

Emotion and Psychology of Debt

Following the success of the Psychology of Debt research project 2 years ago, Grant Thornton UK decided to commission a new research project based on the ‘Emotion and Psychology of Debt’. This has been completed in association with Queens University, Belfast.

The original Psychology of Debt research opened up a new perspective and a rich source of funding for many money advisors. It helped them to consider the mental impact and stress of debt on the debtor. Our research identified that time spent helping people address their debt problems can also help their overall health and wellbeing. This help can also potentially lead to a reduced demand upon social and medical services on the part of the debtor and/or their family.

The survey

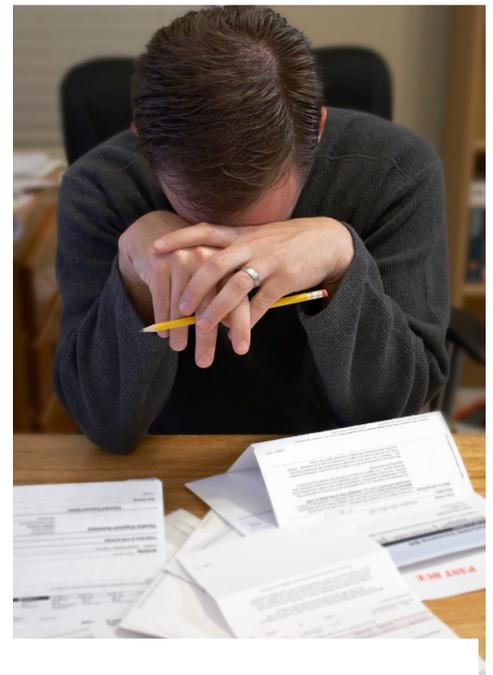
Debt research has previously focused on how ‘objective’ factors, such as debt size, has an effect on psychological health, but our emotions and our personal finances are often intricately linked and this is especially true where debt is concerned. Debt problems are commonly associated with anxiety and depression. Anyone who is tackling debt can also benefit from taking positive action to support their emotional health at the same time.

Grant Thornton’s latest research has shone new light on the emotional factors associated with poor psychological well-being in those with problem debt. This research aimed to broaden the focus and look

at the tendency for people in debt to experience ‘self-conscious’ emotions such as shame, guilt and regret. These emotions are known to have different effects on how people think and act about their situation and will also impact on an individual’s mental health.

Keeping debt problems secret won’t cure them. We need to strip away the shame around financial struggles.

People in debt demonstrated diminished psychological health compared to samples from the general population. Women who are insolvent experienced more psychological distress and a higher propensity to shame and guilt than men in similar financial situations. Shame is a powerful emotion connected to money troubles and most people go to great lengths to hide it and avoid feeling it. Shame can also prevent people from taking action over their debts or asking for help that they might need; for example people in relationships may be keeping the level of debt hidden from their partners. Yet the longer people struggle on alone with unmanageable debt, the more unmanageable it is bound to become.



Finances affect people differently

Research indicates that people react emotionally in different ways to different circumstances. For example, how they cope with debt and how one thinks about the events leading up to the debt was identified to be significantly related to diminished mental health. Significant changes in circumstances such as divorce, home foreclosure or redundancy can create a decline in social position and financial circumstances; these events can therefore lead some people to suffer more problems related to diminished mental health. Depression can also make working difficult for many people, affecting their finances and creating further anxiety.

Research found that people who face major debt problems find that the stress and anxiety spill over into other areas of their lives. People who face problems paying their unsecured debts are more likely to suffer anxiety, adverse effects on their feelings and emotions as well as difficulty in decision making.

Living with regret

People in debt are more likely to experience regret, which is often linked to decision making, concerning actions rather than inactions. Our decisions and behaviours have consequences, both for us and for other people. When faced with bad outcomes we often think about how they could have been improved. Regrets can become burdens which interfere with your present happiness and restrict your future or motivation to move forward.

Research findings

For the first time it has been shown that particular psychological factors, such as an individual's propensity to shame and how one thinks about the factors leading up to one's financial problems, are associated as strongly with poor mental health as are the daily financial problems to which insolvency gives rise.

Research analysis showed that the average amount people owed was between £20,000 and £80,000.

However research identified that higher debt amounts did not lead to substantially more psychological distress. The problems experienced by people before they resolved their problem debt continued to affect them once those debts have been resolved. Findings were striking and suggested an association between perceiving one's debt problems to be due to situation factors and poor mental well-being. It was identified that resilient people (especially men) who took longer to seek advice had a higher well-being. The research identified that there were key gender differences for example for women, proneness to shame is particularly important, whereas for men wanting to change aspects of the situation stood out and that if their financial problems were due to factors out of control they were more susceptible to psychological distress.

Grant Thornton's research identified a link between a lack of perceived control and poor mental health. People who do not feel in control experience more intense regrets and more intrusive thoughts about those regrets than people who feel more in

control. Even after financial rescue has taken place for the debtor, there are likely to be on-going problems with the client's wellbeing.

More men preferred to receive a more personalised solution to their problems and to feel that the advisor has trust and confidence in them. Women stated in the research that they preferred that advisors had nonjudgmental attitudes.

Providing debt advice that assists clients in overcoming how they feel about their situation and the effects of shame, guilt and regret, will help them to feel that they are taking control of their situation and finances. Where possible, clients who display particularly strong signs of shame should be encouraged to seek counselling.

**For more information
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