 doi:10.1017/S147474642200032X

The Debt Relief Notice: Its Effectiveness in Improving the Financial Well-Being of Over-Indebted Individuals and Its Impact on Social Mobility

Melissa Boyle*

*Technological University Dublin, Dublin, Ireland
Email: Melissa.Boyle@TUDublin.ie

Ireland's policy approach to personal insolvency went through sudden changes in 2012 after a lengthy period of stability. This article presents the findings of a study examining one of the remedies introduced with the Personal Insolvency Act 2012 (as amended), the Debt Relief Notice (DRN). The study examined the DRN's effectiveness in addressing the financial well-being of over-indebted individuals. The results revealed a reduction in participants' financial distress after obtaining a DRN, which in turn enabled increased control over day-to-day finances. Improved health, increased resourcefulness, and life-style improvements were also identified when the participants' financial distress was reduced. However, participants were incapable of attaining long-term financial resilience, and, therefore, were unable to achieve high financial well-being. A negative impact on social mobility was also identified as an outcome. The short-term impact identified is similar to findings of earlier research (Stamp, 2012) examining Ireland's previous policy approach to personal insolvency.

Keywords: Poverty, over-indebtedness, social mobility, financial distress/financial well-being, personal insolvency.

Introduction

This article reports part of a larger study which examined the introduction of the *Personal Insolvency Act 2012* (as amended) in Ireland and the effectiveness of the Debt Relief Notice (DRN) in improving the financial well-being of over-indebted individuals. The legislative approach to personal insolvency in Ireland experienced sudden changes in 2012 after a lengthy period of stability. In September 2009, the consultation paper, 'Personal Debt Management and Debt Enforcement' (Law Reform Commission, 2009), highlighted Ireland's 'out-dated and ineffective'[1] personal insolvency laws.

After the Great Recession of 2008, Ireland suffered the largest decline in income among all European countries (Callan *et al.*, 2013). The entire crisis proved difficult for the Irish government to manage which led to them seeking a financial bailout and entering a deal with the European Commission (EC), International Monetary Fund (IMF) and the European Central Bank (ECB) in November 2010 (Whelan, 2014), collectively known as the Troika. The Troika laid out conditions to be met within a specified timeframe for Ireland to be granted a bailout. One of these conditions was the introduction of personal insolvency legislation (European Commission, 2011). Although the wheels were already in motion for the implementation of such legislation, the Troika bailout conditions added a more expeditious, coercive element to the introduction of this policy change.

The *Personal Insolvency Act 2012* introduced three new remedies for insolvent individuals: the DRN, the Debt Settlement Arrangement (DSA), and the Personal Insolvency Arrangement (PIA). The rules governing bankruptcy were also amended under the new act. The DRN is the policy response for over-indebted individuals with low income and assets whose debts do not exceed €35,000[2]. This debt resolution is suitable for individuals with credit debts such as personal loans and credit cards who are unable to pay anything towards their debts and have a disposable income of no more than €60 per month after allowable outgoings[3]. The DRN will last for up to three years (supervision period), after which the debts included in the DRN will be written off. An individual also has the option to exit the process at any time by paying 50 per cent of the total amount owed. An individual must apply for a DRN through an Approved Intermediary (AI) who will assist the debtor through the DRN application process. The Money Advice and Budgeting Service (MABS) are authorised by the Insolvency Service of Ireland (ISI) as an AI and primarily undertake this role.

Background

As borrowing commitments are a natural aspect of everyday life, most individuals will be indebted in some manner. The Law Reform Commission (LRC) refers to indebtedness as 'a necessary and healthy consequence of the provision of credit which is beneficial to society as a whole and to individuals' (Law Reform Commission, 2009: 10). For the most part, borrowing commitments are repaid without difficulty. Indebtedness only becomes a problem when the individual cannot meet the borrowing commitments over a reasonable period of time, based on their income (Joyce, 2003), and indebtedness becomes over-indebtedness. Stamp (2009a) provided the following definition of over-indebtedness: 'People are over-indebted if their net resources (income and realisable assets) render them persistently unable to meet essential living expenses and debt repayments as they fall due'.

Russell *et al.* (2011) identified income shocks, such as loss of employment, as triggers of over-indebtedness. Other scholars, such as Stamp (2009b), concur, stating that debt problems are usually a consequence of things that have happened to people, rather than things they have done. Such unforeseen changes to financial circumstances due to life 'accidents' are referred to as passive over-indebtedness (Banque de France, 2005; Gloukoviezoff, 2006).

The Consumer Financial Protection Bureau (CFPB) defines financial well-being as 'a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life' (CFPB, 2015: 18). A study commissioned by the Competition and Consumer Protection Commission (CCPC) to assess financial capability and well-being levels in Ireland employed the following definition of financial well-being: 'the extent to which someone is able to meet all their current commitments and needs comfortably and has the financial resilience to do so' (Kempson and Poppe, 2018: 6). Moreover, it indicated that an individual's financial well-being is influenced by their financial capability, defined as 'the behaviours and approaches to financial decision making that influence someone's financial well-being' (Kempson and Poppe, 2018: 6). The importance of financial capability is supported by the CFPB. The ability to assess appropriate financial products

https://doi.org/10.1017/S147474642200032X Published online by Cambridge University Press

to meet future goals and expectations is important for an individual's financial well-being, especially as an individual's confidence in reaching their financial goals has been linked to higher financial well-being (CFPB, 2017). People who set goals are more likely to save money (Money Advice Service, 2015) and have higher levels of financial capability (Ajzerle *et al.,* 2013).

According to the CFPB (2017), consumer financial advice consultants agree that in addition to providing advice and knowledge, they must also equip consumers to act on such knowledge. The timing of knowledge acquisition by consumers is also crucial, especially for those in financial difficulty who need to access the appropriate advice at an early stage to prevent the onset of severe financial distress (Collard, 2013; Barnes *et al.,* 2017). Financial distress occurs with the build-up of stressor events, such as overdue notices, which can accumulate before those affected are able to deal with them (O'Neill *et al.,* 2006b). In addition to negative health effects, over-indebtedness can also contribute to poverty and deprivation when an individual's money is being utilised primarily to pay debts (Russell *et al.,* 2011). Over-indebtedness has been shown to be both a cause and consequence of poverty. Those on low incomes can be driven to borrowing to simply survive, consequently falling below the poverty line due to borrowing commitments. Individuals on higher incomes can also fall below the poverty line due to unexpected financial shocks (Stamp, 2009b).

Method

This was the first empirical study to examine the DRN policy approach to over-indebtedness since the introduction of the *Personal Insolvency Act 2012*. By utilising a bottom-up approach, the study examined the effect of the DRN insolvency solution on financial well-being, from the perspective of individuals who had accessed the policy response. This investigation took the form of a mixed methods case study to gain a more in-depth understanding of the effectiveness of this personal insolvency remedy; however, by deriving most of its primary data from semi-structured interviews, the main approach was qualitative. According to Stake (1994), people learn based on others' disclosed experiences. Knowledge is socially constructed and therefore 'case study researchers assist the readers in the construction of knowledge' (Stake, 1994: 240). The study used evidence from multiple sources to answer the research question and to confirm the validity of the data through triangulation.

The effectiveness of the DRN insolvency solution was initially measured using the Personal Financial Wellness (PFW) Scale (Prawitz *et al.,* 2006a)[4], an eight-item survey measuring perceived financial distress/well-being on a continuum ranging from excessive financial distress/low financial well-being to no financial distress/high financial well-being. The PFW Scale has been tested and 'represents a valid and reliable measurement tool to assess levels of financial distress/financial well-being in both the general population, and groups of financially distressed consumers' (Prawitz *et al.*, 2006b: 10). The survey (see Appendix 1) also included questions on health and basic demographic questions. As studies have shown that individuals experiencing financial distress also suffer from health problems, it was considered informative to include a question on health changes in respondents since accessing the DRN.

The qualitative element of the study involved exploratory research conducted directly with over-indebted individuals in the form of semi-structured interviews. The semi-structured

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Table 1 Final themes present in the analysis

Financial Dimension	Human Dimension	Health Dimension
Barrier to a Fresh Start	Advocacy and Knowledge	Mental and Physical Health
Poverty and Social Exclusion	Resourcefulness and Lifestyle improvements	Financial Distress due to Over-indebtedness
Financial Shocks	Future Goals and Aspirations	
Financial Capability	Control	

	Present	**Future**
Security	Control over day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of Choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals

Figure 1. The four elements of financial well-being (CFPB, 2015: 19).

interview questions (see Appendix 2) allowed the researcher to ask open-ended questions, facilitating the participants to direct the interview to areas important to them.

Before commencing the exploratory study, the researcher participated in several consultations with relevant stakeholders to refine the research question and discuss what constitutes success for an over-indebted individual and how to measure it. All agreed that success is a subjective term. After further analysis of the literature surrounding the terms 'policy outcomes', 'policy impacts' and 'policy evaluations', 'effectiveness' was selected as an evaluation term. The research question was then finalised to ask: is the DRN effective in improving the financial well-being of over-indebted individuals?

The constant comparison method, in line with Maykut and Morehouse (1994), was employed as the main data analysis approach, and its organisation was assisted by the NVivo 11 qualitative data analysis software. The themes retained once the analysis was completed are shown in Table 1, grouped under three headings: financial dimension, human dimension, and health dimension. The final themes were then linked to the literature, specifically the CFPB financial well-being framework (CFPB, 2015), to ensure they could answer the research question.

The questions for the qualitative interviews were developed with reference to 'the four elements of financial well-being' proposed by the CFPB (2015), as shown in Figure 1.

The four elements of the definition are timeframe-based: 'Control over your day-to-day, month-to-month finances' and 'Financial freedom to make choices to enjoy life' relate to the individual's present circumstances, whereas 'Capacity to absorb a financial shock' and 'On track to meet your financial goals' pertain to the future well-being of an individual. The two present-day elements refer to matters such as a person's ability to pay their bills and make ends meet without unmanageable debt. They also encompass the

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ability to make choices in life, such as being able to go out and socialise, go on holiday, or take some time off work to enjoy family life. The future elements refer to having resources such as savings, health insurance or other insurance and family or friends who could assist if an emergency should arise.

Before commencing the data collection, approval was sought from the ethics committee in TU Dublin (formerly IT Tallaght). Clearance was also obtained from MABS National Development in addition to the MABS office where the researcher was employed at the time of the study. Participants for the study were selected from among attendees of MABS in the Dublin region who wished to avail themselves of the DRN insolvency solution. Individuals were only included in the study if they could participate in both the quantitative and qualitative aspects of the research. All selected individuals had been granted a DRN at least six months prior to their participation in the study, and three participants had been granted a DRN at least a year prior to the study. The study was composed of eight participants in total, of whom three identified as male and five as female. The interviews were undertaken in the first half of 2017. The size of the sample was influenced by the availability of respondents and resources to complete the study. As the insolvency solution was still in its infancy at the time of the selection process, this further limited the number of possible participants. However, by the time the last few participants were interviewed, a consistent repetition of themes was shown, which suggested an ample sample size for the study. Furthermore, the study required multiple contacts with everyone, some of which were lengthy. The duration of the interview was guided by the participants' response to the interview questions. Participants were happy to discuss their experience of the DRN, as most revealed they had not told anyone of their financial difficulties outside of MABS. A minimum of three contacts occurred with each participant to allow for an initial consultation, survey completion, and the semi-structured interview. The initial consultation offered the opportunity to discuss the study further and provide assurance of confidentiality to the participants. Therefore, the sample size was suitable for the in-depth examination required in the current study.

As the researcher was employed by MABS at the commencement of the study, this presented the ethical issue of privileged access. To address this issue, the researcher did not ask potential participants to take part in the study. Instead, the Money Advisor who acted as the AI in the DRN process outlined the details of the study to potential participants. This ensured that they did not feel compelled to participate in the study by the researcher asking them directly. Participants were also informed that their decision to participate or not in the study would have no impact on the service they received from MABS. Only after the potential participants agreed to take part in the study did the researcher make initial contact. The data collection involved a two-phased approach, with the quantitative survey being the first element to be completed. This was followed by the semi-structured interviews after the initial analysis of the quantitative surveys.

A large quantity of data was captured from the participants to assist with the possibility of transferability. The researcher also ensured the dependability of the study by keeping an audit trail throughout the entire data analysis process. While steps were taken to ensure the validity and reliability of the analysis, some limitations should be acknowledged when interpreting the results. First, all study participants were from Dublin; therefore, some of the results cannot be generalised to everyone who accesses the DRN insolvency solution. This is an important point, as a separate study examining the financial well-being and capability of individuals in Ireland noted a difference in the results for those living outside

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Dublin, even when they controlled for aspects such as sociodemographic and economic factors (Kempson and Poppe, 2018). However, in the current study, some results remain constant, regardless of the number of participants examined, or their locations, such as the barrier to gaining employment due to the non-recalculation of reasonable living expenses[5] and the specific impact this may have on lone parents, who are primarily women.

Second, the current study was limited to those who had experienced financial distress and had availed themselves of the DRN insolvency remedy. Therefore, the associations made between financial distress and resourcefulness and health cannot be generalised to the overall population. Third, the participants' perceptions of their own financial well-being and health might differ from those produced via an objective third-party examination. Finally, the examination focused solely on the DRN insolvency remedy and did not include an examination of the other remedies available to debtors – namely, the DSA, PIA, or bankruptcy. The time and resource constraints of the study meant it was not possible to examine these areas as well.

Findings

The results of the survey and qualitative element of the current study agreed with previous studies that examined the health of individuals after participating in a debt management programme, all of which demonstrated improvements in health (O'Neill *et al.*, 2005; Richardson *et al.*, 2013). Additionally, numerous other studies have found that those suffering from financial distress report higher levels of perceived stress and ill health (O'Neill *et al.*, 2005; O'Neill *et al.*, 2006a; Sweet *et al.*, 2013; French and McKillop, 2017). The financial well-being scores obtained in the quantitative survey are combined with the participants' attributes in Table 2. In the current study, the participants with the highest financial well-being score were all aged over sixty years, and two of these were retired. This is in line with Prawitz *et al.* (2006a), who reported that retired respondents had the highest mean score overall (M = 6.4).

In line with Prawitz *et al.* (2006a), Table 3 sets forth the interpretation of the overall scores of the Personal Financial Wellness (PFW) Scale utilised in the quantitative element of the study.

Control over day-to-day, month-to-month finances

Taylor *et al.* (2011) described a person's ability to control their finances as a critical determinant of their subjective financial well-being, regardless of the amount of money they have. In the current study, control emerged as both a positive and a negative element. Whereas some participants referred to regaining control of their day-to-day spending since obtaining a DRN (for example, their grocery shopping), others mentioned a loss of control in relation to future income they might acquire.

All the participants demonstrated efficient budgeting skills and evidence of making conscious financial decisions since receiving a DRN. However, they could not be regarded as being financially capable, as their lack of disposable income meant they were not in a position to build resilience.

A further benefit that was recognised was the sense of regaining control of day-to-day finances through the relevant knowledge and support received from MABS. As one

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Table 2 Participant attributes and financial well-being score in the quantitative study

ID	Financial Well-being Score	Age	Gender	Employment Status	Income Source	Children	Marital Status
P1	2.63	46	Female	Unemployed	State benefit	0	Divorced
P2	3.88	59	Female	Unemployed due to illness	Invalidity pension	0	Divorced
P3	3.88	34	Female	Employed	Wage	0	Single
P4	4.63	52	Female	Unemployed	State benefit	1	Separated
P5	5.13	57	Male	Unemployed due to illness	Disability payment	0	Separated
P6	5.25	67	Male	Retired	Pension	0	Single
P7	5.50	60	Male	Unemployed	State benefit	0	Single
P8	6.00	68	Female	Retired	Pension	0	Widowed

Table 3 Interpretation of overall scores on the scale

Score range	Description
1.0–4.0	high financial distress/low financial well-being
4.1–6.9	average financial distress/average financial well-being
7.0–10.0	low financial distress/high financial well-being

participant remarked, 'I know more now from what I learnt. I have more control over my finances' (P8).

In a study on alleviating financial distress, the role of financial counsellors was discussed in connection to their advocacy services and provision of information on the debt recovery options available (Brackertz, 2014). Another study discussed personal support as one of the 'essential cornerstones for helping clients to regain their footing and sustain long-term financial well-being' (Wang, 2010: 65).

French and McKillop (2017) noted that the subjective experience of financial distress has a significant relationship with health. Interestingly, according to the participants' self-reports in the current study, their health improved after gaining access to the DRN. This is in line with other research that has recognised the effect of debt on health (Richardson *et al.*, 2013; Sweet *et al.*, 2013; French and McKillop, 2017).

> The stress is gone and the worry. You're not afraid of the phone now. I used to be afraid of the phone and the post, and that fear is gone now (P8).

Another participant remarked, 'my mental health has improved; my mental health has improved a lot!' (P6). These statements indicate that the participants' financial distress decreased when repeated creditor contact ceased after obtaining a DRN. Consequently, their health improved, which, in turn, improved their perceived financial well-being.

Capacity to absorb a financial shock

Russell *et al.* (2011) discussed income shocks as triggers of over-indebtedness, noting that households without savings were pushed into over-indebtedness due to these shocks. Most of the participants in the current study had suffered a financial shock which resulted in them moving into a situation of over-indebtedness.

> I lost my job. It wasn't a gradual thing; it was a very instant thing. It was instant, and I just couldn't cope with it (P1).

Although the DRN removed the financial distress created by over-indebtedness, the participants remained in a vulnerable position, as they were unable to deal with any form of future financial shock that might occur. The participants discussed a desire to save to manage any unforeseen financial shocks in the future – however, a lack of disposable income was preventing them doing so.

> That kind of money wouldn't be there to save now. It's just that you balance the money out better now (P8).

The idea behind the insolvency solutions introduced with the *Personal Insolvency Act 2012* was to 'enable insolvent debtors to resolve their indebtedness (including by determining that debts stand discharged in certain circumstances) in an orderly and rational manner without recourse to bankruptcy, and to thereby facilitate the active participation of such persons in economic activity in the state' (Office of the Attorney General, 2012: 13). However, if participants are still experiencing financial difficulty, 'active participation in economic activity' will not be possible.

Financial freedom to make choices to enjoy life

According to CFPB (2015), financial well-being entails an individual's perception that they can enjoy 'wants', such as being able to go out for dinner or to see a movie, or to buy gifts for and show generosity towards their family and friends. Because what each person values is different, this is not a concept which can be measured objectively. However, 'it is these deeply personal preferences and aspirations that give meaning and purpose to the often challenging day-to-day financial decisions and trade-offs we all must make to achieve it' (CFPB, 2015: 20).

The participants in the current study began to seek various outlets to become more active in society and gain lifestyle improvements after receiving a DRN. Financial distress 'affects the individual's over-all functioning' (Krumer-Nevo *et al.*, 2017: 515), which explains the inability to be resourceful while in a state of over-indebtedness. The removal

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of financial distress by the DRN enabled the participants to become more resourceful in finding ways to enjoy life more.

> I do everything that's free. I go walking. Since the DRN, I've lost seven stone. I write, I do art, so anything that doesn't cost anything, or where I have to buy anything, I do. Charity shops are amazing, down to things like replacing chairs and rugs (P1).

Regardless of this, they remained in a position of poverty, and most experienced social exclusion.

> If anything is going on, they don't even ask me now because they know the situation. But then it feels like I'm excluded from a lot of stuff; it's like I'm excluded from society nearly. They're still whipping me with a DRN stick … nobody ever gets a present off me now (P1).

The above statement conveys a sense of punishment felt by the participant. Stamp (2016) outlines a range of attitudes around personal finance, one of which is the Catholic-familial/conservative approach. This approach to debt management views debtors as those that have created their own downfall, and as such, the approach is designed to punish, rather than rehabilitate the debtor.

Over-indebtedness can be a cause of poverty and deprivation due to the financial strain of paying off debts (Russell *et al.,* 2011). This was not the case in the current study, as the individuals had had their debts removed by the DRN. However, most of the participants still did not have the disposable income to enjoy many social aspects of life, nor did they have the means to save. This could be addressed if the participants gained employment and benefited from an increase in income. However, some participants stated that the restrictions on income increases would be a barrier to them taking up employment if the opportunity arose. This inhibits the social mobility of the participants, preventing them from moving up in economic class and out of economic difficulty.

As it stands, if an individual gains an increase in income above €400[6] net per month, they must give half of this amount to the ISI in payment of their debts. The guidance states, 'You must inform the ISI where your monthly net income increases by €400 or more, or you receive a gift or sum of money of €500 or more. In both cases, 50 per cent must be surrendered to the ISI for the benefit of your creditors' (ISI, 2021b: 11). This policy stipulation can have negative consequences as demonstrated by the following case of one of the participants in the current study. Table 4 outlines the financial position of 'P4', who is in receipt of the Jobseekers Transitional Payment and has one dependent child.

If P4 commenced full-time employment within the current policy, her financial position would improve by an estimated €51.25 per week, an increase of 22.94 per cent. Considering transport costs and incidental expenses of returning to work have yet to be deducted, it is understandable if an individual such as P4 decided against returning to employment. Details of this are shown in Table 5.

Table 6 outlines the possible outcome for P4 in the event of a policy amendment to re-calculate the reasonable living expenses (RLEs), if there should be an increase in income for individuals availing of the DRN. In this instance, P4 would have an estimated increase of €107.76 per week, an increase of 48.24 per cent. However, it must also be remembered that the DRN policy has a stipulation of a max disposable income of €60 per month after

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Table 4 Financial position of participant P4

Financial position of participant P4	
Income	
Jobseekers Transitional Payment (€208 and €48 child increase)	€256.00
Deductions linked to income	
Rent (Dublin City Council rental rate)	-€32.60
Residual income after rent payment	***€223.40***

Table 5 The effect of a rise in income for participant P4[7]

Scenario 1 – In fulltime employment with current DRN policy on RLEs	
Income	€560.00
Working full-time in wholesale/retail trade[8] (Net income)	
Jobseekers Transitional (Means assessed)	€24.55
Total weekly income	**€584.55**
Deductions linked to income from employment	
Rent (Dublin City Council rental rate)	€81.88
Childcare cost (after childcare subsidy reduction)[9]	€63.75
Creditor payments (50% of increase)	€164.27
*(€584.55-€256=€328.55*50%)*	
Residual income after rent, childcare, and creditor payments	***€274.65***

Table 6 Outcome with policy change

Scenario 2 – In fulltime employment with RLEs re-calculated[10]	
Income	€560.00
Working full-time in wholesale/retail trade (Net income)	
Jobseekers Transitional (Means assessed)	€24.55
Total weekly income	**€584.55**
Deductions linked to income from employment	
Rent (Dublin City Council rental rate)	€81.88
Childcare cost (after childcare subsidy reduction)	€63.75
Creditor payments (50% * €215.52)	€107.76
€584.55-(49.28+63.75) = 471.52	
256 increased to 471.52 = 215.52 actual income increase	
Residual income after rent, childcare, and creditor payments	***€331.16***

allowable deductions. Therefore, it would be interesting to see how a change in circumstances such as this would impact the participant. If it resulted in failure of the DRN process, then it is understandable why an individual would avoid commencing

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employment. However, three years is a considerable period to remain out of the workforce and would negatively impact the social mobility of the individual.

Meeting financial goals

Ajzerle *et al*. (2013) found that those who set financial goals had higher levels of financial capability and that higher financial capability led to more efficient use of personal debt. Although the participants in the current study were not currently availing themselves of personal debt, they might need to at some point in the future. In most circumstances, debt is managed well and is used by those who wish to buy items that they would otherwise be unable to afford (Patel *et al*., 2012).

As mentioned, the DRN policy creates a barrier for some participants, in terms of their employment aspirations. It discourages attempts to increase their income, which prevents them from reaching their future goals and aspirations. The current policy structure actually decreases participants' financial well-being. In England, Wales and Northern Ireland, the Debt Relief Order (DRO) is the equivalent policy approach to the DRN. If an individual with a DRO has an income increase, their total income and expenditures are re-examined before any payment to creditors is considered. This is not the case with the DRN policy, in which income increases are recorded without considering any simultaneous increase in expenses. Hence, the DRO remedy emerges as a fairer method to that currently applied in Ireland for the DRN. A DRO-style approach to the assessment of income increases could remove the barriers to employment currently faced by debtors with a DRN, thereby enabling individuals to reach their future financial goals and attain a higher financial well-being. Considering similar policies to the DRN in other jurisdictions have the sole purpose of debt relief, the debt collection function in the DRN legislation appears as an 'idiosyncratic aspect' (Spooner, 2018).

Discussion

Some of the findings in the current study are similar to those of Stamp (2012). Although both policies respond to over-indebtedness, they take very different approaches. Stamp (2012) examined the impact of the Irish government's policy response at that point in time to over-indebtedness, which was the provision of one-to-one debt advice by MABS. Stamp (2012) examined the impact of advocacy and support offered to over-indebted individuals, whereas the current study examined the effectiveness of the DRN policy. Both studies revealed several similar encouraging outcomes for participants, such as a positive impact on participants' overall health and well-being, including their prioritisation of spending on nutritious food. However, each study concluded that although the examined policy had positive impacts by assisting people in tackling their debts, it fell short of building long-term financial independence and resilience. This was also a key finding in a study examining financial capability and well-being in Ireland, which showed that people there had low levels of financial resilience for their future compared with their counterparts in other countries (Kempson and Poppe, 2018).

The study by Stamp (2012) highlighted the lack of 'legal or institutional mechanisms' available, which left many over-indebted individuals in long drawn-out repayment plans. The legal mechanisms have now been introduced, and there are no repayment plans for those in DRN arrangements. However, individuals accessing the DRN must remain in a

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state of poverty for the three-year supervision period, and it is only after this point that their debts will be written off.

In their annual report, the ISI (2021a) outlined a DRN case study of a female lone parent whose circumstances changed when she obtained temporary employment. The ISI used the RLEs as a baseline to compare to the individual's temporary income. As the total income did not exceed the RLEs, no payment was required to be surrendered to the creditors. However, situations such as this are examined on a case-by-case basis by the ISI. While this particular case achieved a positive result, one which demonstrates the outcome in the event of an increase in income above the RLEs would clearly reveal the negative impact of not re-calculating the RLEs. Considering the increased expenses, such as childcare and rent, which could arise from commencing employment, it is understandable that this could act as a barrier to employment. This barrier can lead to a cycle of the participants staying in the social welfare system and possibly be at risk of falling into over-indebtedness again. There is also evidence of intersectionality in the DRN policy between gender and social class, as in the case of lone parents, of whom 86 per cent are female (National Women's Council, 2021).

The DRN policy emerges as a deterrent to individuals seeking economic improvement to attain upward mobility. Low upward mobility can extend beyond earnings to other dimensions, such as education. According to the Organisation for Economic Co-operation and Development (OECD) (2018), low-educated individuals are at a higher risk of remaining in the bottom income quintile. If the individual described in the DRN case study attended higher education to facilitate better career and salary prospects, she would be penalised by the current policy approach if she earned above the RLEs. This outcome conflicts with policies designed to attract underrepresented groups into higher education, such as the 'National Plan for Equity of Access to Higher Education' (Higher Education Authority, 2015). This policy recognised lone parents as a subgroup within its national target groups experiencing difficulties participating in higher education.

Effective policies can strengthen the transition to education and the labour market for individuals who have experienced adverse financial shocks. Policymakers should be cognisant that a lack of mobility affects more than the individual and their family; there are also economic, societal and political consequences which arise from the lack of mobility (OECD, 2018).

The ISI does not break down the applicant profile for each of the insolvency solutions in their statistical reports. Therefore, it is difficult to ascertain the extent of any possible negative impacts by gender. Timely and comprehensive data is required for policy makers to make informed decisions (Stamp, 2016). It would be constructive for policymakers to examine the DRN for possible negative consequences for social mobility, in addition to examining the policy through a gender lens for adverse impacts on women.

The author presented the findings pertaining to the requirement to surrender 50 per cent of income increases and the three-year term of the DRN supervision to MABS. A report was also subsequently submitted to the ISI.

The ISI made a submission to the Department of Justice and Equality for reform of insolvency law in August 2019 (ISI, 2019). The reforms proposed in the ISI submission addressed two of the issues highlighted in this article; the three-year term of the DRN supervision, and the requirement by debtors to surrender 50 per cent of income increases when the increase is above €400 net per month. However, the Department of Justice and Equality did not include these reforms in the recent *Personal Insolvency (Amendment) Act*

2021 (Office of the Attorney General, 2021). The Department of Justice issued a press release in June 2021 announcing the commencement of the main provisions of the *Personal Insolvency (Amendment) Act 2021* (Department of Justice, 2021), in addition to the imminent finalisation of a statutory review of personal insolvency law and a further amending bill to be expected later that year. Yet, at a time when inflation rates in Ireland are at their highest since November 2000 (Central Statistics Office, 2022), the much-anticipated amendments have yet to be introduced. It would be imperative for individuals availing of a DRN to have the opportunity to improve their economic position and bring an end to the cycle of poverty. The removal of the barriers identified in the DRN may assist to deliver the desired results envisaged by those who implemented the DRN policy.

Conclusion

The underlying question to be answered from the research was whether the DRN was effective in improving the financial well-being of over-indebted individuals who availed of the insolvency remedy. Whilst the DRN is effective in addressing the short-term issue of over-indebtedness, it has failed to introduce the long-term impact necessary to enable individuals to reach their financial goals and build resilience, thereby obtaining a higher financial well-being. The capacity to absorb a financial shock is not an element that can be addressed solely by the DRN for those participants who will be in receipt of social welfare payments for the foreseeable future. Participants with the opportunity to gain employment have a better chance of improving their financial position to enable them to save and build resilience for any future financial shocks. The current policy approach that rejects a review of the debtor's increased expenses in addition to their increased income needs to be examined to remove the barriers to employment currently experienced. Policymakers need to encourage a return to employment and not inhibit it. The excessive three-year duration of the DRN supervision period is also a barrier. This keeps participants in a state of poverty and prevents them from making a fresh start. The supervision period needs to be adjusted to a more realistic timeframe that is in line with similar policy approaches elsewhere, such as the DRO in England, Wales, and Northern Ireland[11] and the No Assets Procedure (NAP) in New Zealand[12] both of which apply a supervision period of twelve months.

The LRC had recommended the implementation of an insolvency remedy like that of the DRO and even recommended a similar procedure whereby individuals with 'limited resources could obtain debt discharge after a period of one year without the need to make part repayments to their creditors' (Spooner, 2012: 293). However, this was ignored in the policy formation, and a shift towards a debt collection paradigm was chosen instead (Spooner, 2018). This may be representative of pro-creditor legislation made in 'quiet politics', despite opposing opinion in the 'louder' public consultations (Spooner, 2018).

It is necessary for policymakers to review the policy at this stage, especially the intersection between social class and gender, as some individuals are at a particular disadvantage. It would be crucial to incorporate the experiences and perspectives of those directly targeted by the debt remedy, in addition to experts in the field of over-indebtedness. The participants' lack of knowledge of personal insolvency options was also highlighted in the current study. However, following the submission of a report on the findings of this study to the ISI, an information campaign was undertaken. Catching people early in their financial difficulty is crucial to preventing the spiralling problems created by over-indebtedness. Finally, the role of MABS should be enhanced in the policy to include adequate review visits to ensure that participants are taking steps in the right direction to meet their financial goals. Financial education is imperative for the long-term success of the policy for those availing themselves of the insolvency solution, as it will support them in building resilience and progressing towards a greater financial well-being.

Acknowledgements

The author would like to thank the participants in this study for agreeing to take part in the research and share their experience of the Debt Relief Notice insolvency remedy. The author is grateful to Dr Gail Sheppard for the supervision, guidance and support provided during the study. The author would also like to express gratitude to Anthony Day for his invaluable advice and knowledge during the research.

Appreciation is expressed to MABS, particularly Gwen Harris, for the knowledge contribution provided in the initial research. The author would also like to thank Tallaght MABS for partially funding the purchase of a laptop to assist with the research, in addition to the Technological University Dublin for funding the supervision of the study. The views expressed in this article are those of the author and not necessarily those of the funder.

The author is also grateful to the anonymous reviewers of an earlier manuscript as their comments and suggestions brought clarity to the final article.

Supplementary material

To view supplementary material for this article, please visit https://doi.org/10.1017/S147474642200032X

Notes

1 Law Reform Commission of Ireland, Consultation paper on personal debt management and debt enforcement 3.159 (2009).

2 Debt limit was previously €20,000 but amended to €35,000 in the *Personal Insolvency (Amendment) Act 2015*, s. 3.

3 Information available at: https://www.isi.gov.ie/en/ISI/Pages/Debt_Relief_Notice

4 The term 'living paycheck to paycheck', in the original version of the survey was changed to state 'living payday to payday', to be more appropriate to those taking the survey. Additionally, the dollar symbol was changed to the euro symbol, as a correct representation of the currency in use by the participants in the survey.

5 'Reasonable living expenses' are expenses you incur in achieving a 'reasonable standard of living'. Available at: https://backontrack.ie/RLE-CALCULATOR/

6 s.36(3) *Personal Insolvency Act 2012*. A specified debtor whose income increases by €400 or more per month during the supervision period concerned shall surrender to the Insolvency Service 50 per cent of that increase.

7 Calculation is DRN specific and the effect of an income increase. It is not an income maximisation calculation. Note also applicable to Table 6.

8 Details from the CSO on average weekly earnings by economic sector Q3 2021. Available at: https://www.cso.ie/en/releasesandpublications/er/elcq/earningsandlabourcostsq22021finalq32021preliminaryestimates/

9 Inclusive of childcare subsidy of €56.25, available at: https://www.ncs.gov.ie/en/ Calculation reviews the average cost during school term and does not include increased childcare costs during periods of school closure. Childcare cost would reduce if a community childcare provider utilised. However, the lack of community childcare places requires many to opt for a private childcare facility. This information is applicable to Table 6 also.

10 P4's RLE would increase with the additional costs e.g. the rent increase. The RLE guidelines were recently revised and the revisions in effect from 29th April 2022. However, the revisions do not amend the concerns highlighted by the author in this article. The RLE calculator can be utilised to determine an individual's RLE, available at https://backontrack.ie/RLE-CALCULATOR/

11 Information available at: https://www.gov.uk/government/publications/getting-a-debt-relief-order/getting-a-debt-relief-order

12 Information available at: https://www.insolvency.govt.nz/personal-debt/personal-insolvency-options/no-asset-procedures/

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