

A photograph of a man in a dark jacket carrying a young child on his shoulders. The man is smiling and looking towards the camera. The child is wearing a pink sweater and blue pants. They are outdoors with trees in the background.

# Why do our clients have debt problems?

Understanding why people need debt advice from StepChange Debt Charity


# Overcoming assumptions

- Over the last 25 years we've conducted vast amounts of research into the causes of problem debt
- Although the public do correctly identify some of the key causes of problem debt, our data suggests that many still often view debt as a personal failing, rather than **a result of difficult circumstances, or what we call an 'income shock'**
- It's a **common misconception** that the majority of people fall into debt problems due to being **irresponsible with their finances**
- Using real data, let's explore public opinions against the **real** causes of problem debt




# Public opinion about debt

There's a lot of shame and stigma associated with debt, to find out more we asked members of the public: **'Why do you think people are struggling with problem debt?'**\*




"People are irresponsible with their spending"

"Unemployment"



"They've not budgeted for their spending"

"Gambling, drugs or other addictions"



\*StepChange Debt Charity research 2016

# However, using real client data these are the top **actual reasons** our clients fall into problem debt...

“I lost my job”



“My income was low and I couldn't manage”



“I was ill for a long time”



“I was going through a divorce”



“My hours were reduced at work”



\*StepChange Debt Charity client data 2017

# Reasons for debt – StepChange client data 2017



## **Unemployment (19%)**

The most common reason for our clients falling into problem debt is due to redundancy or becoming unemployed



## **Illness (16%)**

This is the second most common cause of problem debt among our clients



**Lack of budgeting skills (14%)** This includes clients who have a persistent low income and are unable to make ends meet, and those who are unable to keep up with credit repayments



## **Reduced income (13%)**

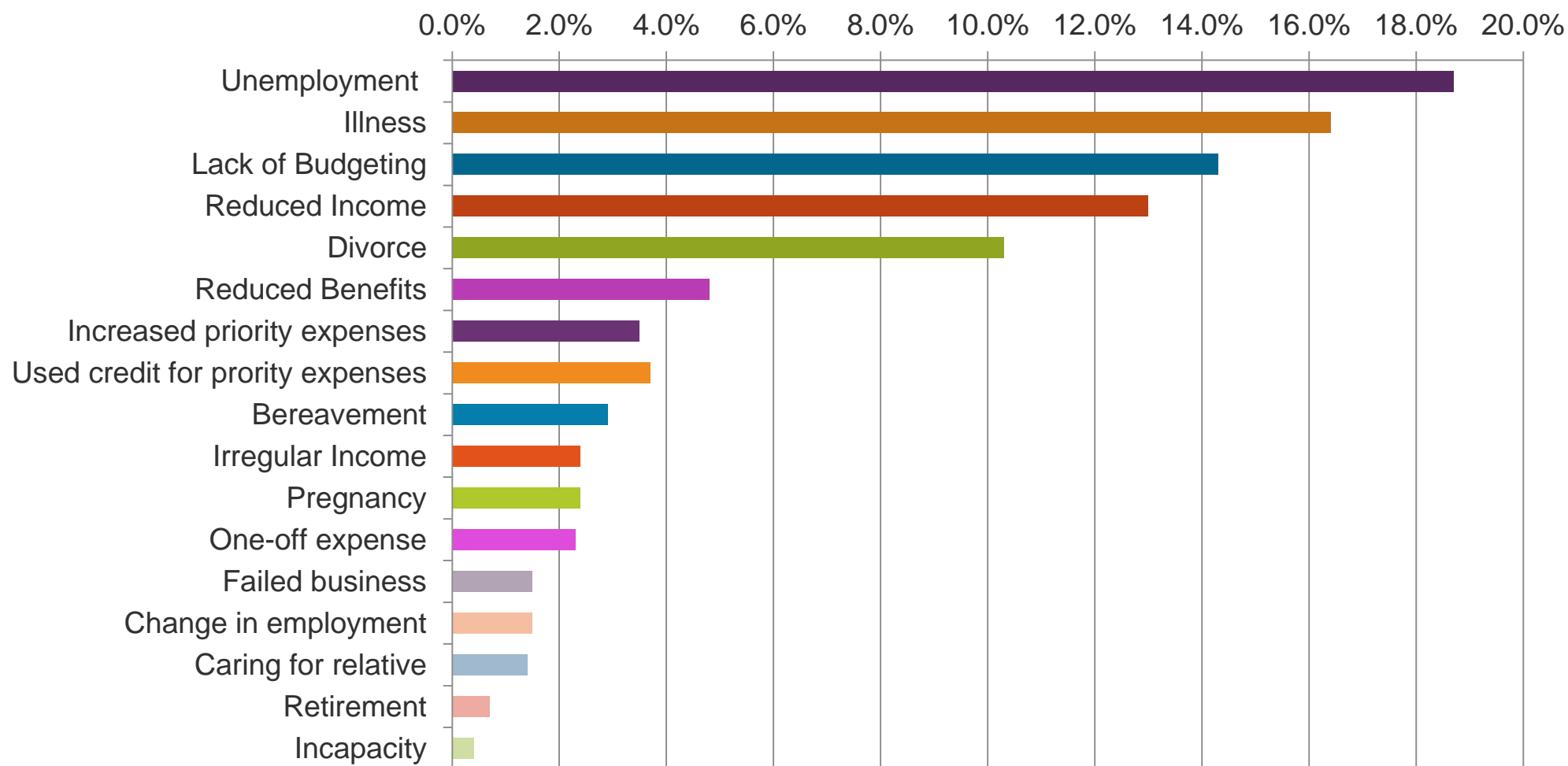
Changes in hours, wages or employment can easily push someone who's previously been managing into debt



## **Divorce/ separation (10%)**

One in ten clients fall into a debt problem because of a relationship breakdown; the link between relationships and debt has been well researched and documented by a number of charities and organisations

# StepChange client data 2017 – All reasons for problem debt





# Case study: How redundancy affected Dave

When 36 year old Dave was made redundant from his job in the construction industry he was unable to find a new one straight away. He became reliant on credit cards to cover his basic living costs, and although he did eventually find other employment, he carried on using his credit cards for day-to-day essentials. Maxing out all his credit resources, Dave could not get approved for further credit and could no longer afford to meet his minimum payments:

“I got into trouble when I lost my job, and turned to my credit cards to pay for essential things each month that I needed to live. Things quickly got out of control, and my debts began to stack up.”

Once he ran into arrears on his payments he was recommended to speak to StepChange. Following a full advice session looking at his whole financial situation we recommended that Dave should enter into a debt management plan (DMP) in order to pay back what he owed his creditors.

Based on what he could afford to pay each month, this would allow Dave to repay his debts in six years. “I looked around at my options and ended up approaching a fee-charging company, but they actually referred me to StepChange. My DMP with StepChange has allowed me to take control of things and repay my debts.”



## Dave's situation

**Age:** 35

**Reason for debt:** redundancy

**Debt solution:** debt management plan

**Term remaining:** repayments complete

# Could one of these happen to you?



## A drop in income

- Losing your job
- Statutory sick pay
- Reduced benefits
- Lack of budgeting

## Change to situation

- Separation or divorce
- Business fails
- Losing your job
- Illness

## More money going out

- Increased food, transport or utilities costs
- Growing family
- Lack of budgeting



# Key takeaways

- Lots of people have ‘good’ debt and it doesn’t cause them harm, but **sometimes an ‘income shock’ makes their situation unmanageable** – this can happen to anyone
- The **shame and stigma of debt** often makes it hard for people to ask for help, and many people don’t know that debt advice exists
- Partners that refer into the charity have an opportunity to **reach out to people** when they’re experiencing financial difficulties
- You can **tell a customer about StepChange** in person, on webchat, through your organisation’s online content, by SMS, emails, letters or telephone
- This can help **reduce the harm** that problem debt causes by getting them to engage with debt advice sooner

# Find out more

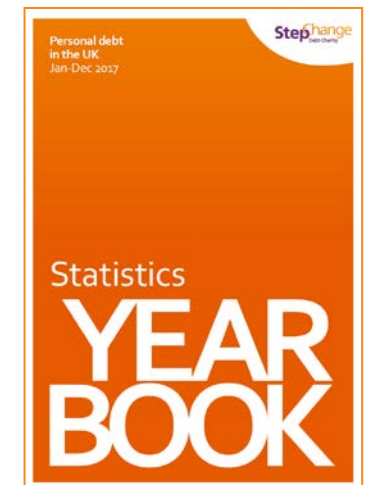
## >> Read our Referral Guide

We've put together a guide for your frontline staff to help them learn how to identify a customer who needs debt advice, and refer them to us



## >> Read our latest Statistics Yearbook

Our Statistics Yearbook takes an in-depth look at the 620,000 people struggling with problem debt - explore the latest personal and household debt trends





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