



Personal Debt Survey 2010

Personal Debt in the Home

Author: Moneyvillage.ie

Date: September 2010



Responding to Household Indebtedness

Background to survey

Household unaffordable indebtedness and long term personal insolvency is a feature of consumption boom/bust cycles – credit bubbles - having significant economic and social costs.

39% of households were financially vulnerable in 2009 – ranked the most vulnerable in ¹Europe, with only 2% feeling financially secure (Genworth Financial Index)

Consumer debt is €147.7bn mortgages and c€29bn in other largely unsecured debt.

People in the 20's and 30's, married/co-habiting with children represent the most financially vulnerable cohort.

Trends indicate escalating household financial fragility with many experiencing dramatic and sudden decline in incomes which is increasing debt repayment burdens:

- **Credit delinquencies** have increased substantially since onset of current international slowdown (source Irish Credit Bureau).
- **More homeowners** have negative equity and CANNOT borrow or move home – in negative equity trap.
- **Multiple creditors** – all looking for payment – race to the courts
- **Declining incomes** in many sectors putting squeeze on finances
- **Some lenders have been arrogant through ignorance** – focussed only on sales, many have no formal experience in debt collections process
- **Lenders organisational memory loss** – systems, processes and behaviours geared towards benign credit environment since 1980's

¹ Genworth Index, designed by the Personal Finance Research Centre (University of Bristol) and the European Credit Research Institute, conducted by Ipsos MORI, measuring relative financial vulnerability across 14 European countries; surveying 14,000 respondents overall.

- **IBF Protocol & Regulatory response** – no mechanism for holistic credit management – very linear.
- **Repossession forbearance:** buys time but does not deal with underlying issue of unaffordable indebtedness.

Throughout 2008/10, bodies such as MABS received increasing number of calls from consumers experiencing problems servicing debts – looking for support, information.

MABS resources are stretched with an active case load of c30,000 including 15,000 new cases in 2009. Allocated budget provision 2009 was close to €18m funding 60 offices and c255 full time/part time staff.

With consumer borrowings in excess of ²€29bn (largely unsecured) and €147.7bn in mortgage debt, the number of households experiencing financial stress requiring debt management services is likely to be considerably higher than the numbers and debt load currently serviced by MABS.

This deficit in meeting the need for debt management and counselling services cannot be filled by the state or taxpayer

Need for alternatives that work and are paid for by users – debtors and creditors.

Legal system reflects dated concepts of debtor obligations and creditor rights - hence the Law Reform consultation on personal insolvency

Other countries have non-court based debt resolution systems along a continuum from voluntary debt management agreements to statutory personal insolvency

Need to regulate the market for debt management services – For example in the UK, the OFT has published guidance on debt management. UK trade body DEMSA's code of practice is approved under the OFT Consumer Codes Approval Scheme for advice for debt management plans (DMP) and Individual Voluntary Arrangements (IVA). A

² Source CBI stats – mortgage debt (Nov 09) includes securitised loans. Other debt includes non-mortgage lending, credit card and credit union debt but excludes finance company and other non-reported consumer credit facilities

similar organisation has been formed recently in Ireland called the Debt Management Association of Ireland (DMAI) www.dmai.ie

Regulation and licensing is urgently required here in Ireland

Need for a Government led central co-ordinated response to the growing problem of consumer over-indebtedness which should identify and implement the range of solutions required for both secured and unsecured debt.



1. In your opinion, how has the Government's support Been to the citizens of Ireland who are in debt?	As percentage of total valid.
Very Poor	86.8%
Good	12.0%
Excellent	1.2%
Total valid	100.0%

2. In your opinion, have the banks and other financial Institutions offered support and assistance?	As percentage of total valid
Very Poor	89.0%
Good	10.0%
Excellent	1.0%
Total valid	100.0%

3. How confident would you be in approaching your Creditors if you were in financial difficulty?	As percentage of total valid
Not at all confident	71.0%
Nervous	19.0%
Very confident	10.0%
Total valid	100.0%

4. Do you currently have a mortgage or are You renting?	As percentage of total valid
Mortgage holder	54.0%
Renting	16.0%
Does not apply	30.0%
Total valid	100.0%

5. Have you ever found it difficult to meet your repayments?	As percentage of total valid
Yes	27.0%
No	73.0%
Total valid	100.0%

6. Do you feel that banks should freeze interest And charges for people that are in difficulty?	As percentage of total valid
Yes	88.0%
No	12.0%
Total valid	100.0%

7. Have you had a reduction in income over the past number of years?	As percentage of total valid
Yes	78.0%
No	22.0%
Total valid	100.0%

8. Do you have any personal credit?	As percentage of total valid
Yes	66.0%
No	34.0%
Total valid	100.0%

9. How many creditors do you owe money to?	As percentage of total valid
Less than 3 creditors	88.0%
Between 3 to 5 creditors	9.0%
More than 5 creditors	3.0%
Total valid	100.0%

10. Is your personal debt level between....	As percentage of total valid
€0 - €10,000	71.0%
€10,000 - €20,000	14.0%
More than €20,000	15.0%
Total valid	100.0%

11. If you were in difficulty, would you know your legal entitlements?	As percentage Of total valid
Yes	14.0%
No	86.0%
Total valid	100.0%

12. If you were in debt, would you seek professional advice or go to MABS?	As percentage of total valid
Professional advice	61.0%
MABS	39.0%
Total valid	100.0%

About MoneyVillage Ltd.

An Irish owned professional debt management service provider with alliance partners who are industry leading providers in the UK. Moneyvillage are a founding member of the Debt Management Association of Ireland (DMAI). The CEO, Mr. Eugene McDarby, has been appointed Chairman of the Association,

Developed a debt intermediation model for helping Irish families establish a budgeting structure and negotiate more favourable terms with creditors. Evolved from Irish expertise and our partners successful business model, operating in the UK since 1998.

Uniquely it offers comprehensive budgeting AND educational services

MoneyVillage Ltd offers two key services:

1. Personal debt management service, www.moneyvillage.ie

Intermediation between indebted households and their unsecured creditors

- Nationwide service with highly experienced financial advisors
- Holistic debt management agreement with multiple creditors
- Repayment budgeting and payment system
- End to end debtor and creditor processes
- Superior debtor/creditor repayment business model v traditional debt collection model
- Provides for the possibility of earned discharge of debt

2. One-of-a-kind educational programme, www.moneydoo.ie

Emphasises financial literacy learning and development

- Moneydoo has been approved on the National Consumer Agency website for financial education, www.financialcapability.ie
- Practical adult learning on how to use money wisely
- Step-by-step guide with tools on how to handle and work one's way out of debt
- Encourages behavioural change in using debt
- Online educational portal not available from any other company
- Fee free to Irish consumers
- For example provides sample conversations on how to negotiate with creditors

Significant ongoing investment in IT and operational competence – scalable business model capable of intermediating and administering both voluntary and formal legal debt management and settlement arrangements

Core offerings:

Debt Management Agreement: Structured intermediation between our clients (indebted households & individuals) and their unsecured creditors. Represented by a voluntary debt management agreement and ongoing support to clients along with engagement with their creditors.

Educational Tutorial: An adult learning system which comes with a certificate of completion and demonstrates clients desire to find a solution to their financial difficulties.