STUDY OF PATHS LEADING TO OVER-INDEBTEDNESS
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Research

1 Research background and purpose

1.1 A contribution to public policy on the prevention of and response to over-indebtedness

Responding to phenomena of over-indebtedness is a major concern for public authorities and the Banque de France, which provides the secretariat for the Household Debt Commissions established 25 years ago by the Neiertz Act. In spite of a succession of legislative changes, the number of over-indebtedness cases filed with Household Debt Commissions remains high; the Commissions have registered an average of 223,700 cases a year for the past five years.

Against this backdrop, the “Banking inclusion and prevention of over-indebtedness” section of the multi-year plan to reduce poverty and promote social inclusion, adopted by the Inter-ministerial Committee to Combat Exclusion on 21 January 2013, calls for research to help better understand the processes that lead to household over-indebtedness with the aim of making policies for preventing and resolving over-indebtedness more effective. Indeed, the need became apparent to better understand the causes of this persistent phenomenon, which has evolved over time to the point where the initial concepts of “active over-indebtedness” and “passive over-indebtedness” no longer adequately reflect the complexity of such situations.

On 2 May 2013, the Finance Minister made the Banque de France responsible for this research, in accordance with an organisational approach based on a Steering Committee¹ involving representatives from public authorities, the banking industry, and the social and voluntary sectors, as well as the Chairman of the Financial Sector Consultative Committee (Comité consultatif du secteur financier – CCSF). This Steering Committee met eight times between July 2013 and November 2014, and the CCSF was regularly kept informed of progress at key stages of the process.

1.2 Upstream analysis of applications filed with Household Debt Commissions, supplementing Banque de France typological surveys

This research confirms and extends the diagnosis established by the Banque de France’s most recent annual typological surveys, which relate to the characteristics of situations observed by Household Debt Commissions once situations of over-indebtedness have already arisen, and in particular to the socio-demographic and professional profile and the level and structure of income of over-indebted households. The latest typological survey, published on 8 December 2014², confirmed the predominance of delicate personal circumstances (with 64.4% of over-indebted persons single), the prevalence of employment difficulties (with 50.1% of over-indebted persons out of work), the generally modest level of monthly income (less than the statutory minimum wage in 50.5% of cases) and the high proportion of cases in which the person(s) concerned have zero ability to repay (54%). Consequently, the structure and level of household debt reflects the cash flow and solvency problems faced by over-indebted households. These translate into mixed debt which continues to mainly consist of consumer credit and arrears on regular outgoings, though with some changes in this area, characterised in particular by a decline in revolving

¹ A list of Steering Committee members can be found in Appendix 1.
² Based on data extracted from applications declared admissible by Household Debt Commissions in 2013.
credit facilities as a proportion of total debt since the entry into force of the provisions introduced by Act 2010-737 of 1 July 2010 reforming consumer credit. Based on data from the Banque de France’s quarterly survey⁹, the average debt per case is EUR 39,300.

The study of paths to over-indebtedness lies upstream of these diagnoses and seeks to understand the typology and chronology of events and/or behaviours which, combined with vulnerability factors and personal or professional circumstances, may (or may not) lead to over-indebtedness and the filing of an application with a Household Debt Commission. It highlights paths to over-indebtedness and helps identify vulnerability factors and factors that may help predict over-indebtedness, with a view to identifying prevention opportunities.

2| A methodology based on qualitative and quantitative interviews

2|1 Surveys among over-indebted persons and a control sample

Analysing paths to over-indebtedness upstream of the filing of applications with Household Debt Commissions involved interviewing a significant sample of over-indebted persons and surveying a control group of persons with many comparable characteristics but whose circumstances had not moved into over-indebtedness. Comparing lessons arising from these two surveys helps identify keys to understanding whether or not a situation might evolve towards the filing of an over-indebtedness application.

The central thrust of these interviews – which were carried out by a service provider, Ipsos – was mainly to identify and describe the different factors explaining paths liable to lead to over-indebtedness in various areas (factors driving personal and professional vulnerability, life events, budget management, relationships with consumption and saving, use of credit, etc.), reconstruct their chronology and how long they existed before applications were filed with Household Debt Commissions, identify any action taken by over-indebted persons to try to remedy their difficulties and, finally, map out the path that led the persons in question to file an over-indebtedness application.

Furthermore, the interview questions drew on learning gleaned from an analysis of letters submitted by borrowers to Household Debt Commissions along with their applications. This analysis covered over 300 letters collected and selected by the Banque de France’s branch network due to their relevance to understanding paths to over-indebtedness.

Following an initial phase of around 40 face-to-face qualitative interviews with people representing the main types of over-indebtedness situations, a thousand quantitative interviews were carried out with over-indebted persons who had given their prior consent to such questioning. On average, these interviews lasted 35 minutes each and were conducted by telephone between 23 May and 12 June 2014.

Following these interviews with over-indebted persons, 500 people from Ipsos’s control group with similar socio-demographic profiles to the over-indebted group and a significant debt profile were interviewed. These online interviews, which lasted 20 minutes on average, were conducted between 18 June and 9 July 2014.
2|2 Gathering views from representatives of creditors and of the social security and voluntary sector

Finally, face-to-face qualitative interviews were also carried out in June and July 2014 with 25 representatives from banks, non-bank creditors and players from the social and voluntary sectors to gather their analyses of paths to over-indebtedness (views on the causes of over-indebtedness, the various stages leading to financial disequilibrium and the deterioration of circumstances leading to an application being filed with a Household Debt Commission), as well as actions likely to be implemented to prevent such phenomena.

This approach followed actions taken by the Steering Committee, including, in particular, hearings involving players and organisations that had conducted research in this area [presentation of research conducted by Crédit Agricole Consumer Finance with a sample of its over-indebted customers, presentation of measures put in place by BNP Paribas Personal Finance to facilitate the early detection and prevention of vulnerable situations, and hearings with the directors of Agence nouvelle des solidarités actives and the association CRESUS].

3|1 Drawing up a typology of paths to over-indebtedness

3|1 Overview of paths confirming the mixed nature of over-indebtedness resulting from a convergence of internal factors and external shocks in many situations

The survey conducted by Ipsos showed that the financial difficulties encountered by over-indebted households, most of which were relatively recent (in two-thirds of cases, within the two years preceding submission to a Household Debt Commission), are frequently the consequence of a series of several events (three on average), usually impossible to predict (loss of the borrower’s or spouse’s job, divorce, spouse’s death, illness or accident of the borrower or a related person).

Such circumstances, which generally trigger a decline in income and/or increase in expenditure, form part of a context in which expenditure is generally poorly managed (too much expenditure on regular outgoings, day-to-day expenses and unforeseen expenses) and the borrower makes increased use of credit in an attempt to deal with life events, leading to significant budget imbalances.

3|2 Segmentation highlighting five main profiles

Beyond these general characteristics, which, furthermore, confirm observations arising from the Banque de France’s typological surveys, a statistical segmentation of these paths reveals specific features in the process of the deterioration and weakening of borrowers’ financial circumstances.

Five types of profile have been identified, four of which stand out very clearly.

- “Job loss or deteriorating employment situation” (23% of the sample). Job loss results in a deterioration in the borrower’s budget position. This segment is characterised by a higher proportion of married couples with dependent children living in conurbations of fewer than 200,000 people.

4 A list of those questioned can be found in Appendix 4.
Although such borrowers are very committed to managing and attempting to rebalance their budgets, the shock is so severe that their situation rapidly deteriorates, mainly following the loss of a job or changes in job characteristics.

- “Constrained budget” (17% of the sample). These paths are characterised by precarious or non-existent employment and longstanding and/or recurring financial difficulties, reflected in a gradual deterioration in the borrower’s financial circumstances and a lower level of commitment to budget management, sometimes characterised by uncontrolled spending (in the form of “impulse purchases”).

- “Routine use of credit” (14% of the sample). This path corresponds to personal and professional circumstances which, while generally more stable, nevertheless lead to an accumulation of expenditure, which in turn leads to a build-up of credit throughout the various stages of life (moving home, moving in together, etc.) combined with a failure to anticipate unforeseen expenses.

- The segment linked to “inter-generational assistance” represents a limited proportion of situations (5% of the sample). It encompasses paths characterised by a higher proportion of persons aged 65 and over, in a vulnerable position after providing financial help to a family member by taking on credit after exhausting their savings.

- Alongside these four clearly identified paths, a fifth profile linked to a “conjunction of significant life events”, representing 41% of the sample, encompasses profiles that are more indistinct and less easy to characterise than the previous ones.

Most of the persons concerned have gone through significant personal or professional events that have led to a reduction in their income (job loss, separation, divorce, etc.), additional costs and substantial expenditure. Faced with these deteriorating circumstances, one sub-segment (23%) tends to stand out for often inappropriate budget management and a higher propensity to seek out external help, while another sub-segment (18%) tends to make more effort to rebalance budgets to try to cope with increased financial constraints.

Finally, with the incidence of property debt in situations of over-indebtedness increasing, and in spite of the overall proportion of such debt remaining limited (11.7% of admissible cases, based on the Banque de France’s Q2 2014 survey), the segmentation reveals that property ownership does not in itself constitute a specific path to over-indebtedness. However, it can act as a vulnerability factor in cases where the situation subsequently deteriorates as a result of a combination of life events or unanticipated needs (77% of first-time owners report that they borrowed the maximum possible amount when taking out a property loan).

### 4 Identification of a combination of adverse factors that may lead to over-indebtedness

An overall and segment-by-segment comparison between the paths of over-indebted persons and those in the control group highlights a combination of vulnerability factors in a number of areas.

### 4.1 Less commitment to managing the household budget and, generally, a lack of precautionary savings

Overall, and in spite their recent financial difficulties, persons in the control group appear to be better protected against the risk of over-indebtedness as a result of being more committed to managing their budgets. Consequently, the fact of having built up precautionary savings appears to allow the control
group to more easily negotiate temporary difficulties (with 52% confirming that they have dipped into their savings to deal with difficulties, while only 22% of those in the over-indebted group sharing a similar profile were able to confirm the same).

This across-the-board observation applies — with a few nuances — to most of the segments, though with the exception of paths associated with job loss or a deterioration in the employment situation, where the budget impact is too great to be absorbed.

As an illustration, 66% of over-indebted persons with the “constrained budget” profile confirm that they have no idea of their income and expenditure in any given month, while 28% say they have already used surplus incoming funds to “treat themselves”. Furthermore, 27% say they have spent too much on “treats” (holidays, leisure activities, betting, etc.) and 13% report having continued to treat themselves in spite of their financial difficulties.

Analysis of the control group for this segment shows a higher level of commitment to budget management, with 93% reporting that they have an idea of total household income and expenditure in any given month and 89% reporting that they look at their bank account at least once a week. Along similar lines, 56% say they put money aside whenever possible and 51% say they use their savings to get by.

Similar lessons can be gleaned by comparing the situations of over-indebted persons with those in the control group as regards the “routine use of credit” and “inter-generational assistance” profiles.

As an illustration, even with a relatively large number of debts (four or more), persons in the control group with the “routine use of credit” profile appear to have less difficulty managing their budgets than over-indebted persons with the same profile; 67% of them report that they have a good idea of monthly household income and expenditure and 68% say they put money aside whenever possible to meet unexpected expenses — almost twice as many as those in the over-indebted group with the same profile (31% and 39% respectively). On a like-for-like basis, the over-indebted group appears to be less committed to budget management, with 58% reporting that they spend money on special occasions without regard to cost and 67% saying that they have had to deal with too many unforeseen expenses. All of these factors tend to obscure the decisive role played by the use of credit, particularly in terms of the number of debts, in seeking to understand paths to over-indebtedness.

Conversely, the segment of the over-indebted group linked to “job loss or deteriorating employment situation” appears to be characterised by an approach to budget management which, while more rigorous, is not sufficient to absorb the impact of the difficulties encountered. Of this segment, 84% report that they have an idea of total household income and expenditure in any given month, 92% report that they look at their bank account at least once a week, 66% say they have attempted to rebalance their budget and 82% say they have cut their day-to-day spending.

**4|2 Graded debt accumulation and inappropriate use of credit**

As a rule, over-indebted persons gradually accumulate debt over a period of years. Of those over-indebted persons who had one or more loans before filing an application with a Household Debt Commission, the vast majority had taken out their first loan (across all types of loan – property loans, revolving credit facilities and personal loans) more than four years ago – i.e. before the measures implementing the Lagarde Act entered into force.

Furthermore, a comparison of over-indebted persons and the control group reveals no pronounced differences in terms of credit take-up. The range of borrowing facilities held by those in the control group is comparable to that of the over-indebted group, and the average number of loans is only slightly lower (3.4 versus 4.1).
Rather, the major points of differentiation in this area relate to the terms and use of revolving credit facilities.

Those in the over-indebted group appear to take out revolving credit facilities with their main bank (43% of the sample) less often than those in the control group (68%).

Furthermore, those in the over-indebted group appear to make more frequent and more extensive use of revolving credit facilities than those in the control group: 27% of the over-indebted group use their revolving credit facilities every month (versus 18% for the control group) and 55% every three months (versus 34% for the control group).

Moreover, while those in the control group mainly use revolving credit facilities to meet unexpected expenses (51%), those in the over-indebted group appear to more frequently use their revolving credit facilities as a substitute for income (63%), to make purchases when their bank balance is too low and, more specifically, to finance food shopping (66%), cover regular outgoings (51%), repay another loan (39%) or pay for new clothes (28%).

In this context, the amount of the revolving credit facility has increased since the facility was taken out for 35% of those in the over-indebted group, with 74% reporting that this increase followed an offer from the credit institution or bank. However, the survey does not provide details of the context in which such offers were made.

More generally, in seeking to cope with destabilising events, 61% of the over-indebted group report that they have more often made use of existing loans or authorised overdrafts, while 36% say they have taken out new loans (either revolving credit facilities or personal loans). In this regard, 52% of relevant persons in the over-indebted group thought they would be able to easily repay such loans, 41% thought they would be able to do so with difficulty and 6% thought they would not be able to repay them at all.

4|3  Inadequate attempted responses, sometimes accompanied by a posture of withdrawal

Fuelled by a degree of laxity in household budget management, difficulties in anticipating unexpected events in day-to-day life in the absence of any real precautionary savings, and the use of credit as a substitute for income, and aggravated by personal or professional life events, the processes leading to over-indebtedness can also be characterised by a posture of withdrawal that means borrowers delay taking the situation in hand and even filing an application with a Household Debt Commission.

Over-indebted persons may, to differing degrees, have attempted to take action to rebalance their financial position, which has proved insufficient. For example, 90% of the over-indebted group said they had reduced at least one item of expenditure (most often an item of day-to-day expenditure), 88% said they had tried to rebalance their budget or had secured assistance and/or more time to pay, and 48% said they had renegotiated their credit (temporary suspension of repayments, rescheduling of debt, debt consolidation, etc.) in a way that could be of no more than very short-term benefit.

In this context, one out of every two over-indebted persons say they have received help (mainly from a social worker); similarly, one out of every two over-indebted persons say they have been alerted to the risks arising from their situation, usually by their main bank or credit institution.

Finally, the Ipsos survey shows that, after realising they could no longer cope with their situation, more than one out of every two over-indebted persons waited between three months and a year before filing an application with a Household Debt Commission; the decision to file an application often follows an accumulation of unpaid bills and increasingly urgent payment reminders.
Whether they reached this decision alone (48%) or with advice (52%) from a third party (a social worker in 42% of cases, a close relative in 34% of cases and a bank or credit institution in 21% of cases), most overindebted persons were reticent to do so.

5 | Main lessons and prevention opportunities

5|1 Main lessons

An analysis of the surveys of the over-indebted group and the control group confirms the multi-causal nature of over-indebtedness, which combines – in variable proportions according to the profiles identified – vulnerability factors linked to the personal and professional circumstances of the persons in question and behavioural factors relating to the management of household income and expenditure and the use of credit. Lying at the intersection of budgeting, banking, social and behavioural issues, over-indebtedness phenomena in all their diverse forms are thus driven by a multiplicity of factors, the coexistence of and interaction between which explain the various different paths.

Without calling into question the relevance of a multi-causal analysis of paths to over-indebtedness, it is important to emphasise the impact of external shocks (of which, on average, there are three) resulting from unexpected life events (loss of the borrower’s or spouse’s job, illness or accident of the borrower or a related person). Given the often constrained budgets of over-indebted households, such unpredictable events contribute to the deterioration of situations that were vulnerable to start with.

Illustrating the complexity of over-indebtedness phenomena, this analysis – which is consistent with observations arising from the Banque de France’s annual typological surveys – must not, however, obscure the need to take into account behavioural factors when seeking to understand over-indebtedness phenomena revealed by a comparison of the paths of over-indebted persons with those of a control group with similar characteristics.

In particular, the significance of budget management skills and the resulting household income and expenditure management behaviours underlie a marked differentiation between over-indebted persons and those in the control group. Faced with recent difficulties, the latter appear better protected against over-indebtedness thanks to more responsible budget management, characterised by a higher level of commitment to budget monitoring, more appropriate use of credit and the building-up of savings, enabling them to better negotiate temporary difficulties.

Finally, among the lessons linked to the impact of borrower behaviours on paths to over-indebtedness, it is important not to forget the amplifying effect of a posture of withdrawal and the risk of isolation of persons facing significant financial difficulties. Indeed, the survey reveals that, while some over-indebted persons try to respond in such a way as to remedy any worsening of their situation, such attempts – which are often too little, too late – do not rule out the risk of isolation or of the adoption of a posture of withdrawal that is liable to delay action to take the situation in hand.

5|2 Prevention opportunities

The lessons gleaned from the study of paths to over-indebtedness help identify prevention opportunities that combine different types of actions intended to act on the factors likely to move delicate situations towards over-indebtedness.
In this context, while more active budget management, combined with better controlled use of credit, stands out among the paths observed as a factor that reduces the risk of over-indebtedness, the promotion of budget management skills is a foundational action liable to have a long-term effect on phenomena of over-indebtedness. There is a need in this area to develop personal finance education in general, particularly at school, as well as education for vulnerable populations and those who support them (social workers, etc.). These conclusions are aligned with those of the working group chaired by the CCSF chairman on the definition of a national strategy on personal finance education.

In addition to actions to be implemented under the Charter for Banking Inclusion and the Prevention of Over-Indebtedness\(^5\), it appears desirable to promote the implementation of operational measures to facilitate the earlier treatment of difficult situations and to strengthen the information and advice aimed at households whose financial situation is deteriorating.

Actions such as these, requiring broad-based coordination between the relevant players involving the development of partnerships between public bodies, the various types of players involved in situations of over-indebtedness and players from the social and voluntary sectors, could be undertaken under the banner of the “budget advice updates” provided for in the multi-year plan to reduce poverty and promote social inclusion\(^6\).

Indeed, such an approach would favour the early implementation of actions aimed at rebalancing budgets, facilitate improvements in the management of regular outgoings and help reduce the impact of external events such as job loss or divorce, which are liable to severely impair already weak financial situations.

In order to be successfully implemented, such measures would need to be accompanied by communication activities to raise awareness among the relevant populations, both in generally and, more specifically, at key moments to help them anticipate the impact of unforeseen life events such as unemployment or divorce (via institutions such as Pôle Emploi – the French employment agency – and family courts). Such actions would help prevent the tendency towards isolation and withdrawal, which delay action to take these difficulties in hand.

Finally, while not representing a broad preventive response to situations of over-indebtedness, microcredit appears to constitute a tool that could help stop some challenging financial situations evolving towards over-indebtedness, particularly in light of the personal financial support that characterises it.

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5 Approved 13 November 2014.
6 Adopted 21 January 2013.
## Appendix 1 | Composition of the Steering Committee chaired by the Banque de France — Consumer Affairs

<table>
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<th>Organisation</th>
<th>Representatives</th>
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| ASSOCIATION FRANÇAISE DES SOCIÉTÉS FINANCIÈRES (ASF) | Françoise Palle-Guillabert  
Delegate General |
| FÉDÉRATION BANCAIRE FRANÇAISE (FBF) | Pierre Bocquet  
Guillaume Soler  
Retail banking and remote banking |
| UFC-QUE CHOISIR | Nicole Perez  
Director, member of the Deux-Sèvres Household Debt Commission |
| SECOURS CATHOLIQUE | Alain Bernard  
Employment and Economics of Solidarity Department |
| COMITÉ CONSULTATIF DU SECTEUR FINANCIER (CCSF) | Emmanuel Constans, Committee Chairman  
Daphné Salon-Michel, Committee Secretary General |
| MINISTRY OF FINANCE AND PUBLIC ACCOUNTS | Isabelle Bui  
Magali Cesana  
Laure Becque-Corcos  
Salomé Delpech  
Directorate General, Treasury, BANCFIN 4 office |
| MINISTRY OF SOCIAL AFFAIRS, HEALTH AND WOMEN’S RIGHTS | Clara Paolini  
Directorate General, Social Cohesion |
| BANQUE DE FRANCE | Stéphane Tourte  
Jean-Luc Vatin  
Béatrice Raoult-Texier  
Abel Merebier  
Directorate General, Cash Management and Branch Network Activities, Consumer Affairs  
Jérôme Coffinet  
Directorate General, Statistics |
Appendix 2 | Summary of the typological survey on household over-indebtedness published by the Banque de France on 8 December 2014

Typological survey on household over-indebtedness

Key lessons

The Banque de France’s annual survey was based on data extracted from some 195,126 applications declared admissible by Household Debt Commissions between 1 January and 31 December 2013. It includes national, regional and departmental analyses. The lessons gleaned from this survey reflect no major shift in the typology of over-indebted households which, in spite of a few changes, continues to be characterised by vulnerable personal and professional situations.

1. In 2013, the population of over-indebted households continued to be characterised by a predominance of people living alone – single, separated, divorced or widowed (64.4%) – and with no dependents (51.4%). The most highly represented age brackets were 35-54 (53.4%); in 22.4% of cases, the borrowers were aged over 55 (and over 65 in 7.7% of cases).

While an analysis of the housing situation confirms a majority of tenants (77.8%), this proportion declined slightly relative to previous years, down 0.5 percentage point relative to 2012 and 0.8 point relative to 2011. In aggregate, the combined proportion of outright and mortgaged owners totalled 10.2% in 2013, up 0.7 percentage point relative to 2012 and 0.9 point relative to 2011. This trend, which may reflect increased difficulties faced by new and existing owners, must also be seen in light of changes in the practices of Household Debt Commissions which, in line with legislative guidelines, now conduct a more broad-based assessment of the admissibility of applications involving a property.

An analysis of employment situations reveals that 28.7% of over-indebted persons were unemployed, 11.7% were of no profession and 9.7% were not in work (due to invalidity, long-term sick leave or parental leave). From a socio-professional perspective, white-collar staff represented 34.8% of over-indebted persons and blue-collar staff 25.1%.

2. In 2013, there were some changes in the breakdown of debt cases by revenue tranche relative to the previous year. For instance, 77.1% of over-indebted households (compared with 77.7% in 2012) had monthly income of EUR 2,000 or less, 50.5% (49.2% in 2012) had income strictly below the statutory minimum wage (“SMIC”) and 12.2% (10.9% in 2012) had income below the core earned income supplement (“RSA”) for two people (while 5.2% had income below the core RSA for one person).

Generally speaking, the income of over-indebted persons remained low, affecting their ability to repay – i.e. the income available to pay off their liabilities after paying rent and associated charges, basic living costs for the borrower and his/her household and various regular outgoings. More than one out of every two cases (54.0% in 2013, compared with 53.4% in 2012) continued to be characterised by a lack of ability to repay. Overall, in 81.8% of cases, the borrowers had little or no ability to repay (less than EUR 450).
3. The structure and level of household debt reflects the cash flow and solvency problems faced by over-indebted households. These problems translate into mixed debt still mainly consisting of consumer credit and arrears on regular outgoings. In this regard, however, the proportion of cases involving property debt following the purchase of a property or completion of work on a property increased slightly in 2013 (10.8% in 2013, compared with 9.8% in 2012 and 8.7% in 2011). This change should be viewed alongside the increase in the proportion of over-indebted outright and mortgaged owners in situations declared admissible by Household Debt Commissions.

Since average outstandings for this type of debt (EUR 103,151 in 2013) are by nature higher than for other categories of debt, the average total outstandings per case also increased, rising from EUR 38,064 in 2012 to EUR 38,446 in 2013.

Excluding debts associated with property loans, the average debt per over-indebtedness case totalled EUR 27,303 in 2013, down from EUR 28,254 in 2012).

Changes were also visible as regards the typology of consumer credit debt, which fell from 53.8% of total debt in 2012 to 50% in 2013, a reduction of 3.8 percentage points in one year (and 8.2 points in two years). In this context, which continues to be characterised by a preponderance of revolving credit facilities – involved in over 73% of cases in 2013 –, the proportion of total debt represented by this type of facility declined (from 34.6% in 2011 to 31.5% in 2012 and 27.9% in 2013). The average consumer credit debt totalled EUR 22,195.

Furthermore, these various trends corroborate those regularly observed within the Banque de France’s quarterly survey of over-indebtedness. For example, data from the Q2 2014 survey confirmed an increase in the proportion of property liabilities, which at that date were involved in 11.7% of cases, with average outstandings of EUR 105,400, as well as a decrease in the average consumer credit debt (EUR 21,200 in Q2 2014).
Appendix 3 | Detailed findings of the Ipsos survey
Methodology

1 Sample of over-indebted persons

- 1,000 private individuals were questioned: all had filed an application with a Household Debt Commission between mid-August 2013 and mid-April 2014 (with all applications declared admissible) and all had given agreement to potentially being contacted in the context of a survey.
- Information provided by the Banque de France: 10,410 contacts

2 Control group

- 500 people from Ipsos’s control group with similar socio-demographic profiles to the over-indebted persons were interviewed:
  - All had at least one consumer credit facility or property loan (revolving credit facilities had to be active).
  - None had filed an application with a Household Debt Commission.

Target and sample

- 1,000 private individuals were questioned: all had filed an application with a Household Debt Commission between mid-August 2013 and mid-April 2014 (with all applications declared admissible) and all had given agreement to potentially being contacted in the context of a survey.
- Information provided by the Banque de France: 10,410 contacts

Fieldwork and data gathering

- Telephone interviews via CATI system conducted by our subsidiary Ipsos Observer
- Fieldwork carried out from 23 May to 12 June 2014
- Average time to complete questionnaire: 35 minutes

- Online interviews conducted by our subsidiary IIS (Ipsos Interactive Services)
- Fieldwork carried out from 18 June to 9 July 2014
- Average time to complete questionnaire: 20 minutes

Adjustment/Scoping

- Scoping study: 2012 typological survey, Household Over-Indebtedness, conducted by the Banque de France

- To ensure that the population of over-indebted persons was representative, we adjusted the data following the two fieldwork exercises, drawing on data from this scoping study.

- These adjustments were applied to the following criteria:
  - Gender
  - Marital status
  - Employment status
  - Filing/re-filing (sample of over-indebted persons only)
Details of the control group

The control group was matched to the structure of the over-indebted group in terms of gender, age, region, marital status, activity, income and housing situation — i.e. the over-indebted group and the control group have an equivalent structure in respect of these socio-demographic factors.

- Some in the control group experienced financial difficulties comparable to those faced by over-indebted persons:

  **59%** reported that they had faced major financial difficulties in the past five months

  **9%** thought they might file an over-indebtedness application with the Banque de France by end 2014

The comparative analysis of the over-indebted group and the control group will mainly focus on this population, which appears to have experienced financial difficulties similar to those faced by the over-indebted group.
Paths to over-indebtedness - overview
Overview of paths to over-indebtedness (1/2)

- The vast majority of over-indebted persons have experienced financial difficulties quite recently:

  - Began to experience financial difficulties...
    - Over 5 years ago: 9%
    - Between 2 and 5 years: 23%
    - Between 1 and 2 years: 26%
    - Less than a year ago: 41%

  - Before applying to a Household Debt Commission

- ...which are the result of a succession of several events:

  - A single event has contributed to their financial difficulties
    - 20%
  - Several events contributed to their financial difficulties
    - None: 1%
    - 1 event: 20%
    - 2 events: 79%

On average: 3 events

- Maximum of 9 events mentioned

- The most significant are mainly "unforseeable events":

  - 30% Job loss of the borrower or spouse
  - 19% Divorce or death of spouse
  - 10% Illness/accident of the borrower or a related person

Severe consequences of a divorce:
- 64%: responsible for household’s debt
- 53%: expenses following divorce (moving home, etc.)
- 42%: immediate costs (legal fees, compensatory allowance, etc.)
Overview of paths to over-indebtedness (2/2)

Beyond these events, various expenses weigh on the budgets of the over-indebted group, mainly linked to regular outgoings and day-to-day expenses. Unexpected expenses are also highlighted by four out of ten over-indebted persons:

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Too much expenditure on regular outgoings (rent, gas, etc.)</td>
<td>69%</td>
</tr>
<tr>
<td>Too much expenditure on day-to-day life (food, etc.)</td>
<td>51%</td>
</tr>
<tr>
<td>Too many unforeseen expenses (work, repairs, etc.)</td>
<td>40%</td>
</tr>
<tr>
<td>Too much spending on “treats” (holidays, leisure activities, etc.)</td>
<td>11%</td>
</tr>
<tr>
<td>Too much spending on gambling</td>
<td>3%</td>
</tr>
</tbody>
</table>

“Treat” spending subtotal: 12%
Comparison with those in the control group having faced financial difficulties within the past five months

- The control group appears to have experienced fewer destabilising events:
  
<table>
<thead>
<tr>
<th>On average</th>
<th>Maximum of 6 events mentioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>A single event contributed to their financial difficulties</td>
<td>1,9 events</td>
</tr>
<tr>
<td>Several events contributed to their financial difficulties</td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>0</td>
</tr>
</tbody>
</table>

- Conversely, the most significant events are mainly the same as for the over-indebted group:

<table>
<thead>
<tr>
<th>Control group</th>
<th>Reminder of findings for over-indebted group:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A single event contributed to their financial difficulties</td>
<td>On average: 3 events</td>
</tr>
<tr>
<td>None</td>
<td>Maximum of 9 events mentioned</td>
</tr>
<tr>
<td>Several events contributed to their financial difficulties</td>
<td></td>
</tr>
</tbody>
</table>

- Having experienced fewer unexpected personal and professional events, they attach more importance to a significant increase in regular outgoings:
  
  - 22% of the control group said a significant increase in regular outgoings (rent, electricity, telephone/internet) was the event that played the biggest part in their financial difficulties (vs. 11% of the over-indebted group)
The paths followed by the over-indebted group are also observed among those in the control group who said they were considering applying to a Household Debt Commission in the near future.

- Respondents already well along the process of over-indebtedness: two-thirds had already experienced at least two destabilising events:
  - On average: 2 events
  - Maximum of 5 events mentioned

- In spite of high levels of debt (over half of total income in 46% of cases), they have not taken any real action to sort out their financial situation and continue to rely heavily on their savings:
  - 15% of them have tried to rebalance their budget (vs. 48%)
  - 42% of them dip into their savings to cope with their difficulties (vs. 22%)
  - 77% of them have already bought something on impulse because it was too long since the last time (vs. 35% of the over-indebted group)
  - 62% of them have already convinced themselves to make a major purchase, telling themselves they would make up for it by not buying anything for a few months (vs. 34%)
  - 29% of them have already convinced themselves to make a major purchase, telling themselves they would make up for it by not buying anything for a few months (vs. 34%)

- Albeit in a different order, we see here the same trio of “unforeseeable events” that played the biggest part in the deterioration of their situation:
  - Job loss of the borrower or spouse
  - Illness/accident of the borrower or a related person
  - Divorce or death of spouse

CONTROL GROUP

Respondents already well along the process of over-indebtedness: two-thirds had already experienced at least two destabilising events:

- A single event contributed to their financial difficulties: 37%
- Several events contributed to their financial difficulties: 63%

On average: 2 events
Maximum of 5 events mentioned

CONTROL GROUP
Use and take-up of credit - overview
Focus on take-up of credit products and current products (authorised overdraft/deferred debit payment cards)

91% of the over-indebted group had at least one credit product or current product (authorised overdraft/deferred debit payment card) before applying to a Household Debt Commission.

Breakdown (% holding at least one product):
- Authorised overdraft: 79%
- Revolving credit: 61%
- Personal loan: 55%
- Deferred debit payment: 23%
- Property loan: 10%

Number of debts reported by the over-indebted group:
- 0 debts: 9%
- 1 debt: 12%
- 2-4 debts: 41%
- 5-9 debts: 32%
- 10 or more debts: 6%
Comparison with take-up of credit and current products by those in the control group having faced financial difficulties within the past five months

- The range of credit facilities held by the control group is just as wide as that of the over-indebted group:
  - Hold only one type of credit facility: 47%
  - Hold several types of credit facilities: 53%

Breakdown:

- Authorised overdraft: 85% (Over-indebted total: 79%)
- Personal loan: 72% (55%)
- Revolving credit facility: 67% (61%)
- Deferred debit payment card: 25% (23%)
- Property loan: 17% (10%)

Significantly higher % than over-indebted total

- However, the average number of debts remain lower than that of the over-indebted group:
  - Average number of debts: 3,4 for the control group, 4,1 for the over-indebted group
Of those in the over-indebted group who had one or more credit products before applying to a Household Debt Commission (80%), the vast majority (85%) took out their first facility more than four years ago:

- Within the last year: 13%
- Between 2 and 3 years ago: 15%
- Between 4 and 5 years ago: 21%
- Between 6 and 10 years ago: 37%
- Over 10 years: 27%

While almost a quarter of these borrowers took out all their facilities within a short time (less than a year), the majority took them out over a period of years:

- Within the last year: 23%
- Between 2 and 3 years ago: 21%
- Between 4 and 5 years ago: 26%
- Between 6 and 10 years ago: 15%
- Over 10 years: 15%

On average: 5 years and a half
Half of the over-indebted group held credit facilities before the first financial difficulties

Before the first financial difficulties (or unexpected life events)...

- **Had no credit or current products**: 30%
- **Had credit products**
  - **Had only current products**: 20%
  - **Revolving credit**: 50%
  - **Personal loan**: 36%
  - **Property loan**: 7%

Following the events they encountered, holders of credit or current products:

- **61%** made more frequent use of existing loans/overdrafts
- **36%** took out two loans mainly:
  - Revolving credit
  - Personal loan

By taking out more/making greater use of credit products,

- **52%** would be able to repay
- **41%** would have difficulty to repay
- **2%** don’t know
  - **6%** would not be able to repay

OVER-INDEBTED GROUP

OVER-INDEBTED GROUP

OVER-INDEBTED GROUP

OVER-INDEBTED GROUP
Those in the control group who had experienced financial difficulties within the past five months had an equivalent proportion of credit facilities before their financial difficulties.

Before the first financial difficulties (or unexpected life events)...

- Had only current products: 13%
- Had credit products: 53%
- Had no credit or current products: 34%

Over-indebted total:
- Revolving credit: 43% (39%)
- Personal loan: 26% (36%)
- Property loan: 10% (7%)

Remember of findings for over-indebted:
- Had only current products: 50%
- Have credit products: 30%
- Had no credit or current products: 20%

However, life events appear not to have had such a great impact on the debt situation of those in the control group:
- 53% made more frequent use of existing loans/overdrafts
- 20% took out new facilities
- Over-indebted total: 61%
- Over-indebted total: 36%
Take-up and use – revolving credit facilities

- **Several revolving:**
  - 67% Just one revolving
  - 5% n/k
  - Average among multi-holders: 3,3

- **Used for...**
  - 63% Purchases when bank balance is too low
  - 43% Essential purchases
  - 33% Unforeseen needs

- **And more specifically for:**
  - Food shopping: 66%
  - Payment of regular outgoings: 51%
  - Household equipment: 44%
  - Repayment of another loan: 39%
  - Clothes, shoes: 28%
  - Payment of taxes: 24%
  - Healthcare expenditure: 19%
  - Holidays, outings and leisure: 11%

**Taken out with...**
- A credit institution: 56%
- Main bank: 43%
- A store: 42%

**35% Amount of their revolving credit facility (-ies) has**

- **55% Use their revolving credit facility (-ies)**
  - At least every three months

- **Following an offer from the bank/credit institution**
  - 26%
  - At the borrower’s request
  - 74%
Comparison with take-up of credit and current products by those in the control group having faced financial difficulties within the past five months

- The control group use their revolving credit facilities differently from those in the over-indebted group.

More revolving credit facilities taken out with the main bank:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Main bank</th>
<th>Over-indebted</th>
</tr>
</thead>
<tbody>
<tr>
<td>A credit institution</td>
<td>35%</td>
<td>56%</td>
</tr>
<tr>
<td>A store</td>
<td>34%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Note: the same trend can also be seen for personal loans.

Revolving credit facilities are used less often:

- 18% use their revolving credit facilities (ies) every month vs. 27% of the over-indebted group.

Revolving credit facilities are used for relatively different purchases: unforseen needs rather than day-to-day purchases:

<table>
<thead>
<tr>
<th>Type of Purchase</th>
<th>Over-indebted total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unforseen needs</td>
<td>33%</td>
</tr>
<tr>
<td>Essential purchases</td>
<td>43%</td>
</tr>
</tbody>
</table>
**Take-up and use-personal loans and property loans**

### Personal loans
- **55%**
  - **53%** Just one personal loan
  - **6%** n/k
  - **41%** Several personal loans

**Average for multi-holders: 3**

### Property loans
- **10%**
  - **79%** Just one property
  - **9%** Several properties
  - **12%** n/k

#### Finance a main residence
- **92%**
  - 76% are first-time buyers

#### Monthly payments
- **75%**
  - Corresponded to maximum ability to repay

#### Over-indebted Group
- **57%** A car/motorbike loan
- **26%** A loan for household equipment (appliances, hi-fi, etc.)

#### Taken out with...

<table>
<thead>
<tr>
<th>Institution</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A credit institution</td>
<td>54%</td>
</tr>
<tr>
<td>The main bank</td>
<td>48%</td>
</tr>
<tr>
<td>A store/car dealership</td>
<td>22%</td>
</tr>
</tbody>
</table>
Take-up and use-authorised overdrafts and deferred debit payment cards

**Authorised overdrafts**
- 79% Several accounts with overdrafts
- 25% Just one account
- 73% Authorised overdraft offered by the bank
- 74% Use their overdraft(s) every month

**Deferred debit payment cards**
- 64% Just one deferred debit payment card
- 23% A deferred debit payment card
- 73% A deferred debit payment card
Refusal of credit

In almost half of all cases, this occurred less than a year before applying to a Household Debt Commission.

Their general feeling when refused credit:

- Worried: 34%
- Unfairly treated: 18%
- Relieved: 17%
- Resigned: 17%
- Guilty: 15%
- Surprised: 7%

OVER-INDEBTED GROUP

Have already had a credit application refused:
- 26%
- 73%

Tried to obtain credit from another organisation:
- 42%
- 57%

Finally obtained credit (5% of the over-indebted):
- 41%
- 59%

From a credit institution:
- 73%

From their main bank or another bank:
- 38%
While the over-indebted group are not the only ones to have been refused credit, such refusal did not give rise to the same behaviours in the control group.

- In the control group, an equivalent proportion of people had been refused credit.

- More of the control group appeared to continue with their efforts to obtain credit (62% vs. 42% of the over-indebted group).

- The trend seems to be that they obtain credit more often (52% vs. 40% of the over-indebted group).
More information on the most recent credit facilities

- Of those in the over-indebted group who took out one or more revolving credit facilities less than a year ago:

- 37% have already had a credit application refused
- 63% have already had a credit application refused

- 37% converted their revolving credit facility into a standard consumer loan to deal with difficulties (vs. 7% of those who took out one or more revolving credit facilities more than a year ago)
- 22% were offered the opportunity to increase their reserve by the lender (vs. 27% of those who took out one or more revolving credit facilities more than a year ago)
- 9% took out a microcredit facility (vs. 3% of those who took out one or more revolving credit facilities more than a year ago)
Becoming a property owner: impact on the path to over-indebtedness
**Focus on first-time owners (1/2)**

- Of the most significant events, **taking out a property loan** ranks only **eighth** (alongside a number of other events):

  
  **Base: Total over-indebted group**
  
  - Job loss of the borrower and spouse **30%**
  - Divorce or death of spouse **19%**
  - Taking out a property loan **2%**
  - Illness/accident of the borrower or a related person **10%**
  - Job loss of the borrower or spouse **27%**
  - Divorce or death of spouse **24%**
  - Taking out a property loan **11%**

- Even among first-time owners, **taking out a property loan** is **rarely considered to be the event that played the biggest part** in their financial difficulties:

  **Base: first-time owners (70% of those with property loans)**
  
  - Job loss of the borrower and spouse **27%**
  - Divorce or death of spouse **24%**
  - Taking out a property loan **11%**

- Of first-time owners, **taking out a property loan** appears rather to be an **event that gives rise to a strained financial situation which is subsequently made worse by unforeseen events or expenses**:

  - **77%** of first-time owners report that they **borrowed the maximum possible amount** when taking out a property loan.

  - **51%** of those who said this event played a part in their financial difficulties:
    - Describe it as the first event along their path before other life events/misfortunes (job loss, divorce, etc.)

  - **55%** of first-time owners report that **are also linked to too many unforeseen expenses**, such as having work and repairs done; furthermore, **16%** also have a personal loan to finance such work (vs. 5% of the whole over-indebted group).
Focus on first-time owners (2/2)

- On average, first-time owners appear to have taken out more revolving credit facilities than average (3.2 vs. 2.6)

Number of revolving credit facilities held

- Base: total first-time owners

- 2 credits: 19% (vs. 18%)
- 3 credits: 18% (vs. 28%)
- 4 credits or more: 43% (vs. 28%)
- Only one: 6%
- N/K: 14%

On average: 3.2 revolving credit facilities (among those with at least one)

- 53% use this facility at least every three months

Purchases when bank balance is too low

- 54%

Essential purchases

- 35%

Unforeseen needs

- 35%

49% saw their credit reserve increase (in 38% of cases, following an offer from the bank or credit institution)

Conversely, they hold as many personal loans as the average

- Several personal loans: 61% (vs. 7%)
- Only one personal loan: 32%
- N/K: 7%

On average: 2.2 (among those with at least one)

- 31% have taken out a works loan (vs. 10%)
Over-indebted first-time owners appear to be in a more vulnerable financial position than those in the control group.

- As in the over-indebted group, most first-time owners in the control group also borrowed the maximum possible amount on their property loan (67% vs. 75%).
- However, they have fewer debts more than over-indebted first-time owners.

On average:
- 3.9 debts
- 64% 1 debt
- 24% 5-9 debts
- 7% 10 debts or +
- 5% 2-5 debts

Reminder of findings for over-indebted first-time owners:
- Over-indebted total: 72%
- On average: 5.9 credits
- 43% 5-9 credits
- 16% 10 credits or more
- 4% One credit
- 37% 2-5 credits

- 34% use their authorised overdraft every month
- 15% have already used a loan to pay off debt on another loan

Over-indebted total: 44%

Finally, first-time owners in the control group see their financial situation as relatively healthy:
- They do not consider their debt level as higher than average (33% high vs. 37%)
- And they have fewer financial difficulties than the control group as a whole (45% vs. 59%)
Main paths to over-indebtedness

Statistical typology
6 main over-indebtedness profiles/paths have been identified

- Constrained budget (in precarious employment or not in work) 17%
- Routine use of credit 14%
- Job loss or deteriorating employment 23%
- Inter-generational assistance 11%
- A combination of several significant life events (in particular divorce and difficulties linked to employment) 18%
- % of first-time owners in each group: no significant difference in the statistical sense in light of the number of respondents per group (particularly the "inter-generational assistance" group, consisting of 50 individuals).

In this part of the report, we analyse the specific characteristics of each path in relation to the over-indebted group as a whole (findings for the over-indebted group are shown in parentheses alongside each finding).
Constrained budget (in precarious employment or not in work)

Segment weighting

17%

- Working: 34%; unemployed: 31%; retired: 11%; at home/other: 23% (vs. 15%)
- Manual workers: 42% of those in work (vs. 30%)
- Precarious employment (fixed-term/temp. contracts): 27% of those in work (vs. 18%)
- Net monthly income less than EUR 1,400: 71 (vs. 57%)

Slow deterioration in their financial situation

- Financial difficulties "for a long time": 14% (vs. 9%)
- For 31% (vs. 24%) of them, the first life event that contributed to their financial difficulties occurred over four years before they applied to a Household Debt Commission
- Few unexpected personal or professional life events emerge along their paths: 34% (vs. 11%) cite an increase in expenses as the event that played the biggest part in their difficulties
- A contrained financial situation that restricts their access to credit relative to others: 19% have no consumer or property loans (vs. 11%)

Faced with a very constrained budget...

...they are less committed to managing it

- 32% (vs. 19%) look at their accounts once a month or less
- 10% (vs. 2%) never look at them
- No idea of their monthly income and expenditure: 66% (vs. 19%)

...they sometimes indulge in impulse purchases

- 28% (vs. 17%) have already used surplus incoming funds to treat themselves
- 27% (vs. 12%) think they have spent too much on treats (holidays, leisure, gambling...)
- ...and have continued to spend as much on treats in spite of their financial difficulties: 13% (vs. 4%)

OVER-INDEBTED GROUP

Study of paths leading to over-indebtedness | 2014
Comparison with the "constrained budget" segment within the control group

- The control group has more single-person households (with lower expenses)
  - Fewer married people/civil-partnerships/cohabitating couples: 15% vs. 32% of those with constrained budgets in the over-indebted group
  - And fewer children in the household: 69% vs. 84% report having at least one child

- Faced with financial difficulties, the control group can more often draw on savings and relatives, and more often seeks government assistance:
  - 56% of constrained budgets in the control group resort putting money aside when possible (vs. 17%)
  - 51% of those with constrained budgets in the control group use their savings to get by (vs. 10%)
  - 37% of those with constrained budgets in the control group obtained allowances (food aid or social tariffs for electricity or gas) that they did not previously receive (vs. 24%)
  - 37% of those with constrained budgets in the control group obtained financial help from friends or relatives (vs. 18%)

- We also see a higher level of commitment to budget management:
  - 93% of those with constrained budgets in the control group that they have an idea of their total monthly household income and expenses (vs. 33%)
  - 89% of those with constrained budgets in the control group report that they look at their bank accounts at least once a week (vs. 55%)
Routine use of credit (1/2)

Segment weighting
14%

Married: 47% (vs. 36%)
Assets: 51% (vs. 39%)
Net monthly income over EUR 1,400: 56% (vs. 42%)
Average number of debts: 5.4 (vs. 4.1)

A build-up of credit as life goes on...
- The stages of family life (moving home, moving in as a couple, etc.) have contributed to their difficulties: 45% (vs. 31%)
- The first event occurred over five years before they applied to a Commission: 26% (vs. 18%)
- 50% (vs. 21%) had no credit facilities before the first event
- 49% (vs. 26%) both used an existing facility and took out a new facility and took out a new facility following the first event

...as well as some unforeseen events and much too much expenditure
- 67% (vs. 40%) felt they had had to deal with too many unforeseen expenses
- 58% (vs. 43%) spent money on special occasions without regard to cost
- 47% (vs. 35%) have already bought something on impulse because it was too long since the last time

A debt spiral gradually takes shape:
- 56% (vs. 38%) had more than five credit facilities before filing their over-indebtedness application
- 53% (vs. 29%) have already taken out a new loan immediately after paying off another
- 63% (vs. 40%) have already used a new loan to pay off debt on another loan
Often realised the reality of their situation after being refused credit

- 34% (vs. 26%) have already been refused credit
- For 60% (vs. 41%) of them, this was less than a year before they applied to a Commission
Comparison with routine users of credit within the control group

- In the control group, households in a more comfortable financial position:
  - Relatively higher income: 64% vs. 56% report having net monthly income of over EUR 1,400
    And 8% vs. 1% even report having net monthly income of over EUR 3,500
  - Moreover, of those in work, more are senior managers: 9% vs. 1% of routine users of credit in the over-indebted group

- As such, even with a relatively high number of debts (four or more), they seem to have fewer difficulties managing their income and expenditure than the over-indebted group:
  - 63% of routine users of credit in the control group that the slightest unforseen expense puts them in the red (vs. 86%)
  - 59% of routine users of credit in the control group report that even when careful, they ended most months in the red (vs. 94%)
  - 67% of routine users of credit in the control group had a clear idea of monthly household income and expenditure (vs. only 31%)
  - 68% of routine users of credit in the control group said they put money aside whenever possible to deal with unforseen expenses (vs. only 39%)

- Finally, they have been refused credit less often:
  - 11% of routine users of credit in the control group have already been refused credit more than once (vs. 20%)

CONTROL GROUP

We have considered “routine use of credit” as describing those respondents with four or more debts or who have already used a loan to repay another loan and taken out a new loan immediately after paying off another loan.
Job loss or deteriorating employment situation

Segment weighting

- Conurbation of fewer than 20,000 people: 47% (vs. 37%)
- Married: 46% (vs. 36%)
- With children: 89% (vs. 81%)
- Net monthly income when working: Over EUR 1,400: 47% (vs. 42%)

Job loss: the event that triggered a sharp deterioration in the financial situation

- 49% (vs. 34%) cite an employment-related event (job loss: 40%; change of job: 7%, retirement: 2%) as the event that played the biggest part in their difficulties
- This was the first event for 36% (vs. 26%) of them
- Their financial difficulties began less than six months before they applied to a Commission: 20% (vs. 14%)

Financial difficulties...

...of which they are fully aware...

- 84% (vs. 56%) had a clear idea of their total monthly income and expenditure
- 92% (vs. 77%) looked at their bank accounts at least once a week

...but over which they are powerless in spite of attempts to overcome them on their own

- 66% (vs. 48%) have tried to rebalance their budget
- 82% (vs. 74%) have cut their day-to-day spending
- They are relatively on their own, since 55% (vs. 45%) of them have never been alerted to the risks of their situation and, in the end, 73% (vs. 48%) made the decision to apply to a Commission on their own.
Comparison with "job loss or deteriorating employment situation" within the control group

- Within the control group, more major conurbations and fewer dependent children:
  - More often live in major cities (over 100,000 people): 61% (vs. 32%)
  - Have fewer dependent children: 67% have at least one, vs. 89% of the over-indebted group in question
- In 42% of cases, the control group reports having experienced only one unexpected life event, vs. only 15% of the over-indebted group (with 85% having experienced more than one)
- Job loss (64%) and change in terms of employment (13%) are the main events highlighted.

- Faced with financial difficulties, the control group makes greater use of savings and more often relies on help from close family and friends; it also seems to show a lesser take-up of credit than the over-indebted group:
  - 46% of the control group used its savings to get by (vs. 27%)
  - 44% of the control group obtained help from an outside person (vs. 21%)
  - 73% of the control group holds more than one revolving credit facility (vs. 43%)-of holders
  - 52% of the control group holds more than one personal loan (vs. 15%)-of holders

- All in all, this group appears to face less severe financial difficulties and to monitor its
  - 59% of those in the control group who have lost their jobs or experienced a deterioration in their employment situation report having a clear idea of total household income and expenditure (vs. 84%)
  - 61% of those in the control group who have lost their jobs or experienced a deterioration in their employment even when they are careful (vs. 97%)
Inter-generational assistance

Segment weighting

- Over 60 years old: 49% (vs. 13%)
- Children aged over 18: 79% (vs. 54%)
- Net monthly income over EUR 1,400: 61% (vs. 42%)

Took on debt to help a family member

- 41% (vs. 3%) cite providing financial help to a family member as the event that played the biggest part in their difficulties; financial assistance that can be compromised following a divorce (26% consider it the most significant event)
- 20% (vs. 8%) have helped their parents or in-laws
- 13% (vs. 4%) have helped their grown-up children who no longer live at home
- 41% (vs. 21%) had no credit facilities before the first event
- 48% (vs. 26%) both used an existing facility and took out a new facility following the first event

To get by...

...they, in turn, turn to family and friends...

- 50% (vs. 31%) have obtained financial help from friends or relatives
- And 35% (vs. 22%) have used their savings

...but they have to cope alone

- 68% (vs. 49%) have had no help finding a way forward
- 63% (vs. 45%) have never been alerted to the risks of their situation
Comparison with inter-generational assistance within the control group

- In the control group, younger households:
  - Less than 45 years old: 44% vs. 21%
  - More children under 18: 47% vs. 20% of relevant persons in the over-indebted group

- Faced with financial difficulties, the control group makes greater use of savings:
  - 55% of the control group reports having put money aside whenever possible to deal with unforeseen expenses (vs. 38%)
  - 56% of the control group used its savings to get by (vs. 35%)

- And helping their family member less often results in them taking on debt and adopting risky behaviour in relation to credit:
  - 90% of the control group say they have not taken on any loans to help someone (vs. 48%)
  - 24% of the control group report that they have already taken out a loan to repay another loan (vs. 77%)
  - Average number of debts in the control group (vs. 5.70)
A combination of significant life events and inappropriate budget management (1/2)

Segment weighting
23%

More dependent children (minors): 79% (vs. 65%)
More unemployed: 44% (vs. 37%)

NB: To highlight the specific characteristics of this group, it is compared either to typological group 6 (18% of the over-indebted group) or to the over-indebted group as a whole.

Most have gone through significant personal or professional events: mainly difficulties relating to employment and a divorce or separation

- Divorce is especially over-represented in this category of over-indebted persons: 42% cite it as an event that caused them financial difficulties (vs. 32% for the over-indebted group as a whole)
- 70% consider one of the two events (separation or employment-related difficulties) as having played the biggest part in their financial situation (vs. 51% of the over-indebted group as a whole)

A divorce 2-5 years go (46% vs. 22%) that gave rise to major costs or expenses

Financial consequences of divorce:
- Immediate costs (legal fees/compensatory allowance): 48% (vs. 31%)
- Major household expenses: 47% (vs. 38%)

Job loss and divorce are considered an equally important source of difficulties:

- Event that played the biggest part in difficulties:
  Divorce/separation: 32%; employment: 38%
A combination of significant life events and inappropriate budget management (2/2)

Segment weighting 23%

More dependent children (minors) 73% (vs. 65%)
More unemployed: 44% (vs. 37%)

Higher unavoidable expenses seem to have contributed to the deterioration in the budgets of:

92% say that spending worsened their financial situation (vs. 78%), in particular:
- Spending on regular outgoings: 75% (vs. 59%)
- Spending on day-to-day life: 58% (vs. 33%)
- And, marginally, spending on treats: 14% (vs. 6%)

Constrained budgets and occasional impulse buys are over-represented in this path:
- "Even when you were careful, you ended most months in the red": 96% (vs. 45%)
- "You've already bought things in the sales that you didn't really need": 48% (vs. 22%)
- "You've already bought something on impulse": 51% (vs. 30%)

77% have already asked their family for financial help (vs. 57%)

92% have taken out loans (vs. 82%), most of which (88%) were held before the events that contributed to a deterioration in the financial situation

More frequent use of overdrafts and revolving credit facilities (every month)

All in all, most of this over-indebted population have received help in dealing with their situation:

- 60% have received help in their efforts to deal with their situation (vs. 51% of the over-indebted group), mainly from social workers (51%)
- 77% have been advised to apply to a Household Debt Commission
- 31% had obtained additional allowances (vs. 21%)
- But fewer have taken action in relation to credit: 38% (vs. 49%)
- And only 36% have managed to make a real change to their budgets (vs. 48% of the over-indebted group)

OVER-INDEBTED GROUP
A combination of significant life events and increased financial constraints (1/2)

Segment weighting 18%

+ More men: 47% (vs. 40%)
+ More households with 3 or more children: 36% (vs. 25%)
+ Of those unemployed (37%) or retired (8%), previously earning > EUR 2,000 a month: 26% (vs. 17%)

NB: To highlight the specific characteristics of this group, it is compared either to typological group 5 (22% of the over-indebted group) or to the over-indebted group as a whole

Most have gone through several significant personal or professional events: mainly difficulties relating to employment and a divorce or separation

- Divorce is especially over-represented in this category of over-indebted persons: 41% cite it as an event that caused them financial difficulties (vs. 32% for the over-indebted group as a whole)
- But it is less often considered the most decisive event in their financial difficulties: 24% (vs. 32%)

A divorce that occurred longer ago (42% more than five years ago, vs. 31%), redefining the long-term budget balance

Financial consequences of divorce:
- child support payable: 22% (vs. 10%)
- child support received: 36% (vs. 22%)

A more rapid deterioration in their financial situation:

- The last event that worsened their financial difficulties occurred less than a year ago for 59% (vs. 40%)
A combination of significant life events and increased financial constraints (2/2)

Segment weighting: 18%

- More men: 47% (vs. 40%)
- More households with 3 or more children: 36% (vs. 25%)
- Of those unemployed (37%) or retired (8%), previously earning more than EUR 2,000 a month: 26% (vs. 17%)

These borrowers, who tend to be good money managers, though few of them have the propensity to save, have to help family members more often than the average:

- 63% have a clear idea of their budget (vs. 57%)
- “You’ve already bought things in the sales that you didn’t really need”: 22% (vs. 48%)
- “You’ve already bought something on impulse”: 30% (vs. 51%)
- “You put money aside whenever possible”: 49% (vs. 76%)

- 41% have financially helped a family member (parents, close relatives, etc.) (vs. 25%)

82% have taken out loans (vs. 92%), most of which (90%) were held before the events that contributed to a deterioration in their financial situation:

- More occasional use of overdrafts and revolving credit (1-2 times a year)

- 44% secured payment terms for their regular expenses (vs. 28%)
- 36% have suspended their loan repayments (vs. 13%)

All in all, 47% took the decision to apply to a Household Debt Commission on their own (vs. 23%)
Comparison with divorcees in the control group vs. the last two paths

- A divorce less often combined with other life events, and which took place longer ago:
  - Fewer events experienced: 59% have experienced several events, vs. 77%
  - Events occurred longer ago: more than four years ago for 42% of the control group, vs. 15%
  - One also notes fewer difficulties related to their work activities

- At the same time, these people have less debt and thus are apparently more financially comfortable, enabling them to spend more and be more generous
  - 95% have only one overdraft (vs. 78%)
  - 71% have only one revolving credit facility (vs. 36%) and use it less frequently (37% use it less often, vs. 15%)

The people in this group have little debt, then, which allows them to plan ahead: "While you generally stick to your budget, the slightest unforeseen expense puts you into the red": only 30% completely agreed, vs. 53%

- However, fewer have the propensity to save (38% vs. 54%), mainly for two reasons:
  - A tendency to spend more (buying things to keep with everyone else, buying in the sales to take advantage of bargains, spending on family members without regard to cost, etc.)
  - More financial help for family and friends: 61% vs. 32%, mainly grown-up children and friends

- All in all, savings, allowances and debt consolidation seem to have enabled them to meet their financial difficulties
  - 63% used their savings (vs. 21%)
  - 39% obtained aid/allowances that they did not previously have (vs. 27%)
  - 35% took out a debt consolidation loan (vs. 21%)

CONTROL GROUP

We have considered “combination of significant life events” as describing those respondents who cited divorce as the event that played the biggest part in their financial difficulties.
Summary of adverse factors that may lead to over-indebtedness
All in all, what are the main characteristics specific to those in the control group who have experienced major financial difficulties, relative to the over-indebted group? (1/2)

- Are those in the control group on the way to being over-indebted?
  - Having experienced fewer adverse/unexpected life events than those in the over-indebted group (2 on average, vs. 3 for the over-indebted group), aren’t those in the control group at risk of falling into over-indebtedness as soon as the next life event hits them?
  - Moreover, their take-up of credit facilities is similar to that those in the over-indebted group: 53% of those in the control group had at least one credit product before their first financial difficulties (vs. 50% of the over-indebted group): mainly a revolving credit facility or personal loan.

In spite their recent financial difficulties, persons in the control group appear better protected against the risk of over-indebtedness as a result of being more responsible vis-à-vis their budgets:

- Assuming equal or lower income to those in the over-indebted group, they appear to be slightly more committed to managing their budgets: 64% have a clear idea of their household budget (vs. 56% of the over-indebted group), and 87% look at their accounts weekly (vs. 77%)
- While they still have a large number of debts (3.4 on average), more of them took out their revolving credit facilities and/or personal loans from their bank and they use their revolving credit facilities less often than those in the over-indebted group. It is notable that fewer of them agree to an increase in their credit reserve offered by the provider: 15% vs. 26%
- Even where the use of credit has given rise to “risky” behaviour – 37% have used a new loan to pay off debt on an existing loan (vs. 40% of the over-indebted group) – this remains an occasional practice: only 3% have often experienced this situation, 3 times fewer than in the over-indebted group.
All in all, what are the main characteristics specific to those in the control group who have experienced major financial difficulties, relative to the over-indebted group? (2/2)

- Alongside their behaviour as regards budgeting, the fact that they have **built up savings** allows the control group to more easily negotiate temporary rough patches:
  - **52% confirm having dipped into their savings** to deal with their difficulties, vs. 22% of the over-indebted group
  - Their savings mean they have **less often had to take out a new loan** to meet unforeseen expenses (20%, vs. 36% of the over-indebted group), and thus have taken on little or no extra debt in response to life events
  - Finally, only 16% of the control group **has suspended the payment of rent or charges**, vs. 52% of the over-indebted group
Action taken to deal with financial difficulties
Dealing with over-indebtedness

90% Have cut at least one expense
- 74% Spending on day-to-day life (food, etc.)
- 58% Spending linked to household equipment (appliances, TV, computers, etc.)
  i.e. 9/10 of those who had this type of expenses

69% have suspended at least one payment
- 45% Loan repayments
- 31% Payment of regular outgoings (gas, etc.)
- 29% Payment of rent
- 27% Payment of taxes

88% Have readjusted their budget/obtained help/more time
- 48% Have tried to rebalance their budgets
- 32% More time to pay regular outgoings
- 31% More time to pay rent
- 31% Financial help from friends/family
- 25% Allowances, food aid and social tariffs
- 25% have dipped into their savings

48% Have rescheduled their loans
- 28% temporarily (after autorisation) suspended their loan payments
- 25% Rescheduled their debt
- 23% Debt consolidation

Those in the over-indebted group more often ask for more time to pay (more than 3/4 cases). Allowances/food aid/social tariffs are more often offered by organisations (in 42% of cases)

Rescheduling loans is most often considered helpful but only in the immediate. In fact, more than one out of five over-indebted persons consider that debt rescheduling, converting a revolving credit facility into a standard loan and debt consolidation have not helped them.
Help and warnings

- One out of every two over-indebted persons have received help. This has mainly come from social workers:

- Similarly, one out of every two over-indebted persons were alerted to the risks of their situation. This was mainly by their bank:
Applying to a Household Debt Commission

- Over one out of every two over-indebted persons waited three months to one year before applying:

  - Over 3 years: 4%
  - Between 3 and 1 year: 13%
  - Between 3 months and one year: 55%
  - Less than 3 months: 26%

- Decision followed an accumulation of unpaid bills and reminders, and for half of the over-indebted group, was advised by another person:

  Factors triggering the situation:
  - Too many outstanding payments: 51%
  - More urgent reminders: 43%
  - Goods seized by a bailiff: 22%
  - Risk of losing their home: 22%

- 1% took out a new credit product between realising the reality of their situation and applying to the Commission.

- 60% were reticent to apply:
  - Someone advised them: 52% (48% of 52% = 24%)
  - Decided to apply to a Commission on their own: 48% (24% + 24% = 48%)

- 70% were reticent to apply:
  - A social worker (social assistant): 42% (24% + 42% = 66%)
  - A member of the family / related person: 34% (24% + 34% = 58%)
  - A bank, credit organisation or organisation providing assistance linked to a bank: 21% (24% + 21% = 45%)
Appendix 4 | List of bank, non-bank, and social and voluntary sector representatives asked to participate in qualitative interviews

<table>
<thead>
<tr>
<th>Bank creditors</th>
<th>FBF</th>
<th>CM/CIC</th>
<th>Benoit Leclerc</th>
<th>Manager of CM/CIC group's over-indebtedness platform</th>
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<td>La Banque Postale</td>
<td>Mouna Aoun</td>
<td>Manager, vulnerable customers</td>
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<td>Crédit Agricole</td>
<td>Narjiss Kara</td>
<td>&quot;Gateways&quot; scheme</td>
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<td>Pascale Marchand</td>
<td>Advisor, Concordia branch (support for vulnerable customers)</td>
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<td>Sandrine Descamps</td>
<td>Debt recovery and external relations</td>
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<td>Head of Bordeaux-based team</td>
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<td>Non-bank creditors</td>
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<td>Pierre-Olivier Buttet</td>
<td>Expert, Contract Management team</td>
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<td>GDF SUEZ</td>
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<td>Expert, Over-Indebtedness team</td>
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<td>Social and voluntary sector</td>
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