Executive Summary for Policymakers

Exploring Household Debt in Ireland:

The Burden of Non-Mortgage Debt & Opportunities to Support Low-Income Households

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Published in 2020 by:

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In Ireland, 22% (or over 1 in 5) of households who are in debt are over-burdened by their debt repayments. This figure climbs to 32% when looking at low-income households, or those households whose income levels are in the bottom 40%[1].

It is therefore imperative that the subject of "over-indebtedness" is integrated into an understanding of wider social norms and national policies in Ireland – in particular in relation to low-income households. In policy, unmanageable levels of personal debt are often seen as a personal failing or problem. This attitude ignores the macroeconomic drivers of debt and places the blame on borrowers who are accused of making poor financial decisions. The report challenges this notion and recognise that debt is intimately connected to key structural and political factors outside individual action and behaviour.

TASC conducted this research in order to gain a deeper understanding of the policy and social context of household debt in Ireland – or when households are over-burdened by debt repayments and do not have the means to repay debts and meet essential living costs when they fall due. We particularly focused on the experiences of low-income households and non-mortgage debt. This highlighted the need for further preventative services that build *financial capability* and *financial resilience* in Ireland, which will inform the development of a service or training that focuses on these key areas and targeting key population groups (and complement existing national services). The concept of financial capability refers to the extent to which people are able to make key decisions about their financial lives and well-being – and how resilient they are in the face of negative financial events.

In Ireland, current debt prevention and education resources are largely "self-service" and require individual initiative. Highlighting this gap provides an important context to the report and underlines the need for developing additional tools and services to address this shortfall.

1 According to the EU-Survey on Income and Living Conditions (2017)

Key findings: Renters, single-parents and low-paid workers

Underpinning this research is an analysis of data provided by the European Union Survey on Income and Living Conditions (EU-SILC) from 2017. As we focus on non-mortgage debt, the situation of renters in both the private and social housing sectors were of particular interest. In our analysis, we incorporate the terms: "struggling" (the least financially resilient and at the greatest risk of financial difficulty, with debt repayments that are a "heavy burden") and those that are "squeezed" (barely getting by in terms of their financial commitments and for the majority, their debt repayment amounts are "somewhat heavy")[2]. We provide a few of the key findings from the report below.

We classified those in the *private rental sector* as "struggling" because:

- Over 33% of this group reported they are regularly over-burdened by debt repayment
- 28% faced utilities arrears in the previous 12 months.
- Only 40% are able to save income on a regular basis, with this number dropping to 20% for renters who are in the bottom 40% income brackets.
- Those who are renting in the private sector are *nearly four times more likely* to go without heating due to lack of money than those who own their homes.

In addition, *single-parents* remain one of the most consistently "struggling" cohorts across all household types. According to our research:

- Over 36% of single-parent households are overburdened by debt amounts, and 1 in 2 said their overall housing costs are a heavy burden. Only 30% can save income on a regular basis.
- 21% of single-parent households faced utilities arrears and 27% faced mortgage/rental arrears.

There is also a significant number of *working households* that are "struggling" and "squeezed" in terms of debt.

- 20% (or 1 in 5 workers in Ireland) with debt are struggling debt repayment burdens.
- Nearly 50% of all workers face debt repayment levels that are a "somewhat heavy burden" that places them at risk of becoming over-indebted in the future, and less resilient to financial shocks.

2 These definitions are based on the chart from Money Advice Service (MAS) in the UK: https://masassets.blob.core.windows.net/cms/files/000/000/936/original/Market_Segmentation_-_Segment_Infographics_-_Revised_February_2018.pdf

Recommending new policy and supporting practical tools

TASC propose the development of a practical support for building financial capability that expands on the findings of international literature and best practice and takes on board our own observations of the Irish context for this research. We recommend that this "training" is framed as follows:

> *An intensive and personalised "training" that builds financial resilience and financial capability in Ireland that is transferable to different contexts and acts as a preventative measure to household problem debt.*

In particular, we are proposing to design a training that incorporates a mixed-methods delivery, including *both* designated and personalised 1:1 support as well as learning in a group environment. These supports will complement existing national interventions and will be designed in such a way as to provide participants with the necessary basic numeracy skills and financial literacy learning within the sense of personal capabilities and knowledge. This training will be designed in 2020.

In terms of policy, the report calls for the implementation of new housing policies[3] and increased regulation for moneylenders[4] in order to address the contextual contributors (such as the increasing cost of living and limited financial access) to household debt. Other specific policy recommendations include:

- Improve data collection and analysis on household debt.
- Improve information and flexibility concerning insolvency options.
- Better coordination of national debt support services.
- Expansion of the "It Makes Sense" Lending Scheme.
- Monitoring of the behaviour of creditors and the methods they use to pursue clients.

As discussed throughout this report, personal debt is an intricate policy issue – and there is no one-size fits all policy solution. However, we maintain that policy makers have an obligation to recognise the wider contextual factors at work and to design policies that take these factors on board and support interventions.

3 Social Justice Ireland (2019) https://www.socialjustice.ie/content/policy-issues/type/housing
4 St Vincent de Paul (2019) https://www.svp.ie/highcostloan

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