

Do The Poor Pay More?



Do the Poor Pay More?

A study of Lone Parents and Debt

Commissioned by OPEN One Parent Exchange and Network

With the support of

Money Advice and Budgeting Service

Society of St. Vincent de Paul

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Foreword

The impetus for this study came, as with all of OPEN's work, from lone parents. In this case the lone mothers who participated in focus groups in four counties for a previous study, "Living on the Book". The relentless struggle to make ends meet, as well as the juggling and the sacrifices made by our members, jumped from the pages. We called for more research into debt and the publication of "Do the Poor Pay More?" is our contribution to meeting that recommendation.

The most significant findings for OPEN as the national network of lone parent groups are the ones which are already supported by evidence from other studies and by the lived experiences of lone mothers and fathers in our groups.

- The myth of poor money management is banished, not only by focus groups of lone parents but by the survey of MABS files.
- More than half of the lone parents in debt had weekly incomes of €100 to €200 at a time when the average industrial wage stood at €562.21 per week.
- Lone parents are more likely to be in debt to money lenders and other home collection credit providers than mainstream financial institutions; and more likely to be in arrears in utility payments and in other household payments.
- Lone parents pay more for their debt as users of high interest credit options.
- The most regular route to lone parenthood, i.e. when a household broke up, was a common trigger for going into debt.

The researchers have produced recommendations which are clear, targeted and achievable.

Various Government Departments & agencies and financial institutions together hold the power to change the situation of those at risk of falling into debt in Ireland.

The 150,000 people in Ireland using home collection credit should be a priority customer base for a basic banking system as recommended in the study.

Utility companies need to develop more transparent arrangements for dealing with arrears and there may be a role for the Office of the Director of Consumer Affairs in this regard.

Local authorities in Dublin have developed a reasonable and graduated debt settlement system which is to be commended and could be similarly developed by others.

This study is unprecedented and highlights the need for further research by MABS, by OPEN and by the Irish Financial Services Regulatory Authority among others. We look forward to progressing a number of partnerships in this regard.

Joan Courtney,
Chairperson

Frances Byrne,
Director

OPEN – One Parent Exchange and Network

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OPEN's Acknowledgements

OPEN is pleased to publish this research which has been kindly supported by the Money Advice & Budgeting Service and the Society of St. Vincent De Paul. MABS provides a high quality service to people experiencing debt problems and supports those living in poverty, lone parents included, in a respectful and empowering manner. For this study, MABS provided funding at national level and the staff of its East Region participated in the research process while maintaining the highest standards of customer service and confidentiality. The Society of St. Vincent De Paul has provided a range of supports for those living in poverty for more than 150 years and its social policy team continues to translate that experience into its work which is focussed on securing a more just and fair society. In this case the Society provided funding towards this study for which we are grateful.

OPEN also acknowledges financial and other supports from MABS and in particular the vital contributions of Mr. Liam Edwards & of Mr. Michael Culloty.

We also appreciate the participation of Ms. Sarah Craig of the National Economic & Social Forum and Mr. Jonathan Healy of the Combat Poverty Agency on the Research Advisory Committee.

Ralaheen Ltd. was commissioned to undertake the research. The authors have produced a significant and robust study. Their professionalism and dedication was critical in securing the participation of both MABS staff and lone parents in OPEN member groups.

Finally, OPEN wishes to acknowledge the Atlantic Philanthropies Ireland for its support of our Policy Unit.

Executive Summary

This research into indebtedness among lone parents was commissioned by the One Parent Exchange Network, OPEN, with funding from the Money Advice and Budgeting Service and the Society of St. Vincent de Paul during the year 2004. The issue of indebtedness among lone parents as a topic for further research came to the attention of OPEN during an earlier study, *Living on the Book* (2004). The research aimed to examine the prevalence and depth of cash debts and household arrears among lone parents, as well as income patterns and other possible reasons for debt, in the Eastern Region. Comparison with the experience of the debts and arrears of other household types was incorporated into the analysis.

The research was supported by a Research Advisory Committee which included representation from the National Economic and Social Forum, the Combat Poverty Agency, the Money Advice and Budgeting Service National Development Ltd. (MABS NDL) and the One Parent Exchange Network.

A desk-based literature review was undertaken in the initial stages of the research. The review identified large debt research projects undertaken in the UK and revealed a relative dearth of research on the topic in an Irish context. There has been growing interest in the topic among the relevant stakeholders in Ireland, who have been contributing to an emerging body of literature on financial exclusion, financial literacy and debt. Indebtedness among low-income households was discovered to be an EU-wide issue according to a reading of the European National Action Plans for Social Inclusion, 2003-2005.

The multi-method research methodology extended to the design, completion and analysis of 196 survey questionnaires. The questionnaires were distributed to seven MABS centres in the Eastern Region, stretching to commuter belts of Louth in the north and Bray in the south. Each MABS centre was asked to fill out 28 questionnaires, each relating to one MABS client of that centre during May 2004. File selection was completed in such a way as to allow for comparison across household types.

The results of the study revealed:

- The majority of MABS clients overall, and the vast majority of lone parent clients in particular, were women, many of them slightly younger than couple parents
- Women-headed households in the study were living on very low incomes
- Most lone parents had incomes mainly derived from social welfare benefits
- Seventy seven per cent of lone parents had incomes of between €100 and €300 per week.

Lone parents were slightly less likely than other household types to be indebted on actual monies borrowed from either financial service providers or individuals. Where lone parents were indebted on cash borrowings, they tended to owe money to non-mainstream credit sources such as moneylenders and on hire purchase agreements.

The findings show that all parent households were more likely than others to be in arrears on everyday household utility bills, suggesting that the presence of children in a household may be a factor in forcing bill-payers into arrears.

Despite lone parent households reporting the lowest average household weekly income, such households also reported the lowest average debt to income ratio. This finding further dispels the myth of poor money management on the part of low-income financial managers.

During the course of the research, discussions were conducted with three lone parent groups belonging to the OPEN member network. Results from the discussion groups validated the findings from the larger survey and gave interpretation to the findings from the literature review and the survey. The women's experiences revealed the emergence of a two-tier system of credit in Ireland. Many had been refused basic banking facilities from mainstream financial services providers and this had pushed them into using unsanctioned and more expensive credit.

Discussions also further exposed the inadequacy of the income on which many lone parents were relying, as well as the difficulties associated with Maintenance Orders.

A key recommendation is that further research be undertaken in the area of indebtedness. MABS holds a wealth of useful data which should be gathered systematically, analysed and interpreted at regular intervals.

It is recommended that the issue of lone parents' arrears and other aspects of the consumer/provider relationship with large public utility bodies should be examined in more detail by the Department of Social and Family Affairs.

It was found that the already prohibitive cost of going back to school each September is being added to in many instances by the practice of schools of seeking a voluntary monetary contribution by parents. It is highly recommended that schools are instructed once more to cease this practice as many parents are unclear of the voluntary nature of the contributions, which are contributing significantly to extra hardship at an already expensive time in the year.

In line with the IFSRA consultation paper of February 2005, it is recommended that banks introduce more flexibility into the documents they require potential new customers to produce. Furthermore, also in agreement with the IFSRA consultation paper, it is suggested that the practice of issuing unsolicited credit offers be substantially curtailed.

Preface

This research study on lone parents and debt was commissioned by the national one parent exchange and network OPEN in 2004. OPEN has 78 lone parent group members. The study and the research process were supported by the Money Advice and Budgeting Service (MABS) and the Society of St. Vincent de Paul. MABS is a national money advice service funded by the Department of Social and Family Affairs. It offers free services from its 65 offices across Ireland. A team of social scientists from the research company Ralaheen were invited to undertake the research.

The objectives of the research were to study:

- 1 The reasons why lone parents fall into debt
- 2 The levels of debt among one parent families
- 3 The methods of gaining credit to manage debt, legal and illegal, formal and informal
- 4 The reasons for using particular debt management methods
- 5 The experience of lone parents of those methods

The study was undertaken between September 2004 and February 2005. The research findings are designed to reach a wide number of interested parties in social research, in Government Departments, in banking and credit institutions, among voluntary, community and women's organisations addressing income issues, and among faith-based bodies with a concern for social justice.

The study is of particular interest to those who have been investigating income adequacy for those in the population who depend on welfare benefits and to those who are interested in developing financial literacy, combating financial exclusion and in building equitable debt settlement systems.

Chapter One

Literature Review

Introduction

This study is about excessive or problematic indebtedness. It focuses on situations where debt has become a dominant aspect of people's lives and has come to carry serious social and health implications. In 2004, OPEN published *Living on the Book*¹, a qualitative study examining the objectives of the One Parent Family Payment and lone parents' experiences of that payment. In-depth interviews with sixteen lone parents revealed that borrowing money was often the only way to pay ordinary bills or to survive the weeks when an unexpected expense cropped up. Special occasions were also cited as factors in forcing participants into debt.

The revelations on debt prompted OPEN to seek a partner and launch further research into indebtedness, its prevalence and its depth, among lone parents. The Money Advice and Budgeting Service, the Society of St. Vincent de Paul and OPEN became partners in promoting further research in 2004. The nature and source of debt are important as these characteristics define the problematic nature of the debt and may identify lone parents' debt as being significantly different to debts incurred among other household types.

United Nations International Year of Microcredit, 2005

Publication of this report coincides with the United Nations designated International Year of Microcredit, 2005. The year calls on all governments, relevant non-governmental organisations, private sector business, the world media and civil society to build inclusive financial sectors, through the provision of microcredit and microfinance. Microcredit is a small amount of money loaned by a bank or other financial institution to an individual or group, often without collateral. Microfinance refers to loans, savings, insurance and other

¹ OPEN (2004) *Living on the Book*, OPEN: Dublin

financial products targeted at low-income groups. The year is intended to play a role in the wider commitment of the UN Millennium Development Goals to cut poverty in half by 2015.

Access to financial services, such as savings and credit, can radically minimise the effects of shocks to households, which affect income, expenses or both and can provide an incentive to save. Microfinance is associated with improvements in the economic welfare of poor households, in particular women-headed households.

Microfinance is generally associated with the so-called developing world. However, microfinance programmes have been used successfully in industrialised countries as mechanisms to help the long-term unemployed into self-employment. Guided by the difficulties many would-be self-employed people in industrialised countries experienced in gaining access to small amounts of credit (known as the *credit gap*), the Social Finance Programme of the Employment Office of the International Labour Organisation (ILO) decided to investigate the issue of microfinance in seven OECD countries, including Ireland. Their premise was that if microcredit worked in the Southern hemisphere, then why not in the North? The investigation culminated in a conference, *Microfinance for Self Employment: Enterprise Creation by the Unemployed*, which concluded that microfinance in industrialised countries was a viable and realistic option with considerable scope as a poverty alleviation tool and labour market strategy. The participants agreed that further research was needed particularly in the areas of job quality and childcare and that the involvement of Departments of Enterprise and the Banking Sector would be welcomed. The group also pointed to microfinance and self-employment as a strategy which would become particularly relevant for specific categories of the labour force such as women, older people and people with disabilities.

The Growth of Consumerism

The shift from producer to consumer society has occurred on a global level. In a consumer society, the consumption of goods and services is essential to the growth of the economy. In turn, consumption can depend very significantly on credit and therefore any rationing of credit by credit institutions may adversely affect consumption² and hence, economic growth.

Personal consumption is expected to continue at a certain norm, even when personal finances do not permit it to do so. In a move away from pauperism, poor people do not necessarily starve, go without clothing or shelter but inevitably find a way of consuming at a level which at least ensures the ability to function in every day life. Equally, children and teenagers assume an expectation to consume goods such as toys and clothes at a level equal to that of school friends and that of the images portrayed on television and in the media.

The consumer society, or more specifically the consumer economy, has involved a reorganisation of time, with the advent of the 24 hour day and seven day week for shopping, fast food, television, banking and entertainment. Consumerism has also signalled a reorganisation of the calendar, with the commercial scheduling of the 12-month year into Christmas, Easter, Summer holiday and Halloween purchasing opportunities. These consumer mainstays are increasingly being added to by Valentine's Day and Mother and Father's Day on an international level. More locally and at certain stages in the life-cycle, Communion and Confirmation signal times of huge financial expenditure and strain for many families. For Bauman, while *being poor* once derived its meaning from the condition of being unemployed, today it draws its meaning from the plight of a flawed consumer.³ The pressure on all families, regardless of income, to consume at a rate equal to that of their peers, may be leading some individuals and households into debt.

² Kearns, A. (2004) *Are Irish Households and Corporations Over-Indebted and does it Matter?* Paper read at the Statistical and Social Inquiry Society of Ireland on 29 January 2004

³ Bauman, Z. (1998) *Work, consumerism and the new poor*. Open University Press: Buckingham

The credit industry in Ireland

The link between a rise in personal disposable income (PDI) and an increased willingness on the part of consumers to borrow money is evident in the context of the last eight years in Ireland. The period from 1996 to 2002 witnessed a massive increase in consumer credit to private households as well as borrowing over longer periods.⁴ Table 1 shows the dramatic increase in consumer credit to private households from 1996 – 2002.

Table 1

Amount of credit issued to private households, Ireland, 1996 – 2002 (€m)

Year	1996	1999	2002	% change 1996 – 2002
Total	2,256	10,655	10,401	361

Source: Mintel (2003) Personal Lending, Irish Series. July 2003. Mintel International Group Ltd.: London, p.18

The total figure of €10.4 billion excludes amounts loaned for residential mortgages, which came to €43.4 billion in 2002, bringing the total figure of personal credit to almost €54 billion. Overall private lending, excluding mortgages, is spread over three main types of lender:

- Banks and other financial institutions
- Credit Unions
- Home-collected credit traders or moneylenders

During favourable economic conditions, banks and other financial institutions can offer low interest rates to borrowers, providing stiff competition to credit unions. However, credit unions continue to occupy a significant share of the Irish market in personal lending.

⁴ Mintel (2003) *Personal Lending, Irish Series*. July 2003. Mintel International Group Ltd.: London

Latest figures from the Central Bank indicate that by September 2004 the amount of personal debt outstanding, including residential mortgages, stood at almost €85 billion and had risen from 97% in 2003 to 120% of estimated disposable income for the same period.⁵ The main driver behind the surge in personal indebtedness, making Irish households more indebted than most of their European counterparts, was reported to be the rise in demand for mortgage credit, although the Bank noted that unsecured and credit card debt had also been rising.

Home Collected Credit

Home-collected credit represents a significant section of the financial services market in Ireland, with around 50 licensed traders, serving approximately 150,000 customers.

Home credit can be defined as *the provision of credit, typically small sum cash loans, the repayments for which are collected in instalments (often weekly or fortnightly) by collectors who call for that purpose at the customer's home.*⁶

Also known as moneylenders or finance companies, home-collected credit agencies in Ireland are obliged, by law, to be licensed by the Irish Financial Services Regulatory Authority (IFSRA). In November 2004, the IFSRA register contained details of 54 licensed moneylenders.

Moneylenders and moneylending agencies must not, according to the terms and conditions of individual licenses, charge above an agreed level of APR⁷ on personal loans. The majority of moneylenders on the register for 2004/05 are licensed to charge over 100% APR, and many have the right to charge between 150% and 200%. Within the industry, the high interest rates are justified on the premise that up to 20% of loans will be written off to bad debt annually.

⁵ Kelly, J. and Reilly, A. (2005) Signed Article 'Credit Card Debt in Ireland: Recent Trends' in *Central Bank and Financial Services Authority of Ireland Quarterly Bulletin 1*. Winter 2005

⁶ Office of Fair Trading (2005) *Home credit. The OFT's reasons for making a reference to the Competition Commission*. Available at www.of.t.gov.uk (Accessed February 2005)

⁷ Annual Percentage Rate (APR) is the interest rate that reflects the total cost of borrowing to the consumer. APR is calculated each year on the amount outstanding of the loan.

Lenders actively seek new business by calling to people's homes unsolicited, or by recommendation, and offering personal loans. The service includes delivery of cash and personal collection, usually on a weekly basis. Agents are generally deployed into geographical areas of heightened potential for this type of credit, mainly among people who are traditionally non-banking customers and would not be seeking loans through more mainstream routes. Increasingly, however, *doorstep lenders* have begun to target more traditional banking customers with offers of relatively high, unsecured loan agreements.

In late 2004, the Office of Fair Trading (OFT) in the UK received a complaint from the National Consumer Council that the supply of home credit appeared to be significantly harming the interests of consumers. An analysis of the complaint by the OFT, including consultation with home credit lenders and Citizen's Advice Bureaux, revealed that the following features of the home credit market appeared to be causing or contributing to the restriction of competition:⁸

- *Many home credit customers are in a poor bargaining position and their financial need may mean that they are not price-sensitive*
- *Customers may have difficulty comparing loans and do not appear actively to do so*
- *Step-up and 'roll-over' loans may, to the extent that they occur, tend to tie customers in to existing lenders*
- *Collectors' relationships with customers contribute to making them unlikely to switch lenders, and*
- *Aspects of the structure of the market may deter entry on a large scale, although we accept that entry on a small scale is feasible.*

This analysis prompted the Office of Fair Trading to refer the matter to the Competition Commission for a further market investigation. The report of the Commission is due to be published in March/April 2006.

⁸ Office of Fair Trading (2005) *Home credit. The OFT's reasons for making a reference to the Competition Commission*. Available at www.oft.gov.uk (Accessed February 2005)

Credit and Debit Cards

Other popular forms of personal credit in Ireland are credit and debit cards. An international comparison of credit card usage places Ireland above the EU-15 average number of credit cards per 1,000 inhabitants, but below the average usage in the UK, Canada, Japan and the US. An analysis of the sector in 2001, revealed that €5.7 billion worth of credit card transactions were undertaken on the €1.7 million credit cards in circulation in the Republic alone.⁹ The report is critical of banks for raising credit limits and encouraging credit card spending, even for those who are heavily *in the red*. Similarly, in the UK, when credit card use expanded considerably during the 1980s, a large part of the expansion is thought to have been supply rather than demand led, with approximately four out of ten credit cards being issued by the financial institutions without having been requested by the cardholder.¹⁰

Store cards offer similar services to credit cards, although they can only be used in the store that issues them. Like many credit cards, store cards offer an initial interest free billing period, followed by a period of quite high interest on any balance outstanding. Store cards and debit cards are also coming under increasing criticism for aggressive marketing tactics.

Mail Order Catalogues

Credit shopping of this type, as with credit and debit cards, offers the immediacy of having the goods today but paying for them over a potentially long period of indebtedness. A recent study in the UK signalled a slight decline in the use of mail order credit in tandem with a rise in the use of credit cards over the period 1997 to 2001.¹¹

The study showed that lower socio-economic groups who would have traditionally been customers of mail order shopping are now increasingly penetrating the credit and debit card market. However, the mail order catalogue retains a high ranking in a list of the most popular types of credit and remains one of the main sources of credit for many people. Similarly,

⁹ Mintel (2003) *Credit Cards, Ireland*. October 2002. Mintel International Group Ltd.: London

¹⁰ Rowlingson, K and Kempson, E (1994) *Paying with Plastic. A study of credit card debt*. PSI: London

¹¹ Mintel (2001) *Special Report. Home Shopping*. Mintel International Group Ltd.: London

despite the rise in the incidence of other types of home shopping, such as on-line or TV, the mail order catalogue remains the most important activity in the home shopping market. The review also shows that families with children on a tight budget are the most likely group to act as agents for mail order catalogue companies. Otherwise, benefit dependents and working women were more likely than any other group to order and purchase goods through an agent, rather than better-off groups who tended to mail order direct from the company.

In Ireland, advertisements for mail order catalogues are delivered to every household with a telephone via the phone directory. The initial pitch advertises the catalogue, usually with a wide range of goods from clothing for adults and children to jewellery to toys and household goods. Through licensed moneylenders, the catalogue companies generally offer 52 weeks' credit as a way to *take pressure off you, particularly at expensive times like Christmas*, and the small print outlines the charge of 32.77% variable APR.¹² However, a written quotation of all purchases on credit must be specifically requested. During the 52-week period of credit, more credit purchases can be made. They may be simply added on to existing debts and the credit period is extended. Consumers can also be entered into prize draws and all first-time purchasers receive a free or discounted gift. There is a free delivery service and consumers have the choice of returning the goods within 14 days, at their own expense.

Mortgage and rent arrears

Running up arrears can frequently be the first form of unsanctioned credit used by low-income families. Mortgage and rent arrears are considered priority debts, the sanction for non-payment of which being house repossession or eviction. For this reason, MABS advises that as a general rule, rent arrears should take priority over all others.¹³

Member banks of the representative body for the banking sector in Ireland (Irish Bankers' Federation) and member institutions of the Irish Mortgage Council have devised a framework within which each organisation agrees to operate a standard mortgage arrears policy.¹⁴ The

¹² *Kays Home Shopping and The Family Album Catalogue*, unsolicited mail received by author, September 2004

¹³ MABS *Dealing with debt – rent arrears*. Available at www.mabs.ie/Debt_Rent_Arrears.htm (Accessed September 2004)

¹⁴ The Irish Bankers Federation Code of Ethics and Practice *Code of Practice on Mortgage Arrears*. Available at www.ibf.ie

code places primary responsibility for alerting the lender to any repayment difficulties with the borrower. However, the code states that the lender will endeavour to make contact with a borrower in arrears and to explore all viable repayment options. In fact, the code claims that *the lender will not seek repossession of the property until every reasonable effort has been made to agree an alternative repayment schedule with the borrower or his/her legal representative.*¹⁵

An analysis of the mortgage, financial and social characteristics of a sample of households that fell into arrears in Ireland in the mid-1990s revealed several important factors in increasing the probability that a household would fall into mortgage arrears, one of which was family composition.¹⁶ Lone parent families were over five times more likely than households with no dependents and 1.5 times more likely than couple households with dependents, to fall into mortgage arrears.

The study also found that having an unemployed economic head of household greatly increased the risk of falling into arrears. The source of a household's income was another key factor in mortgage arrears probability, with households where a majority of income is from non-salaried sources (social welfare transfers or investment income) being more likely to fall into mortgage arrears.

Those households behind with other payments, such as utility arrears, and those who were non-regular savers were five times and three times more likely to fall into mortgage arrears than regular savers and persons with non-mortgage debts respectively.

Two key advantages for tenants living in local authority housing in Ireland are the differential rents system in operation and the relative security of tenure compared with other housing sectors. The rent for the majority of households is calculated on income remaining after certain disregards. In 2004, the average weekly rent paid by local authority tenants living in

¹⁵ The Irish Bankers Federation Code of Ethics and Practice *Code of Practice on Mortgage Arrears*. Available at www.ibf.ie

¹⁶ Kearns, A. (2003) 'Mortgage Arrears in the 1990s: Lessons for Today' in *Central Bank and Financial Services Authority of Ireland Quarterly Bulletin* 3. Autumn 2003

Dublin City Council accommodation was €38¹⁷ This figure varies substantially between different types of dwelling and in some instances includes heating costs for households. Despite the income-related aspect of local authority rents, some households do still fall into arrears with their rent. This can largely be attributed to the high levels of poverty and unemployment, which still persist on some local authority estates. The implications of falling into rent arrears are very serious as, ultimately, the sanction for non-payment of rent is repossession of the dwelling by the local authority.

In 2002, the private rented sector accounted for 11%, or 141,459, of all households. The average weekly rents paid were €125.68 for unfurnished dwellings and €169.16 for part/fully furnished dwellings¹⁸ Generally, the duty of the tenant to pay rent in full and on time is laid out under both tenant/landlord law and within tenancy or rent agreements. Non-payment of rent will normally result in eviction and the withholding by the landlord of any security deposit paid by the tenant. Threshold is a not-for-profit agency, which, among other services, provides advice to persons experiencing difficulties in the private rented sector. In 2003, the organisation received 613 telephone calls from people in the private rented sector experiencing rent arrears and 1,132 calls about flats or apartments that were non-compliant with minimum standards or repairs.¹⁹

Utility arrears

Utility bills such as electricity and gas are potential sources of arrears and debt for households. In 2003, the Electricity Supply Board (ESB) reported a €354 million profit, before tax and interest.²⁰ The huge increase in profit on the year before was attributed to, among other factors, increased electricity sales and recovery of income from prior years. Electricity and gas prices have risen by 40 per cent and 22 per cent respectively since December 2001.²¹

¹⁷ *Dublin City Council Adopted Budget 2004*. Available at www.dublincity.ie

¹⁸ CORI Justice Commission (2004) *Policy Briefing Housing and Accommodation*. Available at www.cori.ie/justice/publications/briefing/housing_accomm_policy04/index.htm

¹⁹ Threshold (2003) *Threshold Annual Report 2003.i*

²⁰ Electricity Supply Board (2004) *Annual Report, 2003*. Available at www.esb.ie

²¹ Massey, P. (2004) 'Is Irish Utility Regulation Failing Consumers?' in *ESRI Quarterly Economic Commentary, Winter 2004*. ESRI: Dublin

Electric and gas appliances can be bought from registered ESB and Bord Gáis retailers for cash or on credit. Weekly instalments and interest charges are outlined on regular gas bills, while since January 2005 ESB send two separate bills for supply and appliances to households. Certain ESB appliances are subject to interest free special offers from time to time. Where a special offers is not in place, the ESB charge up to APR 22.9% for credit purchases on certain products. In Ireland, any lender offering loans above 23% APR must apply to the Irish Financial Services Regulatory Authority (ISFRA) for a moneylending license.

Table 2 demonstrates the cost of buying a basic fridge freezer on credit from an ESB retailer. The weekly equivalent column represents an important figure, as the payment plan must be determined by the amount a consumer can afford to spare from the weekly household budget. As the repayment schedule shows, the less a consumer has to spare every week, the larger the total cost.

Table 2

Repayment schedule for an ESB basic fridge freezer (Candy 1.6 / 6.5 Cuft) price €269.95

No. of bills	Instalment Amount	Weekly Equivalent	Total repayable	Interest	APR %
1	279.38	32.24	279.38	9.43	22.9
3	96.35	11.12	289.05	19.10	22.9
6	50.65	5.84	303.90	33.95	22.9
9	35.48	4.09	319.32	49.37	22.9
12	27.93	3.22	335.16	65.21	22.9
18	20.46	2.36	368.28	98.33	22.9
24	16.80	1.94	403.20	133.25	22.9
30	14.67	1.69	440.10	170.15	22.9

Source: ESB Shop Electric, Repayment Details, available at www.esb.ie/retail

Buying white goods from the ESB on an instalment basis may be the only type of purchase option available to a non-banked household with no savings. The ESB is a player in the credit market; an increase in its APR by only 0.1% would confer an obligation on the ESB to apply for a credit license and come under the surveillance of IFSRA.

Food poverty

In addition to white and grey goods and household furnishings, it has been found that the poor pay more for other essential items, including food. In a recent study all households with children were identified as experiencing restricted access to nutritional foods.²²

A factor in denying poor people access to quality and affordable food is the dominance of supermarkets, often located on the outskirts of town centres. Coupled with inadequate and/or expensive public transport systems, this means that poor people are often forced to shop in smaller, more expensive outlets, which supply less of a variety of healthy foods.

The 1999-2000 Household Budget Survey found that expenditure on food accounted for almost 29 per cent of total expenditure in households with the lowest incomes compared with about 16 per cent in high-income households.²³

Lone parents

The term lone parent can refer to a male or female person parenting alone as a lone parent, parents separated or divorced from their partners or widows and widowers. Lone parents may also be temporarily parenting alone due to the incarceration, hospitalisation or other short-term absence of a spouse or partner. This research also acknowledges those who are *effectively parenting alone*. This refers to heads of household and money managers who live with spouses or partners who are either unable or unwilling to share the responsibility of household management.

²² Friel, S. and Conlon, C. (2004) *Food Poverty and Policy*. Combat Poverty Agency, Dublin.

²³ Central Statistics Office (2001) *Household Budget Survey 1999-2000*. CSO: Dublin

The Central Statistics Office defines a lone parent as *one parent together with one or more usually resident never-married children (of any age)*.²⁴ In 2002, there were 151,517 private households made up of a lone parent with a child or children and a lone parent with a child or children and other persons. This represents a significant proportion – 12% – of the total number of 1,288,000 private households. The 2002 statistic shows a 24.5 percentage increase on the same figure for 1996.

A private household is defined as a permanent or temporary dwelling and does not include those living in non-private or communal establishments such as guesthouses, hostels, institutions, hospitals and prisons. It excludes lone parents who are living in homeless accommodation and women's refuges. The figure may be an under-representation of fact due to the possibility of lone parents (particularly younger women) living in their own parents' homes and being subsumed by the questionnaire into that family unit. Further analysis revealed that nearly 85% of lone parent families were headed by females.

Lone parents and poverty

The link between lone parenthood and poverty has been well established in poverty statistics and well documented in qualitative and quantitative research on poverty and families.

The first results from the new EU Survey on Income and Living Conditions (EU-SILC) for 2003 indicate that 42% of lone parent families were living in households where the income was less than 60% of the median level in Ireland.²⁵ Lone parent households reported the highest deprivation levels of all households for each of the eight deprivation indicators used in the 2003 EU-SILC. Almost 33% of lone parent households reported that they could not afford to purchase new clothes. Thirty one per cent indicated that they had experienced debt problems arising from ordinary living expenses, while 24% had gone without heating in the last twelve months due to a lack of money.

²⁴ Central Statistics Office (2002) *Table E Private households by composition, 1996 and 2002*. CSO: Dublin

²⁵ Central Statistics Office (2005) *EU Survey on Income and Living Conditions (EU-SILC)*. CSO: Dublin

One Parent Family Payment

One Parent Family Payment (OFP) is a social welfare entitlement for persons bringing up children alone. The benefit is payable to single, separated or divorced, parents whose partner is in prison or widowed parents subject to an income test and to certain terms and conditions. To be eligible for OFP, the applicant must have full *care and charge* of a child or children under the age of 18 years (or 22 years if in full-time education). The applicant must attempt as far as possible to secure maintenance from the child's other parent.

For parents who qualify for the OFP, the personal benefit level is set by an assessment of weekly income and any other savings or investments. Property other than the family home may also be assessed as income. Disregards on income from work up to a certain ceiling apply. A set rate is paid in the case of each dependent child. Parents receiving the OFP may avail of the Household Budget Scheme, a scheme which helps recipients to manage household bills by deducting for them at source. Recipients may be simultaneously eligible for other budgets such as Family Income Supplement, fuel allowance, medical card or Supplementary Welfare Allowance (SWA). Other entitlements may include a short-term continuation of half the payment on commencement of employment which brings the recipient above the maximum earnings level, or part, short-term payment of other social welfare benefits such as disability benefit or unemployment assistance on eligibility of OFP.

Since 1st May 2004, a *habitual residence* clause has been applied to social assistance payments in Ireland, including OFP. This new condition means that to be eligible for OFP, applicants must, among other conditions, have been habitually resident in Ireland or anywhere within the Common Travel Area (CTA) for at least two years directly preceding their claim for a payment.

Child Benefit

Child benefit is payable to all parents, including lone parents in receipt of OFP, of children under the age of 16 (or 19 if in full-time education, attending FÁS, Youthreach training, or if the child has a disability). The current rate of payment is €131.60 per first and second child

and €165.30 for third and subsequent children. Increased rates are available in the case of multiple births.

Previously a universal payment, with no means test or extra eligibility criteria other than having full care of a child of the correct age living with you, since May 2004, child benefit has also become subject to a *habitual residence* condition. As with OFP, claimants must now prove habitual residence in Ireland or the Common Travel Area for at least the two years prior to the claim.

Exceptional Needs Payment and MABS Supplement

The Exceptional Needs Payment, administered under the Supplementary Welfare Allowance scheme of the (now abolished, 2005) Health Boards, was designed to assist with once-off essential need in exceptional circumstances. The benefit is available at the discretion of the relevant Community Welfare Officer and is not to be used to fund regular expenses such as fuel or clothing. Rather, it can be applied for in the event of a client waiting on another benefit application to be processed or for large unforeseen costs such as furniture for a new home or funeral expenses. A separate component of the scheme includes a Code of Practice in Fuel Debts for situations where a customer is experiencing arrears on household electricity or gas bills. Health Boards may address these difficulties by granting a once-off Exceptional Needs Payment. However, where the problem appears to be longer term, the Health Board may agree to liaise with the utility company until a repayment agreement has been reached. There is no right or guarantee to the Exceptional Needs Payment under any circumstances.

In order to apply for an Exceptional Needs Payment, a claimant must furnish the Community Welfare Officer with several pieces of documentation, including:

- Proof of residency
- Evidence of any income of applicant, spouse and children
- Confirmation of means
- Evidence of need

A breakdown of Exceptional Needs Payments nationally, reveals the largest expenditure to have been on housing-related costs, such as payments towards the cost of deposits for private rented accommodation. Claims to purchase both adult and child clothing, followed by those granted to meet household arrears also featured strongly in 2003.²⁶

The MABS Supplement was a payment made available by local Health Boards. MABS centres could apply for assistance for clients involved in debt resettlement on an individual basis. The amount granted was at the discretion of the CWO who was operating within quite tight eligibility controls. The payment was cut by the Minister for Social and Family Affairs in 2004. In later announcement in 2004, the new Minister revealed plans to replace the old scheme with the allocation of special funding to MABS, with a cap of €700,000, which will aim to develop additional services to tackle over-indebtedness. The money is not to be used as part payment of clients' debts.

What constitutes over-indebtedness?

The Irish Free Legal Advice Centre (FLAC) advises that it is important to distinguish indebtedness from over-indebtedness.²⁷ Indebtedness, or frequent use of credit sources, is now part of the common currency of society. Many people now follow regular repayment plans on quite large sums of money borrowed for various consumer purposes. However, over-indebtedness represents the imbalance or shortfall between income and expenditure. Borrowing to bridge that gap, without having the necessary means to service the debt within a reasonable timeframe, is the point at which an individual becomes over-indebted. A recent UK survey, *Over-indebtedness in Britain*,²⁸ demonstrated that of 20% of households who were in financial difficulty, seven per cent were struggling but not actually in arrears, while 13% were over-indebted as they had fallen behind with household or other regular commitments. Chronic over-indebtedness describes the situation where a person has borrowings from a number of different sources and there is no realistic chance of ever being able to repay all of the amounts owed, in full.

²⁶ Department of Social and Family Affairs (2003) *Statistical Information on Social Welfare Services*. Stationery Office: Dublin

²⁷ Joyce, P (2003) *An End Based on Means?* FLAC: Dublin

²⁸ Kempson, E (2002) *Over-indebtedness in Britain. A report to the Department of Trade and Industry*.

In the UK, the Task Force on Over-Indebtedness found that there is no common definition of over-indebtedness and that factors such as lifestyle, other financial commitments and attitudes should be taken into account when determining indebtedness.²⁹ For example, some people may borrow money and make large cutbacks in other areas of spending for a short time in order to achieve a goal. In addition, what is a large credit commitment in one household may be regarded as considerably smaller in another. However, during the course of their research, the Task Force arrived at a loose set of indicators of a high risk of getting in to debt:

- Having four or more current credit commitments (that is, *outstanding borrowing* – does not include mortgages, credit or store cards which are unused or whose balance is paid off by the due date)
- Spending more than 25% of gross income on consumer credit
- Spending more than 50% of gross income on consumer credit and mortgage

The measure of indebtedness, then, in this case involves a calculation of debt to income ratio. This is a useful indicator of household or personal over-indebtedness and has been used to varying degrees in both UK and Irish studies. The debt to income ratio method of calculating over-indebtedness avoids the obvious pitfall of using a standard figure above or below which an individual is considered over-indebted.

Other studies have assessed the average debt levels of Irish households and corporations using a debt to GDP or GNP ratio.³⁰ However, in a recent study into personal debt in Ireland, the Irish Intercontinental Bank (IIB) and the ESRI chose not to use such calculations as it was felt they would not successfully demonstrate the actual strains which debt can put on household finances.³¹ Instead, the study chose to survey Irish consumers about their own

²⁹ Task Force on Tackling Over-Indebtedness (2000 – 2003) *Second Report*. Available at www.dti.gov.uk/ccp/topics1/overindebtedness.htm

³⁰ See, for example, Kearns, A. (2004) *Are Irish Households and Corporations Over-Indebted and does it Matter?* Paper read at the Statistical and Social Inquiry Society of Ireland on 29 January 2004 and Kelly, J. (2004) 'Benchmarking Irish Private-Sector Credit' in *Central Bank and IFSRA Quarterly Bulletin*. Spring 2004

³¹ Hughes, A. and Duffy, D. (2003) *'Til debt us do stop? Preliminary findings of a survey-based assessment of the burden of personal debt in Ireland*. IIB and ESRI

perceptions of their levels of both mortgage and non-mortgage debt. Using subjective feelings of debt burden, together with levels of income and debt, the survey found that low income households were the most likely to find their debts to be a heavy burden. The study concluded that around 80,000 non-mortgage borrowers in Ireland could experience a severe deterioration in living standards if and when interest rates rise.

Similarly, Disney and Bridges³² relied in part on qualitative data to assess the levels and pervasiveness of debt among low-income families in the UK. Questions regarding families' and individual's *difficulties* in repaying debts were used as indicators of financial stress or over-indebtedness, although it is acknowledged that the same word can mean different things to different people. People's own perceptions of over-indebtedness were mixed with quantitative data referring to outstanding debts and default and arrears on credit arrangements, including housing and utilities.

A number of organisations, together representing the vast majority of unsecured credit providers in the UK, commissioned an independent assessment of recent reports into debt.³³ The report, conducted by an economic consultancy agency, argued that the lack of a common definition of over-indebtedness and the absence of a reliable data source at household level means that the extent to which over-indebtedness is a problem in the UK cannot be measured. It offers a definition of over-indebtedness as those households or individuals who are in arrears on a structural basis. The report goes on to justify the high level of interest often charged on credit with basic economic theory, arguing that imperfect information and the risk of unanticipated negative events means that a certain amount of loans will be defaulted on, no matter how carefully a risk analysis is conducted. This means that the credit provider is always taking a certain amount of risk and must therefore either charge interest in accordance with that risk or cut services to a significant proportion of the client base who would then be completely denied access to credit. The study also reports that the proportion of secured and unsecured debt in the British economy has remained relatively stable since 1987 and that an analysis of debt at macro-level indicates that the UK position is not out of line with changes observed in other G7 countries.

³² Disney, R. and Bridges, S. (2003) *Use of credit and arrears on debt among low income families in the United Kingdom*.

³³ Oxera (2004) *Are UK households over-indebted?* Available at [www.http://oxera.co.uk/oxera/public.nsf/Documents/Reports](http://oxera.co.uk/oxera/public.nsf/Documents/Reports)

The Citizens Advice Bureaux in the UK have positioned themselves within the debate by stating that the problem of over-indebtedness in the UK is getting worse.³⁴ This is supported by evidence showing a 24% increase in the number of new debt enquiries across the UK over a five-year period. Furthermore, the growth of new enquiries has witnessed a significant increase (47%) in enquiries about consumer credit debts such as loans and credit cards which now form nearly two-thirds of all new enquiries about debt to CABx. Meanwhile, the volume of enquiries relating to household and utility debts has remained static.

Three factors led to concerns that Ireland may be becoming one of the most indebted countries in the Euro area:³⁵

- Growth in levels of Private Sector Credit³⁶ (PSC) as a proportion of Gross Domestic Product (GDP)
- Rise in levels of household credit as a proportion of personal disposable income
- The growth, since Economic and Monetary Union (EMU), in private sector credit at an annual rate of three times more than in the rest of the euro zone

Excessive private sector credit can give way to financial instability and a slowdown in economic growth. Such concerns prompted a study by the Central Bank comparing Ireland's levels of indebtedness and the cost of credit with other countries in the euro area. The study found that, comparatively, the overall level of credit risk in Ireland was no greater than elsewhere and that the cost of mortgage credit to Irish households was considerably lower than in many other areas. However, a high proportion of mortgages in Ireland are agreed on a variable rate of interest, thus exposing households to greater risk. The study also found that for short-term (less than a year) personal loans, Ireland ranked third highest in the cost of credit passed on to the consumer. This may have greater implications for low-income households than for better-off units. Finally, the report expresses concern that while current

³⁴ Edwards, S. (2003) *In too deep. CAB clients' experience of debt.* CABx England and Scotland

³⁵ Kelly, J (2004) 'Benchmarking Irish Private Sector Credit' in *Quarterly Bulletin of the Central Bank and the Irish Financial Services Regulatory Authority.* Spring 2004

³⁶ The private sector includes households, corporates and non-bank financial institutions

levels of indebtedness in Ireland are not higher than euro averages, and according to the report, unproblematic, if the growth in credit were to continue at the same rate of acceleration the situation would become unsustainable and Ireland would become an outlier in terms of euro zone trends and averages.

In a paper addressed to the Statistical and Social Inquiry Society of Ireland early in 2004, Kearns points to the statistics which show Ireland's debt to GDP ratio and debt to personal income ratio rising rapidly as a concern demanding further research.³⁷ For Kearns, Ireland's place in debt to Gross Domestic Product (GDP) ratio among OECD countries is worrying and when Gross National Product (GNP) is used instead of GDP, Ireland shoots up to third place, coming behind only the UK and the Netherlands. The measure of indebtedness does not include potential indebtedness. Potential indebtedness counts both the value of outstanding debt as well as the value of guarantees to provide further finance. Examples of these guarantees in personal finance are agreed overdraft and credit card limits.

Indebtedness as part of the European social inclusion strategy

In March 2000 the European Council of Lisbon agreed on the need for each of the EU Member States to take decisive action on the eradication of poverty by the year 2010. To this end, common objectives in the fight against poverty and social exclusion were set and each Member State was tasked with devising a National Action Plan for Social Inclusion (NAPs/incl) outlining national measures to achieve the common targets.³⁸ The common objectives were revised at the Employment, Social Policy, Health and Consumer Affairs Council in December 2002. The text of the common objectives recommends that policies be put in place to avoid the risk of exclusion and refers to indebtedness as an example of a life crisis which can lead to such a situation.

³⁷ Kearns, A. (2004) *Are Irish Households and Corporations Over-Indebted and does it Matter?* Paper read at the Statistical and Social Inquiry Society of Ireland on 29 January 2004

³⁸ The Social Protection Committee's *Common Objectives for the second round of National Action Plans* and the *National Action Plan for Social Inclusion* of each of the EU-15 Member States are available for download on the website of the European Union at http://europa.eu.int/comm/employment_social/soc-prot/soc-incl/index_en.htm

A review of the NAPs/incl of each of the EU-15 reveals that the majority of the Member States at least acknowledge indebtedness as a serious concern, while certain of the States go into detail on the extent of the problem and the strategies being implemented to combat it. The Swedish, Spanish, Finnish and Austrian Plans each single out people with excessive debts as groups vulnerable to social exclusion and in need of targeted measures. The German, Irish, Dutch and British Plans also signal a growing concern for the problem of over-indebtedness, but each of these governments outlines more detailed strategies and legal measures intended to combat the problem. The Dutch and German Plans highlight legal measures, such as help in mediating and settling debts, with debt assistance and counselling taking the place of prison sentences for debtors unable to make repayments.

The Irish Plan focuses on the development of the services of MABS and even includes the agency as an example of good practice for Europe. However, like its Dutch and German counterparts, the Irish government also highlights a pilot debt settlement programme agreed by MABS and the Irish Bankers' Federation. In the UK Plan, over-indebtedness is identified as an extremely serious problem, and strategies to combat it are referred to throughout the Plan. One such strategy is the establishment of the Task Force on Tackling Over-Indebtedness.

An exception to the rule of concern regarding over-indebtedness in Europe is to be found in the Greek Plan. An increase in mortgages signalled debt problems to the Greek government, however the Plan claims that the Bank of Greece undertook research and concluded that, in fact, *no serious problem* regarding personal indebtedness was evident. None of the National Plans identify either welfare recipients or lone parents as particularly at risk of indebtedness.

Poverty Research and Indebtedness

On the 11th November 1969, the RTE feature programme, *7 Days*, broadcast an edition on illegal money lending in Ireland. Several months later a Tribunal of Inquiry was set up to

investigate the authenticity of several aspects of the programme's content. The Tribunal was convened on the recommendation of the Minister for Justice, acting on the opinion of An Garda Síochána on the following points:³⁹

- That the allegation of the use of strong-arm methods by unlicensed moneylenders was unfounded
- That the numbers and scale of illegal moneylenders operating in the country were far less than those suggested by the programme
- That the statements made in the programme purporting to be confessions by moneylenders as to strong-arm debt recovery tactics were entirely valueless

The Report of the Tribunal of Inquiry was published in 1971 and concluded that the programme content had been exaggerated, although earlier claims that participants had been bribed with alcohol to respond to questions in a certain way were found to be untrue. Despite widespread political and public debate in the immediate aftermath of the episode, it did not provoke further social inquiry by any state or non-state agency. It did have consequences however in the field of journalism. Investigative journalism suffered a blow, the work of individual journalists was publicly disparaged and the role of public interest broadcasting was undermined by the Oireachtas.

A series of major research studies into the levels, causes, effects and prevalence of debt as well as the characteristics of debtors has been undertaken by the independent Policy Studies Institute in the UK, supported alternately by the Joseph Rowntree Foundation, the Department of Work and Pensions and the Department of Trade and Industry. In October 2000, a Task Force on Tackling Over-Indebtedness was set up to address concerns about consumer debt in the UK by considering ways of achieving more responsible borrowing and lending practices.

³⁹ Dail Eireann Historical Debates. *RTE Programme: Establishment of Tribunal*. Volume 243. 16 December 1969.

The Irish situation is somewhat different. In July 1986, the Commission on Social Welfare reported the results of a survey undertaken by the Society of St. Vincent de Paul and analysed by the ESRI, in April 1984.⁴⁰ The survey population was made up of families and individuals who had resorted to the Society for financial help. The results show that 60 per cent of the study population had applied for a Supplementary Welfare Allowance payment at some point due to difficulties in meeting the cost of basic items such as electricity, clothes, school uniforms and books and fuel. More importantly in this context, the survey went on to discover how households actually coped with their *dire financial circumstances*.⁴¹ With the exception of applying for a grant from St. Vincent de Paul, the most relied upon coping mechanism for these households was to defer weekly necessities (46.2%). People were more likely to revert to borrowing from relatives (29.0%) than to receive Supplementary Welfare Allowance (18.4%) and more likely to borrow from a moneylender (10.5%) than from the bank and Credit Union together (6.2%). In addition, 35.8% of households were in arrears on their electricity account while 18.8 and 6.7% had rent and gas arrears respectively. Finally, eight per cent of respondents were in arrears with monies owed to local traders.

This evidence, then, in 1986, pointed overwhelmingly to a high incidence of indebtedness among the survey population. Two years later, the Combat Poverty Agency published a study on the use of moneylenders by low-income families,⁴² at the request of Michael Woods, the then Minister for Social Welfare. Although the central focus of the report was the experience and prevalence of moneylending, other sources of credit and debt were examined, in the context of income and expenditure patterns. A key finding of the research was that income inadequacy was widespread and constituted the main reason for people's borrowing from moneylenders. In addition to amounts owed to moneylenders, it was also found that many respondents were in arrears with household bills and loan repayments with other financial institutions.

⁴⁰ Williams, J. and Whelan, B.J., (1985) *Report on Survey of St.. Vincent de Paul Conferences*. ESRI, unpublished

⁴¹ Department of Social Welfare (1986) *Report of the Commission on Social Welfare*. The Stationery Office: Dublin

⁴² Daly, M. and Walsh, J. (1988) *Moneylending and Low Income Families*. Combat Poverty Agency: Dublin

These two research studies revealed conclusively that, indeed, among low-income earners, social welfare recipients and clients of St. Vincent de Paul, indebtedness and arrears were commonplace and a cause for concern. In particular, income inadequacy and the inaccessibility of mainstream financial institutions for certain sections of the population surely merited further investigation into how people, on a national level, were actually coping and managing to survive on low incomes. At the very least, inquiry into indebtedness surely now needed to form part of any further research into poverty and, indeed, the emerging concept of social exclusion.⁴³

However, a brief review of some of the larger studies addressing poverty, reveals scant reference to the issue of the need to borrow and subsequent indebtedness for poor individuals and families. On the other hand, several reports on low-income families and specific household types who typically experience disproportionate levels of income poverty such as lone parents, do address the issue of indebtedness and find it to be widespread among certain household types.

Causes of debt identified in the literature

Money Management

According to Whyley et al (1997) the links between debt and low income, debt and change in circumstance and debt and stage in the life cycle have been well established in the literature, while two further causes of debt have been less well documented:⁴⁴

- Money management
- Attitude to bill paying

⁴³ The concept of social exclusion is generally believed to have been adopted and developed during the Delors period in the late 1980s

⁴⁴ Whyley, C., Kempson, E. and Herbert, A. (1997) *Money Matters. Approaches to money management and bill paying*. PSI; London

Where they have been researched, there has been a focus on people living on low incomes, mainly dispelling myths about poor people not managing money well and instead finding that, in fact, poor households often tend to manage very low budgets with extreme care and precision.

Research commissioned by one of Britain's water companies, interviewed 85 customers in an attempt to explore more fully, among other things, the ways in which households manage their money and why some customers fail to pay bills on time. Five categories of money managers were established, among them a category of people who organised their budgets around paying small amounts regularly, often paying for goods and services as they consumed them.⁴⁵ These *pay-as-you-go* money managers formed the poorest group in the study. Most were either unemployed or earning very low incomes and the group included lone parents, people who were long-term unemployed, sick or disabled. For these managers, financial planning was often carried out on a daily basis and the group was predominantly female, as, where there was a male partner, women were considered to be more careful.

The *pay-as-you-go* money managers also included many people who had previously fallen into arrears and were now managing in this manner as it afforded them stricter control over their budget. Many were grateful for the sense of control it gave them, and some had even deliberately defaulted on utility bills in order to qualify for a prepaid gas meter or direct payment from benefit scheme.

The second theme of the research – attitudes to bill paying – identified five different types of attitude towards bills. The participants in the study who reported delaying the payment of bills due to financial necessity were made up of *pay-as-you-go* money managers and were disproportionately benefit recipients and low earners. Delaying the payment of a bill was simply a way to *buy time* in order to gather the necessary resources.

⁴⁵ Herbert, A. and Kempson, E. (1995) *Money Advice and Debt Counselling*. PSI: London

The *Money Advice Manual* published by Comhairle, advises MABS staff dealing with the problem of indebtedness and aims to encourage good practice in money advice work. Its authors acknowledge the many and varied reasons for over-indebtedness but reduce them down to four core issues:⁴⁶

- A detrimental change in circumstances is often a trigger for debt and may involve one or more of some of the traditional social security contingencies such as unemployment, illness, death or more *modern* risks such as separation or divorce
- Inaccessibility of mainstream financial services, particularly for those on a low income may force people into more punitive money lending agreements
- Inadequate income due to reliance on social welfare benefits, the non-take-up of certain entitlements or engagement in low paid work
- Unethical creditor practice allows irresponsible advertising and provision of credit and a legal system employing strong-arm debt enforcement tactics

Financial literacy and lender responsibility

Income poverty is one aspect of poverty and social exclusion and has been the subject of much research and debate in Ireland and across the EU.

In 1999, the Vincentian Partnership for Social Justice found the primary cause of debt among low-income families to be incomes not based on the actual costs of living.⁴⁷ The incomes of the families in this study who were living on the lowest social welfare payments or minimum wage payments were, quite simply, inadequate to cover the basic cost of living.

Increased access to credit has meant a huge increase not only in the type of credit available but also in the detail of credit agreements. Both within and outside of mainstream finance, institutions offer many different types of loans and credit arrangements with a variety of repayment plans, each one suited to the specific needs and lifestyles of the individual borrower.

⁴⁶ Comhairle (2003) *Money Advice Manual: a Good Practice Manual for Money Advisors*

⁴⁷ The Vincentian Partnership for Social Justice (1999) *One Long Struggle – A study of low-income families*, Dublin.

In its Second Report, the UK Task Force on Over-Indebtedness found some evidence of both irresponsible lending practices on the part of financial institutions and irresponsible behaviour on the part of consumers. While the Task Force could not conclusively report that irresponsible lending actually caused over-indebtedness, it did remark that certain practices disproportionately attract people already in debt and have the potential to make a bad situation worse.⁴⁸

The credit industry operates within a highly competitive market and therefore, the various players adopt highly sophisticated marketing techniques. For many people the array of options, small text, lengthy application forms and detailed terms and conditions, often presented in technical banking terms, can be confusing. In fact, according to the Irish Financial Services Regulatory Authority (IFSRA):⁴⁹

- 75% of consumers find written information on financial products too complicated and difficult to understand
- 63% of consumers do not shop around because they do not fully understand what they should look for in a financial product or service
- 80% of consumers find it hard to get truly independent information on financial products and services
- 92% of consumers said they would read more information on financial products if it was written in plain English

In response to the difficulties people experience when choosing a financial product, the National Adult Literacy Agency (NALA) and the Educational Building Society (EBS) have teamed together and launched a three-year financial literacy initiative to provide consumers with information on financial products in Plain English.

⁴⁸ Department of Trade and Industry (2003) Second Report of the Task Force on Tackling Over-Indebtedness. London. Available at www.dti.gov.uk/ccp/topics1/overidebtedness.htm

⁴⁹ O'Dea, M. (2004) 'Financial Literacy-Good for Consumers and Good for Financial Service Providers'. Speech delivered at the NALA—EBS Financial Literacy Seminar, Dublin. 24 September 2004

Evidence of occurrences of the related issues of irresponsible lending and financial literacy has been reported by the Ombudsperson for Credit Institutions.⁵⁰ In 2003, 1064 complaints about banks and other financial institutions were brought before the Ombudsperson. The nature of complaints were various and included *Unfair treatment, Negligence* and *'Misrepresentation'*.

One *Negligence* case related to a separated woman who was a housewife and part-time cleaner. On the advice of her bank, the woman invested her life savings of €6,500 in a two-year Bond. At the end of the two years, the woman discovered that she had actually lost €2,000 off her capital sum. On investigation the Ombudsperson found that although the respondent bank had issued printed warnings on the documentation regarding the investment, it had actually behaved negligibly towards this woman by not providing information to the consumer in a language and format which she could readily understand.

Summary

A growing and global literature is emerging on financial services, financial literacy for low-income households, on financial exclusion and the importance of sustainable credit to low income families in Europe and the developing world. A small number of European Member States, including Ireland, have identified over-indebtedness as an issue for low-income households. The literature originates and is engaged with a wide range of stakeholders in the field, including policy analysts, social security planners, anti poverty campaigns, consumer financial agencies, banking and credit institutions and non-governmental organisations. From the literature, it appears that the spread of the consumer ethos reaches all social classes and types of households in society. Mortgage and other forms of credit are drivers of the economy. This spread has brought with it some concerns of corporate social responsibility in the field of banking and financial services providers and the vulnerability of certain household categories to excessive indebtedness. A form of credit available to poor households is the running up of arrears on basic household services or the use of non-mainstream financial

⁵⁰ Council of the Credit Institutions' Ombudsman (2003) *Annual Report of the Ombudsman for Credit Institutions*. For the year ended 30 September 2003.

services. From the literature review, it would appear that in attempting to access financial credit, the poor pay more.

The study, which follows, has been influenced by several of the research reports and studies cited in this chapter and the study, in turn, may contribute to highlighting the Irish dimension of combating financial exclusion.

Chapter Two

Research Methodology

Introduction

The research commissioned by OPEN and MABS on *Lone Parents and Debt* represents a significant decision by the organisations to pilot a study of an important but relatively under-researched topic in an Irish context. As a pilot study, the methods of research needed to be tested and so does experimentation with analysis and interpretation. This was with a view to using the study as a launching pad for further and larger scale research into the topic of indebtedness in Ireland in the general population or among particularly vulnerable households.

Three methods were used in the research:

- Desk based literature review of the topic
- Quantitative data collection from MABS client files
- Focus groups of parents in low income districts for qualitative confirmation of quantitative data

Decision to use secondary source data for quantitative research

Secondary source data is an under-utilised and cost-effective method of gathering research data. It has the advantage of avoiding expensive one-to-one survey interviewing on sensitive subjects such as indebtedness or use of illegal money lending. It reduces the risk of research fatigue among very researched populations. In addition, it may increase the volume of available data among hard-to-reach populations. Secondary source data has the disadvantage of possibly not corresponding exactly to the research question or being covered by Data Protection Act privacy rules, which reduce access to the files.

On balance, it was decided that since this was a pilot study, it was worth testing secondary source data from MABS files, where, if the method was successful, the data source could be used on a regular and national basis to generate patterns and responses to indebtedness over time.

The selection of the research location

For the pilot study the most populated part of Ireland was selected. The area selected spans the East coast from Dundalk in County Louth to Bray in County Wicklow, and moving inland slightly to incorporate parts of West Dublin. This crescent shaped area corresponds broadly to the MABS division of offices in its East Region and can be considered to be representative of large urban and suburban populations. The area includes local authority housing estates, city flat complexes and owner occupied housing.

The particular MABS centres selected for inclusion in the study were chosen with the advice of MABS and MABS NDL staff members with a sound knowledge of the location and catchment areas of those centres.

It was decided at the outset that the various centres/districts for inclusion in the research, would not be identifiable since it was not intended to produce results that compared one centre with another. Rather, the criteria for selection was to ensure that a wide variety of districts were included, such as newly settled areas, older settled areas, inner city and suburban areas and town areas. Since the numbers of client files to be used in each centre was relatively small, it was important that the research not be harmful and avoids the risk of stigmatising any geographical areas by naming it in relation to its indebted households.

Decision to engage MABS staff in study

All of the services offered by MABS are provided in the utmost confidentiality. MABS clients must feel able to trust money advisers if advisers are to gain all of the information necessary to help clients prioritise debts and budget realistically. A recent evaluation study of MABS included a Client Feedback section. Results revealed that, in fact, 98% of the study

population awarded the highest rating possible (*Good*) to the question relating to the confidential nature of the service.⁵¹

This reputation of a confidential service is, then, crucial to the further success of MABS. For this reason, it was decided to engage the help of MABS workers in the completion of questionnaires.

In addition, in many centres, MABS workers were very familiar with their client base and could often recall the minute details of case files dating back five months or more. This working and local knowledge, as well as familiarity with the format of case files, meant that MABS workers could complete the questionnaires with more ease and accuracy than could an outsider to the service.

The response from the MABS workers in each of the centres was overwhelming. All were very enthusiastic about the research and more than willing to engage in the process and to give time out of extremely busy schedules to aid the research. One money adviser commented that as far as she was concerned: *anything that might help our clients in the long run is worth it, no matter how much work it takes*. This attitude was echoed at each and every centre.

Questionnaire design

The questionnaire was designed using other debt-based research, both British and Irish. The design relied heavily on the types of questions posed in the study *Moneylending and Low Income Families*.⁵² The questions were intended to provide responses to a client profile, to indebtedness *trigger events*, to the types, duration and depth of credit used, the volume and nature of arrears, and information to calculate a debt/income ratio.

The questionnaire was designed to be completed by MABS centre staff – the respondents – through a transfer of data in their files to a study questionnaire, by hand.

⁵¹ Eustace, A. and Eustace, C. (2000) *National Evaluation of the Money Advice and Budgeting Service. Report for Phase Two*. Dublin

⁵² Daly, M. and Walsh, J. (1988) *Moneylending and Low Income Families*. Combat Poverty Agency: Dublin

Each of the seven MABS centres selected for the study received 28 questionnaires to complete. Each questionnaire related to one MABS client and included 18 questions. The questions were framed under four different sub-headings. The questions were predominantly *tick-the-box* questions. Some questions were more open-ended and required the respondent to fill in amounts in Euro.

File selection (taxi rank system), including lone parents and other households, May 2004

Although the research relates specifically to the experience of lone parents and debt, the file selection procedure included all household types. MABS staff were asked to select the 28 most recent files, dating back from 31st May 2004. All centres were to use the same date and select the files that preceded that date. This meant a risk that some centres would show up very few lone parents while others might show up large or seemingly disproportionate numbers. However, according to MABS workers and statistical profiles, a number of lone parents were expected to show up in each centre. The advantage of this *taxi rank system* of file selection was that clients could be compared according to household and marital status. For instance, comparisons could be drawn between the types of debt or arrears most likely to occur in single headed households with children or couple-headed households with children.

Decision to aim for 100 valid forms

In total, 196 forms were distributed evenly among seven centres. From this, it was expected that at least 100 valid and usable questionnaires would be returned. In order to increase the possibility of a good response rate, all questionnaires were hand-delivered and collected to each of the centres. The co-ordinator of each centre was contacted and asked to choose a date within a certain timeframe which would be suitable for the delivery of the questionnaires. On this date, those filling out the questionnaires were asked to reserve an hour to an hour and a half to accept the questionnaires and to go through the questions in detail.

This method afforded not only the opportunity to clear up any uncertainty regarding the questionnaire, it also meant that a clearer idea of the day-to-day, practical work could be gained. Informal conversations with MABS workers gave additional insight.

Centres were also offered the choice of completing the questionnaires while a researcher remained on-site. Only one centre took up such an offer, the others preferring to dip in and out of the task over time or setting aside a day other than delivery day for the task.

The staff were then asked to make a date for the collection of the completed questionnaires. Again, on that date, there was an opportunity for staff to discuss any difficulties they may have had with the questionnaires or to make observations about the questionnaires or to comment on any patterns they saw emerging from their work on the questionnaires. Of course, in the meantime, any questions relating to the research could be directed to the researchers via phone or e-mail.

Quantitative data response rate

The paragraph below illustrates the level of questionnaire distribution and the response rate.

- 196 questionnaires delivered to MABS centres
- 192 questionnaires returned from MABS centres
- 139 valid questionnaires of those returned
- Overall level of completion of questionnaires – very high
- Questions on education and disability: low response rate
- Response rate: 98% (192/196)
- Valid questionnaires as a proportion of returns 72% (139/192)

Each of the 192 questionnaires was examined in detail to ensure that they had been completed in conformity with the research study guidelines. In the course of this process, 53 questionnaires were excluded. This somewhat overcautious screening of responses was intended to enhance the validity of the remaining questionnaires so that the results could be

considered at a high level of authenticity. The method suggests that the use of secondary source data of this type and with this method generates a high response rate. However, in the absence of trained interviewers, the data selection and survey completion may be weaker.

Household type was the principal analysis of variables. Four household types were used: lone parent headed, one person, two adults with children, two adults with no children. In this way, it was possible to discern patterns revealing whether lone parent households had unique characteristics or financial service behaviour compared with other types of households. As explained earlier no analysis was made by geographical location.

The use of focus groups

Through OPEN, three focus group discussions were held in local authority housing estate areas and organised by the group co-ordinator for each area. Each discussion lasted from 60 to 90 minutes. In all, 23 women participated in the three focus groups. Attendance included older and younger women, unmarried and separated women, women who had been parenting alone, but were no longer so, ethnic minority and non-minority women, pregnant and non-pregnant women and women-headed households, as well as households with a non-permanent/semi permanent male partner. The women ranged in age from early twenties to over 50 years.

The aim of the focus group discussions was to provide a validation or query in relation to the quantitative research method. It was hoped that the focus group discussions might additionally highlight themes or details which were not apparent in the quantitative data or its interpretation.

The focus of the discussions was on indebtedness in the community, among friends, neighbours, or relatives. The discussion was guided along four principle lines:

- The sources and costs of different types of credit available to families like their own, in the area
- The issue of arrears on household utilities and how to reduce or address them

- Experiences with services such as Banks, Credit Unions or MABS
- Experience with Maintenance Orders

The results of the three focus groups were amalgamated and are presented in Chapter 5.

Chapter Three

The MABS Client Survey

Client Profile

This section reports findings from the first sub-section of the questionnaire, which examined, in brief, the profile of MABS clients by gender, age, education and disability.

Gender of MABS clients

The majority of respondents (73%) were female, while 38 clients (27%) were male. In one case, both members of a couple sought advice at the same time.⁵³ The proportion of male and female clients roughly matches a 2000 evaluation of the MABS client profile, which found that approximately 70% of all active clients were female.⁵⁴

Table 1
MABS clients according to gender and family status

Sex	Family Status					Total
	Single, no children	Married/ Cohabiting, no children	Single with children	Couple with children	Unknown	
Male	18 (47%)	1 (-)	1 (-)	17 (44%)	1 (-)	38 (100%)
Female	23 (23%)	8 (8%)	56 (55%)	14 (14%)	(-) (-)	101 (100%)
Total	41 (30%)	9 (6%)	57 (41%)	31 (22%)	1 (-)	139 (100%)

N=139

⁵³ The data relating to the male were entered, as he had been the main breadwinner until his recent redundancy had triggered the household's financial difficulties

⁵⁴ Eustace, A. and Eustace, C. (2000) *National Evaluation of the Money Advice and Budgeting Service. Report for Phase Two.* Dublin

Households made up of single adults with no children made up the second largest client group overall. Of the 38 male clients, 18 (47%) were single with no dependent children while the same was true for 23% of female clients.

Members of married or cohabiting couples seeking advice from MABS made up the smallest client group at the time of the survey. Only nine (6%) cases fitted this description, the majority of whom were female. The small number of such cases makes this group difficult to compare with other household types. In some instances their inclusion could distort the overall findings. Where this is the case, a note is made of their exclusion from text and figures.

Single adults with dependent children represented 41% of the entire survey population. The percentage of lone parent households seeking the services of MABS is out of all proportion with the number of lone parent households in the population as a whole which was almost 12% in 2002.

The majority of female respondents (55%) were single heads of households with children. Only one lone parent household was headed by a male, meaning 98% of all lone parent families, with children under 18 years of age, had a female head of household. This is not entirely inconsistent with figures from the general population. In a report compiled at the request of the National Statistics Board in 2004, the CSO reported that 91% of all lone parent families, with children under 20 years of age, were headed by a female, an increase from 87% in 1994.⁵⁵

Forty four per cent of the male respondents in the study were one part of a two-parent household. Fourteen per cent of female respondents were part of a couple-headed household with children. There were 31 two-parent households in total, representing 22% of the population. Of the individuals from two-parent households who sought advice from MABS, there was a roughly even number of females and males (fourteen and seventeen, respectively).

⁵⁵ Central Statistics Office (2004) *Women and Men in Ireland 2004*. CSO: Dublin.

Only one client's marital status remained unknown. The client was male, aged between 35 and 54, and was living in hostel accommodation for homeless people at the time of his consultation with MABS.

This study addresses the issue of debt among lone parents and within lone parent households. The use of the term *household*, however, disguises the reality found in this study of where the burden of money management and indebtedness actually lies. As Table 1 indicates, the majority of MABS clients are female. The female partner in couple-headed households is more likely to seek advice from MABS and almost all lone parent households seeking money advice are headed by a female. These findings imply a serious gender perspective to issues of debt and low income.

Age

At the time of the survey, and for the period of time in question, none of the MABS centres reported any clients under the age of 18 years. Thirty two persons, or 23% of clients, were aged between eighteen and twenty four. An almost equal number of respondents were aged between 25 and 34 (36%) and 35 and 54 years (35%). Only seven clients (5%) were aged over 54.

The age constituency of the population of service users may reflect this group's better access to credit and possibly more open-minded attitude to credit. It may also be linked to general financial life cycle patterns, whereby people tend to borrow more while they are working and/or rearing families and less as they get older, retire, become homeowners or see their offspring become financially independent. In addition, evidence from the Citizen's Advice Bureaux in the UK suggests that people over 60 years tend to be extremely cautious when it comes to utilising credit facilities or getting into debt.⁵⁶

The age of female and male clients did not differ significantly in the lower and higher age categories. Twenty three per cent each of females and males were aged between 18 and 24 years and roughly 5% each were aged over 54 years. However, more women than men were aged between 25 and 34, while more men than women belonged to the older age cohort of 35 to 54.

⁵⁶ Edwards, S (2003) *In too deep. CAB clients' experience of debt*. Citizens Advice Bureaux: UK

Table 2**Age distribution of parents within the study population**

Family Status	Age				Total
	18-24	25-34	35-54	Over 54	
Lone parent family	13 (23%)	23 (41%)	19 (34%)	1 (-)	56 (100%)
Two parent family	6 (19%)	11 (36%)	13 (42%)	1 (-)	31 (100%)

N=87

The percentage of single people spread across each age category was relatively even, with just under or just over 30% of single people with no dependent children matched to each of the age cohorts 18-24; 25-34; and 35-54. Twelve per cent of single people were over 54 years, but more significantly, this meant that five out of the seven people aged over 54 were single, four of whom were female.

There were more married or cohabiting couples without children in the 35-54 age cohort than any other age category.

Twenty three per cent of lone parent families were headed by an adult aged between 18 and 24, while 41% were headed by a 25-34 year old. These figures correspond broadly with the age profile of lone parents in the wider population, which reveals that roughly two thirds of lone parents are aged between 20 and 35 years.⁵⁷ The one male lone parent in the entire study population was aged between 25 and 34.

A further 34% of lone parent households were headed by a parent aged 35-54, while only one lone parent was aged over 54.

⁵⁷ OPEN (2005) *Press Release 27 January 2005*.

As with lone parents, roughly 20% of those from two-parent households seeking advice from MABS were aged between 18 and 24. However, at 42%, the member of couples with children who visited MABS was most likely to be aged between 35 and 54 years. Thirty six per cent of the individuals from two-parent households were aged between 25 and 34 years.

The presence of a disability or long-standing health condition among MABS clients

Twenty-eight per cent of people seeking money advice from seven MABS centres in May 2004 were reported to have a disability or long-standing health condition. The per centage of people in the population as a whole with a disability or long-standing health condition stood at 10.9% of all persons aged 15 to 64 in the first quarter of 2004.⁵⁸

Table 3
Does client have a disability or long-standing health condition?

Response	Male	Female	Total
Yes	13 (34%)	25 (25%)	38 (28%)
No	19 (50%)	57 (57%)	76 (55%)
Unknown	6 (16%)	18 (18%)	24 (17%)

N=138

Although the number of persons reportedly having a disability or long-standing health condition are low, it is interesting to note that of all household types, lone parents were the least likely to be known to have either. Fourteen per cent of lone parents had a disability or long-standing health condition, compared with 26% of other parents. Forty three per cent of

⁵⁸ Central Statistics Office (2004) *Quarterly National Household Survey. Disability Update. Quarter 1 2004*. CSO: Dublin

single persons without children were reported to have a disability or long-standing health condition. The smaller proportion of lone parents reported to have a disability or long-standing health condition may be related to the slightly lower age group of that section of the study population compared with other parents.

Of the 38 people who disclosed the presence of a long-standing health condition or disability, MABS workers signalled that in 20 cases disability or illness could be considered a trigger to their indebtedness. MABS workers were able to state that 23 of the clients who reported a disability or long-standing health condition were attending counselling for anxiety, depression or stress.

Family and Household Status

This section builds on the brief personal profile of MABS clients outlined so far. Questions and analysis relate to the marital and family status of clients, as well as to their housing tenure, caring responsibilities and levels and sources of income.

Marital Status

Respondents were asked to tick the answer which best described the marital status of clients. The response rate to this question was high, with information available for almost 100% of clients.

Table 4
The marital status of the MABS client group

Marital status	Total
Single	69 (50%)
Married/Cohabiting	40 (29%)
Separated	16 (11%)
Divorced	1 (-)
Widowed	2 (-)
Effectively single	10 (7%)

N=138

Half of MABS clients at that time were reportedly single and 29% were either married or cohabiting with a partner. The category *Single* can be taken to mean never married, although it does not discount the possibility of a respondent having been in a long-term relationship not based on marriage but which is now ended. The category single expands further still when all those people who were once married but are now separated, divorced or widowed are counted. Together, these three categories make up a further 13% of adult clients living in single headed households.

A final category used in this research represents another type of single-headed household, the household where an adult couple are present but one person is the effective head of household or effectively single. This may be the case where a partner lives in the home but is either unwilling or unable to contribute to the financial or practical management of the household. Equally, it may be the case where a partner is present only sporadically in the

household due to various reasons such as alcohol or drug misuse or regular short-term prison sentences. In the profile of ten respondents, this status was reported to be the case. This distinct category has been used in international research into women-headed and women-maintained households. In 1994, a US study used the concept and found that, in fact, 48% of employed women, living in married couple households were supplying half or more of the household income.⁵⁹ These households were not considered to be women-headed but were, in reality, women maintained.

When this category was suggested at a meeting of MABS workers, there was widespread agreement that this could prove to be a very useful description. The money advisers had in mind, in particular, women service users who were managing households where male partners' presence was erratic, often due to drug misuse and repeated drug-related offences and subsequent imprisonment.

The survey results revealed the marital status of each individual client. A separate variable revealed more detail on the parental status of each client. In order to give a clearer picture of the breakdown of household types, a new variable was created, combining the marital and parental status of each individual client. Each of the sub-sets of the single status was merged into one, so that single here can mean never married, separated, divorced, widowed or effectively single. The results of the new variable give a simple breakdown of single adults with no children, married or cohabiting couples with no children, single people with children and married or cohabiting couples with children.

⁵⁹ Buvinic, M. and Rao Gupta, G. (1995) *Women-headed Households and Women Maintained Families. Are they worth targeting to reduce poverty in developing countries?* International Centre for Research on Women, the Population Council: US. Working Paper.

Table 5
Parental status of the MABS client group*

Parental Status	Total
Single; no children	41 (30%)
Married/Cohabiting; no children	9 (6%)
Single with children	57 (41%)
Married/Cohabiting with children	31 (23%)

N=138

*Throughout the document parental status is referred to as household type and is made up of four categories:

- Single
- Married/Cohabiting
- Lone parent
- Two parent

The largest group was made up of single people with children. In fact, lone parents made up 41% of the entire study population. It is interesting to compare this figure with the percentage of lone parent households in the state, which stood at 11.95% of all households at the time of Census 2002.

Of the 57 lone parent households, only one household was headed by a single male. The head of household in this one instance actually had shared custody of two children by two former partners. Although his income was considerably higher than the average lone parent income in the study, the situation of trying to pay maintenance for two children from two different families, coupled with serious illness, had triggered considerable debt for the client.

The second largest cohort of MABS clients, at the time selected for review (May, 2004), were those persons who were single and had no dependent children present in the household. Forty one such households arose as respondents in the survey, totalling 30 per cent of the entire study population. Eighteen single persons were male, while 23 were female.

Married/cohabiting couples with children made up 22% or 31 households altogether. Married/cohabiting couples with no children accounted for only 6%, or nine households, of the study population.

Housing Tenure

Housing tenure is a particularly important variable in the social profile of indebted persons. The housing tenure of an individual or a family is also representative of that household's ownership or non-ownership of a significant asset. It has been argued that while household income is, of course, important, the *wealth gap* between those who own assets and those who do not is also highly significant. Ownership of assets, such as a home, can be passed on from one generation to the next – a job cannot.⁶⁰ Ownership of assets also offers security against debt. In an analysis of household indebtedness in OECD countries, it was found that in all but one country, *all those who own assets have no debt, and those who have debt have no assets.*⁶¹

Table 4 illustrates the housing tenure of MABS clients according to household type.

⁶⁰ McWilliams, D. (2003) 'Why are we all so poor with so much money around?' Article 16 February 2003. Available at www.davidmcwilliams.ie (Accessed February 2005)

⁶⁰ Magnus, G. (2004) cited in Lynn, M. (2004) 'Spinning Britain's personal debt burden' in *The Sunday Business Post*, 8 August 2004.

Table 4
Housing tenure according to household type

Tenure Type	All households	Single	Married/ Cohabiting	Lone parent	Two parent
Local authority rented	58 (42%)	15 (37%)	4 (-)	28 (50%)	11 (38%)
Private tenant	34 (24%)	8 (20%)	2 (-)	18 (32%)	6 (21%)
Mortgage	30 (22%)	6 (15%)	3 (-)	10 (18%)	11 (38%)
Non-householder	8 (5%)	8 (20%)	- -	- -	- -
Other ⁶²	6 (6%)	3 (-)	- -	1 (-)	2 (-)

N=136

Forty two per cent of MABS clients were reported to be living in local authority rented accommodation. City and County Councils operate a differential rent scheme for local authority tenants, with rent levels being assessed according to household income and taking account of any dependent children. The Private Rented Sector was responsible for housing 24% of the study population, while 22% of those surveyed were paying mortgages on private homes. The fourth largest tenure type was made up of non-householders (for example an adult son or daughter living with their parents).

It is worth comparing the tenure type of the population of MABS clients with the wider population. According to the Central Statistics Office, in 2002, the vast majority of housing in Ireland lay in the owner occupied sector, which accounted for 77.4% of all dwellings.⁶³ Only 30% of MABS clients lived in mortgaged households, while none of the clients owned their property outright.

⁶² 'Other' includes those living in homeless hostel accommodation; resettlement housing; shared ownership schemes and voluntary housing associations.

⁶³ Central Statistics Office (2004) *2002 Census of Population, Volume 13, Housing*. CSO: Dublin

Equally, the number of persons living in local authority rented accommodation and seeking the services of MABS in May 2004, is out of all proportion with the number of local authority tenants in the population as a whole. The total figure in 2002 of such tenants was seven per cent, while of the MABS service users, local authority tenants represented 42%.

Lone parents were the most likely of all household types to be living in local authority rented accommodation. Fifty per cent of lone parents rented from a local authority, while 38% of other parent households lived in local authority dwellings. Roughly the same proportion of single people (37%) as couple parents were being housed by a local authority.

The number of private rented dwellings almost doubled between 1991 and 2002, following declines observed during the previous thirty years. The sector as a whole now accounts for approximately 11% of all dwelling types.⁶⁴ This compares with the MABS client population, 24% of whom were renting in the private sector at the time of their contact with the service.

Again, lone parents were disproportionately represented in this type of dwelling, with 32% of such households accommodated in private rented dwellings. On the other hand, just 20% each of single adults with no children and couples with children lived in private rented housing.

The study identified three service users living in hostel accommodation for homeless persons, and one in each of resettlement housing, a shared ownership scheme and a voluntary housing association.

Financial status within the household

MABS workers were asked to choose the category which best described each client in terms of their financial status within the household. The term, *provider of household income* was used rather than income earner, in acknowledgement of the various ways in which income may be provided within households. The term encompasses all income, whether earned from work on the open labour market, earned in the informal economy, received in the form of

⁶⁴ Central Statistics Office (2004) *2002 Census of Population, Volume 13, Housing*. CSO: Dublin

cash transfers, received as child maintenance or the regular receipt of any other sum of money from another source.

Table 5
MABS client financial status within household

Provider of household income	Total
Main provider	104 (75%)
Joint provider	20 (15%)
Secondary provider	10 (7%)
Non-contributor	4 (3%)

N=138

For many of the clients (the majority of whom were women) visiting MABS centres, they were either the main or joint provider of household income. Together, main and joint providers of household income made up 90%, or 124 persons, of the total population. Ten service users were secondary providers of household income, half of whom were non-householders,⁶⁵ while the rest were made up of three people living in mortgaged houses and two in the local authority rental sector.

Of the four people who were not contributing to household income at all, three were non-householders and one lived in local authority housing with two other adults and no children.

All lone parents were the main providers of household income in all cases, even those where there was more than one adult present in the household.

⁶⁵ 'Non-householder' could be, for example, an adult son or daughter living with parents.

Household size and composition

The final stages of the MABS client profile relating to family and household status sought information on the presence of any dependent adults in the household as well as the number of adults and children per household.

The study did not identify significant numbers of carers of dependent adults. This may be directly related to the age profile of MABS clients, where only 5% were over the age of 54 years.

Table 6
Number of Adults per Household

Number of adults	Households
One	79
Two	47
Three	9
Four	3

N=138

The majority of households (79) had only one adult present in the home. Forty seven households contained two adults. Nine households were home to three adults, while only a few (three) households contained four adults.

Table 7**Number of children per household and total number of children**

Number of children	Number of Households	Total number of children
None	51	N/A
1	33	33
2	31	62
3	12	36
4	8	32
5	2	10
6	1	6
7	1	7
Total with children	88	186

N=139

In 51 (37%) households there were no children present, while in 88 (63%) households there was between one and seven children under the age of eighteen. The majority of households where children were present consisted of one and two child households, with 64 such households split almost evenly between the two types. Twenty four households had three or more children.

In total, there were 88 households containing 186 children.

More pertinent to the research is the composition of the households, or the combinations of adults and children within those households.

Table 8**Number of children in all parent households**

Household type	Number of children						
	1	2	3	4	5	6	7
Lone parent	23 (40%)	22 (39%)	4 (7%)	7 (12%)	1 (-)	0 (-)	0 (-)
Two parent	10 (32%)	9 (29%)	8 (26%)	1 (3%)	1 (-)	1 (-)	1 (-)

N=186

Forty per cent of lone parent households contained one child. An almost equal proportion (39%) contained two children. The majority (79%) of single-headed households with children, then, had either one or two children.

This compares with 32% of couple-headed household with children who had one dependent child and 29% of whom had two children. Sixty one per cent, then, of all two-parent households had one or two children.

Although the majority of all parent households were made up of one or two children, an important proportion of parents had three or more children. Approximately 20% of lone parents had three, four or five children, while almost 40% of two-parent households contained more than two children and up to five, six and seven children in several instances.

Income Patterns

Main sources of income of MABS clients

Each category of the potential sources of income of clients relates to a broad situation. Those filling out the surveys were asked to choose the category which best described a client's main source of income. The categories were not, therefore, rigid, and allowed for some of the various ways in which individuals and households derive and supplement their incomes.

Table 9**Main source of income of MABS clients according to household type**

Main source of income	All households	Single	Married/ Cohabiting	Lone parent	Two parent
Employment mainly	32 (23%)	12 (29%)	5 (56%)	3 (5%)	12 (39%)
Employment and supplementary benefit	8 (6%)	1 (-)	1 (-)	4 (7%)	2 (-)
Social welfare only	78 (56%)	24 (59%)	2 (-)	36 (63%)	15 (48%)
Social welfare and other sources	21 (15%)	4 (10%)	1 (-)	14 (25%)	2 (-)

N=138

It was found that rather than combining more than one source of income, the vast majority of MABS clients were actually receiving income from one source only – social welfare cash transfers. Seventy-eight out of 139 households, or 56%, were found to be living on social welfare benefits alone. Twenty three per cent of all households derived their income mainly from paid employment, while only a small minority (6%) earned income from work and supplementary benefits. Fifteen per cent of all households derived the bulk of their income from social welfare but were topping this amount up with income from other sources.

Lone parents were more likely than any other group to be receiving income from social welfare alone. Sixty three per cent of one parent households derived income in this manner. Among MABS clients high per centages of other household types were also living on social welfare payments alone. Fifty nine per cent of single adults and 48% of couple parent households had income from social welfare only.

In 2003, there were 936,343 recipients of social welfare payments⁶⁶ nationally, amounting to approximately 24% of the entire population.⁶⁷

Those living on income from employment mainly, numbered 32 households, or 23% of the study population. Only 12% of all lone parent households were earning an income from employment or a mixture of employment and a supplementary benefit. Similarly, a minority (13%) of single adults with no dependent children had income from employment. This compares with two-parent households, 46% of whom had an income from work. Six of the nine married or cohabiting couples without children were earning an income from work.

Finally, 21 households (15% of all) were receiving an income made up of a combination of social welfare and other sources. The other sources could include several options such as income from a small part-time job, income from a former spouse or partner in the form of child maintenance, a regular but small sum of money from a friend or relative in a better financial position and willing to help out. Lone parents were more likely than any other household type to have an income made up of social welfare benefits and another source. In total, 88% of lone parent were in receipt of social welfare benefits, a minority of whom were able to top this up regularly with a small amount from another source.

Household average net weekly income

Eighty-seven different household average weekly incomes were found in relation to 139 respondents. Where the exact same amounts were returned as responses in more than one case, these totals are readily identifiable as standard social welfare payments. For instance, ten respondents were found to be in receipt of exactly €134.80, which was the basic level of unemployment benefit in May 2004.

While this detailed data may be useful, for the purpose of analysing the results of the household weekly income in conjunction with other characteristics, this data had to be narrowed down into a more manageable eight income categories.

⁶⁶ This figure does not include recipients of employment-related supplementary benefits.

⁶⁷ Department of Social and Family Affairs (2003) *Statistical Information on Social Welfare Services*. Stationery Office: Dublin

Almost half of all persons surveyed reported a weekly household income of between €100 and €200. As the income categories rise in value, the corresponding amount of people receiving that income drops at each stage by an approximate figure of 50% of persons. Those in receipt of an income of between €200 and €300 amount to 30 households, or 22% of the study population. Again, this figure is almost halved on moving into the next income category, €300 – €400. Approximately 18 households (12%) reported a household income of between €400 and €600 per week.

These figures compare with the average industrial earnings of all workers (male and female) in June 2004, which saw workers in all industries earn a gross average of €562.21 for a 40.2 hour week.⁶⁸ This wage (approximately €14 per hour) compares with the then minimum wage of €7 per hour for an experienced adult worker,⁶⁹ set at roughly 55% of the average industrial wage. The gross wage for a forty hour week on the minimum wage in May 2004 was €280.

Only 4% of households declared an income of between €600 and €1000. One household received just over €1000 per week. This household was unusual, however, in that it was composed of three single adults with no children who sought advice from MABS together and declared their income as a whole.

Single people and lone parent households were more likely than other household types to have an income of between €100 and €200. Sixty six per cent of childless single adults and 54% of lone parents reported this income. This compares with only 13 per cent of two-parent households who were living on a weekly sum of between €100 and €200. Instead, 39% of two-parent households reported an income of between €200 and €300, while this was true of 23% of lone parent households. In total, 77% of lone parent households had an average net weekly income of between €100 and €300.

⁶⁸ Central Statistics Office (2004) *Industrial Earnings and Hours Worked*. CSO: Dublin

⁶⁹ Department of Enterprise, Trade and Employment (2002) *Detailed Guide to the National Minimum Wage*. Stationery Office: Dublin

Roughly the same proportion of single and double-headed households with children, 12 and 13% respectively, were receiving a weekly income of between €300 and €400. Only six (9%) lone parent households had an income of more than €400 per week, while this was true for eleven (30%) two parent households. No lone parent household had an income of more than €700 per week.

The weekly income of all lone parent households was found to be very low, with a similar percentage of lone parent households (77%) and single adult households (76%) receiving an income of between €100 and €300 per week.

Table 10 further illustrates the inadequacy of such an income in the context of children present in the household.

Table 10
Average weekly income according to household type

Income Category (€)	Household type				
	All households	Single	Married/ Cohabiting	Lone parent	Two parent
100-200	67 (49%)	27 (66%)	4 (-)	31 (54%)	4 (13%)
201-300	30 (22%)	4 (10%)	1 (-)	13 (23%)	13 (41%)
301-400	16 (12%)	4 (10%)	1 (-)	7 (12%)	4 (13%)
401-500	9 (6%)	2 (-)	1 (-)	3 (5%)	3 (10%)
501-600	9 (6%)	2 (-)	1 (-)	2 (-)	4 (13%)
601-700	3 (2%)	None (-)	None (-)	1	2
701-1000	3 (-)	1 (-)	1 (-)	None	2 (-)
Over 1000	1 (-)	1 (-)	None	None	None

N=138

Table 11**Number of children in lone parent households according to net household income**

Weekly income (€)	Number of children				
	One	Two	Three	Four	Five
100-200	14	13	2	2	-
201-300	5	4	1	2	1
301-400	2	3	-	2	-
401-500	-	1	1	1	-
501-600	1	1	-	-	-
601-700	1	-	-	-	-

N=57

Fourteen lone parent families with one child had a weekly income of between €100 and €200. The same income was recorded for 13 lone parent families where there were two children under the age of eighteen years present in the household. The same low income (€100 – €200 per week) was stated for two families with one parent and three children and for two families with one parent and four children.

Five and four lone parent families with one and two children respectively had a weekly income of between €200 and €300. This income was also recorded for one-parent families containing three, four and even five children.

There was a small but even spread of one parent families with one, two, three and four children receiving an income of between €300 and €400 and €400 and €500. An income of more than €500 was noted for only three one parent families, two of whom contained one child each and one containing two children.

Debt and Arrears

MABS collects very detailed information in a regular and consistent fashion on family and household characteristics and on types of debt and arrears. This permits generation of interesting data on debt, arrears and poverty among different household types.

Indebtedness on different forms of credit

The study distinguishes between types of credit in the form of, for example, cash loans or overdrafts and arrears incurred on regular household bills and utilities. Table 12 below presents information relating to forms of credit utilised and debts incurred among different household types.

Table 12

Forms of credit utilised across different household types

Form of credit	All households	Single	Married/ Cohabiting	Lone parent	Two parent
Bank loans	37 (27%)	11 (27%)	1 (-)	12 (21%)	13 (41%)
Credit card	28 (21%)	11 (27%)	2 (-)	9 (16%)	6 (19%)
Credit Union	25 (18%)	4 (10%)	4 (-)	8 (14%)	9 (29%)
Moneylender	24 (16%)	6 (15%)	1 (-)	13 (23%)	4 (13%)
Hire purchase	23 (17%)	5 (12%)	-	14 (25%)	4 (13%)
Finance company	14 (10%)	4 (10%)	1 (-)	5 (9%)	4 (13%)
Catalogue shopping	9 (6%)	1 (-)	-	7 (13%)	1 (-)
Bank overdrafts	7 (5%)	3 (-)	1 (-)	-	3 (-)
Other	10 (7%)	3 (-)		2 (-)	5 (-)

N=138

Note: Respondents could be indebted on more than one form of credit, the data exceeds 138.

***Bold** indicates the household type most likely to be indebted on that form of credit*

Bank Loans

The most popular form of borrowing or credit among respondents was the bank loan. A further breakdown of the figure for bank loans reveals that twenty-seven people had one bank loan each, ranging in size from €670 to €20,500. Four people had two bank loans each and a further four people had three bank loans each. Those that had taken out two separate bank loans owed sums ranging from €1,900 – €23,000, while those with three loans owed within the higher range of €10,000 – €48,000. The female partner in a two-parent family reported a debt of €31,184 on eight different bank loans, and one working lone mother owed a total of €48,100 on five different bank loans.

Bank loans were most likely to have been taken out by married or cohabiting couples with children. Forty one per cent of this category owed money on this type of loan at the time of the survey. Twenty-seven per cent of single people with no dependent children were indebted on bank loans, while 21% of lone parents had bank loans to pay off.

Lone parents were less likely than other groups to owe money on bank loans. Evidence from lone parent discussion groups, outlined in Chapter Four of this report, suggests that many lone parents remain *unbanked*, and therefore would not be eligible to apply for bank loans. As a general rule, where lone parents had secured bank loans, they were more likely than other groups to have smaller bank loans. Fifty per cent of lone parents had bank loans totalling €3000 or less, while other groups were more likely to owe money above this threshold. However, two lone parent households owed significant amounts to their banks, with one owing a sum of €26,377 and another €48,100 (both non-mortgage debts) to the banks alone. The weekly income of these parents was €153 and €658.97 respectively.

Credit Cards

The next most popular form of borrowing or credit proved to be the credit card. Twenty-two people owed money on one credit card, while three people owed money to two separate credit card accounts. A further two people had built up debts on three credit cards each, while one person actually owed money to five different credit card accounts. Again, the

amounts owed varied significantly from a figure of €200 owed on one credit card to a high of €25,339.76 owed by the same person, but on five cards.

Only sixteen per cent of lone parents in the study owed money on credit cards, compared with married or cohabiting parents, 20% of whom were indebted on credit card accounts. The group in the study most likely to utilise this form of borrowing was the cohort made up of single people without children, with 27% of that group owing money for goods and services purchased on credit cards.

Although the amounts owed on credit cards varied considerably from one individual household to another, there was no significant difference between amounts owed based on family status. Household types owed proportionately similar amounts of money on credit cards. For instance, roughly 20% of each household type owed less than €2000 on credit cards, while a slightly higher percentage, again of each household type, owed between two thousand and €4,000. This pattern continued up to the higher categories of money owed to credit card companies.

Credit Unions

A similar amount of people (25) as had credit card debts, reported Credit Union debts to the MABS workers in May 2004. These debtors constituted 18% of the study population. The majority of this sub-group (21) had one Credit Union loan. Three people had two separate Credit Union loans, while one person was a member of, and owed money to, three Credit Unions.

Membership of a Credit Union is generally based on a person's link to the community which that particular institution serves. The link can be either residential or work-related. Anecdotal evidence suggests, however, that as the Credit Union network is not yet linked by any one system, people could feasibly belong to three credit unions at one time – one linked to an old/parents' address; one linked to a new address; one linked to a work scheme – and therefore procure three separate loans.

Again, there was a considerable range in terms of the amounts owed by individual households to Credit Unions, from €500 to almost €19,000. Single people with no children tended to rely least on Credit Union borrowings, with only 10% of this group reporting such loans. A similar figure representing lone parent credit union borrowers was found at 14% of that particular group. A much higher percentage of other parents (29%) reported using their Credit Union to secure loans. Meanwhile, almost half of the married or cohabiting couples with no children had Credit Union loans.

The marital status of respondents did not have a significant effect on the amounts borrowed from Credit Unions. A relatively equal proportion of lone parents as other household types were represented in the percentages of people borrowing in categories of under €2,000; between €2,000 and €4,000; between €4,000 and €8,000; between €8,000 and €15,000 and over €15,000.

Moneylenders

Twenty-four people in total were indebted to moneylenders. Of these, eight people had two separate loans while one person had three. The remainder owed one sum to one lender, however, the nature of loans from moneylenders is such that loans are often topped up and so after time what started out as one loan may in fact relate to many top-ups.

Compared to other sources of credit, loans from moneylenders tended to be lower. Ten debtors owed sums of less than €500, while a further ten owed sums of between €500 and €3,000. One person was indebted to two moneylenders for a sum of €6,050, and another to one lender for €11,000.

All household types, except lone parents, used moneylenders in relatively equal proportions. One of the married/cohabiting couples with no children were indebted to moneylenders. The same was true of 13% of couples with children and 14% of single people without children. However, at 23%, a significantly higher proportion of lone parents reported debts owing to moneylenders.

There was no significant difference between the amounts owed by parents and non-parents or by lone parents and other parents.

Hire Purchase Agreements

Twenty-three households, or 17% of the study population were indebted on a hire purchase or credit sale agreement. Respondents were not asked to specify the type of goods which had been purchased, but it was indicated in the question that any white goods such as may be purchased on a client's electricity or gas bill should be included in these results rather than as ESB or gas utility arrears.

Single non-parents and married or co-habiting parents were equally likely (12% and 13% respectively) to have debts built up on hire purchase agreements. No couples without children in the study reported hire purchase debts. Lone parents with hire purchase debts represented just over double the amount of other household types with the same debts, 25% of whom recorded problematic hire purchase agreements.

Although the amounts owed per respondent ranged from €70 to €11,838, one household type did not seem more likely than any other to have hire purchase debts of higher or lower monetary value.

Finance Companies

Ten per cent of all those surveyed were indebted to a finance company. Once more the amounts owed ranged significantly, from €690 to €21,426. Household types were more or less equally likely to owe money to finance companies.

Catalogue shopping

The number of people indebted to catalogue companies was small. Lone parent households were more likely than others to owe money on this type of credit source.

Other forms of borrowing or credit

The remainder of the study population showed themselves to have debts on other forms of borrowing and credit in small but equal measures, such as bank overdrafts, debit cards, loans from friends, family and employers.

Total cash debt

In summary, the more conventional forms of borrowing such as bank loans, credit cards and credit union loans were the most popular means of credit for the study population as a whole. However, closer examination shows that lone parent households were less likely than their non-parent and couple parent counterparts to access these types of credit. Rather, lone parents seem over-represented among the households opting for high-risk, more expensive credit by borrowing money from moneylenders, signing up for goods on hire purchase agreements and becoming indebted to catalogue shopping companies.

Sixty eight per cent of all respondents were indebted on various forms of borrowing and credit. Seventy seven and 70% of non-parents (couples and singles, respectively) owed money to a credit institution or to an individual creditor. Parents, both lone parents (66%) and married or cohabiting parents (68%) were slightly less likely than non-parents to be indebted in this way.

Table 13**Total debt according to parent household type**

Total amount owed (€)	All households	Lone parent	Two parent
No borrowings	44 (32%)	19 (34%)	10 (32%)
Under 500	11 (8%)	5%	10%
501 – 1000	9 (7%)	9%	–
1001 – 1500	8 (6%)	9%	–
1501 – 2000	5 (4%)	2%	3%
2001 – 3000	8 (6%)	7%	3%
3001 – 4000	4 (3%)	2%	3%
4001 – 5000	5 (4%)	4%	7%
5001 – 10000	17 (12%)	16%	13%
10001 – 20000	12 (9%)	4%	13%
20001 – 30000	4 (3%)	4%	3%
30001 – 80000	9 (7%)	4%	13%

N=136

Although parent household types were almost equally likely to owe money to credit institutions, there was a relatively significant difference in the amounts owed to these institutions. Twenty five per cent of lone parents had debts of less than €2,000, while the same was true for only 13 per cent of couple parents. Similar percentages of one and two parent households owed between €2000 and €10,000, although lone parents were slightly more likely to be indebted on sums in the lower end of that broad scale. Couple parents (29%) were more likely than lone parents (12%) to owe sums of between €10,000 and €80,000.

In total, ninety-five households owed money on one hundred and seventy seven loans. Taken together, ninety-two households (the total sum owed was missing in the case of three households) owed a total sum of €897,019.76 to a variety of mainstream and non-traditional financial services providers. Of the 38 lone parent households experiencing this type of debt, 36 were together known to owe a total sum of €282,872.10 giving an average of €7,857.55 per lone parent household experiencing debt.

Debt to income ratio

Of course, the weight of the burden of debt can only be measured in relation to a household's income, and therefore, ability to repay. The average total debt to average weekly income ratio highlights the significance of debt in the MABS clients' households. It also allows for comparison of patterns of debt across household types.

Table 14

Average debt to income ratio of different household types

Household type	Average household weekly income (€)	Average household debt	Debt to income ratio
Single	279.12	9605.99	34:1
Married/Cohabiting	523.40	8127.66	15:1
Lone parent	247.35	7862.75	32:1
Two parent	386.31	13,728.33	35:1

N=92

Table 14 indicates that, apart from married/cohabiting couples without children, each average household type was experiencing broadly similar levels of debt to income ratio at the time of their visit to MABS centres. Lone parents displayed slightly lower debt to income ratios than other parents in the study. However, it is important to remember that lone parents were significantly more likely to be renting accommodation from either a local authority or a private landlord than were couple parents. The absence or presence of a significant asset in the form of a home should be taken into account when comparing the levels of indebtedness of all parent households.

Arrears on household utilities

Arrears on household utilities differ from credit arrangements or cash loans. The ultimate penalty for the build-up and non-payment of arrears may be the disconnection of an essential energy supply or the eviction of tenants from rented accommodation. The consequences, therefore, of arrears can have severe and detrimental effects on individuals and households, particularly families with children.

Table 15
Arrears across household type

Types of arrears	All households	Single	Married / Cohabiting	Lone parent	Two parent
ESB	55 (40%)	7 (18%)	1 (-)	32 (59%)	12 (39%)
Telephone	34 (25%)	9 (20%)	1 (-)	17 30%	7 (23%)
Rent*	28 (20%)	8 (19%)	2 (-)	12 (21%)	6 (19%)
Gas	25 (18%)	3 (7%)	-	18 (32%)	4 (13%)
NTL	15 (11%)	4 (9%)	-	10 (18%)	1 (-)
Mortgage*	8 (6%)	-	3	3 (5%)	5 (16%)
Other	19 (14%)	4 (9%)	-	4 (7%)	11 (35%)

N=138

**Note: Mortgage and rent arrears are entered as a proportion of the entire study population. See text below for per centages of all renters and all mortgage-holders in arrears.*

Note: Respondents could be indebted on more than one form of credit, the data exceeds 138.

***Bold** indicates the household type most likely to be indebted on that form of credit*

ESB

Forty per cent of all respondents had arrears on their electricity bill. MABS money advisers include electricity arrears as one of a number of so-called *priority debts*. These debts are those where failure to pay could result in the disconnection of the supply of an essential service. In their leaflet, *General Conditions of Supply*, the ESB outline ten circumstances in which the company enjoys the *right to de-energise*, one of which is if the customer fails to:

*“..pay any bill for the electricity we have supplied or any other amount under a contract for supplying electricity”.*⁷⁰

There are several payment options in place for ESB customers, the most common of which is to receive a bill by post every two months. The bill must then be paid within fourteen days. If the bill is not paid by the due date, the ESB have the right to charge interest on the account.

Arrears on ESB accounts ranged from €35 in one instance to €1,485 for another household. Customers reported arrears of between one and 27 months.

Non-parents, both single and couples, were less likely than parents to be in arrears on their electricity supply account, at 20% and 11% respectively. The incidence of electricity supply arrears among couples with children, however, was 39%, while among lone parents it was as high as 59%.

Roughly 50% of all householders in arrears on electricity supply were between three and six months in arrears at the time of contacting MABS. Only one household, a lone parent household, was in arrears of more than twelve months. For that household, the ESB was in arrears of 27 months, and the bill was equal to a total of €673. Generally, the amount owed on electricity was spread evenly among household types, with approximately half of all household types owing less than €300. However, only parents of dependent children owed

⁷⁰ ESB *Customer Supply. General Conditions of Supply*. Available at www.esb.ie (Accessed January 2005)

sums of more than €600. The difference between lone and non-lone parents who owed between €600 and €1,500 was insignificant.

Telephone arrears

Arrears to telephone companies represented the second highest incidence of arrears among the entire population. MABS workers were not asked to specify whether telephone charges were owed in connection with landline or mobile phone accounts. However, in discussions with MABS staff, there was wide agreement that a high proportion of clients were in arrears with mobile phone charges rather than landline bills. Many of these clients had simply been cut off from the network but were now facing large amounts of arrears.

Thirty-four, or 25% of MABS clients had arrears on telephone bills. Again, charges built up ranged from €75 to just over €2,600, spanning timeframes of one month to two years.

As with electricity arrears, parents of dependent children were more likely than non-parents to owe money to telephone companies. Twenty nine per cent of lone parents and 23% of other parents had telephone arrears, while 18% and 11% of single and married / cohabiting couples with no children owed money for telephone services.

Rent arrears

At first glance, rent arrears may appear to rank third in a list of the most prevalent arrears in the study (see Table 15). With 28 households experiencing rent arrears, it calculates that roughly 20% of the entire research population were behind with their rent. However, this figure presents a false image when it is considered that only 66% of the study population were actually living in rented accommodation. Twenty eight households as a per centage of all of this sub-section of the population means that, in fact, 30% of *all tenants* were in rent arrears. Of the 28 households in arrears, only three were tenants in the private Rented Sector. The remaining 25 households experiencing rent arrears were public housing tenants. The per centage of local authority tenants in arrears, then, was 43%.

Of the three PRS tenants in arrears, two were lone parent families. One private tenant (a lone parent) was one month in arrears and owed a sum of €200. The other two owed significantly more money to their landlords (€570 and €600) covering periods of 11 and 10 months respectively. These sums of money and the time for which they are in arrears present an unusual or anomalous picture. The amounts owed do not match the average monthly rent for all private households in Ireland in 2003, which then stood at approximately €705 (€897 for the Dublin region).⁷¹

As in the PRS, the ultimate penalty for non-payment of public rent is repossession of the dwelling by the relevant local authority. According to the Housing Act, 1966:⁷²

“Where:

the rent of any dwelling let by a housing authority under this Act...is in arrears for a period of not less than one month...

the authority or the Agency may give to the person to whom the dwelling was so let notice...of their intention to resume possession of the dwelling...and if...at the expiration of the notice the said rent in arrears is unpaid the authority or Agency may resume possession of the dwelling and thereupon the tenancy therein shall by virtue of this subsection terminate”.

However, the welfare of tenants must be taken into account when determining rent levels and dealing with rent arrears and in this realm local authorities exercise a considerable degree of discretion and flexibility. In January 2000, as part of a series of guidelines developed for local authorities, the Housing Unit produced a report outlining a series of measures to prevent arrears where possible, as well as methods to collect and control arrears while causing minimal harm to the welfare of tenants and families.⁷³

⁷¹ Central Statistics Office (2003) *Housing and Households*. CSO: Dublin

⁷² Government of Ireland (1966) *Housing Act 1966. Part III, Section 62 (2)*

⁷³ The Housing Unit (2000) *Rent Assessment, Collection, Accounting and Arrears Control*. The Housing Unit: Dublin

For this reason, then, when tenants fall into arrears, housing authorities will endeavour to come to an appropriate repayment plan rather than serve an eviction notice. This is particularly true for cases of low-income families and/or households with dependent children. This practice is reflected in the study where almost half of those in arrears are between three and twelve months overdue. Approximately 30% of this group of tenants are in arrears of less than three months, while the remaining 25% have rent arrears of over one year and in a couple of cases, of two and a half years.

The value of arrears owed to local authorities range from just over €200 to €12,000. The differential rents scheme operated by housing authorities means that, for example, arrears of three months means a €350 sum to one household and €700 to another.

Table 16

Local authority tenants in arrears according to household type

Household type	Per cent in rent arrears
All households	43%
Single	47%
Married/Cohabiting	50%
Lone parent	36%
Two parent	55%

N=25

Note: Numbers especially small, per cent to be treated with caution.

Lone parents are more likely than any other household type to be living in local authority accommodation. At the same time they are less likely than any other household type to have arrears on their rent.

Gas arrears

Like electricity, arrears on gas supply are considered by MABS money advisers to be a priority debt. Bord Gáis Energy Supply Terms and Conditions clearly state that accounts not paid

within the specified 14-day time period, shall be liable for interest at a rate of 2% per month. Furthermore:

*“In the case of neglect or refusal to pay for Natural Gas supplied the Customer shall not be entitled to receive any prior notice of disconnection, and in other cases 24 hours notice shall be given by the Company...Where the supply of gas is disconnected due to the Customer’s default, the Customer shall pay the Company all expenses incurred in the enforcement of these conditions and also the cost of disconnection and of subsequent reconnection”.*⁷⁴

Regulations also stipulate that the company may, at any time, substitute a coin meter or a prepayment meter in place of an ordinary meter should the customer neglect or refuse to pay any sums owing. The *Gascard* system allows customers to pre-purchase gas from Bord Gáis using a prepaid gas card.

Eighteen per cent of all participants were in arrears with their gas supply. Roughly one third of people in arrears owed the gas company less than €200, another third owed between €200 and €400, while the remainder owed between €400 and €700. People had been in arrears from one month to one year, with most people reporting having been behind on payments for about four months.

A higher per centage of lone parents (32%) were in arrears with the gas company than any other household type. Thirteen per cent of couples with children had fallen behind with gas supply repayments.

NTL

Eleven per cent of respondents were in arrears with their NTL charges. The amounts owed ranged from €60 to €374. Only two people were in arrears for twelve months or more, the majority being in arrears of between one and six months.

⁷⁴ Bord Gáis *Bord Gáis Energy Supply Terms and Conditions*. Available at www.bordgais.ie (Accessed January 2005)

Eighteen per cent of lone parents were in arrears with NTL repayments, while only 7% of single parent and 3% of other parents owed money to NTL.

Other arrears

Fourteen per cent of respondents also gave information on various other household utility arrears, which they were experiencing

• Environmental waste charges	3 x two-parent
• Car repayments	3 x two-parent
• Insurance	1 single; 1 two-parent
• Debt collection agencies	2 x lone parents; 1 single
• Community Welfare Officer loan	Single
• Court fine	Two parent
• Gas boiler repair	Lone parent
• Hospital bill	Two parent
• Overpayment of child benefit	Lone parent
• Pawnbroker	Single
• Television licence x2	Two parent; Unknown marital status
• Unknown	Two parent

The amounts owed to the various *Other* creditors started at €100 owed to a loan from a CWO and rose to €5,000 owed by one participant to an unknown creditor.

Mortgage arrears

Thirty MABS clients held mortgages. Among these 30, there were eight cases of arrears, signalling that an important number of mortgage-holders were experiencing difficulties with those repayments.

Both parent and non-parent couples were more likely to have mortgages than either category of single adult. However, only parents with mortgages reported mortgage arrears, and this was more likely in the case of couples with children than lone parents.

Total arrears

Lone parents were more likely than all the other household types to be in arrears with:

- ESB
- Gas
- Telephone
- NTL

Lone parents were also more likely to be in arrears on basic household utilities than to be indebted on any form of borrowing or credit. This pattern may be closely linked to the low incomes of lone parents in the study. Herbert and Kempson found that low income earners and those dependent on social benefits often delayed the payment of utility bills out of financial necessity.⁷⁵

The absolute amounts owed on arrears tended to be lower than those on cash debts. This is likely due to the arrears policies of the various utility companies. There is only so much debt a customer can build up before the service is disconnected and a repayment schedule is established.

⁷⁵ Herbert, A. and Kempson, E. (1995) *Money Advice and Debt Counselling*. PSI: London

Table 17**Total Arrears (€) according to household type**

Total arrears (€)	All households	Single	Married / Cohabiting ⁷⁶	Lone parent	Two parent
No arrears	43 (31%)	22 (54%)	6 (67%)	9 (16%)	6 (19%)
Under 500	34 (24%)	7 (17%)	–	15 (27%)	11 (35%)
501 – 1000	28 (20%)	10 (24%)	1 (-)	16 (29%)	1 (-)
1001 – 1500	13 (9%)	1 (-)	1 (-)	5 (9%)	6 (19%)
1501 – 2000	8 (6%)	–	–	6 (11%)	2 (-)
2001 – 3000	5 (4%)	1 (-)	–	3 (5%)	1 (-)
3001 – 6000	3 (2%)	–	–	1 (-)	2 (-)
6001 – 10,000	2 (-)	–	–	1 (-)	1 (-)
10,001 – 20,000	1 (-)	–	1 (-)	–	–
Over 20,000	1 (-)	–	–	–	1 (-)

N=138

⁷⁶ Only three out of nine married/cohabiting couple with no children were in arrears on household utilities. They are not included in the comparison of household types in arrears.

Just under 70% of all participants were in arrears with some type of household bill or utility. Forty four per cent of all respondents were in arrears of up to €1,000. Fifteen per cent, or twenty one households were in arrears of between €1,001 and €2,000. The remaining twelve households were in arrears in excess of €2,000 and in two cases of over €10,000 and €20,000 respectively.

Thirty three per cent of couples with no children and almost half (46%) of single adults with no children were in arrears on ordinary household utilities and bills. This compares with 81% of couple parents and 84% of lone parents.

The majority of all household types had arrears of under €1,500. The proportion of lone and two parent households with arrears of between €1,500 and €6,000 was similar at 18% and 15% respectively. Equally, all parent households were as likely to have arrears of more than €6,000. One two parent household was in arrears in excess of €20,000.

In total, 95 households reported arrears amounting to €131,291.33, an average of almost €1,400 worth of arrears per household. The average worth of arrears in lone parent households was below the overall average at €915.55. As with debt, the sum of arrears must be seen in the context of income.

Table 18

Average arrears to income ratio

Household type	Average household weekly income (€)	Average household arrears (€)	Arrears to income ratio
Single	279.12	301.55	1.08
Married/Cohabiting	523.40	1583.22	3.02
Lone parent	247.35	915.55	3.7
Two parent	386.31	1717.92	4.4

N=138

Single adults with no children had the lowest arrears to income ratio, with arrears averaging only slightly higher than average weekly income. Lone parent and two parent families were more likely than non-parents to have fallen into arrears. The two groups also showed higher arrears to income ratios than their non-parent counterpart. Parents in the study demonstrated average arrears of approximately four times their average weekly income.

Debt and Arrears combined

Twenty three per cent of households owed money on cash loans only, while 25% had arrears only. Forty five per cent of all households sought the services of MABS in relation to a combination of problematic cash debts and arrears on household bills.

Parents in general showed a different pattern of debt to non-parents. Twelve per cent each of lone and two parent families owed money on cash loans and credit but had no utility arrears. This compares with 40% of single adults with no children and approximately half of childless couples.

Thirty per cent of lone parent households and 25% of two parent households reported experiencing arrears only, and no cash loans or credit. The same was true of only 18% of singles and only one couple with no children.

Approximately half of the parent households in the study had a combination of loans and arrears, which had caused them to make an appointment with a MABS money adviser.

The average total amount owed (average total debt) by households represents the sum of monies owed on loans and borrowings from financial institutions and individuals together with monies owed on arrears on household utilities and other services.

Table 19

Average total debt to average total income ratio according to household type

Marital status	Average household weekly income (€)	Average total debt	Debt to income ratio
Single	279.12	8073.49	29:1
Married/Cohabiting	523.40	8901.82	17:1
Lone parent	247.35	6173.79	25:1
Two parent	386.31	11782.57	30:1

N=138

In Table 19 (above) lone parent households do not have the higher and more problematic debt to income ratios. This is the case despite lone parents having to manage on the lowest average household weekly income.

Duration of financial difficulties when client contacted MABS

Clients presenting to MABS in May 2004, had been experiencing financial difficulties for varying lengths of time. The reported duration of financial difficulties describes the length of time since arrears on either loan repayments or household utilities began, on this occasion. This is not to suggest that these clients had never before experienced financial difficulties. It is not unlikely that some of the clients had, indeed, struggled financially on previous occasions but had managed to rectify the situation alone or without the help of MABS.

Table 20**Duration of financial difficulties at moment when client contacted MABS classified by household type**

Duration of financial difficulties	All households	Single	Married / Cohabiting	Lone parent	Two parent
Under one month	2 (1%)	1 (2%)	– (3%)	–	1
1 – 3 months	15 (11%)	7 (18%)	1 (-)	2 (3%)	4 (13%)
4 – 6 months	24 (18%)	8 (21%)	1 (-)	10 (18%)	5 (17%)
7 – 9 months	19 (14)	8 (21%)	1 (-)	7 (12%)	3 (10%)
10 – 12 months	31 (23%)	7 (18%)	2 (-)	17 (30%)	5 (17%)
Over 12 months	28 (21%)	5 (13)	1 (-)	12 (21%)	10 (33%)
Unknown	16 (12%)	3 (7%)	2 (-)	9 (16%)	2 (7%)

N=135

For those clients who had been experiencing financial difficulties for more than twelve months, thirteen households had debts built up over between 1 and 3 years and four between 3 and 6 years. The specific information was not available for eight households, while 3 households were reported to have been in *Continuous* or *On-going* financial difficulty. This signalled that neither a beginning nor an end to these households' financial difficulties could be pinpointed or envisaged.

Lone parents were less likely to consult MABS in the initial stages of debt or arrears (under 3 months). They were, on the other hand, most likely to contact MABS when the relevant debts had existed for between ten and twelve months. Single adults with no children were

most likely to seek advice from MABS at the 4 – 9 month stage while couple parents were relatively equally likely to contact MABS at either the 4 – 9 month stage or when the debt threshold had passed the twelve-month mark.

Given the size of debt to income ratios (see Table 19), it seems clients are presenting *late* to MABS services.

Event or circumstance which may have triggered debt

MABS workers were asked, in the case of each respondent, to select the event or circumstance which may have triggered the client’s debt. There was an option of ticking more than one event or circumstance. The events and circumstances were chosen by MABS workers on the agreed basis that, in fact, indebtedness is most often triggered by a combination of factors, including low or inadequate income.

Table 21

Five most common events or circumstances which may have triggered client’s current debt according to household type

Event or circumstance	Single	Married/ Cohabiting	Lone parent	Two parent
Separation	5 (12%)	–	20 (35%)	1 (-)
Disability/Illness	12 (29%)	2 (-)	2 (4%)	4 (13%)
Redundancy	6 (16%)	1 (-)	2 (4%)	1 (-)
New baby	–	– (9%)	5 (10%)	3
Other	7 (17%)	1 (-)	18 (32%)	9 (29%)

'Separation, divorce or relationship breakdown' was selected more often than any other event or circumstance as a trigger leading up to the client's debt. Of the twenty six cases who reported financial difficulties following a relationship breakdown, five now described themselves as single with no children and one case as a couple with children. The remaining 20 clients experiencing debt following the breakdown of a relationship, were lone parents. Not only were lone parents more likely than other household types to signal relationship breakdown as a factor in the lead up to indebtedness, but among lone parent households this was the most likely cause of debt, with 35% of lone parents reporting so.

The second most likely cause or trigger of debt was disability or illness. Debt was attributable to disability or illness in the case of 29% of single persons without children. Of all household types, lone parent households seemed least likely to point to illness or disability as a key factor in their debt.

Lone parents were also least likely to pinpoint redundancy as a trigger of indebtedness. Such a contingency was more likely to effect non-parents than parents in this manner.

Having a new baby was chosen by 9% and 10% of lone and other parents as an event which played a part in the on set of debt.

In 36 cases, MABS workers signalled that some other event or circumstance had led to the client's current state of indebtedness. At the same time, MABS workers in each of the seven centres were keen to point out that in reality and in most cases it was very difficult to pinpoint one, two or even three events which were a factor in peoples' debts. They felt that low and inadequate income were generally the key factors in clients' indebtedness. Ordinary or extraordinary events or circumstances per se, were not to blame, rather clients' financial situations did not permit them to deal with any change in circumstance or everyday event which were manageable for other sections of the population at large.

Table 26**'Other' events and circumstances grouped into broad themes**

Trigger	All cases	Single	Married/ Cohabiting	Lone parent	Two parent
Alcohol/drug/gambling addiction ⁷⁷	8	1	–	5	2
Inadequate income	8				
	2	1	3	2	
Family trend	3	–	–		
	1	2			
Supporting other adults	2				
	–	–	1	1	
Lack of financial awareness	10	3	–	5	2
Court fine	1	1	–		
	–	–			
Incorrect social welfare claim	1	–	–	1	–
Dispute with utility company	1	–	–	1	–
Failed business (sole trader)	1	–	–	1	–

N=36

Note: Numbers small, treat with caution

⁷⁷ One case referred to gambling addiction, two to alcohol and five to drug misuse

Summary

The MABS client files revealed significant information relating to both the MABS client profile and the nature and depth of household debt in relation to household income.

The majority of clients reporting to the seven MABS centres in May 2004 were female. Just over 40% of all clients were parenting alone, of whom 98% were female-headed households. These findings lend a significant gender perspective to the issue of over-indebtedness.

Forty two per cent of households were living in local authority accommodation. Half of the lone parents in the study were living in local authority dwellings, while this was true of 38% of couple parents. Thirty two per cent of lone parent households were living in private rented accommodation. This compares with only around one fifth each of single adults and couples with children living in private rented housing. On the other hand, almost 40% of couple parents were living in mortgaged properties, while this was true of only 18% of lone parent households.

Inadequate income has been an important theme in the field of disadvantage. This study confirms what has been highlighted elsewhere, that lone parent households are subject to high levels of income poverty. The study found that 63% of lone parents had an income from social welfare benefits alone, while a further 25% had an income made up of social welfare benefits and a small additional regular sum of money from another source. Only seven (12%) lone parent households in the study were receiving an income from employment.

The level of income in the study overall was low, with 89% of clients in receipt of a net weekly income of less than €500. Further still, 77% of lone parent households reported incomes of between €100 and €300. This was the case for families with one and two children, as well three, four and even five children in several instances.

Lone parent households were slightly less likely than other household types to report problematic debts on cash sums borrowed from financial institutions or individuals. Where lone parents did report problematic debts they were more likely to be in the form of monies owed to less traditional credit sources such as moneylenders and on hire purchase agreements. Although lone parents had the lowest average household weekly income in the study, they showed a lower than average debt to income ratio, with their average total debt totalling twenty five times their average weekly income.

Where it was possible for MABS workers to pinpoint the possible trigger for debts and arrears, financial difficulties among lone parents were more likely to have been offset by separation or relationship breakdown. However, MABS workers were keen to point out that the key factor in the debt of most lone parents was inadequate income and this opinion has been corroborated by the research findings.

Chapter Four

Borrowing from Peter to Pay Paul

Outcomes from Lone Parent Discussion Groups

Introduction

Three focus discussion groups were organised as part of the study to explore opinions and perceptions of credit and debt systems in low-income neighbourhoods in the study area. Central to each discussion was a focus on dealing with Ireland's two principal energy supply companies, ESB and Bord Gáis. The women spoke of their own and others' experiences with regard to utility arrears and the solution of those difficulties. The subject of gas and electricity tariffs arose consistently. In that context, bill payment options were also discussed and in one session in particular this gave way to an information-sharing situation where the women advised one another on the method of payment least likely to cause serious financial shock to the household.

The women were also asked about their knowledge of starting up, and following through, on Maintenance Orders. The women were very familiar with the procedures for obtaining maintenance. They also had strong opinions on the rules and regulations governing Maintenance Orders.

Other emergent themes included the experience of budgeting in the context of low incomes and the cost of both childcare and schooling for older children. The women also spoke of certain events which were sure to trigger debt, although many were also keen to stress that such events were not necessarily out of the ordinary occasions or demands on their finances, but every day expenses which were difficult to meet and, when taken together, could push the subject into debt.

On many themes, the women's reactions and responses both corroborated and gave further interpretation to findings from the larger research survey.

Sources of credit / types of debt

Without exception, one response was returned when the women were prompted to engage in an initial discussion about where was the best place to avail of credit. In each of the three centres, the name of the same door-to-door finance company was unanimously agreed to be the most convenient and easiest to access source of credit.

The most appealing aspects of borrowing from finance companies, according to participants, were the speed with which you could obtain cash loans, the convenience of having it delivered to the door and the *no questions asked* approach of the lender. As one woman stated you could literally *give them a ring and within a few hours they're up at your door with the cash*. In fact, such finance companies were often the only option for participants and others in their social circle, as they required no bank statements, personal documentation or proof of earnings. In addition, banks were reported not to *even look at lone parents* and Credit Union lending criteria demanded that borrowers save regularly, which was virtually impossible for members of the discussion groups.

Nearly all of the women participants had used finance companies at some point, and even those that had not were very familiar with the modus operandi of home-collected credit. It was recalled in one session how, in the past, finance companies used to give cheques only, but thankfully cash was now available. The women also discussed the shopping vouchers, which were available for most of the local shops, *Argos* being a particularly popular one.⁷⁸ Some companies would only lend these vouchers to first-time customers. On successful repayment of the value of the voucher, customers could be up-graded to cash loans.

The women's attraction to this particular source of credit was based solely on ease of access to this form of credit and the convenience of home-delivered and collected loans and

⁷⁸ Argos is a large retailer of home furnishings, electrical goods, toys and jewellery.

repayments. The women were keenly aware of the high interest rates on the loans but, out of necessity, this huge disadvantage attached to this form of borrowing had to be overlooked. Users of door-to-door credit reported the payback on loans to be, in general, €125 on €100 or €600 on a €500 loan. However, the length of time over which people paid back these amounts was uncertain. For some, the money from the loan might only last a week or a few days, but by the time the loan was repaid *you might forget why you even borrowed it in the first place*. This situation was often compounded by the practice of *topping up* the original loan during the repayment schedule. The interest rates on loans were absolutely non-negotiable from the outset and potential borrowers had to accept that or go without the loan.

None of the women were entirely certain if there was a collection fee involved in any of the transactions. The finance companies had never provided, in their opinion, a detailed breakdown of the charges or explained the finer points of the loan agreements.

There was, however, a flip side to the convenience of not having to travel from home to repay money owed. The women agreed that Thursday or Friday was the usual collection day, and that collectors were especially vigilant in calling on *Child Benefit day*. The collectors were impossible to avoid and if they were to call and find a debtor absent, they would keep *knocking the door* all day and until quite late in the evening until they got a satisfactory response. Some women had received visits from collection agents from early in the morning, right up until nine or half past nine on a Saturday evening.

Participants felt that the finance companies kept a close eye on them. One woman had recently moved house. She had not passed on her new address or telephone number to a single person, not even a friend. The first phone call she received in her new home was from the finance company, wishing to confirm her new details.

One woman recalled a particular collection agent who made it very clear from the time of the signing of the agreement that he would be at the door at the same time every week and

that he expected her to be at home and to have her cash repayments ready and in full. The man was very big and the borrower was quite frightened of him. From then, she made it an absolute priority that, no matter what, she would have the repayments ready. In the end, it turned out the man was from the neighbourhood and actually *quite nice* but this did not stop the woman from finding the whole experience quite intimidating.

Other women also felt threatened by male collection agents calling to the house. They felt that the men were all too aware that they were lone parents and, as such, vulnerable and alone in their homes. One woman who felt particularly threatened had an abusive ex-partner. Her lack of confidence had prompted her to drill a small peephole in the door and she was very reluctant to open the door to anyone she didn't know. The participants felt that the collection agents were on commission and, therefore, had a vested interest in collecting all monies owed on time and in full.

An interesting dimension to the discussion was the unclear distinction people had between legal and illegal moneylenders. Most were unsure as to whether well-known, licensed and heavily advertised finance companies were, in fact, legal or illegal.

When it was established that the finance companies to which they were referring were actually licensed and legal, the women in two centres generally agreed that the practice of illegal moneylending was not as common in their area as in years gone by. However, the women were aware of places in town (Dublin city centre) where loans could be secured. The repayment would then be collected door-to-door in the same manner as the legal finance companies. Another woman in one centre referred quietly but frequently to obtaining a loan from a *loan shark* every Christmas as she could not possibly manage without it.

In one of the three areas it was asserted by participants that illegal moneylending remained widespread and pervasive in their area and that the illegal collection agents were generally local women. People got to know the moneylenders by word of mouth. The system was usually run from a different district. If, for example, there were ten borrowers in one area,

one of the ten would act as collection agent for the moneylender. She would collect the money every week from each of the borrowers, and deliver it to the moneylender in an outdoor car park in another district. In return, she would pay a slightly reduced rate of interest on her own loan. The women described the process as being somewhat *gangsterish*.

The mothers reported a variety of reasons for borrowing money from moneylenders – legal and illegal. Some borrowed to purchase essential items such as a new washing machine, blinds, lights for the house or a new pram. Others borrowed to fund events such as Christmas or First Holy Communion. Many more reported that they just could not get by on the money they had, and that often they would borrow money for nothing specific, other than to pay bills and *do a bit of shopping*.

Access to mainstream credit

The women's experiences of borrowing from moneylenders were closely tied to their lack of access to mainstream banks. In their experience, the only way to open a bank account was through a letter from an employer, FÁS or a Community Employment Scheme. Some women felt that arranging to have the monthly Child Benefit paid into the bank would encourage banks to open basic accounts for non-working lone mothers. Even with letters from these sources, banks required all potential account-holders to produce photo I.D. in the form of a passport or driver's license. Many of the women had neither. These experiences did not relate to any one bank in particular, the general opinion being that *all banks are the same*.

For those that had managed to open bank accounts in the past, the experience of trying to switch from a savings account to a current account, which would offer the customer extra facilities, was equally negative. In the end, the bank demanded so much of the time and energy of the consumer that she *gave up*.

An illustrative example of the difficulties experienced by lone parents in opening bank accounts occurred in one of the lone parent centres. Fourteen young mothers were to be paid an extra €30 per week for participating in a training course. The lone parent support

group tried to open bank accounts for the mothers in order to pay them this weekly sum. The bank requested that each person should ask at their local Garda station to have forms filled out on their behalf. The women were unclear as to what exactly was the content of these forms. Having tried three different Garda stations, they eventually managed to obtain the forms. The next hurdle was the request by the bank for each of the women to produce either a passport or driving license. None of the young women were owners of either. In addition, they were to show two bills each in their own name. This was not possible for those living with their parents or who only had bills in the name of a former partner. In the end, the lone parent centre and the women had to give up. The centre wrote individual weekly cheques for the mothers, who then offered them for encashment in local shops and paid a fee for this service.

Obviously, the lack of access to mainstream bank accounts meant that the women were not eligible for bank loans, which, in turn, forced them to borrow from less conventional sources such as finance companies and moneylenders.

Over generous credit?

At the other end of the scale, those who did have bank accounts, or those who knew people with bank accounts, felt that the banks were far too willing to hand out large cash loans to people who could not afford to pay them back. Pre-approved loans were offered to people by post, where customers had not even signalled an interest in obtaining a loan. Some women had received more than one pre-approved loan offer through the post from the same financial institution. Had she wanted to accept, the form simply instructed her to call into the branch and pick up the offer. Sometimes the loans were for large sums of money, and naturally enough, it was very tempting to simply sign the form, receive the cash and worry about the repayments later.

One woman described a friend, a mother of six, who was getting her child benefit paid into the bank every month. The monthly amount was relatively large (approximately €900), however, the bank did not appear to notice/check/care that the relatively large income was

the woman's only source of income. The bank phoned the woman and offered her a cash loan of €15,000. The woman accepted the offer immediately, although she had no direct means of repaying it. At that particular centre there was a general consensus that banks do indeed make it too easy for account holders to borrow money, but that should any of them be faced with a similar offer, they would almost certainly jump at the chance.

Women in a second centre also agreed that financial institutions generally are far too willing to offer large loans to people without means but they all agreed that when such offers arrive on their doorsteps, despite the temptation, they immediately tear them up and put them in the bin.

Credit Unions were dismissed as an accessible credit option in all but one of the centres. The onus on borrowers to save was considered an insurmountable obstacle for most of the mothers. In one of the centres, however, the women felt the credit unions were generally *very good*. The women had borrowed from the credit union for various reasons and had been able to borrow relatively large sums of money, which did not necessarily reflect their savings patterns. The borrowers were aware of the practice on the part of some people to open two or three credit union accounts and to borrow from each. This is technically not supposed to happen, but the Credit Union network in Ireland is not linked, and therefore, multiple account holders cannot be identified other than through self-disclosure.

Credit Cards

Participants in each of the group discussions felt that credit cards were too easy to obtain. One group reported that in the local shopping centre, credit card companies often advertised their products at stalls in the entrance way. The only details the company reps ever sought were applicants' names and addresses. By simply filling out a form with these few meagre details and with no proof of income, credit-rating or ability to pay, potential card holders could, in their opinion, secure credit cards with a start-off credit limit of as much as €4000. Although it was widely acknowledged that *they give them (credit cards) out way too easy*, most of the participants asserted that were the opportunity to present itself they would take up the offer of a credit card with any credit limit.

On the other hand, some lone parents had been refused credit cards when they had applied for them via different channels. This was generally the experience of those who had applied for them independently rather than in response to an advertisement or personalised offer. For those that had been refused, there was a feeling that perhaps they should have given false information on the application forms, as it was widely perceived that companies do not check up on the details anyway.

As with other sources of credit, the women were very aware that credit card accounts were a potential source of serious debt if not used carefully. It was put forward and agreed upon that the key way to use a credit card to your own advantage was by keeping it in credit and thereby avoiding any charges or interest payments. Failing that, the card should only ever be used for purchasing goods or services which the cardholder would be paying for anyway. The Central Bank calls this usage of credit cards in the wider population a medium of exchange or convenience credit.⁷⁹ The women were also aware that many of the initial low interest offers on new credit cards would lapse within a couple of months of activating the card.

One woman had felt that the convenience of a credit card would have suited her situation in particular. With small children at home, she thought that a credit card would be useful for paying bills over the telephone, rather than having to go down to the post office all the time. However, when she applied for one with a limit of €200, she was turned down.

Credit rating and blacklisting

A theme which arose, and which seemed to be of quite real concern to the women in of the centres was the issue of credit *blacklisting*.

One woman recounted how recently she had received a call from a debt collection agency at 8:30pm. The caller was phoning in connection with an €80 bill which the woman had genuinely forgotten about. She had received no warning about the bill up until the time of the phone call. As there had been no prior warning, the woman had not budgeted for the

⁷⁹ Kelly, J. and Reilly, A. (2005) 'Credit Card Debt in Ireland: Recent Trends' in *Central Bank Quarterly Bulletin 1, 2005*.

amount that week. She offered to pay it off a little at a time but the debt collector insisted that if she didn't have it within 24 hours her name would be placed on a credit blacklist. To the woman, who knew she would need credit in the future, this was a substantial threat and she therefore had to somehow find the money the next day.

Others described being *blacklisted* for credit and being compelled to use other people's bank accounts to pay by direct debit.

Catalogues and Mail Order Shopping

Most of the women in each of the centres had used catalogue shopping at some point in the past and planned to continue to do so in the future. Those that had not used them were very familiar with them through receiving advertising in the post and through neighbours and friends who used them regularly.

As with the finance companies, the same couple of large companies were well known to the women. In addition, in the different areas, smaller and seemingly more localised catalogue companies were in operation.

Catalogue shopping was found to be a convenient and easy way to purchase goods such as children's clothes and runners and basic household items such as bed linen, curtains and some electrical goods, which the women would otherwise not be able to afford. Again, the women were perfectly aware of the cost of using catalogues, not only due to the interest charged but also due to the collection fee charged by mail order companies. It was a source of wonder to the women how a collection fee could be charged when, in fact, there was no other payment option ever actually presented to those availing of credit purchases.

Utility Arrears

In each of the centres there was general consensus that electricity and gas charges pose quite serious difficulties for the bill payer. Some found the services prohibitively dear, for instance one woman could not afford to have an immersion to heat water as it was simply *too*

expensive. However, the actual rate or cost of energy was not in question so much as the system of meter reading. There was a general feeling that both utility companies behaved towards their customers in a slightly dishonest fashion. Although nobody could quite put their finger on anything specific, one woman spoke for everyone: *You know that they do be tricking you.*

People found that their meters (both gas and electricity) were being read very infrequently and that as a result, they were mainly paying estimated bills. Some felt that the companies in question were actually dropping cards in the door to say that they had called to read the meter but had found the house empty. The women insisted that this had happened on occasions when they had been in the house all day. One woman had waited ten months for her meter to be read. Then, suddenly, a meter reader would actually call and an accurate bill would be issued. Quite often these bills would be for very large sums of money and the women then faced arrears and possibly the threat of disconnection for non-payment.

The threat of disconnection was very real and a huge source of worry for women and their families. One woman had received a notice to inform her that her electricity would be cut off in four days' time. She *got into an awful panic* and rang the company only to be told there had been a mistake and that, in fact, she had actually overpaid them and her account was in credit. Another arrived home one day to find the electricity cut off, although she had no recollection of receiving any warning.

Yet another woman had actually been disconnected for non-payment of a bill. Despite this, and having gone without gas for months, the woman received a large gas bill at the end of the year as she was on *SuperSaver* rate. This particular payment option is cheaper than others but consumers must agree to use a certain amount of energy per year. Where customers do not use up this quota, they must pay the balance at the end of the one-year contract. With the help of the local MABS, without which she *would have been hysterical*, the woman managed to renegotiate a smaller payment.

Many of the participants used gas and electricity pre-paid meters. The sense of control over consumption that the pre-paid meters gave to the women was considered to be useful. One woman expressed a preference for a gas rather than electricity meter. The reason for this was that if she could not afford to put a pre-paid card in the gas meter, she could do without gas by getting out extra blankets for the family. She felt she could not manage in the same way without electricity.

The meters were not without their drawbacks. Firstly, even with pre-paid meters, women found themselves in arrears. This was widely believed to be due to a fault on the part of the ESB who had not updated the pre-paid meters at the introduction of the Euro or when prices rose. Consequently, users were being persistently undercharged. When the ESB discovered the problem, arrears were added to the relevant customers' accounts. This meant that anybody using a pre-paid meter, had to pay off arrears with the pre-paid cards in advance of paying for and receiving actual supply. The women felt this was grossly unfair in light of the fact that the mistake was made by the ESB and not the consumers.

A second point was largely unknown to the women. The rate per unit of gas on pre-paid gas meters is different to the standard rate. The pre-paid rate is actually more expensive per kWh but the supply charge is cheaper. This means that customers using pre-paid meters could actually end up paying more per annum than a standard rate customer if both were using an equal amount of gas. On realising that the rates for standard and pre-paid differ, the women felt that they should have been informed of the difference and given the option to choose one or the other. Many of the women had moved into houses in which pre-paid meters were already installed and therefore had no choice regarding their payment methods.

None of the women in the study who were using pre-paid gas meters could recall ever receiving a statement or invoice from the supply company.⁸⁰ This led the women to feel worried that they could not monitor their usage accurately and that if a mistake were to be made they would have no substantive way of proving it either to themselves or others.

⁸⁰ A communication from the Commission for Energy Regulation to the researcher states that Bord Gáis issue bi-monthly bills to customers allowing the customer to view the gas they have used, any pre-payments made and any balance outstanding. E-mail 25 February 2005

A final difficulty with the pre-paid system related to the supply charge which is charged to customers per day. Although it is lower than the supply charge for those paying the standard rate, it must be paid daily. If a consumer has not been using their gas and forgets to keep up with the daily supply charge (21 cent) then the next time s/he wants to put the gas on, the meter will first absorb the charge for all the missed supply days.

One woman described the pay-as-you-go system to the rest of that group. This system allows consumers to pay money off their gas bill at any time during any period. The customer is issued with an account card, which can be used in the post office to pay off a little at a time. This allows customers to pay off small amounts regularly. When the bill actually arrives the customer may find themselves with only a small sum of money remaining on the account, or none at all.

The discussion then turned to the credit purchase schemes available on certain electrical and gas appliances. Although both companies make some interest-free offers payable over twelve months, none of the women had ever found any of the offers to be on products suited to their needs. For instance, one young mother had recently tried to purchase a dishwasher from the ESB's *Shop Electric* catalogue but found that interest free offers were only available on the larger models, which would not fit in her kitchen.

NTL digital was criticised for its expensive and inflexible connection services. It was found that the company would only connect households with bank accounts so that a direct debit payment method had to be set up. Digital television was considered an almost essential service to *keep the kids happy* and occupied. For this reason, several of the women had to apply for NTL using somebody else's bank account facility for payment purposes, in the words of a participant: '*I had to use me ma*'.

The television licence was also an issue for some parents, especially when it arrived at the same time as other priority bills. One mother of two deaf children attending a special school pointed out that even her free TV license was *no good as there are hardly any sub-texts*.

Calling various companies could be a very costly business according to the mothers based on the experience of being put on hold for long periods of time. In addition, the response of telephone operatives was often to *make you think you are thick*.

Budgeting

All of the women described trying to juggle money, in effect they were permanently *borrowing from Peter to pay Paul*. This meant literally moving money from one earmarked brown envelope to another, trying to buy time on one bill in order to finance another. For instance, the money saved on gas bills in the summer would be used to buy clothes. In this context, the women *would worry terribly about getting into debt*.

No amount of juggling or budgeting, however, could make sense of this situation:

“It’s impossible. After rent, NTL, gas and electricity I have €100 left for the four of us for a week.”

For many women, no matter how much budgeting they undertook, they simply could not make ends meet and this led not only to debt but also to worry to an extent that it could seriously impinge on the health of the whole family:

“You don’t sleep well – you are always under pressure. The kids see you getting worried and they get worried. The children come over to comfort you like they were not children.”

Experience with Emergency Needs Payment

Encounters with Community Welfare Officers (CWO) and the system of emergency needs payments was, on the whole, reported as an extremely negative experience. Obtaining temporary Supplementary Welfare is inevitable following a claim for One Parent Family payments which can take up to three or four months to award.

The payment was no longer available for bills/arrears *no matter how much you begged*, which participants found very degrading.

One woman had sought help from the CWO on three separate occasions after she had separated from her husband. The CWO seemed to hold vast quantities of personal information about the woman but despite serious illness, s/he would not grant the woman any form of cash payment. Instead she was simply told to sell her home as it was too big for two people. Without good friends, mother and daughter *would have starved*.

A similar experience led one woman to assert that she would *never go to the relieving officer again, no matter what*. Another woman felt the same after the CWO had told her that they *only gave out money for fire, famine and flood*.

Maintenance and Fathers

Women in each of the discussion groups were very familiar with the legal and administrative intricacies relating to obtaining a Maintenance Orders for their children. It was widely agreed that the difficulty in obtaining a maintenance order or enforcing it was rarely worth the effort, especially in light of its consideration by the Department of Social and Family Affairs (DSFA) as assessable means when calculating the One Parent Family Payment (OPF),⁸¹ in other words if maintenance leads to payment being *stopped out of your book*. This situation compared unfavourably with the position of those on Community Employment Schemes whose extra income did not affect their OPF. Maintenance payments would also appear to affect the amount of rent payable to the local authority,⁸² again disincentivising the often-difficult pursuit of the payment. Mothers felt that *what you're gaining on the swing, you're losing on the roundabout*.

Despite assertions that it was *not worth pursuing* or *not really worth the hassle*, nearly all of the women had attempted to secure child maintenance as part of the DSFA's qualifying

⁸¹ Department of Social and Family Affairs *One Parent Family Payment SW 82 Information Leaflet*. Available at www.welfare.ie/publications/sw82.html (Accessed February 2005)

⁸² Dublin City Council (2004) *Rent Scheme 2004*. Available at www.dublincity.ie/services/2004rent.pdf (Accessed February 2005)

conditions for One Parent Family payments. These accounts invariably involved multiple visits back and forth to different offices or courts across the city, seeking a variety of forms and official documentation. As with dealings with utility companies, the problem of costly phone calls to different authorities was raised. In cases where the father had left the country, the women were still expected to prove they had sought maintenance from him. This could involve months of hard work, letter writing and paying for registered letters.

The father of one woman's child had been taken to court three times and eventually imprisoned because he would not or could not pay the €60 she had been awarded per week. Other women had been awarded much smaller sums of money such as €25 or €18 per week for two children and one child respectively. A lot of the women felt that the level of maintenance awarded *depends on the judge on the day*.

The pointlessness of pursuing maintenance in some cases was highlighted by one woman who pointed out that some men had children in *houses all over *****. If the mother of each child were to pursue maintenance, the situation would just become ridiculous.

The disillusionment, however, was with the system of maintenance orders, not with the idea of maintenance *per se*. There was a strong feeling that fathers should at least show financial responsibility towards their children and that it could really help to ease some of the burden on mothers.

"If their Da would only pay €50 a week it would help"

"If dads paid up I wouldn't be in the debt I am"

However, it was the difficulty in securing such small amounts, which would then be partly deducted from welfare payments anyway, which was deterring the women from pursuit of enforcement.

School costs

The overall cost of sending a child to school was a big source of worry for lone parents. Mothers spoke of the price of footwear and clothing, including special school uniforms and school-crested sportswear. A huge bone of contention was the fact that despite spending large sums of money on uniforms and school bags, they were often of poor quality and had to be replaced regularly. The Back to School Allowance provided by the DSFA was not considered sufficient to cover the real or actual cost of school. On top of the clothes, of course, there were books to be bought and the all-year round expenses of bus fares and lunch money.

The mothers of older children spoke of the extra expenses incurred by pupils in exam years. Below is a list of the fees cited as charged to sit various state examinations.

Leaving Cert	90
Leaving Cert Applied	90
Junior Cert	86
Repeat Leaving Cert	236
PLC (per subject)	56

While these fees are payable by all state examination candidates (Medical Card holders are exempt from exam fees), and this was understood by the parents to be *fair enough* there was more concern on the part of some that certain schools also charge students to have their *Mock* examination papers corrected by an examination centre extraneous to those schools. This practice was adding a significant financial burden to already struggling families.

Finally, women in one centre spoke of yet another school-going cost. This was the request by some schools that each child pay a *re-registration* or *re-entrance* fee (€40 in that area, but can be up to €100) at the start of each school year. A fee was being charged in both non-fee paying secondary and community schools in that particular area of Dublin. Mothers described the request for the payment coming in a form resembling a *bill*.

Women were not aware that although it is now quite common practice for schools to try to compensate for under-funding by asking parents for a registration fee, this is not a compulsory charge. In fact, under the Education Welfare Act, 2000, there are very specific regulations to be followed before a student's name can be removed from a school register. School therefore cannot ask parents to re-register students and ask for a fee to do this. In fact, schools are only entitled to ask for a voluntary subscription or a refundable booking fee as was made clear by then Minister for Education and Science, Noel Dempsey, in June 2003:⁸³

"Voluntary contributions by parents...are permissible...provided it is made absolutely clear to parents that there is no question of compulsion to pay and that, in making a contribution, they are doing so of their own volition."

"Parents in the group, however, were under the impression that they were obliged to pay the fee and that it was charged for insurance purposes."

Childcare

The cost of childcare was reported to be a serious obstacle to women wishing to work on the open labour market or to engage in training or education of any kind.

One woman had taken a job and found a crèche for her one child. The crèche was costing half a week's wages and with no extra tax credits available, added to the cost of going to work (bus fares, lunches, clothes), the balance at the end of the week was simply not worth it. The financial burden simply added to the frustration of the days when a child was unwell and could not attend crèche. This had led to arguments with employers and extra stress for the mother. The final straw came with an increase in child benefit, the prompt response to which was a corresponding increase in childcare fees. This practice was corroborated as common by other women in the same group.

⁸³ Dáil Debates, Tuesday 10 June 2003. *Second Level Fees*. Available at www.gov.ie/debates-03/10Jun/Sect6.htm

Some of those mothers who did not work outside the home would also have liked for their child(ren) to attend a crèche, even for a few hours a week. They felt it would benefit them both educationally and socially. Once more, the cost was entirely prohibitive.

Events which may trigger debt

The women spoke of occasions such as Christmas and First Holy Communion as potential triggers for debt. Both events were seen to be extremely expensive to fund, with Holy Communion for girls potentially costing €1000 for the shoes and outfit alone.

Christmas was described as being equally expensive, particularly when compared with when the mothers themselves were growing up, *'I can never even remember getting an outfit for Christmas'*. Now, however Christmas had become *'very depressing... you'd have been saving all year...you are under pressure'*.

Despite all the women agreeing that, yes, big occasions were costly and potential triggers for debt, they were all careful to point out that the onset of debt could rarely be pinpointed to one event or point in time. In reality, the daily demands on parents' financial resources meant that debt was a constant threat to many families. Even a sum of €5 for an unplanned expense could be impossible to come by and if all the little demands were added up, then it is obvious that it is very easy to succumb to serious debt. Particular examples were extra-curricular classes or hobbies for children and treats such as the cinema were often out of the question.

The perception of MABS

One centre returned an extremely positive reaction to the services of the local MABS. Participants who knew of the work of MABS agreed unanimously that they would, in the first instance, advise anybody with money difficulties to make an appointment.

Friends and acquaintances who had used MABS in the past had found that even just one visit had the effect of *lifting the weight and worry* and had even *built confidence*.

Relationship between the findings from the discussion groups and the research survey

- The main source of credit cited by the women was finance companies and illegal moneylenders, the lines between which were blurred. Lone parents in the survey research were more likely than any other household type to use moneylenders
- The women found catalogue shopping and hire purchase to be an expensive means of procuring essential electrical and white goods. In the survey, lone parents were more likely to than others to owe money on hire purchase agreements
- The women's lack of access to mainstream credit is backed up by the results which show lone parents to be less likely to be indebted to banks, credit unions or credit card companies
- Gas and electricity bills were a huge source of worry to the women participating in the groups. The larger survey revealed that lone parents were more likely to be in arrears on essential service payments than other household types
- Lone parent discussion groups found that while events such as Christmas and Holy Communion could contribute to debt problems, day-to-day living itself was as big a source of debt. Debt triggers for lone parents in the survey were more likely to be life-changing events such as separation or a new baby
- The survey revealed that lone parents were living on very low incomes, with 54% of lone parent households having a weekly net income of between €100 and €200. Lone parents in the discussion groups spoke of struggling on very low incomes
- While some of the women in the discussion groups were working outside the home, for the most part they were not. The women spoke of the cost of childcare as a serious obstacle to their participation in the open labour market. The survey found that 63% of lone parent MABS users were financially reliant on social welfare benefits only.

Chapter Five

Research Findings

Findings from the literature review and method of research

1. There is now an emerging literature available on excessive indebtedness and low income, debt management and disadvantaged households and debt settlement systems. This literature is available in the English-speaking world, but little of it is being generated in Ireland.
2. The Money Advice and Budgeting Services (MABS) place Ireland ahead of many countries in the provision of walk-in, independent, face-to-face advice. Ireland is not ahead, however, in terms of legal debt settlement systems.
3. While mortgage debt is a major theme in public policy discourse and concerns, mortgage debt is not a major theme among disadvantaged populations according to this study.
4. In terms of testing research methods for a study of debt/disadvantage, the client files of MABS provide an effective secondary source data set on key variables such as debt/income ratios, types and duration of debt/arrears and household profiles.
5. A range of MABS offices combine to provide a geographical spread of slightly different household economic and social circumstances: local authority housing estates/flats complexes or settled and new areas.
6. The subject of this research – excessive indebtedness – was widely recognised as a valid and necessary area of research. This created goodwill towards the research process.

Findings from the research survey

7. The myth of *poor money management* was not sustained as a cause of debt among households in the study.
8. Lone parents living on welfare payments were a majority of households in the MABS study and were effectively 100% woman-headed households.
9. Among all the indebted clients in the study, 49% had incomes of only €100 to €200 a week. This was true for 54% of lone parents households in the study. This compares with an average industrial wage (2004) of €562.21 a week or a minimum wage (40 hours, 2004) of €280.00 a week.
10. The low incomes combined with an absence of physical assets, such as a house, placed almost half the surveyed clients in a situation exposed to permanent indebtedness.
11. Most households had been in financial difficulties for 10 to 12 months before presenting themselves to MABS.
12. Lone parent households had a different debt profile from other households of one person, two persons or two adults with children.
13. Lone parents were slightly less likely to be in debt with financial institutions and more likely to be in arrears with utility and other household suppliers. Utility arrears also affected other two parent households.
14. Where lone parents are in debt to financial institutions, they are more likely to be using home-collection credit or illegal moneylenders than mainstream providers.
15. In terms of age, lone parent households were younger than other households and fell into the 25 to 34 age group.

16. Lone parent households were not so *deeply* in debt compared with other household types (low income = lower debt). The absolute amounts owed were therefore lower.
17. As users of home collection credit, moneylenders and hire purchase agreements with extremely high interest rates, lone parents pay more for their debt than other households.
18. A factor frequently cited by lone parents as a trigger for debt was the moment when a household broke up and a couple separated.
19. The study found that catalogue buying was not a significant factor in debt. This form of debt has been found in other overseas studies.
20. Among lone parent households in the study:
 - 59% were in arrears with the ESB
 - 31% were in arrears with gas
 - 36% were in arrears with local authority rent
 - 29% were in arrears with telephone companies
 - 18% were in arrears with NTL TV cable company
21. Average size of arrears of a lone parent household was: €1,092
The average size of credit-based debt was €7,862.75
22. The debt/income ratio of lone parent households was lower than for other household types.

Findings from the discussion groups

23. Many families on welfare do not have access to, or have been refused access to, mainstream banking.
24. Low-income families outside of mainstream banking have difficulty distinguishing between legal and illegal home-collected credit operating in their neighbourhoods.
25. Lone mothers see little point in enforcement of maintenance orders against fathers with several children to support or against fathers who have left the country. The perceived impact of maintenance awards in reducing the one parent family payment or increasing the differential rent, also contribute to a negative perception of the value of child maintenance enforcement.
26. Utility companies in Gas and Electricity are not seen as being altogether transparent in their dealings with low-income parents using meters. Meter using households seemed unaware of different charges for gas. The practice of meter using households building up arrears seems especially bizarre, as does the practice of not invoicing or issuing statements to prepaid metre users.
27. The practice of secondary schools seeking voluntary contributions from parents as a *registration payment* and charging for the correction of examinations appears to be contrary to the spirit of the Education Welfare Act, 2000 and the important School Retention Programmes of the Department of Education and Science.
28. The unsolicited offering of credit cards and credit to families living on welfare and without bank accounts appears to be an imprudent practice, which might be reviewed by the Irish Banking Federation.

Chapter Six

Recommendations

Department of Education and Science and the Chairperson of the Board of the National Education Welfare Board

- The Secretary General (SG) of the DES and the Chairperson of the NEWB should again formally advise that schools may not exercise moral, social or other pressures on parents to make so-called voluntary contributions to free schools and should immediately desist for the school year 2005-2006 from referring to these charges as *re-registration fees* or *subsidies to school insurance* and from issuing requests for voluntary contributions that resemble compulsory invoices.

Department of Finance, IFSRA and Financial Services

- The Department of Finance, IFSRA and representative bodies of financial service providers should explore a method of verifying the good standing of potential bank customers without requiring them to attend at Garda stations for certificates or other verifications that they are on the electoral register. This recommendation is associated with IFSRA Consultation Paper 10 of 02.05.

Department of Social and Family Affairs

- MABS and OPEN should prepare a Note and seek a meeting with the SG of the DSFA with a view to communicating the very disproportionate representation of lone parents among MABS clients and the associated debts, in the form of arrears to other public bodies, arising from their inability to meet routine utilities payments and living requirements, from their weekly payments.
- MABS and OPEN should prepare a short memorandum on excessive indebtedness among recipients of social welfare and seek a meeting with the Secretary General of the Department of Social and Family Affairs to advise the SG of the adverse effects of some of the practices of the ESB and Bord Gáis on publicly funded and publicly advised social welfare recipients – clients of the Department.

- In light of the recent judicial decision (PIAB 25.01.05) that it is reasonable for plaintiffs to be legally represented in civil proceedings in their dealings with insurance compensatory bodies, the practice of requiring social welfare claimants of OPFP to seek Maintenance Orders without legal representation should be immediately discontinued. The Secretary General should communicate to the Review Group on OPFP and the Minister that the practice may be open to challenge and that the requirement to pursue such an Order is beyond what one may reasonably expect a layperson to do unrepresented.

Irish Bankers' Federation and the Irish League of Credit Unions

- The IBF, the ILCU and other bodies representative of financial service providers should undertake a pilot initiative to offer a *basic* banking service to unbanked segments of the population and focused on disadvantaged areas as measured by the RAPID Programme, the CLÁR Programme or the ADM Area Partnerships. The initiative should be classed as an exercise of Corporate Social Responsibility.

Irish Financial Services Regulatory Authority

- The practice of some financial services providers inside and outside of Ireland of offering unsolicited loans or credit to the general public who are not customers of similar products in their service range, should be regulated and restricted in scope. This recommendation is associated with IFSRA Consultation Paper 10 of February 2005.

Irish Financial Services Regulatory Authority and the Civil Law Division of the Department of Justice

- The Financial Services Regulatory Authority and the Civil Law Division of the Department of Justice should prepare a joint position paper to explore evidence of illegal money lending and the additional measures (if any) and evidential tests required to prosecute such practitioners where the phenomena is identified.

Irish League of Credit Unions

- The ILCU should take steps to ensure that it is not effectively possible for a single individual or household to hold several Credit Union accounts in different offices, against which multiple loans are issued against the same savings/income as security.

Local Authorities

- MABS and OPEN should communicate to the local authorities of the greater Dublin region the results of this study and commend those that have developed a reasonable and graduated debt settlement system for handling arrears of rents among tenants.

MABS NDL

- The level of social welfare cash payments to lone parent families with minor children is inadequate to prevent a proportion of them falling into a state of rolling indebtedness. The majority of such parents are women and the majority of their debt is in the form of arrears. In light of this finding, MABS NDL should review strategies and communication to bring the facts of feminised indebtedness to the attention of selected decision makers.

MABS NDL, OPEN and the Department of Social and Family Affairs

- This research study highlights the need for the construction of a medium level research agenda, forming the *head of bill* for a research programme. Among the agenda items will be annual monitoring of MABS client/debt data on a national level, the role of arrears in discouraging labour market participation of lone parents, the efficacy of the IFSRA Code of Practice in offering protection to the poor from predatory lending.

Office of the Director of Consumer Affairs

- MABS and OPEN should engage in dialogue with the Director of Consumer Affairs with a view to developing an advice to An Bord Gáis in relation to the billing and non-billing of all its customers.

Appendix One

Glossary of some terms used

APR	Annual Percentage Rate – a percentage to show the amount of interest and other fees a person pays each year to receive a loan.
Collection agent	A term used in some housing estates and also by financial businesses to describe a person who collects loan repayments from private houses. In everyday language the use of the term may be attributed to a licensed money-lending agent or an illegal moneylender.
Debt trigger	A negative event, within a longer or shorter time period, which combined with other significant experiences, pushes an individual into serious debt or/and arrears.
Differential rent	A system of calculating accommodation rents, in law, implemented by local authorities, to charge rent calculated with reference to a household income rather than the open market value of the property. As income rises, rent can rise too.
A parent effectively alone	A parent of a dependent child, whose partner cohabits with the mother on an unpredictable and sporadic nature and may/may not be the parent of the child and is not the provider of household income. The partner may be ill, suffering from substance abuse, in prison, abroad, may himself be a minor child or be heading a second household.

Excessive indebtedness	A qualitative feeling or objective measurement, or combination of both, which establishes the wide gap between a person's outstanding debts and arrears which are due for repayment, and their income.
Financial exclusion	A combination of two or more factors impacting on an individual or category of persons associated with their use of financial services outside regulated/licensed or mainstream banking.
Home collected credit	A sub-sector of providers of financial services, licensed and regulated by the Irish Financial Services Regulatory Authority, and amongst whose services is that which delivers loans and collects repayments at private dwellings, frequently to individuals with no security.
Illegal money lending	A financial service, running in the style of a business, offering loans to individuals, who often offer no security, usually at private homes, and which fails to apply or obtain a money lending license under the Consumer Credit Act, with the Irish Financial Services Regulatory Authority and be approved for a license and operates outside reformed legislation of 2003.
Maintenance Court Order	A judgement delivered by the judiciary in the District or Circuit Court, under the Family Law (Maintenance of spouses and children) Act, 1976 that a parent, male or female, is liable to financially maintain one or more of their dependents and fixing the monetary value of that financial support and the frequency of payment.

Micro-finance	Loans, savings and finance designed, developed and targeted at low income groups and favoured by the United Nations as an anti poverty instrument.
Security	An object of value like a house, or car or music system that a person allows a lender to sell to pay of debts which the borrower cannot repay when repayment is due.
Shopping vouchers	A money lender may offer borrower customers shopping vouchers for specific shops instead of cash. The value of the vouchers are paid off like a loan. Vouchers are lawful and often used to <i>test</i> the capacity of a borrower to repay.
Top-up loans	A second loan taken out to pay off the first loan. In practice a top-up loan may be <i>rolled into</i> the first loan. Top-up loans are not permitted by the Irish Financial Services Regulatory Authority and are illegal.
Unbanked	An individual or category of persons who holds no current or savings account in a bank, building society, credit union or the Post Office.
Unsolicited credit	Offers of loans, including so-called pre-approved loans, including apparently unsecured loans, to individuals by letter to their home, where the individual has expressed or recorded no specific interest in such a loan and is not a customer of the Bank or if a customer, has not enquired about a loan-related range of services.

OPEN (One Parent Exchange & Network) the national network of local lone parent self-help groups represents the diversity of interests of lone parents, particularly those living in/or at risk of living in poverty, and promotes their inclusion and progression within wider society.

Our core objectives are:

- To strengthen the capacity of member groups to provide information, services and supports for lone parents living in their communities
- To campaign for policy change that recognises family diversity, supports access to appropriate public services, sustains economic independence and improves the quality of life for lone parents and our children.

Lone parents in poverty or at risk of falling into poverty are at the centre of OPEN's concerns at all times. OPEN envisages the enhanced inclusion of lone parents in wider society. This approach is realised by:

- A Board of Management made up exclusively of lone parents
- Production of relevant, timely and useable information
- High quality supports for OPEN member groups
- Contributing to policy development and implementation
- Partnership and consultation with community and voluntary sector groups and others who share a similar policy agenda
- Partnership and consultation with statutory agencies, which support or provide services and facilities for one-parent families
- Research and policy analysis informed by the reality of the lives of lone parents in our groups

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