

Is debt relief rehabilitative? (Ahlström, R., & Edström, S., Savemark M., The Swedish Consumer Agency, Report 2014:15)

The purpose of this new study was to evaluate the level of possible socio-economic, physical and mental rehabilitation among persons who have undergone debt relief in accordance with the rules of the Debt Relief Act in Sweden. An evaluation of the finances, health and life quality has been conducted during and after the debt relief among individuals included in the investigation. There has also been a special focus on the significance of the municipal budget and debt advisory service for over-indebted persons during the debt relief process.

The study includes thirteen per cent of all persons who underwent debt relief during the period 2003-2008. More than half stated that they had been over-indebted for ten years or more before they applied for or were granted debt relief. Three years after the debt relief had ended, approximately 90 per cent answered that they were still debt-free, and that only in a few cases new debts had emerged during the debt relief period.

The long period of over-indebtedness, i.e. the period before debt relief, has entailed that ill-health had already developed. In previous studies the authors illustrated that massive ill-health manifests during the period of over-indebtedness. In addition, many persons who are already ill have a higher risk of over-indebtedness². It is therefore highly likely that the severe sickness during the debt relief period which has been demonstrated in this study, has largely already established during the period of over-indebtedness or even before. This combined with the natural occurrence of an age gradient of ill-health, i.e. that health deteriorates year from year, particularly in the age interval of the research group, probably entails that possible rehabilitation effects of ill-health during and after the debt relief period cannot be clarified.

Many results in the study indicate that the standard of living three years after the conducted debt relief is unchanged compared to the period before, while the physical and mental health has even deteriorated. Over half state that the strained and long-term financial situation has affected their relationship negatively with their family. It has to be considered as highly alarming that over ninety per cent of the research participants completely or partially had to refrain from contact with their children during the debt relief period. It is also noteworthy that the majority of the research participants live in the same mental conditions and social structures as during the period before debt relief. The positive consequences of being debt-free appear not to have emerged to a large extent even in terms of the research participants' total financial activity vis-à-vis the surrounding community.

The majority of the research participants state that the support from the municipal budget and debt advisory has been very important for self-confidence and has created orderliness in the financial situation, which has resulted in that they have had the stamina to move on and have felt more at ease. A predominant majority also believed that the support was of high or very high significance for the success of the debt relief. All in all it can be said that over half of the research participants have left working life, approximately one-fifth have become divorced and another 17 per cent have lost their partner or spouse. In general there is satisfaction in terms of the debt relief and joy over being debt-free and receiving qualified help and support from the municipal Budget and debt advisory service. In other assessments related to health, finances, the social life and belief in the future, the research participants are overwhelmingly negative. It can therefore strongly be questioned whether the debt relief has been rehabilitative for the individuals who were included in the study and

that one reason for this could be that debt relief was granted too late when the physical, mental and social situation had deteriorated too much due to the long term over-indebtedness.