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# *Turning the corner*

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***Citizens Information Board  
Pre-Budget Submission 2017***

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## Introduction

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Through funding and support for a broad range of national and locally-based information, money advice and advocacy services the Citizens Information Board serves a wide and diverse array of people across Irish society. The insights that the staff within these services have - into the lives of individuals and families as they seek to access social, financial and public services - provides for the basis of this Pre-Budget Submission to Government for 2017. These services are well placed to witness first-hand how government spending, policy and the administration of this policy can impact on people.

On a day-to-day basis, CIB receives data from frontline delivery services which evidences particular difficulties that people encounter in trying to access a broad range of public services – such as health, housing, social welfare, education and financial services. In fulfilling its statutory role, CIB uses this data to highlight issues of concern so that policy and the administration of policy can be continually improved.

**Section One** of this Pre-Budget Submission focusses on income supports for people who use our services at key life stages - typically at times of transition or crisis. This includes families and children, people of working age, people with disabilities or illnesses (and their carers), older people, people seeking housing supports and people who are experiencing unsustainable debt, including mortgage debt at any stage of their lives. Whilst the Irish economy continues its recovery, it is likely that the pressures being exerted by the current difficulties in the housing market, and the complex interaction of social welfare, tax and activation measures will continue to impact on the many people who seek information and advice at key transition times in their lives.

**Section Two** concentrates on debt and money advice issues that have arisen for the users of our services. Although significant progress has been made in relation to mortgage debt - with government directing resources and policy development towards this issue - concerns remain regarding the risk of homelessness facing those in such circumstances. Further, our delivery services note the continued prevalence of poverty as experienced by those using their services, as well as the difficulties caused by limited access to credit and banking facilities.

### ***In 2015 .....***

#### **[www.citizensinformation.ie](http://www.citizensinformation.ie)**

*Almost 17 million visits, viewing up to 15 million pages*

#### ***Citizens Information Services (CISs)***

*607,000 people contacted the services with almost 1 million queries*

#### ***Citizens Information Phone Service (CIPS)***

*Over 154,000 callers*

#### ***Money Advice and Budgeting Service***

*Over 35,000 people assisted with problem debt*

#### ***Sign Language Interpreting Service***

*1,500 bookings and referrals*

#### ***National Advocacy Service (NAS)***

*1,000 people supported by Disability Advocates*

## Section One: Income support and welfare issues

### *Children and families*

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#### **Priority Areas**

*Make work pay for families with children by providing targeted assistance for low income families, through a reformed working family payment;*

*Provide coherent investment in subsidised, quality early childhood care and after school care services;*

*Address persistently high child poverty rates - as laid out in Better Outcomes, Brighter Futures<sup>1</sup> - through the further resourcing of income support measures for families with children.*

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#### **Issues**

Of the 458,000 social welfare-related queries that were handled in CISs in 2015, over 73,000 were concerned with the *Families and Children* information category (with an additional 7,000 queries to CIPS). The three main payments that concerned clients were the Family Income Supplement (representing over one third of this category of queries), the One Parent Family Payment and Child Benefit. These payments were also the subject of a significant amount of case study evidence submitted to CIB by citizens information service staff in the form of 'Social Policy Returns' (SPRs) - wherein staff identify a policy issue that they are coming across repeatedly or deem it to be an issue that has a serious impact on clients.

Despite the increased expenditure on **Family Income Supplement** (FIS) during 2016 (due to changes in FIS income thresholds in Budget 2016 and its extension to previous OFP recipients), the issues that are being reported by services continue to point to a need for further resourcing and reform of this income support measure, the introduction of which over 30 years ago was originally intended as a short-term measure pending the overall reform of an evolving range of individual payments. It now serves the dual function of child income support and in-work support for parents on low income.

The reports from frontline services indicate the specific difficulties that many low-income families have in accessing the payment. These difficulties include the level at which both the income limits and the working hours threshold is set, which is not seen to be reflective of the working reality for many people – for instance, people who are working on low pay, zero hours contracts, “if and when” work patterns and seasonal work who can't access the payment. Other persistent causes of concern expressed by services are the exclusion of participants on activation programmes (such as CE and Tús schemes) from eligibility for FIS, while all other eligibility requirements - such as income and working hours - are being met by applicants.

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<sup>1</sup> Better Outcomes Brighter Futures - The National Policy Framework for Children and Young People, 2014 – 2020; Department of Children and Youth Affairs, 2014.

From an administrative perspective, there are also ongoing reports of difficulties for many claimants (and for information staff who are assisting them) in making contact with the FIS section of the Department - thus adding to their worries about eligibility and status of applications and delaying their ability to make decisions based on the information available to them. It is also reported that many families are being negatively affected by the rigidity of the annual review, when there has been a decrease in income or working hours during the 52 week timeframe.

The consequences of the reforms made to the **One Parent Family Payment** during the past three years (which culminated in over 25,000 recipients moving from the scheme in July 2015) have yet to be fully realised. Evidence from our services during 2015 shows that the changes have had a significant impact on lone parents who have had to transition from the OFP, on the basis of the age of their child, to a combination of other income supports, part-time or full-time work. Many services have consistently reported cases of financial losses caused by the age-related changes. Whilst a number of measures have been put in place to mitigate the effects of the reforms, it remains that the ongoing lack of accessible, affordable childcare combined with the prevalence of lone parents in low paid work continues to dilute the stated aim of the reforms – that is, to enable lone parents to access a range of education, training and employment supports with a view to obtaining or retaining employment.

In terms of income support for lone parents, feedback from services during the past year has highlighted the immediate financial impact that the cessation of the payment has had on claimants and the complications for many who are not eligible for either the Jobseeker's Transitional payment or FIS due to the number or pattern of hours worked. Whilst the introduction of the **Back To Work Family Dividend** in 2015 has worked positively for lone parents moving from OFP and FIS to a FIS-only payment, there has been evidence from services suggesting that there is a low level of information and awareness about the payment and still some unease about the role it can play in taking up employment beyond the immediate transition.

Another underlying issue of concern for lone parents who have been seeking assistance in CISs – and indeed, for all working families with young children - includes the broader concern of the inadequacy of current **childcare provision** across the country and the extent to which this is limiting the education, activation and employment choices of parents. The development of a coherent strategy and funding model for the provision of accessible, affordable childcare could serve to greatly increase the impact of the relatively high child income support payments on the high child poverty rates in Ireland.

For lone parents who are in work, staff within information services and MABS have also expressed concerns about the more specific issue of the limitations on the availability of the **Single Person Child Carer Credit** – noting the difficulties caused by the fact that the credit cannot be transferred in cases of shared parenting if the main carer is in a new relationship or if relations are frayed between the parents and the Credit will not be transferred.

With regard to the universal **Child Benefit** payment, both citizens information and money advice services continue to evidence the hardship caused by its termination at eighteen years for families who are trying to maintain their child in secondary level education. Income from Child Benefit plays an important role in the budgets of many low income families, allowing them to provide for their children, particularly with one-off or contingency needs. This means that, for many families, a drop in income occurs at a time often deemed to be one of the most stressful and challenging times in their child's education as they face into the Leaving Certificate. Not having Child Benefit may influence decisions around taking up part-time jobs or even dropping out of education entirely.

## Recommendations

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Based on the evidence of these difficulties, CIB recommends the following (with the specific recommendations for FIS and the Back to Work Family Dividend being made within the context of a reformed working family payment):-

- Adjust the income and working hours threshold for FIS eligibility to more accurately reflect the types of employment that are now filled by low-income families, reflecting trends in earnings, social welfare rates and poverty lines;
- Extend FIS to participants of employment activation programmes, such as CE and Tús schemes, in order to sustain their transition from welfare to work;
- Provide additional resources to the FIS section to enable enhanced telephone contact hours for the FIS helpline and to allow for the reassessment of the payment within the 52 week period in cases where the claimant's working hours or income changes;
- Proactively promote the scope and availability of the Back to Work Family Dividend as a valuable incentive to taking up employment and consider extending its term beyond the current two year tapered period;
- Deliver a new, streamlined, over-arching system of subsidised childcare for low income families, which would consolidate the existing schemes (including the Early Childhood Care and Education, the Afterschool Care Scheme and the Childcare Subvention Scheme) and allow for investment in the sector via community and private providers;
- Allow the secondary claimant of the Single Parent Child Carer Tax Credit to claim the credit even in cases where the primary claimant is in a cohabiting relationship;
- Extend Child Benefit for 18 and 19 year olds who are in secondary school.

## Working age supports

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### Priority Areas

*Address the changed context of employment and underemployment for many workers and welfare recipients, through the continued integration of tax, social welfare supports and activation measures;*

*Develop measures to more fully integrate those who are considered to be the "hidden unemployed" into activation programmes - that is, people who are not classified as active jobseekers but are available and interested in work;*

*Review and extend social insurance provision for self-employed people.*

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### Issues

Of the information queries made in CISs during 2015, over 63,000 were related to the broad category of *Unemployed People* and services dealt with a further 13,500 queries concerning *social welfare activation schemes, education and training*. In addition, CIPS handled over 8,500 queries across these categories. As the unemployment rate continues to fall (now standing at 8.3%), the issues of concern that were highlighted by CIB delivery services during the past year on behalf of clients have become more complex -

focussing as they do on the sometimes convoluted interaction between tax, social welfare and activation measures and the further difficulty of combining these measures with casual and atypical working.

As many previously unemployed people seek to combine part-time or low paid work with social welfare benefits (including secondary benefits), many services continue to report cases where the **three day rule** for jobseekers payments acts as a disincentive to take up work. The key concerns are that this focus on days worked (rather than hours worked), can contribute to welfare dependency, is out-of-step with current working patterns, is particularly disadvantageous to women working in the caring profession and is creating anomalous situations where some claimants are left without income support whilst others (working the same number of hours and wages) are eligible on the basis that their hours worked are based over three days or less. This type of eligibility criteria can also offer an incentive to claimants to engage in undisclosed employment, and consequently working in situations without taxes or regulation.

Another ongoing - though lessening – issue of concern for services on behalf of clients is the impact of the withdrawal of **Rent Supplement** for those who are working in excess of 30 hours per week. Whilst the current roll-out of the Housing Assistance Payment (HAP) (since its introduction as a pilot measure in 2014) is reducing the occurrence of the conflict for some, it remains that there are currently close to 57,000 recipients of Rent Supplement (42,000 of whom have been in receipt of the payment for more than 18 months), and over 9,000 households in receipt of the HAP. In light of these numbers, information services continue to report on many cases where the loss of Rent Supplement is proving to be a particular disincentive to recipients when offered full-time work.

In supporting the transition from welfare to work, services have noted the positive impact of **Medical Card retention provisions** for many social welfare claimants. But services have also expressed concern about the low income threshold for medical card eligibility<sup>2</sup> and the situation of self-employed people, particularly those with very limited trading, in terms of establishing eligibility for a Medical Card.

The particular situation for **jobseekers under the age of 26** (that is, the reduced rate of Jobseeker's Allowance) continues to be reported by many information services as an area of concern. Despite the commitments laid out in the Youth Guarantee (and related engagement processes) and the relatively higher rates of payment available to those who take up education or training programmes, at a national level, the youth unemployment rate remains a good deal higher than that of the general population. Feedback from many services around the country provides evidence of particular cases of hardship for young claimants - specifically for those who are not in a position to live in the family home, and who for a variety of reasons cannot benefit from the financial, physical and emotional supports that this might offer. These claimants are living on an income that is below the SWA rate - the minimum weekly income limit as laid out in social welfare legislation.

Services also report that this reduced rate of payment adds a further complication for some young people when they are applying for a **Medical Card** as their income is considered to be below the SWA threshold and consequently, they are deemed ineligible.

Another particular group of clients that are highlighted by the reports received from our frontline services are the "**hidden unemployed**" who are not entitled to access activation or income support measures – this includes those who have exhausted Jobseeker's Benefit (and also previously self-employed people) who do not qualify for the means-tested JA, qualified adult dependents, people with disabilities and people who have taken time out of the workforce to care in the home. Whilst there is considerable variety within these

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<sup>2</sup> Income thresholds have not been changed since 2006

groups, the common thread is that many will have the preference and potential to work at some level but are, as it stands, excluded from participation in activation and training programmes. The extension of such programmes to these groups of people, as committed in Pathways to Work 2016 – 2020, with the supports (and conditionality) that are implicit in such measures will require greater coherence between the social insurance system, the public employment service and DSP.

With regard to the social insurance system, staff in information services submit reports on a monthly basis which evidence the real struggles that many low income **self-employed people** face when they are unable to access income supports due to illness or disability (given the status of their Class S PRSI contributions). Services also report on cases where previously self-employed people cannot access training or activation programmes (if they do not qualify for jobseeker’s payments), and also many instances where there seems to be a degree of inequity in the assessment of means between self-employed people and employees in terms of accessing Jobseeker’s Allowance. The latter issue has also been reported by services with regard to the assessment of an applicant’s means when their spouse is self-employed.

Many of the difficulties which are caused by gaps in social insurance coverage for self-employed people have been acknowledged in a variety of fora and reports - most notably in the third report of the Tax and Social Welfare Advisory Group<sup>3</sup> and in the CIB Report *Hard Times for the Self Employed*<sup>4</sup>. These Reports also reference a related issue that continues to be reflected in the experiences noted by our frontline services – specifically, that information deficits and misconceptions persist amongst many self-employed people around their rights, entitlements and also around the importance of maintaining their social insurance record. This information gap can serve to further compound their difficulties and will be particularly central in the coming years in the context of the State Pension, with the anticipated shift to a total-contributions approach.

## **Recommendations**

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Based on the evidence of these difficulties, CIB recommends the following:

- Change eligibility for jobseeker’s payments to criteria based on hours rather than the number of days worked, to better reflect part-time and casual work patterns;
- Examine the impact and scope of the Part-time Job Incentive Scheme, with a view to extending it beyond its current focus of those who are long-term unemployed;
- Accelerate the roll-out of the Housing Assistance Payment for new claimants (and existing Rent Supplement claimants) across all local authority areas;
- Review and report on the impact of the reduced jobseeker payment rates for the under 26s as pledged in “Pathways to Work 2016 – 2020”;
- Extend the reach of activation and training schemes to include the “hidden unemployed”;
- Review Medical Card income thresholds and eligibility guidelines;
- Extend social insurance coverage to self-employed people to cater for a variety of contingencies and engage in a concerted public information campaign directed at low income self-employed people, concerning their rights, entitlements and the importance of maintaining their social insurance record.

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<sup>3</sup> Extending Social Insurance Coverage for the Self-Employed, Advisory Group on Tax and Social Welfare, 2013;

<sup>4</sup> Hard Times for the Self-Employed: The Citizens Information and MABS Experience, Citizens Information Board, 2012;

## *People with disabilities, illness and carers*

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### *Priority Areas*

*Address the administrative challenges in accessing the key supports that are encountered by people with disabilities, illnesses and their carers at the main transition times in their lives;*

*Develop measures to enable greater participation by people with disabilities in the workforce, as laid out in the Comprehensive Employment Strategy for People with Disabilities, and according to their capacity;*

*Address the needs of carers through the enhanced provision of community-based supports to enable them to care in the family home and have a life outside of caring.*

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### *Issues*

During 2015, a significant proportion of the social welfare related queries received in CISs were focussed on disability, illness and carers issues - that is, 21% or 95,000 queries. There were an additional 9,500 calls to CIPS seeking information on accessing the variety of income supports and benefits available to people who are unable to engage fully in the work force, either temporarily or permanently, due to illness, disability or caring duties. In addition to this, the CIB-funded National Advocacy Service for People with Disabilities supported over 1,000 people with disabilities in 2015 in accessing their rights and entitlements.

Whilst the series of income supports and benefits that are provided under these schemes are delivered to a diverse range of people with very different needs, it is possible to see trends in the types of difficulties and concerns that claimants experience as they try to access supports. The most commonly reported issues from frontline services are primarily operational in nature and typically refer to **delays in applications, reviews and appeals**, and difficulties making contact with the relevant sections within the Department of Social Protection which add to the uncertainty in awaiting the outcome of their application. Services report that these delays can be strongly felt by many families who are trying to come to terms with the emotional impact of dealing with a diagnosis of a disability or serious illness and that timely access to income supports is crucial. Many reported cases reference, in particular, carer's payments including Domiciliary Care Allowance (DCA), Disability Allowance and Invalidity Pension in this regard.

One of the most reported issues during 2015 (and during 2014 when changes were introduced) is that of the hardship caused by the **six day wait for Illness Benefit**. Services highlight the difficulties with this time lag which are particularly acute for low income workers who are not provided with paid sick leave by their employers and who must also bear the increased costs of medical care at the time.

Other particular concerns reported by services include the seeming anomaly whereby **Free Travel** is provided to recipients of Carer's Allowance and DCA but not for the child with the disability who is being cared for and for whom DCA is payable whilst, those who are over 16 and claiming Disability Allowance or Invalidity Pension are entitled to the Travel Pass. On the broader issues of mobility costs for people with disabilities, feedback from services continues to point to the gap created for new applicants by the removal of the **Mobility Allowance** (and the **Motorised Transport Grant**) in 2013. Whilst both schemes were later found to be illegal under the Equal Status Act, they were key payments in enabling choice and



independence for people with disabilities and for their carers. Despite the publication of reports by both a Review Group and an Inter-departmental Group on the development of a new travel subsidy, legislative provisions for a new statutory scheme to replace the old schemes have yet to be put in place.

The key strategic priorities of the Comprehensive Employment Strategy for People with Disabilities, are focussed on building skills, capacity and independence of people with disabilities and providing pathways for entry and re-entry into work. In this context, a number of services have reported on difficulties with the **Wage Subsidy Scheme** and the **Partial Capacity Benefit (PCB) payment**, which are provided as income and employment support measures by DSP. The reported difficulties with PCB are focussed around the restrictive nature of the qualifying payments (Illness Benefit or Invalidity Pension), the timescale for processing applications (which can, in some cases, result in the loss of the job offer) and the fear amongst some potential applicants that the assessment could result in the withdrawal of an existing benefit. Services have noted the potential positive impact that the Wage Subsidy Scheme can play in incentivising employers to hire people with disabilities, but have suggested the need to broaden the eligibility criteria and to promote the scheme amongst potential employers and employees.

## *Recommendations*

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Based on the evidence of these difficulties, CIB recommends the following:

- Provide sufficient resources to the disability, illness and carer's sections within DSP, in order to expedite the processing of applications for claims, reviews and appeals and to enable greater co-ordination between sections;
- Decrease the number of waiting days for entitlement to Illness Benefit from six days to three days, as per the criteria prior to 2014.
- Extend the Free Travel Scheme to children for whom DCA is paid;
- Finalise the legislation required for the establishment of a new travel subsidy scheme, to assist in meeting the extra mobility costs incurred for people with disabilities. The new scheme should function within the context of long-term mobility and transport supports and broader policy reforms relating to people with disabilities (in particular, the move towards an individualised supports system currently under consideration);
- Proactively promote the Partial Capacity Benefit scheme, by providing detailed information on the assessment criteria to potential applicants and examine the possibility of including Disability Allowance and Blind Pension as qualifying payments;
- Broaden the eligibility criteria for the Wage Subsidy Scheme by reducing the minimum employment commitment from 21 hours to 15 hours/ week and allow employees to keep a percentage of their primary and secondary payments.

## *Older people*

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### *Priority Areas*

*Address the current imbalance within the provision of long-term care for older people by providing a statutory basis for home care packages (coupled with the necessary resources) to enable older people to live independently in their own homes (as against those provided for through the Nursing Home Support Scheme);*

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*Ensure that the emphasis on online access to public services does not serve to disempower or marginalise older people;*

*Ensure that the planned implementation of the Total Contributions Approach to the current State Pension (Contributory) addresses the impact of the 'average' rule, which has disproportionately affected women.*

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## **Issues**

During 2015, CISs dealt with over 50,000 queries related to the broad category of *Older and Retired People* (with CIPS also receiving some 4,000 calls). In addition to this, there were over 35,000 queries related to *Carer's* issues, and 4,000 queries concerning *Health Services for Older People*. The main focus of the majority of the queries was the State Pension - predominantly the contributory pension, but with a significant number also relating to the non-contributory pension.

It should be noted however that whilst these queries can be clearly categorised as "issues" for older people, it remains that older people are not an homogenous group concerned only with clearly identifiable issues – but, rather, seek information and assistance from information services related to the broad range of social and public services to the same extent as the general population.

Notwithstanding this, in recent years information services have reported an increase in the number of older people who are using their services with particular reference to those older people who require assistance - and, in many cases, face-to-face help - in applying for or accessing newly introduced payments or services. This was particularly evident with the rollout of the Local Property Tax, the Water Charges and the Water Conservation Grant. In these instances, services have reported that the move to **online registration and access** (to forms and payments) has had implications for some older people who may not be computer literate, or who may not have access to the technology, broadband or family supports to enable them to independently access payments or services.

A key area of concern that has been highlighted by staff within information services is the lack of resources that are being provided in a coherent fashion at community level to **enable older people to live in their own homes** as they age - an aspiration that is consistently stated as being the priority of public health policy and, also the desire of most older people and their carers. These resources include the availability of adequate home care packages, home help supports, community-based therapies and GP care based in primary care centres. Services have also reported on the difficulties that older clients and their carers have with the local authority-provided grant schemes that could enable older people to remain in their homes (or smooth the transition from hospital to home after an illness). In particular, services have referenced the slow administration of grant applications, the limited funding and the lack of information for those seeking access to such supports. In light of this, the commitment in the recently published "Action Plan For Housing and Homelessness" to look at streamlining and simplifying the application process is welcomed.

Staff in information services also identified a number of concerns for those older people who move to long-term nursing home care, under the **Nursing Homes Support Scheme (NHSS)** (or the 'Fair Deal Scheme'). These concerns are mainly focussed around the application and funding process. In particular, services have noted that the capped NHSS budget creates a waiting list for funding, which means that some people can be left in unsuitable care situations before an approved nursing home place is made available. Many older people and their carers also continue to experience significant delays in processing applications (and thus families can get into financial difficulty in trying to pay for interim care privately, which is not subsequently

reimbursed as the Scheme does not backdate payments to the application date). Services also report that the application form for the scheme is proving to be complicated for many applicants and their carers and that this can cause added stress for families already in a worrying situation.

Information services have also highlighted the role that **accessible public transport** plays in maintaining social connectedness amongst older people – not just in the form of the Travel Pass but, in particular, the value and benefit that rural transport has in maintaining quality of life and enabling older people, people with disabilities and their carers to connect with, and access, the services and communities around them.

Other reports from frontline services point to the key area of **pensions** as a specific concern for many older and soon-to-retire people who are seeking information and support. The most significant issue seems to be that of the application of the ‘**average**’ rule in the context of the State Pension (Contributory), where claimants must have a yearly average of 48 weeks of PRSI contributions paid since the date of first employment. This is, by its very nature, serving to discriminate against people (the majority of whom are women) who have spent time out of paid work caring in the home, at various intervals during their lives, and is putting them at an increased risk of poverty as they age. Information staff have evidenced many cases where someone working for ten years without a break is awarded a full pension, as compared with a person who has worked over twenty years - but with gaps in employment – and is thus only entitled to a substantially reduced pension. The Homemakers Scheme does not benefit many of these women who are currently approaching retirement as it was not backdated to before 1994 when it was introduced.

Some services have also reported on the difficulties caused by the changes to the qualifying criteria for the State pension in 2012 (when new rate bands were introduced which reflected the social insurance history of the applicant resulting in lower rates for those with fewer average contributions). MABS services in particular have noted the difficult financial circumstances of some of their older clients with fewer contributions over their lifetime who experienced lower rates of pension than expected with losses of as much as €30 a week.

## *Recommendations*

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Based on the evidence of these difficulties, CIB recommends the following:

- Allow for the continued provision of paper-based applications in tandem with the rollout of online access to public services and benefits;
- Provide a statutory footing for community and home supports for older people to the same extent as the Nursing Home Support Scheme;
- Remove the cap on funding for the Nursing Home Support Scheme, and progress the recommendations of the Review of the Nursing Homes Support Scheme with particular reference to the work of the Interdepartmental/Agency Working Group on the NHSS on administrative reforms and pricing arrangements;
- Provide increased resources to local authorities to fund the Housing Adaptation Grants for Older People and the Mobility Aids Grant Scheme and to enable a more streamlined application process;
- In planning the introduction of the Total Contributions Approach to the State Pension, consider converting the Homemakers Scheme to a Homemakers Credit and back-dating it to a period before 1994 in order to benefit those who are currently reaching retirement age;
- Review pension rates including the rates bands.

## Housing

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### Priority Areas

*Enable the creation of a functioning housing market through the provision of affordable, quality, accessible accommodation via government investment in social housing, with the long term aim of reducing the increasing dependence on the private rented market;*

*Develop a new model for affordable rental within the social housing sector which provides for alternatives between the full state provision of social housing and the private rented or ownership model.*

*Provide for enhanced regulation of the private rented market which can mitigate market shocks and the knock-on effects on tenants on low incomes.*

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### Issues

During 2015, frontline staff in CISs dealt with 66,000 queries related to general housing issues and a further 25,000 queries specifically concerning Rent Supplement. When combined with the 8,000 calls made to CIPS, almost 100,000 queries were handled by information services in relation to

The difficulties caused by the State's dependence on the private rented market to deal with long term social housing needs has come into sharp focus in recent years due to the limitations on housing supply. CIB welcomes the five pillars of action set out in *Rebuilding Ireland: the Government's Action Plan for Housing and Homelessness*. Staff working within information services across the country deal with hundreds of people on a weekly basis who are seeking information, advice and support on a broad range of housing issues - the most common of which are focussed on tenants renting accommodation privately, individuals and families seeking to access local authority social housing waiting lists, and people who are either at real risk, or currently experiencing, homelessness.

For those who are living in accommodation within the private rented market, the key issue that has been reported by information services is that of accessing or maintaining secure housing within the context of rising market rents and limited supply. Throughout 2015, the predominant factor relating specifically to **Rent Supplement tenants** has been the inadequacy of Rent Supplement limits and the availability of suitable private rented accommodation within these limits. Services have also been reporting many cases where tenants are being put in a position of having to provide rent top-ups to their landlord in order to secure or maintain a tenancy, and also cases where landlords will not accept Rent Supplement tenants. Such cases were reported by services in the greater Dublin region, but were also reflected in reports from services across the country such as Mayo, Tipperary, Wexford, Louth and Laois. In light of the preponderance of these issues, CIB welcomes the recent decision to allow for an increase in Rent Supplement caps and, prior to that, the series of reforms introduced in late 2015 which sought to deal with rent reviews, notice periods, deposit retention and discrimination of Rent Supplement tenants. This combination of initiatives should go in some way to alleviating the pressures on some Rent Supplement tenants in the short to medium term, but will need to be enhanced by a broad range of medium to long term measures if social housing provision is to be weaned off the

current dependence on the market-driven private sector.

Beyond the broad policy concerns with the Rent Supplement scheme, services also continue to report on administrative issues that Rent Supplement claimants experience in the processing of their claims- in particular, difficulties in making telephone contact, the focus on email communications (and delays in responses) and reports of mislaid documents and of delays in both applications and reviews.

The roll out of the **Housing Assistance Payment (HAP)** is also welcomed by CIB. The new scheme has brought about some changes for tenants within the private rented market, and this has been evident in the feedback from information services in the latter part of 2015 and early in 2016, as the roll- out of the scheme extends across an increasing number of local authority areas. As the scheme is gradually expanded, our frontline services continue to be positive, in particular, about the ability of claimants to take up full-time employment without losing their payment. Given that this had been a key difficulty that services had been reporting in connection with the Rent Supplement scheme for some time it is likely that reported incidences of this particular employment disincentive will reduce in the medium to longer term.

As the HAP is now active in well over half of the local authority areas, information services have provided us with an indication of the particular difficulties that HAP claimants have been experiencing at this stage of the rollout. Whilst the involvement of local authorities in the application and assessment process is welcomed, some services have also noted that HAP claimants are reporting on difficulties in accessing the relevant supports in local authority offices to guide them through the application process. Other concerns that have been highlighted in the cases relating to the HAP scheme are common to those concerning Rent Supplement, but there are also some emerging issues that appear to be caused in the transitioning of tenants from RS to HAP. These include difficulties for claimants in finding landlords who will sign up to the scheme - with cases being reported where long-term Rent Supplement tenants (upon being transferred to the HAP) subsequently found that their landlord was not willing to engage with the HAP scheme. There have also been reports of difficulties in finding suitable accommodation within the HAP rental limits - an issue which should be somewhat alleviated by the recent increase in the rental caps. Services have also reflected clients' concerns about the standard of rental accommodation on offer and the ability of local authorities to monitor standards. In light of this, the commitment in the "Action Plan on Housing and Homelessness" to move towards the enforcement of quality standards on a regional basis is welcomed.

Beyond the myriad of issues related to the private rented market, services have also been reporting on particular concerns for many tenants in relation to **Local Authority and Social Housing** – in particular, accessing or transferring between Social Housing Waiting Lists, the length of time that tenants spend on the list, and difficulties caused to Local Authority tenants by the limited funds available for repairs and maintenance. During the past two years information staff have also been reporting a significant increase in the number of **homeless** people using their services, with much of the focus of these reports being on the difficulty in accessing homeless services, the problems caused for families living in unsuitable emergency accommodation and in overcrowded situations with extended family.

## Recommendations

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Drawing on the evidence of these difficulties, CIB recommends the following (based on the assumption - as laid out in “Rebuilding Ireland: Action Plan for Housing and Homelessness” - that the State will significantly increase its capital investment in the provision of social housing units):-

- Expedite the roll-out of the Housing Assistance Payment across all Local Authority areas, with a particular focus on the Dublin region, as committed to in the “Action Plan for Housing and Homelessness”;
- Provide additional resources for the administration of the HAP scheme within local authorities, to ensure that adequate levels of support be given to applicants – particularly those with language or literacy difficulties;
- Introduce further rent regulation measures (such as linking rents to the Consumer Price Index) in conjunction with the recently introduced RS/HAP rental limits, in order to deter rent inflation;
- Further incentivise landlords to let their properties through schemes such as RS and HAP;
- Allocate adequate resources for the provision of minimum standards in local authority housing, in order to ensure the quality of standards in accommodation for tenants who are reliant on social housing.

## Section Two: Money advice and debt issues

The following issues reflect the money adviser experience and that of the new dedicated mortgage arrears advisers and approved intermediaries for insolvency provisions within the MABS service.

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### Priority Areas

*Insolvency Solutions – adjustments in the operation of the suite of available statutory solutions to debt, to make such solutions accessible to those on low income;*

*Mortgage Debt – whilst recent initiatives in relation to chronic mortgage arrears are welcomed further work is required;*

*Financial Inclusion – access to banking services;*

*Bill Payment – appropriate payment facilities and supports in money management for those with extreme vulnerability;*

*Rural Isolation – affordable transport and income adequacy.*

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## *Insolvency and Debt Solutions – Access for those on low income*

The range of insolvency options available under legislation provides distressed borrowers with an opportunity to properly reach arrangements on over-indebtedness, and so secure a fresh start. Take-up of solutions remains low, with many clients of MABS displaying resistance to engaging with courts on the matter of debt, coupled with a principled stance of wishing to honour debts incurred by them and for which they do not dispute liability.

### *Issue: Residual debt post-repossession*

In situations where clients lose their homes through the granting of an order for possession, MABS is meeting many clients for whom the residual debt – that amount remaining following the sale of their sole asset – constitutes a significant barrier to resuming their lives. In most cases, such debts exceed the DRN threshold of €35,000, and so necessitates the services of a Personal Insolvency Practitioner (PIP). Given the constrained financial circumstances of such borrowers, their capacity to access such services is extremely limited, and so they must continue to live with this burden, with the consequent negative and adversarial relationship with a creditor, and with no hope of this debt ever being paid.

**Recommendation:** Availability of public PIP support for such cases.<sup>5</sup>

### *Issue: Financing an Arrangement*

Borrowers who do embark on the insolvency process and for whom a PIP considers a PIA /DSA to be a possible solution, can only avail of such a solution in cases where sufficient income/funds are available to cover the cost of the services of the PIP making the arrangement. In effect, this gives rise to a cohort of borrowers who could be considered too poor to avail of insolvency, and so find themselves outside of the suite of statutory solutions. While the new Aid and Advice Scheme is welcome and will alleviate the initial advice costs, the wider issue of the cost of engaging a PIP to avail of a solution still needs to be addressed.

**Recommendation:** Availability of public PIP support for such cases.

### *Issue: Bankruptcy*

Recent changes in relation to bankruptcy have made it possible for a borrower to secure release from a bankruptcy arrangement earlier than through a DRN, the arrangement designed for those with low levels of debt, and with very limited income. The effect is an inequitable situation, favouring those with the resources to secure bankruptcy, over the more impoverished members of society.

**Recommendation:** A review and re-alignment of the time periods associated with insolvency solutions.

## *Mortgage Debt*

While welcoming recent government initiatives in addressing chronic mortgage arrears, we note the continuing distress experienced by borrowers and homeowners in such circumstances. This issue is one not only of debt, but also of housing.<sup>6</sup>

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<sup>5</sup> MABS operates as a public Approved Intermediary for debt relief notices under insolvency provisions. MABS has piloted a public Personal Insolvency Practitioner to service their target group – an evaluation of this pilot has been undertaken to consider the impact of a public PIP service.

### *Issue: A Specialist Mortgage Court*

While the number of households in mortgage arrears has been decreasing of late there are still almost 86,000 mortgages in arrears with 42% of those over 720 days. With no accepted definition of sustainability and each lender applying their own criteria MABS advisers are of the view that some mortgages deemed unsustainable by the lender, are in fact sustainable. MABS would find it useful that something akin to a Personal Insolvency Arrangement (PIA) review/appeal by the Courts in home mortgage cases would be available. Perhaps the Insolvency Specialist Judges would be well placed to fill this role. If a PIA proposal is rejected by a sufficient majority of the creditors, the debtor now has a right to have that refusal reviewed by the Courts. If the Court is satisfied that what the debtor is offering is better than what the creditors would get under bankruptcy, then the Courts can enforce the debtor's proposal on the creditors. Several mortgage arrears cases seen by MABS are now reaching the point where possession orders are imminent. While some of these cases are clearly unsustainable, others are not. In some cases MABS advisers have put forward proposals as to how the mortgage could be restructured to make it sustainable (not all of which include write down or warehousing), only to be ignored by some lenders. These lenders are applying their own, varying criteria as to what they regard as 'reasonable expenditure', which seem to be based on their own versions of insolvency reasonable living expenses (RLEs). In practice MABS have found the lenders' RLEs to be arbitrary.

### *Recommendations:*

- That a specialist mortgage court be set up to adjudicate on mortgage cases where there has been a proposal considered sustainable and then rejected by the lender.
- That lenders should be required to publish the RLEs they are using in deciding on the sustainability or otherwise of a mortgage.

### *Issue: Statutory Footing for Code of Conduct on Mortgage Arrears*

In May of 2015 the Supreme Court in a judgment has clarified the relationship between the Code of Conduct on Mortgage Arrears ("CCMA") and the entitlement of a financial institution to take possession of a mortgaged property. The Supreme Court decided that the law does not interfere with the code save where there is a breach by the lender of the moratorium set out in sections 45 and 47 of the code. In his judgment on behalf of the Supreme Court, Mr Justice Clarke stated: "If it is regarded, as a matter of policy, that the law governing the circumstances in which financial institutions may be entitled to possession is too heavily weighted in favour of those financial institutions then it is, in accordance with the separation of powers, a matter for the Oireachtas to recalibrate those laws. While the CCMA has given protection to households in mortgage arrears by outlining a clear process and containing safeguards for consumers, it falls short in that it has limited standing in law and so has little or no place in the construction of a defence in court. By putting the CCMA on a statutory footing, breaches of it can then form part of a defence to repossession proceedings and consequently be regulated more efficiently and clearly."

**Recommendation:** That the Code of Conduct on Mortgage Arrears be put on a statutory footing.

### *Issue: Psycho-social Impact of the Financial Crisis*

In previous submissions MABS drew attention to the psycho-social impact of the financial crisis. This crisis, still acute in relation to mortgage debt, is having a considerable adverse effect on the health, both physical

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<sup>6</sup> The recently published *Action Plan on Housing and Homelessness* is welcomed.



and psychological, of individuals and families. MABS is acutely aware of an increase in clients suffering from financial stress-related mental and physical health issues, seeking the support of MABS Services particularly in relation to mortgage debt. The Samaritan's Impact Report <sup>7</sup> reported five main issues arising on their Helpline as follows:

- Depression and mental health issues
- Family Relationship problems
- Financial difficulties
- Stress/Anxiety
- Loneliness

The finding, in the report on MABS Clients and Mortgage Arrears<sup>8</sup>, in relation to stress and mental health associated with mortgage repayment difficulty 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" (2011). This 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.

#### **Recommendations:**

- The introduction of robust Mental Health Guidelines, such as those introduced in the UK, would be of significant benefit to the MABS client group and others.
- Free access to counselling particularly in cases where a mortgage has been deemed unsustainable, should be made available to the adults and children affected.

#### **Issue: Certain Long-term ARAs Refused to SW Dependents**

Currently, some Financial Institutions are refusing to enter into long-term Alternative Repayment Arrangements (ARA's) with social welfare recipients on the basis that they are reliant on an income from the State. MABS consider this to be discriminatory. It is the MABS view that the way the income is derived should not be the issue and so should not be the sole grounds for refusing a long-term arrangement. The most important criterion to be considered is whether the mortgage is sustainable or not.

**Recommendation:** That the case of any distressed borrower be assessed on the basis of his/her circumstances, regardless of the source of his/her income

### **Financial Inclusion – Access to Banking**

Each citizen should have access to affordable and regulated financial services, appropriate to their needs. The banking collapse of recent years has seen confidence and trust in the sector eroded, and coupled with the contracting of that market, many of the more vulnerable members of society are without access to basic banking, bill payment, savings or credit facilities.

#### **Issue: Provision of a Basic Bank (Payment) Account**

<sup>7</sup> Samaritan's Ireland Impact Report 2014/15

<sup>8</sup> [http://www.citizensinformationboard.ie/downloads/social\\_policy/MABS\\_Clients\\_and\\_Mortgage\\_Arrears\\_Jan2013.pdf](http://www.citizensinformationboard.ie/downloads/social_policy/MABS_Clients_and_Mortgage_Arrears_Jan2013.pdf)

For a person's full participation in society it is generally accepted that access to financial services has become more important if not essential over the last decade or so - access to financial services has become a necessary condition for participating in economic life. Lack of access to financial services has serious socio-economic consequences e.g. lack of a bank account, access to credit, goods and services cost more etc. Those who experience financial exclusion can find money management and bill payment more time-consuming and costly and they can face difficulties accessing affordable credit and accumulating assets (e.g. savings, insurance). Financially excluded individuals are also at risk of over indebtedness.

The Personal Micro Credit Pilot initiative, proposed by the CIB, which was supported by Government has been extended nationally and has proven to be very successful. The evaluation of the pilot showed that the effect on many customers was transformative giving rise to comments such as "the credit union treated me with respect and as if I was a normal person" and "I cannot tell you the difference this has made to me". There were 1,200 loans issued under the pilot in 30 credit unions nationwide. Many who borrowed under the scheme had used moneylenders in the past. It is envisaged that the Personal Micro Credit product will be widely available to social welfare recipients through the credit unions by the end of 2016.

A recent study undertaken with MABS Service clients indicates that about 20% of users at the time of the study were without current bank accounts. Preliminary findings indicate that the main reason for this is because many closed their bank accounts due to low income and the level of bank fees. The other main reason emerging at the initial analysis stage, is the bank closure of accounts due to arrears on loans or other financial products.

#### *Issue: Associated Surcharging Issue*

All MABS clients interviewed during the research study state that they have been excluded from services, products and cheaper offers as they could not pay by way of direct debit. One third said that they pay surcharges for paying their energy and other bills by cash on a weekly basis. MABS has examined this issue closely and will continue to report on high charges being imposed on the poorest to simply pay their regular household bills. This has resulted in those with least income having to pay more for energy and other services. MABS drew attention to this issue in previous submissions and once again highlights the need for this to be addressed.

#### *Recommendations:*

- The provision of a basic payment account should become an urgent priority and that the banks, credit unions and An Post should be facilitated and supported in the provision of such a financial facility.
- The surcharging for payment of, or the purchase of, basic services should not be permitted and legislation should be enacted urgently with the overall goal of protecting and supporting the most financially vulnerable consumers.

### *Bill Payment and Money Management for the Vulnerable*

A significant cohort of Irish society struggle with the routine, structure and discipline associated with managing money and paying bills. Those with some mental health difficulties, with chaotic life-styles or in periods of poor health, are often incapable of establishing, maintaining and operating the systems required, and need help to do so.

#### *Issue: Supported Payments Systems*

The Household Budget Scheme as operated by An Post assists many families in ensuring that regular bills can and are paid in regular and controlled intervals. The extent of the scheme is however limited in its reach and in its client group.

**Recommendation:** A review by the Department of Social Protection of appropriate supported payments systems for vulnerable groups.

#### **Issue: Self-Disconnection from Energy Supply**

There has been a considerable decrease in the number of people approaching MABS with issues relating to their energy bills. In 2008 over 7,000 clients approached MABS with utility bill arrears difficulties while in 2015 this had more than halved to 3,000. MABS is of the view that this large decrease is the result of the widespread use of metering in the energy market in addressing arrears and affordability difficulties.

In the Pre-Budget submission of 2016, we drew attention to the self-rationing and self-disconnection of energy supply that has recently become an increasing feature of the energy market as a result of the increasing use of metering to deal with customers in financial difficulty and having bill arrears. While the use of metering removes the issue of fuel poverty and disconnection from the public eye, the fact remains that a large cohort of people find it difficult to fund their energy costs and so resort to self-rationing or self-disconnection from supply, leading to ill health and other negative outcomes.

#### **Recommendation:**

Utility energy providers should be mandated to collect data on this issue so as to ensure it remains visible to policy makers and to ensure that the most vulnerable debtors don't become more marginalised by virtue of the fact that they are no longer appearing in data on utility disconnections. For the most financially vulnerable consumers inability to pay for basic utilities remains a key concern.

### **Rural Isolation**

MABS services in rural locations report significant poverty experienced by clients, attributable to rural isolation. The costs of goods and services in rural areas appears higher than in urban settings, and the opportunity to shop wisely simply is not there. In more remote areas (north west Donegal, west Cork, south Kerry, and other places) transport is a significant difficulty, with clients unable to even access the offices of the Department of Social Protection, with no public transport available.

#### **Recommendation:**

- An examination of the accessibility of public services in rural locations
- Anti-poverty initiatives targeted at rural areas

*The Citizens Information Board provides independent information, advice and advocacy on public and social services through [www.citizensinformation.ie](http://www.citizensinformation.ie), the Citizens Information Phone Service and the nationwide network of Citizens Information Services (CISs).*

*It also supports the provision of money advice and budgeting services through its funding of MABS, the delivery of a confidential independent advocacy service for people with disabilities via the National Advocacy Service (NAS) and the provision of a national sign language interpretive service (SLIS).*

*During 2015, this variety of delivery services assisted over 800,000 people in asserting their rights and entitlements to benefits and services.*