

Debt and the workplace

Diane Watson reviews how debt affects people and ways to support them

Debt is one of the biggest issues affecting UK households. UK personal debt has more than doubled since 2000 and now stands at a staggering £1.4 trillion. After five interest rate rises in 12 months, home repossessions were up 30 per cent year on year in 2007, with personal bankruptcy up 24 per cent. The 'credit crunch' caused by the sub-prime lending crisis affecting Northern Rock means that many traditional avenues of consolidating debts, or remortgaging to release equity, are no longer open to many people. Debt has also become one of the biggest issues affecting the productivity of UK businesses. Commonly cited as the single biggest cause of individual stress, the impact on work performance and absenteeism is costing UK companies more than £12 billion a year in lost revenue. As a result, individual organisations and employee assistance programmes (EAPs) are turning to debt advice organisations as a way to deliver corporate responsibility objectives in what has become an increasingly high profile area.

It is common for people under financial strain to suffer intense stress resulting in physical and emotional trauma. The results of such trauma can manifest itself in a variety of ways: marriage breakdown, depression, heart problems and in some cases suicidal thoughts, alcoholism and drug dependency. Such distress in a person's home life is likely to impact upon their performance at work.

Absenteesim and presenteesim

Absenteeism is one common symptom associated with employees who are struggling with money problems. Another one, probably less well known, is often referred to as 'presenteeism'. Presenteeism can be explained as an employee who although physically at work, is lacking in concentration and focus. This can lead to a lack of output, unsatisfactory relationships with colleagues and a general feeling of being unfulfilled. Absenteeism and presenteeism are common issues in the workplace today costing businesses millions of pounds in lost man hours.

Employers can address poor time keeping, sickness, accidents at work, low productivity and an increase in staff turnover by looking at the underlying reasons. Providing support in the workplace is a positive way to help employees, and identifying the issue is the first step towards spotting warning signs such as non-communication, irritable or aggressive behaviour, deception, and failure to meet obligations.

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The benefits of debt counselling

An increasing number of employers are offering debt management and counselling services to their staff. One way organisations do this is by offering debt counselling as part of a wider EAP. Many EAP providers outsource the debt counselling element of their service to a third party. Payplan is one such organisation working alongside EAPs to resolve employees' debt problems by providing free, ethical and immediate debt help to individuals in financial distress. Our debt counsellors offer non-judgmental, impartial and totally confidential assistance to over 100,000 people each year and because the service is funded by creditor donations, the help and solutions on offer are free to clients. Organisations recognise that they need to offer their employees debt advice as part of the health and wellbeing package. The reassurance provided helps to rebuild self-confidence and improve personal wellbeing, and the debt solutions are long term, sustainable and in each individual's best interests. From speaking on a regular basis to the people we help, it is clear that addressing their debt problems has an immediately positive impact on family life and work relationships. Where stress is debt related, employees feel reassured to

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know that they finally have someone to talk to, and access to a free and confidential debt advice helpline.

As the cost of living continues to rise and more of the traditional avenues to additional credit are closed off, especially with the recent ‘credit crunch’, those in the most vulnerable financial situations are being hit hardest. At the same time, increases in wages are failing to keep pace with inflation. This tougher economic climate makes it even more important that the impact of individual financial stress is not underestimated.

Contacting the debt helpline

When someone first calls us they will come through to our helpline where a debt counsellor will listen to their concerns. It is not uncommon for counsellors to talk to people who are very distressed and in some cases suicidal. The role of the helpline is to lift the heavy burden of the debt problem from the caller and let them know that they are no longer alone. The helpline team reassures callers that we can help to stop their worries, stop creditors’ calls and enable them to move towards a secure future.

Irrespective of how big or small the caller’s problem, we will reassure them that there’s something we can do to help. In the first instance, the counsellor will take some brief details about level of debt, and monthly income and expenditure. This fact finding gives the counsellor a chance to see how severe the person’s problem is, and identify what we can do to help.

The objective throughout is to make the process as simple and stress free as possible. With this in mind, the helpline will book the caller in for a phone appointment with one of our assessors during the days ahead. Once a person has taken the first step towards dealing with their debt problem, they are keen for things to move quickly. We arrange the assessment to take place as soon as possible after the initial call, usually within 48 hours. The helpline will arrange a suitable day and time for a named assessor to call and confidentiality is a prime concern – some of the people who contact us have not told their spouse or partner about their problem.

The dos and don’ts of debt

- Don’t bury your head in the sand. Your debt will not go away. You must tackle the problem before it gets out of control.
- Do talk. Debt can be stressful, so it is important to tell someone. If you cannot tell a member of your family, then speak to a debt counsellor or adviser.
- Don’t pay for it! As well as Payplan, there are other organisations that provide free advice and free debt solutions so there is absolutely no need to add to your debt by paying for it.
- Do prioritise. Sit down and prioritise your debts. For example, meeting repayments on essential services like your mortgage and utility bills should be your first priority.
- Do switch the balance of your credit card to one which charges a lower rate of interest. Check out best buy tables in newspapers or have a look on price comparison websites.
- Above all, don’t panic. Despite what you may think, many companies are sympathetic to people who cannot afford repayments. Recovering debt can be expensive, so they are often willing to work out an arrangement, particularly if you have demonstrated your commitment to resolving the situation by contacting a free debt management company.

We can offer a range of debt solutions and advice based on the individual's set of circumstances. We take the management of the debt away from the debtor, taking one payment from them and distributing the money pro rata among the person's creditors each month. This helps to remove the weight of the emotional burden that comes from dealing with creditors, easing worry and stress levels.

Is bankruptcy all bad?

Bankruptcy can sometimes bring immediate debt relief as a last resort but the potential loss of livelihood and property, sometimes alongside a strong emotional aversion to bankruptcy, makes this option unpalatable to many. What's more, we encounter numerous cases where someone feels a strong moral obligation to repay the debt rather than 'avoid' it. Nevertheless, sometimes bankruptcy is the most appropriate solution and may provide a 'fresh start' for those unable to clear their debts within a reasonable timescale. All our debt counsellors are trained in giving money and budgeting advice and we work to the British Bankers Association (BBA) guidelines on income and expenditure which are widely recognised and used in the money advice sector.

Everyone we help is assigned a personal case officer whose job is to provide constant support and advice throughout the person's time with us. The focus is firmly placed upon resolving the debt problem and rehabilitating people. In order to rehabilitate and educate people on good money management, we hold debt clinics at exhibitions and within companies and organisations. We also hold information days which assist companies in supporting employees with debt problems that may affect their performance at work. These cover the full range of debt help that Payplan can offer employees, including budgeting advice, debt counselling, free debt management plans, IVAs, remortgages and income maximisation. They also offer an insight into addictions and how to spot them, plus current bailiff law – both of which can have a dramatic effect on employees' financial and personal wellbeing.

We will provide debt advice to anyone who requests it but we are mindful that for some people their job could be at risk if they find themselves in financial difficulty. We always advise people to check their contract of employment to see if disciplinary action could be taken. In the past, some debtors who work for banks have advised us that they cannot enter into a legally binding arrangement to resolve their debts. Other employers state that disciplinary action would not be taken, provided they deal with their debts. ■

Case study – Karen's story

'I began using store cards when I was 20 but usually paid them off in full at the end of each month.' Karen and Gary married when they were young and in poorly paid work. However, Karen was ambitious enough for both of them and they steadily progressed. Gary became a computer engineer and Karen a mortgage adviser.

'As our debt increased so did our income, so I considered it manageable.' They started out on a familiar cycle of building up debt-loan consolidation followed by another round of credit card spending. Karen kept an eye on the finances but admitted that there were times when it got on top of her.

'Things seemed to happen all at once.' Their second child was born the same year their first started school which meant that their expenses increased at a time when Karen was working fewer hours. Their flourishing careers demanded they dress the part and needed to recharge their batteries with the occasional holiday.

'I did not consider that I was overly materialistic and only wanted the things that other people had.'

The thunderbolt came when Karen was diagnosed with MS. It also caused a setback in their finances as Karen embarked on a year of living for the moment, courtesy of credit cards. They enjoyed family days out and regular curries. Living with MS is not easy and Karen was tempted by a dishwasher and energy-saving devices. 'I was kidding myself that we could afford it.'

Their house move was another landmark. The survey came up with several problems including fixing the roof and the rising damp. They felt it made sense to re-decorate at the same time. Karen upped the mortgage considerably to provide the cash to make improvements.

Unfortunately 2005 proved to be a difficult year at work. 'I would escape the pressure by spending money,' Karen recalls. It all came to a head at Christmas when Karen was frantically juggling money and paying off one credit card with another. 'I worried about money all over Christmas and realised that I had to face things. When I finally totted it up our unsecured debt was £72,000.'

Karen realised that she needed help and approached a debt company that advertises on the television but was put off by their charges and limitations. She was then advised to call Payplan.

'We have agreed a budget and I just make one payment to Payplan, who distribute the money among the creditors.' Far from feeling down the irrepressible Karen has already seen the positive side. 'The whole family is committed to the budget and pulling together.'