



Minister Announces Major Strengthening Of Nationwide Money Advice Service (Mabs) As Latest Figures Show New Clients Owe Creditors Over €64 Million At Interest Rates Of Up To 39%

Brennan Says New Mabs Legislation Intended To Equip Service To Best Respond To Growing Debt Problems & To Tackle Outrageously High Levels Of Interest Charges On Loans

Annual Welfare Pre-Budget Forum Told That Priority Is To Target Resources On Eliminating Child Poverty, Increasing Pensioners Incomes, Improvements For Lone Parents & Activation Measures That Reward The Potential Of All In Society

The Minister for Social Affairs, Seamus Brennan T.D. announced today that he would shortly introduce legislation that will significantly strengthen and streamline the Money Advice and Budgeting Service (MABS) so that it is fully equipped to respond to the growing debt problems being experienced by those in modern 21st century Ireland, particularly by those on social welfare and by low to middle income earners who are in some cases being charged outrageously high interest rates on loans.

MABS, which is this year receiving funding of more than EUR16million from the Department of Social and Family Affairs, provides a free, confidential and independent service through a network of over 50 offices and 230 staff countrywide for people in debt situations or in danger of sliding into debt.



Department of Social and Family Affairs

Minister Brennan also released the first nationally compiled statistics from MABS using a new integrated computer system which shows that the total amount owed by new clients to creditors, based on what their debt was when they first approached the service, so far this year amounts to EUR64million.

Minister Brennan said: "Over the past 13 years, MABS has developed into a valuable nationwide advice and support service that has assisted thousands of people to regain control of their finances and, in time of need, to gain access to affordable credit. Last year alone almost 27,000 people nationwide used the MABS service, compared with less than 18,000 four years earlier. There is now a clear need to establish MABS on a statutory basis with a streamlined national structure and national leadership. As part of reforming MABS I also want to confront the totally unacceptable high levels of interest currently being charged by financial institutions and companies on loans to those who are often most vulnerable in society, particularly those on welfare and on low incomes.

I have instructed officials in my Department, in drawing up the new legislation, to seek legal advice on how loans at what appears to be outrageous and totally unacceptable rates of up to 39% can be curbed or even banned. In the midst of this era of a surging Celtic Tiger economy we still have an underbelly of serious debt in which those most vulnerable are being charged exorbitant repayment rates on loans because they are considered to be a risk. I know this area is currently being investigated by the Combat Poverty Agency and the Financial Regulator and I look forward to also receiving solid, practical proposals from them very soon. MABS was set up to take this country out of the grip of illegal moneylenders and it is not acceptable today that the most vulnerable should now find themselves in the grip of what effectively amounts, in some instances, to legal moneylending".

Minister Brennan said that in order to ensure the best value for the EUR16million of taxpayers money invested each year in MABS, and to build a coordinated budgeting and advice service that has all the supports needed to meet the demands of modern debt problems, the service needs modernisation and innovation, solidly founded on a modern and streamlined structure, to be geared to meet the rapidly changing face of debt problems in 21st century Ireland. "I believe that we can use everything that we already have in MABS and build on it to shape and deliver an enhanced service and structure. The challenge for the future is to develop a strategy to prevent over-indebtedness and inform people before they reach crisis point, as well as continuing to meet the needs of those who find themselves in immediate financial difficulties."



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Minister Brennan was speaking when addressing representatives of more than 30 organisations, including voluntary and community groups, in the social welfare area who gathered in Dublin for a Pre-Budget Forum at which they were invited, over several hours, to give their views and make submissions to the Minister and his officials on welfare changes and improvements which they would like to see included in the December Budget.

The MABS statistics are the first compiled using a new integrated computer system designed to gather valuable information from the network of MABS services that will give a more accurate and comprehensive insight into the nature of the growing problems of debt and the stresses it can cause. The new statistics show:

- So far this year a total of 10,075 new clients were seen by MABS. The largest percentages (52%) were in the age group 26-40 years with 31.7% between the ages of 41-65. A gender analysis of the new clients shows that 64.9% were female.
- The status of new clients shows that the highest numbers are single or single with children (both 23.9%), 15.8% are married with children and 10.8% are separated with children.
- As regards income, the majority of clients are on social welfare payments (52%) the highest being 17.8% in receipt of One Parent Family Payment and 13.1% in receipt of Unemployment Assistance/Unemployment Benefit (now Jobseekers). In addition, 30.2% of clients are in receipt of wages. By far the highest percentage, 71.2%, had no second income coming in to the household.
- Clients mostly live in rented accommodation, with 27.9% in private rented accommodation and 23.7% in rented local authority accommodation. People with mortgages make up 21.2% of the clients.
- The majority of people – 25.2% - come to MABS of their own volition with 15.5% being referred by a friend and 10.8% referred by the Health Service Executive/Community Welfare Officers.
- The MABS themselves deal with 73.3% of clients. Others are referred on to people such as accountants, legal advisors, social workers, etc.
- The total amount owed by new clients, to creditors, based on the debt they had when they first came to the MABS during the course of this year, amounted to EUR 64,417,496 with 52.8% of that amount owing to banks/financial institutions and 21.8% owed to credit unions. Monies owing to utilities bills account for 4.3% of debt with debt collection agencies being owed 2.1% and moneylenders/catalogues owed 2.6% of the total amount due to creditors.



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Minister Brennan told the Pre-Budget Forum that he is committed to maintaining the momentum on reforms that directly tackle child poverty, pensioner poverty, inadequate incomes for lone parents, recognition of the valued role of carers in society and tapered and innovative measures that ensure that that talents and contribution of all in society are fully recognised and rewarded through involvement in employment, training and education opportunities.

The Minister said that in the forthcoming Budget he is determined to:

- continue to improve the position of our older people and to recognise their valuable contribution to this State. They deserve to have a decent income that allows them to live out their later years with dignity and with security without the threat of poverty or isolation.
- take a decisive step forward towards the elimination of poverty, and especially towards confronting the unacceptable blight of child poverty which should have no place in modern, progressive 21st century Ireland.
- assist in the further development of programme of supports and opportunities for those parenting alone who, with their children, are in danger of falling into a cycle of deprivation and marginalisation.
- improve income supports to, and recognition of, carers who perform a valued and valuable service for the whole of society.

and

- to ensure that this Budget reflects, and underpins with financial supports, the evolving new social agenda that has at its core a social welfare support system that is active instead of passive and that assists, supports and encourages people to live with dignity and enables them to make a valuable contribution towards society.

Minister Brennan said: "In 2006, my Department is spending EUR13.6billion, or almost EUR1 in every EUR3 of taxpayers' money that the State is spending. Weekly payments are made to about 960,000 people, while in addition Child Benefit payments are made to 540,000 families each month. These payments are a welfare lifeline to many and maintaining and improving them is important. However, equally important is the need to get behind the numbers to the individual recipients of our schemes and their dependents and to confront in a reforming way the social problems that give rise to the payments in the first place.



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"All of these people have legitimate aspirations to live life with dignity and a sense of security for the future and I want to ensure that our system does not curb these aspirations or blunt their fulfilment, but rather enhances their achievement. Given the huge improvements in the economic and social life of this country over a relatively short time, it is incumbent on us to ensure that everybody, and not just some, reap the benefits. Ultimately, we will be judged as a government and a society, on how we have used our new found wealth to create a just and fair society where every person is valued and protected and in which the potential of no individual is overlooked or neglected."

Press Release Ends