

# The mental health premium: research methodology



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# Foreword

Over the past few years, there has been increasing recognition of the limits of competition; that, however well-intentioned, market forces alone are not able to provide equitable access to goods and services for all. Institutions such as the Competition and Market Authority, and the National Audit Office have begun to recognise the needs of vulnerable consumers, and are exploring the ways in which customers are prevented from engaging with markets in an equal way. This acknowledges the structural barriers that vulnerable consumers face.

But to address this inequality in a way that truly reflects the needs of people experiencing a variety of vulnerabilities, there needs to be a well-evidenced understanding of *why* these structural barriers arise, and the different ways in which they can affect customers, so that regulation and business practices can take steps to remove or mitigate them.

This is why it is so important that Citizens Advice, in this report, have examined the impact of poor mental health on the costs of accessing services and goods, and have exposed the financial detriment that customers with poor mental health incur.

In 2016, the Personal Finance Research Centre devised a methodology to measure the poverty premium, and I am really pleased that Citizens Advice have adapted the underlying principles of this methodology to produce a similar premium for those experiencing poor mental health.

Citizens Advice research finds that those with mental health problems can struggle to behave as 'good consumers' in so many ways; to choose the best products for them, to keep up with payments, and to deal with often complex customer services processes. In other words, there is significant work to be done to ensure the support that is promised to vulnerable customers becomes a reality. The publication of these findings will hopefully be a significant first step toward practical action.

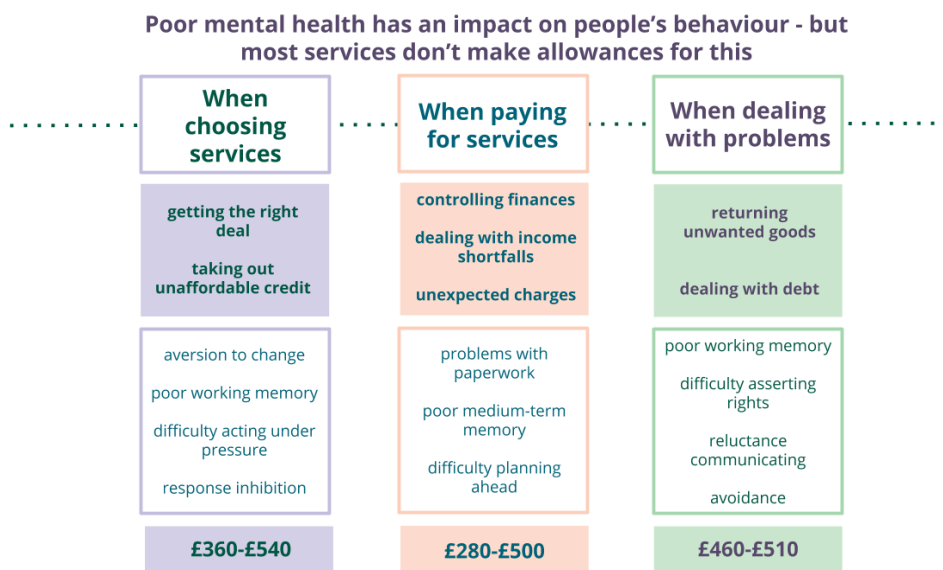
**Sara Davies, Research Fellow**  
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# Report summary

Mental health problems are the most common health issue among Citizens Advice clients, impacting 89, 410 clients last year. Previous research found that people with mental health problems are more likely to struggle with essential services, and support offered by providers is inadequate.<sup>1</sup> This research finds further evidence that essential markets aren't working for people with mental health problems. Where poor mental health reduces someone's ability to carry out daily activities, they can incur costs of £1,100 - £1,550 each year as a result of inaccessible services, poor regulatory protections and inadequate support. This impacts consumers across energy, telecoms, financial and postal services.

Mental health problems manifest themselves differently for different people. But symptoms commonly associated with poor mental health are likely to impact people's behaviour at all stages of the consumer journey. When choosing services, mental health problems can make it difficult to select the best value deal. When paying for services, poor mental health can mean missing deadlines or incurring extra costs when trying to make ends meet. And when dealing with problems, complex processes can cause people to absorb costs rather than address the underlying problem.



**Citizens Advice finds that each year this can cost people with mental health problems between**



**depending on how much their mental health problem reduces their ability to carry out daily activities**

<sup>1</sup> Citizens Advice, [Joining the Dots](#), 2017; Citizens Advice, [Essential services and people with mental health problems](#), 2018; Citizens Advice, [Beyond Good Practice Guides](#), 2018.

This research examines a range of transactions and interactions that someone could struggle with, either as a direct result of their mental health problem, or as a consequence of poor understanding of mental health and inadequate support from their provider. For instance, for people with mental health problems, remaining loyal to their supplier - and incurring a loyalty penalty as a result - can be a health necessity rather than a consumer choice. It can also be the result of increased anxiety linked to a previous poor experience switching. As a result, people with mental health problems are likely to face significant extra costs. Where mental health reduces a person's ability to carry out daily activities 'a little', these costs can reach, on average, £1,100. Where mental health reduces their ability to carry out activities 'a lot', the costs rise to £1,550.

Ofgem, Ofcom and the FCA have all made progress in their understanding of mental health problems.<sup>2</sup> In their Consumer Green paper, the Government proposed the identification of minimum standards of support for people with mental health problems in essential markets. And by including a special mechanism for people in a mental health crisis to access 'breathing space' from debt collection, they have shown recognition of the particular difficulties faced by those with mental health problems when dealing with finances.<sup>3</sup> But when looking across markets as a whole, support for people with mental health problems remains patchy and inconsistent - particularly in cases unrelated to debt. The fact remains that overall, people with mental health problems are not getting a fair deal in essential markets.

People shouldn't be penalised if a health problem means they are unable to manage or cope with 'everyday', essential tasks. And firm practices should never worsen a customer's health. Pockets of excellent practice already exist - but these can't replace consistent, certain support across services. Without a cross-sector approach, this disadvantage is unlikely to significantly shift.

## Recommendations

- **Ofgem, Ofcom, Ofwat and the FCA should jointly identify a set of minimum standards of support all providers should offer for people with mental health problems.**
- **Regulators should ensure they have effective systems for monitoring provider performance in this area, backed by swift action where providers are not adequately supporting vulnerable consumers.**

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<sup>2</sup> The widespread use of the Debt and Mental Health Evidence Form by creditors, is a welcome recognition of the link between mental health problems and debt. Ofgem's requirement that firms not install a prepayment meter where this would be 'traumatic' for the customer demonstrates a good understanding of how provider practices can worsen customers' mental health.

<sup>3</sup> HM Treasury, [Breathing space scheme: consultation on a policy proposal](#), 2018

# Methodological approach

Mental health problems manifest themselves differently for different people - no 2 people will share the same exact symptoms or experience. In addition, the impact of poor mental health on someone's daily life varies hugely depending on the wider context of their lives. Whether or not someone has access to appropriate treatment and support, experiences of discrimination and wider financial health can all have an impact on how easy or difficult it is for someone to manage day to day life with a mental health problem.

This research focuses on the experiences of those whose mental health problem reduces their ability to carry out daily activities either 'a little' or 'a lot', at 3 key stages of the consumer journey - choosing goods and services, paying for goods and services, and resolving problems or mistakes. It identifies the areas where people with mental health problems are likely to incur costs as a direct result of behavioural and cognitive symptoms associated with mental health problems. And it quantifies the average financial cost paid by those whose poor mental health manifests itself via those symptoms.

This involved several steps to identify:

- Areas where people with mental health problems are likely to incur costs
- Average size of those costs
- Prevalence of incurring such costs among people with mental health problems
- Overall cost where poor mental health impacts people's behaviour

## **1. Areas where people with mental health problems are likely to incur costs**

First, we conducted a literature review to identify cognitive and behavioural traits often associated with poor mental health. This included analysis of data collected by local Citizens Advice and the Citizens Advice consumer service, and a review of published research. We identified specific behaviours associated with, or caused by, poor mental health, which are likely to impact someone's interactions with their essential services.

These behaviours are discussed in detail in our main policy report. Case studies and quotations from local Citizens Advice and from our national consumer service are also used throughout that report.

## **2. Average size of those costs**

Next we conducted desk research to identify (and quantify) where actions associated with poor mental health come with a cost attached - for example, late payment or prepayment meter installation. We gathered information from a mixture of provider websites, price comparison websites and data collected by sector-specific regulators.

The exact methodology for this step varies between markets, depending on the nature of the cost incurred, the wider market-specific context and the availability of good quality data. **The specific methodological approaches taken to quantify each specific cost is outlined in more detail in the following chapters.**

### **3. Prevalence of costs among people with mental health problems**

We used polling data to work out what charges exist and how often they are faced by people with mental health conditions. **The exact questions used for identifying the prevalence of each charge are outlined in the following chapters.**

We surveyed 1,706 people with diagnosed mental health problems between 17-31 May 2018. This survey was carried out by Comres. A booster sample was applied in order to reach a minimum sub-sample size of 100 for each mental health condition tested, and a minimum of 100 people in Wales. ComRes carried out a second survey between October 12th and November 5th 2018, reaching 1710 people with diagnosed mental health problems. This data was weighted to be as similar as possible to the first survey in terms of people's diagnosed mental health problem and self reported severity of condition.<sup>4</sup> ComRes is a member of the British Polling Council and abide by its rules.

#### **Sampling**

Survey participants were recruited based on whether they had been formally diagnosed with a mental health problem by a GP or other mental health professional. This was due to practical sampling limitations of recruiting survey respondents solely based on self-reported experience. Since 36% of common mental health disorders are undiagnosed, this represents a significant

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<sup>4</sup> Survey 1 (May 2018): Overall base: 1,706. The number of respondents who answered with 'I experienced mental health problems that reduced my ability to carry out activities by a little' was 750; the number of respondents who answered with 'I experienced mental health problems that reduced my ability to carry out activities by a lot' was 777. Survey 2 (October/November 2018): Overall base: 1710. The base of respondents who answered with 'I experienced mental health problems that reduced my ability to carry out activities by a little' was 659 (weighted to 776); the number of respondents who answered with 'I experienced mental health problems that reduced my ability to carry out activities by a lot' was 811 (weighted to 756).



proportion of those with mental health problems.<sup>5</sup> Our findings cannot, therefore, be taken as representative of all those with mental health problems.

Beyond this, diagnosis alone is a poor indicator of the impact that a person’s mental health problem has on their everyday life. To ascertain the self-reported severity of people’s mental health problems, we asked the following question:

In the past year, have you experienced any mental health problems?

- A. I experienced mental health problems that reduced my ability to carry out activities by a lot
- B. I experienced mental health problems that reduced my ability to carry out activities by a little
- C. I experienced mental health problems that had no impact on my ability to carry out activities
- D. I have not experienced any mental health problems in the past year [SCREEN OUT]
- E. Don’t know [SCREEN OUT]
- F. Prefer not to say [SCREEN OUT]

When calculating the average costs incurred by people with mental health problems, we focused on the responses given by those who said their mental health problems impacted their life ‘a little’ (44% of respondents), or ‘a lot’ (46% of respondents). This research does not include those who said their mental health problem had no impact on their ability to carry out day to day activities.

Data from Survey 2 was weighted to be representative of Survey 1 in terms of self-reported severity of mental health problems. Due to a lack of consistently collected, nationally representative data, we have been unable to scale the issues in this report to represent prevalence across the general population.

**Chart: % of respondents exhibiting severe or moderate mental health problems**

Survey	Overall	Severe	Moderate	Ratio of severe: moderate
Citizens Advice survey 1	90%	46%	44%	51 : 49
Citizens Advice survey 2	77%	39%	47%	45 : 55

<sup>5</sup> Office of National Statistics, [Adult Psychiatric Morbidity Survey](#), 2014

#### **4. Overall cost where poor mental health impacts people's lives**

We then weighted each average cost by the proportion of people with mental health problems who incurred it, and by the frequency it occurred. We applied this analysis to subsets of survey respondents who answered that their mental health reduces their ability to carry out day to day tasks by 'a little' (base: 750), and respondents who answered that their mental health reduces their ability to carry out day to day tasks by 'a lot' (base: 777). In all calculations, we used un-rounded figures. The final results were then rounded to 2 significant figures. We use these 2 figures to show a spectrum of costs, depending on self-reported severity, to reflect the wide variation in how mental health problems manifest.

This model estimates the likely costs associated with some of the most common behavioural symptoms associated with poor mental health. It does not claim to quantify the exact figure paid by any one person with mental health problems, or to imply that all people experiencing poor mental health will face each cost. It is adapted from that used by the University of Bristol in their Poverty Premium report.<sup>6</sup> We would like to thank Sara Davies at the University of Bristol for her guidance and feedback on our project.

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<sup>6</sup> Sara Davies, Andrea Finney and Yvette Hartfree, [Paying to be Poor: uncovering the scale and nature of the poverty premium](#). Personal Finance Research Centre, November 2016.

# 1. Choosing services

## Getting the right deal

When first choosing an essential service provider, some people with mental health problems can find it particularly difficult to get the best deal for their needs. For example, in the past year, 1 in 3 people with mental health problems signed up to a mobile phone contract that they regretted. 1 in 4 took out a bundled contract that they later regretted - and 1 in 4 of these had done so more than once. Of all those who regretted taking out some form of telecoms contract, 87% agreed that their purchase decision was linked to poor mental health.

It can also be difficult for people with mental health problems to switch providers. Of those surveyed, 66% of people with mental health problems are paying over the odds by staying on an expired essential service contract for their broadband, mobile, home insurance or savings account. Accounting for those without a contract in each market, this rises to 76%.

### Getting the right deal: cost each time

#### Regret purchases

Survey participants were asked the following question:

You mentioned that you took out a contract you regretted. Approximately how much, if anything, did you spend as a result? Please include contract costs and exit fees. If this has happened to you multiple times, please consider the most recent time.

*Taking out a mobile phone contract (including handset); Taking out a SIM-only mobile phone contract; Purchasing a bundled telecoms contract*

- A. £0
- B. £1-£49
- C. £50-£99
- D. £100-£149
- E. £150-£199
- F. £200-£249
- G. £250-£299
- H. £300-£399
- I. £400-£499
- J. Over £500

Our researchers calculated the average cost of each contract based on these responses. This was weighted by the number of people with mental health problems who incurred this cost, and the average number of times they did so:

<b>Contract type</b>	<b>Average cost each time: people impacted 'a little'</b>	<b>Average cost each time: people impacted 'a lot'</b>
Mobile handset contract	£156	£170
SIM only contract	£114	£151
Bundled telecoms contract	£132	£158

### **Loyalty penalty**

We used our previous research on the loyalty penalty to calculate the average cost of the loyalty penalty per person, per year.<sup>7</sup>

**Table 1: Size of the loyalty penalty for the average person with mental health problems**

<b>Market</b>	<b>Overall loyalty penalty<sup>8</sup></b>
Home insurance <sup>9</sup>	£40
Broadband <sup>10</sup>	£113
Mobile Handset <sup>11</sup>	£264 <sup>12</sup>
Savings <sup>13</sup>	£48

We weighted these figures by the proportion of people with mental health problems who were paying a loyalty penalty. The broadband loyalty penalty was then divided by the average number of adults per household (1.95)<sup>14</sup>, since this

<sup>7</sup> Citizens Advice, [Excessive prices for disengaged customers: a super-complaint to the CMA](#), 2018.

<sup>8</sup> The cost of paying the loyalty penalty for one year

<sup>9</sup> Citizens Advice, [The Cost of Loyalty](#), 2018.

<sup>10</sup> Citizens Advice, [The Cost of Loyalty](#), 2018.

<sup>11</sup> Citizens Advice, [The Cost of Loyalty](#), 2018.

<sup>12</sup> Previous research shows that people who pay the loyalty penalty pay an average cost of £22 per month. Over the course of a year this amounts to £264. Citizens Advice, [Reviewing Bundled Handsets](#), 2018.

<sup>13</sup> Citizens Advice, [The Cost of Loyalty](#), 2018.

<sup>14</sup> Office of National Statistics, [Families and households in the UK: 2016](#), 2016. Calculated using ONS data, dividing the number of adults in the UK (53 million) by the number of households (27.2 million).

is a household bill. The insurance loyalty penalty was calculated as a weighted average based on the average increase per person in the year-on-year cost of insurance policies, weighted by the percentage of customers who have not switched insurance for each year since renewal.

## Getting the right deal: proportion of people affected

### Regret purchases

We asked the following questions to find out how many people had paid for a contract that they regretted:

In the past year, have you regretted doing any of the following? **Yes, once; Yes, twice; Yes, 3 times or more; No, I haven't regretted buying this; No, I haven't purchased this; Don't know**

- A. Taking out a mobile phone contract (including handset)
- B. Taking out a SIM-only mobile phone contract
- C. Purchasing a bundled telecoms contract (multiple services by one provider, e.g. any combination of broadband, mobile, landline and pay TV)

You mentioned that in the past year you took out a contract you regretted. Thinking about the most recent time this happened, did you try to cancel your contract? If this has happened to you multiple times, please consider the most recent time.

- A. I did not try to cancel the contract, but I wish I had**
- B. I tried to cancel my contract but was unsuccessful**
- C. I did not try to cancel the contract, and I did not want to
- D. I successfully cancelled my contract
- E. Don't know

We classified anyone who regretted taking out a contract and who were either unsuccessful at cancelling a contract or regretted not trying to cancel it as paying this cost.

### Loyalty penalty

We also asked survey respondents when they last switched their broadband, mobile (including handset), savings and home insurance accounts. All those who have had each of these products for longer than the maximum contract term are highly likely to be paying the loyalty penalty. Researchers used the maximum

contract length identified in our 'Cost of Loyalty' report<sup>15</sup> in each market. This ranged from 4 years in the energy market to 1 year in home insurance<sup>16</sup>.

## Signing up to poor value credit

A survey of people with diagnosed mental health problems found that in the past 12 months:<sup>17</sup>

- 36% have used a mail order catalogue<sup>18</sup>
- 31% had used a subprime personal loan<sup>19</sup>
- 34% have used a subprime credit card

These services are more expensive than mainstream equivalents, like borrowing money on a more affordable interest rate, or buying goods upfront. The extra costs incurred as a result of using these 'subprime' services are between £240-£410 each year.

### Signing up to poor value credit: cost each time

Type of loan	Average interest each time
Subprime personal loan	£53
Subprime credit card	£37

### Subprime personal loans

We asked survey respondents who had taken out a loan the following question:

You mentioned that in the last year you have taken out a loan. Thinking about the last loan you took out from each type of loan company, how much money did you borrow?

*Pawnbroking loan; Payday loan (e.g. Wonga, The Money Shop or QuickQuid); Home collected loan or 'doorstep loan' (e.g. Provident or The Morses Club); **Personal loan from a company that does not require a good credit rating (e.g. Satsuma Loans, Pounds to Pocket, Cash Converters)***

- A. £1-£49
- B. £50-£149

<sup>15</sup> Citizens Advice, [The Cost of Loyalty](#), 2018.

<sup>16</sup> Home insurance - 1 year; Broadband - 2 years; Energy - 4 years; Mobile handset - 2 years; Savings - 2 years

<sup>17</sup> Benchmarked against the FCA [Financial Lives Survey](#), 2018

<sup>18</sup> 9% of UK population have held this product in the past year. This amounts to 4,770,000 products. FCA, [Financial Lives Survey](#), 2018.

<sup>19</sup> 12% of UK population have held this product in the past year. This amounts to 6,360,000 products. FCA, [Financial Lives Survey](#), 2018.

- C. £150-249
- D. £250-349
- E. £350-£499
- F. £500-£699
- G. £700-£999
- H. £1,000-£1,999
- I. £2,000-£4,999
- J. £5,000+
- K. I don't know
- L. Not applicable

We calculated the median average loan size from these responses. This was then weighted by the proportion of people with mental health problems who incurred this cost. The average duration of a loan was calculated from responses to the following question:

How many months of the past year were you paying back the money?  
*Pawnbroking loan; Rent to own service, e.g. BrightHouse; Catalogue credit or mail order catalogues, where you pay in instalments, e.g. Littlewoods; Payday loan, e.g. Wonga, The Money Shop or QuickQuid; Home collected loan or 'doorstep loan', e.g. Provident or The Morses Club; **Personal loan from a company that does not require a good credit rating e.g. Satsuma Loans, Pounds to Pocket, Cash Converters***

- A. Less than 1 month
- B. 1-2 months
- C. 3-6 months
- D. 7-11 months
- E. 12 months
- F. Don't know

Our researchers then collected interest rate information from the largest high cost credit providers in each market. We did not weight these by market share as this data is not available.

We calculated monthly interest rates by dividing the average interest rate charged in each market by 12. An average was used across all types of loan except for subprime personal loans, where our researchers used a median interest rate. This was because of extensive variation in interest rates across different subprime loan providers, which meant that using a median would be the most fair and reliable comparison in the absence of market share data.

We calculated how much interest people who had taken out a loan were incurring by dividing the average loan amount by the monthly interest rate, then multiplying this by the average number of months over which people were

paying back a loan. This was then weighted by the proportion of people who took out a loan in each market, and the average number of loans taken out per year.

### **Catalogue credit - interest and higher cost of product**

Previous Citizens Advice polling identified that the most common item taken out on mail order catalogue contracts is a washing machine.<sup>20</sup> The washing machine we have used for this analysis is based on the Minimum Income Standard 2016 specification of 7kg, 1400 spin, white and A++ energy efficiency rating. We compared the price of buying the cheapest model meeting these specifications manufactured by a mainstream brand from a mainstream appliance retailer with the cost of purchasing it from the largest mail order catalogue services.

We calculated the difference between purchasing the same washing machine outright from a retailer and a mail order catalogue by subtracting the cost of purchasing a model outright from the total cost, including interest, of the same model purchased on catalogue credit.

Mail order providers use 2 different charging structures. Some providers offer a fixed term contract with specific payments, while others work similarly to a credit card. The latter expect monthly payments on an ongoing basis until the balance is cleared. All providers our researchers looked at offered 12 months interest free, meaning that only the amount remaining after 12 months would incur interest.

To find out the average duration of a mail order contract and therefore the amount of interest paid, we asked survey respondents the following question.

- How many months of the past year were you paying back the money?  
*Pawnbroking loan; Rent to own service, e.g. BrightHouse; **Catalogue credit or mail order catalogues, where you pay in instalments, e.g. Littlewoods**; Payday loan, e.g. Wonga, The Money Shop or QuickQuid; Home collected loan or 'doorstep loan', e.g. Provident or The Morses Club; Personal loan from a company that does not require a good credit rating e.g. Satsuma Loans, Pounds to Pocket, Cash Converters*
- G. Less than 1 month
  - H. 1-2 months
  - I. 3-6 months
  - J. 7-11 months
  - K. 12 months
  - L. Don't know

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<sup>20</sup> Internal survey carried out by Citizens Advice



Our researchers calculated a weighted average contract duration. This average duration (5.73 months) fell within the 12 month interest free period, which meant that we did not consider interest when looking at the higher cost of this product. We calculated the higher cost of product across catalogue credit providers by using the average cost of purchase across providers, regardless of how they charged interest. Our researchers subtracted the cost of purchasing the same model of washing machine meeting our specifications from a mainstream appliance retailer from the cost of taking out a mail order contract for the same product before interest.

This data is unweighted due to a lack of market share data. This higher cost of product was then weighted by the number of people who had taken out a mail order contract over the last 12 months, and the average number of times that one was taken out.

### **Subprime credit card - interest**

Respondents who said they used a subprime credit card as their most frequent credit card were asked the following questions:

Thinking about your credit card repayments last month, which of the following statements is most accurate?

- A. Last month I repaid less than the minimum payment on my credit card**
- B. Last month I met the minimum payment**
- C. Last month I paid more than the minimum payment, but not the full amount**
- D. Last month I paid off my credit card balance in full

All those who answered A, B or C were classed as incurring interest.

We then asked the following questions to determine how much interest people were paying:

Thinking about the credit card you've used most frequently in the past year, approximately how much in total do you currently owe on it?

- A. £0
- B. £1-£99
- C. £100-£499
- D. £500-£999
- E. £1,000-£1,499
- F. £1,500-£1,999
- G. £2,000-£2,999
- H. £3,000-£4,999
- I. £5,000-£7,499

- J. £7,500-£9,999
- K. £10,000+
- L. Don't know

And last month, approximately how much did you spend on this credit card?

- A. £0
- B. £1-£49
- C. £50-£99
- D. £100-£149
- E. £150-£249
- F. £250-£349
- G. £350-£499
- H. £500-£699
- I. £700-£999
- J. £1,000-£1,999
- K. £2,000+
- L. Don't know

And last month, approximately how much did you repay on this credit card?

- A. £0
- B. £1-£49
- C. £50-£99
- D. £100-£149
- E. £150-£249
- F. £250-£349
- G. £350-£499
- H. £500-£699
- I. £700-£999
- J. £1,000-£1,999
- K. £2,000+
- L. Don't know

We entered the median answers to each question about people's monthly spend, balance and payment into a model looking at a 12 month period.

Median interest rate <sup>21</sup>	Median monthly spend	Median balance	Median payment towards balance	Interest accrued over 12 months
37.66%	£74.50	£749.50	£74.50	£333.72

The total amount of interest accrued over a 12 month period was weighted by the percentage of people using an alternative credit card.

<sup>21</sup> Median calculated from lowest interest rates offered on cards by largest alternative providers (Aqua, Capital One, Ocean, Vanquis)

## Signing up to poor value credit: proportion of people affected

We asked survey respondents the following question:

In the past year, which of the following, if any, have you used?

**Once; Twice; 3 times or more; I have not used this in the past year; I don't know**

- A. Pawnbroking loan
- B. Rent to own service
- C. Catalogue credit or mail order catalogues**
- D. Payday loan
- E. Home collected loan or 'doorstep' loan
- F. Personal loan from a company that does not require a good credit rating**
- G. Prepaid card

All those who selected option B, C, E or F were classed as paying this cost.

## Subprime credit card

We asked survey respondents the following questions to determine the base of people with an alternative credit card:

Which of the following bank cards have you had in the past year?

- A. A mainstream credit card with a low interest rate, e.g. NatWest, Lloyds, Royal Bank of Scotland, Halifax
- B. An alternative credit card with a high interest rate e.g. Ocean, Vanquis, Aqua or Capital One**
- C. A prepaid card - a card that you load money onto and use like a debit or credit card
- D. I have not had any of these cards in the past year

How frequently, if at all, have you used the following credit cards in the past year? ***I use this card most frequently; I use this card frequently; I use this card occasionally; I have not used this in the past year; I do not have this type of card; I don't know***

- A. A mainstream credit card with a low interest rate (e.g. NatWest, Lloyds, Royal Bank of Scotland, Halifax)
- B. An alternative credit card with a higher interest rate (e.g. Ocean, Vanquis, Aqua or Capital One)**
- C. A prepaid card - a card that you load money onto and use like a debit or credit card

Anyone who answered that they used an alternative credit card and that it was their most frequently used card was classed as using an alternative credit card.

## 2. Paying for services

### Controlling finances

This research finds that of people with diagnosed mental health problems:

- 51% receive paper bills from one or more utility provider
- 18% use cash or cheques to pay their utility bills
- 12% regularly use a prepaid card to make purchases.

### Controlling finances: cost each time

#### Paper bills

We collected information on what the biggest energy, landline, broadband, and mobile phone providers charge for paper billing. These fees were weighted by the market share of each provider to produce a weighted average per paper bill in each market.<sup>22</sup>

Each average was weighted by the proportion of people using paper billing in each market and how many times a year this cost is incurred. We assumed that all those who said they receive paper bills do so 12 times a year, i.e. on a monthly basis.

Category	Cost per year
Energy	£7
Broadband	£12
Landline (summary bill)	£12
Landline (itemised bill)	£19
Mobile (summary bill)	£9
Mobile (itemised bill)	£12

#### Prepaid cards

Our researchers identified topping up and withdrawing money as the 2 costs associated with using prepaid cards. We have only included the cost of ATM withdrawals in this research as this is the most consistently applied cost across

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<sup>22</sup> Energy - £0.57; Landline - £1.03; Broadband - £1.03; Mobile (summary bill) - £0.77; Mobile (itemised bill) - £0.97

prepaid card providers, and the cost that our survey respondents were most likely to face.

Prepaid card providers often only charge to top up cards at Post Offices, and not through other means. Our polling also shows that topping up at Post Offices is the least common way people top up their cards, and respondents were significantly more likely to top up their prepaid cards using online banking or credit and debit cards. These do not come with any costs, so the cost of topping up prepaid cards was excluded from our analysis. This left charges for making withdrawals as the only cost associated with using a prepaid card.

Our calculations are based on pay monthly cards. Many prepaid card providers only offer pay monthly cards rather than pay as you go cards, making this the fairest comparison to ensure our findings are based on a range of providers.

Our researchers collected information on what 6 prepaid card providers charge for ATM withdrawals on pay monthly cards.<sup>23</sup> We weighted the average charge for withdrawing money with a prepaid card (£0.96) by the proportion of people who reported in our survey that they used a prepaid card (21.90%) and the mean number of times they withdrew money over the last 12 months.

### **Paying for utilities in cash or by cheque**

We collected information from energy, broadband, telecoms and mobile providers on how much they charge for this service. In many cases this cost comes from a discount offered for customers paying by direct debit. We also collected information from banks on their charges for paying by cash or cheque. We then weighted the charges by the market share of each provider.

We then multiplied the average charge in each market by the proportion of people with mental health problems who encountered this cost, and by the number of times they encountered it. For all household bills we weighted the amount paid by the average number of adults per household (1.95).

<b>Cost type</b>	<b>Cost per year<sup>24</sup></b>
Paying by cheque: energy	£56
Paying by cash: energy	£56

<sup>23</sup> Providers selected based on recommended cards on price comparison websites due to limited market share data. 6 were chosen so that the range of data would be as similar as possible to our analysis of other financial services providers

<sup>24</sup> Paying by cheque: energy - £4.63; paying by cash: energy - £4.63; paying by cheque: broadband - £0.80; paying by cash: broadband - £1.99; paying by cheque: mobile - £0.56; paying by cash: mobile - £0.56

Paying by cheque: broadband	£10
Paying by cash: broadband	£24
Paying by cheque: mobile	£7
Paying by cash: mobile	£7

## Controlling finances: proportion of people affected

### Paper bills

We asked survey respondents the following question:

For which, if any, of the following services, if any, do you receive a paper bill in the post?

***Electricity or gas; Landline; Broadband; Mobile phone; Current account; Savings account***

- A. I receive a paper bill for this service**
- B. I don't receive a paper bill for this service
- C. Not applicable - I don't have this service
- D. Don't know

All those who selected 'I receive a paper bill for this service' were classed as paying this cost.

### Prepaid cards

We asked survey respondents the following question:

In the past year, which of the following, if any, have you used?

*Once; Twice; 3 times or more; I have not used this in the past year; I don't know*

- A. Pawnbroking loan
- B. Rent to own service
- C. Catalogue credit or mail order catalogues
- D. Payday loan
- E. Home collected loan or 'doorstep' loan
- F. Personal loan from a company that does not require a good credit rating
- G. Prepaid card**

How often, if at all, have you done each of the following in the past year?  
*Top it up; Use it to make purchases; Use it to take out money from an ATM*<sup>25</sup>

- A. Once**
- B. Twice**
- C. Every 3 months**
- D. Every 2 months**
- E. Monthly**
- F. Fortnightly**
- G. Weekly or more**
- H. I have not done this in the past year
- I. I don't know

How often, if at all, have you topped up your prepaid card through each of the following in the past year? *The Post Office; Online banking; Using my credit or debit card*<sup>26</sup>

- A. Once in the past year (1.0)**
- B. Twice in the past year (2.0)**
- C. Every 3 months (4.0)**
- D. Every 2 months (6.0)**
- E. Monthly (12.0)**
- F. Fortnightly (26.0)**
- G. Weekly or more (52.0)**
- H. Don't know
- I. I have not done this in the past year

All those who selected 'Prepaid card' from the first question were classed as paying this cost.

We calculated the amount of times that people are charged for withdrawing money using all those who gave options A-G for 'Use it to take out money from an ATM'.

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<sup>25</sup> Our research identified ATM withdrawals as the only cost that survey respondents face when using a prepaid card. Please see further in this section for additional details.

<sup>26</sup> We asked this question to find out the most common ways that people top up their prepaid card, as a charge is only incurred when people top up their card at Post Offices.

## Paying for utilities in cash or by cheque

We asked survey respondents the following question:

How do you usually pay your bills for each of the following services?

**Cash; Cheque;** *Direct Debit, BACS or Faster Payment; Prepaid in a shop; Prepaid online; Debit or credit card; Not applicable/I don't have this service; Don't know*

- A. **Energy (gas and electricity)**
- B. **Broadband**
- C. **Mobile**
- D. Insurance

All those who selected 'Cash' or 'Cheque' for options A, B or C were classed as paying this cost.

## Income shortfalls

In the past year, 24% of people with mental health problems used payday or pawnbroking loans twice or more, and 31% said they used a credit card frequently. In addition, 43% had gone into a planned overdraft once or more in the past year. Of these people, 1 in 3 had done so monthly or more.

### Income shortfalls: cost each time

#### Payday or pawnbroking loans - interest

We asked survey respondents who had taken out a payday or pawnbroking loan the following question:

You mentioned that in the last year you have taken out a loan. Thinking about the last loan you took out from each type of loan company, how much money did you borrow?

**Pawnbroking loan; Payday loan (e.g. Wonga, The Money Shop or QuickQuid); Home collected loan or 'doorstep loan' (e.g. Provident or The Morses Club); Personal loan from a company that does not require a good credit rating (e.g. Satsuma Loans, Pounds to Pocket, Cash Converters)**

- A. £1-£49
- B. £50-£149
- C. £150-249
- D. £250-349
- E. £350-£499
- F. £500-£699
- G. £700-£999
- H. £1,000-£1,999



- I. £2,000-£4,999
- J. £5,000+
- K. I don't know
- L. Not applicable

We used these responses to calculate the median size of each loan. Interest incurred is also dependent on the duration of a loan and the average number of payments made. We asked the following question to determine this:

How many months of the past year were you paying back the money?

**Pawnbroking loan; Rent to own service, e.g. BrightHouse; Catalogue credit or mail order catalogues, where you pay in instalments, e.g. Littlewoods; Payday loan, e.g. Wonga, The Money Shop or QuickQuid; Home collected loan or 'doorstep loan', e.g. Provident or The Morses Club; Personal loan from a company that does not require a good credit rating e.g. Satsuma Loans, Pounds to Pocket, Cash Converters**

- A. Less than 1 month
- B. 1-2 months
- C. 3-6 months
- D. 7-11 months
- E. 12 months
- F. Don't know

Our researchers gathered information from the largest high cost credit providers on how much interest they charge on this average amount over the average duration of a loan.

Our researchers collected information from the largest payday and pawnbroking loan providers on their interest rates. We looked at these rates for our calculation of the average loan amount and average loan repayment period. We did not weight these by market share as this data is not available.

We calculated monthly interest rates by dividing the average interest rate charged in each market by 12. We calculated how much interest people who had taken out a loan for each service were incurring by dividing the average loan amount by the monthly interest rate, then multiplying this by the average number of months that people were paying back a loan for. This was weighted by the percentage of people who had taken out a loan in each market, and the average number of loans taken out annually.

Type of loan	Cost each time
Payday loan	£327
Pawnbroking loan	£38

### Mainstream credit card - interest

We asked respondents the following question, with reference to the credit card they use most frequently:

Thinking about your credit card repayments last month, which of the following statements is most accurate?

- A. Last month I repaid less than the minimum payment on my credit card**
- B. Last month I met the minimum payment**
- C. Last month I paid more than the minimum payment, but not the full amount**
- D. Last month I paid off my credit card balance in full

All those who answered A, B or C were classed as incurring interest.

Respondents were asked the following questions considering the credit card they used most frequently in the past year to calculate interest incurred on credit cards:

Thinking about the credit card you've used most frequently in the past year, approximately how much in total do you currently owe on it?

- A. £0
- B. £1-£99
- C. £100-£499
- D. £500-£999
- E. £1,000-1,499
- F. £1,500-£1,999
- G. £2,000-£2,999
- H. £3,000-£4,999
- I. £5,000-£7,499
- J. £7,500-£9,999
- K. £10,000+
- L. Don't know

And last month, approximately how much did you spend on this credit card?

- A. £0
- B. £1-£49
- C. £50-£99
- D. £100-£149

- E. £150-249
- F. £250-349
- G. £350-£499
- H. £500-£699
- I. £700-£999
- J. £1,000-£1,999
- K. £2,000+
- L. Don't know

And last month, approximately how much did you repay on this credit card?

- A. £0
- B. £1-£49
- C. £50-£99
- D. £100-£149
- E. £150-249
- F. £250-349
- G. £350-£499
- H. £500-£699
- I. £700-£999
- J. £1,000-£1,999
- K. £2,000+
- L. Don't know

We entered the median answers to each question about people's monthly spend, balance and payment into a 12 month model.

Median interest rate <sup>27</sup>	Median monthly spend	Median balance	Median payment towards balance	Interest accrued over 12 months
19.40%	£124.50	£749.50	£124.50	£159.05

The amount of interest accrued over 12 months was weighted by the number of people paying interest on a mainstream credit card to reach a final annual figure.

### Planned overdraft

Charges for going into overdrafts and accruing interest were calculated using desk-based research of the largest 6 banks' rates and fees. These costs were weighted by market share, and by the proportion of people with mental health problems who incur these fees.

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<sup>27</sup> Median calculated from lowest interest rates offered on cards by largest mainstream providers (Barclaycard, HSBC, Lloyds, Nationwide, Natwest, Santander)

Our survey of 1,706 people asked the question below to identify the average size of people's overdrafts:

In total, approximately how much did you spend over your limit? ***Gone into an arranged or planned overdraft facility; Gone into an unarranged or accidental overdraft facility; Gone over your credit card limit***

- A. Under £10 (5.0)
- B. Between £10 and £50 (29.5)
- C. Between £50 and £100 (74.5)
- D. Between £100 and £200 (149.5)
- E. Between £200 and £400 (299.5)
- F. Between £400 and £700 (549.5)
- G. Between £700 and £1,000 (850.0)
- H. More than £1,000

We applied interest to the average amount based on a weighted average of interest rates charged by the largest banks, and the number of times that arranged overdrafts were entered.

## **Income shortfalls: proportion of people affected**

### **Payday or pawnbroking loans**

We asked survey respondents the following question:

In the past year, which of the following, if any, have you used?

*Once; Twice; 3 times or more; I have not used this in the past year; I don't know*

- A. Pawnbroking loan**
- B. Rent to own service
- C. Catalogue credit or mail order catalogues
- D. Payday loan**
- E. Home collected loan or 'doorstep' loan
- F. Personal loan from a company that does not require a good credit rating
- G. Prepaid card

All those who selected option A or D were classed as paying this cost.

### **Mainstream credit card**

We asked survey respondents the following questions to determine the base of people with a mainstream credit card:

Which of the following bank cards have you had in the past year?

- A. A mainstream credit card with a low interest rate, e.g. NatWest, Lloyds, Royal Bank of Scotland, Halifax**

- B. An alternative credit card with a high interest rate e.g. Ocean, Vanquis, Aqua or Capital One
- C. A prepaid card - a card that you load money onto and use like a debit or credit card
- D. I have not had any of these cards in the past year

How frequently, if at all, have you used the following credit cards in the past year? ***I use this card most frequently; I use this card frequently; I use this card occasionally; I have not used this in the past year; I do not have this type of card; I don't know***

- A. A mainstream credit card with a low interest rate (e.g. NatWest, Lloyds, Royal Bank of Scotland, Halifax)**
- B. An alternative credit card with a higher interest rate (e.g. Ocean, Vanquis, Aqua or Capital One)
- C. A prepaid card - a card that you load money onto and use like a debit or credit card

All those who selected that they had a mainstream credit card and that they used it most frequently were classed as being a mainstream card user.

## Planned overdraft

We asked all survey respondents the following question:

In the past year, approximately how often, if at all, have you...? ***Once; Twice; Every 3 months; Every 2 months; Monthly; Fortnightly; Weekly or more; I have not done this in the past year; I don't know***

- A. Had a direct debit refused, or a payment bounce because you didn't have enough money in your account
- B. Gone into an arranged or planned overdraft facility**
- C. Gone into an unarranged or accidental overdraft facility
- D. Gone over your credit card limit

All those who selected any frequency for option B are paying this cost.

## Unexpected charges

1 in 4 people whose mental health problem has a smaller impact on their life have paid at least 1 essential bill late in the past year. This rises to 2 in 5 of those with more severe mental health problems. Across each market we tested, people with more severe mental health problems were consistently more likely to have paid their bills late. And overall, the average number of payments missed per person for each service was 3 per year.

The other major area where people experience unexpected charges is via their current account provider, when there isn't enough money in the account to cover requested payments. 45% of people with a mental health problem have incurred unexpected charges due to late or missed payment fees. 27% have incurred fees due to accidental overdraft usage, going over a credit limit or having payments 'bounce'.

## Unexpected charges: cost each time

### Late payment fees

We gathered information on the size of late payment fees charged by the largest providers in each market. We weighted these fees by market share to find the average in each market. This average was then weighted by the proportion of people who had paid late fees, and how frequently they did so.

Market	Average late payment fee
Energy	£13
Telecoms	£13
Credit card	£12
Payday loan	£15
Mail order catalogue	£12

### Charges for failed direct debits

Our researchers identified the fees that the 6 largest banks charge for failed direct debit payments. These fees were weighted by the market share of each bank to reach an average fee of £6.83 per failed payment. This was weighted by how many people we surveyed had a direct debit bounce, and the average frequency over 12 months.

**Table 1: Cost of having a direct debit or standing order payment refused**

<b>Maximum</b>	£10
<b>Minimum</b>	£5
<b>Median</b>	£8
<b>Mean</b>	£6.83

## **Unarranged overdraft charges**

Charges for entering unarranged overdrafts and accruing interest were calculated using desk-based research of the 6 largest banks' rates and fees. The only cost was a daily fee for time spent in an unarranged overdraft. These costs were weighted by market share to reach an average daily fee. This figure was weighted by the percentage of people with mental health problems who incurred this fee, and the number of times they entered an unarranged overdraft over the last 12 months.

## **Charges for exceeding credit limit**

We gathered information on the size of fees for exceeding credit card limits charged by the largest providers in the prime and subprime credit card market. For mainstream credit card providers, we weighted these fees by market share to find the average fee each time a credit limit is exceeded. This is £11.21, which providers charge monthly for as long as a credit limit is exceeded. Weighting by market share was not necessary in the subprime market, as all providers included in this research charge a £12 fee for each month that a credit limit is exceeded. These averages were then weighted by the proportion of people who went over their credit limit in each market, and how frequently they did so.

## **Unexpected charges: proportion of people affected**

### **Late payment fees**

We asked survey respondents the following question:

In the past year, have you missed, or paid late, monthly payments for any of the following services? *Rent/mortgage; Credit card; Payday loan; Rent to own; Catalogue credit/Mail order catalogue; Energy; Telecoms; Insurance*

- A. Yes, once**
- B. Yes, twice**
- C. Yes, 3 times**
- D. Yes, 4-6 times**
- E. Yes, 7-9 times**
- F. Yes, 10 or more times**
- G. No
- H. Don't know

All those who selected options A to F for credit card, payday loan, rent to own, catalogue credit, energy or telecoms were classed as paying this penalty fee.

We asked survey respondents the following questions to identify additional credit card fees:

In the past year, approximately how often, if at all, have you?  
*Had a direct debit refused, or a payment bounce because you didn't have enough money in your account; Gone into an arranged or planned overdraft facility; Gone into an unarranged or accidental overdraft facility; **Gone over your credit card limit***

- A. Once in the past year**
- B. Twice in the past year**
- C. Every 3 months**
- D. Every 2 months**
- E. Monthly**
- F. Fortnightly**
- G. Weekly or more**
- H. Don't know
- I. I have not done this in the past year

All those who selected once or more for either question were classed as paying a cost for going over their credit limit. Respondents were separated into different demographic categories within the costing model based on whether they had initially selected having a mainstream or alternative credit card.

### **Using an unarranged overdraft**

We asked all survey respondents the following question:

In the past year, approximately how often, if at all, have you...? **Once; Twice; Every 3 months; Every 2 months; Monthly; Fortnightly; Weekly or more; I have not done this in the past year; I don't know**

- A. Had a direct debit refused, or a payment bounce because you didn't have enough money in your account
- B. Gone into an arranged or planned overdraft facility
- C. Gone into an unarranged or accidental overdraft facility**
- D. Gone over your credit card limit

Those who selected any frequency for option C were classed as paying this cost.

### **Had direct debit or standing order payments refused due to lack of funds**

We asked survey respondents the following question:

In the past year, approximately how often, if at all, have you...? **Once; Twice; Every 3 months; Every 2 months; Monthly; Fortnightly; Weekly or more; I have not done this in the past year; I don't know**

- A. Had a direct debit refused, or a payment bounce because you didn't have enough money in your account**
- B. Gone into an arranged or planned overdraft facility
- C. Gone into an unarranged or accidental overdraft facility



D. Gone over your credit card limit

Those who selected any frequency for option A were classed as paying this cost.

## 3. Resolving problems

### Returning products

In the past year, 2 in 5 people with a mental health problem have bought a telecoms item that they regret. Of those who bought this from a mobile phone or broadband shop, 88% tried to return it. But only 11% received a full refund. 41% of people with mental health problems also weren't able to return an item to a postal depot within the last year.

#### Returning products: cost each time

##### Not returning a mobile phone, tablet or computer regret purchase

We calculated the cost of not returning a telecoms products purchased outright using Ofcom's Pricing Trends report.<sup>28</sup>

Our researchers calculated the average price for a mobile phone, a tablet and a computer. They collected price information for a low, mid and high range model for each item.<sup>29</sup> They then calculated the 'average' price for each item by adding the prices of the low, mid and high range items together, and then dividing the sum by 3.

Product	Average cost
Laptop	£1,140
Tablet	£430
Mobile phone	£460
Desktop	£900

##### Not returning unwanted goods to a depot or delivery point

Anyone who hadn't been able to return an item to a postal depot was asked the following question:

And what was the approximate cost of the item(s)? If this has happened multiple times please add up the approximate cost.

- A. Under £10
- B. Between £10 and £50

<sup>28</sup> Ofcom, [Pricing trends for communications services in the UK, 2018](#)

<sup>29</sup> We identified this information from a single source for consistency, and chose Currys as a renowned and easy access gadget store.

- C. Between £50 and £100
- D. Between £100 and £200
- E. Over £200
- F. Don't know

We calculated the average cost of being unable to return an item to a postal depot from these responses. This was then weighted by the proportion of people with mental health problems who incurred this cost.

Average cost: people impacted 'a little'	Average cost: people impacted 'a lot'
£30	£56

## Returning products: proportion of people affected

### Telecoms products

We asked survey respondents the following questions:

In the past year, have you regretted purchasing any of the following items outright? **Yes, once; Yes, twice; Yes, 3 times or more; No, I haven't regretted buying this item; No, I haven't purchased this item outright; Don't know**

- A. Laptop computer
- B. Desktop computer
- C. Mobile phone
- D. Tablet

You mentioned that in the past year you have regretted buying the following product(s) outright. After the purchase, did you return the product? If this has happened to you multiple times, please consider the most recent time.

*Laptop computer; Desktop computer; Mobile phone; Tablet*

- A. I did not return it**
- B. I returned it, but did not get a refund**
- C. I returned it for a partial refund
- D. I returned it for a full refund
- E. I don't know

You mentioned that in the past year you have regretted purchasing a mobile phone, laptop or tablet outright. Which of these best describes where you bought it from? If this has happened to you multiple times, please consider the most recent time.

- A. An online only retailer
- B. A supermarket
- C. In person, from a mobile phone or broadband shop**
- D. A gadget department store
- E. Online, from a mobile phone or broadband shop
- F. A platform for selling second-hand goods
- G. Don't remember
- H. Don't know

All those who selected an option in bold in all 3 questions were classed as regretting purchasing a product, but did not return it.

### **General returns to postal depots**

We asked all survey respondents the following questions:

In the past year, have you decided **not** to return unwanted goods you ordered and received in the post to a depot or delivery point for any of the following reasons?

*Once; Twice; 3 times or more; No; Don't know; Not applicable*

- A. The depot or delivery point was too difficult to access**
- B. The process was too difficult or confusing**
- C. The staff were not, or had not previously, been accommodating to your needs**
- D. No - I have not experienced any of these things in the past year
- E. Not applicable - I have not needed to return an unwanted good to a depot or delivery point

We assumed that people who had purchased a telecoms item online that they subsequently regretted would return it via post. We excluded people who had purchased a product online from our analysis of telecoms returns to avoid an overlap between in-store and postal returns.

# Debt recovery

Chart 8: Debt related fees by %



Source: ComRes. Bases: Affected a lot: 777. Affected a little: 750.<sup>30</sup>

## Debt recovery: cost each time

### Prepayment meters: installed under warrant

As of January 2018, the cost of applying for and executing a warrant to force-fit a PPM was capped at £150. Since evidence collected by Ofgem in 2015 suggested a median charge of £320.55 for these costs, we have assumed that providers will charge the maximum permitted amount for warrant-related costs.<sup>31</sup>

This evidence also found that of the 18 providers they collected information from, 16 charged warrant-related costs for prepayment meter installation. We therefore weighted the average fee (£150) by the proportion of providers who charge (89%). The evidence does not specify which providers charge, so we cannot account for market share as part of this calculation.

In addition to warrant-related costs, Ofgem found that 8 out of the 18 providers in the sample charge customers for the cost of installing a PPM in these circumstances, at a median cost of £124.50 for installation of a PPM in these

<sup>30</sup> Bases adjusted per answer to remove those who responded 'I don't know'.

<sup>31</sup> Median of £124.50 for installation, and £320.50 for warrant costs. Ofgem, [Prepayment review: understanding supplier charging practices and barriers to switching](#), 2015

circumstances. We weighted this median cost by the proportion of providers who charge.

The total cost of having a prepayment meter installed under warrant is the sum of warrant-related costs and installation-related costs.

**Table 5: Prepayment meter installation charges**

<b>Charge type</b>	<b>% of suppliers who charge</b>	<b>Median charge</b>	<b>Weighted charge</b>
Installed under warrant: warrant costs	89%	£150 <sup>32</sup>	£133.33
Installed under warrant: installation costs	44%	£124.50	£55.33
<b>Installed under warrant: total</b>			<b>£205.33</b>

We then multiplied each weighted charge by the proportion of people with mental health problems who said they they had a prepayment meter installed under warrant, and by the average number of adults per household (1.95).

### **Debt and mental health evidence form**

Our researchers analysed a selection of evidence forms recorded by local Citizens Advice that were coded under 'Debt' between May 2017 and May 2018, and that contained one of the following keywords or phrases: 'DMHEF, GP Charge, Debt and Mental Health Evidence Form, MALG, mental health'. Where the evidence forms mentioned a fee charged for evidence of a mental health problem to be submitted to creditors, this figure was recorded as the charge for a Debt and Mental Health Evidence form. In total, 20 forms mentioned a fee and specified its size.

**Table 2: Charges for Debt and Mental Health Evidence Form**

<b>Median</b>	£25
<b>Mean</b>	£30.70
<b>Maximum</b>	£60
<b>Minimum</b>	£12

<sup>32</sup> Ofgem PPM warrant cap

To determine the average cost for a person with mental health problems, we used the median charge, and weighted it by the proportion of people with mental health problems who reported paying a charge for evidence. We assumed that each person paid this charge only once in the past year.

### Court fees

Court fees for debt cases operate according to a tiered system, depending on the size of the claim, and whether it is made online or on paper. According to the Civil Justice Statistics, 66% of specified money claims are for amounts of £1,000 or less.<sup>33</sup> Therefore, for the purposes of this analysis, we have focused on fees for these claim amounts.

**Table 3: Court fees<sup>34</sup>**

Claim amount	Paper form	Online claim	Average
Up to £300	£35	£25	£30
£300.01 to £500	£50	£35	£43
£500.01 to £1,000	£70	£60	£65

Citizens Advice analysis of Civil Justice Statistics found that of claims under £1,000, 67% are for amounts of less than £500. 33% are for amounts between £500 and £1,000.

Claim amount	Average fee	Proportion of claims	Average fee (weighted)
Up to £500	£36 <sup>35</sup>	67%	£24.12
£500.01 to £1,000	£65	33%	£21.45
<b>Overall average fee</b>			<b>£45.57</b>

To determine the average cost for a person with mental health problems, we weighted the average fee by the proportion of people with mental health problems who reported paying court charges. We assumed that each person paid this charge only once in the past year.

<sup>33</sup> Ministry of Justice, [Civil Justice Statistics Quarterly Jan-March 2018](#), April 2018.

<sup>34</sup> Gov.uk, [Make a court claim for money: court fees](#), accessed 20/07/18.

<sup>35</sup> Average of claim fees for claims of under 300, made both online and in paper, and for claims of between 300 and 500.

## Bailiff charges

Similar to court fees, bailiff charges operate according to a tiered system, depending on the size of the claim, the scale of the intervention, and whether it is a High Court or Civil court bailiff.<sup>36</sup> According to the Ministry of Justice, the mean fee collected by High Court bailiffs across all debt warrants was £222.<sup>37</sup> To calculate the average fee by Civil court bailiffs, we used data from the Ministry of Justice's review of bailiff reforms:

**Table 4: Bailiff charges (Civil court)**

Stage of the process	% of cases settled <sup>38</sup>	Fixed fee <sup>39</sup>
Writing to you about your debt ('compliance')	38%	£75
Visiting your home ('enforcement')	60%	£235
Taking and selling your belongings ('sale')	2%	£110
<b>Average fee (weighted)</b>		<b>£172</b>

73% of enforcement order applications in 2015 were made at County Courts, and 27% at High Court.<sup>40</sup> So to find the overall average fee, we weighted the fees charged by High and Civil court bailiffs by the proportion of enforcement action that takes place in each. This means a weighted average charge of £185. We then multiplied this figure by the proportion of people with mental health problems who incurred this charge. We assumed that each person paid the charge only once in the past year.

## Debt Relief Order

When applying for a Debt Relief Order, applicants must pay a flat fee of £90 to the Insolvency Service.<sup>41</sup> We weighted this fee by the proportion of people with

<sup>36</sup> Citizens Advice, [Check what fees bailiffs can charge you](#), Accessed 20/07/18.

<sup>37</sup> Ministry of Justice, [One Year Review of Bailiff Reform](#), April 2018.

<sup>38</sup> Ministry of Justice, [One Year Review of Bailiff Reform](#), April 2018.

<sup>39</sup> For debts over £1,500, some stages incur an additional fee of 7.5% of all amounts over £1,500. However, since 66% of all debts claimed in court are for less than £1,000, we excluded this additional penalty from our analysis. Ministry of Justice, [Civil Justice Statistics Quarterly Jan-March 2018](#), April 2018.

<sup>40</sup> 145,433 enforcement order applications were made at County Courts and 53,874 at High Court. Ministry of Justice, [One Year Review of Bailiff Reform](#), April 2018.

<sup>41</sup> Citizens Advice, [How to get a debt relief order](#), accessed 20/07/18.



mental health problems who have paid for a DRO to find the overall average cost.<sup>42</sup> We assumed that each person paid the charge only once in the past year.

## **Bankruptcy**

Like DRO's, applying for bankruptcy involves 2 flat fees:

- An adjudicator fee (£130)
- A deposit (£550)<sup>43</sup>

So each person who declares bankruptcy pays a total of £680. We then weighted this figure by the proportion of people with mental health problems who incurred the charge. We assumed that each person paid the charge only once in the past year.

## **Debt recovery: proportion of people affected**

### **Prepayment meter installation charges**

We asked survey respondents with a gas or electricity prepayment meter (base: 712) the following question:

In the past year, have you...

- A. Had a prepayment meter installed under warrant**
- B. Had a prepayment meter installed because your supplier required it
- C. Needed to order a replacement key or card due to loss or damage urgently, for next day delivery
- D. Needed to order a replacement prepay key card due to loss or damage, not urgently

Anyone who selected option A was classed as having a prepayment meter installed under warrant.

### **Other debt recovery costs**

We asked survey respondents the following question:

In the past year, have you paid any of the following fees or charges?

- A. Bailiff fees**
- B. Court fees for debts**
- C. Bankruptcy fees**
- D. Debt Relief Order fees**
- E. Charge for a 'debt and mental health evidence form'**
- F. Charge for medical evidence for a benefits claim, e.g. PIP/ESA

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<sup>42</sup> Some people applying for a DRO may have the fee waived or covered by a third party. However, this isn't an issue for this research, since our survey asked specifically about people who incurred the charge.

<sup>43</sup> Citizens Advice, [Cost of going bankrupt](#), accessed 20/07/18.

- G. Charge for redelivery of a postal item
- H. I have not paid any of these fees in the past year

Anyone who selected options A, B, C, D and E respectively was classed as paying those penalties.

# Conclusion

The cognitive and behavioural impact of poor mental health can lead people to struggle when choosing services, paying for them, and resolving problems. Combined with inadequate support from providers, people with mental health problems can end up paying £1,100 - £1,550 each year as a result.<sup>44</sup> This suggests that people with mental health problems are not being treated fairly in essential markets. People should not be penalised if a health problem means they are unable to understand, manage or cope with 'everyday', essential tasks. And firm practices should never worsen a customer's health.

**To help reduce these costs, regulators should agree minimum standards of support for people with mental health problems.** Providers should ensure all their services are designed so people with mental health problems are just as able to benefit from them as those without. But some people will still benefit from extra support. Pockets of excellent practice already exist across sectors - but these are not a substitute for a coherent, cross-sector approach. As a starting point, regulators should consider the following:

- **When choosing services**, regulators should explore ways of making it easier for this group to exit contracts. And if a customer with mental health problems is struggling to pay their bill, providers should review their tariff and check it is the best one for their needs.
- **When paying for services**, people with mental health problems should not be charged for paper bills. Where a person has given their consent, it should be easy for a trusted person, like a family member or friend, to step in and help with their account during periods of poor mental health.
- **When dealing with problems**, people with mental health problems should have access to, specialist customer support, they should be able to communicate via their preferred method. Information about extra support should be easy to find.<sup>45</sup> People with mental health problems should be given due priority for repairs when service is disrupted due to faulty or broken equipment. And they should not have services disconnected due to debt or late payment - instead, providers should set up affordable payment plans or switch them to a more appropriate deal.<sup>46</sup>

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<sup>44</sup> For evidence of poor support from providers, see Citizens Advice, [Beyond Good Practice Guides](#), 2018.

<sup>45</sup> For a guide as to what this should look like in practice, see Money and Mental Health, [Access Essentials](#), July 2018; Money Advice Trust and Energy UK, [Vulnerability, mental health, and the energy sector](#), 2017.

<sup>46</sup> We have outlined good practice in mobile debt collection [here](#).

In some cases, access to support may require people to disclose their condition or meet eligibility criteria. However, these thresholds should always be kept as low as possible.<sup>47</sup>

Minimum standards define a set of actions that providers should take to make their services more accessible for people with mental health problems. In some cases they are also likely to benefit other consumers in vulnerable circumstances, like people with physical disabilities or those who have suffered a bereavement. As such, these actions can form part of a suite of solutions to help companies comply with broader principles-based requirements to take account of the needs of vulnerable customers. In this way, prescriptive rules - including minimum standards - are not incompatible with principles-based requirements. Many regulators use a mix of both principles and prescription to deliver good consumer outcomes. However, we recognise the appropriate balance between these may depend on regulatory context. Citizens Advice is conducting further research to understand how these standards could be implemented in practice, and we are consulting with regulators and providers as part of this.

**These minimum standards should be backed by appropriate enforcement.**

Customers need consistent support. Firms need incentives to provide this - and these are not always produced by competitive forces. Ofgem in particular has started taking tougher measures in response to acute provider failures, such as banning companies from taking on customers until they improve. But across regulators, there has been relatively little enforcement action specifically to tackle chronically poor customer service and support for vulnerable consumers. Regulators must commit to quick, proportionate responses where a firm's support is inadequate - including if they don't provide minimum standards of support for those with mental health problems.

## Recommendations

**Recommendation 1:** Ofgem, Ofcom, Ofwat and the FCA should jointly identify a set of minimum standards of support all providers should offer for people with mental health problems.<sup>48</sup>

**Recommendation 2:** Regulators should ensure they have effective systems for monitoring provider performance in this area, backed by swift compliance and enforcement action.

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<sup>47</sup> As previously recommended in [Beyond Good Practice Guides](#), 2018.

<sup>48</sup> This research does not include costs incurred due to problems with water, because the initial desk research found no direct costs for water consumers beyond their bill. However, minimum standards would greatly improve customer service in this market and ensure people are treated consistently across services.

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