

The impact of problem debt on health – a literature review

FACTSHEET

Produced by Ray Earwicker, Health Inequalities Unit, Department of Health, England*,
for the Equity Action project

This factsheet summarises the main findings of *The impact of problem debt on health – a literature review*. The review looked at the relationship between health – and mental health in particular – and problem debt – that is, the kind of debt that people have difficulties repaying. It reviewed the evidence on the differential impact of poverty and debt on health, on the link between health, wellbeing and debt and the different kinds of debt, and the scope for a preventative approach, and offered suggestions for action.

What is problem debt?

There is no common definition for over-indebtedness across EU Member States but there are common elements that characterise its handling, namely a focus on households rather than individuals and an approach that covers all contracted financial commitments, including mortgage, consumer credit and utility bills. Falling behind with payments and into arrears is the key characteristic of ‘problem debt’.

Problems of definition hamper the collection of evidence. Most research into the links between debt and health does not differentiate between types of problem and non-problem debt, making it difficult to be clear about the specific impact of problem debt.

Level of debt

The data show that household indebtedness levels in the EU rose steadily as a share of disposable income between 2005 and 2009, with only Germany, Ireland and Austria exempt from this trend. The difficulties associated with ‘problem debt’ – including mental health problems – intensified with the coming of the 2008 economic crisis, with an increase in the proportion of European households that reported housing, utility or credit arrears. It is an effect exacerbated by reductions in social welfare spending and benefits as governments seek to reduce public spending.

Debt and health

The association between personal debt and health is complex, not all debt is ‘problem debt’, and there is an overlap between poverty and debt. Another factor is the extent to which an individual perceives debt as a ‘problem’, and therefore a possible source of stress





and anxiety. The association is mediated by a range of factors, including family and other relationships, and the extent to which they are socially excluded.

A consistent message that has characterised previous research is that, despite the absence of robust evidence of a causal link, it seems implausible that being in debt makes no contribution towards poorer mental health. It is, however, hard to be clear about causation and say with certainty whether it is ‘problem debt’ that causes poorer mental health, or vice versa. It may be that debt leads to worse mental health due to the stress it causes. It may also be that those with mental health problems are more prone to debt because of other factors, such as erratic, or limited, work opportunities. Equally, it might be that the relationship works both ways. For example, people who are depressed may struggle to cope financially and get into debt, which then sends them into depression. Most commentators agree that the mechanism seems to work both ways.

The impact of debt spreads beyond the individual, undermining relationships and contributing to mental health problems among children in a debt-affected household. Children and adolescents are not immune from the effects of economic shocks, particularly where there are adverse impacts on their parents.

Integrated approach

Raising awareness of debt prevention, improving financial capability and signposting vulnerable people to available support and advice are at the heart of a preventative approach to reducing ‘problem debt’ and improving health and wellbeing. Programmes that seek to boost financial literacy and empowerment are central to any effort to break the link between debt and poor wellbeing, particularly for high-risk groups and in particular healthcare settings.

Evidence is building that an approach based on education to boost financial capability and empowering those in debt, and closer collaboration between health, advice and financial agencies, is effective in reducing the link between problem debt and poor health and wellbeing.

The evidence of a link between ‘problem debt’ and mental health, and the mitigating role that boosting financial capability plays, make it clear that debt management should be recognised as a problem, and one that can – and should – be addressed by health and debt advice agencies.

Promoting referral from primary care settings, including GP surgeries, to social, psychological and occupational professionals could mean that individuals would benefit from earlier and more effective help, and GPs would experience fewer repeat visits.

This work is part of EQUITY ACTION which has received funding from the European Union, in the framework of the Health Programme. The sole responsibility for this work lies with the author





A lack of coordinated activity across the health and financial services sectors is a significant weakness. Building better links will help improve understanding and the handling of problem debt for vulnerable or disadvantaged people. For example, while health professionals should not be expected to become experts in debt, they do need a working knowledge of the subject so they can engage early with people before a crisis point is reached.

For more information

The impact of problem debt on health, a literature review.

Produced by, Ray Earwicker, Health Inequalities Unit, Department of Health, England, for the Equity Action project.*

Available from: <http://www.equityaction-project.eu/wp-content/uploads/2013/11/UK-review-EA-final-2014-3.pdf>

* The views expressed in this factsheet are not necessarily the views of the Department of Health, England.

This work is part of EQUITY ACTION which has received funding from the European Union, in the framework of the Health Programme. The sole responsibility for this work lies with the author

