

Citizens Information Board

Pre-Budget 2013 Submission

1. Introduction

This Submission is based on feedback from the Citizens Information Board (CIB) delivery partners – Citizens Information Services (CISs)¹, the Citizens Information Phone Service (CIPS), the Money Advice and Budgeting Service (MABS)² and the National Advocacy Service (NAS). Queries to CISs, CIPS and MABS reflect the challenges facing low income households and the position of those who require additional support from the State. Many are reliant fully or partly on social welfare. The cumulative effect of budget cutbacks in recent years is emerging as a significant issue for many households.

In 2011, Citizens Information Services nationally dealt with almost 700,000 clients and one million queries from members of the public. The Citizens Information Phone Service responded to 166,619 requests for information and advice from the public. The total active MABS caseload at the end of 2011 was over 26,000 clients and the MABS National Helpline received almost 30,000 calls in 2011.

Queries from the public to CISs and CIPS cover a wide range of areas including social welfare entitlements, employment rights, disability-related matters, housing, education and health services. MABS provides assistance to people who are over-indebted and need help and advice in coping with debt problems.

Approximately half of the queries to CISs and CIPS refer to social welfare matters and, as might be expected, many of these relate to accessing social welfare payments, including payments under the Supplementary Welfare Allowance (SWA) scheme, in particular Rent Supplement. Queries related to training, education and work options also feature consistently.

Many of the queries from the public point to difficulties and challenges faced by low-income households, many of whom are experiencing indebtedness.

This CIB Submission which includes the MABS Pre Budget Submission sets out the Board's priorities for Budget 2013 based on a consideration of the difficulties reported by citizens using information, advice, advocacy and money advice services. The Board at the same time recognises the current unprecedented constraints on public finances and the need to further reduce the budget deficit.

In our Pre-budget Submission last year, the CIB highlighted a number of factors identified from delivery partner feedback, including, in particular, problems arising from over-indebtedness, benefit traps at the welfare to work interface, costs of schooling and fuel poverty. The Submission also referred to difficulties for households on low income arising from administrative delays in the processing of benefit claims for people who are reliant on such income to meet their daily living needs. A need for a comprehensive review of the role of secondary benefits in enhancing or hindering unemployed people's return to work and

¹ There are 42 Citizens Information Services (CISs) in the national network.

² There are 53 MABS companies delivering money advice nationwide.

training was also identified. A CIB social policy report on the self-employed³ published earlier this year highlighted specific difficulties experienced by self-employed people whose business had failed or experiencing significantly reduced trading. Reference was made in that report to the problems that arise where there is no distinction between business finance and family finance as is the case with many sole traders. The report identified a need to for additional supports for small businesses.

Many of the issues identified last year remain. Growing indebtedness and an inability to meet the costs of daily living are concerns that are being increasingly reflected in queries from the public to CIB delivery partners. Welfare to work benefit traps are a recurrent theme in queries. Cross-cutting issues arising from the experience of users of CIB delivery partner services during the past year include:

- The cumulative impact on households of cutbacks in recent budgets
- The significant difficulties experienced by low-income and reduced households with children
- How to move from welfare to work without loss of income
- Difficulties with Rent Supplement
- Impact of administrative delays in processing benefit applications on people's lives
- Difficulties in accessing long-term care (especially, community-based) supports

³ Citizens Information Board (2012), *Hard Times for the Self-employed : Citizens Information and MABS Experience*
http://www.citizensinformationboard.ie/publications/social/downloads/Hard_Times_for_Selfemployed_2012.pdf

2. CIB Priorities for Budget 2013

The priorities for Budget 2013 should be as follows:

- Reduce delays in the processing of claims and appeals for social welfare payments
- Maintain current levels of income support for children in low income households
- Provide further supports to meet the educational costs for low-income families and reduce these costs where possible
- Develop a stronger focus on localised responses to social housing need through better maximising existing local housing stock and more interaction between local authorities and private landlords
- Address the issue of fuel poverty in low-income households.
- Enhance employment initiatives and skills acquisition programmes
- Explore additional ways of eliminating ongoing welfare to work traps
- Continue to enhance the linkages between appropriate activation measures and social welfare payments
- Stimulate entrepreneurship through incentives and improved social protection measures for the self-employed
- Apply the concept and principles of the 'Fair Deal' to community care services (after inequities in the current scheme have been addressed)
- Consolidate current levels of funding for core community care services.
- Provide sustainable solutions to the mortgage debt crisis with medium- and long-term supports for those experiencing difficulty maintaining their repayments on their family home.

3. Challenges Facing Low-Income Families

A significant and increasingly common feature of the lives of citizens who use CIS, CIPS and MABS services is their core income support needs. These citizens are typically trying to manage on low or significantly reduced household income which is a combination of income from available work (very often part-time and atypical) and social welfare supports. In many instances, the information, advice and advocacy support sought is around helping them to identify and access work/welfare options. For some, the most favourable financial option is clearly full-time social welfare payments even where there is a possibility of work.

Low and reduced income families frequently experience multi-faceted challenges relating not only to income but, also, to quality of health, housing and adequate nutrition. All of these factors contribute to the personal and psychological well-being of individuals and

families. Research shows that the income which some people have available to them makes a healthy diet difficult if not impossible.

In 2009 one-in-five households (317,000) in Ireland were likely to have experienced some form of energy poverty, while one-in-ten (83,000) were likely to have experienced severe energy poverty.⁴ These numbers are likely to have increased in the last three years.

- The issue of fuel poverty in low-income households should be addressed on an ongoing basis. In particular, investment in the SEAI energy efficiency and retrofitting schemes should be continued with a specific targeting of low income homeowners and social housing tenants.

Difficulties in accessing benefits and services to which people have an entitlement inevitably exacerbate the difficulties experienced by low-income families. Delays in the processing of claims for services and income supports are thus likely to put additional pressure on families, some of which will undoubtedly already be experiencing some form of indebtedness. Whilst acknowledging the improvements in waiting times for some payments such as jobseekers, delays still apply to certain key benefits and to income and support needed by many households for daily living, including Family Income Supplement (FIS); Carer's Allowance and Rent Supplement.

4. Income Supports for Families with Children

In 2010 almost one-fifth of households with children were at risk of poverty. The income levels of households with children fell almost five times more than childless households between 2009 and 2010.⁵ There was also a significant rise in the percentage of households with children reporting difficulty in making ends meet – 19% in 2010 compared with 6% in 2009.

One of the goals for children in the National Action Plan for Social Inclusion, and stated in *Towards 2016*, is that “every child should grow up in a family with access to sufficient resources, supports and services, to nurture and care for the child, and foster the child’s development and full and equal participation in society (*Towards 2016*, p.30). A 2010 UNICEF Report⁶ noted that a country’s real economic and social progress is gauged by how well it cares for its children, including, in particular, their health and safety, material security, education and socialization, and inclusion in society. The UNICEF report noted that while children in the wealthiest countries (including Ireland) enjoy a relatively high standard of living, not all benefit equally from the relative prosperity.

- Budget 2013 should maintain current levels of income support for children in low income households.

Costs of Schooling

⁴ See *Warmer Homes: A Strategy for Affordable Energy in Ireland*, 2011.

⁵ CSO (2011), *EU-SILC 2010 Report*

⁶ UNICEF Innocenti Research Centre (2010), Report Card 9, The Children left behind – A league table of inequality in child well-being in the world’s rich countries, UNICEF.

The cost of education is a concern for a growing number of families. It is widely acknowledged that frequent changes to schoolbooks, the cost of extra-curricular activities, photocopying charges, exam fees and voluntary contributions are putting parents under financial pressure. An increasing number of families seek information and advice from CISs and CIPS about how to get additional assistance with schooling costs. In a recent Barnardos Survey⁷ of parents, 80% said they were struggling to meet the costs involved in sending their child to school, with 10% claiming they were unable to pay bills and were forced to choose between getting a loan or getting into debt. Although the findings indicate some reductions in the average costs of schooling since 2011, these are offset by reductions in overall household income. Also, the rates of the Back to School Clothing and Footwear Allowance were reduced in 2012.⁸ Additional schooling costs arise for households because of the reliance on parents by some schools to make up shortfalls arising from lower capitation grants from the Department of Education and Skills. While the Barnardos survey did not include transport costs, the report noted that transport costs were reported as still disproportionately affecting children in rural areas. The findings of the Barnardos survey mirror the findings of the Vincentian Partnership for Social Justice 2012 report⁹ which found that expenditure on necessities for children rises with age, notwithstanding childcare costs for younger children.

- The cost of sending a child to school puts severe strain on household finances and every effort should be made to reduce costs, through mandatory book schemes and other initiatives.
- Mechanisms for the provision of additional supports to meet the costs of schooling for low-income families should be explored.

5. Work, Training and Welfare Issues

There is a range of policies and programmes in place designed to provide pathways into work, through training, education and workplace-based schemes that will enhance employability.¹⁰ A second component of encouraging and enabling access to sustainable employment is the provision of welfare benefits (and tax incentives) to support those who wish to re-enter or remain in the workforce but who would struggle to adequately support themselves and their families on the income from employment. These include, in particular, Family Income Supplement (FIS), the Part-Time Job Incentive Scheme and Revenue Job Assist. There are, additionally, some supports available (such as the Employer Job (PRSI) Incentive Scheme) to employers who create jobs for people who have previously been unemployed.

Despite these supports, evidence from CISs points to some critical anomalies and gaps in the welfare system that undermine the principle of 'making work pay'. In particular, qualifying

⁷ Barnardos, *School Costs Survey 2012*

⁸ The Back to School Clothing and Footwear Allowance rates payable were reduced in Budget 2012 from €200 to €150 for 4-11 year olds and from €305 to €250 for children aged 12 – 22years.

⁹ Vincentian Partnership for Social Justice (2012) *The Cost of a Child*, Dublin.

¹⁰ Community Employment, Job Bridge (National Internship Scheme), Tús, Work Placement, Job Initiative, the Rural Social Scheme and the Vocational Training Opportunities Scheme (VTOS), the Back to Education Allowance and the Back to Work Enterprise Allowance (BTWEA).

conditions for benefits such as FIS and Rent Supplement appear to impact negatively on people's participation in the workforce. The fact that Rent Supplement (RS) is not generally payable to those in full-time employment (defined as 30 hours or more per week) irrespective of level of income is identified by many people as a barrier to employment. This rule also applies to Mortgage Interest Supplement (MIS).

A major policy concern regularly identified in the feedback from CIB delivery partners refers to people's perception that they would be worse off on taking up work opportunities. Two scenarios are regularly cited by the public. One is that part-time work opportunities generally available do not pay enough to make up for the loss of corresponding benefits particularly where the employee has to meet childcare expenses. While part-time work opportunities are reported as being available in parts of the country, the low rates of pay result not only in some families being less well off than they would be on social welfare full-time but, also, in a situation that is not financially sustainable for the families concerned. This is particularly the case where the family is not eligible for FIS and/or for Jobseeker's Allowance. The issue of jobseeker's payments for part-time workers being calculated according to days rather than hours worked continues to be problematic. The 38-hour per fortnight eligibility rule for FIS also continues to be reported as poverty trap issue as does the fact that self-employed people are not eligible for FIS.

A related ongoing issue reported by CIB delivery partners refers to people who have the opportunity to work full-time, either on a low-paid employee basis, or on a temporary self-employed basis, but do not feel able to take up such opportunities because of loss of benefits. The lengthy waiting time for the processing of claims for FIS (currently several months)¹¹ has also been identified as a barrier to taking up low-paid employment. The point is repeatedly made that FIS is a 'lifeline' for low income working families. A further barrier identified to taking up temporary or casual employment, particularly on a self-employment basis, is the loss of Jobseeker's Allowance or SWA payments (including, in particular, Mortgage Interest Supplement). Some of this arises because of the fear of a difficulty and time delay in having such payments reinstated if the employment ceases or reduces significantly.

The rationale for the retention of secondary benefits was to provide a smoother transition from welfare to work. However, there has not been any systematic analysis of the long-term effects of the various incentive measures. It is clear that the retention of benefits has short-term effects but the extent to which the short-term retention of secondary benefits has facilitated people returning to work has not been evaluated. Indeed, a 2011 NESC Report¹² noted that it was surprising that there is still such concern that social welfare payments currently constitute a disincentive to work given that only a small proportion of those on the Live Register, viz. people with a dependent spouse/partner and several children, face the most evident employment trap,

A key issue is how to make the social welfare system more responsive to casual and atypical working and to facilitate people to take up part-time or temporary employment opportunities as they arise and to help to ease moves from welfare to work. The NESC (2011) report concluded that "it is clear that the social welfare system needs regular review

¹¹ The average waiting time for new family income supplement (FIS) claims at the end of June 2012 was 19 weeks. PQ, Dail Written Answers, 17 July 2012

¹² NESC (2011), *Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession*, Report No. 123

to ensure that it is providing appropriate support for people to move from part-time to full-time work as well as to begin earning something in the first place” (p. 125).

- An analysis of the long-term effects of the various incentive measures and retention of secondary benefits should be carried out, taking into account the findings of the NESG 2011 Report, *Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession*.
- Pending the introduction of quicker access to the Rental Accommodation Scheme (RAS) and the introduction of a Housing Assistance payment and transfer of administrative responsibility for Rent Supplement to housing authorities, the eligibility criteria for Rent Supplement should be amended to allow for greater flexibility for retention in return-to-work situations.
- The recommendation in the Report of the Mortgage Arrears and Personal Debt Group¹³ and the DSP internal review of the Mortgage Interest Supplement Scheme¹⁴ for an amendment to the provision which excludes people working more than 29 hours per week from rent supplement and MIS should be implemented.
- Child care provision should be examined in the context of work incentives with a possible extension to the early childhood care and education scheme and after school provision.
- FIS income limits and working hours threshold should be kept under regular review taking account of trends in earnings, social welfare rates and poverty lines. Any administrative blockages to people accessing FIS should be identified and addressed.
- That eligibility for jobseekers payments be based on hours rather than the number of days worked to reflect part time and casual work patterns

6. Social Housing: Rent Supplement Issues

The shortage of local authority and social housing accommodation puts the private rental sector in a strong position in terms of controlling the cost of rented housing. The relative position of the private rental sector is strengthened in current circumstances where very few people are able to buy homes and the supply/demand mechanism is thus imbalanced. The fact that private sector tenants are in a weak position as regards negotiation of rent has significant implications for Rent Supplement tenants.

The evidence from CIB delivery partners shows that people are finding it increasingly difficult to find accommodation under current rent caps and, as a result, some are becoming more vulnerable to homelessness, having to live in unsuitable/substandard accommodation, and experiencing high levels of stress/distress arising from being forced to negotiate from a position of weakness. The fact that many landlords bought properties with large mortgages

¹³ <http://www.finance.gov.ie/viewdoc.asp?DocID=6585&CatID=45&StartDate=01+January+2010>

¹⁴ Review of the Mortgage Interest Supplement Scheme (2010), http://www.welfare.ie/EN/Policy/CorporatePublications/Finance/exp_rev/Documents/misreviewjuly2010.pdf

under buy-to-let schemes and are not in a position to reduce rents and maintain their own mortgage payments contributes to the difficulty generally for private sector tenants and, more specifically for Rent Supplement tenants. The general problem of availability of private rented accommodation within the current rent caps appears to be compounded in some areas (Dublin, Wicklow and Kildare) by the centralisation of rent supplement applications processing and a related lessening of the local discretionary aspects of the scheme. The current situation relating to the lack of availability of accommodation within the rent caps transfers the burden of accessing housing to those with a housing need without appearing to significantly impact on the rental market, as envisaged in the reduction of rent caps.

The need to ensure that the Rent Supplement funding is fully targeted to those in need of social housing support, rather than acting as a significant subsidy to private landlords, is generally acknowledged. In order to ensure that the position of those relying on Rent Supplement in the private rented sector is not further eroded, there is a need to:

- Review the current rates of tenants' contribution to Rent Supplement and the maximum Rent Supplement levels
- Explore the possibility of paying Rent Supplement directly to registered and compliant landlords, as is already the case for Rental Accommodation Scheme (RAS) tenancies
- Reduce the time a person must be on Rent Supplement for eligibility for RAS (currently 18 months)
- Develop innovative ways of reducing social housing waiting lists by exploring the creation of greater synergies by Local Authorities between RAS and voluntary and co-operative housing groups and by tapping into the potential of using existing unoccupied housing stock for social housing.

These initiatives would be in keeping with Government's 2011 Housing Policy Statement¹⁵ "to implement an accelerated rate of transfer of households from rent supplement to RAS and the sourcing of increased rental stock".

Another issue relating to Rent Supplement which has been highlighted by the National Advocacy Service (NAS) is the difficulty people deemed to have reduced capacity (and, therefore, in need of supports with independent living) experience in accessing the payment. There appear to be different practices in different parts of the country and, while, the problem may be resolved in the case of individuals through the intervention of a NAS advocate, there appears to be no overall mechanism or guidance that applies nationally. Under current provisions, approval for the long-term Rental Assistance Scheme (RAS) is dependent on a person already been in receipt of Rent Supplement. Improving the link between Rent Supplement and RAS is particularly important in the context of the current policy emphasis on moving all people with disabilities out of congregated residential settings.

¹⁵ Department of Environment, Community and Local Government (2011), *Housing Policy Statement*

- There is a need for a more collaborative approach between housing authorities (at local and national level), the DSP and the HSE in facilitating people with reduced capacity who need assistance with independent living to access social housing in the community.

7. Older People in Need of Care and Community-based Services

The need to ration the availability of scarce resources must be balanced with transparency and equality in the delivery of community care services. The CIB welcomes the review of the system for allocating community care services currently under way and believes that a modified version of the 'Fair Deal' scheme has significant potential for application to community care services once issues and inequalities relating to its current implementation have been addressed¹⁶.

The urgent need for meaningful planning for and investment in the social protection and care of increasing numbers of frail and chronically ill older people and those at end of life is widely acknowledged. However, the ongoing cutbacks in home care supports, such as home help or respite hours, can leave families with little choice but to consider residential care options despite home care being the preferred option.¹⁷

The statutory provision of *Fair Deal*, in tandem with the 'discretionary' basis of home care supports, has inadvertently prioritised long term residential care over home and community care of older people. Because the provision of community care supports are at the discretion of the health service, many families have no choice but place a loved one in residential care prematurely, when home help, day care or respite services are withdrawn, reduced or not provided at all. There is widespread agreement that community support services for people with high level care needs and their carers are underdeveloped and fragmented. There are gaps, mostly due to budget constraints and staff shortages, in the availability of many services, including: public health nursing, specialist services, for example dementia services, day care, respite beds, night sitting services, home help, meals service, laundry service, chiropody. A recent Seanad report on the rights of older people recommends that home care entitlements should be clarified and put on a statutory footing, similar to that of Fair Deal.¹⁸

- The concept and principles of the 'Fair Deal' scheme should be applied to community care services once inequities in the current scheme have been addressed.

¹⁶ See Citizens Information Board Submission to Review of the Nursing Home Support Scheme, Fair Deal, 2012.

¹⁷ An issue regularly highlighted by the NAS is the fact that there are some younger people inappropriately placed in long-term care residential settings, including people with an acquired brain injury, people with MS, stroke victims and people with Motor Neurone disease. The NAS has also highlighted instances where people are placed in long-stay residential services without provision for review and discharge if their condition changes.

¹⁸ Seanad Report on The Rights of Older People. Published 21st June, 2012.

Role of Family Carers

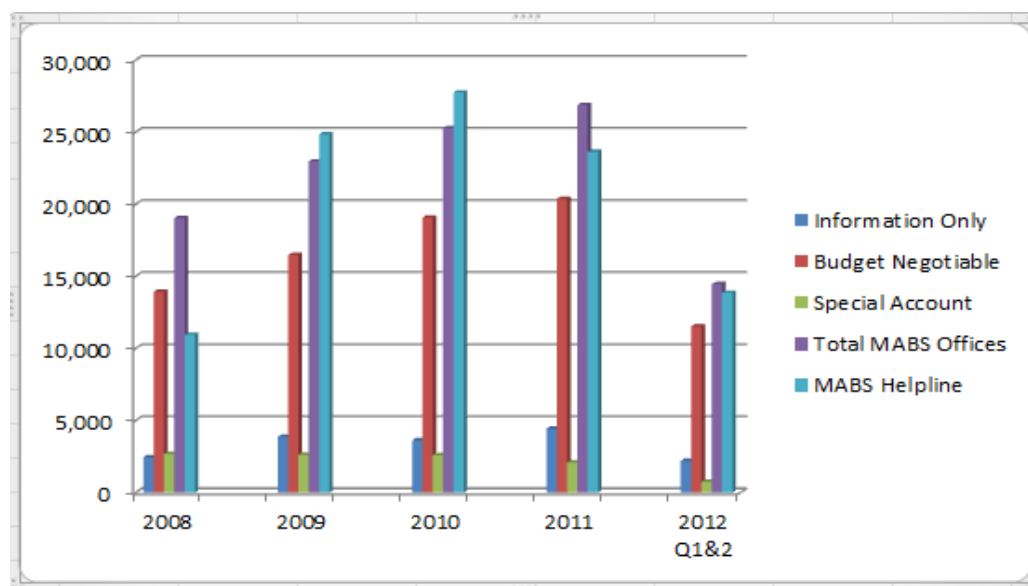
There are a number of factors which relate to the ability of people to remain living in the community, including, in particular, the extent of disability and functional impairment; the availability of family-based care; and the availability and accessibility of relevant community services. While the balance of care between the community and residential care is very sensitive to marginal changes in any of these factors, the availability of family care is critical for people with high level needs (e.g., people with dementia) living at home. Such care imposes significant financial and emotional costs on carers. The Irish Longitudinal Study on Ageing(TILDA)¹⁹ findings show that the relative contribution of support from non-family (20%) was far out weighted by the support received from family (67%). The relatively low numbers in this 'non-family' category was seen as emphasising the heavy reliance on informal sources and in particular spouses and children in providing care for older people.

- Funding for long-term care in the community must include a full assessment of the role and contribution of family carers and mechanisms for ensuring that such care is maximised through the provision of adequate supports to carers.

8. Issues identified by MABS and proposals to address these:

8.1 MABS Statistics:

An analysis of MABS statistical data²⁰ for the four years, 2008, 2009, 2010, 2011 and first half of 2012 indicates the following:



¹⁹ *Irish Longitudinal Study on Ageing(TILDA), 50 Plus in Ireland, 2011, Barrett et al. 2011*

²⁰ **Information Only** involves providing a client with information in respect of, e.g., their legal rights, their social welfare entitlements etc., but does not involve any representation on behalf of the client.

Budget Negotiable is the core work carried out by MABS and involves meeting the client, engaging in a budgeting exercise with them and, in some cases, negotiating with creditors on their behalf.

Special Account is the provision of a basic payment facility to those clients who are in need of this additional layer of assistance with their finances.

- The demographic profile of MABS clients has remained relatively stable. Almost 70% of MABS clients are social welfare recipients, (growing from approximately 63% in 2007).
- The majority is aged between 26 and 40; female and over 60% have children.
- The number of mortgaged clients has grown and is continuing to grow as a percentage of the total caseload and now amounts to almost 45% of the client base where accommodation status is known (this compares with 21% for 2006, 35% for 2008 and 35% for 2009 and 39% in 2010). (It should be noted that not all mortgaged clients present with a mortgage difficulty but the mortgage is a consideration in such cases as there may be debts secured on the home etc.)

8.2 Context for MABS Pre-Budget Submission

MABS is an important component of the State's overall response to assist people to manage on a reduced income and to address debt issues in the current economic climate.

In keeping with MABS founding ethic, our on-going concern is to ensure that the State continues to afford protection to those who are most vulnerable. While acknowledging the changed context, the impact of successive recent budgets on low income families and the 'working poor' run counter to decades of work by policymakers across the political spectrum to help families work their way out of poverty. As a result of welfare cuts, cuts in public services and extra household charges it is necessary, in framing Budget 2013, for policy makers to establish and think-through the cumulative effect on welfare recipients and the working poor and, where possible, to innovate to ensure that the impacts are minimised.

In developing this pre-budget submission we therefore first identify those areas of income and expenditure of most significance to our target group which, in our view, should be protected or enhanced. We then identify a range of pragmatic and low-cost measures that could be taken to complement Budget 2013 and assist and support those amongst the MABS target group who have been most affected by a loss of income. While recognising that such measures do not 'fit' with the traditional fiscal focus of the 'pre-budget process', we propose these measures here as we believe they could assist in ameliorating the potential impact of Budget 2013 on the MABS target group.

As such, the MABS Pre-Budget Submission is presented in two parts. The first, focusing on the core issues of Housing, Utilities, Access to Healthcare and Supports for Children, and the second, as a set of innovative complementary measures which could be taken to assist more people to avoid problematic debt or to better assist people on a low income to make their repayments.

Part 1. Housing, Utilities, Health and Children

8.3 Mortgages

We have previously²¹ identified the need for sustainable solutions to the mortgage debt crisis and have advocated at local and national level for medium- and long-term supports for those experiencing difficulty maintaining their repayments on their family home. In this regard, we welcome the recent initiatives introduced by the Central Bank of Ireland and relevant Government Departments to deal with this sensitive issue and will continue to raise

²¹MABS' Pre-Budget Submissions 2012, 2011, 2010.

issues of concern on behalf of clients to ensure that there are suitable mechanism available to all.

Mortgage to Rent Scheme

While we welcome the introduction of the Mortgage to Rent Scheme (MTR) as a means for some qualifying families to remain in their homes, we are concerned that the process may be unduly onerous and confusing for the borrower, and cost ineffective for the other stakeholders involved.

Issue 1 – the Standard Financial Statement and Unsustainable Mortgages

As currently drafted, the MTR Scheme is initiated by the lender upon determination that the borrower's current mortgage is unsustainable into the long term. This determination is based on an assessment of the content of the borrower's Standard Financial Statement (SFS), their payment capacity, their previous payment history, their overall indebtedness and their individual circumstances. If borrowers are not given sufficient time and support when completing the SFS, it will not be capable of providing a true and accurate reflection of the borrower's financial circumstances and over-indebtedness. It is the MABS' experience that the quality of SFS' completed by borrowers on their own behalf, or by telephone with their lenders, can be quite poor and, accordingly, we would be concerned that a determination of unsustainability, resulting in a change of tenure over a borrower's property, would be made without due regard to a robust process.

Issue 2 – Application to the Local Authority and the Approved Housing Body

Where the SFS has been completed correctly and the borrower's mortgage is accurately determined as unsustainable, the borrower must then apply separately to both their local authority and the Approved Housing Body to determine if their property is suitable for inclusion in the MTR Scheme. While we understand that the lender will have previously engaged with the Housing Agency, local authority and Approved Housing Body before offering a MTR Scheme to the borrower, a significant period of time elapses from the time the borrower receives the first letter of offer until the process has completed, affording the stakeholders ample time to withdraw. Accordingly, this raises a number of issues, namely:

- a) The borrower may not be sufficiently aware that i) their lender does not make the ultimate decision on their participation in the MTR Scheme and, ii) where this is presented as the borrower's only option, it may still be unavailable to them. Thereby creating a false hope for those who wish to engage with the MTR Scheme.
- b) The application criteria applied by the local authority provides that the borrowers' combined household income must not exceed €25,000 or €35,000, depending on the borrowers' location. Where joint borrowers obtained a mortgage on the basis of two mid-level incomes and one subsequently loses his/her job, they may find themselves in the position of having their mortgage deemed unsustainable by their lender, but having too high an income to be suitable for the MTR Scheme.
- c) There is a public perception that those who have successfully applied for the MTR Scheme have, in some way, by-passed those currently on the housing list. It would be preferable if the application process within the local authorities was streamlined to align better with the lenders' MARP process, thereby creating a distinction between those families availing of the MTR Scheme and those on the housing list.

Issue 3 – Location

We are aware that at least one mainstream lender will not consider a MTR Scheme for properties in rural areas. While we can understand the rationale for a local authority not wishing to take ownership of a remote property, this leaves many rural homeowners, unable to maintain their mortgage payments, with no option but to try to sell in a greatly deflated market, thereby incurring increasing costs and pressure from lenders and their agents.

Issue 4 – Barriers to the MTR Scheme

Where the MTR Scheme is a suitable long-term solution for the borrower, they will still be precluded from entry if there is a judgment mortgage registered on the property as a voluntary surrender will not result in the judgment mortgage being cleared from the title, as is the case with repossessions by the lender. While we are conscious that one State body (Housing Agency / local authority / Approved Housing Body) would have difficulty seeking the automatic discharge of a charge registered on foot of an order of another State institution (the courts), without some mechanism for dealing with judgment mortgages, many borrowers will be denied access to the MTR Scheme which will enable them to remain in their family home and their lenders will have no other option but to engage in repossession proceedings.

Recommendation : Department of the Environment, Community and Local Government

- a) Place a greater focus on implementing a robust process for the completion of the SFS;
- b) Streamlining the authorisation process to avoid delays and confusion for the borrowers;
- c) A review of the eligibility criteria to take account of the borrower’s realistic household income, distinguish between the MTR Scheme and the local authority housing list, and provide support to borrowers in rural areas; and
- d) Devise a mechanism for setting aside judgment mortgages on voluntary surrender associated with a MTR Scheme.

8.4 Energy Utilities

Data published by the Commission for Energy Regulation (CER) indicates that the level of disconnections for non-payment of domestic supply had increased in Q.1 of 2012 compared to the same period in 2011²². This trend is a concern and is one which MABS had sought to address via the introduction in October 2011, of the Energy Utilities / MABS Operational Protocol aimed at preventing the disconnection of essential energy utilities.

We are concerned that the outsourcing of energy utility debt to third party debt collection operatives has resulted in a commercial, target-driven approach, rather than one which takes into account the circumstances of the household. In addition to the lack of an adequate definition of “vulnerable consumer”, currently restricted to customers who are *“critically dependent on electricity powered equipment, which shall include but is not limited to life protecting devices, assistive technologies to support independent living and medical equipment, or particularly vulnerable to disconnection during the winter months for reasons of advanced age or physical, sensory, intellectual or mental health”*²³ who self-register such vulnerability with their supplier, increasingly vigorous collections methods which do not take

²² Electricity & Gas Retail Markets Report Q1 2012, CER, Chapter 5

²³ Electricity and Natural Gas Supplier Handbook CER12081, CER 2012, p.31

account of the individual circumstances of the household, act to deprive the most vulnerable of an essential utility.

We would welcome the introduction of the approach taken by the Energy Retail Association in the UK, which expands the definition to include financial vulnerability²⁴ and places the onus on the supplier to determine if their customer, or members of their customer's household, come within this definition²⁵. This, coupled with a statutory debt management process which uses disconnection only as a last resort, would enhance the quality of life of those consumers who, by virtue of their financial vulnerability, are struggling to maintain their payments.

Recommendation : Commission for Energy Regulation/Data Protection Commission

- a) Expand the definition of "vulnerable consumer" and place it on a statutory footing as an addendum to the Data Protection legislation; and
- b) Place the principles of the Energy Supplier / MABS Operational Protocol on a statutory footing to ensure a consistent approach to debt management across this sector.

8.5 GP Visit Cards/Access to necessary medical care

At current income thresholds those in low paid employment often do not qualify for a GP Visit Card. Debt can contribute to a wide range of physical and psychological health issues and we know that many amongst our client group are so-affected. *'The interaction between debt and health may aggravate the poverty trap, by pushing heavily-indebted low-income people into ill-health, which then makes it difficult for them to acquire or hold on to the steady jobs needed to ease their debt problems'*²⁶. There are those amongst the MABS client group who have been affected by a reduction in income, are trying to repay their debts and sometimes cannot afford the cost of necessary GP care and as a result, in some instances, suffer a further deterioration in their well-being and associated capacity to repay their debts. While we fully understand the constraints and costs involved, the GP income threshold needs to be examined or some supplementary measure introduced, to facilitate greater access to GP care and thus safeguard the well-being of over-indebted consumers who are living on a low-income.

Recommendation : Department of Health

- Review the income threshold and eligibility criteria for the GP Visit Card and promote its availability more widely.

²⁴ "A customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household", Energy Retail Association

²⁵ ERA Safety Net, Protecting Vulnerable Customers from Disconnection, available at <http://www.energy-uk.org.uk/publication/finish/30/308.html>

²⁶ Debt and Health, Working Paper, Pamela Lenton and Paul Mosley Department of Economics, The University of Sheffield (2008)

8.6 Child Benefit

Child Benefit is a very important support to the MABS client group and in combating child poverty generally. Recent research²⁷ indicates that many Irish children are at risk of poverty (18.7% of households with children are at risk of poverty compared with 11.8% for those in households without children). Within the MABS Standard Financial Statement child benefit is an income line which is not utilised to repay debts and, (as is its purpose) is expended on necessary expenditure for children. Where clients' income is low relative to the size of their commitments it is often the only income line that can be ring-fenced for the well-being and development of children. While the report of the Tax and Social Welfare Advisory Group has not yet been published, it is speculated that the universality of the payment will be maintained but at a lower rate, and that there will be additional redistributive measures to assist some families. North Cork MABS has, in the past, conducted research²⁸ on the educational costs associated with children of school-going age, and it is evident that at existing levels child benefit does not cover the relevant costs for many families. The impact of this is that there is a risk that parents will borrow to pay for necessary costs associated with the education and social development of their children. Any reform of child benefit must be based on a realistic appraisal of the costs of food, clothing, education and medical care related to children²⁹.

Recommendation : Department of Social Protection

- Ensure that, in so far as possible, levels of Child Benefit are preserved and that distribution of Child Benefit is made on an equitable basis in accordance with the needs of the household. In the event that the universality of Child Benefit cannot be maintained, and it becomes an application-based payment, that the Department introduce alternative methods of assessment to ensure that those with literacy/numeracy difficulties^{30 31} can access this essential payment.

Part 2: Complementary Measures

8.7 Helping Over indebted people

MABS and the Citizens Information Board made two submissions on the content of the proposed Personal Insolvency legislation, the first in February 2012 following the publication of the Heads of Bill, and the second in September 2012 for consideration during Committee Stage discussion. It is hoped that the new mechanisms will alleviate the difficulties faced by many who are struggling to repay their debts.

²⁷ *Survey on Income and Living Conditions (SILC) Thematic Report on Children 2004-2010 (CSO) 2012*

²⁸ Education Costs Survey – North Cork MABS 2009-2010

²⁹ The Cost of A Child, Vincentian Partnership for Social Justice (2012)

³⁰ In a 2009 study, Ireland ranked 17th out of 34 OECD countries for reading literacy and 26th out of 34 OECD countries for mathematical literacy, PISA 2009: Results for Ireland and Change since 2000.

³¹ Literacy difficulties are found to reduce a person's earning capacity by 5%, with the wage penalty being worse for women than men, "Literacy and Numeracy Difficulties in the Irish Workplace: Impact on Earnings and Training expenditures, by Elish Kelly, Seamus McGuinness and Philip J. O'Connell (ESRI)"

8.8 Greater focus on Basic Budgeting

In these difficult economic times everyone needs to manage their money carefully. However, the task is more difficult for families that have little or no money to spare. Reduction in incomes levels means that household budgeting has become fundamentally important. While we are strongly of the view that when incomes fall below a reasonable threshold, there is little to be gained from budgeting, we also firmly believe that there is insufficient attention paid to the development of this core skill across society. In MABS experience, this basic task is presenting individuals and families with real challenges in deciding on ways to reduce the cost of living and stretch a reduced income to meet basic needs. Coping on a reduced income means that many have to make very considerable lifestyle changes and learn to budget accordingly.

There is considerable anecdotal evidence available within MABS, (most worryingly in regard to the completion of the Standard Financial Statement under the Mortgage Arrears Resolution Process (MARP)), that the ability to construct an accurate and realistic budget is a challenge for many. Decisions made by creditors as to the affordability and the sustainability of debt repayment arrangements are informed by the values provided in financial statements based on budgets that must accurately reflect the individual/family circumstance. Incorrect/ inappropriate decisions can be made about the sustainability of a mortgage or other forbearance measures if the basic budgeting exercise is fundamentally flawed.

MABS supports the development of core budgeting skills through its work with clients and also through its work on money management education. We would wish to see the MABS approach, which focuses on the development of affordable and sustainable family budgets, endorsed and promoted much more widely within relevant policy and institutional contexts. From experience we see too many people attempting to budget when their financial situation has deteriorated drastically or when they are required by their lender to produce a financial statement. It is MABS view that a budget should be prepared and associated income reduction and income maximisation measures should be taken in **anticipation** of a financial difficulty and consumers should have a deep understanding of their own budgetary requirements **before** they engage with their creditors.

Recommendation : Relevant Government Departments and Agencies & Financial Institutions.

- Wider support for MABS approach to Budgeting and Money Management Education with an emphasis on prevention in the first instance rather than resolution of money management /debt difficulties.

8.9 Support for voluntary arrangements

MABS are concerned that voluntary arrangements are not given sufficient weight in the proposed new personal insolvency regime and submit that same be reinforced as recommended by the Law Reform Commission in their Report on Personal Debt Management and Debt Enforcement released on the 16th December 2010 (p.152). Such voluntary arrangements would follow a robust process to ensure the most sustainable outcome for both parties and, in this regard, we would submit that the '*IBF / MABS Operational Protocol – Working Together to Manage Debt*' (2009) could, with minor

alterations to ensure clarity of priority / secondary debts, be placed on a regulatory footing and included as part of the Arrears provisions in the Central Bank's Consumer Protection Code.

A voluntary arrangement of this nature, if limited in duration, would benefit both the debtor and the creditor as a completely non-judicial process is less time-consuming and less costly (to the State, the debtor and the creditor) than the arrangements currently proposed by the Bill due to the absence of any court involvement or statutory fees to an approved intermediary or Personal Insolvency Practitioner.

Recommendation: Central Bank

- Endorsement within primary legislation, or failing that in relevant guidelines, or Codes of an enhanced approach to voluntary arrangements.

8.10 Agreed levels of reasonable expenditure

The Government's definition of poverty adopted in 1997 states that:

"People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and resources people may be excluded and marginalised from participating in activities which are considered the norm for other people in society."

These are the guiding principles which, in our view, should inform any income retention or approved expenditure levels.

We are of the view that within both the new legislative arrangements and in arriving at voluntary debt management agreements, a pre-agreed level of expenditure for certain areas of discretionary household expenditure should be arrived at and we support, in this regard, the work carried out by the Vincentian Partnership and others. Agreed trigger figures, based on the work mentioned above, would provide levels of income retention for which no explanation or comment was needed and would identify levels of expenditure which would be accepted as reasonable. In other jurisdictions these basic budgeting figures are often confined to a list of essential items and include figures for telephone, travel, housekeeping and 'other' costs³². Having agreed income retention and 'reasonable' expenditure figures as part of a debt management process would improve efficiency and effectiveness and bring about consensus on a number of issues that are currently highly subjective.

Since 1999, there has been considerable research in establishing Minimum Essential Budgets for both urban and rural households in Ireland.³³ In our view this research should form the basis for establishing national guidelines in this regard.³⁴

Recommendation : Department of Justice/Insolvency Service/Credit industry

³² www.cfs.moneyadvicetrust.org

³³ Budgeting.ie

³⁴ See 'Handbook of Reference Budgets, ecdn 2009

- Recognition within Guidelines supplementing the Personal Insolvency Legislation of agreed levels of reasonable expenditure and income retention. This would support the sustainability of agreements, and increase the efficiency with which voluntary and statutory arrangements could be arrived at.

8.11 Availability of Credit/Social Lending

“Social lending has a social purpose rather than merely a financial/profit purpose and has assumed greater importance in anti-poverty policy with the increased difficulties faced by low-income groups and communities in accessing mainline financial services. Social lending is different to other forms of lending in that it is generally local, personal, simple and transparent. Perhaps as a result, loss rates on such loans have been shown to be lower than in the commercial sector which indicates that the risk factor perceived in lending to low income families is much overstated - further it indicates the viability of social lending”³⁵

Borrowers turn to money lenders (legal and illegal) and other forms of high cost credit (catalogue) etc. when conventional credit is no longer available³⁶. Increasing debt default has a subsequently negative effect on a consumer’s credit history, which in turn precludes them from accessing mainstream credit facilities. In considering loan applications, lenders must be cognisant of the changed economic circumstances in Ireland and be able to provide appropriate alternative facilities to consumers. “Low income households have, by necessity, a strong appetite for credit use. Six out of ten households in the low income quintile..... Feel the need to borrow in any twelve month period. They have few options to raise money other than by borrowing”³⁷.

Research carried out in 2005 by Sharon Collard and Elaine Kempson³⁸ identified sources of credit available to low-income households as comprising of small, short-term cash loans (e.g. licensed and unlicensed moneylenders) and loans tied to the purchase of goods (e.g. pawnbrokers, mail order catalogues). These sources offer loans at often exorbitant interest rates and, in some cases, far more serious consequences. These findings were put in an Irish context by the Combat Poverty Agency in 2006³⁹ which identified the main sources of credit for low income households as the credit unions, banks (albeit a small percentage), informal networks (e.g. family/friends) and sub-prime lenders (e.g. moneylenders). MABS is concerned that due to the reduction in credit availability, credit union and mainstream banking loans are far less available to the low-income demographic than heretofore, leaving many on a low income with no other alternative but to turn to high interest credit in cases of need.

The structures best placed to offer social lending are:

³⁶ <http://www.berr.gov.uk/files/file35171.pdf>

³⁷ Joseph Rowntree Foundation Study entitled “Is a non-for-profit home credit business feasible” March 2009 Ch 2.

³⁸ Affordable Credit, The way forward, University of Bristol, 2005

³⁹ Financial Exclusion in Ireland: An Exploratory Study and Policy Review, Combat Poverty Agency, 2006

- Department of Social Protection,
- Credit Union Movement and
- Private Funders of Micro-Finance.

For the purpose of this submission, we concentrate on the potential for the Department of Social Protection to provide leadership in this area.

8.12 Department of Social Protection

It is acknowledged that the Department provides Exceptional Needs and Urgent Needs Payments under the Supplementary Welfare Scheme on a discretionary basis to those who meet certain criteria (e.g. they have an essential exceptional expenditure, such as funeral costs, or an emergency expense, such as those incurred in the event of flood or fire). In 2010 the Department spent €69.4 million on these payments, with provisional figures for 2011 showing a decrease to €62.2 million⁴⁰. However, while these payments are an invaluable support to those whose income is inadequate, in order for them to be utilised to assist the most in need, they should, in MABS view, exist alongside a social lending mechanism aimed at those who have capacity to repay. As such, the UK model provides a useful basis on which to build in the Irish context:

The UK Model

While payments for emergency and exceptional needs are provided through the Social Fund in the UK, the Social Fund also operates to provide 'Budgeting' Loans and Crisis Loans to those on low income for specified purposes.

Budgeting Loans

The UK Government have introduced "Budgeting Loans" to provide funds to low income borrowers for essential expenses.

Eligibility is based on the borrower being in receipt of a social welfare payment for at least 26 weeks and is assessed on the basis of an application form¹ submitted to Jobcentre Plus (a government funded employment and benefits agency), as well as the borrower's marital status, dependents, existing loans with the Social Fund, ability to repay and savings (which will be taken to reduce the amount of the loan granted).

The purpose of the loan is limited to certain circumstances, and amounts range from STG£100 to STG£1,500, paid into an account of the borrower's choosing. Where a borrower repays some of the loan, the portion repaid is once more available should it be required (e.g. if X borrows STG£1,500 and repays STG£500, he may access that STG£500 if required for a future expense).

Repayment capacity is assessed on the basis of the application form and the repayments are deducted either from the borrower's social welfare payment at source or in some other manner agreed between the borrower and Jobcentre Plus. The usual repayment term is 104 weeks.

Crisis Loans

Crisis loans are available, interest free, to those who have suffered an emergency expense due to a crisis or disaster.

Borrowers may avail of a crisis loan in respect of the same item or service once every 12 months, unless their circumstances have changed. In some circumstances, borrowers are limited to three crisis loans in any 12 month period. Borrowers may only receive a crisis loan for the avoidance of a health and safety risk to them or a member of their family.

Certain persons are excluded from obtaining a crisis loan and the lending decision is based on what

Recommendation: Department of Social Protection:

- Investigate potential to provide Budgeting and Crisis loans in addition to Exception Needs and Urgent needs payments in conjunction with other stakeholders.

8.13 Rehabilitate Credit Histories:

We are of the view that a mechanism needs to be found to “rehabilitate” the credit histories of those consumers who are unable to maintain their debt repayment commitments in full because of the change in their economic circumstances. While it is essential that factual and accurate records are held, it may be necessary to consider augmenting categorizations to reflect the changed economic environment. An arrangement similar to that introduced for MABS participants in the “MABS/IBF Debt Settlement Pilot”, whereby a special entry was introduced to the Irish Credit Bureau (ICB) records to indicate compliance with the agreements, should be considered.

Recommendation: Central Bank/ICB/Institutions

- Formally give appropriate recognition to those maintaining part-payments in recording credit histories.

8.14. Establishing a Business Debt Line

In several recent Pre-Budget submissions over the last number of years we have called for the establishment of a small Business Debt line. The rationale for same still exists. Micro-entrepreneurs do not have adequate advisory support when their businesses get into difficulty. MABS can assist with personal debts and can play a limited role in advising with business debt where there is a cross-over with personal debt. However, the absence of a dedicated resource in this area means 1) that potentially viable businesses may fail and 2) that the debts owed by failed business can be excessive. The UK’s business debt line has been very successful. (Business Debt line (<http://www.bdl.org.uk>)).

We see a potential role for pro-bono professional advice or philanthropic support for such an initiative as part of the national recovery programme. Such an initiative could perhaps complement the Citizens Information website, www.selfemployedsupports.ie

Recommendation : Department of Jobs, Enterprise and Innovation

Establish a working group to:

- a) Examine the potential to set up a low cost business debt-line
- b) Estimate associated costs/resources
- c) Identify potential pro-bono and philanthropic sources for same.

8.15. Mental Health Guidelines

While MABS does not retain information on clients' mental health, due to data protection obligations, we are aware of an increase in clients suffering from financial-stress related mental health issues seeking the support of MABS Services. The Samaritans' Impact Report (November 2010 to October 2011) reported five main issues arising on their Helpline as follows (p.16 – emphasis added):

1. Depression and mental health issues
2. Relationship problems, *often exacerbated by financial difficulties*
3. *Anxiety about the future*
4. Loneliness
5. Stress

While it may be the case that all five issues are caused /compounded by financial difficulties, it is clear that two of the top three most certainly are.

This is supported by the Mental Health Commission's 2011 Report, *The Human Cost, An overview of the evidence on economic adversity and mental health and recommendations for action*⁴¹, which referenced actions taken in the UK to address debt-related mental health issues (e.g. the Good Practice Mental Health Guidelines produced by the Money Advice Liaison Group; the Debt and Mental Health Evidence Form, approved by the UK Information Commissioner's Office) and made a series of recommendations, some of which explicitly reference the use of MABS resources.

MABS made a workshop presentation at the Irish College of General Practitioners (ICGP) Summer School which focused on issues of mental health. Most GPs in attendance at the MABS workshop expressed concern at the increase in debt-related mental health issues arising in their patients and indicated that they too would welcome a national response to dealing with this growing problem. We would welcome the introduction of robust Mental Health Guidelines such as those introduced in the UK which would provide all services, creditors and advocacy services alike, with an appropriate mechanism for supporting clients / customers in difficulty.

Recommendation: Mental Health Commission

- Establish a working group in conjunction with MABS, the ICGP, the main lending institutions/ utility providers (or their representative bodies) and the relevant regulators to develop and agree Mental Health Guidelines.

9. Overview

The cumulative impact on low-income households of cutbacks in services and benefits in recent years is a matter of concern and should be carefully considered in the deliberations around Budget 2013. In particular, the impact of growing indebtedness should be key considerations.

The need to keep all children out of poverty must continue to be a budget priority in the short and medium-term as well as in the longer term. Identifying mechanisms for targeted child income supports for low income families, whether on social welfare or in low income

⁴¹ http://www.mhcirl.ie/News_Events/HCPaper.pdf

work, should thus be a central concern for Government in social welfare considerations in respect of Budget 2013. The CIB takes the view that targeted child income supports and services are required on an ongoing basis to supplement the universal Child Benefit provisions.

The need to ensure that all people have access to good quality housing must be reflected in the way housing supports are provided. The current difficulties being experienced by some Rent Supplement private sector tenants must be kept under careful review.

The respective care responsibilities of the State and the family and a clear statement of intent in this regard must be at the core of any new integrated 'fair deal' system. The State's responsibility to work in partnership with families in the provision of adequate support services for a relatively small but very vulnerable section of people (5% of older population) must remain central to budgetary considerations relating to health and community care. Funding structures for long-term care in the community must include a full assessment of the role and contribution of family carers and mechanisms for ensuring that such care is maximised through the provision of adequate supports to carers.

Easy and equitable access to the support systems provided by the State is a core component of citizenship. Budget 2013 should, therefore, ensure that provision is made for eliminating existing administrative logjams in the benefits application and appeals processing systems.