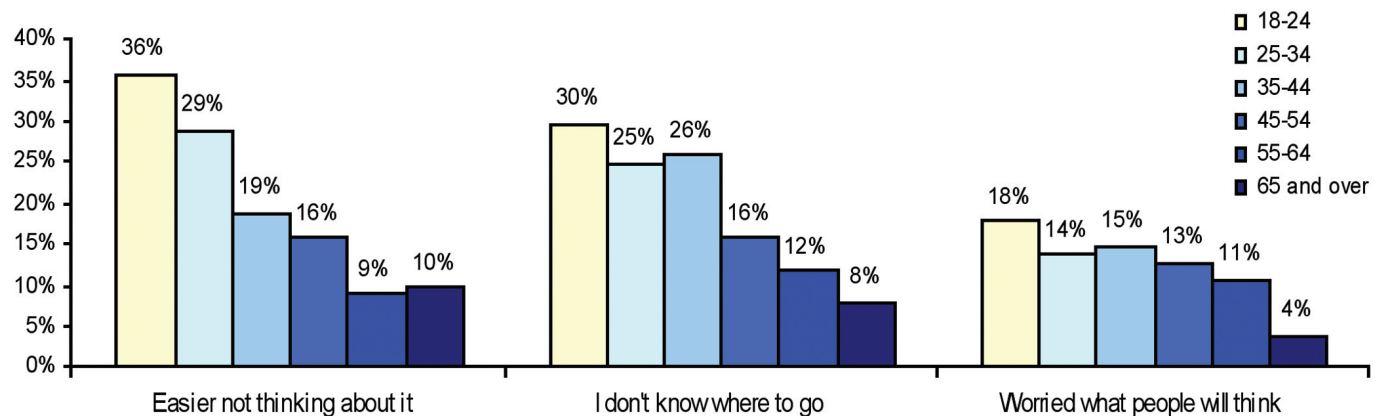
Section 6: How do demographics come in to play?

In the responses to many questions, responses do not differ considerably by age, gender or level of education. However, there are some questions in which age and gender appear to affect responses – these are highlighted below.

Please note that the sample is not nationally representative or weighted to reflect the demographic make-up of the population, so the results are indicative rather than definitive.

6.1 Why haven't you contacted anyone for help yet?

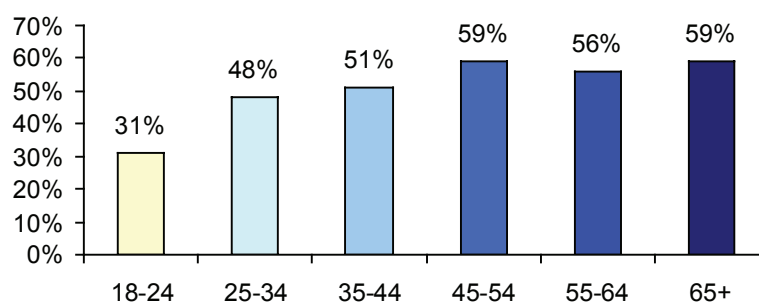
Younger respondents tend to be more likely than older respondents to say ‘it’s easier not thinking about it’, ‘I don’t know where to go for help’ and ‘I’m worried what people will think’.



6.2 Have you heard of any of these?

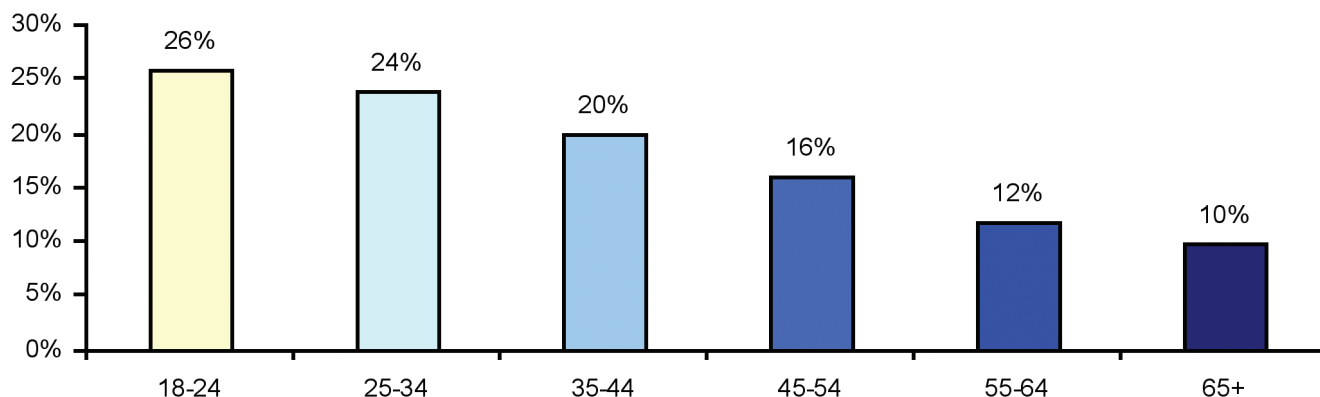
Awareness of the options available is fairly similar across the age ranges, but a particular trend appears in awareness of IVAs, with younger respondents less likely to have heard of them than older respondents.

Individual Voluntary Arrangement (IVA)



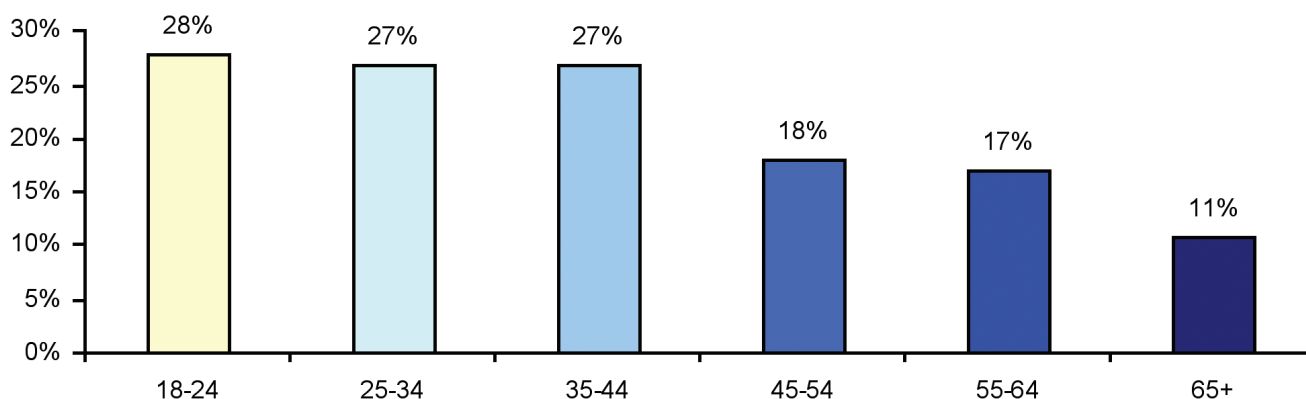
6.3 I do not open my bills because I cannot face them

The graph below shows the percentage of respondents in each age group who say they do not open their bills because they cannot face them. There is a clear trend whereby younger respondents are much more likely than older respondents to say they do not open their bills because they cannot face them.



6.4 Are you trying to avoid contact with the people you owe money to?

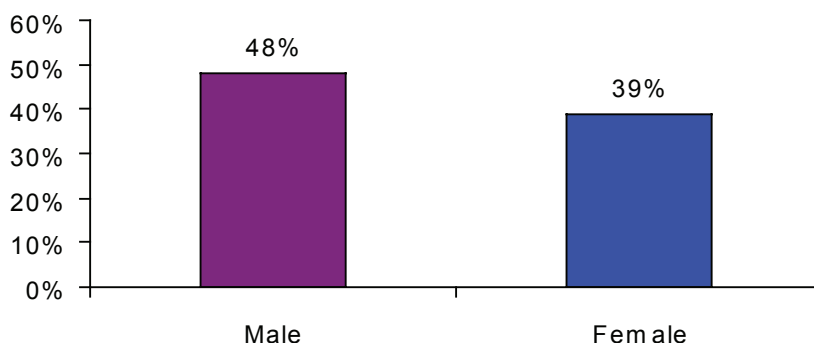
The graph below shows the percentage of respondents in each age group who say they are trying to avoid contact with the people they owe money to. Again, younger respondents are much more likely than older respondents to say this applies to them.



It may be that young people have grown up in a 'culture of debt', with credit freely available. Figures like this highlight the importance of educating young people about the dangers of exposing themselves to too much debt, and about the avenues of help available if they do find themselves in this situation.

6.5 Do you think you have to pay for debt advice or not?

The graph opposite shows the percentage of respondents of each gender who believe you have to pay for debt advice. 48% of male respondents believe you have to pay for debt advice, compared to 39% of female respondents.



Methodology note

Commissioned by R3, research agency ComRes surveyed 1,961 members of the public who describe themselves as struggling with debt by online questionnaire, between 17th of December 2009 and 7th January 2010. The sample is split into five sections, one of which is the 1,193 individuals who are struggling with their debts, but haven't contacted anyone for help.

As part of the same research project, ComRes established estimates for the numbers of individuals who have contacted their creditors themselves for extra time to pay their bills and the numbers of individuals who say they are struggling with their debts without yet seeking help. To do this, ComRes conducted an online profiling exercise surveying 64,416 members of the public about their personal financial situations online between 6 November and 2 December 2009.

About R3

R3 is the insolvency trade body, representing 97% of all licensed Insolvency Practitioners. Insolvency Practitioners work on rescue and preventing insolvency, as well as formal insolvency procedures.