Consortium for the Regional Support for Women in Disadvantaged and Rural Areas

Making Ends Meet: Women's Perspectives on Access to Lending

February 2020

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Acknowledgements

This research has been undertaken collaboratively by the members of the Consortium for the Regional Support for Women in Disadvantaged and Rural Areas (hereafter, either the Women's Regional Consortium or simply the Consortium), which is funded by the Department for Communities and the Department of Agriculture, Environment and Rural Affairs.

The Women's Regional Consortium consists of seven established women's sector organisations that are committed to working in partnership with each other, government, statutory organisations and women's organisations, centres and groups in disadvantaged and rural areas, to ensure that organisations working for women are given the best possible support in the work they do in tackling disadvantage and social exclusion.[1] The seven groups are as follows:

- ♀ Training for Women Network (TWN) – Project lead
- ♀ Women's Resource and Development Agency (WRDA)
- ♀ Women's Support Network (WSN)
- ♀ Northern Ireland's Rural Women's Network (NIRWN)
- ♀ Women's TEC
- ♀ Women's Centre Derry
- ♀ Foyle Women's Information Network (FWIN)

The Consortium is the established link and strategic partner between government and statutory agencies and women in disadvantaged and rural areas, including all groups, centres and organisations delivering essential frontline services, advice and support. The Consortium ensures that there is a continuous two-way flow of information between government and the sector. It also ensures that organisations/centres and

[1] The remaining paragraphs in this section represent the official description of the Consortium's work, as agreed and authored by its seven partner organisations.

groups are made aware of consultations, government planning and policy implementation. In turn, the Consortium ascertains the views, needs and aspirations of women in disadvantaged and rural areas and takes these views forward to influence policy development and future government planning, which ultimately results in the empowerment of local women in disadvantaged and rurally isolated communities.

"Women have the power to change the way society works and how services are shaped. It happens when they are supported to step into the process with the confidence to tell their stories and demand action from those who make decisions." [2]

This research is informed by women's views articulated through Consortium engagement events, questionnaires and interviews. I want to thank all the individual women who took part in this research for sharing their experiences so honestly. Information was also gathered from Women's Centre Managers and Staff who detailed their experiences with the women they work with in their local communities. I want to thank them for sparing their valuable time and for their obvious compassion and commitment to the people they help and advise.

Thanks to:

- Women's Centres, Consortium partners and member groups/organisations for their contribution.
- Those who facilitated focus groups, distributed questionnaires and arranged individual interviews.
- The Vine Centre who discussed the issues their debt clients were facing and their observations on the debt situation in Northern Ireland and the Consumer Council for Northern Ireland who discussed problems with loan sharking and financial capability issues in Northern Ireland.

[2] Women at the Heart of Public Consultation, A guide for Public Authorities and Women's Organisations, WRDA, November 2017
https://wrda.net/wp-content/uploads/2018/10/WRDA_WomenAtTheHeartOfPublicConsultation.pdf

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Executive Summary

This paper examines the research on current debt levels and the different types of borrowing available with a focus on problem debt and high-cost lending especially for those on low-incomes. The overall aim of this research project is to explore the perspectives of women – living and working in disadvantaged and rural areas of Northern Ireland – on why they need to borrow money, where they go get this money and their experiences of using different forms of lending, particularly the more expensive forms of credit.

Credit can be very useful in helping people to manage essential bills and respond to short-term shocks particularly for those with good credit scores and low need. However, for many other people credit is a constant source of worry. When people are living on low-incomes and their finances are stretched they are more likely to have to borrow to make ends meet. With little savings, limited access to affordable credit and poor financial literacy ordinary life events such as a cooker breaking down can lead to serious financial difficulties. In many cases these borrowers have no option other than to turn to high-cost credit which can leave them vulnerable to unmanageable problem debt and poverty.

The impact of the government's austerity and welfare reform policies has led to questions about the effectiveness of the current welfare system to act as a safety net against poverty. In particular, the well-documented problems with Universal Credit have meant that many claimants have difficulty buying basics such as food, clothes and heating or paying for childcare. Research has shown that women are more negatively impacted by welfare reform policies. Women experience the impact of austerity and welfare reform policies as mothers and carers as well as being more likely to rely on welfare benefits than men. These issues all add to the pressure on low-income women meaning that they are increasingly having to access credit just to make ends meet and to fund essential items.

Borrowing and debt are far from gender neutral. It makes sense that those with more money coming in each month are better equipped to overcome short-term financial problems or income shocks. However, women are more likely than men to claim social security benefits and are more likely to be in low-paid, part-time and insecure work keeping their incomes lower. Debt charities also report that single parents are over-represented in their debt clients compared to the general population and over 90% of lone parents are women.

This research undertaken by the Women's Regional Consortium between November 2019 and January 2020 reflects all these issues and suggests that access to lending and debt was a significant issue for the women who took part. It shows that the majority of participants had needed to borrow money much of it for essential items and to make ends meet. Many had resorted to high-cost lending and difficulty meeting their debt repayments was a common problem. Living with debt caused great anxiety and stress impacting on their personal wellbeing and relationships as well as limiting their opportunities and those of their children.

There is a substantial body of evidence to suggest that debt can have serious negative consequences for borrowers especially on their mental health. It can damage relationships, limit children's opportunities and sometimes it can even drive borrowers to end their life. Tackling the issue of problem debt and the dangerous consequences of high-cost credit must therefore be a priority particularly for low-income households.

There is a clearly a group of financially vulnerable consumers who are not having their needs met without the considerable risk of falling into financial difficulties. There is therefore a need to provide greater access to affordable credit for low-income families so that they can avoid the damaging impacts of long-term debt and high-cost credit. There is also a need to improve financial literacy levels so that informed choices around credit products can be made. This is particularly important for children as poor financial choices made when young can have lasting impacts.

The key findings of this research are set out below followed by recommendations for change, which these findings inform.

Summary of Key Findings

- The majority of the women participating in this research had needed to borrow money at some point in the last three years.
- Most of the women reported borrowing to make ends meet or for essential items such as white goods, furniture, Christmas, etc.
- The use of high-cost credit was widespread particularly through doorstep lending and credit/store cards. Worryingly there were also some examples of borrowing through loan sharks including paramilitaries.
- Many of the women reported being unable to access cheaper forms of lending due to poor credit ratings, low income or having other debts.
- In choosing a lender most of the women made the choice on the basis that they knew they would be able to secure the money from the lender, convenience and because repayments were considered affordable. Only a small proportion of the women reported that the total cost of the credit was the reason for their choice of lender.
- Some of the women reported a lack of understanding of financial terms and issues around borrowing. A substantial number did not know how much interest they were paying on their debt or how much they would have to repay in total.
- Many of the women reported difficulty meeting their debt repayments and/or had missed repayments.
- Women felt the impact of austerity/welfare reform with many struggling to make ends meet on benefits or in low-paid work. The initial 5-week wait for Universal Credit had caused severe financial hardship and distress for the women affected.
- The women felt that it was harder to access short-term financial support through the benefits system (Discretionary Support) than it had been before welfare reform.
- Most of the women had no or very little savings as their income from benefits or low-paid work did not allow them to save.

- A common feeling reported throughout the research was "feeling like a failure" for not being able to provide for their children. Low incomes and debt meant they could not afford to buy and go on outings that other children could.
- The negative impact of being in debt was evident throughout the research. The impact of being in debt and struggling to meet debt repayments took a toll on the women's mental health, relationships and general wellbeing.

The recommendations that follow from these findings are set out below.

Recommendations

- ♀ Families who use high-cost credit, particularly those on the lowest incomes, face the greatest risk of falling into problem debt and suffer many negative consequences for their health and wellbeing from using this type of borrowing. **The Women's Regional Consortium recommends the need for greater access to affordable credit for low-income families as a way of reducing reliance on high-cost lending.**
- ♀ Credit Unions have an important part to play in reducing reliance on high-cost lending particularly in Northern Ireland where Credit Union membership is much higher than in GB. **We agree with the FCA's recommendation to relax the laws for Credit Unions to allow them to offer a wider range of products and services to help higher risk customers avoid high-cost credit.**
- ♀ Other alternatives to high-cost lending should be explored. This could include offering zero-interest or low interest microloans to help people trapped in problem debt. **We recommend that government should work with charities, financial institutions and other investors to introduce or underwrite the development of schemes to provide low or no interest loans to help those on the lowest incomes access affordable credit particularly for essential items.**
- ♀ Research shows that women are disproportionately impacted by welfare reform and disadvantaged by Universal Credit in a number of

ways. The CEDAW Committee has raised its concerns about the impact of austerity measures on women and recommended that Government assess the impact on the rights of women and mitigate and remedy any negative consequences without delay. The Consortium welcomes the fact that the New Decade, New Approach agreement has committed to extending the existing welfare mitigations package beyond March 2020. **The Consortium not only recommends the extension of the existing welfare mitigations packages in Northern Ireland but <u>also</u> the strengthening of mitigations to include new challenges such as Universal Credit.**

- Welfare reform has impacted on the ability of low income families to access affordable loans. The abolition of the discretionary Social Fund (Crisis Loans, Community Care Grants and changes to Budgeting Loans) has removed a vital safety net at a time when low income families are experiencing huge financial pressures and cuts in benefits. Problems with accessing Discretionary Support because of issues with making applications through a telephone helpline and restrictive eligibility criteria have lessened the ability for low income families to access credit for emergency essential costs. **The Women's Regional Consortium recommends that the budget for Discretionary Support should be increased and the eligibility criteria to access help should be made less restrictive. In particular the income ceiling for Discretionary Support awards should be removed in line with what happens in Wales and Scotland.**
- High interest doorstep lenders are pushing many consumers into an endless cycle of debt and exploit people with limited credit options. The FCA have been willing to protect consumers from this type of high interest debt before through applying a cap on fees and charges for payday loans. However the FCA need to do more to protect consumers from the spiralling costs of debt. **We recommend the FCA extend the rules that cover payday loans to the doorstep lending market by extending its definition of high-cost short-term credit**

to include doorstep loans. Action should also be taken to prevent doorstep lenders from offering further borrowing to consumers who are showing signs of struggling.

- ♀ Many lone parents struggle to make ends meet and often end up getting into debt. Some are missing out on the financial support they are entitled to from their former partner through child maintenance. This payment is designed to cover everyday living costs such as food, housing and clothes. Child maintenance can be harder to enforce if the money is not there to make a contribution. There has been progress in reducing the level of arrears in Northern Ireland but it is clear that there is more work to be done in this regard. **The Consortium recommends that government should give consideration to what further help could be provided to lone parents who are unable to get help from their former partner through child maintenance.**
- ♀ There is a very real need to improve financial capability levels across Northern Ireland. The ability to manage your own finances in terms of a financial education is an important part of preventing people getting into financial difficulties and in reducing over-reliance on short-term credit for living and emergency expenses. Poor financial choices made when young can have lasting impacts years later. While financial capability is currently part of the Northern Ireland school curriculum in some cases this is only scratching the surface leaving some pupils unprepared for life. **The Consortium believes that more needs to be done to educate children on financial literacy and capability in school. An integrated, planned and dedicated programme of financial education in schools starting from primary school is essential to ensure that school leavers are capable of managing their money, making informed choices and getting into good financial habits.**
- ♀ A draft Financial Capability Strategy for Northern Ireland was consulted on in 2013 and was with the Northern Ireland Executive for final approval. The collapse of the Northern Ireland Assembly meant that progress on the strategy has been limited. With the restoration of the

Northern Ireland Assembly there is an urgent need to progress work on this strategy. **The Women's Regional Consortium stresses the need for an effective Financial Capability Strategy for Northern Ireland. This strategy must reflect the different circumstances that exist in Northern Ireland including higher rates of mental health issues, lower average incomes, higher levels of personal debt than in other parts of the UK and lower levels of financial capability.**

- ♀ Issues with poor financial literacy and capability in Northern Ireland alongside issues with higher levels of poor mental health indicates that there is an ongoing need to ensure that borrowers have access to high quality, free to use, independent debt advice. **The Consortium recommends that sufficient funding is made available to enable debt advice agencies to not only continue with their free debt advice services but also to expand in order to meet the increasing demand. This should include funding for advice services to offer more preventative money guidance at key life stages to help people respond to these changes, avoid financial difficulties and make the most of their finances.**
- ♀ Welfare reform and austerity has created a crisis situation where women need more help in the form of support, education and advice however community-based support services for women are under serious threat from funding cuts. Consequently many organisations are now forced to reduce their package of services, reduce staff numbers or close down completely. To compound this funding deficit it is feared that Brexit will also mean the loss of valuable EU funding. **The Consortium recommends that government should acknowledge and support the role of community-based women-only provision in addressing women's poverty and financial vulnerability in rural and disadvantaged areas. Government should commit to increase and provide longer-term funding for grass roots women's organisations to enable them to continue and develop the vital**

services they provide to financially vulnerable women in disadvantaged areas.

1. Introduction

1.1 Background

In 2012 the DSD (now DfC) in partnership with the DARD (now DAERA) launched a programme aimed at providing regional support for women in 'areas of greatest need' across Northern Ireland, defined as disadvantaged and rural areas.[3] More precisely, the programme sought to 'serve the needs of marginalised and isolated women'[4] in these areas by enabling them 'to tackle disadvantage and fulfil their potential in over-coming the barriers that give rise to their marginalisation, experience of poverty and exclusion.'[5]

The Women's Regional Consortium is funded under this programme and the brief for this small-scale project originated within that policy development context.

1.2 Overall aim and objectives

The overall aim of this research project is to explore the perspectives of women – living and working in disadvantaged and rural areas of Northern Ireland – on why they need to borrow money, where they go get this money and their experiences of using different forms of lending, particularly the more expensive forms of credit.

Two main research objectives apply:

- To capture and analyse the perspectives of women – living and working in disadvantaged and rural areas of Northern Ireland – on why and how they borrow money and their experiences of using different types of lending particularly high-cost lending; and
- To formulate policy recommendations based on the project findings.

[3] Review of government funding for women's groups and organisations, DSD/OFMDFM, August 2012, p32 https://www.communities-ni.gov.uk/sites/default/files/publications/ofmdfm_dev/review-report-funding-for-womens-groups-organisations-june-12.pdf
[4] Ibid, p41
[5] Joint Policy Statement, Programme for Regional Support for Women in Disadvantaged Areas and Rural Areas, DSD/DARD, June 2012, p5 https://www.communities-ni.gov.uk/publications/joint-policy-statement-programme-regional-support-women-disadvantaged-areas

1.3 Methodology

The project employed a mixed methodological approach, combining a literature review with focus groups, structured questionnaire engagement and individual interviews to capture the experiential knowledge and views of women living and working in areas of greatest need. It must be noted that debt and lending can be a difficult subject area to research as there remains some degree of stigma around being in debt. There is often reluctance to talk about these issues particularly if credit is accessed through high-cost or illegal forms of lending. Small focus group sessions were held with 30 women across Northern Ireland in both urban and rural locations. Questionnaires were completed with 47 women and a number of one-to-one individual interviews were carried out as the basis for case studies. Women were asked to share their experiences on borrowing money, particularly around high-cost lending and the impact that this type of borrowing had on their lives.

1.4 Report Structure

To frame the project we begin in **Section 2** by exploring current levels of personal debt and the various forms of high-cost credit available to borrowers including an analysis of why this type of credit is used and its impact on the lives of borrowers and their families. The outcomes of the focus group and questionnaire engagement is described in **Section 3**. The paper concludes in **Section 4** by summarising the project's key findings and setting out associated policy recommendations.

2. Framing the project

2.1 Introduction

Borrowing money is a fact of life for many people. Traditionally access to lending has been essential for many to fund major purchases such as homes, cars, holidays, home improvements, etc. However, increases in the cost of living, insecure employment and changes to social security benefits as a result of welfare reform are putting growing pressure on families and household budgets.

Increasingly people on low incomes are borrowing through necessity in order to make ends meet and to fund essential items such as white goods. Research has found that an estimated 8.8 million people in Great Britain have turned to credit to pay for their everyday household expenses.[6] Hardship charities in the UK gave out an estimated £216million in grants (up from £203million in 2016) covering anything from cash handouts to food and clothes, fridges, beds, wheelchairs, counselling, help and advice.[7] The charities have attributed the rise in demand to a number of factors including static wages, the pressures of precarious and stressful working lives against a backdrop of cuts including welfare benefits.

Many people on low incomes have no savings and in an emergency situation have little option other than to borrow money. These families often struggle to manage their debts and are vulnerable to spiralling into problem debt.

There is a common perception that people get into debt because they are unable to manage money or are irresponsible with it. However, StepChange reports[8] that in

[6] StepChange Debt Charity analysis of YouGov PLC online survey. Total sample size was 3,204 adults. Fieldwork was undertaken between 15th-19th December 2016. The figures have been weighted and are representative of all GB adults (aged 18+). Figures have been grossed up, using the ONS 2015 Mid-Year estimates of adults in Great Britain: 49,921,573

[7] UK benevolent funds hand out £216m as hardship grows, Patrick Butler, The Guardian, 20 January 2020 https://www.theguardian.com/society/2020/jan/20/uk-benevolent-funds-hand-out-216m-as-hardship-grows

[8] Life happens, Understanding financial resilience in a world of uncertainty, StepChange, July 2019 https://www.stepchange.org/Portals/0/assets/pdf/life-happens-safety-nets-stepchange-debt-charity.pdf

2018 seven in every ten people who came to them for advice said the primary reason for their problem debt issues was related to critical life events, for example, losing a job, separating from a partner or becoming ill. With saving levels low, work becoming more precarious for some and millions using credit cards to keep up with the cost of living it is hard to build up any sort of protection against life shocks.[9]

The personal finance market has grown exponentially in the last few decades. There is a vast array of products available for consumers to access credit. This ranges from cheaper forms of lending through banks, building societies and credit unions to more expensive forms of lending through credit/store cards, doorstep lending and payday loans. There is also evidence of the rise in the use of illegal money lenders (loan sharks) [10] and it is estimated that there are 310,000 people in debt to these lenders in the UK.[11] Information from the Police Service of Northern Ireland (PSNI) suggests that paramilitary groups (both Loyalist and Republican) continue to be involved in illegal money lending/loan sharking however it is rarely reported to the police.[12]

2.2 Personal Debt Levels in the UK

Figures for the UK's Personal Debt[13] illustrate the scale of borrowing and point to concerns about the ability of consumers to meet repayments on this borrowing:

- People in the UK owed **£1,650 billion** at the end of August 2019. This is up from £1,604 billion at the end of August 2018, an extra £876 per UK adult over the year;
- The average total debt per household, including mortgages, was **£59,441**;

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[9] Ibid

[10] An illegal money-lender who makes it their business to profit from lending money but who is not licenced or regulated by the authorities https://www.stoploansharksni.org.uk/what-is-a-loan-shark

[11] http://www.stoploansharks.co.uk/who-we-are/

[12] Organised Crime Task Force, Annual Report & Threat Assessment 2017-18 https://www.octf.gov.uk/OCTF/media/OCTF/documents/publications/N.I.%20Organised%20Crime%20Strategy/Organised-Crime-Task-Force-Report-2018.pdf?ext=.pdf

[13] https://themoneycharity.org.uk/money-statistics/

- Based on August 2019 trends, the UK's total interest payments on personal debt over a 12-month period would have been **£50,722 million**, an average of **£139 million** per day;

- Within the total, outstanding credit card debt came to **£72.4 billion**, an average of **£2,608** per household and **£1,373** per adult;

- **20.01%** was the average credit card interest rate in September 2019;

- A credit card on the average interest would take **26 years and 7 months** to repay, if an individual only made the legal minimum repayments each month;

- In Quarter 2 of 2019 lenders wrote off **£1.166 billion** (of which **£414 million** was credit card debt, amounting to a daily write-off of **£4.5 million**).

2.3 Personal Debt in Northern Ireland

Research by the Financial Conduct Authority (FCA)[14] shows that personal debt in Northern Ireland – excluding mortgages – is higher than any other part of the UK. Figures for unsecured debt show that adults in Northern Ireland owe £3,990 on average which is £670 more than the national average. Debt advice charities StepChange and Christians Against Poverty (CAP) both report that the average debt for clients in Northern Ireland is higher than any other UK nation.[15]

More adults in Northern Ireland borrow using catalogue credit (10% in NI versus 5% in UK) and store cards (8% in NI versus 3% in UK). Coupled with this the research also found that fewer adults in Northern Ireland have a savings account (52% in NI versus 59% in UK). Well over half (54%) of adults in Northern Ireland have either no cash savings or savings of less than £2,000, compared with 46% in Wales, 45% in England and 43% in Scotland.[16]

[14] The financial lives of consumers across the UK, Key findings from the FCA's Financial Lives Survey 2017, Financial Conduct Authority, June 2018
https://www.fca.org.uk/publication/research/financial-lives-consumers-across-uk.pdf#page=12
[15] Lending and Debt in Northern Ireland, The Consumer Council, February 2018
https://www.consumercouncil.org.uk/sites/default/files/2018-08/Research%20Report%20-Lending%20and%20Debt%20in%20NI.pdf
[16] The financial lives of consumers across the UK, Key findings from the FCA's Financial Lives Survey 2017, Financial Conduct Authority, June 2018

The FCA survey[17] also suggests a greater proportion of people in Northern Ireland than anywhere else are considered potentially vulnerable due to their financial circumstances. 56% said they could cover their living expenses for less than a week if the main source of household income was lost. This compares to the UK average of 50%.

2.4 Problem Debt

Over-indebtedness or problem debt is when someone becomes unable to pay their debts or other household bills. Up to 8.3 million people in the UK are unable to pay off debts or household bills, according to a report from the National Audit Office.[18] Figures from the Money Advice Service suggest that problem debt affects 16.2% of adults living in Northern Ireland (233,000 people).[19]

2.5 High-cost Credit

The high-cost credit market is made up of credit products such as credit cards, retail and motor finance, high-cost short-term credit including payday loans, home-collected credit (doorstep lending), rent-to-own, buy now pay later offers, overdrafts and guarantor and logbook loans.

In 2017, around 39 million people in the UK had outstanding credit borrowing with 3.1 million consumers using high-cost credit products. In January 2018 consumers had £3.9 billion of debt on high-cost credit products excluding overdrafts and retail finance. Consumers also owed £11.3 billion in retail finance debt; some of this is high-cost and it mainly comprises store cards, mail order and running account credit. In May 2019, consumers had £7.7 billion in overdraft debt.[20]

https://www.fca.org.uk/publication/research/financial-lives-consumers-across-uk.pdf
[17] Ibid
[18] Tackling Problem Debt, National Audit Office, September 2018 https://www.nao.org.uk/wp-content/uploads/2018/09/Tackling-problem-debt-Report.pdf
[19] Levels of Over-Indebtedness in the UK, 2018 figures https://www.moneyadviceservice.org.uk/en/corporate/a-picture-of-over-indebtedness-in-the-uk
[20] https://www.fca.org.uk/firms/high-cost-credit-consumer-credit

Credit card debt is the most common form of consumer debt. The FCA has raised concerns that credit cards can trap people in debt. They found 6.9% of cardholders (about two million people) were in arrears or default, a further two million were carrying persistent debt on their credit card, and another 1.6 million were repeatedly making minimum repayments. The FCA also found 8.9% of credit cards active in January 2015 (5.1 million accounts) will – on current repayment patterns and assuming no further borrowing – take more than ten years to pay off their balance.[21]

Consumers of high cost credit tend to be those on low incomes and if in work they are often in insecure jobs with irregular work patterns.[22] Research from the Office of Fair Trading also found that consumers of high-cost credit products have lower than average levels of income and financial capability and in many instances have a poor or no credit history.[23]

Research from StepChange[24] found that 1.1 million people are using high-cost credit for essentials and just under half are using this credit to pay for everyday food and grocery shopping (49%). The Resolution Foundation[25] has also recently warned that over the last decade low-income households have recorded a sharp rise in the use of potentially expensive consumer debt such as credit cards, store cards and overdrafts to make ends meet and that makes them exposed to future financial shocks. Credit card use (with an average interest rate of 20%) among low-income households grew by 13 percentage points from 2006-08 and 2016-19 while the use of overdrafts (with an average interest rate of 15-20%) grew by 4 percentage points.

[21] Credit card market study, Financial Conduct Authority, July 2016 https://www.fca.org.uk/publication/market-studies/ms14-6-3-credit-card-market-study-final-findings-report.pdf
[22] The high cost of credit, A discussion paper on affordable credit alternatives, StepChange, July 2017 https://www.stepchange.org/Portals/0/documents/Reports/stepchange-affordable-credit-discussion-paper-july2017.pdf
[23] Review of high-cost credit, Office of Fair Trading, June 2010 https://webarchive.nationalarchives.gov.uk/20140402161712/http://oft.gov.uk/shared_oft/reports/consumer_credit/High-cost-credit-review/OFT1232.pdf
[24] The high cost of credit, A discussion paper on affordable credit alternatives, StepChange, July 2017 https://www.stepchange.org/Portals/0/documents/Reports/stepchange-affordable-credit-discussion-paper-july2017.pdf
[25] An outstanding balance? Inequalities in the use – and burden – of consumer credit in the UK, The Resolution Foundation, January 2020 https://www.resolutionfoundation.org/app/uploads/2020/01/An-outstanding-balance.pdf

High-cost credit can have detrimental impacts on the financial stability of households particularly for those on low incomes. Repeated use of these high-cost forms of credit, particularly when they are used to meet essential expenditure, means these borrowers are at a greater risk of falling into financial difficulties and debt. This type of borrowing often leads to spiraling debt problems which can leave many people vulnerable.

2.6 Why do people use high-cost credit?

Research shows that people use high-cost credit because of its familiarity, convenience and ease of borrowing which made these products feel approachable, safe and friendlier than many of the alternative credit sources (whom many had experienced 'rejection' from).[26] When 'standard' forms of debt were maxed-out or were thought to be inaccessible, consumers turned to higher cost credit such as doorstep lending, payday loans and/or logbook loans. For many this was the 'last resort'.[27]

Habitual high cost credit customers frequently said they did not worry about the longer term cost and had little or no consideration of the impact of any future change in their circumstances. They admitted their focus was on the short term only, and whether they could afford the weekly repayments.[28] Excluded from other credit options, people often retain a strong attachment to high-cost providers and are reluctant to lose their services. It is a situation that is open to manipulation and to the excessive imposition of loan interest and other charges.[29]

[26] Usage and experiences of High Cost Credit, Consumer research report, PricewaterhouseCoopers, May 2018
https://www.fca.org.uk/publication/research/usage-and-experiences-of-high-cost-credit-consumer-research-report.pdf
[27] Consumer Credit Qualitative Research: Credit Cards & Unauthorised Overdrafts, Jigsaw commissioned by the FCA, April 2014
https://www.fca.org.uk/publication/research/jigsaw-research-consumercredit-overdrafts-creditcards.pdf
[28] Ibid
[29] Towards Financial Inclusion, The expansion of credit union financial service for low-income households in Northern Ireland, Liverpool John Moores University commissioned by Housing Rights Service, May 2013
https://www.ljmu.ac.uk/~/media/files/ljmu/research/centres-and-institutes/rufi/21_towards_financial_inclusion_northern_ireland_final_2013.pdf?la=en#page79

2.7 Payday Lending

In recent years there has been a significant increase in expensive forms of lending including high-cost short-term credit (HCSTC)[30] such as payday lending. Over 5.4 million high-cost short-term credit loans were made in the year to June 2018.[31] The average loan value was £250 and on average these borrowers are due to repay 1.65 times the amount they borrow. The average APR for HCSTC is around 1,250%. Northern Ireland has the lowest number of these type of loans per head of the adult population (74 per 1,000) when compared to other regions of the UK.

In January 2015 a cap was introduced on the interest rates that can be charged on payday loans in an attempt to regulate them. This has resulted in a reduction in the numbers of these loans taken out and a reduction in the number of providers since regulatory action was taken. The most high profile provider to leave the payday loans market was Wonga in 2018 which at one point had charged interest rates up-wards of 5,000%

People are more likely to take out a payday loan if they are on a low income. Most people who have been using payday loans in the UK earn less than the average in-come in the UK which stands at £17,500 with 52% of payday loan customers having faced some debt problems in the near past.[32] Even though payday loans were de-signed as one-off loans for unexpected expenses many of these are being used to cover essential expenses. Just over half of payday loan consumers (53%) used pay-day loans to cater for living expenses like groceries and utility bills.[33]

Many people who take out payday loans experience problems paying them back and some end up in a vicious cycle of debt which is detrimental to their financial and gen-eral wellbeing. StepChange reported that the proportion of new clients who have

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[30] HCSTC loans are unsecured loans with an annual percentage interest rate (APR) of 100% or more and where the credit is due to be repaid, or substantially repaid, within 12 months

[31] Consumer credit — high-cost short-term credit lending data, Financial Conduct Authority, Last up-dated 15/05/19 https://www.fca.org.uk/data/consumer-credit-high-cost-short-term-credit-lending-data-jan-2019

[32] Payday lending market investigation, Final report, Competition & Markets Authority, February 2015 https://assets.publishing.service.gov.uk/media/54ebb03bed915d0cf7000014/Payday_investigation_Final_report.pdf

[33] Ibid

contacted the charity with a payday or short term high cost credit debt has been increasing over the past few years. In 2015 15.7% of its clients had a payday or short-term high-cost credit debt rising to 18.3% for the first half of 2018.[34]

2.8 Doorstep Lending

The largest high-cost credit loan market in the UK is for doorstep loans which are used by over 1.3 million customers.[35] Doorstep loans are often for small sums - between £50 and £500 - over short periods, with repayments collected weekly or fortnightly at your home. They have a much higher interest rate than a bank loan or a credit card.[36] Interest rates vary among providers but one well known doorstep lender, Provident, has recently carried out a leaflet drop in Belfast advertising an APR of 535.3% (December 2019).

Research by Citizens Advice shows that doorstep loans are mostly used by people in low income households.[37] Doorstep loan customers are predominately middle-aged, female, in part-time/casual employment, and among the lowest earning fifth of adults.[38]

Between 2017 and 2018 Citizens Advice helped an estimated 30,000 clients with doorstep loan debt and it is one of the most commonly used types of high-cost credit among people who come to Citizens Advice for help with their debts. Research by Citizens Advice shows that some clients are paying more than double what they originally borrowed.[39]

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34 Personal debt in the UK, January-June 2018, StepChange https://www.stepchange.org/Portals/0/documents/Reports/statistics-mid-year-update-2018-stepchange-debt-charity.pdf

35 Debt on your doorstep, Problem debt in the home credit market, Citizens Advice, February 2017 https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/debt-on-your-doorstep/

36 www.moneyadviceservice.org.uk

37 Debt on your doorstep, Problem debt in the hone credit market, Citizens Advice, February 2017 https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/debt-on-your-doorstep/

38 The high cost of credit, A discussion paper on affordable credit alternatives, StepChange, July 2017 https://www.stepchange.org/Portals/0/documents/Reports/stepchange-affordable-credit-discussion-paper-july2017.pdf

39 People need better protection when it comes to doorstep loans, Gwennan Hardy, March 2018 https://wearecitizensadvice.org.uk/people-need-better-protection-when-it-comes-to-doorstep-loans-f5c58e5ea6f1

2.9 Illegal Lending

A money lender has to be authorised by the Financial Conduct Authority (FCA) to lend money legally. A 'loan shark' is an illegal money-lender who makes it their business to profit from lending money but who is not licenced or regulated by the authorities.[40] Loan sharks charge very high interest rates and often use threats or violence to collect the money they lend. Most relationships between illegal lenders and their customers are based on fear and intimidation with lenders seeking to control their customers with a range of coercive practices. Intimidation and violence ensure that payments to lenders are prioritised while protecting lenders from reporting.[41]

It is very difficult to establish the scale of illegal lending and to collect information and evidence about its practices as it is generally hidden. Illegal lending often comes with fear of intimidation and physical violence and therefore many of those who use the services of loan sharks are reluctant to talk about it. As previously outlined it is estimated that there are 310,000 people in debt to illegal money lenders in the UK.[42] However it is believed that significant underreporting continues to occur due to an unwillingness of victims to come forward to the PSNI.[43]

Financial Conduct Authority (FCA) research on illegal money lending showed that this type of lending has existed in communities for generations, it happens across the UK and is most likely to be found in areas of high economic deprivation, particularly within social and rented housing estates (in both urban and rural areas) with close knit communities.[44] Locally anecdotal evidence suggests that it is prevalent in

[40] https://stoploansharksni.org.uk/what-is-a-loan-shark
[41] Illegal lending in the UK, A research report by Policis and PFRC, URN 06/1883, November 2006 https://www.bristol.ac.uk/media-library/sites/geography/migrated/documents/pfrc0707.pdf
[42] http://www.stoploansharks.co.uk/who-we-are/
[43] Organised Crime Task Force, Annual Report & Threat Assessment 2017-18 https://www.octf.gov.uk/OCTF/media/OCTF/documents/publications/N.I.%20Organised%20Crime%20Strategy/Organised-Crime-Task-Force-Report-2018.pdf?ext=.pdf
[44] Shining a light on illegal money lending: consumer experiences of unauthorised lending in the UK, FCA, November 2017
https://www.fca.org.uk/publication/research/illegal-money-lending-research-report.pdf

pockets of deprivation, where it is the option of last resort.[45] NICVA research highlighted that illegal lending in Northern Ireland is often linked with perceived paramilitary activity.[46]

Research by the FCA shows that many consumers of illegal lending were on benefits and often in work, but work that was low paid or intermittent. 61% of borrowers were female. The research also observed that a lack of financial education, in tandem with custom and practice in some communities, supported continued use of unauthorised lenders. A common theme is that these consumers have exhausted all available resources and have a desperate and urgent need for money, often being tipped into using it by a crisis or unexpected particular shortfall in income.[47]

Many of these borrowers are vulnerable to exploitation either because of their financial desperation or because of inherent vulnerability to influence and manipulation.[48] In addition this type of lending means it can be difficult to establish what the original debt amount was, so debt never gets paid off; and no one is willing to go to the police.[49] Very often they do not know about the charges for borrowing and the penalties that exist if they do not pay. FCA research showed examples of physical violence and threat, with borrowers scared for their family's safety. In the worst cases this research heard examples of consumers being coerced into criminal activity, such as prostitution or drug running.[50]

The government has committed over £5.5million of funding across the UK to tackle the issue of loan sharks. **StopLoanSharks** Northern Ireland is a public aware-

[45] Expensive Lending in Northern Ireland, Centre for Economic Empowerment, NICVA, May 2013 https://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf
[46] Ibid
[47] Shining a light on illegal money lending: consumer experiences of unauthorised lending in the UK, FCA, November 2017
https://www.fca.org.uk/publication/research/illegal-money-lending-research-report.pdf
[48] Ibid
[49] Expensive Lending in Northern Ireland, Centre for Economic Empowerment, NICVA, May 2013 https://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf
[50] Ibid

ness campaign designed to educate and protect consumers from the problem of illegal money lending. The campaign is funded by HM Treasury and delivered by The Consumer Council through its Illegal Money Lending and Financial Services Team.[51] The PSNI also received funding for a specialist officer to lead on illegal lending within the Paramilitary Crime Task Force.

2.10 Impact of Welfare Reform/Austerity

In order to resolve the issue of high-cost credit it is essential that the underlying causes of poverty and financial insecurity are addressed. Welfare Reform has been the biggest change to impact on the lives of low-income households in a generation. There have been significant changes to benefits resulting in a squeezing of household budgets. A new Institute for Public Policy Research (IPPR) report finds that social security payments have reached their lowest level since 1948 compared to average earnings. The £73 standard weekly allowance for Universal Credit, the government's flagship benefit claimed by 2.3 million people, is now equivalent to 12.5% of median earnings yet when unemployment benefit was introduced in 1948 it was worth 20%.[52]

Food bank use has increased with many people on benefits and in low-income work not being able to afford essentials. The Trussell Trust saw a 23% increase in the number of emergency food parcels it provided to people in crisis between April and September 2019.[53] Welfare reform has increased the need for many of those in receipt of benefits and in low-income work to be able to access affordable financial products.

Following its recent examination of the UK, the CEDAW Committee raised concerns about the impact of austerity measures on women.[54] The Committee is concerned

[51] https://www.stoploansharksni.org.uk/who-we-are
[52] Social in(security): reforming the UK's social safety net, Reforming the UK's social safety net, Institute for Public Policy Research, November 2019
https://www.ippr.org/files/2019-11/social-insecurity-november19.pdf
[53] https://www.trusselltrust.org/news-and-blog/latest-stats/
[54] Concluding Observations on the eighth periodic report of United Kingdom of Great Britain and Northern Ireland, CEDAW/C/GBR/CO/8, March 2019 (para 16)
https://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CEDAW/C/GBR/CO/8&Lang=En

about the *"disproportionately negative impact of austerity measures on women, who constitute the vast majority of single parents and are more likely to be engaged in informal, temporary or precarious employment."* The CEDAW Committee has recommended that the UK government *"undertake a comprehensive assessment on the impact of austerity measures on the rights of women and adopt measures to mitigate and remedy the negative consequences without delay."* [55] Speaking at an event in Belfast the UN Special Rapporteur on Extreme Poverty and Human Rights, Professor Philip Alston said: *"The social security safety net in the UK, I fear, has been irrevocably damaged."* [56]

Research by the Women's Regional Consortium[57] showed the overwhelmingly negative impact of austerity and welfare reform on the lives of disadvantaged and rural women in Northern Ireland. Findings indicated that 78% of women involved in the research stated that they had made cutbacks in their everyday lives or had been impacted by welfare reform in the last three years. Furthermore, 45% of the women reported having to borrow money from family/friends to pay for essentials and 41% reported they had fallen into debt or their debts had increased.

Problems with Universal Credit, the government's flagship welfare reform policy, have been well documented particularly around the impact of the initial 5-week wait for the benefit. It has been argued that Universal Credit discriminates against women by design[58] with a number of key design features which are likely to have

[55] Concluding Observations on the eighth periodic report of United Kingdom of Great Britain and Northern Ireland, CEDAW/C/GBR/CO/8, March 2019 (para 17)
https://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CEDAW/C/GBR/CO/8&Lang=En

[56] Professor Philip Alston speaking at the launch of the NIHRC Annual Report in Stormont, Belfast, 17/12/19

[57] Impact of Ongoing Austerity: Women's Perspectives, Women's Regional Consortium, March 2019
http://www.womensregionalconsortiumni.org.uk/sites/default/files/Impact%20of%20Ongoing%20Austerity%20Women%27s%20Perspectives.pdf

[58] Something needs saying about universal credit and women – it is discrimination by design, Alison Garnham, CPAG, 17 August 2018
http://www.cpag.org.uk/content/something-needs-saying-about-universal-credit-and-women-%E2%80%93-it-discrimination-design

disproportionate impacts on women. Research by the Women's Regional Consortium[59] showed that the 5-week wait for the initial payment of Universal Credit caused women great hardship including getting into debt and rent arrears.

In terms of the effectiveness of the current welfare system as a safety net, StepChange reported that their evidence suggests that the support people rely on is not effective enough at keeping people out of financial difficulty.[60] Further StepChange research[61] shows that over half those in problem debt (54%) receive support through the social security system. This research also showed that key design features of Universal Credit are driving hardship and problem debt. The 5-week wait for the first payment led 92% of their clients to experience some form of hardship or financial difficulty. Polling by StepChange indicates that 25% of those receiving Universal Credit are in problem debt, three times the rate among the general population (8%) and almost twice the rate of claimants on older 'legacy' benefits (14%).

Citizens Advice research[62] also showed that a significant number of the people they see on Universal Credit are having problems managing their money. Debt problems are more common for the people helped with Universal Credit by Citizens Advice than those claiming legacy benefits with 24% of the people they helped also seeking debt advice.

The Social Fund provided through the benefits system has traditionally provided people in extreme need with a financial safety net. The Social Fund was designed to help people on very low incomes manage large or unexpected expenditure and cope with emergencies. In an emergency those on low incomes could apply for a Crisis Loan to meet an immediate short-term need and repay it with no interest through deductions from their social security benefits.

[59] Impact of Ongoing Austerity: Women's Perspectives, Women's Regional Consortium, March 2019 http://www.womensregionalconsortiumni.org.uk/sites/default/files/Impact%20of%20Ongoing%20Austerity%20Women%27s%20Perspectives.pdf
[60] Life happens, Understanding financial resilience in a world of uncertainty, StepChange, July 2019 https://www.stepchange.org/Portals/0/assets/pdf/life-happens-safety-nets-stepchange-debt-charity.pdf
[61] Problem debt and the social security system, StepChange, January 2020 https://www.stepchange.org/Portals/0/assets/pdf/social-security-mini-brief-report.pdf
[62] Managing Money on Universal Credit, Citizens Advice, February 2019 https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Managing%20Money%20on%20Universal%20Credit%20(FINAL).pdf

However a new Discretionary Support Scheme was introduced in November 2016 to replace the discretionary elements of the Social Fund as part of the welfare reform mitigations package. Discretionary Support Awards are one-off payments to meet a need arising from an "*extreme, exceptional or crisis situation that presents a significant risk to the health, safety or well-being of the claimant or a member of their immediate family*".[63] There are a range of eligibility conditions for Discretionary Support[64] including an income threshold currently set with reference to the National Minimum Wage and claimants with outstanding loans of £1,000 or more are not eligible for this support.

The Northern Ireland Audit Office (NIAO) report on Welfare Reforms in Northern Ireland[65] showed that between 2014-15 and 2017-18, the number of grants and loans awarded has declined from 115,000 to 47,000, a reduction of 60%. As a result, annual expenditure has also reduced from £27 million in 2014-15 to £11 million in 2017-18. The Department for Communities explained that the reduction is due to the criteria for loans and grants becoming more stringent.[66]

Similar schemes in Scotland and Wales have not set such prescriptive eligibility criteria. The Discretionary Assistance Fund (DAF) in Wales and the Scottish Welfare Fund, for example, do not include an income ceiling within their eligibility criteria.[67] A University of Birmingham report has called for support from central and local government in terms of a no-interest loan for essential items in the form of a reformed Social Fund.[68]

[63] The Discretionary Support Regulations (Northern Ireland) 2016
[64] https://www.nidirect.gov.uk/articles/extra-financial-support
[65] Welfare Reforms in Northern Ireland, Northern Ireland Audit Office, January 2019 https://www.niauditoffice.gov.uk/sites/niao/files/media-files/Welfare%20Reform%20Report%202019.pdf
[66] Ibid
[67] https://publications.parliament.uk/pa/cm201719/cmselect/cmniaf/2100/210005.htm#footnote-129
[68] Introducing a Time Delay on Access to Credit: Is it Just Delaying the Inevitable? University of Birmingham, Centre on Household Assets and Savings Management, January 2015 https://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/CHASM/2015/time-delay-on-credit-report-final-2015.pdf

Since the Social Fund has been replaced by Discretionary Support there has been a weakening of this safety net for the most vulnerable borrowers meaning that it no longer provides the support that it once did. This has the potential to push more people into the path of expensive lenders.[69]

In Northern Ireland a package of mitigation measures was agreed by the Northern Ireland Executive to protect some claimants from the harshest impacts of welfare reform. There is no doubt that this package of mitigations has helped some of the most vulnerable in Northern Ireland. Without these mitigations there is the potential for many more people to need to borrow money simply to make ends meet.

However a NI Audit Office report[70] showed that uptake was below estimates with £136 million of the available funding not utilised in the first two years. Over 25% of this underspend related to the Cost of Work Allowance, a supplementary payment recognising employment expenses, not being implemented. This had the potential to help many low-income women as it was recommended that it would have a *"special weighting for lone parents taking account of the cost of childcare."* [71]

The New Decade, New Approach agreement[72] has committed to both extending existing mitigations in Northern Ireland beyond March 2020 when they were due to run out and to carry out a review of the mitigation

[69] Expensive Lending in Northern Ireland, Centre for Economic Empowerment, NICVA, May 2013 https://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf
[70] Welfare Reforms in Northern Ireland, Northern Ireland Audit Office, 17 January 2019 https://www.niauditoffice.gov.uk/sites/niao/files/media-files/Welfare%20Reform%20Report%202019.pdf
[71] Review of Welfare Mitigation Schemes, Department for Communities, March 2019, Para 4.14 https://www.communities-ni.gov.uk/system/files/publications/communities/dfc-review-of-welfare-mitigation-schemes-2019.pdf
[72] New Decade, New Approach, January 2020 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/856998/2020-01-08_a_new_decade__a_new_approach.pdf

measures. The CliffEdge NI Coalition[73] is campaigning for an extension of the existing mitigations beyond March 2020 but also a strengthening of the mitigations to take account of new challenges that people face particularly Universal Credit. It has been argued that Universal Credit discriminates against women by design[74] so the potential for mitigations to protect low-income women from its impact could help to ensure that these women avoid borrowing to make ends meet.

2.11 Alternatives to high-cost credit

There are limited options available for households on low incomes to access affordable credit other than through Discretionary Support as previously discussed. The most obvious example outside of the benefits system is the Credit Union. **Credit Unions** are community savings and loan cooperatives, where members pool their savings to lend to one another and help to run the credit union. Interest rates can vary up to a legal maximum of 1% per month (12.9% APR).[75]

Credit Unions are well established in Northern Ireland and their use is much higher in Northern Ireland compared to other regions of the UK. 38.4% of adults in Northern Ireland are registered to a Credit Union compared to 3.3% in the UK.[76]

Credit unions are often found in the most financially deprived areas and serve the lending needs of a wide demographic. They will lend to any member that can demonstrate a realistic repayment plan and many people who have high-cost short-term credit (HCSTC) products would have lower interest payments if they used credit union loans instead.[77]

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[73] The CliffEdgeNI Coalition is a group of over 100 organisations from across Northern Ireland who came together to express concerns about the end of welfare reform mitigations in March 2020. The Women's Support Network is a member of the Coalition's Working Group.
[74] Something needs saying about universal credit and women – it is discrimination by design, Alison Garnham, CPAG, 17 August 2018
http://www.cpag.org.uk/content/something-needs-saying-about-universal-credit-and-women-%E2%80%93-it-discrimination-design
[75] https://www.nidirect.gov.uk/articles/borrowing-credit-union
[76] Lending and Debt in Northern Ireland, The Consumer Council, February 2018
https://www.consumercouncil.org.uk/sites/default/files/2018-08/Research%20Report%20-Lending%20and%20Debt%20in%20NI.pdf
[77] Ibid

An article in the Financial Times[78] highlighted how Clonard Credit Union on the Falls Road in Belfast was trying to take on high-cost lenders. A billboard advertised (July 2018) that Clonard's customers could save £810 on a £1,000 12-month loan, compared with rates at Provident Financial, the UK's largest home credit provider. Ruth Clarke, Chief Executive of Clonard Credit Union, interviewed for the Financial Times said: "*our immediate competitors are loan sharks or door to door lenders.*" She explained that the union's community focus allowed it to offer services to people who did not have the strong credit ratings demanded by big banks.

Credit Unions have been working in partnership with other organisations to provide more people with access to affordable credit. A cross-sector partnership between Derry Credit Union, Apex Housing and Greater Shantallow Area Partnership has resulted in the **Affordable Credit project**. This project aims to improve access to affordable credit for those on low incomes, break the cycle of reliance on high cost lending and supports tenants to become financially capable. Loans are available from a minimum of £10 to a maximum of £350 and consumers can be referred from partner organisations if a loan would help them to cope with changing circumstances, reduce their financial burden or manage spiralling debts. Derry Credit Union waived their terms and conditions around clients having established a savings record as part of the pilot for this project.

In the Republic of Ireland the Personal Microcredit Scheme provides small Credit Union loans at low interest rates.[79] The loans are known as **It Makes Sense** loans and aim to reduce dependence on moneylenders with very high interest rates. These loans are available to people who are getting a social welfare payment and who might have difficulty getting credit from other sources. Loans are available between €100 and €2,000 with a maximum interest rate of 12% (12.68% APR) and can be taken out for a minimum period of one month up to a maximum of two years. The

[78] How credit unions squeezed out loan sharks in Northern Ireland, Nicholas Megaw, Financial Times, 9 July 2018
https://www.ft.com/content/baadc5e4-7ecf-11e8-bc55-50daf11b720d
[79] https://www.citizensinformation.ie/en/money_and_tax/personal_finance/loans_and_credit/micro-credit_loans.html

loans can be granted quickly, in some cases within 24 hours, but usually within a working week. Loans are available for any purpose, including repayment of an outstanding debt.

However while Credit Unions may be the answer for some borrowers it cannot be the only way to tackle the issue of high interest indebtedness. High cost credit providers use high interest rates to offset the risks of default associated with these loans. They also have low levels of checks allowing for quick and easy access to lending.

NICVA research on affordable alternatives to high cost credit in Northern Ireland[80] looked at alternatives to home credit and illegal lending. It concluded that to create a product to compete with high cost credit products credit would need to be offered at an APR of 100%. It recognised that this represented a high APR but that it would provide significant savings for the target market of existing high cost credit users who would otherwise pay a much higher cost for their much needed credit.[81] This is not currently within the remit of Credit Unions who by law are limited to a maximum interest rate of 12.9% APR in Northern Ireland.

There have been several new initiatives developed in other parts of the world to provide alternatives to high-cost credit. A partnership between government, the private sector and charity has led to the development of the **No Interest Loans Scheme** (NILS) in Australia. The scheme provides people and families on low incomes with access to safe, fair and affordable credit.[82] Loans are available for up to $1,500 for essential goods and services such as fridges, washing machines and medical procedures. Loans cannot be used for cash, rent arrears, debt consolidation or bills. Repayments are set at an affordable amount over 12 to 18 months and there are no interest charges or fees. To be eligible people must be on a low income (they must earn under $45,000 around £26,000) and cannot access credit from mainstream sources.

[80] Affordable Alternatives to High Cost Credit in Northern Ireland, NICVA Centre for Economic Empowerment, June 2016 https://www.nicva.org/sites/default/files/d7content/attachments-resources/40536_nicva_credit_report_web.pdf
[81] Ibid
[82] https://nils.com.au/

NILS works through a process called 'circular community credit'. This means when a borrower makes a repayment to NILS, the funds are then available to someone else in the community. It is offered by 178 local community organisations in over 600 locations across Australia. The evaluation of the scheme found that it had a significant positive impacts for clients including improving their social and economic outcomes, improved financial capability, increased savings levels, decreased stress and anxiety levels as well as diverting them from high cost lending. Interestingly the evaluation showed that NILS reaches vulnerable Australians who are more likely to be female (74%) and more likely to live in a single parent family with dependents (43%).[83]

Community Development Finance Institutions (CDFIs) lend to businesses and people who struggle to get finance from high street banks. They are social enterprises that invest in customers and communities.[84] CDFIs all have a common mission to provide fair and affordable finance. They offer microloans, small sums of money lent at low interest rates.

One such example is Scotcash[85] which is a Glasgow-based, not-for-profit social enterprise. Their main aim is to provide financial products and services to those who have difficulty accessing mainstream sources, such as banks and building societies. They provide an ethical lending alternative to home credit, payday lenders and rent-to-own retailers. Any profits they make go back into the business to enable them to continue providing their services and they do not distribute any profits to shareholders or owners.

Scotcash offers affordability loans and also helps with basic bank accounts, Credit Union savings accounts and money advice for customers. Affordability loans start from just £100 and their services are available to anyone living in the UK. Scotcash offers affordable, fixed regular repayments and these are made through bank accounts by direct debit so there are no home visits or cash payments.

[83] Life Changing Loans at No Interest, Centre for Social Impact, March 2014 https://goodshepherdmicrofinance.org.au/assets/files/2016/06/Life-changing-loans-at-no-interest.pdf
[84] Definition provided by the Community Development Financial Association ("CDFA") the membership body of CDFIs in the UK.
[85] https://www.scotcash.net/

There has been some growth in **employer lending** in recent years. The companies that provide this lending offer their employees loans at lower rates than credit cards or payday lenders. This lending is usually provided to those in salaried, stable employment and is less likely to be available to the self-employed or those in temporary or insecure work which is the case for many women. These loans are usually offered by large public sector organisations and private sector employers. Smaller employers with limited HR capacity may find it more difficult or be unable to offer this facility. Given that Northern Ireland is a small business economy, with small businesses accounting for 99.9% of all businesses in Northern Ireland,[86] it is less likely that this type of lending will be available to consumers in Northern Ireland.

The initiatives outlined above aim to tackle the problem of high-cost credit and the answer to this problem seems to require concerted action on a range of issues in order to better protect consumers from this type of lending. The House of Lords Select Committee on Financial Exclusion has recommended stronger regulation of consumer credit along with further support for Credit Unions and Community Development Finance Initiatives (CDFIs) in order to tackle the problem of high-cost credit.[87]

2.12 The poverty premium

The poverty premium is the term is used to describe how poor people pay more for essential goods and services compared to those not in poverty. This is an important policy issue for low-income families.

University of Bristol research[88] identified six key cost areas where the poverty premium arises: household fuel, telecommunications, insurance, food/grocery shopping,

[86] https://www.fsb.org.uk/standing-up-for-you/national-offices/northern-ireland
[87] Tackling financial exclusion: A country that works for everyone?, House of Lords Select Committee on Financial Exclusion, March 2017
https://www.parliament.uk/business/committees/committees-a-z/lords-select/financial-exclusion/publications/
[88] Paying to be poor: Uncovering the scale and nature of the poverty premium, University of Bristol, November 2016
https://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1615-poverty-premium-report.pdf

access to money and use of higher-cost credit. The research found that a significant minority (16%) of low-income households had used at least one source of high-cost credit in the last year and, when incurred, the premium for individual types was as high as £540 per year.[89]

Christmas was highlighted as the single most common reason why households had used higher-cost credit, with over one fifth (21%) of the borrowing used for Christmas. This was followed by 16% borrowing for general day-to-day spending, a further 16% had borrowed to purchase white goods, 15% for electrical goods and 8% for furniture. Typically it was those who felt they had no other options, in terms of either paying cash or accessing mainstream credit, who ultimately paid a poverty premium through using higher-cost credit.[90]

2.13 Financial Capability

Financial capability is the ability to manage money well – both day-to-day and through significant life events like having a baby, getting divorced or moving home. Being financially capable means managing money well day-to-day, planning and saving for the future, preparing for the future and unexpected events and using credit well but avoiding unmanageable debt.[91]

Findings from the 2018 Adult Financial Capability Survey[92] show the stark reality of the financial capability issues facing UK adults in terms of managing their money:

- Only 52% of 7-17 year olds say they receive a meaningful financial education in school, at home or in other settings;
- 17% are over-indebted but only around a third receive help;
- 21% rarely or never save and 22% have less than £100 in savings and investments;

[89] Ibid
[90] Ibid
[91] https://www.fincap.org.uk/en/articles/what-is-financial-capability
[92] https://www.fincap.org.uk/en/articles/financial-capability-survey

- 17% often use a credit card, overdraft or borrow money to buy food or pay bills;
- 47% do not feel confident making decisions about financial products and services;
- 63% do not feel they can determine what happens in their lives when it comes to money (having a sense of control);
- 61% do not focus on the long term when it comes to money.

Research by Finney and Hayes[93] shows that those on the lowest levels of income perform worse in terms of a number of financial capability measures – making ends meet, planning ahead, staying informed and choosing financial products. However they perform better in terms of organised money management and controlled spending which is most likely driven by their need to watch their money more closely than others with higher levels of income.[94] Lower consumer literacy among some consumers on low incomes can leave them particularly vulnerable in markets where they need to make complicated choices or where deals are difficult to compare.[95]

FCA research shows that Northern Ireland fares worse in terms of financial capability than the UK average. The survey[96] shows more people feel they have low financial capability (24% versus 17%). Fewer describe themselves as highly confident managing their money (26% versus 37%) and fewer consider themselves to be highly knowledgeable in financial matters (10% versus 16%).

[93] Financial Capability in Great Britain, 2010 to 2012, Andrea Finney and David Hayes, University of Bristol, June 2015 https://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1504-financial-capability-in-gb-2010-2012.pdf
[94] Ibid
[95] Understanding consumers on low incomes, Competition & Markets Authority, CMA46, July 2015 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/444044/080715_Understanding_Consumers_on_Low_Incomes_-_final.pdf
[96] The financial lives of consumers across the UK, Key findings from the FCA's Financial Lives Survey 2017, Financial Conduct Authority, June 2018 https://www.fca.org.uk/publication/research/financial-lives-consumers-across-uk.pdf#page=12

Good financial capability is a vital life skill and preparing young people for financial challenges has the potential to dramatically transform their life chances. In Northern Ireland financial capability is included in the school curriculum from age 4 to 14, mainly through maths and numeracy. Overall children in Northern Ireland appear to do slightly worse than children in the UK as a whole on several measures of financial capability.[97]

2.14 Impact of being in debt

There is growing evidence that unmanageable debt can have wider negative effects on people's lives. It can affect their ability to access credit, prevent other financial decisions such as renting/buying a property and it can also impact on their mental health and wellbeing.

Debt is closely related to financial exclusion and has been shown to be associated with issues such as family breakdown, lower labour market participation and health issues.[98] In their report on unmanageable debt[99] Citizens Advice highlighted that nearly three quarters of their debt clients said they felt anxious or stressed because of their debts. Unmanageable debt increases anxiety and stress, disrupts sleep and can have a negative influence on general wellbeing. Citizens Advice research also found that people with unmanageable debt are 24% more likely to experience poor mental health.[100]

Debt puts a huge strain on families including children. Research by The Children's Society[101] found that children in households who have debt with arrears are five

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[97] Children & Young People and Financial Capability Commissioning Plan: Contributing Analysis Reports, April 2018 https://www.moneyadviceservice.org.uk/en/corporate/children-young-people-and-financial-capability-commissioning-plan--contributing-analysis-reports

[98] The Impact of Personal Indebtedness in United Kingdom Households, Especially on Children, House of Lords Library Note, LLN 2014/029, August 2014 https://researchbriefings.files.parliament.uk/documents/LLN-2014-029/LLN-2014-029.pdf

[99] A debt effect? How is unmanageable debt related to other problems in people's lives? Citizens Advice, July 2016 https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/The%20Debt%20Effect.pdf

[100] Ibid

[101] The Damage of Debt, The impact of money worries on children's mental health and well-being, The Children's Society, September 2016

times more likely to have low well-being than those with no difficulties with debt. This research found that there was an overwhelming sense of shame and embarrassment felt by both parents and children – parents felt ashamed of not being able to manage money effectively; children felt embarrassed by being unable to afford normal things like their peers, and being unable to socialise.[102]

Locally NICVA research on expensive lending[103] also highlighted a common theme of the traumatic effect of indebtedness on the lives of the borrower and their family. Contributors cited issues around stress, their mental health and self-esteem and knock-on impacts on children.

Debt advice charity, Christians Against Poverty (CAP) has tragically reported that UK-wide 35% of their clients considered or even attempted suicide as a way out of debt.[104] In Northern Ireland CAP reports that three in five (58%) of the households they helped were affected by mental ill-health, which is approximately three times the national average of one in five of the Northern Irish population who suffer from a mental ill-health condition at any one time.[105] Social isolation is also a feature of debt causing people to withdraw because they cannot afford to socialise or feel ashamed of their situation. 85% of CAP clients in Northern Ireland report signs of being socially isolated or feeling lonely.[106]

2.15 Women and Debt

In terms of gender equality debt is often not mentioned as a contributing factor. However in the UK research shows that debt impacts women more than men. Figures from the Money Advice Service showed that of the estimated 8.8 million people with severe debt problems nearly two-thirds (64%) are women.[107]

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https://www.childrenssociety.org.uk/sites/default/files/the-damage-of-debt-2016.pdf
[102] Ibid
[103] Expensive Lending in Northern Ireland, Centre for Economic Empowerment, NICVA, May 2013 https://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf
[104] Client report, Changing perceptions, Northern Ireland edition, Christians Against Poverty, April 2019 https://capuk.org/fileserver/downloads/general/Client-Report-2019-NI-WebDP.pdf
[105] Ibid
[106] Ibid
[107] Indebted lives: the complexities of life in debt, Money Advice Service, November 2013

There are a number of life events and other factors that put women at more risk of experiencing problem debt than men. The amount a person gets paid can have a major impact on how they deal with debt. Women are paid less on average than men, women are more likely to work part-time and in low-paid insecure work. Women are also more likely to be caring for children/family members and are more likely to claim social security benefits.

Economic inactivity levels in Northern Ireland have for the past decade been higher than the UK average currently 25.8% compared to 20.8% in the UK.[108] There has consistently been a higher number of inactive females than males, with approximately three-fifths of those inactive identifying as female.[109] The most common reason for inactivity among women was family and home commitments (34.7% of women compared to 7.4% of men).[110]

The availability of affordable childcare is also an issue that impacts on women's income levels and therefore their need to access borrowing. OECD evidence[111] suggests that affordable, quality childcare is one of the key factors in increasing female participation in the economy. Excessive childcare costs mean that women are less likely to return to work with the burden of childcare negatively impacting on their careers. A combination of high childcare costs and poor financial gains from working is often the reason why many low-income mothers do not enter or remain in work. This is particularly the case for lone parents.

https://mascdn.azureedge.net/cms/cs-indebted-lives-the-complexities-of-life-in-debt_november-2013.pdf

[108] Northern Ireland Labour Market Report, NISRA, September 2019 https://www.nisra.gov.uk/news/labour-market-report-september-2019

[109] Economic Inactivity in Northern Ireland, NISRA, June 2019 https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Economic%20Inactivity%20in%20Northern%20Ireland.pdf

[110] Ibid

[111] Drivers of Female Labour Force Participation in the OECD, Olivier Thévenon, OECD Social Employment and Migration Working Papers No 145, May 2013 https://www.oecd-ilibrary.org/docserver/5k46cvrgnms6-en.pdf?expires=1571830998&id=id&accname=guest&checksum=893CCB5545ED814C1D3A9B364B8ACB9A

The CEDAW Committee specifically raised the issue of childcare costs in Northern Ireland in its recent examination of the UK and said that it is: *"concerned that child-care costs remain excessive, particularly in Northern Ireland, which constitutes an obstacle for women to enter and progress in the workplace."* [112] The Committee recommended that government should ensure the availability of affordable and accessible childcare particularly in Northern Ireland.[113]

Debt advice agencies report that single parents may be particularly vulnerable to debt as they are more likely to be in low-paid and part-time work as well as disproportionately impacted by welfare reform and increases in the cost of living. In addition some single parents do not receive the child maintenance payments they are entitled to. In Northern Ireland the majority of single parent households are headed by a woman (91%).[114]

Gingerbread research[115] shows that few single parents have a financial buffer with almost six in ten (59%) rarely or never saving money while approximately half view keeping up with their bills and credit commitments as at least a 'constant struggle.' Gingerbread found that most single parents had to make cutbacks or borrow money to keep up with their bills and credit commitments, whether unexpected or routine, and to fund essential or standard items.[116]

StepChange reports that single parents are over-represented amongst their debt clients compared to the UK population. Single parents made up 23% of their clients in 2018 yet represent only 6% of the UK population. 85% of their single parent clients

[112] Concluding Observations on the eighth periodic report of United Kingdom of Great Britain and Northern Ireland, CEDAW/C/GBR/CO/8, March 2019, para 45
https://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CEDAW/C/GBR/CO/8&Lang=En

[113] Ibid, para 46

[114] Census 2011 – Key Statistics for Gender, Research and Information Service Research Paper, Ronan Savage and Dr Raymond Russell, Northern Ireland Assembly, 5 September 2014
http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2015/general/3415.pdf

[115] Scraping and Saving, Gingerbread, May 2019
https://www.gingerbread.org.uk/policy-campaigns/publications-index/scraping-and-saving/

[116] Ibid

are female.[117] In Northern Ireland CAP report that 27% of their clients are single parents (25% of which are single mothers).[118]

Low wages, unemployment, economic inactivity and childcare issues mean tighter budgets for women with less income to fall back on when unexpected costs arise. This makes women more likely to rely on borrowing to make ends meet. Women who are struggling financially on benefits and low-income work may be forced to use expensive forms of lending and in some cases this can lead to a never-ending spiral of debt. These experiences have been evidenced in our research with local women and this is outlined in the next chapter.

[117] Life Happens, Understanding financial resilience in a world of uncertainty, StepChange, July 2019 https://www.stepchange.org/Portals/0/assets/pdf/life-happens-safety-nets-stepchange-debt-charity.pdf
[118] Client report, Changing perceptions, Northern Ireland edition, Christians Against Poverty, April 2019 https://capuk.org/fileserver/downloads/general/Client-Report-2019-NI-WebDP.pdf

3. Women's views on access to lending and the impact of debt on their every-day lives

3.1 Introduction

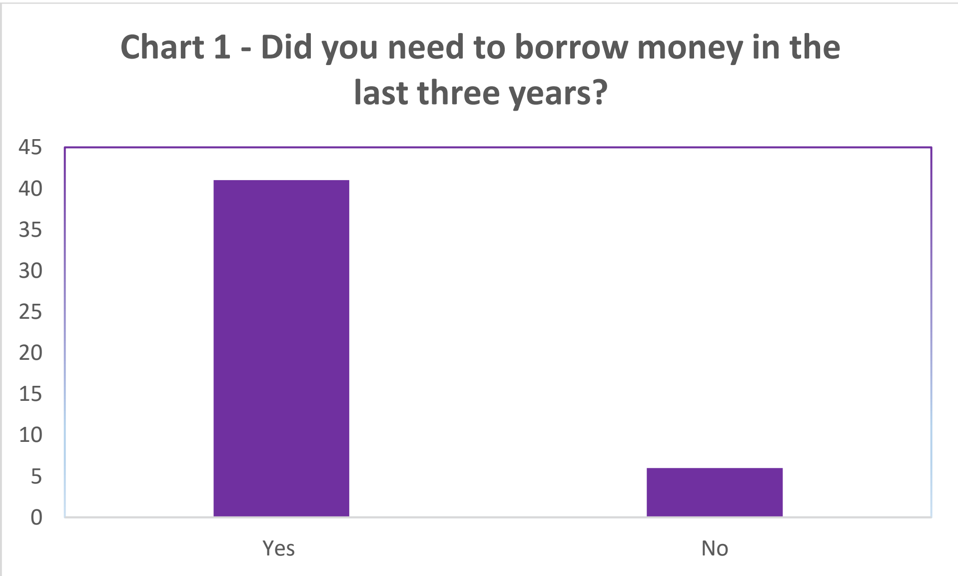
This section captures and analyses the views of women across Northern Ireland who engaged in the project's focus groups and completed questionnaires on access to lending and the impact of debt on their everyday lives.

3.2 Reported effects – Questionnaires

A total of 47 women completed questionnaires on access to lending, where they accessed credit and the cost of credit. Questions focused on their own recent borrowing including the reason for accessing credit and their understanding of the total cost and financial terms involved.

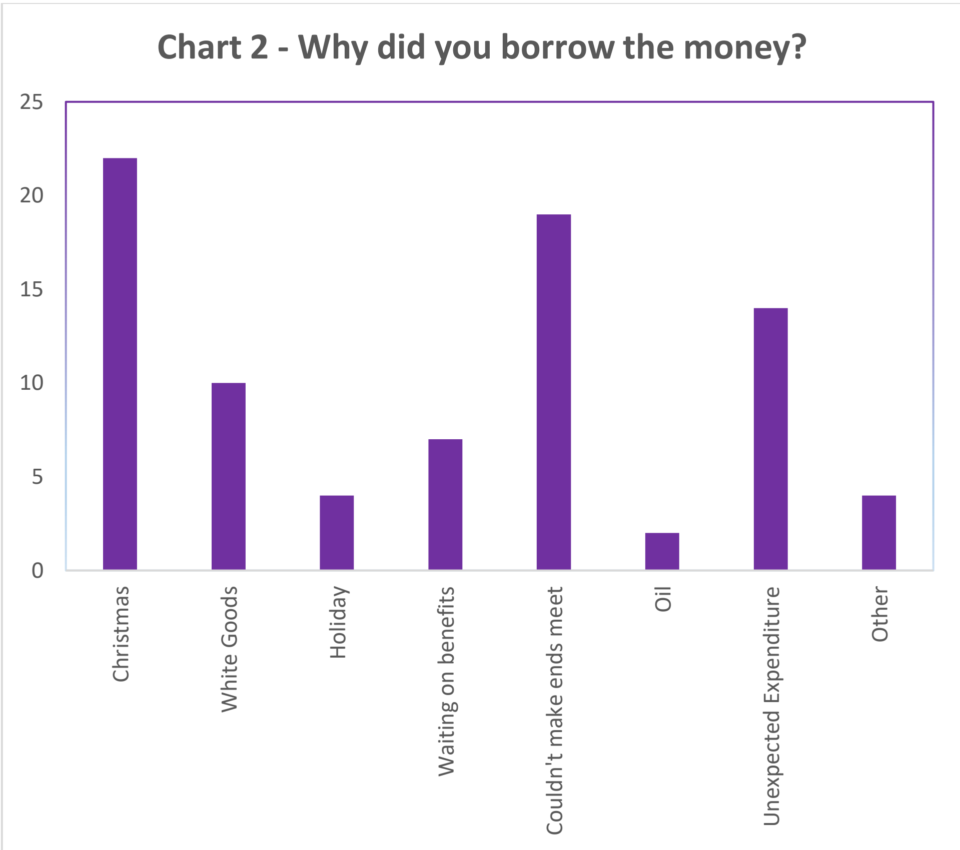
Question 1 – Did you need to borrow money in the last three years?

The majority of women (87%) reported that they had needed to borrow money in the last three years (see Chart 1 below).



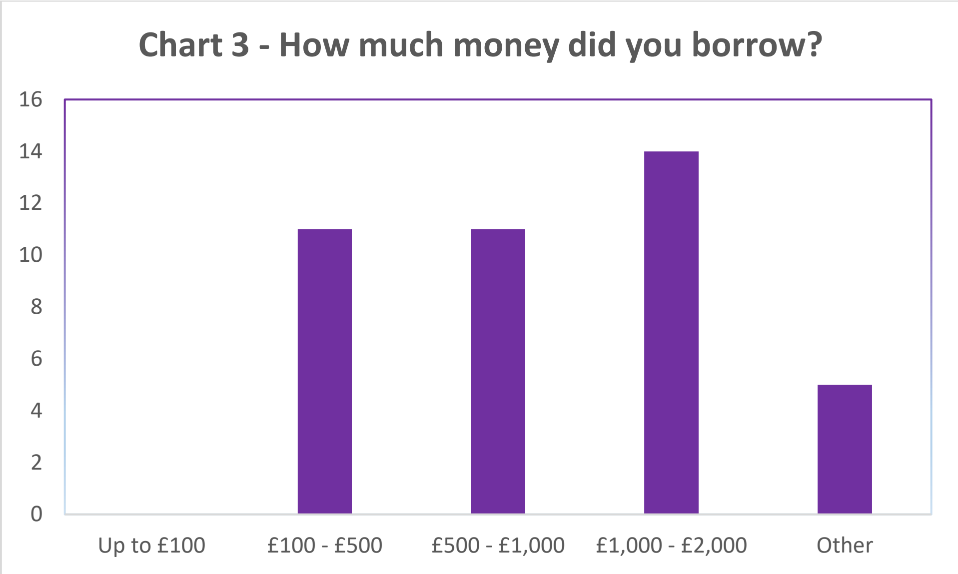
Question 2 – Why did you borrow the money?

The largest number of women reported borrowing money to meet the costs of Christmas (27%) closely followed by borrowing money as they couldn't afford to make ends meet (23%). Unexpected expenditure was the cause of 17% of the borrowing reported, 12% was borrowing to fund white goods and 9% of the women reported borrowing as they were waiting on social security benefit payments coming through (see Chart 2 below). Other reasons given were relationship breakdown, illness and home improvements.



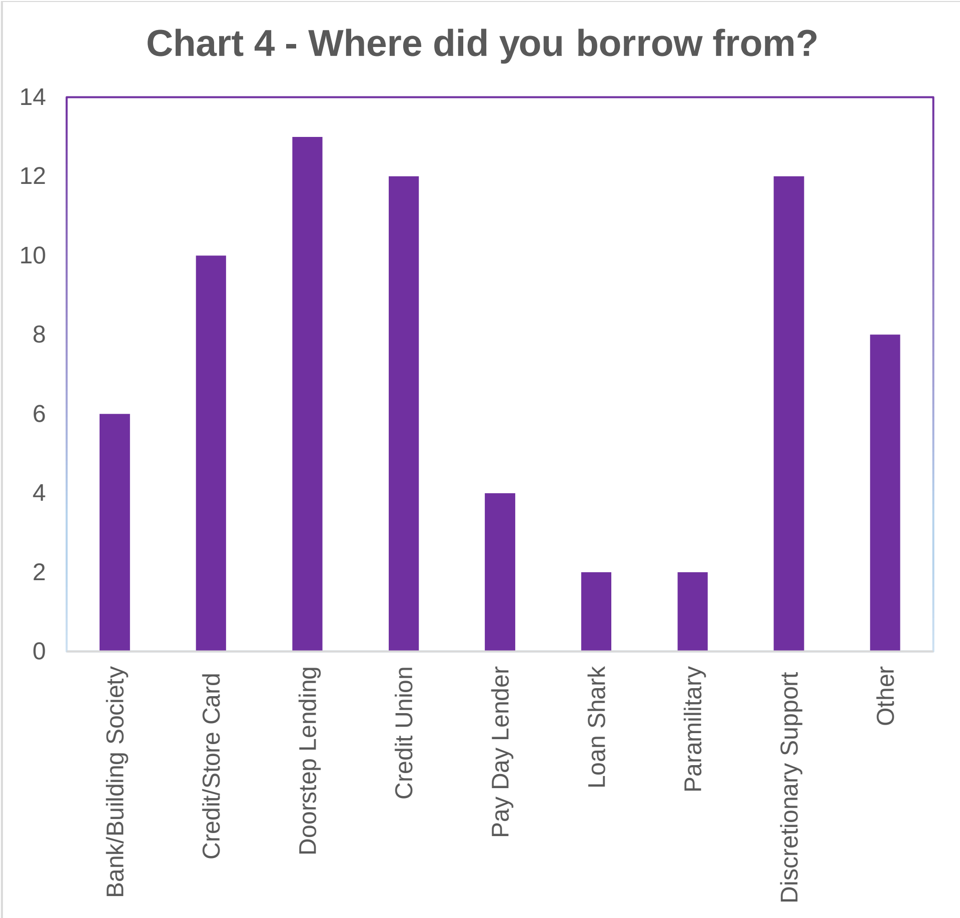
Question 3 – How much money did you borrow?

Borrowing ranged from smaller sums of money (£100 - £500) to larger sums of money in one case a woman reported borrowing £10,000. However the majority of the borrowing reported in the questionnaires was for relatively small amounts of money ranging from £100 to £2,000 (see Chart 3 below).



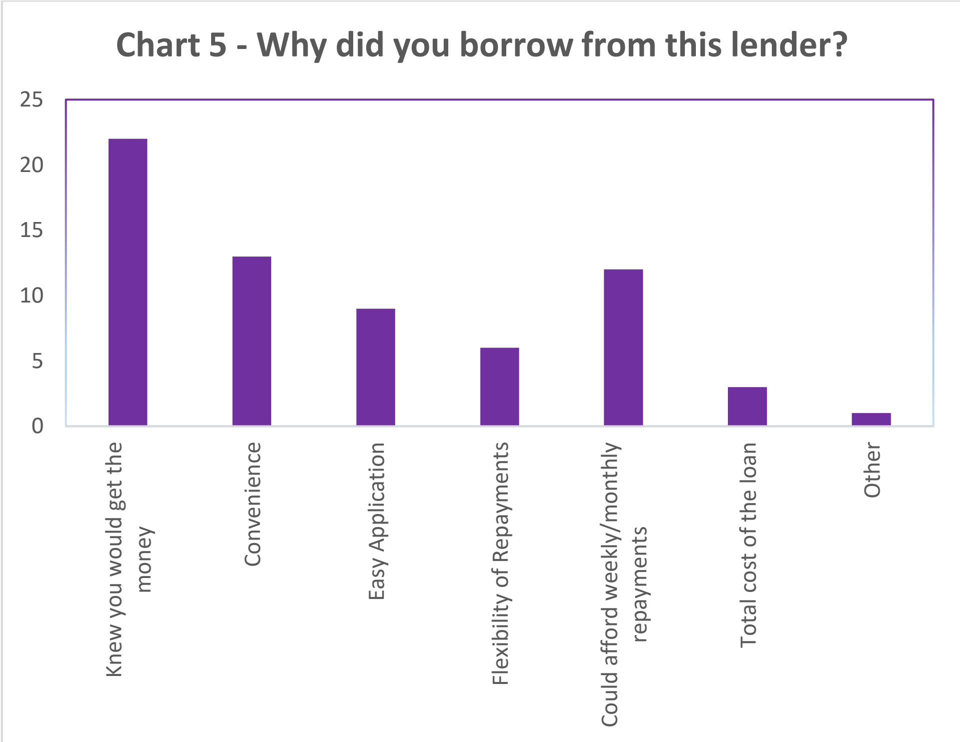
Question 4 – Where did you borrow from?

Doorstep Lending was a common form of borrowing reported by the women who responded to the questionnaire with 19% using this type of lending. Use of the Credit Union and Discretionary Support (through the benefits system) were also reported more often (both at 17%) and almost 15% reported using credit/store cards. Worryingly 6% reported using pay day lending as a form of credit with another 6% borrowing through illegal lenders such as loan sharks including paramilitaries (see Chart 4 below). Women also reported borrowing from other family members, overdrafts and catalogues.



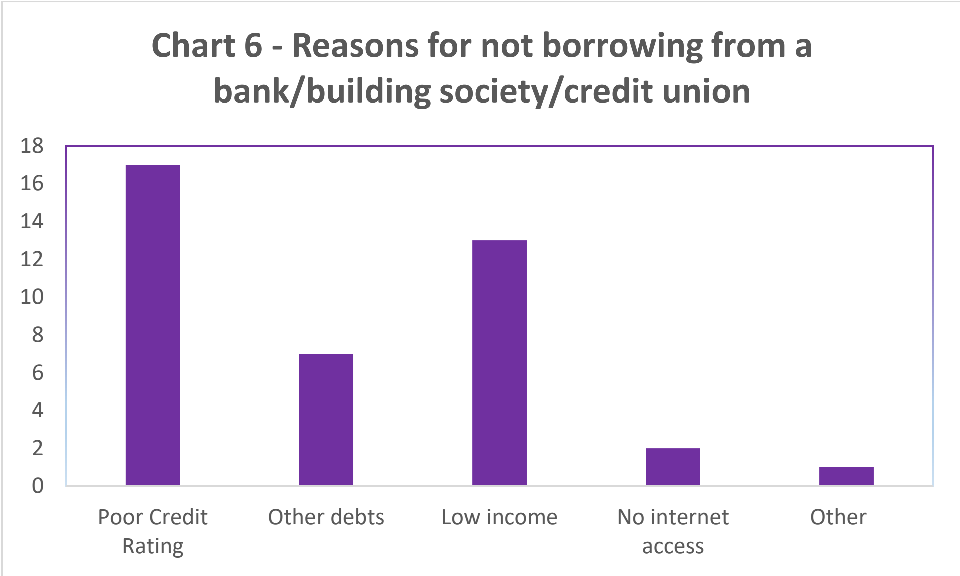
Question 5 – Why did you borrow from this lender?

Most of the reasons given by the women for their choice of lender for credit were about knowing they would get the credit from this lender (33%) and convenience (20%). Being able to afford the repayments was also a factor in the choice of lender for 18% of the women with easy application (14%) and flexibility of repayments (9%) also being given as reasons for borrowing from the chosen lender (see Chart 5 below). It may also be concerning that only 5% of the women reported that the total cost of the credit was the reason for their choice of lender but this may be explained by the fact that many of these women had limited options for borrowing (see next question).



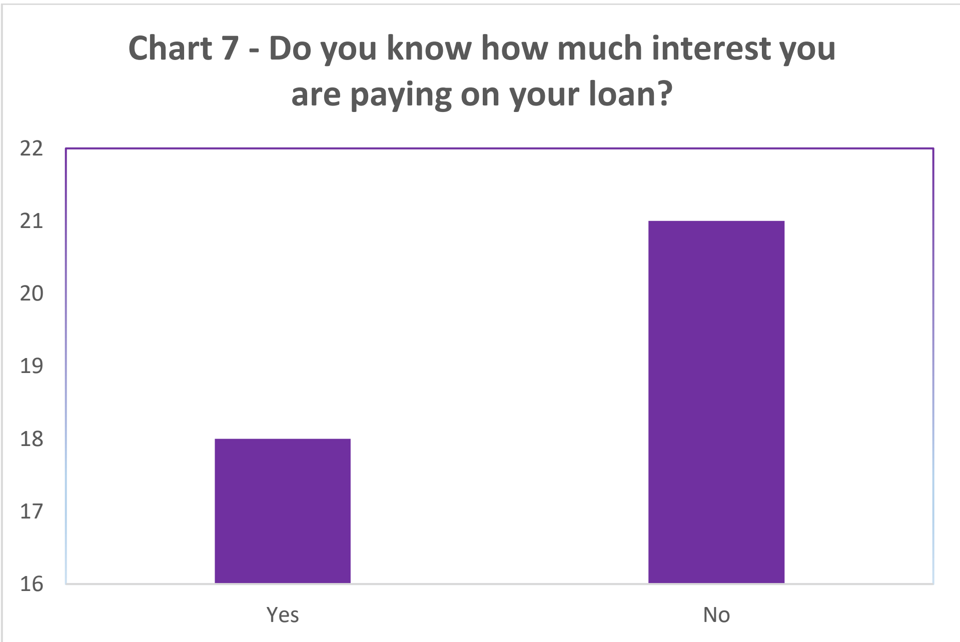
Question 6 – Are there any reasons why you cannot borrow from a bank/building society/credit union?

Women were asked to identify the reasons why they were not able to access cheaper forms of borrowing. 73% of the women who responded to this question stated they had reasons for not being able to borrow from a bank/building society/credit union. This is a sizeable majority of women, who for a variety of reasons feel unable to access some of the most common cheaper forms of borrowing. The reasons given by the women are shown in Chart 6 below with the majority reporting a poor credit rating (43%), low income (33%) and other debts (18%) as reasons for being unable to access cheaper forms of credit.



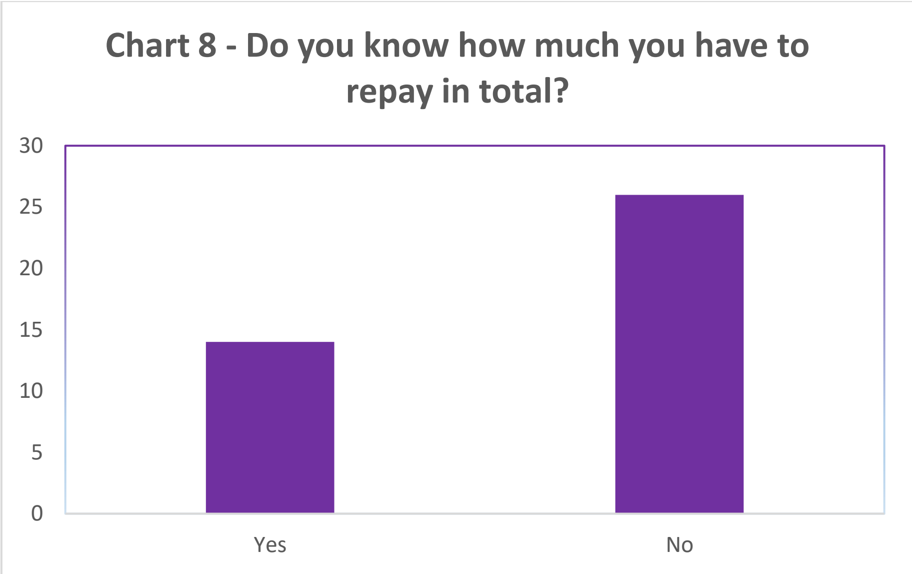
Question 7 – Do you know how much interest you are paying on your loan?

Chart 7 below shows that just over half (54%) of the women who responded to the questionnaire did not know how much interest they were paying on their loan.



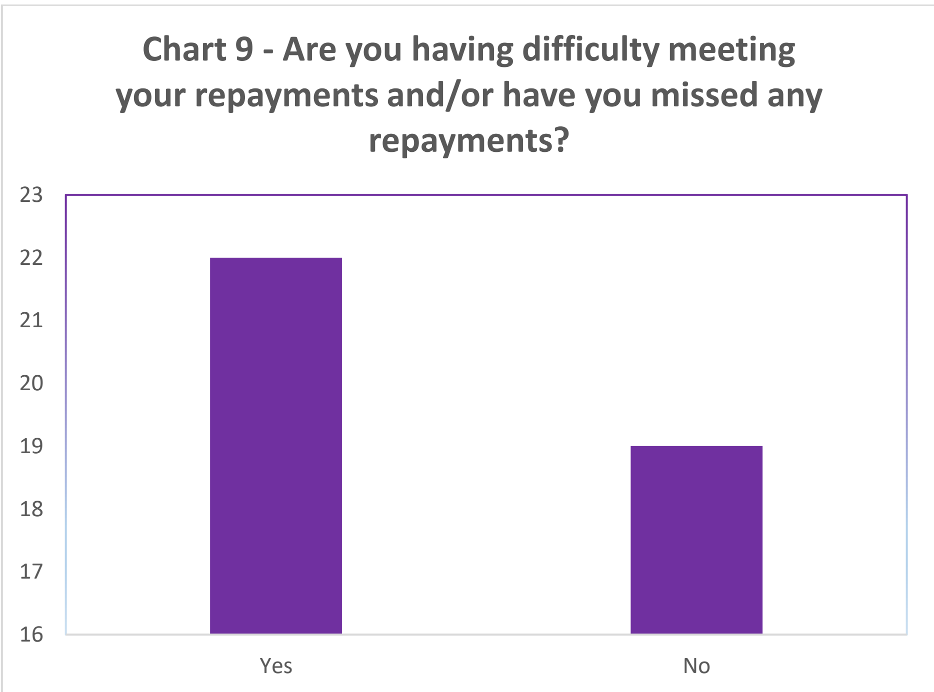
Question 8 – Do you know how much you have to repay in total?

Over two thirds of the women (65%) responding to the questionnaire did not know how much they would have to repay in total as a result of taking on their debt (see Chart 8 below).



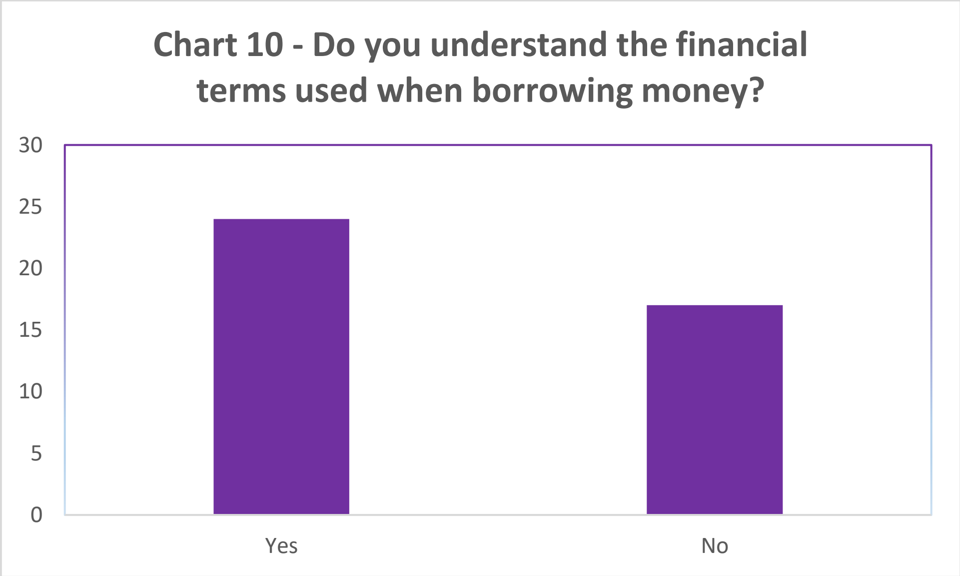
Question 9 – Are you having difficulty meeting your repayments and/or have you missed any repayments?

Just over half of the women respondents (54%) reported having difficulty meeting their repayments and/or had missed repayments as shown in Chart 9 below.



Question 10 – Do you understand the financial terms used when borrowing money?

Just under two-thirds of the women reported an understanding of the financial terms used when borrowing money (59%) with the remainder (41%) not understanding the terms used (see Chart 10 below).



3.3 Reported effects – Focus Groups

The majority of the women attending the focus group sessions had borrowed money recently with a high proportion of these women having more than one debt.

What the borrowing was for

Much of the borrowing discussed at the focus groups was for essential items. This included paying for white goods (cookers, washing machines), school uniforms, maintenance work to cars, clothes, household furnishings, baby items (prams, car seats) and home heating oil. The women also reported borrowing smaller amounts from family/friends to buy electricity and gas when they were running short.

"Unexpected things crop up once you've paid the rent and bills like needing a new washing machine and then I need to borrow money."

"I have to borrow for Christmas and everyday things like a cooker and clothes."

"I need to borrow all year round not just at Christmas."

"My son never stops growing. It's really hard keeping up with buying his clothes. He is 14 and he has size 15 feet – you can't get them in the shop you have to order them online and they're expensive."

"I borrow off my friends and family if I'm skint say if I needed electricity. They might lend me £10 or £20 until I get paid."

"I needed a new kitchen table. I applied for one through Littlewoods. They said they could give me £1,000. I got that loan and was paying it off. When it is £33/month it seems like it is not very much. But when you add it up with your bills and the credit you have for other things it all adds up and I struggle to afford it."

"I wanted to buy a wardrobe and I used my overdraft for it. It was on sale for £250 so I paid with my overdraft so it's like paying myself back. I cleared it off within the week. As long as you don't go over you're OK."

"Sometimes all you need is a little bit of money to get you through a day or two. I don't need to borrow off a doorstep lender I just need £5/£10 to get by sometimes. It's your pride too you don't want to ask for it. Sometimes you need small amounts for gas/electricity/milk and bread."

"Things happen that are unexpected. My daughter had to go into hospital and the cost of food while she was there caused me problems. I was surviving on toast until I got my benefits."

"Kids are always looking for money especially at Christmas and in the summer. You need to buy more food at holiday times. Everything is only a £1 for the things they are asked for at school but it all adds up."

"My daughter had a big unexpected debt she needed a new car for work. She had left her partner and changed job and I had to go to the Credit Union to get a loan to get a second hand car for her to do her job. That has left me in £2,500 of debt."

- Focus Group Attendees

Sometimes the borrowing depended on the time of year with the costs of Christmas featuring frequently as a reason for borrowing (much of the focus group research was carried out in November/December 2019). The women also talked about borrowing to meet the costs of their children's birthdays.

"Most of my debt is caused by Christmas over the last 5 years. By the time it gets to next Christmas I'm still paying off last year's loan."

"One night I had £9 in my purse and that was it. I was nearly in tears, there's big pressure in the run up to Christmas."

"It's so tempting when someone comes to your door and offers you £500. I'd take it especially at this time of year."

"This time of year if I'm offered loans I'd take them. It's so tempting when you are sitting with no money."

"Everything is pressure at this time of year especially. We're all struggling to make ends meet."

"Christmas is supposed to be a happy time and it's not when you have no money."

"I did Christmas through Very. I had an £800 limit. I got £700 but I missed payments so it is now £1,500. I'm just paying the minimum payments so the interest is just adding on and it's always getting bigger."

"I fund Christmas through the Credit Union – I put money away during the year."

"My kids get one big thing for Christmas. It's so hard you see what a lot of people put on social media – they buy mountains of toys for their children. I feel like a bad mum when I look at what I get my kids compared to them."

"It's hard at Christmas I got my son 2 games they cost £129 and they are tiny looking things."

- Focus Group Attendees

Where the borrowing was from

Most of the lending was through doorstep lending, credit cards, borrowing from other family members, the Credit Union and Discretionary Support (through the benefits system). Doorstep lending was the most common form of lending talked about by the women throughout all the focus group sessions.

Other women reported borrowing through the use of overdrafts, catalogues and loan sharks but these types of borrowing were mentioned less frequently. The women often discussed having debts with a number of different types of lender, for example, there were numerous examples of women with doorstep lending debts as well as catalogue or credit card debt and sometimes also having loans through Discretionary Support.

Doorstep Lending

As previously stated doorstep lending was reported as one of the most widely used forms of credit by the women who took part in this research. Many of the women had taken out a doorstep loan when they were relatively young and this form of borrowing had continued over a period of years.

Doorstep lenders were well known by women in local areas and most of the women were familiar with the companies who offered this service. In the run up to Christmas these lenders had been leaflet dropping in local areas offering their services.

Some of the women were aware that doorstep lending was an expensive form of borrowing and understood how much they would be repaying in total. However a significant proportion were unaware of this and their main concern was that they could meet the repayments. Some had taken out this form of credit because they felt that other cheaper forms of credit were unavailable to them due to a poor credit rating or low income. Others had taken out these loans because it was easy to get the money or because they knew they could afford the weekly/monthly repayments regardless of the overall total cost of the credit.

A number of the women reported friendly relationships with their doorstep lender collector. Some had known their collector for a number of years and described personal, trusting and reasonable relationships with them. In most cases if the women were not able to pay the day the collector called they were able to put them off without any difficulty although this obviously added to the amount they owed. In a few other cases the relationship was not as good with women feeling intimidated if they were unable to make payments.

The ease of availability of credit through doorstep lending was evident throughout the focus groups. Once a woman had taken out a doorstep loan the ability to increase the amount of the loan or to take out further lending once the initial loan was paid off was very easy. Some of the women reported getting messages on their phones or in person from the doorstep lender offering further credit.

"It is too easy to get stuff and they [doorstep lender] upped my limit on me so I ended up getting my son's birthday presents on it as well."

"I got a loan through Provident when I was 16 and I've been with them ever since."

"It is easy to borrow from Skyline. I already got a loan before for my child's birthday so it was easy to go back. Once I got the loan down halfway I got an offer to renew it again."

"When I first moved into my own flat I had no bed or furniture. I went into Dreams to get a bed and was offered finance through Skyline to get it. I got the bed and then had to pay it back. For every £100 I pay £50."

- Focus Group Attendees

"He came every week – if you didn't pay one day he'd be back a few days later. Sometimes I would end up driving round and round if I saw his car so he wouldn't see me."

"Provident – get £100 pay £140 back. Sounds so tempting just paying a small amount back each week but it doesn't matter that it's over 40 weeks."

"Sometimes the collectors can be really intimidating especially of women. I borrowed £500 and I pay back £20-£25 a week. My call day is Thursday and I told him I don't have it can he call back. He was quite rude and my husband warned him not to talk to me like that. I'll have to pay double next time."

"I paid the doorstep lender off in January last year and they are still messaging me asking if I want another loan. It is really hard when you are struggling to get something and you think I really could do with this money. But not £400 for the price of £600. Constant messages and some are bound to arrive when you literally have 33p in the bank so you really could do with the money."

"The doorstep lender comes and collects weekly payments. You get friendly with whoever calls and stand and have a chat. Its very personal. I have 3 different loans with this person. He is so nice I feel like I'm betraying him talking about it. At the time I took out the loans I was living with someone who promised he would help to pay these off. We separated and he left me with the debt."

"I had one loan and I was able to say to the man who calls I could pay an extra £10 a week and he told me how much he could give me. If I can't make the payment I can say to him. He works for himself. He is a reasonable man. There are times I've had to say I can't pay you until next month. The interest is pretty high. I don't even remember what it is. I just know I'm paying back more than double the amount I borrowed. If I spread it out longer the payments are more manageable."

- Focus Group Attendees

"I borrowed £3,000 – I've been paying it for about 5 years. If I hadn't missed any payments I would have had it paid off by now. I used to pay £80 a week then had to reduce it to £40 when I lost my job. Now I'm only paying £20 a week. He [doorstep lender] is working with me and is not being mean or horrible."

"I was with Morses and if you miss four payments you get a letter about court. I lost my job a few years ago and couldn't make the payments. They sent me a letter threatening court and added on charges for sending the letter. I panicked and started giving them something even though I couldn't really afford it."

"I'm with Morses Club for every £100 I pay £65. I use this for Christmas and for everything else."

"I was with Provident but the collector moved to Morses Club so I moved with him as I trusted him. I have an App on my phone for it and it sometimes comes up offering me more money. I pay it back every fortnight. £175 a fortnight from my benefits. I am just about making the payments."

"Once I paid for the bed I kept renewing the loan and they kept offering to up it. The interest is £50 on each £100. I always paid on time so they offered me more. They call at the door to collect it. There are weeks where it's really hard and I'm borrowing to pay borrowing. Sometimes my mum will make the dinner that night so I don't have to spend any more money. Some weeks the man comes and I have to give him all my benefit money."

- Focus Group Attendees

Other expensive forms of credit

The use of more expensive forms of borrowing were reported by many of the women at focus group sessions. This included credit and store cards, catalogues, overdrafts and in a few cases payday lending. Many of the women reported the ease with which they were able to access these types of lending. A number also reported that their credit limits were increased without a request from them. This is particularly difficult for vulnerable women and encouraged further borrowing through this type of lending.

Some of the women reported problems with their credit scores and the desire to improve these. This meant that they had taken out credit cards which they were being careful to repay so that they could improve their credit rating which would ultimately enable them to access further credit.

"When I got made redundant with the recession I fell behind in my mortgage payments. I'm working to get credit again so I got a credit card which we only use for emergencies."

"I had a credit card bill for £900 and worked to clear it then they upped my limit to £3,000 so I cut up the card."

"I have a credit card. I got it to help my credit rating. I keep it locked up and only use it for emergencies. We bought an x-box for my son on it for Christmas."

"The most I would ask from friends/family is £40 as they are all in the same boat. It is easier to pick up the phone and get a payday loan."

"I had a loan through Studio catalogue and it was the worst thing ever. I was just paying the interest so it was going up all the time. I was paying £40-£50 a month. I had to scrimp and save to get enough to get it cleared off."

- Focus Group Attendees

"I have a Capital One credit card. It stared at £200 and I made a payment every month. I paid just above the minimum payment to try and set some of it paid off. They have upped my limit several times and I have taken more credit. I got a letter recently and it said that if I continue to pay the way I have been paying it will take me 19 years to clear it. That's because of the interest charges. The letter made me sit back and think about how much it is costing me."

"I couldn't live without my overdraft. I love my overdraft. Once I get paid it is paid off. I have a £500 overdraft and I keep £200 of that which is not used at all. I don't want to use a doorstep lender or the Credit Union as they rejected me. The £200 sits there and I try not to go into it but if I need something it's there."

"Once they [catalogue] see you are paying it off they put your credit limit up."

- Focus Group Attendees

Borrowing from Loan Sharks

This is a very difficult area to gather evidence on but it was mentioned in a number of the focus groups. Women are more reluctant to talk about this as they understand that it is a more dangerous form of borrowing and many are just too afraid to discuss it. Others do not understand that it is a form of illegal lending they just see it as a local money lender and therefore it is difficult to get an understanding of how widespread this problem is.

In Northern Ireland loan sharks can be linked to paramilitary groups and this brings with it an extra level of secrecy and fear over the consequences of not being able to make repayments. Some of the women were aware of local loan sharks linked to paramilitaries operating in their local area but much of this evidence was anecdotal talking about friends or people they knew who had borrowed this way. There was an acceptance among the women that the consequences of this type of borrowing could be very scary.

"I have heard of drug dealers lending money locally. They lend people they know are regular customers."

"When you borrow money from these dodgy lenders you will never get it paid off – they know you are vulnerable."

"You don't hear so much about paramilitary lending here anymore. It used to be a bigger issue than it is now. Now it's drug dealers lending money."

"My friend borrowed from them [paramilitary] and actually paid double back."

"My friend is a single mother and she was approached by an illegal money lender offering her a job. She was told to approach her friends and family and offer them loans. She offered me a loan but I said no. They will give you £500 and you have to give back £600 but it had to be repaid in a month. I warned her about this as she doesn't know what will happen if they can't pay it back. My nerves couldn't take it."

'You hear about a lot of people who get loans from paramilitaries they pay £30 on £100. Someone else said they pay £80 on £100 to a paramilitary. Everybody knows somebody that would lend them money."

"It is usually just done through friends or people you know saying don't worry I can get you a loan. If you don't pay them [paramilitary] they just keep putting it up."

"I've been to a loan shark – it's not good. The interest they put on. If you miss a payment they are at your door – you don't miss those payments."

- Focus Group Attendees

CASE STUDY – Loan Sharks

A woman came to a debt advice agency to seek advice about her debts. She is in her 40s with one dependent child living at home. She is unemployed and unfit for work suffering from poor mental health, including depression and anxiety, and has drug addiction issues. She lives in a housing estate in the Greater Belfast area in a Housing Association property and is in receipt of social security benefits. She has no assets or savings and has a basic bank account.

Her debts arose as a result of her addiction to cocaine which she started using 6 months ago. Paying off her debts each month means that she has no money to live on and is struggling to buy food so has resorted to using a foodbank to feed herself and her son. She is paying out just over £1,050 to her creditors each month and feels like her situation is spiraling out of control.

She has some non-priority debts amounting to over £6,000 to the Credit Union, Provident and Skyline. Both Provident and Skyline call at her home every week to collect her weekly payments and she has a standing order for her Credit Union loan. She also owes her family £2,500 plus £150 to a friend but she is not so worried about these debts.

She is really concerned about a debt she has to a local loan shark (paramilitary) for £1,800. They call at her home every week to collect £140. This is made up of a number of separate loans which have been rolled up into one. The client came for advice as she is frightened and stressed about not being able to pay this debt. She says they run a prostitution ring and threaten this as alternative if clients cannot pay. She says they also use violence and knee capping. She states that the "dogs in the street" know who they are but no one will inform on them due to fear. She described that cocaine use in the area is rampant and more people are becoming addicted and dependent on these loan sharks. They continue to offer more and more cash loans and it is very tempting particularly to addicts as they have no other means of funding their habit.

She wants to get rid of this loan as soon as possible and "get these people off my back." However when advised this was an illegal lender and could be reported she was reluctant to do so. She was afraid to phone and the consequences of being found out. She said this would be seen as "touting" and she wasn't a "tout."

Credit Union

Some of the women at focus group sessions relied on the Credit Union for their borrowing and were in a pattern of using it to borrow for things like Christmas and other bigger purchases such as white goods, furniture, etc. However some of the other women did not understand how the Credit Union works and were unaware that it was a cheaper form of borrowing. Others reported that getting loans through the Credit Union had become more difficult and they had been put off borrowing this way by the level of detail they had to supply in order to get a loan.

"The credit union is really good – it is cheaper."

"With the Credit Union I got 3 times the value of my mum's savings to bury her. I also get a Christmas bonus so I can take the cash out or take it off my balance."

"I felt like when I was sitting in the Credit Union that I was begging for the money it wasn't pleasant."

"I went to the Credit Union when I was pregnant with twins. They weren't planned and I had nothing that suited twins. I needed a new pram and seats and bases for the car costing £1,000. They turned me down. I already had a loan out that year which had been for Christmas. The pram people let me pay it off over time. My mum paid the last £350 as a present for the babies. We needed the car seats as we couldn't bring the babies home without them."

"I hear them [other women at the focus group] talking about the Credit Union but I don't know what they mean."

"The Credit Union have got stricter about lending and that has put people off. You have to explain everything."

- Focus Group Attendees

Discretionary Support

Many of the women discussed the issues they had with Discretionary Support. Most felt that it was harder to get help through Discretionary Support than through the old Social Fund.

They reported problems getting through to Discretionary Support to make a claim and much more restrictive criteria for getting help which meant that many were unable to access it.

"Discretionary Support – I wouldn't go to ask them – they always turn you down – you feel like you are begging. I had to bring in pictures to prove to them that my child's bed was broken. People are sitting with nothing, feeling like beggars – you'd think it was coming out of their pocket."

"You can't get through on the phone line. It took me 3 weeks to get something sorted out through Discretionary Support."

"You can hardly get Discretionary Support now. They wouldn't give me anything."

"I'm not entitled to Discretionary Support anymore as I work."

"If you phone Discretionary Support now you are on the phone for ages. I was on hold for over 2 hours because I needed a bed for my son."

"It is a disgrace what they ask you on the phone considering you are going to be paying it back."

"If you tell the Brew you are struggling with your repayments it feels like they demean you."

- Focus Group Attendees

"I just borrow off friends and family if I'm struggling, there's nowhere else to go. You used to be able to get a Crisis Loan but you can't get help from the Brew anymore."

"I moved house and couldn't get Discretionary Support as I'd already got a loan before. This meant that I had no carpets in my new place and 3 children."

"I couldn't get help because I was 1p over the threshold. They are very strict about it."

"It would be good if the Brew could do something like a payment for Christmas or for heating like a Christmas bonus."

"You have to explain what you are looking the money for and show so much detail. It should be made easier for people to get money especially from the Brew as you are paying it back from your benefits."

- Focus Group Attendees

Accessibility of Credit

The women discussed the problems they had accessing credit. The amount of detail required in order to access some types of credit had put some of the women off borrowing from those lenders. The examples given were the Credit Union and Discretionary Support.

Others discussed their credit rating and the fact that poor credit ratings meant they could not access some types of borrowing leaving them only having access to more expensive forms of lending. Some of the women had taken out credit cards in an attempt to improve their credit rating. These women were worried about their ability to access credit in the future and this led them to try and improve their credit scores by taking out credit cards and ensuring that these were paid off monthly.

The women reported how easy it was to borrow money through doorstep lending. They knew they would get the money and it was easy to arrange. They also reported similar experiences with credit/store cards and catalogues which were quick and easy to arrange.

"The amount of stuff they [Discretionary Support] ask you in order to get money is ridiculous. They want to know the colour of your knickers!"

"I have a poor credit rating so I take any loan that is offered."

"I borrowed from a doorstep lenders because it was the only place I could get the money. My husband died and at his wake the doorstep lender took me aside and said I know you're going to pay your husband's bill because I'm sure you spent the money too."

"I applied for a credit card and they didn't ask for all this proof of details – so it's easy. Using my credit card to buy petrol and then pay it back before the charges. Doing this to help my credit rating and helps with budgeting."

"The debt just follows you – it's so bad for your credit score."

- Focus Group Attendees

Impact of Welfare Reform

Welfare Reform has undoubtedly made it harder for many of these women to survive on what they receive on benefits or in low-paid work. Many reported struggling to get by and to put food on the table. Others reported problems with trying to save for things that needed done in the house or to replace things that had broken. Most reported struggling to live on current benefit levels and were concerned about how they would manage if their benefits were reduced even further due to welfare reform. Some of the women reported problems with Universal Credit and the severe impact that the initial wait for the benefit had on their lives.

"Welfare Reform has left us further in debt and we need to borrow more just to get by."

"Benefit changes have meant more people need to borrow money. Some are going for Payday loans."

"The way my Universal Credit assessment period works means that sometimes I get 2 payments of my wages in a month and that means the next month I get no Universal Credit. The initial wait was 6 weeks with no money – it really affected me."

"I'm really worried that the bedroom tax will come in. I've lived in my house for 17 years. It will be terrible for me if it comes in, it will cripple me. I won't be able to afford to stay in my home."

"What are you supposed to do for 5 weeks with no money?"

"For me it took a lot to reach out and ask for help at a foodbank, I have always struggled but it is worse now on benefits and I needed to feed my child."

"The situation with benefits now is that people are finding it very hard to make ends meet."

"It will be terrible for me if they stop the help through mitigations."

"Changes to the benefits system have made things worse."

"The cost of living has risen so much it's hard to manage on benefits."

- Focus Group Attendees

CASE STUDY – Welfare Reform

I am a carer on a zero hours contract. My work dwindled over the summer and I was not doing 16 hours a week so I was changed over to Universal Credit.

The 5-week wait for the first payment just crippled me. I feel like I'm just playing catch up all the time now.

I had no cooker for 3 months as my old one broke. I couldn't afford a new one so I ended up going into my neighbour's house (she is also a lone parent) to cook food and we shared the cooking for a while.

My mum took pity on me and saved up to buy me a second hand cooker. After this was installed I discovered it was faulty and was a fire hazard as one of the rings just kept coming on by itself. My mum had paid £140 for it. It meant so much to me and her getting this cooker and then it was faulty. Eventually when I could afford it I had to get someone out to fix it. It shows you the risk you take when you buy things secondhand to try and save money."

CASE STUDY – Welfare Reform

We got into debt because my son's DLA stopped and that meant our Carer's Allowance stopped and the premiums in our Tax Credits. I work 16 hours a week so I don't get any other help with bills. We appealed the decision and won the appeal but we were down about £9,000 in 6 months which had a big impact on the house.

I have 4 children and one just started secondary school. Secondary school is just money every day! Extra curricular things cost a fortune. I maxed out a credit card of £2,600 to get me though and borrowed off my mum and St Vincent de Paul to help with a new washing machine and help with the car.

My health has suffered the last 7 months. I can't afford not to be working as I have all these debts to clear now. The pressure of all that is enormous. I still have to get up and go to work I can't afford to go off sick.

I am making the minimum payments on my credit card bill. When I get the backpayment of DLA it is going to pay this off. I used the credit card to get extra shopping I needed like uniforms because my daughter was starting secondary school.

My mum has bought oil for me twice now. I also have a Very and Next account both taken out on buy now pay later deals. These were just to put clothes on the kids as I had no other income and we weren't entitled to any other help.

Women's Concerns

A common thread among the women in discussions at focus group sessions was the feeling of being a failure for not being able to provide for their children. Some of the women were very emotional about this issue as they felt that they were not being a "good mum" as they were unable to afford the things that other children have. This included clothes, shoes, outings and presents for both birthdays and Christmas.

The women talked about how their children experienced pressure from other children and how expensive it was for them to do ordinary things like take their children to the cinema because of additional costs like food and transport, etc.

> "I feel like a bad mum because I can't get them the things they want."
>
> "Kids are always saying "but my friend gets this and that" - it's peer pressure."
>
> "If you take them out anywhere not only do you have to afford to pay in but then they want food, drinks etc it's all so expensive."
>
> "I feel like I have failed my kids because I can't get them what they want for Christmas."
>
> - Focus Group Attendees

Some of the women talked about borrowing from other family members if they were finding it difficult to make ends meet. However, for others this was not possible as their family were in the same position as them, struggling to make ends meet. A few of the women talked about feeling like a "burden" on their family because they had to ask them for money.

> "If it wasn't for my mum and my nanny my kids clothes would be done and I would have nothing."
>
> "I feel like my family see me coming and think what does she want now. I hate that. I was never that person. I hate always asking them for help."
>
> "If I'm stuck I go to family first. There's no interest with family."
>
> "If I could ask family I would but they are just as badly off as me."
>
> "My mum and step-dad work but even they struggle. Sometimes I ask my mum to lend me £40. You assume people in work have money but sometimes they don't either."
>
> - Focus Group Attendees

A number of the women who were lone parents complained about how hard it was to make ends meet without help from their children's father. The lack of child support meant that they struggled to provide for their children.

> "It would help if the children's daddy helped but he doesn't. You feel guilty if you are not getting this money that you are not doing right by your weans."
>
> "It's hard when you are a single parent. You need another parent to contribute. I get nothing from my kid's dad."
>
> "I get £5/month from my daughter's dad. I have 3 children and the other 2 fathers pay nothing. It would help a lot if they were giving you money to help with the kids."
>
> - Focus Group Attendees

Most of the women who attended the focus group sessions had no or very little savings. They talked about an inability to save as current benefit levels or income from low-paid work did not allow for this. They simply did not have enough money coming in to save. For those that did have savings they usually only had a small amount put away to cover, for example, the cost of Christmas or to replace a white good.

> "Realistically I'm not getting enough money to be able to save – I just can't."
>
> "I need new blinds and carpet but every time I save a bit of money up something else crops up and I can't use it for that."
>
> - Focus Group Attendees

Impact of Being in Debt

It was very evident in all the focus group sessions the negative impact of debt on women's lives. Making ends meet on a low income was a constant worry for almost all the women. Many struggled to meet their debt repayments and this weighed very heavy on their minds. Worry about money and debt created stress and anxiety which impacted on their personal wellbeing and relationships.

A number of the women reported that there was still a stigma around debt. There were issues of pride and embarrassment at not being able to make ends meet and about being in debt. One of the women talked about not wanting people to know about her debts in case she would be viewed as being unable to look after their children properly.

"You are always worrying about your debts, it's scary."

"The impact of debt is that it makes you very ill."

"Women don't want people to know they are struggling in case people judge them and think they can't look after their children."

"It's the worry and anxiety of it – it puts a strain on family relationships."

"The only thing my partner and I argue about is money."

"I'm on my own so its constantly a worry making ends meet with the kids."

"If I have to be broke I'll never get a loan like that off anyone again. It's very stressful. If my father knew he'd be angry but I just feel like I just can't keep going to family to ask them for money all the time. I lost a good friend over not being able to buy her daughter birthday or Christmas presents because I couldn't afford it."

"There are issues of pride and embarrassment around debt."

"There are lots of suicides in the area and other issues with drugs and addiction. People are struggling with losing their jobs and getting in too deep with money or loans."

"I am seriously anxious if I can't meet my repayments."

- Focus Group Attendees

Financial Literacy

There was a clear understanding among some of the women about debt including how some forms of borrowing were more expensive than others and how much they would have to repay in total for their borrowing.

However a significant number had a low understanding about debt including financial terms and the overall costs of credit. In taking out debt some of the women focused on the affordability of repayments rather than the total cost of the credit. Others reported being confused about financial terms and the need for financial information to be clear and simple.

"I didn't understand some of the financial terms. I took out a credit card with Vanquis and they were good at explaining what things meant. I didn't know there was a difference between paying for things on a credit card and taking money out through your credit card and they explained all that to me."

"People don't understand financial terms – they just don't take them in. It needs written down in plain words so that people can see what it means in black and white."

"I hear everyone talking about the Credit Union but all the information baffles me."

"It would help a lot of people if they knew the financial terms. A lot of people think it's easy money and don't think how much it is going to cost them overall."

"All you see is what you're getting not how much you are having to pay back."

"Once they start talking about percentages I don't understand it."

"I want to instill what money is about with my kids. They save in school through the Credit Union and that is a good thing."

- Focus Group Attendees

Help from Women's Centres

Visiting women's centres for focus group sessions showed the vital importance of these centres to the women who used their services. Women's Centres provide a range of services to low-income women including childcare, access to advice and information, food and foodbank vouchers and help with clothing, furniture and other household goods. The women's centres also provide valuable opportunities for friendship and social inclusion as well as opportunities to share information and access other sources of help/signposting.

It was evident that many of these women would struggle even further to make ends meet without the services of their local women's centre.

"Everything in my house goes to the kids, I can't buy anything for me. I needed winter boots and the Women's Centre helped me get a pair through the local church, they are a size too small but they're warm boots."

"One of the women heard me saying how I was really struggling at Christmas. I was nearly in tears and she gave me some clothes and toys from her son. Women helping other women. A lot of that kind of help goes on here in the women's centre."

- Focus Group Attendees

CASE STUDY

I needed money to get a new bed when I moved into a new place when I was 21. I went to Dreams and picked the bed and they offered me finance through Skyline. I got the bed and started paying them off. I didn't ask how much I'd be paying I decided I could make the payments and they started collecting it from me at the house.

I started with that loan for £200 then I asked them for more and once I had children I asked for more again so it went up from £200 to £300 to £500 and now I have a loan for £700 with them. This is the first time I've had a loan for £700 and I'm paying it off by £70 every 2 weeks. This loan is for Christmas.

I also have a Very account which I started a few years ago to get my son some presents for his birthday. This was because I was waiting on my benefits coming through as there was an issue with a Carers payment which knocked off my Income Support. I didn't get any money for 5 weeks except for Tax Credits. I was living on £160 for two children to cover food, clothes, bills and school bills. My kids learned to love Pot Noodles! My family helped sometimes and so did the Women's Centre – they gave me some food hampers. When I nearly had this paid off Very upped my credit limit and I went back into further debt.

I am struggling with the costs of Christmas this year. My grandparents are helping with the kid's Christmas presents this year as I can't afford it. I'm worried about paying off the Very account as I can't afford to pay that plus my bills and afford to live.

You sign up to these things and don't really understand. You sign up no problem but you are not really looking at all the finer detail. They're lending me money that's all I'm thinking – I'm not thinking about what stuff might happen next week say if the washing machine breaks. At the time you are just thinking I need things for Christmas you're not thinking next week I might need a new washing machine. It's really hard.

If you're in debt you've a lot of things going on in your head. People might think you are unstable and think you can't look after your kids as you have no money. You don't want to tell anyone about your situation in case they think that.

4. Conclusion, summary of findings and recommendations

> "*There is no question that economic worry is the new normal for millions of people in this country. It is the unpleasant and often distressing anxiety that we either cannot make ends meet or that we are one setback – loss of work, an unexpected bill, a bout of ill-health – from disaster. Insecurity limits people's horizons and imaginations, forcing them to focus on the here and now rather than longer term possibilities.*" [119] Matthew Taylor, Chair of the Government's Review into Modern Employment Practices

This quote and the research outlined in Section One of this report shows the debilitating problems that can result from being unable to make ends meet. Unfortunately this is a reality for a growing number of people in society today. For people who are just getting by even small unexpected life events or income shocks, such as a washing machine breaking down or a period of sickness, can start a cycle of debt dependence. In some cases this can become nearly impossible to escape setting a pattern for the rest of their lives.

Welfare reform, insecure employment and increases in the cost of living have meant significant changes in the way that people use credit. For many people, particularly those on low incomes, debt is increasingly being used to fund everyday living costs including basic necessities such as food and clothes.

Some low income households are turning to high cost credit to pay for essentials and very often this results in problem debt. Problem debt places a heavy burden on households and families and can lead to stress, mental health issues and problems within families.

[119] Economic Insecurity "New Normal" as four in ten fear for living standards, Matthew Taylor, RSA, November 2019
https://www.thersa.org/about-us/media/2019/matthew-taylor-economic-insecurity-new-normal-as-four-in-ten-fear-for-living-standards

For women the situation may be even worse. Their socio-economic status and concentration in lower paid, part-time and often insecure work leaves them particularly vulnerable to income shocks and debt. Traditional gender roles do little to protect women from low incomes and debt with pressures of caring responsibilities and childcare costs limiting their ability to increase their income.

The current political and socio-economic conditions only serve to increase the worries of low-income families about how to make ends meet. Northern Ireland had been without a local government for three years until the restoration of the Northern Ireland Assembly in January 2020. This lack of local government had stalled progress on many issues including the implementation of the Financial Capability Strategy for Northern Ireland. The theme of the Northern Ireland Strategy and Action Plans was of empowerment – equipping and enabling consumers to take control of their financial affairs, and to manage their money effectively.[120] There is no doubt that work and progress in these areas could have helped some consumers to better manage or avoid debt.

Research has shown that women are more negatively impacted than men by welfare reform. Given the disproportionate impact on women from welfare reform policies, it follows that the end of mitigations is likely to have an adverse impact on many low-income women. The New Decade, New Approach agreement committed to extending welfare mitigations in Northern Ireland beyond March 2020. It has also been a stated priority for the new Minister for Communities to extend welfare mitigations and this is an important commitment which has been welcomed across the women's sector in Northern Ireland. However work to strengthen the mitigations package to account for new challenges such as Universal Credit is also necessary to better protect women who are so negatively impacted by this new benefit.

[120] Northern Ireland Financial Capability Strategy Extract
https://www.fincap.org.uk/en/articles/northern-ireland-strategy-detail

The support that people rely on through the benefits system is clearly not enough to keep people out of financial difficulty. There are obvious questions to be asked about the effectiveness of the current welfare system to act as a safety net to protect people from poverty. Government commitments to end the benefit freeze and a recently announced change to the Universal Credit Contingency Fund to allow claimants to be eligible for the grants without first having had to take out a Universal Credit advance payment are to be welcomed. However welfare reform changes have significantly cut the value and availability of social security benefits leaving more and more people vulnerable to poverty.

Taken together all these issues have the potential to make the situation for low income households even worse. It could lead to a situation where more people are driven towards high cost credit they can little afford out of sheer necessity or a lack of financial capability.

This research with local women clearly showed the negative impact of living with debt particularly high-cost debt. Many women were struggling with several different debts. Doorstep lending was a common form of borrowing and lending through credit/store cards and catalogues also featured heavily.

Many of the women were in a cycle of repeated borrowing. Credit was used to top up low incomes from benefits or in low-paid, part-time work. It was used for essential expenditure such as clothes, white goods, furniture and to fund birthdays or Christmas for their children. Struggling to make ends meet on a low income was a common theme throughout this research.

The women also reported a general lack of knowledge of financial terminology. When taking on debt many focused more on whether they could make weekly repayments of the debt rather than the overall cost of the credit.

The negative impact of debt on their lives was evident affecting them emotionally and causing great stress and anxiety as well as limiting their life opportunities.

These observations, findings and conclusions have informed the formulation of policy recommendations on access to lending for women living in disadvantaged and rural areas of Northern Ireland. These recommendations are set out below following a summary of the research paper's key findings.

Summary of Key Findings

- The majority of the women participating in this research had needed to borrow money at some point in the last three years.
- Most of the women reported borrowing to make ends meet or for essential items such as white goods, furniture, Christmas, etc.
- The use of high-cost credit was widespread particularly through doorstep lending and credit/store cards. Worryingly there were also some examples of borrowing through loan sharks including paramilitaries.
- Many of the women reported being unable to access cheaper forms of lending due to poor credit ratings, low income or having other debts.
- In choosing a lender most of the women made the choice on the basis that they knew they would be able to secure the money from the lender, convenience and because repayments were considered affordable. Only a small proportion of the women reported that the total cost of the credit was the reason for their choice of lender.
- Some of the women reported a lack of understanding of financial terms and issues around borrowing. A substantial number did not know how much interest they were paying on their debt or how much they would have to repay in total.
- Many of the women reported difficulty meeting their debt repayments and/or had missed repayments.
- Women felt the impact of austerity/welfare reform with many struggling to make ends meet on benefits or in low-paid work. The initial 5-week wait for Universal

Credit had caused severe financial hardship and distress for the women affected.

- The women felt that it was harder to access short-term financial support through the benefits system (Discretionary Support) than it had been before welfare reform.
- Most of the women had no or very little savings as their income from benefits or low-paid work did not allow them to save.
- A common feeling reported throughout the research was "feeling like a failure" for not being able to provide for their children. Low incomes and debt meant they could not afford to buy and go on outings that other children could.
- The negative impact of being in debt was evident throughout the research. The impact of being in debt and struggling to meet debt repayments took a toll on the women's mental health, relationships and general wellbeing.

The recommendations that follow from these findings are set out below.

Recommendations

- ♀ Families who use high-cost credit, particularly those on the lowest incomes, face the greatest risk of falling into problem debt and suffer many negative consequences for their health and wellbeing from using this type of borrowing. **The Women's Regional Consortium recommends the need for greater access to affordable credit for low-income families as a way of reducing reliance on high-cost lending.**
- ♀ Credit Unions have an important part to play in reducing reliance on high-cost lending particularly in Northern Ireland where Credit Union membership is much higher than in GB. **We agree with the FCA's recommendation to relax the laws for Credit Unions to allow them to offer a wider range of products and services to help higher risk customers avoid high-cost credit.**
- ♀ Other alternatives to high-cost lending should be explored. This could include offering zero-interest or low interest microloans to help people trapped in problem debt. **We recommend that government should**

work with charities, financial institutions and other investors to introduce or underwrite the development of schemes to provide low or no interest loans to help those on the lowest incomes access affordable credit particularly for essential items.

- Research shows that women are disproportionately impacted by welfare reform and disadvantaged by Universal Credit in a number of ways. The CEDAW Committee has raised its concerns about the impact of austerity measures on women and recommended that Government assess the impact on the rights of women and mitigate and remedy any negative consequences without delay. The Consortium welcomes the fact that the New Decade, New Approach agreement has committed to extending the existing welfare mitigations package beyond March 2020. **The Consortium not only recommends the extension of the existing welfare mitigations packages in Northern Ireland but <u>also</u> the strengthening of mitigations to include new challenges such as Universal Credit.**
- Welfare reform has impacted on the ability of low income families to access affordable loans. The abolition of the discretionary Social Fund (Crisis Loans, Community Care Grants and changes to Budgeting Loans) has removed a vital safety net at a time when low income families are experiencing huge financial pressures and cuts in benefits. Problems with accessing Discretionary Support because of issues with making applications through a telephone helpline and restrictive eligibility criteria have lessened the ability for low income families to access credit for emergency essential costs. **The Women's Regional Consortium recommends that the budget for Discretionary Support should be increased and the eligibility criteria to access help should be made less restrictive. In particular the income ceiling for Discretionary Support awards should be removed in line with what happens in Wales and Scotland.**
- High interest doorstep lenders are pushing many consumers into an endless cycle of debt and exploit people with limited credit options. The FCA have been willing to protect consumers from this type of high

interest debt before through applying a cap on fees and charges for payday loans. However the FCA need to do more to protect consumers from the spiralling costs of debt. **We recommend the FCA extend the rules that cover payday loans to the doorstep lending market by extending its definition of high-cost short-term credit to include doorstep loans. Action should also be taken to prevent doorstep lenders from offering further borrowing to consumers who are showing signs of struggling.**

- Many lone parents struggle to make ends meet and often end up getting into debt. Some are missing out on the financial support they are entitled to from their former partner through child maintenance. This payment is designed to cover everyday living costs such as food, housing and clothes. Child maintenance can be harder to enforce if the money is not there to make a contribution. There has been progress in reducing the level of arrears in Northern Ireland but it is clear that there is more work to be done in this regard. **The Consortium recommends that government should give consideration to what further help could be provided to lone parents who are unable to get help from their former partner through child maintenance.**
- There is a very real need to improve financial capability levels across Northern Ireland. The ability to manage your own finances in terms of a financial education is an important part of preventing people getting into financial difficulties and in reducing over-reliance on short-term credit for living and emergency expenses. Poor financial choices made when young can have lasting impacts years later. While financial capability is currently part of the Northern Ireland school curriculum in some cases this is only scratching the surface leaving some pupils unprepared for life. **The Consortium believes that more needs to be done to educate children on financial literacy and capability in school. An integrated, planned and dedicated programme of financial education in schools starting from primary school is essential to ensure that school leavers are capable of managing**

their money, making informed choices and getting into good financial habits.

- A draft Financial Capability Strategy for Northern Ireland was consulted on in 2013 and was with the Northern Ireland Executive for final approval. The collapse of the Northern Ireland Assembly meant that progress on the strategy has been limited. With the restoration of the Northern Ireland Assembly there is an urgent need to progress work on this strategy. **The Women's Regional Consortium stresses the need for an effective Financial Capability Strategy for Northern Ireland. This strategy must reflect the different circumstances that exist in Northern Ireland including higher rates of mental health issues, lower average incomes, higher levels of personal debt than in other parts of the UK and lower levels of financial capability.**
- Issues with poor financial literacy and capability in Northern Ireland alongside issues with higher levels of poor mental health indicates that there is an ongoing need to ensure that borrowers have access to high quality, free to use, independent debt advice. **The Consortium recommends that sufficient funding is made available to enable debt advice agencies to not only continue with their free debt advice services but also to expand in order to meet the increasing demand. This should include funding for advice services to offer more preventative money guidance at key life stages to help people respond to these changes, avoid financial difficulties and make the most of their finances.**
- Welfare reform and austerity has created a crisis situation where women need more help in the form of support, education and advice however community-based support services for women are under serious threat from funding cuts. Consequently many organisations are now forced to reduce their package of services, reduce staff numbers or close down completely. To compound this funding deficit it is feared that Brexit will also mean the loss of valuable EU funding. **The Consortium recommends that government should acknowledge**

and support the role of community-based women-only provision in addressing women's poverty and financial vulnerability in rural and disadvantaged areas. Government should commit to increase and provide longer-term funding for grass roots women's organisations to enable them to continue and develop the vital services they provide to financially vulnerable women in disadvantaged areas.