Over-indebted and poor
Interdependencies between poverty, social and financial exclusion

Social Situation Observatory - Network on Income distribution and living conditions
Seminar, 20th November 2009

... a European level civil society network
fighting over-indebtedness and promoting financial inclusion in Europe
Networking for financial inclusion

ecdn’s membership
A broad range of actors and organisations active in:
- Debt and money advice and debt regulation
- Consumer protection / advice
- Financial literacy programmes and projects
- Provision of adequate financial services for excluded people
- Research on over-indebtedness and financial exclusion

Aims and objectives
To promote financial inclusion and well-being for all and to make the fight against over-indebtedness and financial exclusion more effective through:
- informing and influencing policies
- playing an active monitoring role
- raising public awareness
- increasing the dialogue between all actors and at all levels of politics
- encouraging the development and implementation of necessary studies and activities

Imagine you are ....
Anna
- mother of two (one teenager, one adult daughter)
- divorced
- (ex-)husband is unemployed / lives on social assistance
- no regular income (except from some self employed work)
- debts with a mail order company: 1.300 Euro
- open credit (co-signed with ex-husband 5.000 Euro) - full repayment has been demanded recently

Imagine you are ....
Peter
- single man
- unemployed for 20 years
- suffering from depression
- not fit enough for the labour market
- not ill enough for early retirement
- monthly social income 700 Euro
- over-indebted with 5.000 Euro
- sometimes problems to pay the rent, danger of being evicted
- no bank account
Once upon a time ..

Peter lived happily with his girlfriend; he had a good job at a printers company and was about to get married. Then his girlfriend died and soon after his mother. He could not cope with the situation, lost his job, became unable to repay his debts, had to sell most of his personal belongings, became ill ...

Hilde lived happily with her family; her husband had a good job, she was a housewife, earning some extra money with sewing. The consumer credit to refurbish the flat was easy to get. The her husband had a back injury and could not work any longer. Things got difficult ...

Over-indebted and excluded

Living in poverty
Bad housing, no heating, no money to buy fresh fruit, limited school activities for kids, bad health care, no holidays, no cultural activities, lack of participation (cultural, political)

Experience of over-indebtedness financial exclusion
- Denied access to information and financial services
- Inadequate prices and conditions for accessing financial products
- Social exclusion, isolation, feeling of shame, stigmatisation
- A variety of practical and existential problems
- Risk of being evicted - Difficulties to find a job ...

Why do people end up over-indebted?

"Poor" income: Not being able to make ends meet
Sudden reduction of income or generally low income
Lack of capabilities (labour market, education, health)
Rising expenses (energy, food)
Difficulties to manage one's small household budgets

"Wrong" decisions/bad money management
or and market/policy failure?
- Lack of financial education / capabilities
- Complex financial products
- Carelessness / thoughtlessness / bad money management
- Risky / irresponsible / "easy" / "speedy" credits etc.
- Inability to cope with unforeseen sudden changes of life circumstances (loss of job, divorce ...) - lack of social support

Who is allowed to / punished for making a "wrong" decision?

Links to policy / market failures need to be built

Socio-economic profile of clients of Austrian debt advice centres

Age

Betreuungorganisation asked

Debtors by age group

0-9 years
10-19 years
20-39 years
40-49 years
50-59 years
60-69 years
70+ years

Socio-economic profile of clients of Austrian debt advice centres

Employment

Betreuungorganisation asked

Debtors by employment status

unemployed
part-time
full-time
Fighting poverty and over-indebtedness - What needs to be done?

Recommendations 1

- Responsible + adequate financial products
  - Access to and information about basic financial products
  - Necessary regulations for responsible products
- Better access to money and debt advice across the EU
- Effective debt regulation systems
  - Legal frameworks - judicial and amicable settlement procedures
- Sustainable - high quality - financial education

Recommendations 2

- Adequate minimum income schemes
- High quality social services and goods
  - Access to quality housing, lifelong education, health care and prevention, public transport, legal advice, childcare facilities ....
- Active and inclusive labour market policies
- Minimum wages, real perspectives, sustainable training
- Respect for & participation of people experiencing poverty
  
  **Active inclusion**
  
  in its fullest sense

Recommendations 3

- More and better data
- More and better exchange of best practices
- Strong involvement of all relevant actors
  - Continuous cooperation and stakeholder-dialogue at European level
  - Strong and ongoing networking and involvement of social society actors: practitioners and researchers

Recommendations 4

**Reference budgets for social inclusion**

as useful instruments for:

- Budget information and debt advice
- Poverty measurement
- Credit scores
- Purchasing power calculations
- Combatting social and financial exclusion

More information: www.referencebudgets.eu
Fighting poverty and over-indebtedness - What needs to be done?

Recommendations 4

An EU 2020 strategy that guarantees a more social Europe

For more information and a list of recommendations on a more social Europe visit www.eapn.eu
www.springalliance.eu

Thank you for your attention

www.ecdn.eu