

Tackling the engagement gap:

Addressing the reluctance of consumers to discuss debt



Acknowledgements

We are grateful to the members of the Credit Services Association who have supported us in preparing this paper, in particular to those who have taken the time to contribute data, to respond to our questions, and to carry out internal surveys of their frontline staff.

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Executive summary

Engagement is critical to debt resolution. Whether someone in debt speaks to their creditor, to a collection agency, or to a regulated debt advice organisation, the important thing is that they are speaking to someone who can help them resolve their financial difficulties. The precise resolution can take many forms – repayment; forbearance; an insolvency solution; write-off – but, regardless of the nature of the resolution, there will be comfort in having resolved the matter. Available data, however, tells us that millions of individuals with credit arrears are not fully engaged in dealing with their debts.

“While those that are engaged will find some form of resolution, those that remain disengaged face a heightened risk of further entrenching their financial difficulties.”

It is therefore vital that we do what we can to understand the underlying reasons behind that reluctance to engage, so that we can identify and develop effective solutions, and ensure that those customers can reap the same benefits as those that engage.

“Reluctance to engage is far from a simple issue... customers that do not (or cannot) speak to their creditors are often facing far more than a single obstacle”

It is worth acknowledging up front that reluctance to engage is far from a simple issue and our aim is not to paint it as such; we recognise that customers that do not (or cannot) speak to their creditors are often facing far more than a single obstacle. There are a multitude of factors contributing to each individual customer's reluctance to engage, some which will be unique to that individual, some which will be universal.

Our own research indicates that the reluctance to engage with creditors is often

driven either by feelings of fear, shame or denial. This may come as little surprise to those with any experience of speaking to customers in debt, but it can be a useful starting point for thinking about remedies that might help customers overcome the barriers to engagement.

For example, fear can often come from a lack of knowledge, experience or understanding. Until someone is actually in arrears, their experience of debt is likely to be limited, which means they are far more susceptible to misinformation and myths. This can be exacerbated by what the public hears about debt collection, where most reporting is likely to be negative and paint a distorted picture of the industry. In a survey of frontline staff at CSA members, more than 60% of respondents felt the average customer lacked awareness of potential forbearance.

The shame and stigma of debt is challenging to counteract, as missing a payment will inevitably trigger feelings of letting someone down or breaking a commitment. Those feelings can be amplified where the missed payment stems from things beyond our control. So, it is easy to understand why these feelings can contribute to a reluctance to engage. In fact, one interesting finding from our research was that there is a sub-section of the public who cannot even hypothetically conceive of being in debt, simply for the purposes of answering a survey question. It gives some insight into just how instinctual the feeling of shame and stigma associated with being in debt can be that, for some, it cannot even be countenanced as a possibility, even when just being considered hypothetically. This idea that owing money is some kind of personal failing, even though we know that, for most, it is the result of events beyond their control, indicates that messaging around debt still has some way to go.

“The average UK citizen believes around a third of debts end in litigation; the reality is that this figure is less than 1 in 10.”

As an underlying reason for not speaking to creditors, denial can come in many shapes and sizes, but what it boils down to is a reluctance to confront the reality of the situation. For some, it could be a misplaced belief that a solution is just around the corner, that things will right themselves over time, or that the creditor will just give up if you leave it long enough. But, in other cases, it can be a little more murky, with people being exploited or misled by misinformation (often online) telling them about secret strategies to avoid repayment or conspiracy theories that mean the debt is illegitimate whichever form it takes, it is gaps in information that allow denial to thrive.

“Consumer fears of litigation appear to be over-exaggerated”

What our work on this paper tells us is that customers that are better informed about the reality of debt collection are better equipped to confront their circumstances. Research commissioned by the Credit Services Association (CSA) illustrates the importance of a better-informed customer. Members of the public were invited to estimate the average amount of purchased debt that ends up in litigation. Responses indicated that the average UK adult believes around 32% of purchased debt will end up in court. However, data from CSA members tells us this figure is much closer to 7%. That 7% consists predominantly of customers that have not engaged.

“The CSA estimates that better awareness of the realities of debt collection could see more than half a million more debts resolved.”

The public perception, in this instance, is at odds with the reality and suggests that fears of litigation may be overexaggerated. When confronted with this figure, many respondents to the survey told us that, knowing this, they would be more likely to speak to a debt collector. In fact, those with recent experience of debt collection were even more likely to make contact. Conservative estimates suggest that imparting this type of information to this

group of customers could potentially bring about the resolution of more than half a million more debts.

In a nutshell, our key message is that customers would be much better served by being better informed and more should be done to educate all customers. While our primary focus is on better educating the public about the realities of debt and putting more information in the hands of customers, we recognise that there are other interventions focused on some of the more specific underlying issues that we have not explored in more detail and which would also be of significant benefit, such as improving mental health support nationally.

In the final chapter of this paper, we set out what we consider to be some reasonable measures that could be taken to tackle the engagement gap and empower more customers to confront their financial circumstances, while also enhancing the awareness and education of all customers. These include:

- Integrating financial education throughout the national curriculum and beyond is essential and the new team at the Department for Education should look to implement the recommendations made in the previous Commons Education Committee’s report on the state of financial education in the UK.
- Findings from our research suggest that consumers with less to fear are more likely to engage. CSA members should consider how early customer contact might be enhanced to actively eliminate misconceptions and provide reassurance about the benefits of engagement
- Collector and creditor messaging about misconceptions and online misinformation can often fall on deaf ears, so we would recommend that consumer-trusted sources such as the regulator or members of the advice community do more to publicly call out consumer-harming misinformation.
- The FCA should demonstrate more faith in the expectations it places on firms by providing public reassurance that customers have little to fear from speaking to their creditors and the collections sector.

Introduction

Several years ago, the (CSA) launched a public campaign aimed at encouraging those in debt to engage with their creditors, with collection agencies, and with debt purchasers. The #heretohelp campaign aimed to reassure customers that the modern debt collection sector does not resemble the one routinely presented in film and television, or described in sensationalist news headlines, and that CSA members simply want to speak to customers and understand their circumstances to agree a way forward. Collection is important, but resolution and reconnection are the primary focuses of collections and purchase firms. There is little value – commercially, reputationally, morally – in demanding more of individuals than they can genuinely afford. It leads to unsustainable repayment arrangements; it creates or exacerbates vulnerability; and it discourages others from engaging meaningfully.

The campaign's message was adopted across the CSA membership and continues to be one of the Association's key public messages. In the time since its launch, consumer support and the approach to forbearance across all sectors has come on leaps and bounds, particularly in the wake of the Covid-19 pandemic and the rising cost of living. The financial services sector remains the frontrunner, but there have been signs that other sectors are beginning to move with the times – several utility regulators have consulted ^{1,2} in the last 12-18 months on measures that would introduce some form of tailored forbearance and the Government Debt Management Function published its Fairness Charter ³ earlier this year. While there remains some way to go for these sectors, it is encouraging to see progress emerge.

#heretohelp

A campaign launched by the CSA in 2019 to encourage customers to engage with their creditors.



5k+ Youtube views



3.5k+ page views on the CSA website

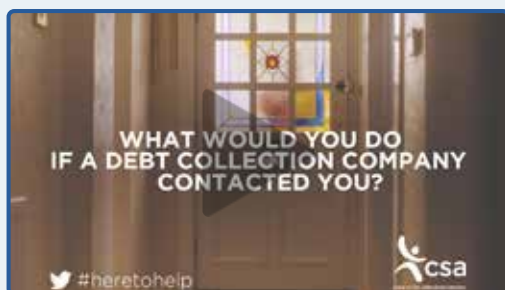


Fig. 1 CSA #heretohelp infographic / overview

¹ [Ofgem: Affordability and debt in the domestic retail market – call for input \(March 2024\)](#)

² [Ofwat: Service for all – Ofwat's draft vulnerability guidance for water companies supporting customers who need extra help \(July 2023\)](#)

³ [Government Debt Management Function: Debt Fairness Charter \(March 2024\)](#)

In addition to tailored support, we've seen improvements in the debt solutions available to customers. Although CSA members have been offering informal breathing space to customers for well over a decade, the Debt Respite Scheme Regulations have afforded customers access to statutory breathing space across a range of creditors. Just this year, access to debt relief orders (DROs) has been widened significantly, with the removal of the application fee and changes to the eligibility criteria.

We are immensely proud of the #heretohelp campaign. And with so many improvements in the types of forbearance, support and debt solutions that customers can access, we believe more than ever in the importance of customer engagement – whether that is with a creditor, a collection agency, a debt purchaser or with an authorised and regulated debt advice provider. Engagement helps to break the illusion that there is no way forward.

But the number of customers that do not engage is significant. The Money and Pensions Service (MaPS) cited findings from its 2022 Debt Needs Survey in its recent debt advice strategy consultation ⁴, stating that of the 9.3 million people it classified as needing debt advice in the UK, only around 2 million do in fact access help each year. While there are other factors that might explain what is happening with some of the remaining 7.3 million (e.g. customers self-managing with online tools; customers receiving support directly from creditors), the number of people not engaging on the advice side is significant.

When it comes to debt purchase, data reported by a selection of the CSA's larger members indicates that almost 20% (approximately 3.2 million) of customers are likely to be disengaged (see fig. 2). Along similar lines to MaPS' figures, we cannot say with absolute certainty that all of these customers are disengaged, as there may be other explanations. For example, some

may be inactive because they are subject to statutory breathing space - but given that average monthly statutory breathing space registrations tend to hover around 7,000 ⁵, it seems reasonable to infer that a large proportion of these customers are in fact disengaged. And that 3.2 million figure is likely to be significantly higher when factoring in customers that our data does not capture (creditors' customer data; non-contributing CSA member customers). Between this and MaPS' figures, it is fair to surmise that there is a significant proportion of the populace not currently taking steps to resolve their financial situation.

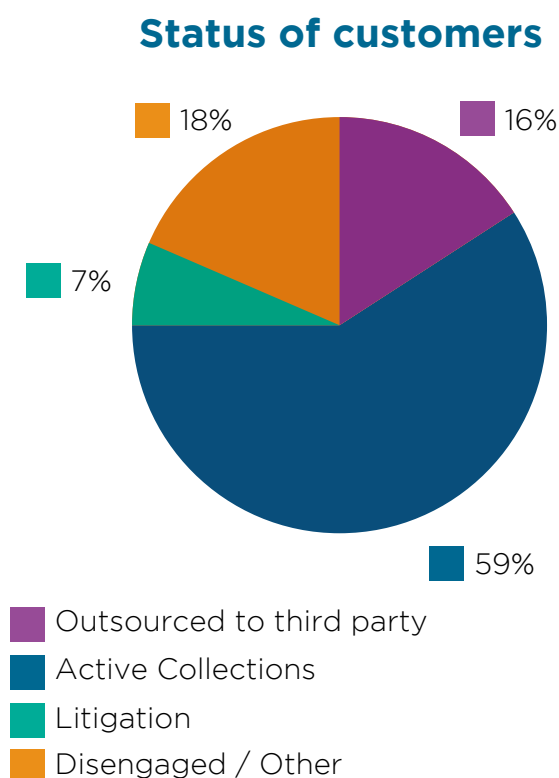


Fig. 2 Data reported by selection of largest CSA members on status of customers

In order to build on our work around the importance of engaging, we wanted to explore the reasons that customers disengage and consider how the sector and its stakeholders can tackle the engagement gap.

⁴ [Money and Pensions Service: Consultation on MaPS proposals for the delivery of its debt advice strategy \(January 2024\)](#)

⁵ [The Insolvency Service: Commentary – individual insolvency statistics April 2024 \(May 2024\)](#)

Drivers of Disengagement

We commissioned some research to better understand how people behaved when they missed payments. Of those surveyed that said they had missed a payment in the last 5 years, a third reported that they did not make contact about a missed payment for 1-2 months, with over half of the respondents making no contact until they were contacted themselves.

When asked why they did not make immediate contact, the responses could be broadly grouped into three overarching reasons – fear, shame and denial.

Fear

As our survey indicates, customers worry that they won't get a fair conversation when they speak to their creditor, or that speaking to their creditor will lead to some sort of negative consequence. The idea that creditors or collection agencies are to be feared is often amplified by public reporting and regulatory action, which are often focused on isolated and individual instances of poor practice, failing to reassure that reporting is not necessarily indicative of the wider industry.

Shame

The shame and stigma attached to being in debt has been a long-standing challenge for the financial services sector. Although a lot has been done to tackle the stigma and minimise feelings of shame – focusing on financial inclusion, building collaborative relationships with the advice sector, tailoring approaches to customer circumstances, developing tools for online interaction – the inability to meet an obligation will always carry a sense of shame for those that find themselves in such circumstances and speaking to anyone, never mind creditors, about this is a big ask. Many cannot appreciate that they are far from alone in having, say, missed a payment or built up a large debt.

Denial

A little more complicated than fear and shame, as it encompasses some more diverse underlying reasons for not making contact. In some cases, a sense of denial can stem from a customer hoping or expecting that they will be in a position to remedy the outstanding balance soon, and concluding there is therefore no need to make contact e.g. payday coming up. If a creditor doesn't know the customer plans to make payment in due course, the customer runs the risk of the creditor taking further action in the interim. In other cases, this could perhaps be a misplaced hope that the creditor will abandon its efforts given enough time. This type of thinking can often be amplified by online misinformation, especially where the customer is being told something they want to hear (e.g. "Follow these tips to get out of debt for free."). If the customer does not appreciate that further action can and will legitimately be taken, or are taken in by erroneous advice from unauthorised and unaccountable sources, they similarly could face longer-term consequences.

Looking specifically at responses from **those who had missed a payment in the last five years**, over 40% of respondents indicated that their reluctance was driven by a fear – a fear of being made to pay more than they could afford, or a fear of how the firm might respond to them. And a further 31% of respondents did not make contact as a result of embarrassment or stress about their situation.

Reasons for not making immediate contact about missed payment

Only respondents that missed payment in the last five years

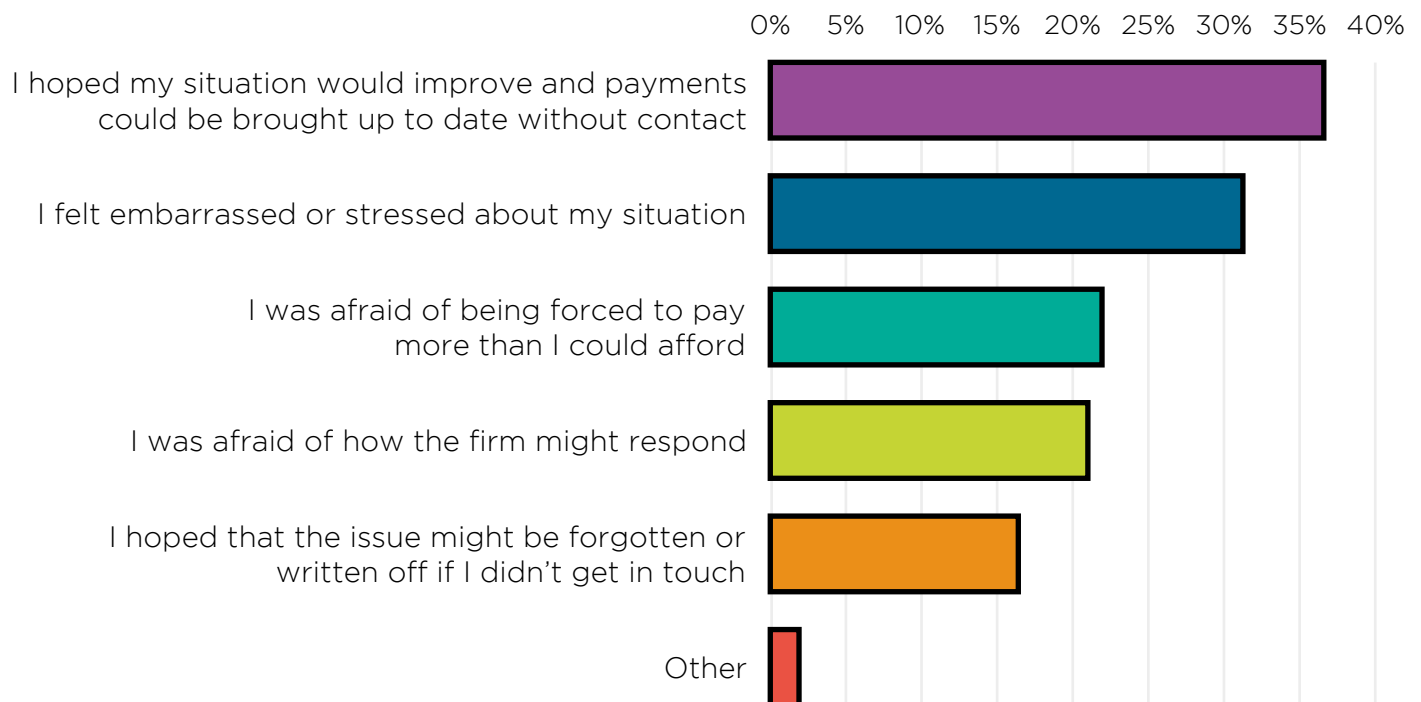
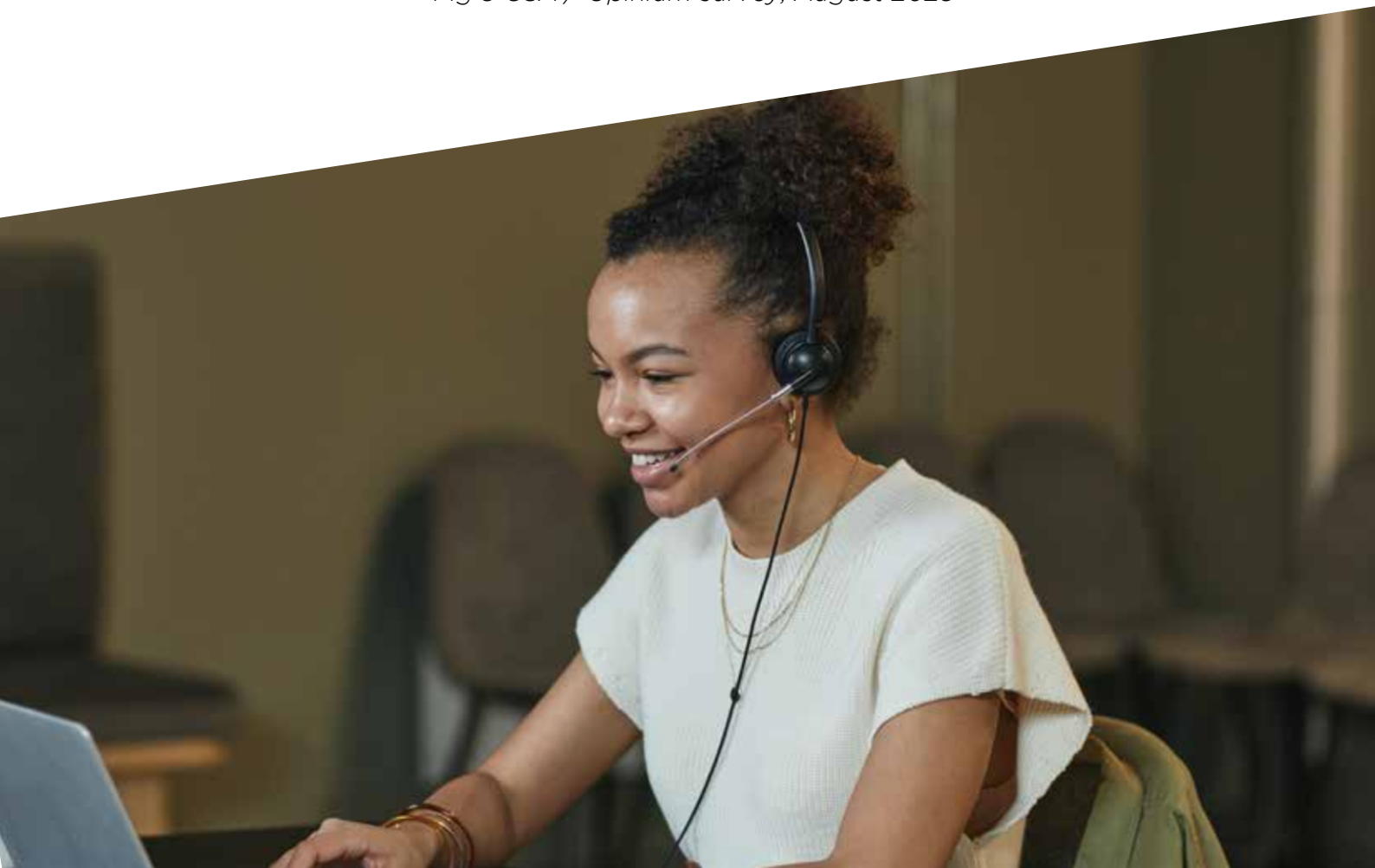


Fig 3 CSA / Opinium survey, August 2023



We also asked **all survey respondents** (not just those who had missed a payment in the last five years) how likely they would be to return contact from a company asking them to get in touch about a missed payment.



Fig 4 CSA / Opinium survey, August 2023

The vast majority of respondents (75%) confirmed that they would make contact, but 15% stated that they would not (with a further 10% reporting that they weren't sure what they would do). This group also included respondents who had not missed any payments in the last five years, so we were interested to learn what might explain their reluctance to make contact - so we asked, hypothetically, why they felt it was unlikely for them to make contact.

Once more we saw that fear, hope and shame were common drivers behind that reticence (see Fig. 4) - but this time we also saw another underlying reason unique to those that had not previously missed payments.

Interestingly, 42% selected either 'I don't need to discuss it' or 'Other', with several going on to elaborate in free text answers that they wouldn't make contact because they were "unlikely to find themselves in such circumstances". It says a lot about how pervasive the societal stigma and shame of debt remains when some respondents cannot even contemplate owing money in a hypothetical scenario.

Of course, it is abundantly clear that disengagement is not as simple as just these three drivers. There are myriad factors that come between customers and engaging with their creditors.

Lack of time and capacity: The cyclical nature of the challenge that debt presents is widely acknowledged – being in debt makes it difficult to manage other areas of life; and struggling in other areas of life makes it difficult to manage debt. Debt is often just *one more thing* for people to contend with. Managing debt requires time and headspace, something that can frequently be in limited supply, which means addressing the situation only rises to the top of some customers’ priorities when the immediate consequences are staring them in the face⁶.

Addressing lack of capacity and time to engage is difficult for firms, because they cannot manage their customers’ lives for them. This is why it’s critical that, where customers are reluctant to engage with their creditors, they at least speak to a regulated debt adviser, who can provide support to help them better manage their time and debts, rather than burying their heads in the sand or falling down misinformation rabbit holes on the internet.

Missed opportunities: Having limited capacity and time also means that these individuals sometimes miss out on opportunities to resolve their debts in a manageable way or to access available forbearance. Some will incur additional costs on debts they haven’t dealt with; others may turn to accessible but expensive forms of credit in an effort to tackle their existing arrears, potentially driving them further into debt. With tighter lending criteria, even higher-cost credit may not be an option and can sometimes see individuals exploited by illegal sources of lending, putting them at substantially more risk of harm.

Mental health: The Money and Mental Health Policy Institute (MMHPI) reports⁷ that almost one in five people with mental health problems are in problem debt. How mental health problems then affect the customer’s ability to engage will vary in both nature and degree, depending on the type and severity of the mental health problem, as well as any accompanying factors, but it is inevitable that poor mental health will make engagement more difficult.

Trying to stave off trouble elsewhere: Reluctance to engage can also be part of a misplaced effort to prevent further arrears elsewhere. The MaPS Debt Needs Survey for 2023⁸ showed significant low financial resilience among those that fall into its ‘need advice’ bracket – almost half would be unable to pay an unexpected bill over £100 and over 60% could not cover living expenses for more than a month. These kinds of pressures can drive individuals to focus on retaining what comes in to cover existing and anticipated costs, or to keep on top of bills which are not yet in arrears – but customers could be prioritising payments that carry fewer or less drastic consequences than other outstanding balances.

Public reporting and misperceptions: Feelings of fear and shame can be reinforced by media and regulatory reporting, which is routinely focused on individual instances of poor practice. It drives the message of debt – both collecting it and being in it – as something terrible, and it can also fuel misconceptions about the industry, with consumers more inclined to presume they will face misconduct because that’s the only information about the sector they have been exposed to.

Lack of financial education: Research and reports over the years have been unequivocal about the lack of effective financial education in the UK. There is little

⁶ Data from MaPS’ Debt Needs Survey 2022 shows that respondents did not seek out debt advice until they were contacted by the people they owe money to / a bailiff / the courts (24%); or until they had their gas, electricity, landline or mobile phone cut off (19%); or had a prepayment meter installed for gas or electricity (18%). (See footnote 4.)

⁷ [Money and Mental Health Policy Institute: Money and mental health facts and statistics](#)

⁸ [Money and Pensions Service: The UK’s debt landscape in 2023 \(February 2024\)](#)

doubt it affects consumers' ability to tackle the financial challenges that they face, as well as contributing to many of the financial difficulties that consumers encounter.

Awareness, experience and misperceptions:

An absence of financial education, combined with learning about forbearance and support only at a point when the information is difficult to meaningfully process, also means many aren't aware of the support that could be available to them. This gap in knowledge can also mean individuals are more susceptible to misinformation, which can sometimes explain those that intentionally refuse to engage.

Intentional disengagement: There is a portion of customers that purposefully do not engage. Reasons can be wide-ranging – intentionally fraudulent behaviour; mistrust of the system based on past experience; victim of misinformation; in some cases, individuals have nothing, so see no value in engaging. While there are consequences for those that set out to defraud their creditors, the other types of customer in this group are largely in need of better information on the reality of being in debt and their actual options.



The need for financial education

Government, regulators and industry are relatively unanimous about the gap in public education on financial matters.

- In its vulnerability work, the FCA found that 1 in 7 adults have literacy skills expected of a child aged 11 or below, and just under half of UK adults have a numeracy attainment age of 11 or below ⁹.
- The charity National Numeracy recently commissioned KPMG UK to carry out research ¹⁰ into attitudes and feelings toward numeracy, finding that 21% of UK adults believe their fear of numbers is hindering their financial wellbeing.
- A report ¹¹ by MyBnk and Compare the Market found that only 2 in 5 young adults in the UK are financially literate.
- CSA research ¹² of member frontline staff found 50% of respondents reported that they believe they are always or usually occupying a role of financial educator for the customer that contacts them.

That lack of effective financial education not only inhibits consumers' ability to overcome their financial challenges, it can often be a critical factor in the worsening of their financial circumstances. While financial education wouldn't necessarily equip people to deal with the life events that often drive people into problem debt, it would at least ensure they had some idea what to expect from being in debt, an awareness of their rights, an idea of the types of support and forbearance they may be able to access, and an indication of how they might be able to mitigate some of the difficulties.

In recent years, discussion has turned to action, with a range of public and private sector campaigns and initiatives aimed at addressing the problem.

- In recent months, the House of Commons' Education Committee published a report, 'Delivering effective financial education'¹³, calling for the government to bolster financial education in primary, secondary and higher education, and setting out a range of recommendations.
- The ten-year framework set out in MaPS' UK Strategy for Financial Wellbeing ¹⁴, contains ambitious goals to enhance financial education for children and young people.
- The MoneySavingExpert website and its founder, Martin Lewis, have been major proponents of the need for financial education, even funding and launching a textbook ¹⁵ aimed at bringing the subject into classrooms across the country.
- Workshops and webinars focused on financial wellbeing for various groups are available from The Money Charity ¹⁶.
- Young Enterprise & Young Money ¹⁷ support young people with targeted programmes such as My Money Week, a national platform for secondary schools to engage in money matters, and Money Heroes, a programme that aims to make learning about money engaging and practical for 3-11 year olds.

⁹ [*Financial Conduct Authority: The scale of consumer vulnerability in the UK \(2015\)*](#)

¹⁰ [*National Numeracy: Fear of numbers stopping us from tackling our finances \(May 2024\)*](#)

¹¹ [*MyBnk / Compare the Market: Financial education in secondary schools in the UK \(May 2023\)*](#)

¹² *Survey conducted across selected CSA member frontline staff, Q2 2024*

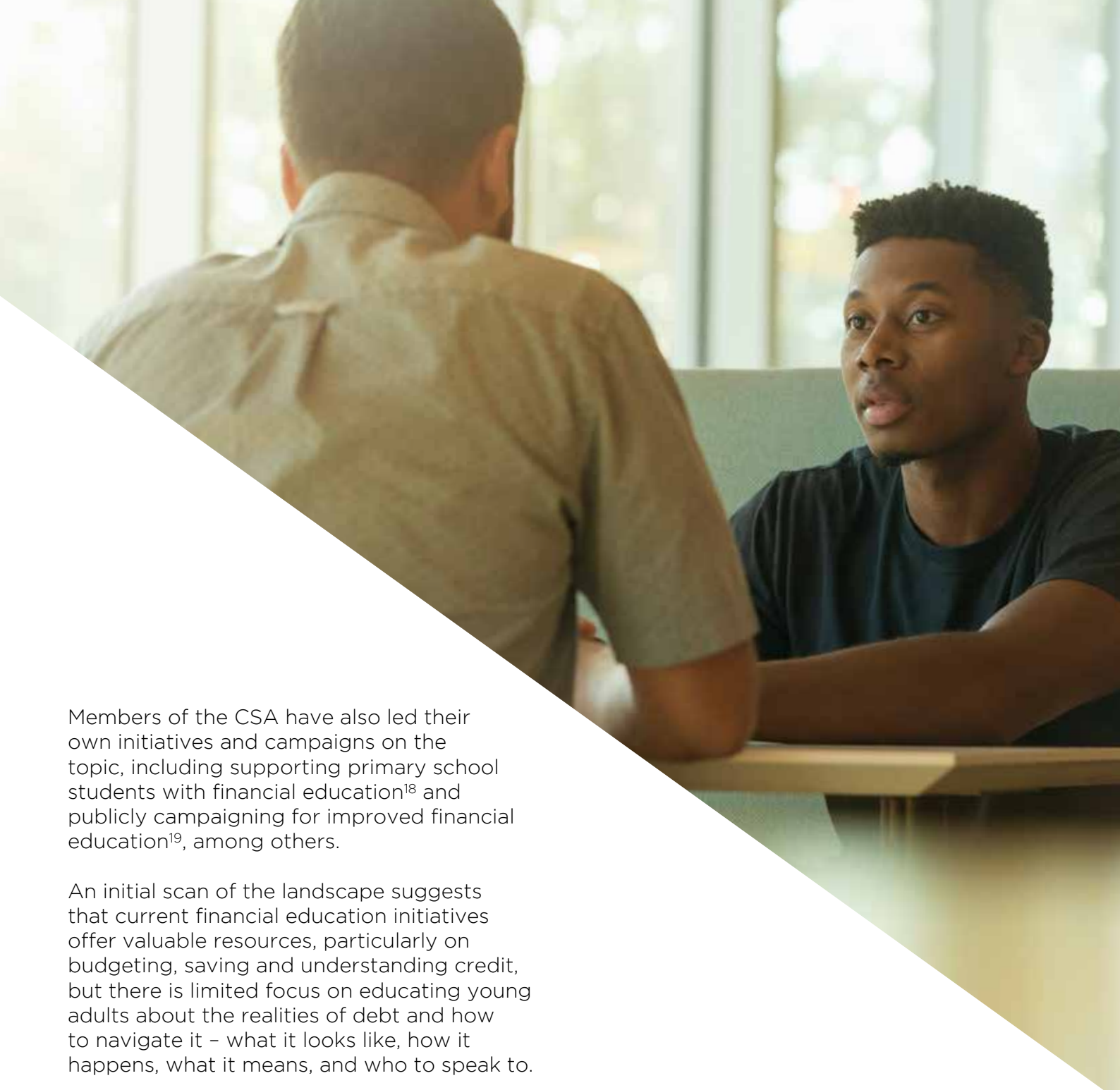
¹³ [*House of Commons Education Committee: Delivering effective financial education \(May 2024\)*](#)

¹⁴ [*Money and Pensions Service: UK strategy for financial wellbeing \(2020\)*](#)

¹⁵ [*MoneySavingExpert.com: Financial education \(accessed May 2024\)*](#)

¹⁶ [*The Money Charity: The Money Charity Workshops \(accessed May 2024\)*](#)

¹⁷ [*Young Enterprise: Financial Education – Young Enterprise & Young Money \(accessed May 2024\)*](#)



Members of the CSA have also led their own initiatives and campaigns on the topic, including supporting primary school students with financial education¹⁸ and publicly campaigning for improved financial education¹⁹, among others.

An initial scan of the landscape suggests that current financial education initiatives offer valuable resources, particularly on budgeting, saving and understanding credit, but there is limited focus on educating young adults about the realities of debt and how to navigate it – what it looks like, how it happens, what it means, and who to speak to.

Better integration of financial education into the national curriculum and better quality of education is a critical step for the new Education Minister. Alongside this, government should ensure it leverages the expertise of the debt collection and debt purchase sector in building a financial education curriculum and developing materials that tackle the realities of debt.

¹⁸ [*Cabot Credit Management: Skills 4 Bills alive and kicking for 2024 \(May 2024\)*](#)

¹⁹ [*Lowell: Lowell lobbies for fitter financial future \(October 2023\)*](#)

Effective and early awareness-building

Improved financial education would go a long way to addressing debt problems of the future, but the millions of disengaged that already exist need something to change now.

On average, are customers aware of forbearance when making contact?

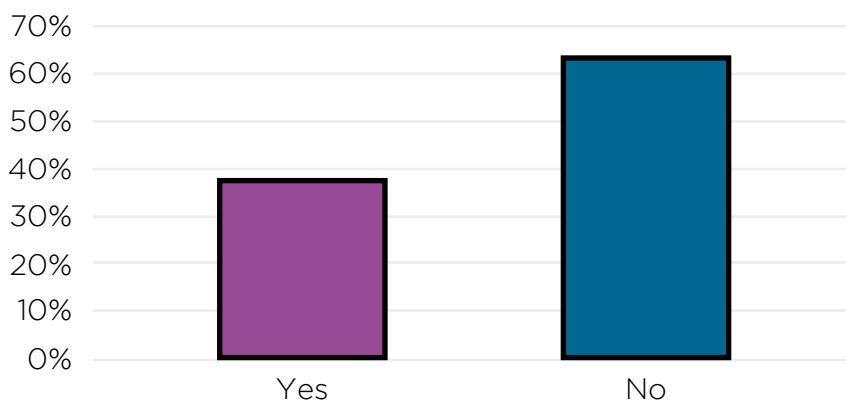


Fig. 5 CSA member frontline staff survey, Q2 2024

It is apparent that a lot of customers are often simply unaware of the support available to them in the shape of forbearance or debt advice. Our survey of member frontline staff found that more than 60% felt that the average customer had little to no awareness of their entitlement to forbearance.

Some of that stems from the financial education gap. Some of it stems from not having the time and capacity to interrogate their options or fully digest correspondence. And some is arguably the result of public reporting focusing on incidences of poor practice, rather than how to access help. Each of these issues we've touched on plays a part in public awareness. But industry has a responsibility too, and there is more that can be done by industry to communicate to customers the support that is available to them.

The importance of making this kind of information available was echoed by a recent Ofcom research paper²⁰ which reported that 4 out of 5 telecoms customers were most likely to seek debt support information directly from their service provider.

Incoming FCA rule changes²¹ around strengthening protections for borrowers will see the FCA build on its communication expectations for consumer credit firms, requiring them to highlight to customers the benefits of debt advice, including to those that are approaching arrears. That focus on 'approaching arrears' illustrates clearly the FCA's desire for earlier intervention. With that in mind, perhaps more needs to be done to make customers aware of options such as debt advice and concepts such as forbearance far earlier in the process, when they do have capacity to take it in, before it becomes necessary and before they cannot see the wood for the trees.

And that approach should extend beyond financial services. Creditors of all types, including public sector, should be expected to provide information to customers about the availability of

²⁰ [Ofcom: The importance of debt support information from providers \(May 2024\)](#)

²¹ [Financial Conduct Authority: PS24/2: Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages \(April 2024\)](#)

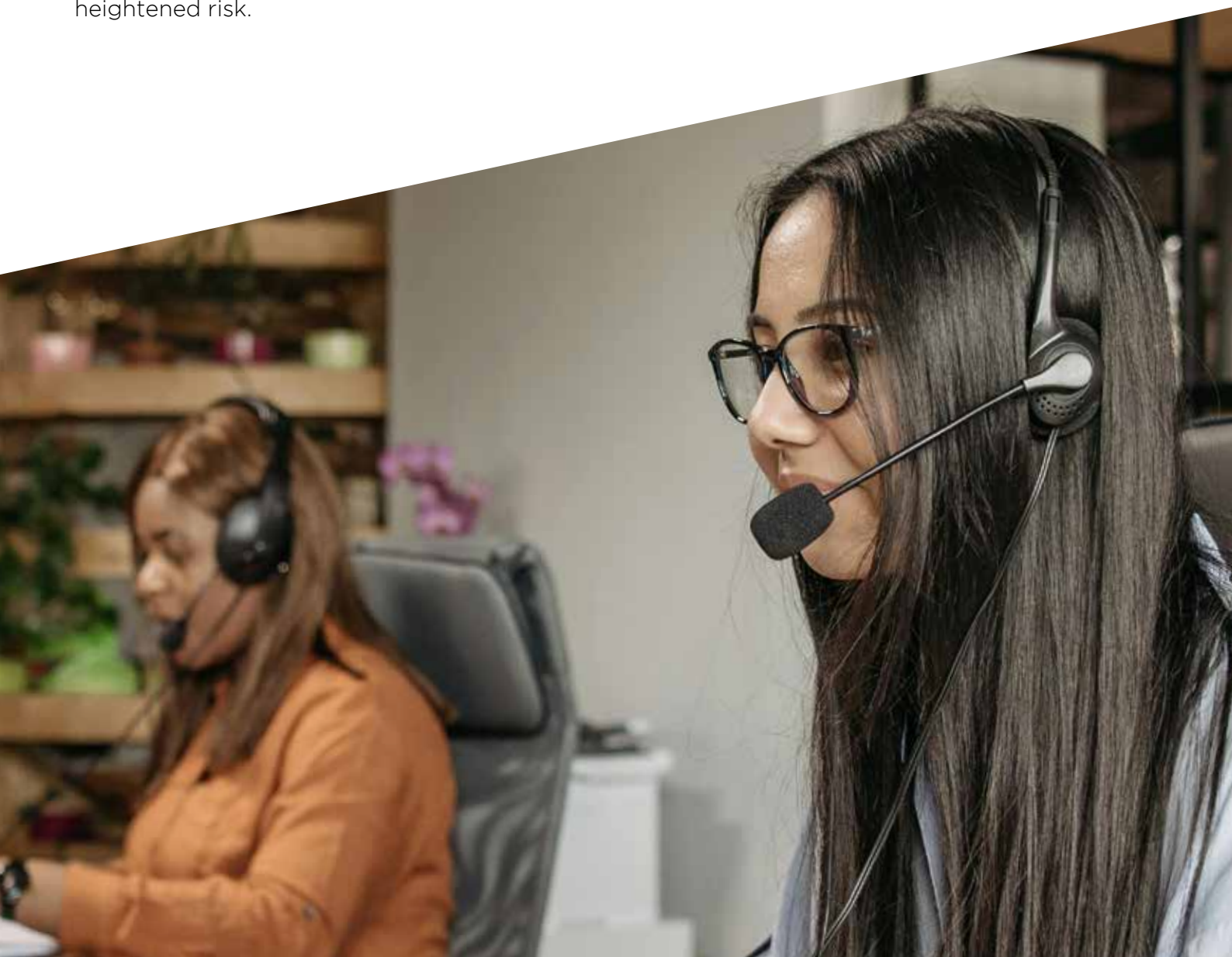
²² [UK Regulators Network: Joint debt collection statement \(March 2024\)](#)

forbearance and support. The March 2024 letter²² from the UK Regulators Network was a step in this direction, with the signatory regulators calling on their regulated populations to ensure that information about debt advice was “clear” and “prominent” (although, the letter was also an example of public messaging reinforcing consumer fears without providing reassurance - the letter felt like a missed opportunity to highlight the importance and value of engaging with creditors or regulated advice providers).

Signposting and debt referrals are essential tools in enhancing consumer awareness, but there is also a case to be made for getting this information into the hands of customers before they need it. UKRN should explore the benefits of earlier awareness-building by creditors and consider setting broad regulatory expectations where intervention is likely to meaningfully enhance consumer awareness.

A related issue is the sheer scale of the advice landscape, which may also be daunting for customers, especially those in financial difficulties. The MaPS' MoneyHelper locator tool is helpful in this regard, but it remains challenging for the average customer to discern precisely where to look and what they're looking for. The disparate advice needs of customers in debt only add to that challenge. Again, finding ways to get information to customers at a point when they are better equipped to take it on board is worth consideration, although the priority has to be on making advice as relevant, navigable and accessible as possible.

There may also be scope for sectors and / or firms to look at providing small but frequent educational interventions throughout the lifecycle of their products, in an effort to ensure the information is retained. With Consumer Duty requiring firms to give more consideration to target markets and their product design, it presents an opportunity to build in educational elements to those products where the target market may benefit most or are perhaps at heightened risk.



Demystifying myths and misconceptions

Awareness-raising around support and forbearance may help get consumers access to a way forward, but there is also a disconnect for many customers between the reality of debt collection and how likely it is that they will face the worst possible outcomes, which can discourage many from even contemplating the help available, possibly out of despair or resignation to their fate.

For example, recent research commissioned by the CSA invited respondents to estimate the percentage of purchased debt that ended up in legal action. We found that, on average, UK adults believe that a third of purchased debts end up in court, whereas figures reported by CSA members indicate that the reality is actually less than 7% (see Fig. 6).

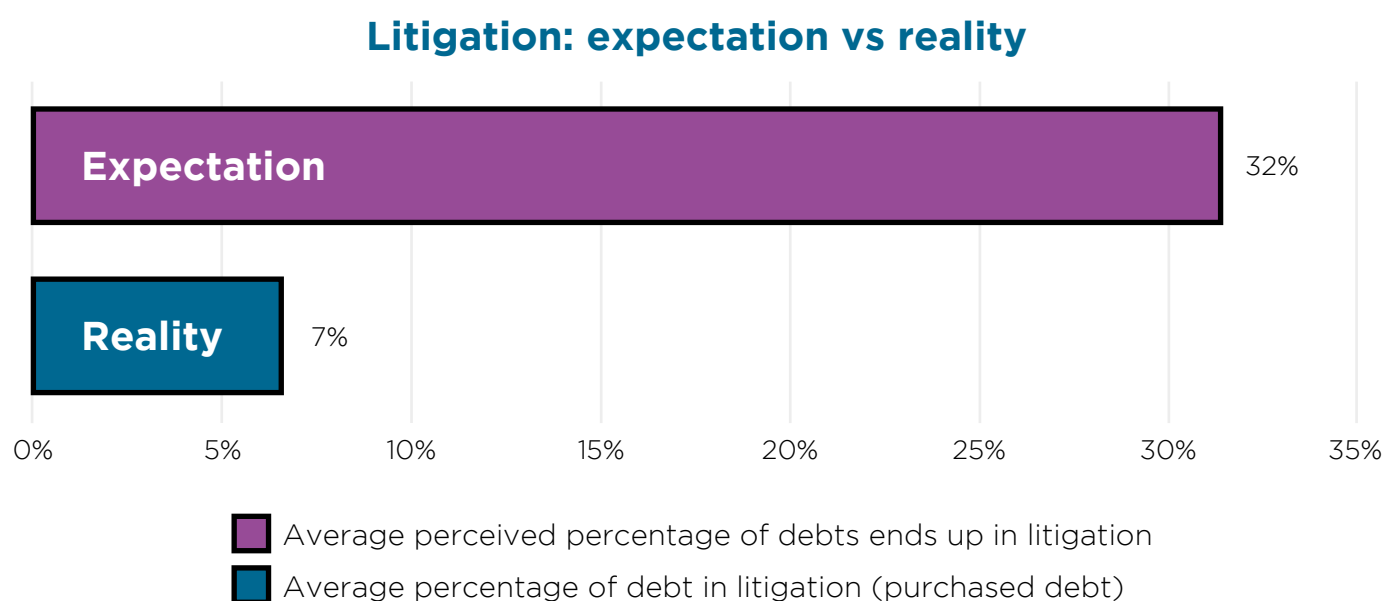


Fig. 6 CSA / Opinium survey, May 2024; CSA member-reported data 2023/2024

Even accounting for the fact that the survey respondents may not make any distinction between 'purchased debt' and 'all debt' when it comes to litigation, there is still a big gap in what the average member of the public thinks about the prevalence of enforcement.

Misperceptions like this propagate in all kinds of ways. Reporting around debt, both in the media and in regulatory press releases, likely plays a role in some of this perception. The speed with which the public sector escalates to enforcement perhaps has a crossover effect on expectations for the treatment of all debt. Online misinformation muddies the water further. And even firms with the most consumer-friendly communications strategies are unlikely to contemplate actively downplaying the consequences of non-engagement. With no counter-narrative, misconceptions fill the gap and are taken as fact.

And yet, research suggests that there is value in actively undoing those misperceptions. The same group that were asked about litigation expectations provided some interesting responses when confronted with the actual figure. In particular, 60% of those with recent experience of collections said knowing that the level of litigation was much lower than they perceived would make them more likely to engage, illustrating the impact that a misperception can have on engagement.

Litigation: what does awareness mean for likelihood of engaging

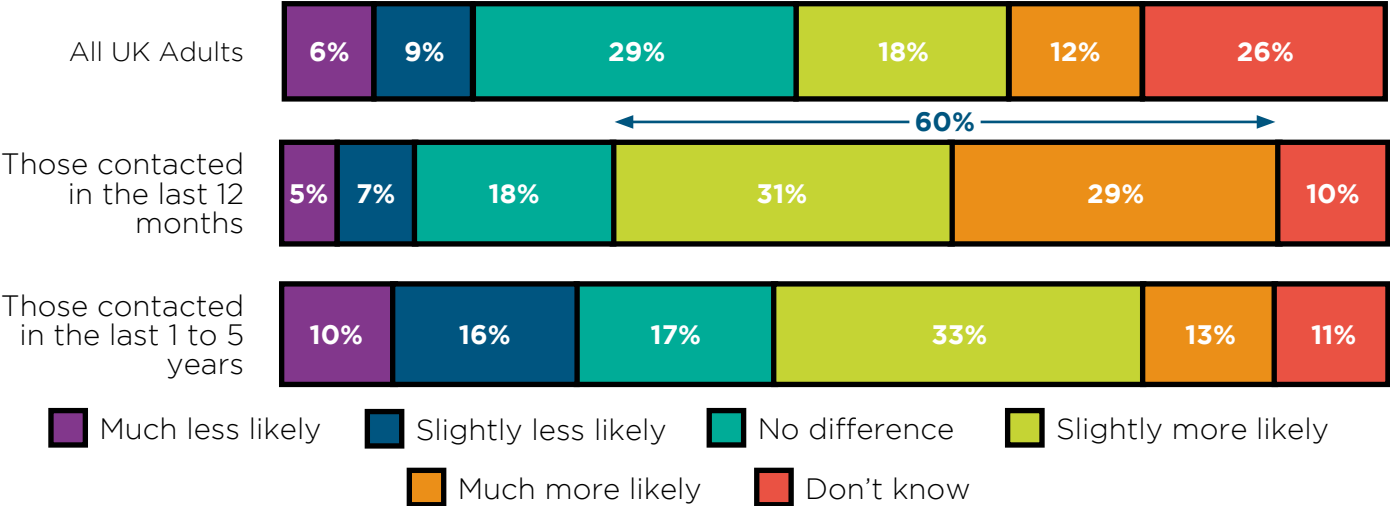


Fig 7 CSA / Opinionium survey, May 2024

There is a suggestion here that consumers with less to fear – at least at the outset of their interactions with the collections sector – are more likely to engage. Our research of CSA member frontline staff told a similar story, with respondents asked what they considered, on average, to be the most effective route to engagement with a customer. An approach underpinned by empathetic reassurance is often key in positive engagement.



When speaking to customers, which of the following tends to drive positive engagement from the customer?

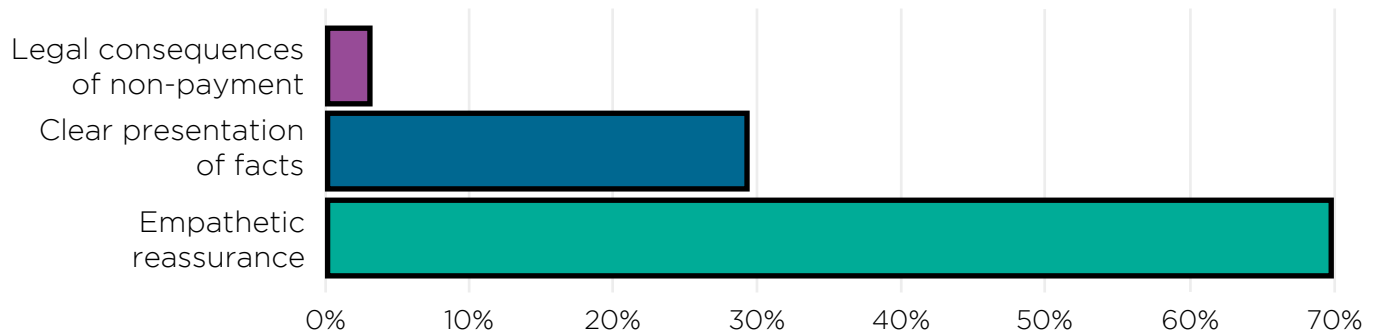


Fig 8 CSA member frontline staff survey, Q2 2024

All of this suggests that CSA members should perhaps think about how they frame consequences such as litigation in their initial interactions. We know that more than 3m people are disengaged (see Fig. 2 Page 4) and the responses to our research indicate that up to 60% (see Fig. 7) of those disengaged could potentially be more inclined to make contact if they had a better understanding of the reality of litigation risk. That is, theoretically, 1.8m more people potentially engaging with their financial circumstances and accessing support and forbearance.

Our member-reported figures tell us that approximately 40-45% of debt purchase customers are making payments; even if we conservatively estimated that 30% of that 1.8m would be able to begin making payments, we would be looking at over half a million further payments being made against debts. The most important thing is getting those disengaged customers to a position where they can confront their financial difficulties. But being able to get those previously-inaccessible customers repaying their debts doesn't just aid the customer's own financial rehabilitation, it has wider potential economic benefits – reduced recovery and litigation expense; fewer money claims; returning money to the economy; limiting the need for rising credit costs.



Recent amendments to the CSA Code of Practice set out expectations for members to carry out regular reviews of communications strategies – those reviews might present an opportune moment for CSA members to think about how their opening interactions with customers could be enhanced to more explicitly eliminate misconceptions, especially about the worst possible outcomes, and highlight the benefits of engagement.

Improvements in the public messaging around debt collection would also be a welcome intervention that could give customers the reassurance that their financial problems are not beyond resolution. The collections sector is unlikely to ever be embraced by the public, on the basis that firms are tasked with, at best, reminding customers of an overdue payment and, at worst, instigating the consequences of non-payment. But the collections sector has been at the forefront of best practice when it comes to the identification and treatment of vulnerable customers, and affording customers forbearance such as reduced payments or breathing space, so it is in a good place to provide the necessary support to customers that many creditors cannot. This is an often-overlooked and under-reported facet to the outsourcing of collections.

Those in positions of trust and power, such as the FCA and the media, have the capability to deliver a different message that empowers customers to confront their financial situations. For example, the FCA has introduced two major regulatory changes to support consumers in recent years – the Consumer Duty, which requires firms to deliver good outcomes for customers, and new rules requiring firms to provide tailored support to those in or approaching arrears. With these changes, the FCA should be shouting from the rooftops that customers should speak to their creditors and that they should not be worried about facing

up to their financial situations, because the regulator's new rules will ensure they receive the right treatment.

The media may be a bit more reticent in encouraging positive interactions with creditors, as research has shown that the public responds more to negative stories²³. In this respect, the industry has to share more of its own stories and experiences. CSA members have done substantial work on this front^{24,25} and the CSA #heretohelp campaign supported all members in putting the message and the real experiences of individuals front and centre – but there is more that can and should be done.

The best practices are often undermined by the worst, especially as they tend to be the ones the public hear about. Although there have been steps in the right direction, such as the launch of the recent Fairness Charter, research such as the government's 2020 review of debt collection by government bodies²⁶ has shown that public sector enforcement is on a different scale to private sector. This was echoed by representatives from debt advice providers giving evidence to the Treasury Select Committee in January 2024²⁷, where the approach to public sector recovery was specifically called out as having something to learn from practices in the private sector. As long as one creditor sector takes a more aggressive approach to collections, it will make it much more challenging to rebalance customer expectations.

Debts to public bodies do have their own nuances, and government and local authority creditors face different pressures when it comes to recovering what is due, but a more measured approach to enforcement, perhaps with better employment of external debt collection expertise earlier in the process, would go some way to replicating, rather than undermining, best practice elsewhere.

²³ [*BBC: Psychology: Why bad news dominates the headlines \(July 2014\)*](#)

²⁴ [*Lowell: Helping clients address challenges in the collections life-cycle \(accessed June 2024\)*](#)

²⁵ [*Cabot Credit Management: Emma – customer testimonial \(accessed June 2024\)*](#)

²⁶ [*House of Commons Library: Briefing paper: Debts to public bodies: are Government debt collection practices outdated? \(September 2020\)*](#)

²⁷ [*House of Commons Treasury Committee: Debt advice provision: oral evidence transcripts \(January 2024\)*](#)

Recommendations and next steps

The most obvious long-term intervention would be **integrating financial education throughout the national curriculum and beyond (recommendation 1-4)**. It would make a huge difference in preparing people for the future and enabling them to understand the financial options available to them. We think it is especially important that those aged 16-18, who are in the process or on the cusp of making their first medium-to-long term financial decisions receive appropriate and effective financial education.

Follow-up from the Education Committee report may be on hold as the new government determines its immediate priorities, but the incoming government would be wise to consider the Committee's recommendations early in their term. Government should also look to industry for support in designing and developing curriculum and materials.

The responses to our research tell us that consumers with less to fear are more likely to engage, with 60% of those who missed a payment in the last 12 months declaring that they would be more likely to make contact knowing that the risk of legal action was less than perceived. CSA members should **consider leading with communications containing information that dispels, rather than reinforces, the perception that the worst consequences will happen (recommendation 5)**. We recently amended our Code of Practice to set out expectations for regular reviews of communications strategies – we would suggest that those reviews are an opportune moment for CSA members to think about how opening interactions with customers could be enhanced to eliminate misconceptions and provide reassurance about the benefits of engagement.

Having **trusted sources publicly call out online misinformation and challenge misconceptions (recommendation 6-8)** could also go some way to minimising the harm this causes. We've seen examples of consumers being charged for erroneous

advice, where the consumer has been left out of pocket or deeper in debt, while the so-called "adviser" abandons the unfortunate consumer, bearing no accountability for the advice. Social media has made it even easier for this kind of information to circulate, often undetected.

Industry, particularly collections and purchase firms, have spent years trying to solve this problem, exploring all manner of ways in which to articulate to the consumer the inaccuracies or irrelevances in their template communications. But the default opening mantra of most sources of misinformation is that consumers cannot trust firms and must ignore all contact – which means any efforts to counter misinformation are immediately dismissed. It is easy to understand why consumers are swiftly convinced to adopt this position – a creditor has a vested interest in the matter, so why would a consumer believe anything they say.

Consumers might, however, be inclined to trust more consumer-friendly sources, such as the regulator or members of the advice community. Misinformation causes consumer harm, whether it is the consumer being exploited financially or facing the consequences of non-payment they had been promised would not materialise. But a creditor or collection agency is rarely the best conduit for that message if it wants the consumer to take on board the very real risks of misinformation.

We would welcome **regulatory intervention where misinformation is circulating online (recommendation 7)**, especially where there is clear risk of consumer harm (e.g. being charged for advice), although we acknowledge there is a risk that it becomes a bit of a "whack-a-mole" type situation.

The media will inevitably continue to focus on stories highlighting incidences of poor practice or regulatory enforcement action. And, while frustrating for industry, it is understandable. The regulator, however,

could do more to demonstrate faith in the expectations it places on firms and **reassure consumers that they can engage with their creditors and / or regulated debt advisers without fear (recommendation 7).**

The combination of misinformation, a financial education gap, and prominent negative reporting can lead to a disconnect between actual and perceived practices. For example, our research showed that, on average, people believe litigation is far more widely used by debt purchasers than it is; and if more were aware that litigation is reserved as a last resort in the vast majority of cases, they would be more inclined to speak to their creditor. It is important that we find ways to remove that disconnect and better educate consumers on the reality of the modern collections sector and its focus on debt resolution. Some of the noted changes would help, but we also need to do more to amplify the positive work of the sector. **The CSA must build on the valuable work of its #heretohelp campaign with a renewed focus on the importance of consumer engagement (recommendation 11 & 12). It could take inspiration from a recent member campaign that saw the message communicated to the general public via a diverse range of sources including posters, flyers, pub beer mats and petrol pumps ²⁸.**

It should also explore opportunities for collaboration with industry stakeholders and trusted sources to overcome common myths and misconceptions about the sector.

Government bodies should review the frequency and speed with which they escalate to enforcement, which can often undermine better industry practices elsewhere. The collections and purchase sector has built up a wealth of expertise and experience in delivering best practice in engagement, support and forbearance – **public bodies should look at whether earlier expert intervention from collections firms can deliver both more consumer-friendly and more effective practices (recommendation 10).**

²⁸ Campaign by The Digital DRA (2024)

Recommendations and next steps: summary

Financial education	
House of Commons Education Committee report	1. The new Education Secretary should look to prioritise the Education Committee's recommendations on financial education.
Curriculum design and development	2. Government should seek industry input and support in the design and development of a financial education curriculum. 3. Debt and dealing with it must form part of the financial education curriculum.
Bitesize financial education training	4. Firms should consider developing bitesize financial education training that can be integrated into the product lifecycle.
Awareness-raising and counteracting misconceptions	
Litigation and enforcement in consumer communications	5. CSA members should consider providing information on realities of litigation and enforcement risk in early consumer communications.
Misinformation and misconceptions	6. Sources trusted by consumers, including the FCA and MaPS, should produce public-facing materials tackling common online misinformation and misconceptions, and alert consumers to the risks. 7. The FCA should intervene to tackle online misinformation and should prioritise misinformation that carries a risk of consumer harm. 8. The CSA will carry out a review of common online misinformation and aim to produce accompanying materials to support consumer-trusted sources.
Early consumer awareness-building	9. UKRN should explore the viability and benefits of creditors providing earlier awareness-building of available debt advice, support and forbearance.
Public sector enforcement	10. Public bodies should review their approaches to collections and enforcement, and consider earlier utilisation of collections sector engagement expertise.
Industry messaging	11. The CSA will revisit its #heretohelp campaign with a focus on increasing regulatory, government and stakeholder support for the core message of engagement. 12. The CSA will look to create opportunities to enable members to better share the industry's positive stories.

Credit Services Association (CSA)
2 Esh Plaza
Sir Bobby Robson Way
Great Park
Newcastle upon Tyne
NE13 9BA

T: 0191 217 0775
E: info@csa-uk.com
W: www.csa-uk.com

