

# Debt and mental health

This information is for anyone who has a mental health problem and owes money or is in debt, or whose mental health has been affected by debt.

It covers how you might get into debt, how being in debt might make you feel, how to start tackling debt, sources of help, debt and mental health, and more.

## Disclaimer

This leaflet provides information, not advice.

The content in this leaflet is provided for general information only. It is not intended to, and does not, mount to advice which you should rely on. It is not in any way an alternative to specific advice.

You must therefore obtain the relevant professional or specialist advice before taking, or refraining from, any action based on the information in this leaflet.

If you have questions about any medical matter, you should consult your doctor or other professional healthcare provider without delay.

If you think you are experiencing any medical condition you should seek immediate medical attention from a doctor or other professional healthcare provider.

Although we make reasonable efforts to compile accurate information in our leaflets and to update the information in our leaflets, we make no representations, warranties or guarantees, whether express or implied, that the content in this leaflet is accurate, complete or up to date.

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## Introduction

**One in four** adults will have a mental health problem at some point in their life.

**One in two** adults with debts has a mental health problem.

**One in four** people with a mental health problem is also in debt.

Debt can cause - and be caused by - mental health problems. It's tempting to just not think about it – it can be uncomfortable and can make you feel guilty, depressed – or even hopeless. But sorting money problems out can help you to feel better – and to stay well.

### **Remember:**

Don't ignore debt – it will only get worse.

Explain your problems to someone you trust.

Be sure to get expert independent advice.

Take control of your money and spending.

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## How do people get into debt?

If you are on benefits, or a low income, you may find that you just don't have enough money to cover what you need to spend. When things are bad in the economy, you are more likely to lose a job or to have to make do with less benefit money.

There are some common things in life that can push you into debt – or make an existing debt worse.

## **Major life changes**

You may lose your job, lose a loved one, break up with your partner, or there may be times when you have to borrow money, or stop paying bills, to cope with a new situation.

## **Staying unwell – or getting worse**

Mental or physical illness can push someone into debt. If you lose your job – or have to spend a long time off work – you won't have so much money and you may actually have to spend more on paying for prescriptions, travel to health services or trying to find work.

## **Not getting paid**

Your benefits may be changed, missed or even stopped. You may not be claiming all the benefits you can.

## **Living on a low income**

If your income is below the average, you are more likely to get into debt in the first place. If you have to live on a low income for a long time, your debts can mount up because you have to replace essential items. Eventually, you may find that you just can't get by without borrowing money,

## **Buying new things**

Sometimes you just need to buy an essential – like a washing machine. Some types of problem – like **mania** – can mean that you have spending sprees and buy lots of stuff that you don't need.

## **Ignoring the bills**

If you are mentally unwell you may stop seeing people, find it hard to concentrate, find it hard to communicate or just find it too much to think about money and bills. You can easily get into debt from just ignoring paperwork and bills.

## **Pressure from outside agencies**

A bank, or a loan company – or even a loan shark – can encourage you to take out another loan - perhaps even to pay off an existing debt - or to get a credit card. If your credit card limit increases, you may feel that it's safe to spend more.

## **Creditor knowledge**

You may feel that your creditors don't understand the effect of your mental health on how able you are able to control your money. For instance, if you have 'manic spending sprees', they may see these as simply fraudulent and not give you the help you need.

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## **One person's journey into debt**

### **The journey into debt**

I missed some credit card payments and went overdrawn on my bank account ...

I then had to pay a large one-off penalty fee for the overdraft and a high rate of interest which meant that I could not get out of overdraft ..... so I had to keep paying the high rate of interest ...

I could then not afford to pay my gas, rent or electricity bills – I could not work out whether to pay them and ignore the bank or to pay the bank and go without heating and light ...

I couldn't work out what to do and found I was just getting upset by it – so I didn't pay either the bank or the housing association or the power company  
... .

I started to get red letters and threats of legal action ...

I agreed to pay off the bank but the repayments they set were too high ..... so I still couldn't pay them ...

And after I hadn't paid the rent for a couple of months, the bailiffs came and took my TV and some furniture and the Housing Association threatened to evict me ...

### **Case study: Edward**

"I am dependent on Disability Living Allowance as a source of income. I was put into an impossible situation because a form was misplaced when I renewed the claim.

"It took over a year to sort out, during which time I was inexorably drawn into debt. It put an impossible strain on my life worrying about bills, whether I could replace anything if it broke, not being able to go out or to treat myself and not knowing whether the claim would be renewed or not.

"It was a constant worry, worry, worry that affected both my physical and mental health."

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### **How being in debt can make you feel**

That everything is out of control and there is nothing you, or anyone else, can do about it.

Hopeless, especially if your debt is getting worse.

Embarrassed to talk to anyone about your financial situation.

Guilty - that the problem is your fault, even though it's been caused by your mental or physical health problems.

**Depressed** and **anxious**.

### **Case study: Donna**

"I felt that I was financially savvy. I had my ISA, my savings accounts and no credit card.

"There was just one thing that put a spanner in the works – my mental health....For me mental health has equalled debt, poverty and social exclusion.

"Many people may not view living on benefits as debt, yet I feel indebted by this. I am currently unable to do my job, pay my own rent or be financially independent."

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## How can I start sorting out my debt?

However much you owe – the sooner you begin to tackle it, the sooner you solve it.

First of all, tell someone you trust about it. This could be a friend, relative, colleague or someone from your mental health team. They can help you to feel less powerless and more hopeful – and can put you in touch with people who can help you out.

**Money advisers** are experts in tackling debts and can give you both advice and support. You need an adviser who is free of charge, confidential and independent.

**Before finding an adviser** decide on what you want:

**Advice only** – some services will not take action for you, but instead will assess your needs and guide you through the things you need to do.

**Advice and representation** – some services will do the work for you, including negotiation with any creditors.

**Face-to-face advice** – you may prefer to talk to someone in person. However, these services are popular and it can be difficult to get an appointment.

**Telephone advice** – this may suit you if you have mobility problems, caring responsibilities, live in a rural area or find it difficult to leave your home and meet people in person. Some of these advice centres have specific times when they deal with calls, others specialise in telephone advice.

**Internet advice** – some services offer online, interactive and individual advice.

## Making contact

Some advice services are very busy. Getting through by phone may take you a few tries. If you decide to visit without making an appointment, you may need to queue on a first-come-first-served basis.

This can be pretty stressful in itself and not all services offer this type of drop-in session every day. If you check in advance, you can save yourself a lot of stress and inconvenience.

### **Finding a money adviser**

Sources of free and independent advice are listed at the end of the leaflet. You can also search for local services on some organisations' websites, or phone their general enquiries line.

A money advisor will:

interview you to find out what the problems are and help you to sort out which are the most important ones;

help you draw up a budget – they can advise you on ways to increase your income and reduce your expenditure;

advise you on how to deal with the debt, including bankruptcy, negotiating with creditors and any arrangements you have made yourself;

advise you on other sources of help or options.

They may also be able to:

help you to negotiate with creditors;

help with form filling (e.g. claiming social security benefit);

represent you at court hearings for debt.

### **Working with an adviser**

Money advisers are not mental health experts.

However, most agencies should have at least one adviser who has had some training in working with people with mental health problems.

You can find out if an agency has someone like this and ask for an appointment with them.

## Confidentiality

Decide what you want (and don't want) to tell the money adviser about your mental health problem.

## Getting support

If you feel uncomfortable about going alone to see a money adviser, ask a friend, relative or someone from your mental health care team to come with you.

You may only need them to come with you for the first session, but don't be afraid of asking for them to come again if you feel you need it.

## Before advice sessions

Before you visit, or phone, an advice centre or money adviser, you need to:

gather together all the paperwork or bills;

think about how your mental health affects how you manage your finances and repay your debt.

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## Debt and mental health

When trying to recover a debt, creditors may be entirely unaware of your mental health problem. They can act in inappropriate, and sometimes distressing ways.

You will need to decide if you want to tell your creditors about your mental health difficulties. If you do, then your money adviser also needs to be aware of your mental health difficulties.

## Next steps

### Repay the debt

If you have any available income, you can make a repayment offer (but only one which you can realistically meet). If you do this then a creditor should be asked to freeze any interest on the debt.

## **“Park the debt”**

If you have very little available income, you can make a nominal/token repayment (e.g. £1) or request payment suspension.

## **“Full and final” repayments**

This is when creditors may accept a lump sum offer which is smaller than the original debt.

## **Write-off the debt**

This is not standard practice, but some creditors will write off the debt when a person has mental health problems.

## **Debt management plan**

You make a single monthly payment to a debt management agency which then pays several creditors for you (you may have to pay a fee for this).

## **Bankruptcy**

This is an option if you owe a large amount of money and don't have any assets. Bankruptcy lasts for up to a year (with restricted access to financial services).

After this, debts are usually written off. However, the bankruptcy is registered with credit agencies for 6 years and can make it hard to get financial services in the future.

## **IVAs**

In England, “Individual Voluntary Arrangements” involve you paying agreed amounts over 3-5 years. The remaining debts are written off. This is an option to consider if you are able to make sizeable payments.

## **Debt Relief Orders (DROs)**

In England, this is a form of insolvency for people with very low incomes and/or very few assets. Only an accredited money adviser can apply for a DRO.

## Case study: Tracey

"I had to choose between feeding myself or the gas meter. As a single mum I was used to juggling plates for a long while with the stigma of being an unmarried mum on benefits.

"Then with the distress and stigma of becoming mentally ill, all the plates came crashing down around me.

"A once capable person became incapacitated by the worry of being homeless and unable to provide for myself and my child.

"Even when working, paying back my creditors seemed an insurmountable task for someone who by now had become a helpless wreck just wanting to close her eyes and never wake up."

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## Priority debts and non-priority debts

Remember that money advisers are the experts. This following section is for anyone who would like a bit more detail.

### Priority debts

You need to deal with 'priority debts' first. These include:

**Mortgage or rent arrears** – can lead to the loss of your home.

**Fuel arrears** – can lead to your fuel supply being disconnected.

**Council tax arrears** – in England, bailiffs can take your possessions and if you have arrears after this, you can be sent to prison. In Scotland, you can't be imprisoned, but bank accounts or wages can be arrested, or your possessions seized.

**Court fines** – in England, if you don't pay magistrates' court fines for traffic offences, bailiffs can take your possessions, and you can be sent to

prison. In Scotland, if you don't pay fines for criminal offences you can be sent to prison.

**Arrears of maintenance** – for ex-partners or children (including Child Support Agency arrears), if you don't pay these, bailiffs can take your personal possessions. If, after this, you still have arrears, you can be sent to prison. In Scotland, if you don't pay, you can ultimately be sent to prison.

**Income tax or VAT arrears** – you can be sent to prison for not paying your VAT or income tax. In Scotland, you could have your bank account/wages arrested, sheriff officers seizing your possessions, or you could be made bankrupt.

**Loans** – if they are secured against your home.

**TV licence arrears** – it is a criminal offence to use a television without having a licence.

## Non-priority debts

You can't go to prison for not paying non-priority debts. However, creditors may take you to court. If you fail to follow a court's order to pay these debts, bailiffs/sheriff officers can seize your property. These include:

### Benefit overpayments

**Credit debts** – overdrafts, loans, hire purchase, credit card accounts and catalogues.

### Student loans

### Money borrowed from friends and family

**Parking penalties** – in England this covers local authority parking penalties. However, in Scotland it is different. Fixed parking offences issued by criminal courts/local authorities can lead to your bank account or other possessions being seized if you don't pay

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## Sources of help

### National

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**Referrals**: For free specialist advice. Tel: 0808 808 4000