Step Change Debt Charity

Measuring Client Outcomes

An overview of StepChange Debt Charity's client outcomes measurement pilot project

February 2019

Introduction

Since 2017, StepChange Debt Charity has been piloting regular measurements of the outcomes experienced by our clients. As a debt advice charity, we define a 'client outcome' as the changes, or lack of changes, in a client's situation after receiving debt advice. This includes their financial situation as well as other aspects of their life such as overall wellbeing.

We decided to undertake a pilot project to measure client outcomes for a number of reasons:

- The outcomes of our advice provide a measure of **the value of our service** and **why debt advice matters**. A better evidence base about the benefits of our service to clients, creditors and society more generally will help us make the case for the resources we need to deliver these outcomes.
- Client outcome measures help us **understand how our existing solutions and services are working** and inform decisions about how we can improve what we do now, or develop new solutions and services to meet the needs of different groups of our clients.
- Client outcome measures can shed light on the **policies, practices and products of other organisations** (firms, public bodies, regulators, government) and the changes needed to better meet our clients' needs.
- Outcome measures help us **campaign for change** by providing an evidence base of the issues that clients have at different points of their journey through problem debt.

What we found

- This pilot project shows that there are broadly different outcomes for different client groups, particularly at three months after debt advice.
- Clients with positive budgets and no vulnerability tend to have better outcomes across progress with debts, improved wellbeing and financial stability than other client groups.
- Clients with positive budgets and additional vulnerabilities to their financial difficulty have good outcomes in certain areas, for example they are the most likely group to have their debt problem completely sorted at three months.
- However, clients with negative budgets tend to have worse outcomes in terms of wellbeing and progress with sorting their problems. And in many measures, the situations of clients with negative budgets and additional vulnerabilities are even worse. For these clients, recovery from debt is often a marathon, not a sprint.
- There are issues which arise from this that we as the debt advice provider can explore. However the results of this pilot also raise questions for public policy and creditors in order to improve situations for those recovering from problem debt.
- This includes ensuring clearer and effectively funded pathways to earlier intervention for clients who would benefit from this, as well as better support and more positive action for clients whose recovery from problem debt will be a long haul.

Theory of change and outcomes measures

In order to effectively understand the different outcomes of clients, we developed an outline 'Theory of Change' that sets out an idealised expectation of our clients' progress from debt crisis to stability and then onwards towards financial health and improved wellbeing. From this, we built a number of outcome measures and questionnaires to measure our clients' progress at three, nine and 15 months after their first debt advice session. It is worth noting that although we have high expectations, we do not necessarily expect all clients to achieve these. Rather, they are a benchmark for where we would hope our clients to be at each point after debt advice.

Client groups

Using cluster analysis data techniques, we have grouped our clients into four illustrative groups which present relative differences in their results in the three month survey. Looking across a number of different items of demographic and budget characteristics, we ultimately found that client budget and vulnerability, such as mental or physical health problems, were factors which presented the most substantial differences in outcomes at three months after debt advice.

Positive or balanced budget and not vulnerable

This group includes clients who have a monthly income which exceeds their monthly expenditure (a 'positive budget'), or where their income and expenditure are completely balanced.

Clients in this group:

- Account for 59% of clients who answered the first three month outcomes survey
- Have no additional vulnerability, such as a mental or physical health problem, on top of their existing financial difficulties
- Are most likely to have fallen into problem debt due to issues triggered by changes in household income
- On average, have more debts than any other group
- At debt advice, they were most likely to have been recommended a Debt Management Plan, Debt Arrangement Scheme (Scotland only) or an Individual Voluntary Arrangement (IVA)
- At three months after their first debt advice session, clients in this group are most likely to report good progress with sorting their debts, and higher life satisfaction scores

Negative budget and not vulnerable

Clients in this group report no additional vulnerability alongside their financial difficulties. However, they have a monthly expenditure which exceeds their income (a 'negative budget').

Clients in this group:

- Account for 27% of clients who answered the first three month outcomes survey
- Are most likely to have on average 1-2 debts
- Required debt advice because of family or income issues
- Likely to be renting their home
- As the data will show, they are likely to report little or no progress with sorting their debts
- Likely to be making ends meet at least some months
- However also likely to have fallen behind or further behind with arrears

Positive or balanced budget and vulnerable

All clients who fall into this group have a monthly income which exceeds their expenditure (a ‘positive budget’), however, they also have an additional vulnerability to their financial issues. These additional vulnerabilites include mental or physical health problems, learning difficulties, or difficulties with vision or hearing.

Clients in this group:

- Account for 8% of clients who answered the first three month outcomes survey
- Have, on average, 3-5 debts
- At debt advice, they were most likely to have been recommended Bankruptcy, a Debt Relief Order, IVA or a Token Payment Plan
- They are the most likely group to say that their debt problems were completely sorted out at three months after advice

Negative budget and vulnerable

These clients all have a budget whereby their monthly expenditure exceeds their monthly income (‘a negative budget’). They also all have an additional vulnerability on top of their financial difficulties.

Clients in this group:

- Account for 6% of clients who answered the first three month outcomes survey
- They are likely to have more than 3 debts
- They are likely to struggle to keep up with essentials
- They are likely to report progress, however they often struggle to make ends meet

Subjective wellbeing

A key advice outcome for StepChange is the self-reported wellbeing of our clients. Studies by StepChange and other organisations show many examples of the harmful impact of debt problems on poor wellbeing and issues such as stress, which can subsequently cause harm on other areas of a person's life, such as their relationships. Therefore we felt it necessary to assess the impact of receiving debt advice in aspects of our clients' lives aside from their financial situation.

After debt advice

Three months after debt advice, we found that:

- More than half (56%) said they felt able to deal with day to day life better than before

- Two thirds (67%) of clients said they worried less about their debts than they did before receiving advice from the Charity

- Four in five (80%) of clients who said they were "feeling more confident when dealing with creditors" compared to before advice, also said they were feeling better at dealing with day to day life

- Half (51%) of clients said they sleep better compared to before contacting the Charity for debt advice

- Clients with no vulnerability and a positive budget do particularly well in terms of subjective wellbeing, with 60% saying they are able to deal with day to day life better than before

- However, just 28% of clients with a vulnerability and a negative budget said they are dealing better with day to day life compared to before they sought debt advice

Our findings at three months present the overall positive benefit of debt advice on the wellbeing of our clients, however more work is needed to ensure everyone seeking debt advice experiences a significant increase in their wellbeing.

Our evidence also supports the notion that better overall wellbeing often means clients are better equipped to make more informed financial decisions, with four in five clients saying they feel more confident in dealing with creditors at three months compared to before advice also saying that they feel better at dealing with day to day life.

ONS wellbeing measures

In the three, nine and 15 month surveys, we also used the Office for National Statistics (ONS) personal wellbeing indicators[1] as another way of comparing the wellbeing of our clients over time, and against national averages and other studies. We found that almost across the board, clients report lower wellbeing scores compared with the wider UK adult population.

The ONS measurements ask:

Overall how satisfied are you with life nowadays?

At three months, our clients reported an average score of 5.9 out of 10. This is lower than the mean national score of 7.7.

Overall, to what extent do you think the things you do in your life are worthwhile?

At three months our clients reported an average score of 6.5 out of 10. This is also lower than the average mean score of 7.9.

Overall, how happy did you feel yesterday?

At three months, our clients reported an average score of 5.8, which is lower than the national average of 7.5.

Overall, how anxious did you feel yesterday?

The mean average for our clients at three months after debt advice was 4.9 out of 10 (where 10 equates to the highest levels of anxiety). Our clients report higher scores than the national average of 2.9.

[1] www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/datasets/headlineestimatesofpersonalwellbeing, Office for National Statistics, 2018

Although our clients tend to report lower scores than national averages, there is a correlation between better wellbeing and better progress in resolving their debt situation.

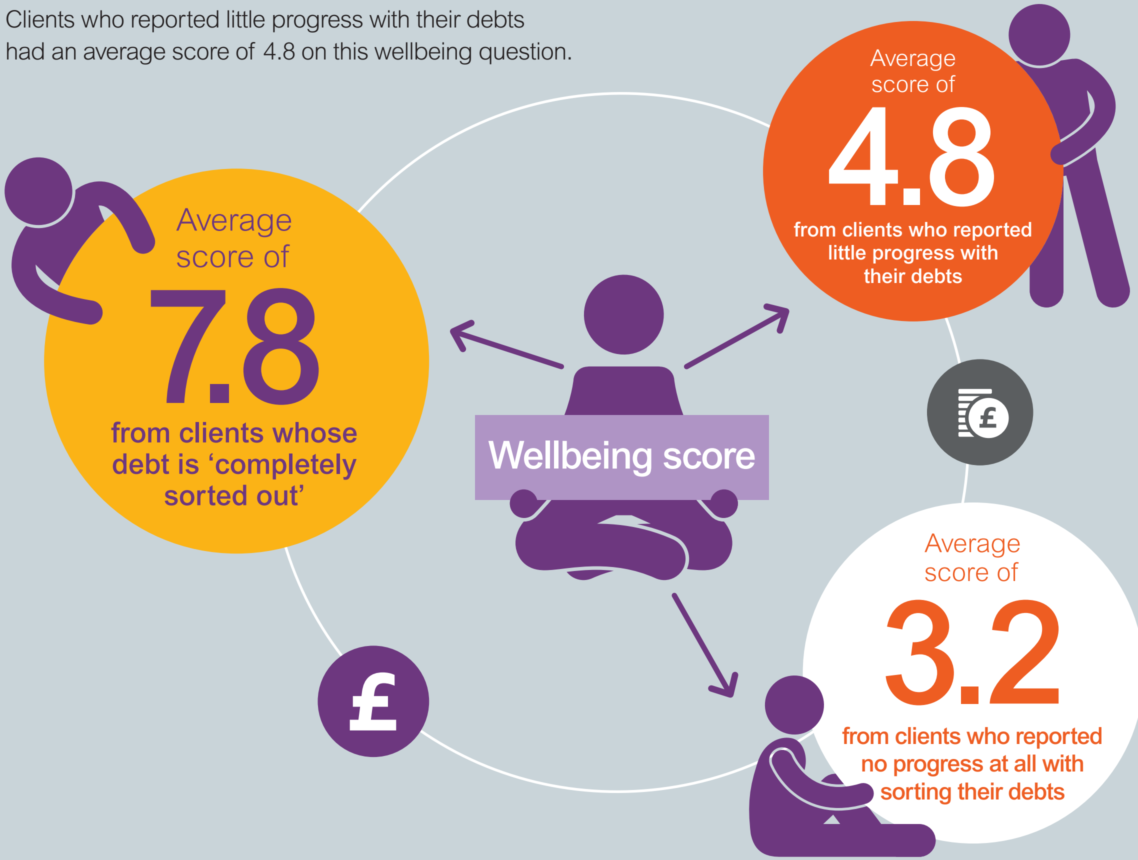
For example, at three months we found that:

In terms of progress with debts, clients who said that their debt problem was "completely sorted out" scored an average score of 7.8 when asked "how satisfied they are with their life nowadays". This is almost in line with levels recorded at the national average.

Clients who reported little progress with their debts had an average score of 4.8 on this wellbeing question.

Those who reported no progress at all with sorting their debts had a wellbeing score of just 3.2.

This again reiterates the harm that being in problem debt has on wider aspects of a client's life.



Progress with sorting out debts

We also looked at how clients are progressing with recovering from their debt problems and improving their financial situation.

At three months we found that:

- Three in five clients (60%) said that their overall financial situation was better than before seeking advice.
- 8% said their overall financial situation had become worse.
- Around one third (32%) said their financial situation was much the same.
- More than one in ten (12%) said that their debt problem was now completely sorted, and 63% said they had made a lot of progress or some progress.
- 17% said they had made little progress.
- Only 9% of clients said they had made no progress in sorting their debt problems.

60% said their overall financial situation was better than before seeking advice

Only **9%** said they had made no progress in sorting their debt problems

Client groups

Three months after debt advice, our data suggests that clients with an additional vulnerability and a positive budget are doing better than any other group in terms of progress with debts.

For example:

Clients with an additional vulnerability and a positive budget are the most likely to report that their debt is completely sorted out with 28% of this group saying this.

This finding suggests that the charity and wider debt advice sector are taking positive action for clients often most in need of support or forbearance. However, this data also identifies gaps needed for improvement.

For example:

Clients without a vulnerability and in a negative budget are the most likely to say they have made no progress in sorting their debts after three months, with one in five (19%) saying this.

Household bills

In the three, nine and 15 month surveys we also asked whether clients had fallen behind or further behind with payments on their essential household bills.

Firstly we found that compared to our statistics gathered at debt advice, fewer clients are behind with household bills at three months compared to when they first sought advice:

- At debt advice, 40% of clients were in arrears on at least one household bill
- Three months after advice, less than one in five (18%) clients had fallen behind or further behind on at least one of these essentials household expenditures

At debt advice
40%
of clients were in arrears on at least one household bill

By three months, only
18%
were behind

However, at nine months after advice, our survey results show that a similar proportion (19%) are still behind at least one of their household bills, and by 15 months, this rises to one quarter (25%)*.

% clients responsible for bill who had fallen behind or further behind	3 months	9 months	15 months
Council Tax bill	14%	10%	14%
Energy bill (electricity or gas)	9%	13%	7%
Water bill	14%	9%	6%
TV Licence	9%	10%	8%

Clients in negative budgets with an additional vulnerability (36%), and clients in negative budgets without an additional vulnerability (46%), are more likely than clients with positive budgets to have fallen behind on bills.

* Please see methodology note on page 15 with regards to sample sizes at nine and 15 months.

What drives progress

Making ends meet

The extent to which clients have a stable and manageable budget is a key indicator for dealing with problem debt.

For example:
71% of clients were either only able to make ends meet some months or were never able to make ends meet during the 12 months before seeking advice.

However, at three months more than two thirds of clients (67%) said they were now feeling confident that they were able to make ends meet most months or every month when looking ahead to the next six months.

The results show a clear link between having a positive budget and confidence in making ends meet:

Almost three quarters (73%) of clients with a positive budget and no vulnerability are confident that they will be to make ends meet every month or most months. Similarly, 64% of clients with a positive budget and a vulnerability said the same.

However, clients with negative budgets are less likely to feel confident:

Less than half of clients (48%) with no vulnerability and negative budget say they are confident in making ends meet.

And only 36% of clients with a negative budget and vulnerability report confidence in making ends meet.

Additionally, three in ten (29%) vulnerable clients with a negative budget say they do not think they'll be able to make ends meet in the next six months; the highest proportion of all demographic groups.

What has helped?

At 15 months we also asked what had helped clients' chances of becoming debt free:

- 95% of clients say that helpful advice and support from StepChange Debt Charity has helped their chances
- 77% of clients say keeping a closer eye on spending has helped and 67% say not using credit as much
- 63% say sticking to a budget and 40% say switching to cheaper deals

What has hindered?

At three months we asked clients why they had not made progress with the debts. The most commonly cited reasons were due to:

- They were waiting to see if their circumstances changed (23%)
- They weren't sure what they had to do next (16%)
- They were worried about the impact on their credit rating (15%)
- One in ten (10%) clients said they were nervous about taking the next steps

Later, at the 15 month stage, we also asked clients the most common hindrances to their chances of becoming debt free. The most commonly reported reasons were:

- High cost of living (for example: food, petrol, rent) (55%)
- Unexpected costs or expenses such as car repairs or house repairs (40%)
- A drop in income such as losing a job, receiving a pay cut or cuts to benefits (20%)
- 18% said poor health had hindered their chance of becoming debt free

For many clients with additional vulnerabilities, particularly those who also have negative budgets, these results show that making ends meet each month can be difficult, for example more than a third (36%) of clients with a negative budget and additional vulnerability say they do not think they'll be able to make ends meet.

There is also a broader point here about what hinders clients on their paths to becoming debt free. Whilst StepChange can identify improvements in its service provision, external issues such as high cost of living will continue to be problematic and will require more focussed attention from Government.

Access to other support

Many of our clients also require support and help for additional issues such as physical or mental health problems. StepChange debt advisors are given information and trained on how to, wherever possible, effectively refer clients on to appropriate other services.

We found that:

- At three months, more than half of clients (56%) said they had already got in touch with the organisation they were referred to by StepChange
- Of those who had got in touch, 60% said they got the help they needed from that organisation
- This equates to 34% of clients who successfully got the help they needed from another organisation after being referred by StepChange

Financial resilience

21%

Only one in five clients said they had been able to save up for future costs

77%

of clients say it is important to have money put aside in case their income drops

Financial resilience is undoubtedly a key part of a client's road to financial recovery. By financial resilience we mean reducing people's vulnerability to problem debt as a result of income or expenditure shocks. This can be achieved by improving the ability to cope with shocks when they happen as well as reducing susceptibility to shocks. Financial resilience can therefore be strengthened in a number of ways.

Savings

Our theory of change would hope to see an increasing proportion of clients start saving after their first debt advice session. At three months, we ask if clients have been able to save up money for any future costs that they might need to budget for since receiving help from StepChange:

- Only one in five clients (21%) said they had been able to save up for future costs.
- One quarter (24%) of clients with positive budgets, regardless if they have an additional vulnerability, said they had started saving at three months after advice.
- Only 13% of clients with no vulnerability and a negative budget and only 6% of clients with a vulnerability and a negative budget said they had started saving.

At 15 months after advice, our theory of change optimistically predicts that most clients would have started to save.

The results at 15 months indicate that clients have a positive attitude towards the importance of saving:

- Three quarters of clients (74%) say this is very or fairly important to save up for Christmas, birthdays or the holidays.
- 77% say that it is very or fairly important to have some money put aside in case their income drops.

Despite this, the results at 15 months also show that a relatively high proportion of clients (44%) say they would not be able to cover any amount of an unexpected bill without resorting to credit.

The results broadly indicate that even though clients know what positive actions to take in order to strengthen their own financial resilience, many clients, even at 15 months after receiving debt advice, are unable to do so.

We found

41%

of clients surveyed at three months said that there was no way for them to increase their income

This rises to over half of clients with a negative budget and a vulnerability

Income

Studies by other organisations as well as our own research show that a steady income can be a vital ingredient for ensuring financial resilience.

StepChange offers income advice to all clients who may need it at the debt advice stage:

However, we found that 41% of clients surveyed at three months said that there was no way for them to increase their income.

This rises to over half of clients (52%) with a negative budget and a vulnerability.

Credit

As part of financial resilience, we also want to understand whether clients are using credit after receiving debt advice, particularly for any essential spending, as this could suggest ongoing financial vulnerability.

Our data shows that:

At three months

14%

of clients were still resorting to using credit

This includes

8%

who were paying for day to day living expenses using credit

As well as

4%

using credit for housing costs and essential bills

At the nine month survey, the proportion of clients using credit rose from 14% (at three months) to 18%. This includes an increased proportion (12%) who were using credit to pay for essential living expenses such as food and groceries.

We would hope to see the proportion of clients using credit reduce over time, therefore it is concerning that it remains at a level which is slightly too high.

It is particularly worrying that more than one in five (22%)clients with a negative budget, but no additional vulnerability, were resorting to credit use at three months after advice.

This once again highlights that a negative budget can have a far more harmful impact upon financial health than any other factor.

Conclusion

Our surveys show that debt advice and rehabilitation is a long term process

Debt advice is working effectively for some clients

The evidence from this pilot suggests that debt advice is working particularly effectively for certain groups of people in problem debt. The data across the three, nine and 15 months shows that this is particularly true for clients who have positive budgets and no vulnerability. The results show the incredibly negative impact that problem debt can have on many different areas of life, therefore it's encouraging that these clients are likely to be making good and quick progress and achieving good outcomes, even at three months. Therefore, there is a requirement for **earlier proactive identification and intervention when people show warning signs of problem debt** to stop the impact of severe financial harm in the first place.

In order to enable this early intervention, consideration needs to be taken to funding and capacity requirements across the sector, which allow for clearer pathways for advice for people with problem debt.

Clients with additional vulnerabilities to their financial difficulties and positive budgets also progress well at three months. For example, clients in this group are most likely to say that their debt problems have been sorted at three months after advice. Although some of this protection can be attributed to debt solutions and additional regulatory arrangements for vulnerable clients, it is important not to disregard positive action taken by some creditors such as forbearance for clients with additional vulnerabilities.

Many still living on a knife edge

However, for most clients, including those with positive budgets, debt problems can't be solved after just three months. Results from this pilot project also indicate that for many clients, the severe impact of problem debt is still being felt at 15 months after advice.

This project evidences that for clients with negative budgets, and particularly those who have an additional vulnerability, the path to financial recovery can be long and difficult. Clients in this group often show poor wellbeing, poor progress in sorting out their debts, and are generally getting by on a knife edge despite, as indicated in the 15 month survey, having the knowledge and understanding of the steps they need to take to get their finances back on track. For many clients, **recovery from debt is a long haul, not a sprint.**

Our service and the sector still has more to do

This pilot project highlights questions for how our own service can be improved. For example, across all three surveys the overall proportion of clients in arrears doesn't decrease between three and 15 months. There are also questions of how we can better assist our clients most in need of additional support, such as those with negative budgets, as evidenced throughout the data in this report. With that said, there are some areas which are beyond the Charity's control and will require consideration from public policy and creditors.

For example, in order to facilitate better earlier intervention for people with debt problems on a negative trajectory, questions need to be asked about funding and capacity requirements across the sector to allow for clearer pathways to advice for people with problem debt.

However, for clients who require full debt advice, the results show that it is often in the interest of creditors to better support clients on their road to financial recovery; even at three months, clients who report better progress with their debts also report feeling more confident in dealing with their creditors.

Methods note

We firstly emailed a random set of 11,098 clients three months after their first debt advice session with a link to the first three month survey. We received a 6% response rate for this survey.

Clients who completed the three month survey were asked if they would like to part in the nine month survey. We then sent the survey invitation for the nine month to clients who said they did want to take part. This process is repeated between the nine and 15 month surveys.

Of those who responded to the first three month survey, around one in ten clients also fully completed both the nine and 15 months survey.

Client data for this project is captured by utilising **online surveys through an online survey software tool**. Invitations were sent to a random sample of our clients via email who had completed debt advice three months prior to the first survey.

So far, we have completed many waves of client outcomes research at three, nine and 15 months including some "cold" samples for nine and 15 month surveys where we hadn't surveyed clients at three months.

For this report we have focussed on the first set of surveys which included a group of clients who completed the same three, nine and 15 month surveys.

For the results found in this report we received completed responses from a total of:

- **Three months** (March 2017) 719 clients
- **Nine months** (September 2017) 135 clients
- **15 months** (March 2018) 62 clients

As presented above, we saw significant drop off between the three and nine month survey. At nine months we had a 19% completion rate. At 15 months, we more encouragingly had a 46% completion rate. As part of the next stage of our analysis, we will look further into the demographics of these client groups compared against our total client population. Clients did not have to answer all questions in the survey and therefore the base for some questions is higher than others in the data analysis.

What's next?

We will continue to measure outcomes of our clients using random samples. These surveys will be conducted at regularly intervals, and will continue to follow clients at three, nine and 15 months after advice.

Within the Charity, we will use the data to better understand how we can improve certain aspects of our service that these measurements raise. This includes different aspects of a client's situation alongside how we can effectively service different groups of clients, such as those with particular debt solutions or types of vulnerability.

Later this year, we will also be publishing an update of more recent results, including more detailed results from nine and 15 month surveys. As the sample size is small, we will need to collate data from multiple surveys in order conduct further meaningful analysis.

Editor: Josie Warner

For data tables, including raw data, visit the **StepChange Debt Charity website.**

For help and advice with problem debts call (Freephone) 0800 138 1111 Monday to Friday 8am to 8pm and Saturday 8am to 4pm, or use our online debt advice tool, **Debt Remedy.**

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