

# The *freedom* report

The importance of debt advice in building financial capability and resilience to stay free of problem debt.

A comparative look at the lasting impact of Christians Against Poverty's debt counselling work through Debt Management Plans and Debt Relief Orders.



Lifting people out of debt and poverty

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## *freedom, n.*

The state or fact of being free from servitude, constraint, inhibition, slavery, imprisonment etc.; liberty.

# Contents

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- 6** | Foreword
- 7** | Executive summary
- 8** | Meet Kylie
- 10** | CAP explained
- 12** | Introduction
- 13** | Summary of findings
- 13** | Conclusions
- 14** | Key statistics
- 17** | Detailed findings
  - 17** | Staying debt free
  - 18** | Maintaining financial capability and building financial resilience
  - 20** | Feeling in control
  - 22** | Achieving positive outcomes
  - 24** | Sharing with social networks
  - 26** | Using credit responsibly
  - 28** | Reconciling relationships with financial services
  - 30** | A more detailed look at repeat problem debt
- 32** | Methodology
- 34** | More information about the CAP Money Course

# Foreword



Justin Welby

Christians Against Poverty (CAP's) work in helping people to get free of the prison of debt is something I feel passionately about. It is easy to imagine that someone living with poor finances will always be in that state, that poverty is too big a problem for us to tackle. This report is significant and encouraging because it shows that if someone gets the right level of support, they can conquer their debt problems. Not only can they become debt free, but also stay in the black, without the need for high-cost credit, successfully managing their household finances for years to come.

As a society, we have a duty to support those among us who are vulnerable and in need. As Christians, we see this demonstrated most clearly in the life and works of Jesus Christ. CAP embodies this value. Having seen them at work and how effective they are, I wanted to become a patron and show them my support. They are highly professional and deeply committed to the work they do to help people of infinite value find the way forward. They reach out to the poor and marginalised, work to build community and their work is infused with a deep generosity of spirit.

I have seen firsthand the difference CAP's help has made to tens of thousands of individuals and families across the UK. They tackle the issues where they really exist. Going behind closed doors, they take the time to recognise and understand each person's individual circumstances and needs. They go to people's homes, not only to give them advice and guide them through the process, but to give them a sense of ownership and liberation too.

This report shows the impressive success of their work in bringing freedom and that this is an organisation worth taking note of. It tells us that no matter how hopeless a situation can first look, significant change and transformation is possible.

As you read this report, I hope you will be encouraged by the life-changing freedom that can be achieved and be prompted to find out how you can play your part. As CAP marks 20 years since it first began helping those struggling with debt, this report is a wonderful way to celebrate the remarkable work CAP does in partnership with the church across the UK.

Most Revd and Rt Hon Justin Welby  
The Archbishop of Canterbury  
Patron of Christians Against Poverty

# Executive summary



Matt Barlow

As we celebrate 20 years of Christians Against Poverty (CAP), we continue to set our sights not just on relieving the pressure of debt, but seeing clients become completely debt free. Consistently, our annual client surveys tell us that over 90% found CAP's debt help service 'life transforming' or 'a great help'. This report goes one step further, finding that an outstanding 93% who become debt free, remain free of problem debt over the longer-term.

Becoming debt free is a fresh start. Despite an average annual household income of just £14,511, 85% of people still felt in control of their finances several years after becoming debt free and 46% had built up savings. As well as increased financial resilience, we also identified signs of greater financial capacity amongst debt free clients with 82% still using a budget, 74% using no further credit and 93% reporting they have a positive relationship with their bank.

Beyond the transformation in their own lives, the skills learnt through working with CAP had also been shared widely with friends and family. It is exciting to see our work having a ripple effect across communities and generations.

There was a clear difference between clients who had become debt free through a Debt Relief Order (DRO) and those who repaid their debts over a longer period through a Debt Management Plan (DMP). Although not in terms of their financial capability (82% still use a budget). Despite having low income and receiving support from CAP for a much shorter period of time, overwhelmingly DRO clients also remained free of problem debt (91%) and in control of their finances (78%).

DRO clients displayed lower levels of financial resilience (20% have savings compared to 69% of debt management plan clients). This was also reflected in them being more likely to feel a bit uncertain about their finances (17% compared to 5%). Consequently, this raises questions around the wider support that is needed for those living on the lowest incomes to protect their financial wellbeing.

The experiences of the handful that did find themselves in repeat problem debt supports the need for our other services, CAP Job Clubs and CAP Release Groups, to tackle the wider causes of debt. This research also highlights challenging circumstances outside clients' control, such as benefit changes. Wider discussions are needed to see that the challenges that living on a low income throws up, are made easier to navigate.

As we continue to do all we can to meet the needs of the most vulnerable and those on the lowest incomes, this research means we can be confident that, no matter the route out of debt, our service is providing sustainable solutions. This means that when we phone a client to tell them that they are debt free, we know that it's a long-term sustainable solution, not a short-term fix.

Matt Barlow  
UK Chief Executive

Dawn Stobart  
Director of External Affairs

# Meet Kylie

Mum, partner, debt free

A few years ago I was a single mum looking after my three children, who were all under the age of six. I didn't understand how to budget and often overspent. Doorstep lenders lured me in and I didn't seem to have the knowledge or the willpower to resist them. This ultimately meant that I fell into a lot of debt.

Behind on the gas and electric payments amongst other things, I found myself unable to afford to heat the house. I was skipping meals to make sure the children had enough. I couldn't afford to send them on the school trips all their classmates were going on. I was battling with anxiety and depression triggered by the stress of the debt. It was a very dark time. I was so lost that I buried my head in the sand and hoped the problem would somehow fix itself.

Through volunteering in a local charity shop, I got talking to one of the ladies who also worked there - she happened to be a former client of CAP who had gone debt free. She told me that she had been where I was and that I should go to CAP for help. At first I was too ashamed - I didn't see why they would want to help me.



But that wasn't the case at all - the people from CAP were just the loveliest bunch. They came out to visit me and took the time to explain everything. They didn't act like they were better than me and made me feel so comfortable in my home. From then on I felt like I had a constant hand to hold and a weight was lifted off my shoulders.

I was even given a food hamper which was a blessing because I had so little in to feed my family with. That freed up a bit of money to start paying off my debts and getting back on track. I was given a direct number to ring and told I could get in touch anytime. Having felt so alone and lost in my predicament, the reassurance that someone was there on my side was incredible.

## Since the DRO, I have learned how to properly budget.

Working with CAP was a really transformative experience for me. Since the Debt Relief Order went through and I became debt free, I have learned how to properly budget and structure my spending. I feel like I have control over my money and that's new! It's amazing how little changes can make such a difference to your whole life. The children's dad, Gareth, and I are now back together and welcomed our fourth child in 2014. Our family is so much more settled now and you can just tell we're all so much happier - we're always smiling!

# christians against poverty explained

CAP is a nationally recognised charity working in partnership with over 500 churches across the UK to help the most vulnerable find freedom from debt and its causes.

## CAP's clients

Over half of CAP's clients live below the poverty line, with 37% relying solely on benefit income. As a result, low income is the top reason for debt, and clients owe £13,973 on average when seeking help. As the average annual household income is just £14,511, this means that CAP's clients are severely over-indebted when seeking help.

However, debt is commonly a secondary problem. Predominately, there are other challenging personal circumstances such as ill health, or life events like unemployment and bereavement, which reduce clients' capacity to manage their finances. These circumstances mean clients often lead chaotic lives and debt easily spirals out of control.

**36%**

thought about or attempted suicide due to debt.

**7 in 10**

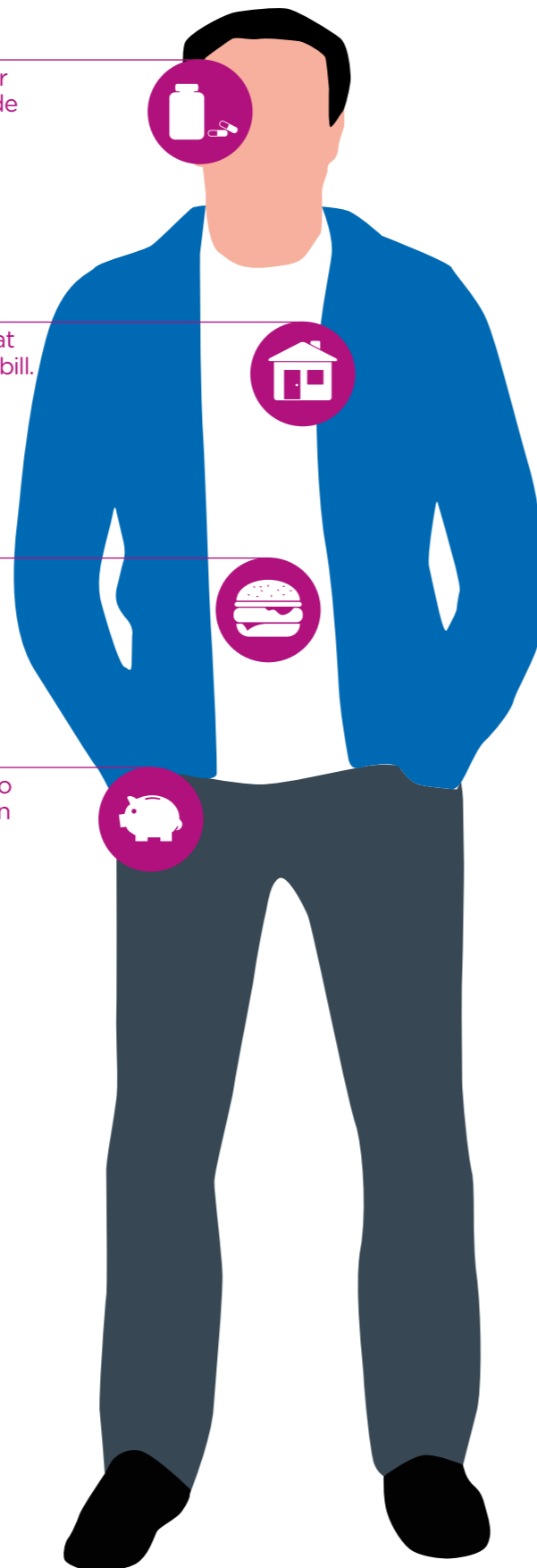
fell behind with at least one priority bill.

**2 in 3**

sacrificed meals due to debt.

**87%**

had no savings to fall back on when facing financial difficulty.



## CAP's service

Through a holistic set of services, CAP offers both practical and emotional help to those struggling with debt, unemployment and addiction. All CAP's services are free, delivered face-to-face and designed to accommodate the needs of the most vulnerable.



### CAP Debt Centres

Free, face-to-face debt counselling meeting the needs of the most vulnerable.

CAP provides in-depth debt counselling to support and empower individuals struggling with unmanageable debt to become debt free. CAP's service is geared to accommodate those with complex needs and a level of vulnerability that extends beyond their financial situation.

Clients are visited at home and time is taken to understand their individual circumstances and meet any immediate needs, for instance an emergency food shop. They receive initial debt advice in a subsequent home visit, followed by support until they are debt free, from CAP's head office. While working with CAP, negotiations and payments to creditors are handled on the client's behalf and they can receive ongoing reassessment as their circumstances change. For many, the personal connection they build face-to-face continues to be a lifeline throughout their journey out of debt, and can be drawn on when circumstances mean clients require extra support.

This model is only possible because of over 3,000 frontline volunteers and 27,000 individuals who support CAP financially, allowing us to provide a high quality service that meets the needs of the most vulnerable.



### CAP Job Clubs

Friendly, practical support to step confidently into employment.

CAP Job Clubs offer comprehensive support to equip those at a considerable distance from employment with the skills and confidence they need to step back into work. Meeting on a weekly basis, this involves three elements run in parallel: an eight-week employability and job search training course, regular one-to-one coaching from a trained CAP Job Club Coach and time spent building community with other members.



### CAP Release Groups

Support groups to find freedom from life controlling dependencies.

CAP Release Groups provide support to find freedom from life controlling dependencies such as drinking, smoking, gambling or internet addictions. Inspired by the *Twelve steps of recovery*, CAP Release Groups help members tackle the root causes of their dependency in an encouraging group setting and through one-to-one coaching.



### CAP Money Course

A free, short course that makes managing money simple.

CAP is the largest provider of free, face-to-face, adult financial education in the UK, with over 11,500 people attending a CAP Money Course each year. The CAP Money Course is a, short money management course helping people to budget, save and spend wisely. For more information see page 34.

# Introduction



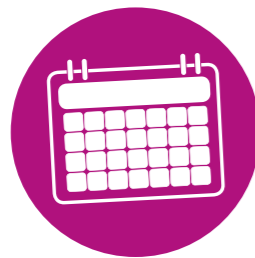
Clients remain free of problem debt following CAP's support over the longer-term, with DROs an equally sustainable debt solution.



Financial education and rehabilitation can be provided effectively during the shorter period of time DRO clients work with CAP.



Clients still feel in control of their finances several years after becoming debt free, but those granted a DRO are slightly more likely to feel uncertain.



Several years on from becoming debt free, clients have increased financial resilience and saving compared to the point of falling into financial difficulty. Low income, however, means that those granted a DRO continue to face significant challenges saving.

Beyond lifting the pressure and stress that unmanageable debt brings, CAP's debt management service has always been strongly focused on helping clients completely resolve their financial difficulties and become debt free. However, to be truly transformative, debt management needs to ensure clients do not slide back into problem debt once they are no longer receiving ongoing input into their financial management.

As a result, long-term sustainability has long been a key concern. CAP's service therefore, has been carefully developed to equip clients with the financial capability skills they need to manage their money and navigate future financial shocks. For instance, clients are encouraged to adopt healthy money management habits, and save as part of their Debt Management Plan (DMP). Financial education is embedded throughout the service. In addition, clients are encouraged to attend a CAP Money Course, CAP's free financial education course, which teaches simple money management skills and techniques.

In 2012, research found that 96% of debt free clients surveyed had stayed debt free. This report follows on from that original research, looking in more detail at whether the long-term effectiveness of debt advice varies, depending on the route out of debt taken.

Half of those who received debt advice from CAP in 2015 required an insolvency option. Seven in ten of these clients were eligible for a Debt Relief Order (DRO), a form of insolvency available to those with debt balances under £20,000, less than £1,000 in assets and with disposable income below £50 a month. As well as typically being the best route for those on the lowest incomes, this is also on average the quickest route to become debt free. This means that these clients have less time to receive financial education whilst working with CAP.

This raises concerns that those who go through a DRO will not have enough time to build up the skills to manage their finances well once debt free, time which they would have had on a DMP. This research sets out to explore whether this has an impact on the long-term effectiveness of the debt advice, and whether DRO clients are more susceptible to repeat problem debt.

To do this, this research compares the outcomes of 214 clients surveyed at least twelve months after becoming debt free through CAP. 102 of these clients had been granted a DRO within 200 days of working with CAP and 112 clients had repaid their debts through a DMP for a minimum of a two-year period.

# Summary of findings

The vast majority of both DMP (95%) and DRO (91%) clients had remained free of problem debt (p17). There was no significant difference between the two groups and overall 93% did not consider themselves to be in unmanageable debt (p17). High levels of budgeting (82% - p18), responsible credit use (87% - p26) and saving (46% - p19) complemented this, suggesting that financial capability and resilience had been improved.

There was, however, a significant difference in how in control of their finances the two groups felt (p20), despite no difference in the proportion that still used a budget (82% - p18). 91% of DMP clients felt in control, compared to only 78% of DRO clients. Significantly fewer DRO clients had also been able to build up savings (20% compared to 69% - p19). Furthermore, despite being more likely to not feel in control of their finances, DRO clients showed a greater reluctance to use credit (p26). 15% had used credit since becoming debt free, compared to 36% of DMP clients. A greater proportion of DRO clients who had used credit also reported problems making payments (27% compared to 8% of DMP clients who had used credit), but this was not a significant result, and overall 87% of all clients who had used credit had remained free of problem debt.

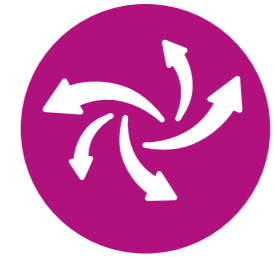
As a result, it seems more credible that the observed differences between the two groups are due to those granted a DRO being more likely to face challenging circumstances, especially low income. This seems more likely than the high speed of debt relief through a DRO leaving clients less well equipped to remain debt free.

Due to low numbers it is difficult to draw conclusions on why problem debt had reoccurred for a few respondents. Low income was the most common reason given, especially amongst DRO clients (p31). It is clear that life is not necessarily easy for clients after becoming debt free, with several citing challenges such as living on a low income, job loss and benefit changes having adverse impacts.

In most cases where problem debt had reoccurred, levels were relatively low (less than £1,000 for 50%) and in half of cases it was only from priority arrears, rather than from taking out credit. As 77% still used a budget, it also appears that the cause was not lack of budgeting but again, wider circumstances. However, despite being in repeat problem debt, these respondents also felt predominately in control of their finances (43%), suggesting that debt advice had left them with skills to manage their situation better than they had been able to beforehand.

# Conclusions

Overall, the findings are encouraging, showing the transformative effect of CAP's service for clients and their social networks (p24). DROs were found to be an equally effective long-term debt solution, and to provide enough opportunity to build financial capability. Nevertheless, the research raises concerns about wider external challenges faced by clients, which impact their ability to remain free of problem debt.



The skills learned through CAP's service are considered valuable and have a ripple effect on the financial wellbeing of clients' social networks.



Most do not use credit after becoming debt free, with those who went through a DRO most reluctant or unable to obtain it.



Where credit is taken out, it is predominately managed well with repeat problem debt only affecting a handful.



Repeat problem debt is rare, but where it does occur this happens quickly and often only through priority arrears. This appears to be the result of wider circumstances rather than a lack of budgeting skills.

# 93%

remain free of problem debt (p17).

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### 85%

still feel in control of their finances several years after becoming debt free (p20).

### 93%

have a positive relationship with their bank (p28).

### 3x

There was a threefold increase in the proportion of clients with savings (p18).<sup>1</sup>

### 38%

with savings have saved over £1,000 (p19).

### 62%

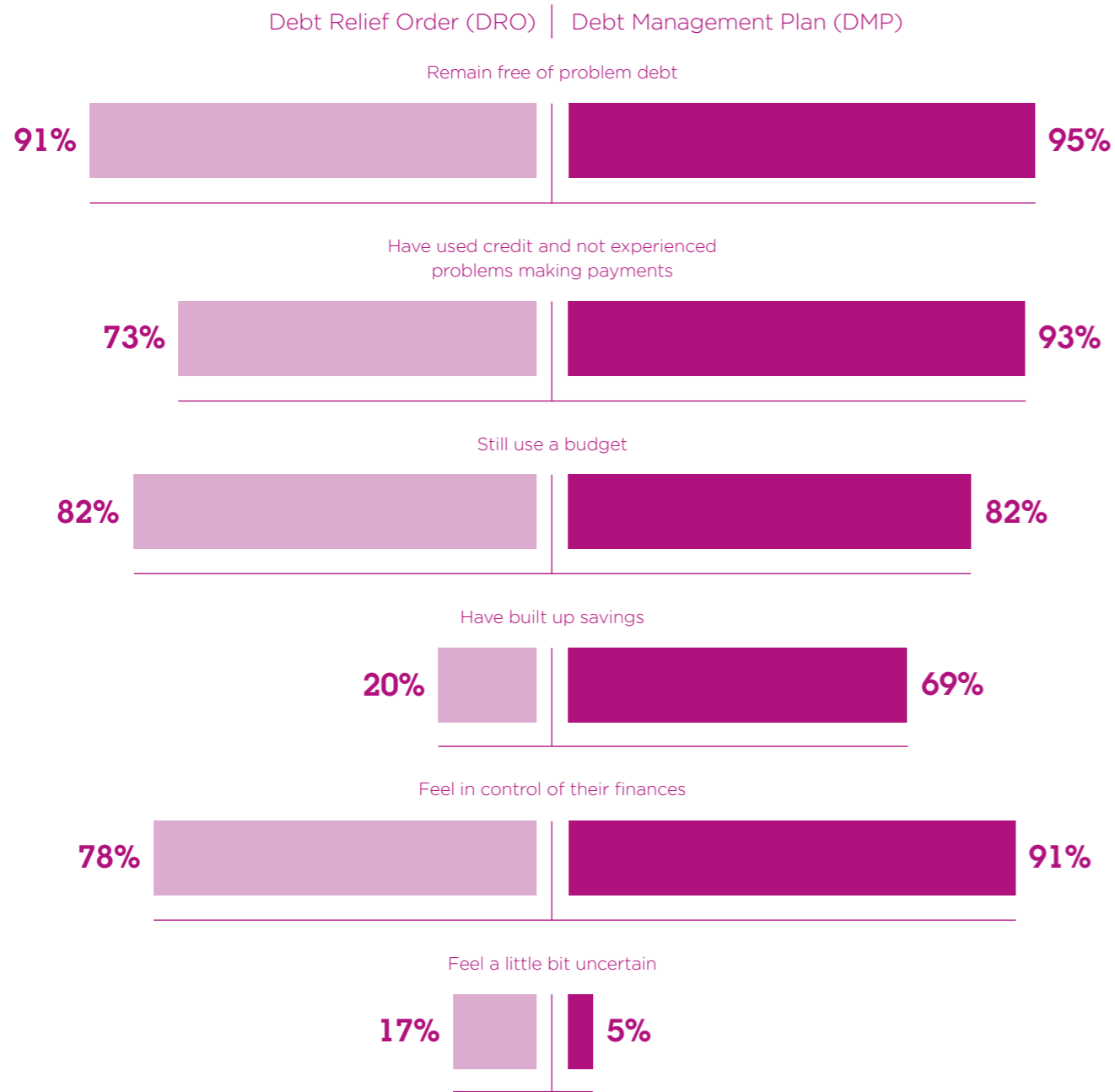
have passed on the skills they learnt through CAP to others (p24).

<sup>1</sup> | 46% had savings, compared to CAP (2016) Christians Against Poverty 2015 client report (available at [capuk.org/clientreport15](http://capuk.org/clientreport15)) finding that only

13% had savings when first faced with financial difficulty. This was more than three times the original proportion and an increase of 254%.



## Key statistics



## Detailed findings

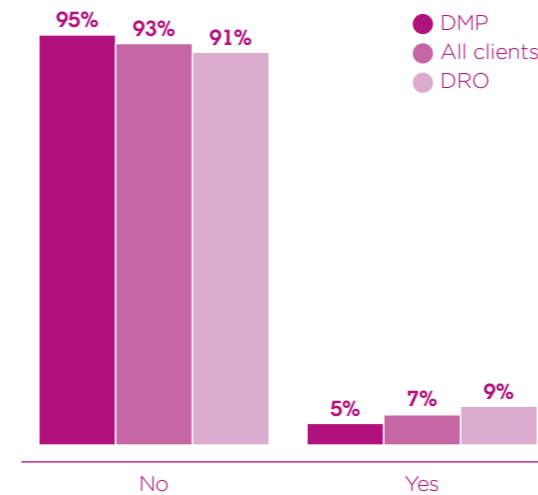
### Staying debt free

**93%** of clients remained free of problem debt.

**DRO:** 'I was in a really bad debt situation, but CAP saw me from beginning to end and didn't just leave me half way through to get back into the same mess.'

Are you now in unmanageable debt (do you struggle to make payments)?

**DMP:** 'I'm glad that I'm debt free and not struggling anymore. I no longer have sleepless nights and I don't worry.'



This is an extremely positive result, and supports the case that CAP's debt help service provides sustainable long-term solutions. The additional comments made by respondents give an insight into the transformed lives that lie behind this figure.

Overall 93% of those surveyed reported that they had remained free of problem debt.<sup>2</sup> Only 7% felt they were now in unmanageable debt and struggling to make payments.

There is a slight difference when comparing the two sample groups. 5% of the DMP sample said they were struggling to make payments, compared to 9% of the DRO sample. However, this is not a significant difference and in both cases more than nine in ten clients had remained free of problem debt for at least a year.<sup>3</sup>

<sup>2</sup> | 25% of those who were not in unmanageable debt had used credit since becoming debt free but were not struggling to make payments. Using credit is explored in more detail on page [p26].

<sup>3</sup> | Remaining free of problem debt significance test: <sup>nr</sup>=109, <sup>nd</sup>=100. Z=1.1387, p=0.25428. The result is not significant at p < 0.05.

## Maintaining financial capability and building financial resilience

**82%** of both groups said they still used a budget.

**46%** of all clients now have savings.

While problem debt does not result from poor financial capability in all cases, 65% of CAP's clients report that having problems with budgeting was a contributory factor to their financial difficulty.<sup>4</sup> Nearly nine in ten CAP clients also did not have savings to fall back on, therefore lacking the financial resilience that is critical to help mitigate the risk of problem debt when facing financial shocks.<sup>5</sup>

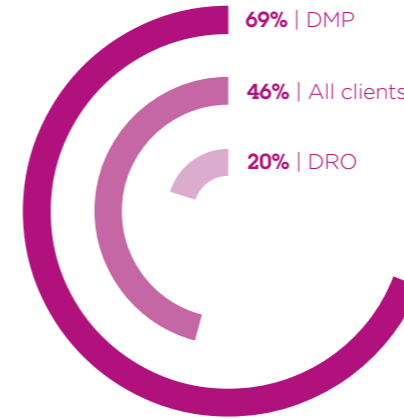
Where possible, clients are encouraged to save as part of their CAP Plan for future needs and large regular purchases. The immediate aim of this is to ensure debt management plans are sustainable should an unexpected expense occur. But beyond this, the hope is that clients adopt the habit of saving regularly and continue this going forward. Financial education is also embedded into CAP's debt management process and clients are encouraged to proactively partake in additional financial education as an important part of their financial rehabilitation. An indicator of the success of this is whether clients continue to use a budget and save to help them remain in control of their finances once they finish working with CAP.

**“DRO:** 'I found the experience with CAP excellent. They really helped me get back on my feet and told me about budgeting, which has been a really great help. I make my own budgets now.'

**“DMP:** 'I currently still use the CAP Money system for my finances.'<sup>6</sup>

The findings suggest that this is the case, with 82% of both sample groups still using a budget. This implies that despite working with CAP for a much shorter length of time, clients going through a DRO are equally as equipped to budget as DMP clients, who were required to stick to a budget to repay their debts over a longer period.

### Clients with savings



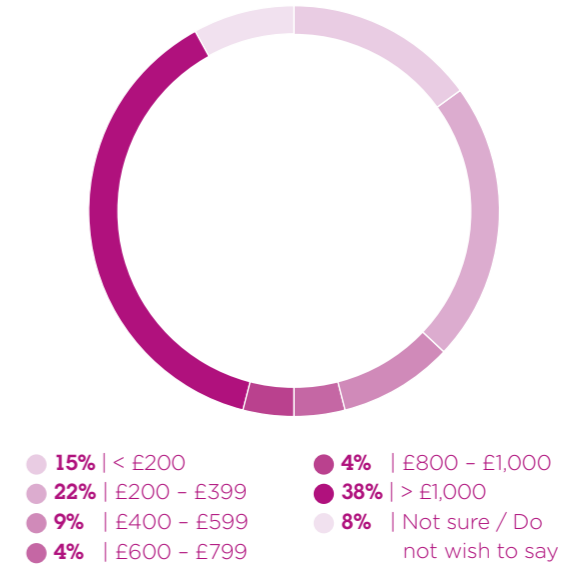
However, there was a significant difference in the proportion with savings.<sup>7</sup> 46% of those surveyed had built up savings since becoming debt free, but just 20% of those that had applied for a DRO reported having savings, compared to 69% of the DMP sample.

This is not surprising considering that a condition for DRO eligibility is low disposable income. While it could be the case that these clients had less time to establish a savings habit whilst working with CAP, it seems more likely that it is simply low income which makes it more challenging for this group to save regularly. This also demonstrates that even though someone may have high financial capability, it does not mean that they are financially resilient.

**“DRO:** 'It is amazing having savings. It means we can go into a shop and if we see something we want, we can buy it there and then.'

**“DMP:** 'It was very helpful to have savings building up from the start. I wouldn't have been in such a good position without CAP's help.'

### Amount of savings



Of those who had been able to build up savings, 38% had saved over £1,000. This is no easy feat when living on a low income and these results are impressive considering the average annual household income of CAP's clients is just £14,511.<sup>8</sup> For some respondents, this was something that they had previously considered impossible, while for others this was a result of reconsidering the importance of saving to make purchases.

**“I never thought I'd be able to save.'**

**“What I've learnt from CAP is that if you can't afford it, don't get it. Save up for it.'**

Even those who had managed to save smaller amounts found this had a transformative impact. For instance they were able to make purchases that were previously unaffordable and pay for unexpected expenditure as it arose.

4 | CAP (2016) Christians Against Poverty 2015 client report, available at capuk.org/clientreport15.  
5 | 87% of CAP clients report that they did not have access to any savings

when they entered financial difficulty, CAP (2016) Christians Against Poverty 2015 client report, available at capuk.org/clientreport15.  
6 | See page 34 for more information about the CAP Money Course.

7 | Savings significant test: n=111, nd=99. Z=6.9744, p=0. The result is significant at p < 0.05.

8 | CAP (2016) Christians Against Poverty 2015 client report, available at capuk.org/clientreport15.

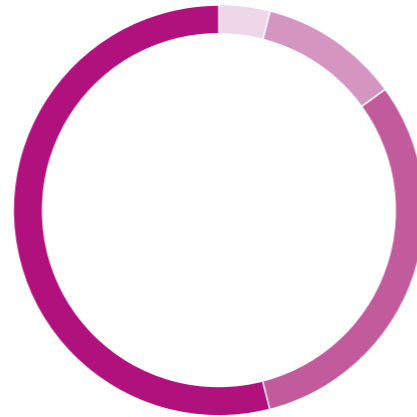
## Feeling in control

**85%** still felt in control of their finances several years after becoming debt free

Constantly worrying about making ends meet has an adverse affect on wellbeing. Therefore, CAP is not just focusing on helping clients to stay out of problem debt, but also equipping them to take control of their finances for the long-term.

When clients seek debt help they are at the point where they feel their finances are completely out of control. To resolve their financial difficulties and lift the burden of debt, CAP provides ongoing support that meets the needs of the most vulnerable. However, the transformative impact of debt advice can be seen in how it helps clients regain that control for themselves and maintain it once debt free.

How in control of your finances do you feel? (All clients)



- 4% | Totally out of control
- 11% | A little bit certain
- 31% | Relatively in control
- 54% | Totally in control

**DR:** 'CAP helped me so much and got me out of a lot of debt. Sometimes it is still difficult, but I don't have all that debt anymore.'

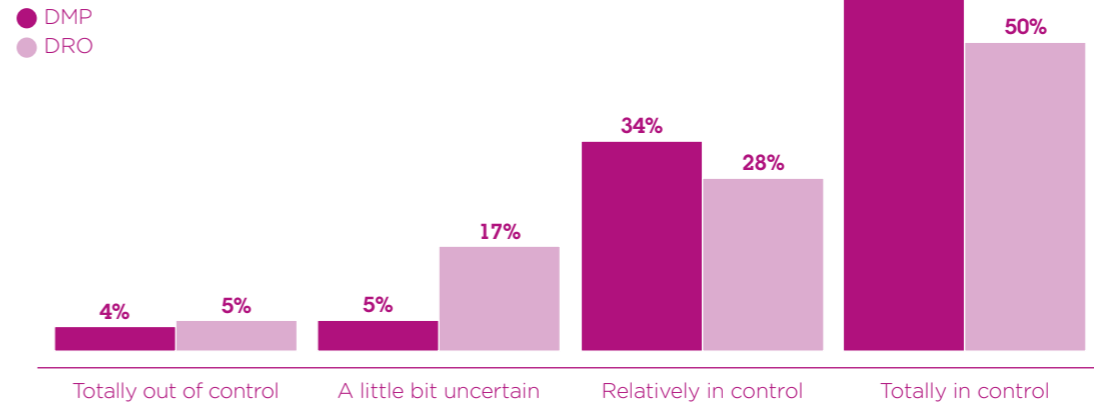
**DMP:** 'It's taken the worry of debt away. Even though I'm still debt free, there isn't much left over.'

When asked how in control of their finances they felt, 85% of those surveyed said they felt in control.<sup>9</sup> There is a small but noticeable difference between the two sample groups. While 78% of the DRO sample felt in control, seven percentage points less felt totally in control than those that had been on a DMP route. The biggest difference, however, was in the 'little bit uncertain' category. More than three times the proportion of the DRO sample felt this way compared to the DMP sample. This is the only significant difference between the samples out of the four responses.<sup>10</sup>

The result is not significant at  $p < 0.05$ . 'A little bit uncertain' significant test:  $n_r=112, n_d=102, Z=-2.6615, p=0.00782$ . The result is significant at  $p < 0.05$ . 'Totally out of control' significance test:  $n_r=112, n_d=102, Z=-0.4843, p=0.63122$ . The result is not significant at  $p < 0.05$ .

<sup>9</sup> | In control refers to those who reported feeling 'totally in control' or 'relatively in control'.  
<sup>10</sup> | 'Totally in control' significant test:  $n_r=112, n_d=102, Z=1.0256, p=0.30302$ . The result is not significant at  $p < 0.05$ .  
 'Relatively in control' significance test:  $n_r=112, n_d=102, Z=0.8661, p=0.3843$ .

How in control of your finances do you feel?



However, when 'totally in control' and 'relatively in control' are combined to compare the proportions that felt in control overall, there is also a strong significant difference.<sup>11</sup> The DRO sample were less likely to feel in control of their finances and this research suggests that this may be due to wider circumstances such as low income (p18), coping less well with credit use, different levels of saving (p19) and strained relationships with financial services (p28), but not greater credit use (p26) or lack of budgeting (p18).

Open responses indicate that despite the difference CAP's help had made, low income meant that some in both groups still experienced money worries, although these were to a lesser extent than before CAP's help. It is important to acknowledge however, that whilst they are in the minority, 15% of respondents still felt uncertain or that their finances were out of control.

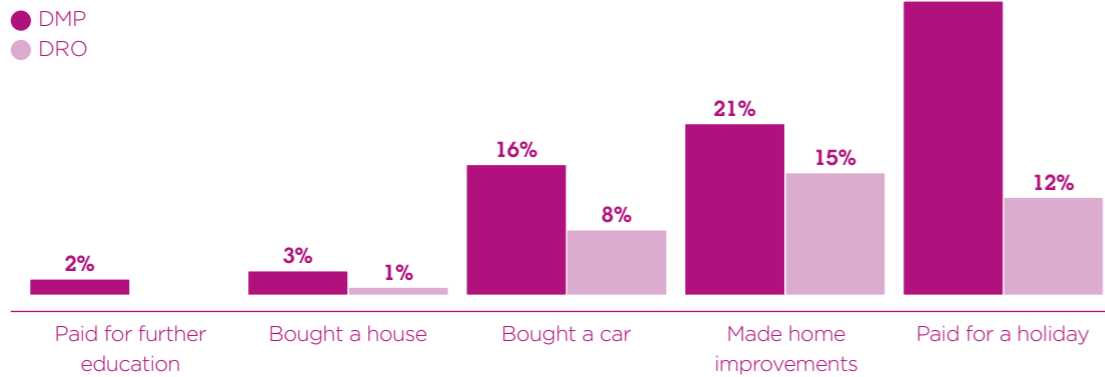
Overall, with more than half feeling totally in control and 5% or less feeling totally out of control, these findings are greatly encouraging and indicate that both CAP's DRO and DMP clients not only remain free of problem debt, but are equipped to manage their finances well following their financial difficulties.

**DR:** 'I can't thank CAP enough. You helped me out massively when I was down on my luck. I now feel in control and on top of things. What you have done for me is huge.'

<sup>11</sup> | In control ('totally' or 'relatively') significance test:  $n_r=112, n_d=102, Z=2.5897, p=0.0096$ . The result is significant at  $p < 0.05$ .

## Achieving positive outcomes

Have there been any positive developments with your finances?



**DRO:** 'I owe everything to CAP. They've made a massive difference to our lives. We feel 100% better.'

**DMP:** 'I now spend money and don't feel guilty.'

Several respondents reported having a more positive outlook following CAP's help, and also feeling less constrained or guilty where spending was concerned. As well as building financial resilience through savings, for many, saving had also allowed them to realise more concrete positive outcomes and make purchases that were previously out of reach.

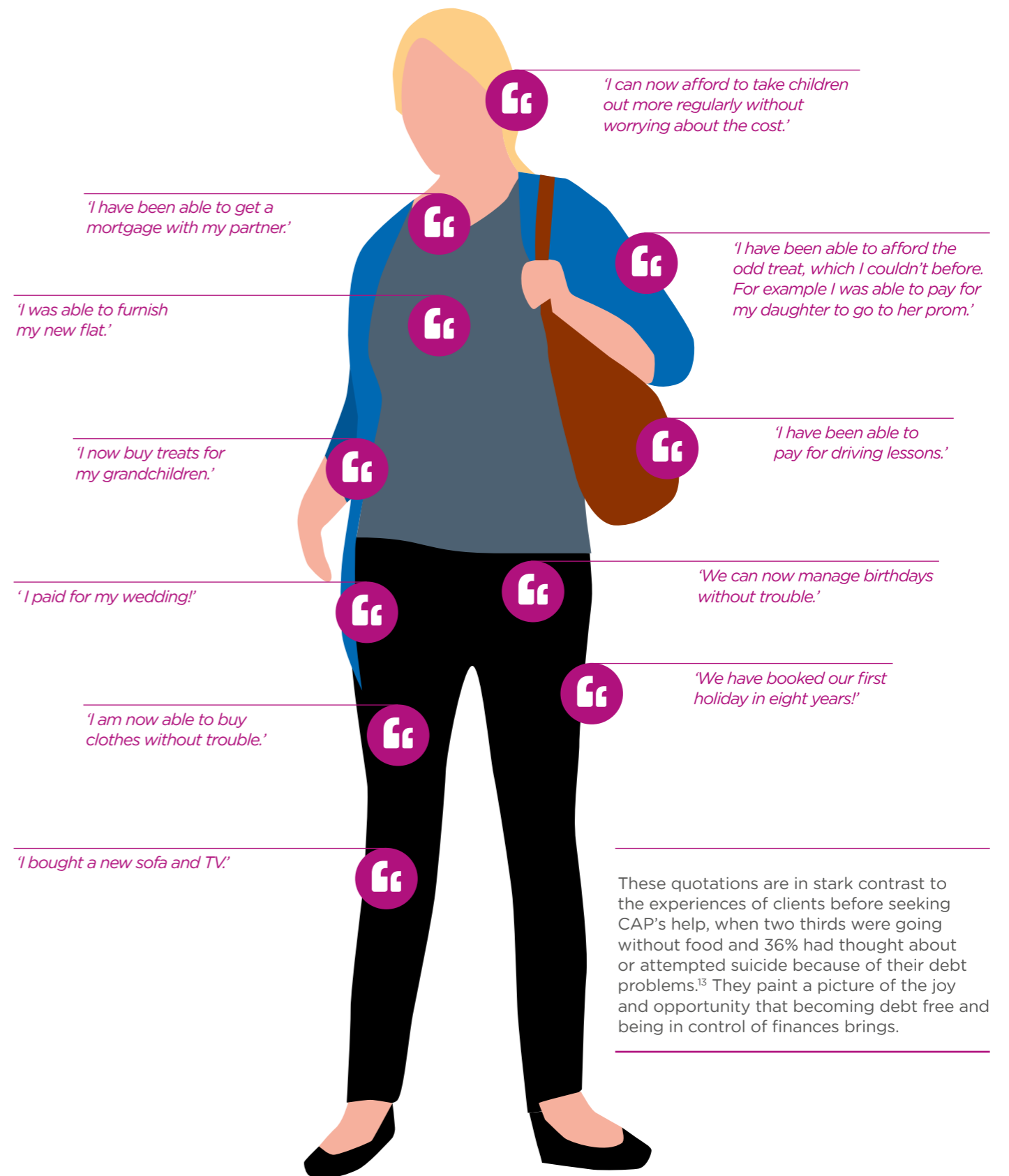
Of those surveyed, 12% had been able to buy a car and 18% had made home improvements since becoming debt free. 24% had also paid for a holiday, a luxury that the vast majority of CAP clients have not been able to afford for many years before becoming debt free.

Proportionately fewer of the DRO sample had been able to achieve these outcomes. 8% had bought a car compared to 16% of the DMP sample, and 15% had made home improvements compared to 21%. The biggest and only significant difference was that the proportion that had paid for a holiday was three times greater in the DMP sample.<sup>12</sup> This suggests holidays remain a luxury out of reach for those on the lowest incomes.

Others reported finding pleasure in being able to buy smaller treats for themselves and their families, such as regular days out with the grandchildren.

12 | 'Paid for further education significance' test:  $n=112, n_d=102, Z=1.356, p=0.17384$ . The result is not significant at  $p < 0.05$ .  
 'Bought a house significant' test:  $n=112, n_d=102, Z=0.9122, p=0.36282$ . The result is not significant at  $p < 0.05$ .  
 Bought a car significant test:  $n=112, n_d=102, Z=1.8566, p=0.06288$ . The

result is not significant at  $p < 0.05$ .  
 'Made home improvements significance' test:  $n=112, n_d=102, Z=1.1094, p=0.267$ . The result is not significant at  $p < 0.05$ .  
 'Paid for a holiday significance' test:  $n=112, n_d=102, Z=4.0799, p=0$ . The result is significant at  $p < 0.05$ .



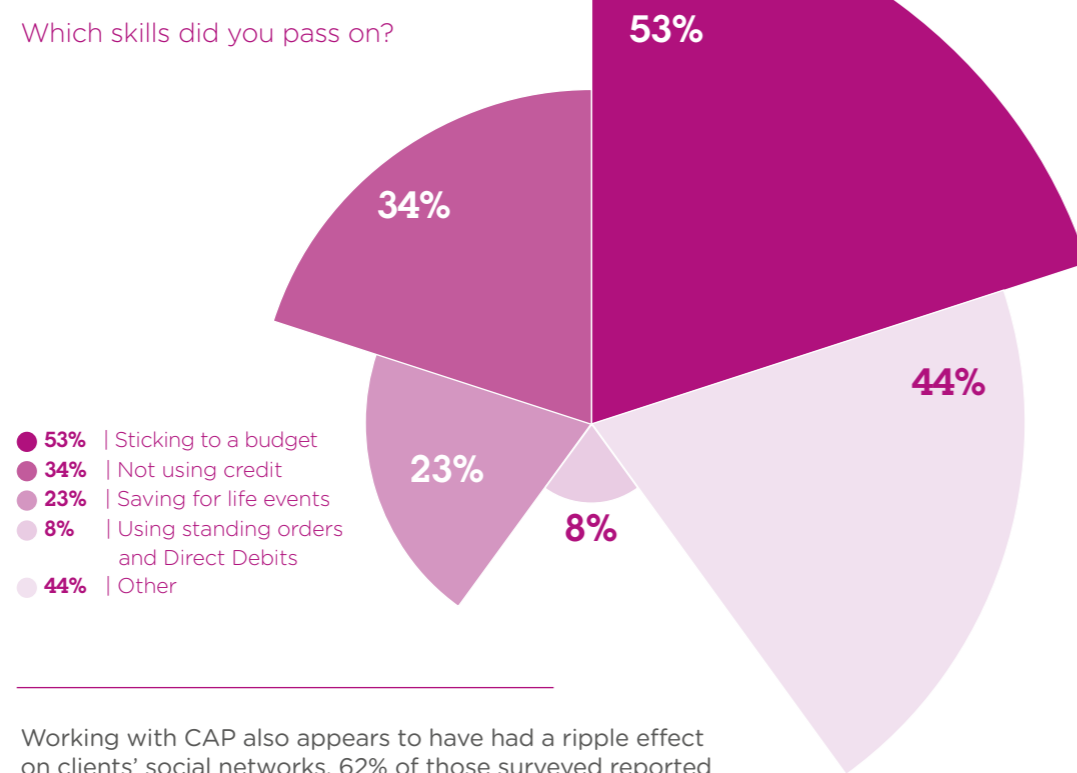
These quotations are in stark contrast to the experiences of clients before seeking CAP's help, when two thirds were going without food and 36% had thought about or attempted suicide because of their debt problems.<sup>13</sup> They paint a picture of the joy and opportunity that becoming debt free and being in control of finances brings.

13 | CAP (2016) Christians Against Poverty 2015 client report, available at [capuk.org/clientreport15](http://capuk.org/clientreport15).

## Sharing with social networks

**62%** had passed on the skills they learnt through CAP to others

Which skills did you pass on?



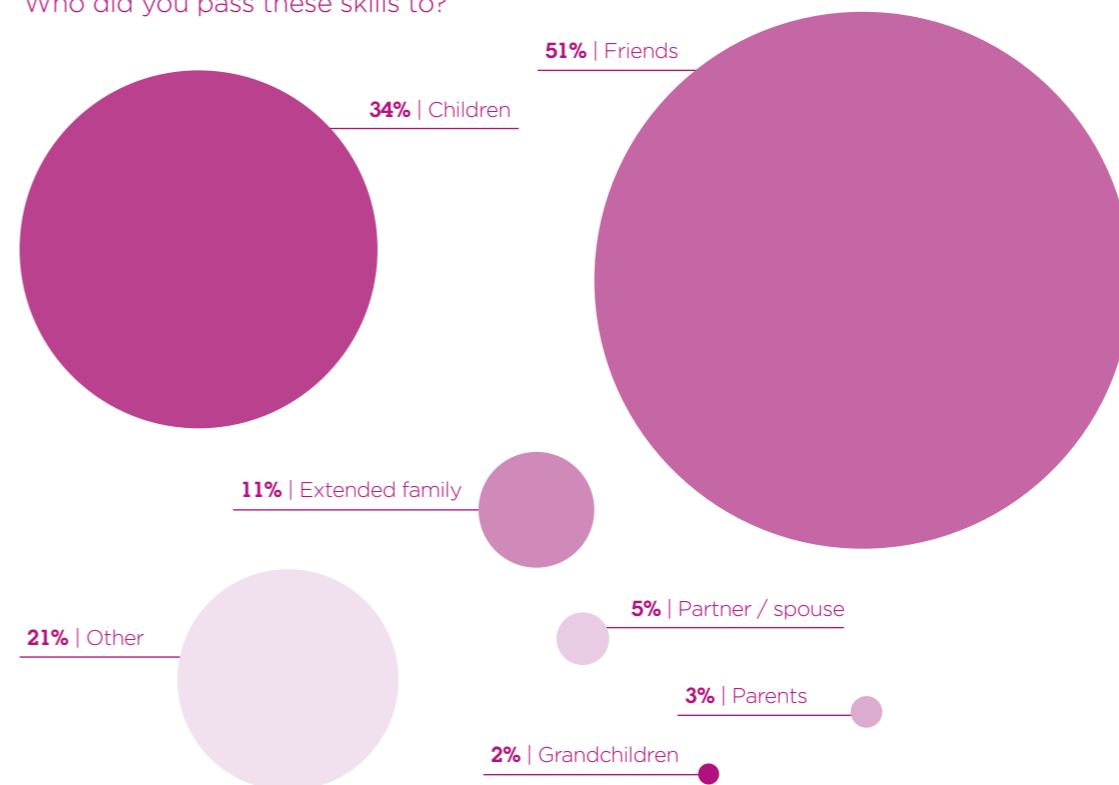
Working with CAP also appears to have had a ripple effect on clients' social networks. 62% of those surveyed reported that they had passed on the skills they had learnt from CAP to others. This was broadly similar between the two samples and there appears to be no significant difference.<sup>14</sup>

**f** *'It has helped the whole family manage money better.'*

In particular clients shared the budgeting skills they had learnt. A third passed on awareness of not using credit and other skills such as using cash, shopping around, avoiding loan sharks and the importance of keeping in contact with creditors.

14 | 61% of the DMP sample and 62% of the DRO sample had passed on skills to others. Significance test:  $n=110$ ,  $nd=98$ .  $Z=-0.1977$ ,  $p=0.84148$ . The

Who did you pass these skills to?



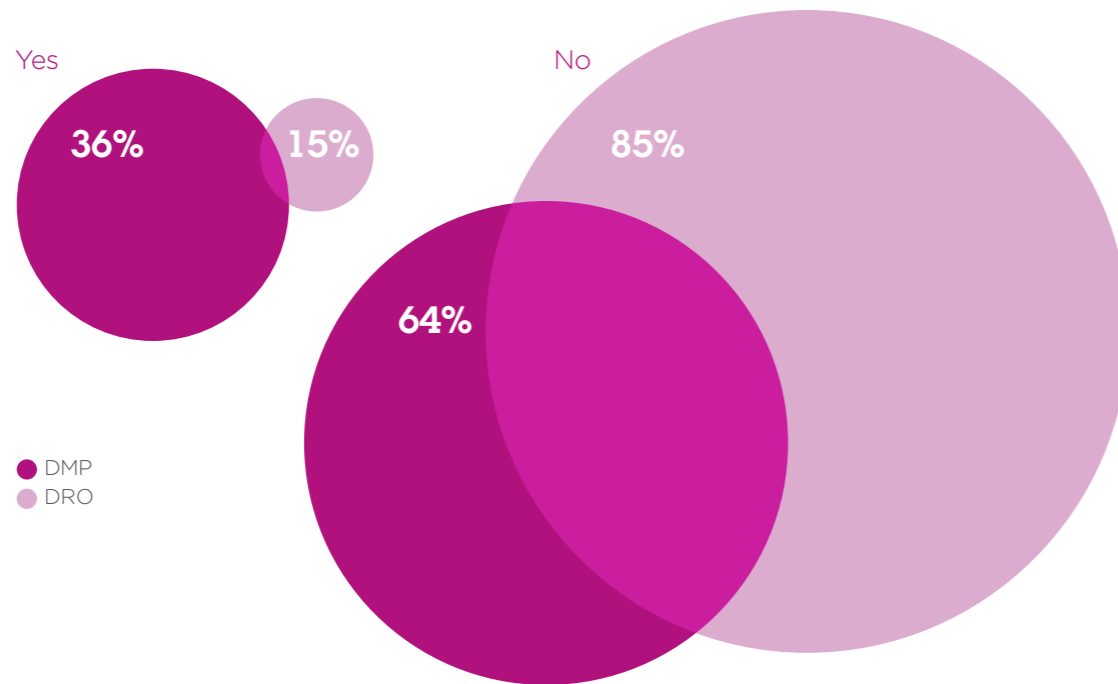
These skills had been passed onto a range of connections, with the most common being children and friends. Others included work colleagues, other parents at school and even strangers. 79% of those surveyed felt that they had seen a positive difference in the finances of those they had shared the skills with since passing on what they had learnt.

These findings reveal that the power of social networks and community should not be underestimated as a method of spreading financial capability. They also suggest that because of this ripple effect, the impact of CAP's help goes far beyond those who use CAP's service directly.

result is not significant at  $p < 0.05$ .

## Using credit responsibly

Have you used credit since working with CAP?



**74%** of clients have not used credit since becoming debt free

On average clients owe £13,973 when seeking help from CAP and nine in ten report that they borrowed to keep up with existing debt repayments.<sup>15</sup> This demonstrates the extent to which credit use had spiralled out of control and was even being used as a coping strategy by clients experiencing financial difficulty.

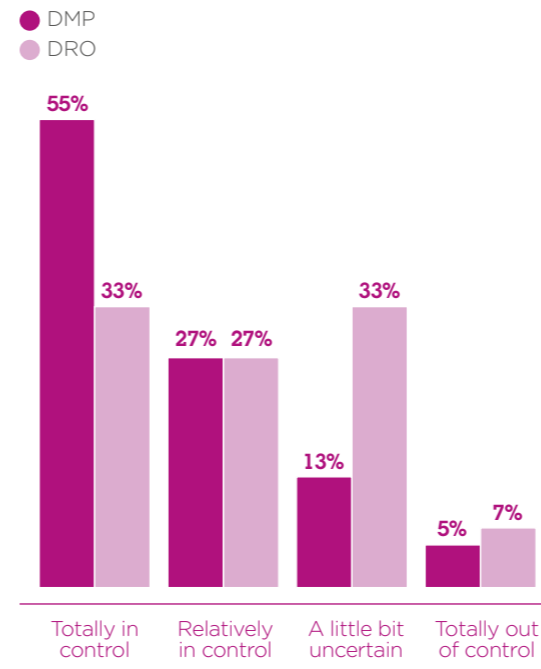
So as not to compromise their journey out of debt, clients are required to not use additional credit while working with CAP. Some clients choose to continue to avoid using credit after becoming debt free. However, credit can be an essential part of life. Full financial rehabilitation needs to set clients up to be able to use credit responsibly and to stay out of problem debt, even if using credit.

On the whole, the majority (74%) of respondents had not used credit since becoming debt free, but a greater proportion of the DRO sample (85%) had not used credit since working with CAP. Only 64% of the DMP sample had not used credit. This is a significant difference and perhaps reflects the fact that DRO clients are restricted from taking out credit for 12 months after their DRO is granted. However, it may also reflect a greater reluctance or difficulty accessing credit.<sup>16</sup>

15 | CAP (2016) Christians Against Poverty 2015 client report, available at capuk.org/clientreport15.

16 | Significance test:  $n^r=112, n^d=102. Z=-3.5126, p=0.00044$ . The result is significant at  $p < 0.05$ .

If you have used credit: How in control of your finances do you feel?

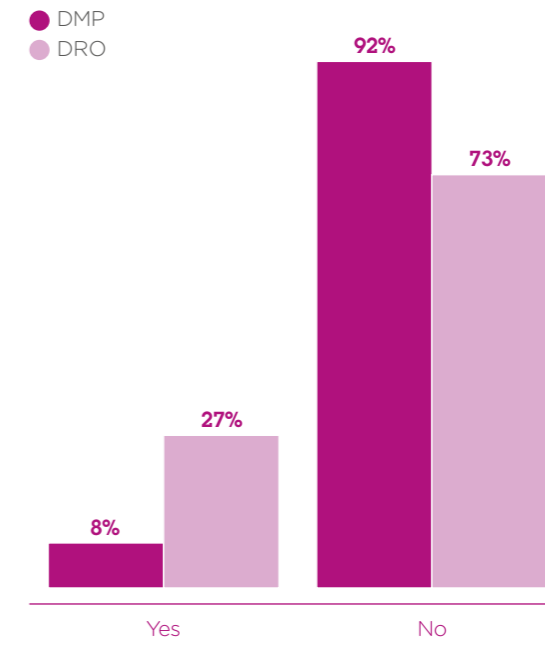


Of those that had used credit, 76% felt in control of their finances, suggesting that credit use is not on the whole a response to finances being out of control, and supporting the conclusion that credit is being used responsibly. In fact, only 13% of those who have used credit reported that they were now in unmanageable debt and struggling to make payments.

Although a smaller proportion of those that had used credit in the DRO sample felt in control (60%), with a third (33%) feeling a little bit uncertain, the sample size was too small to tell if this was a significant difference.<sup>17,18</sup> However, a greater proportion of those that had used credit in the DRO sample had then ended up in unmanageable debt (27% compared to 8%), suggesting that they had not coped as well when using credit. Again, this was not a significant result.<sup>19</sup>

17 | In control refers to those who reported feeling 'relatively in control' or 'totally in control'.  
18 | Felt 'relatively' or 'totally in control' and used credit significance test:

If you have used credit: Are you now in unmanageable debt?



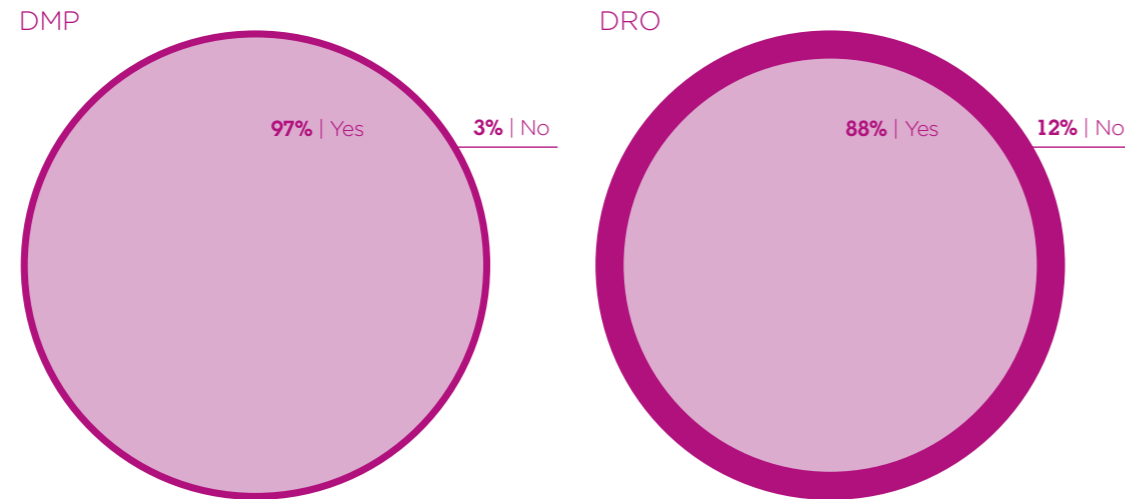
There are several positive conclusions that can be drawn from these findings. Firstly, that despite having struggled with debt before seeking help, around three quarters did not return to the same financial patterns of behaviour and have not used credit since becoming debt free. Secondly, where credit has been used, this has been done responsibly. The findings suggest that it is, on the whole, not as a result of being out of control of their finances, with only a handful experiencing problems making payments and the majority still feeling in control.

However, the findings do indicate that credit use presented more of a challenge for the DRO sample, who despite lower levels of credit use, were more likely to feel uncertain and have problems making payments.

$n^r=40, n^d=15. Z=1.7492, p=0.08012$ . The result is not significant at  $p < 0.05$ .  
19 | Unmanageable debt significance test:  $n^r=40, n^d=15. Z=-1.8995, p=0.05744$ . The result is not significant at  $p < 0.05$ .

## Reconciling relationships with financial services

Do you currently have a positive relationship with your bank?



**93%** of clients have a positive relationship with their bank

Problem debt commonly severs relationships between clients and financial service providers. As debt builds and defaults appear on credit ratings, clients find it increasingly difficult to engage positively with financial services. A key part of financial rehabilitation is being able to access financial services and maintain a positive relationship with said services once debt free.

Respondents were asked whether they perceived themselves to have a positive relationship with their bank. This was defined as being offered further services, having a positive credit rating and/or receiving no negative contact. Overall, an overwhelming 93% felt that their relationship with their bank was positive.

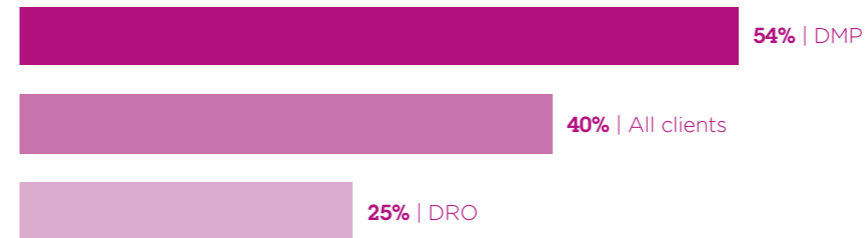
Interestingly, nine percentage points more of the DMP sample felt that they had a positive relationship with their bank, despite a greater proportion of this group using credit.<sup>20</sup> However, at 88%, the proportion of the DRO sample who had a positive relationship with their bank remained high and a substantial improvement on their previous situation.

Significance test: <sup>n</sup>=110, <sup>nd</sup>=96. Z=2.6929, p=0.00714. The result is significant at p <0.05.

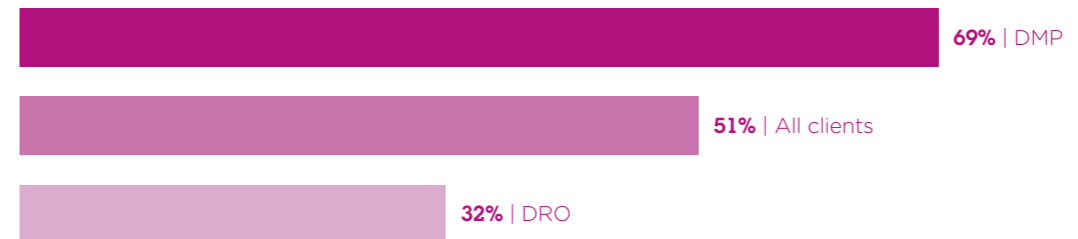
20 | 97% of the DMP sample considered themselves to have a positive relationship with their bank compared to 88% of the DRO sample.

Proportion accessing other financial services

Insurance



Pension



There was, however, a bigger difference in the proportions that were accessing other financial services. Clients that had pursued a DMP route were more than twice as likely to have a pension or life insurance than those in the DRO sample.<sup>21</sup> Both of these results were significant.<sup>22</sup>

Whilst the DRO sample had struggled slightly more, overall after becoming debt free most respondents had regained a positive relationship with their bank. These findings confirm that despite experiencing financial difficulty, customers can be rehabilitated and remain valuable. There were, however, greater issues in terms of access to other financial products, especially amongst the DRO sample who appeared to remain more at risk of financial exclusion in this way.

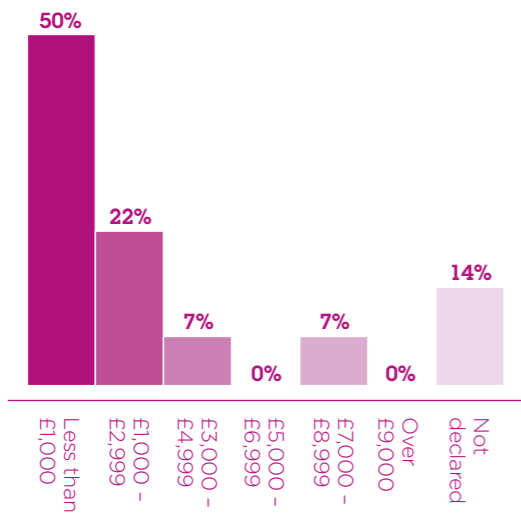
21 | 69% of the DMP sample had a pension compared to 32% of the DRO sample. 54% of the DMP sample had life insurance compared to 25% of the DRO sample.

22 | Pension significance test: <sup>n</sup>=109, <sup>nd</sup>=97. Z=5.282, p=0. The result is significant at p <0.05. Life insurance significant test: <sup>n</sup>=109, <sup>nd</sup>=97. Z=4.2328, p=0. The result is significant at p <0.05.

## A more detailed look at repeat problem debt

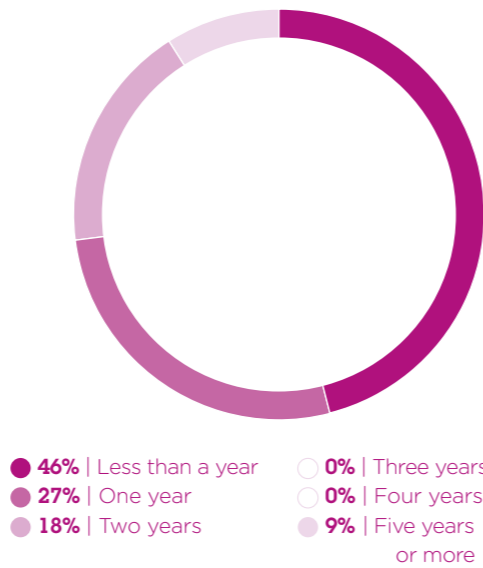
Repeat problem debt had only occurred in a small number of cases (7%), therefore it is difficult to draw any broad conclusions. However, there are some interesting observations that can be made from the detail of their situations.

How much debt do you currently have?



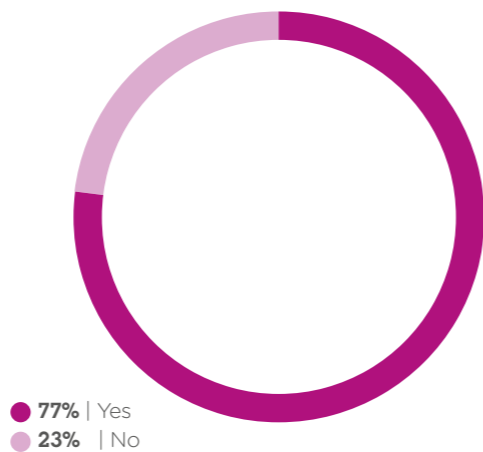
For the most part, these respondents had relatively small outstanding debt balances and owed less than £1,000. This is far lower than the average debt balance when clients seek help from CAP, which stood at £13,973 in 2015.<sup>23</sup> This was especially true for the DRO sample of whom two thirds of those who declared the amount said they owed less than £1,000. Interestingly, only half reported that they had used credit since becoming debt free, which could imply that for half this debt was only from arrears.

How long was it before you became unable to manage your finances?



Most commonly respondents had become unable to manage their finances again very quickly, with 46% experiencing difficulty again less than a year after becoming debt free.

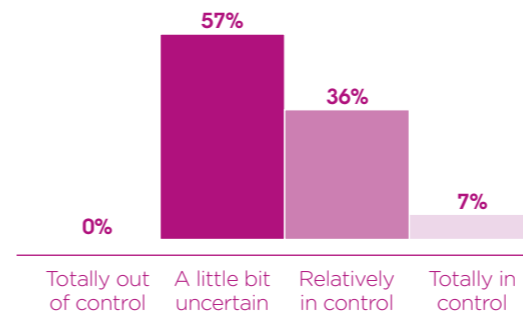
Do you still use a budget?



From the findings, repeat problem debt does not appear to be as a result of poor financial capability. 77% reported that they still used a budget, implying that, for the most part, it was not poor money management that resulted in debt reoccurring.

23 | CAP (2016) Christians Against Poverty 2015 client report, available at capuk.org/clientreport15.

How in control of your finances do you feel?



Interestingly, despite being in unmanageable debt and only one reporting that they had savings, no-one reported feeling totally out of control of their finances. Most reported feeling a little uncertain and others felt relatively in control, with one respondent even feeling totally in control. This indicates that, perhaps following CAP's help to become debt free, clients felt more equipped to deal with problem debt themselves if it re-occurs.

What was the cause of your new unmanageable debt?

Respondents reported a range of causes for their new unmanageable debt. Low income was most prominent, and several cited factors outside of their control, such as benefit changes, unemployment and relationship breakdown.<sup>24</sup> A couple of clients did also reference problems with budgeting, and other reasons given were addiction, mental ill health and overspending.

Due to such small numbers it is difficult to conclusively determine the common causes of repeat problem debt, but it is clear that life remains tough for many once they become debt free. In some cases, despite CAP's help having a significant impact, wider circumstances unfortunately mean that repeat problem debt cannot be avoided.

**“CAP helped me so much and got me out of a lot of debt. Sometimes it is still difficult, but I don't have as much debt as I did.”**

*Jackie got into debt two years after going debt free due to low income and now owes less than £1,000.*

**“CAP really helped me get back on my feet from the debt I was in. Gail, my CAP Debt Coach, told me about budgeting, which has been a really great help. I make my own budgets now. I'm back in debt because I was switched from ESA onto Universal Credit and had to wait seven weeks for my first payment.”**

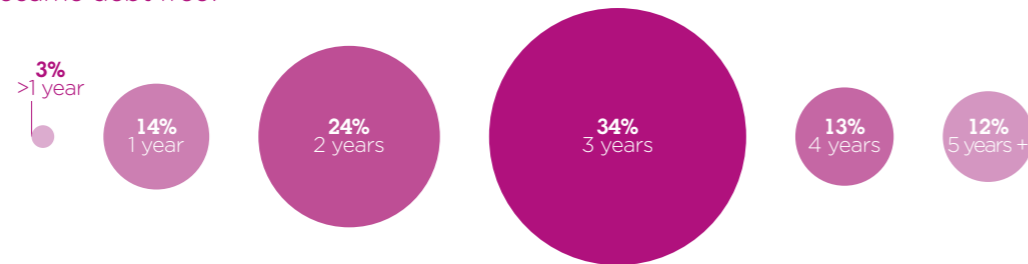
*Stephen got into debt again less than one year after going debt free and now owes less than £1,000.*

24 | Cause of new unmanageable debt (12 respondents): low income (4), health (1), overspending (1), relationship problems (1), unemployment (1), problems with budgeting (2), addiction (1), Bedroom Tax (1), mental ill



# Methodology

How long it has been since you became debt free?



This research was conducted via scripted telephone interviews with 214 previous CAP clients. Interviews were conducted by a team of volunteers in May 2015 and May to June 2016. The interviews provided predominately quantitative data, with one open question from which themes have been identified and the quotations drawn.

The survey was conducted with clients who had become debt free. The intent was to see if those who completed CAP's full service, and were deemed to have become successfully debt free, were provided with a long-term solution. Debt free was defined as the point at which a client's account was closed because a DRO had been submitted or confirmation had been received from creditors that all debts were cleared. As a result, clients who had had their account closed because they decided that CAP's service was not right for them or chose not to follow the advice given were not included in the research.

While care was taken to ensure that all clients interviewed had been debt free for more than a year, six clients from the DRO sample reported being debt free for less than a year. This could be due to differences in interpretation. Firstly, some debts might not have been cleared by the DRO, for example student loans. Another factor is the perception of when the debt free period started: the point at which the DRO was submitted or when the moratorium period came to an end and the DRO could no longer be revoked. As a result, these clients may not have considered themselves to be debt free at the point at which the DRO was submitted.

## Sampling

To conduct this comparative research two specific groups of clients were identified and random sampling used to produce call lists. These groups were chosen to allow comparison of clients who had become debt free relatively quickly through a Debt Relief Order (DRO) and those who had worked with CAP for a longer period of time to repay their debts through a Debt Management Plan (DMP).

The samples were drawn from clients who had become debt free more than a year ago to give time in which more debt could have been taken out. More than half of those surveyed had been debt free for more than three years.

## DMP sample

The first sample was selected from clients who had completed a DMP route with CAP and had worked with CAP for a minimum of two years. 112 respondents were successfully interviewed in this category and 96% of them had been debt free for two years or more.

## DRO sample

The second sample was drawn from clients who had worked with CAP for less than 200 days and had applied for a DRO. All of those interviewed had cleared the 12-month moratorium period and had not had their DRO revoked. 102 respondents were successfully interviewed in this category and 69% had been debt free for two years or more.

## Limitations

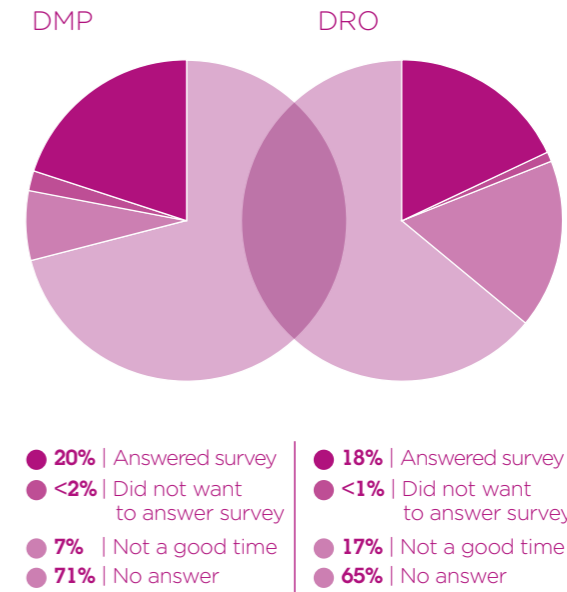
The main limitation of this research is self-selection bias. Telephone interviews were chosen to minimise this bias, as typically response rates are better than postal surveys and there are less barriers for some demographic groups to participate compared to online surveys. To monitor this bias, a record was kept of the outcome of each call made. This included four categories: 'answered survey', 'did not want to answer survey', 'was not a good time' and 'no answer'.

71% of the DMP sample and 65% of the DRO were in the 'no answer' category. This was due to a number of reasons. Some telephone numbers were no longer in use or the client no longer lived at the property. Other calls rang through to voicemail, rang out or the line was busy.

It is commonly known that those with problem debt often do not answer the telephone. Therefore, it is a concern that those who did not answer the phone are materially different to those who did. However, each client in the samples was only telephoned on one occasion during the evening and many had been debt free for several years. Therefore it is plausible that the high rates of 'no answer' are due to clients simply not being home, as well as moving house or changing number since working with CAP. In addition, the 'no answer' rate was highest for the DMP sample, who also had the greatest proportion reporting they remained free of problem debt. Therefore, while this self-selection bias is acknowledged, for the purposes of this report it has been assumed that those who answered the phone are representative of those who did not.

A further 9% of the DMP sample and 18% of the DRO sample either said they 'did not want to answer survey' or it 'was not a good time'. This means that only 69% of those in the DMP sample and 50% in the DRO sample who answered the phone agreed to take part in the interview.

## Telephone interviews



This again raises self-selection bias concerns, that those in the 'did not want to answer the survey' and 'was not a good time' categories gave these responses because they were no longer debt free. However, on the whole those who said it 'was not a good time' often explicitly gave the reason without prompting, such as looking after grandchildren, being at work or in the middle of preparing meals. They also often requested a call back, which could not always be accommodated due to the volunteers being available in the evening only. As a result, it has been assumed with reasonable certainty that 'was not a good time' was not a proxy for 'did not want to answer the survey'.

Overall, those saying they 'did not want to answer survey' were a very small percentage at 2% of the DMP sample and less than 1% of the DRO samples, compared with 20% of the DMP and 18% of the DRO samples who agreed to be interviewed.<sup>25</sup> This means that although there is likely to be some element of self-selective bias, those that 'answered survey' can be seen as representative of all clients who worked well with CAP in order to become debt free.

25 | 0.43% of the DRO sample spoken to did not want to answer the survey.

## More information about the CAP Money Course

### A free, short course that makes managing money simple

Since 2008, the CAP Money Course has empowered tens of thousands of people throughout the UK to take back control of their finances, by teaching simple money management skills and techniques.

CAP is the largest provider of free, face-to-face adult financial education in the UK, with over 11,500 people attending a CAP Money Course each year. This is possible through partnership with 849 CAP Money churches, running the course for their local communities.

'Problems budgeting' is one of the top three reasons for debt reported by CAP's Debt Help clients. The CAP Money Course helps people balance their income and expenditure to prevent debt building up, as well as promoting the importance of saving for large, regular and unexpected expenses instead of relying on credit. Delegates also have access to a bespoke, online budget worksheet to amend their budget as their circumstances change and make sure they remain on top of their finances. Courses are typically run over three sessions and because they are run face-to-face, where extra support is needed to create or balance a budget, this can be provided.

In many locations, CAP Money Courses are run in conjunction with organisations working with groups known to be at high risk of facing financial difficulty, for example ex-offenders, children's centres and housing associations. In Chester for instance, the Jobcentre Plus has invited the local CAP Money Coaches to run the course on a regular basis for jobseekers, especially in the wake of Universal Credit.

*I would recommend the CAP Money Course to everyone; you'll be surprised what you will learn and how it could change your spending habits. The course was easy to understand and we were given help completing our own budget and lots of practical tips on how we could manage our money better and save for larger expenses and future treats. The CAP Money Coaches were also very welcoming and non-judgemental, they put me at ease straight away with a cup of tea and a biscuit.*

- Christine, Independent Living Manager, Aspire



[capmoneycourse.org](http://capmoneycourse.org)

[facebook.com/CAPuk](https://www.facebook.com/CAPuk) [@CAPuk](https://twitter.com/CAPuk)

### CAP Money Plus

Whilst attempting to get back in control through the CAP Money Course, some delegates uncover an unmanageable debt situation. Extra support is offered to these delegates via CAP Money Plus, a gateway into CAP's Debt Help service.

### CAP Money Kids

CAP also provides financial education courses for children, young people and students, which are run in schools and youth groups. These courses set a foundation of the importance of good money management in later life and help young people appreciate the value of money and financial pressures that may be facing their families.

**Get involved** - Why not try out The CAP Money Course for yourself?

Before recommending The CAP Money Course, it would be great to attend one, to see the benefits for your clients firsthand. Visit [capmoneycourse.org](http://capmoneycourse.org) to find local courses or get in touch.



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Lifting people out of debt and poverty