

Women's **Policy Group NI**

WPG NI Response to Department for Communities Debt Respite Policy Proposals for Northern Ireland Consultation

31st January 2023

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1. Introduction

The Women's Policy Group (WPG) is a group of policy experts and practitioners who advocate collectively for women and girls by promoting gender equality through an intersectional feminist lens. We challenge systemic injustice and discrimination affecting women and girls by informing society and influencing policy and law. Our work is informed by women and girls' lived experiences and rooted in international human rights law.

The WPG is made up of women from trade unions, grassroots women's organisations, women's networks, feminist campaigning organisations, LGBTQ+ organisations, migrant groups, support service providers, NGOs, human rights and equality organisations and individuals. Over the years this important network has ensured there is good communication between politicians, policy makers and women's organisations on the ground. The WPG is endorsed as a coalition of expert voices that advocates for women in Northern Ireland on a policy level.

If you have any questions or queries about this evidence submission, or would like to discuss this evidence further with the WPG, please contact Elaine Crory, Women's Sector Lobbyist at elaine.croory@wrda.net.

This response was prepared by the following WPG members:

- Elaine Crory – Women's Resource and Development Agency
- Aoife Mallon - Women's Resource and Development Agency
- Siobhán Harding - Women's Support Network

Please note that this response also includes evidence from other WPG work, compiled by a range of WPG members, and not all member organisations have specific policy positions on all the areas covered in this response.

1.1 Endorsements

The WPG would like to endorse the response submitted to this call for evidence by the Women's Regional Consortium.

2. Past Consultations Responses, Evidence Submissions and Briefings:

Several members of the Women's Policy Group (WPG) have been campaigning on matters relating to women's poverty and debt for many years. The WPG have developed a body of evidence relating to women's experiences of poverty and debt which can be found in the Economic Pillar of the WPG COVID-19 Feminist Recovery

Plan¹. This Pillar includes evidence and recommendations relating to the impact of the following measures on women in Northern Ireland:

- Universal Credit
- The Two-Child Limit
- The Bedroom Tax
- The Benefit Cap
- Personal Independence Payments (PIP)
- Welfare Mitigations
- Food Insecurity and Food Bank Use
- Destitution
- Financial Wellbeing and Debt

The WPG has also conducted primary research with women in Northern Ireland on their experiences of poverty and debt². Findings from this research have been included below in section 2.1.

The Women's Resource and Development Agency, which chairs the WPG, is a member of the Cliff Edge Coalition, which campaigns for the extension of welfare mitigation measures and frequently works in collaboration with other organisations, such as trade unions, disability organisations and human rights organisations, to campaign and lobby on issues relating to women's poverty.

2.1 Lived Experiences of Poverty and Debt

The Women's Policy Group believes that lived experiences should be at the heart of policy and legislative decision-making. It is crucial that the Debt Respite Scheme Policy Proposals are informed by lived experience, and this includes ensuring key stakeholders are involved at all stages of the development process.

The Women's Policy Group conducted primary research into the impact of the COVID-19 pandemic on women in Northern Ireland in 2021. This research included topics such as women's poverty and debt and found that:

- 57% of women said their financial situation had been impacted by the pandemic
- Of this 57% of women:
 - 49% said they had less savings,
 - 34% said they were struggling to pay their bills and;

¹ Women's Policy Group (2021) WPG COVID-19 Feminist Recovery Plan: Relaunch - One Year On. Available here: <https://wrda.net/wp-content/uploads/2021/07/WPG-COVID-19-Feminist-Recovery-Plan-Relaunch-One-Year-On.pdf>

² Women's Policy Group (2021) WPG COVID-19 Feminist Recovery Plan Supplementary Research Report: Putting Women's Voices at the Core. Available here: <https://wrda.net/wp-content/uploads/2021/07/WPG-Feminist-Recovery-Plan-Research-Report-Womens-Voices-at-the-Core.pdf>

- 22% said they had increased debt as a result of the pandemic

This research report titled 'Putting Women's Voices at the Core'³ was published alongside the relaunched WPG COVID-19 Feminist Recovery Plan in July 2021⁴. We received several testimonies from women regarding their experience of poverty and debt and we have included a sample of these quotes below:

"Financially I feel less secure. It's hard getting a graduate job in this market, so I haven't progressed from my student retail job. This has impacted me personally as I feel like a failure which has had a negative impact on my mental health..."

"Lack of savings has had an impact. Awaiting benefit payments every 2 weeks is very stressful."

"I felt ashamed that I had to use them [food banks], as a mother you feel like people would pass judgement..."

"I have 2 credit card debts, a huge overdraft and credit union loans I didn't have before this [the pandemic]."

The Women's Regional Consortium also recently published a primary research report titled 'Women Living with Debt'⁵ which examines the experiences of women in Northern Ireland with debt and its impact on their lives. It also contains significant evidence on the impact of cuts to the benefits system and increases in the cost of living on these women and their families.

3. General Comments on the Debt Respite Policy Proposals for Northern Ireland

The Women's Policy Group (WPG) supports the introduction of additional statutory debt protections for those living with debt. If implemented correctly, these protections could provide life-changing support to the most vulnerable people in our communities who are suffering now more than ever, as a result of the cost of living crisis.

³ Women's Policy Group (2021) WPG COVID-19 Feminist Recovery Plan Supplementary Research Report: Putting Women's Voices at the Core. Available here: <https://wrda.net/wp-content/uploads/2021/07/WPG-Feminist-Recovery-Plan-Research-Report-Womens-Voices-at-the-Core.pdf>

⁴ Women's Policy Group (2021) WPG COVID-19 Feminist Recovery Plan: Relaunch - One Year On. Available here: <https://wrda.net/wp-content/uploads/2021/07/WPG-COVID-19-Feminist-Recovery-Plan-Relaunch-One-Year-On.pdf>

⁵ Women's Regional Consortium (2022) 'Women Living with Debt' Available here: <https://www.womensregionalconsortiumni.org.uk/wp-content/uploads/2022/09/Women-Living-with-Debt-1.pdf>

Research shows that Northern Ireland has the highest rates of mental health issues in the UK⁶. The link between mental health issues and one's economic circumstances is well established. The introduction of additional statutory debt protections would be particularly beneficial in Northern Ireland given the higher incidence of mental health illness here.

We would like to echo and endorse comments made by the Women's Regional Consortium in their response to this consultation in regards to the disproportionate impact of poverty, debt and mental ill health on women in Northern Ireland. As stated by the Women's Regional Consortium:

"Women are more likely to live in poverty than men and women are more likely to be providing care either for their children or for other family members. Poverty and working in the home can mean that women are more likely to be isolated and social isolation is linked to mental health problems. In addition, women are also more likely to be exposed to gender-based violence than men which can have long-term impacts on their mental health. When women find it hard to talk about difficult issues or are not given the support they need to deal with mental health issues they can internalise these issues and this can lead to depression, eating disorders and self-harm..."

Borrowing and debt is far from gender neutral. Women are more likely than men to claim social security benefits, more likely to be in low-paid, part-time and insecure work, more likely to be providing care for children/family members and more likely to have to make up for cuts to services through unpaid work. As women's incomes are generally lower over their lifetimes this leaves them more vulnerable to short-term financial problems or income shocks making them more likely to have to rely on borrowing and debt to make ends meet."

The WPG would also like to echo and endorse some of the concerns raised by the Women's Regional Consortium in their response to this consultation, in regards to the online consultation survey published by the Department. These concerns include:

- Several consultation questions offer 'yes/no' options followed by a space to expand the answer. As WRDA guidance on public consultations states: "the binary 'agree/disagree' nature of many questions hides the complexity of how

⁶ Department of Health (2021) Draft Mental Health Strategy. Available here: <https://www.health-ni.gov.uk/sites/default/files/consultations/health/doh-mhs-draft-2021-2031.pdf>

people feel about different issues.”⁷ The results from the ‘yes/no’ answers must not be considered in isolation or presented in such a way that they paint a misleading picture of responses.

- The online questionnaire to respond to this call for evidence available through Citizen Space does not provide the ability for people to make additional comments in relation to the debt respite scheme overall or on the format of the consultation. We are concerned that those who respond via the online questionnaire may not be able to provide the full information they would wish to contribute to this call for evidence due to the structure and format of the questionnaire.

4. Survey Question Responses

This section of our response provides specific responses from the Women’s Policy Group to each of the online consultation survey questions.

Q1. Are you responding as an individual or on behalf of an organisation?

Organisation.

(skip to Q3) - Q3. Please include your name, your position in the organisation, the name of your organisation and a contact email address.

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Q4. Do you consent to being contacted if we need to discuss your answers further and as part of our ongoing stakeholder engagement process?

Yes.

Statutory Debt Protections

Q5. In your opinion, do you think we need these additional statutory debt protections? If you have responded no, please explain why?

Yes.

The Women’s Policy Group believes that there is a need for provisions like this everywhere in the UK and an even greater need for additional statutory debt

⁷ WRDA (2017) ‘Women at the Heart of Public Consultation, A guide for Public Authorities and Women’s Organisations’ Available here: https://wrda.net/wpcontent/uploads/2018/10/WRDA_WomenAtTheHeartOfPublicConsultation.pdf

protections in Northern Ireland given the higher incidence of mental health illness and given that Northern Ireland experiences higher levels of poverty.

When a person experiences problem debt this has undeniable implications for their wellbeing and mental health. Therefore, additional statutory debt protections are needed. The introduction of these protections will provide debt advisers with a tool to protect those who are the most vulnerable and who currently have no protections available to them. This would enable them to provide some reassurance to those with mental health issues that something can be done to relieve the pressure on them. This in turn allows advisors to provide help to address their clients' debt situation.

The outcomes of additional statutory debt protections would be beneficial to people in debt, to advisors working to help them, and ultimately to creditors who can rest assured that the debt will be dealt with in a managed fashion.

In the context of the current Cost of Living Crisis, debt, mental strain and stress are increasing. We fear that this Crisis will further exacerbate debt issues as more and more people will have to borrow to make ends meet. This in turn has implications for their mental health and wellbeing.

Q6. Regarding the England and Wales scheme, the Insolvency Service maintain the electronic service used by debt advisers to start the breathing space process and send notifications to creditors and agents. They also maintain a private register of clients whose debts are in a breathing space or who have had a breathing space that ended or was cancelled in the last 15 months. They ensure eligible debt advisers who want to offer a breathing space can use the service. They register new debt advice providers for the electronic service and deal with any technical issues.

Who should undertake this role for a scheme here? The Insolvency Service in Northern Ireland has indicated that it is not in a position to fulfil an administrative role in any local scheme.

- A government department
- An insolvency practitioner (insolvency practitioners work on behalf of creditors and are licensed and authorised to act in relation to an insolvent individual, partnership or company)
- A third-party organisation
- ☒ Other (please specify)

Please provide a brief explanation for your chosen selection.

Although we are mindful that the Insolvency Service in Northern Ireland have said that they are not in a position to take on this role, we believe that they are in the best

position to do so. This is primarily because their structures mirror those that exist elsewhere - the Insolvency Service fulfil this role in England and Wales – but also because there is no obvious alternative. Ultimately, people in Northern Ireland should not have to endure greater stress, with less assistance, than other UK citizens. Therefore the State and relevant Government Departments should provide what resources the Insolvency Service needs in order to be able to fulfil this role.

The Insolvency Service in Northern Ireland already administers and investigates bankruptcy. Fulfilling an administrative role in the Breathing Space scheme would sit naturally with them. It is assumed that the Insolvency Service has the necessary technology to administer the scheme, given that they do similar work already. They also have the potential to share resources with their counterparts in England and Wales, as previously stated.

If resources are an issue for the Insolvency Service, Government and the relevant departments will need to consider how the Insolvency Service can be adequately funded to provide this role as part of the introduction of this Scheme in Northern Ireland. The service, as operated in England and Wales, is relatively straightforward; the Insolvency Service maintain the electronic service used by debt advisers to start the Breathing Space process and this sends notifications to creditors and agents.

The Insolvency Service also maintain a private register of clients whose debts are in a Breathing Space or who have had a Breathing Space that ended or was cancelled in the last 15 months. They make sure that eligible debt advisers who want to offer a Breathing Space can use the service. They register new debt advice providers for the electronic service and deal with any technical issues. The Insolvency Service perform an administrative role, and this is a role that could be recruited and/or for if the financial resource was provided.

We object to the inclusion of Insolvency Practitioners as an option to fulfil this role. This service should and must not be profit-motivated, therefore this role must not be given to any organisation that stands to make a profit from this Scheme.

Q7. Would the England and Wales model for Breathing Space and plans for a Statutory Debt Repayment Plan as described in the introduction, best meet the needs of people here?

No.

The England and Wales Scheme has been limited in terms of uptake and, therefore, less effective than it should be, in terms of alleviating mental health issues. This is largely because of overly restrictive eligibility criteria and access requirements. This

has been highlighted by MindWise in their report titled 'Breathing Space: Introducing a debt respite scheme for people in mental health crisis in NI.'⁸

There is an abundance of evidence that suggests that the Scheme is needed and serves a real need. We know that the Scheme could be transformative, particularly in the context of mounting debt and mental health issues in Northern Ireland, during a Cost of Living Crisis. It is imperative that the design of the Scheme here learns from the positives and the negatives of the England and Wales model, rather than simply replicating the model, and any weaknesses within it, in Northern Ireland.

Socio-economic conditions in Northern Ireland are different from England and Wales, and any such Scheme needs to operate with these differences in mind. The health system and waiting times in Northern Ireland are the worst in the UK, economic inactivity is higher than other UK regions, wages are lower, the cost of childcare is higher and poor mental health is endemic, while spending on mental health is lower than in other UK jurisdictions⁹.

A Northern Ireland Affairs Committee inquiry into mental health provision in Northern Ireland reported that spending on mental health accounted for only 5.5% of the overall budget in Northern Ireland compared with 13% of total expenditure in England¹⁰. In addition, levels of financial resilience are low in Northern Ireland. Even before the Cost of Living Crisis, a quarter of households in Northern Ireland could not afford to pay an unexpected £500 bill. The most common means of dealing with financial hardship was to borrow from friends and family (44.6%) or to increase credit card debt (26.6%)¹¹ and 36% of households have no savings¹².

The health service in Northern Ireland is under extreme pressure, particularly in relation to mental health. Despite the fact that Northern Ireland has a higher prevalence of mental illness (with psychiatric morbidity in Northern Ireland 25% higher than in the UK¹³), there are significant difficulties in accessing mental health

⁸ MindWise (2022) 'Breathing Space: Introducing a debt respite scheme for people in mental health crisis in NI,' *Prepared by Michele Loughran, Amy Veale and Thomas Henry [Unpublished]*.

⁹ Written evidence submitted by Dr Ciara Fitzpatrick, Dr Alexandra Chapman, Professor Ann-Marie Gray, Goretti Horgan, Professor Gráinne McKeever, and Dr Mark Simpson, researchers at Ulster University, relating to the Cost of Living in Northern Ireland non-inquiry (COL0003). Available here: <https://committees.parliament.uk/writtenevidence/114044/pdf/>

¹⁰ Northern Ireland Affairs Committee (2019) 'Health funding in Northern Ireland: First Report of Session 2019' Available here: <https://publications.parliament.uk/pa/cm201919/cmselect/cmniaf/300/300.pdf>

¹¹ Sabrina Bunyan, Mark Simpson, Goretti Horgan and Ann Marie Gray (2022) 'The Other Division in Northern Ireland: public attitudes to poverty, economic hardship and social security' *Ark Papers*. Available here: <https://www.ark.ac.uk/ARK/sites/default/files/2022-05/update146.pdf>

¹² Department for Communities (2021) 'The Family Resources Survey for Northern Ireland' Available at: <https://www.communities-ni.gov.uk/system/files/publications/communities/frs-201920.pdf>

¹³ Office for Statistics Regulation (2021) 'Review of mental health statistics in Northern Ireland' Available at: <https://osr.statisticsauthority.gov.uk/publication/review-of-mental-health-statistics-in-northern->

diagnosis and medical treatment here. The recent report produced by MindWise¹⁴ also highlights the levels of unmet need in Northern Ireland. The report states that:

“A recent review of crisis services in NI revealed high levels of unmet need for people in crisis who could not access secondary mental health services. Of people who died by suicide in Northern Ireland, 72% were not under the care of mental health services in the 12 months prior to their death. Only 58% had a diagnosed mental disorder at the time of death.”

These statistics, and the circumstances that exist in Northern Ireland, suggest that simply replicating the England and Wales model for the Breathing Space Scheme in Northern Ireland would cause significant problems. For example, it would potentially prevent many people suffering from mental health issues from benefiting from these protections.

We need a model informed by the actual circumstances in Northern Ireland, informed by the lived experience of those who live here, sensitive to our post-conflict environment, and sufficiently resourced to meet the significant level of need.

Q8. What should the eligibility criteria be for a Standard Breathing Space? Do you agree with the England and Wales model, where to be eligible for a standard breathing space, the client must:

- be an individual
- owe a qualifying debt to a creditor
- live or usually reside within the jurisdiction
- not have a debt relief order (DRO), an individual voluntary arrangement (IVA), an interim order, or be an undischarged bankrupt at the time they apply.
- not have had a standard breathing space in the last 12 months at the time they apply

If you have answered no to any or all of the above criteria then please explain.

We agree that the Standard Breathing Space eligibility criteria for England and Wales should be the same for Northern Ireland. In practice, it is common that good, responsible creditors already provide this type of moratorium for debtors who find themselves in difficulty. This provision helps both debtors and, ultimately, creditors.

[ireland/pages/2/#%3A~%3Atext%3DAcademic%20studies%20and%20research%20articles%2Chigher%20than%20in%20the%20UK](#)

¹⁴ MindWise (2022) 'Breathing Space: Introducing a debt respite scheme for people in mental health crisis in NI,' Prepared by Michele Loughran, Amy Veale and Thomas Henry [Unpublished].

Q9. What challenges would debt advisers face in implementing a Breathing Space for clients?

- Resources
- Training
- Funding
- Other (please specify)

Please provide a brief explanation for your chosen selection.

All of the above. In particular, it is likely that awareness of the scheme and training would be a significant challenge for debt advisors.

Debt advisers within the voluntary and community sector will discuss with their clients the best way to handle their debts, outlining the full range of options open to their clients. The introduction of a Breathing Space Scheme would provide another option for debt advisers to discuss with their clients. This can then be added to their toolkit of potential options for dealing with the clients' debts.

We anticipate that lack of knowledge and understanding of the scheme could be a significant challenge, in terms of the Scheme's implementation. It is vital to ensure that all debt advisers are fully trained in the operation of the Scheme so that they can include it in their toolkit of options for advising their clients. We suggest that this training must be comprehensive, timely (provided before the introduction of the Scheme) and free (particularly to organisations within the voluntary and community sector where funding and resources are under considerable pressure).

Q10. In England and Wales the standard Breathing Space lasts 60 days. Is this timescale appropriate for Northern Ireland? If No, what do you think it should be and why?

Yes.

Mental Health Crisis Breathing Space

11. In England and Wales, for those in mental health crisis treatment a Mental Health Crisis Breathing Space (MHCBS) is available and lasts for the duration of the crisis treatment plus 30 days. Is this timescale appropriate for Northern Ireland?

No.

We agree with the timescale for the Mental Health Crisis Breathing Space, however, we also agree with the MindWise recommendation¹⁵ that depending on the circumstances of each individual case, debt advice could potentially begin while the person is receiving treatment.

In England and Wales, there is no engagement around debt advice until the client is released from the care of a mental health professional. This means that clients are not able to engage with debt advice during their crisis treatment. However, we believe that being able to access debt advice during treatment could aid their recovery and be beneficial to clients in the long run.

Mental health treatment alone may not be sufficient to help resolve mental health issues, particularly when they are caused in part by financial stress. Improving one's financial situation can be part of mental health recovery. Therefore, having access to debt advice during treatment could provide people with the help they need to somewhat reduce anxieties. Engaging in debt advice during treatment would also allow debt advisers to start the process of relationship building with the client, information gathering and liaising with creditors on their behalf.

12. Do you agree this should be the eligibility criteria for a Mental Health Crisis Breathing Space (MHCBS) in Northern Ireland?

No.

A client should not have to have been released from the care of a healthcare professional in order to be eligible for the Breathing Space scheme. We also do not agree that a client must also be receiving mental health crisis treatment at the time of the application. This puts undue pressure on the resources of mental health professionals and could lead to patients' admittance being delayed due to long waiting lists.

Mental Health Crisis

13. In your opinion what constitutes a mental health crisis?

It is not appropriate for policy workers to give their opinions on this, it is a matter for professionals and for the person experiencing mental ill health. A mental health crisis is individual to the person who is experiencing it. There is no single cause or precipitating factor to a mental health crisis, therefore, what constitutes this crisis is largely subjective.

¹⁵ MindWise (2022) 'Breathing Space: Introducing a debt respite scheme for people in mental health crisis in NI,' *Prepared by Michele Loughran, Amy Veale and Thomas Henry [Unpublished]*.

The following definition from Mind highlights the range of issues which *could* constitute a crisis, and explains how a person may not know why they are feeling the way they are. This points to the complexity and individuality of mental health crises, and therefore how rigid definitions are more harmful than helpful.¹⁶

Mind defines a mental health crisis as occurring when a person feels at breaking point and needs urgent help. The person might be feeling extremely anxious and having panic attacks. They might be feeling suicidal or self-harming. They might be having an episode of mania or hypomania, or psychosis. They might be dealing with bereavement, addiction, abuse, money problems, relationship breakdown, workplace stress, exam stress or housing problems. They might be managing a mental health diagnosis. Or they might not know why they are feeling this way.

Overall, on issues like this, it is best to trust the opinion of the patient as well as the professionals entrusted with their care.

Breathing Space Starting Period

14. Please say what, if any, qualifying criteria should be applied to a Mental Health Crisis Breathing Space?

As previously stated, we believe that the requirement that a person must be accessing mental health crisis treatment from specialist mental health services is inappropriate, as it will prevent people in crisis in Northern Ireland from accessing the Scheme. Access arrangements for the Mental Health Crisis Breathing Space were identified as a major reason for the low uptake in England and Wales, and the process would be even harder to access in Northern Ireland.

In Northern Ireland, approved Social Workers (ASWs) act as the equivalent of AMHPs in England and Wales and are responsible for coordinating assessments for detention under the Mental Health (NI) Order 1986. However, MindWise have warned that ASWs in Northern Ireland would not have the capacity to undertake MHCBS assessments in addition to their statutory duties. Further, the Mental Health Strategy states that the number of ASWs in Northern Ireland will need to increase by a further 25% to meet demand¹⁷. Therefore, we recommend that this course of action is not pursued. With the current political impasse and budget cuts being imposed from Westminster, it is unlikely that these capacity issues will be addressed any time soon.

¹⁶ Mind (2022) 'Crisis Services and Planning' Available at: <https://www.mind.org.uk/information-support/guides-to-support-and-services/crisis-services/>

¹⁷ Department of Health (2021) 'Mental Health Strategy 2021-2031' Available here: <https://www.health-ni.gov.uk/sites/default/files/publications/health/doh-mhs-strategy-2021-2031.pdf>

Mindful of the blockages in the system, the Women's Policy Group recommends expanding the categories of professionals who can make assessments, perhaps including other healthcare professionals such as GPs, nurses and those working for mental health charities who know when someone is struggling with their mental health. Referrals to the Scheme must be simple and straightforward with the least amount of bureaucracy. This approach has the potential to save lives and be truly transformative for someone struggling with debt and associated stress.

Therefore, the Women's Policy Group supports the proposed assessment process for the MHCBS as outlined by the MindWise report¹⁸.

15. At what point should the Breathing Space period start?

This process should begin as soon as an adviser has confirmed a Breathing Space would be appropriate.

Eligible debts

16. Should all debts be eligible for a Breathing Space?

Yes.

Excluded Debts

17. What debts do you think should be excluded?

We do not believe that any debt should be excluded from Breathing Space provisions. However, there are some types of debt particularly prevalent in Northern Ireland that cause unique issues for a Scheme like Breathing Space because they cannot be managed using a standard approach.

Illegal money lending and loan sharking continues to remain a pervasive problem in Northern Ireland, and is largely unreported to police, due to a combination of fear, shame and secrecy. This is often a hidden crime and a practice that is sometimes perceived as normal¹⁹. This makes it difficult to understand the true scale of this problem and difficult to address from the point of view of Schemes such as Breathing Space.

This type of lending can significantly impact one's mental health and increase anxiety and stress levels because implicit in the loan is the threats of intimidation that can

¹⁸ MindWise (2022) 'Breathing Space: Introducing a debt respite scheme for people in mental health crisis in NI,' *Prepared by Michele Loughran, Amy Veale and Thomas Henry [Unpublished]*.

¹⁹ Organised Crime Task Force, Annual Report & Threat Assessment 2020/21, February 2022. Available at: <https://www.octf.gov.uk/files/octf/2022-02/octf-annual-report-and-threat-assessment-2020-21.pdf>

follow a failure to repay, as well as interest charges, that are subject to change at any time with no recourse for borrowers.

While it would be difficult to manage this type of lending within any Breathing Space scheme, it nevertheless needs to be considered, as it could potentially have a significant impact on someone's mental health, in relation to their debts. It would be valuable to consider extended leeway for the repayment of other more conventional debts if the debtor also has a loan from a paramilitary lender.

It is clear that further work is needed in this area, and debt advisers and other groups who work with people in this situation should be consulted with a view to exploring how best this type of lending can be managed within the Breathing Space scheme or an inter-connected scheme. In addition, further research would be invaluable in terms of measuring the scale and depth of this problem.

Recent research by the Women's Regional Consortium²⁰ shows that 51% of the women who took part in the research had used high-cost credit, with 6% borrowing through loan sharks, including paramilitaries. The following quotes taken from this research illustrate some of the issues and fears around paramilitary lending:

"I have a debt to a paramilitary lender. On every £100 I pay £30. I pay it back every 2 weeks. On £1,000 I pay £300 interest. I work full time but still have difficulty making ends meet on a low income. You ask these lenders can I borrow £1,000 today and they will leave it round to you that night."

"If you don't pay back you get your windows put in first. I heard a local woman got her windows put in for not paying back a loan."

"The local paramilitary charges £40 for every £100."

"You get your knees done if you don't repay – there are so many things they can do to you."

"If you can't get a bank loan, a Credit Union loan because you have to have savings, or payday loans then after that it's paramilitaries."

Paramilitary and other illegal lenders often prey on those who they know are vulnerable, actively seeking them out in places where they may go for help, which may include many people with mental health issues. This was highlighted in a recent

²⁰ Women Living with Debt, Women's Regional Consortium, September 2022. Available at : <https://www.womensregionalconsortiumni.org.uk/wp-content/uploads/2022/09/Women-Living-with-Debt-1.pdf>

episode of BBC Spotlight²¹ which detailed how food bank users were being actively targeted by paramilitary lenders after leaving the food bank.

Participation of activities to remain eligible

18. What activities must the Breathing Space participant continue with to remain eligible? Please select all that apply

- They should be required to attend advice sessions
- Seek budgeting/income maximisation advice
- They should be required to make any repayments during the Breathing Space period, if their financial situation allows it
- They should not take on further debt

All of the requirements laid out above are acceptable.

It is normal that debt advisors require clients to work towards improving their situation and to actively strive not to make it worse by taking on additional debt. After an adviser works with the client to draw up a budget, and there is income available, this becomes a far more manageable and achievable goal.

How the scheme could work for creditors

19. What challenges, if any, would creditors face in implementing the scheme? What challenges, if any, would creditors face in implementing the scheme?

Creditors may be concerned that a significant percentage of their debtors will start accessing Breathing Space. Any resultant delay in repayments may cause creditors cash flow issues or impact their ability to do business.

Creditors should be reassured that this Scheme may help recoup more debt with less effort on their part. The Breathing Space Scheme requires clients to engage positively with a debt adviser and to take control of their debts with the right help and support. This is designed to ensure that clients are making sincere efforts to address their debt problems and it will also increase the likelihood of regular communication and engagement with creditors, providing reassurance to them.

Martin Lewis, founder of MoneySavingExpert.com and the Money and Mental Health Policy Institute, believes this scheme is a “win-win-win” scenario. He stated that:

²¹ <https://www.bbc.co.uk/iplayer/episode/m001g75g/spotlight-loan-sharks-and-paramilitaries>

*"It's [Breathing Space] a win-win-win; for individuals who get their finances back on track, creditors who'll recoup more cash in the long run, and the economy as there will be less financial catastrophe."*²²

20. Should any creditor be exempt due to the size of their business?

No.

Creditors have a responsibility to deal with debtors in a responsible and fair way, regardless of their size of business. In addition, they have a duty when making loans to properly conduct affordability checks and exercise good practice with regards to lending, and they must ensure that they are meeting these responsibilities. Setting realistic repayment goals and allowing debtors to meet them in a manageable timeframe may ultimately help their business to grow.

21. What size of business should be exempt?

None should be exempt.

Benefits and Safeguarding

22. What benefits could creditors see as a result of a Statutory Breathing Space scheme?

- Regular payments from debtors
- Less administrative costs in pursuing debt
- Corporate social responsibility
- Other

All of the above are benefits for creditors. An additional benefit is that this Scheme sets up a flow of communication between debtors and creditors that is often absent when mounting debts combine with a mental health crisis. This can create a vicious cycle whereby the debtor may get into worsening financial circumstances in an attempt to avoid dealing with their debt without the intervention of a Scheme like Breathing Space to help. This scheme could potentially facilitate the mending of a relationship between debtor and creditor, to the creditors benefit.

23. Do you think the scheme needs safeguards to prevent misuse?

Yes.

²² UK Government [Website] (2023) 'New scheme to give people in problem debt breathing space launched.' Available at: <https://www.gov.uk/government/news/new-scheme-to-give-people-in-problem-debt-breathing-space-launched>

The relevant professionals involved in assessing clients' applicability for the Scheme should provide a safeguard for creditors. However, because the debtors are vulnerable, by the nature of their circumstances, they need specific safeguards to ensure that they cannot be taken advantage of in any way.

Safeguards

24. What safeguards are needed to prevent misuse?

As mentioned in response to Q.23, the assessment process for eligibility provides a safeguard for creditors. In addition, the fact that the standard Breathing Space time period has a limit of up to one year means that the Scheme is hard to "game," and a debtor cannot immediately enter another Breathing Space after leaving one. Further, the Dept Repayment Plan, outlined below, means that the creditor can rest assured that the debtor is committing to repayment of their debts.

After a Breathing Space: A Statutory Debt Repayment Plan

The following questions are centred on the period after a Breathing Space, when someone coming out of a Breathing Space would be entering, or working towards entering, a future plan for dealing with their debts.

The UK Government is committed to introduce a statutory debt repayment plan where appropriate, which would formalise existing debt management plans as a debt solution. A debt management plan can be used as a way of repaying debts. The client makes reduced payments to non-priority and/or unsecured creditors if they can't afford the full contractual payments. These are typically set up by a debt adviser who negotiates a debt management plan with their client's creditors. A debt adviser can also agree a repayment plan for priority debts using the client's disposable income.

In Scotland, statutory 'debt payment plans' offered by the Debt Arrangement Scheme (DAS) are administered by the Accountant in Bankruptcy (AiB), an agency of the Scottish Government. As well as managing the DAS scheme, AiB is responsible for administering the process of personal bankruptcy and corporate insolvency, and for implementing, monitoring and reviewing Scottish government policy in these and related areas.

The following questions are intended to help us consider provision for a Statutory Debt Repayment Plan for people here. Details will be developed using the responses gathered through this Call and further engagement and consultation will follow.

A Statutory Debt Repayment Plan

25. In England and Wales, it is the intention that the Insolvency Service will also include provision for a statutory debt repayment plan as part of its administrative oversight role. The Insolvency Service in Northern Ireland has indicated that it is not in a position to fulfil an administrative role in any local scheme. Do you think there should be one oversight body/administrator for both debt respite elements?

Yes.

As outlined in our answer to Q.6 we believe that the Insolvency Service in Northern Ireland is best placed to provide the Breathing Space Scheme. We also believe that the Insolvency Service is best placed to provide for a statutory debt repayment plan. This service already has a role in administering bankruptcy and Debt Relief Orders and it seems that they have the necessary technology and systems in place to do this work without huge resource implications.

However, we are mindful that the Insolvency Service in NI will face resource implications, particularly in terms of staffing if this role is taken on. Therefore, it is anticipated that relevant Government departments may need to make available additional funding to ensure that the Insolvency Service can carry out this work.

26. How long should the implementation / repayment period be for? For example, should it replicate the England and Wales timescale i.e. seven years with a potential to extend to ten years?

Yes.

We are mindful that the timescale will be different for every debtor depending on the scale of their debt and their income. Therefore, we believe that there should be flexibility for up to ten years. This is the same timescale as exists in England and Wales and it should be enough to provide for the needs of most people.

Statutory Repayment Plan debts

28. Should the Statutory Repayment Plan apply to all debts?

Yes.

Specifically, and most importantly, debts to Government Departments should be included here, because there is significant evidence that these are a major driver of

poverty and debt. Research by the Lloyds Bank Foundation²³ has warned that deductions from Universal Credit are leaving more than two million people unable to afford basic necessities and driving them further into debt. Further, 44% of Universal Credit claimants are having money deducted to pay debts, with an average of £78 deducted from their monthly Universal Credit payments.

A Trussell Trust report has shown that almost half of all households at food banks during the pandemic are repaying debts to the Government. The Trussell Trust state that it is now more common for people arriving at food banks to owe debt to the Government than to private lenders or family and friends²⁴. Their figures show that 47% of households using their food banks owed money to the Department of Work and Pensions (DWP), due to having loans and overpayment of benefits.

Research by the Joseph Rowntree Foundation²⁵ found that problem debt and arrears on bills was common among those experiencing destitution and the debts mainly pre-dated the Covid pandemic. These debts were largely 'public sector' debts owed to the DWP, local authorities and utility companies.

Further research published by the Joseph Rowntree Foundation²⁶ has found that benefit deductions are making life difficult for the worst off, causing 40% of households to go without essentials and food. It found that households with deductions are at least twice as likely to be in arrears compared to households without a deduction.

Joseph Rowntree have called on the Government to stop deducting benefits at unaffordable rates, and at higher rates than it expects for other creditors. We would like to echo this call, and since Government Debt is such a significant driver of poverty, it is undoubtedly also a driver of poor mental health. This means that it is imperative that, at the very least, Government Debt be included in the Breathing Space scheme and not listed as a priority debt.

29. For the included debts, should some debts be prioritised for repayment?

Yes.

²³ Deductions: Driver of Poverty, Lloyds Bank Foundation, May 2022. Available at: [deductionsreport.pdf \(lloydsbankfoundation.org.uk\)](#)

²⁴ Lift the Burden, Tackling the Government Debts facing people at Food Banks, The Trussell Trust, December 2020. Available at: [Lift-the-burden-Dec-20.pdf \(trusselltrust.org\)](#)

²⁵ Destitution in the UK 2020, Joseph Rowntree Foundation, December 2020. Available at: <https://www.jrf.org.uk/report/destitution-uk-2020>

²⁶ Not heating, eating or meeting bills: managing a cost of living crisis on a low income, Joseph Rowntree Foundation, June 2022. Available at: <https://www.jrf.org.uk/report/not-heating-eating-or-meeting-bills-managing-cost-living-crisis-low-income>

Priority debts should be those that carry the most serious consequences for non-payment.

Prioritised Debts

30. Which of the following debts should be prioritised? Select all that apply

- ☒ Rent/Mortgage arrears
- ☒ Gas/Oil
- ☒ Electric
- ☒ Phone/Internet
- ☐ Other

We believe that any debts that protect the individual and their safety should be prioritised. For example, housing debts and energy debts. We also suggest that access to phone/internet should be classed as an essential service particularly for those who live in rural areas where for some it can be their primary means of communication.

In addition, access to phone/internet is essential to the claiming/management of some social security benefits, for example, Universal Credit, as well as applying for jobs. Part of the process of debt advice is to maximise income, and this includes ensuring the client is claiming all the social security benefits to which they are entitled, and ensuring they can access information about how to maximise their income via employment, where appropriate. This will necessitate the use of phone/internet, so it is important that this debt should be prioritised.

Evaluating the impact of a Breathing Space and Statutory Debt Repayment Plan

In implementing a Breathing Space and Statutory Debt Repayment Plan, the Department is keen to identify and assess the impact of such a scheme - both for debtors and for creditors.

32. For each of (1) a Breathing Space, and (2) a Statutory Debt Repayment Plan, please describe in detail, and with supporting evidence, the positive impact expected through:

Improved access: How would it encourage more people to seek debt advice earlier?

It is very difficult to evidence the positive impact on improved access without the Breathing Space or a Statutory Debt Repayment Plan being in operation. Therefore, responses to this question will include a degree of speculation. We stress the need for

an assessment of the operation of any schemes which are introduced to ensure they are working as intended and providing effective outcomes for everyone involved.

We are in agreement with the recommendations set out by MindWise in their report²⁷. These recommendations included:

- Learning from the operation of the Scheme in England and Wales is vital to ensure better access and encourage more people to seek debt advice. Overly restrictive eligibility criteria and access arrangements are severely limiting the scope of the Scheme in England and Wales meaning that uptake has been poor and lower than expected. These eligibility criteria should be reevaluated and amended.
- Eligibility for the MHCBS should be extended so that determinations are based on the needs of the person. Limited resources and pressure on services, particularly mental health services, means that people in crisis are often supported in primary care or by Community and Voluntary Sector organisations. Therefore, the eligibility criteria and referral pathways must reflect this in order to ensure access to the Scheme by the people who need it and could really benefit from its protections.
- Access arrangements for the MHCBS need to change including the employment of a suitable qualified professional within the MHCBS service to make determinations. This would ensure a more streamlined approach and encourage referrals.
- The option to receive debt advice during treatment for a mental health crisis should be presented at assessment for a MHCBS where appropriate, although this mustt never be forced when inappropriate. This would be an important step in encouraging people to seek debt advice earlier, and while in treatment support would be available should the patient find the process difficult or overwhelming.
- Low uptake of the MCHBS in England and Wales suggests a long lead-in time is essential. In order to help improve access to any Scheme in Northern Ireland referral pathways should be piloted allowing them to be tested and embedded before the Scheme is launched.
- As identified by MindWise the success of the MHCBS will depend to a large extent on the cooperation of Mental Health Professionals. Consultation with Mental Health Professionals before the introduction of the Scheme will be important to ensure buy-in and knowledge of the Scheme. In addition, early and ongoing communication as well as effective training with Mental Health Professionals should be prioritised.

²⁷ MindWise (2022) 'Breathing Space: Introducing a debt respite scheme for people in mental health crisis in NI,' *Prepared by Michele Loughran, Amy Veale and Thomas Henry [Unpublished]*.

- Effective training, information and awareness raising for debt advisers about the Breathing Space Scheme will also be vitally important in ensuring access and encouraging people to seek debt advice earlier. This should be planned and resourced so that it can take place before the Scheme is implemented.

If the changes recommended by MindWise to the England and Wales Scheme are made before the Scheme's introduction in Northern Ireland, we believe that the introduction of both the Breathing Space Scheme and the Statutory Debt Repayment Plan would improve access and encourage more people to seek debt advice earlier.

Better support: How would it improve outcomes for customers who are already in problem debt?

Again, it is very difficult to evidence the positive impact on better support and improving outcomes for customers already in problem debt without the Scheme being operational.

Most fundamentally, the introduction of the Breathing Space Scheme would give customers in problem debt time to consider their financial situation and how they might best arrive at debt solutions. It would allow them time to seek advice, consider their options and put processes in place to manage their debts. This has the potential to make people feel more in control of their financial situation which could have positive implications for their mental health. In turn, this could help them to begin the process of improving their financial circumstances in the long term, and ensures the right support can be put in place.

Increased repayments: How will it increase the amount of debt repaid to creditors?

Once more, it is almost impossible to provide accurate evidence to demonstrate the positive impact on increased repayments to creditors before the Scheme is in operation.

Having access to the Breathing Space and Statutory Debt Repayment Plan will ensure that people are addressing their debt situation and not ignoring their debts, as they will be required to deal with them. Many people, and particularly those with mental health issues, are reluctant to talk about their debts or acknowledge that they are in problem debt. Having access to this Scheme will help to ensure that they are taking steps to address their debt situation which means that there is a greater likelihood of repayment to creditors.

Involvement with Breathing Space and a Statutory Debt Repayment Plan allows debt advisers to help clients fully consider their debt situation and make contact with creditors so they know what their situation is, as well as their plan to resolve their debt. With a clearer picture of their client's debt situation, the creditors will be able to dedicate resources appropriately rather than dedicating resources to chasing a debt that is already being managed. They will also have a point of contact in relation to these debts.

Ultimately, this Scheme should be centred around the client's needs and what is best for their unique situation. It should be aimed at helping people in debt with mental ill health, first and foremost. It should help to ensure that the client is not being pushed further and further into debt and possibly to other forms of lending which could make their situation even worse, such as illegal lending. Ultimately, this helps the creditors, too, as taking on further debts would make the original debt even more difficult to resolve.

5. Additional Comments

To conclude, the NI Women's Policy Group supports the introduction of additional statutory debt protections through the debt respite scheme. However, as laid out in this response, there are several considerations which must be taken into account in the development of this scheme. Furthermore, we believe that the voices of those with lived experiences of poverty and debt must be central to this work and the Department must ensure that engagement with key stakeholders is ongoing and consistent throughout the development process.

ENDS

For any questions or queries relating to this submission, please contact:

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