

Utrecht, 25-26 November 2019 (hosted by Kerk in Actie)

Extreme Destitution Network Meeting

On November 25-26th 2019, Eurodiaconia member organizations met in Utrecht (NL) to the annual Extreme Destitution Network Meeting, hosted by Kerk in Actie. This intensive two-days meeting focused on over-indebtedness, social justice (the issue of fair debt managing measures and practices) and poverty.

Over-indebtedness can have various causes, e.g. lack of education, unemployment, in-work poverty, housing or health issues to name but a few. In combination with dysfunctional social security systems, this can lead to further poverty of people with debt. For this, a number of rights and principles of the European Pillar of Social Rights point the way forward. However, two years after the proclamation, how far have we actually come to seeing progress?

One way to prevent over-indebtedness is to ensure responsible lending practices. In 2008, the consumer credit market was regulated at EU level through the Consumer Credit Directive. Eleven years later, the European Commission is currently revising it. How can we, as social service providers, continue to improve effective and professional working practices in debtor assistance, while ensuring that our diaconal perspectives on social inclusion are heard and translated into concrete measures and policies?

This meeting provided a forum for members to share experiences and good practice, identify the challenges they face as well as discuss potential solutions and opportunities for development. This included discussing what political solutions could be found at national and European level to address over-indebtedness, group work sessions and a study visit to Rotterdam.



DAY 1 – Extreme Destitution Network Meeting

Introduction of the event

The meeting started with an introduction of Eurodiaconia and presentation of the agenda of the day, that was conducted by Stefan KITZMANN. The general presentation of Eurodiaconia values and missions was followed by the current European policy state of play, a refresher on the European Pillar of Social Rights and its 20 principles, and Eurodiaconia advocacy work in this field.

Eurodiaconia is currently working on **updating the following policy papers**, that shall be published by the beginning of 2020:

- Household over-indebtedness in the European Union
- Homelessness and housing exclusion
- Child Poverty and social exclusion

Presentation of the host “Kerk in Actie”

Gerdine Westland, coordinator at Kerk in Actie, presented their work in the Netherlands. Kerk in Actie is the missionary and diaconial work of the Dutch Protestant Church and is active worldwide.

The aim of Kerk in Actie is to reach the poorest and marginalised persons. Together with partners, they act in 35 countries, and have more than 350 programmes in almost 200 churches and NGOs. Their core priorities consist in **promoting access to the Bible, supporting churches in minority situations, vulnerable kids and youngsters, refugees and homeless people, and toward the reduction of poverty**. They recently conducted a **research on poverty**, showcasing the diaconial work. One other programme they offer is for refugees, with a meal sharing. Another programme is ‘**Youth in Action**’ which offers young people the opportunity to support the work of diaconal organisations and provide help and services for vulnerable persons (prisoners, refugees, homeless people, poor). Moreover, Kerk in Actie offers a ‘summer holiday action’ to support **children in poverty**. Another running action is a postcard sent to prisoners in the Netherlands and abroad. 50.000 people participated in this programme last year. Every year, there is an inspirational day on country level for deacons and diaconal workers. This year there were 900 participants from local churches.

Dimensions of debt and debt relief

Kosta Skliris, Senior Policy Advisor at the NVVK & Board Member of the European Consumer Debt Network (ECDN) did a presentation on the “dimensions of debt and debt relief”.

The NVVK is the trade association for debt counseling and social banking. In the Netherlands, they have about **100 members** who are public agencies (municipalities), private companies and municipal banks. Each year NVVK members handle about **€ 2 billion in debt of consumers and small enterprises**. NVVK members (co-)own 55.000 bank accounts for client budgeting services. In 2018, the municipal banks provided **€96 million in social loans**.

Their **core activities** consists in member services (members can ask very practical questions about law for instance), advocacy, structuring market and research and development or innovation. **Financial services** they offer include budgetary services, debt prevention, financial coaching, debt resolution (their core business, it usually takes 36 months), trusteeships, social loans, legal & financial advice.

Kosta Skliris went on, presenting a **“typical fictive client”**. The profile is usually a male, from 26-45 years old, most of the time single, with a minimum wage or lower. His income usually comes from benefits (49%) and from work (41%). 64% of the clients suffer from a combination of specific disadvantages: low IQ, mental illness, functional analphabets, addiction, etc.

Indebtedness can happen for many reasons, such as life events (loosing job, getting a child, illness, etc), financial over-stretch, availability of debt (you can get a loan within a few hours now with online services), inability (emotional, physical or intellectual), increasingly unbalanced household finances, aggressive tax collection. In the Netherlands, for the low-income if there are not two providers of finance in the household, there is not enough money.

One other problem is the **confusing division of tasks and responsibilities**. Sometimes people indebted don't know who they should address in the Netherlands: to the ministry of economic affairs, the ministry of finance, social affairs, justice, or health? It is not always clear who is solving the problem in the end.

There are **three pillars of national debt relief structure to move forward**. First of all, to stabilize the situation: reduce the expenditure and increase revenue to achieve stability. You can also get a coach. Only then you can resolve your debts. Then the third pillar is about maintaining a stable situation, while participating into society.

Kosta Skliris pointed out that debt relief is a responsibility of national states. The EU however creates a wider playing field that directly influences the creation of wealth and of debt. Different regulations or conditions have been set at **EU-level**, such as:

- CCD: Personal credit preconditions
- MIFID: Financial markets regulation
- PSD: Payment services regulation
- CRD: Consumer rights provision



Finally, Kosta Skliris explained the work of the **European Consumer Debt network (ECDN)**, which consists in lobby and advocacy; a knowledge platform for the members, good practices, peer to peer learning between members to achieve debt relief; a uniform European structure for financial services in the social domain.

To finish, Kosta Skliris talked about **municipal banking, as an alternative tool for financial support services**.

To prevent people getting deeper debt, they get mortgages from banks at different rates. This tool is aimed for clients that cannot get credit at reasonable conditions with commercial banks (age, negative registration, no securities, etc).

Prevention is the only way to overcome debt problems

Carla van der Vlist and **Jan Graber** presented the work of “SchuldHulpMaatje”.

[SchuldHulpMaatje](#) aims to reach people with (impending) debts at an early stage and offers help via internet and with trained volunteers, who can help in a professional and personal way towards a life without debt. Guidance in behavioural change and financial self-sufficiency are central to this.

The initiative **started in 2010**, after lobbying to recognise the role of trained volunteers supporting people to overcome their debts. Now, SchuldHulpMaatje is active in 90 locations and 123 municipalities. They help about 72.000 people online with five webplatforms and ca 8.000 people with ‘buddies’. They act at national level in cooperation with different churches, government, social organisations, banks, health insurance companies, market parties. Their motto is “together we are strong”.

Today **the church helps more and more people, as more people have debt problems**. There are 7,9 million households in the Netherlands. In total, there are **1,4 million households** with risky debts (840.000) or problematic debts (540.000). From that amount, **only 193.000 households are registred by debt assistance**. 86.200 persons ask for debt assistance, with on average 43.300 euro debts and 14 creditors. SchuldHulpMaatje focusses more on **people with risk of debt**.

Causes of debts are multiple: Complex social system, low income, taboo, asking too late for help, stress, incasso system, unemployment, low literacy, behavior to mention but a few. Debts can have several effects: for example making wrong decisions by stress, accumulation of debts, relation problems, social isolement, problems at work (people in 62% businesses have debts), problems of health, suicide, social costs.

SchuldHulpMaatje’s vision is to try to find people at an early stage so that they end up with 2 creditors and not 14. Therefore, prevention is a very effective way to solve problems and needs actions from all, such as: signalling and addressing the problem in people’s network. Breaking the taboo through the work of churches, and signalling or referring to (voluntary) organizations. Organisations with debt assistance by working together with buddies. Local government by investing in prevention. National government by changing the system. Society by changing mentality. Market parties by stopping chasing people. Banks by investing in prevention. Health insurance companies and home cooperatives by investing in prevention. Businesses by supporting people to overcome their problems. Individuals by asking on time for help and changing life style.



Hendrik Jan Graber explained the **different phases in prevention**. Their vision overall is “the sooner the better”. The first phase consists in prevention. Then Schuldhulp intervenes in the second phase. Finally, there is a follow-up and maintaining stability phase.

From his experience, finding volunteers is not a problem: people in churches are keen to volunteer. One bigger issue is to **have access to key data to reach out to people**.

One organisation is collecting debts and sells them to other companies. They have very good data. They know exactly who is indebted and who is not.

SchuldHulpMaatje is allowed to have access to some part of this data. This is a great tool for preventing over-indebtedness.

Loneliness and drinking issues are common problems for people with debt. Every two years a medical research looks at these measures.

Once they have the data, **SchuldHulpMaatje reaches people also through the internet**. Additionally, they work with **big banks** that will suggest this website to their clients at risk of being indebted (usually 85% of the people that show the first signs of having problems). Banks have the capacity to target these people. And **data protection is kept**: SchuldHulpMaatje doesn't have access to the information of who is being contacted. Only people that feel they might receive the help they need will connect to this website and run a test to get personalised advice.

IDO Lelystad: Helping where there is no helper

Veerle Rooze presented next the work of **IDO Lelystad**. [IDO Lelystad](#) has been active in for more than 30 years. It is a diaconal organisation that originated from the Lelystad churches. IDO's mission is: "**Help where there is no helper**." Its motto is "together we are strong". By doing so, they want to focus on those people who are often not seen or heard anywhere else.

The city Lelystad is today **51 years old**. It is **economically and socially weak**. The neighbourhood are very **divided**, which is problematic for the cohesion of the city. The initiative started with **8 churches** working together to help this city. It started with going and meeting people from other neighbourhoods.



IDO lelystad counts today **250 volunteers, 9 paid employees**, and an **annual budget of € 600.000**, which comes to 6% from Churches of Lelystad, 24% from donations and other funding, and 70% from the municipality of Lelystad.

Concretely, IDO lelystad offers many services to support people suffering from poverty and debt, in order to assist them resolving their debt. They provide **support for all the basic needs**.

They have hairdresser, buddy system, two small second-hand clothing stores, language classes, job-search buddy, no budget restaurant (meals for 2€. Paying is important to feel they participate into society), bike repair. They also provide financial consulting (with project for debt assistance), both in prison and in the city.

Their core approach is to **build relationship first**. This is also to strengthen their self-confidence and self-esteem. To create a place where they can belong. To make them feel heard and seen. This will be also important for people getting out of prison to have a face they know. In **prison**, their action focuses on building trust and (mental) preparation. The next day they are out, they meet with IDO. Future challenges will be to strengthen their uniqueness and signalling errors in the system.

Study visit: Pauluskerk in Rotterdam

In the afternoon, the group went to the Diaconal Center [Pauluskerk](#). This study visit was kindly organised by our fantastic host **Meta Floor** from Kerk in Actie.



Pauluskerk aims to support all people in Rotterdam and surroundings that cannot survive without help: homeless people, addicts, psychiatric patients, people without residence permit, people without employment, young adults that have no guidance for the way of life and vulnerable elderly people. The Pauluskerk likes to '**help where there is no helper**', because the Pauluskerk is not just a place to eat some soup, play a game or use internet. They offer various activities to change the negative spiral where some people get lost into. Activities that are focused on strengthening the life power of people

that count on them. They give advice to rejected refugee seekers, social workers, creative activities and various language courses. There also have a working place for bikes, a doctor, a dentist, and a hairdresser.

We met with **Dick Couvée**, the **pastor and the director of the diaconal centre**. After studying international law, he worked at the Dutch Ministry for Infrastructure for several years before switching to theology. Dick Couvée has worked at the intersection of pastoral care and social justice advocacy for many years.

Key facts about poverty in Rotterdam

- About 15.4% of the people of Rotterdam live below the poverty threshold
- 1 in 4 Children in Rotterdam grows up in poverty
- More than 100.000 people are struggling with serious debts
- There are 34% more young people on the street (2015-2017)

About Warm Rotterdam

The initiative '[Warm Rotterdam](#)' exists since 2016 and was presented to the group.

Warm Rotterdam is now an independent foundation. Together with the city, experiential experts and partners, Warm Rotterdam is committed to **improving the situation of people living in poverty or in debt in Rotterdam**. The aim is to say 'no' to earning from people in debt. They want to stop excluding people who live in poverty from the labour market. They invest with partners in social collection and a more accessible labour market. At the basis of this programme, there is the knowledge and expertise of experienced experts and partners who deal with "Rotterdamers" living in poverty.



DAY 2 – Extreme Destitution Network Meeting

Over-indebtedness and financial inclusion, Finance Watch

After a short introduction by Eurodiaconia, the second day started with a presentation of **Olivier Jerusalem**, Senior Research & Advocacy Officer, Finance Watch.



Finance Watch conducted a **survey** that compares different answers to **fight for financial inclusion** in different EU countries. This research was conducted because they identified a lack of data on financial exclusion. The purpose was to **collect data from civil society actors** experts on the subject. Respondents came from the public sector, debt advisor organisations, academic, consumer protection, credit union, NGOs working with vulnerable citizens.

The target group were the **most vulnerable persons**. They identified barriers that might increase the issues of exclusion, such as illiteracy, digitalisation, physical or mental disabilities, lack of skills, record of payment default, gender, self-exclusion, etc. They checked within the barriers, the key elements of finance that might be a barrier: such as the pricing (high cost of financial products), complexity or riskiness.

The idea was to exchange with the respondents to see **what kind of financial products should be tomorrow part of the “basic basket”**, the basic financial services. Bank account, guaranteed access to cash, responsible lending, savings accounts, basic civil insurance for health, car or a house.

Moreover, Finance Watch collected information at different level to answer the question “Is the security and dignity of over-indebted people more at risk?”. In total, they received responses from 20 EU countries. Olivier Jerusalem stressed the problem of the lacking implementation of the **European Pillar of Social Rights (EPSR)** in EU countries. Many **minimum protections** are not covered by the basic insurances. The market is very deregulated. **Debt collections practitioners** should be regulated. One idea is to **design a single debt collection process** to be used by **all debt collection actors**, which include information on basic rights of the debtor.

Finally, Olivier Jerusalem offered two recommendations for the future:

1. The **second version of the Consumer Credit Directive** should ban exploitative credit; base credit decisions on proper creditworthiness assessment; organise early detection of financial issues of debtors and guarantee access to qualitative debt advice.
2. **Debt collections practitioners should be regulated** in order to ban misleading and aggressive practices by exposing offenders to significant financial penalties; design a single debt collection process to be used by all debt collection actors which will include information on basic rights of the debtor and information on how to access debt advice.

Best practices sharing

Eurodiaconia members from Denmark and Finland then presented the situation on financial inclusion and over-indebtedness in their country.

1. **“Back on Track: Money and debt advice - YMCA’s Social Work in Denmark”, June Crondahl, Kfum Sociale Arbejde (DK)**



June Crondahl presented her work as Project manager with Kfum Sociale Arbejde in Denmark.

They exist since 2009 and have grown from 4 to 26 places.

At national level, they **advocate within the parliament** to raise awareness about **quick loans with very high interest rates**. Recently, they initiated negotiations about a law to set a maximum interest rate per year.

Until May 2020 they are **funded by the government**.

However, funding remains an issue. They had to cut staffs hours and also closed some consulting sites, although this year they are experiencing more people seeking debt advise. Some cooperation changed also because of funding. This means a higher burden on volunteers and staff. The short project periods are also difficult to work with.

During the past 4 years they **opened 8 new counseling sites**. In some sites, they are working together with the municipalities and volunteer centers. Funding is, in these cases, provided by the municipalities. In Denmark the **municipalities are often also the creditors**.

In other location, they are also working with the local church. Some places offer a **Social Café**. A social cafe is a place where YMCA Social Work offers socially deprived people a cheap meal, a chat, advice on social issues, voluntary work, a community, celebration of holy days and even Christmas. In the beginning **counseling sites** were placed **in major towns**, but now they opened **in remoted places** as well. It takes longer time to find volunteers, but the need for money and debt advise exists in more remote places. Counselling centers are mostly located in their social cafés, where their target group is already located. Some municipalities also offer rooms for counselling, or internet connection. They try to work closer together with local municipality. They often know who might need their help.

Some challenges and priorities consist in providing **quality counselling**. Moreover, they also offer online counselling, which is attractive for young people. The challenge however is to find time to update the website, write articles etc. Also they have an electronic management system. It is sometimes hard to make all the volunteers use the system correctly, or use it at all. A training is offered to volunteers so that they know the system better. Last but not least, a challenge for small organisations is the GDPR, to make sure to keep data protection.

2. Church of Sweden, Elinn Leo Sandberg (Deacon) and Jan Sjögerud (Advisor at the Church central Office in Uppsala)

Jan Sjögerud and **Elinn Leo Sandberg** presented their work with the Church of Sweden. How can social service providers continue to improve effective and professional working practices in debtor assistance, while ensuring that our diaconal perspectives on social inclusion are heard and translated into concrete measures and policies?

In Sweden there are about **600.000 people over-indebted**, and about 1.2 million people affected by debt, for a population of about 10 million people. In December 2018 there were **only 417.500** indebted persons registered in the Register of Enforcement Authority. Over-indebted people have a **total debt** of more than 90 SEK billion (about **€ 8,6 billion**). However, over-indebtedness costs society about 200 billion / SEK year (about **€ 19 billion**).



Indebtedness comes most of the time because of **decisive life changes**: unemployment, illness or divorce. This can lead to many **psychological effects**. In general, people tend to be **more sick** than other people (heart disease, diabetes, depression and anxiety). Every six person tried to take away their life. Feelings of hopelessness and shame are very common.

There is a **law of debt reconstruction in Sweden** for those heavily indebted. If people are not able to pay their debts in Sweden, the Enforcement Authority sends a **proposal to creditors** which they can respond to. After a final decision, there is a plan for **5 years**. The Enforcement Authority handles the debt. **Positive** is that people become debt free at the end. People can find budget and debt adviser in every municipality. **However**, it is difficult to get debt reconstruction if you are **young**. The risk is also of having debts again. There is a **lack of social support** and remaining mental health problems.

At national level, Church of Sweden participated in the **three year governmental assignment** on over-indebtedness (2016-2019). The project was led by the Consumer Authority of Sweden. **At local level**, they run different actions towards financial and material help, individual counselling for overindebted, social and emotional support for **debt reconstruction**, link with authorities, etc. The long-term solution is to help people be free of debts.

Elinn talked about an example of local support of cooperation with the **Economical Knowledge Center**. The network started in 2002 to fight poverty and social exclusion. They meet 2 hours per month to talk about ongoing and joint projects. Success factors are commitment, continuity and a coordinator.

Moreover, the Church of Sweden is very active in the **fight against over-indebtedness**: They do advocacy work to change the **debt reconstruction law and credit law**. In December 2015, they presented the appeal to the Consumer and Finance Minister. **Two major legal reforms** were made: rate ceilings for credits and bigger opportunity to be granted debt reconstruction.

Policy Development Workshop

Based on their work and the inputs of the seminar, participants worked together on how to move forward on the topic of Extreme Destitution and over-indebtedness.

Common challenges were identified across EU countries:

- Over-indebtedness brings issues for families with **children**.
 - Some children end-up with debts as well. For instance in the Czech Republic each person must pay a tax for the trash in its household. In the past, when the parents could not pay for the children, the debt was passed on to them as adult (about 4.000 €). Now this is no longer possible. The situation improved a little.
 - Sometimes children have invalid transport tickets. But they have nothing at home.
- One general problem is that people have to pay debts to **different creditors**, not only one or two
 - Sigitā from Latvia emphasised how **many proposals for quick credits** are available today (as phone, or buy-on-credit). Lots of people have so many small credits that they don't know how much they have to give back and can't pay for it.
 - In general, more people are indebted. This is also because of the crisis.
- Depending on the countries and peoples conditions (retired, invalidity, etc), governments offer **debt reconstruction plans** for 3, 5, or 7 years.
 - It is very difficult and stressful to live 5 years without anything new. There are many people that commit suicide because they think it's over, but it's not.
 - In Finland it is easier to get advice for debt reconstruction now, with the Ministry of Justice. There is a new organisation with face-to-face conversation and plans to help people.
 - In Latvia, similarly to many EU countries, there are consultation services to help people deal with their debts. However lots of people cannot afford these services. Social support arise in this case from municipalities.
- Social workers are **limited by the law**.
 - For example: Families need to pay their electricity bills before they can move to a different place. This can be very stressful.

Ways forward and recommendations:

- **Prevention works** when we see the risk of getting into over-indebted beforehand. It also costs less to advocate for more prevention (economically and humanly speaking).
- A **new research in Finland** shows that there should be more advice given at all times and more **awareness** to help people.
- Most challenges are common in European countries. Hence, taking **good practices** from each other should help resolving issues at national and European level.

- **Banks** should be more opened to **private persons**, and not only to companies.
- Sometimes very big companies are selling **bad financial products** to other countries because the consumer law is lower. This should be prevented through a stronger **European regulation** to maintain consumer protection.
- At **national level**, social service providers exchanges with policy makers should be promoted to explain them how they should design regulation. It can be very beneficial for policy makers to see which solutions are efficient at local or national level.
- **Value the work of social services and workers** that are fighting against social exclusion. Indeed a high level of indebtedness equals social exclusion. There is a lot of suffering involved, when you have to live without enough money to support yourself.