Responsible individuals and irresponsible institutions?

A report into Mental Health and the UK credit industry.

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Executive Summary

The background and project

1. There appears to be a consensus that personal debt, and indeed over-indebtedness, in the UK is a growing problem. The Citizens Advice Bureaux in England and Wales dealt with 8,465 new debt problems every working day during the year ending June 2012 (Creditaction, 2012). Recent years have evidenced a steady stagnation in real terms wages and recent research suggests that the main cause for falling into debt has been a fall in household income.
2. There is a substantial literature that has linked experiences of over-indebtedness and financial strain to mental health difficulties.
3. It has been suggested in recent years that there is a need for further research on the state of the consumer credit market, specifically research which frames credit use as a social phenomenon, since there is currently a dearth of research on the dynamic interplays between consumers who need credit and credit granting institutions. This research aimed to address this concern.
4. Institutional Theory was drawn upon to frame people's experiences of mainstream commercial credit. This approach was useful for an analysis of the institutions that are involved in the facilitation, recovery and advice on mainstream credit. It allowed a level of analysis that included governmental and non-governmental legislation and the activities of professional associations in shaping norms and processes.
5. Between February 2010 and December 2011, 53 semi-structured interviews were carried out with a range of stakeholders in the mainstream UK credit industry. These included debt counsellors/advisors from the community and voluntary sector, debt clients recruited from the aforementioned advice agencies, employees and former employees recruited from the finance sector, including 9 from a range of High Street UK banks and a range of relevant stakeholders. Thematic analysis was used to analyse the interviews.

Dominant understandings in the UK mainstream credit industry

6. There were exceptions, but most agreed that the people who were seeking debt advice were adequately capable of budgeting. It was suggested that experiences of debt most often occurred following life events that were unexpected and that disrupted previous budgeting.
7. It was clear from the range of accounts that credit was used largely for essential living expenditure and that the spiral into problem debt was for many unavoidable.
8. While it appears to be the case that practices of irrationality and poor accounting are common in all people, our research suggested that they are no more common in the over-indebted than those who are not over-indebted.
9. Education was a very popular way for our participants to frame the way to tackle over-indebtedness However, there appeared to be an appreciation that while education could be worthwhile, it fails to address the problems of incomes and standards of living which often drive the use and over use of personal credit.
10. Many organisations that help the over-indebted may also perpetuate an understanding of debt as a problem of individual people and one that could be remediated through improving the practices of rational financial behaviour that individual people undertake.
11. Living with debt has very much come to be understood as a normative social and economic practice in recent years. Experiencing and managing long term debt was not unusual but a failure to manage this debt was considered grounds for embarrassment and shame. Loss of personal autonomy was particularly important.
12. High street banks were commonly understood as responsible organisations that could be trusted to act in the best interests of its customers. However, relatively recent changes in

the cultures of lending and debt collection meant that there had been a fundamental change in the relationship between high street banks and their customers. This had not been sufficiently understood by the general public.

Practices of lending

13. Potentially influenced by practices of financial deregulation and the growth of Asset Backed Securities (ABS) this research revealed a deeply problematic culture of irresponsible lending that was widespread across the sector. The practices evidenced contravened a number of regulations and recommendations for good practice outlined in the both Lending Code (2011) and the Office for Fair Trading Irresponsible Lending guidelines (2011).
14. It was clear that people were routinely provided with lines of credit far beyond any possible capacity to repay. There appeared to be very little dissent to the notion that high street mainstream credit providers have been, in recent years, routinely supplying and indeed in some cases, pushing customers toward unsustainable lines of unsecured credit through proactive selling or ‘positive selling’. This included practices of cold calling customers in order to try to sell them credit, often under the guise of introducing services or assessing customer’s needs.
15. It was clear that a specific culture of lending came to permeate the practices of a range of high street banks providing mainstream credit. These practices appeared geared to securing ‘walletshare’, or a greater percentage of a customer’s credit facilities. The practice was reported both by people working in these institutions and the people being offered credit as an often intense experience of selling that did not always operate in the best interests of customers.
16. One way in which this sales culture was achieved was through a range of incentivisation practices where staff came to understand that both their financial remuneration and the satisfactory performance in their jobs depended on the degree to which they had met their sales targets.
17. High street credit sales evidenced a range of strategies that banks workers used in order to increase their chances of selling. Our data suggested that the key element to a range of approaches was persistence. On some occasions workers spoke of a need to continue to sell even if the customer had initially indicated that they were not interested in any new offers. The strategy of ‘reviewing loans’ was used to enter customers into a discussion about their credit experiences and needs and was used by some sellers as a launch pad for an attempt to sell further credit.
18. Aggressive selling was considered commonplace where scare tactics were mobilised to push sometimes naive and occasionally vulnerable customers into taking on more credit. This tactic was considered to be used ‘across the board’.
19. It was not uncommon for credit sellers would try to sell credit under the guise of a line of credit for specific emergencies but with the knowledge that, more often than not, it would lead to a loan to cover the inevitable missed payments.
20. Bank staff themselves would sometimes take on extra credit at the end of the month in order to cover targets that were not being met. This was a practice that was sometimes encouraged by managers.
21. It would appear that a range of practices of problematic selling or mis-selling occurred in the day to day work of the people who worked in high street banks. It was outlined that these practices were driven at least in part by increasingly demanding targeting regimes.
22. Our research suggests that participants throughout the industry held little confidence that the credit scoring algorithms used in recent years were effective in ensuring that people were provided with the appropriate credit facilities.
23. When those who worked inside the lending organisations spoke of practices of regulation and auditing, there was a general feeling that the systems that were currently in place were

not capable of identifying some of the problems of mis-selling and excessive lending discussed above.

The practices and culture of collecting

24. It was clear that a considerable majority of the over-indebted find themselves party to distressing and persistent collection tactics that frequently constituted abuse. Several of the key OFT debt collection guidelines concerning the ways in which debt collection employees interact with clients were ignored during their daily work.
25. The way in which debt collection was carried out was variously and routinely described as ‘mental warfare’, ‘intimidating’ and ‘horrific’. It was suggested by more than one collector that there was an expectation that collectors would threaten clients in order to secure repayment.
26. Clients described being bullied, patronised and harassed and that nothing that they could say or do would alter these practices of brutality. Even when clients had organised an accepted payment plan with the institution that they owed money too, they were frequently contacted by collectors seeking to increase repayments.
27. A number of participants from across the organisational field of mainstream credit articulated a policy of hitting clients ‘hard and fast’. There appeared to be an appreciation that the best chance of recovering money from an over-indebted client was right at the beginning and it was felt beneficial to move quickly and with force in order to privilege their institution over other potential creditors that a client may also owe money to.
28. Very often once hitting ‘hard and fast’ had failed or had yielded only partial repayment, the collection process then settled into a sustained and relentless campaign of contact characterised intermittently by polite enquiry and harassment. Staff would use a range of tactics to specifically secure higher payments, some of which involved deliberately misleading clients.
29. One element that was overwhelmingly reiterated both by client and by collectors was the relentless and unremitting nature of the pursuit of clients. This pursuit occurred in different forms, through multiple telephone calls, often with different advisors, multiple silent telephone calls, and repeated threatening letters. Clients talked about receiving threatening letters daily with multiple and varied threats and up to and beyond 10 telephone calls in a single day. This was repeated daily in many cases.
30. It was suggested that if collectors received information that they did not like then the organisation would frequently call again and ask the exact same questions. It was felt that this was part of a process that was organised to ‘break participants’ will’ such that they would provide a payment or increase a payment. Those who tried to log a complaint often found themselves thwarted by aggressive supervisors or by a process whereby it was difficult to establish a clear pathway through which to register a complaint.
31. It appeared that the general consensus was either that many collectors had never been aware of any external auditing of their practice or, in the event where external agencies like the FSA had visited the organisation, collectors had been asked to adopt a temporary culture of good practice for the duration of their stay.
32. While worry about the implications of over-indebtedness, such as a failure to be able to maintain payment for essential living expenses, such as food, rent and bills, was clearly important, it was also clear that debt clients frequently felt humiliated, disconnected and entrapped and that the processes of debt collection outlined above had a clear impact on people’s mental health. The harassment and the feeling of being uncontrollably entrapped in these practices of harassment related to experiences of despair, depression, suicidal ideation and what was frequently referred to as ‘breakdown’. People talked of having no opportunity to escape from the pressure.

33. A number of clients spoke of the long term emotional residue that these communications had on their mental health. For some this could be a permanent state of anxiety regarding the threats that had been made. For others, even after they were no longer in contact with collectors, the prolonged impact could be felt in terms of a reactivation of distress and anxiety when a letter dropped through the door or the telephone rang. Certain everyday household processes and items had become irreparably linked to experiences of fear and anxiety.
34. There were several examples of good practice both in terms of lending and collecting. Sometimes these took the shape of avoiding, defying or manipulating the norms and cultures of practice so that workers could operate in a way that they understood as ethical.

Recommendations

35. In order to address the issues above there is a clear requirement for the government and regulators to take more interventionist approaches to the problems of living wages, lending practices and collecting practices.
36. Urgent government action is needed to effectively address the growing impact of stagnating incomes and the need to consider effective mechanisms through which to promote and introduce a minimum income standard or ‘living wage’. Without such work the multiple problems of over-indebtedness, and the associated mental health costs, cannot be effectively addressed.
37. Working toward responsible lending by restricting the amount of loan relevant to a borrower’s income and a maximum level of loans across the sector. The OFT should clarify the irresponsible lending guidance (2011) which currently requires lenders to ensure that borrowers can afford to maintain normal/reasonable outgoings once credit are repayments taken into account.
38. Greater transparency in the credit scoring practices used by mainstream credit suppliers. We echo the European Commission (2008) in seeking initiatives that require lenders to make *effective* checks of a borrower’s ability to pay before issuing credit.
39. We echo the call by the Centre for Responsible Credit (10/11/2012) for a rescue package for indebted households comprising a requirement for banks to at least partially write off outstanding household debt and reschedule the remainder over a longer term.
40. In light of the experiences of the debt clients contained in this report, there is a need for serious consideration into protecting the living standards and dignity of debt clients. We believe that urgent government consideration is necessary to consider measures to address irresponsible collection practices. This should include consideration of provisions for a Protected Minimum Balance (PMB). PMB applies to arrestments executed against a debtor's account in a bank or other financial institution and protects a set amount of funds from being arrested. This is currently a provision in Scotland.
41. The Centre for Responsible Credit suggest that 1/3 of consumers would be interested in joining a credit union but cannot since they are not local (Centre for Responsible Credit, 31/5/12). We echo the call for credit unions to be expanded through the post office network and hence provide a long term alternative to high street banks.

1. Introduction: The problem of personal debt and mental health

1.1. Personal Debt: the present situation

There appears to be a consensus that personal debt and over-indebtedness in the UK is a growing problem (Figure 1). From 1993 to 2009 there was a steady increase in total credit card debt and total consumer lending (Ford & Wallace, 2009). Including mortgages, the current average household debt in the UK, as of August 2012, was £53,706; with average consumer borrowing (including credit cards, motor and retail finance deals, overdrafts and unsecured loans) at £3,185 per UK adult (Creditaction, 2012). Based on August 2012 trends, the UK's total interest repayments on personal debt over the previous 12 month period have been £60.1 billion (£164 million per day). This has resulted in UK households paying an average of £2,284 in annual interest repayments. Moreover, it has been suggested that total household debt is predicted to grow to reach £2.1tr by 2015 from its current level of 1.5tr (Gulliver & Morris, 2011). Indeed this figure is more than double that of a decade ago (Mewse et al 2010). While the financial crisis has decreased the size of the UK loan market over the past 5 years by about 6%, consumer borrowing still amounts to approximately 43% of the gross domestic product (Kamleitner, 2012).

This increase in personal debt is associated with an increase in problematic personal debt or ‘over-indebtedness’. For example, The Citizens Advice Bureaux in England and Wales dealt with 8,465 new debt problems every working day during the year ending June 2012 (Creditaction, 2012). Recent research by UNITE found 82% of people reported their wages cannot last the month, with many working people suggesting the third week of every month is rapidly turning into ‘Wonga Week’ turning to payday lenders to maintain household finances. Moreover the Bank of England reported that the amount of unsecured credit taken on by consumers rose dramatically from £79m in April 2012 to £732m in May 2012. Overdrafts and personal loans accounted for the bulk of new borrowing while credit card borrowing rose by £70m (Centre for Responsible Credit, 2012). While there have been recent reductions in net secured lending by UK banks and building societies, net consumer lending has broadly remained unchanged (Credictaction, 2012).

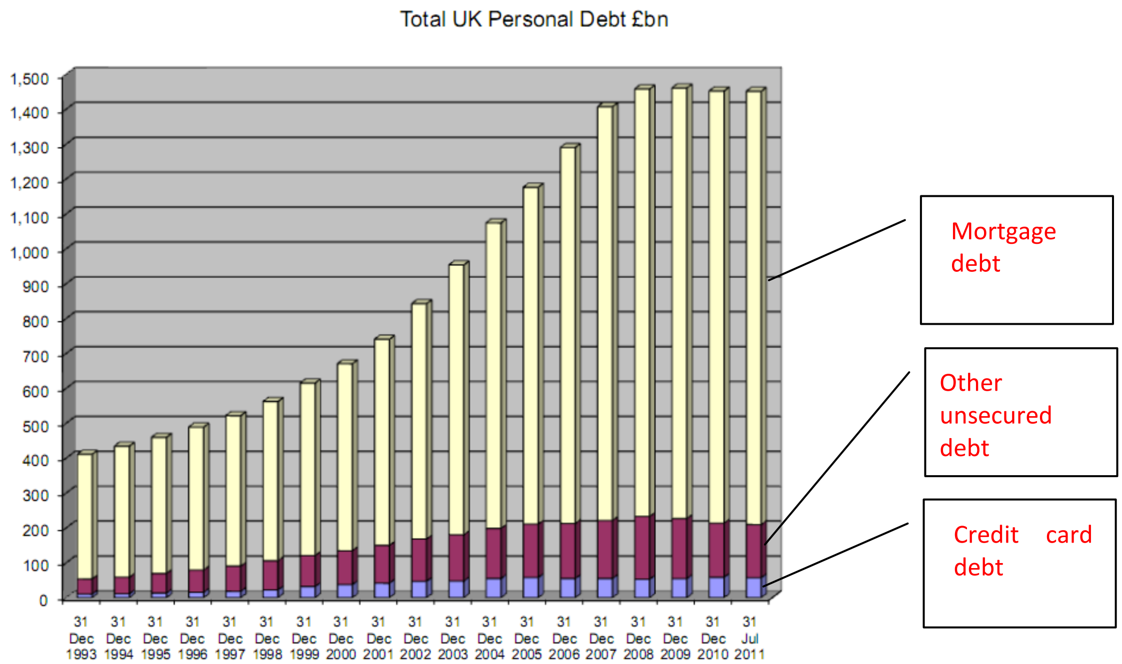

Figure 1: Personal debt in the UK Source http://www.creditaction.org.uk ***September, 2011***

The Consumer Credit Counselling service noted that more than 3m households are in financial difficulty and further 3m are financially vulnerable (Centre for Responsible Credit, 2011). Recently the Department for Business, Innovation and Skills (2011) noted that, since 2008, the level of personal debt has increased in absolute terms and as a proportion of household income. While they reported a decrease in the use of unsecured credit, the average level of unsecured debt has increased. The report found that debt levels increased for almost all types of unsecured credit compared to the beginning of the financial crisis in 2008. The aggregation of statistics and research from multiple and varied sources, unanimously point to personal debt and problem debt as a growing problem in the UK in 2012.

There also appears to be a growing consensus suggesting a specific pattern of political, economic and social events over the last three decades have played a role in this increase (Walker, 2012). According to Turner (2008) recent changes in Western labour markets underpin not only the steady growth in unsecured credit use but also the recent global financial turbulence. The persistence of low inflation and downward pressure on wages has, in part, been a result of the globalised movement of production to sites of cheaper labour in the East (Turner, 2008, Bauman, 1998). This access to cheap manufacturing has created conditions for the persistence of low short-term interest rates. An accumulation of foreign exchange earnings and systemic practices of financial deregulation have provided liquidity for the housing market and associated credit boom (Cable, 2009, Edwards, 2003). Moreover, in recent years the growth of the UK economy has been sustained by consumer spending pinned against record levels of personal debt, which was secured by record high house prices. Griffiths (2007) suggests that policy makers have abrogated their responsibility for the unsustainable growth in consumer debt. In addition, Turner (2008) argues that personal debt has been allowed to soar in order to stop deflation taking root and to combat rising unemployment and the prospect of recession.

1.2. Stagnation of wages

Recent years have evidenced a steady stagnation in real terms wages (Kelly & Pearce, 2012, Gregg & Machin, 2012, Harvey, 2005, 2010, Whitfield, 2001) (see figure 2) related to the growth in low wage jobs (Mishra, 1990); movements in sites of manufacturing (Turner, 2008); and changes in trade union legislation and membership (Panitch & Konings, 2008). In addition, in the decade leading up to 2007 rents increased at one and a half times the rate of incomes, a problem exacerbated recently by a critical reduction in new housing starts (Chamberlin, 2009). Increases in fuel and council tax debts suggest lower income houses finding it hard to keep up with essential expenditure (Tutton, 2009). A recent strategic review of health inequalities in the UK highlights the implications for this stagnation in wages noting that since a full time earner on the minimum wage cannot achieve a minimum income standard, there is a clear need to establish a minimum income standard for healthy living people (Marmot, 2010). Ben-Galim and Lanning (2010) recently found that the main cause for falling into debt was a fall in household income and that, as such, there was a need to increase the stock of well-paid, good quality jobs. Mewse et al (2010) speculate that personal debt remains primarily a problem of family poverty.

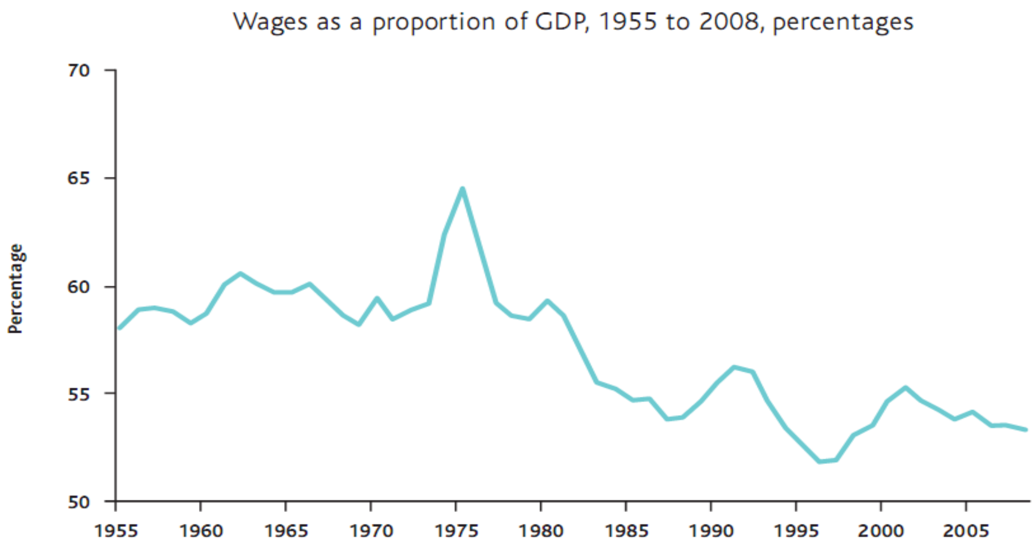

Figure 2: Drop in UK wages as share of national product. Source: Office for National Statistics, reproduced at: http://www.tuc.org.uk/extras/unfairtomiddling.pdf

Disney et al (2008) proposed that practices of financial liberalisation have contributed to the increase in household indebtedness over time. Montgomerie (2007) suggests that this 'securitization' has increased the supply of credit and transformed lending patterns to focus on already indebted individuals. The growth in asset backed securities served to augment the supply of credit available for consumer lending and made profits contingent on a steady stream of revolving debtors (when a consumer borrows money and is required to pay back only a certain percentage of the balance owed each month). Together with the widespread income stagnation for most consumers, this has contributed to a growing demand for consumer credit.

With this brief introduction in mind, what follows in this report draws on data collected from a range of stakeholders in the UK credit industry. This analysis is structured around seven key themes: dominant understandings in the UK credit industry; practices and cultures of lending; practices and cultures of collecting; debt and mental health; good practice; advice agencies; individual needs and future consumers. Following the analysis the report concludes with a presentation of recommendations for the UK credit industry and government policy. Initially however, an understanding of the theoretical and methodological framework for this report will be offered

2. Theoretical framework and research methodology

2.1. Theoretical framework

It has been suggested that there is a need for research focused on the consumer credit market, specifically research which frames credit use as a social phenomenon, since there is currently a dearth of research on the dynamic interplays between consumers who need credit and credit granting institutions (Kamleitner, 2012). Moreover a social perspective on the issue of credit is particularly timely as it has been suggested that social processes may moderate or indeed cause many of the recent findings that have focussed on the intrapsychic and cognitive characteristics of credit users (Kamleitner, 2012).

Such a social focus is required to examine personal debt not only as a property of individual decision making or wage stagnation, but as a complex system that includes regulations, discourses, work activities, practices of incentivisation, distress, lending and collection practices, consumer activity and financial education. Orton (2010) lamented the need for a much more sophisticated understanding of debt and how it affects, and is experienced by, different groups. This research attempts to address this concern.

To understand personal debt requires an understanding of the complex social systems that produce poverty and the explanations of poverty (Harper, 2003). It is for this reason that Institutional Theory has been drawn upon to frame people's experiences of mainstream commercial credit. Institutional Theory focuses on the processes through which structures, including schemes, rules, norms and routines become authoritative guidelines for social behaviour in a given domain (Scott, 2004). The focus is on supra-individual units of analysis that cannot be reduced to individuals' attributes or motives (Scott, 2004). In so doing it allows for an understanding of the ways in which certain social orders are produced from social norms, rules and particular types of actors.

This approach is useful for an analysis of the institutions that are involved in the facilitation, recovery and advice on mainstream credit. It offers a level of analysis that includes governmental and non-governmental legislation, and the activities of professional associations, in shaping norms and processes (Scott, 2004). If we understand the mainstream credit industry as an organisational field, that is, an interdependent collection of similar and dissimilar organisations operating in the same domain (Scott, 2004), Institutional Theory provides a framework through which to understand the key types of actors; agencies and their relations; the nature of institutional logics (for instance, organizing principles that provide guidelines to actors); and the governance structures that oversee the field (Scott, 2004). To consider something as an 'institution' enables a consideration for a multitude of factors such as: the myths and visions that have captured the imagination of its participant actors; the mechanisms that perpetuate the norms of actors' behaviours; as well as subjugated voices either whispered or shouted loudly in opposition (Avgerou, 2004).

The key mainstream credit actors that are the focus of this report include mainstream high street lenders, debt collection organisations (frequently affiliated to these lenders), community and voluntary sector debt support agencies, a range of debt clients, and relevant debt related organisations including the Lending Standards Board, The British Banking Association, local Credit Unions and the Centre for Responsible Credit.

2.2. Participants and methods

Between February 2010 and December 2011, 53 semi-structured interviews were carried out with a range of stakeholders in the mainstream UK credit industry. These included

- 11 debt counsellors/advisors from the community and voluntary sector (including The Citizen's Advice Bureaux, The Consumer Credit Counselling Service, Money Advice and Community Support).
- 17 debt clients recruited from the aforementioned advice agencies. These clients had sought help for a range of debt related issues and included first time clients and clients who had previously experienced over-indebtedness. A number of the workers from high street banks and debt collection companies also related experiences of being debt clients.
- 17 employees and former employees recruited from the finance sector, including 9 from a range of UK High Street banks (and from 5 separate banks, two of the bank workers had since moved on to other occupations). These stakeholders were recruited from towns and cities across East and West Sussex. We interviewed representatives from the Lending

Standards Board, The Centre for Responsible Credit and The British Banking Association. We also interviewed a professional bailiff. We interviewed a worker and a manager from a local credit union. We interviewed an employee from the Illegal Money Lending Team in Birmingham and we interviewed an employee from the Personal Finance Education Group, a leading finance education charity.

- 8 workers from five different debt collection organisations, most of which were from the collection sections of high street UK banks.

The purpose of this recruitment portfolio was to bring together a broad range of stakeholder experiences in order to build a picture of the practices of lending, collecting, and advice over recent years in the mainstream commercial credit sector (eg overdrafts, banks loans, credit cards) (Kamleitner et al 2012). Legal doorstep lending, payday lending and illegal loan shark activity were not the focus of this report. The majority of interviews were carried out face to face with a few telephone interviews for those who were beyond the realms of affordable travel.

The interviews focussed on a number of areas. These areas included practices of high street lending and debt collection, experiences of and reasons for using credit/debt, the impact of personal debt on relationships and wellbeing, specifically mental health. Finally a number of questions addressed peoples' experiences of debt advice and financial education initiatives. This research achieved ethical approval from the University of Brighton's Faculty Research Ethics and Governance Committee (FHREG).

2.3. Data Analysis

Thematic analysis was used to analyse the interviews. Thematic analysis is a pragmatically and theoretically flexible analytic paradigm (Braun & Clarke, 2006) that allows researchers to identify, analyse and report patterns within qualitative data. It is ideal for semi-structured interviews where similarities and differences between accounts form key components following which representative themes are developed.

3. Research findings

3.1. Dominant understandings in the UK mainstream credit industry.

When attempting to make sense of a given organisational field and the activities of the actors and agencies involved in that field, it is very important to focus not only on regulations, behaviours, guidelines and governance structures. It is also important to consider the role of symbolic and discursive activities that sustain and are sustained by certain organisational fields. By this we refer to the importance of socially shared understandings and norms which facilitate particular ways of thinking and being. Such processes help to constitute what we might call the 'cultures of practice' that are found in the various agencies in the field. In this way institutions can be understood as historically developed social interactions and relations that have acquired a taken for granted meaning (Avgerou, 2004). In this section we explore dominant understandings of personal debt circulating within the mainstream credit industry, sustaining certain human activities in this system and legitimising certain ways of being in the field. The section will start by exploring the extent to which over-indebted individuals are understood through a 'rationalist' position which renders them fully responsible for their financial situation. Building on this we will examine the ways in which education as the solution to irresponsible borrowing manifests itself. Attention then turns to the way in which debt is often understood and presented as a social norm and the extent to which the role of the banks is understood as being responsible. Finally, however, this section shall examine the situational aspects to indebtedness by highlighting the ways in which many indebted individuals find themselves in debt through particular life circumstances and events, rather than through individual irresponsibility.

3.1.1. The rational financial actor

Most economists see logical positivism as a guiding tenet with the idea that we are essentially rational, independent economic actors prevalent not only in the behavioural economics literature but widely shared in society (Lewis, 2010). Indeed for many years economists assumed that people exhibit full rationality, that they have perfect recall and planning ability and are able to maximise utility in a complex world (Editorial, 2008). For many people this view is still dominant in their understanding of financial decision making. Montgomerie (2007) suggested that mainstream accounts from policy makers and economists highlight the fact that they tend to see individuals as rational actors responding to changing economic conditions. A point highlighted by The 1971 Crowther Committee who concluded that users of consumer credit should be 'treated as adults, who are fully capable of managing their own financial affairs, and not to restrict their freedom of access to it in order to protect the relatively small minority who get into difficulties' (Richards et al 2008, 502).

In the west in recent years, dominant individualistic norms mean that people are increasingly coming to understand themselves and their life stories in terms of outcomes of their own deliberate and rational choices (Gill, 2008, Layton, 2010). Here individuals are understood as rational entrepreneurial actors who are autonomous. In this account of people, which has not always been so central, people who are struggling with debt are presented as 'knowing' financial subjects who have let themselves down rather than the objects of problematic economic processes that exist at the national and international level. Gill (2008) notes it is hard to overestimate just how prevalent this norm has become in society. Walkerdine (2002) noted that a form of economic rationalism now dominates many regions that demand an autonomous subject that can cope with any conditions thrown at it.

This account of the individual in relation to practices of borrowing was prevalent throughout our data set. Personal responsibility for financial difficulties and individual failure was consistently presented as the underlying reason for people's over-indebtedness. Such examples were found throughout the field, from those lending money, those collecting it, those providing debt support and from clients themselves. For example:

> *I don't think anyone is made to walk in and borrow money, I can borrow money, and I have been a single parent and I haven't borrowed money.* ***CCCS Manager***

> *To a degree you know when I read things in the paper where people have said I can't pay my mortgage because I have lost my job or I got cancer or something like that, I have a slight less sympathy with that because there are insurances that you can take out to cover yourself for that but people never do of course, or very rarely do, there are methods in place to avoid those sorts of problems but if your budget is very tight and it's going to cost you another 30 quid a month for mortgage payment insurance, you might decide I will be better off paying me Sky bill with that,* ***Bank manager 1***

> *…um, no not really. I think, it might sound a bit harsh but I think nobody puts a, you know puts a gun to their head and says get this loan you know.* ***Debt Collection agent 1***

… I think so yes because I've seen these programmes on the BBC where people are in debt and they try and blame the banks and I kind of think well, no it is your fault because you know what you're doing, you signed the agreement but I do also think that it's not helped by the fact that the staff are targeted cos if you don't do your targets you're hit with a stick or a bat. ***Bank worker 1***

3.1.2. Financial education and capability

Leading on from this understanding of the 'rational financial actor', education is developed as the key solution to the crisis of problem personal debt throughout the accounts. Indeed recent policy conjecture focuses on strategic priorities to address the issue of problem debt and education appears to be the key approach. There is a desire to 'increase levels of financial capability and awareness' (Department for Work and Pensions, 2006, 11), '….improving people's ability to take control of their own finances through the National Strategy for financial capability pilot projects' (Department for Work and Pensions, 2005, 9). There is also an aspiration to 'increase levels of financial capability and awareness, so that more individuals can take control of their finances, and participate effectively in the credit markets' (Department for Work and Pensions, 2004, 5) and a need to address 'those lacking essential financial skills, including the ability to budget sensibly, [who] may over-commit themselves by taking on excessive debts' (Department for Work and Pensions, 2007, 6). Drawing on a discourse of 'education and capability' participants in this research presented accounts in which the problem of over-indebtedness could be remedied through education. As the following comment:

...a lot of the students, a lot of them I would say have quite a lot of deficit in knowledge about how to run their accounts, some don't even know what an overdraft is, what it means to go over, what are the effects of that so I think there is definitely a knowledge deficit still ***Student Bank Manager***

…so that they are looking at the small print, they are beginning to see through what companies you know might, or banks or building societies, through insurance companies might say about their products and they are actually being encouraged to get into debt, yes. So, I would say that's a big area for personal finance education ***PFEG worker***

There appeared to be an appreciation however that while education can be worthwhile, it will fail to address the problems of incomes and standards of living which drive the use and over use of personal credit. When people are understood to be desperate, knowledge of interest rates and training in budgeting were simply deemed to be irrelevant. Indeed the bailiff below used the example of the very experienced and financially literate executives who failed to navigate the credit crunch in recent years. There were simply some circumstances where training and education were felt to be irrelevant. For example:

It is a good idea so that everybody is financially literate so it's done from a young age I think that's brilliant, the only problem is, as we know, people get older, there's no money there, they will try to get money how they can so it is irrelevant really having all the financial and training if there's no money, it is not going to make any difference whatsoever because you are going to borrow if you are desperate so, and you will borrow from whomever you can so ***CAB advisor 2***

> *...and when people are desperate for money or to take out a contract they don't want to know what the interest rate is you know...* **CAB advisor 3**

> *....now no amount of training is going to help you with that. I mean you have only got to look at the very powerful brains behind the banks and companies who have gone bust in the last two years* ***Bailiff***

One of the problems with the finance education agenda, other than it not necessarily being relevant to the increasing number of people who find themselves unable to sustain basic living standards, was that the education was actually countered by the interests of certain organisations and agencies that operate within the mainstream credit field. These included the government, whose tax incomes are partially dependent on debt-related consumption, and banks who were characterised as seeking to rapaciously take advantage of consumers. It was felt by some participants that education could not address this difficulty and from others that education initiatives should be formed around these problematic practices.

> *...{on education] how seriously the children take it is a different matter and I'm not convinced that on it's own is, has any great impact. But if they can come up with something that genuinely teaches them the virtue of not spending money you don't have then it would be a great help, but the government doesn't want that anyway. If people don't spend what they haven't got, it's a huge problem for the economy.* ***Bank manager 2***

> *I, I understand you know all the principles and regarding youngsters, well I, I, I think they ought to be taught or perhaps emphasised to them that the banks are only there to make money out of them, not to help them.* ***Debt Client 10***

> *...a lot of feedback I get from teachers and from parents is that they feel that no matter what they do, their child is always going to be led down the path to getting into debt because those awful banks are out there trying to make them get into debt because it serves their commercial purposes. There is a lot of anger about that I think from teachers and parents who feel as though they are trying to fight a system that they have no control over.* ***PFEG worker***

Willoughby (2012) suggested that the perfectibility of human nature is the invisible error shared by experts in both economics and mental health. In a review of generic financial advice, Thoresen (2008, 6) noted, 'at the core of money guidance service should be that individuals make better decisions and change their behaviour'. Our sample evidenced two different ways of thinking about education. Some believed that it was the only solution to addressing problems of debt; that through practices of teaching, people who had previously acted in suboptimal ways could be taught to act with greater rationality. This way of thinking about money problems was particularly prominent in the debt advice organisations like the CAB, CCCS and MACS. Here practitioners carried out a range of activities to support debt clients, and often very effectively. However, this mode of thinking draws upon and continues to perpetuate, an understanding of debt as 'a problem of individuals', one that can be remediated through improving the practices of rational financial behaviour that individual people undertake.

However, a number of people within this organisational field held the idea of financial education as the central solution to the crisis of personal debt with considerable suspicion. This was primarily due to a tacit understanding of the problem of 'necessity' as the driver for problematic mainstream credit use. The stagnations in living standards and disparity in house prices and rent to earned incomes, and the finding that most people in the problem debt group use it to pay for everyday essentials of living, make framing the problem as one of financial incapability problematic (Orton, 2010). Orton (2010) noted that there was a persistent finding that low income was holding back people's ability to move beyond indebtedness even with careful budgeting.

Perhaps for this reason, it has been suggested that the effect of financial knowledge on the persistence and level of debt is equivocal (Kamleitner, 2012). Eturk et al (2007) argue that although boosting financial literacy may be a worthwhile objective, improved literacy does not in its own right secure positive economic outcomes for people of indebted households. Ben-Galim and Lanning (2010) suggest it was unlikely that financial planning could change things for a significant number of low income families in problem debt and that the literature suggested that low income families tend to do better than wealthier families when budgeting. Mandell and Klein (2009) find those who took a financial literacy course were no more financially literate than those who had not and did not appear to have better financial behaviour than those who took the course. The authors noted that these results were not unique, a point Watson (2003, 736) further elaborates on, commenting 'one has to wonder whether education alone will be enough'.

It may well be the case that recent efforts to improve adult and child financial literacy, debt awareness and money management (Dearden et al 2010) do have some merit. However, they require that people have the capacity to put these learning's to use. This analysis suggests that most of the people in our sample and many beyond did not have such a luxury. Such a finding may account for the potential contradictions of feeling that education is an important way to tackle the problem whilst there also being an acceptance that education, on its own, will not have a significant impact.

3.1.3. 'Debt as the norm'

As outlined above, including mortgages, the current average household debt in the UK, as of August 2012, was £53,706 (Creditaction, 2012) and average consumer borrowing (including credit cards, motor and retail finance deals, overdrafts and unsecured loans) was £3,185 per UK adult. Living with debt has very much come to be understood as a normative social and economic practice in recent years and a number of the participants in the research confirmed this. While a multitude of socioeconomic factors have contributed to this including: financial deregulation; changing cultures and practices of lending (see below); expectations and practices of public funding (such as changes to higher education funding); stagnating wages; and the radical government changes to house ownership through 'Right to buy' scheme in the 1980s; participants generally understood a shift to 'debt as the norm' as central. As the following note:

> *…they don't think about it that much when they take it out, they just look at it as a way of life, so they don't really go into enough detail of their own finances to prove that they can afford it.* ***Bank manager 3***

> *…you know, 20, 30 years or 40 years ago it was seen as a you know a real social stigma attached to it and now it is much more normal and what, when people are asked that question they tend not to really answer it but interestingly enough that is what you suggested is this kind of idea of, of, of it being attached to the changes in student debt and the expectation that students will immediately have to get into debt with regards to university courses.* ***PFEG representative***

Whereas for previous generations being in debt carried a social stigma, this no longer seems to be the case. In fact it appears that this social stigma is now experienced by those who have become over-indebted. Experiencing and managing long term debt was not unusual but a failure to manage this debt was considered grounds for embarrassment and shame. Those who were over-indebted and unable to meet their credit repayments often felt that their involvement with debt advice organisations signalled a failure in financial capability responsibility (Walker, 2011). The key problem was the failure in personal responsibility and autonomy signalled by the need to invite a third party into their lives to reorder it.

> *There's not many of us who have got to the end of our mortgages so yes I do agree with you but actually as you say in, in inviting a third party to take control of your finance, because that's what it is, it's not dealing with the debt, it is controlling your finances, is a bit of a cop out, you know, a bit wimpy isn't it, you have got to ask somebody else to tell you how much to spend on your food*
> ***CCCS manager***

> *It's embarrassment. Losing the sense of pride in themselves. Losing self worth. .... Loads of people are embarrassed and don't understand how they've got themselves in that debt because they've probably had a consolidation loan which hardly ever works .....Erm, to be honest after a bit once you've had a few of these letters you reach a state which I can't, it's almost like you go comatose about it* ***Credit Union Advisor 1***

While this loss of personal autonomy is particularly important in a society currently dominated by notions of personal responsibility and rationality (see above), there were other reasons for the experiences of shame, very often related to the impact that over-indebtedness had on those close to the debtor. For example, Debt client 17 below articulated that the shame that he felt in withdrawing the support for this daughter to play badminton on a regular basis after she evidence talent in the area.

> *Now she was playing for County, under 11s at age 9, so in 18 months that's been destroyed for her and it's not because we don't want to do it and we don't want to see her do whatever but she's a very thoughtful person who understands that, you know, there isn't 20 quid available to go for fuel to get her over to Shoreham or Portslade, there isn't 20 quid a week to give her a private lesson or two or three group lessons. So, you know, she's given up that, which is not the nicest of things to do..... when she was achieving so much.* ***Debt client 17***

3.1.4. The role and nature of retail banks

In terms of understanding the modern practices of lending and borrowing it is important not only to understand the behaviours of various actors in this field but also to make visible some of the key ways in which institutions are publicly understood. In terms of high street banks many participants understood, or had understood before they experienced over-indebtedness, high street banks as responsible and benign organisations that could be trusted to act in the best interests of its customers, many of whom had used the banks unproblematically for many years. Although this way of thinking about banks may have been broadly accurate in previous generations, relatively recent changes in the cultures of lending and debt collection meant that there had been a fundamental change in the relationship between high street banks and their customers. Whereas previously banks could be trusted not only to provide the most appropriate advice in the interests of their clients, clients are now positioned as 'customers' and thus as potential sales opportunities. Bank manager 3, who had worked in high street banking for nearly 30 years, outlined the nature of this culture change below (as documented in additional extracts). There was a feeling that not only were many customer's understandings of the role, responsibilities and inclinations of banks outdated, but also an understanding that banks were able to draw on these outdated representations to support their sales practices (see section below).

> *I would say it was, erm, the fact that we were more concerned with making a profit from the loan, it became a bigger part of the profitability of the bank shall we say. At one time it was a small contributor to the profits of the banks, we made money from charging people to run their accounts and such like.* ***Bank Manager 3***

> *….but I will say obviously that it shifted from more kind of customer service to purely just getting this customer set up on a payment plan and getting them basically paying the bank again.* ***Debt collection agent 2***

> *I think people are led to believe, youngsters are led to believe that the banks they look after you, they will help you along and I think the emphasis should be they are profit making companies, they couldn't really care less about you, they just regard you as a machine to make profit out of.* ***Debt Client 10***

> *....and some people still believe that if they're being leant money then the creditor has assessed their ability to repay it, and that they must be entitled to it, or there's also this belief that credit's what you do.* ***CAB advisor 4***

> *I had, it was my loan, so my overdraft and I've always been with them since I was 16, so there's a definitely feeling of your bank is almost you feel loyal and had that misconstrued idea that almost they're like a parent, and you believe what they say, I hadn't really educated myself on the banks, so it really hit when they said my overdraft…* ***Debt Client 16***

> *…so I think there is, there is a case for education because we let, because the banks they launch all these products and then they sell them to us and we really take their word for it, don't we, we all go and, when you go and buy a credit card or debit card off somebody or whatever it is you are buying you actually, you only take their word for it and they are really the only people who know what it is.* ***Bailiff***

One worker in a debt collection agency outlined the fact that banks were businesses and, as such, operated as businesses. This involved privileging profit over the financial care of their customers. However, it was clear that many of the debt clients interviewed for this research had not understood this clear transformation in banking practice until they found themselves over-indebted. Moreover while a number of workers in the financial sector and free advice sector clearly understood this change in banking in recent years, they also held little faith that their own knowledge was necessarily shared by the general public. As such, there was a general concern about banks being involved in practices of financial education. For example:

> *So yeah I think there's, I don't know maybe the banks shouldn't sell as hard as they do, but I really don't know much about how they do sell and all I know is they are a business and at the end of the day very few people are stupid enough not to realise that they are a business* ***Debt collection agent 1***

> *I am not so sure that banks should actually get involved in the education process if you like....I do know that CCCS have trained, you know we do, we have tried to go into schools and tried to give advice to students but the banks go into schools and give advice to students as well* ***CCCS worker 2***

3.1.5. The reality - Life events and the use of credit

The introduction of this report outlined a specific set of political and economic circumstances that have potentially impacted on the stagnation in real terms wages in recent years and disparity between the cost of housing (purchase or rent) and average earnings in the UK (Chamberlin, 2009). While a number of policy directives over the last ten years have emphasised the growing problem of personal indebtedness as one of individual fallibility and financial capability (Department for Work and Pensions, 2004, Department for Work and Pensions, 2005, Department for Work and Pensions, 2006, Department for Business Enterprise & Regulatory Reform, 2007, Walker, 2011, Walker, 2012), there have been fewer public accounts of the structural precursors of growing personal debt and problem debt. However, there are some accounts. For example, Ambrose and Cunningham (2004) found very few of the paths into debt involved the fecklessness of the debtor. Rather the usual pattern suggested incorporated increased financial and often emotional vulnerability stemming from unpredictable life changes. More recently Dearden et al (2010) showed that more people are using credit to smooth income and expenditure flows. Thus some individuals are moving into problematic debt due to levels of income being insufficient to account for their day to day needs. In addition, they argued that insecure labour market experiences and the financial impact of normal life events were implicated. Ben-Galim and Lanning (2010) also found that it was unlikely that financial planning could change things for a number of their sample since debt problems were rarely the result of bad money management. Moreover the authors stated that there was no clear dividing line between the indebted and the over-indebted. However, elsewhere it has been noted that low income families were more likely to use credit to make ends meet **(**Kamleitner, 2012).

From the analysis of the interview data obtained for this research there was a clear consensus across the stakeholders that individuals were capable of budgeting. There were exceptions, but most agreed that the people who were seeking debt advice were adequately capable of budgeting, as the following comment shows:

> *Again there is this view nationally that someone who's financially excluded and on benefits can't manage their money, that they're not intelligent and we find the opposite to be honest.* ***Credit Union Advisor 1***

> *….but I suppose most people, by far the majority of people that I have come across, try to be responsible as far as they can be.* ***Bailiff***

> *It's very rarely that we will see clients that had just mismanaged their money, [that} they over committed liberally beyond their means, it's rare.* ***CAB debt advisor 1***

What was found in this research supports the work above by Ben-Galim and Lanning (2010) and Dearden et al (2010). A range of professionals in the credit industry, as well as debt clients themselves, suggested that their experiences of debt occurred following life events that were unexpected and that disrupted previous budgeting. Indeed most clients had not had the capacity to put aside money in the eventuality of such events and so found themselves at the mercy of such events. As a result many people found that, rather than using credit cards for what one might term 'luxury' or 'unnecessary' consumer accoutrements, the majority of over-indebted people were using credit to live on, to pay for essentials. For example:

> *I think now and certainly the last six to twelve months, if not a bit more, a lot of it is unemployment and people basically using credit cards to essentially live on rather than pay credit you used to buy the essentials and try and pay bills* ***Bailiff***

> *I have been out of proper full time career work since April 2009 and because of that and not being able to get help with the mortgage and also not realising that I was going to be out of work for quite so long we lived off credit cards for a little bit and I did sign on for unemployment immediately but that only lasted until mid-November* ***Debt Client 15***

> *….yeah, we get, what we tend to find is people tend to get into trouble because they've had an unexpected life event, they've got four kids and the washing machine goes wrong.* ***Credit Union Advisor 2***

> *Another reason why people are in debt is just because of low income. Most of the people we work with are out of work or they are in low income jobs and they take credit just to live.* ***MACS worker***

> *It's when something dramatic has changed that's when people generally get in contact with us. Like you say, separation, lost their job or maybe they have injured themselves they can't do the job that they were doing.* ***CCCS Advisor 1***

> *I think the biggest shift has been around the use of credit to bridge gaps in employment. There is evidence that some people use credit to try to maintain living standards when they first become unemployed.* ***Executive, Centre for Responsible Credit***

A number of clients drew on the phenomenon of 'robbing Peter to pay Paul' to understand their experiences (e.g. using sources of mainstream credit in order to pay off previous sources of mainstream credit). Although this mechanism tended to lead to a greater range and intensity of debt problems, this practice was often articulated as a survival strategy. As the following debt client comments:

> *…then you start robbing Peter to pay Paul because, and then you get another card and you think I will pay that one with that one and it just spiralled but at the time you are in it you don't realise it, you just think you can afford that much per month and you are never ever going to clear it and get out of it so…* ***Debt Client 4***

Overall it was clear from the range of accounts that credit use was largely predicated on essential living expenditure and that the reasons for becoming over-indebted could not have been avoided. Thus although specific activities and strategies could have been beneficial when in debt (i.e. avoiding the Peter and Paul scenario), financial incapability was not a precursor to experiences of problem debt.

3.2. The practices and culture of lending in recent years

Recent work has reflected on the impact that practices of financial deregulation have had on mainstream credit availability. For example, during the 1950s to 1970s, government exerted extensive control over lending but since deregulation in the 1980s both supply and demand have expanded significantly (Richards et al 2008). Research suggests that 88% of successful credit card applicants were not requested to show any proof of income (Richards et al 2008). Moreover many lenders use demographic or lifestyle information to target potential customers which has led to people being given far more unsecured credit than they can afford to repay, perhaps contributing to that Britain's poor paying in excess of £500m a year in interest charges alone (Richards et al 2008).

In recent years financial institutions have intensified their marketing activities, often targeting vulnerable customers (O'Loughlin & Szmigin, 2006). Further, it has been suggested that there have been higher levels of aggressive marketing techniques and promises of easy money by both traditional and non-traditional institutions. For example, recent research found students talking about how they were 'touted by the banks', a problematic situation considering high credit limits are routinely understood as a reason for problem debt (Goode 2010). Credit issuers have been keen in recent years to cultivate revolving debtors (Cohen 2007) with lenders of almost all kinds continuing to press further credit even in cases where debtors experience obvious repayment difficulties (Ambrose and Cunningham, 2004).

The issue of revolving debtors is considered to be crucial by Montgomerie (2007) who implicates the growth of Asset Backed Securities (ABS) in the culture of cultivating revolving debtors. Asset backed securities have served to augment the supply of credit available for consumer lending but also made profits and future credits contingent on a steady stream of persistent revolving debtors. ABS are important in credit markets since they lighten equity requirements on issuers' balance sheets and allow the recycling of loan pools through off-balance sheet transactions which both increased supply of credit. However they also influence lenders toward targeting and acquiring persistent revolving debtors because the ability to issue ABS is predicated on the existence of a certain proportion of unpaid balances. Hence securitization has increased supply of credit and transformed lending patterns to focus on already indebted individuals. ABS markets exist for credit cards, car loans, student loans and even telephone bills. The capacity to issue an ABS depends upon the existence of substantial number of people with unpaid balances in a portfolio. Without this there can be no further recapitalisation. The huge growth in ABS in the last 15 years has risen in tandem with the growth in overall revolving debt (Montgomerie, 2007). Indeed this impulse to cultivate repeat business from revolving debtors is analogous to the experiences of payday lenders who use a variety of strategies to convert occasional users of payday loans into habitual borrowers (Stegman and Faris, 2003).

In such a credit environment, characterised by deregulation and self regulation, the need for effective audit is crucial (Whitfield, 2001). While policy makers have generally been disinclined to regulate the availability of easy credit, perhaps due to fears that it would stifle economic growth (Cohen, 2007), there is in existence Office of Fair Trading guidelines on irresponsible lending (2011b) and a self regulatory Lending Code that sets minimum standards of good practice in relation to a variety of modes of lending including loans, credit cards, charge cards and current account overdrafts (The Lending Standards Board, 2011).

However, through the accounts of multiple lenders, borrowers, and debt advisors; this research reveals a deeply problematic culture of irresponsible lending that was widespread both within mainstream credit institutions and across the sector. Moreover, as shall be seen, these experiences run counter to a number of regulations and recommendations for good practice outlined in the both Lending Code (2011) and the Office for Fair Trading Irresponsible Lending guidelines (2011). The following sections shall examine aspects of the Lending Code and Office for Fair Trading Irresponsible Lending Guidelines in relation to responses from the participants in this research. These elements will be examined though accounts covering 'responsible lending', 'positive selling', 'incentivisation practices', 'seeking customers', 'credit checking', and 'regulation'.

3.2.1. Responsible lending?

Firstly it was clear that people were routinely being provided lines of credit far and beyond any possible capacity to repay. These examples of credit often surprised both workers within the mainstream credit sector, and the credit clients, understood through discussion of a culture of irresponsibility. Central to this culture of irresponsible lending was what had been categorised as a 'desperation' to lend money. Participants in this research suggested that OFT (2011b) guideline 2.2 (*'In general terms, creditors should: make a reasonable assessment of whether a borrower can afford to meet repayments in a sustainable manner')* was regularly contravened. This was also the case for OFT (2011b) guidelines 2.3, 3.13, 5.5

> **2.3** Fair treatment of borrowers. Borrowers should not be targeted with credit products that are clearly unsuitable for them, subjected to high pressure selling, aggressive or oppressive behaviour or inappropriate coercion, or conduct which is deceitful, oppressive, unfair or improper, whether unlawful or not
> **3.13** The following are amongst the features associated with a credit agreement that, in the OFT's view, should be included, where applicable, in an explanation to a potential borrower who was considering acquiring any of the following credit products (in addition to the information detailed above):
> **Consolidation loans** Where applicable (and known to the lender and calculable), consolidating existing debts will involve the payment of higher interest rates and/or charges (increasing the total amount payable) and/or will increase the repayment period.
> **5.5** Promoting the sale of a particular credit product to an individual borrower under circumstances in which the creditor has reason to believe that the product is clearly unsuitable for that borrower given his financial circumstances and/or his intended use of the credit (if known).

Indeed the participants also suggested that guidance notes 50, 115 and 184 of the Lending Code (2011) were also regularly contravened

> **50.** Before lending any money, granting or increasing an overdraft or other borrowing, subscribers should assess whether the customer will be able to repay it in a sustainable manner. They should do this by considering information from CRAs, including existing financial commitments where provided, as well as the following, as appropriate
> **115.** Before giving a customer a credit limit, or increasing an existing limit, subscribers should assess whether they feel the customer will be able to repay it.
> **184.** Once a personal customer has been identified as being in or at risk of being in financial difficulties, the subscriber should determine the appropriate level of intervention required dependent on the individual customer's position.

As the following participants comment:

> *....completely, yeah, completely disproportionate to their earnings….. there was a really basic equation which is something like we, they wouldn't lend more than 20% of your earnings but the majority of the time that was completely out the window, most people had credit limits way above what they were earning. I saw people earning less than £20,000 who had more than a £10,000 limit I mean completely disproportionate to what they could afford plus it wasn't their only debt, when you checked their credit reports they had numerous other credit cards, loans, a mortgage.* ***Debt collection agent 4***

> *…actually yeah I think that it is a very irresponsible, I have seen people that...you know been about 18 years old but have had a credit card, a loan and you know over £1000 overdraft…. And I have seen all three of those accounts in arrears and they have got a part-time job and so there's like a thousand pounds loan, a credit card with like a thousand pounds on it and a thousand pound overdraft you know so it is like £3000 for someone just turned 18 who has got a part-time job and doesn't necessarily know what they are doing.* ***Debt collection agent 2***

> *.... then it became so easy and there was so much encouragement to borrow money. You went to the bank to talk about buying a new car and you came out with a car and a caravan and all the accessories. They were desperate to lend money so people just got deeper and deeper.* ***CCCS manager***

> *….for example I was going to ask for a loan and I couldn't have the loan and then the bank said to me, "why don't you get a credit card?", "why?", "well, I think it would be easier for you to get a loan", so he convinced me to get a credit card, so I got the credit card with a minimum limit...* ***Debt collection agent 3***

> *...cos we do have also clients that come in that for instance go into the bank for a £500 overdraft just to help them out and they are offered £5000 loan so we do have a number of clients that state that the, it, the loans and credit cards were too easily available or it wasn't explained enough,* ***Cab advisor 1***

It appeared that this culture of lending impacted upon even those who were substantially indebted and unable to pay back the credit that they had previously borrowed. As the following debt clients comment:

> *…and I had a credit card from one of those banks which I had had for a long time and that was like £1,100 and I still owed money on that when they gave me the loan* ***Debt Client 4***

> *I had a credit limit there in the form of an overdraft on for £9000 then they gave me another account and, called the XX account, and then all of a sudden they tell me oh we have given you an overdraft limit there of £5000 so I had £14,000, they then gave me a X plus credit card, more-or-less a charge card really where you could spend up to £10,000 and quite honestly I, I, it was really like giving us alcohol to a, a, guy to get drunk on.* ***Debt Client 10***

In addition, often people were offered credit beyond the amount that they had asked for or required but took the money for the reason that they felt it necessary to borrow in the first place.

> *If someone says to you, as banks do, can't give you a loan for £3,000 but I'll give you one for £5,000, you're going to say yes, because you can use the extra money for something.* ***Credit Union Advisor 2***

3.2.2. 'Positive selling'

The activities above did in general relate to the experiences of people whose experience with their credit provider came about following an initiation by the customer. However, it was clear from our data that banks have in recent years formulated specific practices and cultures that have reoriented their focus specifically toward proactive selling or 'positive selling'. There appeared to be very little dissent to the notion that high street mainstream credit providers have been, in recent years, routinely supplying and indeed in some cases, pushing customers toward unsustainable lines of unsecured credit. This included practices of cold calling customers in order to try to sell them credit, often under the guise of introducing services or assessing customer's needs. Such practice may contravene standard 32 of the lending code which demarcates the difference between promotional and operational communications.

> **32.** Subscribers should consider carefully whether the purpose of a customer communication is operational or promotional. Where 'combined' messages are used, a non-promotional version may be needed for customers who have opted out of receiving marketing material.

Indeed this task was likely facilitated by the commonly held understanding (see above) where, in terms of personal lending and accounting, banks were publicly constructed as responsible organisations that could be trusted to act in the customers best interests. However this selling was clearly not always in the customers' best interests. For example:

> *..another things we do is once the customer has got a loan we have to phone them once they've done six payments, between six and twelve months and do a loan review but really what the bank is trying to do is try and sell them another loan* ***Bank worker 1***

> *I mean I get my bank phone me up all the time, it's time for your annual review, well I don't want an annual review, it's like well have you thought about taking this out, have you thought about, you know, you could be doing this. Do you need a loan? It's just to see whether they can sell you something so, you know, but I don't think they're really looking in it to see whether if you do take it out, whether you're going to be able to afford to do it.* ***CCCS 1***

> *Firstly, there was a lot of… not just within my bank, I know and worked with people who worked for other banks and branches, and there's been a great increase in… if I say 'positive selling' and contacting customers and making sure that they have everything they need, explaining that there are different services that are available to them, which, from the bank's perspective, sounds like very good customer service, but it was basically selling.* ***Bank worker 2***

> *....quite often bordered on cold calling, and trying to introduce customers to services that they quite often didn't need, or certainly sometimes didn't understand.* ***Bank worker 2***

> *....now it started to change over the years in that it wasn't just go out and see Carl and stroke his back a little bit, you go out, stroke his back and sell him three products off the back of that meeting. …..but you know it got to the point with [X high street bank] and my job of where you were having to phone your manager every day at 4 o'clock and tell them what you had sold that day.* ***Bank manager 1***

> *Say if you ring up and you want to know your balance or you have a problem with your direct debit or missed a payment, or to increase credit limit. When they'd ring up they'd also say "do you know you can get a supplementary card, so you could have one for your wife/husband or child if 18" and they would earn commission on the products they offered.* ***Bank worker 3***

> *So she went along to open this bank account, fine yea, absolutely fine, we will give you an overdraft, I don't want an overdraft she said cos I had been telling her what to do, she doesn't want an overdraft, oh you have got to have an overdraft, it doesn't matter if you don't use it but you have got to have an overdraft. The facility is there if you need it. OK fine. Credit card. I don't want a credit card, definitely don't want a credit card she said. Now it is part of the package, you have got to have the credit card or you can't do it, this is absolutely the truth.* ***CCCS 2***

> *... "wallet share", it just means that if you have got, as everybody has, credit cards, loans, mortgage, life insurance, investments, you have as much of that share of your wallet as you possibly can get because you know X high streets bank doesn't want its people having anything but X credit cards ... so it's persuading your customers and they used to come out with these stats every now and again and say you know 20% of our customers have 80% of their products elsewhere we have to that ratio around you know and the more of the*

products we can get them with us, the better we will like it for obvious reasons. ***Bank manager 1***

....and there was this culture of, if you have got a credit card, got three credit cards, got five credit cards, we will give him another one cos we can get some debt on that and earn some interest out of him as well. ***Bank worker 4***

... because I joined at that time, in my initial training course, which I think was four weeks long, they very much talked about 'We are going to be the new line of staff' and how it's going to be retail banking as opposed to banking, and how basically our stores, because it started being spoken about in that sense, as 'stores' rather than 'branches', ***Bank worker 2***

It was clear that a specific culture of lending came to permeate the practices of a range of high street banks providing mainstream credit. These practices appeared geared to securing 'walletshare', or a greater percentage of a customer's credit facilities. The practice was reported by both the people working in these institutions and the people being offered credit as a rapacious and intense experience of selling that did not always operate in the best interests of customers. Moreover sales practices were frequently disguised as annual and/or customer reviews. The customers who were party to these approaches were regularly unaware that the purpose of the communication was sales oriented.

3.2.3. Incentivisation practices

One way in which this sales culture was achieved and sustained was through a range of incentivisation practices where staff came to understand that both their financial remuneration, and the satisfactory performance in their jobs, came to depend on the degree to which they had met their sales targets. Richards et al (2008) noted that the reward and commissioning structures for staff are never publicly revealed. However, every bank worker in this research talked of a prevailing culture of target driven sales, a situation that was suggested to characterise the UK industry more generally. These were frequently broken down into daily, weekly and monthly targets and workers spoke of experiencing substantial pressure to hit these targets, a pressure described by one former manager's son as 'the bane of his life'. Further, the degree to which staff fulfils these targets impacted on their occupational grades. A failure to meet the target would frequently lead to the member of staff experiencing a range of coaching plans and/or disciplinary procedures aimed at addressing their failure to sell sufficient amounts of credit. This required for some workers a degree of cold calling to sell credit since people tended not to walk through the door to review their finances. As the following highlight:

One of the reasons I left [X high street bank] was because of these 'targets' as they call them. My son actually still works at [X high street bank] on the counter at [Y South coast town] and it is the bane of his life because they are told each day you have got to sell, you know, in the case of your lady, ten X credit cards, each day you have got to get £25,000 worth of loan applications. ***Bank Manager 1***

You get bonuses, it's every quarter your'e, basically look at your target, like they have different, like different goals so like, you know, for, you might have like a branch target or you might have like a customer service target, your own sales target and obviously based on how well you do is how much of a percentage you get of it. And then also as well like over the whole year it then goes towards your end of year review, like what grade you get and if you get a pay rise and things like that as well. ***Bank Worker 4***

For example, when I joined the bank I was told I had to get four appointments a day and I thought that sounds easy but it isn't because people don't want to come in. You don't really get people walking in the door saying I want to review my finances. So we have to phone people, it's almost like cold calling because you're ringing people up and you're trying to invite them in. ***Bank Worker 5***

As the following extracts highlight, such target-driven sales culture, and the need to hit specific targets in terms of points sold, lead to corrupt practices of selling credit that people didn't need or that they could not pay back. This pressure has been augmented in some organizations by a shift in the value of products in order to continually increase the target.

(P) Yes and a credit card is 75 points, so it's quite a lot that we have to sell. A loan is 60 points per thousand that you lend, sometimes they might be doing something that isn't right for the customer
(I) What like selling them a card they don't need or a loan they can't pay, that sort of thing?
(P) Yeah…what they keep doing is reducing the value of products because a couple of years ago a credit card was worth around 180 points now it's only 75 and we also used to do the loan insurance as well and that was big points and you got 294 points per thousand off the insurance....But once that was pulled and they reduced all the points, they didn't reduce all the targets. ***Bank worker 1***

And now every single product is incentivised and they will say one week 'well we are having a special push this week on the X credit card, we are going to up your target this week by 30%' and then they dosh out prizes for those people who have hit their target or exceeded them and that's what banking is all about these days. ***Bank manager 1***

Well if you don't meet your targets you get put on an informal coaching plan which is a one to one with your manager every week on why you're not performing, how you're going to train. That's for three months and if you still don't meet your targets you're put on a formal coaching plan which is for six months and if you don't hit your targets after then, potentially they could dismiss you as you're not fulfilling the job or they can make you take a pay cut or they could drop you down to a lower role. Your pay reflects how many points you have to do so there's no incentive as you don't want a pay rise cos your target will go up. ***Bank Worker 1***

Yes it was. I mean, if you were to speak to the bank, the way it was talked about, it wasn't bonuses, but we basically did receive a bonus and it was based on personal performance, the branch performance, and then the bank as a wholes performance, but basically you had to hit your target, and by hitting your targets, first of all that ensured that you didn't go through any disciplinary procedure. ***Bank worker 2***

Moreover, in the interview with a senior representative from the British Banking Association, the UK trade body for banks, it was suggested that the practices of remuneration in retail banks was broadly balanced and that there would be little or no over-incentivising of staff. As the participant comments:

I would say across the board they would have broadly balanced remuneration policy so they won't be over incentivising sales staff ***BBA***

3.2.4. Seeking customers

As one might expect to find in any industry characterised by high pressure sales, high street credit sales evidenced a range of strategies that banks workers used in order to increase their chances of selling. Stark and Cholpin (2010) suggested that consumers will be party to a range of often successful strategic practices of selling. For instance the 'sunk cost effect' suggests that if information that is problematic is disclosed later in the conversation when the consumer has invested time in the process, it will be less likely to be viewed as problematic. They noted that consumers will frequently accept senseless information and that consumers can be susceptible to 'argument immunisation', a psychological phenomena whereby the broker may induce the borrower to notice and raise one potentially problematic provision in the loan terms that will be well explained by the broker so that the borrower will be less likely to assume the presence of other problematic provisions. Hill and Kozup (2007) suggested that the strategies of predatory lenders included lacking full disclosure, trying to make borrowers borrow more over time, using 'initial loans', selling additional 'consolidation' loans. Such practices also appear prominent in the mainstream credit sector. For example, our data suggests that a key element to a range of approaches was persistence. On some occasions workers spoke of a need to continue to sell even if the customer had initially indicated that they were not interested in any new offers. For example:

> *They just say well OK we just wanted you to know that you're eligible for this because, and then they try and start again and start kind of say, 'oh just telling you because you this, this, and this, if you upgrade to this account you can get free URP and insurance and things like that'...* ***Debt collection agent 2***

The strategy of 'reviewing loans' mentioned by bank worker 1 above was used to enter customers into a discussion about their credit experiences and needs and is used by some sellers as a launch pad for an attempt to sell further credit. The majority of customers appear to believe that the purpose of the call is to discuss their current loan. Throughout the interviews it was clear that sometimes sellers aim to sell credit by playing on customer's fears, to manipulate information about their desires and aspirations and use this information to sell credit to customers who did not necessarily need it. Aggressive selling was also commonplace with scare tactics mobilised to force often naive and occasionally vulnerable customers into taking on more credit. This tactic was considered to be used 'across the board'. As Bank worker 2 comments:

> *I would say playing on sort of fears was another one, and really pointing out what could go wrong and obviously then what they needed to do to cover that, and on the back of that, as I've said already, talking about 'want' to be more powerful than 'need', so talking about fears, also talking about desires and getting them to talk about their dreams and aspirations, then making a note of that and coming back to them later and saying 'Oh I remember you said that your son's really bright and you want him to go to a particular school, why not look at this, maybe do this', and use that sort of technique...*
> *…erm, it was… well my understanding of aggressive selling, I don't know if this is the same as the way you're asking, not aggressive in the form of 'You must have this, you have to do this', it was more subtle than that. I saw a lot of what I would term aggressive selling, forcing people on the basis of scare tactics, and I've seen that quite a lot, more so from the Financial Advisors, but to be honest across the board.* ***Bank worker 2***

One Citizens Advice Bureau advisor spoke of scouring the insolvency register for people whose bankruptcy recently ended so that they could send them details of a credit offer in order that they could 'hook these people back in' (see also the experiences of credit offers discussed by clients above).

...they always used to check the insolvency register and when somebody's bankruptcy ended send them details about credit card, so you know, you can now apply for a credit card and they'd offer like, you know, I think the information would say oh you could get a grand limit, but they'd start them with a two hundred pound limit, so like two hundred hook them back in, and I suppose it's my personal opinion... ***CAB advisor 4***

Sometimes credit sellers would try to sell credit under the guise of a line of credit for specific emergencies but with the knowledge that, more often than not, it would lead to a loan to cover the missed payments. Finally and perhaps most surprisingly, the nature of the sales culture at these banks was such that a number of participants signalled practices where bank staff themselves would take on extra credit at the end of the month in order to cover targets that were not being met. This was a practice that was sometimes encouraged by managers. As the following comment:

'You don't have to use them, you can just use them as and when or in emergencies', knowing full well that people will use them and forget to pay off the minimum payments and then need a loan. ***Bank worker 2***

...you know, I done some training a couple of years ago for a young parents' group and there was three young people in there, young people, I say up to the age of 25, all worked for a bank, all of them had a couple of credit cards and loans with the bank purely to get the stats up with the bank. So if they're going to be selling to the customer at the end of the month and there was, you know, six more loans to be had and four more credit cards, they'd encourage the staff to take them out. ***CAB advisor 5***

Hill and Kozup (2007) noted that predatory lenders tended to shift accountability from the lender and/or problematic loan to their customers and holding them responsible for their problem, the 'blaming the victim' strategy. We also noted that this strategy was used:

It was almost as though she put the blame on them for not being able to manage the services and products that she was able to sell them. So it's kind of… it's almost that the blame never touched her because she was told this was her job, she sold these products to people, she explained how they worked, allegedly, and then if they couldn't manage them then… ***Bank manager 2***

These practices include selling loans that appeared to be more beneficial for the customer but in actual fact leave them worse off in the long run. Indeed Mellor (2010) noted that consolidation loans could lead to people paying many times more than the original sum borrowed. It included knowledgably selling credit to people that the bank worker was certain would not be able to repay it. This process appeared widespread throughout the interviews and their accounts of the broader institutional field. For example:

Loads of people are embarrassed and don't understand how they've got themselves in that debt because they've probably had a consolidation loan which hardly ever works. You know, you go to the bank and you say I can't pay my loan, so they'll offer you another loan and the first loan is, you know, added so you're paying interest on interest and they extend the term of the loan so the monthly payment is lower and you're actually worse off. ***Credit Union Advisor 2***

A position supported by both bank workers and mangers:

> *...it was sold on the basis that the repayments are lower and it's easier than to manage your money, it's all coming from one place with one interest rate. Obviously, on the back of that, it then spread over 25 years, so it actually cost a lot more to the customers, but it was never spoken about that way, it was talked about customer service and how we could help people.* ***Bank worker 2***

> *I can say I've given out mortgages to people who I've known wouldn't be able to re-pay them or would struggle with them. Purely for the fact that, originally when I was doing it, it was largely down to the fact that we could …..the computer will decide, yes, no or maybe and if it said yes, you would then look ridiculous if you turned it down. You would be having to answer questions. So, if the computer said yes, you would do it.* ***Bank manager 2***

The client below was advised to obtain a credit card following the situation where they had communicated their struggle to pay off their current bank fees. It is unlikely that this advice constituted providing 'the customer appropriate and timely options where possible to help reduce the risk of deterioration in the customer's financial well- being' outlined in standard 182 of the Lending Code below

> *Well what they advised me to do and what I did was to get a credit card which made everything ten times worse of course.... the best advice to pay off the bank fees to get out of debt was to get into the debt more. Very cynical.* ***Debt client***

Finally it would appear that a range of practices of problematic selling, or mis-selling, occurred in the day to day work of the people who worked in high street banks. The participant below outlined that these practices were driven, at least in part, by increasingly demanding targeting regimes where a failure to sell not only affected financial remuneration but also their employment status:

> *I'll give an example to you, in another branch we have these accounts called upgrades where you pay a monthly fee and you get benefits like breakdown cover and travel and mobile phone insurance and someone had sold an eighty year old lady this X account which gave her travel insurance and everything else but she was in a nursing home, she didn't drive, she didn't have a mobile and it was totally the wrong thing and you think well, if people weren't being pushed as such then that's why somebody probably did it.* ***Bank worker 1***

> *....it was a culture, but it was a culture brought on by sales and targets, and obviously it would attract certain types of people who would want to stay in that kind of line of work, or they leave*
> ***Bank worker 2***

3.2.5. The processes of credit checking

Referring specifically to products covered by the Lending Code and provided by subscribers to the Code, the chief executive of the Lending Standards Board said

> *I wouldn't have thought that the pressure to sell was leading to a significant problem simply because of the safeguards you've got over the assessment.* ***Lending Standards Board Chief Executive***

The chief executive of the Lending Board suggests that incentivised selling, attempted mis-selling, sales culture and cold calling should not in theory be a problem if the practice of credit checking acts as a sufficient safeguard against poor lending decisions. Moreover the OFT (2011b) stipulate that the following constitute 'Unsatisfactory business practices and procedures':

> **4.19** Failing to establish and implement clear and effective policies and procedures for the reasonable assessment of affordability.
> **4.20** Failing to undertake a reasonable assessment of affordability in an individual case or cases.
> **4.21** Failing to consider sufficient information to be able to reasonably assess affordability, prior to granting credit, significantly increasing the total amount of credit provided, or significantly increasing the credit limit (in the case of a running account credit agreement).

However some of the practices discussed earlier suggest that there may be problems in the process of credit scoring. Credit scoring measures the statistical probability that credit will satisfactorily be repaid and is based on the idea that it should be possible to predict the future performance of applicants with similar characteristics to previous applicants (UK Credit Industry, 2000). Lopes and Marques (2011) argue that in terms of the probability of default the content in banks databases, which in many cases is not updated, is treated as 'reality'; what might be termed numerical realism, regardless of how accurately it represents people. They note that qualitative human approaches have almost completely been replaced by quantitative approaches (Pressman and Scott, 2009). These approaches for credit cards for instance use gender, age, marital status, personal property, number of people in a household, education, occupation, residence status, number of years in job and payoff of current credit card and loans to establish a probability of default. However the authors present the limitations of this approach, not least due to the inherent limitations of trying to predict the future from the past when faced with changing circumstances. As such the authors suggest such procedures provide a false sense of lending security.

Our research suggests that a range of participants throughout the industry held little confidence that the algorithms used in recent years were effective in ensuring that people were provided with the appropriate credit facilities. The issues revolved around structural problems in the algorithms used, a failure to address 'soft factors' and a failure in many cases to be able to override the decisions made, often as a result of a normative culture of hard selling. For example:

> *Where you have got a credit scoring system that doesn't have much human input at all, then it can have errors in it.* ***Bank manager 1***

> *What it doesn't take into account is what one might call "soft factors" – so you're only putting in facts, and whatever the answer was…so, if your assessing yourself, you would have more of a feel for "is that really the true answer, should I ask another question as a follow up because I actually want to find out more about this person as an individual as they may be giving me answers that they think I want to hear"?* ***Bank manager 3***

> *....credit is given to most people. Erm, and you can, it's quite easy for you to get another credit card on the internet. Transfer your balances to a 0%, just quite easily without... erm, and I do have quite a lot of people on benefits that have got quite a lot of credit cards and quite a lot of loans erm, you know, they've got loans all over the place and from my experience, from what they've told me they've never actually worked, they've always been on benefits, but they've got £15,000 to £20,000 worth of debts, so how do you manage to do that if they're doing credit checks on you?* ***Credit Union Advisor 2***

> *What's interesting is, so if you're in a situation where the computer algorithm is increasingly taking the responsibility of deciding whether someone should or should not be given a*

mortgage, I guess whatever decision you get and you're working with the people, so it became increasingly more difficult for you to put a stop and say, hang on, I know for a fact that this person won't be able to pay this. ***Bank manager 2***

I'm sure certain creditors do, will do certain types of checks, but there's not an extensive check to see if you can repay it and I don't know, it seems like creditors aren't even that fussed. ***CAB advisor 4***

.....but when you do a credit search all that it checks is whether they've got any defaults. If you do what they call a footprint search it will check what, what defaults there are really. If you haven't got any defaults you could have a bucket load of credit and for a lot of sources of credit that's as far as it will go. If you're applying for an actual loan it won't go further and the people doing the search don't see what you've got but the system sees what credit they've actually got. ***Bank manager 2***

There was one very salient point with one customer, who was… I think she was in her late 30s but she had quite severe learning difficulties, and she had the mental… well, we were told that she had the mental age of between six and nine. Talking to her that was very evident, and she used to come into a branch and obviously she was quite heavily assisted by the team, and they were very good in doing so, but one day she came in and she got a credit card. ….had sold her this credit card from the branch, and it was actually my Line Manager who'd done it. I took it on myself then to phone Card Services to get the card cancelled, because she had no idea how to use it, how to keep it safe, she couldn't be responsible for it to be honest. ….within I would say two months the same customer came in with a credit card again and I had to go through the procedure again, by which point my Line Manager at the time, the original one that had sold the card, had moved on to another branch, and my new Line Manager was the person that had actually re-sold the credit card to her
Bank worker 2

3.2.6. Regulation

When those who worked inside the lending organisations spoke of practices of regulation and auditing, there was a general feeling that the systems that were currently in place were not capable of identifying some of the problems of mis-selling and excessive lending discussed above. The notable exception came from the British Banking Association:

I think the principles are effective.......in addition to the banking sector we have the lending code which is another layer of regulation that goes beyond and above those minimum requirements. And that's something we felt as a banking industry we need to do and that's monitored and enforced by the lending standards board.... ***<u>BBA</u>***

Although the Lending Code does exist there were some examples provided above of where some of the key elements of the code were not being adhered to and this failure of adherence was not being sufficiently identified. All of the high street banks covered in this report are officially committed to the Lending Code. However, for some participants, there was a feeling of cynicism in that any regulatory regime always tended to favour the selling organisations. There also appeared to be consensus that the regulations in place to guard against problematic selling practices were fit for purpose, however the means by which they were implemented were not. The ways in which audits were carried out appeared to be problematic since it was possible to act in accordance with regulations on any given visit and then revert to standard practices when the auditors had left. It appeared to be the case that it was quite possible to provide the appearance of acting in propriety when auditors presented.

> *…any regulation is always going to favour the companies, to extract profit and make people indebted. So I don't know if that's answered your question? It's a tough question isn't it?* ***Bank worker 6***
>
> *Sufficiently in as much as there's enough regulators out there, yes. In the way they regulate, probably not.* ***Bank manager 2***
>
> *So even if you didn't know when the audit would take place you knew that somebody was going to sit in with you, and that would enable the people that were going to then carry out the interviews with the customers to act completely in accordance with how they should be acting, but not necessarily for the other 300 and… for the rest of the year, the rest of their time there.* ***Bank worker 2***

To summarise this section on the practices and experiences of lending and borrowing, there appears to be a conflation of events. For example, due to stagnating wages and increased living expenses, more people have been resorting to credit in order to meet daily living expenses. The rise of a culture of developing 'walletshare' and revolving debtors, driven in part by the growth of the Asset Based Securities market and fuelled by wage stagnation, has been given form by a target driven sales environment and facilitated by questionable credit scoring practices and potentially ineffective regulatory regimes. Moreover such practises are buttressed by shared understandings of rational and responsible economic actors who often draw upon outmoded notions of banks as responsible and trustworthy financial agents. That many people use information such as credit limits as signals of future earnings compounds this array of lending practices that characterise the mainstream credit field (Soman and Cheema, 2002). Even if the people who experience these lending practices were able to meet repayments, the fact that 25% of people in the UK are struggling to cope with their monthly bills and 39% described themselves as 'being in trouble if they had to find an extra £50 per month' (Creditaction, 2009) suggests that a large proportion of people who only just manage to service their debts, and who may be described as financially vulnerable, are routinely subject to selling practices above. This appears to constitute a substantial proportion of UK adults.

3.3. The practices and culture of collecting in recent years

Hochschild (1983) noted that in some institutions, mechanisms of acting are taken from people and replaced by institutional mechanisms of conduct where the conduct of people becomes arranged according to institutional rules and custom. In such circumstances the mind of the worker who engages in emotional work is moved upstairs into the hierarchical norms of the organisation in such a way that the worker can implement standard procedures which in other walks of life would be constituted as alien or unusual. One could argue that this process was evident in the cultures of lending discussed earlier. However the work in this section covers the practices of mainstream credit companies and their subsidiaries whose role is to recover debt from the over-indebted. What became clear from the accounts of our debt clients, debt collectors, and debt advice organisations, was that debt collection was characterised by deeply distressing and persistent activities where all manner of strategies and tactics were mobilised to create pliant debtors more likely to provide immediate financial return. Gulliver and Morris (2011) suggested that over one fifth of clients always or often felt harassed by lenders. While the purpose of this project was not to attach numbers to our data, it was very clear that a considerable majority of the over-indebted find themselves party to frequently distressing and persistent collection tactics that often strayed into abuse.

In addition, The Office for Fair Trading (2011) recently updated their debt collection guidance for businesses engaged in the recovery of consumer debts. We believe that several of the key guidelines concerning the ways in which debt collection employees interact with clients were ignored as a matter of course during their daily work. The specific guidelines are set out below and seek to protect clients against 'any businesses engaged in business practices appearing to the OFT to be deceitful, oppressive or otherwise unfair or improper, whether unlawful or not' (OFT, 2011, 3).

> **8.** businesses should treat debtors fairly, be transparent (information clear and not misleading), exercise forbearance and consideration- in particular towards debtors experiencing difficulty
> **11**. unfair or improper practices include false representation of authority or legal position, physical psychological harassment, deceptive or unfair methods (they should be truthful)
> **12.** unfair practice includes sending misleading communications or statements, contacting debtors at unreasonable time…
> **15.** should not claim a right of entry will be exercised when no court order to this effect had been granted
> **18.** contacting debtors at unreasonable intervals is unlawful or improper practice
> **20.** pressuring debtors to pay more than they can reasonably afford without experiencing undue difficulty
> **21.** making threatening gestures or taking actions construed as suggesting harm or risk of harm to debtors, failing to suspend the active recovery of a debt for a reasonable period under circumstances in which it can be evidenced that the debtor is developing a payment plan on his own account or with appropriate third party representative

Based on these guidelines, the OFT has the capacity to take action against companies including the removal of their consumer credit license. Indeed the OFT recently took action against Wonga.com for writing to customers in arrears implying that they are committing fraud and threatening to contact police if customers did not pay up (Centre for Responsible Credit, 2012, 31/5). We believe that the experiences in this section of the report should be of particular interest to future work on regulating the mainstream credit debt collection institutions. What follows explores these issues in relation to 'The tactics of debt collection', 'hitting clients hard and fast', 'good cop, bad cop', 'call technology' and 'incentivisation and the ideal collector'.

3.3.1. The tactics of debt collection

The way in which debt collection was carried out was routinely described as 'mental warfare', 'intimidating' and 'horrific'. Indeed the collector below understands her experiences at one company as a form of horror:

> *I felt quite strongly and again I only stayed three months because of the horror of what I saw really.* ***Debt collection agent 5***

In addition, one collector documented the tactic of using an alternative name to that of the highstreet lender suggesting this allowed the bank access to a greater capacity to intimidate debtors. As the interviewee comments:

> *So, people that have credit card debt and just recently they've now moved me to work for this, X collections which basically is [Y high street bank], but they pretend to be an external agency, they send people these letters with the header, X Collections, they've been getting away with this for a long time, if the customer pays attention it does say, X Collections is a trading name of [Y high street bank]…. But basically they pretend to be an external agency to intimidate people a bit more.* ***Debt collection agent 6***

Across the data set debt collectors expressed accounts which suggested that there was an expectation that collectors would threaten clients in order to secure repayment, even if such activities would never be officially condoned. This was so much the case that it was described by one former collector as a form of 'mental warfare'. Hoshchild (1983) talks of 'feeling rules' that exist, socially accepted norms about how people should feel in certain circumstances. Interviewees outlined the ways in which it is a common practice was to exploit, enhance and manipulate people through the feeling rules of shame and guilt that so many who are over-indebted feel; to send them off to worry about what might happen to them. As the following comment:

> *I Were you expected to threaten people?*
> *P I don't think they would ever say that, no, but it worked and they encouraged it.* ***Debt collection agent 4***
>
> *So it is kind of a mental warfare really isn't it? You know if you look at it, these people are going to go off and worry about this and not many people know what banks can and cannot do. So to them, it was a scary prospect.* ***CCCS 1***

The participants in this research confirmed that the threatening of people occurred routinely. Although the threats varied in nature and intensity, it was not infrequent that people were threatened with some form of visit to their houses. Reducing clients to tears did not necessarily mitigate against the brutality of these kinds of conversations. Clients described being bullied, patronised, being harassed and that nothing that they could say or do would alter these practices of brutality. Even when clients had organised an accepted payment plan with the institution that they owed money too, they were frequently contacted by collectors seeking to increase repayments. Collection staff made specific reference to instruction to be harder, more aggressive, and more hostile in order to receive their bonuses or to increase department profit. As the following note:

> *Oh they just sort of literally reduced me to tears and said you know you can't have this, you have got to, it was a woman and she was very abrupt and we can't carry on like this you know. You either agree to sort of double your payments or you know you are going to have to pay the whole amount in or we are going to have to send people round to your house, you know really nasty.* ***Debt Client 4***
>
> *These people don't understand, they really don't realise, they sit there and they patronise you, they bully you, they harass you, phone calls 8 o'clock on a Sunday morning, you're like "yeah, and? Do you think you're going to get money out of me on a Sunday morning? I've got like sixty pence in my bank, you want my sixty pence? I'll give you my sixty pence if it just makes you leave me alone, please just leave me alone".* ***Debt client 16***
>
> *....you feel really harassed because you are doing every day when you've sitting at home and you have no gas and all this kind of hideous you know and I didn't know what it was like being poor.* ***Debt client 1***
>
> *Yeah, yeah, exactly, I do, because we receive an email sometimes, we receive some memo sometimes saying the productions aren't doing very well, oh you need your voice to be harder, to be able to receive your bonus* ***Debt collection agent 3***

In addition, one client understood the world of debt collection as being like 'the wild west'. They suggested debt collection had entered a niche of society where people could act however they wanted and that the clients on the end of these communications were helpless and had to absorb the abuse.

> *....it is so like the wild west is the word I would use, I thought I have just gone into a myriad of society that isn't you know that isn't safe and these people can do what they want. I mean it isn't bad, you know.* ***Debt client 1***

Further to such aggressive practices the collector below outlines the frustration with two processes inherent in their collection practice. Firstly they are trained to accept a level of money which failed to cover the charges that the customer continued to accrue on their accounts. As a result some clients in financial difficulty would pay their 2% but the total owed by them would continue to increase. In many cases even though clients were in clear financial difficulty, the charges would not be stopped leaving clients with little chance to pay off their debt. Secondly, although this institution did have practices to help customers in difficulty, such as a vastly reduced interest rate for those experiencing repayment difficulty, collectors were not allowed to let the customers know about this scheme. Instead they had to continue to press for the maximum amount of payments possible.

> *That £24 is 2% of the balance, which means the bank, my training is, accept the 2% and the customer carries on paying the 2%, will carry on getting these charges but 2% of £1,200 is only £24, it doesn't cover all the charges the customer is getting, it barely covers the interest the customer is paying. Say, if instead, if however the customer was offering less than 2%, if they were offering £20 they can pay £20 a month erm, the bank, because they're pretending to be so nice and to, you know, help customers in difficulties erm, they would set an agreement for six months with the customer where they can reduce the interest from 30% APR to 5.9% they could stop all the charges and the customer would hopefully in six months the customer might be, have found a job, they might have improved the situation, but the problem with this is, you know, I'm not allowed to tell the customer that, if you were offering to pay £4 less, I could help you, but because you're offering to pay 2% we'll carry on charging you.* ***Debt collector 6***

3.3.2. Hitting clients 'hard and fast'

A number of participants from across the organisational field of mainstream credit articulated a policy of hitting clients 'hard and fast'. There appeared to be an appreciation that the best chance of recovering money from an over-indebted client was right at the beginning and it was felt beneficial to move quickly and with force in order to privilege their institution over other potential creditors. This was also referred to as 'hit and run'. In such circumstances, the organisation that 'shouted the loudest' would often be the most effective. Such circumstances encouraged a degree of aggression and brutality that could be distressing, not mention to mention surprising for the clients. CCCS 1 below confirmed that as part of this hit and run process collectors would be mindful of trying to trick clients into revealing a capacity to repay that they might not be revealing and to undertake the emotion work mentioned above by manipulating distress in order to secure payment.

> *Yeah, the first, the first, and I can tell you why, the raison d'être of collecting money is, if someone doesn't pay, you go after them fast, yeah, and then you hit them hard so that you get in before everyone else and that's the way the system works.* ***Credit Union Advisor 2***

> *There was another strategy called hit and run, where you just like phone them up, try to get the money as quickly as possible, if it wasn't working go on to somebody else. And the first one, when I first started there they had this thing when you got through a process of like, talking to them about it and effectively you get them to trip up and then make them feel bad about it.* ***CCCS 1***

> *They want everything, yeah, yeah and if you just pay me £10 today you know that will be it, I won't bother you and then quite often they will pay that £10 and then what about the other 50 creditors who want their £10 you know it's sort of, so it's usually the one that shouts the loudest will get it.* ***CAB advisor 1***

3.3.3. Good cop, bad cop

If 'hit and run' had failed or only yielded partial repayment, the collection process often settled into a sustained and relentless campaign of contact characterised intermittently by polite enquiry, abuse, harassment and exhortation. One of the ways to secure a greater repayment was to vary the different manners that staff contacting the debtor appropriated. It was felt that this variety increased the potential chance of success. Sometimes after sending a 'very harsh and threatening letter' customers called up to be met by an altogether different, more helpful, and benevolent tone. Sometimes the tone and attitude that collectors took on the telephone changed in the course of a conversation where a civil and polite tone mobilised to finesse a payment could change to one of threat and menace should the client fail to respond in the desired way. This could be the case regardless of whether the debtor had already come to a prior repayment agreement with the organisation. For example:

> *…oh yeah, they just pass it on to somebody else to see if somebody with a different mannerism could get through or if they could sweet talk you. Because you'd get the nasty ones, you'd get the average ones, you get the patronising ones and then you'd get the nasty ones that were just like "well you've got into this, you should be able to pay your debts" ….* ***Debt client 16***

> *…. yes, but in my bank, always been difficult because we are very harsh, we send a letter, threaten customers, like you have 14 days to pay the whole balance otherwise we're going to put in court, and then obviously these people call us desperate and then we say, "oh no, this is just a legal letter that we send to customers before their accounts will be going to debt recovery, so don't worry about this letter".* ***Debt collection agent 3***

> *Oh they, they're so nice to you on the phone, they're like "we understand your situation and that" and it then sort of progresses from sort of, sort of civil conversation and then they'll just chuck in their "well if you can actually pay four pounds more to make five pounds", and you say "hold on a minute, I know for a fact that you don't take five pounds on a debit card over the telephone". "Well do it on the Internet". "No, I'm not doing it on the Internet because my agreement is for one pound a month and that's what I pay you on this day" and it's "well you do know we can still come round and enforce an order on you don't you?"* ***Debt client 16***

A key finding was that there was an impulse to always ask for more, to always raise the repayment, even for debtors who had organised repayment plans with the organisation. As the collector below outlines, the notion of a 'realistic payment' was anathema to many collection organisations. The only acceptable concept was a maximal repayment:

> *Whereas as I say, I was quite, like, please give me a realistic figure. I think after I had my supervisor in X heard that and took me aside and said that's not the way to go.* ***Debt collection agent 5***

At times staff would use a range of tactics to specifically secure higher payments. The 'mythical manager' is one such tactic where a mythical authority figure was called upon to try to raise the amount that the debtor was paying. This was articulated by more than one collector as a tactic specifically suggested by their (actual) managers. Again this would often happen to debtors who had previously secured repayment plan.

> *Something else that I was told was to ask the customer how much they can offer, okay and then once they make an offer, if I think that's too little or, I can say, oh I'll just go and check with my manager I'll put you on hold for a second and so the customer is on the other side a bit nervous, you know, thinking oh my god is that going to be okay? And so whilst the customer is there waiting I'm not really checking with any manager, I'm just putting the customer on hold for a little bit, then I'll get back to the customer and say, well my manager says you know, this amount is not really, or we could accept that much erm, so the customer will say, oh okay, well I'll try and make that.* ***Debt collection agent 6***

In the interviews collectors often recounted routinely and repeatedly positioning the worst case scenario to debtors. Sometimes however these were not discussed as worst case scenarios but presented to clients as inevitable facts unless they raised their repayment. One collector talked about how it was important to try to ascertain which kind of approach and indeed which kind of threat was most likely to 'hit a nerve'. The key for collectors was to look through their bag of tactics, approaches and threats to try to work out which were likely to be successful with a given client

> *…. if you don't make this payment then you are going to continue to get charges, your balance is going to go up and in the worst case scenario you are going to go down a process of collections and in the real long-term your account could be phased out, you get defaulted and you usually get sinister letters, all these kind of things I mean obviously you don't need to, you obviously need to kind of judge who that is actually going to kind of hit a nerve[with].* ***Debt collection agent 2***

One element that was overwhelmingly reiterated both by client and by collectors was the relentless and unremitting nature of the pursuit of clients. This pursuit occurred in different forms, through multiple telephone calls often with different advisors, multiple silent telephone calls, and repeated threatening and 'sinister' letters. Very often the clients' families also experienced these processes if for instance the client was out or taking a break from the pursuit regimen. Clients talked about receiving threatening letters daily, with multiple and varied threats, and up to 10 telephone calls in a single day. This was repeated daily in many cases and appeared within the accounts of clients who were actually answering the calls. In addition it appeared commonplace for calls to be conducted in the evening and at weekends. A debt counsellor from Hastings noted that clients:

> *'were hounded and on phone hounding five, six times a day, sometimes three or four times in an hour, demanding money, making all sorts of threats' (**CAB advisor 5).***

Some participants noted that the calls would continue if they provided responses that the collectors found unfavourable and spoke about how the relentless nature of this process eventually wore them down. Indeed it was suggested that if collectors received information that they did not like it could be routine for them (or another worker in the same organisation) to call again and ask the exact same questions. It was felt that this was part of a process that was organised to 'break' participants will such that they would provide a payment or increase a payment. Those who tried to log a complaint often found themselves thwarted by aggressive supervisors or by a process whereby it was difficult to establish a clear pathway through which to register a complaint. This contributed to a feeling of helplessness and lack of control over this process of often relentless hounding. As the following comment:

Hmm... and I had someone ring me 5 days in a row and I got very angry.... and it was on a Sunday afternoon and a woman rang up and asked to speak with me, at this point I was still living with my mum. To which my mum said no she's not here and she continued to demand to speak to me and was rude and aggressive to my mum. ***Bank worker 3 (and former client)***

Every single day. (Laughs) It was we were getting letters through the door saying they were going to take us to court, they were going to send bailiffs round, they were going to send god knows who round. We were getting, we could count from 8 o'clock in the morning til 9 o'clock we'd receive at least ten phone calls, so it got to the stage where it would be who wouldn't answer the phone, who, "no you do it, you do it, I don't want to do it". ***Debt client 16***

Constant, well I say constant, I think letters, I don't know how often they got letters but I know there was a massive stack of letters when I got back, and phone calls more than once a week so really my parents felt quite, I don't think they would use the word terrorised, it was quite a long time ago now, but they felt definitely harassed by them and they seemed to, every time they told them something, it got completely ignored and they would call back and ask the same questions, ***Debt collection agent 4 (and former client)***

….and then in the evening they ring you and then they don't seem to like what you are telling them and they ring you again and I, I, I would say they all rang at least a dozen times but they used to ring like from eight o'clock in the morning till nine o'clock at night and it does, although you think you are pretty strong, it does wear you down in the end. ***Debt Client10***

I had, you know, there would be phone calls on a Sunday, it would be relentless, the evenings and Sundays when they thought people were in although they knew I wasn't working and I said can I please talk to a supervisor, first I got a supervisor who was equally unpleasant, mostly there was no supervisor ever available or manager, line manager. You couldn't talk to them. Or you could log something and they would phone you back and of course they never would, never phone you back. ***Debt client 1***

3.3.4. Call technology

The call technology used was also outlined as a potential issue in this pathway of communication between collecting organisation and client. The worker below, a former collector, outlined that those who, following a series of difficult conversations, had stopped picking up the phone, would frequently be subjected to continual calls, sometimes every half hour until the client picked up. A number of clients and collectors spoke about the issue of silent calls where, in amongst the other calls they would frequently pick up the phone to find that there was nobody on the other end. It was suggested that this might be down to an error in the system but the effect of these silent calls could be a different kind of ominous and threatening experience with some clients quite disturbed by them. For example:

Yep. And basically a machine phones on a daily basis, they have what's called a dialling machine erm, you would sit at a desk and I wouldn't actively phone anyone, the computer system, wherever this computer system is, was automatically dialling numbers, dialling numbers, and then the customer, the client would pick up the phone, when the computer recognised that somebody picked up the phone it would then divert to me and it would just come up and then you know, but then these people when they know it's, you know the bank phoning, they won't answer the phone, so what the system will do is in half an hour's time

> *ring again and ring again and ring again and that's what it will just keep doing until it just gets hold of you.* ***CCCS 1 (and former collector)***

> *Yeah. Well, yes, well basically I've had a lot of customers complaining about this. That they get these calls and then no-one says anything. So I imagine that there must be some sort of error with the computer generating the calls but also, not only that, if I'm getting targeted making 24 attempts at a call an hour and I'm seeing, oh my god, I've only done 10 attempts in this hour because I was stuck in a call, I might be tempted, or some agents might be tempted to just hang up on people.* ***Debt collection agent 6***

> *So it's like "oh, just move that, just move that, yay I've got one on them today" because I didn't, it's the automated ones that they send through which very rarely speak into your answer phone so they hang up, and then it's the silent calls that creeped me out more than the arseholes.* ***Debt client 16***

One debt collector noted the reality of silent calls at a more institutional level, beyond computer error. Since collectors were targeted on the amount of attempts that they did in a given hour, it was relayed that it was quite frequent for collectors to call and hang up in order that they reached their allotted target in a given hour.

> *(P)… to call them and hang up, just to get through their attempts.*
> *(I) Do you think people do that?*
> *(P) Yeah! All the time, because they get targeted on the amount of attempts they do every hour.* ***Debt collection agent 6***

3.3.5. Incentivisation and the 'ideal' collectors

As with the incentivisation and target schemes in operation with the employees who worked in lending, the collection agents were expected to bring a certain amount of money in to the organisation per hour. There would be daily and monthly incentives and every conversation with a customer that ended in a payment would contribute to the collectors' bonus. Hitting 'no payment' was articulated as 'bad for the bonus' and agents would 'do whatever they could to avoid hitting no payment'. As lending, failure to collect a significant amount of money would lead to the employee being 'put on a performance plan' whereby they received extra coaching in order to meet their targets. As the following participants commented:

> *….yes, yeah, I do earn a bonus depending on how much money that I make so erm, in my job last week I was expected to recover £300 an hour for [X high street bank].* ***Debt collection agent 6***

> *Oh God. Oh, there were all kinds of different incentives like maybe it was the biggest, there would be daily incentives and monthly incentives so a daily incentive if they were running like a daily incentive thing might be if you got the biggest payment or the most payments….* ***Debt collection agent 4***

> *Either because, depending on how you were targeted okay, when I was in erm, consumer debt recovery, every time I spoke to a customer if I made it into a payment that would be good for my bonus. If I spoke to a customer and I hit no payment, which is like a little button there saying, customer cannot pay, freeze interest, freeze charges, no payment, that would be bad for my bonus because I haven't managed to get a payment out of that customer. So,*

you know, the agents will do whatever they could to avoid hitting no payment, so you know, they might put the account on hold, they might just say they left a message, they might just say, no answer, they would say something else happened, not that they couldn't get a payment. ***Debt collection agent 6***

Yeah, the way of our performance we have, we have like incentives on things, they always have incentives on things like your stats obviously an incentive for things like bonuses so if you're meeting your targets then you get sort of performance ratings each month then at the end of, at the end of each quarter you will get a bonus depending on your performance. That's like the main one but they have like the most recent incentive we had was to win £500 or an Ipad ***Debt collection agent 2***

Yeah well I think, I mean there are kind of strategies there with making sure that people pay and also because in one sense you are going to think of your own stats, your own performance you know what goes on in your own patch but you are also going to think you know you are going to make sure that the call you are doing isn't wasting that time where you could be with helping somebody else or speaking to somebody else. ***Debt collection agent 2***

As a result of the very specific role required to be performed by debt collection agents, the quite extreme forms of behaviour that were frequently necessary to adopt, and the nature of the incentive plan, interviewees suggested a specific 'type' of worker tends to flourish in such an environment. Indeed those who didn't secure sufficient repayment may end up having a colleague take over their work and seek higher payments. Although most collection agents understood their role as problematic morally, there appeared to be colleagues who thrived in the role. For example:

You had to be one of those kinds of cut-throat type of people. You know, go through the techniques that we were taught were like to go through somebody's statement and say, you say you're struggling with money but it says here on Saturday night that you were out and you withdrew money here, there and there. You know, so if you're struggling with money why you going out and spending that money and not paying us? You know, it was called discomfort, you know, make people feel guilty and really bad about it. ***CCCS 1 (and former collector)***

… it was worse actually because they did do that and they did set up payment plans and afterwards I realised that the supervisor had asked a more experienced member to go back and get these people to pay more. ***Debt collection agent 5***

….he actually said "you know that beautiful stereo you've got and that car you've got and that television you've got, I can come in and take those off you if you don't pay this mortgage" and he thought that was very clever. I found that appalling. Absolutely appalling. ***Debt collection agent 5***

It was soul destroying, horrible, horrible work. I hated it ***Debt collection agent 4***

In relation to the degree to which debt collector's activities were monitored by outside agencies, the majority of collectors had never been aware of any external auditing of their practice or, in the event where external agencies like the FSA had visited the bank, collectors were asked to adopt a temporary culture of good practice for the duration of their stay. As the following comment:

> *Oh, no, all internal, all internal. All of the quality checking insurances and statistical analysis that I was aware of was internal. I am sure, no, I don't remember seeing auditors, external auditors, no. I would imagine that that happens but not at ground level, we won't be party to it.* ***Debt collection agent 4***

> *I mean, they put a lot more things in place that make it look like they're doing something about it, but doesn't necessarily, actually work…. we had, I think it was somebody from the FSA come into the office to actually listen to calls and talk to agents and a few days before they came they were telling everyone, you know, don't talk about customers in any sort of negative way and don't do that and they were sort of, basically trying to change the sort of, at least while we were being watched, to make it look like we're doing the right thing.* ***Debt collection agent 6***

3.4. Mental health and debt

There is a substantial literature that has linked experiences of over-indebtedness and financial strain to mental health difficulties. A person's debt to income ratio and their stress due to debt is strongly associated with self reported general health (Drentea & Lavrakas, 2000). Drawing on data from the British Household Panel Survey, Brown et al (2005) note that individuals with outstanding non-mortgage credit were likely to experience lower psychological wellbeing. Moreover a substantial literature has supported these findings (Drentea & Reaynolds, 2012, Mind 2008, Edwards, 2003, Hatcher, 1994, Hintikka et al 1998). Jenkins et al (2008) noted that the more debts people had, the more likely they were to have some form of mental disorder, even after adjustment for income and other socio-demographic variables. In addition, Fitch et al (2007) found that people with mental health problems were nearly three times more likely to report debt compared with individuals without similar conditions. People with six or more separate debts had a six fold increase in mental disorder after adjustment for income.

What remains largely unexplored is the range of factors which drive this relationship. While worry about the implications of over-indebtedness (e.g. failure to be able to maintain payment for essential living expenses, such as food, rent and bills) is clearly important, it clear from our data that debt clients frequently feel humiliated, disconnected and entrapped, with the processes of debt collection (see above) having a clear impact on people's mental health. For example:

> *Awful, debilitating, really scary, really frightening, I didn't understand it, no one was explaining it to me, the bank wasn't interested cos it had been since paid, you know, sold on, the debt collectors weren't interested in explaining anything to me because they were just recovering the money.* ***Debt collection agent 4 (and former debt client)***

> *Now it does, I mean I worry tremendously. It stops me sleeping properly you know, yes it's not, I know because I mean once I got this other letter from X, they will hound me now these debt collectors, you know, what do I do?* ***Debt client 2***

> *We've had suicidal clients, you know, purely through non-priority debt…* ***CAB advisor 5***

> *I, I consider, I don't know what the current term is that, I mean eventually I had a breakdown … the debt was a big part of it. It was a huge part of it actually.* ***Debt client 1***

> *No, they really hate it. No, the higher percentage are frightened by the constant, and I said about letters, the other thing is, telephone calls, because they're on an automated system*

they just, they ring, ring, ring, ring, ring, ring, ring and they're so, you know, they're so stressed people I see. ***Credit Union Advisor B***

The often relentless nature of the collection process often resulted in individuals feeling there was no 'space' to escape from the pressures of their over-indebtedness or from the agents who were seeking to recover the debt. People talked of having no opportunity to escape from the pressure, one client talked of constantly feeling chased and that there 'was this big thing out there' (Debt client 16) that could never be left behind. The combined impact of the knowledge of being over-indebted, the letters, the phone calls and the conversations with debt collectors often resulted in a continuous feeling of pressure and anxiety:

You wake up in the morning and something on the mat like that and you know what it is the first thing you are going to do is start saying to yourself, ah, look at this. ***Debt client 8***

Oh it really does, so many aspects, I mean I, I've been quite ill with it, you know, crying all the time, I'm quite like cannot sleep, migraines have got much worse although lately they have definitely got better because things have started to ease off, the pressure's getting off. You feel under pressure the whole time with people wanting, you know, money you haven't got. ***Debt client 4***

Clients reported not only being distressed themselves but talked of the debilitating anguish of watching the deterioration of their partner's mental health and being helpless in stopping what they felt was the key factor in this deterioration. For example:

…it has to my husband. Since last November he's started having anxiety attacks and he would sort of start retching and he'd have a nose bleed and we did some of them for a while and then we found out okay, it's just anxiety, fine, so it's not something physical, lovely, but he's now been on anti-anxiety tablets for over a year and he's still retching and because of this (the communications from collectors).. ***Client 15***

My wife's credit card has lapsed, I don't know what it is now, three months or something, and they phone every day or every other day, I think they must have lost her phone number because they haven't rung me for three days but then on Friday she had a letter from them saying somebody was coming to visit and we were preparing to go away for the weekend to a wedding where I was best man and my daughter was a bridesmaid and it had her in (sighs) very… I was very close to calling the doctor to her because she is that close to breaking because of… I don't want to use the word harassment but, you know, these continual phone calls. ***Debt client 17***

Unable to pay back their debts, unable to abate the relentless communications and often unable to establish a chain through which to complain about their treatment, a number of participants understood shutting themselves off to all forms of potential communication as a coping mechanism. This often resulted in not answering the telephone and not opening letters. While this behaviour might be understood as an act of irrationality, the context suggests that for many people who found themselves deeply distressed, this was a perfectly rational response to a very specific set of circumstances and the only way that they felt able to protect themselves and in some cases, their partners. As Hill and Kozup (2007, 32) note, many people, especially those on lower incomes, are forced by circumstances to make 'irrational responses'.

A lot of people, when they, they won't answer the phones, the biggest dread is the postman. You never know what he's gonna bring. ***Debt client 8***

…and I actually got frightened. I did the classic thing, I didn't open my curtains, I didn't answer the door, I became socially isolated to an extent now you do when you haven't got any money, I mean you are so shattered in bits that you can't go out with your friends and you go and see them but they stopped you know and the whole thing, yeah.. ***Debt client 1***

It's embarrassment. Losing the sense of pride in themselves. Losing self worth. Erm, to be honest after a bit once you've had a few of these letters you reach a state which I can't, it's almost like you go comatose about it. ***Credit Union Advisor 2***

While the impact of the various practices that people who are over-indebted endure are central to their mental wellbeing, the symbolic nature of being over-indebted and the kinds of degrading and humiliating activities they felt forced to endure varied in a number of cases. For some a key element of their interaction with debt collectors was an overwhelming experience of humiliation at finding themselves in a position where they felt that they deserved to be talked down to, threatened, patronised or have someone take over control of the kinds of everyday financial housekeeping functions that most take for granted. For others, such as they client below, they found themselves experiencing different forms of humiliation. This male client describes the feeling of borrowing money from his ten year old daughter at the end of the month, describing it as 'something that someone shouldn't have to do'

….whatever she wants but just lately she hasn't been able to do it because with 10 days to go she knows that the probability is in the month that we're a little bit short, I might need to borrow it back off her. To go to your child asking for money when they're only 10/11 years old is an awful situation and something that you shouldn't want to do, let alone have to do. ***Debt client 17***

One client said that that she experienced persistent calls where the minute details of her spending were scrutinised and routinely criticised, and where she was repeatedly extolled for being responsible for her debt. This had had the cumulative effect of reducing her to a non-sustainable diet. The messages of irresponsibility and shame that had been attached to her spending had been internalised to the degree that she came to attach shame to any form of spending even on essentials. As she comments:

I'll just have a banana for dinner, and that's how it's been. And it's not normal, that genuinely isn't normal to have to live like that because I feel bad about buying what I want to eat because I'm thinking "oh I should put it there, put money there, put it there, it'll keep them quiet". ***Debt client 16***

In addition, a number of clients spoke of the emotional residue that these communications had on their mental health. For some this could be a permanent state of anxiety regarding the threats that had been made. For others, even after they were no longer in contact with collectors, the impact was felt for a prolonged period of time in relation to the reactivation of distress and anxiety when a letter dropped through the door or the telephone rang. Certain everyday household processes and items had become irreparably linked to experiences of fear and anxiety. For example:

It's awful. You are in despair. You know you really don't, you are waiting for someone to knock on the door and take everything you've got. You are sitting wondering how long you are going to be in the house, worrying where you are going to be next cos the point is, when I lost my, my flat through my ex, I ended up spending the winter in the woods. ***Debt client 5***

But still I got to such a stage where I was shaky and nervous every time the phone rang, and I still am like that, makes me jump every time the phone rings but it is just because of the thought of people hounding me you know. ***Debt client 6***

3.5. Good practice

A key element of institutional theory that has been useful for framing the organisational field of mainstream credit is that they key actors involved in the organisations, while being institutionally constructed, also have potential for reconstructing some of the norms and beliefs inherent in their particular work culture (Scott, 2004). While this research outlines a series of prominent norms, beliefs and cultures of practices that provide a framework that has shaped the mainstream credit industry, we also see examples of good practice both in terms of lending and collecting. Sometimes these took the shape of avoiding, defying or manipulating the norms and cultures of practice so that workers could operate in a way they understood as 'ethical'. Although these went against the norms of conduct, they did exist and provided clear examples of what might be constituted through OFT regulations and the Lending Standards Board as good practice. For example, as see above Bank Worker 2 spoke about how, on hearing that credit had been irresponsibly sold to a customer with severe learning difficulties, illustrated his capacity to cancel this credit arrangement. That the cancellation was overturned by his new line manager suggests such attempts at responsible lending could face resistance. However such activities represent a clear attempt to resist some of the problematic outcomes of the cultures of lending discussed earlier. The student banker below spoke of experiencing responsibility in terms of the lending decisions that she had made in order to try to help the students to avoid the excessive charges that would follow irresponsible lending. As she comments:

I certainly feel quite responsible for a lot of the students I have seen because you know if they do max out their overdraft so they are going to pick up charges. ***Student Bank Manager***

Although the banker below outlined numerous practices of mis-selling and poor lending, she also noted that her organisation took mis-selling seriously and undertook spot checks to avoid it. Such a statement appeared to contradict earlier accounts of the actual practices that people were engaging in however they certainly warrant mentioning. That such checks existed in any form may suggest the existence of good practice in some areas of the sector.

No I haven't really but the bank do take it quite seriously if people are mis-selling. They do spot checks of making sure that things are affordable and it was the right thing to do. ***Bank worker 5***

In addition, the worker below presents and understanding of 'repeated ringing' as an opportunity to find ways in which to make the process fairer for debt clients, rather than as a problematic practice. Instead of being driven by a desire to seek the maximum repayment, this collector spoke of trying to understand why clients were not making repayments and then seeking to find a manageable way forward for the client.

I mean in terms of making outbound calls it's all done through a dialler system as you're probably aware, almost all of the calls I make are, unless I've you know had requests for a call back or something. Ring them up, try and, I mean generally we're not ringing them up just to make a repeat process because we have to treat them fairly, so in terms of what my process is its to find out why they're not making payments. ***Debt collection agent 1***

One client spoke of a company that works flexibly and respectfully and talked of his experience in terms that stood out not only as a clear example of ethical practice but as being unusual across the sector:

> *(I): From the debt collecting agency hired by the X*
> *(C): OK*
> *(I): He's a very nice guy, knows my situation and I pay him what I can*
> *(C): So is he flexible in terms of what he receives?*
> *(I): Yeah*
> ***Debt client 8***

Finally, an interviewee form a South Coast Credit Union spoke of their own collection agency whose good customer standards represent an alternative approach to that which characterises the majority of the sector:

> *So it's quite, even if they do go delinquent, we ring them up, we try to get them to talk to us, but then we use, we don't use a commercial debt collection company, we use an enforcement firm who work with local government because they are very, very, very resilient in terms that they have very good customer service standards, they have got good equality standards and you know.* ***Credit Union Advisor 2***

3.6. The advice agencies

For this project 11 debt advisors from three separate organisations were called upon to provide accounts of the mainstream credit field from their perspectives. While they provided important testimonies on the nature of the practices in the field, they themselves held important position in the field. Accounts of clients who had used the services unanimously agreed that the involvement of these advice agencies had been both supportive and essential in addressing the problems of over-indebtedness. They were felt to provide an 'essential service' (Debt client 8) and the strength of the impact on client's lives should not be underestimated as the following client explains:

> *Personally they've given me, or given us, the ability… well they've given me, as I said earlier, the ability to see the light again. When you spend a year or so trying to fight it yourself then you can clear a little bit more when you've gained some reemployment and suddenly when you lose your job again you're down here and it's a long way up.* ***Debt client 17***

Through a range of practises such organisations would not only help clients to find ways in which to get themselves back on their feet in terms of servicing their debts, but also support them in what often seemed like a battle against collectors. This included isolating bad practice and using legislative guidance to challenge the collectors for their poor practice. To know that guidance and to have the confidence to wield it were two capacities that most of the clients did not have. As the following comment:

> *I'm having to put up with bad practices again and wallop creditors with it. Quote chunks of the guidance to them and threaten to take it further if they don't do what they're supposed to be doing.*
> ***Debt advisor MACS***

> *Well I had been looking at citizen's advice for maybe a couple of years before that really. A friend of mine came here and basically said they sorted it out by getting in touch with people and were paying a minimal amount to these agencies which they organise and do all the*

what you can afford and what you can't afford, things that when you get in a muddle you don't really work out really do you. ***Debt client 8***

3.7. Individual needs and future consumers

An interesting contradiction appears to exist in the range of practices that the agencies provided. As well as supporting clients who, for a range of reasons, had withdrawn from attempts to reach agreements with creditors and organise repayments, they also worked with people for whom very little support was necessary. The advice provided by agencies can therefore help not only the clients but banks for whom these clients become suitably reformed. For example:

> *To them, the banks, they seem to love the financial statements. They absolutely love it. They benefit out of it. The banks benefit out of our service in a sense that, some people that come to us really, can sort themselves out quite simply but just changing their budgeting. Some people just thought that spending £200 a month going out with my mates was essential and that... you talk to them about that, they resolve that small part of their life and their debts are now payable again, you know and it's like, okay.* ***CCCS 1***

However, a potential problem existed in the majority of people whose over-indebtedness did not arise as a function of poor financial literacy but through unavoidable life circumstances. Such people were routinely characterised as generally being able to manage money well. However one of the key tools that advice agencies had was to be able to provide budgeting advice. This could be of great use both for clients whose finances had, through avoidance, neglect and a desire to dislocate themselves from the anxiety of debt collections relations, become deeply problematic and complex. They could also be very useful for the minority of people who were spending profligately and required advice on restructuring their finances. However although such services could be essential for the individual, they also reproduced a way of thinking that problematically constructs over-indebtedness as an issue of financial incapability and one that could be remediated through education. While acknowledging problematic practices in the industry, a substantial number of our advisors supported the idea of education as the key approach to problems of over-indebtedness.

> *I think it's [education] really useful. There are a lot of people where we're just helping them work out their budget and when you help someone out of debt you don't know how long they're going to stay in that situation and will they get the debts written off but where will they be in two years' time.* ***Debt advisor MACS***

> *I think the place to start is that end of, the other end and so much more should be put into education.* ***CCCS manager***

As a key tool that they use to help the over-indebted this appears understandable. However it should be borne in mind that, even though it may be effective in helping those who were over-indebted, this did not necessarily make it an effective method through which to prevent clients from becoming over-indebted in the first instance. For the majority of debt clients interviewed, there was little that could be done to stop them becoming over-indebted. Thus it may be the case that, as our advisors broadly agreed, education should be an important strand of any approach that seeks to address over-indebtedness in the UK. However much of this research suggest that such an approach will, on its own, be insufficient.

4. Recommendations/solutions

> *...it is simply you know you put enough applications in the one end of the sausage machine and a few more will come out the other end who are good customers who we want to give credit to. Get enough people over to the personal banker and we will hit our targets.* ***Bank manager 1***
>
> *People get phoned up constantly or receive text messages asking 'would you like to take out money', 'have you thought about taking a loan', so there are both sides of that. The harassment issue is very important, not just because it has an effect on mental health, but because its also distracting from quite a lot of other activities. If one of the first things that happens when you're made unemployed is you start getting chased by your creditors on a really regular basis then that's a massive distraction for people who need to stay positive and be focused on looking for work.* ***Executive, Centre for Responsible Credit***

This report has drawn on an institutional approach to provide a social systemic perspective on the issue of mainstream credit in the UK in recent years. Such a focus has suggested the presence of a complex system that includes regulations, discourses, work activities, practices of incentivisation, lending and collection practices, consumer activity, financial education and considerable mental health impact. The mainstream credit industry has been posited as an organisational field that is an interdependent collection of similar and dissimilar organisations operating in the same domain (Scott, 2004). This allows us a framework through which to understand the key types of actors, agencies and their relations, the nature of institutional logics and the implementation of cognitive shaping mechanisms like education, professional training and discourses, media influences and regulatory frameworks (Avgerou, 2004).

From the findings of this report if appears there are two fundamental concerns that characterise the issue of personal debt in recent years: firstly, the seemingly inventible rise of over-indebtedness, and perhaps more importantly (and potentially costly to the exchequer) the nature of the mental health difficulties associated with such financial strain. This report has drawn on research that suggests a growing number of people drawn into the necessary use of personal credit, not least as a result of stagnating wages and unexpected life events in recent years. More people appear to be in need of personal credit and become over-indebted as a direct result of using credit for everyday living costs. This need for personal credit, together with a change in public norms that regulate how we understand personal debt, changes in financial deregulation and the growth of the assets based securities markets, have likely contributed to a culture of lending, and remuneration for lending, aimed at aggressing selling and sometimes mis-selling of mainstream credit.

This work also focussed on the related practice of collecting repayment from those who have been unable to service their accrued debts. Cultures of debt collecting were present that appeared to repeatedly run counter to OFT Debt Collection Guidance both in terms of the amount of times that people are contacted and the nature of these contacts. Instances of abuse, harassment, humiliation and threats appear to be widespread. These practices are bolstered by, and in turn impact on, a range of norms that posit specific shared ideas of borrowers, their borrowing mentalities and the role that education should play in addressing the issue of problem debt. Indeed some of these very flawed understandings of the over-indebted are present not only in the accounts of the people that we talked to but in much of the policy literature on addressing this issue in recent years.

It appeared that certain systems of meaning and practice have gained legitimation in the field of mainstream credit and these benefit from the ideology of borrowers as rational and competent consumers whose borrowing represents a well informed personal choice. However this research has suggested that for many people, trajectories of involvement in the mainstream credit field, beginning with a range of circumstances beyond their control and ending with experiences of humiliation, disconnection, entrapment and despair can eventually manifest as depression, suicidal ideation and what is frequently referred to as a 'breakdown'. In between these two experiences sits a range of organisations, norms and discourses that in part facilitate this transformation between these two states. As a result, we would tentatively suggest that a consideration of experiences of mainstream personal over-indebtedness, and the mental health costs associated with these experiences, should be understood within this institutional context. The National Housing Federation suggest that this problem may increase with the introduction of universal benefit changes, with many families forced to go into debt to remain in their homes (Centre for Responsible Credit, 12/10/11).

Any recommendations put forward to address these two issues need to consider such an institutional context. Hill & Kozup (2007) argue that legislation is needed to protect consumers from lending abuses. Palmer and Conaty (2002) noted that the UK has by far the lowest standard of social consumer protection and that there was a need for tougher legislation. Both the OFT Debt Collection Guidance and the Lending Code appear to contain clear provisions that outlaw the range of lending and collecting practices outlined in this report. However the fact that such practices have been so prevalent in recent years would suggest that the way in which regulations and guidance are understood and enforced are presently inadequate.

The OFT (2010) acknowledged that the market for debt management services is a market where poor practices appear to be widespread, as is non-compliance with guidance. This research furthers this in suggesting that the sale of credit and repayment of credit through mainstream lenders is also characterised by widespread poor practice. In addition, Collared's (2007) contention that significant progress is required to achieve a national and sustainable network of lenders echo Ambrose and Cunningham's (2004) view that urgent government consideration is necessary to reduce irresponsible lending. In conclusion to the research report presented here it is suggested that consumers in the UK would benefit from the following recommendations

- Urgent deliberation with regard to the growing results of stagnating incomes and the need to consider effective mechanisms through which to promote and introduce a minimum income standard or 'living wage'. Without such work we believe that problems of over-indebtedness, and the mental health costs of over-indebtedness, cannot be effectively addressed.
- Consideration of ensuring responsible lending by restricting the amount of loan relevant to a borrower's income and a maximum level of loans across the sector. The OFT should clarify the irresponsible lending guidance (2011) which currently requires lenders to ensure that borrowers can afford to maintain normal/reasonable outgoings once credit are repayments taken into account
- Greater transparency in the credit scoring practices used by mainstream credit suppliers. We echo the European Commission (2008) in seeking initiatives that require lenders to make extensive and effective checks of a borrower's ability to pay before issuing credit
- We echo the call by the Centre for Responsible Credit (10/11/2012) for a rescue package for indebted households comprising a requirement for banks to at least partially write off outstanding household debt and reschedule the remainder over a longer term
- In light of the experiences of the debt clients contained in this report, there is a need for serious consideration into protecting the living standards and dignity of debt clients. We believe that urgent government consideration is necessary to consider measures to address irresponsible collection practices.

- In order to address the issues above there is a clear requirement for the government and regulators to take more interventionist approaches to the problems of living wages, lending practices and collecting practices. This should include consideration of provisions for a Protected Minimum Balance (PMB). PMB applies to arrestments executed against a debtor's account in a bank or other financial institution and protects a set amount of funds from being arrested. This is currently a provision in Scotland.
- The Centre for Responsible Credit suggest that 1/3 of consumers would be interested in joining a credit union but cannot since they are not nearby (Centre for Responsible Credit, 31/5/12). We echo the call for credit unions to be expanded through the post office network and hence provide a long term alternative to high street banks.

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This research reveals a deeply problematic culture of irresponsible lending. There appears to be very little dissent to the notion that high street mainstream credit providers have been, in recent years, routinely supplying and indeed in some cases, pushing customers toward unsustainable lines of unsecured credit. Aggressive selling was considered commonplace where scare tactics were mobilised to push sometimes naive and occasionally vulnerable customers into taking on more credit. A considerable majority of the over-indebted find themselves party to distressing and persistent collection tactics that frequently constituted abuse. Clients routinely described being bullied, patronised and harassed during a frequently relentless and unremitting pursuit. The majority of debt clients frequently felt humiliated, disconnected and entrapped. The processes of debt collection outlined in this report have a clear and profound impact on people's mental health.

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