The Politics of Indebtedness in the UK

A Public Interest Report
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Executive Summary

Since the global financial meltdown in 2008, we have become accustomed to hearing government officials talk about debt: about profligate public spending and the need to tighten the public purse; about the ‘Age of Austerity’ and the collective compromise we must all make in order to crawl back from the economic abyss. However, policy-makers aren’t talking about the real debt problem in contemporary British society – the huge stock of household debt maintained by people across the UK. This is a problem policy makers refuse to acknowledge.

Over many years the UK economy has become reliant on debt to sustain itself. We are living in a Debt Economy, where stagnant wage growth combined with easy individual access to credit, a highly-leveraged housing mortgage market, a marketised education environment and a culture of consumption has become unsustainable for most households in Britain today. More worryingly is an economic environment where all-powerful banks and unscrupulous payday lenders continue to thrive while individuals barely survive; a stark imbalance of power between debtors and creditors that shows no signs of easing.

While governments have chosen to bail out the banks, households are left to pay the bill. This raises questions about the ‘morality of debt’ and its implicit repayment requirement; if banks don’t need to pay back their loans, why do we? However, if everyone simply started living within their means, refusing to rack up more debt, or choose to not pay down existing debt altogether, the economy would grind to a terrifying, irrecoverable halt – a reality that policy-makers are unwilling to either admit or consider. Their general response is rather to bury their heads in the sand, refusing to acknowledge the scale and scope of problem of household indebtedness. This policy void has created a gap so large that civil society actors and individuals have had no choice but to step in, creating grassroots movements dedicated to promoting a restructuring of the entire economy, public debt resistance and personal debt resilience just to redress the balance. We use ‘civil society’ to denote a social space made of up dedicated
individuals, key organisations, community-groups and new social enterprises. Thinking of civil society as a social space of interaction provides a framework for understanding the results of this research.

This report is the result of a six-month pilot study into the politics of debt in Britain. Using a range of qualitative methods including standard interviews, network scoping activities, collaborative encounter workshops and digital content analysis, we examine the causes and effects of household indebtedness and responses by civil society and individuals to combat it. The research reveals that, in the context of lack of government intervention, civil society actors and individuals are taking it upon themselves to fill the gap; by becoming resilient, by resisting, and by exploring ways to restructure their economy to restore balance.

There are those who promote a wholesale restructuring – of the financial services industry, of payday and other unscrupulous lending, bankruptcy law and the democratisation of money itself. Activist groups and researchers have also formed a resistance movement, contesting and campaigning against debt, intervening to expose the politics and power imbalances behind it. Finally, organisations large and small have formed to provide services to the indebted, offering individual counselling, support and assistance, helping individuals become resilient in the face of increasing financial peril.

At the individual level, people are increasingly turning to each other, forming support networks and solidarity online; sharing stories, building communities and offering advice. Digital spaces have become a vital place for those with nowhere left to turn; and despite civil society’s best efforts, the need is just too great to fill.

There is much work to be done; collaboration and communication is necessary but sometimes lacking among the myriad actors fighting the many and varied battles in the field, and not enough online outreach is occurring to meet individuals where they are, in the digital space. However, this report hopes to both celebrate the efforts of those dedicated people and also encourage them to combine resources, share ideas, and co-create solutions to the problem of household indebtedness, together. This research merely offers a starting point: a space for collaborative conversation about debt and the ways in which we can work together to craft alternatives to the Debt Economy.
**Key Findings**

Household indebtedness has become a political problem that can no longer be ignored. However, policy-makers are doing just that. In their absence, civil society actors and debtors themselves are stepping in to fill the void. The two main findings of this study identify that:

**Civil Society is filling the policy void**

- Civil society engages in a range of activities from advocacy to personal service to assist the indebted. As such, they are well-placed to diagnose key problems caused by rising indebtedness.
- These are passionate and dedicated people largely working in physical spaces like church halls and street stalls to develop solutions to problems of indebtedness, especially at household and community-level.
- Attempts by civil society to engage in digital spaces are not as effective as they could be; better digital engagement is necessary to widen impact and bring about political change.

**Individuals are finding ways to deal with debt**

- The indebted are using digital peer-to-peer spaces to share stories, seek support and exchange information.
- Such sites provide anecdotal information about people in crisis that is a rich and largely underused resource.
- Personal shame and embarrassment in talking about debt needs to be overcome to bring about political change.

**Recommendations**

1. Build much needed research capacity to fill the ‘data gap’ on the scale and scope of the household debt problems, especially the wider problems it creates.
2. Collaborate to develop a policy platform that restructures household debts — organise a bailout for the household sector, not just the financial sector.
3. Resist the imposed morality of debt repayment — either by not paying or repaying in full.
4. Establish a digital platform for engagement that will enable the creation of a collaborative network.
5. Experience-based peer networks need to inform our understanding of how individuals enact debt resilience.
Section 1: Debt in Context

Why Indebtedness is a Problem

This public interest report exposes how household-level debt is a ‘strategic silence’ in contemporary Britain. What this means is that every person employed to govern the economy – policy-maker, politician, and economist – knows that household debt is a major problem but chooses to do nothing about it for (strategic) political reasons. We use the term ‘indebtedness’ to denote how debt changes the dynamics by which individuals, households and communities shape the economy. Households do not simply respond to economic stimulus, like low interest rates; they create the economy every day through their actions, reactions and inactions. This is relevant because it is far too easy to depict indebtedness as a ‘personal’ problem; this completely ignores that it is a widely shared problem across Britain and offers a clear warning sign of impending economic disaster. Despite this, policy makers are once again doing absolutely nothing to prevent the next big financial crisis — the household financial crisis.

Rising household indebtedness is caused by a host of different factors. The biggest culprits are two decades of wage stagnation for the vast majority of British households, combined with mass deregulation in finance – making access to credit easy. More broadly, income-level, education-level, age, asset holdings, and even geography all influence the types and levels of household debts. While there are some Government departments that dedicate resources to determining key benchmarks for 'Over-indebtedness' in Britain\(^1\), these studies focus only on the worst, and not the majority, of cases. From this angle, debt problems are solved through social policy and not economic policy, which is a very worrying sign, as it fails to address the larger, more problematic economic picture.

Those with the power to do something about it are silent because the UK political economy is as dependent on household debt as households are. Rising household debt levels replaced private and public sector wage growth at the same time as it allowed consumption to continue and the residential housing market to boom. What more could an economic policy-maker want than low inflation (no wage growth), a booming housing market and a bustling high street? This is why there is no discussion, let alone a strategic plan, to do something about household debt.

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What makes matters worse is that we already learned from the 2008 financial crisis, the good times can’t last forever and the day of reckoning will come.

Casting indebtedness as a personal problem is a crude political sleight of hand allowing policy-makers to continue to benefit from all the advantages of rising household debt without having to take any responsibility for fixing this endemic problem.

**Debt Dependence**

According to the Financial Conduct Authority, Britain’s re-branded financial regulator, 1.8m people in the UK are in ‘debt denial’, on top of the almost 9m people (18% of the UK population) who can be classed as ‘over-indebted’\(^2\). It is widely accepted that households across the income and socio-economic spectrum are dependent on debt. From the squeezed-middle to the urban poor or rurally isolated, most households rely on debt to maintain a standard-of-living that would otherwise be unavailable without easy access to credit.

What is much less widely acknowledged is how government directly promotes personal debt to replace public spending. In most instances debt is ‘downloaded’ onto households in with the aim of reducing public debt. However, as the latest budget figures show very clearly, while public debt levels in the UK are not going down, household debts continue to increase year-on-year.

The political shift to “Austerity” following the 2008 financial crisis represents perhaps the most significant policy move towards worsening household indebtedness in recent memory. Austerity supports simultaneous household and state deleveraging – or paying down debts – in order to repair the damaged caused by pre-2008 credit-fuelled profligacy. However, it is now increasingly clear that Austerity exacerbates the underlying problems indebtedness fosters.

A variety of factors are responsible for causing this increased reliance on personal debt. Below are a few of those most egregious culprits:

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\(^2\) StepChange (2014) Life on the Edge

Debt-led growth and taxes

Debt has become a panacea to ease the pressures of serious problems within the UK economy.

Both the public and the private sector depend on household debt to fuel consumption in the face of stagnating wage growth. The flipside of this is that indebtedness allows both private and public sector employers to reduce their wage bill without worrying about the impact on consumption levels.

The self-employed rely on personal debt, not business loans, stifling the entire Small and Medium-size Enterprise (SME) sector.

Debt-fuelled consumption bolsters tax revenues derived from it, like VAT, petrol, alcohol and tobacco levies. The very conservative estimate of outstanding consumer debt is £165 billion in 2014; we can estimate that at very least 20% of this stock of debt is paid as taxes to government.

The Debt Safety-Net

UK households take on ever more debt to replace the lack of government services and provisions for households. Debt is now the main safety-net for households to cope with unexpected events or emergency; it is the only available resource to get through difficult times.

Job loss is the biggest cause of a drop in income and with limited or no access to unemployment benefit, households use debt to cope.

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4 StepChange (2013) Statistics Yearbook
5 Ibid
6 Bank of England lending data excludes all ‘securitized assets’ or outstanding balances moved off the balance as using asset-backed securities, which for most lenders accounts for two-thirds of their loan book.
Most of the 500,000 people StepChange Debt Charity helped in 2013 fell into problem debt as a result of changes to their work situation, such as losing their job or working reduced hours. Changes in circumstances typically relate to a family member falling ill, divorce, or an elderly parent needs additional care, or a new baby arrives.

Reliance on the debt safety-net is not necessarily a universal experience; it is the already disadvantaged – the people the welfare state aims to protect – that are worst hit. Women with dependent children, those experiencing family breakdown, and the sick or disabled are much more likely to be over-indebted.

The Age of Austerity has compounded poor households’ reliance on debt as the central and local governments withdraw services and income support. Households at the lower-end of the income distribution rely most heavily on private debt to replace public welfare.

### Highly Leveraged Homeownership as ‘asset-based welfare’

Successive UK governments over many years promoted homeownership as a form of welfare. What this means is that in practice, homeowners take on ever higher levels of mortgage debt in order to buy a house, hoping that it will provide wealth gains now and in 30-years’ time that will lessen their dependence on welfare.

An Ipsos/MORI survey sponsored by the National Housing Federation found that nearly half (46%) of people affected by the bedroom tax needed to borrow money to help pay their rent since its introduction in April 2013.

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9 Debt Resolution Foundation (2013) and StepChange (2013)
12 The probability of having debt arrears and of debt being a heavy burden are much higher for people with dependent children, are separated or divorced, unemployed or sick or disabled, see: Department of Business, Innovation and Skills (2011) Too much debt: analysis who is over-indebted in the UK, https://www.gov.uk/government/publications/too-much-debt-analysing-who-is-over-indebted-in-the-uk (accessed 30/11/2014)
government services.

Your house is your pension — policy makers promote mortgage debt to replace public spending on pensions. Home equity release (for example, UK Lifetime Mortgages or Home for Life Plans) targets older and/or retired homeowners with financial products that allow them to borrow against the value of their home.

In just under 25 years, the national average house price has increased 336% while the stock of outstanding mortgage debt increased 781%\(^\text{16}\).

One survey found that just under a third of homeowners won’t have fully paid their mortgage until they are at least 61 years old; 1 in 20 will still be paying their mortgage past 70.\(^\text{17}\)

The wider trend of home equity withdraw (HEW) – which involves converting the equity stake in the home into more mortgage debt or, more problematically, against the increased ‘paper’ value of the home – serves to bolster consumption and investment.

Finally, there is also the ‘catchment area premium,’ where households with children take out a larger mortgage to get a house with access to good state-schools\(^\text{20}\). The lack of government investment in education ultimately encourages households to take on more debt to make up for the lack of government service provision.

In London it has been reported that house prices are from 78% to 245% higher for houses inside a catchment area compared to others nearby that are just outside.\(^\text{18}\)

A recent survey of the main reasons reported for elderly households borrowing funds using home equity release were: home repairs or improvements, debt consolidations and holidays.\(^\text{19}\)

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\(^\text{16}\) Author’s calculation of Nationwide House Price Index 1987-2014 and Bank of England, Money and Lending, series LPQVTXK

\(^\text{17}\) OnePoll questioned a nationally representative sample of 1,822 adults aged 18 and over between 25th February and 7th March 2014. Figures have been extrapolated to fit ONS 2013 population projections of 50,371,000 UK adults. [http://www.oceanfinance.co.uk/blog/why-50-may-no-longer-be-a-golden-age-for-homeowners-0-4155-0.htm](http://www.oceanfinance.co.uk/blog/why-50-may-no-longer-be-a-golden-age-for-homeowners-0-4155-0.htm) (accessed Nov 27, 2014)


Mortgaging the Future for an Education

Successive increases in university fees and cuts to student subsidies for further education offers the starkest example of a government seeking to replace public funding with private debt.22

Policy makers justify loans by claiming that students are the ultimate beneficiaries of the attainment of a university degree; therefore a student loan was akin to a mortgage in that it represents borrowing to invest in an asset.

In less than a decade, student debt outstanding increased from £15 billion in 2005 to £54 billion in 2014, directly reflected the increase in tuition fees.

This policy perspective completely silences the reality that the entire economy, especially the private sector, benefits from an educated and skilled workforce and ignores the fact that today’s university graduates face a stagnant economy that offers few jobs and no wage growth.

New Inequalities in Creditor-Debtor Relationship

In short, the government with full support of the Bank of England’s promotes finance-led growth. This fundamentally alters the relationship between lenders (creditors) and borrowers (debtors). It began with the pre-crisis low interest rate environment and light-touch financial regulation: the financial sector accrued huge debt levels at the same time as it lent ever-larger amounts to the household sector.24 The subsequent bank bailouts and successive rounds of Quantitative Easing restructured the debt of the financial services sector and continue to scrub banks’ balance sheets of ‘toxic’ or non-performing assets using public funds. By contrast, the household sector was left with all its outstanding debts on top of the additional tax liabilities of the bailout.

Today, banks are able to access credit at negative real interest rates; the official rate is 0.5% but with inflation factored in it is actually -0.8%.25 Banks then lend-

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21 Chart 5 from Student Loan Company Statistical Release and Annual Survey of Hours and Earnings (2014) Table 20.7a, Gross Annual pay by age
25 The official bank rate is 0.5% and official inflation rate is 1.3%, when interest rates are lower than the rate of inflation making it is more profitable to borrow than save, invest or not borrow at all.

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on this credit at rates anywhere from 2% to 35% depending on the credit product. This means that households (as taxpayers) subsidise the credit banks use to then lend to households (as borrowers) at interest. For creditors, lending is effectively risk-free, because the government retains the “unquantifiable ultimate risk of supporting banks”27. For borrowers, non-repayment leads to fees, fines, sanctions, and the inability to access credit in the future.

Mervyn King, the former Governor of the Bank of England, was shocked by the lack of public outrage about the use of taxpayer money in this way, especially since Austerity is justified as the need to curtail public expenditure. In his testimony before MPs in 2011 he argued:

“The price of this financial crisis is being borne by people who absolutely did not cause it... Now is the period when the cost is being paid. I’m surprised that the degree of public anger has not been greater than it has.”28

There is a pronounced asymmetrical power relation between the debtor and the creditor as only possible because the state continues to transfer public costs to the individual. In other words, debt is a power relation demanding that we all

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26 1.9% is the most favourable mortgage rate (75% LTV) and 35% is the overdraft on a current account
contribute productively towards smooth societal operation by paying our debts back to society.²⁹

What has become clear over the course of our research is that bank bailout and public subsidization of finance has been essential to politicising the problems debt cause in contemporary Britain. We all know the familiar phrase “if you owe £100 thousand to the bank, it is your problem; if you owe a £100 million it is the banks problem”; well, now it would be more apt to say: “if you owe £500 thousand to the bank it is your problem; if the bank owes £500 billion it's the taxpayers problem (but that is also you)!”

For many, what makes debt political is recognising that debt repayment is deeply embedded in moral norms that do not apply equally to different types of lenders and borrowers.

**Contesting the Morality of Debt**

The morality of debt, or more specifically, the sense of moral obligation to pay one’s debts, relates to the social origins of the credit contract — the word credit means ‘trust’ and contract means ‘drawn together’. Debt is a promise to pay based on trust between the lender and the borrower. It is widely accepted that taking something, making a promise to pay it back and then not doing so is morally wrong; by contrast it is rationally right to get something for nothing – if you can!

We need only look at the ample evidence of the embarrassment people feel about being indebted and the shame experienced of going bankrupt (which is nothing more than openly admitting that you cannot pay your debts) to implicitly understand the morality of debt.

The morality of debt permeates almost all aspects of social life; the debtor is beholden to the creditor and is judged morally by their peers on their ability to service their debt.³⁰ Quite unlike the ‘effort-reward’ contract of work, debt entails concepts of guilt and repayment, which leads to social, economic, and political ‘capture’ and ‘extraction’. There is ample anthropological evidence to show that cultural practices of debt are varied and changeable, not universal.³¹ Post-financial crisis we see clearly how debt obligations are not uniformly enforced.

Interestingly, ‘moral hazard’ is the single most common reason given by policymakers and economists for rejecting any proposal to restructure debts. Essentially, their story goes, if you write-off debts then debtors will become more reckless by going out and taking on even more debt, in the belief they do not have to pay it back. Therefore, any benefits of debt forgiveness are only in

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³⁰ Lazzarato, M., 2012. pg.56
Section 1: Debt in Context

the short-term because debtors have not learned the (absolute) moral truth that ‘you must repay your debts’.

However, the argument lost all credibility in the wake of the wholesale bailout and continued taxpayer support for the banking industry and financial services sector. The National Audit Office offers a very conservative estimate of the costs of the bailout at £1.3 trillion.\textsuperscript{32} This only counts the direct cost of taxpayer money transferred to the financial services sector; it does not include the indirect costs, like decline in economic activity, or incurred costs like job losses or lost tax revenue, which would all substantially increase this figure. Importantly, there is a blank cheque attached to existing public expenditure commitments to the financial services sector because “the Treasury retains the unquantifiable ultimate risk of supporting banks should they threaten the stability of the overall financial system again”.\textsuperscript{33}

One the one hand, government-sponsored bailouts and sustained subsidization of the financial services sector might very well support the idea of ‘moral hazard’— there seems to be little by way of improvement in the behaviour of this group of debtors. On the other hand, the very fact that financial services sector debts are forgiven while the household sector are expected to repay their debts on top of paying for the bailout exposed an enormous asymmetry power.

**Sleepwalking into Economic Oblivion**

For those households struggling with unmanageable debt levels the problem of indebtedness is stark and unyielding. However, there is clearly an upside to rising household debt levels for central and local governments; they are able to download the costs of investment, services, and support to households while maintaining consumption levels and tax revenues. However, the good times will not last forever because the problem today is very clear – at least to all those who care to see it.

**Damned if you do and Damned if you don’t** — If every household struggling with debt decided to pay down their debts the UK economy would be plunged into depression, with the global economy following closely behind. However, if every household struggling with debt continues to take on more debt to maintain their standard-of-living, soon there will be mass insolvency.

The now publically subsidised financial sector is centre stage in economic policy to the detriment of the household sector. Households are expected to absorb public spending cuts, job loss and wage stagnation at the same time as using debt to consume as if the economy was booming. This fundamental contradiction is the strategic silence of current economic policy, supported by all major political parties.


\textsuperscript{33} ibid
Section 2: Debt Response

The Policy Void

Currently there is a large void in public policy understanding and responses to indebtedness. On the whole very little has been done to develop ways of solving the problems precipitated by widespread indebtedness. This is in part because the entire economy is dependent on it continuing unabated.

There are a relatively small number government sponsored research projects and policy reports that address the problems of debt in the UK; however these explicitly seek to reduce debt problems to a small sub-section of society considered to be the ‘over-indebted’34 or ‘vulnerable consumer’35. Identifying a small population of problem debtors with individual financial problems offers the easiest way for policy-makers to develop targeted but shallow solutions. The policy proposals are all similar: individuals need better ‘financial capabilities’ through improved financial literacy to get themselves out of debt.

Concluding that problems of indebtedness can be improved with better financial capabilities is tantamount to saying unmanageable levels of debt are a problem of lack of maths skills. Government-funded programs to improve financial literacy already exist — however, in practice, these simply offer more of the same and are effectively no more than a ‘do nothing more’ policy. Furthermore, focusing on small groups of over-indebted excludes large swathes of the population that are indebted but managing their debts.

When Austerity cuts resulted in the Social Fund being closed down in April 2013, the government no longer had any direct engagement or provisions for households in financial distress. Public funding for services to debtors is now routed through key non-profit organisations that provide debt advice services, for instance:

StepChange36, formerly the Consumer Credit Counselling Service, is a charity that provides debt advice, issues research, campaigns and undertakes policy work.

Their main work involves assisting the indebted, offering both personal and anonymous online advice on budgeting, debt consolidation, debt collection and other solutions meant to ease debt pressure.

They publish detailed statistics about debt that are unavailable through governmental channels: for example, almost 75 per cent of the 500,000

36 http://www.stepchange.org/
people who called the charity’s helpline in 2013 said debt problems had affected their sleep, while 64 per cent said they were experiencing mood swings.  

**Citizens Advice** operates in over 3,300 community locations across England and Wales, helping people resolve legal and financial problems by providing advice and information, and also by influencing policymakers. Citizens Advice is a charity with membership organizations that supports 338 registered charities that operate service centres.

They provide advice through face-to-face, telephone and email services, and online via www.adviceguide.org.uk. Through these channels, bureaux advised over 2 million clients on issues related to debt, benefits, tax credits and employment in 2012/13.

They use the information from these interactions to inform their research, publishing evidence reports, responding to consultations, giving evidence to select committees and providing policy briefings in an attempt to influence governmental policy on issues particularly relating to individual debt and finance.

**Money Advice Service** is an independent, government-funded organization that offers advice to individuals through telephone, online, and via web-chat, as well as in printed guides and face to face through a UK-wide network of Money Advisors.

It aims to collaborate with other community organisations, the financial services industry, the third-sector and across other government agencies to both research and share information about issues facing the indebted as well as encourage use of their free and readily available advice where needed.

A recent victory was stipulation from Financial Conduct Authority that it must be listed on all advertising material of payday lenders.

These not-for-profit service providers offer helpful services to those in need by giving direct forms of advice and connecting debtors to key information about services provided by government agencies, for instance local authority housing or welfare departments. They offer advice, explain relevant rules, regulations and potential courses of action a debtor can take, referring clients to third party forms of support, and, particularly in the case of the not-for-profit organisations, templates of letters for debtors to adapt when communicating with creditors and other organisations. Importantly, there are also commercial debt management companies like those included in the Debt Resolution Forum. Both commercial and non-profit debt management services offer debtors that meet qualifying criteria a ‘Debt Management Plan’, in which the organisation takes responsibility

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37 [http://www.theguardian.com/lifeandstyle/2014/nov/15/debt-how-i-turned-around-shameful-taboo](http://www.theguardian.com/lifeandstyle/2014/nov/15/debt-how-i-turned-around-shameful-taboo)
for negotiating with creditors directly and then for collecting and distributing repayments, as well as offering advice on other options.40

**Limits of Debt Advice**

There are clear limits to this type of self-help or top-down approach to debt advice. Seen from the debtor’s point of view, the various forms of support – formal and informal, commercial and not-for-profit – can present a number of potential problems and barriers to use:

- The stigma of being in debt may prevent debtors from seeking advice from friends and family.41
- Debtors may simply not know about the full range of support organisations available and the differences between the services offered.42
- Commercial services can be confused for not-for-profit services, in part due to potentially confusing company branding; for example ‘Debt Advisor’ and the ‘Debt Advisory Line’ are both commercial debt management company brands.43
- Not-for-profit services can be oversubscribed, given the almost unprecedented demand for debt advice of recent years.44

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40 Including on bankruptcy proceedings, Debt Relief Orders and Involuntary Voluntary Arrangements (IVAs). It should be noted that ‘free’ Debt Management Plans still have costs attached, given that the amount a debtor will repay will depend on how successful the organisation in question is in negotiating a settlement on their behalf (in commercial debt management companies might claim that, despite charging a fee, they are better at negotiating with creditors, hence the overall cost might be lower; Stepchange has, however, argued that this is often not the case (Business, Innovation and Skills Committee (2012), Debt Management: Fourteenth Report of Session 2010-2012, p. 30, available at: http://www.publications.parliament.uk/pa/cm201012/cmselect/cmbis/1649/1649.pdf [accessed 26 Nov 2014]. The ‘free to customer’ services offered by not-for-profit organisations are funded by voluntary ‘fair share’ contributions the organisation receives as a donation from creditors for their Debt Management Plans.
Self-help approaches ultimately rely on an individual’s own skills, competencies, and energy.

Debt Management Plans, in which responsibility is delegated from the individual to the organisation, can be recommended inappropriately to debtors, in particular by commercial providers.\(^{45}\)

The forms of debt advice offered by service providers can be impersonal; it is difficult to access face-to-face services, limited opening hours, lengthy queues and long waiting lists for appointments.\(^{46}\)

Not everyone qualifies for the same services and options. For instance, Debt Management Plans have eligibility criteria relating to a borrower’s ability to demonstrate sufficient income to repay creditors once essential expenses and priority debts are met; Debt Relief Orders are only available to those on low incomes, who are not homeowners, with debts of £15,000 or less.

A combination of factors – including the reliance by some parts of the not-for profit industry on self-help models of support, a for-profit industry engaging in sometimes problematic debt advice and commercial practices, the various practical and cultural barriers that prevent debtors seeking debt advice, and the different eligibility requirements of certain forms of support – affect civil society’s ability to comprehensibly address the full extent of the debt problem that continues to affect such a large proportion of the UK population.

Thus, a policy void is created as the scale and scope of household debt increases at the same time as economic policy-makers seek to understand ever-smaller populations of debtors in more detail. The policy gap is only widening, as the political commitment to austerity ensures that no further funding and investment goes into developing solutions to indebtedness at all.

**Civil Society Filling the Policy Void**

In the context of a lack of real solutions being offered by policy-makers, this pilot study sought to observe the unique and often creative ways that civil society seeks to understand the problems of indebtedness in the UK and, more importantly, serve as an incubator for innovative solutions.

The challenge for civil society remains in building capacity in the network of individuals, organisations, campaign groups and academics working in cognate areas. Civil society is a vibrant social space with a range of activities related to the problem of indebtedness: from providing debt advice and campaigns for financial services reforms; to advocating for disadvantaged groups in society and


coordinating direct action. Importantly, there is no organisationally and ideologically distinct vision for change, which is so badly needed in the current political climate.

Sharing a common politics does not necessarily mean the actors agree on the means or the ultimate ends of much needed change. At one end of the spectrum ‘reformers’ advocate for consumer protection or better banking, and at the other end ‘resistors’ seek to rupture financial power in everyday life.

- Reform efforts focus on shaping financial services regulations of the credit industry, promoting greater financial transparency and renewing the focus on community banking, credit unions, community reinvestment, and responsible financial services.

- Community-led initiatives focus on making banking that works for people and explicitly highlighting the problems debt cause at the household and community-level. They rely on personal testimony offered in public forums to acknowledge and find solutions to the problems debt creates in a local area.

- ‘Making Debt Political’ initiatives includes a wide range of activities that highlight how debt manifests as a cost-of-living crisis; the aim is to highlight the daily struggles faced by of large swathes of the population trying to cope with stagnant incomes, rising costs at the same time as service existing debt.

- Resistors seek to mobilise individuals and communities to think about how debt is imposed by political and economic elites; increasingly political action seeks to experiment with ways individuals and communities could take back power over their own lives and to reinvigorate the very practice of exercising political power.

While there might not be a homogenous set of shared goals and values within this group, the network of individuals and organisations involved nevertheless share an interest in the wider politics of debt. Moving forward, these different strands need to pull in the same direction. Importantly, there needs to be recognition and space made for those (non-political) individual’s experience of living and struggle to cope with indebtedness.

**Debtors Response**

Indebtedness is often experienced as an individual and private problem. Even in discussions about the extent and spread of indebtedness, the ways in which debt is often talked about places responsibility for debt squarely and solely with the individual, ignoring other more systemic reasons for indebtedness.
Being heavily in debt, or trying to get out of debt, can be an experience with significant and often harmful psychological effects. When debt remains a private issue the indebted often experience isolation, with their debt becoming linked to feelings of embarrassment and shame. The stress and anxiety of indebtedness has clear effects on the mental health:

- More debt equates to more mental ill health, even after adjustment for income and other socio-demographic variables: half of all people with debt in the general population have a mental health issue, compared to 14% of people with no debts and 15% of the general population.

- Debt is associated with 2-3 fold increased risk of anxiety and depression; a more than 2 fold increased risk of alcohol dependence and four-fold increased risk of drug dependence compared to people not in debt.

There is also a link between indebtedness and family breakdown. The landmark Money Advice Service research *Indebted Lives* found that over half (56%) of people with unmanageable debts report a negative impact on their family life; of the debt advice clients in a relationship 75% said their debt had negatively affected it and 25% said it caused them to end their relationship. The effects of debt cascade through families, in particular children and very likely limiting their life chances.

What our research found was that the indebted often feel as if only other debtors can truly appreciate and understand what they are going through. This goes...

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50 Jenkins et al, 2009.


hand-in-hand with the longstanding power imbalance that exists between creditor and debtor.

**Peer-to-Peer Forums and the new collective digital debt management**

One of the key project aims was to explore how peer-to-peer (P2P) forums create a space for debtors to collaborate and use collective knowledge and experience to better manage their debts, potentially get out of debt, and/or help rebalance the often asymmetric relations between borrower and lender.

One of the greatest issues the indebted face is how to manage problem debt in the face of a scarcity of support and communication. Debtors live in isolation and tend to be disconnected from other debtors in similar situations. Because of the stigma involved in talking publicly about the issue, it can be difficult to find peers who might be able to empathise and offer support.

Digital P2P forums are some of the very few places where debtors can find reliably present peers who have shared similar experiences to talk about the practical problems and experiences associated with problem debt. Their characteristic features include:

- Offering a space in which debt management advice is collaborative.
- Forum members’ knowledge about dealing with problem debt tends to be rooted in personal experience with debts and/or familiarity with forum discussions rather than in formal training.
- Debt advice that is often not separated from the provision of emotional and moral support.
- The exchange of knowledge and expertise that is not institutionally authorised.
- Discussions about debt are in public.
- Discussions are anonymous.
- In comparison to for-profit debt management companies, advice is offered without potential influence by commercial pressures.
- In comparison to not-for-profit debt advice organisations, they are unruly, without guidelines, procedures or norms about what debt advice can and/or should be given.

It is this combination of characteristics that makes P2P forums distinct and important. Their ability to offer a combination of emotional support, anonymity, advice that is peer-led and experience-based is quite distinct from the forms of supports that existing services offer.

It is crucial to recognise that these forums contain records of actual debtors struggling with their debts and the emotional, economic and social effects they generate. Taking these forums seriously will help us better understand both the needs of debtors that are currently being unmet and the political challenges of contemporary indebtedness.

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Section 3: Restructuring

When the financial crisis struck in 2008 the UK government propped up the collapsing financial system, spending large amounts of public funds to bail out banks. At the time, this was accomplished with the promise of future reform to ensure that banks and other financial institutions would never again be able to push the economy to the brink of collapse. Now, several years later, it appears that we are back to business-as-usual, even as the effects of the crisis are still making themselves felt: the financial sector is engaged in practices remarkably similar to the ones that precipitated the crisis, the impetus for fundamental reform seems lost amidst calls for national competitiveness, and the political agenda has become dominated by austerity discourses. Despite the widespread support for substantive reform that still captures the popular imagination, restructuring the financial services sector remains an elusive goal.

Civil society encounters significant obstacles in contributing to the politics of debt. Principally, finance and banking is an elite game: its commercial power is spatially bound within The City; the power to politically regulate its activities is institutionally bound to HM Treasury and the Bank of England. These practices ensure the exclusion of ‘outsiders’ whose alternative solutions or ideas are summarily dismissed as ‘unworkable’.55 It is this barrier that civil society struggles to breach in the hope of influencing policy and social practice.

The civil society organisations researched in this project tended to target their efforts at restructuring the retail banking industry or the high street banks and consumer credit lenders. Three key issues areas became evident: (1) promoting financial inclusion, or combating financial exclusion, seeking to ensure that lenders act responsibly and fairly when offering credit products; (2) campaigns against payday lending, and similar forms of high-cost short-term credit products, exposing the worst elements of contemporary lending practices that impacts individuals, households and communities; (3) closely related campaigns promoting Credit Unions and even creating new institutions to ensure fair access to affordable credit.

Civil Society — Restructuring Finance

Civil society efforts to promote responsible credit or financial inclusion generally seek to implement new forms of regulation that will ensure that banks, or the wider financial services industry, operates in the best interests of wider economy and society.

Section 3 – Restructuring

Key Research

*Fair Enough? A Report to Consumer Focus from the National Consumer Federation* on the FSA’s Treating Customers Fairly initiative, the 2011 report issued by *The National Consumer Federation* A grassroots consumer organisation that represented local consumers and campaigned to improve consumer rights. The 2011 report was the first to issue a call for a standardisation across all financial products to treat customers fairly, a reduction in the time dedicated to consultation by the Financial Services Authority (now FCA) to ensure fair treatment.

*Solving Britain’s Personal Debt Crisis* (2014) by Damon Gibbons explains how policy makers and the financial elite failed to heed warnings that personal debt had risen to unsustainable levels and for failing to make banks pass on the benefits of taxpayer funded bail-outs to households.

Key Campaign: Financial Inclusion

**Centre for Responsible Credit** a policy-based think tank established within the Centre for Economic and Social Inclusion (CESI) For nearly two decades, director Damon Gibbons has consistently campaigned against irresponsible lending practices and high cost credit. He is founding member of the European Coalition for Responsible Credit (ECRC) and founded the ‘Debt on our Doorstop’ campaign.

**Just Money** campaign is a partnership between the Contextual Theology Centre and Citizens UK aims to highlight the consequences of high cost and extortionate credit, and promote alternative forms of ethical credit at community level. Representatives from the campaign have been working closely with politicians in London boroughs to eliminate advertising for high cost credit suppliers from Council-owned spaces, and ensure that ‘financial institutions work for us and our communities’.

Key Campaign: Reforming Payday Lending

This project was fortunate to observe in real time how civil society and Credit Union affiliated groups opened-up the political debate on the high cost credit industry, namely payday lenders. These efforts were hugely successful in

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[56](http://www.uel.ac.uk/ssl/staff/timhall/) [57](https://www.dur.ac.uk/beacon/socialjustice/) [58](https://www.dur.ac.uk/resources/beacon/2013Nov13DebtonTeesideFinalReport.pdf) [59](http://www.responsible-credit.org.uk/) [60](http://www.theology-centre.org.uk/?s=just+money)
sheding light on industry malfeasance and the problem of payday lending in deprived areas, which ultimately led to a policy victory by securing an interest rate cap by the regulators\(^{61}\) and a public relations victory when Wonga wrote off £220 million of customer loans.\(^{62}\)

**Movement for Change**\(^{63}\) (M4C) is a non-profit membership organization started in 2010, aligned with the Labour party formed out of Citizens UK. Its vision was to assert democratic and civic power by mobilizing campaigners and activists at the community level to work on issues that most directly affect them.

Its #Sharkstoppers\(^{64}\) campaign fought for tighter regulation of the high cost credit market. The M4C arm of Sharkstoppers campaigned against the predatory lending practices and continues to target the irresponsible practice of payday lender advertising.

**Carl Packman**, author of *Loan Sharks: The Rise and Rise of Payday Lending* (2012), and *Payday Lending: Global Growth of the High-Cost Credit Market* (2014), he is a researcher, consultant, and regular commentator (*The Guardian* and *Huffington Post* in the UK and *American Banker* in the US) on payday lending and personal debt.

**Stella Creasy**, Labour MP for Walthamstow has been a key critic of the payday lending industry and advocate of ethical alternatives such as credit unions.

On hearing of the FCA’s efforts to cap the cost at which payday lenders can sell loans, she said in a press statement: “This is an industry where some firms are making nearly three quarters of a million pounds a week from British customers – such a high cap will do little to tackle these rip-off charges. We’ve warned regulators this cap needs to be much lower to really change the behaviour of these companies but today’s announcement shows they are still not listening. Other countries are much stronger at taking on these companies.”\(^{65}\)

**Key Campaign: Promoting Credit Unions**

Credit unions historically are non-profit, member-owned savings and loans cooperative institutions. While they are widely used in European countries and in North America, they have failed to enjoy the same levels of popularity in the

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\(^{63}\) [http://www.movementforchange.org.uk/](http://www.movementforchange.org.uk/)

\(^{64}\) [http://www.movementforchange.org.uk/ed_milibandjoins_sharkstoppers](http://www.movementforchange.org.uk/ed_milibandjoins_sharkstoppers)

UK. Advocates for the use and expansion of credit unions champion them as alternative and viable competitors to banks and high-cost lenders.

Some of the more active campaigners include, the Tim Hall, a lecturer at the University of East London spearheading efforts to establish a University Credit Union; Stella Creasy, the MP for Walthamstow; Movement for Change; David Barclay of the Contextual Theology Centre; and Carl Packman.

Campaigners who advocate for credit unions believe that they can mark the space once capitalised on by high cost credit, and offer terms that are far more responsible, and with the added incentive of a savings product and free debt advice services.

**Angela Clements** - Credit Union Really Effective Solutions and Fair-for-You, formerly Chief Executive of Citysave Credit Union (Birmingham), created her own social enterprise model (company limited by guarantee) credit union – Credit Union Really Effective Solutions Ltd (CURES). CURES has members from across the Credit Union sector, aimed at those who want to find new ways to enable the industry to deliver the services to improve communities. Fair for You is an alternative hire purchase credit provider that seeks to rival Bright House ‘Rent-to-own’ business model by providing affordable personal finance to enable customers to buy a large variety of household items. Angela is widely regarded as a pioneer trying to innovate the credit union sector.

**Key Campaign: Sovereign Money Creation**

**Positive Money** is a non-profit organisation seeking to create a movement to democratisie money and banking so that it works for society. They argue that the power to create money must be removed from the banks that caused the financial crisis and returned to a democratic, transparent and accountable body.

In terms of household debt Positive Money highlights the inherent problem of everyone paying down their debts at the same time, it's almost impossible to reduce our debts without causing a recession. This creates a debt trap, where over time the level of personal debt in the economy has to keep growing.

Civil Society efforts to reform retail banking are all sound efforts that, if successful, would go some way to combat the worst practices of the present-day lenders. In effect, they all advocate for retail banking to become public utility that serves the needs of households and communities, not reap enormous profits using tax-subsidised credit.

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66 http://www.uel.ac.uk/lss/staff/timhall/
67 http://touchstoneblog.org.uk/2014/04/credit-unions-the-responsible-alternative-to-pay-day-lenders/
68 http://www.positivemoney.org/about/
These actions by the organisations mentioned above are laudable efforts, but they fail to consider how to restructure with the current stock of household debt causing the immeasurable damage to the economy and society.

**Household Debt Restructuring**

*The missing piece of the financial restructuring puzzle*

The restructuring of household debt is a top-down process that will be a short-term pain to achieve long-term economic recovery and restore the balance between risks/benefits of credit contract. 'Inflating the debt away' or debt 'haircuts', like those implemented in Greece, may address the issue of sovereign debt, but do not address the systemic issue of private debt.\(^{69}\) The debt overhang negatively impacts consumption, resulting in lower growth, compressed household income and rising unemployment – all of which contribute to a further downward spiral of economic contraction and declining living standards across society.\(^{70}\) A write down of debt on this scale would normally lead to an ‘awful lot of pain’, with families losing homes and jobs as companies go bust, however, in these circumstances, the government can absorb some of these costs.\(^{71}\)

The International Monetary Fund 2009 report *Principles of Household Debt Restructuring* calls for a “well-designed and well executed government intervention” in the form of a “household debt restructuring programme designed to reverse nonperforming loans”. The task, therefore, is to minimise the costs incurred by relieving the most vulnerable and burdened individuals by spreading the costs in a more manageable and sustainable way across society.

Two policy designs are put forward in the report:

1. *Supervised court framework*, each case is taken in turn and a ruling will take into account the payment capacity of the debtor and a suitable modification of the terms of the loan will be made. If the debtor’s financial problems continue beyond a specified length of time, a ‘fresh start’ through the discharge of debts can then be sought.

2. *Government supported debt restructuring programme* that would either target a certain group of vulnerable debtors or a particular loan type. Acting as a centralised relief fund, assistance can come in many forms.
   - Financial backing to banks to restructure their loans.
   - Direct support to households in the form of debt forgiveness, interest rate subsidies or tax incentives. It cautions that debt restructuring will


\(^{71}\) Telegraph [the], 2013. Is it time to grasp the debt restructuring nettle?. 26th January, [accessed 19/11/2014]
not be too generous, as only those unable to service their debts would qualify.

• Establish a separate institution to purchase distressed assets on secondary markets.

The final point on buying up distressed debts in secondary markets refers to how banks, when they believe a loan is ‘non-performing’ or will not be paid back in full, sell them on in a bundle at 10p on the £1 on ‘secondary’ debt market and written-off the bank’s balance sheet. Debt collection agencies typically buy this debt and relentlessly chase down borrowers to make some form of payment; since borrowers believe they still owe the full amount the often pay enough to ensure the company can make a profit.

Debt restructuring could also make debt contracts more equitable, ensuring that risk and losses are more evenly distributed between the debtor and creditor:

“If financial contracts more equally imposed losses on both borrowers and lenders, then the economy would avoid the levered losses trap in the first place. This would force wealthy lenders with deep pockets to bear more of the pain if a crash materialises. But their spending would be less affected and the initial shock to the economy would be much smaller”.72

The widespread nature of household debt led the International Monetary Fund (IMF) report73 to claim that if left unaddressed, the problem of debt holds the potential to cause huge drains on the economy as well as lead to widespread social and economic unrest.

**Mortgage Restructuring for the ‘Squeezed Middle’**

A key argument in favour of mortgage debt restructuring is the potential to alleviate the persistent stagnation caused by middle-income families debt overhang. Refinancing mortgages would allow homeowners to significantly reduce their monthly payments while, at the same time, freeing up money to spend on other things and boost the economy.74 For example, US Senator Jeff Merkely proposed that underwater homeowners – who are up to date on their payments – be given the option to refinance, allowing them to either lower their monthly interest payments or pay down mortgage loans to rebuild the equity stake in the property. Importantly, this does not hurt banks because they are able to remove troubled loans from their books. Currently this process occurs as a direct bailout and in this case the bailout is channelled through the household sector.

Looking to the past, the US Home Owners’ Loan Corporation (HOLC) established an institutional means to purchase ‘delinquent’ home mortgages during the

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72 Mian & Sufi, 2014, p. 170
Great Depression, offering direct assistance to indebted households by restructuring their debt.\(^{75}\)

In the present, the UK’s Homeowners Support Mortgage Scheme (HSMS) sought to reduce the number of home foreclosures by offering a deferment of up to two years for those struggling to make their mortgage payments.

In France, the Household Debt relief programme allowed households to file a case to the ‘Households’ Over-indebtedness Commission’ (HOC) which either grants a delay of payment or impose a partial reimbursement of the debt.\(^{76}\) As a judicial procedure, HOC establishes a framework to make creditors and debtors agree on a settlement when households are burdened with an excessive debt they would otherwise not be able to repay.

Looking forward, there is growing support for the argument that debtors should be able to retain some level of bargaining power after a contract has been signed, rather than remaining beholden to the terms laid out by the creditor.\(^{77}\) For example a shared-responsibility mortgage means lenders must offer a form of ‘downside protection’.\(^{78}\) In other words, if house prices remain the same or rise, then interest payments would remain the same; if house prices in the local area fall, adversely affecting the value of the mortgage, then both the interest payment and principal amount would similarly decline. Should prices rebound, then the payments would increase once again but be capped at the level originally agreed upon under the terms of the mortgage contract. This model of mutual responsibility forces the creditor to take on a share of the risk and could protect many individuals, but it does not ameliorate the current household debt crisis.

**Reforming Personal Bankruptcy Law**

Another possible way of organising debt restructuring is to reform the existing bankruptcy system to more closely resemble the corporate or business model of discharging debts. Bankruptcy acts as a form of debt relief that is necessary to “restore over-indebted consumers to economically productive positions in which they can resume borrowing and spending necessary to drive growth”.\(^{79}\) Improved bankruptcy law could, in part, ameliorate the private debt crisis of both businesses and households alike.\(^{80}\)

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\(^{78}\) Mian & Sufi, 2014, pp. 175-176


In the UK a major barrier for debtors is the cost of bankruptcy proceedings: debtors applying for bankruptcy have to find a £750 lump sum to pay associated fees before the process can commence, an amount that is well out of the reach of many. Further, bankruptcy in the UK is becoming less readily available: currently, low-income debtors are exempt from around a quarter of the fees, but proposed government reforms mean that this provision may soon be removed.

For bankruptcy to feature in debt restructuring, important changes need to be made around the culture of discharging personal debts. Rather than a punitive measure, bankruptcy needs to be valued as a mechanism through which creditors co-operate to produce the best outcome. With so many people struggling under the weight of indebtedness some form of release must be developed to protect people from an endless debt spiral. The upside is consumers can resume the borrowing and spending but also giving people ‘fresh start’ to be economically and socially included members of society.

**Conclusion**

The reform of the financial services industry will no doubt prevent the problems we have today from recurring in the future; however, debt restructuring can solve today’s household debt problems.

Top-down proposals for debt restructuring emphasize how indebtedness is simply not something that households can escape from. With no obvious future improvement in household income, the only other outcome is mass default. Restructuring household debts will allow the indebted to re-launch their financial activity, directly boosting the working poor who are struggling to repay their mortgages and lead to renewed economic activity.

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82 The UK government is currently in the process of undertaking bankruptcy reform. It has proposed to remove the exemption that low-income debtors currently have from the court application fee, currently £175.

Section 4: Resistance

Debt resistance is a form of direct action to tackle the problems caused by indebtedness. Both civil society groups and individuals have started to ‘resist’ by developing innovative solutions to their financial calamity. This section shows how debt resistance is the bottom-up political response to empower the indebted to those indebted enacting or demanding change in their circumstances.

Civil society groups that offer people-focused interventions use cultural logics to re-imagine how people can take power back into their own lives to combat the problems debt causes in their lives. Individuals enact their own forms of debt resistance as a response simply to being unable to afford to meet creditors’ demands, or because trying to meet these demands made them physically or mentally unwell. Most often resistance was a forced solution because the lenders’ or collection agencies’ demands became intolerable.

Debt Activists in Civil Society

Civil society organisations focus on activism or personal empowerment, seeking to expose the exploitation and power relations of finance in the economy. There is a growing focus on debt “resistance” or “repudiation” whereby grassroots campaigns seek to organise the people who are most directly impacted by indebtedness and to push for a sort of fair settlement, including repudiation of unjust or illegitimate debt.

Jubilee Debt Campaign began in the 1990s seeking to build solidarity with other global actors to demand freedom from unjust sovereign debts and create a new people-centred financial system.

Jubilee Debt Campaign’s remit in the UK focuses on network development, direct campaigning and research, working at the nexus between global debt poverty and the question of sovereign debt, particularly in the global south.

They are primarily focused on working on the issues of debt and while they do not work directly with issues surrounding personal debt, they look at the parallels between individual debt and sovereign debt and point out the many similarities around debt dependency and unjust working/living conditions at the society level.

Move Your Money, a self-described decentralized organization that carries out various campaigns to bring to light the dubious workings of big finance, and promotes the use of more ethical financial providers like credit unions, community development finance institutions (CDFIs) and peer-to-peer lending structures.

Move Your Money is designed to transform widespread public anger with the big banks into active support for ethical and mutual banking in the
UK. Within the first six months of this campaign more than half a million personal customers closed accounts with high street banks, moving their money to mutuals, ethical banks and credit unions. The next stage for the campaign is to encourage and support institutions to move their money out of the four largest high street banks.”

Joel Benjamin of Move Your Money produced a toolkit for civil society organisations to focus their efforts collaboratively and locally, to create a long-term strategy to promote financial reform at community level.

Brett Scott, the author of The Heretic’s Guide to Global Finance: Hacking the Future of Money, focuses on empowering individuals to think about economics and finance differently.

He is a Fellow at the WWF/ICAEW Finance Innovation Lab, a global initiative drawing alternative finance and sustainability practitioners together, has worked on campaigns with Move Your Money and has written for various publications.

He describes his work as offering a framework for financial literacy ‘based on anthropology, gonzo exploration and the hacker ethos, and helps the reader develop a diverse DIY toolbox to undertake their own adventures in guerilla finance and activist entrepreneurialism’.

Rolling Jubilee (US campaign) is a people-led initiative that takes crowd-sourced funds and buys this distressed debts and ‘forgive’ them. The Strike Debt Campaign calls this process ‘collective refusal’ and so far has raised more than $700,000, extinguishing $18.6m worth of debt. This campaign created a new mechanism for debt forgiveness at the household level is the ‘rolling jubilee’ model of buying distressed debts.

A collective of activists, called Strike Debt, creatively used the secondary debt market to provide practical relief for debtors and to make a broader political argument about the financialisation of debt and possibilities for collective resistance.

To date the collective bought distressed medical and student loan debts on the secondary market, and ‘abolished’ them. When they notify debtors whose debts have been abolished they invite them to participate in broader collective efforts at debt resistance. Also they have campaigned for student loan repayment refusal.

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84 http://www.theguardian.com/local-government-network/2012/nov/02/move-your-money-local-government-finance
87 R. Skidelsky “The moral economy of debt”
As a self-styled ‘people’s bailout’ the Rolling Jubilee campaign evokes a model of mutual aid and solidarity in response to austerity and financialisation. It is not simply as a mechanism of direct practical aid to debtors but also as a form of radical public financial education.\(^8^8\)

Organisers argue that the Rolling Jubilee intervention has opened out the functioning of the secondary debt market to a wide audience of debtors. By showing how this market works, the Rolling Jubilee demonstrates to debtors the ‘true’ market value of their debts, as well as the lack of links to the original creditor.

These efforts seek to break the strong sense of moral obligation, premised on a relation of trust between creditor and debtor, that underpins debtors’ continued repayments.

**Debt Resistance UK**

A growing network of activists engaged in community-facing events to highlight the problems of indebtedness in the UK. Seeking to emulate Rolling Jubilee’s Strike Debt campaign these activists try to find possibilities for resistance in relation to different forms of household debt and to better understand the viability and implications of different forms of refusal for debtors in the UK. This network is developing a UK version of Strike Debt’s Debt Resistors’ Operations Manual.\(^8^9\) For example:

- The likely wholesale privatisation of the student loan book in the UK opens up opportunities for resistance. Repayments of student loan debt can be directed to escrow accounts and withheld, following Strike Debt’s emerging Debt Collective model.\(^9^0\)

- Fuel poverty debt, which is typically repaid by households through prepayment meters (often forcibly installed), is a comparatively difficult form of debt to resist.\(^9^1\) When households top up meters, part of the payment goes toward providing energy, with the rest being used to clear the debt.

**P2P Forums Foment a Politics of Resistance**

At the individual level, we can see a brand of debt resistance in the P2P forums. People are refusing to pay their debts, or ignoring their creditors’ demands. Individuals perform little resistances, either by delaying repayment, or

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\(^8^9\) Available at: [http://strikedebt.org/drom/](http://strikedebt.org/drom/) (accessed 15/12/2014)

\(^9^0\) Debt Collective, [https://debtcollective.org/](https://debtcollective.org/)

negotiating a creditor’s demands to lower the repayment amount to an affordable amount.

Therefore, resistances comes in different forms: from explicit grassroots critiques of the debt economy to absolute economic, or bodily, necessity — people simply cannot afford to meet creditors’ demands, or it was making them physically or mentally unwell trying to do so. In many cases resistance is provoked because creditors’ demands are often intolerable.

In the CAG Debt Management and Debt self-help sub-forum, a user asked for advice about a threat of court action in response to missed payments on a Debt Management Plan (DMP) after the creditor failed to provide the details of the CCA agreement. In response, a user – a relative veteran of six years with 12,782 posts – wrote the following:

It’s a fallacy (and a bugbear). Failure to fulfil a s78 [Section 78] request is no reason to stop payment. There is nothing in the law or CCA [Consumer Credit Agreement] that suggests you can.

It may be unenforceable in a court in the meantime, but what’s that got to do with it?

If they choose to take you to court, and then manage to fulfil the CCA Request
— and if it is enforceable
— it would not look good in front of a judge that you stopped paying when you’d been happily paying for a long period (and a dmp is a form of repayment agreement).

And you’d probably only incur further costs, or struggle to get back up to date with payments.

Remember all those companies that promised to have your debts written off? Yeah, them... same arguments. Where are they now? Closed down by the MoJ [Ministry of Justice].

In fact, I have very rarely heard of any creditor satisfying a s78 request within 12 days!

Now, if what you are saying is that you’d like not to pay them because you don’t think they can enforce through the courts as they don’t have an agreement — that’s a different matter.

To repeat – failure to fulfil a CCA Request is not a valid legal reason to stop paying an agreed amount. It doesn’t mean you can’t stop paying — you can do that any time, but accept the consequences, if any.

It depends totally on your individual circumstances and the history of the account, such as whether there are unfair charges, whether you have been treated unfairly, or where there is a valid dispute regarding the amount due.

This sort of response is typical for these forums and reflects the complex and important forms of collective expertise that emanate from the experiential and
technical knowledge of the forum users. This sort of expertise is not normally readily available from the conventional debtor advice and support providers.

**Debt becomes a collective, political issue**

The available technical and experiential expertise, coupled with emotional and moral support, means that debt is no longer a private issue for forum users. Members end up having an emotional stake in each other’s debts and sometimes keep track of an individual’s journey as it progresses.

As with many online forums, this leads to a collective social group forming around a shared object of concern leading forum contributors to begin asking question about the fairness of certain types of market relation. For instance, users begin to identify asymmetric power relations and relate these not to unfortunate individual circumstances but to more systemic forces:

Bryan Carter [a solicitor firm] idiots trying to frighten and bully you even after they have taken you to court. How on earth anybody with a conscience can work for them is beyond me

I do know this much that I disagree with credit, through credit debt is unavoidable, keep the public in debt and the profits through interest make the banks fatter. This is why the poor get poorer. Live off what you make, live without credit as I have learnt through my mum.

Flippin’ cheek when you think they would be insolvent themselves if it wasn’t for a £30 billion, yes billion taxpayer bailout.

The collective identity of forum members also brings the transformative power of the collective to the fore. Take, for instance, the following two posts from the MSE Debt-Free Wannabe sub-forum in response to a poster who indicated they were significantly struggling:

We’re not a bad bunch here It’s important, this community. We’ve all been in a position of feeling lost with our debts and our finances and it’s having the experience, or simply support, of others who have been in the same position that gives you the fight to get through it. And you will get through it.

Most of us have been through it all before, more than once, and understand how easy it is for debt to spiral out of control. Don't panic, don't rush into anything and you'll get through it. It's the best feeling in the world once you're in control!!

The power of the ‘community’ that is invoked in these posts (through the use of ‘we’ and ‘us’) highlights the existence of a clear group identity. Important here is the claim to be able to understand the particular challenges a user is going through by virtue of having lived through very similar circumstances. This is this not simply about providing an alternative source of debt advice, but making clear the deep understanding that comes from living the everyday life of indebtedness.

In debates about how debtors might be better supported, the focus of policy debates tends to be either the capabilities of individual debtors, usually framed in terms of financial literacy, or the quality of debt advice given to individuals,
with attention on the role of the commercial debt management firms and the training given to debt advisors.

What this overlooks is that debt advice is itself political. This is something that a comparison between conventional debt advice and the kinds of advice provided online within P2P forums renders clear. As valuable as good debt advice can be for individual debtors, the debt advice industry is not set up to challenge the wider asymmetries of debt. Indeed, as much as advice norms such as the recommendation to maintain contact with creditors may benefit some debtors, they also benefit the credit industry.

However, the unconventional forms of debt advice provided on the forums offer a potent challenge to such norms: they invite debtors to become unruly and disruptive, to make life difficult for creditors. Further, in creating problem debt as an issue that can be best solved through collective action the result is to tip – no matter how little or unintentionally – the balance of power relations away creditors and back to debtors. That this rebalancing does not occur through official political institutions does not make it any less political. It is one of the accomplishments of the forums, acting as a living archive of sorts, to act as an alternate space within which the politics of contemporary indebtedness can be debated and acted up in practice. In the process, providing debt advice becomes a political act.

**Conclusion**

Debt resistance is small element of the overall efforts to politicize debt in Britain. Nevertheless, civil society groups in this space ensure their efforts are people-focused and, as we see for the P2P forums, individuals without any affiliation with grass-roots activism actually engage in debt resistance on their own. It is important to recognise that individuals are responding to the actions of lenders, in the same way civil society is responding to the inaction of government. For all the criticisms of ‘resistance’ as a political strategy, none recognise that in most cases it is done out of (physical, emotional, or political) necessity.
Section 5: Resilience

This research explored how individuals and civil society foster debt resilience in the Age of Austerity. Resilience remains a useful way of describing the social process of individual and collective problem solving required in response to a crisis. Resilience is a descriptor for self-help and the capacity of individuals and communities to withstand shocks using the resources available to make genuine choices. At the individual level this is about learning and skills, at the community-level this is about networks and relationships.

Here resilience is enacted at a personal, household, organisational or community-level. Over six months the project team investigated two different sites of debt resilience: (1) civil society - observing how individuals, groups and organisations act to highlight, educate, inform, or coordinate action related to politics of indebtedness; (2) Peer-to-Peer (p2p) - forums observing how individuals highlight, educate and inform each other on how to cope with indebtedness.

Key Research on Debt Resilience

Two key studies highlight how the concept of resilience can be used to understand the problems of high-cost credit and chronic indebtedness in specific neighbourhoods.

Debt on Teesside: Pathways to Financial Inclusion\(^92\) produced by The Centre for Social Justice and Community Action (Durham University)

Working with other organisations including Thrive, Church Action on Poverty, and Northern Rock Foundation, this 2013 report showed how readily available high-cost credit in Teeside resulted from firms capitalising on the fact that interest rates were often confusing for some financially vulnerable people. The key actions of the report were to support one-to-one financial mentoring which, while costly, raised confidence among many households, and called for a scaling-up of local campaigns carried out by Thrive.

‘Facing Debt: Economic Resilience in Newham\(^93\) produced by Centre for Analysis of Social Exclusion (London School of Economics)

This 2014 report provides detailed evidence about the financial management skills of low-income residents; the causes, consequences and prevalence of debt; the impact of welfare reform on people’s lives and resilience; and how people struggle to manage in difficult financial times.

CASE\(^94\) is a multi-disciplinary research centre which focuses on the exploration of different dimensions of social disadvantage, particularly

\(^{93}\) http://sticerd.lse.ac.uk/dps/cr/casereport83.pdf
\(^{94}\) The Politics of Indebtedness in the UK
from longitudinal and neighbourhood perspectives, examining the impact of public policy.

Evaluating resilience at community-level highlights how the problems of debt can manifest differently in different regions or neighbourhoods. However, taken together these reports suggest household debt is a nation-wide problem.

**Civil Society on the Front Lines**

Many of the civil society organisations already mentioned are working hard to promote debt resilience in different ways. For example, the campaign to promote Credit Unions very much seeks to foster greater household resilience to unexpected events that lead to debt. Similarly, many of the large debt advice service providers directly promote individual resilience.

Only one organisation stood out in its efforts to promote debt resilience in a way that bridges the gap between individuals, households and the debt advice sector.

**Zero-Credit**[^95] is a consumer cooperative focusing on research and development in the consumer credit sector. It is a much smaller organisation than the national non-profits but offers direct forms of engagement with indebted populations. Founder and Director Emma Bryn-Jones is committed to participatory methods and launched Zero-Credit as a digital project in 2009, and expanded it to become a cooperative in 2010, presently connecting nearly 100 members nation-wide.

Their aim is to engage with three communities: a digital audience, who may be people or organisations; their subscribers, who are professionals and organisations; and their members, who co-own the company and are individuals with personal experience of borrowing.[^96]

It created a ‘Borrowers’ Charter’ in an attempt to create partnerships between those offering support and those who need it the most. The organisation believes that consumer participation with debt specialists, credit providers, or regulators with a stake in personal borrowing is essential.

**P2P Forums: Debt Advice as Technical and Experience-Based**

Our research revealed how individuals enact forms of resilience through their model of digital self-help. Through detailed qualitative research we were able to observe how individuals highlight, educate and inform each other on how to cope with indebtedness.

[^94]: http://sticerd.lse.ac.uk/case/
[^95]: http://www.zero-credit.co.uk/
[^96]: http://www.debtmanagementtoday.co.uk/newsstory?id=1467&type=newsfeature&title=in_profile_with_emma_bryn-jones_of_zero-credit_limited
All sub-forums studied provide an important source of expertise for those who are trying to get out of debt. Sometimes the knowledge was clearly more experiential. For instance, experienced users encouraged a long-term mind set, honesty and commitment in newer members through, among other things, suggesting that indebted users should lay bare an example of a single month’s budget so that other users can suggest ways to cut expenditure.

For example, a poster on the MSE Debt-Free Wannabe sub-forum, with monthly repayments of £1000 on a £48,000 mortgage and at least £32,000 of credit card debts, asked for advice on whether they should get a debt management plan or work through their debts themselves:

```plaintext
went to citizen’s advice and the said matter of factly oh just change your bank and go on a dmp [debt management plan] as if it was the easiest thing in the world.

i really don’t want to do this and i am thinking of taking a second job in agency hgv work as i have a couple of days spare a week.
```

A number of different posters on the forum probed for more information and encouraged the original poster to post a ‘statement of affairs’, i.e. a detailed breakdown of monthly incomings and outgoings, plus all liabilities and assets. The result was the poster got a wealth of multi-faceted advice – including financial, legal, and emotional. The following excerpt reflects this:

```plaintext
looks like in theory you could do it by yourself, but you have to be totally committed, and do a bit of work to get going, such as swapping finances-put as much CC [credit card] debt onto lower interest card, once one is paid off, close it, transfer that monthly payment to the next debt.use the snowball calculator get rid of current tv/internet package, too high! landine and internet can be around £20 with talktalk for example.go freeview ASAP
budgetting-look up the envelope system for ideas, look at the up your income threads, look into dog walking/ironing/leaflet drops/pizza delivery shifts etc

shopping more wisely- groceries-that’s a lot for three of you, look at where and how you shop, meal plan for at least a week in advance.
check out the old style board on here. use comparison sites and cashback sites for insurances-am sure you could could get contents AND buildings for [ £20 ! (I use swintons, they also give cashback)

(can cut clothing at £50 a month easily)

mobiles-reduce package ASAP, make sure you stay in allowance.
sell any old handsets too, or sell new ones and use old ones 😊
can you pay council tax over 12 months instead?
could you reduce the £15 hair money? invest in clippers, go to hairdressers less?
I feel sad that you were able to get this much credit in the first place...
you are not letting anyone down, your family are a team ,stick together. Don’t feel monetary days out/ treats are always the best for your son either, that is the guilt talking! get inventive ,look on local tourism sites, local libraries have free events, netmums website have loads of ideas. picnics, fishing ,camping, kite making/flying, paddling etc, all fun stuff.
good luck, keep posting
```
This is just one example among many of detailed and multi-faceted responses from members to the original poster on the thread, providing a form of expertise and support that is qualitatively different and incomparable with the services provided by conventional providers of debtor support and advice.

Financial literacy becomes a collective endeavour

Part of the success of these forums is their ability to act as rich sources of information for new and established members to consult when assessing their specific debt issue. The forums contain a deep store of detailed advice on how to deal with specific problems, whether practical, emotional, or legal. This, coupled with the fact that individual threads around a certain issue are returned by relevant search engine queries, acts as a draw to new members while, for more established members, reaffirms the relevance of the forum’s collective work.

Forums are not just about solving new problems as they come up but also about creating an ever-changing, living archive of life in debt for future debtors – and indeed researchers – to access.

Forums provide an important source of emotional support

P2P debtor-support forums entangle financial advice with emotional and moral support. An illustrative example of the kinds of emotional support such forums can provide can be drawn from the MSE Debt-Free Wannabe sub-forum. In this case, the response comes after the initial poster had edited their post to replace the original information about their debts with a message that simply read ‘Too scared’. In response a user wrote:

```
Don’t be scared. You’re in the right place - nobody will judge you here. We’re all in the same boat, in one way or another... all just dealing with a financial mess we’d rather not be in! But by coming here and trying to talk about it you’re taking a first big important step. It IS scary, but once you’ve faced it and accepted it, and begin to deal with it and see the numbers being slowly chipped away - believe me, it feels so much better! x
```

This form of emotional support explicitly invokes the reassuring presence of a collective and was present across the various forums we examined although more common on the general forums – and on the Mumsnet debt thread in particular, which reflects the wider remit and aims of the forum as a space for the discussion of parenting issues, broadly conceived. Below is a conversation between two users:

```
Welcome back

only thing I can say re your post is ’no one knows what goes on behind closed doors’. In all probability the lifestyles you might envy are born out of debt... all the sugary FB updates/pics in my opinion are just masks to make up for what the people are lacking.

Do your best for yourself and those closest to you xx
```
Thank you for being kind [...] I think that I really have to prove to myself that I CAN do it this month. That I can save that money. I already slightly over pay all debt. The saving is to come off overdraft. I want it paid off by September.

This form of support is not readily available from the debt advice industry, both in its for-profit and not-for-profit forms.

**Debt advice provided can be unconventional**

This gives an interesting twist to how we understand financial literacy. Conventionally understood, financial literacy is grounded in assumptions about the individual decision-maker: once an individual is equipped with the correct cognitive tools, information, and basic mathematical skills they are, it is argued, more likely to make the most effective financial decisions. This way of improving individual financial literacy has become an increasing central objective of public policy, in a context of consumers being persistently told that making the ‘right choice’ amongst a wide range of financial products is integral to maximizing life chances.97

P2P forums show a different version of financial literacy in action. Financial literacy becomes not simply about embedding the relevant knowledge in an individual, but as in the example above, also through crowd-sourcing economic decision-making. Of course there are risks in doing this for the individual, but for many it is clear that this practice provides significant immediate benefits in the form of quick responses and, in some instances, detailed advice on how exactly to proceed. In a society where it is still taboo to talk about personal finances with others, crowd-sourcing a financial decision offers a type of social support that cannot be found elsewhere.

**Learning a New Way of Giving and Taking Debt Advice**

These results provide a useful way of re-thinking how debt advice is given and received by those with detailed knowledge of how to enact debt resilience. When debt advice is structured in a top-down way it remains a private, technical and apolitical issue. On the other hand, when it is freely given from the bottom up, it becomes public, emotional, and potentially political.

- Many debtors are left without access to relevant expertise that might help them deal with their problem debts.

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The types of formal advice that are offered almost exclusively focus on the technicalities of problem debt, rather than its emotional effects.

The types of formal support offered continue to constitute new power imbalances, with debtors becoming dependent on the expertise and trustworthiness of impersonal institutions and their representatives.

**Conclusion**

This part of the research project uncovered the multifaceted ways that individuals and civil society expose the protracted personal and societal processes dealing with debt. Traditional understanding of civic participation invokes spatial images of communities: clubs, neighbourhood activism or preserving local identities. Here we see how communities are formed by common political objectives (anti-poverty, financial reform, household debt) and/or personal circumstances (debt distress, debt-free living, insolvency and debt collection). This evidence provides a new way of evaluating how personal and organizational resilience is required to response to the on-going financial, economic, and increasingly political crisis that defines the post-2008 Age of Austerity.
Section 6: Recommendations

From the Politics of Debt to the Practices of Change

This report highlights the policy inaction around household indebtedness. We demonstrate how individuals and a variety of civil society actors have stepped in to fill this policy void. The scale, impact and type of issues they tackle are as diverse as their methods; and the field is dominated by relatively few key individuals within small but mighty organisations who are doing the bulk of the heavy lifting, but still only able to produce one-off campaigns and community outreach efforts.

This project uncovered a small network of key civil society individuals and organisations that are doing an outstanding job with the resources they have available. Often limited budgets, lack of resources or digital know-how leads to unclear and inconsistent messaging and further limits their capacity for impact. The vast majority of actors in this space lack basic infrastructure and sufficient resources to scale-up their activities. As committed as these individuals and organisations are to uncovering the problems and consequences inherent in our debt society, their efforts are too often disparate and lacking in a wholesale coordinated and collaborative effort.

The problematic politics of debt are experienced at both macro and micro levels, and include lack of financial inclusion and wider credit access, and the growth and scourge that is payday lending. There is a need for campaigns and advocacy around credit union provision and community lending operations, as well as myriad other personalized debt and financial strategies that tackle both the logistical and emotional turmoil the indebted face. It would be impossible for one activist, one organization, one think-tank or one service provider to do it all.

Of course, the organisations and people mentioned in this report do not form an entirely comprehensive account of every individual or organization working within the sphere of individual indebtedness in the UK; however it represents some of the more prominent and active, and those who present the best opportunity for future collaboration and mutual support.

The following recommendations suggest an action plan to bring together the people, organisations and community-groups who want to break the strategic silence of indebtedness.

Research

**Recommendation:** build much needed research capacity to fill the ‘data gap’ on the scale and scope of the household debt problems, especially the wider problems it creates.
There is a significant lack of ‘data’ on household debt. The Bank of England aggregate banking statistics of ‘debts outstanding’ held by households hugely underestimates the stock of debt because it does not count ‘securitised assets’ or the loans lender regularly move off-balance sheet. For most lenders securitization represents more than half of their loan book. Also, most of this public data is not relevant or useful to understand the social scales of the household and/or the local community.

There are traditional household surveys such as British Household Panel Survey (Longitudinal) or Wealth and Asset Survey (Panel), but these require a very high skill set to use the statistical software required to access and analyse this data. The Wealth and Assets Survey requires a special license. By contrast, the United States has the Survey of Consumer Finances, which makes cross-sectional data available as a supplement or in a downloadable Excel file equip with basic data processing function. The result is that data in the UK is not easily accessible for use beyond those with expert qualifications.

**Key Research-based Organisations** in addition to the organisations already mentioned in this report there are three key groups that offer new research that links the micro and macro level problems of debt in the UK.

**Demos**\(^{98}\), an independent cross-party think-tank focused on publishing original research that centres on public policy and politics. They published a report in early 2014 entitled *The Borrowers: Looking beyond the financial impact of debt*\(^{99}\) highlighting the UK’s individual debt phenomenon from the bottom up by taking into account the mental and emotional impacts of debt on different types of debtors, examining factors as to why certain types of people rely on debt in the first place. This report reframed the debate around personal debt, encouraging policy makers to see it as a socio-emotional phenomenon, rather than one that was strictly financial or legalistic.

**Resolution Foundation**\(^{100}\) is a non-partisan think-tank that works to improve the living standards of those in Britain on low to middle incomes. Their research focuses on a wide range of issues such as low pay and the minimum wage, the future of the labour market, social mobility, reforming the tax and benefit system, household debt, childcare and housing policy. The most recent of a series of recent publications on the growth of household debt\(^{101}\), *Hangover Cure: Dealing with the household*

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98 [http://demos.co.uk/](http://demos.co.uk/)
99 [http://www.demos.co.uk/publications/borrowers](http://www.demos.co.uk/publications/borrowers)
100 [http://www.resolutionfoundation.org/](http://www.resolutionfoundation.org/)

The Politics of Indebtedness in the UK

Section 6 – Recommendations

Debt overhang as interest rates rise\textsuperscript{102}, suggests the potential peril of increasing interest rates for large segment of household sector.

Centre for Social Justice (CSJ), is Conservative Party affiliated think-tank working with groups from academic, industry and policy backgrounds. Their 2013 report ‘Maxed Out: Serious personal debt in Britain’\textsuperscript{103} shed light on the state of personal debt in the UK and the myriad problems it poses at all corners of society. The report was part of a series entitled Breakthrough Britain and the CSJ has plans to reinvigorate the debate about poverty and indebtedness in future reports.

Political Economy Research Centre\textsuperscript{104}, Goldsmiths University

The Political Economy Research Centre (PERC) is a new space for cultural and political analysis of economic life, based in Politics. Its work cuts across various disciplines to achieve new critical and empirical perspectives on political economy, breaking down boundaries between economics and other social sciences, and between experts and public, in the process. In early 2015 PERC will host a series events as part of the Crafting an Alternative Politics of Debt, an ESRC-funded knowledge exchange program.

We face an uphill battle as ‘outsiders’ engaging in debates about finance, banking and the economy. By working together, key people, organisations, service providers, and academic research centres, can provide new evidence to show the bleak picture of the state of indebtedness in Britain.

Restructuring

**Recommendation:** Collaborate to develop a policy platform that restructures household debts — organise a bailout for the household sector, not just the financial sector.

This public interest report shines a spotlight on the indebtedness as the defining economic problem in contemporary Britain with no clear solutions on offer. Most civil society actors and social enterprises working to solve the UKs household debt problem look to the restructuring of the financial services sector. The vision is to make banking like a public utility.

Restructuring the financial services sector is fundamental to solving the underlying problems causing household indebtedness; however, this is a long-

\textsuperscript{102} \url{http://www.resolutionfoundation.org/publications/borrowed-time-dealing-household-debt-era-stagnant-incomes/}


\textsuperscript{104} \url{http://www.centreforsocialjustice.org.uk/publications/maxed-out}

\textsuperscript{104} \url{http://www.gold.ac.uk/perc/}
term goal that does not meet the immediate need to effectively deal with the current household debt overhang.

Our research found that time and again those working on issues related to indebtedness, as well as those living under its yoke, routinely suggest debt restructuring as an effective bailout solution for the household sector. Debt restructuring is the top-down policy package that will, through various different proposed mechanisms, write-down and in some instances write-off significant amounts of household debt.

In many respects debt restructuring is the only solution currently on offer as alternatives to present-day ‘do nothing’ and ‘more financial education’ policies. What makes them fundamentally different from current policy frameworks is the recognition of debt as a widespread problem, not one limited to a small population of ‘over-indebted’ or ‘vulnerable consumers’.

Calls from many different actors to support debt restructuring as a top-down process and debt resistance as a bottom-up movement indicate that is, arguably, the most viable democratic solution. There are significant political differences between the different actors, but they seem to agree on possible avenues for change.

**Resistance**

**Recommendation:** Resist the imposed morality of debt repayment — either by not paying or repaying in full.

There is a stark hypocrisy at the core of the current Austerity agenda: governments want to impose austerity on households but expect them to take on more (expensive) private debt so they can pay down the public debt.

Central to this hypocrisy is the political posturing that seeks to equate the national debt with household debt. Political leaders from all parties accept and promote austerity because they support a paying down of the national debt, but they routinely argue its logic by drawing comparisons with household debt. The most famous quotes being:

"we are asking the British people to reduce the record budget deficit and pay off the national credit card" - George Osborne, Chancellor of the Exchequer, April 2011

"If you have maxed out your credit card, if you put off dealing with the problem, the problem gets worse" - David Cameron, Prime Minister, June 2011

This report began with the stark warning about the fundamental double bind the UK citizens and their economy is in — this is the strategic silence: if every household struggling with debt decided to pay down their debts the UK economy
would be plunged into depression, with the global economy following closely behind. However, if every household struggling with debt continues to take on more debt to maintain their standard-of-living soon there will be mass insolvency.

Let us be clear, this is a very dangerous from of resistance because most economic forecasting is based on ‘consumer confidence’ so even committing to trying to pay down or not paying debts could trigger major financial unrest.

Debt Resistance is the bottom-up political response of the indebted to enact or demand change in their circumstances. This project has highlighted the small but growing network of activists coming together to articulate different forms of debt resistance; also, it demonstrated how individuals in P2P forums already engage in forms of resistance in order to combat the unjust practices of debt collectors and repudiate unjust debts.

**Resilience**

**Recommendation:** Establish a digital platform for engagement that will enable the creation of a collaborative network.

It became clear there is a lack of effective engagement by civil society with digital platforms as a means of building capacity within the network and providing much-needed collective resources that will better facilitate a scaling-up of activities.

Most civil society actors identified two key advantages of social media strategies: first as a means to communicate their message to a wider audience, and second to connect with like-minded people and build networks. A key problem is conflating digital engagement with social media presence, namely Facebook and Twitter. In practice this means that digital platforms are almost exclusively used by civil society actors as a promotional tool to advertise events and get ‘boots on the ground’ at real world events.

This framing of the digital forecloses the many forms of digital engagement, collaboration, or campaigns that could be possible outside of social media platforms. Even though key actors directly recognise digital strategies for their success, at the same time they have yet to communicate their strategy or approach to other actors.

**In 2015, the Political Economy Research Centre (PERC) will launch the Debt Community Network (#DebtCN) as a blog and hashtag experiment in an attempt to facilitate more digital engagement across the growing network of actors engaging with the wider politics of indebtedness.**

*#DebtCN will be a digital repository of successful activities offering social enterprise models, tool kits, campaigns and direct action.*
Most criticism of digital engagement was the potential threat that it would replace face-to-face engagement, which is the very foundation of community organising and political campaigning. The majority of respondents were very clear that digital needs to be secondary to real world activities. Another key point was a scepticism that digital engagement can't reach people any more given the level of saturation of digital content in daily life.

#DebtCN will foster creative and experimental forms of digital engagement to highlight, educate, inform, and coordinate action related to politics of indebtedness. It will try to create a collaborative forum providing much needed information on the scale and scope of indebtedness and a repository of research, campaigns, actions and policy proposals.

**Recommendation:** Experience-based peer networks needs to inform our understanding of how individuals enact debt resilience.

This report highlights how and why better understanding of debt is now essential for social protection and participation for the vast majority of UK society. At the same time policy-makers enforce debt-led austerity that demands new forms of resilience from individuals, households and society to cope with the protracted process of getting 'out of debt'. Large segments of the population are simply left to negotiate managing their finances as incomes stagnate, costs increase at the same time as debt repayments on every manner of loan – mortgages, home equity loans, credit and store cards, lines of credit, car loans, overdrafts – must be made.

We developed a unique empirical approach to demonstrate the rich and diverse ways that individuals support and educate each other on how to cope with and/or get out of problem debt.

- Detailed empirical research into those struggling to overcome their problem debts reveals the rich wealth of expertise individuals have about their finances.
- P2P forums show the importance of social connection and sustained engagement in ‘debt advice’ as a relevant factor contributing to debt resilience.
- Peer-support is a vital part of combating the shame and isolation felt by people struggling with debt.

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• Peer-based learning offers experience based advice that fosters trust and offers encouragement to those struggling to cope with indebtedness

**Conclusion — Now is the time!**

With a national election right around the corner now is the only time to get the public engaged on issues surrounding the economy. We need to change the terms of the debate on debt. Breaking the strategic silence imposed on household indebtedness will require a coordinated, collective and public-facing strategy that highlights how indebtedness is much more than a personal problem, it is an economy-wide disaster. Solving the household debt crisis can only bring positive outcomes for the UK economy and society. Now is the time to act together.
Appendix One: Methods

This was an extensive scoping exercise that sought to map the terrain of online and offline activities that seek to understand and act-on the problems that indebtedness causes, for the individual, the household and the community. Engaging in primary research in two different sites and with two different communities, we developed two complimentary but distinct work packages with different research questions.

Work Package 1 (WP1): Civil Society Groups informing and enacting debt resilience sought to answer the following questions: how do key civil society groups use digital platforms to highlight, educate, inform, and coordinate action related to politics of indebtedness? What are the perceived strengths and weaknesses of digital platforms in enabling a culture of resilience?

Data collection involved 9 semi-structured interviews with key actors from civil society organizations directly involved in advocacy or services to people in debt. Subjects were identified using a primary scoping exercise of identifying key civil groups providing debt management advice or producing research or events in the areas of fair credit access and/or debt problems at household or community level. This was followed-up by identifying individuals attending one of several workshops and events related to debt and financial services reform. The nine semi-structured interviews were conducted in the spring of 2014. Interviews were transcribed and uploaded into Nvivo 10 software to enable computer analysis of responses.

Interview subjects were then invited to attend one of two project sponsored day-long ‘Collaborative Encounters’ workshops and asked to recommend contacts within their network they think would be interested in attending (snow-ball sample). The two events brought together academics, activists, organizers, and individuals working in cognate areas of politics of indebtedness; the first event had 12 participants and the second had 16 participants. Both events used Open-Space Technology\(^{107}\) to facilitate participants to create the agenda and contribute to a collective output. This method promotes conversations between research partners, rather than using a linear inside-to-outside and top-down model of knowledge transfer, impact and public engagement, this method operates to co-produce knowledge.\(^{108}\) This method experimented with the co-creation of knowledge as a means of evaluating the potential of digital communities to enable and enact socio-cultural and/or political change. Individual, anonymized, responses were posted as blog (http://alternatives2debeconomy.tumblr.com/) using NCapture uploaded to Nvivo 10 for analysis alongside interview responses.

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The data analysis involves a basic triangulation data collection drawing information from workshops, semi-structured interviews and secondary data sources. Triangulation is a powerful technique that facilitates validation of data through cross verification from two or more sources giving the researcher more confidence when different methods lead to the same result.\textsuperscript{109} Moreover, triangulation limits confirmation bias, which is the tendency of people to favour information that confirms their beliefs or hypotheses.\textsuperscript{110}

**Work Package Two (WP2):**

**Peer-to-Peer information sharing to enable debt resilience** aimed to answer the following questions: *How do peer-to-peer forums on indebtedness identify, inform, or enact resilience to get 'out of debt'?*

Online forums can be a bit like unmoderated focus groups since they highlight processes of collective meaning-making.\textsuperscript{111} Digital forums offer a unique and underused source of information to explore the discursive creation of ‘debt’ and the everyday practices of indebtedness.

The first step was selecting which forums to analyse, given the very large number that deal with every manner of issue related to debt, indebtedness, debt management, debt collection, bankruptcy, and so on. We analysed four forums that are part of a larger group of forums – what we term ‘sub-forums’ – used by debtors to discuss their issues. Each sub-forum is diverse, with each providing unique value for its members.

All four sub-forums analysed were very different from one another, with each one offering a different function or value added for its users.

- **CAG Debt Management and Debt self-help / MSE Debt-Free Wannabe:** These two forums were two of the most general debt-related sub-forums, providing insights into how debtors used these online spaces in a myriad of different ways. New members with fewer posts start the majority of threads, with topics covering a wide range of subjects. These include discussions about what books are helpful to debtors, specific advice over budgeting, and general moral and emotional support for those trying to get out of debt. Various regular or longer-term members of the online community, who are generally supportive and helpful in providing a wide range of emotional and practical guidance, respond to almost all threads. The majority of expertise on these two forums is provided by a relatively

\textsuperscript{109} Yin, Robert K. (2009) *Case Study Research: Design and Methods*. 4\textsuperscript{th} edition, Sage Publications, Los Angeles CA


small number of members who may have upward of 8,000 posts, but there are also members with less than 20 posts who offer help too.

- **CAG Debt Collection Agencies**: this sub-forum is more like a troubleshooting or Q&A service. The main form of support provided is relatively targeted, technical advice about how to deal with third party debt collectors. This includes, for example, advising debtors to refuse to speak to creditors over the phone, providing letter templates to use in communication with creditors, answering queries relating to specific collections letters, providing advice on rules, regulations and relevant third party agencies to contact (e.g. the Financial Ombudsman). Specific tacit and technical knowledge of these processes is incredibly important, and is clearly the value-added of the debt forums for users.

- **Mumsnet**: This debt forum lies at the other end of the spectrum. The value-added for users is not necessarily tacit and technical knowledge of the finance industry, but centred more upon strategies for thrift and emotional support. A particular characteristic of the forum is that a small amount of users provide a large amount of the content.

### Different debtor sub-forums sampled

<table>
<thead>
<tr>
<th>Forum</th>
<th>Sub-forum</th>
<th>Description</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mumsnet</td>
<td>Debt thread [note: this is not a sub-forum]</td>
<td>General thread on getting out of debt</td>
<td><a href="http://www.mumsnet.com/Talk/legal_money_matters/a2062902-Debt-Number-3-For-those-who-feel-they-are-drowning-and-want-a-way-out">http://www.mumsnet.com/Talk/legal_money_matters/a2062902-Debt-Number-3-For-those-who-feel-they-are-drowning-and-want-a-way-out</a></td>
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We captured a snapshot of up to the first 40 threads, sorted by latest post, from April 1st onwards from each forum. For Mumsnet, in lieu of different sub-forums we sampled the latest Debt thread that contained 850 individual posts, and a total of around 65,000 words. The resulting data was coded in line with the
research questions and aims of the project using NVivo – a qualitative analysis research tool. We took a “grounded theory” approach to data analysis. We started by capturing the sample as PDFs via NCapture for NVivo, ensuring that ‘emoticons’ were retained; this is important as members use these as an important way of expressing relief, frustration, anger, fear and sarcasm. Once the data corpus had been constructed, the entirety was read through in order to build some provisional themes.

A codebook was then developed based on these themes, with the entire corpus systematically coded accordingly. Our codes were designed with the exploratory nature of the research in mind, i.e. we wanted to get a general sense of how debtors were using these online spaces, what value these forums provided, and the political valences of forum discussions. Our codebook contained three basic categories. The first was ‘resilience’, which was used generally to capture and categorise the sort of problem presented by the original poster. The sub-categories included ‘economic/financial’, ‘emotional/affect’, and ‘coping strategies/tactics’. The second was ‘expertise’, which was used generally to capture and categorise the sort of support, knowledge and advice offered by members of the forums. The sub-categories included ‘legal/official’, ‘experiential expertise’ and ‘emotional support’. Due to the nature of the Mumsnet forum, we had to be therefore more flexible with these categories when analysing the debt thread. The third was ‘who are the indebted?’ which was used generally to capture and categorise who possessed the debts – particularly the extent to which it effected the household or family as a whole or just an individual. The sub-categories included ‘family’, ‘gender dynamics’ and ‘individual’. These categories provided us with a unique and broad picture of how the forums were used despite of their manifest differences, and were invaluable in informing the analysis.