

The Role and Experience of MABS in Money Advice

MABS Presentation to The Law Reform's Commission's Annual Conference 2009

Reforming the Law on Personal Debt
Wednesday 18 November 2009

Dublin Castle

A Time of Opportunity

“I used to believe reform was easier when you had more money to oil the wheels. But a period of relative austerity may actually encourage a further development of reforms rather than a rolling back”.

Julian Le Grand

Origins of MABS

- Moneylending trap for low income families
- Lough Credit Union – Brendan Roche – It's first Credit Controller in 1985
- Set up the Lough Scheme – a separate budget account – began to negotiate with moneylenders/utilities - savings as part of budget
- Report on 'Money-lending and Low Income Families' CPA 1988
- Government response - Revolving Loan Fund 1989 set up – 50% to debts – 50% to Guarantee loans – SVP and Credit Unions

Origins of MABS contd.

- 5 Pilot MABS Projects set up by the Department of Social Welfare in 1992 - reflecting the Lough Scheme and RLF
- Independently evaluated in 1995
- Decision to roll-out service nationwide
- Successive independent evaluations proved the efficacy of the model
- MABS chosen for Peer Review in EU in 2004

MABS Role in Money Advice

MABS

The Money Advice and Budgeting Service (MABS) is:

- the **only free, independent, confidential** and **non-judgmental** service, providing one-to-one advice to people having difficulty managing their money, are in debt or are in danger of being in debt.
- 1992 to 2009 - Funded by the Department of Social and Family Affairs
- 2009 - Funded and supported by the Citizens Information Board

MABS Role in Money Advice

MISSION STATEMENT

To work towards the elimination of over-indebtedness through the provision of a free, confidential, independent community and rights based Money Advice and Budgeting Service, which identifies, supports, educates and empowers those experiencing or at risk of over-indebtedness, especially those on low income and to use the knowledge and experience gained to bring about policy change towards this end

Role of MABS in Money Advice

Objectives

1. The provision of Money Advice to people in debt or in danger of getting into debt
2. Empower them by providing knowledge and skills
3. Promote change in policy and practice

MABS Role in Money Advice

1. Provision of Money Advice

MABS Local

- Over 60 offices nationwide + local outreach
- All main stakeholder agencies involved locally – Social & Family Affairs, CIC, CU, SVP etc.
- 250 trained & experienced staff
- Focus on all personal debt types and staff have access to technical, legal & social welfare expertise where required
- New Clients - 17,204 in the first 9 months of 2009
- Negotiated with multiple creditors on behalf of 12,736 clients (34,658 agreements)
- Operates the Special Account Scheme (7650 clients) and a Loan Guarantee Fund
- EFT Payments to creditor accounts to date in 2009 – 88,000 to 1,381 creditors

MABS Role in Money Advice

MABS Helpline -1890 283 438 - Monday to Friday, 9am to 8pm

- 23,000 calls in 2009 to-date
- Provides information, advice
- Provides a call back service
- **MABS Website** – www.mabs.ie
- Provides a structure for dealing with debt
- Provides tools: i.e. budget sheets, sample letters, and information on dealing with debt etc.

MABS Role in Money Advice Face to Face - the process

1. RESEARCH SITUATION

- Listening & counselling skills used to establish situation and build relationships
- Service is explained
- Client is supported to;
- Obtain financial information & take holding action

2. ASSESS SITUATION

- Level of support is assessed
- Client is supported to;
- Maximise income
- Check liability & enforceability
- Set priorities
- Deal with emergencies
- Prepare budget

3. DECIDE ON A PLAN

- Client is supported to;
- Draw up a financial statement
- Decide offers to priority and other creditors
- Appropriate referrals are made

6. REVIEW/CLOSE

- Periodical review
- Update creditors
- Support Client
- Close case

5. MONITOR PROGRESS

- Client is supported to;
- Respond to replies or follow up replies as appropriate

4. IMPLEMENT PLAN

- Client is supported to;
- Make proposals to creditors
- Negotiate debts & to set up a repayment system
- MABS special account system available where appropriate

MABS Role in Money Advice

2. Empower by providing knowledge and skills

MABS Published Material

- **Lets Talk Money-** *Educational Resource*
- **Money Management and Dealing with Debt** – *For Capacity Clients*
- **Cents and Cents-Ability** – *Educational Resource for Money Advisers – modules delivered locally based on learner groups' needs.*
- **Leaflets on money management topics** – *redundancy, mortgage debt, credit card debt, budgeting for special occasions etc.*

With the Financial Regulator

- **Get Smart with your Money** – *For transition year students (7,000 to date)*

With the VEC's

- **Eurowatchers** – *Household Management for Adults (4,000 to date)*

Other work in development

- Money management programme for early school leavers
- Money management for adults with a learning difficulty and for information givers dealing with the target group

MABS Role in Money Advice

3. Effecting Change

Submissions:

- 1993 Submission re. the Consumer Credit Act
- 1999 Department of Justice and Law Reform on the legal process
- 2007 Law Reform Commission – Reform of the Consumer Credit Act 1995 and other issues
- 2008 Law Reform Commission – Alternative Dispute Resolution
- 2008 Financial Regulator - Debt Collection and commercial Debt Advice Regulation

Initiatives with the Credit Industry:

- 1995 **Special Account** and **Loan Guarantee Scheme** with the Credit Unions
- 2002 **Alternative Debt Settlement** Pilot incorporating principles of Full Disclosure, Fresh Start, Protection of the Family Home
- 2009 **IBF/ MABS Operational Protocol** – A partnership approach to agreeing out-of-court, affordable and sustainable repayment plans

Ongoing liaison on a one-to-one basis with all major creditors and with relevant Govt Depts & Agencies & community & voluntary sector organisations

Experience of MABS in Money Advice

Debt Types – Count (Services) to Q3 2009	Debt Triggers (Helpline) to Q3 2009
Personal loans	Income reduction
Utilities	Utility arrears
Credit cards	Personal Loan
Mortgage	Mortgage
HP agreement	Credit card
Money lender	HP agreement

Multiple & increasingly complex debts

Experience of MABS in Money Advise

Effects of Over-indebtedness

- Severe debt problems can often lead to increased stress and anxiety levels – evidenced in MABS client base.
- **Citizens Advice Bureau (UK)** - 900 over-indebted clients - 62% mentioned suffering from stress, anxiety, depression

“Unmanageable debt can have devastating consequences. CAB experience is that it can happen irrespective of the amount owed. Depression, ill health, relationship breakdown, arguments within the family, doing without essentials including food, and facing homelessness can all result from a debt problem” (Edwards 2003.5)

Women, Debt and Health – WHC/MABS Study (2006)

- **81%** of women mentioned their mental/emotional health during their consultation with MABS money advisers - most commonly mentioning stress, depression and anxiety
- **40%** mentioned physical health problem – general aches and pains, extreme tiredness and respiratory problems
- **27%** said it also affected the health of their family members

Experience of MABS In Money Advice

Psychological Effects of Debt

- Blame (self/ others)
- Conflict (partners)
- Constant tension and worry
- Denial
- Fear (of prison)
- Feeling helpless
- Frustration
- Guilt
- Hopelessness
- Isolation
- Loneliness
- Anxiety
- No end in sight
- No social life
- No-one to share anxieties with
- Pessimism
- Sense of going mad
- Shame
- Vulnerability
- Sleeplessness
- Stigma (neighbours)
- Stress and depression
- Suicidal tendencies

Experience of MABS in Money Advice

Physical Effects of Debt

- Agoraphobia
- Blood disorders
- Breakdowns
- Consumption of Pills
- Development of illness
- Eczema
- Increased drinking
- Medication
- Migraine
- Nervous disorders
- Periods in hospital
- Weight loss

Experience of MABS in Money Advice

- Holistic, out-of-court approach works - both for the client and creditor
- The present legal process for dealing with consumer debt is inappropriate for many clients
- The legal process is harsh and costly on those who cannot pay through no fault of their own
- Over the last decade there has been considerable irresponsible lending as well as irresponsible borrowing

Experience of MABS in Money Advise

- The problem of over-indebtedness is viewed from different perspectives by the creditors / their legal advisers and by money advisers
- The importance of distinguishing those who cannot pay from those who won't pay
- Problems that debtors face are often complex and usually, not only financial & legal, but are also often of a psycho-social nature
- Serious effects of over-indebtedness – has serious economic, societal, familial, psychological, and physical health effects

Experience of MABS In Money Advice

MABS View

- It is our view that the creditor/ legal perspective and the money advisers' perspective need to be brought together and that an out-of-court alternative process that addresses the over-indebted person's situation in a holistic fashion is the way to achieve it.
- Debt issues should be dealt with outside the courts as much as possible
 - while the legal process should support, facilitate and strengthen voluntary negotiated debt settlements.

The Way Forward

- The Report on '**Consumer' Over-indebtedness and Consumer Law in the European Union' (2003)** pointed out that it is now essential to shift from an individual creditor approach to a collective approach since a consumer in financial difficulty rarely has but one creditor.
- The Law Reform Commission's Consultation Paper is therefore very welcome and timely



log on

www.mabs.ie



phone

Helpline: 1890 283 438



drop in

We have offices nationwide.
Our website and helpline will
direct you to your local office.
