



# Transforming Lives

A REVIEW OF THE SOCIAL IMPACT OF DEBT ADVICE FOR UK  
INDIVIDUALS AND FAMILIES, EVALUATED USING SROI

EXECUTIVE SUMMARY

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## **StepChange Debt Charity Chairman's Foreword**

The people who work for StepChange Debt Charity have been helping and supporting families with money worries and problem debt for over 20 years. We have dedicated ourselves to providing a safety net for people from all walks of life who struggle to make ends meet for whatever reason.

Through our broad range of highly effective and efficient services, we can deliver helpful advice and action-oriented solutions that can truly change people's lives and provide new opportunities for their future. As early as our first engagement with them, they tell us that a weight has been lifted from their shoulders, their sense of isolation has been removed, and they can finally see a light at the end of the tunnel. As they continue with us, their feelings of hope grow and they develop confidence in their actions and in their ability to manage their futures.

These messages of hope and recovery are so common and well known to the many skilled advisers in our charity, that we have come to accept them as just part of what we do. But we have come to realise that the wider impact of our services on families, communities, society and its economy has considerable value, and so we decided that we should try to gather evidence which could demonstrate the economic value this work generates. Having changed the lives of over two million people over the past 20 years, we have a considerable amount of data which bears on the broad benefit of the help we provide: the improvement and new opportunities for families; the savings in costs associated with debt and supporting services; and the prevention of cyclical and recurring problems.

It is for these reasons that we commissioned this study on social return on investment (SROI) for our charity: to highlight the impact and significant benefits to a wider audience that awareness, engagement and early intervention can bring. We believe this is the first attempt to quantify this type of benefit in the debt advice sector. The work has been challenging and rewarding. It suggests many avenues for further enquiry and study to refine the approach and sharpen the estimates.

The outcomes of this study of our work highlight that there are benefits to creditors and the state – and more importantly to indebted people and their families – which hugely outweigh the costs of doing what we do. The benefits we delivered to just the sample of clients in this research amounted to £196 million. Assuming all our clients follow a similar journey with our help, this gives a total benefit from our work of over £400 million. Compare this to our total funding of £33.6 million, and the value of what we do is beyond doubt.

Given there are some 2.9 million people in the UK suffering with serious debts, one can imagine both the potential benefits across society of a service like ours, and the costs we are bearing as a country as a result of problem debt. These issues are explored in further StepChange Debt Charity analysis.

I would like to offer my thanks to Jim Clifford and his team at Baker Tilly for their report, which validates the unique service we offer and recognises the immense dedication of our advice and solutions teams. Bolstered now with the certainty of the value we deliver to the community and the country, we will continue to focus on reaching the growing number of households struggling with problem debt.

**Lord Stevenson of Balmacara  
Chairman  
StepChange Debt Charity**

## Introductory Comments from Jim Clifford, OBE

We have in Britain some of the highest levels of personal debt in the world.

Over 2.9 million people are struggling with problem debt in the UK. Other signs are there of financial struggle, the growth rate of food banks has tripled due to demand, the payday lending market has grown in value from £900 million in 2009 to over £2 billion in 2013, and StepChange Debt Charity has seen a year on year increase in demand for their services over the last three years.

These numbers are significant but they are just the tip of the iceberg.

The scale of the problem is much greater when viewed through the lens of the social impact created as a result of problem debt. Arguably problem debt cannot be understood, quantified, or responded to without first understanding and evaluating the wider story of change that happens in individual's lives when weighed down by debt.

It is striking that it is not just individuals and creditors who are impacted-upon but also their families and the public purse. In the course of our work with the charity we have seen that problem debt infiltrates every aspect of a person's life. It influences their ability to work, eat, stay healthy in mind and in body, create a home and raise families – each in turn complicating the picture of debt, and causing it to accelerate.

The value that StepChange Debt Charity brings is to help unravel these circumstances, give clients back the control they have lost, and achieve sustainable change to benefit them and their families, their creditors and the state. This evaluation, which has been developed conservatively, not over-claiming its benefits, found that the value of their work with 47 % of clients for one year was over £195.8 million. The majority of this gain, over £109 million, is enjoyed by the state (in saved benefits and health costs) and over £82 million (in saved costs of debt management and recovery), is enjoyed by creditors.

The state and creditors need not however remain passive beneficiaries in this story. By actively responding to it and instigating, encouraging or enhancing the difference the charity makes, it can bring greater value to both itself, and those facing problem debt. This report illuminates ways in which policy makers and strategists influence the likelihood of debt and an individual's ability to respond to it.

Understanding the wider social impact discussed in this report is key to ensuring individuals are less likely to fall into debt, and for those that do, ensuring that organisations such as StepChange Debt Charity are able to reach them in a timely way.

From a robust and careful evaluation of the financial impacts of changes which can be achieved in a troubled financial relationship, we have shown the human stories and the human interactions that drive them. The challenge then, is not just to continue to fund this work, beneficial as it so clearly is. What must follow is that the findings must be used to change behaviours, in the debtors, but also in the creditors, and the other agencies that work with them.

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**Jim Clifford** is Director of BWB Advisory and BWB Impact and formerly Head of Non-profit Advisory Services at Baker Tilly, where this study originated. He has authored a number of high profile social impact and cost studies including the social impact protocol for Sector Skills Councils, published in 2010, the study of PACT's domestic adoption and fostering services, referenced in the Narey Report on Adoption, Alana House Women's Community Centre, the PRTC National Carer's Centre Network, and comparative study of costs of special schools for NASS. Following from the PACT study he led the development of the Sector's response: "It's All About Me", the first voluntary sector-originated Social Impact Bond, and has since been appointed its first Chair. He is also technical chair of the GECES subgroup advising the European Commission on the development of social impact measurement under emerging EU policy for social enterprise. He is a Visiting Fellow at Cass Business School's Centre for Charity Effectiveness where he is undertaking research into evaluative protocols for transactional decision making (linking Social Impact with conventional valuation and brand valuation). He is a non-executive director of the Centre for Public Scrutiny. He was awarded an OBE in 2013 for services to social investment.

# Executive Summary and Key Findings

## Overview

Problem debt has an insidious effect on lives, morphing for many from a financial problem into a life problem. Research commissioned by StepChange Debt Charity estimates 2.9 million people showing multiple signs of financial difficulty, in 2013. StepChange Debt Charity has seen a significant increase in demand for its services, including online, over the last two years, with a 22% increase in helpline calls during 2013.

StepChange Debt Charity helps to lift people out of debt and back into life. A free and independent model is critical to how it achieves change with clients, this report sets out how it achieves change and the value of the resulting impact created.

This evaluation uses a social return on investment (SROI) methodology to evaluate the benefits of StepChange Debt Charity's activity with clients. Over the year evaluated for this report, September 2012-August 2013, it gave independent support and advice to over 235,000 clients, of which 109,397 were evaluated using the SROI methodology. The value of turning these lives around was considered to be £195.8 million.

This arose through benefiting individuals, families, creditors and the state. This gain far exceeds the charity's funding of the entire base of £33.6m

SROI is a respected and rigorous method used by governments, and others, to commission and invest in services and wider work of the not-for-profit sector. We believe this to be its first serious application to debt advice. The findings that benefits vastly exceed costs, even on a conservative basis, are important. So is the illumination of how those benefits might arise. But like any novel research, this report highlights several avenues for further study to refine the approach and estimates.

## Background to StepChange Debt Charity

StepChange Debt Charity is the UK's leading charitable debt advice organisation. Previously known as the Consumer Credit Counselling Service (CCCS), the charity has over 20 years of experience of helping individuals to deal with chronic and unmanageable debt.

Research has demonstrated that chronic and unmanageable debt is a key causal and contributory factor of many financially and emotionally costly problems. So far StepChange Debt Charity has helped change the lives of over two million people, and at the end of 2013 it was helping more than 145,000 people to repay £329 million off their debts via debt management plans, with £3.99 billion in unsecured debts under management. During 2013 the charity advised 278,438 people to manage their debts.

StepChange Debt Charity's mission is to provide free and effective debt advice, solutions and re-establishment services to help transform the lives of those struggling with the stress and worry of problem debt.

It achieves this through service-based activities, such as support, advice, counselling and advocacy with telephone and web-based services, underpinned by the model of a free and independent service. This enables the charity to adhere to best advice principles, recommending solutions with sustainable outcomes in mind for all stakeholders.

This evaluation found that the outcomes the charity achieves for its clients are: to help them develop the financial literacy and emotional capabilities they need to deal with money and related life choices, and to give them recommendations, support and assistance in carrying out a plan that's right for them. In turn this support creates a positive impact on income, employment, mental and physical wellbeing, emotional resilience, family togetherness and children's ability to succeed in life and education.



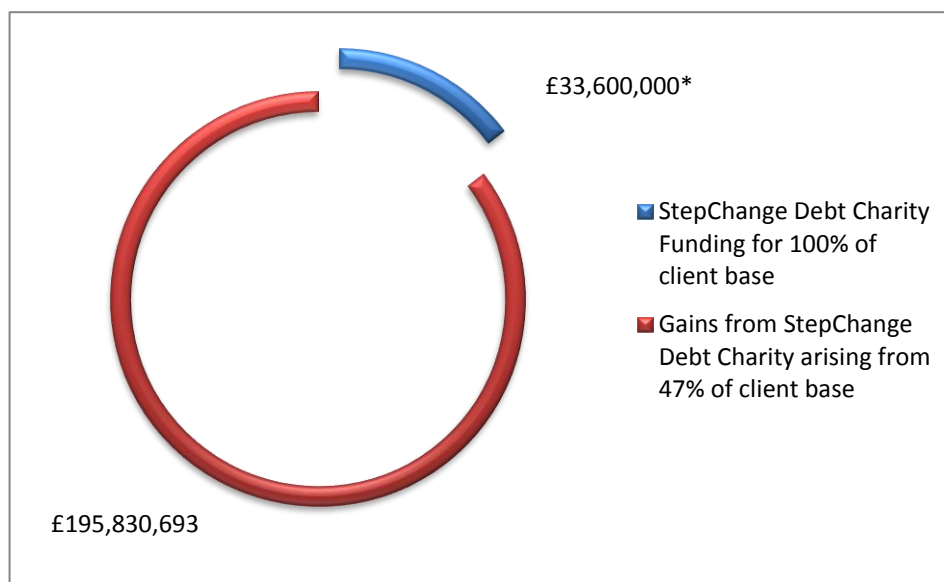
This impact ripples out to the family, communities, creditors and the state. The quantifiable benefits arising from the change instigated by the charity fall into the following categories:

- |                                     |   |
|-------------------------------------|---|
| 1. Improved mental health           | 2. Reduced creditor recovery cost                 |
| 3. Improved physical health         | 4. Reduced risk of debt recycling                 |
| 5. Reduced likelihood of being NEET | 6. Reduced risk of children being taken into care |
| 7. Reduced risk of losing home      | 8. Reduced risk of relationship breakdown         |
| 9. Cost of residential care         | 10. Reduction of unemployment                     |
| 11. Increased employment            | 12. Reduced risk of crime                         |

## Results of the evaluations

StepChange Debt Charity’s work with clients was evaluated using a SROI methodology. Based on the SROI project scope and the selected segment types included in the evaluation, the chart in Figure 1.0 below, shows the benefits generated across all of the segment types and wider society to be £195.8 million.

**Figure 1.0 StepChange Debt Charity Overall Gains from 109,397 Clients**



\* £33.6m reflects funding for 100% of base so overall gains are greater than illustrated here

This evaluation covers four segments of its client base (described in Section 5 of the full report [http://www.stepchange.org/Portals/0/documents/media/reports/Transforming\\_lives.pdf](http://www.stepchange.org/Portals/0/documents/media/reports/Transforming_lives.pdf)), that are of particular interest to the charity. These segments make up 47% of the client base for that year, therefore the total impact of its work for that year would exceed the total gains illustrated here.

In arriving at the gains the evaluation has also taken reasonable account of the key areas of deduction required in SROI evaluations; deadweight, alternative attribution and displacement. These areas of deduction factor in changes that clients may have made anyway without StepChange Debt Charity’s support, as well as

acknowledging the help and support of others, such as family, friends and other organisations. Additionally increased costs are recognised such as increased welfare benefits as a result of benefits advice from the charity.

The reason for the scale of the gains is that the research revealed that, without support, money problems don't stay as solely money problems for long, and escalate into far-reaching problems such as housing, mental and physical ill-health, relationship breakdown and unemployment.

The following table presents the overall gains identified by beneficiary area:

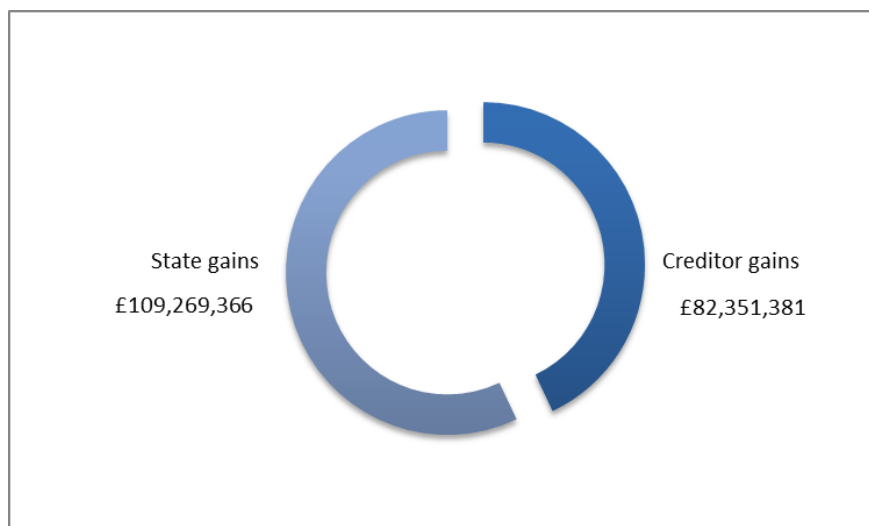
**Figure 1.1 StepChange Debt Charity impact by gain area**

Category	Total Evaluated Gain
Employment	£35,459,727
Mental health	£8,190,038
Creditor recovery	£80,435,546
Desperation crime	£39,268
Debt recycling	£4,200,215
Children taken into care	£1,940,953
Housing	£42,184,641
Relationships	£4,209,886
Small business	£9,682,331
Care home	£7,339,525
Disengaged children	£1,936,798
Physical health	£211,675
<b>Total gains</b>	<b>£195,830,603</b>
<b>Displacement (due to additional welfare benefits claimed – included within above values)</b>	<b>(£21,106,622)</b>

The ripples of this impact are not only felt by the indebted and their families, but also by the state and creditors too.

The diagram below shows how the state and creditors gain from the charity's work. The gain arises from key measures used in the evaluation such as housing, employment or cost of chasing payment arrears and debt recovery. Section 5 of the full report sets these out in more detail and the models used for the measures, with underlying assumptions, can be found in Appendix B.

**Figure 1.2 StepChange Debt Charity State and Creditor Gains from 109,397 Clients**



The remaining gain of around £4.2 million is for the costs of avoiding divorce or separation. Research has shown debt can be a contributing factor in divorce, due to the high stress that it can place on family relationships.

## **Problem debt creates a cost burden on the state and the taxpayer**

The value of the charity's work, across all the segments evaluated, to the state is notable, at £109.3 million. Much of the value is in the form of costs saved, such as welfare benefits, housing costs, healthcare costs for mental health challenges, as well as gains in employment for clients and their children. (Detailed tables can be found in Section 5 of the full report).

## **Working with those with problem debt results in significant creditor gains**

Before intervention the relationship between clients and creditors can often be difficult. Without achievable payment plans in place, this can lead to erratic payments or even cessation of payments if debts are allowed to build up unchecked. StepChange Debt Charity plays an important role by working with clients to help put the relationship with creditors back on an even footing, with regular sustainable payments achieved.

Creditors gain by: saving on the administrative costs of chasing accounts in arrears, greater recovery of debt than would be achieved without the charity's intervention and by working with a client's circumstances and capabilities, it increases the likelihood of preventing the debt problem repeating.

## **Conclusions from the evaluation**

### **An estimate of the broader social benefits of debt advice**

The evaluation in this report set out to measure the difference StepChange Debt Charity makes to the lives of people experiencing problem debt. It found that the debt advice and solution services provided by StepChange Debt Charity deliver benefits that are many times greater than the investment from the charity's funders. If the remaining 53% of clients experience similar outcomes to those evaluated here, then the total gain would stand at over £416m.

The impact the charity achieves arises from the way in which staff work within the context of clients' needs. That is not by attending to the finances alone, but by addressing the triad of finances, circumstances and human behaviour. This approach enables behaviour change and equips people to deal with the straitened circumstances they face. A model of free and independent debt advice is a necessary component to this approach to debt management, as it enables staff to take the time they need to untangle problems and help put appropriate solutions in place without the need to consider the profitability of financial solutions.

This research has not been extended to look at the profile of the wider population of people experiencing problem debt. However we believe it is reasonable to assume that this wider population will have a broadly similar profile to the StepChange Debt Charity clients sampled in this research and the problems would produce broadly similar social costs per client in the absence of an effective intervention. We can therefore expect that problem debt, unsupported, has a multi-billion pound impact on society.

### **The need for a public policy response**

This first attempt to estimate the potential total social cost of current problem debt in the UK stretches the SROI methodology beyond this report's aim to evaluate the benefits delivered by StepChange Debt Charity.

However we believe that these findings are robust enough to inject urgency into the public policy response to the UK's household debt problem. The scale of potential social costs of UK household debt is a problem for us all. It suggests a fiscal drag; a break on economic recovery and a drain on the confidence, aspirations and self-reliance of UK households. This should be a call to action for the Government to develop a clear national household debt strategy with three main aims:



- Reduce the number of UK households falling into problem debt by tackling root causes of vulnerability to debt.
- Take action to reduce the costs and consequences of debt falling on households and society more generally as set out above.
- Take action to build the resilience of households recovering from debt to minimise the risk that they will fall into financial difficulties again.

Achieving these aims will not be easy and will require policy development that is beyond the scope of this report. However a number of key points immediately stand out from this SROI evaluation:

- The high social return on investment in free debt advice strongly suggests that both creditors and government should be doing more to support access to free and independent debt advice for everyone that needs it.
- Households living on the debt cliff edge right now need a package of effective support at least until economic recovery lessens the strain by boosting real household incomes. Targeted investment in households now could mitigate much larger social costs later.
- There is a need for a long term and concerted approach to reducing the social costs of debt. Public policy needs to find better ways to help households facing financial difficulty from falling into crisis debt. Households need to be more resilient against income shocks and unexpected expenditure, less likely to use financial coping strategies (such as unsustainable credit use) that increase vulnerability to debt, and more likely to get the help they need earlier.

From this report it is evident that problem debt can have a catastrophic impact on the individual concerned. What this study shows is that when these individual experiences are multiplied across the many millions of people currently struggling with over indebtedness, the ripple effect for the whole of UK society is significant. All too often problem debt is discussed in terms of pounds and pence when the real currency which should be referenced is that of personal wellbeing.

The holistic approach StepChange Debt Charity takes to debt advice and on-going care and support means the human and societal benefit far exceeds the amount repaid through the debt solutions provided by the charity.

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