



Ireland 2004

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## Money Advice and Budgeting Service





## **Description of the main elements of the policy**

### *Background*

The shadow of overindebtedness has fallen over Europe. It can be estimated that at least 20 million people are overindebted in Europe (see Annex). We face a chronic consumer overindebtedness in Europe, debt is very much a social policy issue. All available reports from e.g. UK, Germany, Scandinavia, Netherlands and Austria highlight the psychological, social and economic costs of debt on the debtors and their families. Finally through the National Action Plans (NAPs) of the European Member States it has become obvious that debt is a social and economic problem requiring state intervention.

In the Republic of Ireland the official fight against debt started in 1988. Since the publication of a report by the Combat Poverty Agency entitled "Money-lending and Low Income Families" (Daily & Walsh 1988), the Department of Social and Family Affairs has been directly involved in activities to combat moneylending. This report highlighted amongst other things the lack of advice and support for families caught up in high-cost moneylending agreements. Moneylending was heavily concentrated on servicing those with low incomes because they have the least access to basic financial services offering affordable credit facilities. Moneylender companies require a license from the Office of the Director of Consumer Affairs. There are many different types of moneylending. The main types are small loans for cash and/or goods, repayments are often on a weekly basis to a door-to-door collector over a short period of time. In 2002, there were over 60 licensed moneylenders and an unknown number of illegal ones in Ireland.

The Department of Social Welfare reacted with two major initiatives. The first initiative, announced in April 1990, involved the establishment of 200.000 Pounds (~ 254.000 €) as a fund to guarantee loans made by credit unions to people in debt to moneylenders. The fund was administered by a charity organisation, the Society of St. Vincent de Paul, in conjunction with credit unions. Credit unions are "financial co-operatives for savings and loans run by people who share a common bond. In order to obtain a loan, members must save regularly. The interest charged on loans cannot by law exceed 1% per month of the outstanding balance. Repayments are negotiated in accordance with the borrowers circumstances and ability to pay". (McCaul & Stamp 2003:2,5). Each credit union is owned and controlled by its members to serv-



ice the financial needs of its community on a non-profit basis. In 2002, there were over 530 credit unions with roughly 1.8 million members in Ireland, nearly 50% of the total population (3,9 million). By this, Ireland has one of the most developed financial cooperatives structures in the world (for further information see [www.creditunion.ie](http://www.creditunion.ie)).

The second initiative, announced in February 1992, was a call for a number of pilot initiatives to operate a money and advice budgeting service (MABS). Five projects which had already some involvement in this area before were selected for a pilot programme. Following an evaluation of the work of the pilot projects (Dillon & Redmond 1993) a decision was made to extend the Programme throughout Ireland. Since 1992, the number of MABS has grown from five to 52, in 65 offices, with 120 full-time money advisers and support staff.

MABS has become a network of local services around the country that addresses the problem of moneylending and overindebtedness. In Ireland, overindebtedness is defined as *an imbalance between income and expenditure which occurs when expenditure exceeds income and the shortfall cannot be made up* (McCaul & Stamp 2002). This definition is similar to many European definitions, although a common definition of the concept of overindebtedness does not exist at European level.

### *Baseline*

Unfortunately, no zero-measurement was conducted before the setting-up of the pilot projects to measure how frequently overindebtedness occurs in Ireland.

The first estimations are available from sample census data of 1997. In a representative household survey (Poverty in the 90's (1997)), conducted by the Economic and Social Research Institute, 12% of the respondents were overindebted due to ordinary living expenses. 50% of those living on an income less than half of the national average income had debt problems. According to Stuart Stamp, in 1997 there are an estimated 100,000 direct money lender customers - not counting those operating illegally. (in: Cousins 1997:9)

In 1998 one quarter of people in Ireland lived in households with less than 124.43 € disposable income per week. The OECD defines an income of 50% or 60% of the average income as poverty. The above named 124.43 € is half of the average disposable income at that time. These households are by definition



poor, dependent on social welfare. They range from lone parents, the ill and the people who care for them, people with disabilities, older and unemployed people as well as low paid employees, the self-employed and farmers.

Since 1998, Statistics from the Central Bank of Ireland have shown a dramatic increase of the height of outstanding debts in Ireland.

#### **Outstanding Residential Mortgages (Including Fixed and Variable Rate)**

December 1999	11430 million €
September 2002	40547 million €

#### **Outstanding Other Personal Credit\***

February 1998	2920 million €
September 2002	9960 million €

#### **Outstanding debts on Credit Cards\*\***

December 1998	666 million €
December 2002	1379 million €

*Source: Quarterly Bulletins of the Central Bank of Ireland, cited in Current Account, Issue 9, March 03*

\* These figures relate to credit extended by licensed banks, building societies and hire purchase companies only and do not include credit unions or licensed moneylenders.

\*\* These figures do not include store cards.

#### *The goals and target groups of the policy*

The Council of the European Union formulated as objective 2b of the fight against poverty and social exclusion: "To put in place policies which seek to prevent life crises which can lead to situations of social exclusion such as **indebtedness**, exclusion from school and becoming homeless."

Overindebtedness can lead to five different ways of exclusion:

- the *access* exclusion to information and financial services e.g. by refusal of a bank account
- the *price* exclusion where people only gain access to financial products at a price they cannot afford
- the *condition* exclusion when the conditions attached to the financial products make them inappropriate to the needs of people with debts



- the *self*-exclusion when people withdraw themselves from social and financial life because of fear, shame, disappointment or resignation
- the *social* exclusion when people are excluded from social life by creditor's sanctions (e.g. compulsory evacuations)

The Irish NAP has taken up the cause of the fight against social exclusion and overindebtedness as well. MABS plays an important role in this combat. The mission of MABS is to enable people to cope with such situations, to gain control of their finances and their lives. The service is offered mainly to low income families who are in debt or risk getting into debt.

“The primary aim of MABS is to help people cope with debt and to take control of their own finances. The service is free, confidential and independent.”

MABS therefore gives advice which ranges from practical good household budgeting skills to information on clients rights and entitlements. MABS offers psychological support and re-negotiations with creditors.

The key features of the Programme are:

- an approach that targets families identified as having particular problems with debt and moneylending, specifically those dependent on social welfare or on low incomes;
- an emphasis on practical, budget-based measures designed to remove people permanently from dependence on moneylenders and to open up an alternative of low cost credit through the local credit unions
- a co-ordinated structure that allows for different approaches in local communities in relation to debt management and money advice, with a framework for sharing of experiences and information
- a general money advice element for the local community, including publication of information on money management and debt matters,
- ongoing evaluation of the work of the Programme, and
- working for changes in policy and practice which need to be implemented at local and national level to eliminate poverty and overindebtedness.

As could be seen, these key features are in close correlation with the EU-policy to prevent social exclusion.



### *The legal and financial provisions to implement the policy*

The Department of Social and Family Affairs has overall responsibility for management of the Programme, including monitoring, financial administration, executive decision-making and facilitating regional networking. In 1992 the budget for the five pilots was 330,000 Euro, according to the Irish NAP 2003 - 2005 the budget for 2003 is 9.867 million Euro.

The Department funds the cost of staff as well as other running costs of the individual services. The projects are funded on the basis of a three-year, renewable contract, based on a work plan. The three year plan includes a detailed breakdown of costs, which covers staff salaries, accommodation costs and general expenses such as insurance, maintenance and other running costs.

The department makes payments for three months in advance. The contract provides for agreement on a detailed breakdown of each annual budget, submission of an annual report, annual audited accounts and quarterly returns and projections of expenditure. The statistics and figures are provided in a specific format used by all MABS (see Annex). The statistics comprise four sections: financial statistics, client statistics, outreach activities, other activities. To complete the reports, less than two days work per quarter are needed. Especially interesting is that the client statistics are gathered at the push of a button from the MABS1 system. It is estimated that these statistics can be produced in less than half a day every quarter.

Based on a national evaluation of MABS in 1999, the Minister for Social, Community and Family Affairs announced in 2000:

“I want to stress that this is about giving formal recognition in legislation to the MABS as it is working and as it has worked so well over the past years and not about changing the key features and advantages of the service as currently structured. In other words, I see the value of giving MABS a *statutory basis* as enhancing and supporting the autonomous nature, the voluntary management and the sense of community ‘ownership’ of independent local MABS services.” (Conference Report 2000:11).

Following cabinet approval, a draft Bill was prepared during the course of 2002 but has not yet been presented to the Parliament. It is unclear at present which plans are in the pipeline for giving MABS a statutory basis. According to Liam Edwards, the national MABS Co-ordinator, it is still under consideration to place the service on a statutory footing so that it can be developed in the future in a



more structured and effective manner, providing that the current high level of service provided by MABS retains its flexibility from the point of view of policy formulation and service delivery.

It seems to be quite unlikely “that any future administration would consider diluting the role of MABS, given the vital role it has played in negotiating on behalf of indebted people and given the increasing incidence of credit and overindebtedness in Irish society” (Paul Joyce 2003:31)

### *Institutional arrangements and procedures of implementation*

MABS operates as a partnership of all relevant agencies which are independent information and advice providers rooted in the local community. Administration is handled by MABS Section, Social Welfare Services regional Office, Centre Park Road, Cork. (see Annex)

A *National Co-ordinator*, appointed and working within the Department of Social and Family Affairs, works with regional staff, other statutory agencies, voluntary and community groups and other relevant parties.

A *National Advisory Committee (NAC)*, on which the MABS and other stakeholders in the Programme are represented and which is chaired by a Principal Officer in the Department, advises the Minister for Social & Family Affairs on external policy issues in relation to the MABS.

MABS also has a specific *Training and Community Education Service* located in Comhairle which itself is also funded entirely by the Department of Social and Family Affairs. The Training and Community Education Service provides information, advice and advocacy on a broad range of social services to the public, offers training and support services to staff and management committee members of MABS. Activities include:

- two training programmes annually
- induction training for new staff and management committees
- a ‘Good Practice Manual for Money Advisers’
- ‘Current Account’, a journal of the National Money Advice and Community Education Service
- technical and specialists support services given by the MABS Technical Support Panel, and
- training, support and policy on developing community education at local, regional and national level.



A sub-committee of the National Advisory Committee proposed a community education strategy in the MABS context at national, regional and local level. By this, people should be equipped to learn, challenge, act and critically reflect on the issues, common factors and the personal, social and economic implications of indebtedness (see page 14).

Each *local service* is incorporated as a company limited by guarantee and is managed by a board drawn from local voluntary and statutory agencies and community groups. Typically, the Board of Directors will contain the representatives from a number of groups, including local community development projects, credit unions, St. Vincent de Paul and Citizens Information Centres, local authorities, Garda Siochana, the Health Board and the Department of Social and Family Affairs.

The *Board* is responsible for:

- managing the service from day-to-day
- planning and reviewing the service
- providing a quality service
- ensuring that there are appropriate arrangements for customer feedback

*Regional meetings*, at which all the MABS are represented, take place regularly. The role of the regional meetings is as follows:

- to share experiences between projects, including models of good practice as well as approaches that have not worked so well
- to exchange information and discuss issues of common concern between members of management as well as members of staff
- to advise and assist on formulating general guidelines and standard operating procedures
- to make recommendations to the National Advisory Committee
- to foster consistency in information recording, referral procedures, relationships with key creditors within region.

A new company, *MABS National Development Limited*. MABS NDL was established earlier this year. It operates as a company limited by guarantee in a similar way as each individual MABS. The new company will undertake ongoing consultation with and implement decisions taken by the National Advisory Committee of MABS (NAC) and the Operational Forum. MABS NDL has recruited a multi-skilled team of five National Development Officers (NDOs) to support the MABS locally, regionally and nationally.



The cooperation with *credit unions* is a specific feature of MABS. Clients of MABS have an option to manage their debts by opening a “special account” in their local credit union. They are introduced by MABS to a local credit union and when accepted into membership, the person opens two accounts, a special account and a savings account. The special account is a budgeting and bill payments account which assists the member to develop a certain financial discipline and achieve stability. The member pays a fixed sum into the account each week which is then redirected through MABS to the creditors, as per the negotiated agreements.

The savings account is equally a central element of the programme. Members, along with their payment into the special account, save an amount they can afford each week. Evidence suggests that these members grow in confidence and self-esteem and begin to use a credit union’s financial services in a way that brings control into their lives.

During this period loans are only granted for financial needs that arise once the money advice and budgeting programme is operational. If a MABS client expresses a new credit need, the adviser will help to negotiate a small loan in the credit union. But in each case, the loans are subject to credit risk assessment and depend on the member’s record and ability to repay. Furthermore, MABS guarantees all the loans it supports with a loan guarantees fund. The loans are usually small, no more than 1000 €, and for immediate pressing needs. The existence of the loan guarantee scheme is not publicised and a borrower is not aware that his loan has been underwritten by the scheme.

### **The results so far**

In the last ten years several evaluation studies have been conducted to analyse and improve the services (Dillon & Redmond 1993, Eustace & Clarke 1999, Eustace & Clarke 2000 a, b, Eustace & Clarke 2002).

#### *The quantitative results*

Since its establishment in 1992, the MABS service had provided advice to more than 28,000 clients until 1999. More than 50,000 have presented to MABS in the last four years, altogether roughly 17% of the estimated total of overindebted people in Ireland.



The evaluation results of the report 2000 indicate that MABS is well regarded by clients, creditors and other organisations with whom it interacts. 41 MABS projects were included in the evaluation study which was conducted in 1999. The methodology focused on gaining the following information from all 41 MABS:

- feedback from a sample of 706 MABS clients
- statistical data in relation to caseload
- 92 client case studies
- questionnaires from all members of MABS staff and management committees
- survey of a sample of 154 voluntary and community groups with a vested interest in MABS
- survey of a sample of 80 community welfare officers in each MABS area
- survey of a sample of 118 creditor organisations that have had dealings with MABS
- survey of 76 Credit Unions who have had contact with MABS.

Approximately seventy percent of active MABS clients are female. The majority of clients are aged between 26 and 40 (46%) or between 41 and 65 (39%). Approximately one-third of the clients have an income of 5,000 Pounds or less and a further 50% have incomes between 5,000 and 12,000 Pounds (~ 6,349 - 15,238 €).

65% of the respondents had the expectation that MABS might help to clear some or all of their debts, 51% that MABS would help them to manage their finances better. In most of the cases MABS could meet these expectations. The impact of MABS' support on clients is great. 73% have paid or are currently paying off their arrears. 70% state that they can manage their money better. 82% have greater peace of mind.

The evaluation made it possible to identify the features of 'challenging' clients: They tend to be older, more likely to be unemployed and more likely to be separated or divorced. They tend to have more debts in arrears for longer periods of time and to present a combination of technical, legal and/or emotional challenges to the money advisor. As a result, these clients require a greater amount of time, effort and ingenuity on the part of the money advisor. They have a greater need for intensive monitoring and personal support.

During the period of advice, the average arrears owed by clients could be reduced from 3,669 to 1,676 Pounds for the relatively 'easy cases' and from 7,296 to 5,127 Pounds for the 'challenging cases'.



### *Other results and achievements of the policy*

The research of Daly & Walsh in 1988 identified as key factors contributing to overindebtedness *inadequate incomes, heavy borrowing and poor money management skills*.

The reasons which were given by Community and Voluntary groups, creditors, credit unions and Community welfare officers for the effectiveness of MABS confirm a good targeting of the above named key features. The clients were enabled to put their financial affairs in order or to pay their bills in time. However, it should not be overlooked that a small group of creditors complain that customers continue to fall behind in debt repayments or incur arrears despite MABS help.

The extent to which MABS is regarded as a benefit to communities is extraordinary. Eighty percent or more of the respondents indicated that the community had benefited significantly because people had been helped to deal with debt and/or to manage their money better. Around seventy percent answered that MABS had contributed to improve health and quality of life.

In the social policy field, MABS is regarded to have given a valuable contribution by its involvement with the Department of the Environment and Local Government in drawing up guidelines on local authority rent arrears management.

A Pilot Debt Settlement Programme was recently agreed by the MABS and the Irish Bankers' Federation and supported by the other main creditors. The Pilot Scheme provides a non-judicial alternative for resolving cases of multiple consumer debt that are likely to prove intractable and otherwise end up in court. The scheme introduces a range of innovative features that are new to this jurisdiction such as a finite period for an agreed debt repayment programme, the freezing/reduction of interest and the write-off residual debt on successful completion of the programme. The debtor's principal private residence is secured against enforced sale or repossession.

By the on-going dialogue with financial institutions and statutory creditors progress has been made with different companies like An Post, ESB and Bord Gais (postal, electricity and gas services) on amending their debt collection practises.



Following a MABS initiative, “Guidelines for Local Authorities on Rent Assessment, Collection, Accounting and Arrears Control” have been published by the IPA Housing Unit in conjunction with the Department of Environment and Local Government, and the City and County Manager’s Association.

### *Obstacles and Constraints*

The National Evaluation of MABS has concluded:

“MABS as an intervention has grown and developed significantly in the past five years. This growth has not been matched with development of the strategic planning or support functions nationally and this has contributed to piecemeal development locally. The results of the evaluation point to these issues as key development needs for the continued future success of the service”. (Eustace & Clarke 2000:73)

The Irish NAP 2003 – 2005 focuses on prevention in the fight against overindebtedness which seems to be mirrored by the MABS objective concerning the knowledge development of the target group. However, the ‘community education’ of most of the projects -apparently consists primarily of short, promotional and awareness raising talks delivered, on request, to community, voluntary and statutory groups in each locality. The results of the evaluation point very strongly to the need for considerable work in developing the preventive work and community education strategy for MABS. A community education subcommittee of MABS recommended as an answer to that a considerable investment of resources including the setting up of a designated *support unit* to plan and coordinate community education and preventive activity on a national basis. (Community education subcommittee 2000).

The evaluation of Eustace & Clarke put forward three options in relation to the revised future structure of MABS that might be summarised as follows:

- strengthening the national co-ordination role in terms of issues such as community education, research, training, technical support and strategic planning
- placing an increased emphasis on regional support mechanisms and appropriate additional resources being provided to the services
- setting up a new and separate national support unit for MABS to replace the national coordination function and to deal with all aspects of support to the services (Eunice & Clarke 2000:71-73)



The introduction of five National Development Officers (NDOs) in 2004 seems to be a kind of answer to the discussion. They have different roles and responsibilities to cover the following strategic priorities:

- address the needs of Management and Staff in MABS nationally, regionally and locally in the development and maintenance of standards and best practice in the delivery of money advice
- develop the capacity of MABS in the area of Community Education on debt prevention, budgeting and personal financial management, in partnership with the Training and Community Education Service and other education providers
- identify and quantify social policy issues in consultation with MABS National Advisory Committee
- promote and market MABS to the target group to raise awareness and increase its usage of the service
- develop contacts with appropriate groups and associations in the voluntary and statutory sectors, in the context of casework technical support, community education, social policy and communications

But further questions remain. In a summary of the MABS National Conference 2002, the conference rapporteur Dave Ellis (2002:5) regarded the following questions as questions still to be answered :

- a) Does imprisonment for debt no longer happen ?
- b) Has illegal moneylending been effectively tackled?
- c) Are all State agencies part of the response to indebtedness?
- d) Has access to financial services (including affordable credit) been improved for the marginalized in our society?

The last official figure about the number of persons committed to prison for non-payment of debts is 203, dating from 1996. Because of a lack of data, it is impossible to answer questions a) and b).

The question of imprisonment touches a sensitive part of the Irish way of debt recovery. While Ireland is well advanced in the area of money advice provision, the legal system has not kept pace. Like the southern countries Spain, Portugal, Greece and Italy, Ireland has no Debt Settlement or Consumer Insolvency Legislation. The Irish Bankruptcy Act (1988) is regarded as seldom used "and entirely unsuitable for consumer-overindebtedness". (Joyce 2003:62). Denmark (1984), Norway (1992), Finland (1993), Sweden (1994), Austria (1995), Netherlands (1998), Belgium (1998), Luxembourg (1993), France (updated 1995/1998) and U.K. (1986) have some form of legislation which protect the overindebted person from the courts and being sent into prison for not comply-



ing with an Instalment order made by the court. In Germany for example, the preparation of insolvency procedures is an important task in debt counselling since the introduction of The Consumer Insolvency Act in January 1999. Most of the debt counselling agencies are legally registered to provide the necessary pre-court procedures.

One of the main objectives of MABS is to highlight changes in policy and practice which need to be implemented at local and/or national level in order to eliminate poverty and overindebtedness. This touches the above mentioned question c).

There are critics who argue that little progress has been made on this objective since the inception of MABS, principally as a lack of resources devoted to policy issues. It is also suggested that this is due to an understandable reluctance on a government department's behalf to engage and grapple with the social, economic and legal factors that give rise to poverty and overindebtedness. The reluctance is due to the fact that the demand to fulfil these aims is very high and implies the possibility of interest conflicts.

Joyce suggests therefore that management committees need both greater support to enable them to carry out their work and greater supervision in how they exercise their functions and the recommendations of the MABS evaluation confirm this (Joyce 2003:87).

According to Joyce, MABS is still primarily preoccupied with a form of crisis management which, although critical in the short term, does little to alter the bigger picture.

The authors of the Money Advice Manual contradict this statement and argue that there are "countless examples of individual or regional MABS bringing about a change at local level, together with a number of national policy successes. However in the absence of a coordinated feedback mechanism, such work often goes unnoticed". (McCaul/Stamp 2003:14, 4)

## **The policy debate**

### *Main questions and areas of debate*

Internationally there is no doubt that money & budgeting advice and debt counselling are necessary. This work contributes to the fight against the exclusion



of overindebted people. The overindebted people obviously have more risks than chances within modern societies. They have more risks because they have fewer skills, fewer human resources and a worse starting position in life. Taking all the different causes for becoming overindebted together, we can identify ten major situations which lead into overindebtedness, mostly in combination:

- 1) separation/ divorce
- 2) unemployment
- 3) starting an independent household
- 4) (permanent) low income
- 5) credit taking (especially from moneylenders) and/or converting existing credits
- 6) addiction
- 7) low education and qualification level
- 8) bad financial management
- 9) bad health / accidents / disease
- 10) temptation by the advertising, media and consumer good industry (Korczak 2001)

The goals of the money advice and debt counselling services are almost always defined in the same way: *prevention* of debt problems, *rehabilitation* of the debtor and *emancipation* of the debtor from compulsive consumption and the use of consumer credit. The way of organising and achieving these targets institutionally are however very different in the European context.

The Irish model contains at least three very interesting aspects:

- the close linkage to and financial backing by a ministry
- the close cooperation with the credit unions
- the Training and Development Service and the statistics recording

The linkage to the ministry in Ireland obviously enabled a continuous expansion of the number of MABS, an improvement and further development of the services and a regular control of the effectiveness of the services. The stable and obviously safe financing of the services and the political approval towards MABS must be emphasised.

Regarding the linkage to the credit unions, a similar close cooperation with banks in this form exists only in the Netherlands. The 49 municipal banks in the Netherlands are differently organised but with regard to their function and services



for poor people they can be compared to the Irish credit unions. In Great Britain there are credit unions as well but according to the report of Paul Jones (2003) the experience with Loan Guarantee Schemes in the year 2003 was still very poor. Only 19 credit unions out of 682 British credit unions were operating loan guarantee schemes. Less than half of those 19 confirm that loan guarantee schemes were a success.

When interpreting the British experiences it has to be taken into account that multiple debt problems are complex and involve much more than a simple inability to manage money. Lending to already overindebted people is therefore a high risk business. The assessment of a loan request is particularly critical for the adviser. Much depends on the adviser's knowledge of the client and the client's effort. In fact, credit unions involved in the MABS programme very rarely write off loans against the loan guarantee fund. The fact that MABS has a Loan Guarantee Schemes at its disposal and the way in which MABS uses it can be referred to as a good practice example.

One should also keep clearly in mind that the management of special accounts and the MABS loans can be administratively very demanding and financially costly for credit unions. It is interesting that the Irish League of Credit Unions advises credit unions not to proceed in participating in a MABS programme unless they are satisfied that they have the capacity to handle the additional administration. To assist, MABS subsidises sometimes the administration costs of the credit union.

The Irish experience demonstrates that credit unions are well placed to serve low-income people with debt problems, particularly those indebted to high interest and moneylenders. Loan guarantee schemes, through grants from external donors that strengthen existing loan loss provisions and afford a measure of protection for credit unions operating in low income areas, are undoubtedly of benefit and do assist credit unions to develop appropriate services.

Institutionally, money advice and debt counselling has been arranged quite differently in the various European countries. For example in the Scandinavian countries the counselling is provided by state and county agencies which are connected with consumer or social service agencies. But even in Scandinavia the organisation models differ.

In Finland for example, the Consumer Agency is responsible for the general management, supervision and monitoring of financial and debt counselling. The State Provincial Offices are responsible for ensuring sufficient availability of



financial and debt counselling within the province. Finland's 61 financial and debt counselling units recorded 78,030 debt counsellings in 2003. The services cost 6,9 million €. The state provided 82% and local authorities 18% of the total.

In Austria, ASB-ARGE acts as a kind of umbrella organisation of the *various organisations* throughout all regions of the country. The financing of the debt counselling agencies in Austria is left to the federal states. At the moment 16 independent institutions are in charge of 37 debt counselling agencies with 113 consultants. The agencies receive most of their funding from local government (73%), some from the Ministry of Working Affairs (19%) and some from other sources (8%). Similar umbrella organisations are in place in Scotland, Money Advice Scotland, and in Britain, the Money Advice Association.

According to Norman Laws (2002), there are a number of organisations in Britain which offer different levels of support, casework assistance, advice and negotiation, representation in legal arenas and specialist services. Yet, dedicated money advice services are rare and most are delivered within general advice agencies. The number of people seeking advice is unknown. Citizens Advice Bureaus are traditionally seen as providing most advice and have a statistical recording system that supports this view. They are advising approximately 2 million people a year. 836,000 debt claims issued in county courts in 2002 (52% of the court's caseload). Local authorities in Britain are the largest funders of money advice services and account for approximately 93% of all the funding provided. However, the services are not uniform and they are not of a consistent nature.

In Germany, debt counselling started in the early eighties as a distinct area of social work. Consequently debt advice was developed by the various providers of social welfare services. Today, there are very different institutions: cities and counties, welfare organisations, the catholic and protestant church, the German Red Cross, consumer advice centres, associations which are in charge of about 1.050 debt counselling agencies. The agencies are financed by state and municipal funds as well as by own funds and by employment promotion funds of the Bundesagentur für Arbeit Germany. The annual number of face-to-face clients is about 400.000. The services in general deal with emergency help, debt regulation and psycho-social stabilization but each agency has its own procedures. In 1999 the non-governmental financial providers of debt counselling agencies founded a working group, Arbeitsgemeinschaft Schuldnerberatung der Verbände (AG SBV), which tries to harmonize the coun-



selling work and is promoting common statements on overindebtedness and debt counselling for the political scene.

The Training and Development Service Comhairle (TDSC) is a unique support organization for money advice and debt counselling. The 'Money Advice Manual' (MAM) as a special product of the TDSC is worth mentioning.

Finally, the electronically gathered quarterly statistics about the development of the clients' number and features are impressive. As the statistical template shows, gender, age, status, income and creditors are registered for each client in a standardized format which helps to allcocate the acivities of social policy in a better way. Not many European States have a comparable eloborate control and information system at their disposal. From a scientific researcher's point of view it would be desirable to include in this statistical system additional categories like causes of debt.

### **Concluding remarks**

As we have seen, there are many aspects of MABS which are relevant to combat social exclusion. But the applicability of the MABS-model or elements of the model is confronted with the difficulty of integration in existing structures. The setting-up of a central coordination office in a federal ministry, as well as a guarantee fund and the alliance with local banks, either credit unions or saving banks, 'popular banks', 'Raiffeisen banks' is however to be recommended.

With a view to the above, we consider the elaborated MABS-model is especially appropriate for introduction in those member states which do not have yet a fully developed and coordinated network of debt counselling agencies.

Finally, the discussion of MABS shows again how urgently a common European procedure is needed to measure overindebtedness and the success of the fight against overindebtedness in a *comparative* way. Even in January 2002, the Money Advice Manual stated that "estimating the total extent of overindebtedness in Ireland is not possible at present as we lack the mechanisms to retrieve such data." (McCaul & Stamp 2003:1-4) But the evaluation of the success of a specific debt counselling approach needs, besides the results we have shown, a significant reference number of the number of overindebted individuals or households in Ireland. As there are various models of money advice and debt counselling in Europe we do need some common accepted param-



eters to compare the benefits and the effectiveness of the different services. Therefore the demand of the Economic and Social Committee of the EU for “a single definition of overindebtedness, and defining it’s preferred approach to achieve the objectives identified” remains relevant to this day. (see Information Report INT/043 20 June 2000)

## Literature

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## **Annexes**

Consumer Credit as Percentage of GDP (1990-2001)

European Overindebtedness: Overview (Percent of Total Population)

Money Advice & Budgeting Service – Structure Chart

MABS Statistics Template

Excerpt Client Feedback from MABS Evaluation Study 2000a



**Table: Consumer Credit as Percentage of GDP (1990-2001)**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>A</b>	-	-	-	-	-	-	-	-	9,10	8,40	11,68	12,26
<b>B</b>	5,32	5,44	5,43	5,45	4,73	4,84	4,74	4,72	4,98	5,19	5,13	5,16
<b>D</b>	10,76	10,49	10,66	11,32	11,18	11,23	11,08	10,96	11,29	11,06	10,99	10,78
<b>DK</b>	0,00	9,14	8,11	7,19	6,55	6,53	6,52	6,61	7,01	7,18	7,14	7,65
<b>E</b>	9,67	9,13	8,40	8,01	6,99	6,58	6,53	6,46	7,66	8,39	8,40	9,59
<b>EL</b>	0,83	0,69	0,71	0,77	1,05	1,77	2,16	2,23	2,83	3,44	4,54	6,02
<b>F</b>	5,33	5,03	5,17	5,35	6,09	6,00	6,34	6,48	6,97	7,51	7,90	8,02
<b>FIN</b>	-	-	-	4,58	3,88	3,39	3,11	3,07	2,88	2,55	2,33	2,30
<b>I</b>	3,23	3,16	2,79	2,21	2,15	1,79	1,89	2,37	2,56	2,77	3,13	3,37
<b>IRL</b>	-	-	-	-	-	-	-	5,70	6,55	7,65	7,49	8,06
<b>LU</b>	-	-	-	-	-	-	-	3,20	3,53	5,44	4,89	5,18
<b>NL</b>	2,91	3,04	3,43	3,59	3,59	3,52	3,48	3,44	2,89	2,97	3,46	3,05
<b>P</b>	-	-	-	-	-	-	5,80	5,39	6,12	6,30	7,09	6,54
<b>S</b>	27,74	22,92	20,99	14,77	13,25	12,02	11,87	10,76	10,84	11,35	12,14	11,40
<b>UK</b>	9,89	9,63	9,10	8,61	8,84	9,74	10,45	11,15	12,24	13,29	15,20	14,33
<b>US</b>	13,32	12,74	12,15	12,40	13,20	14,40	14,68	14,39	14,37	14,58	14,98	15,86

Source: European Credit Research Institute (2002)

**Table: European Overindebtedness: Overview (Percent of Total Population)\***

Country	Consumer Credit (% GDP) 2001	1992, 1994, 1996, 1997	2000
Austria	12.26	2.7	-
Belgium	5.16	3.4	2.5
France	8.02	-	2.0
Finland	2.3	3.7	-
Germany	10.78	6.05	7
Ireland	8.06	12.0	-
Netherlands	3.05	4.0	2.9
Norway	-	5.5	-
Sweden	11.40	1.2	4.5
UK	14.33	11.0	-

\* Table is only preliminary and for overviews purposes. Numbers for 1992, 1994, 1996 are quote in Korczak (1998), numbers for Ireland expanded (1997), numbers for 2000 from San Jose (2002).



### Money Advice & Budgeting Service - Structure Chart





MABS Statistic Template	Site Code	MABS Centre				Total
		Q1-2004	Q2-2004	Q3-2004	Q4-2004	
<b>Actual Income &amp; Expenditure</b>						
Income from DSFA						€ -
<i>Expenditure</i>						
Salary related (salary/pension/PRSI)						€ -
Travel & Subsistence						€ -
Rent & Rates						€ -
Light & Heat						€ -
Stationery & Office Supplies						€ -
Telephone & Communications						€ -
Postage						€ -
Audit Fees						€ -
Bank Charges						€ -
Other						€ -
Other						€ -
Other						€ -
Other						€ -
<b>Total Expenditure</b>	€ -	€ -	€ -	€ -	€ -	€ -
<b>Excess(Deficit) Income over Expenditure</b>	€ -	€ -	€ -	€ -	€ -	€ -
<b>Projected Income &amp; Expenditure</b>						
	<b>Q2-2004</b>	<b>Q3-2004</b>	<b>Q4-2004</b>	<b>Q1-2005</b>		
Projected Income from DSFA						€ -
<i>Projected Expenditure</i>						
Salary related (salary/pension/PRSI)						€ -
Travel & Subsistence						€ -
Rent & Rates						€ -
Light & Heat						€ -
Stationery & Office Supplies						€ -
Telephone & Communications						€ -
Postage						€ -
Audit Fees						€ -
Bank Charges						€ -
Other						€ -
Other						€ -
Other						€ -
Other						€ -
<b>Projected Total Expenditure</b>	€ -	€ -	€ -	€ -	€ -	€ -
<b>Projected Excess(Deficit) Income over Expenditure</b>	€ -	€ -	€ -	€ -	€ -	€ -
<b>Loan Guarantee Fund</b>						
	<b>Q1-2004</b>	<b>Q2-2004</b>	<b>Q3-2004</b>	<b>Q4-2004</b>		
Opening balance		€ -	€ -	€ -		
Interest/Dividends						€ -
Additional LGF Funds from DSFA						€ -
Total defaults						€ -
<b>Closing Balance</b>	€ -	€ -	€ -	€ -	€ -	€ -
Number of new loans						0
Total number of current loans						0
<b>Total sum being guaranteed at end of Q</b>						€ -



Site Code	0	MABS Centre	0		
	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Totals
<b>Housevisits this Quarter</b>					
Total no of housevisits this quarter					0
Total no of hours (inc. travel time)					0,00
Total number of miles					0
<b>Outreach Clinics</b>					
<b>Address 1 (Enter address here)</b>					
Total no of clinics held at this location this Q					0
Total no of hours (inc. travel time) this Q					0,00
Total no of consultations at this clinic this Q					0
Total no of info queries at this clinic this Q					0
Total no of miles travelled for this clinic this Q					0
<b>Address 2 (Enter address here)</b>					
Total no of clinics held at this location this Q					0
Total no of hours (inc. travel time) this Q					0,00
Total no of consultations at this clinic this Q					0
Total no of info queries at this clinic this Q					0
Total no of miles travelled for this clinic this Q					0
<b>Address 3 (Enter address here)</b>					
Total no of clinics held at this location this Q					0
Total no of hours (inc. travel time) this Q					0,00
Total no of consultations at this clinic this Q					0
Total no of info queries at this clinic this Q					0
Total no of miles travelled for this clinic this Q					0
<b>Address 4 (Enter address here)</b>					
Total no of clinics held at this location this Q					0
Total no of hours (inc. travel time) this Q					0,00
Total no of consultations at this clinic this Q					0
Total no of info queries at this clinic this Q					0
Total no of miles travelled for this clinic this Q					0
<b>Address 5 (Enter address here)</b>					
Total no of clinics held at this location this Q					0
Total no of hours (inc. travel time) this Q					0,00
Total no of consultations at this clinic this Q					0
Total no of info queries at this clinic this Q					0
Total no of miles travelled for this clinic this Q					0
<b>Totals for Outreach clinics this Quarter</b>					
Total no of clinics held this Quarter	0	0	0	0	0
Total no of hours (inc. travel time) this Q	0	0	0	0	0
Total no of consultations at all clinics this Q	0	0	0	0	0
Total no of info queries at this clinic this Q	0	0	0	0	0
Total no of miles travelled for this clinic this Q	0	0	0	0	0



Site Code	0	MABS Centre	0		
	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Totals
No. of active Budget Negotiable at start of this Q		0	0	0	
No. of Special Accounts at start of this Q		0	0	0	
Total No of active clients at start of this quarter	0	0	0	0	
<b>Number of New Clients this Quarter</b>					
Information					0
Budget Negotiable					0
Special Account					0
Total number of new clients	0	0	0	0	0
<b>Client Statistics at end of this Quarter</b>					
No. of active Budget Negotiable at end of this Q					
No. of Special Accounts at end of this Q					
Total No of active clients at end of this quarter	0	0	0	0	
No of budget negotiable cases closed this Q.	0	0	0	0	0
No of Sp Acs closed this Q	0	0	0	0	0
<b>Analysis for New Clients this Quarter</b>					
<i>Gender analysis for new clients</i>					
Male					0
Female					0
<i>Age analysis</i>					
18-25					0
26-40					0
41-65					0
65+					0
<i>Status</i>					
Married/Couple					0
Single					0
One Parent Family					0
<i>Income</i>					
Waged					0
Social Welfare Only					0
Other					0
<i>Referred by</i>					
Health Board					0
Credit Union					0
Information Centre					0
Society of St. Vincent de Paul					0
Local Authority					0
Self Referral					0
Other					0
<b>Initial Bal. Due to Creditors for new clients this Q</b>					
Utilities					€ -
Local Authorities					€ -
Banks/Financial Institutions					€ -
Credit Unions					€ -
Money Lenders/Catalogues					€ -
Others					€ -
Total	€ -	€ -	€ -	€ -	€ -
<b>Paid out by Sp Ac this Quarter</b>					
Utilities					€ -
Local Authorities					€ -
Banks/Financial Institutions					€ -
Credit Unions					€ -
Money Lenders/Catalogues					€ -
Others					€ -
Total	€ -	€ -	€ -	€ -	€ -



## Client Feedback

### Introduction

Each MABS was asked by the evaluators to request all clients in its area who used MABS between July and September 1999 to complete a questionnaire supplied by the evaluators. Approximately 1,700 clients were asked to complete the questionnaire by MABS. Responses were received from 706 clients in 33 MABS projects, a response rate of approximately 42%. The range of response rates varied from 3% to 83%. Response rates tended to be highest for those MABS that asked clients visiting the MABS office to complete questionnaires there and then. The lowest response rates tended to be for MABS that had relied on a postal methodology. Most respondents completed the questionnaire in its entirety. The data presented below is for the number of valid responses received for each question - non-respondents are excluded from the calculations unless otherwise stated.

### Client Profile

Three-quarters of respondents were female. Just under half were aged between 26 and 40 and slightly less were aged between 41 and 65:

**Table 1: Gender & Age of Respondents**

Male	Female	Under 25	26-40	41-65	Over 65
159	531	37	332	309	9
23%	77%	5%	48%	45%	1%
N=690		N=687			

Approximately one-third of respondents have an income of £5,000 or less, another 50% have incomes between £5,000 and £12,000, while only a small proportion have incomes higher than this. Seventy-one percent of respondents indicated that they are in receipt of social welfare payments:

**Table 2: Income of Respondents**

£5k or less	£5k-£12k	£12k-£20k	£20k or more	In Receipt of Social Welfare	Not In Receipt of Social Welfare
229	319	82	14	477	194
36%	50%	13%	2%	71%	29%
N=644				N=671	

The disadvantaged status of the respondent group is confirmed by the generally low level of educational attainment with over half having left school before completing their leaving certificate:

**Table 3: Educational Attainment Level of Respondents (N=666)**

	Primary	Junior/Inter	Leaving	Third Level	Other*
Number	172	218	188	57	33
%	26%	33%	28%	8%	5%

Note: \* Includes U.K. qualifications, FAS courses, commercial and computer courses.



### Length of Time with MABS

Clients were asked to indicate how long they had been with MABS. A significant proportion (21%) have been with the service for three months or less. Nearly half have been with the service for a year or more:

**Table 4: Length Of Time with MABS (N=697)**

	3 months or less	3-6 months	6-12 months	1-2 years	More than 2 years
Number	151	105	133	155	153
%	21%	15%	19%	22%	22%

### Awareness of Local MABS

Clients were asked who made them aware of MABS. A wide range of responses were given, the most frequent being existing clients of MABS. Other important sources included community and voluntary groups, particularly the St. Vincent de Paul, Health Board personnel, advertisements and, to a lesser extent, financial institutions and social welfare personnel:

**Table 5: Source of Awareness (Frequency=744)**

	Frequency of Responses	%
Existing MABS clients	211	28%
Community or voluntary organisation	102	14%
Health Board personnel	87	12%
Advertisement in the paper or on the radio	86	12%
Bank/building society/credit union personnel	64	9%
Social welfare personnel	59	8%
Local authority personnel	26	3%
MABS near respondent's home	18	2%
Organisation that respondent owed money to	17	2%
Friends/relatives	12	2%
Citizens Information Centre	10	1%
Leaflets/newsletters	8	1%
MABS Talks/Courses	7	1%
Solicitors	5	-
Other	32*	4%

Note: \* Includes TDs, priests, counselling services, telephone directories, neighbours, place of work, etc.

### Contact with MABS

The vast majority of respondents dealt with money advisors reflecting the general staff composition of MABS around the country. Six percent saw budget support workers. In addition, seven percent of respondents indicated that they met what they believed was a budget support worker when, in fact, no such position exists in the local MABS concerned. This may reflect the different titles employed by money advisors in various MABS around the county. Forty-four percent of respondents had met either a money advisor and/or a budget support worker on at least five occasions:



**Table 6: Contact with MABS**

	Met Money Advisor	Met Budget Support Worker	Met Both	No. of Meetings with Money Advisor or Budget Support Worker		
				1-2	3-4	5 or more
Number	640	24	16	166	212	297
%	94%	4%	2%	25%	31%	44%
	N= 680			N=675		

Most meetings with either money advisors or budget support workers took place in MABS offices. Some MABS have a policy of not meeting clients in their homes:

**Table 7: Location of Meetings**

	Client's Home	MABS Office	Both Client's Home & MABS Office	Credit Union	Other
Meetings with Money Advisors (frequency=674)	75 (11%)	464 (69%)	102 (15%)	29 (4%)	4* (1%)
Meetings with Budget Support (frequency=44)	3 (7%)	30 (68%)	6 (14%)	5 (11%)	- -

Note: \* Includes resource centres and in one instance all dealings were conducted by telephone.

### Expectations of MABS

Respondents were asked to identify what their initial expectations of MABS were with regard to the type of assistance they might receive. The most frequent expectations were that MABS might help respondents to clear some or all of their debts or that it would help them to manage their finances better. Less than ten percent indicated that they wanted to find alternative sources of credit to moneylenders. A small proportion of respondents (5%) were seeking assistance with their business finances:

**Table 8: Expectations (Frequency = 1090)**

	Frequency of Responses	% of Responses	% of Respondents
Help to clear some or all of debts	462	42%	65%
Help to manage finances better	357	33%	51%
To get information on finances, entitlements, social welfare rights, etc.	134	12%	19%
To find an alternative source of credit to moneylenders	54	5%	8%
To get help to sort out business finances	33	3%	5%
To get some form of training	23	2%	3%
Other*	27	2%	4%

Note: \* All of these other reasons were very specific to the respondent

Approximately two-thirds of respondents indicated that all of their needs had been met and one-third had most of their needs met. This reflects to a large extent the length of time respondents have been with MABS. An extremely small proportion said that none of their needs had been met:



**Table 9: Extent to which Respondents' Needs Have Been Met (n=676)**

	Has Met All of Needs	Has Met Most of Needs	Has Met None of Needs
Number	441	230	5
%	65%	35%	-

The vast majority of respondents indicated that MABS had been of some help to them:

**Table 10: Extent to which MABS has helped (n=625)**

	Yes, MABS Has Been Helpful	MABS Has Not Helped Yet But Respondent Will Be Returning	No, MABS Has Not Helped & Respondent Will Not Be Returning
Number	609	14	2
%	97%	2%	-

The main ways in which MABS has been helpful to respondents include helping clients to pay off some or all of their debts, provision of information on other services and assistance to open a Credit Union account. A small proportion said that they had been assisted to increase their income, which is surprising given that this is one of the first steps most money advisors take when dealing with a new client:

**Table 11: How MABS has helped (Frequency=1060)**

	Frequency	%
Helped to reduce/pay off some or all of debts	528	50%
Provided information on other services	180	17%
Helped to open a Credit Union account	175	17%
Helped to increase income	82	8%
Helped with weekly shopping	28	3%
Helped to budget/manage better	15	1%
Gave peace of mind/reduced stress	15	1%
Helped with cooking	10	1%
Was understanding/supportive	10	1%
Other*	17	1%

Note: \* Responses were specific to the circumstances of each respondent

### Impact of MABS

In order to further gauge the impact MABS' support has had on clients' lives, respondents were asked to indicate the extent to which they agreed or disagreed with a series of statements. Few clients ticked the 'do not agree' box with the exception of the statement relating to cooking. The biggest impact of MABS' support has been in helping clients to pay off their arrears and in giving clients, probably as a direct result of dealing with arrears, peace of mind. Smaller, but still very significant proportions of respondents, indicated that they could manage their money better and were more confident in their dealings with creditors. Although only a small number of respondents had received home support, around half of those that responded indicated that they managed their weekly shopping and their cooking better:



**Table 12: Impact of MABS' Support on Clients - Number & % of Respondents**

Statements	Agree Fully	Agree Some-what	Do Not Agree	Total
I am now more confident in dealing with people and organisations that I owe money to	426 (67%)	191 (30%)	23 (3%)	640 (100%)
I am able to manage my money better	445 (70%)	171 (27%)	20 (3%)	636 (100%)
I have paid or am currently paying off my arrears	523 (83%)	94 (15%)	14 (2%)	631 (100%)
I now pay all of my bills on time	391 (63%)	193 (31%)	32 (5%)	616 (100%)
I am able to manage my weekly shopping better	309 (57%)	189 (35%)	46 (8%)	544 (100%)
I now cook and make more meals without relying on expensive fast foods and packaged dinners	198 (46%)	133 (31%)	101 (23%)	432 (100%)
I now have greater peace of mind	546 (82%)	105 (16%)	12 (2%)	663 (100%)

### Rating of MABS

Clients were asked to rate MABS on a range of criteria. In general, MABS were rated 'good' across all of the criteria. The main source of criticism related to the promotion and advertising of MABS (many clients reinforced this by commenting that not many people appear to be aware of MABS). There was also some criticism, but to a much lesser extent, on accessibility of MABS premises, both in terms of finding them and in terms of access for buggies, wheelchairs, etc. (a number of premises are not located on ground floors). The evaluators noted on their visits to MABS that hardly any were sign-posted, although all had some kind of sign on the external walls or windows of their premises:



**Table 13: Rating of MABS**

Criteria	Good	Fair	Poor	Number of Valid Responses
Friendliness of staff	677 (99%)	3 (1%)	1 -	681 (100%)
Helpfulness of staff	663 (98%)	12 (2%)	1 -	676 (100%)
Speedy response to client's needs	642 (96%)	27 (4%)	3 -	670 (100%)
Confidentiality	659 (98%)	13 (2%)	1 -	673 (100%)
Ease of finding premises	544 (86%)	73 (12%)	15 (2%)	632 (100%)
Ease of access to premises	557 (88%)	57 (9%)	21 (3%)	635 (100%)
Advice & support received	649 (96%)	24 (4%)	1 -	674 (100%)
Promotion & advertising of MABS	338 (54%)	162 (26%)	131 (21%)	631 (100%)

Respondents generally found the budgets and rescheduled repayments to creditors agreed with MABS to be manageable and realistic, although some did comment that they found it hard initially:

**Table 14: Realism & Manageability of Budgets/Rescheduled Repayments (N=643)**

	Budgets/ Rescheduled Repayments Were Realistic & Manageable	Budgets/ Rescheduled Repayments Were Not Realistic & Manageable	Client Did Not Have any Budgets or Reschedules Agreed with MABS
Number	594	12	37
%	92%	2%	6%

### Suggestions for Improvements

Many clients commented that the service did not need any improvement and provided positive endorsements of the advice and support received. One-quarter of respondents made suggestions on how MABS might improve its service. The most frequent suggestion related to increasing awareness/better promotion or advertising of the service. Given the proportion of respondents rating MABS as poor in terms of its advertising and promotion, it is surprising that more suggestions in this regard were not made. Some suggestions were also made regarding premises ranging from the need for more and better offices to access:



**Table 15: Suggestions for Improvement (Frequency=187)**

	Frequency	%
Better promotion/advertising/increase awareness	97	52%
More accessibility of premises (e.g. ground floor, sign-posted)	16	9%
More offices/outreach (esp. rural areas)/clinics	14	7%
Provide loans/money to repay debts	7	4%
More staff	7	4%
Provide a regular statement of repayments made	6	3%
Bigger/better premises	6	3%
Other*	34	18%

Note: \* A wide variety of responses were giving. For example, these included longer opening hours, help with weekly budgeting or cooking, better support for staff including lap-top computers, faster response times, more understanding from staff, more information on entitlements, more advice on saving, etc.