

BARELY GETTING BY




Citizens **Information** Board
information · advice · advocacy

Pre-Budget Submission 2019

Introduction

Every day, Citizens Information Board-funded delivery services assist thousands of people to access a wide range of social, public and financial services through the provision of information, advocacy and money advice. During 2017, these frontline services met the information and advocacy needs of a significant proportion of the Irish population – with a combined total of over 770,000 people accessing Citizens Information Services, MABS services, the national Citizens Information Phone Service and the National Advocacy Service (NAS)¹ for people with disabilities (599,016 callers to CISs,² almost 44,000³ to MABS and 128,000 to CIPS). In addition, the Citizens Information website had 19.8 million visits in 2017 and an average of 872,042 visitors each month. These services are well placed to have a clear understanding of the problems that people experience when trying to access social and public services. Further, their engagement with such a significant proportion of the population (typically, at crucial stages of their lives) ensures that the data, evidence and insights that are provided to CIB by these frontline services on a daily basis can give a strong indication as to the impact of policies and where the challenges are for people who are trying to access their rights and entitlements.

Given this **unique level of engagement with the public**, the Citizens Information Board is basing this submission on the key areas of concern that have arisen for clients of our services in the past year which will be impacted by budgetary decisions. During 2017, four particular areas stand out from the feedback provided:-

1. The interaction of the work and welfare systems, whereby policy and process is slow to respond to changes in peoples circumstances or to changes in peoples incomes or working situations;
2. Problems with benefits and services, whereby those in need do not receive their entitlements in a timely manner, are not aware of their rights or do not understand the mechanisms by which they can receive certain supports and benefits;
3. The provision of housing and housing supports, with people trying to access (and maintain) appropriate housing continuing to experience a range of difficulties relating to scarcity, costs, quality and security of tenure;

¹ NAS provided representative advocacy to 850 people in 2017, and supported 2,426 people with information, advice, and other advocacy supports.

² CISs dealt with over one million queries in 2017 on all aspects of rights and entitlements to public services.

³ Includes 24,659 callers to the MABS Helpline.

4. Indebtedness and the continuing impact of mortgage arrears and household debt burdens on low income clients using MABS services.

In this submission we highlight how a more targeted approach by Government in Budget 2019 could make it easier for people with disabilities, low paid workers, lone parents, carers, the long-term unemployed, older people, those in need of supports to live at home, immigrants or those who are experiencing unsustainable debt. People in these situations may be working, but receiving welfare supports, will have little (if any) recourse to savings, could be living in poor quality, insecure housing and are barely getting by on a day-to-day basis. When a problem hits (such as illness, a reduction in working hours, or a rent increase) they really struggle. For many of the clients of our frontline services the supports that are delivered through public services are essential to their ability to cope with limited means in difficult circumstances.

Work and welfare

During 2017, there were over one million queries to Citizens Information Centres nationwide. One fifth of these (over 200,000 queries), concerned employment, unemployment and associated welfare issues. As the Irish economy settles into a consistent period of economic growth and as unemployment reaches its lowest level since 2008, the feedback from CIB supported services demonstrates that income support measures (and associated eligibility difficulties) are not just an issue for unemployed people. The difficulties that information services have highlighted indicate an increasing complexity for citizens caused by the interaction of tax, welfare and activation measures with their working situations. With many previously unemployed people taking up part-time, and in some instances, casual or low-paid work in combination with social welfare payments and benefits, many of the related issues identified by services evidence a system that is complex, slow to respond to changes in income or working situations and difficult to navigate and understand.

For the many clients of CISs who are barely getting by, the move from welfare to work - though welcome - can be challenging. And for some, **the ability to combine welfare supports with work is crucial** in this move. The most commonly reported concerns facing CIS clients include:-

- The impact of the three-day rule for those on jobseeker's payments, which leaves some low-paid part-time workers without income support depending on the pattern of hours worked and, consequently, can act as a disincentive to take up work (or can encourage the take-up of undisclosed employment which will be untaxed and unregulated);
- The financial difficulties that exist for those who take up work and are not paid for a month – making the move, for many, from welfare to work a costly and risky time. In this regard, it would

seem that the level of promotion or awareness regarding the payment of Basic Supplementary Welfare Allowance is limited in these instances;

- The limitations on eligibility and availability of the Part-Time Job Incentive Scheme (evidenced in take-up of this targeted scheme, which is the lowest of any of the social welfare labour activation schemes);
- The level of awareness and application of the Medical Card Retention Scheme on return to work for certain social welfare claimants – with services reporting that, as this provision is not widely promoted, many eligible claimants are not aware (or are not being assessed) in this context when they move back into work;
- The difficulties for low-income families who are dependent on the Working Family Payment (WFP) - formerly FIS - to get by. In particular, the issues most referenced by services include the level at which the income limits and working hours threshold is set, and also the rigidity of the 52 week review period - which can be costly in circumstances where there is a decrease in income or working hours;
- The situation for jobseekers under the age of 26 in receipt of the reduced rate of Jobseeker's Allowance, with particular difficulties reported for those who are not living in the family home;
- The difficulties caused by the six day wait for Illness Benefit for low-paid workers, at a time when many have to meet increased costs of medical care;
- The difficulties for employees who are requested by their employer to declare themselves as self-employed when they take up work. This will have a direct impact on any future assessment for Jobseeker's Allowance, on their eligibility for certain PRSI-related benefits and also to access activation and training schemes. In this context, CIB welcomes the current government campaign to highlight enforced self employment;
- The extent to which the 'hidden unemployed' are enabled to access activation measures (this includes claimants who have exhausted Jobseeker's Benefit but who do not qualify for Jobseeker's Allowance, people with disabilities, qualified adult dependents, or those who have taken time out of the workforce to care in the home).

These key difficulties, illustrate **the importance of an appropriately designed in-work welfare system**. Such a system can provide both additional income and security for those seeking to move back into work and for low-paid working people.

As the context for workers continues to change in the Irish economy, **the ways in which the system is delivered also requires attention** - as many of the issues highlighted by CISs during 2017 show the significant challenges for those who are dependent on the delivery systems for many of these benefits and supports. Persistent concerns continue to be expressed around **delays in applications, reviews and appeals** as well as ongoing difficulties that services (and their clients) have in making

contact with the relevant public bodies and sections within the Department of Employment Affairs and Social Protection. Typically, these welfare applicants will be trying to juggle changing circumstances and many will have difficulty understanding what these changes will mean for their claims. Administrative delays and **frustrations in contacting authorities** are acutely felt by CIS clients with impacts on eligibility, rights and entitlements.

Of further relevance here is the feedback from services around accessing local offices and concerns about the nature and quality of engagement by activation services at local level with jobseekers, with some services suggesting the need to enhance further education and training opportunities for the long-term unemployed, for school leavers and also for those in employment. Staff within information services have also expressed concerns about the nature of communications around eligibility and entitlement, indicating the need for **better practices regarding the communication of decisions** to applicants and potential applicants and the signposting of relevant schemes and payments.

For many CIS users and MABS clients, the persistent issue of the **affordability of childcare costs and provision** remain a significant barrier in taking up work, increasing working hours or accessing activation schemes, with very specific impacts on lone parents. The recent passage of the Childcare Support Bill through the Dáil, which will give effect to the Single Affordable Childcare Scheme (as announced in Budget 2017) is to be welcomed and it is hoped that this legislation (and the associated administrative and technical systems) will finally deliver a cohesive system of affordable, full-time quality childcare for low-income households throughout the country.

The evidence provided by our delivery services speaks to the need for an appropriately designed and delivered in-work welfare system, which is more responsive to the needs and circumstances of its users. It also highlights the importance of robust engagement with employment and support services in helping people through change and uncertainty.

Recommendations - Work and Welfare:

Based on the evidence provided, CIB recommends the following in relation to the design of work and welfare systems:-

- Change eligibility for jobseeker's payments to criteria based on hours worked rather than the number of days worked, to better support part-time and casual working patterns;
- Continue to phase out the age-differentiated, reduced rate of payment of Jobseeker's Allowance for jobseekers who are under 26;
- Decrease the number of waiting days for entitlement to Illness Benefit from six to three days, reverting to the criteria prior to 2014;

- Adjust the income and working hours threshold for the Working Family Payment to better reflect the types of employment that are now being filled by low-income families;
- Extend the reach and coverage of activation and training schemes to include the 'hidden unemployed', and in particular, ensure that eligibility and supports for all employment activation schemes includes people with disabilities in line with the recommendations of the Make Work Pay Report;
- Develop a streamlined, over-arching system of subsidised childcare that provides affordable, quality, full-time childcare options for low income families;
- Examine the potential that exists to exploit the imminent roll-out of the PAYE modernisation programme in terms of the processing and administration of claims for benefits – specifically how the availability of real-time information relating to pay, tax, PRSI and USC deductions can be utilised by DEASP in designing a system that is more responsive to their clients needs;

CIB also makes the following recommendations which are focused on the delivery of welfare supports to people who are seeking to access work or combine work with welfare:-

- Proactively promote the scope and availability of the targeted measures that operate as a valuable incentive to taking up (and extending) employment, such as the Back To Work Family Dividend, the Medical Card Retention Scheme and the Part-time Job Incentive Scheme;
- Provide for additional investment in frontline services – specifically, local Intreo offices, Community Welfare Services and particular sections within DEASP – to enable staff to provide a relevant and timely response to the needs of clients who are seeking to move from welfare to work.

Benefits and services

Of the 1.03 million queries that were handled in CISs during 2017, over 467,000 (or 45%) were related to social welfare. Within this, there were over 110,000 queries concerning Disability, Illness and Carers related issues, some 75,000 queries related to benefits for Families and Children and 73,000 referencing Extra Social Welfare Benefits. In addition, the Citizens Information Phone Service dealt with over 51,000 social welfare queries – making social welfare benefits the largest information area delivered by our frontline services.

Disability, illness and carer's payments

The most commonly reported concerns facing people who are seeking this type of support include:-

- The impact of **unreasonable delays** in the processing of applications, reviews and appeals and difficulties in making contact with specific sections of relevant departments. Many reports relate

in particular to applications for carer's payments and Disability Allowance. The reports also evidenced the real hardships felt by applicants who were waiting to receive a decision or payment and the knock-on effect on their ability to apply for other benefits;

- The **difficulties in accessing the local Community Welfare Service** for many clients who are trying to cope with processing delays – in addition to concerns relating to the adequacy and availability of Basic SWA as a payment of last resort. The current process for application for an emergency need payment (ENP) requires an appointment - it is not possible to access urgently as may be needed. MABS staff report that currently there are some extensive delays being experienced in accessing an appointment to apply for an ENP. There were also reports of a lack of awareness of the payment amongst CIS and MABS clients, indicating that there is not widespread promotion of the scheme amongst welfare applicants and appellants – all of which works to reduce the impact of the payment as a safety net;
- The seemingly **high number of refusals of disability and illness applications** (in particular relative to the high rate of appeals subsequently allowed⁴), with some services suggesting the need to re-design application forms to attain more relevant information from the applicant, for clearer guidelines for GPs in providing supporting information and more consistency amongst Deciding Officers, Medical Examiners and the Social Welfare Appeals Office in the cases of reviews and appeals.

Low income self employed people

The recent extension of treatment benefits and Invalidity Pension to the self-employed has been positively received by staff in information services who are supporting self-employed clients, but it remains that a **lack of knowledge and understanding of the social insurance system** continues to be a key issue for many low income self-employed people who approach information services seeking support in times of crisis such as illness, disability or business failure. This, in addition to the means test requirements for Jobseekers Allowance (and for Basic SWA), their exclusion from participation on activation schemes (if they do not qualify for jobseeker's payments), the Working Family Payment and from short-term illness supports continues to be the focus of much of the concerns highlighted by information staff. In this regard, CIB looks forward to the conclusions of the DEASP working group on extending social insurance coverage to the self-employed.⁵

⁴ Social Welfare Appeals Office Annual Report 2017 reported that 73% of Disability Allowance appeals were allowed, partially allowed or received a revised DO decision. This figure stood at 63% for Carer's Allowance appeals, 81% for Domiciliary Care Allowance (DCA) appeals, and 79% for Invalidity Pension appeals.

⁵See also 'Hard Times for the Self-employed – Citizens Information and MABS experience': A Citizens Information Board Social Policy Report (2012) http://www.citizensinformationboard.ie/downloads/social_policy/Hard_Times_for_Selfemployed_2012.pdf

Pensions

For many people, understanding how to plan for (and access) their pension will be a major decision in their lives and reports from CISs indicate that they are supporting a significant number of people to make informed decisions about their pensions - last year services addressed some 54,000 queries regarding pension entitlements (specifically Contributory, Non-Contributory, EU contributions and UK pensions). Feedback on pensions over the past number of years indicates that there is a lack of knowledge (and a good degree of confusion) amongst many soon-to-retain people around their entitlements. During 2017 in particular, staff within information services also expressed concerns about the **difficulties caused by changed administrative procedures** regarding accessing PRSI Contribution Statements, the absence of a pension forecasting facility from DEASP, confusion and concern about changing pension rules (with the anticipated move to the Total Contributions Approach in 2020) and the ongoing financial cost, to some, of the **2012 changes in eligibility criteria**. There are continuing reports of how these complications are serving to disproportionately affect women who took time out of paid work to care in the home at various intervals in their working lives.

Fuel Poverty

The changes made with regard to the payment of the Fuel Allowance during 2017-2018 (that is, the introduction of the option to receive the payment in two lump sums and the extension of the payment by one week in April 2018) were welcomed by staff in information services who continue to see the impact of rising energy costs, extreme weather conditions and poor housing standards amongst many of the low-income families that they support. Services have noted that, while increases in fuel prices and related heating costs affect everyone, low income households fare worst because a higher percentage of their disposable income is required for this purpose.

A 2017 MABS-commissioned study⁶ (in Dublin 10 and 20) found that, despite the national economic recovery, the level of fuel poverty amongst their clients remained at unacceptably high levels – that is, at around seven in ten households, with over 55% of households reporting that they had gone without heating in the previous twelve months due to lack of money. The report also highlighted heightened levels of fuel poverty amongst Travellers living in mobile homes/trailer accommodation and found that Travellers surveyed spend 21% of their income on fuel costs. The report noted a move amongst these households towards pre-payment meters for electricity and heating costs (which resulted in a noteworthy decrease in both arrears' incidence and associated disconnection). However, the relatively low levels of disposable income amongst clients seemed to result in frequent self-

⁶ 'Left behind in the cold: Fuel poverty, money management and financial difficulty amongst Dublin 10 and 20 MABS clients', 2017; https://www.mabs.ie/downloads/reports_submissions/Left_Behind_in_the_Cold_Dublin_10_and_20_MABS_Report.pdf

disconnection. The report found that there was emerging evidence of a “poverty premium” in the form of additional payment administration charges amongst certain providers of pre-payment facilities (primarily for meter top-ups).

The experience of frontline staff in CIS and MABS services throughout the country suggests the need for a more integrated, multi-dimensional approach to fuel poverty - that is, regulation and action on energy prices, targeted financial support to relevant households and the expansion of energy efficiency schemes across all households – including owner-occupied homes and those living in the private and public rented sectors.

Home Care services

CIB has received consistent feedback from information services and NAS disability advocates regarding the significant challenges that are facing people with disabilities and older people in getting the supports that they need to live at home (or to transition from a hospital stay to returning home). These are services delivered through the HSE (the Home Help Service, Home Care Packages, personal assistance hours, community-based therapies and GP care) or, the grants that are made available through local authorities to fund housing adaptations. As the provision of each of these elements is currently based on the **availability of resources, rather than on the assessed needs of applicants**, CISs and disability advocates continue to report on many of their clients **who are falling through the gaps** – older people, people with disabilities and their family members who are seeking to care for them in stressful and difficult circumstances. These pressures can also contrive to push older people (and some younger people with disabilities) to access long-term nursing home care via the Nursing Home Support Scheme (NHSS) with the associated higher costs of care. In particular, disability advocates have frequently encountered cases where lack of funding for personal assistance hours for people with disabilities has led to individuals being unable to remain in their own homes and having to move into residential settings. NAS disability advocates also continue to express concern at the slow pace of decongregation, and the high number of people with disabilities who remain living long-term in residential, congregated settings.

Regarding the provision of care in the home, there are also ongoing reports of difficulties for many family carers who are in receipt of Carer’s Allowance and are limited in the hours that they can work or study (currently 15) while receiving the payment - a measure which restricts their ability to supplement their income or to upskill or retrain while providing care to a family member. The **introduction of a concept of graduated care requirements** could be of benefit here, in recognition of those needing a level of care that is not necessarily full-time – whilst also allowing the carer to retain their payment and seek employment or training. This could also help to ensure that carers are enabled to re-enter the workforce when their caring role comes to an end.

Of further relevance here are reports from services concerned with professional carers who provide home care services, which give an indication of the many difficulties that carers and health care assistants employed in the home care sector experience in their work. With many carers working 'if-and-when' contracts across a large geographical area, and in many cases, trying to combine irregular hours with some rigidity in the social welfare system, it would seem that the development of a new statutory scheme and system of regulation would have significant benefits for older people, people with disabilities, family carers and professional carers alike. With the demand for home help hours predicted to increase by up to 54% over the next 12 years⁷, CIB is of the view that the development of this legislation, and the associated regulation and resourcing of the sector, should be a priority for Government in 2019.

Notwithstanding the scale of support provided through the welfare system, CIS clients encounter limitations that seem to be inherent in a complex system - whether it is unreasonable delays, unclear eligibility, contradictory or incorrect information, failure to follow best practice, gaps in welfare provision, or a basic lack of communication.

Recommendations - Benefits and Services:

Based on the evidence provided by our delivery services, CIB recommends the following in relation to improving the provision of services and benefits:-

- Proactively promote the availability of the Supplementary Welfare Scheme (in particular, Basic SWA) and resource the provision of Community Welfare Services as a flexible and responsive support for those in urgent need and also consider measures to ensure ENPs are readily accessible to clients in emergency need;
- Finalise and report on the review undertaken on extending social insurance coverage to self-employed people and, in line with recent policy initiatives, continue to extend social insurance coverage to the self-employed, including provision for both unemployment and illness or disability;
- Develop a clear policy response and impact assessment with regard to the design and funding of the Total Contributions Approach to the State Pension (Contributory) which is due to be introduced in 2020;
- Provide enhanced resources to particular sections within DEASP (disability, illness, carers and Working Family Payment sections) in order to expedite the processing of applications, reviews and appeals;
- Provide for an increase in the rate of the Fuel Allowance and introduce a Cold Weather Payment Scheme to allow for certainty to FA recipients in the event of extremely cold conditions;

⁷ *Projections of demand for healthcare in Ireland, 2015-2030: First report from the Hippocrates Model, ESRI, 2018*

- Proceed with the establishment of a new homecare scheme on a statutory basis and provide increased funding for the provision of personal assistance hours, home help and home care packages and additional supports for people with disabilities living in the community;
- Introduce a system of graduated care provision for those in receipt of Carer's Allowance, increasing the hours allowed to work or study whilst retaining their caring role;
- Restore funding for local authority schemes (Housing Adaptation Grants for Older People and the Mobility Aids Grant Scheme) to 2010 levels to support older people and people with disabilities to continue to live in their own homes.

Housing

During 2017, staff in **information services responded to over 100,000 queries relating to housing issues** – which was a **15% increase** on the previous year. Over half of these queries were related to *Local Authority and Social Housing* and another 20% were concerned with *Renting a Home*. Next to social welfare issues and medical card eligibility, this makes **housing one of the top issues** that people turn to citizens information services for help with. Housing is also reported as the key concern for MABS clients – many of whom are struggling to make mortgage payments or are seeking rental accommodation or social housing, with very limited options available to them. During the past ten years, the scale and pace of changes in the Irish housing landscape has been striking and has been acutely felt by a significant proportion of our clients who struggle to meet rising housing costs on limited means.

The range of CIB-supported frontline delivery services continue to see the detrimental effects of a range of different housing-related problems on low-income families and it would seem that a good deal of the difficulties originate from **low security, low stability, low quality and high-cost housing**. While information and money advice services offer support to clients with everything from poor quality housing to mortgage arrears and evictions, there are particular concerns that come up time and again. These include:-

- The **supply, processing and allocation of social housing**. In addition to these broad concerns, services have pointed to issues with the income eligibility assessment for social housing, with some instances where families who receive in-work welfare supports (such as WFP or BTWFD) being pushed above the income limits. They also point to the inconsistency whereby WFP is included as assessable income for social housing assessment, but is disregarded for the differential rent scheme;
- The **lack of availability, affordability and security of tenure of private rented accommodation across the country** – with the key issues reported by services being rental costs, rental support limits and the lack of suitable accommodation within those limits. In this

context, it would seem that the designation of Rent Pressure Zones in many areas is limited in its ability to moderate rent increases, with reports suggesting that the key difficulty is with the enforcement of these rent predictability measures;

- The real **threat of homelessness** and the adequacy and responsiveness of homeless supports (with services referencing, in particular, youth homelessness and hidden homelessness).

The Rebuilding Ireland Action Plan firmly locates the Housing Assistance Payment (HAP) scheme as “the Government’s long-term approach for assisting households living in the rental sector requiring support” and the countrywide roll-out of the scheme in 2017 generated a **significant increase in HAP-related queries in CISs throughout the country** over the past 18 months. As claimants can take up full-time employment without losing their payment, the reported incidences of the employment disincentive effect (which had been associated with Rent Supplement) have decreased significantly. But the issues that are presenting for clients seeking HAP assistance remain significant and have been widely reported by information services during 2017 (with over 18,000 HAP-related queries to CISs). Many of these difficulties are also reflected in the CIB social policy report *Housing Assistance Payment; The Experience of Citizens Information Services*.⁸

The key issues that are reported for clients in relation to the HAP scheme relate to the nature of the private rental market and also their interactions with local authorities in the application and assessment process. Specifically, the issues highlighted include:

- The limited stock of affordable, private rented accommodation for HAP tenants (notwithstanding the additional 20% flexibility provided for above RS maximum rent limits and compounded by ever-increasing rents);
- Standards of accommodation and repairs and the ability (and capacity) of local authorities to monitor and enforce standards;
- Lack of clarity for clients who are unsure of the effect of taking up a HAP tenancy with regard to their place on the social housing waiting list;
- The reluctance of some landlords to participate in the HAP scheme;
- Confusion and uncertainty for tenants with the issue of landlords requiring top-up payments;
- Difficulties for people in accessing HAP information and forms from local authorities, due in the main, to the limited resources allocated to the administration of the scheme;
- The lengthy processing period in many areas (up to 12-14 weeks cited regularly in reports) and the associated difficulties that these delays cause for applicants who are trying to secure a HAP rental property;

⁸ http://www.citizensinformationboard.ie/downloads/social_policy/HAP_Report_CIB_2017.pdf

- Difficulties for particular vulnerable clients who require significant levels of support in making HAP applications.

Recommendations – Housing:

Based on the evidence provided by our delivery services with regard to the provision of housing and housing supports, CIB recommends the following:

- Remove short-term activation incentives from income assessed under the Social Housing Assessment Regulations;
- Expand the Homeless HAP Place Finder Service to support other vulnerable households to find suitable accommodation in the private rental sector;
- Introduce additional rent regulation measures (such as linking rents to the Consumer Price Index), and allow for the continued use of discretion with maximum rent limits in certain cases;
- Provide clear communication and information on the HAP scheme directly to applicants and potential applicants in order to ensure that HAP tenants are fully aware of the specific conditions imposed by HAP;
- Further incentivise landlords to let their properties through schemes such as HAP and publicise the potential benefits of HAP for landlords;
- Provide adequate resources to local authorities for the administration of the HAP scheme and also for the monitoring and enforcement of minimum standards in relation to HAP properties.

Debt and financial issues impacting on MABS clients

In 2017, there were 16,740 new clients in MABS and a further 2,552 sought information about budgeting and money management. The MABS National Helpline dealt with 24,659 callers. There were a further 4,922 new clients in the first quarter of 2018 and 6,999 callers to the MABS National Helpline during the same period. The Dedicated Mortgage Arrears MABS Service has supported 5,500 clients over the course of the last three years and since 2013, over 1,200 Debt Relief Notice's, processed with the support of MABS, have been approved. The demographic profile of MABS clients has remained relatively stable over many years but the numbers of mortgaged clients has steadily increased since the recession began, up from 36% at the end of 2009 to 45% in 2018. MABS clients are heavily concentrated in the 40-65 year age bracket, but the number of clients aged 65+ has been growing gradually for the last number of years⁹.

⁹ See https://www.mabs.ie/en/about_us/mabs_statistics.html,

Legacy debt and too little affordable credit

A significant cohort of clients of MABS are burdened with unsustainable legacy debts and remain excluded from access to affordable credit and are consequently locked-out from the wider economic recovery. **Improved accessibility to personal insolvency and personal credit** are among the issues which need to be dealt with for MABS clients.

Financial inclusion and access to affordable credit

A 2011 ESRI report¹⁰ considered the 'liquidity' of a household by asking "Can your household afford an unexpected expense of €985 without borrowing?". A large cohort in the bottom quintile responded 'no' to this question. Furthermore, there was found to be a high overlap (97%) between those in persistent arrears and those unable to raise such contingency funds. MABS has advocated to ensure that low-income households are not barred from obtaining emergency credit from reputable sources and forced to seek high-cost loans from moneylenders¹¹. In this regard, the report of the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach on its review of the credit union sector¹² is welcome along with its recommendations in respect of the development of that sector and the need for a renewed focus within the sector on 'financial inclusion'. In addition we hope that the mandatory provision by all banks of a 'Basic Payment Account'¹³ might create and sustain access to banking and credit options for citizens.

Personal Micro Credit

Since 2015 there has been a personal micro credit (PMC) initiative - '*It Makes Sense Loans*'¹⁴- designed to facilitate access to affordable credit for low-income borrowers. MABS staff know, from practical experience of assisting their clients to access personal insolvency solutions, as well as the '*It Makes Sense*' micro credit loans, that these can be transformative for their client group. MABS staff are aware from casework that, in facing constraints on their capacity to access affordable credit, some MABS clients will invariably go into rent or mortgage arrears to finance essential goods, such as a new cooker.

The PMC initiative has two objectives. Firstly, to provide affordable credit via the credit union movement to financially vulnerable individuals who currently access credit from licensed money

¹⁰ *Financial Exclusion and Over-indebtedness in Irish Households*, Helen Russell, Bertrand Maitre and Nora Donnelly, ESRI, 2011

¹¹ Most recently CIB/MABS has made a submission to the Central Bank of Ireland on its Consultation on the Review of the Consumer Protection Code for Licensed Money Lenders. (CP118).

¹² https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint_committee_on_finance_public_expenditure_and_reform_and_taoiseach/reports/2017/2017-11-06_report-on-the-review-of-the-credit-union-sector_en.pdf

¹³ <http://www.irishstatutebook.ie/eli/2016/si/482/made/en/print>

¹⁴ CIB was instrumental in the setting up of these loans and is a member of a key stakeholder group which includes the Department of Finance, Central Bank of Ireland, Credit Unions, DEASP, An Post and the Social Finance Foundation. <http://itmakessenseloan.ie/>

lending organisations at extremely high interest rates. Secondly, over time to build a credit history, develop a savings habit and become a “normal” credit union member. The PMC project has already proven that this is achievable with 111 credit unions and 263 locations in total offering the “*It Makes Sense*” product. The legitimacy of extremely high interest rates being charged by licensed moneylending organisations in Ireland now comes into question if an alternative through the credit union movement is available at normal interest rates, subject always to individual creditworthiness. CIB regards the personal micro credit loans as the first step of many which could change how credit for low income borrowers is administered in the Irish market. Helpful initiatives such as **interest rate adjustments** to make micro credit attractive to social-oriented lending institutions, as well as **interest rate thresholds** to deter high cost moneylenders, would significantly benefit those who need support.

Credit Scoring

We welcome the new credit register and look forward to Personal Contract Plans (PCPs) being recorded on it. Without PCPs there is a ‘lag’ in having a fully comprehensive record of consumer liabilities and the consequent potential for consumers to be over-exposed to this type of credit.

Insolvency

While noting, from the ISI’s statistical releases, the increased level of activity in applications for PIA and DSA, the throughput to all arrangement types remains relatively low. CIB, through MABS, has identified the following issues in the insolvency legislation provisions as they apply to the MABS client group (most recently in a submission made to the Department of Justice and Equality on its consultation on part 3 of the Personal Insolvency Act¹⁵).

Debt relief notices (DRN)

1. Three year supervision period

Since 2012, feedback from MABS staff has overwhelmingly been that the supervision period for a DRN (three years) is too long and should be reduced to one year. As the supervision period of three years mirrored the period proposed in the bankruptcy legislation, it should now be changed to reflect the one year regime.

2. Local Authority rent arrears and other excludable debts

MABS experience is that many clients remain hesitant about the DRN process where they have local authority rent arrears. While the ISI have engaged with the County and City Managers Association on this issue, greater certainty is needed for clients/debtors in respect of local authority rent arrears.

¹⁵ <http://www.justice.ie/en/JELR/MABS%20Submission.pdf/Files/MABS%20Submission.pdf>

Issues have been raised also in respect of other 'excludable debts', in particular, social welfare payments and their impact on attitudes to, and uptake, of DRN.

3. Preference as an eligibility criterion

The inclusion of preferences as an eligibility criterion for DRNs has been an ongoing concern amongst MABS client groups.

4. Reasonable Living Expenses (RLE) and the legislation

Section 65(2) (c) and Section 99 (2)(e) specifically state that any arrangement shall not contain any terms that would make it mandatory for a Debtor to live below the reasonable living expenses (RLE). The reality is that many MABS clients live below the relevant RLE and are therefore being excluded from personal insolvency although it can be a solution for them.

A Publicly Funded Insolvency Practitioner

Irish personal insolvency legislation offers the following finite debt solutions to struggling debtors:

- Debt Relief Notice (DRN)
- Debt Settlement Arrangement (DSA)
- Personal Insolvency Arrangement (PIA)
- Bankruptcy

The presence of a Personal Insolvency Practitioner operating on behalf of the MABS client group within MABS would enhance MABS capacity to reach solutions for clients in arrears. It would also complement the Abhaile Scheme which is designed to provide voucher support for financial and legal advice for debtors.

Recommendations – Indebtedness:

Based on the evidence provided by MABS with regard to indebtedness and on the impact of mortgage arrears and household debt burdens on low income clients, CIB makes the following recommendations:-

- Place greater emphasis on the issue of financial inclusion in line with the Joint Oireachtas Committee on Finance, Public Expenditure and Reform and Taoiseach recommendations;
- Provide funding for consumer education on sustainable credit, with a particular emphasis on low income groups;
- Reduce the three year supervision period for Debt Relief Notices from three years to one year;

- Review the concept of 'excludable debts' in Debt Relief Notices;
- Remove 'preference' from the eligibility criteria for DRNs, or only retain as a ground for a creditor objection similar to DSA and PIA or alternatively, remove from the preference test 'priority' payments such as housing, utilities etc.;
- With regard to Reasonable Living Expenses, change the wording of the DRN legislation - Section 65(2)(c) and Section (2)(e) - to "may" as opposed to "shall";
- Provide broader access to insolvency solutions by funding a Public Personal Insolvency Service and enhance MABS to include PIP services on a means-tested basis.