

Debt Assistance

*What are the principles to make
financial counseling effective &
efficient?*

First: A small introduction

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First: A small introduction

City of Deventer

- Founded in 768
- About 100.000 citizens
- Situated in de east of the Netherlands
- Fun fact: biggest Bookfair in Europe & the famous Dickens Festival



Debt counseling in the Netherlands; a legal right

For decades!

- Two laws:
 1. Since 1998 Statutory Debt Settlement Act
 2. Since 2012 Municipal Debt Assistance Act
- Every municipality is obliged to offer debt assistance
- A number of component of the aid are determined by law
- Differences in the way municipalities organize the support!



Main question;

Why is debt counseling so important? And how do we do this effectively and successfully?

The problem: Causes

One of the highest amounts of debts per family in Europe, due to high amounts of mortgages.

Other main causes:

- *Right now: higher costs (energy, food) but not a higher income*
- Living on low income for a long time (no savings vs unexpected extra costs)
- Life-events mostly leads to loss of income or higher costs
- Personal problems like addictions or psychiatric problems
- Complexity of the way the social security benefits system is organized: when you have a low income it is not easy to apply for all possible benefits.

The problem: the numbers

When asking for help:

- After an average of waiting for 5 years; due to shame
- An average of 43.000 euros in debt
- An average of 14 creditors
- In 2021, about 80,000 people applied for help from their municipality

1 in 5 families have serious financial worries

1 in 10 families have 'risky debts'

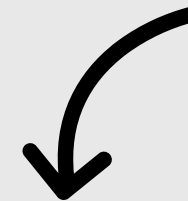
1 in 20 families have 'problematic debts'

But only 1 in 40 families are known at debt counseling organizations such as in Deventer.

The problem: effects for the individual

- physical and psychological consequences
- Rising tensions at home,
- concentration problems
- loss of work
- loneliness and isolation
- children grow up less healthy, at a lower school level and with fewer opportunities

Groundbreaking research: due to the chronic stress: reduced IQ and loss of executive functions



The problem: effects for society

For employers

- Employees are less productive. If there are large debts, wages can also be garnished, giving the employer extra work

For society: Debt counseling can easily cost society 100,000 euros.
Add even higher costs:

- when someone is evicted, children are removed from home or loses their job and needs benefits

More important: social exclusion, loneliness and isolation

Investing 1 euro
in debt counseling

=

yields society
2 euros
in other areas

The effect of scarcity on collective image

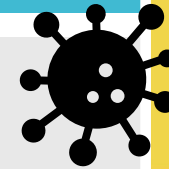
Due to research and the effects of Covid-19 and inflation

Before:

- Having debts is your own fault
- “You just bought too much” “Of course, you don’t have a job” “You have to solve it yourself”

After:

- “It can happen to anyone”
- We have to solve this together



Priorities for the dutch government

More awareness of this problem and the importance of solving it

Priorities

- Enough, stable and predictable income
- Reducing poverty among children
- Reduce debt problems
- Equal opportunities
- Improving health

2 ways of Debt counseling

Amicable debt settlement

- Task of municipalities
- Fixed elements
- agreement between debtor and creditors
- Previously a duration of 36 months, as of July this year 18 months



Statutory debt settlement

- Only accessible if the amicable debt settlement has failed
- Access granted by the court
- Previously a duration of 36 months, as of January next year 18 months

Amicable debt settlement

Fixed parts:

- Duration: 36 months (as of Juli 2023, 18 months)
- Repayment: As much as possible > method to calculate the repayment capacity
- Based on the repayment capacity: an offer to the creditors. Somewhere between 0-100%
- Every creditor gets the same share, based on the height of their claim
- **If the offer is less than 100%, the rest is forfeited**
- A creditor is not obliged to cooperate
- **In Deventer; 87% of the cases are successful**

Every creditor has to accept the offer in order to complete the Amicable Debt Settlement

Statutory debt settlement

If the amicable debt settlement failed, one can apply to the statutory debt settlement

- Apply by court, only if the amicable settlement has been attempted
- Once in 10 years possible
- Only if the debt are 'in good faith'; so no fraud or convictions
- If the judge the applicant can comply with all conditons in relation to this law
- The court decides, all creditors are obliged to cooperate

Debt counseling in Deventer

In Deventer, debt counseling is provided by 'Het Budget Adviesbureau Deventer'

- A department of the municipality, that means: non-profit

Facts

- About 65 people are working at the department
- Every year we help about 1.750 families
- In 50% of cases, we take over all the finances
- In Deventer; 89% of the cases of the Amicable Debt Settlement is successful
- The number of recidivism that appeals to help again within 10 years is only 9%

How do we do that?

- Coaching people in how to deal with stress
- Eliminate the main financial stress factors
- Sometimes: taking over financial matters completely for a period of time
- Coaching families in how to cope with low income
- Qualified staff: annual training programs for employees
- **Most of the times: solving debts**

What makes Deventer successful and effective?

- Unlike some other municipalities, Deventer has chosen to carry out the entire process itself.
→ For more than 20 years, a lot of knowledge and experience
- Important: What is the sustainable solution? What additional help is needed?
- Based on research, stress-sensitive services are used.
→ For exemple; If someone submits an application, they will have an interview within 1-2 working days
- The city counsel believes debt assistence is very important, therefor a lot of money is made available every year. The annual costs of debt counseling in Deventer are almost 2 million

Together with society

- The city has a strong and engaged civil society
→ various organizations have a role in the support and referral to the municipality
- Volunteers support residents by, among other things, putting the administration in order or attending meetings
→ This allows the professional to focus on his work
- More and more schools recognize the importance of financial education and ask the municipality to help them with this
- There are special financial consultation hours in the district, where people can visit without an appointment. Several professionals are there to help them

How to organize?

Who has what task and responsibility?

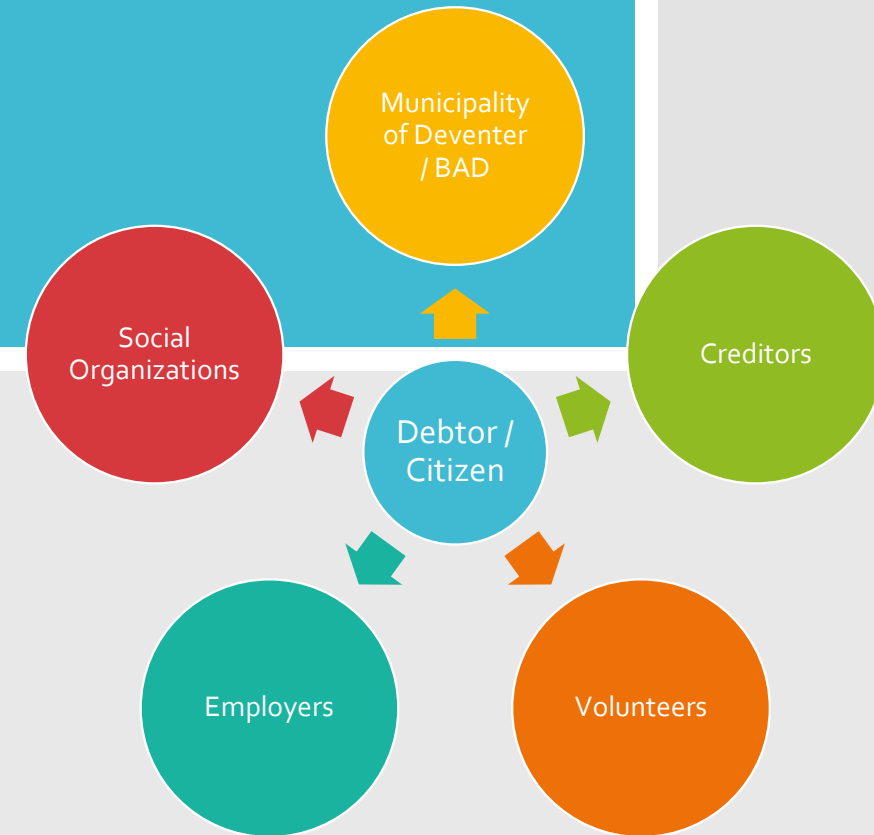
The following starting point applies to Deventer;

→ We have the statutory duty and responsibility to organize debt assistance.

→ In some tasks, the field is better or residents find it easier to ask for help there

→ That's why we take the lead

→ Quality over quantity



How to organize?

Agreement / Tasks

Creditors

→ Social collection, special agreement with housing association

Employers

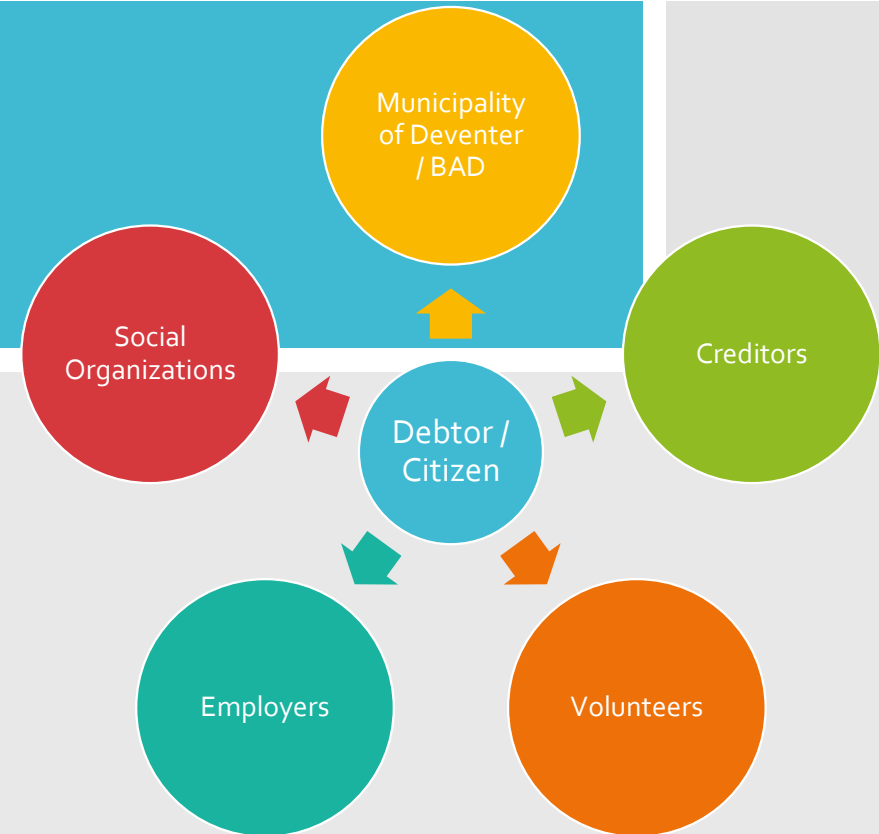
→ Information how to deal with employers with debts

Social organizations

→ Emotional assistance, support residents in applying for assistance

Volunteers

→ Emotional assistance, organize administration



Volunteers

For years, volunteers are an important part of debt assistance in Deventer

For example they

- Help citizens organize their administration
- Are like a buddy and give emotional support
- Come along to an appointment, especially when this is exciting for someone

Important: They need to know the correct information and refer to a professional when necessary

Therefore:

- We work together with only 1 organization that supplies volunteers
- We train these volunteers ourselves, so that we know that they have the right information

How do we get citizens to come to us?

We know that it takes up to 5 years, before someone comes for help...

What do we do reach people sooner?

- Special financial consultation hours in the district
- Information on the website and social media
- Good cooperation with social organisations,
- Information leaflets at general practitioners, schools and employers

What can be improved?

- We want to reach people sooner!
 - We know that people wait an average of 5 years before seeking help. The sooner, the lower the debt, the easier it is to solve
- There is no real solution for those who cannot apply to the amicable nor the statutory debt settlement
 - Debts not made in 'good faith' (social security fraud, traffic fines)
 - Not able to meet all conditions

Questions?

