



MONEY AND
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DEBTS AND DESPAIR

How debt collection practices
cause psychological harm

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Executive summary

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- While the pace of inflation has dropped since its Autumn 2022 peak, 1.5 million more people are behind on consumer credit payments - like credit card bills and loan repayments - now than at this time last year.
- In nationally-representative polling, we find that 5.2 million people (10% of UK adults) have been behind on consumer credit payments in the last three months, with the negative psychological impact of that all too evident. 49% of those (equivalent to 2.5 million people) report feeling harassed by the frequency of contact from their creditors.
- Half (50%) of people who are behind on consumer credit bills have had suicidal thoughts or feelings in the last 20 months as a result of the rising cost of living. This is nearly four times the rate among those not in arrears.
- Beyond the acute mental health impact, financial difficulty is fueling distress around the country, with over a quarter (27%) of UK adults feeling unable to cope due to the cost of living and one in five (21%) feeling dread about hearing from creditors.
- Through our polling, as well as a survey of our Research Community - a group of 5,000 people with lived experience of mental health problems - we've explored what is so harmful about being in debt. That analysis identified five key drivers behind the mental health impact of debt collection practices:
 - » **The stigma of being behind on debt** - negative public attitudes towards those of us in arrears prevents people from accessing support.
 - » **Insensitive debt collection practices** - firms' collections departments can be dismissive of customers' broader circumstances, or their processes may require people to explain themselves time and time again.
 - » **The tone of communications from creditors** - messages reinforcing the potential for legal action and the impact on credit scores can be experienced as threatening.
 - » **The frequency of communications** - nearly half (48%) of people in arrears have felt overwhelmed by the frequency of contact from their creditors.
 - » **The cumulative impact of multiple creditors' collections activities** - a quarter of people (24%) in arrears report being contacted by their creditors 16 times or more each month. Our polling suggests there is a 'tipping point' in the amount of communication people receive when contact flips from being helpful to becoming harmful, with 85% of people receiving five or more letters or emails a month reporting feeling harassed compared to 47% who receive four or less.
- Through the Consumer Duty, the Financial Conduct Authority (FCA) requires firms offering consumer credit products to prioritise a customer's needs. In our polling, however, only a quarter (27%) reported that recent contact from their creditor was helpful.
- With living standards projected to worsen over the next year, it's clear that immediate action is needed from the regulator and firms to protect those of us who are struggling with payments.

Key recommendations:

The government should:

- Task the FCA with an immediate review of consumer credit collection practices to address the harm caused by high volumes of arrears communications.

The FCA should:

- Launch an urgent review of collection practices to understand the scale of communications customers receive and use this to update outdated definitions of harassment in regulation.
- Develop principles to guide firms' collections departments when they use credit referencing data so debt collection strategies are created with a holistic understanding of the consumer experience built in.

Financial services firms should:

- Conduct comprehensive internal reviews to understand the frequency of communications customers in arrears receive. This should be done with a view to reducing communications to ensure collections approaches meet Consumer Duty requirements and minimise psychological harm.
- Commit to these three quick wins to address psychological harm in collections practices:
 - » Proactively collect customer information on preferred communication channels and contact customers via these when collecting arrears.
 - » Train all collections staff to understand how different mental health problems affect us practically and can make it harder to ask for help and take action, utilising the Need to Know guide and incorporating this best practice into quality assessment frameworks.¹
 - » Move beyond signposting to debt advice and offer direct referrals through partnerships with debt advice services.

1 Bond N and Fitch C. [The need to know: understanding and evidencing customers' mental health problems](#). Money Advice Trust. 2020.



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abrdn Financial Fairness Trust has supported this project as part of its mission to contribute towards strategic change which improves financial well-being in the UK. The Trust funds research, policy work and campaigning activities to tackle financial problems and improve living standards for people on low-to-middle incomes in the UK. It is an independent charitable foundation registered in Scotland (SC040877).