



Leaving Nobody Behind

Protecting Citizens' Rights and Entitlements Post Covid-19

Citizens Information Board

Pre-Budget Submission 2021

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The Citizens Information Board (CIB) supports the provision of information, advice, advocacy, money advice and budgeting services across a wide range of public and social services. These services are delivered in three different ways – online, by phone and in person.

A key role of CIB is to support, promote and develop data and information on the effectiveness of current social policy and services, and to highlight issues that are raised by the users of those services. Through research and analysis of caller and query data and the feedback received in social policy returns from our services, we identify relevant problems and priorities across a range of sectors. These include social welfare, housing, health and social care services, along with the areas of over-indebtedness and financial exclusion. We provide data and analysis to inform public policy and influence budgetary choices.

- ❖ www.citizensinformation.ie – the website had **12.5 million users** in 2019, and recorded just over **47 million page views**. Since the start of 2020 to date, **during the pandemic, there have been almost 12.4 million users and 44 million page views**
- ❖ Citizens Information Services (CISs) - over **half a million people** contacted CISs with over 1 million queries in 2019
- ❖ Money Advice and Budgeting Service (MABS) – over **44,000** people were helped with problem debt last year via the MABS Helpline and face to face services
- ❖ Citizens Information Phone Service (CIPS) - dealt with **142,951 telephone enquiries** and responded to **over 2,300 Live Advisor enquiries**
- ❖ National Advocacy Service (NAS) - supported over **1,000 people with disabilities with representative advocacy** and over **3,000** with information, advice and other supports

Introduction

In terms of social policy, the year since the last Budget in October 2019, has been a year of significant change with the Covid-19 pandemic, bringing unprecedented change to people's lives and the underlying continuing economic and political uncertainty of Brexit. The pandemic has affected all areas including the health and social care infrastructure, labour market situation and conditions, and living standards. Public health restrictions have had a major impact on the Irish labour market, with record increases in the unemployment rates in a short space of time, e.g. over 28 per cent in April¹ as businesses and sectors effectively closed. The impact has been most adversely felt among low and middle income households, those in lower paid occupations, and those living in poverty.²

This submission is informed by pre- and post-Covid-19 issues raised by citizens in their queries to and contact with CIB delivery services - Citizens Information Services (CISs), the Money Advice and Budgeting Service (MABS), the National Advocacy Service for People with Disabilities (NAS) - as well as the policy issues identified by frontline staff during the course of processing queries and case referrals. MABS concerns and recommendations relating to debt, combatting arrears and financial exclusion, drawing on lessons from the previous financial crisis are set out in the second part of this submission. We also draw from CIB's submission to the Special Oireachtas Committee on Covid-19 Response in July on issues and challenges experienced and those likely to emerge from the Covid-19 pandemic, to inform our recommendations for Budget 2021.

Queries to CISs, 2019 - 2020

CISs deal with over half a million callers and one million queries from the public annually. During the January – June 2020 period services dealt with over 201,000, mainly telephone, callers (due to the closure of the face to face services during Covid-19) and 380,000 queries and there were a further 84,000 calls to the Citizens Information Phone Service. Specific Covid-19 related queries e.g. on income supports available on loss of employment, represented almost a quarter of overall enquiries to CISs during the mid- March to June period while wider social welfare issues accounted for over 38% of queries, and over 13% of queries referred to employment rights matters.

Covid-19 specific queries initially related to seeking clarity on particular elements of new schemes, processes and payments. While the Government was under considerable pressure to develop key policy responses to meet the rapidly changing needs within households and businesses, and the significant demands on all public services, it was inevitable that people would experience some gaps, knock-on impacts, anomalies and barriers when trying to access new supports.

¹ <https://www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentjuly2020/>

² Social Justice Ireland (2020) Uneven Impact of Covid-19 Crisis will lead to increase in poverty. [Social Justice Ireland: Uneven Impact of Covid 19 Crisis will lead to an increase in poverty](#)

Walsh, B, Redmond, P & Roantree, B (2020) Differences in Risk of Severe Outcomes from Covid-19 across Occupations in Ireland. ESRI Survey and Statistical Report Series Number 93 July 2020

The submission focuses on the priorities of addressing the risk of poverty, and on helping people to return to work.³

Address the Risk of Poverty

Prior to Covid-19, poverty levels in Ireland had been falling.⁴ However, as noted rates of poverty have not returned to 2008 pre-austerity levels, and there are particular negative trends in poverty levels for specific groups relative to the general population.⁵

At risk of poverty, consistent poverty, and deprivation rates, 2018, %

	At risk of poverty	Consistent poverty	Deprivation
Those not at work due to illness / disability	47.7	21.3	36.7
Single adult households under 65	34	13.6	23.9
Single parent households	33.5	19.2	42.7
Unemployed	47.3	27.6	41.6
State	14	5.6	15

The crisis has demonstrated that the need for income support is considerable across the population, and it has also shown the value and importance of having responsive, effective, flexible, quality driven public services. It is imperative however, that those households most at risk of poverty are prioritised in policies addressing the socio-economic consequences of Covid-19.

In response to the Covid-19 crisis, the government acted quickly and introduced a package of social protection and labour market measures to support workers and their families. Positive measures introduced included the waiving of waiting days for jobseekers payments, and for the Enhanced Illness Benefit. These measures, along with the Pandemic Unemployment Payment (PUP) itself, which has been recognised as a significantly more accessible and improved social welfare payment⁶, in effect provide an acknowledgement by government that pre-Covid-19 social protections and processes⁷ were inadequate and do not correspond with the real cost of living.

³ Minister Heather Humphreys at the July Pre-Budget Forum identified these priorities for Budget 2021. Press Release, Minister Heather Humphreys hosts Pre Budget 2021 Forum in Dublin Castle.

<https://www.gov.ie/en/press-release/fae0e-minister-humphreys-hosts-pre-budget-2021-forum-in-dublin-castle/>

⁴ SILC data 2018, <https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2018/povertyanddeprivation/>

⁵ EAPN (2020) Rethinking a more inclusive Ireland for 2020 and Beyond

⁶ www.inou.ie

⁷ e.g. accessing a means-tested basic SWA, while waiting for Illness Benefit; Jobseekers Allowance as well as other primary benefits set at a maximum personal rate of €203.

Research on the Minimum Essential Standard of Living (MESL)⁸ has demonstrated that social welfare payments are still inadequate for certain households, i.e. those with a single adult aged under 65 years, a lone parent, most of whom are women, who are not able to meet basic needs, participate in normal activities, or take part in society.⁹

Anti-poverty groups¹⁰ have long been calling for the benchmarking of social welfare rates in line with the Minimum Essential Standard of Living (MESL), which represents the income required to purchase the basic goods and services that meet a household's minimum physical, social, and psychological needs.¹¹ The MESL research also points to the need to review the structure of the rates of payment in the social welfare system as well as their relationship to each other.

CIS data meanwhile, revealed that the major welfare-related queries handled in 2019 concerned the Medical Card (69,881), the State Pension (Contributory) (38,795), Disability Allowance (33,459), Carer's Allowance (33,433), and Illness Benefit (22,628) all increasing by varying amounts ranging from between 4% and 10%.

Queries to CISs about jobseeker payments have been falling in recent years. With the Covid-19 pandemic impact on employment, new income supports on loss of employment now feature strongly in queries. From mid-March to the end of August this year, there were almost **50,000 Covid-19 specific queries** to Citizens Information Services, with almost 50% of these relating to the PUP and up to 7,000 queries on the Temporary Wage Subsidy Scheme (TWSS). These income supports, that were rapidly introduced, played a key role in sustaining household incomes and businesses during the pandemic.

A common thread however, in the issues raised by clients of CISs, was **a sense of inequality in the social welfare system**, which while existing to a lesser extent prior to the pandemic, became more pronounced with the changes introduced to quickly provide for the loss of income experienced by nearly one million people at the height of the crisis.¹² These clients included those who were either laid off from work or who had to stop working due to illness, those who had caring responsibilities or who were in a high risk category, and those who were concerned about preventing the risk of contracting the virus. Challenges for particular cohorts during Covid-19 were raised as social policy issues to CIB and are discussed below.

Disability, Illness and Caring

Disparities in income were keenly felt by those who received a primary payment rate of €203 per week compared to the PUP rate of €350 a week.¹³ The interaction between the PUP, where it is being treated as a replacement for 'employment income', and other social welfare payments produced loss of income for some individuals, and this was true for some clients in receipt of Disability Allowance. People in receipt of disability payments were struggling to manage on pre-Covid-19 rates of disability payment during the crisis given the

⁸ https://www.budgeting.ie/download/pdf/mesl_2019_update_report.pdf

⁹ https://www.budgeting.ie/download/pdf/mesl_2019_update_report.pdf

¹⁰ Including EAPN, Vincentian Partnership for Social Justice, Saint Vincent de Paul, Social Justice Ireland.

¹¹ EAPN (2020) Rethinking a more inclusive Ireland for 2020 and Beyond

¹² 602,107 recipients of the PUP, and 321,196 recipients of the TWSS on 3/5/2020, [CSO: Detailed Covid19 Income Support and Live Register Tables](#)

¹³ Having said that as the PUP is a flat rate payment, some people were better off on Jobseekers payments with increases for qualified adults.

extra costs and expenses they have associated with their disability, such as heating, travel, mobility aids, medical expenses and home adaptations, above and beyond the living costs of the general population. There has not been sufficient action taken to address these costs, notwithstanding the positive changes introduced arising from the 'Make Work Pay for People with Disabilities Report to Government 2017' including the retention of the Medical Card, the Free Travel Pass, and the earnings disregard. As well as the acknowledgment of these extra costs in the commissioning of government research to inform national policy¹⁴, the delivery of this research needs to be prioritised and the resources provided to implement its recommendations.

Illness / Sick Pay

Concerns continued to be noted pre-Covid-19 on the difficulties caused by the six day waiting period for Illness Benefit.¹⁵ People who do not receive sick pay from employers can have no income for six days (and this can be longer due to processing delays). CIB research found that applicants for Illness Benefit went into debt, rent arrears, incurred large medical expenses and were unable to pay for household expenses. The impact was particularly severe on low income earners who were just above the Medical Card threshold and who had no savings.¹⁶ New rules were introduced for the Enhanced Illness Benefit (EIB)¹⁷ that eliminated waiting days for those who meet the eligibility requirements for this payment.¹⁸ In addition, the means test for Supplementary Welfare Allowance was removed for persons medically required to self-isolate or diagnosed with Covid-19 who did not qualify for Enhanced Illness Benefit.

During Covid-19, those who are self-employed became eligible for the Enhanced Illness Benefit, another example of a positive measure introduced during the pandemic in response to need. This was introduced as a temporary measure; Illness Benefit is designed to provide short term support for a period of illness.

Going into the Covid-19 health crisis, some workers had no or poor access to statutory paid sick leave. The issue of employers not being obliged by law to pay employees during a period of sick leave came to the fore, affecting middle-income earners in the private sector, migrant workers, casual and zero-hour contracts workers. For example, it was reported that only 20 per cent of workers in meat processing plants are offered sick pay.¹⁹ This has meant that workers are having to go to work even when they are experiencing Covid-19 symptoms, which is contributing to the spread of the virus in the workplace. It is recognised that the Illness Benefit payment will only replace a low percentage of regular pay for many

¹⁴ DEASP commissioned research on cost of disability currently being carried out by Indecon Consultants.

¹⁵ This issue has been continually highlighted by services since the change to the waiting days in 2014 which, in effect, was a change in the cover provided under the scheme.

¹⁶ CIB (2020) Lost in Transition: Accessing Income Supports. (forthcoming research)

¹⁷ Emergency Measures in the Public Interest (Covid-19) Act 2020 (No. 2)

¹⁸ If person is diagnosed with COVID-19 or if they are medically required to self-isolate.

¹⁹ Reported to the Special Oireachtas Committee on Covid-19 by Meat Industry Ireland Chairperson. <https://www.irishexaminer.com/news/arid-40032074.html>

workers²⁰. The EIB only applies to those with a suspected or diagnosed case of Covid-19 or advised by their GP, or HSE to self-isolate.

Paid sick leave protects workers' incomes, protects their jobs by maintaining the relationship with their employer during a period of illness, and protects worker's health²¹. The pandemic has demonstrated the **importance of having a comprehensive system in place for paid sick leave** that encompasses different types of workers, including private sector workers, those who are self-employed, casual workers, those on temporary contracts, and those in non-standard work. Consideration should be given to reforming the paid sick leave system, when the pandemic passes, and providing a comprehensive system to cover the entire workforce²².

⇒ Pre-Covid-19 issues

Issues highlighted by CIS/CIPS Information Officers since the previous budget are detailed below.

- On-going issues with Disability Allowance (DA) and Carer's Allowance (CA) related to access or administrative issues – primarily processing delays (with many instances cited where applicants were waiting in excess of four to six months for a decision on their application) and attendant difficulties for some in trying to access basic Supplementary Welfare Allowance locally.
- Refusals of applications for disability payments were considered to be unfair, due to a lack of adequate communication with applicants, and absence of comprehensive information and medical assessment at initial application stage resulting in a lengthy, and arduous appeal process.
- Issues in relation to Illness Benefit including processing delays (with 6 – 8 weeks cited in some cases) and difficulties making telephone contact with Department sections; eligibility for self-employed people; payment gaps created for long-term recipients who were not informed in advance of the cessation of their payment and the option to transfer to Invalidity Pension or the State Pension.
- Difficulties in making contact with the Carer's section of the Department (and on-hold waiting times) were experienced.
- Issue of non-entitlement to the Household Benefits Package and Free Travel for those in receipt of the Carer's Benefit Scheme.

Other examples of income inequalities that were raised by CIS/CIPS clients were in relation to **asylum seekers in direct provision**.²³ Information Officers reported that people living in direct provision centres who were laid off work²⁴ were deemed ineligible for the PUP, due

²⁰ Irish Times, 16th June, 2020. Sick pay: Private sector workers getting ill have long faced a steep drop in income. <https://www.irishtimes.com/business/personal-finance/sick-pay-private-sector-workers-getting-ill-have-long-faced-a-steep-drop-in-income-1.4279378>

²¹ OECD (2020) OECD Policy Responses to Coronavirus (COVID-19) Paid sick leave to protect income, health and jobs through the COVID-19 crisis 2 July 2020. <http://www.oecd.org/coronavirus/policy-responses/paid-sick-leave-to-protect-income-health-and-jobs-through-the-covid-19-crisis-a9e1a154/>

²² We welcome commitments just announced to undertake a consultation process on reforming sick pay.

²³ From 7th August, workers living in direct provision centres and applicants for international protection can apply for the PUP.

²⁴ According to Department of Justice figures, there were an estimated 1,208 direct provision residents in employment at the end of 2019.

to being in receipt of a different social welfare payment (the Daily Expenses Allowance) than those, for example, who lost employment and were in receipt of DA or One Parent Family Payment. Subsequently, at the beginning of August, it was announced that direct provision residents were to be treated in the same way as other citizens and given entitlement to claim the PUP, as well as the EIB.

Income inequalities were also experienced by **cross-border workers/frontier workers** who were laid off work in the Republic of Ireland, and deemed ineligible for the PUP, as they were residing in Northern Ireland. Callers to CIS/CIPS in this situation experienced financial hardship upon being laid off work, and were unable to meet the cost of rent, bills etc. as the payment available to them in Northern Ireland was much lower than the PUP. This issue was raised in the Oireachtas and elsewhere, with the point being made that an EU Member State is not precluded from choosing to provide an unemployment benefit, or similar emergency payment linked to the Covid-19 pandemic to frontier workers resident in a different State²⁵.

High Risk Groups

Another issue reported by CIS/CIPS staff was the situation for individuals at high risk of contracting Covid-19, including those with underlying conditions, or those who were living with high risk individuals, e.g. older people, people with chronic conditions and illnesses. Individuals particularly affected were those in jobs or roles that could not be undertaken at home. There were also examples of workers from vulnerable households being denied requests for unpaid leave. People working in congregated settings across different sectors are another cohort at high risk of contracting the virus. These situations produced anxiety for people who wanted to follow public health advice, but who were not eligible for the new income supports. Such people, who are not available for employment, are not eligible for the EIB, and may not qualify for another social welfare payment such as Disability Allowance require an income support measure for the duration of the Covid-19 pandemic.

Older people

There were many PUP related queries from those aged over 66 years who continued to work post-retirement as a means of supplementing their pension income, who lost this work and were not eligible for the PUP. This was felt to be inequitable as they had experienced a genuine loss in individual and/or household income, and were aware of applicants in receipt of other social welfare payments who were deemed eligible. Clients were struggling to pay bills including mortgage, rent, and loans. Some people had been working in part-time jobs to earn money to re-pay debts.

⇒ Pre-Covid-19 Issues

Clients of CIS expressed their sense of unfairness at having to wait until the age of 67 before entitlement to the State (Contributory) Pension. The Programme for Government has provided a commitment to defer the planned 2021 increase in age eligibility to 67 years. The lack of information/enactment of legislation in relation to the State (Contributory) Pension was raised as people approaching retirement want to plan for their future and need

²⁵ Question for written answer E-002256/2020 to the Commission Rule 138. ENE-002256/2020, Answer given by Mr Schmit on behalf of the European Commission (18.6.2020)

clarification on the methodology, either the total contributions approach or the average rule, to be used. We welcome the proposed Commission on Pensions which should be established as soon as possible to undertake its review of these issues including contributions, calculation methods, and eligibility.

Young People

The unemployment rate for young people aged under 25 years was 16% in July 2020.²⁶ A DEASP working paper on the impact of Covid-19 pandemic on Ireland's labour market, noted that those who have lost their job due to the pandemic, or who have been temporarily laid-off, are more likely to be young, low-skilled and part-time than the population average.²⁷

⇒ Pre-Covid-19 Issue

Young people under the age of 26 living with their parents in a family unit receive reduced Jobseekers Allowance (JA) rather than full JA. This began to be addressed in Budget 2020, and currently the age-related reduced rate of JA applies to those aged 18 – 25 years living in a family unit.

Overpayments

Fears that overpayments in relation to the PUP would cause hardship at a later point when deductions were made featured across the board. This affected workers in receipt of a social welfare payment, including those with disabilities, carers, lone parents and those in receipt of the Working Family Payment where their underlying payment was adjusted.

Online access / Support in Making Applications

The challenges for some clients in accessing and using online services became more pronounced during the Covid-19 pandemic, where telephone support and local office appointments were severely curtailed or not available. This impacted on services including Revenue (either with Covid-19-related issues or with routine tax queries), the housing sections in Local Authorities to make social housing applications; and social welfare services, in relation to the Back to School Clothing and Footwear Allowance, and Paternity Benefit, both requiring a Public Services Card, which it was not possible to access due to Covid-19 restrictions.

The pandemic has highlighted the essential role that online/digitisation has played in providing information and guidance to the general public on public services. Greater efforts are needed across public services to support **digital inclusion**, in particular for groups experiencing digital exclusion, for example, limited access to broadband, and for those experiencing digital constraint relating to literacy or digital literacy.²⁸ At the same time, there is a cohort of people, particularly older people, and people with literacy and language difficulties who will not be able to use online services, and who need practical support in making applications.

²⁶ <https://www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentjuly2020/>

²⁷ Working Paper, The Initial Impacts of the COVID-19 Pandemic on Ireland's Labour Market, DEASP

²⁸ Digital exclusion refers to an inability to access the internet regularly either at home, work or place of study because the requisite technology is not available or not affordable, and digital constraint refers to the inability to use the internet due to literacy or digital literacy problems, CIB forthcoming research (2020)

Supplementary Welfare Allowance

Services reported difficulties for clients in accessing basic Supplementary Welfare Allowance (SWA) locally, as well as a general lack of awareness of the availability of different SWA payments, e.g. the Exceptional Needs Payment, which could be availed of to pay for the cost of a funeral; or of the new higher SWA rates applicable to people applying for Rent Supplement from 13th March 2020.

CIB notes the positive measures taken as a result of Covid-19, as noted above the removal of the means test for SWA for persons medically required to self-isolate or diagnosed with COVID-19 who did not qualify for Enhanced Illness Benefit; and the new higher SWA rates for Rent Supplement applicants. In light of the pre-existing and present issues with levels of awareness of SWA provisions, there is a need to fund **an awareness campaign** on SWA, including the new Covid-19 measures available.

Bereavement Grant

CIB and MABS called for a re-instatement of the Bereavement Grant in previous Pre-Budget Submissions. Given the impact of losses of family members and close friends experienced by households over the course of the pandemic, and fears and concerns over future losses to Covid-19, consideration should be given to re-instating the Bereavement Grant in Budget 2021.²⁹ Services report that the Exceptional Needs Payment does not adequately compensate for the costs associated with bereavement, and secondly, that there is little awareness of this payment. MABS has highlighted difficulties for clients in relation to funeral costs and rising debts. Research is currently being commissioned by the Irish Hospice Foundation into the economic impact of bereavement, both in terms of the impact of direct costs e.g. financing the cost of a funeral, and indirect costs, such as change in the components of household income, impact on employment, health, and society.

Disablement Benefit

Services reported a lack of information provided and awareness of the Disablement Benefit under the Occupational Injuries Scheme, which is available for those who had a work-related accident. Clients may be impacted and not able to work again, or only be able to work part-time.

Housing

There were over 92,000 housing related queries to CISs last year. The main issues raised by clients and services as social policy issues were related to the Housing Assistance Payment (HAP) and Applying for Local Authority/ Social Housing, with Renting a Home and Rent Supplement making up the majority of the remainder.

During Covid-19 these issues continue to reflect the central concerns of availability and affordability of suitable housing options for low-income households. The issue of

²⁹ Estimates of the average costs of a funeral in the Greater Dublin area were between €4,500 and €5,000, a large portion of which was spent on the grave. The average price of a plot in the country is reported to be €200, but this rose to €1,450-€5,000 in the capital. Meanwhile, cremation costs on average around €500. Senator Marie Louise O'Donnell (2017) - Finite Lives: Dying death and bereavement – An examination of state services in Ireland.

affordability³⁰ in the private rental sector is a long-standing problem. For profit private provision of housing is clearly not supporting social inclusion or alleviating poverty. In particular, the key difficulties for clients included:

- the limited stock of affordable private rented accommodation for HAP tenants
- the levels at which rent thresholds are set
- the willingness of landlords to sign up to the HAP scheme
- difficulties in securing rental accommodation due to delays in processing social housing applications
- length of time that some tenants spend on social housing waiting lists in some cases between 10 and 15 years

The issue of HAP limits continues to be consistently raised by clients of CIPS/CIS as they are not in line with market rents. While Local Authorities have flexibility to increase the limit by 20%, this is not always consistently applied. The consequences of Covid-19 for tenants already under pressure to top-up their rent needs to be provided for.

Government measures introduced during the crisis included a moratorium on rent increases and evictions³¹ and improved Supplementary Welfare Allowance rates for eligibility for rent supplement (which produced a 35% increase in payees from mid-March to mid-June³²), as well as improved access to Rent Supplement, by removing the means test for those who have experienced domestic violence. Falling rents³³ in combination with the collapse of the short-term letting market seem to have contributed to improvements at least in the short to medium-term to the housing situation for those in the private rental sector. In July 2020, Dublin City Council reported that the number of homeless families living in Dublin hotels had registered a five-year low. So it is likely that these measures have had a positive impact on security of tenure, and also the availability and affordability of housing for some low income households. It should be noted however that there were a number of reports from services noting the unlawful termination of tenancies during the lockdown.

These measures were crucial in that tenants are the most vulnerable group to losing their home and ending up in homelessness. In addition, private rental tenancies are most likely held by those working in the hardest hit sectors, such as retail, services, and hospitality. While rent increases were again permitted from the 2nd August, new protections for tenants whose tenancy is at risk were introduced - no rent increases will be permitted until January 2021, for those who contracted Covid-19 and are temporarily out of work, or for those in receipt of a Covid-19 related social welfare payment.³⁴ In this context, CIB welcomes the

³⁰For example, research showed that a single room in shared accommodation within Dublin City Centre cost an average of €632 per month in 2018, equal to 42% of the take-home pay of a minimum wage employee working full-time. [Nevin Institute: New research](#)

³¹ Under the Emergency Measures in the Public Interest (Covid-19) Act 2020, which ceased on 1 August.

³² From the 19 March to 20 June 2020, the number of Rent Supplement recipients increased by 34.9% (5,479) and stood at 21,171 recipients. L & RS Note. Rent Arrears and Covid-19. [Oireachtas Library and Research Service: Rent arrears and Covid 19](#)

³³ A report for the Residential Tenancies Board examined the early impact of the pandemic on rental prices and tenancies and found for April through to June 2020 annualised rental falls in Dublin with a clear reduction in the year-on-year growth rate in other areas and also noted that it was difficult to assess the trajectory of prices in the short/medium term [RTB: Exploring the Impact of the Covid 19 Pandemic on Rental Prices in Ireland from Jan - June 2020](#)

³⁴ New protections under the Residential Tenancies and Valuation Act 2020

new role for MABS, and the Residential Tenancies Board under the Residential Tenancies and Valuation Act 2020, to assist tenants with rent arrears impacted by Covid-19.

It remains to be seen what will be the consequences of permitting rent increases from the 2nd August in the context of increased levels of unemployment and uncertainty in the labour market; and of how rent arrears will be handled when they become due.

The main issues being reported in connection with Rent Supplement (RS) were perceived pressures on tenants to switch from RS to HAP (with many indicating that landlords were reluctant to do so) and also difficulties in accessing Rent Units following the lockdown.

CIB and MABS have previously highlighted deficiencies in the HAP Scheme in social policy reports³⁵ and pre-budget submissions and highlight again that there is too great a gap between the payment and landlords' expectations and the problem of 'top-ups' persists. Clients also experienced difficulties sourcing private rented accommodation within current HAP limits. Low/middle income families over the income limit threshold for social housing cannot avail of the HAP scheme but cannot afford current market rents for private rented accommodation.

Help People to Return to Work

The impact of employment on the world of work has been profound. It is clear that it will take time for sectors to return to some level of normality, and in reality, some sectors will remain affected for many years to come. Services dealt with almost 70,000 **employment related queries** last year. These related to leave/holidays, unemployment/redundancy, employment rights and conditions – contracts of employment and pay/wages; self-employment; enforcement and the Workplace Relations Commission; dismissal; and hours of work. Services also dealt with significant levels of Covid-19 specific employment rights queries. Key issues are discussed below.

The increases in economic inactivity since the start of the pandemic have been worrying, potentially leading to people losing their link to the labour market. This in particular, will have a negative impact on women, who are found in higher numbers in low-paid jobs, which in turn has contributed to a higher gender pay gap over the past decade. More broadly, the increase in the numbers of employees working reduced hours means a reduction in wages, impacting on living standards.

Interaction of Work and Welfare

Some cases highlighted the potential difficulties for people in moving from welfare to work. For clients who had been working on a part-time basis (who may have been on reduced hours, earning low wages, or in atypical employment) it was financially better for them to leave this employment at the beginning of the pandemic, and avail of the PUP, rather than the Temporary Wage Subsidy Scheme, thereby breaking the link with their employer.

“A client who had two part-time cleaning jobs prior to the pandemic, one of which finished, had 2 hours of work per day for 5 days a week. This situation meant they were not eligible to apply for the Pandemic Unemployment Payment, nor for

³⁵ [Housing Assistance Payment:– social policy report, Citizens Information Board 2017](#)

Jobseekers Allowance as they were working 5 out of 7 days. The impact of this was a significant loss of income, with no replacement support.”

There were also corresponding cases where part-time workers were better off not returning to employment as the Covid-19 PUP gave them a higher income. Changes to the rate of PUP for part-time workers will have affected the choice for some.

Clients who were working reduced hours, e.g. two days a week, and who became eligible for the Short Time Work Support under the Jobseeker’s Benefit scheme expressed concerns about their capacity to meet living costs on their reduced income.

The interaction of work and welfare payments produced problems for some clients, for example, the impact of reduced hours of work below the threshold of 19 hours a week and potential loss of Working Family Payment, for those in receipt of the WFP, and the One-Parent Family Payment (OFP). The interaction between the PUP, where it is being treated as a replacement for ‘employment income’, and other social welfare payments produced loss of income for individuals and financial hardship, in relation to those on PUP and WFP.

People closing their claim for the PUP and re-entering the workforce as employees, even on reduced hours or to unstable work situations have an entitlement to reduced Jobseekers Benefit or Jobseekers Allowance (JA) payments, with disregards applied to earnings in the means test for JA. However, with regard to sole traders re-entering the workforce, the means test for JA assesses their income on a ‘euro for euro’ basis, which acts as a disincentive to taking up short contracts.

Eligibility for PUP scheme and requirement to ‘genuinely seek work’

CIB is concerned with the imposition of subsequent eligibility criterion for individuals to ‘genuinely seek work’ while in receipt of the PUP. Many claimants of this payment have been temporarily laid off and have a direct relationship with their employer. Some in fact, may be the employer, in the case of a self-employed person and expect that they will soon be able to resume their employment. Legislation that ascribes people as jobseekers, and requires them to be genuinely seeking work, is not accurate for many current PUP claimants. In addition, the legislation does not provide for how any assessment of ‘genuinely seek work’ is to be made.

Temporary Wage Subsidy Scheme

One of the issues reported by employees who continued working was of employers not topping up their TWSS, with employees working normal hours for a lower wage than previously. Levels of work and working hours remained the same for employees (and were noted to have increased in certain cases) which would not seem to be consistent with the stipulation that employers had to have experienced a 25% downturn in business in order to be eligible for the payment.

Effectively this means that employees were essentially doing the same level of work for which they were receiving a reduced salary, with reports indicating that some employees were left working below the minimum wage rate. This particularly affected part-time workers. A CIB submission in 2020 on the National Minimum Wage³⁶ recognised that in relation to the role of income from work in alleviating poverty, the minimum wage on its

³⁶ [CIB Submission to Low Pay Commission, 2020](#)

own (or the level at which it is set) is not sufficient to alleviate poverty and that it should be accompanied by other tax and benefit measures to address poverty, both in and out of work. In these cases, employees did not have eligibility to any other tax or benefit measures, being in receipt of the TWSS, and arguably were at risk of poverty.

Subsequently, on the 9th September, the DEASP announced that employees may claim casual (i.e. part-time) jobseeker payments or Short-Time Work Support payments for days of unemployment, even where their employer is claiming the Employment Wage Subsidy Scheme (EWSS) for days of employment.³⁷

There have been significant changes to the operation of the TWSS scheme with the introduction of the EWSS from the 1st September. While the expansion of eligibility is welcomed by many, there are worries around the impact of the **reduction in the rate of the subsidy**, and the non-eligibility provision for those employees earning less than €151.50 per week. Specifically, there are concerns that the design of the scheme may contribute to in-work poverty, and income inequality; impact on an employer's willingness or ability to retain employees, as well as impede protections for employees, particularly those in low paid sectors with precarious working conditions. Given that the most reported difficulty with the TWSS by services has been that employers are not topping up wages above the subsidy, it is likely that the reduction in the rate for the EWSS will have a further impact on many employees' pay levels and, consequently, their ability and willingness to work for less than they had been prior to the pandemic.

⇒ Tax Implications arising from Temporary Wage Subsidy Scheme

There were concerns about the tax implications for clients in receipt of the TWSS in that they would end up out of pocket for 2021 and 2022 due to a reduction in tax credits required to meet any tax liability arising.³⁸ This was considered to be a debt placed on people, causing uncertainty and worry particularly for those already experiencing financial hardship. Some commentators have suggested that an average employee's unused tax credits would not be substantial enough to absorb a potential tax liability. The Consultative Committee of Accountancy Bodies Ireland³⁹ has called for "definitive guidance" on the matter in its Pre-Budget Submission to Government. With the introduction of the EWSS, employers will once again be paying income tax on behalf of their employees, which will help to remove the anxiety for many workers concerning their end-of-year tax bill.

Childcare

During the past number of years, reports from CISs and MABS services have been consistently identifying the cost of childcare and the lack of adequate childcare support structures as major barriers to parents (particularly women) taking up work, increasing working hours and/or participating in activation programmes. Covid-19 exacerbated these barriers to work and existing supports, for example, reliance on wider family members for childcare is no longer an option for many. According to a recent CSO survey, almost a

³⁷ Department of Employment and Social Protection, Press Release 9th September. Statement on Social Welfare Payments and the Employment Wage Subsidy Scheme. <https://www.gov.ie/en/press-release/4b658-statement-on-social-welfare-payments-and-the-employment-wage-subsidy-scheme/>

³⁸ Information Officers were also concerned about the calculation of the subsidy being based on a person's net wages.

³⁹ An umbrella group for various Irish accountancy bodies including Chartered Accountants Ireland and CPA Ireland.

quarter (24%) of 35-44 year olds have childcare issues.⁴⁰ Concerns for employees in the survey were the requirement to return to work in the absence of childcare facilities and particular difficulties in having to work from home as a lone parent.

A range of childcare issues were highlighted by clients of CIS/CIPS in the first half of this year relating to:

- availability and affordability of leave options
- incompatible new work patterns with childcare
- threat of dismissal if they are not able to go to work due to lack of childcare
- no childcare available and being required to work on a public holiday with no additional benefit⁴¹
- unlawful deductions from wages
- employers being unable to provide flexible or alternative working arrangements for parents with childcare responsibilities
- lack of clarity about entitlement to the PUP, where a parent could not work because of a lack of child care
- flexible working arrangements are important for some workers, especially those with caring responsibilities but there is no entitlement in law to flexible working as there is in the UK and some other EU member states and employees have to negotiate with employers for such arrangements.⁴²

The calls demonstrated the pressures parents and families were under, particularly for those in low-paid or precarious employment, being required to take unpaid leave so as not to risk loss of employment when coping not only with health issues in some cases, but severe financial stress and worries on top of that.

“A client who had finished maternity leave and had a job to return to could not, as she didn’t have a childcare option. She was not entitled to a Covid-19 payment as she had employment; she applied for Jobseekers Benefit but was told that she may not qualify as she would be unavailable for full-time work”.

An integrated approach to supporting low income families must incorporate good quality affordable childcare provision through the National Childcare Scheme so that parents including lone parents can return to work during and post Covid-19. Research has shown that a lack of access to childcare is unlikely to be solved through a reopening of childcare facilities and schools alone, given that half of families with dependent children in the Republic of Ireland and Northern Ireland rely on their wider family circle to assist with childcare.⁴³

⁴⁰ Data based on Q2 Labour Force Survey 2020, of 2,288 persons aged 15 years and over from the 8th April – 23rd April 2020.

⁴¹ The Organisation of Working Time Act 1997 provides that if the employee is asked to work on a public holiday, then he/she is entitled to either an additional day’s pay for the day, or a paid day off within a month of the day, or an additional day of paid annual leave.

⁴² CIB (2020) Employment Rights for All. Forthcoming research

⁴³ Nevin Economic Research Institute (2020) Research In Brief: Employment and access to childcare during the Covid-19 crisis. <https://www.nerininstitute.net/research/employment-and-access-childcare-during-covid-19-crisis>

Employment Rights

A range of issues arose relating to breaches of different legislative protections, such as the Organisation of Working Time Act, 1997, Payment of Wages Act 1991, and the National Minimum Wage Act, 2000. These employment issues, many of which would have arisen pre-Covid-19, increased in frequency and occurrence during the crisis.

There were reports from clients of employers changing the terms and conditions of employment without employees' consent or notice including a reduction of pay and hours, as well as incidences of unfair selection and processes for lay-off and redundancies. Abuses by employers in operating the TWSS should also be investigated as there were instances of employers withholding earned income from employees which would be paid later in the year. Clients were worried that lodging a complaint with the Workplace Relations Commission (WRC) would be a lengthy process and, especially for those cases impacting on finances, would not provide swift enough results.

An outcome from Covid-19 may be a further negative impact on employee rights, given a deteriorating labour market with increasing levels of unemployment, job losses across various sectors, particularly concentrated in the Accommodation & Food Services and Retail sectors. Younger workers and those in the lower quintiles of income distribution have suffered the greatest number of job losses.⁴⁴

It is likely that there will be a significant increase in formal complaints being made to the Workplace Relations Commission, and further resourcing of their functions including their inspection services⁴⁵ will be necessary, to enable them to respond in an efficient and timely manner. CISs through advocacy work assist and represent people at WRC hearings.

People with disabilities

People with disabilities are a high welfare dependent group who also face many barriers to employment.⁴⁶ There is a need to maintain priority on employment quality and support during this pandemic for people with disabilities in particular, and to ensure reasonable accommodation measures take into account the post-Covid-19 home working reality including provisions for the required assistive technologies.⁴⁷

⇒ Disability and Transport

Transport is a key part of accessing training, education, and employment for people with disabilities who face transport barriers including inadequate and inaccessible public

⁴⁴ Byrne, S. Coates, D., Keenan, E. & McIndoe-Calder, T. (2020) The Initial Labour Market Impact of COVID-19. Vol 2020, No. 4. Central Bank. [https://www.centralbank.ie/docs/default-source/publications/economic-letters/vol-2020-no-4-the-initial-labour-market-impact-of-covid-19-\(byrne-coates-keenan-mcindoe-calder\).pdf?sfvrsn=4#:~:text=Job%20losses%20since%20the%20outbreak,Food%20Services%20and%20retail%20sectors.&text=The%20outbreak%20of%20COVID%2D19%2C%20and%20the%20essential%20measures%20o,job%20losses%20\(Figure%201\)](https://www.centralbank.ie/docs/default-source/publications/economic-letters/vol-2020-no-4-the-initial-labour-market-impact-of-covid-19-(byrne-coates-keenan-mcindoe-calder).pdf?sfvrsn=4#:~:text=Job%20losses%20since%20the%20outbreak,Food%20Services%20and%20retail%20sectors.&text=The%20outbreak%20of%20COVID%2D19%2C%20and%20the%20essential%20measures%20o,job%20losses%20(Figure%201))

⁴⁵ Many employees will not use the formal complaints process available for fear of less favourable treatment at work.

⁴⁶ The employment rate for people with disabilities stood at 32.2% in 2017, and remains below the EU average of over 50% and the employment rate gap between people with and without disabilities is the highest in the EU (42.2 pps vs 24.2 pps in the EU) European Commission, Country Report Ireland 2020.

⁴⁷ The €5million announced recently under the Dormant Accounts Fund to support initiatives to improve employment outcomes for people with disabilities and carers is welcomed.

transport. Concerns continue to be raised about the availability of transport for people with disabilities, particularly so for rural dwellers who often face additional costs with an over reliance on private taxi providers in the absence of lacking access to public transport services. There has still been no replacement for the two transport schemes - Mobility Allowance and Motorised Transport Grant - following their closure to new applicants in 2013. The memorandum on the new Transport Support Scheme was withdrawn from the then government's cabinet agenda in May 2018.⁴⁸

The issues highlighted above point to the need to explore the impact on employment of the pandemic, relating in particular to the **suitability and adaptability of existing employment policies** and legislation in dealing with the new context and in addressing the impact of the pandemic e.g. in relation to flexible and remote working, employer's responsibilities, and WRC functioning.

The pandemic has also placed a spotlight on employment issues relating to hours of work, low wages, precarious employment, including for example, workers with inadequate hours working two jobs, and workers with poor conditions of employment in general (e.g. sick pay, insecure contracts, pensions etc). The pandemic has demonstrated that those who were already in vulnerable work situations are the ones most likely to experience uncertainties and negative consequences from the pandemic. As the feedback to CIB supported services indicate this is compounded for those with parenting and caring responsibilities, who are predominantly women.

Older People

There were considerable concerns for older people aged over 66 years and their non-recognition as workers by either employers in terms of their engagement with the Temporary Wage Subsidy Scheme,⁴⁹ or government in terms of eligibility for the PUP.

Health and safety concerns

Issues reported here included fears that employers would not follow the government and HSE health and safety guidelines, especially the requirements for social distancing, placing employees and their families at risk of contracting the virus and not being allowed to work from home, in the absence of adequate health and safety measures in the workplace. Employees were too fearful of losing their jobs to approach employers, and also concerned that the infrastructure to investigate non-compliance with health and safety guidance was not in place and would not be in place in time. Migrants were particularly impacted here, e.g. according to research conducted by the Migrant Rights Centre of Ireland, 66 per cent of migrants working in meat factories did not believe their employer had done enough to protect them from Covid-19.

⇒ Self-Employed

As the economy started to open up again from May onwards, there were reports of difficulties for self-employed workers, in particular those who had closed their PUP claim as they attempted to re-establish their business. In many cases, the short-to-medium term

⁴⁸ A report of the Joint Committee on Transport, Tourism and Sport on Accessibility of Public Transport for People with Disabilities was produced in November 2018.

⁴⁹ For example, there were cases where employers did not want workers aged 66 years+ return to work due to public health restrictions, and insurance reasons.

earnings are likely to be so low as to discourage the resumption of the business. The Restart Grant available through Local Authorities (which replaced the Business Continuity Voucher Scheme in May 2020) is likely to provide some level of support for some micro and small businesses but is only available to those who fall within the Local Authorities' Commercial Rates Payment System.

Health and Social Care

⇒ Home Care Supports

During Covid-19, many families took on additional responsibilities for providing care to relatives who required support. As people return to work, much of this support may not be sustainable. It is crucially important, therefore, that the level of home care support provided prior to Covid-19 is restored as soon as it is practicable and safe. It is also clear that more resources for home care are required.

There is still no legislative entitlement to or **regulatory framework for home care services**. There is a commitment in the Programme for Government to introduce a Statutory Homecare Scheme, which should be expedited.⁵⁰ A significant number of homecare workers are migrants, some of whom are undocumented, and who were essential workers during the pandemic. The lack of regulation in the sector has led to precarious employment conditions for them, low pay and a risk of exploitation. The work of this cohort during the pandemic should not be forgotten, and the employment issues they experience addressed.

⇒ Medical Card holders

During the first half of the year, the medical card was the second most-queried issue in CISs nationwide after Covid19 PUP. The main focus was on access or administrative barriers and included difficulties in applying for, and renewing, the medical card online. Online renewals for over-70s were noted as a key source of concern for applicants. Other issues raised were relating to awareness, promotion and application of the Medical Card retention scheme; as well as difficulties in accessing GPs in certain areas nationally, willing to take on new medical card patients. The legislation⁵¹ to increase the medical card weekly income limit for people aged over 70 from €500 to €550, and for a couple from €900 to €1,050 has been enacted but has not yet been commenced.

⇒ People with Disabilities

Many people with disabilities will inevitably have experienced great difficulty during the pandemic arising from being locked down and not having access to day services, residents in centres not being able to meet loved ones, and no access to therapies and personal assistance essential for people's well-being and participation. The outcomes of these consequences from the pandemic on the well-being of people with disabilities need to be

⁵⁰A statutory scheme to support people to live in their own homes which will provide equitable access to high quality, regulated home care as well as increased home care hours.

⁵¹ Health (General Practitioner Service and Alteration of Criteria for Eligibility) Act 2020

identified and addressed by service providers. It is likely that some additional state funding and supports will be required to ensure that this happens.

⇒ Mental Health

During the pandemic, significant challenges were faced by people with mental health difficulties. This was almost certainly exacerbated by limited access to counselling services. There is a vital need for a comprehensive and targeted approach to the provision of additional counselling and support services.

⇒ Resourcing the Implementation of the Assisted Decision-making (Capacity) Act 2015

It is critical that the necessary resources to implement this Act are provided in order to ensure that people with reduced decision-making capacity are fully supported in exercising their will and preferences. This is particularly important because of the manner in which it would appear transfers to nursing homes from acute hospitals took place at the beginning of the pandemic. There is also the matter of ensuring that people have a right of access to independent advocates (which is not currently the case). This needs to be addressed with some urgency.

The Covid-19 pandemic has highlighted the pivotal role that public services play in supporting the population, and has highlighted the **universality of need that crosses public/private domains**, as well as high income/low income households. Lessons from the recent events underline the importance of direct investment in our public services, in employment, housing, childcare, education, social and health supports. The pandemic has also spotlighted the necessity and importance of the protection that our social welfare system provides and can provide. More people now have an insight into the challenges of managing on a lower income, albeit one that is not as low as basic social welfare payments, which people with disabilities, those with chronic conditions / illnesses, older people on state pensions or low income working families are required to manage on a long-standing basis.

Recommendations

In-Work Welfare

- Benchmark social welfare rates in line with the Minimum Essential Standard of Living. Social welfare increases must keep pace with other increases across our economy.
- To support one parent families, reduce the Working Family Payment weekly hours' threshold from 19 hours to 15 hours for lone parents.
- Consideration should be given to introducing an earnings disregard for the self-employed on Jobseekers Allowance.
- Introduce an option for the self-employed to increase PRSI contributions to enable access to a full range of entitlements.

Disability, Illness and Caring

- Prioritise the publication of the cost of disability research being carried out and provide the necessary resources to implement its recommendations.

- Introduce a Cost of Disability payment.
- Provision of a once off payment for those solely reliant on the State Pension and people on disability payments in recognition of the additional costs faced during Covid-19.
- Revert to a three-day waiting period for receipt of Illness Benefit.
- Provide an income support measure for the duration of the Covid-19 pandemic for high risk groups unable to work and who are not eligible for the Enhanced Illness Benefit, or another social welfare payment for the duration of the Covid-19 pandemic, for example via the PUP, Enhanced Illness Benefit, or other bespoke payment.
- Consideration should be given to reforming the paid sick leave system, when the pandemic passes, providing a comprehensive system to cover the entire workforce that includes legislative provision for a sick pay scheme.

Other Payments & Benefits

- Phase out the age differentiated reduced rate payment of Jobseeker's Allowance for young people aged between 18 and 24 years.
- Re-instate the Bereavement Grant.
- Review means limits for the Medical Card to reflect increases in social welfare entitlements. Commence legislation to increase the medical card weekly income limits for people aged over 70 years⁵².
- Maintain the Covid-19 extension of the fuel allowance in Budget 2021 in recognition of increased fuel costs due to "Lockdown" and people spending longer periods at home.
- Resource awareness campaigns on specific pre Covid-19 social welfare entitlements and, in light of new changes introduced, particularly relating to rent supplement applicants, Supplementary Welfare Allowance, supports for older people, people with disabilities, people living in direct provision, and migrants.
- The proposed Commission on Pensions should be established as soon as possible to undertake its review of issues including contributions, calculation methods, and eligibility.

Overpayments

- As recommended in the Ombudsman report (2019), the government should follow poverty proofing guidelines as part of its equality proofing work to ensure that any mandatory deductions from customers' incomes made in relation to overpayments, do not cause undue hardship to a claimant or his/her family. The Department should

⁵² Health (General Practitioner Service and Alteration of Criteria for Eligibility) Act 2020

assess the current financial circumstances of a client before applying a deduction or in determining the level of periodic repayments to be paid.⁵³

Online Access

- E-government strategy: the next strategy which will cover the period from 2020 should include plans for promoting digital inclusion and make provision for funding to implement these plans. It should also make provision for offering clients other options for communicating with government. These include accepting written applications for public services and social welfare benefits and allowing enquiries via a public desk or telephone as a particular priority. These options must be adequately resourced and their availability actively promoted.
- Use of Assistive Technologies: Mainstream use of assistive technologies in e-government services, not only to enable their use by people with disabilities but to help many other people with weak digital capacity to use e-government services.
- Resource CISs to provide assisted digital support.
- Ensure the rapid delivery of broadband for rural areas.

Housing

- Ensure Housing Assistance Payment rents align with market rents on a national basis.
- Ensure Rent Supplement levels are reviewed and are adequate enough to meet the rents so as to avoid homelessness and deprivation for low income households
- Support local authorities and Approved Housing Bodies in acquiring long-term leases on units for social housing arising from the collapse in the short-term letting market

Return to Work

- Explore the impact on employment of the pandemic, relating in particular to the suitability and adaptability of existing employment policies and legislation in dealing with the new context and in addressing the impact of the pandemic e.g. in relation to flexible and remote working, employer's responsibilities, inspections and enforcement functioning.
- It is likely that there will be a significant increase in formal complaints being made to the Workplace Relations Commission, and further resourcing of their functions including their inspection services, and the hearing of complaints, will be necessary, to enable them to respond in an efficient and timely manner.

⁵³ Office of the Ombudsman (2019) Fair Recovery. How complaints helped to improve the Department of Employment Affairs and Social Protection's handling of overpayments. [Office of the Ombudsman: Fair Recovery - how complaints helped to improve DEASP's handling of overpayments](#)

- Assess the costs and benefits of introducing an entitlement to flexible working arrangements.
- Re-visit the recommendations of the report of the Joint Committee on Transport, Tourism and Sport on Accessibility of Public Transport for People with Disabilities produced in November, 2018, in particular, to accelerate the implementation of the Transport Support Scheme.
- Resource reasonable accommodation measures in education and employment which are essential for the participation of people with disabilities post Covid-19.
- Progress moving the National Minimum Wage towards the Living Wage as committed to in the Programme for Government.

Health and Social Care

- Provide an adequate level of funding to resource Home Supports, and Personal Assistance for those who need it.
- Resource the implementation of the Assisted Decision Making Capacity Act, 2015.
- Provide for additional counselling and supports for people with mental health difficulties

Section Two – MABS: Debt, combatting arrears and financial exclusion

Introduction

As the country adapts to living with the COVID-19 pandemic, and its economy faces the challenge of reopening and recovering, it is hard to fully determine the impact on citizens in debt or at risk of over-indebtedness. The pandemic has had a global effect, on industrial sectors (hospitality, aviation retail etc.), large public companies, small and medium-sized businesses and individual households. Across all sectors it is evident that younger age groups have been more affected than others^{54,55}. In preparing this pre-budget submission views of staff in MABS Regional companies were canvassed to provide an early indication of the issues emerging, which are likely to remain problematic unless there is a budgetary/policy response. Examining the main economic data sets⁵⁶ gives MABS cause for

⁵⁴ [CSO: Social Impact of Covid19 Survey June 2020 - a snapshot of experiences and expectations in a Pandemic](#)

Table 2.9 Change in net income since the introduction of COVID-19 restrictions by demographic, household and other characteristics, June 2020

⁵⁵ [CSO: Social Impact of Covid19 by Age Group April 2020](#)

⁵⁶ ⁵⁶ [Central Bank of Ireland: Behind the Data - Covid 19 Payment Breaks](#)

[ESRI: Exploring the short-term implications of the Covid19 Pandemic on affordability in the Irish Private Rental Market](#)

[Central Bank of Ireland: Financial Stability Review 2020:1](#)

much concern and we can only anticipate that the impending recession⁵⁷ will hit many very hard, forcing over-indebtedness on households, and undermining their long-term financial prospects⁵⁸.

MABS statistics

For the last several years, the general demographic profile of MABS clients has remained relatively stable. Over the course of 2019, MABS had seen a growth in the number of new clients of just over 9% over 2018, with a total of 19,085, a trend continuing into the early months of Q1 2020.

In 2019, just over 50% of all clients lived in households with children, 54% were reliant on social welfare, with the remainder self-employed or waged and just under 50% were mortgaged. In recent years, there has been some indication of small changes in the composition of the client base, with continued year on year decreases in the number of clients on social welfare (from 61% in 2016) and a small but growing number of older clients (at just over 7.5% in 2020), and a still small, but again growing, number of clients living with friends or family. Over the years there has been a decline in the numbers living in private rented accommodation coming to MABS (23% in 2010, 18% in 2016, 15% in 2019/2020), which is attributed to contraction of supply and prioritisation of private rent by renters, as we know that affordability remains highly problematic for many renters⁵⁹. March 2020 and Q2 2020 saw a significant drop in the number of new clients attending MABS (2,578 in Q2 2020 vs, 4664 for the same period in 2019, with cumulative new client numbers in Q2 2019 of 10,223 relative to a total number of new clients to Q2 2020 of 7,567). Within the new client base, we can see a change in the number of new clients reliant on social welfare, increasing from 54% in Q1 2020 to 57% in Q2. As MABS has remained available for new and existing clients throughout the COVID-19 restrictions, the fall-off in new client numbers is accounted for by a combination of the restrictions, the various payment breaks available to borrowers and consumers as well as by the income support measures implemented by Government. Were it not for these emergency measures, we could have anticipated a very different level of activity and anticipate a strong growth in client numbers across all advice channels, (face-to face, helpline and social) as the breaks end and State payments are tapered/reduced.

The Views of MABS

Many clients of MABS remain financially 'scarred'⁶⁰ by the last recession and are still carrying unresolved legacy arrears often together with an overriding 'precarity' to either their employment/ income status, their accommodation or both. MABS staff report that there is much fear and uncertainty amongst both existing and new clients to the Service over the last several months. Many are experiencing difficulties in planning and related stress. The causes of their concerns are multi-faceted and include:

⁵⁷ [Quarterly Economic Commentary, Summer 2020](#)

⁵⁸ Early data (Weeks 1-3 of the Q2, 2020, Labour Force survey) from the CSO show that those aged 35-64 were more likely to have deferred paying a bill (7%) or were experiencing a difficulty paying mortgage or rent (2-4%). [Central Statistics Office: Employment and Life Effects of Covid19](#)

⁵⁹ <https://www.esri.ie/publications/exploring-the-short-run-implications-of-the-covid-19-pandemic-on-affordability-in-the>

⁶⁰ Kelly, Robert & O'Malley, Terence, 2014. "A Transitions-Based Model of Default for Irish Mortgages," [Research Technical Papers](#) 17/RT/14, Central Bank of Ireland.

Immediate concerns

- access to and affordability of childcare to enable parents return to work,
- similar concerns about the reopening of schools and children's attendance at school each day, concerns about children falling behind, and risking falling further behind if they need to fall back into blended learning without technology in the home .
- multiple concerns about children in 3rd level i.e. students' patterns of attendance and whether outlay on accommodation will be needed, whether students will be able to access part-time work, access to grants etc.

Medium-term concerns

Then there are concerns linked to the nature or sector of the individual's employment, such as loss of income for seasonal workers in hospitality and tourism, or arising from the way that money is earned i.e. where cash incomes have been lost/or substantially reduced i.e. in the case of cash tips. There are also concerns about the costs of payment moratoria and particularly for those with a poor credit history, who were paying higher than average interest costs before the moratoria, the additional costs post-moratoria are likely to compound their financial vulnerability.

Against this background, some clients have been unable to maintain previous restructures/ alternative repayment arrangements (ARAs) or other payments to lenders, while others are managing to maintain arrangements in the short-term despite an income reduction but they, and their Money Advisers in MABS, fear that in the months ahead this may be untenable.

Longer-term concerns

Alongside financial difficulties, Advisers report that clients are expressing feelings of fear and helplessness never experienced before, including fear of leaving their home, meeting other people, getting sick, family members getting sick, fears related to job security and uncertainty about future earnings as well as general fears about what the future holds for themselves and their families⁶¹.

While these sentiments may be shared by the wider population, they are highlighted here to draw attention to the nature of the initial difficulties facing clients of MABS. In households faced with financial difficulties there is a requirement for certainty in order to budget and to plan. There is always an undercurrent of fear and insecurity about a further financial shock and risk of loss of life's essentials – supports for children, utility supply and accommodation. All of these concerns are greatly heightened by the pandemic.

Lessons from the past

In determining the approach, and in highlighting issues for consideration in this pre-budget submission, prepared at a time of uncertainty, it is useful to draw on some lessons MABS learned in its work with clients over the last recession in anticipating needs and related supports.

⁶¹ This more widespread feeling of fear is aligned to sentiments in the wider population 'More than half of respondents to a [recent CSO survey](#) reported they were very or extremely concerned about somebody else's health' [CSO: Social impact of Covid19 Survey June 2020: A snapshot of experiences and expectations in a Pandemic](#)

Table 1 Learning from last recession and thematic recommendations for Budget 2021

Lessons from the last recession	Thematic recommendations for Budget 2021
1. There was a time- lag between borrowers first encountering a financial difficulty and contacting MABS. This can compound debt difficulties and heighten the risk of loans being classed as non-performing ⁶² and being sold.	MABS has been proactive in successfully enhancing its digital supports (web and social) to broaden its reach. Early action is critical to avoiding entrenchment of an arrears difficulty. Both creditors and third parties – MABS and others – must be ready and able to help borrowers in early arrears.
2. There is an emotional response to debt which can have serious consequences on physical and mental health, making the originating issue more difficult to deal with and we anticipate that mental health difficulties will compound over-indebtedness. ⁶³	We need to be more accommodating of over-indebted borrowers with a health/ mental health difficulty – with an urgent need to improve the response.
3. At the start of the last recession the tools available to borrowers, banks/financial institutions and money advisers were insufficient to deal with the issues their clients presented with. Vital time was lost in providing borrowers with pathways to achieve debt resolution; and having perhaps engaged early to achieve resolution many failed, disengaged and remain, to this day, without a solution and with complex and intractable legacy arrears.	As the payment breaks end, banks/others must have the systems and manpower capability to help customers to resolve their difficulties in a realistic and empathetic way. New tools and processes will be needed to help borrowers in early arrears – action is needed now to ensure that no time is lost in encouraging and assisting borrowers to find sustainable solutions.
4. At the point at which many clients came to MABS they were heavily over-indebted had depleted all savings and had no ‘buffer’ remaining against any further	In supporting borrowers to put in place arrangements with their creditors there must be a level of permissible retained savings allowed.

⁶² At 90 days past due

⁶³ **One in four** adults will have a mental health problem at some point in their life, **one in two** adults with debts has a mental health problem, **and one in four** people with a mental health problem is also in debt. <https://www.rcpsych.ac.uk/mental-health/problems-disorders/debt-and-mental-health#:~:text=One%20in%20two%20adults%20with,%2C%20depressed%20%E2%80%93%20or%20even%20hopeless.>

Lessons from the last recession	Thematic recommendations for Budget 2021
<p>income shocks. As a consequence many had no alternative but to avail of high cost credit and faced a resulting debt spiral.</p>	<p>The Central Credit Register (CCR) may need to be revisited in the context of COVID 19, so that borrowers whose incomes and repayments capacity have been impacted solely by the pandemic can gain access to credit in the future. This will be particularly important for younger borrowers and renters wishing to access a mortgage in the future.</p>
<p>5. Assisting self-employed with personal indebtedness was problematic due to the lack of supports available at the time for self-employed borrowers and the different expertise required to assist in this area. This remains as an area where an improved response is required to mitigate potential spill-overs from self-employment and business debt such as loss of the family home.</p>	<p>There is a need for a specialist support for self-employed borrowers who have personal debt difficulties.</p>
<p>6. In every pre-budget submission over the last decade CIB/MABS has flagged the need for measures to improve housing security/prevent loss of housing for its clients. Over the years procedural and administrative mechanisms have greatly improved, but against a background of a growing housing crisis due to shortage of supply. The stakes are now much higher in cases of accommodation arrears and the importance of housing security greatly magnified as housing is now critically tied to safety/sanctuary/disease control as well as to economic productivity for a remote workforce.</p>	<p>Measures are needed urgently to prevent a worsening of accommodation arrears and a risk of housing loss.</p>

Actions taken now by borrowers, and critically the creditor response and the institutional and regulatory framework, will have a long term impact on individual/household financial recovery and that of the State.

The role of MABS

This pre-budget submission sets out a number of key areas where the potential exists to ameliorate problems quickly and prevent more deep-rooted problems with potentially long tail-ends which could suppress wider economic recovery. Resourcing social services to address the needs of citizens following Covid-19 must be a central focus for budget 2021. MABS played a key role over the currency of the last recession, having assisted approximately 500,000 borrowers between its phone and face-to-face channels alone and will need to be adequately resourced⁶⁴ to meet the demands it will inevitably face in the months and years ahead. There is a related requirement to mainstream existing specialist services such as the Dedicated Mortgage Arrears Advice Service (DMA MABS) as a core aspect of service delivery in MABS and to fund additional specialist services to support low income borrowers with insolvency and bankruptcy services and to assist over-indebted self-employed borrowers.

Additional focus on households on a low income and people in vulnerable circumstances

Among the groups that MABS views as being most vulnerable⁶⁵ and who must not be forgotten, are:

- People living in emergency or other forms of temporary accommodation and people in long-term mortgage arrears or rent arrears and at risk of losing their home,
- Those in receipt of invalidity pension, on a disability allowance or in receipt of carers' allowances, who may be extremely isolated as a consequence of COVID-19,
- Older age groups – those aged 70+ who may need additional and more robust supports to age safely and well at home.
- Additionally, within these groups there are people with more acute needs such as those with addiction, mental health difficulties/chronic or acute health conditions, people experiencing domestic abuse etc. and others who may be isolated either due to physical isolation in remote communities, or by virtue of a cognitive, learning or language barrier which makes connectivity and communication more difficult.

We wish to see, across all Regulators and main creditor groups (including State creditors) a much fuller policy commitment to an **additional** level of care in working with consumers who are living in such vulnerable circumstances. We welcome the responsiveness of main creditors and regulators in implementing necessary emergency measures to protect consumers. These could provide the substance of a framework for affording greater protection to the most vulnerable in the context of the Living with Covid plans. We further note that NES⁶⁶ highlight that *'a single-minded focus on the social dimensions of the crisis would concentrate, first and foremost, on insulating the most vulnerable against the worst effects of the recession and taking measures to protect those newly experiencing loss of employment, income, savings and pensions'*. (p56).

From the MABS perspective, this applies in the first instance to arrears management and resolution, but it also applies more broadly in relation to access and affordability of essential

⁶⁴ In June 2020, the UK Treasury announced an extra £37.8 million of funding to provide essential debt advice services and help more people who are struggling with their finances due to coronavirus (Covid-19).

⁶⁵ There is no shared definition of a vulnerable consumer across the Irish credit sector – the UK's FCA identifies vulnerability that can arise across 4 main areas – health, life-events, resilience, and capability.

⁶⁶ [NES: Ireland's Five part Crisis: An integrated National Response](#)

goods and services, sales and marketing of products, the provision of customer supports and upskilling of staff to recognise consumer vulnerability and achieve improved outcomes in working with vulnerable customers and customers in crisis.

Recommendation:

- **Regulatory and creditor commitment to additional protection of consumers in vulnerable circumstances.**

Household supports

While we welcome the supports already implemented since the COVID outbreak, MABS hopes that the protections afforded to households can be retained via a more targeted approach, which supports households to pay in line with affordability to protect their home or their tenancy. CIB and MABS have previously highlighted deficiencies in the HAP Scheme in pre-budget submissions and highlight again that there is too great a gap between the payment and landlords' expectations and the problem of 'top-ups' persists. MABS also has a concern for growing numbers of older clients who are renting privately and who do not know how they will afford their rent post-retirement.

In respect of mortgage payment breaks, we have some initial indications that some borrowers, facing grave uncertainty at the outset of the pandemic, may have availed of payment breaks as a preventive measure and are now facing the additional costs of repayment. While the breaks were a necessary measure at the time, borrowers with capacity to pay-down deferred payments on an accelerated basis should be accommodated. Additionally, some borrowers already on high interest rates will face significant costs in repaying the deferred repayments and we believe that the charging of interest on deferred payments for borrowers who lack affordability should be reconsidered or set at a low nominal rate.

Recommendations

- **Review of HAP to reduce/eliminate the top-up requirement.**
- **New measures are needed to protect older/retired renters**
- **Interest on deferred payments for borrowers who lack affordability should be reconsidered or charged at a nominal low rate.**

Education /financial literacy /financial inclusion

The current uncertain environment requires greater levels of individual and household resilience and know-how to both mitigate and deal with income shocks and to plan ahead in the face of uncertain futures. While MABS has for many years played a role in Money Management Education which has been executed through a variety of interventions⁶⁷ at local and national level, at this point a more fundamental approach is required with a need for 'financial literacy' to be built into the schools' curriculum as a means of empowering future generations to understand and exercise greater control over their short and long term financial well-being, make better spending choices, save, avoid expensive borrowing

⁶⁷ E.g. local level programmes such as, EuroWatchers, a home budgeting programme, as well as national programmes 'Get Smart with Your Money' and Global Money Week, as well as local and context/target group specific programmes for younger people and Travellers.

and problem over-indebtedness and generate awareness of the need for long-term financial planning for housing, pension and future care needs.

Recommendation

- **Introduce a national financial literacy programme as part of the schools' curriculum in conjunction with MABS and other stakeholders.**

Preventing arrears by supporting payments

Covid-19 caused the biggest disruption in the routinised making of payments by Irish households in the State's history⁶⁸, with deferrals facilitated by the State (e.g. local property tax) and moratoria by banks financial/ institutions and unprecedented rebates (motor /health insurance) as well as changes in modes of making payments (shifts in consumption patterns and transitions from cash to online). While the moratoria were necessary, it became evident that the systems capability was lacking, across main creditor groups, to facilitate acceptance of payments in line with affordability and thus an 'all or nothing approach' was adopted in many instances, with a consequent break to the payment 'habit' and in some cases a bigger gap to bridge at the point of payment resumption.

A core aspect of the MABS approach is to work with clients to develop a sustainable, patterned and affordable approach to the making of priority payments⁶⁹ and we have three related concerns. Firstly, COVID-19 exposed a potential vulnerability in this process with vulnerable groups and those 'cocooning' constrained in their access to banks and financial institutions⁷⁰ and their capacity to make payments in cash. Secondly and relatedly, for some the break in routine may make re-establishing a routine more difficult. Finally, the enabling technologies to facilitate remote/ online payments are not fully accessible to all, (many MABS clients prefer cash) and require a different approach to budgeting and money management.

In MABS experience, the Household Budget Scheme⁷¹ – introduced in 2009 as a budgeting aid for those who are paid their social welfare payment via the Post Office is an excellent scheme and provides an accessible and routinised system for money management, ensuring that those that use it do not fall behind in payments for accommodation, utilities etc. MABS would like to see an urgent review and expansion of the Scheme with consideration given to the following:

- Those on social welfare payments and paid via their bank account to have the deductions made at source to pay for rent/utilities.
- Potential for rental payments to be made directly to private landlords
- The maximum rate of 25% deduction to be reviewed with a view to increasing this threshold

In addition, and for those *not* in receipt of a State payment there is a need for a 'payments infrastructure/system' ideally via deduction at source, for priority payments. Such a system

⁶⁸ [Central Bank of Ireland: How has the Covid19 Pandemic affected daily spending patterns?](#)

⁶⁹For MABS priorities include : mortgage/rent, utilities such as electricity and gas, TV licence, car insurance, income tax and property tax

⁷⁰ It is acknowledged that exceptional measures were taken by both the DEASP/An Post and banks /financial institutions to facilitate the needs of people 'cocooning'.

⁷¹ [An Post: Managing your household budget](#)

would ensure that the payment habit remained and there was no artificial inflation of arrears due to the absence of an accessible system for making priority payments.

Recommendations

- **Review and broaden scope of Household Budget Scheme to support payments for priorities – accommodation, utilities etc.**
- **Develop an ancillary affordable payment system for non-SW recipients, and particularly those in vulnerable circumstances, to support continuity of priority payments and unnecessary accumulation of arrears.**

Access to affordable credit

While CIB/MABS welcomed recent announcements in relation to the regulation of licensed money lenders⁷² an improved regulatory environment does not compensate for the dearth of affordable credit for households that need it. Similarly, the ‘It Makes Sense Loan’⁷³ is a hugely positive development, but it is not yet at a scale where it has challenged licensed moneylenders to the point at which their interest rates are either competitive or affordable and it is felt that only through the capping of interest rates that predatory pricing strategy will change.

The problem of illegal money lending, which results from a lack of successful prosecutions and a lack of alternatives, also remains. Some advisers have reported that families in their communities are living under threat of sustained intimidation from illegal moneylenders, including a continuation of people being accompanied to their local Post Office on payment / Child Benefit day by the illegal money lender and forced to hand over the majority of their payment. While MABS encourages all clients to report illegal moneylending to the Gardaí, fear is an impediment and in such cases, supports from the CWO, SVP and MABS are limited.

MABS welcomed the Central Credit Register (CCR) to support more responsible lending practices, but a perhaps unintended consequence has resulted, where a poor payment history and consequent lack of access to credit is locking clients out of important supports. (The MICA Redress Scheme was mentioned, where clients cannot borrow the 10% co-funding required, or the initial funding for an engineer’s report). While there are huge benefits to borrowers from more responsible lending, we are concerned about the impairment of credit ratings of large numbers of borrowers as payment moratoria expire or the possibility for ‘perverse incentives’ to emerge as consumers attempt to protect their credit ratings by allowing other arrears (on debts not recorded on the CCR) to build.

Recommendations

- **CIB/MABS made a submission to the Department of Finance (July 2019) setting out their views on the need for an interest rate cap on licensed moneylending and await the outcome of the Department’s consultation.**
- **Support for progression on the work of the Personal Micro Credit Task Force on Illegal Moneylending.**
- **There needs to be more education about the CCR so that borrowers fully understand what is recorded and for how long and how lenders may use it in lending decisions. There may be a need to consider the reduction in the recording**

⁷² [CIB: CIB welcomes new protections for consumers of licensed moneylending services](#)

⁷³ [It makes Sense Loan](#)

period from 5 to 3 years to enable borrowers affected by the pandemic to access credit at an earlier point.

The need for a small business debtline

While business debt does not fall within the remit of MABS, whose services are aimed at the personal and family debts of people on a low income, there is very often no division of the finances of micro-entrepreneurs into “business” and “personal”. Further, over the currency of the last recession it was MABS experience that small business owners often put up their home as collateral for business loans and did not have separate accounts for home finances. Even if the home has not been put up as collateral, as the trader is not limited by guarantee, his/her personal assets may be subject to repossession. It is this, together with their loss of income, and lack of capacity to resolve their debts, that brings such clients to MABS. MABS can offer advice and support in relation to personal debt but does not, at present, have the necessary specialist expertise to advise on small business debt. The difficulties need to be resolved holistically i.e. because in these cases they are so intertwined, business and personal debts need to be looked at jointly. In the absence of such support we are concerned that business and personal debts could grow and that salvageable enterprises may fail. (It should be noted that through its linkage with relevant professional, accountancy and legal bodies, CIB/MABS can provide a conduit to limited pro bono support).

Findings in relation to the UK’s Business Debt Line⁷⁴ which provides phone advice to circa 38,000 callers per annum demonstrated that 9–18 months after receiving advice, ‘87 per cent had achieved at least partial resolution of their debt problems, with 87 per cent considering the advice received as having been helpful in improving skills to better manage money and deal with debts’. The infrastructure for such an initiative exists within the MABS Helpline, with the potential for a partnership approach with the local enterprise structures.

Recommendation

- **Establish a Small Business Debt Line modelled on [Business Debtline 2020](#) as a joint initiative between MABS and local enterprise support structures**

A hybrid approach to debt resolution

In this pre-budget submission MABS sets out the requirement for a ‘hybrid’ approach to debt resolution, involving:

- 1) A robust and time-bound framework for enabling borrowers in early arrears to reach arrangements with their creditors (with the assistance of MABS where that is necessary),
- 2) Improved access to, and throughput from, personal insolvency and bankruptcy (where needed) for all borrowers, but particularly low income borrowers and those in late stage mortgage arrears.

Role of voluntary or informal arrangements

Voluntary or informal arrangements are the primary vehicle for debt resolution in Ireland and have been extensively used in mortgage arrears resolution (within the MARP process under the CCMA). While unconvinced of their utility for deep or late-stage mortgage arrears, (other than in cases where there has been/will be an improvement in income) we envisage that informal arrangements will be a particularly important tool in the impending

⁷⁴ Economic_Impact_of_Debt_Advice_-_main_report.pdf (p47)

recession, where it is hoped that borrower difficulties will be for a shorter-term and ultimately resolvable. Outside the MARP process, there is no national standard for informal/voluntary resolution of unsecured debt (albeit MABS has protocols with all main non- State creditors).

The process could be enhanced by giving a stronger footing to key principles within these protocols so that debtors have a more seamless and expedient path to resolution. Internationally, such ‘Out-of-court frameworks’ (of which MARP is one), typically set out the core obligations for informal debt negotiations with financial institutions, such as a standstill agreement preventing debt enforcement. They can be adopted quickly, ideally driven by the country’s central bank and bankers’ association and third party debt advisors. A model scheme⁷⁵ the Debt Respite Scheme or ‘Breathing Space’ is currently before the UK Parliament and aims to provide a ‘breathing space’ by giving people in problem debt a 60-day period where interest and charges on their debts are frozen and enforcement action from creditors is paused in cases where the borrower is availing of regulated debt advice. A vitally important aspect of the UK scheme, in the current context, is that the protections it offers will prompt more people to seek out professional/formal debt advice and to access it *earlier*, while also giving people the time and space they need to choose the right debt solution for them. The Explanatory Memorandum accompanying the UK Scheme states that *‘The wider benefits on society (that is the net present social value) are forecast to be £9.2bn in 2016 prices’*⁷⁶. Moreover, and from a macro-economic perspective, such a scheme would give far better insights into the progression of loans into deeper arrears (and in the case of housing, potential homelessness) and the capacity to augment the policy response to prevent this from happening.

Breathing space and mental/ health crisis

A particularly important aspect of the UK scheme is the protections it affords borrowers in a mental health crisis. A mental health crisis moratorium under the UK scheme does not end until: 30 days after the individual stops receiving mental health crisis treatment. While MABS currently does not gather data, most money advisers have supported a client in a mental health crisis and will have experience of client suicide/suicidal ideation in the course of their career, where debt is a significant contributory factor. MABS has processes for supporting borrowers experiencing a mental health crisis including suicide risk. What is lacking is a ‘mirroring’ process on the creditor side so that creditor and adviser can ensure that they do their utmost to support clients in crisis and that the stress of dealing with debt does not add further to any client’s vulnerability. MABS would add that the provision should also apply to a health crisis so that no-one dealing with an acute health difficulty is also confronted with an immediate need to resolve problem debt. This applies to life changing and life-limiting diagnosis as well as in cases of COVID-19 and recovery from COVID-19.

Government debt management

MABS anticipate, as occurred in the last recession, that there may be an increase in borrowers approaching the service with debts owed to government departments and agencies. There is no shared framework/protocol for debt resolution in such cases. This is

⁷⁵ <https://www.legislation.gov.uk/ukdsi/2020/9780348209976/contents>

⁷⁶ [Legislation.gov.UK: Explanatory memo on the Debt Respite Scheme](#)

an area where both MABS and State creditors could improve processes for borrowers, with the likely impact of a greater return to the State as creditors, lower administrative costs to the State and an improved process for borrowers⁷⁷.

Recommendations

- **Introduce a breathing space for informal debt resolution freezing interest and charges and enforcement for the duration**
- **Apply additional breathing space for borrowers experiencing a mental health or health crisis so that treatment can be the priority focus.**
- **Include State creditors in rules governing arrears resolution and management**

Review MARP and CCMA

A primary concern in relation to the CCMA is that the suite of options as set out at section 39 (A-I) has become extremely constrained as cases have progressed and bank loans have been sold to third parties. We suggest that there should be a minimum mandatory required suite of options including options which encompass a borrower's inability to repay the mortgage in full. There is a need for greater capacity to permanently reduce interest rates, where borrowers with sub-prime mortgages continue to pay a premium while struggling to catch up on arrears. The Code was not developed in anticipation of protracted arrears and has proven ineffective in meeting the needs of older borrowers who need different solutions including, for example, interest only for life combined with a debt for equity swap or inter-generational mortgages. Such options should become a mandatory requirement for certain cases and would more firmly anchor the new loan owners (non-banks) to the Irish mortgage market.

The Code does not adequately address the legal or inter-personal complexities of putting in place arrangements for separated borrowers who may need financial support to access mediation to put in place an arrangement. There is a related need for legal aid and social housing supports for victims of domestic violence and for women/men who have had to leave the family home but whose name is still on the mortgage.

Viewed through the lens of COVID 19, the Code is paper-heavy and cumbersome and banks/financial institutions need to do more to digitalise the process to ensure it is accessible for borrowers.

Finally, there is a lack of financial support for representation for borrowers who may believe they have a valid defence to possession proceedings but cannot currently access legal aid.

Recommendations

- **Review of MARP CCMA with an emphasis on a mandatory requirement for a suite of options /solutions for late-stage mortgage arrears resolution and solutions for older borrowers and separated couples.**
- **Digitalisation of MARP process to increase accessibility and increase efficiency**
- **Resourcing of legal aid for representation in cases of mortgage arrears.**

⁷⁷ The UK Government has recently launched a call for evidence on Government Debt Management, [Cabinet Office: Fairness in Government debt management: Call for evidence](#)

Personal Insolvency

We note and welcome commitments in the Programme for Government to *'Introduce the necessary reforms to our personal insolvency legislation and ensure that sufficient supports are in place for mortgage holders with repayment difficulties'* (p23) and look forward to an opportunity to submit a full submission on any review. MABS has previously made a number of submissions both to the ISI and to the Department of Justice on changes in legislation to make the process more accessible for borrowers. Personal Insolvency, in our view, should not be the first step in the resolution of **early** arrears cases. Borrowers should be given the means and the opportunity to engage with a fair and **robust informal process** in the first instance, and in cases where that has not worked, or where there is no demonstrable prospect of recovery through that route – i.e. the debt to income ratio is too high, borrowers should have full access to insolvency solutions. Fundamentally, what is needed is a process that progresses the borrower to either or both options on a timely basis, without loss of momentum and related costs and unnecessary stress on the borrower as they seek a solution.

More than once per lifetime

Each insolvency arrangement may only be accessed once by a debtor. An amendment to the Personal Insolvency Act, 2012 to allow borrowers to access arrangements more than once would support the use of the legislation as an economic tool providing a fresh start to those who need it enabling them to meaningfully participate in economic society. This is of particular importance now, as it may be the case that borrowers who have already achieved an arrangement may, solely as a result of the pandemic, need a further arrangement in the years to come.

Personal insolvency - MABS experience

In order for this hybrid model to work, borrowers will need equitable access to personal insolvency so that there are no artificial impediments or constraints to their access to the solution that is best matched to their needs.

Non-Commercial PIP Service in MABS

There is an urgent need for a non-commercial Personal Insolvency Practitioner (PIP) Service in MABS with a focus on finding arrangements for low-income insolvent borrowers. This is primarily for those cases where, having explored other options for resolution, the borrower's income remains insufficient to both offer a sum in an arrangement and cover a commercial PIP's professional and administrative costs. The approach has been positively tested by a non-commercial PIP operating in Waterford MABS since 2015, and has been externally evaluated. In 2019, as key stakeholders in any such potential project, CIB/MABS and the ISI jointly made a submission to the Department of Employment Affairs and Social Protection, proposing that the service become a core part of MABS service-offering for low income insolvent borrowers.

We know that key issues in resolving any arrears difficulties are time and engagement. If a borrower gets support and a pathway to resolution early they have a much greater prospect of resolving their difficulty. If however, (as sometimes happens in the case of low-income insolvent borrowers), they reach out for a statutory solution and find the necessary relief is unattainable via the 'market' response, there is a high risk of disengagement, continued accumulation of arrears and ultimately the potential for housing loss grows.

Aligned to this proposal, is the need to highlight the ameliorative potential of the Debt Settlement Arrangement (DSA) in the current crisis. The DSA has long been the ‘Cinderella’ of the personal insolvency suite, gaining far less traction than either the PIA, DRN or bankruptcy⁷⁸. The nature of the current pandemic brings to the fore the utility of the DSA as a mechanism to shore-up housing security. The ‘accelerated DSA’ combined with an ARA on the mortgage, can provide an efficient route out of unsustainable unsecured debt, particularly in cases where the unsecured debts pose a threat to housing security.

Debt Relief Notice (DRN)

The Debt Relief Notice (DRN) or DRN has a transformative impact on clients who avail of it but there are a number of changes that are needed to increase access and throughput.

1) MABS proposes a reduction in the 3 year supervision period for Debt Relief Notices (DRN) to one year.

MABS views the cohort of potentially eligible borrowers for a DRN as amongst the most vulnerable of its clients. Their financial situation is often very fragile and unsustainable and they are inclined to manage their money day-by-day or, at best, week-by-week. In this context, while such clients stand to benefit greatly from the process, the duration of the supervision period is perceived by them as lengthy and onerous and MABS advisers/ Approved Intermediaries find that prospective applicants are put-off by the length of the commitment they must make to the process over a 3 year time frame. This has particular relevance for DRN eligible insolvent debtors hoping that they will return to employment as the economy recovers

It is over 5 years now since the Bankruptcy (Amendment) Act, 2015 reduced the term of Bankruptcy, from three years to one year. As the original rationale for including a three year supervision period for Debt Relief Notices was to tie in with the bankruptcy period, a similar reduction to the Debt Relief Notice supervision period is now well overdue. This would align both bankruptcy and Debt Relief Notices with similar schemes in other jurisdictions such as the UK and Northern Ireland.

Further, our view is that a one-year term would focus creditors on the need to engage more constructively with borrowers in putting in place voluntary arrangements.

2) The need for a more accessible process

The experience of AI’s in working with borrowers availing of the DRN has demonstrated that borrowers often arrive at the DRN after failed attempts to resolve their indebtedness through other means. They are often both financially vulnerable and personally fragile as a

⁷⁸ See table 7.1. for data on arrangements by type, the data also show that the DSA is more likely (70.3% vs. 50.6 % for a PIA) to get a ‘yes’ vote as an ‘outcome from the protective certificate’ (p7). [ISI Statistics Report Qtr 1 2020: ISI tackling problem debt together](#)

result⁷⁹. The process is overblown and intimidating in the context of the debts owed. One important lesson that has been learnt from the pandemic is that it is possible to implement a 'lighter' process and measures to further remove the administrative burden are needed to enable more debtors to avail of this solution.

3) Removal of preference as an eligibility criterion for a DRN

This has been raised previously by MABS as a problematic aspect of the legislation. Moratoria of various types have been available over the last several months on some, but not all debts, and it is possible that some borrowers have taken the opportunity to pay-down some higher cost debts, as a pragmatic measure to avoid a worsening of their situation, when full payments resume. Depending on the nature or pattern of payments this could be judged to be a 'preference' and in the case of the DRN may risk locking the borrower out of a statutory solution at a later point in time.

4) Remove 'Excludable debts' from DRN process

MABS has experience of clients undertaking the DRN process and yet remaining heavily over-indebted primarily as a result of 'excludable debts' owed to Revenue and the Department of Employment Affairs and Social Protection. They are therefore denied the opportunity of a true 'fresh start' and achieve only a partial resolution to their over-indebtedness with the DRN serving, in some instances, as a means for the debtor to prioritise payments of debts owed to the State rather than facilitating their full return to 'economic activity in the State' in line with the original objective of the legislation.

(Note: MABS Advisers have proposed other changes to the DRN process which could be more fully expanded on in a review of the legislation).

Recommendations

- **Enable debtors to access insolvency more than once in a lifetime**
- **Establish a non-commercial /public PIP service in MABS**
- **Reduce the DRN supervisory period from 3 years to one year**
- **Make the process more accessible**
- **Remove preference as an eligibility criterion**
- **Remove 'excludable' debts from DRN process**

A backstop against housing loss

Finally, beyond measures that borrowers and creditors must take to find solutions, there must be a backstop⁸⁰ that gives certainty to citizens about their access to essential social services (healthcare, childcare and education, income supports etc.) Crucially for MABS,

⁷⁹ See: *Human Capital and Administrative Burden: The Role of Cognitive Resources in Citizen-State Interactions* [Wiley Online Library: Human Capital and Administrative Burden - the role of Cognitive Resources in Citizen-state interactions](#) 'People's human capital influences how they engage with administrative processes. Groups with lower levels of human capital struggle more with administrative burdens; therefore, they are less likely to access public services'

⁸⁰ [The Irish Times: Patrick Honohan: Preparing for post-pandemic financial reckoning.](#)

there must be within Budget 2021 a ‘backstop’ that prevents housing loss and the potential for homelessness while the pandemic lasts. That backstop may be a combination of measures but is likely to include

- Mortgage to Rent – which requires a review of its eligibility criteria to bring more borrowers into scope – there are particular concerns about levels of equity acting as a barrier for households in certain parts of the country (e.g. East coast).
- Support for a mortgage interest⁸¹ or a similar supplement to prevent slippage from early stage to deep mortgage arrears in cases where the pandemic has caused an affordability gap between the contractual mortgage repayment /an alternative arrangement and available income.
- Planned regional development combined with workforce planning, to enable workers to work and live outside of those locations where supply is most constrained and accommodation costs highest, as well as for those that must attend at a workplace (often lower-paid workers) to afford to live in its locale.
- Improved supply of social housing

Together these measures will provide an essential safety net against homelessness for borrowers.

Conclusion and summary of debt resolution/financial inclusion recommendations

Learning from the last recession we know that creditors and MABS/third party advisers need to offer pathways to realistic solutions and that the experience of reaching out for support must be affirming for borrowers in difficulty. We know that early and constructive engagement makes resolution more likely and that very effort must be made to prevent a spiraling of arrears. Households need to see a viable prospect for resolution and see beyond resolution into a future where they can access affordable credit again and move on. Households and particularly those on the lowest incomes need a ‘buffer’ in the form of an amount of permissible retained savings as a contingency against future emergencies. From MABS perspective the needs of the most vulnerable must be a priority focus and their health/wellness and financial situation are linked and this is compounded by the pandemic.

Progress has been made on improving options for borrowers in difficulty but more can be done to make the process of resolving arrears more streamlined and more borrower-focused - this applies to both putting in place informal solutions (ARA’s) and insolvency. Thus, alleviating the very detrimental stress of over-indebtedness and improving the effectiveness of existing supports. While MABS has an important role to play, the efficacy of its contribution to supporting borrowers is heavily reliant on the broader policy environment and the actions of creditors and regulators.

List of recommendations

The following table summarises related recommendations together with the body or agency they are relevant to.

⁸¹ The Mortgage Interest Supplement, (MIS) phased out from 2014, was, in MABS experience, an important support for borrowers. A similar scheme or a variant⁸¹ may have the potential to form part of a package of measures to keep borrowers in their homes as the economy recovers⁸¹ and reduce inequities between groups based solely on their accommodation status.

Table 2 Summary of recommendations for Budget 2021

MABS recommendations for Budget 2021
Ensure MABS is adequately resourced to meet anticipated demand
<p>Protection of consumers in vulnerable circumstances</p> <ul style="list-style-type: none"> Regulatory and creditor commitment to <i>additional</i> protection of consumers in vulnerable circumstances. <p>Relevant to: Central Bank of Ireland, ComReg, CRU – credit industry, utilities and broadband providers</p>
<p>Household supports</p> <ul style="list-style-type: none"> Review of HAP to reduce/eliminate the top-up requirement. New measures are needed to protect older/retired renters Interest on deferred payments for borrowers who lack affordability should be reconsidered or charged at a nominal low rate. <p>Relevant to: Department of Housing, Planning and Local Government, DEASP, Central Bank of Ireland.</p>
<p>Budgeting and saving</p> <ul style="list-style-type: none"> Publicise the Minimum Essential Standard of Living as a guide to budgeting in uncertainty. Permit a retained amount (circa €2,000) for over-indebted low-income households to retain as a buffer against future income shocks or combine with a ‘borrow and save’ programmes to enable low income households build savings as they pay off debts. It is important that there are appropriate investment /savings options for low income households and, to the extent possible, that low-income households in particular are facilitated to build and hold a rainy-day fund. Interest on deferred payments for borrowers who lack affordability should be reconsidered or charged at a nominal low rate. <p>Relevant to: MABS, DEASP, Credit industry, Banks/financial institutions</p>
<p>Money management education/financial literacy</p> <ul style="list-style-type: none"> Implement a national financial literacy programme as part of the schools’ curriculum in conjunction with MABS and other stakeholders. <p>Relevant to: Department of Education and Skills, National Council for Curriculum and Assessment MABS, CCPC, Banks/financial institutions,</p>
<p>Supporting priority payments</p> <ul style="list-style-type: none"> Review and broaden scope of Household Budget Scheme to support payments for priorities – accommodation, utilities etc. Develop an ancillary affordable payment system for non-SW recipients, and particularly those in vulnerable circumstances, to support continuity of priority payments and unnecessary accumulation of arrears. <p>Relevant to DEASP, An Post, Credit industry, Banks and financial institutions, utilities and broadband providers.</p>
<p>Access to affordable credit</p> <ul style="list-style-type: none"> CIB/MABS made a submission to the Department of Finance (July 2019) setting out their views on the need for an interest rate cap on licensed money lending and awaits the outcome of the Department’s consultation.

MABS recommendations for Budget 2021

- Progression of the work of the Personal Micro Credit Task Force on Illegal Moneylending.
- There needs to be more education about the CCR so that borrowers fully understand what is recorded and how lenders may use it in lending decisions. There may be a need to consider the reduction in the recording period from 5 to 3 years to enable borrowers affected by the pandemic to access credit at an earlier point.

Relevant to: Department of Finance, CBI, Credit Unions, banks and financial institutions,

Supports for self-employed

- Establish a Small Business Deb Line modelled on [Business debtline](#) as a joint initiative between MABS and local enterprise structures

Relevant to: DEASP, Department of Enterprise, Business and Innovation, MABS, LEO etc.

Hybrid Approach to Debt resolution

Informal arrangements

- Introduce a 'breathing space' for informal debt resolution; freezing interest and charges and enforcement for the duration of the breathing space.
- Apply additional breathing space for borrowers experiencing a mental health or health crisis so that treatment can be the priority focus.
- Include State creditors in rules governing arrears resolution and management

Borrowers in mortgage arrears MARP/CCMA

- Review of MARP CCMA with an emphasis on a mandatory requirement for a suite of options /solutions for late-stage mortgage arrears resolution and solutions for older borrowers and separated couples.
- Digitalisation of MARP process to increase accessibility and increase efficiency
- Resourcing of legal aid for representation in cases of mortgage arrears.

Relevant to CBI, MABS, Banks and Financial Institutions, State Creditors, CRU.

Insolvency

- Enable debtors to access insolvency more than once in a lifetime
- Establish a non-commercial /public PIP service in MABS
- Reduce the DRN supervisory period from 3 years to one year
- Make the process more accessible
- Remove preference as an eligibility criterion
- Remove 'excludable' debts from DRN process

Relevant to: DEASP, Department of Justice and Equality, MABS, ISI

Backstop against housing loss

- Review of MTR eligibility criteria (valuations and equity thresholds in particular) to make it more accessible.
- Consider introduction of mortgage interest supplement similar/where there is a short-term affordability gap.
- Balanced Regional Development -to take account of new patterns of attendance at the workplace and ensure that those who must attend a workplace can afford to live in its locale.
- Increase supply of social housing

Relevant to: DEASP, Department of Housing, Planning and Local Government.