

2014

Christians Against Poverty

Client report



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Matt Barlow

2014: Another year fighting poverty

Over 29,000 people benefited from one of Christians Against Poverty's (CAP) services in 2014. These are people who, without our support, would still be living with problem debt, struggling to manage their finances or facing unemployment alone.

Our annual client report is produced to highlight the harsh realities of living in debt and poverty. In 2014, 63% of our clients had waited over a year before seeking help with their debts (p16): in this time 60% feared that they would lose their home, 67% sacrificed meals and 34% considered or attempted suicide (p13). Low income remained the primary reason for debt amongst our clients (p9), with average annual income at £13,897 (p23). With 41% solely reliant on benefits, welfare reforms also continued to adversely affect many CAP clients (p10).

Throughout the year we were able to visit 7,130 people in their homes to offer a debt solution. The average debt of clients beginning a CAP Plan in 2014 increased to £13,164, with clients' debt to income ratio meaning that without access to alternative debt solutions, they would have required 30 years to repay (p23). However, due to the extent of their financial difficulty, 47% of these clients required an insolvency route to journey out of debt (p18).

An additional 13% required support from our Resolutions Team, which was revamped in 2014 to offer better support to clients and transparency to creditors (p19). Thousands of clients completed their journey out of debt or into employment during the year, with 2,534 clients becoming debt free (p21) and 168 CAP Job Club members finding work (p31).

2014 was also a year of growth as we pushed forward towards our vision for 3,000 active CAP services by 2021. Through opening an additional 41 Debt Centres, reaching 101 CAP Job Clubs and training 1,190 new CAP Money Coaches, our support is now more widely available than ever before. It has been particularly exciting to see that CAP Job Clubs (p31) and the CAP Money Course (p28) complement our Debt Help work, tackling two of the top four primary reasons for debt (p9). On top of this CAP also began piloting a new service, CAP Release Groups, to tackle one of the main barriers to escaping poverty that we see: life-controlling habits.

In 2015 we anticipate another great year tackling poverty and debt across the UK. We plan to expand our reach even further, finishing 2015 with 302 Debt Centres, opening an additional 75 CAP Job Clubs and training 1,360 new CAP Money Coaches, as well as continuing to offer a high quality of service to our existing clients and officially launching CAP Release Groups at the start of 2016.

I hope that as you read of how lives have been transformed in 2014, you will be excited to continue to work with us into 2015.

Matt Barlow
UK Chief Executive



Dawn Stobart

Working together to create a lasting impact

2 014 brought ample opportunities to share our experiences of working with those in debt and poverty; helping to shape policy for the benefit of the poorest and most vulnerable in our society. As we continue to offer a life transforming service to those weighed down by poverty and debt, I am incredibly proud that the high quality of our service is being increasingly recognised in the credit industry, third sector and Government. In particular, we were honoured to win the Martin Williams Award for Contribution to the Credit Industry.

For the first time in 2014, we were able to assess the extent of vulnerability amongst our client base. Around one third have an additional key support issue that may affect their ability to cope with financial difficulty and access debt advice (p25). Amongst these clients we see a higher level of priority debt and a greater proportion facing stark threats to their standard of living. While we continually strive to improve how we accommodate the additional challenges that these clients face in our internal processes, in 2014 we also promoted a fuller understanding of the needs of vulnerable clients through our engagement with the credit industry. In 2015 we hope to further this engagement to help more creditors recognise what vulnerability looks like.

CAP also contributed to seven consultations, including the Financial Conduct Authority's (FCA) proposals for the high-cost short-term (HCST) credit market and the Insolvency Service's review of insolvency proceedings. CAP also met with Her Majesty's Revenue and Customs (HMRC) to raise concerns about inadequate forbearance, and continued to partner with the Department of Work and Pensions (DWP), offering debt help and extra employment support to jobseekers (p15). In addition to this, CAP's profile in Parliament continued to grow, with CAP mentioned by Lord Morrow in the House of Lords during his speech on the Consumer Rights Bill, and an Early Day Motion (EDM) commending our work, signed by 35 MPs.

This report showcases the tailored service we offer (p17) and highlights the key demographics and challenges faced by our client base (p22). Looking ahead, as well as continuing to represent the interests of our clients in the credit industry and beyond, we will be particularly looking to tackle the challenges that our clients face around debts to local councils and the fuel poverty of those on prepayment meters (p14).

We welcome any engagement from the relevant industries on any of the issues raised within this report and look forward to continuing to bring benefits to our clients through our external relations.

Dawn Stobart
Director of Debt Management &
External Relations

Introducing CAP's External Relations Team

M meet the team representing CAP and building relationships in the credit and debt advice industries, as well as the third sector and with the Government:



Dawn Stobart
Director of Debt Management
& External Relations



Helen Webb
External Relations Manager



Chabu Chipampe
Creditor Liaison Manager



Rachel Gregory
External Relations Analyst



Mark Anchen
Creditor Liaison Manager



Daniel Kelly
Creditor Relations Analyst



Paul Walmsley
Creditor Liaison Manager



David Maxfield
Head of Policy and Compliance

A Snapshot of CAP's services

280



CAP Debt Centres

12,295 families helped

2,534 clients debt free

115



CAP Job Clubs

1,200 members

168 found paid work

879



CAP Money Churches

1,975 CAP Money Courses

11,850 delegates

¹ The data used for this report is drawn from CAP's internal computer system containing details of all debt help clients, 1,725 responses to our annual Debt Help Client Survey, 49 responses to our 2014 CAP Job Clubs Quality Survey and 169 Employment Reports.

CAP Debt Help



17,355 people called our Freephone number for debt help



8,596 booked home visits



5,023 general enquiries made



3,736 people signposted to other services



7,130 new clients visited in their home



described our service as 'life transforming' or a 'great help'.



2,534 clients became debt free in 2014



12,295 clients helped in total during 2014



6,126 existing clients supported



6,169 received debt advice



A picture of debt

Reasons for debt

Problem debt typically results from a combination of factors: poor financial capability, adverse personal circumstances and income shocks. For many, financial difficulty is a symptom of larger personal issues and can often be secondary to these concerns. We record the primary reason clients attribute for their debt. However, it is important to note that this is unlikely to be the only factor and the true causal chain will be far more complex.

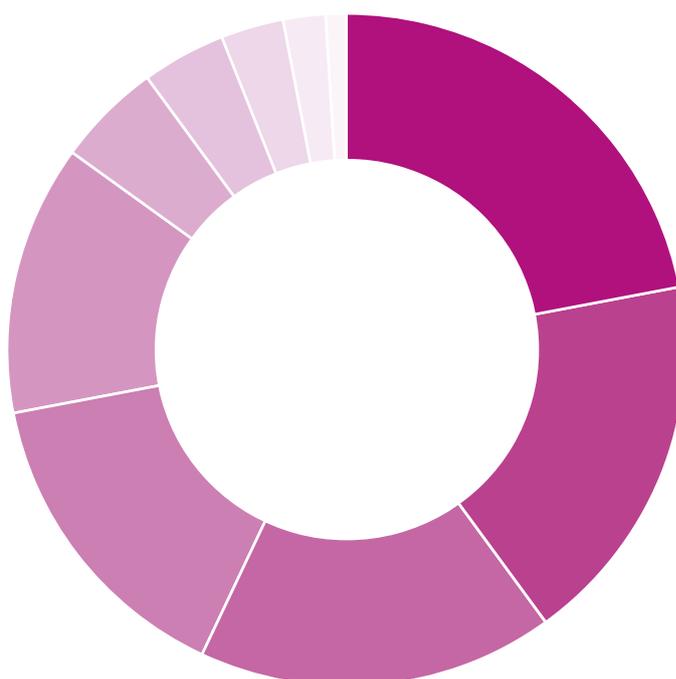
In 2014, the biggest reasons for debt were low income, problems with budgeting, relationship breakdown, unemployment and long-term illness. The proportion of clients citing these reasons remained relatively constant in 2014, with only a marginal increase in low income (1%) and slight decrease in unemployment (2%). Other common factors were addiction, long-term illness and bereavement. Overspending as the primary reason continued to fall, at only 4% of clients compared to 13% in 2010. Only 2% of clients reported mental ill health as the primary reason for their debt. However, we know that a much greater number of our clients suffer from mental ill health issues (p25) and this is often a significant contributing factor.

'I came to CAP for help after three of the worst years of my life. My 17 year relationship had ended, my sister had passed away and my home was repossessed. I was left with thousands of pounds of debt. I also couldn't work because of a very painful back problem. I was suffering with deep depression and anxiety. I can only describe my life then as the darkest place on earth.'

- Karen

Primary reason for debt

- 22% Low income
- 18% Problems with budgeting
- 17% Relationship breakdown
- 15% Unemployment
- 13% Long-term illness
- 5% Addiction
- 4% Overspending
- 3% Bereavement
- 2% Mental ill health
- 1% Accident





Focus on: Welfare reform

Two in five CAP clients live solely on benefits (41%), with around a third receiving disability benefits. As a result, our client base is particularly vulnerable to the impacts of welfare reforms. In 2014, we surveyed 1,725 clients about whether recent welfare reforms had an impact on their finances.

Of these clients, 6% said their debt resulted from the removal of the Spare Room Subsidy, also known as the 'Bedroom Tax', and 7% due to waiting to be assessed for Disability Living Allowance (DLA) or Personal Independence Payment (PIP). These results significantly increase when filtered to just the responses given by vulnerable clients.² 9% of this client group attribute debt to the removal of the Spare Room Subsidy, and more than double the proportion of clients (16%) saying they incurred debt while waiting for a PIP or DLA assessment. A further 13% were affected by the benefit system more generally, reporting a benefit overpayment as directly responsible for their debts. While it is difficult to ascertain conclusively whether this is due to fraud or error, in our experience errors are not uncommon.

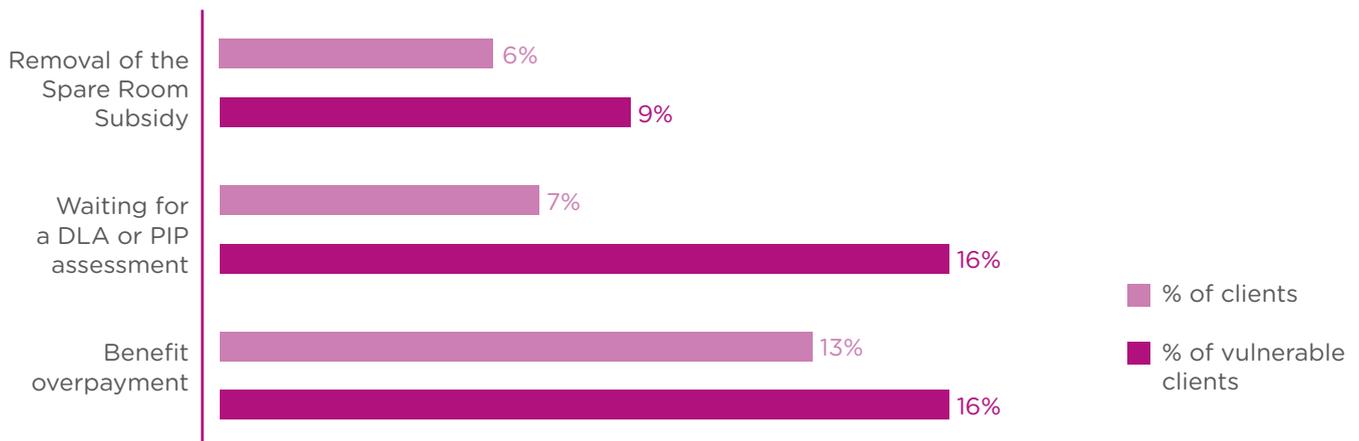
Whilst these findings do not represent a significant proportion of our client base, it does indicate that the welfare system is pushing many people in the UK into financial difficulty. In this situation it does not matter that it is not the majority of our clients that are affected, but that they are some of our most vulnerable and least financially resilient clients. For them, these reforms represent substantial changes to their financial circumstances.



Client story: Jane

When Jane's husband passed away, she became liable for the Spare Room Subsidy for the two-bedroomed housing association property they had lived in for over 20 years. Jane suffers from a degenerative spinal condition and spent six months waiting to be assessed for ESA in 2014. In the meantime she received just £72 per week and after paying council tax and spare room subsidy, Jane had just £33 for food and utilities. 'Between the death certificate being sent in and the first letter from the council, I was £1,300 in debt. My mother used to tell me about food banks after the war. I never thought I would have to go to one. I went for three days in December with no electricity or gas - just candles - until my next payday. I am living beyond my means through no choice of my own.'

Debt resulted from:





Tackling the causes of debt

Problems with budgeting

A key part of financial capability is being able to budget effectively. However, 50% of the population does not make a personal budget.² The second biggest cause of debt reported by CAP clients is problems with budgeting, with a further 4% citing overspending as the primary reason for debt.

CAP aims to equip all clients with essential budgeting skills so they are able to remain debt free once their journey out of debt with CAP is complete. The CAP Money Course, our financial education initiative, complements this and is also an opportunity to equip those not already in financial difficulty with the skills and motivation that could help prevent debt in the future.

There were 1,975 CAP Money Courses run in 2014. See page 28 for more information.



Unemployment

At 15%, unemployment remains the fourth most common primary reason for debt. With 13 million people in the UK not having enough savings to last a month if their income dropped by 25%, it's very easy to slip into financial difficulty when faced with unemployment.³

The emotional strain of unemployment can make it difficult for clients to face the reality of their financial situation, leaving them feeling too overwhelmed to deal with their debts. The pressure of debt can also act in the same way, limiting clients' ability to enter and maintain employment.

We are passionate about tackling the root causes of debt, and expanded our CAP Job Club network by 61 clubs in 2014 to help equip more people to step into employment. More information about CAP Job Clubs can be found on page 31.



Addiction

Addiction was the primary cause of debt for 5% of clients in 2014. It also impacts the ability of clients to stick to a budget and become debt free through our service. For instance, 43% of our Debt Help clients smoke, spending on average £800 per year on cigarettes.⁴

At CAP we want to tackle the wider causes of poverty and debt, and see clients completely set free from financial burdens. To expand our impact, we began piloting CAP Release Groups in October 2014, supporting people wanting to overcome life-controlling habits. Some of these have financial impacts, such as alcohol, gambling or smoking, but the groups are also open to those with all kinds of dependencies. By the end of 2014, there were 26 CAP Release Groups open, with 14 pilot courses complete. In spring 2016 we plan to develop and formally launch CAP Release Groups as one of our core services.

² Financial Capability Tracker Survey, MAS 2013/14 reported in MAS (2014) Financial Capability Strategy for the UK: The Draft Strategy.

³ Stepchange (2015) An Action Plan on Problem Debt

⁴ Based on information drawn from clients' existing expenditure information provided when completing the first budget.



Impact of debt

Living standards and emotional wellbeing are severely impacted by debt. As six in ten clients wait over a year before seeking help (63%), these effects often extend over considerable periods. We asked 1,725 clients about the impact debt had in their lives before CAP's help.



Home



60% feared losing their home



14% were threatened with eviction



51% couldn't heat their homes due to debt⁵



'I am a widow and I got behind with a few payments. I was worried that I would lose my house, which had wonderful family memories.'



Family



76% of those in relationships said debt caused arguments



21% of those in relationships said debt caused complete relationship breakdown



'I was arguing all the time; shouting at the kids and my husband. I was so stressed. I felt life wasn't worth living, and it got so bad I ran out of the house and disappeared - I wanted to be on my own.'



26% of parents said debt negatively affected their children's emotional wellbeing



9% of parents couldn't feed their children three meals a day



27% of parents couldn't provide adequate clothes or shoes



19% of parents said their children missed school opportunities



'Before CAP, we were fearful of losing our house and of not having money to buy the children clothes. We never knew how much we would have for food each month.'



'We were struggling to feed and clothe our three children - it was heartbreaking.'



Health and wellbeing



67% of clients sacrificed meals before seeking CAP's help



29% skipped meals regularly



30% used a food bank



'I was made redundant and I couldn't meet my commitments, so my debts grew and grew. I had a nervous breakdown and tried

to commit suicide, twice. I was in despair. If CAP hadn't come into my life when it did, I'd be dead. CAP saved my life.'



'Some days we didn't have enough money to put the electric on. The children couldn't have a bath because there was

no hot water. The kids at school were telling them they smell. I'd say, "Don't worry, we can boil the kettle and you can stand at the sink and have a wash".'



'It got to the point where it affected my health. I ended up on anti-depressants. The doctor then referred me to a counsellor,

which helped but didn't get the situation sorted. After six sessions they recommended CAP. My life has turned around. I have stopped the tablets and I get up every day glad to be living.'



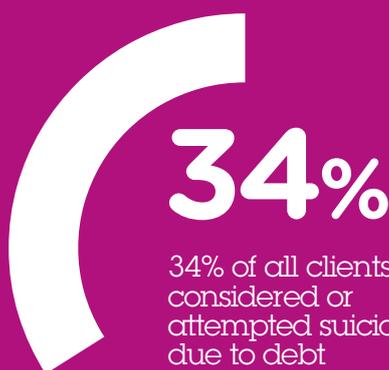
24% couldn't cook food due to debt



17% couldn't afford to wash their clothes due to debt



9% couldn't afford to wash themselves



34% of all clients considered or attempted suicide due to debt



65% of all clients visited their GP due to debt-related illnesses



39% of all clients were prescribed medication



'My husband and I were skipping meals. We wouldn't eat five out of seven days in order for our kids to eat, which was particularly bad for my diabetes.'

⁵ Please see page 14 and CAP (2015) 'The poor pay more' for more information on the fuel poverty faced by our clients.



Focus on: Prepayment meters

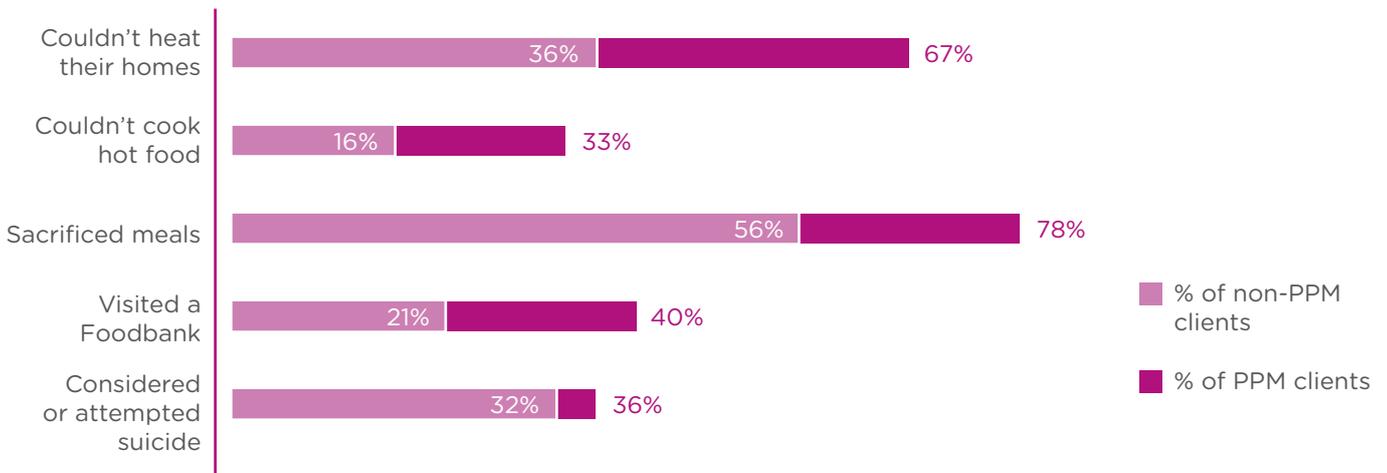
CAP recently published 'The poor pay more', looking at the extra costs faced by clients on prepayment meters (PPM) and the extent of fuel poverty they face while in financial difficulty.

Our research found 42% of CAP clients are on a PPM, and those with key support issues are 21% more likely to be in this group.⁶ On average, we estimate that these clients are paying £230 more per year for the energy they use, but this could be as much as £390 extra a year.⁷ Overall, it is predominantly poorer and more vulnerable clients facing higher energy costs due to PPMs.

We also found that this client group were twice as likely to be living in fuel poverty, with 67%, compared with 36%, not being able to heat their homes before our service. They were also more likely to have their standard of living affected by debt. An additional 22% of this group had sacrificed meals before our service, and they were also twice as likely to have visited a Foodbank.⁸ Additionally, 36% compared with 32% of those not on a PPM had considered or attempted suicide due to debt.

CAP's 2015 Client Survey will focus in more detail on the fuel poverty faced by CAP clients on prepayment meters. It will particularly focus on how the effects of financial difficulty are intensified and self-disconnection patterns. This research will be used to publish a more detailed report on this topic in Autumn 2015. We are looking to partner with organisations who have an interest in this issue, to question jointly whether it's fair that the poor are paying more via prepayment meters. Please get in touch with our External Relations Team if you would like to discuss this further with us.⁹

Impact of debt before CAP's service:



⁶ See page 25 for more information about key support issues and vulnerability.

⁷ Based on median household energy use. Price differentials between prepayment meters and monthly Direct Debit tariffs fixed until mid 2016, published on suppliers websites on 06/02/15. See CAP (2015) The poor pay more for more details.

⁸ 40% of clients on prepayment meters had used a Foodbank and 78% had sacrificed meals before our service, compared to 21% and 56% respectively of those not on a prepayment meter.

⁹ See backcover for contact details.



Breaking the cycle of debt

Referrals

Often those living in unmanageable debt are unaware that help exists. In fact, 40% of our clients didn't think anyone could help them with their debts before hearing about CAP. Therefore, we work hard to raise awareness of our services. In 2014, our profile continued to grow, with 107,851 unique visitors to the 'I want help' section of the CAP website.¹⁰

Word of mouth is the most common way clients hear about our service. However, we have a large variety of referral sources, including doctors, creditors and housing associations. Referral relationships are built by local CAP agents with organisations that are aware of people struggling with debt in their area. CAP's External Relations team works to equip our local CAP agents to do this, and works with many organisations nationally to generate referrals.

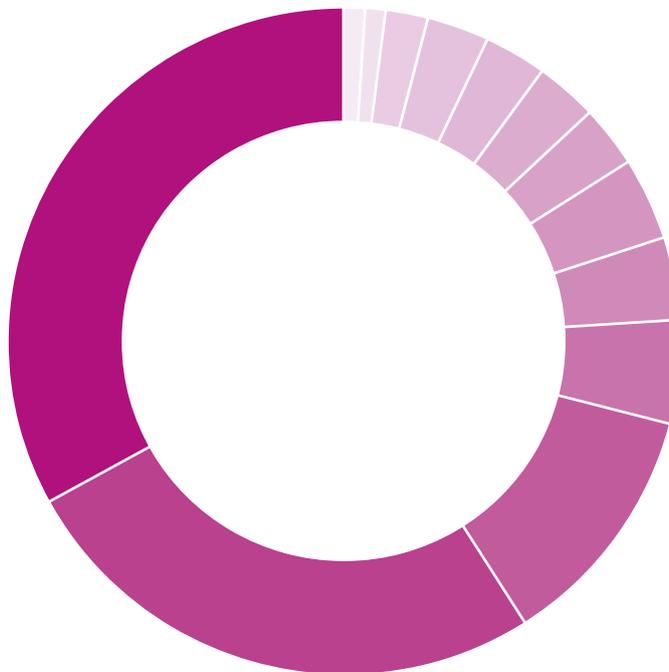
A variety of referrals are captured in the 'other' category, including DWP referrals. We have recently updated our recording system, so from 2015 these referrals will be shown separately to give a more accurate picture of our referral sources.

Focus on: The Department for Work and Pensions

As a National Partner of the Department for Work and Pensions (DWP) since 2013, CAP receives referrals from local Job Centres of clients in need of debt help and extra employment support. In 2014, we received 222 initial enquiries from people that were told about CAP by the Job Centre, with 157 of these then going on to book a Debt Help appointment or join a CAP Job Club.

Referral sources

- 33% Word of mouth
- 26% Other
- 12% Church
- 5% Leaflet
- 4% Existing client
- 4% Charity
- 3% Social services
- 3% Website
- 3% CAP Money
- 3% Doctor
- 2% CAB
- 1% Centre network
- 1% Press



¹⁰ Note: this includes people looking for information about CAP Debt Help, CAP Job Clubs and CAP Money.



Seeking help

In 2014, CAP's Freephone number received 17,355 calls from people seeking help.¹¹ 89% of these calls were answered first time, and voicemails were responded to within two hours.¹²

For most callers, speaking to CAP's New Enquires Team is the first time they've spoken openly about their financial situation. 29% of CAP clients have waited over three years before seeking help with their debts. The time taken by the New Enquiries Team to listen is highly valued by callers who have finally built up the courage to face their situation and seek debt advice.

'From the minute I made that phone call, everything started to change for me. The person I spoke to was really nice and helpful, calmed me down on the phone and reassured me. They booked me an appointment for someone from my local Debt Centre to come and see me.'
- Hannah

Client story: Darren

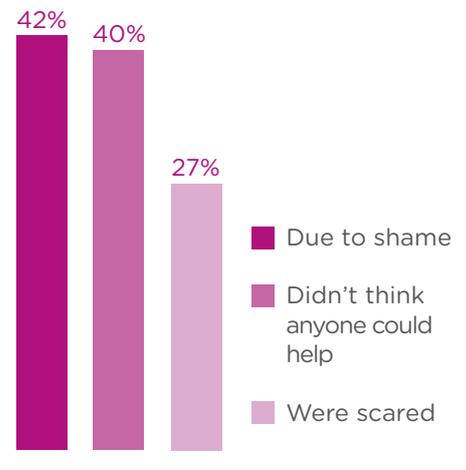
Darren had been struggling to manage his finances for several years before seeking CAP's help. Although he knew debt help existed, he felt too ashamed to admit he needed help.

'I had heard of CAP, but when such turmoil hits your life things fly by, and so my friends sat me down to make the phone call. I was brought up a true Scotsman and taught to be in charge of the family; if you get yourself in trouble, then you get yourself out. I felt like a failure. We barely had enough to get through the month and things were getting worse. I felt too embarrassed and ashamed to admit I couldn't cope. It takes a huge amount of courage to ask for help, but I am so glad I did.'

Before seeking help



Why did they wait?



¹¹ Note: this includes people making enquiries about CAP Debt Help and CAP Job Clubs. These figures have been generated using a different method to 2013, which excludes calls that were not new enquiries about

our services, and are therefore not comparable.

¹² Voicemails left during New Enquiries opening hours.



Our service

In total, CAP supported 12,295 clients in 2014. This included 6,126 existing clients, who continued with their CAP Plans, and 6,169 new clients receiving home visits and debt advice in 2014.

A CAP Plan

In 2014, 4,542 new clients entered into a CAP Plan to complete their journey out of debt through our debt management service. These clients receive ongoing local and central support, including creditor negotiation and payment dispersal from our head office teams. CAP clients repaid over £16 million worth of debt through CAP Plans in 2014, made up of £6,886,918 to priority creditors and £9,281,150 to secondary creditors.

CAP's Creditor Liaison Unit plays a key role in lifting the burden of debt from our clients. They handle all negotiations and repayment plans with secondary creditors. At any one time in 2014, the department was managing £55 million worth of secondary debt. This involved over 17,000 pieces of post and 950 incoming phone calls each month.



Focus on: Court forms

Within the Creditor Liaison Unit we have a specialised team to help clients understand and respond to legal action taken against them by their creditors. Court demands are intimidating and often clients do not know how to defend themselves. CAP is able to equip them with an explanation of their financial circumstances and repayment offers. This allows clients to demonstrate that they are in financial difficulty but are addressing their situation, and to ask for an affordable repayment option. In 2014, CAP helped clients respond to 1,526 County Court Judgments (CCJs), Charging Orders and repossessions.

'I was at my wit's end. I couldn't cope with the constant phone calls and the heavy-handed tactics the people I owed used. Anything I offered was too little, even when it was all I had. CAP devised a budget and contacted creditors, who all agreed on amounts that we could afford. It was a huge relief; I began to get well and feel we could breathe again.'

- Ruth

Routes out of debt

After receiving debt advice, CAP clients take one of the following routes out of debt: repayment, insolvency or a hold route. In 2014, 40% of clients were able to make debt repayments, while 47% pursued an insolvency option. The remaining 13% were not in a position to begin their journey out of debt immediately, and were supported by CAP's Resolutions Team on a hold route.



Routes out of debt

- 40% Repayment route
- 13% Hold route
- 47% Insolvency route

Of this 47%, the insolvency breakdown is:

- 2% Sequestration (Scotland)
- 32% Bankruptcy
- 66% Debt Relief Order (DRO)

Average repayment term at point of initial advice, if client was to pursue a repayment route





Focus on: Resolutions

Increasingly, clients seeking debt help from CAP do not have an instantly clear route out of debt. In 2014, the proportion of new clients whose accounts were placed on a hold route rose by 11%, as those on a repayment route fell from 51% in 2013 to 40%.

In 2014, we revamped the hold route process to offer a better service to clients and their creditors. CAP's Resolutions Team supports clients during the time needed to determine how to address their financial difficulty, and their case is managed according to the long-term client action that is being taken, for instance 'awaiting result of a benefit application' or 'pending house sale'.

The client's creditors are informed of the situation, how long we expect the case to be on hold for, and provided with written evidence, for example, proof the house has been put on the market. CAP disperses funds from the client where possible, and regularly updates creditors on the progress made. If the client's situation has not been resolved during the expected time frame, alternative options are then considered. In most cases this is an insolvency option. The rationale for this was that we found creditors were willing to place clients' accounts on hold, if they are confident the client cannot repay but is working towards resolving the situation within a fixed time period.



Client story: Kirsten

When Kirsten approached CAP for debt help she had recently been divorced from an abusive husband. During their divorce, the judge had ruled that her husband must sell his house and use the proceeds to pay their joint debts. Kirsten was able to provide CAP with the final court order as proof of her situation, which was used when requesting that her creditors suspended collections activity while this took place.

In some circumstances clients like Kirsten receive a lump sum that can be used to pursue partial settlements for their debts. This can be from the proceeds of a house sale, a compensation payout or a gift from a family member. In total during 2014, through settlement negotiations, CAP helped clients access £516,556 worth of savings offered by creditors to help clients resolve their financial difficulty.

idem **servicing**

The Extra Mile: Christmas hampers

Christmas can be a particularly difficult time of year for clients on their journey out of debt. Although food is prioritised in all budgets and clients are encouraged to make savings throughout the year to spend on Christmas, for many finances are still tight. At Christmas we ask our supporters to help raise funds to deliver Christmas hampers to hundreds of clients, giving them some luxury items and a few gifts, to help make Christmas a special time for them and their family. Last year, Idem asked if they could make and deliver some hampers on CAP's behalf. It was great to see the credit industry's willingness to work alongside us to go the extra mile for our clients.



Focus on: Insolvency

Insolvency options offer a lifeline to clients who are unable to repay their debts within a reasonable period, offering accelerated freedom from financial difficulty and restricted living standards.

In 2014, the percentage of CAP clients going through insolvency (47%) was unchanged from the previous year. On average, these clients would have taken over 42 years to repay their debts. However, for some, their financial difficulty results in an impossible repayment term. In 2014, 115 new clients on an insolvency route had an expected repayment term of over 100 years at the point of initial advice, and for two, this was over 100,000 years.

The fact that twice as many of our insolvency clients go through a Debt Relief Order (DRO) rather than bankruptcy reflects the low income of our client base. Some clients are unable to afford the fees necessary to go through insolvency, which currently stand at £525 or £705 for a bankruptcy and £90 for a DRO. To address this, CAP offers grants to clients with insufficient disposable income to save for their fees.



The Extra Mile: Insolvency grants

In 2014, CAP was able to help 793 individuals access grants for their insolvency fees, totaling £125,011. These grants provide a route out of debt for hundreds of clients, on average receiving £158, who would otherwise have an impossible average repayment term of 618 years.¹⁴ The funds for this were raised through specific applications to charitable grants, DRO administration fees and creditor donations.

Insolvency Proceedings Reform

Last year CAP joined others in campaigning for the DRO eligibility criteria to be amended. Our 'Too poor to go bankrupt report' highlighted that 35% of CAP clients need help to pay their bankruptcy fee.¹³ 78% of these had no disposable income or assets to be recouped via the bankruptcy process. The only reason they were ineligible for a DRO was due to the amount of debt they had.

It has now been announced that the DRO debt limit will be raised from £15,000 to £20,000 in October 2015. Although CAP recommended a £30,000 limit, we are pleased that this change will provide 34% of our clients who are too poor to go bankrupt, and only ineligible for a DRO due to the previous debt limit, access to a debt solution. In light of this change, we expect to see an increasing proportion of our clients accessing a DRO from October 2015.

¹³ As reported in CAP (2014) Too poor to go bankrupt.

¹⁴ Average repayment term of bursary clients as reported in CAP (2014)

'Too poor to go bankrupt.'



Creating a lasting impact

Staying debt free

In 2014, 2,534 clients became debt free through working with CAP. This is a 19.4% increase on 2013 and almost 1,000 more clients than in 2012. From previous research we believe that 85% of CAP clients who go debt free, stay debt free.¹⁵ This means that our service has a lasting impact and provides a long-term solution to financial difficulty for thousands of people each year.

Client story: Linda

Linda got into debt when she became unemployed. Before seeking help with her debts from CAP, she was struggling to cope with the stress of being in financial difficulty, and to feed herself and her children. With CAP's help, Linda was able to stick to a budget and pay off her debts in just one year.

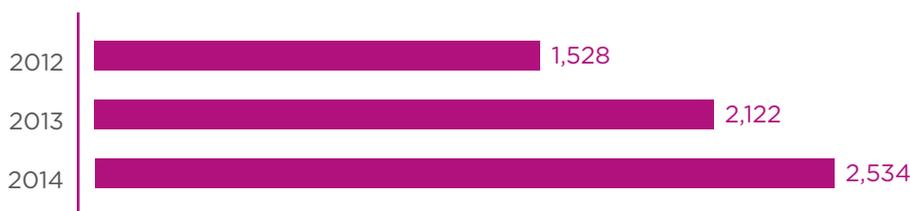
'Life before CAP was desperate. I woke up every day feeling so stressed and low, but I couldn't talk to anyone about it, as I felt so ashamed. When Pat came to see me I broke down in tears. I couldn't believe how simple the solution could be. Only a year ago I was in a mess and I felt so alone; now I'm off benefits, I have a job and I even have a car! With no judgement and no pressure, CAP offered me a new life.'

Focus on: Savings

Encouraging clients to save is a key part of the financial education clients receive whilst working with CAP. Through their CAP Plan, clients are able to save up for regular costs, such as MOTs and Christmas, as well as crucial irregular costs, for instance household maintenance. Where possible, clients are also encouraged to save regularly for their future needs and unexpected expenditure. Commonly this is £10 or £20 a month, but being able to access funds for expected and unexpected expenditures, without needing to break repayment arrangements or take out further credit, helps clients to make consistent progress towards becoming debt free. Savings not only help prevent future financial difficulty, but also help clients become debt free in the first place.

In 2014, the Money Advice Service (MAS) consulted on the new Standard Financial Statement. CAP has always included saving for future needs in financial statements and was therefore pleased that MAS included saving as a core element of the draft Statement, reflecting the increasing recognition of the importance of saving in the industry.

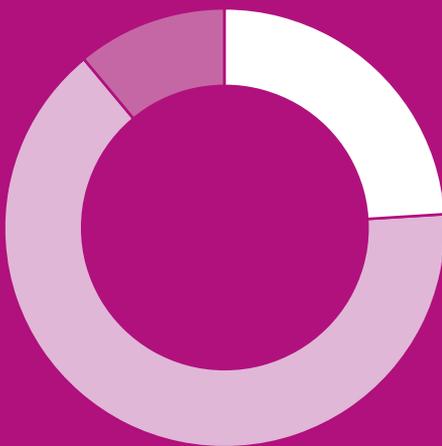
Clients going debt free



¹⁵ Research was conducted in 2012 with 120 clients who had been debt free from anywhere between six months and six years. 96% of the 120 clients interviewed said they had stayed debt free, with a further 15 clients choosing not to take part in the survey. To allow for self-selection bias, it was concluded that 85% of clients stayed debt free after CAP's service.

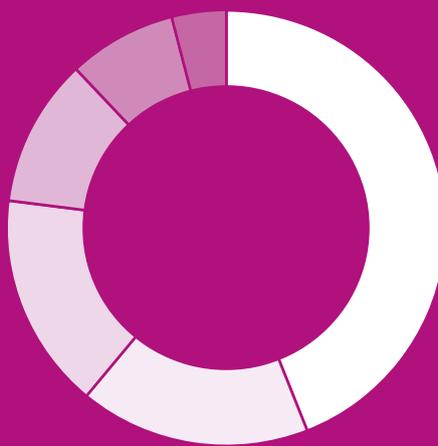
Client demographics

Client demographics for all new clients seen in 2014



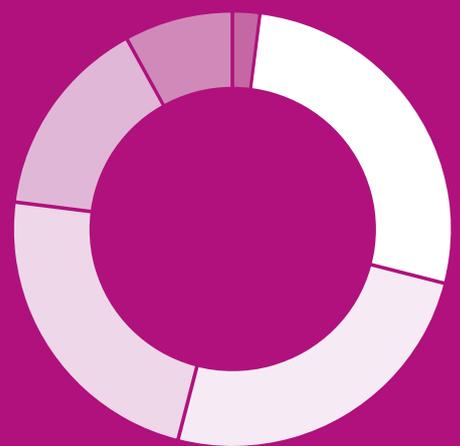
Client age

- 24% Under 25
- 65% 25-59
- 11% 60+



Marital status

- 44% Single
- 17% Divorced
- 16% Married
- 11% Separated
- 8% Co-habiting
- 4% Widowed



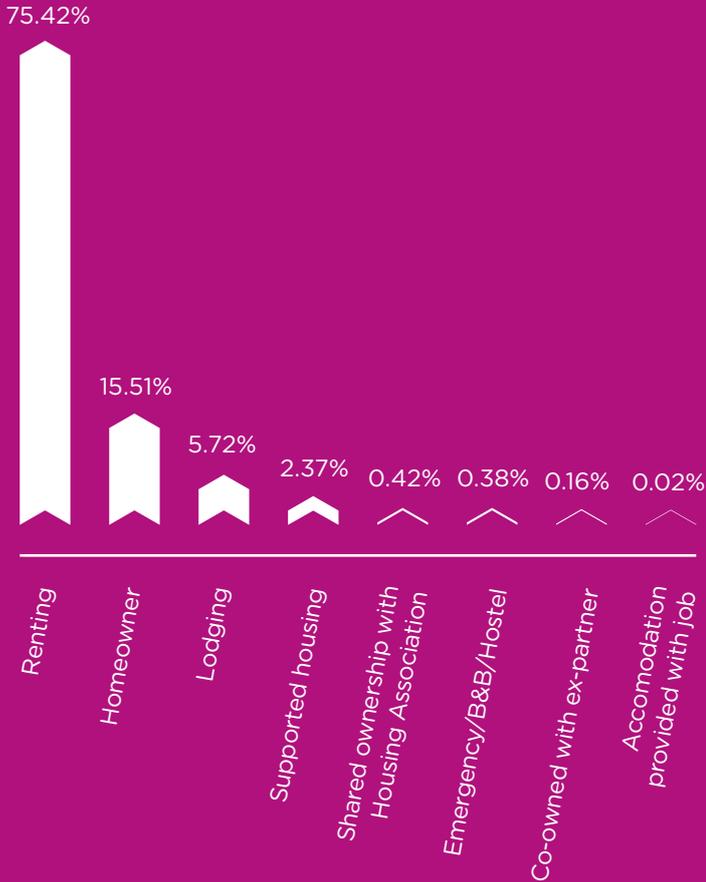
Household composition

- 2% Single father
- 27% Single mother
- 25% Single woman
- 23% Single man
- 15% Couple with children
- 8% Couple without children

Parental status



Tenure



Average yearly income



received some form of benefits



living solely on benefits



living below the poverty line

Average debt balances when seeking debt help

Primary debt: £3,796.15

Secondary debt: £9,368.28

Total debt: £13,164.42

30 years

Average repayment term when clients are seeking debt help

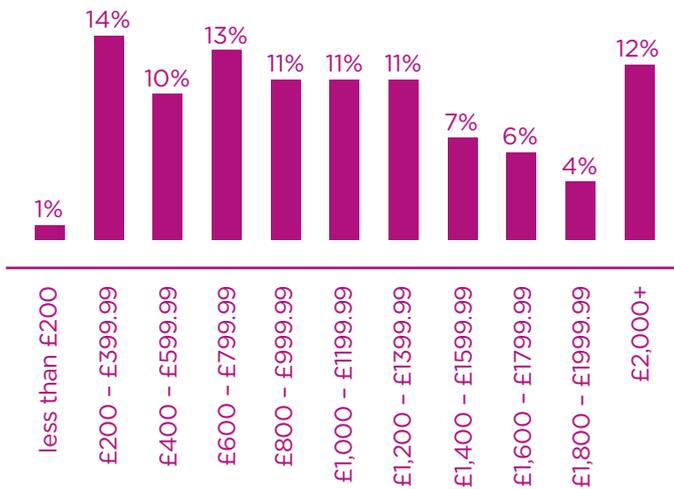
Income

The average monthly income of CAP clients was 8% higher in 2014 compared to 2013. With clients on average receiving £1,158 per month, equating to an annual income of £13,897. However, this remains far below the national average household income of £19,448, with eight in ten clients' income below this level (78%).¹⁶ 47% of our clients are in relative poverty, far higher than national figures of 21%.¹⁷

Debt

The average expected repayment term for new clients in 2014 was 30 years, with clients on average owing £13,164.¹⁸ This included £3,796 in arrears on essential bills and other priority debts, and £9,368 of secondary debt. 2014 saw a slight increase in the average amount of debt on 2013 figures, with households owing £687 more on average, but for the second year running debt remained slightly below average income.¹⁹

Monthly household income brackets



Average total debt when seeking help



¹⁶ Based on DWP HBAI median real terms household income after housing costs for 2012/13 of £374 per week.

¹⁷ Based on DWP HBAI relative low income figure of 60% of median real terms household income after housing costs 2012/13 of £224.40 week.

¹⁸ Based on debt average balances when completing the first financial statement. The repayment term of a client is estimated from the

initial budget, taking account of their total outstanding debt and their available income for debt repayments after expenditure and payments to priority debts, assuming the client was to repay their debts rather than pursue an insolvency option.

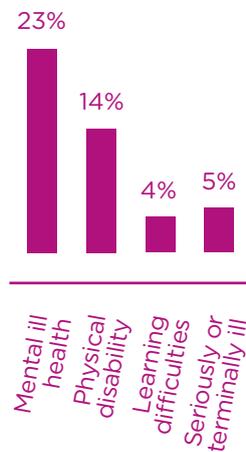
¹⁹ Average debt of clients seeking help in 2013 was £12,477 and annual income was £12,840.

Vulnerability

While financial difficulty in itself can be regarded as a vulnerability, at CAP we find it helpful to consider which clients have additional support issues and may require extra assistance to engage with debt advice. This is done through identifying key support issues.

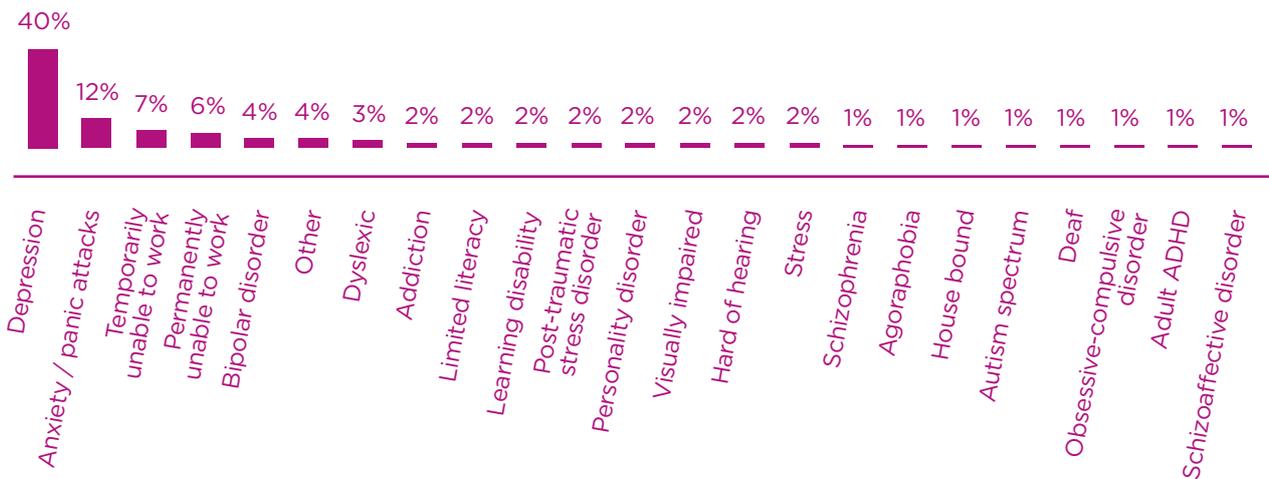
In 2014, one in three respondents to our client survey identified themselves as having a key support issue (34%).²⁰ Most commonly, clients suffered with mental ill health issues or a physical disability. Clients also frequently selected more than one key issue, with 65% of all clients with a key support issue suffering with mental ill health.

Clients identifying as having key support issues



A more detailed breakdown of the key support issues amongst our client base can be established by taking a snapshot of clients' key support issues on CAP Plans.²¹ This information is based on a new method of recording client vulnerability introduced part way through 2014. It shows 28% of our client base has a key support issue. However, we anticipate the actual figure to be closer to that reported in the client survey, as not all clients have been transitioned to the new system at the time of writing. The graph below shows the range of vulnerabilities faced by our clients, with 'other' also representing twelve different key support issues faced by small numbers of clients.²²

CAP Plan key support issues



²⁰ Clients were asked whether they were a lone parent, a pensioner who couldn't increase their income, had a terminal illness, physical disability, learning disability, mental ill health, or serious/terminal illness.

²¹ Snapshot of current key support issues of the clients who have been transferred onto the new system: On 19 February 2015, 1,294 (28%) of the 4,542 active client accounts had a key support issue.

²² 'Other' includes twelve key support issues which accounted for less than 1% of all key support issues. These were; dementia, terminally ill, postnatal depression, eating disorder, paranoia, easy read required, text relay required, phobias, mania, blue paper required and accessible PDF documents required.

Debt and income levels

Taking a snapshot of the financial situations of clients with active key support issues at the end of 2014, we can see that (especially) vulnerable clients are, on average, more indebted. Clients with key support issues, on average, had £14,807 of debt, and an average repayment term of 39 years compared to 30 years for clients overall.²³ While the average income of vulnerable clients is slightly lower, the higher debt level is predominantly due to priority arrears.

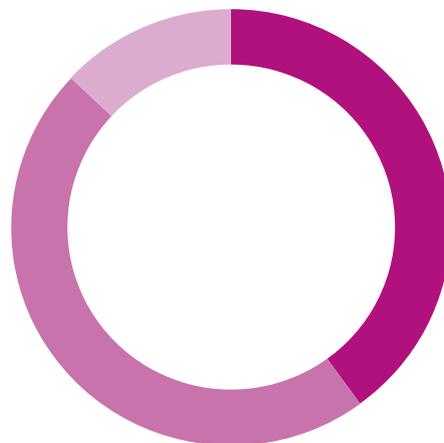
In addition, we see a higher proportion of clients with key support issues on a hold route, at 18%, compared to 13% overall. This suggests that vulnerable clients have more complicated circumstances and are slightly less likely to have a clear route out of debt available to them when initially seeking advice.

Average debt levels and household income when seeking help



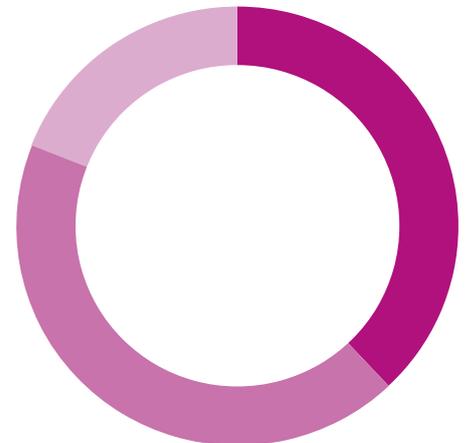
Routes out of debt for all clients

- 40% Repayment route
- 13% Insolvency route
- 47% Hold Route



Routes out of debt for clients with key support issues

- 38% Repayment route
- 43% Insolvency route
- 18% Hold Route

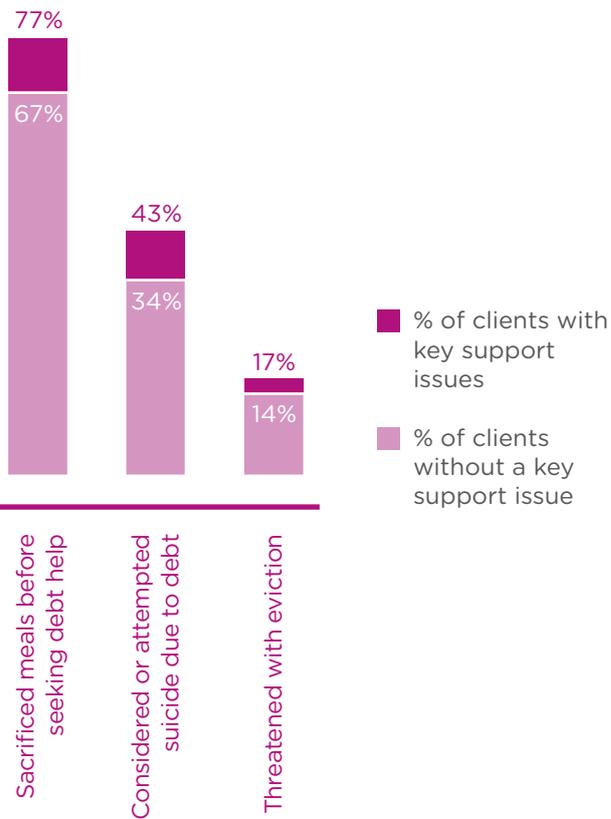


²³ When entering a CAP Plan.

Debt and vulnerability

Vulnerable clients are likely to have greater barriers to coping with financial difficulty, and due to having higher than average priority debts are more likely to have their standard of living compromised by debt. Amongst this group we see a greater proportion of clients sacrificing meals and threatened with eviction, compared to those without key support issues. Four in ten clients with key support issues (43%) have also considered or attempted suicide as a way out of their debt problems, compared to three in ten (34%) of those without any key support issues.

Impact of debt before CAP's service





The CAP
Money
Course

1,975 CAP
Money Courses

879 CAP
Money
Churches



339 new
churches in
2014

1,190 new
coaches in
2014

11,850 delegates



134 used CAP
Money Plus

122 CAP
Money Student
Courses

550 student
delegates



372 churches equipped
to run CAP Money Youth

126 churches equipped
to run CAP Money Kids



The CAP Money Course

The CAP Money Course has been running since 2009, empowering people to gain control of their finances and prevent debt. Delegates attend three sessions and are taught simple money management skills, as well as being given access to our bespoke online budgeting tool. The course has three key elements: budgeting, saving and spending wisely, and delegates are also encouraged to use a simple cash-based money management system, which consists of three accounts: regular payments, savings and cash accounts.

The face-to-face nature of the CAP Money Course also offers delegates the chance to meet others in their local community, and for CAP Money Coaches to address any additional concerns delegates may have, outside the scope of the course content. For example, providing facilities to access computers and teaching the computer skills necessary to make use of the online budgeting tool.

In 2014, CAP trained 1,190 new coaches, representing 339 new CAP Money Churches. This takes the total number of CAP Money Churches to 879. CAP is now the largest face-to-face provider of adult financial education in the UK, and collectively, these churches ran 1,975 courses in 2014, which were attended by 11,850 delegates.

CAP Money Plus

CAP Money Plus is offered to delegates who, after reviewing their finances, find they are unable to balance their budget. Through CAP Money Plus they are given access to the debt management service available to CAP Debt Help clients, simply bypassing the home visits. In 2014, 134 clients without a local CAP Debt Centre used CAP Money Plus to address their debt problems.

'It was my wife who made me go on the CAP Money Course. I went along reluctantly. I knew that we were in debt, but didn't realise the extent of it. I'd kept most of it hidden. Admitting it was difficult, but the CAP Money Course created an open community where I felt I could begin to talk about it. An enormous weight was lifted from my shoulders. Using the cash system, I learned how to budget and save for the future. It was a giant leap towards helping us get our finances sorted.'

After completing the CAP Money Course, we were referred to CAP Money Plus to help us clear our debts. Every month, my wife and I now sit down to review our budget together and discuss our finances. Thanks to CAP's help, we are now debt free and enjoying life! We have already saved up for next year's car insurance and on top of this, we have also been able to save enough to go on our first ever family holiday.'

- Jack, CAP Money Delegate



CAP Money Kids

Financial education for children and young people

Financial habits are learned at a young age, with many attitudes and habitual behaviours being set by age seven.²⁴ In recent years, we have expanded on the proven success of the CAP Money Course for adults. We now offer Kids, Youth and Student versions of the course.

CAP Money Kids is based around creating a budget for a holiday. It introduces the idea that budgets need to be balanced and helps children to understand that they won't necessarily be able to afford everything. CAP Money Youth is more in-depth and helps older children think about their future financial independence. CAP Money Students has a more practical focus, incorporating a student account into the money-management system and teaching about good versus bad debt.

Through these courses, hundreds of children and young people have been equipped with the financial capability they need to manage their money well, and build good habits as they begin to think about financial independence. In 2014, the numbers of churches running these variations continued to grow, with 372 churches accessing the Youth pack and 126 churches using the Kids pack by the end of the year. In addition, 122 CAP Money Students courses were run during 2014, reaching over 500 students.

'I was asked to run CAP Money Kids in a local junior school. A team of Money Coaches taught 120 children from year five and six over a three day period. We had excellent feedback from both staff and pupils. They found the course clear and fun; active learning enabling all the children to engage well with the concepts of income, expenditure and saving.'

- Peter, CAP Money Coach

CAP Money for clients

Financial education is key to ensuring clients remain debt free and maintain good long-term financial health. Our research shows that 85% of clients who become debt free through working with CAP stay debt free.²⁵ To ensure that this success rate continues, we have launched CAP Money for clients to be run by CAP Debt Centres.

CAP Money for Clients is usually run one-on-one and integrates the CAP Money Course system with their CAP Debt Help Plan. It aims to help clients feel more in control of the finances that they have to manage themselves, think through how their income and expenditure patterns fit into their monthly CAP Plan, and manage their spending within their CAP Plan expenditure allowances.

Our debt management clients' average annual income is around half the UK's average, at just £13,897.²⁶ In addition, 47% of our clients live in relative poverty and 41% are solely reliant on benefits. Budgeting on a low income presents specific challenges and we have found tailoring the CAP Money Course to better fit the financial situation of our clients incredibly beneficial. Over the next year, CAP will be exploring how to expand this tailored support to more people without the requirement of being a client, integrating the CAP Money Course with key life skills, which help people to manage on especially low incomes.

²⁴ MAS (2014) *Financial Capability Strategy for the UK: Draft Strategy*

²⁵ Research was conducted in 2012 with 120 clients who had been debt free from anywhere between six months and six years. 96% of the 120 clients interviewed said they had stayed debt free, with a further 15 clients choosing not to take part in the survey. To allow for self-selection bias,

assuming these clients were all struggling with unmanageable debt, it was concluded that 85% of clients stayed debt free after CAP's service.

²⁶ Median annual household income in 2011/12 was £23,200 according to ONS (2013) Middle Income Households, 1977-2011/12.

86%

95%

CAP Job Clubs

described CAP Job Clubs as 'life transforming' or 'a great help'

would recommend CAP Job Clubs to others



101 CAP Job Clubs

1,200 members

168 found paid work



52%

74%

25 months: average length of unemployment

entered full time work

still in work after 3 months



CAP Job Clubs

As one of the top four primary reasons for debt, unemployment often comes hand in hand with financial difficulty. Developed to help tackle the root causes of poverty, CAP Job Clubs are supportive communities offering tailored support to help members step confidently into employment.

Following an exciting first year, 2014 saw CAP Job Clubs continue to expand and help many more people into work. By the end of the year there were 101 CAP Job Clubs, engaging with around 1,200 members across the UK.

Steps to employment

During 2014, 168 CAP Job Club members found paid work. For the vast majority of these entering work had a lasting impact on their circumstances, with 77% entering permanent work, 52% finding full-time positions and 74% still in work three months later. For 43% of those who found work, attending the CAP Job Club had helped them most with their confidence level.

For many the journey to finding employment is not easy and CAP Job Clubs continue to offer support to members every step along the way. In addition to those that found work, 1,032 members made steps towards employment, for instance undertaking voluntary work, learning interview skills or completing applications.

Member story: Alex

Alex joined his local CAP Job Club after he lost his job and struggled to find a new one. With CAP's support he has grown in confidence and developed new skills. Through attending the CAP Job Club, Alex has found temporary work. He now feels in a much better place emotionally and feels more equipped to find work if his contract ends.

'Before CAP, I was in a very dark place. I had lost my job, my income and all hope. I had real financial problems and the stress was destroying my relationship with my partner. I had been applying for a lot of jobs, but my computer skills weren't great and I had a CV, but it wasn't brilliant.

I heard about CAP Job Clubs and decided to go and find out what it was about. I was nervous at first, but I knew I had to do something in order to find a job. It was actually better than I expected! It was far more friendly and informal. They helped me put together a CV and things looked up from there. There was a recruitment day, which I was nervous about going to, but with the encouragement of another CAP Job Club member, I went along. I gave a recruiter my CV and they said it was the best CV they'd seen for a long time and offered me a job!

My confidence has grown since finding a job. It felt like a pile of bricks had been lifted off my shoulders. Even though it is a temporary job there is a chance for it to be extended. But if not, I know CAP Job Clubs will do everything they can to help me find work. I know CAP Job Clubs has made a difference; I am a lot calmer than I was and I have learnt to take the knocks better than I did.'



Helping the long-term unemployed

CAP Job Clubs are particularly successful in engaging with people who have been out of work for many years or have never worked at all. Over half of members (55%) have been unemployed for over a year. On average, members have been unemployed for 25 months. Many have also experienced far longer periods of unemployment, for example, David, who found work after being unemployed for over 14 years.

CAP Job Clubs members undertake an eight-week employability and job search training course, which can be repeated as many times as they wish. In addition, jobseekers also receive ongoing one-to-one coaching and progress reviews with their Job Club Coach each month. This is to help tailor what they have learned on the course to their situation, and to support them as an individual. CAP Job Clubs work locally to establish links with local businesses to arrange work experience and mentoring opportunities where possible.

CAP Job Clubs also offer a supportive community and invest time into each member on a one-to-one basis to help them to overcome their barriers to work, while rebuilding self-worth and purpose. This is especially important for the long-term unemployed, who have for many years felt demoralised and isolated by being out of work.

The extra support CAP Job Clubs are able to offer has been recognised by other organisations working with this group of jobseekers. In 2014, Work Programme provider A4E began referring clients to CAP Job Clubs and describes members as having 'flourished' in their time at the CAP Job Club.

Member story: David

David had been unemployed for 14 years after leaving school at 16. He joined the CAP Job Club in Belfast, where he completed the Steps to Employment Course and an Essential Skills ICT Course. The Job Club was also able to arrange for David to do a four-week work placement. This was a breakthrough for David, giving him something to put on job applications, and leading to him finding work in a book and toy store.



Case study: A4E – Referrals from the Work Programme

A4E are one of the largest Work Programme providers in the UK. Working with the DWP and Jobcentre Plus, they aim to help jobseekers who are long-term unemployed to move into work. Last year A4E referred several customers in Birkenhead to a local CAP Job Club.

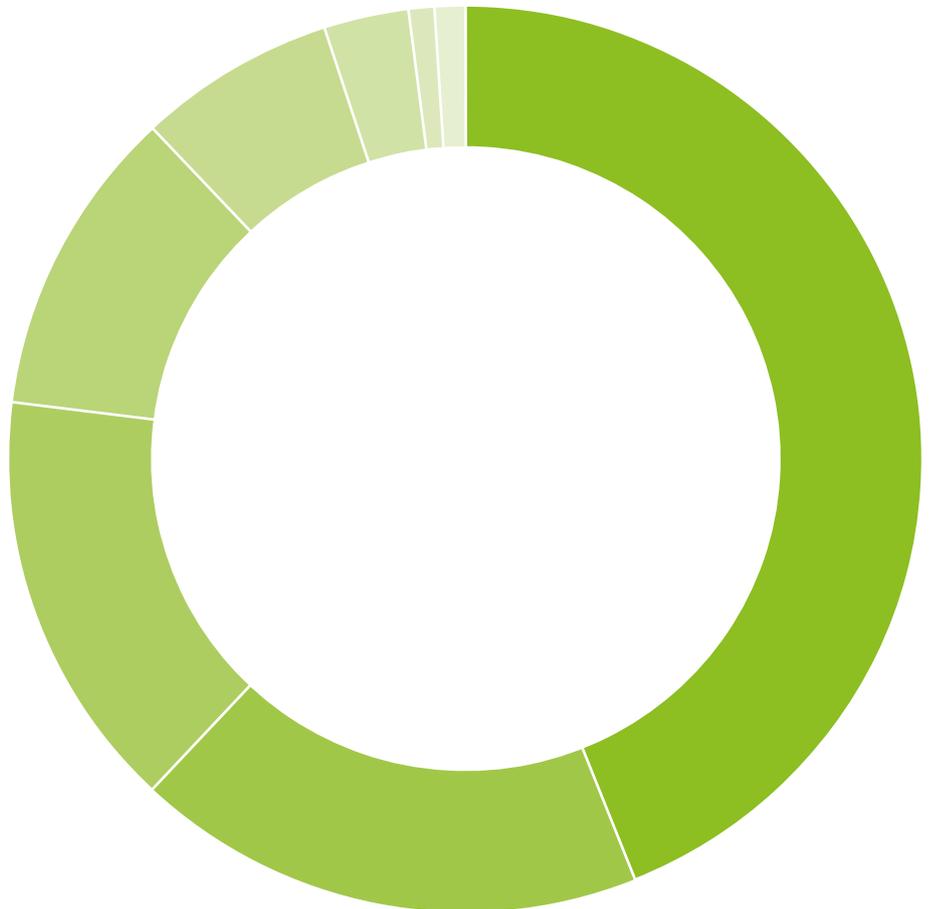
'The difference in them has been amazing. All of the customers involved struggle with social skills, motivation, and being job-ready. I can honestly say that all of these skills have developed dramatically since going to the CAP Job Club. The customers that we have referred are more enthusiastic and engaging. They show real enthusiasm for finding work and contributing to society as a whole, which was a struggle beforehand. One of them has told me that his favourite aspect of the scheme was volunteering, because he felt like a "useful human being after all". The customers have flourished during their time at the CAP Job Club.'

- Darryl Baker - A4E Business Leader

Funding

In 2014, CAP's income was £9.5m, an increase of £1.1m on the £8.4m in 2013. This graph shows a breakdown of income for 2014.

CAP receives no government funding and the vast majority of our income comes from individual donations. In particular 44% comes from 26,000 Life Changers, who donate a regular amount each month. An additional 15% comes from individual one-off donations and 18% from contributions from partner churches to the costs of running a CAP service. Fairshare accounts for 7% of CAP's income.



Income breakdown

- 44% Life Changers
- 18% Regular church gifts
- 15% Individual one-off donations
- 11% Grants from charitable trusts
- 7% Fairshare
- 3% Other one-off income
- 1% Church one-off donations
- 1% Other regular income

Author: Rachel Gregory, External Relations Analyst
Statistics: Daniel Furlong, National Grants Manager

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Christians Against Poverty is a national charity offering award-winning, free, face-to-face debt counselling through 280 CAP Debt Centres across the UK. The innovative charity also offers financial education through the CAP Money course. For details of CAP's services, or to support the charity, visit capuk.org.

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