

Policy Submission

Money Advice and Budgeting Service

**Submission to the
Comptroller and Auditor General**

June 2008



**Submission to the Comptroller and Auditor General on the
Examination of the Money Advice and Budgeting Service
(MABS)**

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Introduction

The Combat Poverty Agency is a state advisory agency developing and promoting evidence-based proposals and measures to combat poverty in Ireland. One of the functions of Combat Poverty is to advise the government on all aspects of social and economic policy pertaining to poverty.

Combat Poverty welcomes the opportunity to respond to the request by the Comptroller and Auditor General to comment on the Examination of the Money Advice and Budgeting Service (MABS). It has a long-standing history with MABS given that MABS was established as a result of a Combat Poverty study in 1988.¹ Since then, Combat Poverty has worked closely with MABS, particularly on policy issues related to overindebtedness and financial exclusion and is a member of the MABS National Advisory Committee. This submission is also based on a Combat Poverty report on financial exclusion² and two recent European Commission studies on financial exclusion and overindebtedness in which Combat Poverty participated as a research partner.³ The submission focuses on the three key areas highlighted by the Comptroller and Auditor General:

- The establishment of MABS
- The monitoring and evaluation of MABS
- Service delivery

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¹ Daly, M. and Walsh, J., 1988. *Moneylending and Low-Income Families*. Dublin: Combat Poverty Agency.

² Corr, C. 2006. *Financial Exclusion in Ireland: An exploratory study and policy review*. Dublin: Combat Poverty Agency.

³ European Commission. 2008a. *Financial Services Provision and Prevention of Financial Exclusion*. Brussels: European Commission
(http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2008/financial_exclusion_study_en.pdf)

European Commission. 2008b. *Towards a common operational European definition of over-indebtedness*. Brussels: European Commission.
(http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2007/edo_summary_en.pdf)

Summary of key issues

- MABS needs to develop on a statutory footing in order to ensure it can develop appropriately at a national level.
- It is important that the focus of MABS remains on low-income consumers and those at risk of overindebtedness.
- MABS should promote access to financial services for its clients and wider target group and this should include re-establishing the *Access to Financial Services Sub-Committee* of the National Advisory Committee and increasing access to the Loan Guarantee Fund.
- MABS needs to strengthen its links with the community and voluntary sector in order to reach the most vulnerable consumers.
- It is also important that key stakeholders are involved at national level (e.g. involvement in MABS NAC) and local level (e.g. on the Board of local MABS offices).
- Community development needs to continue to inform the values and principles underpinning MABS and actions needs to be implemented as a result of service user involvement (e.g. through focus groups; participation in evaluations etc.).
- MABS' policy role should be strengthened and MABS should play a key role in informing policies to address financial exclusion and overindebtedness.
- Pilot programmes, such as the Pilot Debt Settlement Scheme should be independently evaluated.
- The monitoring function could also be strengthened by publishing an annual report.
- The role of the different committees of MABS in relation to funding, administration and policy function need to be clarified.
- MABS' preventative role should be strengthened and included as one of its key objectives.
- MABS' services need to reach out to more vulnerable groups such as minority ethnic groups.

1. The establishment of MABS

Statutory Footing

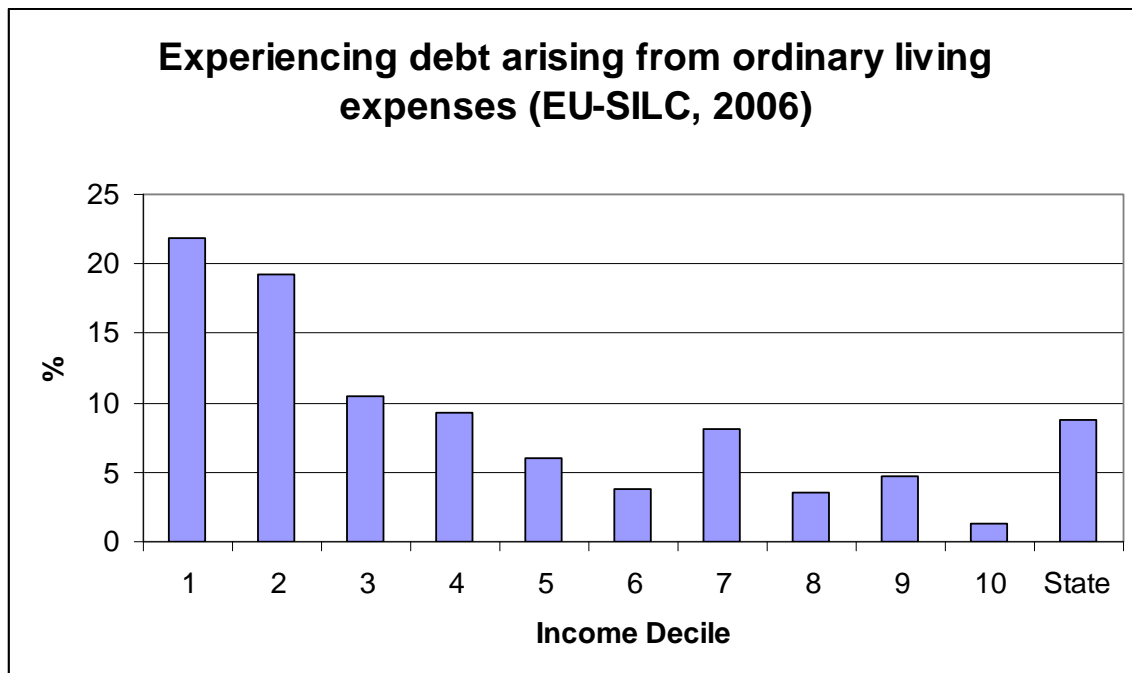
- In 1992 MABS started as 5 local pilot projects which developed on an *ad hoc* basis. The key change in MABS since 1992 has been from a local service delivered nationally, to a national service provided locally. This emphasises the need to establish MABS on a statutory footing to ensure that it can develop appropriately (e.g. the Citizens Information Board offers an interesting example of how this could be achieved). This was also highlighted in a European peer review.⁴ Similarly, in the latest *Programme for Government 2007 – 2012* the Irish government has committed to establish MABS 'under legislation of a new structure with national leadership for the 21st century which maximises and recognises the

⁴ Korczak, D., 2004. *The Money Advice and Budgeting Service Ireland. A Service to Help People with Financial Problems and to Tackle Over-Indebtedness. Synthesis Report. Peer Review and Assessment in Social Inclusion Programme*: www.peer-review-social-inclusion.net.

current local voluntary involvement together with a strong professional role aimed at continuing to provide strong and confidential support for its clients'.

Target group

- MABS' target group is individuals or families, primarily those on low incomes, who need assistance in managing their finances in order to avoid getting into difficulties with creditors. It is important that the focus of MABS remains on low-income consumers and those at risk of overindebtedness.
- The most recent figures from the EU-SILC survey (2006) show that 8.8% of the population experienced debt problems arising from ordinary living expenses and this was particularly prevalent among lone-parent households (41%). The graph below also indicates that it is a predominantly low income issue with other one-fifth (21.9%) of those in the lowest income decile experiencing debt arising from ordinary living expenses.



- Similarly, other Irish research has found that while more affluent households in Ireland can experience over-indebtedness, research has found that poorer households are much more likely to be in persistent and multiple debt and to be going without basic essentials in addition to experiencing over-indebtedness.⁵

⁵ Stamp, S., 2006. 'Research Highlights Need to Focus on Higher Persistent Debt Risk to Poor Households'. *Action on Poverty Today*. 14: 12–13, Autumn.

Original aims and objectives

- MABS has 7 key objectives, some of which have been given less priority than others and should therefore be strengthened.
- The third objective of MABS is 'to identify sources of financial services which can best meet the needs of the target group and facilitate them to access these sources'. The first report on financial exclusion in Ireland, carried out by Combat Poverty with the support of the Financial Regulator recommended that MABS should promote access to financial services for its clients and wider target group.⁶ This role could also be developed by re-establishing the *Access to Financial Services Sub-Committee* of the National Advisory Committee. The new *Programme for Government 2007 – 2012* also states the Irish government has committed to giving 'MABS a central role in increasing access to affordable credit for low income earners and social welfare customers'. MABS already provides access to credit through the loan guarantee scheme and it has been recommended that this fund be extended and that money advisors should make more use of it as it has the capacity to provide guarantees for a much larger number of clients than it does at present.⁷
- The fourth objective of MABS is 'to work in partnership with other support agencies to provide an integrated system of support which can be accessed by the target group as appropriate to their needs'. MABS has developed a successful partnership with the credit unions which offer essential services (e.g. special budget account; loan guarantee fund) to the target group. MABS is also continuing to develop closer relationships with the community and voluntary sector and this is crucial in order to reach the most vulnerable consumers. It is also important that key stakeholders are involved at national level (e.g. involvement in MABS NAC) and local level (e.g. on the Board of local MABS offices).
- The fifth objective of MABS is 'to support a process of community development through facilitating the target group to be involved in the planning and implementation of MABS to ensure that it is responding effectively to their needs'. Since its establishment in 1986, Combat Poverty has supported and promoted community development as a way of tackling poverty, according to its remit. Community development has played an important role in giving voice in Irish public policy to people experiencing poverty.⁸ Community development needs to continue to inform the values and principles underpinning MABS and actions needs to be implemented as a result of service user involvement (e.g. through focus groups; participation in evaluations etc.).

⁶ Corr, C. 2006. op. cit.

⁷ Quinn, P., 2005. *The Irish Money Advice and Budgeting Service (MABS) and Its Transferability to Europe as a Sustainable Mechanism to Manage and Avoid Excessive Debt*. Dublin: European Anti-Poverty Network.

⁸ Lee, A. 2006. *Community Development: Current Issues and Challenges*. Dublin: Combat Poverty Agency.

- The seventh objective of MABS is ‘to promote change in policy and practice which need to be implemented at local or national level in order to eliminate poverty and overindebtedness’. However the policy function and role of MABS seems to have weakened and diminished. Yet there are a number of policy areas in which MABS should be involved. For instance, both national and international research has stressed the need for financial exclusion and overindebtedness to move much higher up the policy agenda in Ireland⁹ and MABS has a key role to play.

2. The monitoring and evaluation of MABS

- The Department of Social and Family Affairs has been active in monitoring and evaluating the activities of MABS. Research carried out by Combat Poverty for the European Commission highlighted the importance of this.¹⁰ However, not all pilot programmes have been evaluated (e.g. the Pilot Debt Settlement Scheme) and Combat Poverty recommends that such programmes should be independently evaluated. The monitoring function could also be strengthened by publishing an annual report.
- There are a number of committees overseeing and contributing to the functioning of MABS:
 - The MABS Unit and National Co-ordinator within the Department of Social and Family Affairs
 - National Management Forum
 - National Operational Forum
 - National Executive Committee of money advice staff
 - MABS NDL
 - MABS National Advisory Committee
- While the Department of Social and Family Affairs has overall responsibility for the management of the MABS programme, including monitoring, financial administration, executive decision-making, facilitating regional networking and funding, there is still a need for more clarity around the funding, administration and policy function of MABS and the role of the different committees outlined above. For instance, the fourth strategic priority of MABS NDL is to ‘identify and quantify social policy issues’ and the MABS NAC also has a policy role.

3. Service delivery

- In a European peer review, the strengths of MABS were its ‘people-oriented style’, central funding and coordination, collection of standard quarterly statistics, evaluation methods, private-public partnership model (i.e. the co-operation between professional and voluntary organisations

⁹ Corr, C. 2006. op. cit.

Carbo, S., Gardner, E. and Molyneux, P., 2005. *Financial Exclusion*. Hampshire: Palgrave Macmillan.

European Commission. 2008b. op. cit.

¹⁰ O’Kelly, K. and Litewska, I. 2006. *Better Policies, Better Outcomes: Promoting Mainstreaming Social Inclusion*. Dublin: Combat Poverty.

and financial institutions), and accounting software that enables the services to make a single regular payment for distribution among creditors. Furthermore, the peer review praises the mix of national coordination and local diversity, the strong emphasis on social cohesion and the quality of human contact.¹¹ The most recent developments in MABS include a new service delivery model where those with financial literacy and a certain educational standard and income level can access financial counselling through a MABS helpline and those with less capacity will receive one-to-one counselling.

- However, recent research reports have highlighted a number of areas where MABS' services could develop.

Prevention

- MABS has been developing its community education function nationally and this will not only provide financial education to those who are indebted, but will also be performing a preventive role. However, MABS still focuses on the curative side of overindebtedness and its preventative role should be strengthened and included as one of its key objectives. The preventative role of MABS could be enhanced even further by carrying out more detailed research among its clients to develop a more in-depth understanding of the reasons why people present at debt agencies.

Vulnerable groups

- Combat Poverty's report on financial exclusion found that low-income consumers reported positive experiences of MABS.¹² Similarly, a peer review of the MABS reported that almost three-quarters (73%) of MABS clients have paid or are currently paying off their debts, 70% state that they can manage their money better and 82% claim to have greater peace of mind.¹³ However, Combat Poverty's report recommended that the MABS needs to continue to develop its links with the community and voluntary groups in order to reach the most excluded. This research also found that the MABS' service needs to reach out to more vulnerable groups such as minority ethnic groups.

¹¹ Korczak. 2004. op. cit.

¹² Corr, C. 2006. op. cit.

¹³ Korczak. 2004. op. cit.