



Christians Against Poverty

Research into the impact of COVID-19 on its clients in Northern Ireland

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Introduction

In February 2019, the Consumer Council for Northern Ireland (“the Consumer Council”) commissioned Christians Against Poverty (CAP) to undertake some research among CAP clients, to provide a picture of the position around illegal money lending in Northern Ireland. This was with a view to, firstly, establish if illegal lending was going on and, if it was, the extent of such lending, and to identify any patterns or fluctuations in lending and borrowing behaviours which could be ascertained. A report was produced in March 2019 ([Christians Against Poverty research into illegal lending in Northern Ireland](#)) detailing CAP’s findings which has been used, along with other material, by the Consumer Council to inform subsequent work on the topic, including its “True Cost” campaign - [True Cost](#).

Since the report was released in 2019 the situation has changed, not only with regards to lending, but generally, and across the world. The COVID-19 pandemic, and subsequent restrictions and lockdowns, occurred in March 2020, impacting, it seems, every part of our lives. The Consumer Council was keen to know whether these events had an impact on the issue of illegal money lending and commissioned CAP to prepare a further piece of research around this issue.

About the Consumer Council

The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order 1984. Its principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland.

To support delivery, it undertakes research activities which provide insight into consumer issues in Northern Ireland. In this regard, the Consumer Council asked Christians Against Poverty (CAP) to carry out further research, carrying on from our report in March 2019, regarding the impact of the pandemic and lockdowns on CAP clients, particularly around the issue of illegal lending.

About CAP

CAP is a nationally recognised charity that works with over 500 churches across the UK to help the most vulnerable out of poverty. The services provided offer both practical and emotional support, are completely free and are available to all, regardless of age, gender, faith or background.

CAP offers a range of services in Northern Ireland through a network of 37 local services, involving over 40 partner churches and many more supporter churches. Primary among these is a free debt management service (previously delivered face to face, but, due to COVID-19, now being offered by telephone) with advice and ongoing support provided from CAP's head

office in Bradford. In addition, CAP tackles the causes of debt and poverty through group services: CAP Job Clubs, CAP Life Skills (helping people to live well on a budget) and Fresh Start (dealing with habits and addictions), as well as face-to-face adult financial education across Northern Ireland, working with partner churches running the CAP Money Course.

CAP's Debt Centre model involves a new client ringing its freephone number, where its New Enquiries Team identify that person's local debt centre (by postcode) and arrange for a debt centre manager or debt coach attached to that centre to contact the client.

The terms debt centre manager, debt coach and front line staff are used throughout this report, and refer to the CAP trained local people who meet with clients (prior to COVID-19 restrictions - in their own home, currently - by telephone appointment). They help the client gather and sort all relevant paperwork to send to head office, where Debt Operations staff prepare a budget and advice with suitable routes out of debt for each client. The normal service includes support for clients from volunteers, known as befrienders, who are there to provide additional support to the client throughout the process, dealing with the client as a whole person, not just someone with debts. This is more problematic during COVID-19, but the ethos of dealing with a client as a person, with all their issues, remains at the heart of the CAP service.

Methodology

Between October 2020 and March 2021 frontline staff from CAP's 19 Debt Centres across Northern Ireland were asked to share details of stories from clients they encountered who had experienced issues around illegal lending and illegal money lenders. Stories were provided during mainly telephone interviews and some face-to-face interviews where possible. All client details have been anonymised. As mentioned below, due, partly, to restrictions, but also to low client numbers and what can be a general reluctance on the part of many of our clients to tell their stories directly, most of the information was gathered from frontline staff.

Background

The work on this report commenced in late 2020 when significant restrictions on work and travel were in place, continuing to the early part of 2021 when a lockdown had been reintroduced (effective from the end of December 2020). For a number of reasons mentioned below, we found it was more difficult to obtain information and data than we had experienced in our previous report.

CAP, like many in the debt advice sector, saw a fall in the number of enquiries and calls we received across the UK during 2020. This has been attributed to a number of factors:

- The Government furlough scheme protected (80% of) people's incomes.
- Other support schemes were put in place by government for businesses and the self-employed.
- Banks and other lenders were offering payment holidays on things like domestic mortgages.
- Creditors showed forbearance with regard to repayments and were not pushing for repayment in the same way.

It seems that people were concentrating on day-to-day issues and staying safe. As well as negotiating things like home schooling, working from home and changed ways of shopping for groceries which became more complex, rather than engaging with financial issues. This was easier to do as a result of the reduction in pressure and demands from creditors.

In addition, with COVID-19 guidelines and travel restrictions in place, it was more difficult for CAP frontline staff to see clients and others in the community to hear how things were affecting people on the ground. Although CAP frontline staff were keeping in contact via phone and text, it was more difficult to gather client stories and experiences in this way.

Stories/findings

Illegal lending

As mentioned, there has been a noticeable lack of data around the issue of illegal money lending for the reasons stated above. One of our centre managers, in an area where illegal lending has been a particular issue, made just this point in late 2020. Due to COVID-19, the restrictions and her own health, she has not been out in the community as much as normal. While she has seen a fall in cases where clients reported illegal lender debts over the last year or so, she could not say with any certainty what illegal lenders' attitudes were to the pandemic, or if their collection methods had changed. The lack of direct conversations with clients and others in the community meant she was not as aware of things that were happening on the ground, people's attitudes or patterns. This difficulty in information and data collection during lockdown was, interestingly, also noted by the Illegal Money Lending Teams of England, Wales and Scotland on a webinar held in March 2021 by Money and Pensions Service (MaPS), when they reported that the number of information tips they would normally receive about loan shark activity had fallen away completely.

We know that at least some illegal lending has not stopped. In data collected via a survey of clients for our annual Client Report (published in April 2021), in answer to a question as to what sources of borrowing clients accessed in the five years before they contacted CAP, 4.2% of clients in Northern Ireland reported borrowing from a loan shark or illegal lender.

In addition, 3.36% of CAP clients here said they had borrowed from "someone in my neighbourhood" in the same period.

We recognise it is an assumption, but, from our previous research, there is some cause to suspect that "someone in my neighbourhood" can be a euphemism for an illegal money lender. If this is the case, it could be that over 7.5% of our clients here are saying that they have borrowed in this way in the last five years. This contrasts with the lack of client stories we were able to obtain, but may be partly explained by the more anonymous nature of the survey, as opposed to speaking to one of our frontline staff face to face.

Even without the inclusion of borrowing from someone in the neighbourhood, it is interesting to note that the figure in Northern Ireland for borrowing from an illegal lender is twice that for CAP clients in the UK as a whole - this sits at 2% - while the neighbourhood lender figure - 4% across the UK - is quite similar.

Also interesting to note from this CAP survey, is that 42% of clients here reported borrowing from close friends and family, which seems to accord with the UK as a whole, where the comparable figure is just over 40%, and 43% in Scotland. This seems high, especially when looked at in the context of a large proportion of our clients who will delay seeking help because of embarrassment or shame and who can, quite often, be very unwilling to let family members know about their situation. It is possible, from anecdotal evidence from frontline staff, that this term is interpreted widely on occasion by clients and may even include other types of lenders who may foster a

friendship or relationship with borrowers. This is, however, anecdotal and would need to be looked at in more detail.

The fact that illegal lending is continuing is confirmed by another of our centre managers who has been dealing with clients whose relative has debts with illegal lenders. The illegal lenders have beaten up a member of the debtor's family and have also threatened our clients to try to enforce payment. Our clients cannot pay the debt, even if they wanted to, as they are in debt themselves. They still get threats and, unfortunately, have had, to cut off contact with their family member, which was not an easy decision, but one of our clients is in ill health and their relative refuses to engage or accept help in any way so they feel they have no choice.

Given this case, we are assuming that illegal lending has not stopped in other places either, but that the lack of information is linked to a reduction in numbers of calls to our service (as mentioned above) and, also, people are putting their heads down and sitting tight throughout this period, as they are doing with other legal or mainstream lenders.

Unfortunately this lack of available intelligence also means we are unable to say with any certainty how illegal lenders are behaving during lockdown. Are payments, and the means of enforcing payment, continuing regardless or are illegal lenders acting in a similar way to legitimate lenders - and allowing a period of forbearance? It would seem optimistic to believe that the latter is the case, given the stories we collected in 2019, but we have no firm data to suggest this is the case - or otherwise.

Other areas

As we have noted above, we have seen fewer clients during the last year or so, although this is now increasing. This has led to the issues mentioned around the lack of quality data on illegal lending activity. We have mentioned above some of the reasons for this, but some of the cases we have been seeing caused us to consider these and some other potential reasons why people are not seeking advice in the same numbers. A number of issues arose in the course of this research.

Help and assistance

We have mentioned Government support in the form of the furlough scheme and other measures which have had an impact on behaviour. In addition to Government assistance, another reason for people not feeling under as much pressure as might be expected is the amount of help currently available from sources such as churches and community groups, some with Council funding.

Our Causeway centre, for example, has seen not only amazing generosity from churches, individuals and businesses, but has also received funding from Causeway Coast and Glens Council. Approximately half of this funding is designated for neighbourhood renewal areas, but the rest can be used elsewhere within the council area. This has allowed the centre and the church Compassion Ministry to be able to help many people in a very

meaningful and practical way - with food parcels and energy top ups (both oil and electricity). It means, however, that our manager feels some clients may not be as badly affected so far as may have been feared. For her, the real issue for clients will be when/if all this stops as life returns to normal. She expects more poverty - food, fuel and general - in the next year as funding possibly tails off.

Our manager in our Banbridge, Newry and Mourne centre runs a foodbank as well as the CAP service. The foodbank also includes household items and, between the two, she is able to meet most needs this way, although she did receive one amount from CAP's Emergency Response Fund. She also mentioned that good funding was available at present from different sources and this, together with CAP's Emergency Response Fund, means that she has been able to provide a really substantial amount to people to top up things like oil.

Attitudes

The different viewpoints and attitudes of some of our clients and some creditors is also worth noting. Creditors are told of CAP's involvement as soon as a client starts their journey with us. Clients are given a CAP reference number which they, or the local debt coach, would pass on to creditors advising them that the client is now working with CAP and, accordingly, all queries should be directed to CAP and not to the client. This is an important feature of our model and means the client is instantly relieved of some of the pressure of their debt.

Most creditors, especially those with whom we have worked with before, respect this and will not contact clients once we are involved. Some will still try to. In the early part of a new client's journey, before contact has been made with all creditors, there can still be contact between a creditor and the client and this may often be handled by the debt coach. As a result, our debt coaches do pick up mood changes and attitudes from creditors. Generally, speaking to our frontline staff across Northern Ireland, there is a common view that they feel that clients are not under the same pressure from creditors as would normally be the case and that there is a general distinct lack of creditor pressure on borrowers. Over the various lockdowns, it is a common theme that creditors are allowing more leeway at present.

As a result, some clients are embracing this attitude and are opting not to deal with things, instead choosing to sit tight and wait. One client, who had lost his job, was told by one of his creditors that he could have a four month period of grace. Our centre manager was surprised at the duration of this. It is still unclear what happens at the end of four months, but the client is content to take advantage for now.

Our Larne centre manager feels that people, while they are not going out as much, are also not engaging with things like finance or debt, but instead storing things up to be dealt with at the end of lockdown. Furlough is also still impacting. Firstly, she feels that a lot of people are using furlough as a reason to stall creditors and, like others, she believes that creditors do not want to push for payment while people are furloughed, probably for PR reasons.

Our managers do report that some clients are pushing ahead and dealing with their finances, but, where this is happening, it seems to be because these clients are doing this themselves on their own initiative, not because they are under pressure to do so. An example of this is a client, who lost her job as a result of the pandemic. She approached CAP wanting to deal with her situation and CAP has helped her with gas and electricity top ups to allow money to be freed up elsewhere to try to pay down debts.

Our Ballymena centre manager reports people not really contacting him - even some existing clients. Some of this is expressed as selflessness, with clients telling him to concentrate on others who need it more. However, he is concerned that, at present, some clients are resting in a false position, with currently no real pressure from creditors and, in some cases, the uplift in Universal Credit helping them. Both measures are temporary and it is his view that a shock awaits many who are relying on creditors' forbearance.

Creditors' settlements

Leading on from forbearance measures and clients' attitudes towards these, an issue that was mentioned by two of our centre managers which is interesting is that some clients have been offered quite favourable full and final settlement figures by creditors for immediate payment. Although not many of our clients are in a position to be able to avail of this, we are aware of one client who was able to do so with a couple of creditors having borrowed money from family to pay off these debts.

Similar offers were made to two other clients by a debt collection agency which acquires and collects other companies' debts. According to our manager, the offers were probably better than CAP would ever achieve by negotiation. One of the clients has not been engaging and the other simply could not afford it as they did not have enough money to do so, even though the settlement offer was very attractive.

When we asked several other managers, they had not encountered this, although this could simply be because their clients, and their debts, are different - and we have not pursued this in detail.

While we will probably never know the reason behind this tactic, it does raise a number of issues. Is it related to cash flow for the creditors, wanting to get money in quickly to ensure a steady stream of money? If so, this could have implications for future lending as, if borrowing is not as readily available, where would people go as an alternative? It could also be related to the Government encouraging creditors not to push too hard, as dealt with above, or indeed that creditors may believe that, as there is likely to be a significant amount of default on current borrowing as we come out of lockdown, they are simply trying to collect from debtors what they can.

Either way, it is an interesting development and one that could be explored further.

Debt write off

An issue that has only, seemingly, been mentioned by one of our centre managers and by no one else in our network, and which takes forbearance to another level, is that of debt write off. Our manager reports three clients who are currently not proceeding with CAP, because they are waiting to see if the government will wipe out all debt post COVID-19. They firmly believe this will happen and that this will be more favourable for them than working with CAP. Two of the clients are closely related (and this probably explains their shared view) but the other is independent of them. All have a mixture of debt - social fund and other private debt - and therefore seem to believe that not just Government, but all debt, will be forgiven in the aftermath of COVID-19. This optimism may not be fulfilled and, in fact, is very unlikely to be, but it does, perhaps, exemplify changed attitudes of clients as a result of the pandemic and their reluctance to engage with debt advice.

A range of positions

At the start of lockdown a phrase we heard used regularly was that “We are all in the same storm, but not in the same boat” and this seemed, and still seems, very apt. Although the entire country, and indeed the world, faced many of the same Coronavirus challenges, the position from where we faced them could be very different. Even within our own society this was the case. There are those who have been able to save more, and spend down current borrowing due to lockdown and its restriction on them spending on

the things they normally would. And there are those who could not cope and were not coping before the pandemic, and are still very much in that position.

This difference in circumstances is very much emphasised by the fact that the highest ever net repayment of consumer credit since records began, £7.4 billion, was made in the first full month of lockdown (<https://www.bankofengland.co.uk/statistics/money-and-credit/2020/april-2020>), while among our CAP clients here in Northern Ireland over 60% have had to borrow for basics such as food and household bills - CAP Client Report 2020. These positions, and many other circumstances in between, have been noted by our frontline staff as they work with those most in need.

This spectrum of circumstances was highlighted by a very positive story to come out of lockdown for one client family. Their fact find visit was completed in February 2020 - just before lockdown, and it was obvious that child care costs were a huge issue. The couple both worked, the woman part-time and the man full-time, and their biggest outlay was nursery costs for their toddler and after school care for their primary school child. The first lockdown, which began on 23rd March 2020, meant many changes for families, including this one. Both parents remained at work, meaning that they had to ask for alternative work shifts, allowing one to work while the other stayed at home. One of them worked at the beginning of the week while the other worked at the end of the week and over the weekend, and, as a result, they were both able to continue in their jobs.

While, obviously, not ideal, this had a major impact on their budget as well as their lives, as their childcare costs disappeared overnight.

Initially, it had been determined that it would take over eleven years to repay their debt via the CAP plan. This is not really sustainable, but it was put into place as a holding mechanism. With childcare savings, as well as some additional savings from fuel costs (as the husband worked from home on his designated days) the family now had additional income, which they could pay into their CAP plan.

These savings enabled CAP to make full and final settlements on some of their debts and, further, that the clients have been able to move onto a very manageable repayment plan - which currently sits at 5 years 6 months to clear all their debts. They are now able to see a way forward in clearing their debts. In the midst of this pandemic this is a family that was able to save money because childcare became unavailable. What a story of hope in the midst of much turmoil and uncertainty.

New and existing clients

Some of our centre managers are reporting a distinct, and very interesting, difference between existing and new clients. Our Larne centre manager has not been seeing many new clients but knows that debt is still an issue and that there is "still a need out there". She is expecting an influx of calls - she is just not seeing it yet. In the meantime, however, her existing clients who are already on budgets are sticking to these and doing quite well generally.

Our South and West Belfast manager is seeing something similar. His existing clients, some of whom have been with CAP for some years, are not really taking up any help offered. They have not needed much help as they are more used to living on a budget, having been on this journey with CAP for longer.

New or more recent clients, on the other hand, are only getting used to the process and a new way of living. They are coming to our services more often for help as well as to places like Foodbanks. They are receiving heating oil and electricity top ups and life is still really tough for them. Although, like other managers, he reports reduced pressure from creditors, he is finding that there is a pressure on clients' mental health which is very real and apparent.

While the number of new clients is below what we might have expected, but is very likely to increase as government measures end, those we are seeing in centres like East Belfast and Antrim, for example, are reporting, unsurprisingly, loss of income due to job losses and reduced income due to either furlough or reduced hours of work - in other words situations which are a direct impact of the pandemic. Our Banbridge centre also has some clients currently in the system unable to move their cases forward due to the clients having been furloughed and their income reduced. Our manager is simply keeping in contact with clients in this position until a way forward becomes clearer.

Universal Credit

As mentioned, some of our managers expressed concern that the temporary Universal Credit uplift, and its extension to September 2021, while very welcome, was also a cause of worry for the future. Some clients are finding it hard to balance their budget as it is and removing the uplift will make this much harder for them.

The concern, as expressed by several managers, is that the uplift is now a part of life for some people on Universal Credit and its removal will have a massive impact. In the view of our Causeway and Ballymena managers, among others, many people have already become conditioned to it by now and will be shocked at its removal, and left much worse off as a result.

Online spending

Increased spending online has been an issue for many of us and is a major factor for a number of new clients of our East Belfast centre. There are a number of points of interest around this issue. Our manager reports a different mentality in lockdown. People can feel that, as they are not spending in other places or on other things like nights out or holidays, they have additional money to spend. There is also an issue around boredom - when stuck in the house there is little else to do. Finally, there is an issue around loneliness. For some, seeing the delivery person, when maybe they have little or no other company/contact in a day, is a factor.

Our manager also notes a significant change in the demographic in this area, with most clients affected being younger people. She reports that when she first started with CAP, this type of over spending tended to be by older women, living on their own, ordering via catalogues. The contact with the delivery person was an issue for them. For different reasons, and among a different group, it is interesting to note that this is still a feature of people's behaviour.

Conclusion

This report was initially commissioned to follow up on earlier work and to look at the impact of the COVID-19 pandemic on the area of illegal money lending. Due to the issues highlighted, little data was available in this specific area. It seems unlikely, as we have said, that this practice has stopped, and further work is needed as we come out of lockdown and information is, hopefully, more readily available.

It is hoped, however, that the report, and the stories in it, still helps to highlight some of the issues faced by our clients during the pandemic and related lockdowns and restrictions. Learning more about issues like debtors' and creditors' attitudes to debt and forbearance during lockdown, or online spending habits and how they have changed, help us, and others, to better understand the situation, and to work in partnership as we come out of lockdown to address the impact of these and other issues.

In particular, there is no doubt that support, not only from central Government but also local councils, as well as from charities, churches, community groups and businesses, has helped many families and individuals cope better with difficult circumstances resulting from COVID-19. It would seem that not all of this support can continue as we come out of lockdown, but there is an argument to be made that, unless there is some support available, many people will find themselves in very difficult positions.

There are some big issues for us as a society, generally, to explore and deal with. Many of these are difficult and, at times, can make us feel helpless. As we have set out, however, there are also some reasons to feel hopeful. For example, the story of our clients who saved so much from child care that a settlement route was available that would not otherwise have been attainable, and the many stories of help for those most in need being provided from across the community (churches, community groups, businesses and individuals). While many of the issues highlighted look likely to continue to trouble our society for a long time, we, as an organisation which cares for the most vulnerable, and we, as a society, can take heart from these and other stories of hope and, with others, build on them to try to ensure proper support remains for those in need.

