

A Vicious Cycle: the interactions between high-cost credit and housing costs in Northern Ireland

Report Overview

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What we did and who we spoke to:

The Consumer Council commissioned Housing Rights Northern Ireland to carry out research to explore the interaction between high-cost credit (including illegal lending) and housing costs.

Just under 500 Housing Rights case records were analysed, with the available data including information on income, expenditure and loan repayments and total unsecured debt, as well as detailed case notes.

Housing Rights advisers were also interviewed to provide recollections of clients who had issues relating to high-cost credit or illegal lending.

What we asked:

The research includes some anonymised case studies on relevant cases taken from Housing Rights case recording system, spanning the past 10 years and sought to address the following key issues:

- What role did high-cost or illegal loans have on Housing Rights' clients' ability to maintain their tenancies?
- Did clients prioritise high-cost or illegal lenders over their housing costs and what impact did that have?
- What challenges did advisers face when supporting clients to maintain tenancies whilst also dealing with high-cost or illegal loans?

What we were told:

A summary of the views of participants were:

- Very often tenancy difficulties (if caused by arrears) and debt accumulation go hand in hand. For clients who had financial difficulties, the lack of money to pay housing costs and/or debt had a significant impact on their ability to maintain their tenancies
- A lack of financial capability meant that some clients failed to understand the implications of non-payment of their housing costs. Often, there was a reluctance to engage in necessary debt relief and this impinged on the financial resources with which they had to pay for their housing. This suggests that easy access to information and resources for budgeting and financial planning would be beneficial.
- The accumulation of debt (including from high cost and illegal sources) was often caused by a lack of available finances to cope with unforeseen circumstances or was used in an effort to smooth out expenditure in the face of fluctuating or reducing incomes.
- Clients who were homeowners or in social housing prioritised high-cost debt repayments over their rent or mortgage payments, but that the reverse was often the case for private tenants. The difference appeared to be the potential for a speedier eviction for private tenants. However, when it comes to illegal lending, the evidence suggests that repayment of these debts takes precedence over all other expenses.
- Advisers reported that their clients were often not aware of the support and advice / advocacy services that are available to them. This meant that clients were not approaching services which could help at an early stage and which could help them to avoid high-cost credit.