Mental illness, debt – and a breathing space

Joy Ogden

People with bipolar disorder often find a manic or hypomanic episode manifests itself in a massive spending spree. As Kay Redfield Jamison, a clinically bipolar professor of psychiatry and mental health expert remarks in her book, An Unquiet Mind: A Memoir of Moods and Madness: ‘So after mania, when most depressed, you’re given excellent reason to be even more so.’

People with bipolar disorder are not alone in their problematic relationship with controlling debt. Mental health problems are cited in one of the Financial Conduct Authority’s (FCA) occasional papers as an example of risk factors for vulnerability within financial services, and people with mental illnesses of all types are subject to particular problems with managing their finances.

Martin Lewis, the personal finance expert and broadcaster, founded the Money and Mental Health Policy Institute (MMHPI) in the spring of 2016, with the aim of tackling the ‘marriage made in hell’ of money troubles and mental health problems. He said the financial services industry has made progress in the last decade helping those already suffering from the toxic brew, but not much on preventing such problems from developing.

In the MMHPI’s annual review, in June 2017, Mr Lewis outlined the achievements of its first year in starting to make good that failure by ‘conducting high quality, rigorous, innovative research and developing practical policy solutions’. The results were published in seven major research reports, all of which were, and continue to be, underpinned with the life experiences and ideas of people with mental health problems, who have volunteered to participate in building a programme for effective policy changes to help solve the difficulties they know at first hand.

The MMHPI’s first report, Money on Your Mind, was the largest study of its kind, examining the experiences of nearly 5500 people with mental health problems. Recovery Space, the latest of the MMHPI’s reports, says that an estimated 23,000 people a year in England alone, are beleaguered by problem debt while struggling to cope with a mental health crisis as hospital inpatients. And many thousands more are experiencing the same problems in the care of a crisis team in the community.

Financial services firms regulated by the FCA are required to treat customers with problem debt ‘with forbearance and due consideration’ but this does not apply to non-financial creditors, such as local authorities in relation to Council Tax and utility companies, which are not regulated by them.

At the last election both Conservative and Labour parties included in their manifestos a commitment to examine a six-week breathing space for people in problem debt.

The Financial Guidance and Claims Bill, which is progressing through Parliament, requires the Health Secretary to consider a respite scheme (breathing space) for people in crisis debt of up to six weeks’ free from interest, charges and enforcement action by bailiffs for all creditors. The objective of the legislation is to extend protection to cover debts other than lending – provided they seek financial help and advice – but until the bill receives Royal assent we cannot be sure about its final form.

Martin Lewis believes the breathing space for those in crisis debt should be extended to people who are accessing psychiatric inpatient care or the care of a crisis resolution team.

A spokesperson for UK Finance, which represents banks and lenders, said: ‘Lenders recognise the challenges that people in mental health crisis may have in managing their finances. Allowing customers a period of time to seek the support they need will help to achieve better long-term outcomes for their personal and financial wellbeing.’

Katie Evans, MMHPI’s Head of Research and Policy, says: ‘When people are experiencing mental health problems it doesn’t just affect their emotions it affects their cognitive abilities as well. They might be having a short period of acute mental illness – suffering panic attacks, unable to think coherently – where they find it impossible to call for help with their debts, which can lead to escalating debts and put their long-term recovery at risk, together with their ability to pay their creditors. It is entirely reasonable to offer the same breathing space protection to them, so all charges should be frozen, collection activities, phone calls and visits from bailiffs should stop. That won’t fix everything, it just means it will stop things getting much worse.’

She adds: ‘People with mental health problems are more vulnerable to things like gambling or online shopping. But most people understand over time how their behaviour is affected by their mental health problems and
they want to protect themselves. Banks could make more tools available so customers can decide to block gambling transactions on a credit card or, put a limit of, for instance, £100 a day on debit card spending, then if they go over their limit the bank should text to say: ‘We have noticed your financial behaviour is a bit different’, which could be a prompt that alerts them to stop.’

The FCA joined forces with the MMHPI in March last year to hold a TechSprint event, where over 100 developers, mental health and technology experts participated in teams that focused on designing concepts with the aim of encouraging people to manage their own finances, with built-in safeguards to help where they felt it was most needed. A common theme was to designate a buddy or guardian who would be asked to check unusual activity on a current account or to verify a purchase. MMHPI has continued to build on this with the publication of its report called ‘Fintech for Good’.

The authors of the FCA’s occasional paper no 8 on Consumer Vulnerability define a vulnerable consumer as: ‘someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.’ Detriment from the consumer’s perspective can include emotional feelings such as stress and embarrassment and financial detriment (loss and disadvantages) arising from arrears or debt and impact on credit history. Problems with finance regularly have a knock-on effect on other areas of people’s lives, they say, and can make difficult situations worse.

The paper’s researchers said that ‘identifying potential vulnerability is key to interacting with consumers appropriately. Firms can only deal with customers in vulnerable circumstances if they are aware of their needs.’ But, as research by Mind (2008 and 2011) reveals, many people are reluctant to disclose mental health problems, because of concerns it will adversely affect future access to financial services.

The new General Data Protection Regulation, due to take effect on 25 May 2018, will tighten controls around sharing sensitive personal data such as health information, which will require communication with the customer’s bank – either from the customer, or, for instance a letter from a mental health professional advising the creditor of the customer’s hospitalisation.

Last year, high street banks and building societies agreed to implement a new set of principles, under the Vulnerability Taskforce Principle 5 – designed to improve the processes involved in registering and using legal instruments, such as Power of Attorney, Court of Protection Orders to Appointees and Guardianship Orders – to enable third-party access.

A UK Finance spokesperson said: ‘UK Finance is committed to improving access for customers in vulnerable circumstances and approved third parties, such as friends, carers and family, that might be helping them manage their finances.

‘Working alongside consumer groups and other experts, UK Finance and members are designing a minimum standard for a third-party mandate, which could apply in a range of circumstances to assist those who need someone to help manage their accounts alongside them.’

Energy UK, which, in association with the Money Advice Trust, last year launched a ‘Guide for energy suppliers on vulnerability and mental health’, in February 2018 launched a ‘Commission for Customers in Vulnerable Circumstances’. It will consider the different aspects of vulnerability, including mental health, financial vulnerability and transient / life events and plans to report by the end of 2018 with its recommendations for industry, government and other stakeholders.

Energy UK chief executive Lawrence Slade said: ‘Identifying customers in vulnerable circumstances and providing the appropriate support customers need and want, is a challenge that is not unique to energy companies – across our society we need to take huge leaps forward in recognising and responding to the impact of vulnerable circumstances. These can be difficult to identify, are often complex, and can be temporary or permanent.

‘The launch of the Commission is an important further step forward for the energy industry that believes strongly in improving customer service and support for all consumers, particularly those most in need.’

And that must surely include those locked into the ‘marriage made in hell’ of debt and mental illness.

Joy Ogden is a freelance writer.

References