THE DEBT RESOLUTION FORUM
Promoting Professional Standards

DRF RESEARCH

2013 Client Survey
Demographics & Financial Circumstances

prepared by
Zero-credit

for
The Debt Resolution Forum

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1. ABOUT THIS REPORT

In April 2013, the Debt Resolution Forum commissioned Zero-credit to complete a survey of members' clients, as had been conducted in 2012. This report focuses on the demographics and financial circumstances of those DRF members' clients responding to the 2013 annual client survey and was compiled by Emma Bryn-Jones. Its sister report explores Provider Key Performance Indicators and a Technical Appendix shares the research methodology, survey questionnaire, and anonymised verbatim comments recorded during fieldwork.

Debt Resolution Forum

The Debt Resolution Forum promotes professional standards for resolving debtors' financial problems and focuses on the quality and appropriateness of advice provided to consumers. The DRF represents a membership that offers the full range of debt solutions and is committed to raising standards, irrespective of solution or professional specialism.

DRF members approach debt resolution by identifying the solution and outcome, which are the most compatible and appropriate to the financial and personal position of the debtor. This approach also takes into account the interests of creditors, and seeks to demonstrate that any proposal made on behalf of the debtor is reasonable in the circumstances and is achievable.

Zero-credit

Zero-credit Members believe that experiences of debt should inform debt prevention and that all borrowers have something of value to share. The co-operative aims to end debt stigma by creating a strong consumer voice for borrowers through:

- helping people to make informed choices about their finances through digital tools and signposts
- promoting a culture of self-advocacy, irrespective of financial circumstance
- encouraging participation in its research, development and decision making
- celebrating best practice and challenging consumer protection issues
- striving to build people's confidence, skills and experience through voluntary and employment opportunities and training

To finance the above and more particularly, to influence the provision and regulation of personal finance, Zero-credit trades in information, gathered through participatory techniques that:

- encourage borrowers to own a share in the business as Members of its co-operative
- ask professionals and organisations to engage with its co-operative
- publish resources that distinguish between best and poor practice from the consumer perspective
- contribute to the forums where financial services design, delivery and regulation are discussed
- conduct research and development for clients who share its co-operative principles and values

2. EXECUTİVE SUMMARY

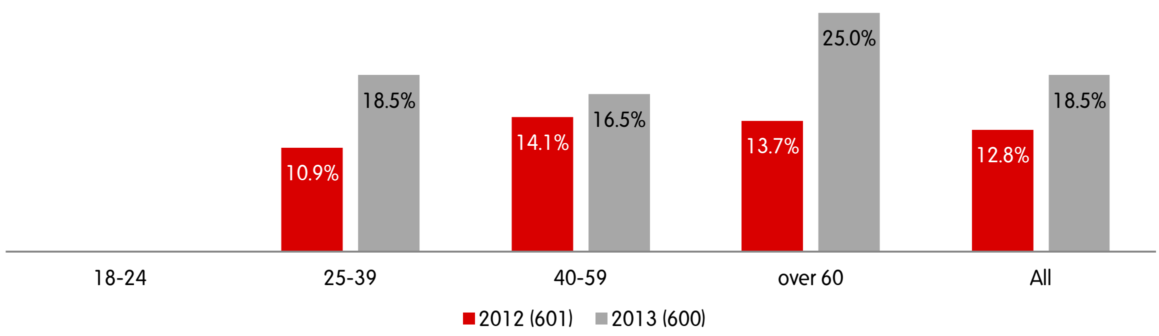
a. Elder Forbearance

For the most part, the demographic profile of respondents interviewed in 2013 replicated the sample taken in 2012, which was very much in line with the Market Analysis we conducted last year. It is clear that the DRF client base has a distinct demographic profile, which mirrors some elements of free advice seeking, but few of free solution use.

By age, for instance, this sample was very similar to that recorded by Optimisa for its evaluation of Money Advice Service funded face-to-face advice, yet not at all similar to the age ranges of StepChange clients, who tend to be much younger (as in 2012, only 1% of the DRF sample was under 25). However, in respect of disability, ethnicity and tenure, DRF members' clients tended to mirror the wider UK adult population, with lower incidence of demand from protected groups.

Overall, this sample was characterised by middle aged, mortgaged homeowners, yet the extent of shopping around for a range of advice before approaching a DRF member and satisfaction with pre- and post- contract services was often consistent by age. As a rule, over 40s were slightly more independent and discerning than younger respondents, but there was no pattern of under-informed or vulnerable decision-making.

Chart 1: Comparison of no pre-solution creditor intervention, by Age



However, there was a marked tendency for respondents in the over 60 age range to report significantly lower levels of creditor intervention pre- and post-solution than those under 60.

Chasrt 2: Comparison of no post-solution creditor intervention, by Age

Whilst evidence of creditor forbearance was apparent in an overall drop in intervention pre-solution, there were far more under 60s reporting actions than those over sixty. Among those aged 40-59, in particular, forbearance seemed least likely and their reports of notices of legal action were higher than for any other age range pre- and post-solution. It is worth nothing that the over 60s in this sample had a much higher average income than other age ranges. Whether creditor forbearance is perceived or actual demands further research to ensure equality of outcome and not simply delivery.

b. Gender Gap

By gender, there was strong evidence of more recent advice seeking from women and a tendency for women to use smaller Band 1 and 2 firms, as in 2012. In the Key Performance Indicators reports of 2012 and 2013, these were often the highest performing firms. Men tended to be more active advice seekers than women were and this difference was most marked between men and women who were lone parents: more than 90% of lone fathers sought a range of help compared to 70% of lone mothers. It was interesting to note that women were twice as likely to be single and that more than three quarters of women had an individual debt solution compared to just over two-thirds of men .

Chart 3: Men's Solutions

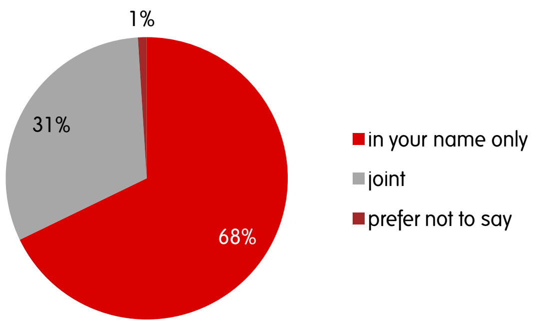
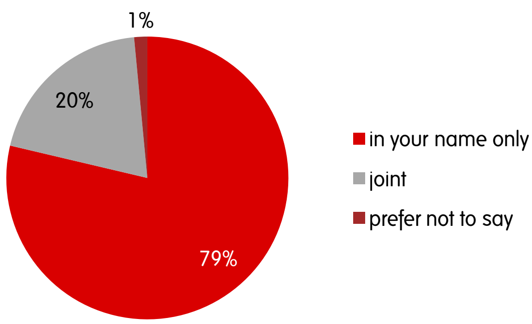


Chart 4: Women's Solutions



Men tended to experience lower levels of creditor intervention pre- and post- solution than women did, and reported incidence of the same or increased interest, penalties and charges, calls or visits at unreasonable times, and confusing communications was higher among women than men. This made the income gap of 34.7%, between male and female respondents, all the more remarkable in comparison to ONS data for the gender pay gap of just under 20%. The comparatively low incomes of women may well have been a reason why there were significantly fewer women in IVAs than men and this does raise the question of gender equality in the accessibility of the full range of debt resolution options to women.

There were few differences in pre- and post-contract performance ratings by gender, although women tended to give higher scores than men did and were also slightly more likely to recall receipt of a written proposal. They tended to record an improvement in finding financial advice and information since using a debt solution also.

c. Minorities take notice

There was a small increase in the proportion of respondents from minority communities in 2012, but again the subset sample was too small to assert national trends from this survey alone. There was, however, replication of distinct behaviours and experiences recorded in 2012, which make our understanding of the differences between these and UK white communities an urgent priority. Two-thirds of UK white and minority respondents had shopped around for advice before using a DRF member and the latter were more likely to recall regulatory and professional standards also.

It was therefore disconcerting to see, as in 2012, that despite seeking a range of help before entering an agreement to repay debts, minority respondents continued to be twice as likely to report notices of legal action after starting a debt solution compared to those of UK white origins. They continued to have a higher debt to income ratio also, and in 2013, more than two-fifths cited a drop in income as their main reason for seeking help, compared to just under a third of UK white respondents.

Chart 5: UK White reason for seeking help

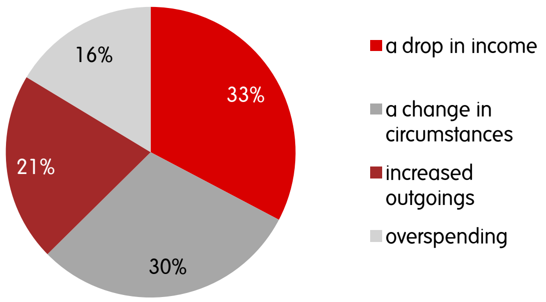
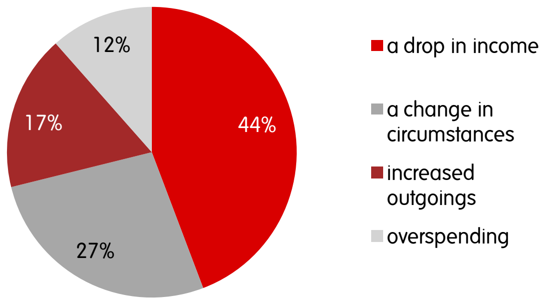


Chart 6: Others' reason for seeking help



Minority respondents tended to give DRF members slightly lower pre- and post-contract performance ratings than their UK white counterparts did, and were less likely to recall receipt of a written proposal. There was some evidence of provider switching among minorities. However, this was marginal and until the contradiction between active engagement with and forbearance experienced in the debt resolution process is addressed, it is impossible to pinpoint responsibility for an unsatisfactory customer experience. In either case, greater cultural awareness will enhance the recovery of and from debt for all concerned and effecting this must be a key priority for the regulator.

d. Healthy and wealthy?

Respondents with a long term illness, physical or mental health problem that significantly restricted their day to day activities accounted for just under a fifth of the sample - very much in line with UK wide prevalence of these circumstances. The subset was older than those without a health problem, recording an average age of 54, compared to 45 for respondents without a health problem and 47 for the sample as a whole. In view of the gender and cultural differences reported above, it is also worth noting that women were more likely to report a health problem than men were and respondents from this subset often came from a wider range of minority communities. They were also more likely to be outright home owners or social tenants.

The extent of active advice seeking was higher among respondents without a health problem, yet not substantially so: around six in every ten respondents with a health problem sought a range of help before approaching a DRF firm, compared to around seven in every ten of those without a health problem. Respondents with a health problem were slightly less observant of professional and regulatory standards than those without and tended to have lower recall of a written proposal also, yet they did make greater use of free-to-client help before approaching a DRF member (12.3% compared to 8.5%).

The most remarkable finding was that despite some of these key demographic differences, experiences of creditor intervention were similar irrespective of health, whereas one might expect some evidence of greater forbearance for borrowers in difficult personal as well as financial circumstances. In a similar vein, the ratio of DMPs to IVAs was similar between subsets and the extent of joint solutions among those with a health problem meant that more adults could be subject to restricted access to credit in households where there was an adult suffering ill health. This again has implications for the regulator in ensuring equality of access to credit.

Chart 7: Solutions by Health problem

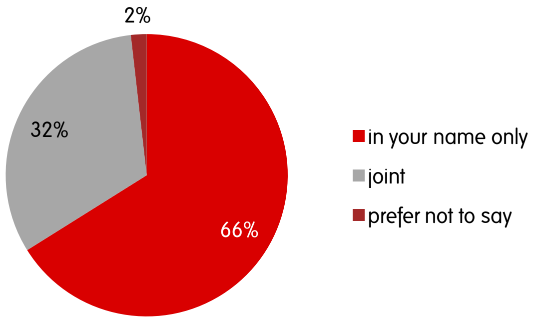
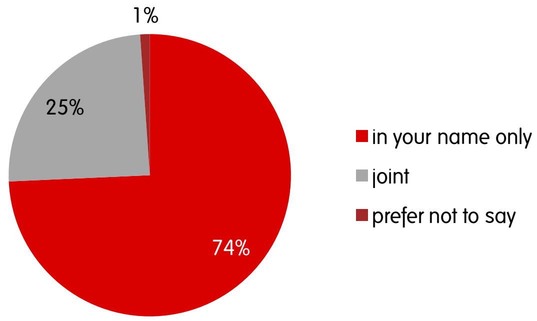


Chart 8: Solutions by No health problem



e. Single minded

Being in a relationship continued to be one of the key differences between DRF members' clients and those of free solution providers, yet the differences between singles and couples in both 2012 and 2013 were minimal compared to other demographics and financial circumstances.

Chart 9: DRF members' clients (2013 survey)

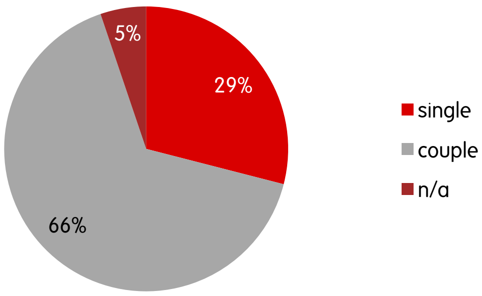
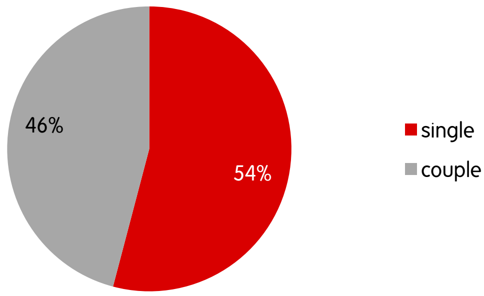


Chart 10: StepChange clients (2012 yearbook)

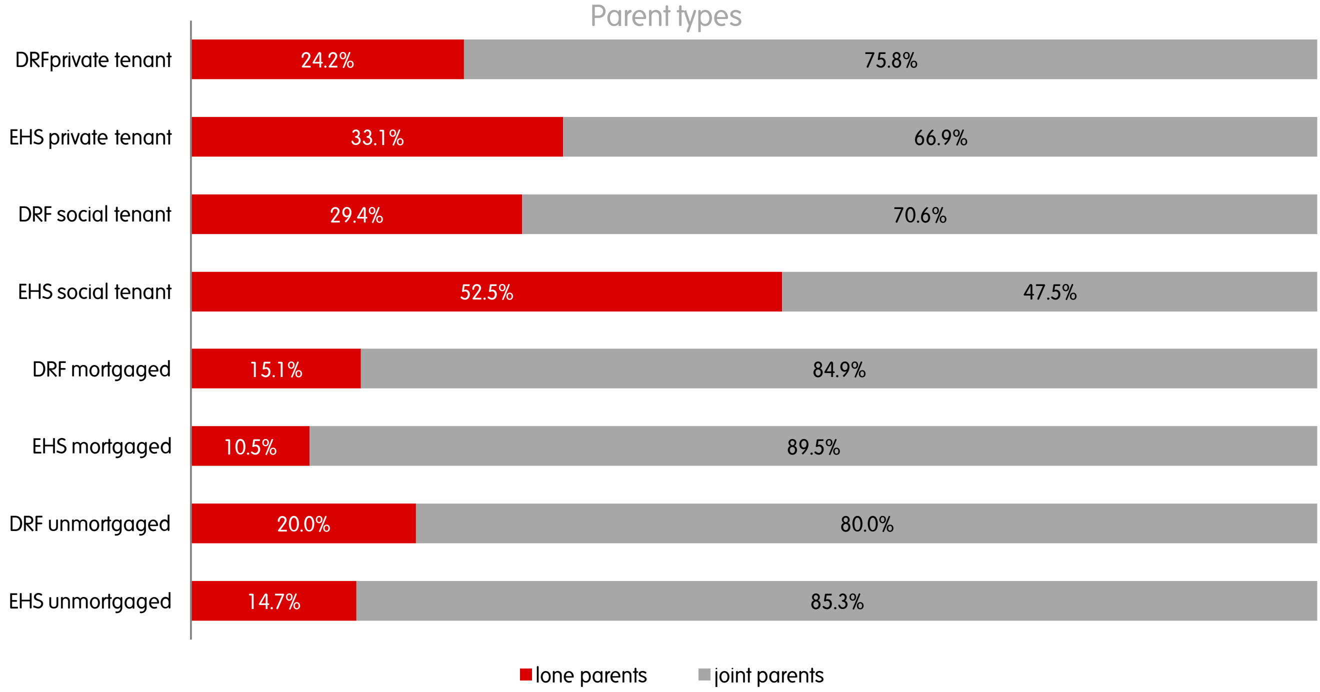


Couples tended to suffer a drop in income (38.0%) prior to seeking debt help, whereas singles tended to cite a change in circumstances (35.6%). Active advice seeking was higher among respondents who were not in a relationship, 68.4% compared to 63.8% among those who were. Other than this there were few variations between respondents who were singles or couples.

f. The kids are alright?

As one might expect, respondents with dependent children tended to be in the middle age ranges and there was an even split of parents to those without dependents by gender. However, there tended to be a broader diversity of ethnic origins among respondents who had children and higher incidence of mortgaged home ownership and private rentals. The prevalence of home ownership was particularly apparent in the under-representation of lone parents who were tenants, and in particular social tenants, when comparing the tenure of respondents, who were parents, with records from the English Housing Survey.

Chart 11: Comparison of English Housing Survey* and DRF respondents' tenure, by Parent types



*Source: Office for National Statistics for the Department of Communities and Local Government, English Housing Survey 2011-12

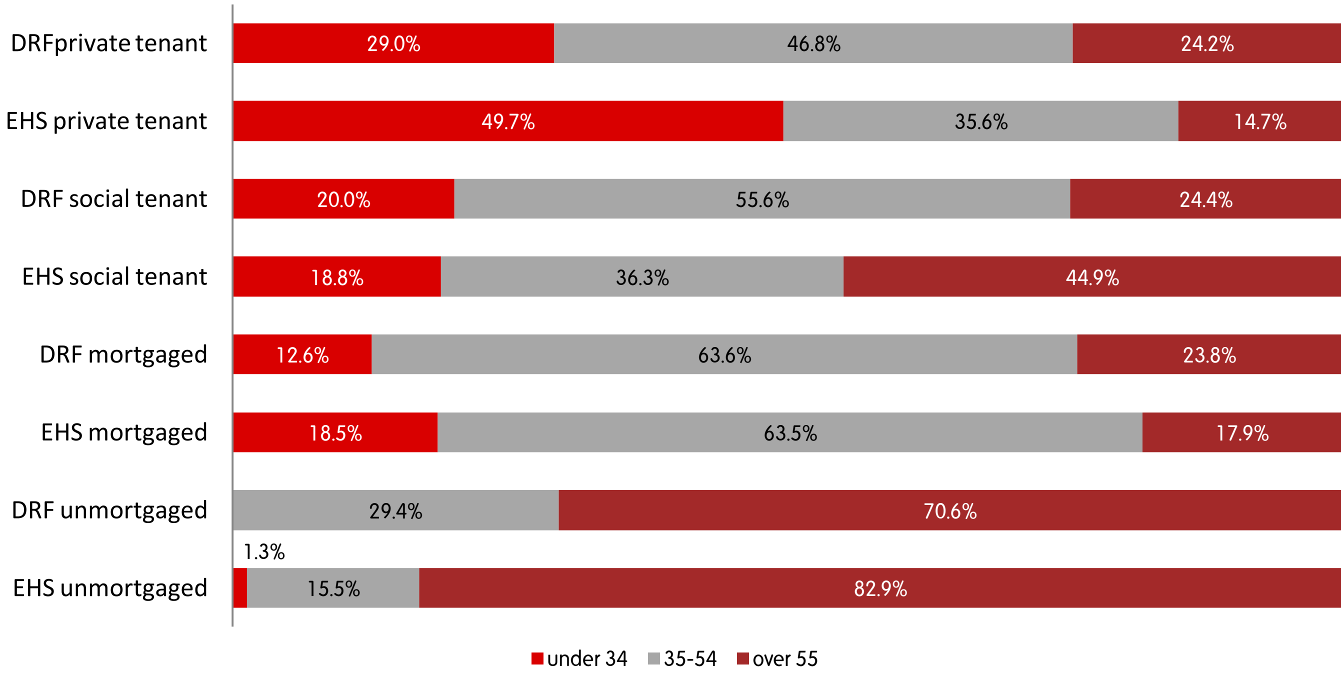
There were few differences in drivers, behaviours and experiences of advice seeking, with the exception that parents were more inclined to report increased outgoings as the main reason for seeking help than non-parents. This made parents' perceptions of creditor intervention all the more significant, because lone and joint parents were more likely to report the same or increased interest, penalties and charges before entering a solution than non-parents and although lone parents experienced the greatest respite after entering a debt solution, parents in general reported higher incidence of escalated creditor intervention than non parents did post-solution.

There were few differences between subsets for pre- and post-contract performance ratings and it is worth noting that lone parents were particularly observant of professional and regulatory standards, when choosing a DRF firm, and least inclined to be influenced by advertisements. More than three quarters of lone parents shopped around for advice before entering a debt solution, compared to around 70% of all parents and 65% of non-parents.

g. Owners v Renters

Around half of DRF members' clients are home owners, a fact which differentiates them substantially from clients using free services. It was particularly interesting to compare responses from those who gave a finite age with the profiles recorded by the English Housing Survey 2011-12 and from this it was clear that DRF members' clients tend to be in later middle age across most types of tenure. Indeed, far from the stereotypical perception of fee chargers actively seeking out vulnerable debtors, such as those who are particularly young or old, the age profiles by tenure for DRF members' clients showed a distinct underrepresentation of such groups.

Chart 12: Comparison of English Housing Survey* and DRF respondents' tenure, by Age



*Source: Office for National Statistics for the Department of Communities and Local Government, English Housing Survey 2011-12

Despite this, there was some evidence that a small number of social tenants could be vulnerable to under-informed decision-making because this subset was less inclined than others to shop around for advice, less likely to identify professional and regulatory standards, more inclined to respond to advertisements and tended to have lower recollection of written proposals. In isolation, these were not significant characteristics, but as a suite of tendencies, they serve as a caution that DRF members need to exercise continued vigilance in ensuring that people who are benefit dependent or on low incomes do not access solutions that may be beyond their means. As in 2012, the recommendation is to identify the range of help sought before approaching a DRF firm, in order to encourage awareness of alternatives from the outset, rather than in a manner that could be perceived as a prejudicial referral. The qualitative studies of 2012 made it quite clear that many low income households reject token payments as a matter of dignity.

As in 2012, this survey found that home owners tended to experience creditor intervention as an escalation of debt collection pre- and post-solution. It therefore remains a concern that a significant proportion of home owners with mortgages are of working age and have dependent children because this has implications on the perceived accessibility of leaving the debtor population among generations to come. It is important to remember that respondents' experiences of creditor intervention may well be perceived, but the mismatch between the delivery and outcome of debt collection cannot simply be ignored. The Money Advice Service, in particular, has raised the profile of debtor centricity in its management of supply and standards. However, without the support of creditors in recognising that messages sent may not be the same as those received, there is little that any debt resolution professional can do to avoid advising a borrower in difficulty to ignore creditor contact. The potential for non-communicative strategies to become urban myth that reinforces head in the sand responses is counter-productive and, ultimately, not sustainable. When an intermediary negotiates repayments, debt resolution is a three way conversation.

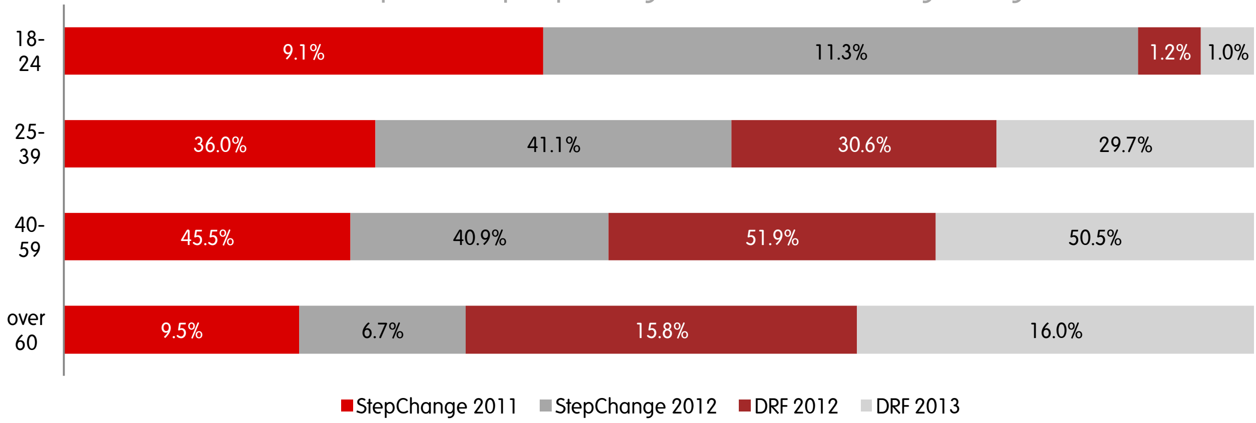
3. AGE

a. Overview

The age profile of 2013 survey respondents reflected that of the 2012 sample, which had closely matched data compiled for our *Market Size* report last year. Predominantly in the 40-59 age range, the average age of respondents to this survey was 47.49, compared to 45.93 in 2012.

From these samples, it would seem that more than two-thirds of DRF members' clients are over 40, compared to fewer than half of StepChange clients. It is also worth noting that StepChange saw demand from under 40s increase from 44.8% in 2010 to 52.4% in 2012, despite a CEBR prediction that 48% of its clients would be over 45 by the end of 2014.

Chart 13: Comparison of StepChange and DRF Clients' Age Ranges



It is interesting to note that the age profile of DRF members' clients more closely reflected that recorded by Optimisa for its evaluation of Money Advice Service funded face-to-face advice, whilst in respect of disability, ethnicity and tenure, DRF members' clients tended to mirror the wider UK adult population.

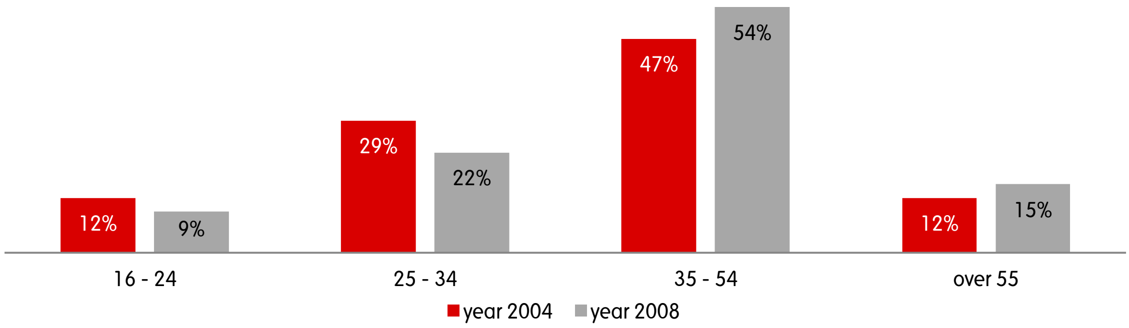
Table 1: Comparison of UK adult, overindebted, unmanageable debt, MAS funded and DRF client populations

	UK adult population	IFF research over-indebted[1]	YouGov research unmanageable debt[2]	Optimisa Research MAS funded clients[3]	DRF members' clients
18-34	28%	31%	18%	21%	20%
35-54	36%	40%	50%	54%	55%
> 55	36%	28%	30%	22%	25%
Disabled	17%	n/a	n/a	33%	19%
UK white	88%	n/a	n/a	80%	88%
homeowners	73%	n/a	n/a	23%	47%

Sources: all MAS commissions - [1]IFF Research: User Needs from Debt Advice: Individual and Stakeholder Views, February 2012;
[2]YouGov Research: The effectiveness of debt advice in the UK, October 2012;
[3]Optimisa: 360 degree evaluation of Money Advice Service funded face-to-face debt advice), January 2013.

In both the MAS funded and DRF members' client samples, there was a concentration of people in the 35-54 age range and this was in line with differences Zero-credit reported between the age ranges of free face-to-face and (at that time) predominantly telephone based agencies in *Debt Advice Trends to 2010*. The anomalies in agencies' classification of client data can make it hard to track pre- and post-credit crunch trends, and this is not helped by a lack of consistency in demand reported in research conducted for the Money Advice Service.

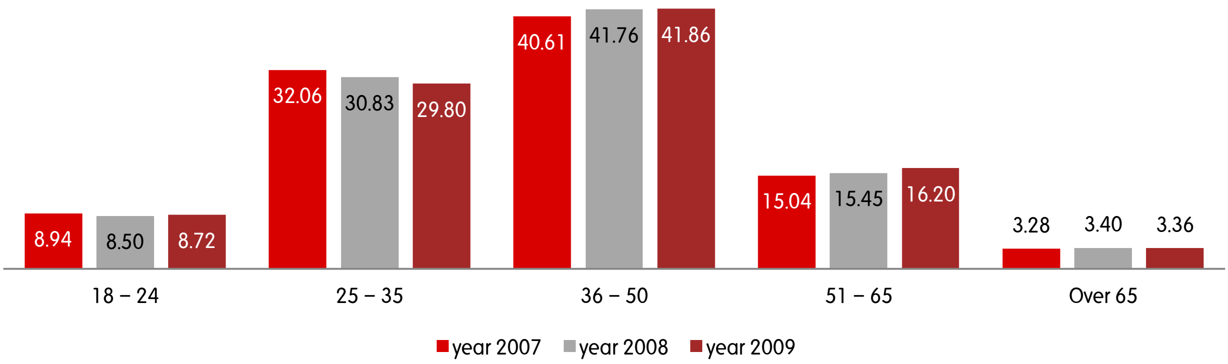
Chart 14: Comparison of CAB Debt Clients'Age Ranges, 2004 & 2008



Source: Zero-credit, Debt Advice Trends to 2010

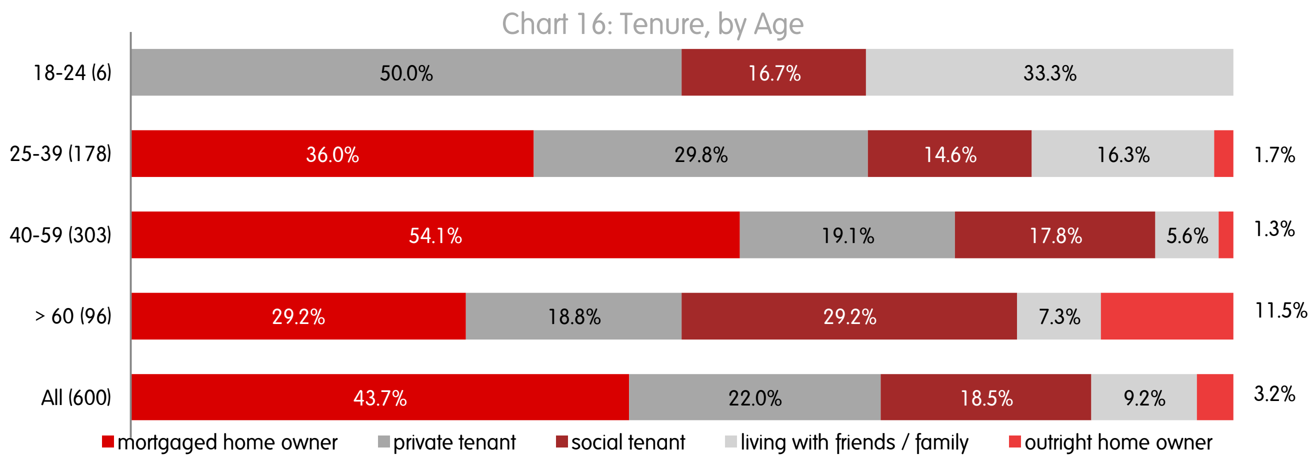
If MAS is to bring consistency to the debt sector through its programme of standardised advice quality, it is imperative that consistent measures of supply and demand are set and maintained.

Chart 15: Comparison of National Debtline Clients' Age Ranges 2007-2009



Furthermore, in the context of frontline service cuts to face to face advice and the decrease in free advice use recorded in this survey, the similarity in age ranges of free face to face advice seekers and fee charging solution users, yet differences between the latter and free solution users demands further investigation.

Despite significant evidence in markets far larger than the debt sector that a significant minority of consumers prefer not to engage digitally (17% have no internet connection and 21% question the security of personal information online – source ONS), there has been much advocacy for a channel strategy to stream advice seekers away from the more resource intensive face to face models. Thus, within the tendency for clients of smaller firms not to shop around, some of the UK's more vulnerable advice seekers may be using fee charging services, simply because firms have a local, community connection. That said, in the KPI reports for both 2012 and 2013, the performance ratings of smaller firms were most often the highest within the DRF cohort and our research has also shown that this is not a client base that DRF members actively seek to attract. However, DRF members are a minority in the wider body of commercial licensees and entirely at the opposite pole of unlicensed rogue trade.



Age was not the only characteristic differentiating DRF members' clients from those using free solutions because, as the above chart illustrates, instances of home ownership often increased with age. Six in every ten StepChange clients are renters, compared to four in every ten clients of DRF members. Two thirds of MAS funded face to face clients rent their homes also.

Whereas the proportion of clients with dependent children seems to differ little between free and fee charging agencies, respondents who were couples were approximately two-thirds of the sample across all age ranges, and this again replicated the 2012 survey findings.

Table 2: Relationship status, by Age

	18-24 (6)	25-39 (178)	40-59 (303)	> 60 (96)	All (600)
single	33.3%	30.9%	26.1%	38.5%	29.0%
in a relationship	66.7%	64.6%	69.6%	60.4%	65.8%
prefer not to say	0.0%	4.5%	4.3%	1.0%	5.2%

The similarity between 2012 and 2013 survey data therefore adds further evidence to suggest that DRF members tend to attract settled families with older children, and that many of these are older parents also. This is not usually a demographic group defined as protected or vulnerable, and apparent in the active advice seeking of respondents, DRF members' clients are unlikely to consider themselves as such.

b. Using a Paid Solution

There were fewer respondents who had completed a solution in 2013 than in 2012 for two reasons: firstly, there are fewer member firms offering full and final settlement, and secondly, with increased trust in and familiarity with the survey process, it was possible to tighten firms' sampling, to clients, who had been active within the last 12 months. It was therefore interesting to note that the proportion of respondents reporting a completed or changed solution varied little by age.

Table 3: Solution still provided by DRF Member, by Age

	18-24 (6)	25-39 (178)	40-59 (303)	> 60 (96)	All (600)
yes	100.0%	94.9%	97.0%	95.8%	96.3%
no - come to an end	0.0%	3.4%	1.3%	4.2%	2.3%
no - changed provider	0.0%	1.7%	1.7%	0.0%	1.3%

c. Provider Band

With the exception of respondents aged 18-24 (1% as in 2012), the distribution of age ranges was similar between Bands.

d. 1st Help Sought

The time spans in which respondents had first sought help tended to be shorter among younger respondents.

Table 4: First decision to seek help, by Age

	18-24 (6)	25-39 (178)	40-59 (303)	> 60 (96)	All (600)
within the last year	66.7%	19.1%	14.9%	15.6%	17.0%
more than 1 but less than 2 years ago	0.0%	18.5%	22.4%	11.5%	19.0%
more than 2 but less than 5 years ago	33.3%	55.1%	49.8%	57.3%	52.3%
more than 5 years ago	0.0%	7.3%	12.9%	13.5%	10.8%

e. 1st Help Reasons

Most affected by a drop income were respondents over 60, closely followed by those in the 40-59 age range. Younger respondents seemed to be more affected by a change in circumstances and increased outgoings. Those over 60 were also the most likely age range to consider overspending as contributory to their seeking help and this may relate to some of the age related perceptions of borrowing observed in *Easy come, easy go: borrowing over the life-cycle*, produced by the Personal Finance Research Centre for Standard Life, in December 2007.

Table 5: Main reason for seeking help, by Age

	18-24 (6)	25-39 (178)	40-59 (303)	> 60 (96)	All (600)
a drop in income	0.0%	24.2%	36.6%	37.5%	32.5%
a change in circumstances	50.0%	30.9%	29.4%	18.8%	28.5%
increased outgoings	50.0%	25.3%	17.2%	16.7%	19.7%
overspending	0.0%	16.9%	13.5%	19.8%	15.0%

f. 1st Help Sources

There were some interesting variations in initial advice sources by age. Older respondents shopped around less than younger respondents, whose active advice seeking tended to focus on other companies and the internet.

Three-quarters of those in the 25-39 age range shopped around, yet they were less inclined to use free advice agencies than other age groups. Respondents in the middle age ranges were more likely to approach their bank or creditors than the oldest and youngest age groups.

Table 6: Sources of help, by Age

	18-24 (6)	25-39 (178)	40-59 (303)	> 60 (96)	All (600)
did not seek other help	66.7%	25.3%	34.7%	38.5%	32.5%
another company	33.3%	22.5%	19.5%	22.9%	21.0%
internet search	0.0%	25.3%	19.5%	18.8%	20.5%
bank / creditors	0.0%	16.9%	11.6%	6.3%	12.0%
friends / family	0.0%	9.0%	9.9%	10.4%	9.7%
charity, government or council	0.0%	6.7%	10.6%	10.4%	9.2%
accountant / solicitor	0.0%	0.6%	1.7%	1.0%	1.2%
internet forum	0.0%	2.8%	0.3%	1.0%	1.2%

g. Debtors' Experience of Creditors

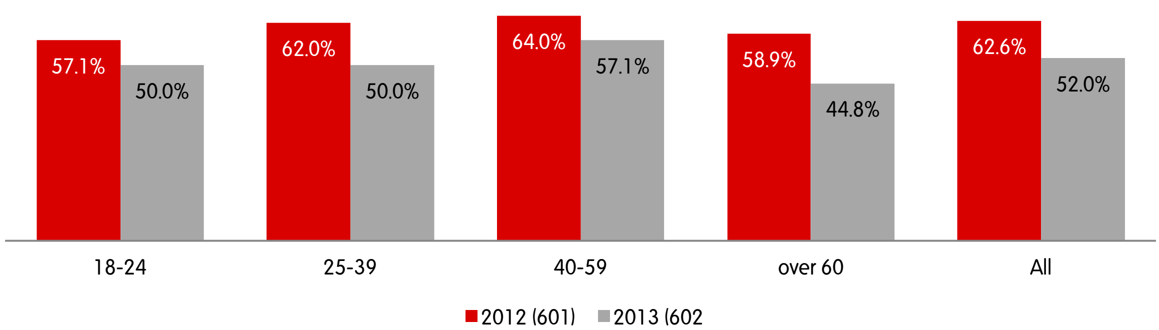
Overall, there was a contraction in experiences of debt collection prior to entering a solution. This was particularly marked by age because older respondents were least likely to report creditor action before entering a solution. However, those in the 40-59 age range often stated that they had received notices of legal action, or had token payments refused, compared to respondents in other age ranges.

Table 7: Creditor experiences before solution, by Age

	18-24 (6)	25-39 (178)	40-59 (303)	> 60 (96)	All (600)
same/increased interest, penalties and charges	83.3%	64.6%	62.7%	50.0%	60.5%
calls or visits at unreasonable times	83.3%	54.5%	59.7%	52.1%	56.7%
notices of legal action	50.0%	50.0%	57.1%	44.8%	52.0%
confusing communications	50.0%	41.0%	41.3%	36.5%	40.0%
token payments not accepted	33.3%	16.9%	26.4%	12.5%	21.0%
none of these	0.0%	18.5%	16.5%	25.0%	18.5%
money withdrawn from another account	33.3%	6.7%	4.0%	1.0%	4.7%

With the exception of notices of legal action, there had been a fairly consistent contraction in debt collection practices reported across all age ranges between the survey samples taken in 2012 and 2013. Yet respondents in the 40-59 age range seemed to experience the least forbearance in this respect and those over 60 the most.

Chart 17: Compairison of pre-solution notices of legal action, by Age



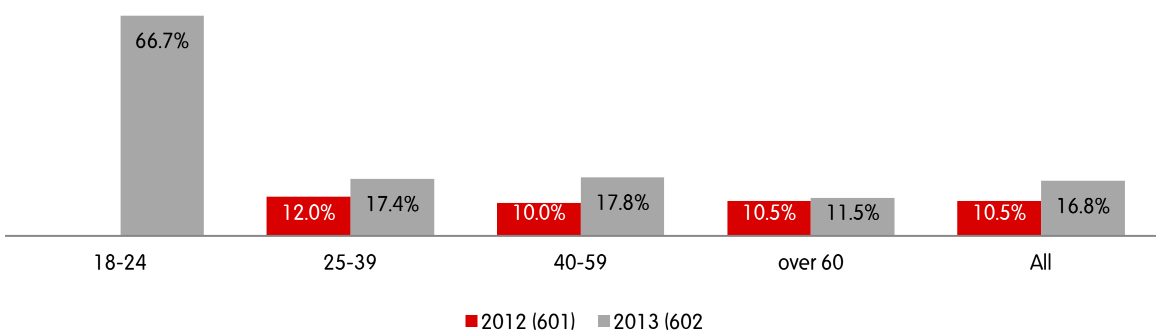
Most likely to experience relief from creditor actions on entering a debt solution were respondents in the over 60 age range – almost three-quarters reported no further contact from creditors, compared to a quarter who had experienced no intervention prior to entering a contract with a DRF member. This was very much in line with the proportion of over 60s, who reported no further action in 2012, so it was disconcerting to see that respondents of predominantly working age continued to perceive post-solution creditor contact as a debt collection practice.

Table 8: Creditor experience after entering a solution, by Age

	18-24 (6)	25-39 (178)	40-59 (303)	> 60 (96)	All (600)
none of these	16.7%	61.2%	54.1%	74.0%	59.2%
confusing communications	66.7%	21.9%	21.5%	8.3%	19.7%
notices of legal action	66.7%	17.4%	17.8%	11.5%	16.8%
calls or visits at unreasonable times	83.3%	17.4%	18.2%	8.3%	16.5%
same/increased interest, penalties and charges	50.0%	15.7%	14.5%	10.4%	14.3%
token payments not accepted	0.0%	2.8%	2.6%	0.0%	2.2%
money withdrawn from another account	16.7%	1.1%	1.3%	1.0%	1.3%

With only 6 respondents in the subset, responses in the 18-24 age range may not be deemed representative. However, in the analysis of reported post-solution notices of legal action, it was clear that respondents in the middle age ranges had more prevalent experiences of these.

Chart 18: Compairison of post-solution notices of legal action, by Age



h. 1st Impressions from Initial Contacts with DRF Members

Respondents most likely to recall that the DRF member they were using came top of an internet search were in the 25-39 age range, which had been the group most likely to use the internet for initial advice. Older respondents tended to recall DRF membership and other professional standards, whereas recognition of information recommended in the OFT's Debt Management Guidance, such as an overview of debt solutions and examples of likely fees, was similar across age ranges.

Those in the over 60 age range were more likely to report that they had been contacted by a DRF member than other age groups, but this was down from just below two-fifths in 2012 to just under a quarter in 2013 and likely to reflect the often longer time since these respondents had initially sought advice. Across the samples as a whole, reports of contact initiated by firms had halved between the two surveys, and experiences of testimonials and recommendations to use a DRF member had increased to more than a fifth across all age ranges.

Table 9: DRF member initial observations, by Age

	18-24 (6)	25-39 (178)	40-59 (303)	> 60 (96)	All (600)
clear contact details	16.7%	33.7%	34.0%	36.5%	33.8%
top / close to top of an internet search	16.7%	40.4%	32.3%	22.9%	32.7%
testimonials / referrals*	50.0%	24.2%	22.4%	22.9%	23.3%
overview of debt solutions	16.7%	20.8%	21.1%	22.9%	21.0%
some examples of likely fees	16.7%	20.2%	19.5%	20.8%	19.7%
DRF membership / professional standards	0.0%	16.9%	18.8%	21.9%	18.2%
they contacted me	33.3%	11.8%	16.2%	24.0%	16.0%
consumer credit licence number	0.0%	12.9%	11.2%	8.3%	11.2%
none of these	0.0%	12.4%	10.6%	10.4%	10.8%
advertisements*	16.7%	5.6%	8.3%	11.5%	8.2%

i. Pre-contract

With the exception of ratings from respondents in the 18-24 age range (too small a subset to analyse effectively), the pre-contract performance ratings given to DRF members increased for all attributes, across all age ranges. Respondents in the over 60 age range gave the highest scores, even rating firms as outstanding for some attributes (above a mean of 9).

Table 10: Pre-contract ratings, by Age

	18-24 (6)	25-39 (178)	40-59 (303)	> 60 96)	All (600)
I felt confident that they understood my circumstances	8.83	9.02	8.96	9.13	9.01
they explained the solutions that they could offer clearly	8.33	8.81	8.67	8.99	8.77
the possible risks of each solution were explained calmly	8.50	8.69	8.65	8.95	8.72
I felt they had my best interests at heart	9.33	8.84	8.52	9.03	8.72
I felt involved in choosing the best solution	8.50	8.46	8.29	8.87	8.45
they explained priority and non-priority debts clearly	7.67	8.29	8.39	8.53	8.40
I understood which fees applied to each solution	7.33	8.31	8.30	8.61	8.36
I learned about some other places to find help	6.50	6.90	6.80	7.18	6.90

j. The Proposal

The proportion of respondents recalling receipt of a written proposal fell in 2013, and again, it was those in the over 60 age range, who were least likely to recall paperwork. However, among those who did, recollection of specific documents was higher than in 2012.

k. The Solution

Fewer than a tenth of respondents were not in an IVA or DMP, with around three in ten using the former and six in ten in the latter. IVAs tended to be more often used by those in the 40-59 age range, whereas Trust Deeds were used similarly across age ranges.

Table 11: Original solution chosen, by Age					
	18-24 (6)	25-39 (178)	40-59 (303)	> 60 (96)	All (600)
Debt Management Plan	100.0%	64.0%	57.8%	64.6%	61.2%
IVA	0.0%	30.3%	35.0%	25.0%	31.3%
Bankruptcy	0.0%	0.6%	0.3%	0.0%	0.3%
Debt Relief Order	0.0%	0.0%	0.3%	0.0%	0.2%
Debt Arrangement Scheme	0.0%	0.0%	0.3%	1.0%	0.3%
Trust Deed	0.0%	5.1%	4.6%	4.2%	4.5%

Only 6% of respondents had switched solution or provider since first using a DRF member and there was limited variation in this by age. Similarly, there was no significant age related trend in whether solutions were individual or joint.

Table 12: Contract holder, by Age					
	18-24 (6)	25-39 (172)	40-59 (295)	> 60 (93)	All (579)
in your name only	66.7%	75.0%	71.9%	73.1%	72.5%
joint	33.3%	24.4%	26.8%	25.8%	26.1%

As a rule, older respondents had been using a debt solution for longer than younger respondents and the number of creditors at solution start peaked in the 40-59 age range, as did personal borrowing, the debt to income ratio and outstanding mortgage balance. At £23,029 per annum, incomes on entering a debt solution were highest in the over 60 age range, compared to £19,935, which was the average annual income on starting a debt solution for the entire sample.

Table 13: Averages at solution start, by Age						
	solution length	number of creditors	annual income	personal borrowing	debt to income ratio	outstanding mortgage
18-24	1.67	7.67	£8,250	£5,667	0.69	n/a
25-39	2.71	6.21	£20,092	£19,844	0.99	£91,477
40-59	2.88	6.84	£19,366	£30,785	1.59	£120,846
> 60	2.94	6.19	£23,029	£24,688	1.07	£114,818
All	2.82	6.55	£19,935	£26,207	1.31	£112,848

l. Post-contract

As in 2012, post-contract ratings were even higher than pre-contract ratings and there was no consistent difference between age ranges in giving firms marks out of ten for these attributes. However, it was worth noting that respondents in the middle age ranges tended to want more updates on feedback from creditors and more help and advice to stay on track than those over 60. These may well be relevant to their greater perception of creditor intervention once a debt solution had started.

m. Financial Capability

As in 2012, reports of improved financial capability since entering a debt solution decreased with age.

Table 14: Financial capability ratings, by Age					
	18-24 (6)	25-39 (172)	40-59 (295)	> 60 (93)	All (579)
managing your money	83.3%	81.4%	79.0%	78.5%	79.4%
planning ahead	83.3%	80.2%	74.6%	65.6%	74.4%
choosing suitable financial products	66.7%	76.2%	71.5%	64.5%	71.2%
finding financial advice and information	66.7%	70.3%	67.1%	61.3%	66.8%

n. Conclusions

From these survey data, there seems to be a trend towards treating those at or approaching retirement age with greater forbearance than borrowers of working age. This may reflect the wider political trend of protecting the silver haired lobby from cuts to pensions and other benefits, although this hypothesis would require further research. Given the wider perception of creditor intervention pre and post debt resolution among respondents aged 40-59, this would seem advisable. Despite inconsistencies between age ranges, the combination of age profiling from a range of sources tends to indicate that there may be a significant tranche of borrowers in later middle age, who are experiencing difficulty. Failure to address this could leave our economy with an elder population that is heavily dependent on the welfare state and this is not sustainable.

4. GENDER

a. Overview

There were slightly more women, who responded to this survey than in 2012, but the difference was not significant at marginally above and below 46%. This proportion is lower than recorded by free to client agencies, where women tend to outnumber male clients. Female respondents were less likely to mortgaged home owners than men were, but also more likely to own a home outright.

Table 15: Housing status, by Gender			
	Male (317)	Female (272)	All (600)
outright home owner	2.2%	4.4%	3.2%
mortgaged home owner	46.1%	41.9%	43.7%
private tenant	23.3%	21.0%	22.0%
social tenant	16.1%	21.7%	18.5%
living with friends / family	9.8%	8.8%	9.2%

The women also tended to be younger than the men taking part in this survey.

Table 16: Age group, by Gender			
	Male (317)	Female (272)	All (600)
18-24	0.3%	1.8%	1.0%
25-39	28.7%	31.6%	29.7%
40-59	53.3%	48.5%	50.5%
over 60	16.4%	16.2%	16.0%

There was limited difference in the ethnicity of respondents, by gender, and in whether they had dependent children. However, women were twice as likely as men to be single.

Chart 19: Women's relationships

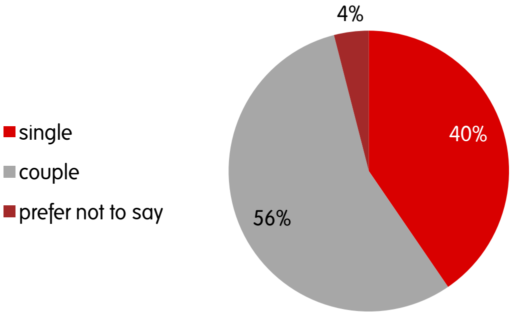
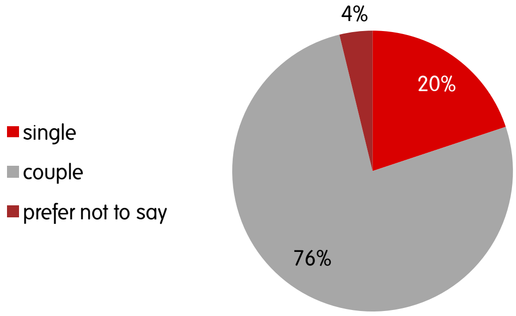


Chart 20: Men's relationships



b. Using a Paid Solution

The proportion of respondents reporting a completed or changed solution varied little by gender.

c. Provider Band

As in 2012, women tended to choose smaller firms in Bands 1, and in 2013, in Band 2 also.

Table 17: Company Band, by Gender

	Male (317)	Female (272)	All (600)
Band 1	12.3%	15.1%	13.3%
Band 2	36.6%	40.8%	38.3%
Band 3	51.1%	44.1%	48.3%

d. 1st Help Sought

Repeating the trend in 2012, women were more likely to be recent advice seekers than men were, with 37.8% seeking advice within the last two years compared to 33.8% of male respondents. Recent advice seeking was particularly the case among respondents who were lone parents.

Table 18: Lone parents' first decision to seek help, by Gender

	Male (18)	Female (40)	All (58)
within the last year	16.7%	27.5%	24.1%
more than 1 but less than 2 years ago	5.6%	22.5%	17.2%
more than 2 but less than 5 years ago	55.6%	45.0%	48.3%
more than 5 years ago	22.2%	5.0%	10.3%

e. 1st Help Reasons

Women were significantly more likely to be affected by a change in circumstances, and men were considerably more likely to cite overspending as a reason for seeking debt help, though there was little difference by gender in the main reason for seeking help, a drop in income.

Table 19: Main reason for seeking help, by Gender			
	Male (317)	Female (272)	All (600)
a drop in income	33.8%	31.3%	32.5%
a change in circumstances	23.7%	33.8%	28.5%
increased outgoings	18.9%	21.0%	19.7%
Overspending	18.9%	11.0%	15.0%

Again, the differences between men and women were particularly pronounced among those in the subset of lone parents.

Table 20: Lone parents' main reason for seeking help, by Gender			
	Male (18)	Female (40)	All (58)
a change in circumstances	11.1%	57.5%	43.1%
a drop in income	27.8%	7.5%	13.8%
increased outgoings	27.8%	20.0%	22.4%
overspending	27.8%	10.0%	15.5%

f. 1st Help Sources

There were some interesting variations in initial advice sources by gender. Men were slightly more likely shop around and to approach their bank or creditors, whereas women were more likely to seek help from friends and family in the first instance. Men were also more inclined to use free help from a charity, government or council, as were lone parents who were women (12.5%). However, more than ninety percent of lone fathers shopped around for debt advice, compared to seventy percent of lone mothers.

Table 21: Sources of help, by Gender			
	Male (317)	Female (272)	All (600)
did not seek other help	30.9%	34.9%	32.5%
another company	21.1%	21.0%	21.0%
internet search	22.4%	18.8%	20.5%
bank / creditors	13.6%	9.9%	12.0%
friends / family	8.2%	11.4%	9.7%
charity, government or council	10.4%	8.1%	9.2%
accountant / solicitor	1.3%	1.1%	1.2%
internet forum	1.6%	0.7%	1.2%

g. Debtors' Experience of Creditors

Men were more likely to experience no debt collection communications before entering a solution than women were, though the difference was only 3%. However, reported incidence of the same or increased interest, penalties and charges, calls or visits at unreasonable times, and confusing communications was higher among women than men. Men were more likely to report notices of legal action than women were.

Table 22: Creditor experiences before solution, by Gender

	Male (317)	Female (272)	All (600)
same/increased interest, penalties and charges	58.0%	64.0%	60.5%
calls or visits at unreasonable times	54.3%	60.7%	56.7%
notices of legal action	54.3%	50.0%	52.0%
confusing communications	37.5%	44.1%	40.0%
token payments not accepted	20.5%	21.7%	21.0%
none of these	19.6%	16.9%	18.5%
money withdrawn from another account	4.7%	4.4%	4.7%

The perception of forbearance seemed stronger among men because a higher proportion experienced no creditor intervention after entering a debt solution. Again, women were more perturbed by calls or visits at unreasonable times than men were. It is therefore worth considering that similar numbers of men and women had dependent children, yet female respondents were more likely to be single. Women also reported marginally higher prevalence of notices of legal action after entering a debt solution and this was even more pronounced among lone mothers (27.5%) compared to lone fathers (5.6%).

Table 23: Creditor experience after entering a solution, by Gender

	Male (317)	Female (272)	All (600)
none of these	61.5%	57.0%	59.2%
confusing communications	19.6%	20.2%	19.7%
calls or visits at unreasonable times	14.2%	19.5%	16.5%
notices of legal action	15.5%	18.4%	16.8%
same/increased interest, penalties and charges	14.2%	14.7%	14.3%
token payments not accepted	1.3%	3.3%	2.2%
money withdrawn from another account	1.6%	1.1%	1.3%

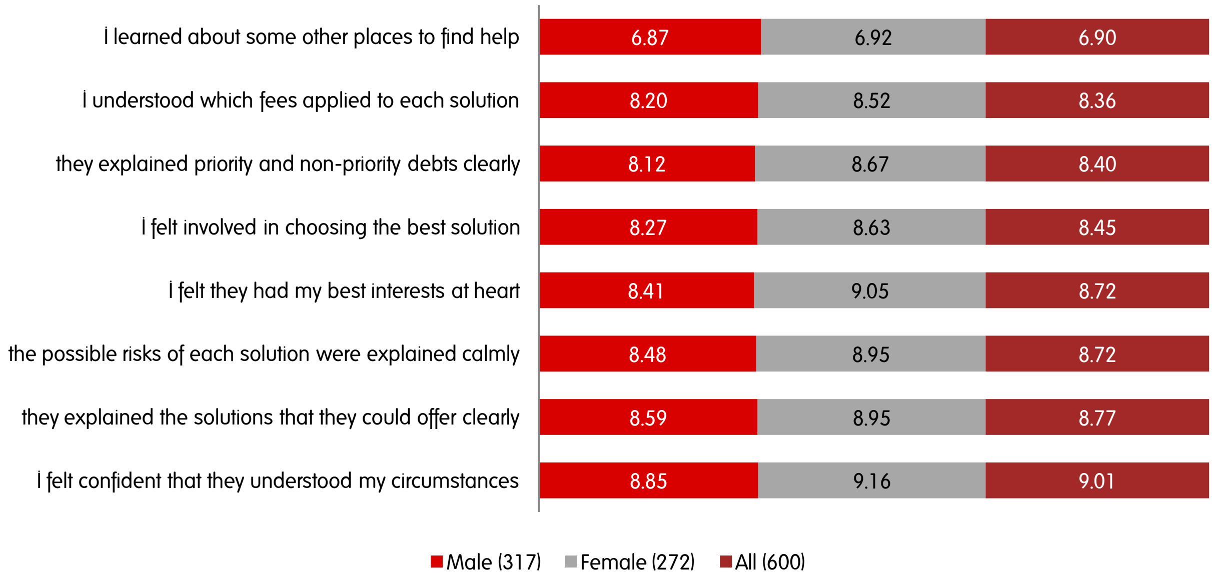
h. 1st Impressions from Initial Contacts with DRF Members

There were few differences between the initial observations of DRF members by men and women.

i. Pre-contract

Without exception, women gave DRF member firms higher scores for every pre-contract service attribute. The biggest difference was between scores for "I felt they had my best interests at heart".

Chart 21: Pre-contract performance ratings, by Gender



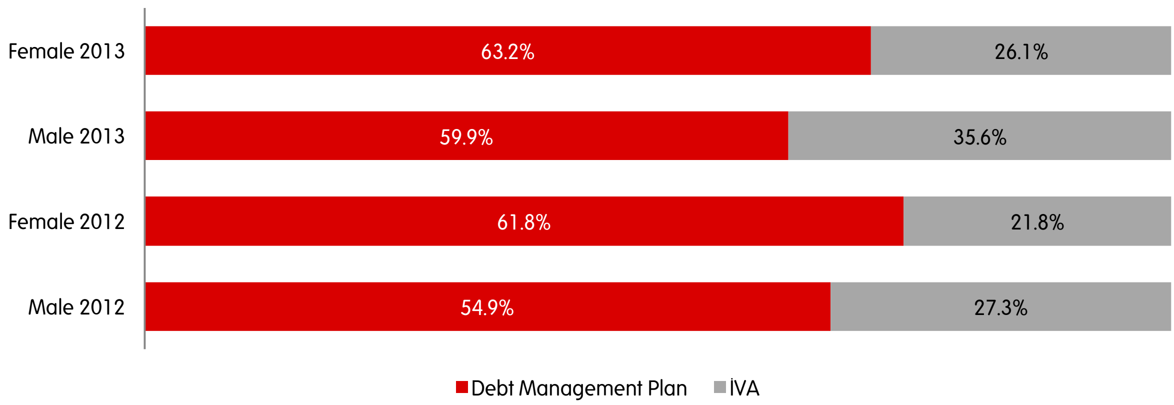
j. The Proposal

Women (74.3%) were slightly more likely to recall receipt of a written proposal than men were (70.3%), though recollection of its specific contents differed little by gender.

k. The Solution

There was an increase in respondents using IVAs in 2013 because of recent applications to join the DRF by firms offering these. This undoubtedly had a bearing on the percentages of men and women in IVAs compared to 2012, so it is not possible to report an increase in uptake by gender, so much as continued evidence that more men were using IVAs to resolve problem debt than women were.

Chart 22: Comparison of debt solutions, by Gender



Only 6% of respondents had switched solution or provider since first using a DRF member and whilst men were twice as likely as women to do this, the subset was too small to make a reliable inference.

Reflecting the proportion of women who were single, female respondents were more likely to be in an individual rather than a joint solution. This is an important finding because without UK wide DMP numbers, it could mean that more women are in debt solutions than men, and that more women are in informal arrangements, with limited potential for debt write off.

Table 24: Contract holder, by Gender

	Male (308)	Female (262)	All (579)
in your name only	67.9%	78.6%	72.5%
Joint	31.2%	19.8%	26.1%

It is worth recalling that the free advice sector experiences higher demand from women than men and that the mainstream media invariably cites falling personal insolvency statistics as evidence that indebtedness is in decline. However, our research into Market Size 2007-2011 revealed that formal and legally binding debt solutions account for less than a quarter of all supply.

As the table below illustrates, women have significantly lower incomes and personal borrowing levels than men, yet a higher debt to income ratio. From responses to this survey, the average annual income of a female client on entering a debt solution was £15,342, whereas the average for a male client was £23,492.

Using average solution length as a proxy for the currency of average incomes on entering a debt solution, it is reasonable to relate these values to 2010. On this basis it is worth comparing the key trends reported by the Joseph Rowntree Foundation in *A minimum income standard for the UK in 2010:*

A single person in the UK needs to earn at least £14,400 a year before tax in 2010, to afford a basic but acceptable standard of living. A couple with two children needs £29,200.

Source: Joseph Rowntree Foundation: A Minimum Income Standard for the UK in 2012

Furthermore, in *Patterns of Pay: Results from the Annual Survey of Hours and Earnings, 1997 to 2012*, the Office for National Statistics reported a gender pay gap of 19.7%, down from 20.2% in 2011. The gender income gap between respondents to this survey on entering a debt solution was 34.7%, compared to 23.0% in 2012.

Table 25: Averages at solution start, by Gender

	solution length	number of creditors	annual income	personal borrowing	debt to income ratio	outstanding mortgage
Female (2013)	2.73	6.51	£15,342	£21,361	1.39	£99,868
Male (2013)	2.91	6.62	£23,492	£30,192	1.29	£120,263
Female (2012)	2.79	5.95	£14,040	£22,049	1.57	£104,178
Male (2012)	2.98	5.94	£18,225	£27,292	1.50	£133,167

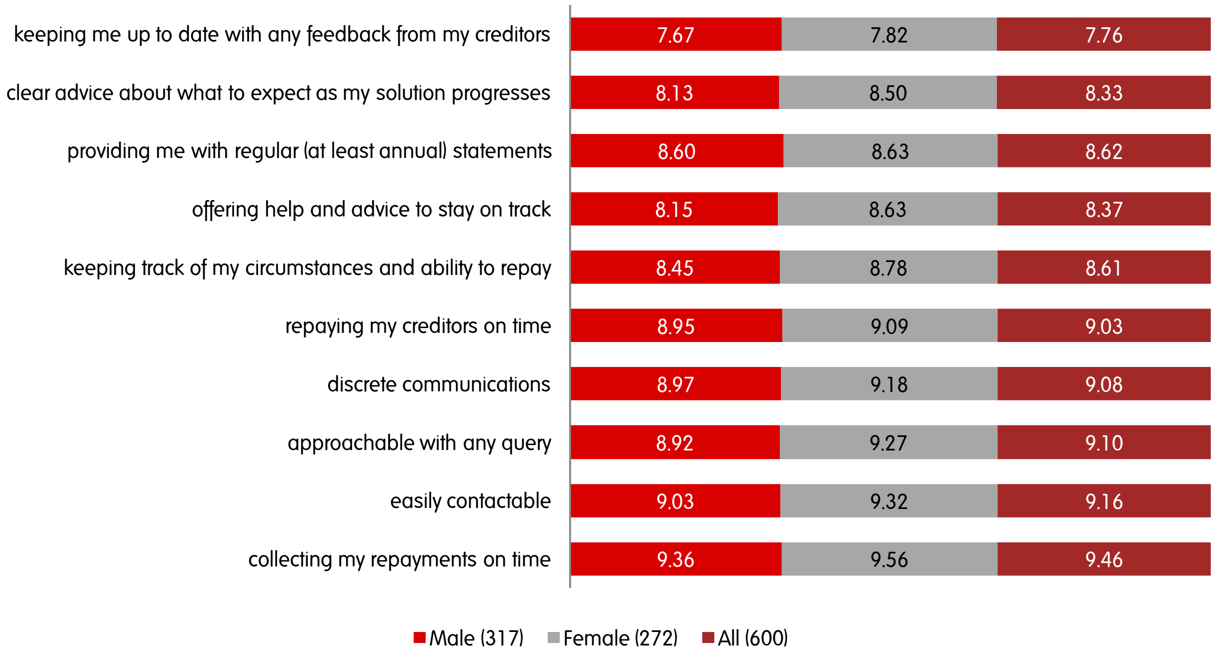
When asked to give current annual household income to reflect circumstances now, more than half of the women interview had household incomes under £20,000 per annum, compared to just under two fifths of the men.

Table 26: Current annual household income, by Gender			
	Male (317)	Female (272)	All (600)
less than £10,000	12.9%	22.8%	17.2%
ten to less than £20,000	24.0%	30.9%	26.8%
twenty to less than £30,000	29.7%	19.1%	24.3%
thirty to less than £40,000	10.4%	5.9%	8.2%
forty to less than £50,000	6.3%	2.2%	4.5%
more than £50,000	3.8%	2.2%	3.0%

l. Post-contract

In 2012, women tended to give higher post-contract ratings than men, whereas in 2013 they did so for every attribute without fail. The largest difference between men and women's scores was for "offering me help and advice to stay on track", followed by "clear advice about what to expect as my solution progresses".

Chart 23: Post-contract performance ratings, by Gender



m. Financial Capability

With the exception of finding financial advice and information, which women reported as improved since using a debt solution, there was limited difference in experiences of better financial capability between men and women.

Table 27: Financial capability ratings, by Gender			
	Male (308)	Female (262)	All (579)
managing your money	78.9%	80.9%	79.4%
planning ahead	75.0%	74.8%	74.4%
choosing suitable financial products	71.1%	72.5%	71.2%
finding financial advice and information	64.6%	70.6%	66.8%

n. Conclusions

In total, some 566 respondents to this survey gave both their gender (303 men and 242 women) and relationship status (173 singles and 393 couples). On this basis, some 393 adults are living with a survey respondent, who is working his or her way through a debt solution. Often these partners and spouses may be sacrificing some aspect of their disposable income towards clearing problem debt, so in many respects they are part of the debtor population.

The number of adults directly affected by solutions researched for this survey is 935, and assuming the 6% gay population used by Whitehall when civil partnership legislation was drawn up in 2003, 52% of these are female. The ratios are different when comparing the gender of respondents in joint and individual solutions. A total of 711 adults were party to the contracts that were the subject of this survey. Of these, 51% were male. In both scenarios, there are fewer male debtors than the proportion sampled for this survey (54%)

Both the responses relating to initial advice seeking and solution length indicate that there has been an increase in demand for debt advice from women in recent years. This is a trend reported by the free sector also, where demand from women is higher than from men. That women seem to have significantly lower incomes and debt levels, yet higher debt to income ratios is cause for concern, particularly when women who are paying fees to resolve a debt problem have an average income below the minimum income standard.

When we know so little about the range and number of debt repayment agreements in the UK, it becomes a matter of gender equality that we should address this. For too long UK debt statistics have failed to differentiate the true number of individuals and households affected by problem debt and as the regulatory landscape changes, it is high time they did not.

5. ETHNICITY

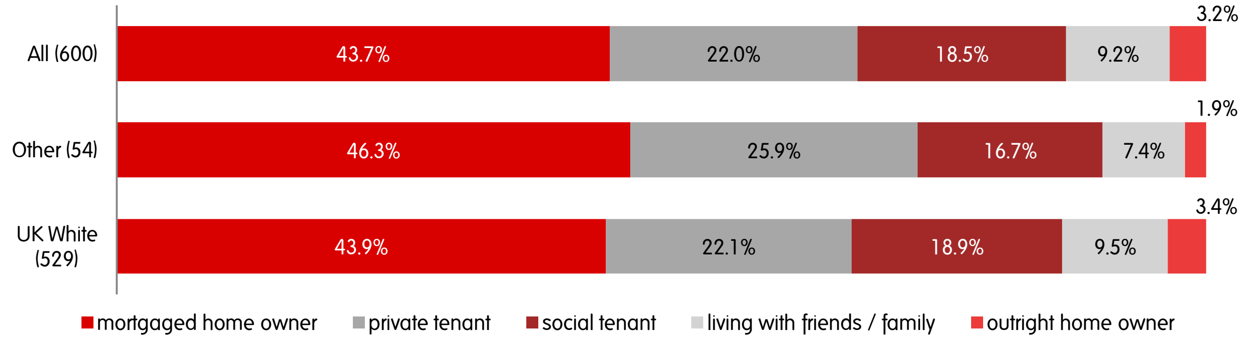
a. Overview

A total of 54 respondents, or 9% of the sample, stated their ethnicity as an origin other than White British. This was marginally higher than the 8.5% of respondents in 2012, and lower than the proportion of minority populations across the UK as a whole. As in 2012, the subset is large enough to make some inference, particularly with regard to findings replicated in 2013.

Again, respondents from minorities tended to be younger than those who recorded their ethnicity as UK white, with average ages of 45.4 (43.1 in 2012) and 46.5 (46.1 in 2012) respectively. However, there was a marked concentration of minority respondents in the 40-59 age range, 63.0%, compared to 50.3% among UK white respondents.

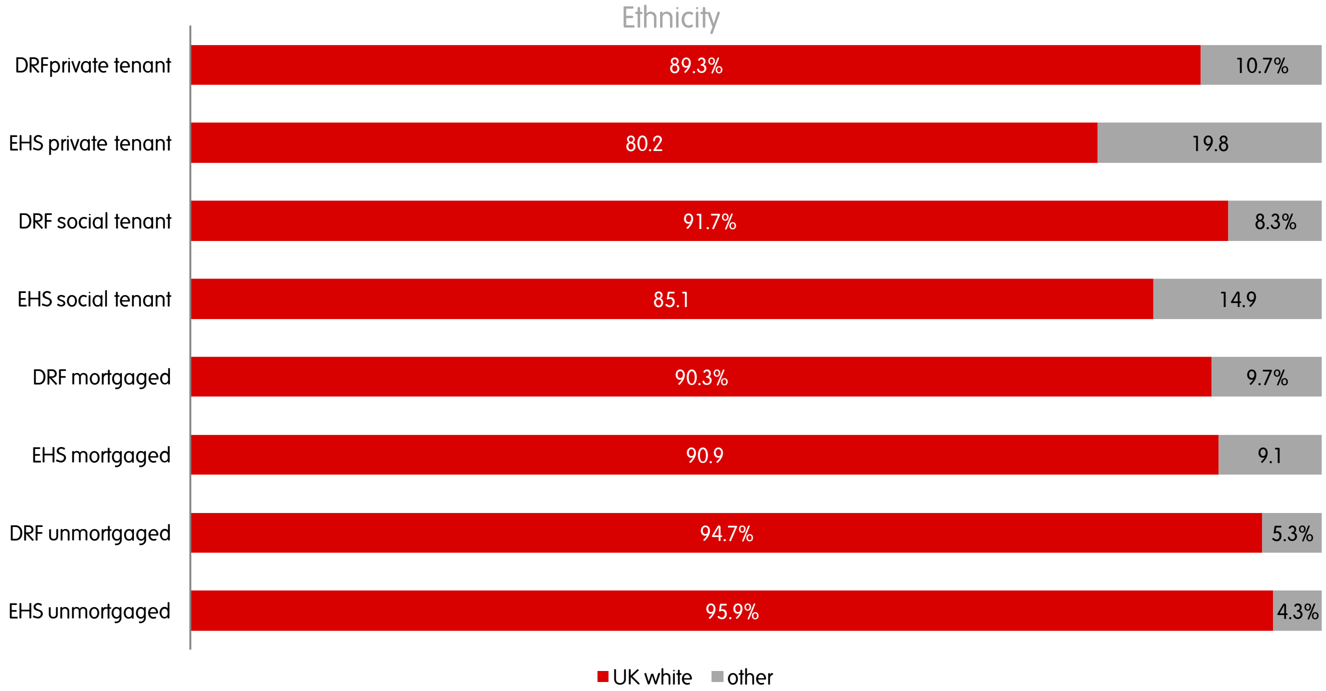
There were more minority homeowners among the sample than in 2012, in which 55% had been tenants, although private tenancy continued to be common in 2013.

Chart 24: Tenure, by Ethnicity



However, it was the extent of owners, as opposed to renters among minority respondents that was particularly apparent when comparing the DRF dataset with records from the English Housing Survey.

Chart 25: Comparison of English Housing Survey* and DRF respondents' tenure, by Ethnicity



*Source: Office for National Statistics for the Department of Communities and Local Government, English Housing Survey 2011-12

A higher proportion of minority respondents had dependent children than UK white respondents, 61.1% compared to 45.4% and this was also higher than the 52.9% of minorities, who had dependent children in 2012. The similarities between 2012 and 2013 survey data adds emphasis to our 2012 recommendation for further research into borrowers from minority communities in the UK. A sample size of circa 50 respondents is insufficient to differentiate communities and gain appropriate insight into the full range of cultural attitudes and behaviours.

b. Using a Paid Solution

Respondents had two opportunities to relate that they had changed provider or solution: at the outset, when we screened for use of a DRF member within the last 12 months, and in the middle of the interview, whilst sharing details of their current solution. In the first instance, eight individuals recorded a change and, of these, five were UK white and three of another origin.

Table 28: Solution still provided by DRF Member, by Ethnicity			
	UK White (529)	Other (54)	All (600)
yes	96.8%	90.7%	96.3%
no, it has come to an end	2.3%	3.7%	2.3%
no, I changed provider	0.9%	5.6%	1.3%

Across the sample as a whole, 6% of respondents stated that they were no longer using their original solution. Eleven of these 36 respondents replied that they had switched to another provider. Of these, seven were UK white and four were of another origin.

Table 29: Changes to solution provider, by Ethnicity			
	UK White (30)	Other (6)	All (36)
with DRF member	50.0%	33.3%	47.2%
with another provider	23.3%	66.7%	30.6%
managing repayments yourself	10.0%	0.0%	8.3%
prefer not to say	16.7%	0.0%	13.9%

Proportionately, it could seem that respondents from minority communities were more likely to change provider, but the subsets of switchers were far too small to assert this. It is therefore worth recalling the profile of respondents to our October 2012 survey of DRF members' clients who had dropped out of DMPs: 87.6% were UK white, compared to 10.92% of other origins. Given the +/- 4% margin of error applied to the 2012 and 2013 client surveys and the unknown margin of error for the DMP drop out survey, a distinct trend cannot be identified.

c. Provider Band

We found more respondents from minority communities using Band 3 companies in 2013. However, this may very well relate to the changing profile of DRF membership, because in 2013, we sampled more extensively in Bands 1 and 2 than we did in 2012. Individually, smaller firms tend to have a more localised client base that reflects their immediate communities.

Table 30: Company Band, by Ethnicity 2012 & 2013						
	2012			2013		
	UK White (544))	Other (51)	All (601)	UK White (529)	Other (54)	All (600)
Band 1	7.2%	9.8%	7.3%	13.8%	9.3%	13.3%
Band 2	14.0%	15.7%	14.0%	38.6%	38.9%	38.3%
Band 3	78.9%	74.5%	78.7%	47.6%	51.9%	48.3%

d. 1st Help Sought

There was considerably lower incidence of recent advice seeking among minority respondents than recorded in 2012.

Table 31: First decision to seek help, by Ethnicity 2012 & 2013						
	2012			2013		
	UK White (544)	Other (51)	All (601)	UK White (529)	Other (54)	All (600)
within the last year	12.7%	21.6%	13.6%	17.8%	5.6%	17.0%
more than 1 but less than 2 years ago	23.9%	13.7%	22.8%	19.3%	16.7%	19.0%
more than 2 but less than 5 years ago	50.7%	52.9%	50.9%	51.8%	63.0%	52.3%
more than 5 years ago	11.8%	9.8%	11.6%	10.6%	14.8%	10.8%

e. 1st Help Reasons

More than two fifths of minority respondents to the 2013 survey cited a drop in income as their main reason for seeking advice in the first instance and perceptions of overspending dropped from 17.6% to 11.1%. As suggested last year, a subset of circa 50 respondents is too small to gauge subtle differences between communities, so further research is essential to understanding these borrowers' perceptions of indebtedness.

Table 32: Main reason for seeking help, by Ethnicity			
	UK White (529)	Other (54)	All (600)
a drop in income	31.4%	42.6%	32.5%
a change in circumstances	28.7%	25.9%	28.5%
increased outgoings	20.2%	16.7%	19.7%
overspending	15.7%	11.1%	1335.0%

f. 1st Help Sources

Incidence of active advice seeking increased considerably between the 2012 and 2013 surveys: around two-thirds of all respondents by ethnicity shopped around for advice before approaching a DRF member. Active advice seeking was a marked feature of respondents from minority communities in 2012, when 55% shopped around compared to 43% of their UK white counterparts. It is therefore important that this characteristic presents as reinforced through these data, because the social exclusion of some minority communities is a known tendency. Sources of advice varied little by ethnicity in 2013.

Table 33: Sources of help, by Ethnicity 2012 & 2013						
	2012			2013		
	UK White (544)	Other (51)	All (601)	UK White (529)	Other (54)	All (600)
did not seek other help	56.6%	45.1%	55.6%	32.9%	35.2%	32.5%
another company	7.2%	9.8%	7.3%	21.6%	21.0%	21.0%
internet search	1.1%	0.0%	1.0%	20.6%	20.5%	20.5%
bank / creditors	17.5%	17.6%	17.6%	12.1%	11.1%	12.0%
friends / family	0.7%	5.9%	1.2%	9.5%	11.1%	9.7%
charity, government or council	18.2%	25.5%	19.1%	9.3%	9.3%	9.2%
accountant / solicitor	1.3%	0.0%	1.2%	1.1%	1.9%	1.2%
internet forum	n/a	n/a	n/a	1.1%	1.9%	1.2%

g. Debtors' Experience of Creditors

By ethnicity, there was significantly less variation in respondents' experiences of creditor contact before entering a solution than in 2012. However, minority respondents continued to record higher incidence of the same or increased interest, penalties and charges (66.7% in both 2012 and 2013) than UK white respondents did ((57.7% in 2012 and 60.5% in 2013).

Table 34: Creditor experiences before solution, by Ethnicity

	UK White (529)	Other (54)	All (600)
same/increased interest, penalties and charges	60.5%	66.7%	60.5%
calls or visits at unreasonable times	57.1%	59.3%	56.7%
notices of legal action	52.6%	53.7%	52.0%
confusing communications	41.4%	35.2%	40.0%
token payments not accepted	21.2%	22.2%	21.0%
none of these	18.5%	16.7%	18.5%
money withdrawn from another account	4.9%	1.9%	4.7%

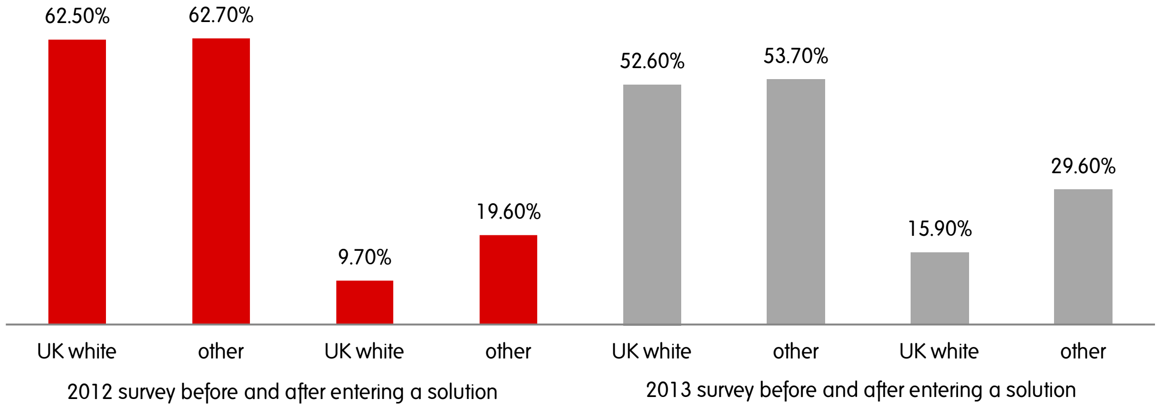
For the most part, post-solution experiences of creditor intervention were similar between respondents of all origins, whereas minority respondents recorded higher levels of contact after entering a debt solution than their UK white counterparts did in 2012.

Table 35: Creditor experiences after entering a solution, by Ethnicity

	UK White (529)	Other (54)	All (600)
none of these	59.7%	57.4%	59.2%
confusing communications	19.5%	20.4%	19.7%
notices of legal action	15.9%	29.6%	16.8%
calls or visits at unreasonable times	16.6%	18.5%	16.5%
same/increased interest, penalties and charges	14.0%	16.7%	14.3%
token payments not accepted	1.7%	5.6%	2.2%
anything else?	1.7%	0.0%	1.5%
money withdrawn from another account	1.5%	0.0%	1.3%
prefer not to say	0.6%	0.0%	1.0%

There continued to be a significant difference in experiences of receiving notices of legal action after entering a debt solution, with minority respondents around twice as likely to report these. Given the extent of active advice seeking demonstrated by minority respondents, it seems totally inappropriate that they should experience creditor intervention of this kind, after seeking a range of help and entering a debt solution. From an equalities perspective, it is ill advised for creditors or intermediaries to allow such experiences to prevail.

Chart 26: Comparison of Notices of Legal Action, by Ethnicity, 2012 & 2013



h. 1st Impressions from Initial Contacts with DRF Members

As in 2012, respondents from minority communities had better recognition, when first considering a DRF member, of DRF membership and other professional standards, as well as information recommended in the OFT's Debt Management Guidance than UK white respondents did.

Table 36: DRF member initial observations, by Ethnicity

	UK White (529)	Other (54)	All (600)
clear contact details	33.8%	38.9%	33.8%
top / close to top of an internet search	33.1%	29.6%	32.7%
testimonials / referrals*	23.1%	25.9%	23.3%
overview of debt solutions	20.6%	29.6%	21.0%
some examples of likely fees	19.3%	25.9%	19.7%
DRF membership / professional standards	18.1%	22.2%	18.2%
they contacted me	16.6%	13.0%	16.0%
consumer credit licence number	11.0%	16.7%	11.2%
none of these	10.8%	11.1%	10.8%
advertisements*	8.3%	9.3%	8.2%

This would tend to indicate that they were not only active advice seekers, but also independent and informed decision makers – important attributes to nurture, given the impact of financial capability on recovering from unmanageable debt.

Chart 27: Comparison of DRF member initial observations, by Ethnicity, 2012 & 2013

i. Pre-contract

As in 2012, UK white respondents tended to give DRF members higher scores for pre-contract aspects of service than minority respondents did.

Table 37: Pre-contract ratings, by Ethnicity

	UK White (529)	Other (54)	All (600)
I felt confident that they understood my circumstances	9.02	8.76	9.01
they explained the solutions that they could offer clearly	8.79	8.41	8.77
the possible risks of each solution were explained calmly	8.73	8.31	8.72
I felt they had my best interests at heart	8.73	8.40	8.72
I felt involved in choosing the best solution	8.45	8.26	8.45
they explained priority and non-priority debts clearly	8.42	7.84	8.40
I understood which fees applied to each solution	8.36	8.08	8.36
I learned about some other places to find help	6.92	6.55	6.90

j. The Proposal

Minority respondents were less likely to recall receipt of a written proposal in 2013 than they were in 2012. However, recollection of specific documents was broadly similar between both subsets by ethnicity, whereas this had been lower among minority respondents in 2012.

k. The Solution

As in 2012, the use of IVAs tended to be more common among UK white respondents.

Table 38: Original solution chosen, by Ethnicity

	UK White (529)	Other (54)	All (600)
Debt Management Plan	60.3%	68.5%	61.2%
IVA	31.9%	27.8%	31.3%
Trust Deed	5.1%	0.0%	4.5%
prefer not to say	1.7%	3.7%	2.2%
Bankruptcy	0.4%	0.0%	0.3%
Debt Arrangement Scheme	0.4%	0.0%	0.3%
Debt Relief Order	0.2%	0.0%	0.2%

Minority respondents were more likely to hold an individual than a joint debt solution, 88.0% compared to 71.2% of UK white respondents.

The financial circumstances of minority respondents in 2013 seemed very different from those in 2012, in that they had been using a debt solution for longer than their UK white counterparts, had more creditors, higher incomes, borrowing and outstanding mortgage levels, and only a marginally higher debt to income ratio on entering a debt solution.

Table 39: Averages at solution start, by Ethnicity

	solution length	number of creditors	annual income	personal borrowing	debt to income ratio	outstanding mortgage
UK white	2.76	6.48	£19,841	£25,923	1.31	£110,460
other	3.29	7.32	£21,360	£28,591	1.34	£136,750
All	2.82	6.55	£19,935	£26,207	1.31	£112,848

To some extent, this was because we encountered a couple of respondents with extremely high incomes and debt levels during fieldwork, and this is likely to have skewed some aspects of the sample. It is important to recognise that when subset samples are small, they are more prone to bias. However, it was not appropriate to exclude these responses from the analysis, because the DRF is committed to the client survey becoming a longitudinal study. Most pertinent from the table above is that minority respondents continued to have a higher debt to income ratio in 2013 than UK white respondents did.

l. Post-contract

As was the case pre-contract, minority respondents gave DRF members lower scores for post contract service attributes than UK white respondents did. However, ratings remained very good within this subset.

Table 40: Post contract performance ratings, by Ethnicity

	UK White (529)	Other (54)	All (600)
collecting my repayments on time	9.47	9.26	9.46
easily contactable	9.17	8.98	9.16
approachable with any query	9.11	8.85	9.10
discrete communications	9.08	8.89	9.08
repaying my creditors on time	9.07	8.41	9.03
providing me with regular (at least annual) statements	8.67	8.06	8.62
keeping track of my circumstances and ability to repay	8.62	8.41	8.61
offering help and advice to stay on track	8.38	8.28	8.37
clear advice about what to expect as my solution progresses	8.34	8.00	8.33
keeping me up to date with any feedback from my creditors	7.75	7.75	7.76

m. Financial Capability

As in 2012, UK white respondents reported higher levels of financial capability since entering a debt solution than minority respondents did.

n. Conclusions

As one might expect when analysing small subsets of circa 50 respondents, there were some significant variations between the samples of minority respondents interviewed in 2012 and 2013, principally in income and borrowing levels. However, many of the key behavioural and attitudinal traits were replicated, in that minority respondents were active advice seekers, independent and informed decision makers, yet had more conflicting experiences of creditor intervention than their UK white counterparts did.

The fact that the percentage of UK white respondents reporting receipt of notices of legal action post-solution continued to be around half of those from minority communities is cause for concern. Irrespective of professional claims to be treating all debtors identically, at no point should a group that is protected in equalities practice be demonstrating the core skills promoted by financial services professionals as essential to financial capability, yet experiencing creditor contact as inappropriate debt collection.

It is imperative that further research into the experiences of indebtedness among minority communities in the UK is conducted. The continued evasion of this issue is irresponsible and likely to culminate in a very real charge of institutional prejudice. Both creditors and intermediaries need to differentiate the attitudes and behaviours that influence communications between lenders and borrowers from minority communities, such that intervention in times of difficulty becomes consistent rather than standardised.

6. HEALTH & WELLBEING

a. Overview

As one might expect, respondents reporting a long term illness, physical or mental health problem tended to be older than those who were not. The average age of the former was 54, compared to 45 for respondents without a health problem. Women were more likely to report a health problem than men were and respondents with a health problem often came from a wider range of ethnicities.

Table 41: Ethnicity, by Health

	Health problem (114)	No health problem (468)	All (600)
White / White British	87.7%	90.0%	88.2%
Mixed / multiple heritage	1.8%	0.9%	1.0%
Asian / Asian British	3.5%	3.0%	3.0%
Black / African / Caribbean / Black British	1.8%	3.0%	2.8%
Other	2.6%	2.1%	2.2%
prefer not to say	2.6%	1.1%	2.8%

There were more often outright home owners or social tenants among respondents with a long term illness, physical or mental health problem, as well as these respondents being more likely to be in a relationship and less likely to have dependent children. Almost half of the respondents reporting a health problem were renters, compared to two-fifths of the sample as a whole.

Table 42: Housing status, by Health			
	Health problem (114)	No health problem (468)	All (600)
outright home owner	5.3%	2.6%	3.2%
mortgaged home owner	38.6%	45.7%	43.7%
private tenant	14.0%	24.4%	22.0%
social tenant	34.2%	15.0%	18.5%
living with friends / family	6.1%	10.0%	9.2%

b. Using a Paid Solution

The patterns of solution currency and switching were almost identical between both subsets and the sample as a whole.

c. Provider Band

Respondents with a health problem tended to be using a firm in Band 3.

Table 43: Company Band, by Health			
	Health problem (114)	No health problem (468)	All (600)
Band 1	9.6%	14.5%	13.3%
Band 2	36.8%	39.1%	38.3%
Band 3	53.5%	46.4%	48.3%

d. 1st Help Sought

There were no significant differences between subsets as to when advice had first been sought.

e. 1st Help Reasons

The principal reasons for seeking help, among respondents with a health problem, were a drop in income, closely followed by a change in circumstances. This subset seemed less affected by increased outgoings than those with no health problem.

Table 44: Main reason for seeking help, by Health			
	Health problem (114)	No health problem (468)	All (600)
a drop in income	34.2%	32.1%	32.5%
a change in circumstances	32.5%	27.6%	28.5%
increased outgoings	14.0%	21.2%	19.7%
overspending	14.9%	15.6%	15.0%

f. 1st Help Sources

Respondents without a health problem were more likely to shop around for advice before approaching a DRF member. However, those with a problem were more likely to approach their bank or creditors, friends and family, or to use a charity, government or council agency.

Table 45: Sources of help, by Health

	Health problem (114)	No health problem (468)	All (600)
did not seek other help	37.7%	31.0%	32.5%
another company	17.5%	22.2%	21.0%
internet search	17.5%	21.6%	20.5%
bank / creditors	13.2%	12.0%	12.0%
friends / family	13.2%	8.8%	9.7%
charity, government or council	12.3%	8.5%	9.2%
accountant / solicitor	0.9%	1.3%	1.2%
internet forum	0.9%	1.3%	1.2%

g. Debtors' Experience of Creditors

There were few differences in the reports of creditor contact pre and post solution between respondents with and without a health problem. Given the extent of advocacy for better record keeping and treatment of debtors with a mental health problem, pioneered by the Money Advice Liaison Group, one might expect to see greater levels of forbearance reported by those with a health problem.

In the context of higher prevalence of reporting creditor intervention, especially post-contract, among women and minority communities, there is little doubt that creditors and intermediaries need to consider the reality of treating all debtors the same, when the perceptions of some protected groups clearly do not reflect this.

h. 1st Impressions from Initial Contacts with DRF Members

As a rule, respondents with a health problem were less likely to notice attributes like professional or regulatory standards on first encounter with a DRF member. They were also slightly more likely to respond that they had been contacted by a DRF member, so it is important that the DRF monitors this to ensure informed choice.

Table 46: DRF member initial observations, by Health			
	Health problem (114)	No health problem (468)	All (600)
clear contact details	29.8%	35.3%	33.8%
top / close to top of an internet search	24.6%	35.0%	32.7%
testimonials / referrals*	21.1%	24.4%	23.3%
overview of debt solutions	21.1%	21.8%	21.0%
some examples of likely fees	21.1%	20.1%	19.7%
DRF membership / professional standards	20.2%	18.2%	18.2%
they contacted me	18.4%	15.2%	16.0%
consumer credit licence number	8.8%	12.2%	11.2%
none of these	17.5%	9.2%	10.8%
advertisements*	8.8%	7.9%	8.2%

i. Pre-contract

With the exception of learning about other places to find help, respondents without a health problem gave lower pre-contract performance ratings. However, the differences were marginal.

j. The Proposal

Recollection of a written proposal was higher among respondents without a health problem and the same was true, when respondents were asked to recall specific documents.

Table 47: Receipt of pre-contract proposals, by Health			
	Health problem (114)	No health problem (468)	All (600)
yes	66.7%	73.5%	71.7%
no	10.5%	8.3%	9.0%
don't know	21.1%	17.3%	17.8%
prefer not to say	1.8%	0.9%	1.5%

k. The Solution

There were few differences in solutions chosen in relation to respondents' health and the extent of solution and provider switching was similar between subsets also. This again raises the question as to why a protected group is less likely than others to access solutions that permit some degree of debt write off. Respondents with a health problem were more likely to be in a joint solution than those who did not have a health problem, which raises issues about the impact of indebtedness on carers also. Particularly as Universal Credit brings changes that may leave some households with lower incomes than they had previously, it is imperative that we learn more about how debt resolution can support borrowers through difficult personal and financial circumstances. Socially and economically, recovery needs to be constructive.

Table 48: Contract holder, by Health

	Health problem (109)	No health problem (455)	All (579)
in your name only	66.1%	74.3%	72.5%
joint	32.1%	24.6%	26.1%
prefer not to say	1.8%	1.1%	1.4%

The principal difference in the financial circumstances of those with and without a health problem was income: the average annual income on starting a debt solution, among respondents with a health problem was £18,200, compared to £20,362 for those without.

Table 49: Averages at solution start, by Health

	solution length	number of creditors	annual income	personal borrowing	debt to income ratio	outstanding mortgage
health problem	2.83	6.76	£18,200	£25,032	1.38	£109,765
no health problem	2.81	6.53	£20,362	£26,529	1.30	£113,736
All	2.82	6.55	£19,935	£26,207	1.31	£112,848

l. Post-contract

As a rule, respondents with a health problem gave higher scores for post-contract attributes than those without. However, the differences between mean scores for the two subsets were small.

Table 50: Post contract performance ratings, by Health

	Health problem (114)	No health problem (468)	All (600)
collecting my repayments on time	9.38	9.46	9.46
easily contactable	9.19	9.15	9.16
approachable with any query	9.23	9.04	9.10
discrete communications	9.29	9.01	9.08
repaying my creditors on time	9.27	8.95	9.03
providing me with regular (at least annual) statements	8.37	8.67	8.62
keeping track of my circumstances and ability to repay	8.55	8.61	8.61
offering help and advice to stay on track	8.58	8.31	8.37
clear advice on what to expect as my solution progresses	8.24	8.31	8.33
keeping me up to date with any feedback from my creditors	7.88	7.69	7.76

m. Financial Capability

Respondents with a health problem were less likely to consider their financial capability improved since entering a debt solution.

Table 51: Financial capability ratings, by Health

	Health problem (109)	No health problem (455)	All (579)
managing your money	76.1%	80.9%	79.4%
planning ahead	67.9%	77.1%	74.4%
choosing suitable financial products	67.0%	73.2%	71.2%
finding financial advice and information	63.3%	68.4%	66.8%

n. Conclusions

With the exception of greater cultural diversity, higher levels of tenancy and a greater tendency to use joint solutions, many of the experiences recorded by respondents with a health problem were similar to those without. Incomes on entering a debt solution were £2,162 a year higher among respondents without a health problem, equating to an income gap of 10.6%; far smaller than the gender income gap of 34.7% recorded in this survey or indeed the gender pay gap of 19.6% recorded by the Office for National Statistics.

That borrowers, who may be restricted in a capacity to earn, should experience debt recovery and resolution similarly to those whose health does not impede their employment is relevant to the welfare costs of personal debt. In our qualitative study of *Free to Client Outcomes*, conducted in October 2012, we encountered one respondent who, despite submission of a Mental Health Evidence Form, was harassed by a creditor because she was not in an IVA yet. Indeed, there were several examples of perceived and exercised creditor power influencing debtors' decision-making. It was therefore interesting to note that the uptake of IVAs among respondents with health problems (29.8%) was slightly lower than those without (32.3%).

Clearly, sampling DRF members' clients is insufficient to make hypotheses about debtors' experiences and outcomes across the UK as a whole. However, this research does raise some important questions about creditor forbearance and intermediaries' recommendations that should be monitored as part of a socially cohesive and consistent approach to managing standards and outcomes in the debt sector. This is particularly a priority with the advent of Universal Credit, which is likely to change the financial circumstances of a large number of people who are long term sick, registered disabled, or carers for people with these conditions. In short, it is economically unsustainable for debt repayment to be subject to an over-representation of people, who may be benefit dependent, so it is essential to have evidence that ensures we avoid this.

7. RELATIONSHIPS

a. Overview

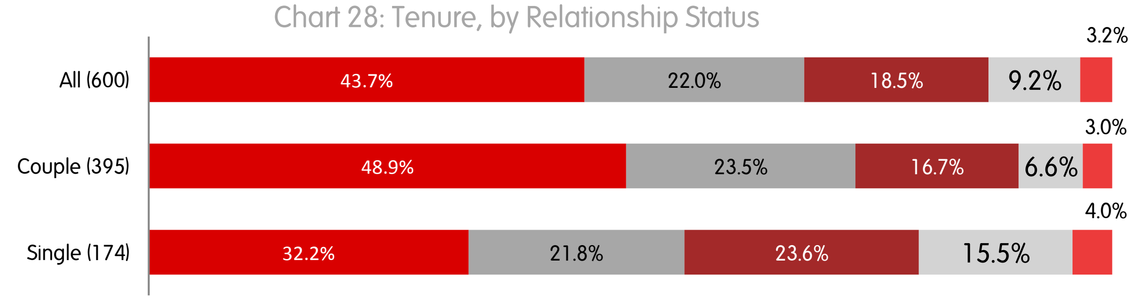
Respondents who were in a relationship tended to be in the 40-59 age range compared to those who were single, and they were also more likely to have dependent children.

Table 52: Age group, by Relationship Status

	Single (174)	Couple (395)	All (600)
18-24	1.1%	1.0%	1.0%
25-39	31.6%	29.1%	29.7%
40-59	45.4%	53.4%	50.5%
over 60	21.3%	14.7%	16.0%

Couples were more likely to be mortgaged home owners, whereas singles were more likely to be social tenants and living with friends and family than couples were.

Chart 28: Tenure, by Relationship Status



	Single (174)	Couple (395)	All (600)
mortgaged home owner	32.2%	48.9%	43.7%
private tenant	21.8%	23.5%	22.0%
social tenant	23.6%	16.7%	18.5%
living with friends / family	15.5%	6.6%	9.2%
outright home owner	4.0%	3.0%	3.2%

b. Using a Paid Solution

There were no significant differences in solution completions or changes by relationship status.

c. Provider Band

There were no significant differences in the Band of firm used by relationship status.

d. 1st Help Sought

However, singles were more likely to have sought initial help recently than couples were. 39.7% had sought help within the last two years compared to 33.7% of couples.

e. 1st Help Reasons

Couples were significantly more likely to cite a drop income as the main reason for seeking debt help in the first instance than singles were: more than a third of the latter reported a change in circumstances as their main reason for seeking help.

Table 53: Main reason for seeking help, by Relationship status

	Single (174)	Couple (395)	All (600)
a drop in income	21.3%	38.0%	32.5%
a change in circumstances	35.6%	25.6%	28.5%
increased outgoings	21.3%	18.5%	19.7%
overspending	17.8%	14.2%	15.0%

f. 1st Help Sources

Singles were more active advice seekers than couples, although the differences between the two were often small (i.e. within the +/- 4% margin of error assumed for this analysis).

Table 54: Sources of help, by Relationship status			
	Single (174)	Couple (395)	All (600)
did not seek other help	29.3%	34.4%	32.5%
another company	19.0%	22.3%	21.0%
internet search	23.0%	20.3%	20.5%
bank / creditors	8.6%	13.2%	12.0%
friends / family	11.5%	9.1%	9.7%
charity, government or council	9.2%	8.6%	9.2%
accountant / solicitor	1.7%	1.0%	1.2%
internet forum	0.0%	1.8%	1.2%

g. Debtors' Experience of Creditors

The differences by relationship status in experiences of creditor contact and debt collection prior to entering a solution were minimal.

h. 1st Impressions from Initial Contacts with DRF Members

The most significant difference between couples' and singles' first impressions of DRF members was in relation to testimonials and referrals, 25.6% of couples recalled this compared to 17.8% of singles.

i. Pre-contract

Without exception, singles gave higher scores for pre-contract aspects of service than couples did. However, in both subsets, scores were high, ranging from good to very good. Differences between the mean scores of the two subsets were small.

j. The Proposal

Recollection of a written proposal was similar by relationship status. The key differences emerged in recall of specific documentation. Couples tended to have better recollection of the estimated length of the solution, whereas singles tended to remember information about how often they and their creditors would be updated on progress.

Table 55: Pre-contract proposal contents, by Relationship status			
	Single (174)	Couple (395)	All (430)
statement of your income, expenditure and any surplus	90.4%	92.0%	91.6%
details of the repayment offer to each creditor	83.2%	86.5%	84.7%
a warning about the impact of the solution on your credit history	84.8%	84.4%	84.0%
a warning of creditors' right to reject some or all of the solution	83.2%	81.6%	81.4%
total solution cost differentiating repayments and fees	80.0%	80.9%	80.9%
the estimated length of the solution	76.8%	81.6%	79.5%
how often you and your creditors would be updated on progress	80.8%	74.3%	75.8%
information about a cooling off and how to terminate	76.8%	76.0%	75.8%
information about priority debts / not included in the solution	70.4%	63.9%	65.1%

k. The Solution

Couples (33.2%) were more likely to be in an IVA than singles (27.0%) were, although the proportions using DMPs were similar. As might be expected, joint solutions were almost exclusively reported by couples.

l. Post-contract

As a rule, singles tended to give higher scores for post-contract service attributes than couples did, with a couple of exceptions. However, there was very little difference between scores, which were in the range of very good to outstanding.

m. Financial Capability

Couples were more likely to report an improvement in choosing suitable financial products since entering a debt solution than singles were.

Table 56: Financial capability ratings, by Relationship status

	Single (169)	Couple (381)	All (579)
managing your money	80.5%	79.3%	79.4%
planning ahead	73.4%	76.4%	74.4%
choosing suitable financial products	68.0%	74.3%	71.2%
finding financial advice and information	69.8%	67.2%	66.8%

n. Conclusions

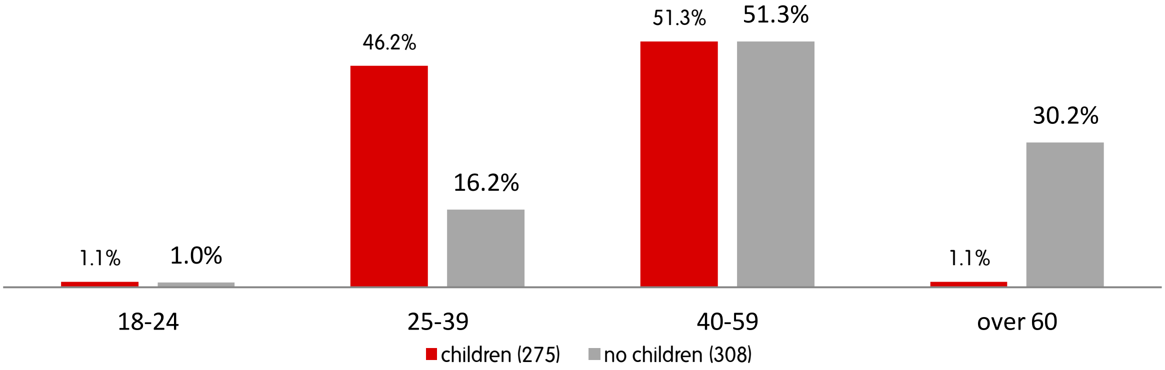
Being in a relationship continued to be one of the key differences between clients of DRF members and free solution providers. However, the differences between singles and couples in both the 2012 and 2013 survey samples were minimal compared to other demographics and financial circumstances. The question of relationship status is most pertinent in allowing us to drill down into the survey data to explore the experiences of lone parents, for example. However, it is unlikely that we will report outcomes by relationship status in future reports of this yearly survey.

8. DEPENDENT CHILDREN

a. Overview

As one might expect, respondents with dependent children tended to be in the middle age ranges. However, it was interesting to note that there were similar proportions of respondents with and without children in the 40-59 age range, yet significantly more with children in the 25-39 age range. For this reason, it is likely that a significant minority of DRF members' clients are older parents of older children. Given the other analyses in this report, they are highly likely to be mortgaged home owners too.

Chart 29: Age ranges, by Dependent children



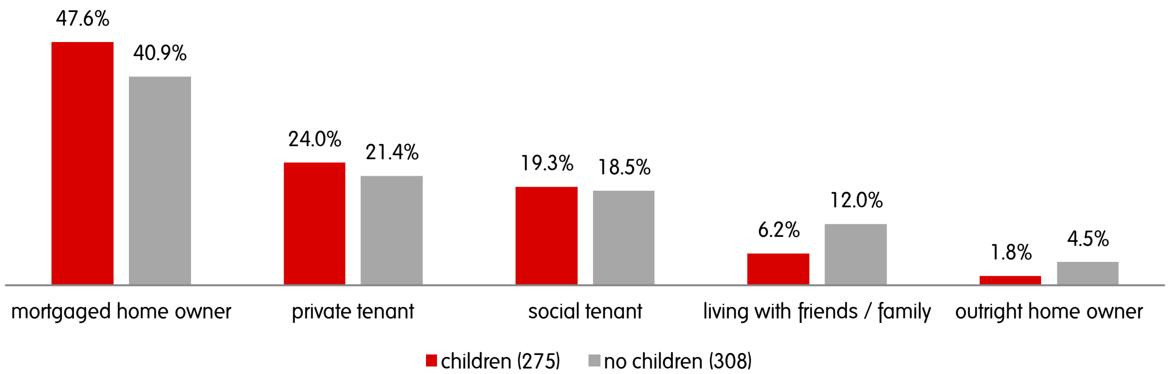
There was an even split of parents to those without dependents by gender. However, there tended to be a broader diversity of ethnic origins among respondents who had children.

Table 57: Ethnicity, by Dependent children

	children (275)	no children (308)	All (600)
White / White British	87.3%	92.2%	88.2%
Mixed / multiple heritage (inc British)	1.1%	1.0%	1.0%
Asian / Asian British	5.5%	1.0%	3.0%
Black / African / Caribbean / Black British	4.0%	1.9%	2.8%
Other	1.5%	2.9%	2.2%

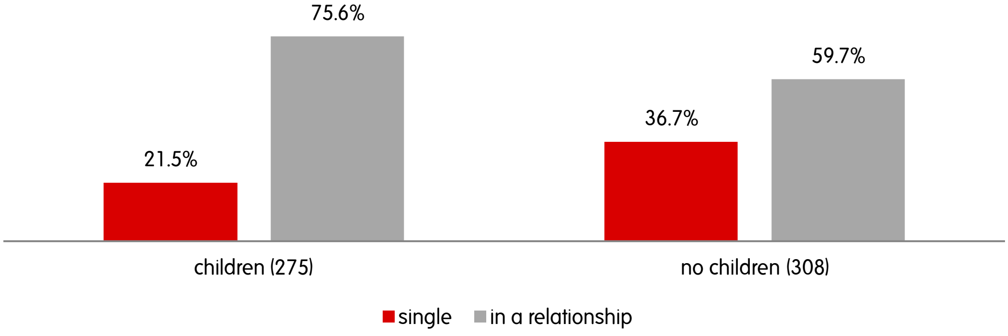
Respondents with children were more likely to be mortgaged home owners or private tenants than those without.

Chart 30: Tenure, by Dependent children



Around a fifth of the subset with children (58 respondents) were lone parents, equating to 9.6% of the sample as a whole: of these, some two-thirds were women.

Chart 31: Relationship status, by Dependent children



b. Using a Paid Solution

There were no significant differences in solution completions or changes by dependent children.

c. Provider Band

There were no significant differences in the Band of firm used by dependent children.

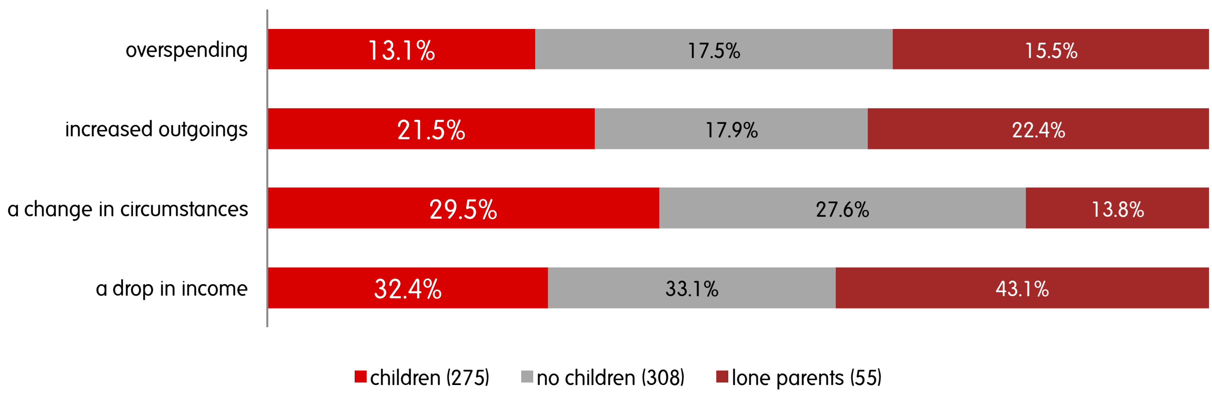
d. 1st Help Sought

There were no significant differences in when respondents had first sought help by dependent children.

e. 1st Help Reasons

A drop in income was the main reason for seeking help among those with and without children, and particularly among those who were lone parents. Parents also seemed more vulnerable to increased outgoings than those without children.

Chart 32: Reasons for first seeking help, by Dependent children



f. 1st Help Sources

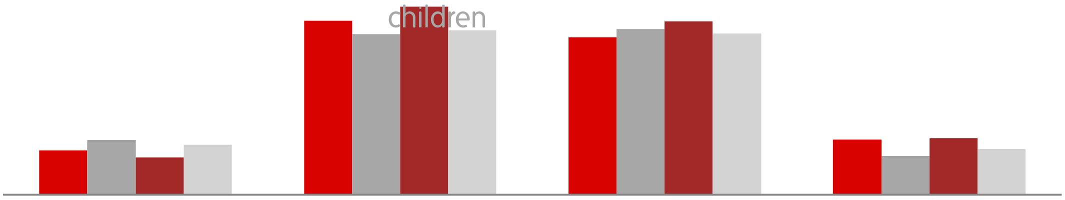
There was little variation in the extent and range of initial advice sought by respondents with dependent children. Non parents (69.1%) were more inclined to shop around than those with children (65.3%). However, lone parents were most inclined to do this, as 77.6% sought other help before approaching a DRF member.

g. Debtors' Experience of Creditors

Around a fifth of respondents without children experienced no creditor intervention before entering a debt solution, whereas this proportion was lower among parents and lone parents. The latter two groups were also particularly prone to reporting the same or increased interest, penalties and charges before entering a solution.

Lone parents experienced the greatest respite after entering a debt solution, yet parents in general reported higher incidence of escalated creditor intervention than non parents did at this point. Both parents and lone parents were more likely than non-parents to record receipt of notices of legal action after entering a debt solution. In general, respondents who reported this type of intervention tended to come from protected groups (in terms of equalities practice), so it is important that creditors and intermediaries investigate the extent of this trend fully.

Chart 33: Comparison of pre and post solution creditor contact, by Dependent children



	no contact before	interest, penalties and charges before	no contact after	notices of legal action after
children (275)	16.4%	64.0%	57.8%	20.4%
no children (308)	20.1%	59.1%	61.0%	14.3%
lone parents (55)	13.8%	69.0%	63.8%	20.7%
all (600)	18.5%	60.5%	59.2%	16.8%

h. 1st Impressions from Initial Contacts with DRF Members

Parents, and lone parents in particular, tended to notice that the DRF member they were using had come top or close to top of an internet search. Lone parents were particularly observant of professional and regulatory standards and least inclined to be influenced by advertisements. Recommendations to use a DRF member, such as testimonials and referrals, were also less prevalent among this group. Respondents without children were more likely to have been contacted by a DRF member, as were lone parents, compared to those in a relationship.

Table 58: DRF member initial observations, by Dependent children

	children (275)	no children (308)	lone parents (58)	All (600)
clear contact details	34.2%	34.7%	41.4%	33.8%
top / close to top of an internet search	37.5%	29.2%	46.6%	32.7%
testimonials / referrals*	22.2%	24.7%	12.1%	23.3%
overview of debt solutions	21.8%	21.1%	24.1%	21.0%
some examples of likely fees	20.0%	20.1%	19.0%	19.7%
DRF membership / professional standards	19.3%	18.2%	27.6%	18.2%
they contacted me	12.7%	18.8%	19.0%	16.0%
consumer credit licence number	11.6%	11.4%	8.6%	11.2%
advertisements*	7.6%	8.8%	3.4%	8.2%

i. Pre-contract

There were no significance differences between subsets of those with and without children for pre-contract performance ratings.

j. The Proposal

Recollection of a written proposal was similar between respondents. However, the recall of specific documents did vary.

Table 59: Pre-contract proposal contents, by Dependent children

	children (275)	no children (308)	All (430)
statement of your income, expenditure and any surplus	89.3%	94.4%	91.6%
details of the repayment offer to each creditor	85.4%	84.7%	84.7%
a warning about the impact of the solution on your credit history	83.9%	84.7%	84.0%
a warning of creditors' right to reject some or all of the solution	78.0%	84.3%	81.4%
total solution cost differentiating repayments and fees	81.5%	80.1%	80.9%
the estimated length of the solution	80.0%	79.2%	79.5%
how often you and your creditors would be updated on progress	72.7%	78.2%	75.8%
information about a cooling off and how to terminate	73.7%	77.8%	75.8%
information about priority debts / not included in the solution	64.4%	65.7%	65.1%

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k. The Solution

Whilst the proportion of parents and non-parents using different solutions was similar, lone parents were far less likely to be using an IVA (24.1%). Incidence of changing solution or provider varied little by whether respondents had dependent children.

Parents and non parents tended to have been using debt solutions for the same amount of time and to have a similar number of creditors. Solution lengths were roughly the same, but creditor numbers were lower for lone parents. With the exception of lone parents, the outstanding mortgage values of parents and non-parents were also similar.

However, non parents tended to have lower incomes and higher debt to income ratios, on starting a solution, than parents did. Within these subsets, lone parents had the lowest income and borrowing levels resulting in a much lower debt to income ratio. At 1.14, this was very close to the average of 1.15, recorded by Policis for the Money Advice Trust's *Channel Strategy Research* at the end of 2011.

Table 60: Solution averages, by Dependent children

	solution length	number of creditors	annual income	personal borrowing	debt to income ratio	outstanding mortgage
children	2.82	6.49	£21,722	£27,100	1.25	£114,401
no children	2.85	6.59	£18,458	£25,547	1.38	£111,580
lone parents	2.80	5.15	£16,556	£18,873	1.14	£84,467
joint parents	2.85	6.88	£23,077	£29,327	1.27	£118,331
All	2.82	6.55	£19,935	£26,207	1.31	£112,848

l. Post-contract

There were limited differences in the post-contract performance ratings given by respondents in subsets with and without dependent children

m. Financial Capability

Respondents with children tended to consider their capability in finding financial advice and information improved since entering a debt solution.

Table 61: Financial capability ratings, by Dependent children

	children (266)	no children (299)	All (579)
managing your money	80.1%	79.6%	79.4%
planning ahead	76.7%	74.2%	74.4%
choosing suitable financial products	72.6%	71.6%	71.2%
finding financial advice and information	70.3%	64.9%	66.8%

n. Conclusions

The average annual income of parents in a relationship on starting a debt solution was £23,077 compared to £16,556 for lone parents, equating to an income gap of 28.3%. Thus, the difference in income between parents who were couples and parents who were single was smaller than that recorded between the men and women responding to this survey.

Assuming from average solution length (as previously in this report) that these values relate to 2010, it is worth repeating the key trends reported by the Joseph Rowntree Foundation in *A minimum income standard for the UK in 2010:*

A single person in the UK needs to earn at least £14,400 a year before tax in 2010, to afford a basic but acceptable standard of living. A couple with two children needs £29,200.

Source: Joseph Rowntree Foundation: A Minimum Income Standard for the UK in 2012

It would seem that whilst respondents who were not parents had incomes broadly commensurate with the Minimum Income Standard, some respondents who were parents did not. It is important to remember that in 2012, our report of the annual DRF members' client survey advised that respondents' recollection of financial circumstances on entering a debt solution was patchy. Across the 2013 sample as a whole, just under half of all respondents gave an income value, at solution start, compared to two thirds in 2012.

On this basis, it is essential that records for monitoring debt advice standards and the Debt Management Protocol consider the relationship between the financial circumstances of borrowers in difficulty and people in poverty. It is a concern that parents of dependent children should record higher prevalence of the same or increased, interest penalties and charges before entering a debt solution and greater experiences of notices of legal action post solution than respondents without children did.

To conclude, if the purpose of improved consumer credit regulation and debt advice standards is sustainable and resilient outcomes, those evaluating the market must ensure against any potential for prejudice in their delivery. There is a strong body of public opinion that opposes the imposition of debt recovery on our younger generations and given the remit of the FCA to address consumer confidence in financial services, it is imperative that the apparent forbearance towards older debtors, yet lack of this for those with families is explored and where appropriate, addressed.

9. TENURE

a. Overview

The analysis of respondents' age ranges by tenure reflected many of the trends we have seen in UK home ownership in recent years. Almost six out of ten outright homeowners were over sixty, more than six in every ten home owners with a mortgage were aged 40-59. Private tenants and those living with friends or family had higher proportions of respondents in the 25-39 age range than other subsets by tenure.

Table 62: Age group, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
18-24	0.0%	0.0%	2.3%	0.9%	3.6%	1.0%
25-39	15.8%	24.4%	40.2%	23.4%	52.7%	29.7%
40-59	21.1%	62.6%	43.9%	48.6%	30.9%	50.5%
over 60	57.9%	10.7%	13.6%	25.2%	12.7%	16.0%

There were more female respondents among outright home owners and social tenants, and these respondents tended to be older than other subsets by tenure.

Table 63: Gender, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
Male	36.8%	55.7%	56.1%	45.9%	56.4%	52.8%
Female	63.2%	43.5%	43.2%	53.2%	43.6%	45.3%

By tenure, mortgaged home owners and private tenants were more likely than other subsets to have dependent children. This is likely to have been because they were among the younger respondents with average ages of 47 and 43 respectively.

Table 64: Dependent children, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
yes	26.3%	50.0%	50.0%	47.7%	30.9%	45.8%
no	73.7%	48.1%	50.0%	51.4%	67.3%	51.3%

b. Using a Paid Solution

There was a slight tendency for social tenants to change debt solution provider compared to respondents of other tenures. In the initial screening question, this was 2.7% compared to 1.3% for the sample as a whole and in the more detailed questions about current solution and circumstances, it was clear that the alternative was to switch or self-manage. However, at six respondents in total, the numbers were very small indeed.

Table 65: Changes to solution provider, by Tenure

	unmortgaged (1)	mortgaged (12)	private tenant (8)	social tenant (10)	friends/family (5)	All (36)
with DRF member	0.0%	41.7%	62.5%	40.0%	60.0%	47.2%
with another provider	0.0%	25.0%	37.5%	40.0%	20.0%	30.6%
managing repayments yourself	0.0%	8.3%	0.0%	20.0%	0.0%	8.3%
prefer not to say	100.0%	25.0%	0.0%	0.0%	20.0%	13.9%

c. Provider Band

Home owners were considerably more likely to use smaller Band 1 or 2 firms than renters, although private tenants followed this trend to some extent too.

Table 66: Company Band, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
Band 1	26.3%	14.5%	15.2%	9.9%	7.3%	13.3%
Band 2	36.8%	41.2%	39.4%	32.4%	38.2%	38.3%
Band 3	36.8%	44.3%	45.5%	57.7%	54.5%	48.3%

d. 1st Help Sought

There were no significant patterns by tenure, in when respondents had first sought help.

e. 1st Help Reasons

Home owners were significantly more likely to report a drop in income as the main reason for first seeking debt help than other tenure groups. Renters and lodgers had more often experienced a change in circumstances.

Table 67: Main reason for seeking help, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
a drop in income	42.1%	38.2%	27.3%	26.1%	29.1%	32.5%
a change in circumstances	10.5%	27.5%	30.3%	30.6%	32.7%	28.5%
increased outgoings	21.1%	18.7%	25.8%	17.1%	14.5%	19.7%
Overspending	10.5%	13.0%	14.4%	19.8%	21.8%	15.0%
prefer not to say	15.8%	1.1%	1.5%	4.5%	1.8%	3.2%

f. 1st Help Sources

Least likely to shop around for debt advice before approaching a DRF member were respondents living with friends and family, who had the youngest average age by tenure, of 40. Help from a charity, government or council agency was more often used by home owners, than renters or lodgers.

Table 68: Sources of help, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
did not seek other help	42.1%	32.4%	38.6%	31.5%	25.5%	32.5%
another company	21.1%	19.5%	19.7%	27.9%	20.0%	21.0%
internet search	15.8%	21.4%	18.9%	16.2%	30.9%	20.5%
bank / creditors	10.5%	13.7%	9.8%	9.0%	14.5%	12.0%
friends / family	10.5%	11.1%	6.8%	10.8%	3.6%	9.7%
charity, government or council	10.5%	11.5%	6.8%	8.1%	5.5%	9.2%
accountant / solicitor	0.0%	1.9%	0.8%	0.0%	1.8%	1.2%
internet forum	0.0%	1.9%	1.5%	0.0%	0.0%	1.2%

g. Debtors' Experience of Creditors

Outright home owners were least likely to experience creditor contact before entering a debt solution and least likely to report receipt of notices of legal action. It is worth noting that these respondents had an average age of 61 and that the over 60 age range was subset that experienced relatively light touch creditor intervention compared to other age groups.

Overall, home owners were more likely to experience the same or increased interest, penalties and charges before starting a solution than other respondents by tenure. Those living with friends or family were more likely to report that token payments had not been accepted than other groups.

Table 69: Creditor experiences before solution, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
same/increased interest, penalties and charges	68.4%	64.5%	56.8%	55.0%	65.5%	60.5%
calls or visits at unreasonable times	52.6%	56.5%	57.6%	60.4%	56.4%	56.7%
notices of legal action	31.6%	54.2%	50.8%	54.1%	54.5%	52.0%
confusing communications	42.1%	41.2%	40.2%	42.3%	32.7%	40.0%
token payments not accepted	26.3%	20.6%	16.7%	22.5%	30.9%	21.0%
none of these	26.3%	18.7%	19.7%	17.1%	12.7%	18.5%
money withdrawn from another account	0.0%	3.4%	6.1%	2.7%	12.7%	4.7%

h. 1st Impressions from Initial Contacts with DRF Members

Most likely to respond to advertisements and overlook professional and regulatory standards were social tenants. Recommendations to use a DRF member were more often reported by respondents who were home owners with a mortgage.

Table 70: DRF member initial observations, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
clear contact details	36.8%	34.0%	33.3%	30.6%	45.5%	33.8%
top/close to top of an internet search	26.3%	28.2%	39.4%	34.2%	43.6%	32.7%
testimonials / referrals*	10.5%	29.8%	18.2%	17.1%	18.2%	23.3%
overview of debt solutions	26.3%	21.8%	22.7%	13.5%	30.9%	21.0%
some examples of likely fees	10.5%	22.5%	19.7%	13.5%	27.3%	19.7%
DRF membership/ professional standards	10.5%	19.8%	15.9%	18.0%	20.0%	18.2%
they contacted me	15.8%	13.0%	17.4%	19.8%	21.8%	16.0%
consumer credit licence number	15.8%	11.8%	12.9%	9.0%	7.3%	11.2%
none of these	15.8%	10.3%	12.1%	10.8%	9.1%	10.8%
advertisements*	5.3%	9.5%	4.5%	10.8%	3.6%	8.2%

i. Pre-contract

As a rule social tenants tended to give the highest pre-contract performance ratings and home owners with mortgages the lowest. However, the differences between scores were rarely more than a few decimal points.

j. The Proposal

Least likely to recall receipt of a written proposal were social tenants, at 64.0% compared to 71.7% of the sample as a whole. This subset was also least likely to recall specific documents within the proposal, so this tendency, combined with a lack of observation of professional and regulatory standards could make some social tenants more vulnerable to choosing an inappropriate solution. For this reason, DRF members need to exercise continued caution in ensuring that social tenants' consent to enter a contract is fully informed.

k. The Solution

It was odd to see that social tenants were most likely to use a Trust Deed, yet among those least likely to use an IVA and it would be worth comparing the uptake of these solutions among protected groups to ensure parity.

Table 71: Original solution chosen, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
DMP	84.2%	63.4%	57.6%	56.8%	65.5%	61.2%
IVA	0.0%	32.4%	36.4%	27.9%	32.7%	31.3%
Trust Deed	5.3%	2.7%	4.5%	9.9%	1.8%	4.5%
Bankruptcy	0.0%	0.0%	0.0%	1.8%	0.0%	0.3%
DAS	5.3%	0.0%	0.8%	0.0%	0.0%	0.3%
Debt Relief Order	0.0%	0.0%	0.0%	0.9%	0.0%	0.2%

l. Post-contract

It was interesting to note that those least likely to report creditor intervention since entering a debt solution, outright home owners, gave the highest performance ratings.

Table 72: Post contract performance ratings, by Tenure

	unmortgaged (19)	mortgaged (262)	private tenant (132)	social tenant (111)	friends/family (55)	All (600)
collecting my repayments on time	9.53	9.38	9.47	9.54	9.58	9.46
easily contactable	9.63	9.04	9.32	9.18	9.20	9.16
approachable with any query	9.53	9.03	9.05	9.23	9.15	9.10
discrete communications	9.53	9.06	8.96	9.18	9.09	9.08
repaying my creditors on time	9.32	8.83	9.09	9.39	8.96	9.03
providing me with regular (at least annual) statements	9.56	8.74	8.53	8.45	8.42	8.62
keeping track of circumstances and ability to repay	9.42	8.42	8.78	8.65	8.63	8.61
offering help and advice to stay on track	9.32	8.21	8.37	8.50	8.45	8.37
clear advice about what to expect as my solution progresses	9.26	8.12	8.35	8.48	8.60	8.33
keeping me up to date with any feedback from my creditors	9.00	7.52	7.75	7.77	8.31	7.76

m. Financial Capability

Least likely to report improved financial capability since entering a debt solution were social tenants and outright home owners. These two groups were the eldest by tenure with average ages of 49 and 61 respectively.

Table 73: Financial capability ratings, by Tenure

	unmortgaged (18)	mortgaged (256)	private tenant (129)	social tenant (105)	friends/family (53)	All (579)
managing your money	72.2%	83.2%	79.8%	73.3%	79.2%	79.4%
planning ahead	61.1%	77.7%	79.1%	68.6%	75.5%	74.4%
choosing suitable financial products	55.6%	71.9%	78.3%	64.8%	79.2%	71.2%
finding financial advice and information	55.6%	68.8%	70.5%	62.9%	71.7%	66.8%

n. Conclusions

There is often an assumption that commercial debt management is exploitative of vulnerable people. In the analysis of respondents by tenure, it is apparent that there is some scope for social tenants to be selecting fee charging debt resolution providers without making full use of the resources available to inform decision making, but that these clients are likely to be a very small minority of DRF members' clients. DRF members need to exercise caution in taking on clients with low incomes and especially those who have received benefits, housing or both from the state for some time, because it is preclusive to the outcomes that the association seeks to achieve in raising standards of professionalism and customer care to do otherwise.

As recommended in 2012, rather than automatically redirecting people on low incomes or in social housing to free to client advisers, which could be deemed prejudicial of potential clients' preferences and needs, members should enquire as to the range of advice sought previously, thereby highlighting the full range of alternatives available. As in 2012, we recommend further work to highlight key documents in any written proposal, so that recollection of these is improved.

That home owners tend to experience creditor intervention as an escalation of debt collection pre and post solution remains cause for concern. In the public domain, there is much recognition of creditors' forbearance in not repossessing homes, yet the private experience of home owners with unsecured debts tends to indicate that this asset is being used as leverage to recover these. Indeed, in our discussions with stakeholders prior to publishing the 2012 reports, some creditors justified their intervention as rational because there was an asset at stake. Given the significant number of home owners with dependent children, we recommend caution here also. It is clear that among DRF members' clients older debtors are experiencing greater degrees of forbearance, but in focusing their attentions of people of working age, creditors may inadvertently be storing up problems for the future.

10. CONCLUSIONS & RECOMMENDATIONS

In this, the second year of a DRF members' client survey, the DRF has made a commitment to running this research as a continuous study – with good reason. It is clear that the demographic profile of DRF members' clients differs significantly from that of free-to-client advice agencies and solutions providers. It is also true to say that with substantial evidence of active advice seeking, independent and informed decision-making, together with high levels of customer satisfaction and retention, DRF members are not to be mistaken for the widely held perception of fee chargers who exploit the vulnerable.

DRF members' clients are an important demographic to understand within the entire population of debt advice and resolution seekers because they demonstrate many of the attributes that the regulator, the Money Advice Service, and professionals of integrity wish to embed in consumers' capacity to address, recover and sustain positive outcomes from an experience of problem debt. On this basis, the DRF's annual client survey has become an important dataset for understanding the national debt resolution landscape. Together with data from free-to-client advisers, providers, the Money Advice Service and the FCA, DRF data can help us to better understand supply and demand, such that consumers may exercise an informed choice, which keeps them engaged with their creditors and protected from detriment.

Of particular note in the 2013 survey is that despite some differences in the drivers, behaviours and experiences of debt, average performance ratings were in the range of good to outstanding, irrespective of demographic subset. This is particularly significant because this survey does not take a crude measure of customer satisfaction, but requires respondents to consider attributes set out in the OFT's Debt Management Guidance for pre- and post-contract aspects of service. Of course, there will always be some element of respite or relief that biases ratings in favour of advisers and providers because the inability to repay debts can be stressful and borrowers, who use an intermediary, free or fee charging, are effectively handing their burden to a third party. For this reason, the levels of informed choice apparent in these survey results are important because they demonstrate that the vulnerability of indebtedness has been removed promptly and handled with integrity. That rating values increased post-contract in both 2012 and 2013 demonstrates DRF members' commitment to continued customer care.

Another significant trend to emerge in 2013 is the increase in independent advice seeking and decision-making among DRF members' clients. More of these borrowers are using a range of sources to inform themselves about the most appropriate solution and provider for their circumstances and this is a behaviour that needs to be encouraged for resilient financial capability to become an outcome of debt resolution. The only person who should be concerned as to whether a solution is free of fee-bearing is the consumer, and it must be an individual choice as to whether an option that commands fees adds value to life quality, whilst repaying debts. It is particularly important to recognise demand for informed choice, within the 70% or so of debtors using commercial solutions to resolve a debt problem. The DRF client base gives clear indication that a significant proportion of these are not from protected groups or similarly vulnerable, and that exercising choice is a acted upon as a fundamental consumer right. The task now must be to ensure that others using commercial solutions experience outcomes of a similar quality.

There is a strong message to creditors within both the 2012 and 2013 survey findings in that debtors may experience intervention and debt collection differently to how it is intended. The apparent forbearance towards over 60s compared to other age ranges, the significantly lower incomes of women debtors, the higher debt to income ratio of those from minority communities, the similarity of experiences irrespective of health, and the comparative lack of forbearance towards mortgaged home owners and especially those with children all have a bearing on public perceptions of financial services and the effectiveness of intervention as a an advice seeking driver. Irrespective of a standardised approach to managing accounts in arrears, it is not acceptable when this is perceived as prejudiced, and least of all when experienced as such by some of the more vulnerable and protected subsets of the debtor population.

The regulator needs to impose far more detailed records of borrowers' demography, social and economic circumstances on lenders and to ensure that this information is managed carefully throughout debt collection and resolution. Among low income and benefit dependent households in particular, we must question the affordability of lending and debt solutions when so many seem to be at risk of a perpetual state of repayment. When women's incomes are 34.7% below that of men, for instance, in this more affluent and resilient sample of clients, there is a very real question about who is carrying the burden of personal debt in the UK. Without figures for debt management plans and self-negotiated repayments, it is impossible to know, and such risk of inequality is not sustainable.

Debt professionals from all aspects of the customer's experience need to liaise to ensure that borrowers who respond to difficulty by seeking help and agreeing repayments are rewarded with the respect to their circumstances that they have afforded their creditors in seeking a prompt resolution. There is an urgent need for transparent discussion and the involvement of consumers with experience of debt in developing a set of cross sector performance indicators that are relevant and informed by customer expectations.

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