



MAPPING OF EURODIACONIA MEMBERS' WORK TO ADDRESS OVER-INDEBTEDNESS IN EUROPE

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Who is Eurodiaconia?

Eurodiaconia is a dynamic, Europe-wide community of organizations founded in the Christian faith and working in the tradition of diaconal service, which are committed to a Europe of solidarity, equality and justice. We represent 45 members in 32 countries. Our members include churches, non-statutory welfare organizations and NGO's, providing social services to hundreds of thousands of individuals across Europe on a not-for-profit basis. Some of our members are leaders in their countries on the provision of social services and many are partners with local and regional authorities as well as national governments in the fight against poverty and exclusion.

As providers of social and healthcare services, Eurodiaconia members offer practical support to people at risk of poverty and social exclusion – this often means working with people in debts. Among the services Eurodiaconia members provide, two trends can be identified: 1) emergency material support to people with debts and 2) specialized debt services such as debt-advice, debt-prevention, arrears management and advocacy on responsible lending.

Why this report?

Following the crisis in 2008, many of Eurodiaconia members have faced an increase in the demand of debt related services. Since then, Eurodiaconia has increased its follow-up of members' work on debt in order to facilitate member exchanges of best practice and voice members' concerns to the European institutions (European Commission and European Parliament in particular).

Eurodiaconia members specialized in debt relief have met through Eurodiaconia in 2011, 2013 and 2015 to exchange best practice and establish Eurodiaconia's policy position on debt. The purpose of this mapping is to showcase some of Eurodiaconia's members' good practice in supporting people in debt. The services highlighted below are responding to five categories: prevention, advocacy, debt-relief, innovative services and humanitarian/curative services.

Introduction

This mapping highlights the work of Eurodiaconia members in 6 countries, namely: Belgium, Denmark, Finland, Hungary, Netherlands and Sweden. Looking at the work Eurodiaconia members carry out in providing debt support, many lessons can be learned on how to provide debt-support and what results can be achieved. The first part of this report presents a synthesis of lessons learned and recurrent patterns observed in analyzing the work of Eurodiaconia members in addressing over-indebtedness. The second part of the report presents 8 projects carried out by Eurodiaconia members in addressing over-indebtedness in all its complexity ranging from prevention to humanitarian support of people broken by financial distress.





LESSONS LEARNED

Eurodiaconia members have years of experience in working with people in debt and have made several observations on what works well and what still needs to be changed in order to not only fight existing over-indebtedness, but to prevent it in the first place. The lessons they learned from their work and experience in this field are outlined below:

1. Prevention is a must

- **Early identification:** Eurodiaconia members insist on the necessity of a preventive approach to debt. There is a need to support people in financial distress as early as possible because as social services providers, Eurodiaconia members have observed that people often come to look for help too late, the situation becoming much more complex to deal with than if people had come for support earlier.
- **Community support:** Churches and diaconia have the strength of a widespread network within the local community. This specificity has been used by Eurodiaconia members for instance by training people in the local community to either enable external support or directly support peers in financial distress.
- **Education:** Eurodiaconia members continue to stress the need for financial education. First, financial education in schools for children (primary prevention) should be included in school curricula, including financial literacy and budgeting. Second, financial education for adults and households (secondary prevention) are essential steps in addressing over-indebtedness, helping people to make a budget and access the benefits they are entitled to.
- **Integrated approach:** Debt is rarely the main issue. It is often linked to social inclusion, employment, health, housing, access to services, education etc. In order to respond to this reality, Eurodiaconia members adopt an integrated approach to debt relief, for instance by also providing debt counselling brochures on major life changes, helping people accessing the benefits they are entitled to, providing marriage counselling or children clubs.

2. Advocacy is a means to address over-indebtedness

- **A counter-analysis of the social reality stocktaking:** Eurodiaconia members as local grass-root organisations know the reality of the causes and consequences of over-indebtedness. They can (and they do) therefore denounce for instance the persistence of predatory or aggressive lending practices or the presence of “toxic” financial products on the market.
- **A visionary voice advocating for a better society:** Eurodiaconia members are active advocates on a broad range of issues, all aiming towards the protection of the most vulnerable. Whether they are advocating for an adequate minimum income or a limit on what creditors can take from individuals, they contribute to create a policy framework limiting the possibility to fall into debt.

3. Social innovation enables new ways to overcome over-indebtedness

- **Information and communication technologies (ICT) as a way forward for debt relief:** Eurodiaconia members have developed new tools for both prevention and support of people in debt such as online self-tests on financial behaviour, targeted online advertisement for debt relief services,



e-learning programs to train social care workers or online support platforms to reach out to the increasing number of younger people in debt.

- **Cooperation outside of the strict traditional framework of social workers:** Eurodiaconia members are often at the forefront of cooperation, creating new dynamics to respond to the multi-dimensional nature of over-indebtedness. To provide a few examples amongst many, Eurodiaconia members have been establishing partnerships with debt collectors to train indebted people, they have been providing free legal aid through law-firm volunteers and they have been working with energy providers and local municipalities.
- 4. Individual tailor-made debt-relief services remain the basis to support people in debt**
- **Freedom from debt through action:** Eurodiaconia members provide a wide range of services for people who have fallen into debt such as debt advice, debt mediation, legal advice, repayment schedule negotiation etc. At the heart of this work is the tailor-made individual approach that consists of “walking with” people in debt, helping them clarifying the root causes of debt, providing administrative and often emotional support to help people escape from debt and prevent them from falling further into poverty and social exclusion.
- 5. Humanitarian and curative services remain necessary to provide emergency material support for people affected by over indebtedness**
- **Emergency material support:** Sometimes the help arrives too late. People have been pushed into extreme poverty and social exclusion by over-indebtedness, triggering unemployment and sometimes addictions, breaking families and bringing homelessness. In these circumstances, Eurodiaconia members are present as well to stop people falling further into poverty and support them to re-build their lives. Food banks and shelters are often the first step, building bridges to enable a path toward social inclusion.

Conclusion: Policy Recommendations

- ➔ Preventive measures need to be put into place, for example by providing financial education to children at school.
- ➔ There needs to be an integrated approach which is able to not only focus on the financial aspect of over-indebtedness, but also on the social and health effects on indebted people.
- ➔ Traditional debt-related service providers as well as innovative projects to fight and counter debt need to be supported.
- ➔ Changes in legislation are necessary which counter over-indebtedness, for example by limiting extensive lending or enabling debt restructuring.



8 CONCRETE EXAMPLES OF HOW DIACONIA FIGHTS OVERINDEBTEDNESS

In the following section, different projects of Eurodiaconia members will be presented in detail, outlining how they are contributing to the fight against over-indebtedness. They are categorized into the above-mentioned fields of preventive work, advocacy work, social innovation, debt counselling and humanitarian work.

1. PREVENTION IS A MUST

THE 'MESSENGER EDUCATION' PROJECT - CHURCH OF SWEDEN

The Church of Sweden is a nationwide church of the Evangelical Lutheran faith with 6.4 million members. There are 3500 churches and 13 dioceses which among others provide social services in the fields of poverty and advocacy.

The Messenger Education project is a cooperation of the Church of Sweden, the Swedish government and the Swedish Enforcement Agency which aims at helping people to recover from debts by providing education and knowledge. The need for debt support is high in Sweden as about 20% of Swedes are over-indebted, meaning that they have regular problems to pay their bills. Mostly, people aged between 35 and 54 are affected due to several reasons, for example because of unemployment, diseases or divorce.



A report published by the Swedish Enforcement Authority has investigated the causes and effects of over-indebtedness in more detail and based

on it developed a counterforce toolkit which is used for the 'Messenger Education'. According to the report, important factors counteracting debt are:

- **knowledge**, for example about loans charged for different providers such as TV
- **a sound attitude to money**, so that people learn not to spend more money than they earn

- **health**, as debts and health often reinforce each other
- **the existence of a social network**, in order to prevent feelings of alienation and to be able to share advice and knowledge
- **buffers**, to be prepared when unexpected expenses occur
- **work and income**, as a regular income is a prerequisite for financial stability

Within the 'Messenger Education' project, knowledge on how to develop the necessary preventive tools is transferred to teachers, counsellors and deacons from the Church of Sweden by the Swedish Enforcement Authority for them to share with people experiencing poverty at the parish level. But not only people already in debt can profit from the education; it also works preventively through sharing knowledge with young people and new businesses, for example.

Thus, the project is carried out on three different levels: the national, the diocese and the parish level. Whereas the national and diocese level overtake supporting and supervisory functions, the parish level is responsible for the operative part, working directly with the indebted people.

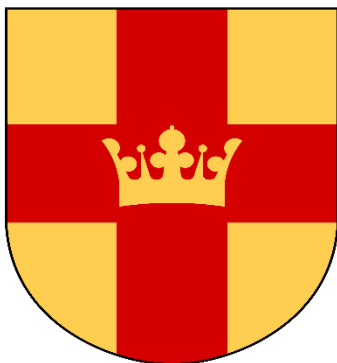
Results:

- The Messenger education has been given to over 400 diaconal employees from dioceses and parishes in the Church of Sweden from 2012-2014.
- Parishes and dioceses in the Church of Sweden have gained greater expertise on indebtedness in a very efficient and cost-reducing way.
- It created better conditions for people to manage their finances and avoid excessive debt.



2. ADVOCACY

PETITION CALLING FOR AN ENHANCED SUPERVISION OF COLLECTION AGENCIES - CHURCH OF SWEDEN



Next to preventive and educational work with over-indebted people, the Church of Sweden also launched an advocacy campaign in form of a petition for the government.

The petition firstly describes the situation of over-indebted people in Sweden, recalling that in December 2014, there have been 426.046 debtor entities incorporated in the Enforcement records already. It then draws attention to the severe consequences of over-indebtedness on the affected persons' lives and families, leading to physical and mental health problems, feelings of hopelessness and negative effects on their children's quality of life.

The petition here stresses the fact that social and diaconal actors can only provide help in the short-term, whereas long-term help needs to be enabled by the government. Therefore, it calls upon the Swedish parliament to amend legislation so that less people become over-indebted by enhancing supervision and regulation of collection agencies and by reallocating more resources to help already indebted people.

Concrete recommendations are presented which generally refer to recommendations published by a Swedish government agency. They demand:

- **Final limitations of liabilities** that are 15 years old or older at the Swedish Enforcement Authority
- **Strengthened budget** and debt counseling
- **Changed usury laws**
- **Strengthened oversight resources** to the Consumer Agency
- **Developing official statistics** and research on household debt
- **Introduction of state-funded clean-up loans**, which should be financed by the interest income
- **Presentation of a government bill** based on the main proposals in the report which included the need for better information on debt and that a simplified application procedure is introduced

By the 1 of July 2015, already 1123 people had signed the petition. In addition to the online form, paper forms are spread as well which can be used for collecting signatures in the communities until the 22 of October 2015. The sending of the petition is hoped to achieve legislative changes which prevent and support over-indebted people in Sweden.



3. SOCIAL INNOVATION

WORKING WITH ENERGY PROVIDERS AND LOCAL MUNICIPALITIES - HUNGARIAN INTERCHURCH AID



Hungarian Interchurch Aid was founded in 1991 and is one of Hungary's largest charity organizations. It works with an expanding community of experts, donors, corporate partners and volunteers to help people experiencing poverty and deprivation. HIA's main objective is to facilitate the integration of families seeking a way out of poverty.

Amongst its program, HIA has been leading in the implementation of a municipal debt-management program service supporting people in debt. Cooperating with local authorities and energy service providers from 2003 to 2012, HIA helped people who had accumulated debts especially towards energy providers. They provided tailor-made individual support and they trained individuals and families with household management knowledge and basics of financial management in order to prevent clients from accumulating further debts.

The project's core principle is that timely managed crisis situations help families to spend their psychological reserves and energy on active settlement of the situation while the extra support plays a catalyst role in temporarily difficult situations.

The program is being implemented in broad cooperation including family assistance services, local governments, settlement-level debt-management consultants, guardian offices, legal representatives and court bailiffs. When establishing cooperation the most important objective is to ensure that each client receiving debt-reduction assistance is always backed by a supporting organization or institution which can effectively manage the existing problems as debt-settlement alone may not solve the whole crisis situation.

The project's efficiency is confirmed by the fact that in 2013 HIA-Hungary paid HUF 7 million as debt-settlement support with the cooperation of energy providers while clients undertook an own contribution in a value of HUF 6 million to this.

This program was unique in the tools it used: it was based on personalized individual case management support, which brought in flexibility and broke with the previous strict municipal and state programs.





THE DEBT AID BUDDY - KERK IN ACTIE, NETHERLANDS

Kerk in Actie is the Protestant Church in Action, with two million members and over 1800 local Protestant congregations in the Netherlands. The work of Kerk in Actie is implemented by the Ministries of the Protestant Church in Utrecht. It supports projects all over the world in the field of social services and around different topics such as poverty and refugees.

The Debt Aid Buddy programme is a joint initiative by the major church denominations in the Netherlands, supported by debt counselling and debt prevention organizations. Together with other churches in the Netherlands and thanks to financial support of the government, the debt aid buddy was set up to train people in the community in a partnership involving local authorities and churches. These became "debt relief buddies" equipped with financial management skills to support people within their community. Volunteers from churches can then accompany people with money problems, helping them to sort out their issues, to deal with the authorities, to make a budget and generally give them the personal attention they need to work through their issues. The buddies are motivated by a desire to help their fellow men from an unselfish perspective. Results have shown that, with the help of a buddy, people are more successful in solving their financial problems. The goal is to help people become financially healthy, not just in the short-term, only treating symptoms, but on a permanent basis.

An external research bureau evaluated the social economic benefit of the project. It looked at four kinds of effects that they could quantify into benefits:

- **Substitution:** Volunteers do activities which are being done elsewhere by staff from a debt aid organization.

- **Prevention and after-care:** Thanks to the involvement of the volunteers the (renewed) requests for debt aid by people can be prevented.
- **Raising return debt aid:** Fall out ratio can be prevented. Through the extra support of debt relief buddies, people in debt are more inclined to stick with the programme until the end.
- **Crisis situations:** Costs are saved by preventing someone's eviction, for example being cut off from gas, water or electricity etc.



Results

'Debt Aid Buddies' (Schuldhulpmaatje) has grown rapidly over the year of 2014. The annual project report shows that a growing network of local churches is playing an active role in providing debt aid to vulnerable individuals. In 2014, 1350 voluntary 'buddies' helped 4800 individuals across the country. Furthermore, 13.500 people received online support via the project's websites. In 67% of the cases, debt children were involved; 71% of those requesting aid are between 25 and 55 years old. Over the course of 2014, 184 evictions were successfully prevented through intervention at an early stage, and the accumulation of further debt could be prevented.





4. DEBT RELIEF SERVICES

A SOCIAL CENTRE FOR DEBT COUNSELLING - SALVATION ARMY IN BELGIUM



The Salvation Army is an evangelical part of the universal Christian Church which has its own distinctive governance and practice. It provides a variety of social services worldwide, ranging from emergency responses to health services.

In Belgium, the Salvation Army runs a social center which provides psycho-social, administrative and budgetary guidance for indebted people. The aim is to help people who suffer from extreme indebtedness to regain financial stability, repay their debts and at the same keep as much of their life as possible. The center works in close cooperation with public centers and the Brussels Labor Court who often refer cases there. It offers different services, including budget guidance and control, individual debt mediation, collective debt servicing and legal debt mediation.

- **Budgetary guidance and control:** The budgetary and guidance control works in intense cooperation with public centers from Brussels who refer cases to the social center. The procedure for dealing with the cases is very strict and requires high transparency and individual analysis of the

cases. In order to control the debts of the individual, a bank account is opened in the name of the client, with the full executive power being transferred to the employees of the social center.

- **Individual debt mediation:** The individual debt mediation starts with an analysis of the individual case, investigating if the debts are payable within a short amount of time and determining the amount of money that can be saved. Based on this analysis, the monthly reimbursements are calculated. If the offer is accepted by all parties, the monthly payments are either transferred by the client or, if in the budget counselling process, by the office of the social center.

- **Collective debt servicing:** If the debts of a person are so extreme that he or she cannot repay them based on her available means in a reasonable span of time and with upholding a life of dignity, the collective debt mediation is applied. It protects the client against the creditors: all temporary payments are frozen, only the initial debt will be considered and the maximum period of repaying debts is 7 years. The debtor however cannot make any new debts during this procedure, he gives away his financial independence and he has to fill out a written application. The debt mediator is assigned to coordinate the procedure, he helps with the written application, establishes the financial priorities of the client, informs the creditors and contacts the bailiffs.

- **Legal debt mediation:** The Labor Court calls upon the social center to act as a debt mediator. The debt mediator of the social center has to be impartial and independent from all parties involved. He provides debt mediation and assisted living services, including home visits, administrative support and daily financial management.





'BACK ON TRACK' DEBT AND FINANCIAL COUNSELLING - YMCA DENMARK

YMCA Denmark is an ecumenical children's and youth organization rooted in the Evangelical Lutheran Church. It was formed in 1918 and is today composed of 66 institutions, 603 employees, 1614 volunteers, 363 volunteer board members and has a yearly turnover of about 35 million euros.



Back on track is a project of 16 counselling centres across Denmark. Each of them has a team of 6-8 volunteers with a background in banking, law or as welfare officers. The local managers of social care coordinate the volunteers.

It targets people with low income such as long-term unemployed people, single mums or people on social benefits, but also former drug abusers, people suffering from mental health problems or people with compulsive gambling (ludomania).

The back on track project offers impartial and confidential counselling provided by experienced and professional advisers in a safe environment. This enables a comprehensive review of the financial situation with the encouragement to pay off personal debt. This is a free service, advice is provided until the problem is solved – it generally represents between 1 to 10 hours.



The added value of the project is to bring together different services in the same place in cooperation with the social welfare office of the municipality.

GUARANTEE FOUNDATION - CHURCH RESOURCE AGENCY, FINLAND

The Church Resources Agency is a Christian congregation and a nationwide operator of social services in Finland. Its aim is to build a just society by helping the Church to innovate, educate and provide care for its people. In this sense it established, together with other national organizations, the Guarantee Foundation.

This foundation assists private persons who are facing a financial crisis in solving their debt and payment problems. The main services of the Guarantee Foundation include:



- **Telephone counselling:** The Guarantee Foundation offers free of charge, confidential telephone counselling. The telephone service discusses the overall situation with the client, provides advice and proposes further actions.

- **Restructuring loans:** The foundation provides a guarantee for bank loans for indebted people which is then used to combine several debts into one restructuring debt. It is only offered if certain preconditions are available and if the debts cannot be solved by other means. The situation is investigated and discussed by local advisers.

- **Back on track activities:** This scheme is aimed at people who fall outside the debt counselling services, such as criminal offenders, drug addicts, psychiatric patients, game addicts and people from marginalised groups. They are offered guidance and support from a voluntary non-professional worker who can help them with their situation. The Back on Track scheme creates a network of these voluntary workers and develops operational models based on their work.





5. HUMANITARIAN AND CURATIVE SUPPORT

HUMANITARIAN SERVICES - HUNGARIAN INTERCHURCH AID

HIA provides a wide range of services providing emergency material support to people in need. For instance, its project supporting foreign currency debtors provides assistance exclusively to households who cannot use the traditional assistance offered by the government due to a specific life situation, who are regularly paying debtors and people who hardly can or cannot pay their foreign currency loans in spite of the support systems used and require temporary or long-term assistance due to another family crisis or life situation. Finally, their life quality must have deteriorated due to the cutbacks on other spending to such an extent that it endangers mental and physical health of the affected families, parents and children.

HIA-Hungary provides a wide range of services to generate positive changes in lives of the affected individuals. The following service packages are provided by HIA:

- **Mental support to strengthen families facing crisis:** The purpose of these services is to strengthen individuals and families to help them through their difficulties caused by the financial crisis. This is pursued through crisis intervention counseling, psychological counseling, family consultation and crisis management.

- **Relief for families facing temporary crisis:** The service intends to temporarily reduce burdens of foreign currency debtors (relief), solve the crisis so that the client – becoming stronger - is enabled to develop further alternative solutions. This approach is implemented through debt

management and financial counseling, advocacy in banking, preparing and accompanying the client, helping in administration, taking over parts of the loans and providing other crisis support through which the client can rearrange his incomes.

- **Mobilization of available resources:** The primary goal of this service package is to ensure stabilization of the family's or individual's financial situation through additional incomes or restructuring of the family's financial and housing situation. It is applied through labor market services such as counseling and training, through debt management, financial and legal counseling, property counselling and others.

- **Provision of housing with long-term sustainability:** This alternative service package intends to develop solutions that require broad cooperation. It relies both on the artificial and natural support system as well as active participation of the relevant local government. The methods applied are operating a halfway houses/exit system, using the housing stock owned by local governments and searching for alternative housing options.

- **Prevention of evictions:** This service intends to solve difficulties linked with the client's loans in cases which might lead to loss of housing and create a "disproportionate and unreasonable" situation. It is provided only in duly justifiable cases and cooperation of the lending bank is also required. In this case, a partial or full settlement of loans is pursued and mentoring as well as counselling is offered.





CONCLUDING REMARKS

Eurodiaconia members have come up with different ways to deal with over-indebtedness in their respective countries, including preventive, counselling, humanitarian, innovative and advocacy efforts, with impressive results. The exchange of best practices will hopefully facilitate further action in this field which is urgently necessary as there is still an alarmingly high number of people suffering from debt.

Although Eurodiaconia members do a lot to fight over-indebtedness in European countries, they cannot do it on their own. More needs to be done by a diverse range of actors, including governmental actors who can adopt legislation that influences the circumstances leading to over-indebtedness, as well as collection and creditor companies that take a share of responsibility on over-indebtedness when giving out quick and expensive loans. Only in this way will it be possible to help people out of debt in the long-term and, most importantly, to put into place preventive measures so that less people will have to suffer from over-indebtedness in the future. In order to achieve this aim, it is important that the fight against over-indebtedness remains a political priority, for the Member States as well as for the European Union.