

Beyond Cognitive Failure:
Examining Consumers' Inaction in Debt Management

Anna Custers
Green Templeton College
University of Oxford

A thesis submitted for the degree of
Doctor of Philosophy

Trinity 2018

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ABSTRACT

This thesis examines consumers' inaction in debt management. It departs from the observation that the vast majority of consumers with problem debt in the UK, but also elsewhere, does not resolve their situation and lives with such debts on a prolonged basis. This empirical social problem has been left unaddressed by the existing literature. Also policy has thus far failed to effectively address a central fact: unpaid debt continues to grow.

This thesis aims to fill a "theory gap" in consumer behavior research. The typical approach in this field to consumers' financial decision making relies on a single core assumption: that the problem of over-indebtedness is the result of individual cognitive failure, leading to the idea that consumers fail to pay their debts because they do not know enough or do not think rationally enough to manage their money.

In "history of science" terms, anomalies to this prevailing theory have built to the point that a paradigm shift is in order. I posit that the blinders typical of what Thomas Kuhn called "normal science" have kept consumer behavior research from asking obvious questions about the problem under study. Little consideration has been given to individual conditions and problematic relationships between debtors and their creditors that together form a crippling system in which inaction in debt management occurs.

Using mixed methods, I offer a grounded-theory approach that helps to better grasp the structural elements in inaction in debt management. This is followed by hypothesis testing using binary logistic regression analysis. On this empirical basis, I build an argument that identifies outstanding accounts with systems that consumers interact with by necessity (and the inefficiencies therein) as a major component of inaction. I label this "system debt", a term that is illustrative of the structural elements that limit the type of consumer choices that are generally assumed under CB's cognitive paradigm. In-depth interviews with debtors further illustrate how these presumed choices are not realistic given consumers' circumstances. The findings illustrate the importance of research being grounded in consumers' lived experiences.

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For my interviewees

Table of Contents

ACKNOWLEDGMENTS.....	I
LIST OF FIGURES AND TABLES.....	VI
1. INTRODUCTION.....	1
2. LITERATURE REVIEW	14
3. RESEARCH APPROACH.....	50
4. DEBT COLLECTION AND ITS HISTORY	100
5. INTERLUDE: THE GROUNDED-THEORY APPROACH	121
6. STRUCTURAL ELEMENTS IN INACTION	124
7. FACING PROBLEM DEBT: THE DEADLOCK BETWEEN DEBTOR AND CREDITOR	157
8. EXPLORING STATISTICAL PATTERNS IN INACTION AND ACTION	195
9. DISCUSSION AND CONCLUSION	228
10. REFERENCES	261
11. APPENDIX 1	274
12. APPENDIX 2	277
13. APPENDIX 3	283
14. APPENDIX 4.....	289
15. APPENDIX 5.....	295
16. APPENDIX 6.....	298
17. APPENDIX 7	299

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It is said that upon completion of a thesis, one knows what one really would have liked to write a monograph about. For me, this monograph has in fact been exactly the type of thesis I wanted to write. The journey of the past five years has been incredibly rewarding and I would take it again, with pleasure, if I could. It taught me what it means to be a scholar, and I have met immensely inspiring individuals.

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anything. Linda said to me that, instead, she thought “you must have an opinion about something if you care about it and that you must care about something to do a good job researching it.” The essence of good scholarship, in her mind, was to recognize that any starting point is only a partial view and that you may change your mind, based on further genuine inquiry. Until the end of writing this thesis, Linda has continued to challenge me to not shy away and to stand up for exploratory work that really did teach me a new way of thinking.

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LIST OF FIGURES AND TABLES

Table 1. Breakdown of Theories in Selected CB Research on Consumer Financial Decisions.....	20
Table 2. Respondent Inventory.....	70
Table 3. Respondent Information, in Summary.....	73
Table 4. Descriptive Statistics.....	83
Table 5. Variable Definitions and Descriptive Statistics.....	206
Table 6. Simple Correlations (Spearman), N=2,162.....	209
Table 7. Hypotheses and Correlation Results.....	210
Table 8. Associations with Inaction and Action.....	215
Table 9. Direction of Association Between Significant Attitudes, Inaction and Action	220
Table 10. Consumer Debt in the US based on Q1 2013.....	274
Table 11. Consumer Debt in the UK, 2016.....	274
Table 12. Overview Results Systematic Key Word Search.....	280
Table 13. Summary Statistics Reduced Subjective Well Being.....	290
Table 14. Spearman Correlations Reduced Subjective Well Being (N=2,162).....	290
Table 15. Exploratory Factor Analysis Reduced Subjective Well Being 1.....	292
Table 16. Exploratory Factor Analysis Reduced Subjective Well Being 2.....	292
Table 17. Summary Statistics Solution Oriented Information.....	293
Table 18. Spearman Correlations Solution Oriented Information (N=2,162).....	293
Table 19. Exploratory Factor Analysis Solution Oriented Information.....	294
Table 20. Associations with Inaction and Action - Full model.....	295
Table 21. Robustness Check.....	298
Table 22. Sample Comparison.....	299
Figure 1. Inaction in Debt Management.....	4
Figure 2. Mandatory Disclosure under the CARD Act. Previously, Only the Minimum Repayment Amount was Displayed (Sourced from Salisbury, 2014).....	26
Figure 3. Overview Theoretical Sampling.....	55
Figure 4. Population Segmentation Financial Capabilities by the MAS (2014).....	57
Figure 5. UK Consumer Credit Growth Compared With Household Income Growth, Reproduced from the Bank of England (2017, p.14).....	115
Figure 6. A Model of Problem Debt.....	156
Figure 7. Responses to Facing Problem Debt & Creditor Pressure.....	191
Figure 8. Inaction in Debt Management: Individual Characteristics & Conditions.....	191

1. INTRODUCTION

PROBLEM STATEMENT: CONSUMER DEBT GROWS AS THEORY AND POLICY FAILS

Consumer over-indebtedness is a growing concern for governments and citizens all around the world. Individual debt has steadily increased since the 1960s, and the portion of the debt that remains unpaid has also mushroomed. Increased efforts to collect unpaid debt have yielded little: neither bankruptcies nor debt restructuring are effectively reducing the amount of bad debt outstanding. Consumers simply continue to suffer this large credit burden, apparently with no end in sight. They try and stay afloat in a pool of debt that grows with each uncollected bill or loan.

This empirical social problem of inaction in debt management has been left unaddressed by the existing literature. The theoretical gap arises because of the disciplinary disposition of consumer behavior (CB) research, the main field in business schools that studies consumers. Research on consumer indebtedness in CB has consistently relied on a single core assumption: that the problem of over-indebtedness is the result of individual cognitive failure. The underlying theory, with origins in behavioral economics, holds that consumers fail to pay their debts because they do not know enough, understand enough, pay enough attention, or do not think rationally enough to manage their money.

As a result of this problem definition, reforms enacted by regulators and credit firms have all focused on informing, explaining, and calling attention to the financial terms and calculations that lead to an excess of debt. Such policies have relied predominantly on communications or transfers of information through, for example, financial education or mandatory information disclosures in credit card statements. But all such efforts to change consumers' debt management decisions to date have failed. Unpaid debt continues to grow.

In “history of science” terms, the anomalies to the prevailing theory have built to the point that a new vision on the phenomenon—a paradigm shift—is in order (Kuhn 1970). I will argue in this thesis that the blinders typical of what Thomas Kuhn in *The Structure of Scientific Revolutions* (1970) called “normal science” have kept consumer behavior research from asking obvious questions about the problem under study. For instance, little consideration has been given to day-to-day personal circumstances—beyond individual understanding of financial calculations—that might block debt repayment. Though debt itself is inevitably a dyadic phenomenon, insufficient research attention has been paid to the relationship between creditors and debtors. And, though the credit problem is unavoidably rooted in a specific economic and regulatory system, CB research in this area typically does not step back to consider how the system itself contributes to the problem of over-indebtedness.

My framework for addressing inaction in debt management results from empirical research following a grounded-theory approach. My contention is that the premature boundaries set on the understanding of the problem—one that grew directly out of a limited toolkit within CB research—resulted in the use of “off-the-shelf” theories that,

in fact, did not encompass the phenomenon under study. What is needed is an initial investigation of the circumstances surrounding the accumulation of individual debt and subsequent inaction, as well as the behaviors and beliefs that fed the problem. This exploratory work about this very specific problem of inaction in debt management has not yet been done. Thus, my own literature review led me to go back and take this belated step of investigating inaction in debt management without the narrowing scope of a predetermined theoretical lens. On the basis of that work, I identify broad elements that are missing in the current CB research approach. It forms the empirical foundation for this thesis.

OUTSTANDING CONSUMER DEBT AND COLLECTIONS TODAY

Delinquent debt, consisting of credit commitments that are outstanding for 30 days or more, can be managed directly by the primary creditor or be outsourced to third-party debt collectors. In advanced economies, collection of delinquent debt gets increasingly outsourced to third-party debt collectors. The forerunner of this trend is the United States, where roughly 83% of delinquent debt is outsourced to third parties (Ernst & Young 2014; Federal Reserve Bank of New York 2013). A close follower is the United Kingdom, where the third-party debt collection sector grows at 10% per year (Credit Services Association 2016). The portfolio these third-party debt collectors hold is very large. For example, in 2013, US third-party debt collectors managed a debt portfolio of \$756 billion (Ernst & Young 2014). Similarly, third-party debt collection holdings in the UK are estimated at £60 billion (Credit Services Association 2016).

Of the total stock of delinquent consumer debt in the UK and the US, two of the largest economies in the world, less than 10% is repaid through either negotiation with third-party debt collectors or bankruptcy. Appendix 1 provides more details on delinquent debt and recollection in the US and the UK. No data is publicly available on the remaining option to settle debt, which is to directly negotiate a payment plan with the primary creditor. But given that third-party debt collectors in the US for instance hold 83% of the total stock of delinquent debt, even if the remaining 17% of primary debt holdings were all settled (which is highly unlikely), roughly 75% of delinquent debt is left uncollected and unsettled. This implies that the vast majority of consumers with problem debt does not resolve their situation and lives with such debts on a prolonged basis. **Figure 1** provides an illustration of the magnitude of inaction in debt management.

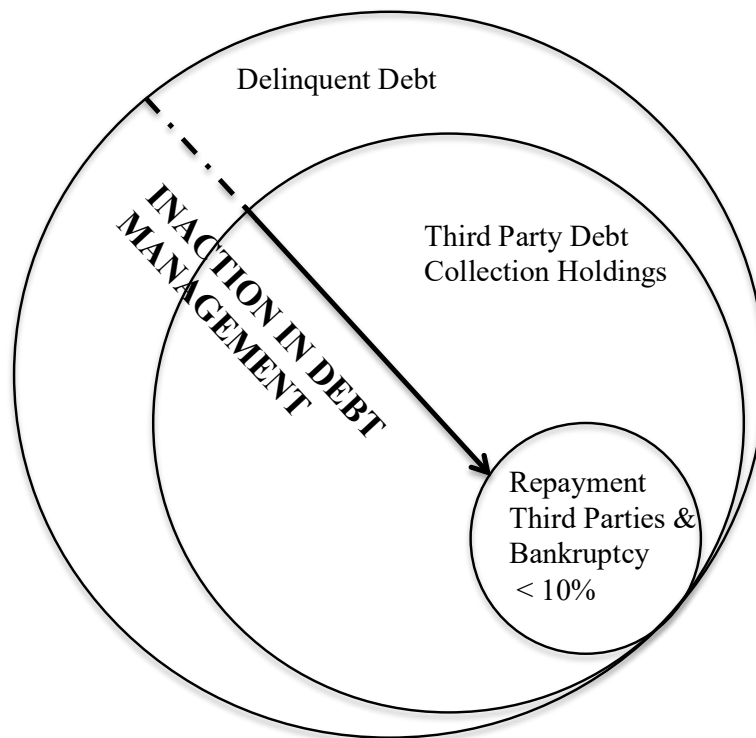


Figure 1. Inaction in Debt Management

Moreover, on an individual basis, the debts that do get collected are relatively small. The average repayment to third-party debt collectors in the US in 2013 was estimated at \$491 per account, conditional on receiving a payment. These repayments were concentrated in 11.2% of the accounts placed with third-party debt collectors. The average account size held by third-party debt collectors in that year was \$753 (Ernst & Young 2014). Thus, when an account does get resolved, roughly 65% of its balance gets recollected, on average. But many accounts do not get resolved at all. The bottom line is that debt collectors recollect relatively small amounts from relatively few accounts. Many consumers, in other words, never pay their problem debts.

Creditors still try to collect these debts, however. The default mindset in the collection industry appears that a consumer *can* pay, but does not *want* to, unless proven otherwise. According to existing sources on creditors' collection practices, until information to the contrary arises, all consumers look the same to the collector: they are able to pay, but are not doing it. So, unless the collector uncovers information indicating that the debtor really cannot pay, they impose pressure on consumers in a sequence of standardized steps to increase the implicit cost of not repaying one's debt (Hunt 2007, p. 16). This pressure is supposed to lead the debtor to repay.

As the first empirical chapter of this thesis will further illustrate, such pressure is imposed through a range of communications, all aimed at inciting repayment. It is aimed at inducing those who will not pay, but can, to change their minds. But as long as the creditor cannot distinguish a consumer as either willing or unwilling, this tactic simply imposes additional stress on the already stressful lives of the many consumers who really cannot pay (Hunt 2007, p. 16). Consumer inaction aggravates the problem

because the debtor's silence makes it more difficult for the creditor to identify whether a consumer is unable or unwilling to repay the debt. Inaction thus involves regular nonpayment of debts while no contact is established with creditors. A consumer may make a (partial) payment once in a while, "juggling debts", and keep the credit commitments from going too far in the red. But regular nonpayment is the norm when it comes to inaction. Further creditor pressure may in such situations just exacerbate inaction because of the stress it induces when consumers are not able to repay.

As a result, consumers who are unable to repay but who avoid any contact with their creditors may find themselves mistakenly in the creditor's category of those who are assumed to be able to pay, and thus are subject to continuous creditor pressure. It is not hard to see how this is suboptimal from an individual and societal point of view. It impacts consumers' well-being and leaves large sums of debts unpaid. This thesis explores the individual, dyadic, and broader structural elements that perpetuate this problem of inaction in debt management. The grounded-theory approach will provide insights into the intricate context in which financial decisions are made.

A BRIEF OVERVIEW OF US AND UK CREDIT SYSTEMS

While this thesis' data is drawn from consumers living in the UK, this study will move between the insights following from this context and a body of literature that is mostly situated in the US. There are substantial differences between the US and UK credit systems. For example, comparatively to secured mortgage debt, the unsecured credit market in the UK is much smaller (13% of outstanding mortgage debt) than in

the US (21% of outstanding mortgage debt) (Bank of England 2017; Federal Reserve Bank of New York 2017). Likewise, while student loans make up a significant portion of the total debt balance in the US (roughly 11%), in the UK such student debt is a much more recent phenomenon. Student loans have become an increasingly important debt for UK adults under 35 due to recent changes in higher education funding. In comparison to the US, however, this type of debt is a relative new feature for UK households (Financial Conduct Authority 2017).

In terms of delinquent unsecured consumer debt, UK households are most likely to be behind on credit card payments, followed by revolving retail finance (Financial Conduct Authority 2017). In the US, households are most likely to be behind on student loans, followed by credit cards and car loans (Federal Reserve Bank of New York 2017). The type of creditors UK and US consumers have to interact with when in problem debt is thus likely to differ. Perhaps one of the largest differences between these two credit systems important to consider in the context of this thesis is that in the US roughly 6.7% of outstanding debt is held by third party debt collectors, whereas in the UK this is roughly 4 % (see also Annex 1). In other words, today, third party debt collection is more likely in the US than it is in the UK.

A comparison of this thesis' findings to the literature mostly situated in the US is useful for two reasons. Firstly, as the empirical chapters of this thesis will further elaborate, historically, financial market trends have moved from the US to Europe, with the UK often being an early adopter of these trends. Thus, being aware of dynamics in the US, both today and in the past, will contribute to a richer understanding of credit market dynamics in the UK. For instance, if anything, this

comparison would imply that problem debt is likely to become an ever more important consumer issue that deserves serious attention. Secondly, by juxtaposing the findings of this thesis to existing literature, the contributions of this thesis can be more clearly defined, by contrasting the findings to practices observed in the US.

RESEARCH QUESTIONS

The exploratory approach taken in this research was guided by the following research questions:

- 1. What conditions and characteristics lie behind individual consumers' non-repayment of debt?*
- 2. What is the nature of the relationship between creditors and debtors, and how does it contribute to consumers' non-repayment of debt?*
- 3. What structural elements of the credit system contribute significantly to this non-repayment of debt?*

The questions follow from the knowledge gap in the literature, combined with the major social problem of inaction in debt management and vast sums of uncollected debt in the general economy. They address three different levels at which the phenomenon manifests itself: inaction in debt management occurs in a system of individual conditions, problematic relationships between debtors and their creditors, and larger structural problems. The questions thus cover the individual, the dyad, and the broader market system. This holistic lens ensures an approach beyond the individual. This is important because, as the problem statement has alluded to and the

literature review will further substantiate, a pure focus on individual cognitive failure alone has proved insufficient to explain and change consumers' debt management decisions in practice.

RESEARCH APPROACH

To answer the research questions, this thesis draws on survey data of 2,162 over-indebted individuals complemented with 16 specially conducted semi-structured interviews, 10 individuals followed by video-ethnography, and secondary documents pertaining to the inaction in debt management problem. I analyse this data using an exploratory sequential mixed-methods approach (Creswell 2014; Creswell and Plano Clark 2007) in which a qualitative phase informs a subsequent quantitative phase. The qualitative methods (interviews, video-ethnography and secondary documents) together form the basis for the grounded-theory approach, whereas the survey forms the basis for the hypothesis-testing using binary logistic regression analysis.

The two methods used in this thesis generate complementary results. More specifically, the grounded-theory approach provides the necessary exploratory work to better understand the problem of inaction in debt management. Subsequently, the hypothesis testing extends our understanding of the concepts identified in the explorative qualitative work, by quantitatively testing the relevance of, and relationship between these concepts across a larger, more diverse population. Taken together, this mixed-methods approach allows triangulating and synthesizing insights from different angles, contributing to a more in-depth understanding of consumers' inaction in debt management.

CONTRIBUTIONS

This thesis makes a number of contributions. Firstly, it coins a new type of debt, “system debt,” that many respondents struggle with and which contributes considerably to their inaction in debt management. These system debts, typically in the form of rent arrears, outstanding utility bills or repayments to the welfare state, impose retrospective budget changes, by either requiring consumers to repay income or through back-billing which imposes higher expenditure in hindsight. A large part of system debts arise due to inefficiencies in systems upon which respondents are reliant (e.g., retrospective changes in housing allowance or back-billed electricity usage). Respondents engage with these systems by necessity, because they are dependent on income support or because they need utilities.

This type of debt is different from the larger social/market context of the credit “system” of banks, mortgages etc. The essence of system debt as defined in this thesis is that consumers become indebted to the state (or public service deliverers more generally), on which they rely by necessity, not to typical providers of credit such as credit card companies or banks. That is not to say that these more conventional forms of debt such as credit card debt or mortgages do not affect the samples of this study. The contribution of this thesis, however, lies in highlighting an additional, previously not yet identified mechanism of imposing a particular type of debt (i.e., system debt) on certain consumers.

System debt is also different from typical problem debt that is a consequence of financial shocks or a chosen level of expenditure. For example, system debt is not a

function of choice: it is not a consequence of an expenditure for which debt had to be taken out that subsequently could not be repaid. Consider for instance a loan with a bank: such a debt will only ever exist if actively taken out— through active consumption choice. System debt is not a function of such deliberate consumption choice. It also is not a debt arising as a result of risk that is not anticipated but could have been. Rather, coming back to the point made earlier, system debt is due to systemic involvement with an inefficient welfare state and associated basic needs.

Secondly, this thesis offers further insights to inaction in a context of debt problems; namely, that consumers' personal differences in creditor avoidance and willingness to repay debt play an important role. Both elements have not yet been researched in CB studies on consumer financial decision making. Moreover, the identification of these two factors gives rise to the observation that not only existing theories, but also the way the credit system is built, do not do justice to the vast difference in consumers' circumstances. For example, this thesis documents a disconnect between creditors' assumptions and respondents' realities. There appears only limited consideration in debt collection tactics that consumers want to pay but may not being able to pay. This disconnect in perspectives is perpetuated in CB research, which assumes debt management is predominantly a function of choice. In reality, however, choice may be limited for those consumers who may simply not have the money to engage in certain choices. Building heterogeneity into CB's theorizing would do justice to the vastly different circumstances of consumers when it comes to over-indebtedness.

This leads to the third point; namely, that the notion of system debt contrasts sharply with the conceptualization of outcomes as a function of cognitive ability—or simply

put: with the central conceptualization of choice—in CB research. This thesis illustrates that the idea of choice is compromised when systems inhibit or limit the space for autonomy. The idea that, sometimes, structural factors may prevent consumers from making certain choices because that choice simply is not realistic given their circumstances seems largely absent in CB research. As a consequence, the dominant solutions offered to socially relevant problems are to make consumers smarter or more resilient to deal with their circumstances. This thesis posits that, rather than addressing cognitive capacity, solutions to inaction in debt management may lie in lifting structural barriers that are outside the individual realm, such as a different approach to debt collection tactics or more controversially, debt forgiveness.

STRUCTURE OF THE THESIS

This thesis proceeds as follows. The next chapter will review the literature in CB research on financial decision making and debt management in particular. Before doing so, however, it will start with a brief history of science perspective on CB research, illustrating that the normal science discussion in this field of research is not new, but, in fact, never went away. The third chapter presents this thesis' research approach. It presents the qualitative and quantitative data, provides sample descriptions, and reflects on the research methods used. It ends with a discussion on positionality.

The empirical part of this thesis consists of four chapters. Chapter four presents the history of debt collection, based on document analysis. After an interlude in chapter five, chapters six and seven present the grounded-theory approach focusing on

structural elements in debt collection (chapter six) and the interactions between creditors and debtors, in addition to characteristics and conditions that lie behind respondents' inaction in debt management (chapter seven). Chapter eight is the last empirical chapter. It tests correlations between nine core concepts that emerge from the grounded theory approach using binary logistic regression analysis.

Together, these four empirical chapters address the three research questions, focusing on what explains consumers' inaction in debt management, the problem this thesis is all about. Since the empirical findings are presented in narrative form, a common style for grounded theory, the research questions are addressed throughout these four chapters. Thus, this thesis is not built around one empirical chapter for each research question. For example, the second research question on the nature of the relationship between creditors and debtors is addressed in all four empirical chapters. On the other hand, the first research question, examining conditions and characteristics behind individuals' nonrepayment of debt, features most prominently in chapter seven and eight. The third research question features most prominently in chapter four and six.

The discussion chapter finally draws all these insights together by taking stock of the results presented in the empirical chapters. It next links these insights back to existing knowledge and proposes future research avenues within CB. This forms the basis to show how this thesis extends our understanding of the inaction in debt management problem, and lays bare examples of how the implicit assumptions prevailing in CB research may put us on a misleading pathway to find solutions to change consumers' behavior.

2. LITERATURE REVIEW

This review first offers a brief “history of science” perspective to theorizing in consumer behavior research. It sets the context for the subsequent sections that will show that existing research on financial decision making in CB research relies heavily on theories that originate in neoclassical economics and cognitive psychology.

Examples of such theories that guide a substantial part of the CB literature are the role of informational determinants, mental accounting theory, and goal-directed theory.

However, policies formed under this current theorizing have not closed the debt repayment gap. This review explores why this is the case. It does so by discussing CB research on each of three theoretical frameworks, followed by an example of how policy in that particular consumer domain has worked out in practice. The review concludes with a discussion of the literature’s approach to theorizing and its implications for solving non-trivial social problems.

CONSUMER BEHAVIOR RESEARCH: A HISTORY OF SCIENCE PERSPECTIVE

The thesis approaches the inaction in debt management problem from a consumer behavior (CB) research perspective. Within business schools, CB is a sub-discipline of marketing. In practice, it is considered a very specific discipline with its own standards, research community, and debates. Formally a multidisciplinary field, its major journal, *The Journal of Consumer Research (JCR)*, was established in 1974 by the top disciplinary organizations of sociology, psychology, anthropology, economics, communications, and marketing. These disciplines are thus foundational to CB (see also Deighton 2007).

While this history suggests a broad, interdisciplinary conceptualization of consumer behavior, over time the field has de facto separated into two institutional structures. One of these draws predominantly on psychology and economics, and has been dominating the line-up of theories used in CB for most of the past four decades (Wang et al. 2015). The second stream of thought, Consumer Culture Theory (CCT), emerged in the mid-1980s in an attempt to counter the prevailing perspective. CCT draws on the humanities, anthropology, and sociology, explicitly addressing CB research's other disciplinary roots (for an overview see Arnould and Thompson 2005).

Originally, the alternative discussion in CB was called a “paradigm shift” because a significant number of the existing CB research community, some of them already senior scholars, had rejected the prevailing, positivist way of thinking (Lutz 1989). As Thomas Kuhn (1970) argues, the notion of a paradigm shift is preceded by a period of “normal science” during which the dominant paradigm is explored in ever more detail and the alternative stream of thought is largely overlooked. In this mode, research is based on shared outlooks with dedicated rules and standards for scientific practice. The only research contributions valued are those that further the existing dominant paradigm, not those that evoke disagreements over the fundamentals that constitute it (Kuhn 1970, p. 11).

On the one hand, Kuhn thought a successful science must spend long periods of time in normal science to explore puzzles and extend the paradigm as far as it can go (Johnson and Gray 2016, p. 86). On the other hand, however, at some point, this way

of conducting science prevents developing new theory because the theories chosen in normal scientific research are solely those that the paradigm already supports or supplies (Kuhn 1970, p. 24). Under these conditions, outsiders challenge the established view, but the whole of the disciplinary apparatus is used to keep the current order in place. It eventually leads to a scientific revolution when the anomalies to the prevailing view have built to the point that a new vision of the world within which scientific work is done—a paradigm shift—is in order (Kuhn 1970).

This process is precisely what many thought was unfolding in CB research in the 80s. Explicit references to Kuhn's paradigm shift with a dominant paradigm—the behavioral stream—vis-à-vis a strong challenger—what later became CCT—were made, for example by Lutz (1989), the then president of the Association for Consumer Research, which organizes the main conference for CB research.

However, thirty years hence, CB has solidified itself into two separate, monochrome institutional structures. A new, bifurcated structure formed, one that protected the dominant paradigm from being challenged. In other words, while in the mid 1980s it looked a scientific revolution in the Kuhnian sense could unfold in CB research, in the end such revolution never really fully realized. Instead, the way was freed for exploring the dominant paradigm in ever more detail.

The literature search for this thesis illustrates the bifurcation particularly well. Out of 78 identified relevant papers, only two use an inductive approach. The remaining 97% of articles take a deductive approach, relying mostly on existing theories from cognitive psychology and neo-classical economics. The challenging, interpretive

stream of thought is thus given limited space in the academic debate. And this does not just go for the main outlet for CB research, *The JCR*, but includes three other journals that are considered to be the most high ranking in the field and have over time also started publishing CB research: *The Journal of Consumer Psychology* (*JCP*), *The Journal of Marketing Research* (*JMR*) and *The Journal of Public Policy & Marketing* (*JPPM*). Appendix 2 provides a detailed description of the literature search.

The two inductive papers look at the exchange relationship between debt collectors and consumers (Hill 1994) and at the normalization of debt in the US (Peñaloza and Barnhart 2011). These are examples of the few exploratory works on consumer debt and consumer financial decision making in CB more generally. Both papers provide a foundational basis for this thesis. The first paper, for example, by Hill (1994) is one of the sources for this thesis' discussion of the history of debt collection. The author focuses on the interaction between bill collectors and consumers, precisely addressing the dyadic relationship that, as this thesis has mentioned, has been largely left out of CB's consumer financial decision-making research. As will appear from this thesis' analysis, almost 25 years since Hill's paper was published, debt collection tactics appear to have remained largely the same.

The second paper, by Peñaloza and Barnhart (2011), addresses the other element that this thesis identifies as missing from CB's typical approach to consumers' financial decisions; namely, the credit system as a market place. This paper falls under a fairly recent stream of research that looks at market system dynamics and that challenges the micro, economic-actor bias typical for the dominant CB research paradigm

(Giesler and Fischer 2017). This alternative perspective sits within CCT and formalizes a critique and alternative to CB's cognitive paradigm. It focuses on markets as complex social systems based on negotiations with consumers and other marketplace actors, how these interactions shape the market place, and change over time (Giesler and Fischer 2017).

Peñaloza and Barnhart (2011) extensively discuss the market and cultural forces that have contributed to the normalization of debt (i.e., debt that is just about manageable) in the US. In their discussion of market and cultural forces, they identify the normalization of debt as a manifestation of the US's historical legacy of abundance. They note that, today, credit is in fact a requirement to be a middle-class consumer in the US. Without a credit history, consumers simply cannot avail certain services, such as a cell phone, electricity, and banking. For most of Peñaloza and Barnhart's respondents, credit (and debt) is largely still a choice: their debts are based on an entitlement logic for consumption (Peñaloza and Barnhart 2011, p. S127)

In the authors' conceptualization, the normalization of debt is only one step away from inaction in debt management. Besides normalization of debt, Peñaloza and Barnhart (2011, p. S.125) identify a pattern of what they call "marginalization of debt," similar to this thesis' conceptualization of inaction in debt management. The authors characterize such marginalization of debt as a situation of "higher fees, compound interest charges, poor credit ratings,...limited additional credit" and "marked by "harassing"...letters and calls from collection agencies, product repossessions..., and attempted home foreclosure." They lay the foundations for

further examining the market and cultural forces that are behind this pattern of marginalization of debt that have not yet been explored.

Linking back to CB's history of science and the disconnect between its dominant cognitive paradigm and the challenging stream of thought, it is critical to note that in laying out the importance of the dyadic relationship examined of structural market elements, neither Hill (1994), nor Peñaloza and Barnhart (2011) have directly engaged with the cognitive paradigm.

Thus, while offering the potential to explicitly show the anomalies vis-a-vis CB's cognitive paradigm, the challenge to topple the dominant paradigm and consider the dyadic and the systemic as a new set of commitments, foundational to another way of seeing the world, thus far has not yet been picked up by the research community. This thesis will build on the foundations laid by both Hill (1994) and Peñaloza and Barnhart (2011), including both creditors and the larger market system into the explanation of consumers' inaction in debt management and seek ways to make explicit the anomalies that are building up against CB's cognitive paradigm.

Of the remaining identified articles in this thesis' literature search, which all fall within CB's cognitive paradigm, a little under half of the articles are based on just three theoretical frameworks, all originating in neoclassical economics and cognitive psychology:

- Roughly one-third build on the role of informational determinants in financial decision making;

- Roughly one-third build on goal-related theories;
- Roughly one-third draw on mental accounting theory.

Table 1 shows a further breakdown of the theories used in the selected papers.

Theoretical Framework	Number of articles	% of relevant articles
Informational Determinants		
Financial Knowledge	8	10
Information Disclosure	4	5
Goal Setting and Achievement	11	14
Mental Accounting	11	14
Other	44	56
Total	78	100

Table 1. Breakdown of Theories in Selected CB Research on Consumer Financial Decisions

This clearly shows that the individual, cognitive approach to problematizing research problems prevails in CB research on consumer financial decisions. At the same time, as this review will continue to show, this dominant, cognitive science/behavioral paradigm seems to be ignoring the anomalies building up against it. Moreover, many policy tests relying on the same paradigmatic assumptions fail to substantially change behavior in practice. Indeed, it appears the normal science way of thinking in CB never really ceased.

Today, this means that “mainstream” CB researchers use readily available theories to study consumers’ financial decisions without questioning such theories. A leader in

the established paradigm has even described this process of using “off-the-shelf” theories, where the tidy theoretical explanations that are available *now* are the only ones that are used for deductive testing (Lynch et al. 2012). However, as Lynch et al. (2012) rightfully point out, even if these available theoretical accounts fail to explain a phenomenon, the social problem still endures. The required theoretical novelty to explain such enduring behavioral patterns typically comes from non-deductive research. Exploratory work provides a valuable roadmap to theorizing in such a case. In CB, however, this type of research is traditionally undervalued, with very few non-deductive papers making it through the review process in top-rated journals (Lynch et al. 2012). This is also reflected in the scant number of non-deductive papers identified by the literature search. As a consequence, available theoretical accounts in CB do not get challenged but persist in their own paradigmatic bubble.

Clearly, this is problematic for knowledge creation, and it also means that socially important problems will remain unexplained and unsolved, just as happens in the sciences under the same circumstances. As I will further show in my empirical chapters, the focus on individual cognitive failure is too narrow and blinds the research community to other elements that are critical to behavior change.

All this bolsters the argument that knowledge creation on financial decision making in CB is on the path of normal science and that the earlier propounded paradigm shift *is* in order. An ultimate consequence of this is not just that the current paradigm proves unsuccessful in explaining observed phenomena, but also that it risks overlooking phenomena altogether because they do not fit the paradigmatic box. When there are no seemingly easy solutions to a problem because they cannot be stated in the

paradigm's familiar conceptual and instrumental tools, research communities may simply ignore a problem altogether. As a result, meta-level puzzles may be rejected because they seem too complex to theorize at the outset (Kuhn 1970, p. 37). Indeed, this may be the reason why, until today, the problem of inaction in debt management has not been studied by the CB research community, even though the behavior is commonplace.

This thesis takes a first step towards examining consumers' inaction in debt management. It will do so using a grounded-theory (Strauss and Corbin 1998), or inductive, approach rather than a deductive one. As the literature review will further substantiate, the problem in CB's research on financial decision making is precisely its dependency on off-the-shelf theory that insufficiently explains the behaviors under study. What is needed is an initial investigation of the circumstances surrounding the accumulation of individual debt as well as the behaviors and beliefs that feed the problem. This type of exploratory work has not yet been done when it comes to the very specific problem of inaction of debt management.

My argument does however not stop at the identification that "a bigger context is missing." Rather, in this thesis, I will make explicit major continuing and contributory factors that would need to become part of any theory or study that might successfully address this phenomenon in either research or practice and in either quantitative or qualitative research. There are some aspects of what I have discovered that will seem "obvious" (though not too many)—it is important though to point out that the nature of the normal science phenomenon causes obvious things to be overlooked. CB researchers have refrained from asking such obvious questions about the problem

under study because staying within the course of the mainstream paradigm demands it.

Once I have described my empirical research, it will be appropriate to return to CB's cognitive paradigm and suggest possible avenues for future research that incorporates missing elements identified by the thesis. I will try to synthesize and to suggest such applications after I describe the empirical findings. But before doing so, I will now first turn to my literature review, which has led me to observe the build up of anomalies and paradigmatic way of thinking in CB research on financial decision making.

PATTERNS IN CB RESEARCH ON FINANCIAL DECISION MAKING

Consumers' financial decisions typically involve savings, investments, borrowing, risk management, and expenditure decisions (Lynch 2011; Tufano 2009). What follows is a partial overview of the CB literature on consumer financial decision making, purposefully focusing on the financial behavior that is relevant to this thesis; namely, decisions about borrowing and repaying. While broad search terms, such as "financial decision making" and "consumer finance", were used in the literature search, these were supplemented with the terms "debt" and "credit." Articles on the other themes, such as saving and risk management, were also identified by the literature search strategy but likely resulted in a non-exhaustive list on these respective themes. This partial overview is, however, not an issue because the main aim of this review is to identify broad patterns in scientific inquiry of the CB research community that may explain the absence of the identification and explanation of the

inaction in debt management problem. This thesis assumes, quite safely, that the patterns observed in CB research on the specific theme of borrowing and repaying are representative of the general CB approach to consumer financial decision making. Appendix 2 further details the literature search strategy.

As already alluded to in the previous section, what appears from the identified papers is a normal science way of thinking about consumer financial decision making, in which “off-the-shelf” theories are used to explain phenomena and against which the anomalies are building up. These anomalies appear at the aggregate level where policy success or failure does not match the prevailing theoretical lens, but they also appear at the more particular level when two studies provide results difficult to reconcile or make apparent the inconsistencies within the same study.

The next few sections will discuss the three dominant theoretical frameworks identified by the literature search: informational determinants, mental accounting, and goal-setting theories. Each section starts with a review of the research conducted in CB within these respective theoretical frameworks. This is followed by a discussion of whether policy based on similar theories successfully changed consumers’ behavior. Policies are a means of testing whether a proposed behavioral mechanism cuts ice. Every section ends with a reflection on the implications of the respective policy effectiveness for CB research. This systematic discussion will showcase broad patterns in how CB research on consumers’ financial decisions operates. This is useful in understanding why inaction in debt management has not sufficiently been addressed by the research community and will lay bare the omissions in current thinking about this issue.

INFORMATIONAL DETERMINANTS

The assumption that information is a key determinant of consumers' financial decisions is a neoclassical economic idea. The body of work in CB that looks at the informational determinants of financial decisions can be split into two theoretical approaches. One of these approaches tests the impact of information disclosure on debt repayment decisions. Another range of work looks at how low levels of knowledge (i.e., a lack of information) leads to a misunderstanding of specific financial concepts and systematically biases financial decisions. In what follows, each of these respective theoretical approaches and an example of subsequent policy interventions will be discussed.

Information Disclosures & The CARD Act

CB research on information disclosures relies on neo-classical economic theories that provided the rationale for a policy that required mandatory disclosures on the costs of making only minimum repayments on credit card debts. This reliance resulted in an incomplete theorizing on consumers' debt repayment behavior. The field's findings misalign with policy effectiveness data and therefore fail to sufficiently explain the behavior under study.

CB Research on Information Disclosure. Four papers identified in the literature search study whether additional information disclosures in credit card statements result in higher repayments. The theory tested in these studies is the same that

provided the rationale for the Credit Card Accountability Responsibility and Disclosure Act (CARD Act), a policy introduced in the U.S. in 2009. Under this act, lenders have to disclose the time it takes to clear the existing balance if only minimum repayments are being made, and the monthly repayment required to pay off the debt in 3 years, including total interest paid over the course of repayment. Before the introduction of the CARD Act, only the minimum payment information was provided, which reduced the size of repayments because consumers anchored their credit-card repayments upon this information (Stewart 2009). **Figure 2** provides an example of such mandatory additional disclosure.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	10 years	\$3,284
\$62	3 years	\$2,232 (Savings=\$1,052)

If you would like information about credit counseling services, call 1-800-xxx-xxxx.

Figure 2. Mandatory Disclosure under the CARD Act. Previously, Only the Minimum Repayment Amount was Displayed (Sourced from Salisbury, 2014)

The theory underlying the CARD Act assumes that consumers make better choices (here, choices that provide higher expected utility and presumably greater satisfaction) *as long as they have easy access* to the relevant information, in this case two repayment anchors, and that this information *is presented in an easily understandable way* (Bertrand, Mullainathan, and Shafir 2006). The CB lab studies

test which specific piece of information is most relevant in terms of influencing consumers' debt repayment decisions.

In accordance with the rationale for the CARD Act, the CB studies unanimously find that introducing a second repayment anchor (the three-year payment in addition to the minimum payment) in most cases results in higher repayments by consumers, but is unlikely to offset the strong negative effect of presenting any repayment information (any anchor) in the first place (Hershfield and Roese 2015; Navarro-Martinez et al. 2011; Salisbury 2014). An exception is the case documented by Hershfield and Roese (2015) where a dual anchor scenario resulted in lower repayment decisions than a single anchor when the 3-year payment amount was less than what consumers would have paid otherwise. But taken together, the studies predict that, when presented with two anchors (as is the case in the CARD Act), consumers' repayment decisions are likely to be lower when compared to those instances in which no anchor was presented (a scenario that currently does not exist) but higher when compared to just being presented with one anchor based on minimum payments only, which was the situation before the CARD Act was introduced. In other words, the studies predict the CARD Act should be successful in increasing repayments compared to the previous situation where only one anchor was presented.

Information Disclosure Policy in Practice. Field data that became available later, however, suggests that the CARD Act was not very effective in terms of increasing repayments in practice. This data, based on 160 million credit card accounts, shows that only a very small percentage of consumers (0.4%) decided to alter their repayments in response to the CARD ACT, which resulted in a rather modest saving

for these consumers of approximately \$24 in annualized interest payments (Agarwal et al. 2014). The 0.4% is much below the observed 7% that switch away from the minimum payment amount in the lab by Salisbury (2014). These figures give an indication of the differences observed between consumers' decisions in theory and in practice.

What can explain this discrepancy in findings between the CB lab studies and the field data that became available later? It is possible that part of the observed discrepancy is due to financial illiteracy. Recall that the underlying theory for the CARD Act assumes that information is *easily accessible and easily understandable*. Perhaps the information disclosure was difficult to understand. Soll et al. (2013) indeed find that some consumers misunderstand credit card disclosure statements similar to the CARD Act, and that this plays a role in subsequent repayment choices. Salisbury (2014) also finds differential repayment choices in response to information disclosure given to consumers who have little knowledge of compound interest. The observed discrepancy in behavior change between the lab and the field could thus, at least partly, be driven by the difference in samples under study, where one sample could be more financially literate than the other.

Another possibility is that the information was not easily accessible. The implicit assumption underlying the additional information disclosure mandated by the CARD ACT and the lab studies based on it is that consumers always open and carefully read their credit card statements. However, Hershfield and Roese (2015) find that less than 20% of study participants reported that they had received a credit card statement containing two anchors (conditional on having a credit card), whereas by law, all of

them had. This accords with the Consumer Financial Protection Bureau's (2011) CARD Act fact sheet that one year after the introduction of the Act, only 46% of cardholders report to be very or somewhat familiar with the new law, and 30% report they are not at all familiar with it.

In sum. These insights suggest that in order to study consumers' debt repayment decisions, we ought to better understand the way consumers manage financial information in practice. While some consumers may take such information into consideration, others may not understand it, others may not read it (or may read it but forget about it the next day), or reject it as illegitimate. As this section has illustrated, relying on the assumption that providing easily accessible and understandable information will lead to optimal consumer financial decisions appears insufficient to explain behavior in practice. If CB aims to fully understand consumer's debt repayment decisions, studies will have to go beyond the current focus on information provision.

Knowledge and Financial Education

The relationship between financial knowledge and decision making has provoked what is perhaps the largest theoretical conundrum to the financial decision-making research community. On the one hand, low financial literacy is systematically linked to suboptimal financial decisions. On the other hand, efforts to improve those decisions through knowledge transfer (i.e., education) have been shown not to work. This policy ineffectiveness is counterintuitive. If knowledge systematically appears as a robust factor in financial decision making, why does a transfer of knowledge not

lead to improved decision making? This question remains unanswered until today. CB research has predominantly focused on the former, measured financial knowledge, and less so on the latter, manipulated financial knowledge. By its one-dimensional focus on measured financial literacy, CB has disregarded the bigger picture, which has implications for its theorizing.

CB Research on Financial Knowledge. A number of articles in CB document consumers' misunderstanding of specific financial concepts, such as savings growth (Mckenzie and Liersch 2011), maturity (Monga and Bagchi 2013), interest rates (Frank 2011; Lee and Hogarth 1999), and diversification (Reinholtz, Fernbach, and De Langhe 2016), as well as consumers' misunderstanding of graphical information . All these observed "mistakes", or knowledge deficiencies, are assumed to systematically bias financial decisions. This assumption is in line with the finding that low financial literacy is associated with suboptimal financial decisions all around the world (Lusardi and Mitchell 2014). It however misaligns with efforts to improve consumers' financial decisions through financial education.

Financial Education Policy in Practice. Ineffective policy raises doubt about the robustness of the assumed relationship between knowledge and financial decision making that lies at the heart of CB research on this topic. Efforts to change financial decisions through financial education have been found to be mixed at best. The theory underlying the case for financial education is that consumers make better choices (i.e., choices that provide higher expected utility and presumably higher experienced satisfaction) if only they *know and understand* the relevant information (Lynch and Wood 2006). Against the backdrop of the financial crisis in 2007, this idea gained

momentum and many national governments and international agencies pledged to do something about the low financial literacy levels (Grifoni and Messy 2012).

Researchers outside the CB community ran a lengthy series of field experiments aimed at further understanding the link between financial knowledge and financial decision making (see for example, Bertrand and Morse 2011; Cole, Sampson, and Zia 2011). These studies delivered conflicting results, ranging from a positive impact on certain financial behaviors, such as increasing saving, but not on others, such as reducing loan default (Miller et al. 2015). After a meta-level analysis showed that financial education interventions on average explain only 0.1% of the variance in financial behavior (Fernandes, Lynch, and Netemeyer 2014), at least parts of the research community decided that efforts to improve financial knowledge did not work (e.g. Fischer 2015).

Clearly, the systematic association between financial knowledge and decisions on the one hand, and ineffectiveness of financial education on the other hand, poses a major puzzle to the academy. However, no one seems to have picked up the challenge to further explore this disconnect in findings. Since the 2014 meta-analysis, publication interest in financial literacy and financial education research has plummeted. As an illustration, the bulk of OECD Working papers on the topic were published in 2012 and 2013 (9 papers), whereas only two were published in 2015 and only one in 2016. Likewise, the Boulder Summer Conference on Consumer Financial Decision Making, a popular CB conference, still had a dedicated session on financial literacy in 2014 and 2015, but no longer in 2016. In 2017 there again was a session, taking a behavioral lens, focusing on the presentation of financial information. This pattern

points towards a research paradigm stuck in “normal science” and stuck in their own paradigmatic bubble.

As a result, the link between financial knowledge and financial decision making has not been adequately put into theory. Recall that the theory underlying the link between these two concepts is that consumers will make better choices as soon as they know and understand the relevant information, and that financial education will provide such relevant information and ensure the consumer understands it. As was the case for CB research on information disclosure, there are many factors that can distort this link. Firstly, the question is what constitutes relevant information in which situation? For example, consumers may gain knowledge about the decision trade-offs in mortgage products, but if they never buy a house, this new information simply is not relevant. In other words, changing consumers’ evaluation of options does not matter if those evaluations are not actionable (Fernandes, Lynch, and Netemeyer 2014, p. 14). More generally, the type of information offered in financial education is likely to matter for the effectiveness of such knowledge translating to behavior change. Financial education interventions typically focus on knowledge about financial products and concepts. Other types of relevant information may be advice about creditors and their intentions, a factor that indeed has been found relevant in correcting unreasonably favorable attitudes towards debt consolidation loan products (Bolton, Bloom, and Cohen 2011). And this is just one of many other possible alternative relevant information types.

Secondly, for financial education interventions to translate into behavior change, they may need to complement informational determinants with more subjective aspects

that have been found to matter in financial decision making. Examples of such aspects are subjective knowledge (the extent to which consumers feel, rather than are, knowledgeable; see Hadar, Sood, and Fox 2013), motivation and self-esteem (Jungmann and Madern 2016). Another possibility is to incorporate factors outside the realm of the individual into interventions, such as social influence (Olson and Rick 2014).

In sum. The purpose of the above is not to provide a comprehensive list of factors that may be missing in financial education programs. Rather, the discussion highlights the fact that a narrow focus on specific informational determinants seems to be at the root of the disconnect between the systematic association between low levels of knowledge and financial decisions, and the ineffectiveness of providing additional knowledge to consumers in changing their behavior. Moreover, the focus on measured financial literacy in CB research results in a blind spot for the bigger, important consumer picture, and as a result thus far fails to address the problem that really matters: changing consumers' suboptimal financial decisions. As was the case for CB research on information disclosures, critically evaluating research findings in light of whether they succeed in solving real world problems is indispensable in order to appreciate the contribution of the field's findings.

MENTAL ACCOUNTING THEORY

Another stream of CB research draws on mental accounting theory to explain consumers' financial decisions. This body of work builds on the idea that consumers label money differently in their minds depending on, for example, its source or

purpose, and that this labeling impacts subsequent decisions. Mental accounting theory starts from the premise that the neoclassical assumption of rationality often fails to predict how consumers actually choose and that insights from cognitive psychology may help to provide an alternative descriptive theory (Thaler 1985, 1980, 1999). In other words, it is a typical behavioral approach to consumer financial decision making.

Research in CB on mental accounting theory focuses predominantly on spending decisions (including investments) and prediction of expenses. Existing policy interventions drawing on mental accounting insights focus on the same behaviors; they mostly encourage savings through labeling or through budgeting and tracking expenses within a certain category. Only one identified paper applies mental accounting theory to debt repayment, but debt-related policies do not draw on these insights yet. Anomalies are thus not emerging from the aggregate, policy level. They are starting to build up between particular research articles, however.

CB Research on Mental Accounting. Some of the articles identified by the literature search directly test the impact of mental accounting on, for example, expense prediction and unplanned purchases. These studies find that consumers predict quite well how much they will spend on ordinary items but underestimate how much they will spend on exceptional purchases, such as going to a nice restaurant or replacing a broken TV. The proposed mechanism behind this expense prediction bias is that consumers categorize exceptional expenses as unique, rare occurrences, which lead them to splurge on these items (Sussman and Alter 2012). Similarly, consumers tend to think of their past expenses differently compared to their future expenses. The

former are thought of as somewhat unusual, whereas the latter are thought of as more ordinary (Howard et al. 2016). Likewise, consumers hold mental accounts for planned and unplanned purchases when going for a shopping trip, and whether consumers overspend on unplanned purchases depends on their desire for certain products and their willpower (Stilley, Inman, and Wakefield 2010).

Other identified articles draw on theories that build on mental accounting theory, in particular, Prelec and Loewenstein's (1998) pain of paying theory. This theory predicts that pain associated with paying undermines the pleasure of consumption, like the running of a taxi meter reduces the pleasure of the trip. It builds on mental accounting theory because the pain of paying is booked in one mental account, whereas the pleasure of consumption is booked in another. The more directly these two mental accounts are coupled, the lower the pleasure of consumption. Building on this insight, Gourville and Soman (1998) find that when separating payment from the benefit of consumption, the sunk cost (pain of payment) depreciates over time. As a result, consumers are more willing to forego a benefit that is soon to expire and to consume a benefit that can be saved.

Four identified articles use this theory to study how the mode of payment (e.g., cash or debt card) affects consumption choice through the pain of paying associated with it. Soman (2001) studies the effect payment mode has on future spending and finds that purchase intentions are strongly reduced when consumers use payment mechanisms that mentally register past payments clearly or immediately. The method of payment is thus found to influence consumers' decisions through mental labels of respective pain of payment. Similarly, Shah et al. (2016) find that more painful forms

of payment, such as cash or checks, increases consumers' emotional attachment to the purchased product.

Two other papers test the relationship between pain of payment and type of product chosen. Published around the same time, the articles present opposing results. First, Thomas et al. (2011) found that consumers are more likely to buy unhealthy ("vice") food products, when paying by credit card, which is associated with a lower pain of payment compared to cash. Soon after, Bagchi and Block (2011) found that consumers are more likely to purchase and to consume higher-calorie foods when the pain associated with the method of payment is higher—in this case, cash payments.

Clearly, these two outcomes appear contradictory at first sight: the first paper predicts more unhealthy food choices when paying by card, whereas the second paper predicts fewer. The difference, however, argued by Bagchi and Block (2011), originates in the shopping setting: the former (more unhealthy choices when paying by card) arises for general grocery shopping, whereas their effect of more unhealthy choices when paying by cash relates to food items for immediate consumption in cafés. These are important nuances to understand. They highlight the risk of abstracting too much from the context in which the study takes place.

Another range of papers in this area builds on the idea of dispositional differences in anticipatory pain of paying. Rick et al. (2008) label this the tightwad/spendthrift personality trait, which predicts that consumers are predisposed to spend more or less than they would ideally like to spend in similar circumstances depending on their personality. Tightwads, for example, show less severe neglect for the extent to which

their expenses may rise in the future than spendthrifts (Berman et al. 2015). Another study finds that opposites attract, in the sense that tightwads tends to marry spendthrifts, but that these marriages predict conflict over finances and result in diminished marital well-being (Rick, Small, and Finkel 2011).

Lastly, one of the identified papers applies mental accounting theory to debt repayment. Besharat et al. (2015) find that consumers prefer to repay debt incurred for hedonic purchases faster than when incurred for utilitarian ones. The authors hypothesize this is because having such hedonic debt reduces the extent to which consumers enjoy the purchase.

Mental Accounting Policy in Practice. Similar to the theoretical applications in CB, mental accounting has mostly influenced interventions that encourage saving or budgeting and tracking expenses within a certain category. For example, banks have started to label expenses on mobile applications to provide consumers with tools to budget effectively and to avoid overspending. When it comes to debt management, the mental accounting theory framework has not led to substantial policies yet (Fox and Sitkin 2015; Madrian 2014; Madrian et al. 2017). Suggestions have been made, such as providing tax benefits for debt repayment similar to those already existing for savings (in the US), or to enable remitting a portion of tax refunds to directly pay off debt (Hershfield et al. 2015), but none of these have been put into practice yet. It is impossible to predict whether anomalies will appear at the aggregate policy level.

At the same time, a few anomalies do appear when comparing and contrasting individual articles. Firstly, there is the apparent conflicting result on the relationship

between pain of payment and type of product chosen (Bagchi and Block 2011; Thomas, Desai, and Seenivasan 2011). Secondly, one of the papers on expense prediction, by Howard et al. (2016), finds no significant role for numeracy, which is puzzling in the context of the previous section's studies. Similarly, on the topic of expense neglect, Berman et al. (2015), when trying to systematically manipulate lab study participants' attention in order to "de-bias" their expense neglect, failed to do so. This points towards persistence in behavior that is not sufficiently understood. Thirdly, the proposed dichotomies when it comes to financial mental accounts seem too simple and do not fit the complexities of financial decision making. For example, expenses that are either ordinary or exceptional/unusual (Howard et al. 2016; Sussman and Alter 2012) and planned or unplanned (Stilley, Inman, and Wakefield 2010), and debts that are either hedonic or utilitarian (Besharat, Varki, and Craig 2015), seem at odds with what we already know about how people think about money; namely, they think of it in more than just two exclusive categories (see for example, Zelizer 1994).

In sum. The CB research community has thus far predominantly focused on applications of mental accounting theory to financial behaviors that were also the focus of the behavioral work that has influenced policies, namely in the savings domain. Anomalies are building up within the body of work that looks at this. More specifically, the question of labeling debt when taking it out or when paying it back has been left relatively underexplored in CB, with the exception of applied work by Besharat et al. (2015). Further explorations beyond the proposed dichotomies of financial decisions seem imperative in order to build a more comprehensive understanding of factors that matter in debt repayment decisions.

GOAL SETTING AND ACHIEVEMENT

Goal setting theories originate in cognitive psychology and have motivated a wide variety of work, including research in CB. A significant part of the papers identified in the literature search conceive of saving money, debt management, and risk taking as goal-directed financial behavior. The issue with existing CB research on goal setting and achievement in debt repayment is that this work often assumes that the only goals consumers have are financial and that the dominant barriers to achieving these goals are willpower, or if not that, a lack of attention. Effective policies that build on goal-setting theories, on the other hand, focus on setting more than just financial goals. Moreover, they adopt a multi-faceted approach in which goal setting is just one of the mechanisms to get rid of, or prevent getting into, problem debt. A failure to recognize the multi-determined nature of phenomena risks an incomplete understanding of the behavior under study.

CB Research on Goal Setting. Articles identified in the literature search focusing on saving behavior test hypotheses of goal specificity, goal number, and strategies that help consumers attain their saving goals. These studies find that it matters whether consumers specify the exact amount they would like to save, depending on whether they focus on why (high level of construal) or how (low level of construal) they will achieve that saving goal (Ülkümen and Cheema 2011), and that it is easier for consumers to achieve one single saving goal than multiple goals (Soman and Zhao 2011). In terms of strategies to attain saving goals, studies find that success depends on the purpose of saving and the degree to which consumers feel powerful. For

example, if the purpose of saving is to spend it on a status-related product, consumers who feel powerful save less, whereas if the purpose of saving is simply to accumulate money for the future without a specific spending purpose, the effect is reversed and consumers who feel powerful save more (Garbinsky, Klesse, and Aaker 2014). Other research finds that consumers who identify with their future selves (e.g., through interaction with age-progressed renderings of themselves) are more likely to save for the future (Hershfield et al. 2011).

Another set of papers looks at how goal orientation impacts risk taking. Drawing on mental accounting theory, Zhou and Pham (2004) show that investors associate financial products with different mental accounts: promotion of gains versus prevention of losses. Drawing on this, Grant and Xie (2007) find that such regulatory goal orientation indeed impacts risk taking. He et al. (2008) study a similar goal orientation of gains versus losses and look at gender differences. They find that the extent to which a decision maker's issue capability (i.e., perception of ability to resolve an issue) impacts risk taking depends on goal orientation and gender.

Identified articles focusing on (repaying) debt draw on the goal violation literature or compare two forms of goal pursuit, and explore the role of mediating factors in these theories of goal pursuit. Wilcox et al. (2011) find that, counterintuitively, consumers with greater self-control who are nearing available credit on their credit card increase spending, whereas they reduce spending when available credit is high. The underlying mechanism, the authors propose, is the "what the hell effect" (Tesser and Cochran 1996) in which the failure to reach a goal (in this case not spend too much) leads to a

complete loss of restraint and even overindulgence (Wilcox, Block, and Eisenstein 2011).

Another range of identified papers on goal-directed behavior do not look at the decision to borrow money but rather at the decision to repay debt. These papers probably come closest in application to the phenomenon under study in this thesis. They study two forms of goal pursuit. The first is the tendency to adopt subgoals (based on for example Newell and Simon 1972) in which breaking a superordinate goal into smaller parts is hypothesized to facilitate overall goal achievement. The second form of goal pursuit is the goal-gradient hypothesis (Kivetz, Urminsky, and Zheng 2006) in which the motivation to complete a goal increases when getting closer to completing the goal. These two theories are applied in the context of a phenomenon that is labeled “debt account aversion,” which refers to the observation that many consumers are averse to holding multiple debt accounts and consistently pay off smaller debts first, even if the larger debts have higher interest rates (Amar et al. 2011). Amar et al. (2011) propose a third possible theory that may explain at least a part of debt account aversion; namely, prospect theory and the desire to avoid segregated losses (Thaler and Johnson 1990). Subsequent studies within CB only further probe the goal pursuit theories (Besharat, Carrillat, and Ladik 2014; Brown and Lahey 2015; Gal and McShane 2012) and explore the role of mediating factors in this mechanism (Besharat, Carrillat, and Ladik 2014; Besharat, Varki, and Craig 2015).

Goal Motivated Policy in Practice. The studies discussed in this section offer a range of different policy implications. And, indeed, a goal-oriented approach has motivated

interventions in diverse settings such as health, money management, and educational attainment. But to date these approaches have made relatively limited impact on success rates (Babcock 2014). This is not surprising, because achieving goals is notoriously difficult. Yet, a fairly recently developed intervention by Economic Mobility Pathways (EMPath) in the US specifically adopts a goal-oriented approach to get participants out of financial difficulties and claims that, this time, they can help participants to successfully attain their objectives. Their “Bridge to Self-Sufficiency” program helps participants get out of poverty by setting self-sufficiency goals along five pillars of “the bridge” to get there: family stability, well-being, financial management, education and training, and employment and career management. It includes managing debts in balance with income.

Compared to the CB studies discussed in this section, it is interesting to note that the goals EMPath encourages participants to set are much broader than just financial management. Indeed, they also involve family life and personal well-being and development goals. Moreover, although the central component in the intervention’s theory of change is goal attainment, the intervention “takes a comprehensive, multi-faceted approach to fostering economic mobility” (Economic Mobility Pathways 2017a). A critical component in EMPath’s theory of change is long-term, individualized coaching (“Mobility Mentoring”), which over time evolves into an internal process in which participants learn how to mentor themselves and to produce long-term change in their lives (Economic Mobility Pathways 2017a; Youngblood 2015). The outcomes achieved are thus a result of a combination of factors aiming to achieve a multitude of goals.

In sum. EMPath is getting a lot of traction at the moment worldwide. Time will tell whether EMPath's approach is indeed effective (a rigorous impact assessment has not been done yet), but preliminary outcomes suggest that the intervention is successful in helping participants to: secure permanent housing; increase social networks; improve overall well-being; increase savings; maintain enrollment in school; or gain/retain employment (Economic Mobility Pathways 2017b). In other words, it promises to provide solutions. For CB research this has important implications. The theoretical assumption CB relies on (i.e., achieving confined (financial) goals using an individual approach) is not the method that solves empirical problems in practice. Rather, the offered solution is based on setting and achieving a multitude of goals through mentoring support (as opposed to through individual effort only). Similar to the previous sections, comparing CB research on goal setting to what policies based on a similar philosophy do and achieve brings to light the narrow focus of CB research.

DISCUSSION: THEORIZING IN CONSUMER BEHAVIOR RESEARCH

This literature review documents a striking pattern of policies based on informational theories, dominant in CB research, that fail to substantially change consumers' debt management decisions. Both financial education and mandatory information disclosures in credit card statements have thus far not significantly altered consumer behavior. A promising policy solution to raise low-income families out of poverty, on the other hand, draws on a broader scope of conceptual accounts than currently considered in CB research. In yet other cases, opportunities to apply existing conceptual accounts, such as mental accounting theory, to policies aimed at debt repayment are thus far left unemployed.

This observed disconnect between (behavioral) science, the dominant stream of thought in CB, and policy making is not new. Fox and Sitkin (2015) point out the many things that can go wrong when translating behavioral research into policy, an important one being the difference between controlled laboratory environments and applied practice.

There are a few success stories, however, of behavioral research that has proved very effective in actual policy. One of these, the idea of defaults and choice architecture, has been particularly fruitful in the consumer financial decision-making domain, increasing pension savings (e.g. Thaler and Benartzi 2004). Similar to the EMPATH intervention discussed in this literature review, the mechanism behind the success of default interventions is thought to be a combination of different factors (i.e., effort, implied endorsement, and reference dependence (Dinner et al. 2011)).

One of the differences between the idea of (saving) defaults and the EMPATH intervention on one side and the information-based interventions on the other is that the former are ground-up interventions, whereas the latter are presumably more theory-down interventions. In the case of the ground-up interventions, success was first shown in practice before the more theoretical explanations were offered. In the case of the theory-down interventions, evidence was first gathered within existing paradigms, but when tried out in practice, they were insufficient to substantially alter behavior when it comes to consumers' financial decisions.

What stands out is that successful solutions appear to be multi-determined. They rely on a multitude of factors to change behavior, rather than a dominant one. It is not that the one dominant factor (e.g., information or attention) does not matter for behavior change. Rather, a single reliance on that factor has thus far not proved to work. Therefore, research that focuses on furthering a particular research tradition, following single theoretical pathways and not being confronted with or incorporating anomalies, risks losing sight of sufficiently explaining phenomena. This pattern is indeed typical for Kuhn's (1970) "normal science." As shown in this chapter, CB research on consumer financial decision making is afflicted by this.

At the same time, the inaction in solving debt problems persists. Thus, the field must be overlooking something important. As a result, we must go beyond available explanations in order to build a more comprehensive understanding of the phenomenon. As a start, let's turn the logic around and look at what we already do know about debt repayment within the identified literature in CB and assess how and where these insights may be limited.

The literature review has documented a number of relevant insights in passing when it comes to how consumers appear to manage their debts. All three theoretical frameworks (informational determinants, mental accounting, and goal achievement) were found to play a role in debt management decisions. For example, some consumers misunderstand credit card disclosure statements similar to the CARD Act and as a result tend to underestimate how much they should repay if they wanted to pay off their credit card debts in three years (Soll, Keeney, and Larrick 2013). Similarly, making consumers aware of creditors' intentions impacts attitudes towards

debt-consolidation loan products (Bolton, Bloom, and Cohen 2011), and consumers' subjective financial knowledge also matters in subsequent decision making (Hadar, Sood, and Fox 2013). Different types of knowledge and information thus are documented as determinants in debt repayment decisions.

In terms of type of debt, consumers are more likely to first repay hedonic debts over utilitarian debts (when amounts are small) (Besharat, Varki, and Craig 2015) and are found to prefer paying off smaller debts first, even when larger debts have higher interest rates attached to them (Amar et al. 2011). Mental accounting and goal-achievement theory thus also are found to play a role.

Besides these “mainstream” findings, there are a few interesting insights, which I will refer to as “fringe” findings, that are relevant to the understanding of debt repayment decisions. These are findings that are not part of the principal argument and a priori hypothesized framework of articles but rather were discovered by chance or appear in footnotes. They are part of the anomalies that are starting to build up in the dominant CB paradigm. One such example is that less than 20% of Hershfield and Roese's (2015) study participants reported they had received a credit card statement containing two anchors, whereas by law, all of them had. This side-remark is in fact very significant in the light of the inaction of debt management problem: quite likely many consumers do not read all their mail. And, indeed, it may be part of the explanation for why the additional information disclosure under the CARD Act was not as successful as predicted by theory.

Similarly, in their study on understanding expense prediction bias, Howard et al.

(2016) find that the behavior is not associated with numeracy. In other words, the expense prediction bias, which is associated with serious financial consequences, is not a function of cognitive failure in terms of not understanding calculations. This is not further examined and is presented as a fringe result, in brackets: [“These null results are not discussed in detail below due to space constraints”] (Howard et al. 2016, p. 191). It does contrast with the paradigm’s assumed importance of information in consumers’ financial decisions, however.

Another telling example of a fringe finding comes from the Berman et al. (2015) study of expense neglect. Attempts to systematically manipulate study participants’ attention in the lab in order to “de-bias” their expense neglect failed. The authors report:

While we found some evidence that our attention manipulations increased the weight placed on expenses, we did not find this result to be robust. Given the reliability of expense neglect, we expect that this inconsistency is due to the fact that these assessments are not easily overridden using the type of manipulations employed in an experimental session. (Berman et al. 2015, p. 12)

Indeed, this effort to de-bias participants by redirecting attention is a common, popular intervention test in CB, originating from its roots in cognitive psychology. It is indicative of the paradigmatic way of thinking with a focus on theory-down research, predominantly relying on testing and manipulating cognitive failure. Recalling Fox and Sitkin (2015), it is an example of behavioral research that stands apart from an applied context. If “manipulating attention” already fails in the lab, how does one go from there to proposing solutions in practice? It suggests there is something else going on that is not understood well enough yet.

Besides these mainstream and fringe findings arising from the three theoretical frameworks, note too that the literature search identified two inductive research papers on debt. These papers identified the dyadic (Hill 1994) and the systemic (Peñaloza and Barnhart 2011) as critical factors in consumers' debt management. These two works are illustrative for an alternative way of thinking about consumer debt and provide a foundation for this thesis to build on.

The point here is that, whether separately or taken together, all these insights do not suggest an *a priori* satisfactory theoretical explanation for inaction in debt management. Selected theories may be able to explain parts of it (e.g., perhaps consumers do not understand debt collectors' communications or do not even open them). But it is unclear to what extent either of these factors are relevant and, importantly, whether there may be other factors, not yet proposed, that play a critical role. For example, in theory, debts are generally assumed to be loans with interest rates attached to them, but in practice debts can also consist of outstanding (priority) bills, such as rent arrears or utility debts. Similarly, consumers may have more than two categories in their mind beyond hedonic and utilitarian debt on the basis of which they decide which debt to repay first. And these are just two examples of factors that are currently being left unconsidered.

Selecting one or two theories from the above pallet of options to deductively test the problem of inaction in debt management would risk only bolstering the normal science that dominates this field. More specifically, the off-the-shelf theories currently used in CB research on consumer financial decision making offer no other alternative than to model inaction in debt management as a function of cognitive

failure. Given the amount of anomalies that have built up against this paradigm, however, this would risk merely confirming existing ideas rather than advancing our understanding of the problem.

In order to avoid that pitfall, I propose to go back to the problem of inaction and to study it from the ground-up. It is time to go back to the consumer and explore what elements, beyond cognitive failure, are important in consumers' non-repayment of debt. After this exploration, I will see how the grounded-theory insights affect CB's dominant paradigm, and what might be appropriate and applicable as the basis for a new, grounded theory. By redirecting research and policy using these insights, I am hoping to address an entire system of debt collection that, as this thesis shows, does not work currently for a significant portion of consumers.

3. RESEARCH APPROACH

This thesis draws on: survey data from 2,162 over-indebted individuals; 16 specially conducted semi-structured interviews; 10 individuals who were followed by video-ethnography; and secondary documents pertaining to the problem of inaction in a context of debt management. The survey and video-ethnography were commissioned by the Money Advice Service, an independent body with the responsibility for improving people's money management in the UK. These data were collected throughout the second half of 2012 and the first half of 2013. I conducted the semi-structured interviews myself in the fall of 2015. To provide context to this data, I relied on historical accounts on debt collection supplemented with reports that document contemporary patterns in the credit industry. This data was further complemented with informal interviews and conversations with individuals working in the debt collection and advice sector. I interviewed two employees from two large UK retail banks about their credit collection strategies and five debt advisors working in three different locations in London. In addition, numerous conversations with people at the Money Advice Service, all experts in the field with a background in either debt collection or debt advice, contributed to a further understanding of the debt collection sector's stakeholders.

These observations form the basis to answer the research questions of this thesis. The data is analysed using an exploratory sequential mixed methods approach (Creswell 2014; Creswell and Plano Clark 2007) in which a qualitative phase informs a subsequent quantitative phase. The methods outlined above (interviews, video-ethnography, survey tool, and secondary documents) are selected based on the

methodology of this thesis: a grounded-theory approach, followed by binary logistic regression analysis. The next section will further describe the reason for this choice.

GROUNDING THEORY

Grounding theory is an inductive methodology used to build new theory or to develop fresh insights from data to apply to existing theory, rather than to test existing theory (Goulding 2002; Jones and Noble 2007; Locke 2001; Strauss and Corbin 1998). It is often used when existing theories do not satisfactorily explain a phenomenon (Dougherty and Takacs 2004). Moreover, it can uncover processes in complex and unfolding situations (Jones and Noble 2007), something which is difficult to do using deductive methods. Both these factors, furthering theory and uncovering processes underlying a complex phenomenon, are particularly relevant for this thesis. Recall from the literature review that current theories used in CB do not satisfactorily explain the disconnect between rising debt levels and the seemingly ineffectiveness of the credit industry in bringing these levels down. Moreover, the review has shown that consumer financial decision making is a complex system in need of a deeper theoretical understanding that is grounded in circumstances. There is more to be explored in this domain beyond cognitive failure. Grounding theory thus is an appropriate methodology for this thesis' research problem.

Grounding theory implies systematic theory generation based on systematic research. This systematic theory building is guided by two important processes: theoretical sampling and iterative coding (Strauss and Corbin 1998). The first process, theoretical sampling, is very different from statistical sampling in which case researchers use a

randomly selected sample representative of the population of interest. In contrast, the goal of theoretical sampling is to select cases that are likely to replicate or to extend the emergent theory and to enable a deeper understanding of the phenomenon under research (Eisenhardt 1989, p. 537). Theoretical sampling ensures that sampling is open and flexible, and that it is responsive to the data rather than predetermined before the research begins. More specifically, concepts are distilled from one round of data analysis, and questions about those concepts guide the next round of data collection, both in terms of sampling (which participants to include) and interview questions (which questions to ask) (Corbin and Strauss 2008, p. 143). Theoretical sampling is thus an ongoing process in which inclusion criteria get modified along the way.

The data gathered using theoretical sampling is subjected to the second process, iterative coding, which implies moving from open to axial to selective coding. Open coding is a process through which rough concepts that relate to the phenomenon are identified (Strauss and Corbin 1998). This informs subsequent data collection and forms the basis for the next round of coding for the relationships between two or more concepts. At this next stage the focus is no longer on what is factually said by participants, but rather on how the identified codes relate to each other. This process is called axial coding and involves developing hypotheses about the relationships between concepts and testing these against the data, but also defining the properties and dimensions of different established categories. The last stage, selective coding, is an extension of axial coding, where specific themes get highlighted and further links between them get drawn (Strauss and Corbin 1998; Xiao, Dahya, and Zhijun Lin 2004).

This iterative coding technique (searching for conditions, context, action/interaction, process and consequences) cuts the data in different ways that enables building constructs and, eventually, a theory about their inter-relatedness. The result of grounded theory is thus a story or narrative in which the concepts' relationships are implied (Strauss and Corbin 1998). Note, however, that the purpose of grounded theory is not to tell participants' stories. Rather, the purpose is to identify and to explain conceptually an ongoing prevalent behaviour, which, in the case of this thesis, is inaction in debt management. The findings are about the patterns of behaviour in which people engage, exemplified through individuals' lived experiences (Breckenridge et al. 2012; drawing on Glaser 1998). As a result, the empirical chapters of this thesis will present a set of empirically verifiable propositions about the individual, dyadic, and broader structural elements that lie behind consumers' absence of action in debt management.

It is at this point important to clarify what exactly this grounded-theory approach will lead to in this thesis. I am not, as a result, going to propose “a” or “the” grounded theory of inaction in debt management. Rather, this work will *theorize* about relationships between identified core themes. These hypothesized relationships, in turn, will be tested using binary logistic regression analysis. Based on this, I will develop fresh insights that can be applied to existing work in CB, providing the basis for a further research agenda on inaction in debt management in particular, but with possible traverse applications to other consumer financial decisions.

The grounded-theory approach builds on qualitative work, which includes a complementary document analysis that takes into account academic literature, web sites, newspapers, and business documents. Document analysis implies finding, selecting, making sense of, and synthesizing data in the documents under analysis. It thus yields data. This data can be used in a variety of ways. It can serve to: provide (historical) context; provide research questions; provide supplementary research data; it can be used to track change (of content in documents) over time; and, lastly, can be used, for example, to verify findings from interview data. The last application, often referred to as triangulation, is the most frequent use of document analysis (Bowen 2009).

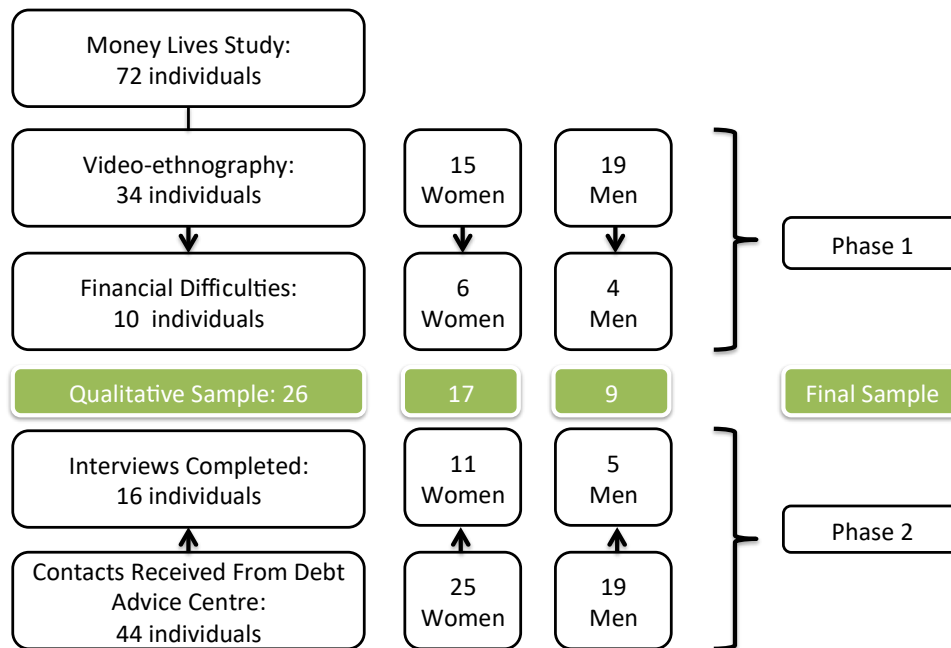
In this thesis, document analysis will be predominantly used to provide (historical) context. The documents will thus not be analysed in order to identify and to corroborate themes, categories, and so on with the interview and video-ethnographic data. As a consequence, the documents do not form part of the thesis' theoretical sampling and iterative coding process. Rather, the document analysis will help to provide an understanding of the historical roots of some of the patterns that emerge from the other qualitative data. The bulk of the theorizing in this thesis thus relies on the interview and video-ethnographic data. This theorizing is put into context using document analysis.

THEORETICAL SAMPLING AND ITERATIVE CODING

The grounded theory in this thesis draws on 26 participants, spread across video-ethnographies (N=10) and in-depth interviews (N=16). Participants were drawn from

a larger sampling frame using theoretical sampling and were analysed using iterative coding procedures. Both these processes spanned across two phases and will be discussed in detail in this section. **Figure 3** summarizes the theoretical sampling approach and serves as an overview to the reading that follows.

Figure 3. Overview Theoretical Sampling



Video-Ethnographic Data Base: "Money Lives". Through the Money Advice Service (MAS) I gained access to a video-ethnographic database documenting people's everyday money management. The footage was collected as part of a study commissioned by the MAS, titled "Money Lives," of 72 individuals across the UK (for the report see Money Advice Service 2014). These individuals were followed over a period of 9 months. Besides the study of 72 individuals, the Money Lives study included a literature review, 12 initial in-depth pilot interviews, and 28 in-depth

interviews with people who had recently experienced a significant life event (Money Advice Service 2014, p. 3). This thesis uses only the video material.

Over a period of nine months, each participant received four ethnographic visits; the first in August 2012, the second in October 2012, the third in December 2012 or January 2013, and the fourth between March and April 2013. Each visit lasted a minimum of three hours, but often took the whole working day. The ethnography was carried out by the independent research agency Ipsos Mori's Ethnography Centre of Excellence. This Centre falls under Ipsos Mori's Marketing research division and has won industry prizes (e.g., the Market Research Society's Grand Prix) for their ethnographic work (Ipsos Mori 2014).

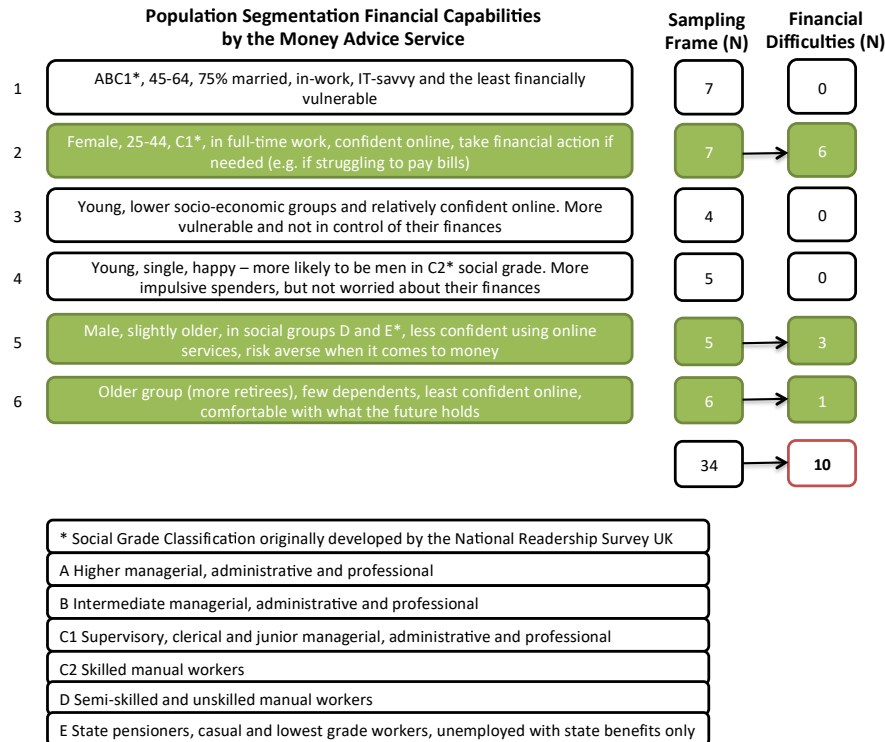
The aim of the MAS study was to understand what it really means to be financially capable in the UK today. While this focus partly overlaps with the issue of inaction in debt management, not all participant clips were directly relevant. For example, some participants did not have financial difficulties, and their financial lives rather evolved around finding a first job, buying a house, or being at the point of retirement. But for others, struggling to pay bills and managing debt took a central place in their financial lives. It is this latter group that is of interest for this thesis, and it was selected to be part of the sample. In total, 10 video-ethnographies were selected. To characterize the 10 selected accounts, it is insightful to describe the selection criteria originally adopted for the MAS study.

Participants were recruited along six segmentations that the MAS had defined in earlier research (Money Advice Service 2014). The segments are described in detail

below, but broadly speaking they aim to categorise the UK population into different financial situations, ranging from less to more financially vulnerable circumstances (see **Figure 4**). Additionally, the study sought to recruit participants across all four nations of Great Britain (England, Wales, Scotland and Northern Ireland) as well as to ensure that gender, age, work status, receipt of state benefits, internet usage, and ethnicity were represented. This resulted in the recruitment of 72 individuals, equally spread between segments (i.e., 12 participants each). Out of 72 participants, 34 consented to have the ethnographic visits video recorded. The video-database contains over 75 hours of footage spread across these 34 participants and forms the point of departure for this thesis' theoretical sampling frame, as illustrated in **Figure 4**.

Even though study participants were recruited along the six segments, in the database the individual video-ethnographies were not labeled as such. In order to identify the participants relevant for this thesis I broadly classified all 34 participants into one of the six categories. While doing so, I took note of whether participants had financial difficulties (in the recent past). This resulted in the selection of 10 video-ethnographies. **Figure 4** illustrates in which segments these 10 participants fall.

Figure 4. Population Segmentation Financial Capabilities by the MAS (2014)



Having financial difficulties did not perfectly overlap with the six segments along which the study recruited participants. Rather, participants with financial difficulties were spread across three of the six segments (see **Figure 4**). Note that, more generally, study participants did not match the segments perfectly. For example, one participant was a woman between 25-44 years, dependents on benefits, and in financial difficulties. Her situation thus spreads across segments 2, 3, and 5. But comparing her to the other video-ethnographies, she had most in common with participants who jointly classified as segment 2. Situations that are not easy to place in a box were common and not surprising as the variation in people’s circumstances is large, and any categorization necessarily draws artificial boundaries. Additionally, variation within segments was large: for example, within the third segment there was a student trying to get by living in London, but also a young woman living in Wales with no qualifications or job who had recently moved in with her boyfriend and was

depending on a Job Seeker's Allowance. Heterogeneity between participants and the challenge to place people into boxes when it comes to financial decision making is something that the empirical chapters of this thesis will consider further.

Note that out of the 34 participants many more than the 10 of them had debts, ranging from mortgages to credit card or shopping card debts to education loans. But these other participants did not have *problematic* debts at the time of the ethnography, or at least not as covered on the footage. The appreciation of "problem debt," both for the video-ethnography but also in this thesis more generally, is based on explicit participant reports about the fact that they were having credit commitments that they could no longer pay on time. They were thus behind on payments (or for some, this was the case in the recent past). The classification of participants into segments and also their level of problem debt necessarily is based on a subjective interpretation of the footage: there was no objective socio-demographic information available for any of the participants. The limitations of the video-ethnographic method and the implications for the generalizability of results are discussed below in this chapter.

Analysing the video-ethnographic data

As video-ethnography is a relatively new and less common data collection method, its analysis warrants special attention. In addition to transcripts (similar to interviews), video material has the potential to provide contextual richness, through the non-verbal elements it contains. These non-verbal elements allow the researcher to add "materiality" to the findings or to provide a "thicker" description of behavior and the context in which it takes place. Moreover, in the case of this specific video-

ethnography, the method facilitates multi-site, as opposed to single-site explorations (Smets et al. 2014). By myself, I would have never been able to follow 10 participants over 9 months.

Despite this richness, I use the footage in a very similar way to analysing verbatim transcripts of interviews. That is, I transcribed relevant clips and, in a first reading of the 10 selected video-ethnographies that involved going through the materials from beginning to end, I applied a first round of codes. I did not, however, explicitly code the video clips for material factors, such as tone of voice or body language. Neither did I explicitly code for the context in which behaviors occurred. Nevertheless, I would argue that the data's richness did not get lost. As the hours and hours of video-ethnography were the first data I observed on the problem of inaction in debt management, it deeply improved my understanding of the context in which this problem occurs. I could see the problem unfolding throughout the successive data collection visits and saw how it was part of the participants' daily and financial lives. Problem debt is not an isolated phenomenon; it is omnipresent.

This understanding, in turn, has been tremendously helpful in the subsequent data collection round of this thesis' theoretical sampling procedure—the semi-structured interviews that I conducted myself. It ensured I could conceive of participants' often quite difficult situations and help me make respondents feel at ease talking to me about these situations. In turn, while explaining their situations to me, I was able to put these into perspective based on what I had learned from the video-ethnographies. Thus, while I did not explicitly code for contextual and material factors, the richness of the video-ethnographies has helped significantly to form a coherent,

comprehensive understanding of the problem under study. Through the video-ethnographies I could immerse myself into participants' financial lives.

The first round of coding of the video-ethnographies resulted in an open coding system in which broad concepts that relate to the phenomenon of creditor avoidance were identified (Strauss and Corbin 1998). In total, roughly 160 codes came out of this coding process, including "better times," "juggling expenses," "angry," "not thinking about money," "saying no to children," "lemon car," "creditor calls," "bills/letters," and so on. Appendix 3 has examples of the verbatim text that underlies these codes.

The coding process resulted in questions about the dimensions and relational aspects of inaction in debt management that were not easily answered by the available data. Roughly half of the selected respondents reported avoiding their creditors or avoiding dealing with debt at some point in their stories, but all of them for different reasons and at different levels of debt. Moreover, the type of debts respondents were struggling with varied as well. And the reactions to and consequences of living with problem debt also were different. For example, some were embarrassed or very worried, whereas others were anxious or stressed. Similarly, in order to pay bills, some "went without" (e.g., stopped eating out), whereas others would borrow from social networks. Since I did not conduct the video-ethnographies myself, at times when respondents described instances in which they resorted to inaction (i.e., no longer paying their debts), the video stopped and moved on to something else, whereas I would have liked to examine that situation further.

Recall that the definition of theoretical sampling is that it is an ongoing process in which inclusion criteria get modified along the way, based on data analysis from the previous round. This data analysis consists of iterative coding rounds, moving from open to axial to selective coding (Strauss and Corbin 1998). The questions that followed from the first round of coding guided the subsequent round of data collection, both in terms of selecting the sample and informing the interview guideline.

In-depth Interviews

As a next step in the theoretical sampling process, I conducted interviews with over-indebted individuals. The respondents were recruited using clearly pre-specified eligibility criteria informed by the initial round of data analysis. In order to more specifically target consumers living with problem debt, and also to be more precise in defining the sample and thus the limits to generalizability of results, respondents were selected as eligible to take part in the research if they:

- a) lived in localities defined as being among the two most materially deprived deciles in England as defined by the Official Statistics on English Indices of Deprivation (2015);
- b) had dependent children; and
- c) had ever been in receipt of one or more benefits (including Job Seeker's Allowance, Income Support, Employment and Support Allowance, or tax credits).

These criteria are adopted from Chase and Walker (2015) who study experiences of people living in poverty in Britain, and found that this sampling strategy was successful in identifying individuals that live in financial hardship. Criteria a) and c) helped ensure that the participants had debt problems, whereas criterion b) was included because it emerged from the initial analysis of the video-ethnography that family dynamics around money tend to differ depending on whether there are children to take care of.

The interviews aimed to allow respondents to lead the conversation on a range of key topics that emerged from the video-ethnography. Similarly, following Chase and Walker (2015), the interviews began with the broad statement “Tell me a bit about your current situation.” Using a series of subsequent prompts, respondents were asked for: their perceptions of their current financial situation; the things they found to be most difficult about their situation; the origins of their debt problems; the debt management strategies that they used; their relationships and interactions with creditors; and the role of thinking about money in their lives.

After having defined the interview sampling frame and question guide, the challenge was to recruit participants who fitted the criteria. Over-indebted consumers are a difficult population to recruit for interviews. They lead unpredictable lives, which makes it challenging to make and keep appointments. More importantly, besides the challenge of identifying this group of consumers, establishing contact is extremely difficult. Many over-indebted consumers avoid being contacted in general, in particular by unknown phone numbers. Thus, I decided to recruit respondents with help of a debt advice agency in London. Contacting their clients did not only have the

benefit of ensuring all respondents had debt problems (some until quite recently), it also provided a relatively trustworthy environment to establish contact and to conduct the interviews. All interviews took place in late autumn 2015 and were conducted at the advice centre. A £20 voucher was offered to thank respondents for their time. The Templeton Education and Charity Trust generously funded the vouchers. The project was reviewed and approved by the Ethics Committee of the University of Oxford, Ref No: SBS C1A 15-004. Using this approach, out of 44 (repeated) contact attempts, 16 interviews were finally completed.

The borough where the debt advice agency works is one of the most deprived boroughs in London and the UK generally. It has the third highest over-indebted population of all London boroughs and is the eighth highest over-indebted local authority of the UK, with 22.9% of its population estimated to be over-indebted. The UK's average is 16.1% (Kinloch, Little, and Morawiec 2016). Respondents came from areas that easily meet criterion a); the majority, if not all, clients from the debt advice agency reside in areas that are among the two most materially deprived deciles in England. For privacy reasons no further details on the exact locations are specified. All respondents also met criterion c). This implies that the participants had relatively low incomes. Criterion b) was relaxed towards the end of the respondent recruitment process as it appeared that this criterion tended to bias the sample: divorce was a common factor for respondents to get into debt, and in the case of children, these children would mostly live with their mother. As a result, out of the first 13 interviews, 11 are female respondents. After relaxing criterion b), a total of 17 female and 9 male respondents are part of the sample. The next section provides a detailed profile of the respondents.

This second round of sampling and data collection thus resulted in an additional 16 observations for analysis, with an average interview length of 41 minutes, and the shortest and longest interview taking 19 and 94 minutes respectively. Also here, I started with open coding, after having transcribed the interviews verbatim. This new round of coding resulted in 101 codes, most of them different from the first round of open coding. To give a sense of the different flavor of this coding round, consider some examples of the codes that emerged: “avoidance strategies;” “creditor pressure”, creditor-debtor relationship;” “debt cycle;” “rumination;” and “reasons for debt”. Appendix 3 has examples of the verbatim text that underlies these codes. These new categories reflect both the narrowing down of the discussion guide (as opposed to the video-ethnographies) and the increased complexity of the coding system (e.g., in terms of emergent relations between concepts and higher order codes). The next section provides a few detailed examples of how I moved from open coding to generating elements of the grounded theory.

The Coding Process

In this section, I provide some examples of the coding process. The respondents are presented anonymously as the quotes function as examples to illustrate the coding process. In the empirical grounded-theory chapters, when quotes are part of a narrative, pseudonyms are used. The source of the data is provided in brackets.

Open coding starts with conceptualizing or abstracting from the data (Strauss and Corbin 1998). Such codes typically go beyond what participants describe, bringing

their reflections and explanations to a conceptual level. For example, participants may not themselves refer to “no financial slack” but rather explain:

Being able to pay the bills and not worry about, like, we'll pay everything like direct debit, and then we'll get like the water bill through the door and neither of us has got the money to pay for it. So we'll have to wait till the money comes in to be able to pay for it. Which means then we'll have to wait for the red [to be] lifted. Um, before we can pay it. Um. You know I would like to be able to, something comes through the letter box, right and then you're like alright, that's something we need to pay, pay it, and then still be able to do the shopping and stuff you know. Like, some days we'll put the shopping off because we can't physically do it. Um, because we haven't got the money to go out and do the shopping.

This participant (*video-ethnography*) clearly describes a situation in which she sometimes could not immediately pay all incoming bills, and also sometimes postponed grocery shopping because of a lack of money. She does not have any financial slack but does not label it as such. Another example is coding for “normative choices,” which refers to decisions of how money is spent in which situations. For example:

And even if in that period I had earned a high, a higher amount than, say, a normal person, and ... um... you know, um, they... my assumption is they [the benefits office] think I should have budgeted for those months ahead. Um, the point is I can quite easily justify where that money has gone. I mean I had a funeral I had to attend. I had several, you know, personal circumstances that had arisen. And the bottom line is I didn't have the money. And further to that, it's not as though I'd earned, you know, 100 grand and the money had gone. You know, I hadn't—it was very nominal. It's a very small amount.

Also the participant (*interview*) here does not himself explicitly refer to normativity, but describes a situation of difference in points of view between him and the benefits office about whether he should have saved for periods of irregular income.

The next step in a grounded-theory approach is to move from open into axial coding, in which the properties and dimensions of codes are linked. Axial coding does not necessarily follow open coding in a purely sequential manner but quite naturally starts to occur in parallel as open coding evolves and the researcher starts to think about relationships between the different identified codes. What distinguishes axial coding from open coding is the explicit relational linking in a systematic manner. It involves developing hypotheses about the relationships between concepts and testing these against the data, but also defining the properties and dimensions of different established categories (Strauss and Corbin 1998). For example, staying with the two examples provided above, I identified normativity—in this case setting priorities—as a consequence of having no financial slack or a tight budget. As a consequence of this, the participant has had to start making normative decisions about what to no longer spend on. Tight budgets, in turn, emerged as a condition or systematic circumstance to participants' problem debts. A quote, such as the following, illustrates how hypotheses about such linkages are developed:

That's another thing [rent arrears] I've got to pay for when it's just our—that's just all the money—it's just—at the moment, it's like food or bills.

This other participant (*interview*) describes a situation of tight budgets, which for her means she has to forego paying bills at times. Missing bills implies arrears, which in the case of this participant will be left unpaid for quite a while. These unpaid bills add to already existing rent arrears. The situation leads to problem debt.

Furthermore, in terms of coding for process rather than conditions, I identify, for example, how inaction in debt management is a function of a series of interactions

that occur between creditors and debtors in which ruminating on financial matters plays a key role. As a consequence, many participants suffer serious reduced well-being. For example, participants describe their interactions with their creditors in which creditors are described said to have said things such as, “I’m afraid you’ve—you know, you’ve defaulted on your payment. You’re gonna—we’re gonna send an enforcement officer to your home.” The same participant (*interview*) explains how he feels about such interactions: “I went for a period where I wouldn’t open post. Just wouldn’t open it. I was so stressed by it. I just.... I just don’t want to know.” At the same time, having problem debt is hard to escape. Quotes such as “It’s in my head all the time” were common. Others further describe how the situation in general affects their health. “A lot. Because I can feel it all the time, now, it’s just like a pain, and I think, god, is that stress?” These quotes illustrate how different items can be linked relationally.

I also built in variation. There often were substantial differences between participants’ accounts of a similar category. For example, some participants avoided creditors’ contact attempts to not think about their problems and the stress associated with them, whereas for others, it was because they deemed the debt unfair. For some, the perceived responsibility of the debt was not theirs and for them inaction was rooted in denial of responsibility. Such variation features in the grounded theory as different dimensions of selected identified categories.

In the previous illustrations I have already implicitly moved from providing examples of axial coding to providing examples of selective coding, which is the process of integrating and refining categories. This is the stage where data becomes theory. It

involves further comparison with other participants' accounts, which finally leads to determining whether such a relationship between concepts appears systematic. Such validation is part of the final selective coding stage. Note that validation in this case is not meant in the quantitative sense of the word. Rather, it refers to going back to the raw data with an often severely abstracted idea about relationships between concepts, or theory, to determine how well that abstraction still fits with the raw data. The outcome is a grounded theory—a narrative that presents the interrelated concepts. Hypotheses about the relationships are interwoven in the text (Strauss and Corbin 1998, pp. 143–45, 159). The result of this final coding stage is the grounded-theory approach narrated in the second and third empirical chapter of this thesis.

Description of the Qualitative Sample

The 26 participants have between zero and six (with an average of two) dependent children, were all renters (with the exception of two), and have low incomes. The majority (60%) are separated parents. This comes as no surprise as renting, larger families, single parents, and low incomes are all key factors linked with over-indebtedness (Kinloch, Little, and Morawiec 2016). The participants have varied ethnic backgrounds. **Table 2** further characterizes the participants.

The sample is 65% female. Recall that having dependent children was one of the eligibility criteria for the interviews. This criterion was relaxed towards the end of the interview respondent recruitment process to complement the male perspective on debt management. Of the respondents, all except seven have dependent children. Also this is typical for over-indebted consumers: in the UK, high-cost credit is particularly

concentrated in households with dependent children (Department for Business Innovation & Skills 2012).

For the purpose of this thesis, dependent children are defined as children that are financially dependent and rely (partly) on the parent. Children thus do not necessarily have to live with the parent for them to be dependent. One of the participants for example, Ryan (*interview*), has four children, three with his first wife and one with his current partner. While none of the children live with him, he contributes financially to their upbringing. He thus has dependent children. Joe (*video-ethnography*) is in a similar situation: he has one son who lives with the mother, but he contributes to his upbringing. Robert (*video-ethnography*), on the other hand, has children but they have moved out long time ago and now live by themselves. His children are financially independent. Similarly, Janet (*interview*) has children, but they run their own household now. **Table 2** provides further details on which participants have dependent children.

Table 2. Respondent Inventory

	Pseudonym	Gender	Age	Family Status	Dependent Children	Ethnicity**
	<i>Video-ethnography</i>					
1	Sandra	F	30	Married	Yes	White or White British
2	Gwyn	F	40s*	Separated	Yes	Black or Black British
3	Rina	F	43	Married	Yes	Asian or Asian British
4	Elly	F	32	Married	Yes	White or White British
5	Becky	F	30s*	Married	Yes	White or White British
6	Sheila	F	27	Separated	Yes	Black or Black British
7	Joe	M	55	Separated	Yes	White or

						White British
8	Robert	M	50s*	Married	No	White or White British
9	Rudy	M	50s*	Single	No	White or White British
10	Donald	M	60	Single	No	White or White British
	<i>Interviews</i>					
11	Jasmina	F	40s*	Separated	Yes	Asian or Asian British
12	Sandip	M	46	Single	No	Asian or Asian British
13	Ryan	M	40	In a relationship	Yes	White or White British
14	Rebecca	F	30s*	Separated	Yes	White or White British
15	Catherine	F	40s*	Separated	Yes	Black or Black British
16	Neelam	F	41	In a relationship	Yes	Asian or Asian British
17	Francesca	F	32	Separated	Yes	White or White British
18	Janet	F	53	Widowed	No	White or White British
19	Elizabeth	F	39	Separated	Yes	Black or Black British
20	Sylvia	F	42	In a relationship	Yes	Black or Black British
21	Tara	F	30s*	Separated	Yes	Asian or Asian British
22	Nazeera	F	41	In a relationship	Yes	Asian or Asian British
23	Adeline	F	56	Separated	Yes	Black or Black British
24	Deepak	M	40s*	Single	No	Asian or Asian British
25	Ignatio	M	64	Single	No	White or White British
26	Selim	M	50s*	Married	Yes	Asian or Asian British

* Approximation

** Categories based on UK Census

The narratives in this thesis refer to 21 respondents by name (80% of respondents); their experiences are representative for others like them in the sample. Moreover, the

selected stories and quotes both give an overview of the themes that appear most commonly across respondents, as well as the variation and contradictions that arise. While all participants in the sample have financial difficulties, as indicated earlier, I have no official records on the level of indebtedness of the video-ethnography participants. For the other 16 participants, the average debt known to the debt advice agency is £1,705 and concerns “priority debts.” These are debts that carry the most serious consequences if you don’t pay them, notably mortgage or rent, income and council tax, utility bills, child maintenance, TV license, and court fines (Money Advice Service 2016; StepChange Debt Charity 2016a). All participants approached the debt advice centre regarding either water, gas or electricity debts, rent arrears, or council tax debt.

From the interviews, however, it turned out that respondents often had more than one account in arrears. This is not surprising as it is well known that uncovering the full picture of all debts an individual holds is challenging and usually requires an intensive discussion (Seefeldt 2015). For example, in addition to rent arrears, many respondents had one or two types of unsecured debt. This corresponds to the fact that over-indebted consumers often have multiple accounts in arrears (Department for Business Innovation & Skills 2012). **Table 3** further details the respondents’ type of debts.

In sum, while the sample, on average, reflects the characteristics of the general UK over-indebted population in terms of their debt-profile and socio-economic characteristics, there is one possible bias, which is that all of the respondents have reached out for debt advice. This sets them apart from the general over-indebted

population in the UK of which only 17% is estimated to reach out for advice (Money Advice Service 2013). The implication of this will be discussed below.

Table 3. Respondent Information, in Summary

<i>Family Status</i>			
	<i>Dependent children</i>	<i>Female</i>	<i>Male</i>
Single	No	0	5
Separated	Yes	9	1
Married / in a relationship	Yes	7	2
	No	0	1
Widowed	No	1	0
	Total	17	9
<i>Types of Debt (Interviews Only, N=16)</i>			
		<i>Number</i>	<i>% of sample</i>
	Rent arrears	12	75%
	Utility	9	56%
	Council Tax	4	25%
	Child tax, tax credits	4	25%
	Credit card, other consumer credit (e.g. Sainsbury loan)	4	25%
	Catalogue	3	19%
	Informal debts	2	13%
	Phone bill	2	13%
	Student loan	2	13%
	Money shop	1	6%
	Store cards	1	6%
	Parking tickets	1	6%

Document Analysis

As mentioned above, document analysis is integral to this thesis' grounded-theory approach. The rationale for this document analysis is that, from the interview and video-ethnography analysis, it emerged that the debtor-creditor interaction forms a critical part of the way consumers experience over-indebtedness, and that these experiences subsequently influence consumers' debt management decisions. A better

understanding of the historical roots of this relationship seemed imperative in order to appreciate the meaning and value of the findings following from the coding process.

The included documents are existing literature providing historical accounts of debt collection, debt advice web sites, newspapers, and company documents, such as reports launched by the Bank of England or membership brochures from the Credit Services Association, the UK trade association for the debt collection and debt purchase industry. These documents were selected based on their relevance to debt collection practices and the interaction between creditors and debtors.

The academic literature on consumer debt collection is very thin and has been an academic blind spot (Deville 2015). There is some academic work that appeared on the topic since the 70s that addressed debt collection (for an overview, see note 1, page xiv in Deville 2015). But the majority of this work discusses debt collection issues as part of a wider argument, as legal scholar Elizabeth Warren and co-authors do, for example. They study consumer bankruptcy, the burgeoning consumer debt, and the financial fragility of the middle class in the US (Sullivan, Warren, and Westbrook 1989, 2000; Warren and Warren Tyagi 2003). This work, however, does not focus on the relationship between the indebted consumer and the creditor when debt remains unpaid. Likewise, recent work in economic sociology by Kathryn Edin and colleagues studies the role of debt in economic coping strategies by the working poor in the US, but also does not explicitly examine the creditor-debtor relationship (Halpern-Meehin et al. 2015; Tach and Sternberg Greene 2014). The little work that does explicitly address debt collection practices is included in the document analysis.

This academic literature is supplemented with contemporary documents originating from both the debt collection system itself, such as industry membership brochures or industry commissioned studies, and the advice sector that helps consumers navigate their problem debts. Together, these documents are analysed in order to paint a picture of the context in which this thesis' respondents operate.

In terms of the method of analysis, combining elements of content analysis and thematic analysis is common (Bowen 2009). However, recall that the main purpose of this thesis' document analysis is not to triangulate or to corroborate themes that emerge from the interview and video-ethnographic data. Rather, it is meant to provide (historical) context to it. It is about developing an understanding of the context in which a phenomenon takes place, drawing on a combination of literature and other documents that speak to the phenomenon. Even though it draws on existing literature, it is not as much about the literature's insights, theoretical lenses, and omissions, but rather about the documents' description of the phenomenon itself. Thus, the literature and documents, as it were, provide the raw data as a basis for analysis (Bowen 2009). The result of this analysis is a narrative that presents a contextual understanding to the empirical chapters that follow.

Document analysis, like any other method, has some inherent limitations, notably, insufficient detail, low retrievability, and biased selectivity. Insufficient detail refers to not having sufficient information to answer each research question. Low retrievability and biased selectivity are closely related in the sense that certain documents sometimes may be deliberately blocked and therefore inaccessible. This

may result in an incomplete collection of documents, risking a biased understanding of the phenomenon under study (Bowen 2009).

These three limitations are real in the context of this thesis. For example, the identified documents are not sufficient to answer all, or even one, of the research questions completely. This is precisely the reason why the documentary analysis is complementary to the grounded-theory approach. It is not the main source of data, but rather provides contextual understanding to the findings of the grounded-theory approach. Further, it is quite likely that the identified documents are not covering all perspectives and approaches towards debt collection, the focus of the document analysis. For example, many of the debt collection tactics are in fact business sensitive and thus not available freely. The available industry documents, and the literature that is based upon it, are likely to be aligned with the debt collection system's publicly available policies and procedures.

While suboptimal from a research point of view, in the case of this thesis, this does not cause major issues. The document analysis serves predominantly to show that what emerges from the grounded theory fits into a historical framework. If, for some reason, the historical context that appears from the documentary analysis is radically different from the observations following the grounded theory, then this provides interesting material itself. In the case of this thesis, it would raise questions about changes in practice in debt collection over time and the reasons for such change. If, on the other hand, the historical context corroborates the grounded-theory findings, then this too is valuable and contributes to the understanding of inaction in debt management. It strengthens the credibility of the findings. In other words, while

recognizing the potential flaws of documentary analysis, the insights following from it add valuable and necessary contextualization and points of comparison.

Quality Criteria and Limitations

Each type of research has its own criteria for trustworthiness. For qualitative research, these are typically credibility, transferability, dependability, and confirmability (Lincoln and Guba 1985; Tracy 2010). In what follows, each of these criteria are discussed in relation to the qualitative empirical work.

Credibility. Credibility of research findings concerns the plausibility and verisimilitude of research findings (Tracy 2010). Prolonged engagement, persistent observation, and triangulation are three activities that help to establish such credibility (Lincoln and Guba 1985). Firstly, sufficient time must be invested to ensure full exposure to, and understanding of, the context in which a phenomenon is embedded. Enough time should be allowed to enable observation of all factors that may be of importance to the phenomenon. Between first identifying the problem of inaction in debt management, studying the video-ethnographies in detail, and then conducting the in-depth interviews I have spent 1.5 years. This prolonged engagement has provided the scope to studying the phenomenon.

Secondly, the depth to studying the phenomenon comes from persistent observation (Lincoln and Guba 1985). It implies dedicated, mindful observation of the phenomenon, in order to identify the most relevant elements. During the 1.5 years of data collection and preliminary analysis, I have constantly and actively immersed

myself in the phenomenon under study whether it was through viewing and analysing video footage or through being involved in arranging and conducting interviews. A lot of this time was also spent with the two organisations that facilitated these observations, the MAS and the debt advice agency. While working from these two respective offices, I always remained mindful and observant, treating it as part of my effort to understand the problem of inaction. Thus, persistent observation in the context of this thesis comes from mindful observations of both the actual participants and the periods spent with experts in the field.

Thirdly, triangulation adds further credibility. Indeed, this thesis uses two different qualitative modes of data collection, video-ethnography and in-depth interviews, to study the same problem. The grounded-theory approach is predominantly based on both of these modes, and they converge on the same conclusion. Moreover, while not the primary purpose of the documentary analysis (which is rather to provide historical context), the complementary insights corroborate the findings resulting from the other two methods. Such triangulation of conclusions is thought to strengthen a study's credibility (Tracy 2010).

A second source of triangulation can be the use of one or more researchers to use the same data and converge on the same conclusions (Lincoln and Guba 1985; Tracy 2010). In the case of this thesis, however, no such co-author is involved. Two things offset this absence, however. Firstly, by showing as much of the quality, richness, and thickness of the data as possible, the reader can directly test and evaluate the soundness of this thesis' grounded-theory approach. Secondly, further triangulating the propositions that follow from the grounded theory with the survey data will also

enhance the findings' credibility. Mixed method researchers' views differ on the use of different approaches, qualitative and quantitative methods, for triangulation purposes. I will further reflect on the philosophical underpinning of this thesis as part of the positionality discussion at the end of this chapter.

Transferability. In qualitative work, generalization typically is not used as a quality criterion because in this research tradition, findings are considered to be highly context-specific. There is, however, the concept of transferability, which is established through thick description (Lincoln and Guba 1985, pp. 110, 219). Thick description implies in-depth illustrations of culturally situated meanings, combined with abundant concrete detail. Such accounts also include explications of the hidden assumptions that guide observed behavior, which may otherwise not be immediately obvious to the outsider (Tracy 2010, p. 843). These descriptions, in turn, may provide pointers about which elements are, or are not, transferable to different contexts.

Video has the potential to foster such rich, thick descriptions. Having the possibility to review the video footage over and over again enhances the researcher's ability to capture precise, detailed observations. As it were, this approach "thickens" the researcher's field notes by adding very detailed verbal, facial, spatial, symbolic, and body cues to the researcher's dataset (Smets et al. 2014). In the case of this thesis, I do not have original field notes because I did not collect the video-ethnographies myself. Recall that I also predominantly use the footage in order to record what respondents say and in what way, very similar to analysing verbatim transcripts of interviews. Nevertheless, the video-ethnographies have added implicit "materiality" to this thesis by providing me with a richer context to consumers' inaction in debt

management, compared to what the interview data alone would have offered. The video-ethnographies have contributed to my ability to persistently observe the phenomenon under study.

In terms of transferability of findings to different contexts, the specificity of the sample will have to be kept in mind. Across the two different methods, video-ethnography and interviews, the majority of the sample is female, has dependent children to care for, and experiences financial difficulties. Ethnicity and age bands are quite varied on the other hand. One part of the sample, the interview participants, has reached out for debt advice and been in receipt of one or more benefits at some point in their lives. The other part of the sample, the video-ethnography participants, may have reached out for advice or been in receipt of benefits too, but the objective records are missing. Transferability of elements, if any, will thus likely be limited to this particular profile.

Dependability and confirmability. Research is dependable if it feels trustworthy. In turn, this is achieved by ensuring that research can be confirmed or verified. These two qualities can be established through external auditing by individuals who are not participants in the research (Lincoln and Guba 1985, p. 322). In this thesis, auditing is left to the reader. Materials in order to facilitate this process are presented through the furnishing of lots of raw data (quotes), the detailed description of the iterative coding process that describes the different data reduction, and analysis steps. These analysis steps consist of coding data to generating the grounded theory, and finally the synthesis offered by the thesis' findings and conclusions.

In sum. The grounded theory is based on data that was collected through prolonged engagement and subjected to persistent observation, two important criteria for credibility of qualitative research. In addition, the triangulation of multiple qualitative and quantitative methods adds trustworthiness to the findings. Transferability—the extent to which findings may be applicable to other context or other consumers outside the sample—depends on the degree of similarity with regards to elements identified in the grounded-theory approach. Auditing of the findings’ dependability and confirmability is at the reader’s discretion.

BINARY LOGISTIC REGRESSION ANALYSIS

The quantitative evidence in this thesis draws on a survey of 2,162 over-indebted individuals. The Money Advice Survey commissioned the survey in 2012 to analyze characteristics of the over-indebted population. Public Knowledge, a market research agency, conducted the survey. While the measurements were not specifically designed for the purpose of this thesis, the survey contains information that covers the majority of concepts identified in the grounded-theory approach. In the fourth empirical chapter (Chapter 8), correlational associations and binary logistic regression analysis are used to test hypotheses about the relationship between these different concepts. In what follows, this section further describes the database and the quantitative sample.

Overview of the Database

Consumers were eligible to take part in the survey if they had been at least three months behind with their bills in the last six months and/or felt that their debts were a heavy burden. This is MAS' definition of over-indebtedness and includes an objective statement (behind on bills) as well as a subjective statement (emotional burden) of problem debt (Money Advice Service 2013). The data includes information on these consumers' actual debt management decisions, including their tendency to avoid creditors, their debt-related mental states, and, importantly, the types of creditor messages they have received in the past.

This survey data is exceptional because, as opposed to many alternative (laboratory) experimental and non-experimental methods, it provides information about real-world consumer behavior of a sub-population that is typically difficult to study. Standard household surveys often have a sample proportion of over-indebted individuals that is too low to allow detailed analysis of this particular group of consumers. As a comparison: in his analysis of UK household survey data, Gathergood (2012) uses 142 observations of over-indebted households. This is less than 5% of the observations included in this thesis' analysis. Moreover, surveys typically also do not contain detailed information on creditor contact attempts, creditor avoidance, and mental states regarding debt. To the best of my knowledge, this is the first study reporting on these real-world behaviors.

Description of the Quantitative Sample

The whole sample covers 5,020 over-indebted individuals. The correlational analyses are based on a subset of these: 2,162 individuals. This reduction in observations is due

to missing values (don't know/prefer not to answer) across different variables. The mean age bracket of the sample is 41-45 years, and the gender respondent divide is split at 47% female, 53% male. The median household income band of the sample is £15,000-£19,999 and 64% are economically active (either full time or part time employed). Further, 55% are financially responsible for dependents, and 48% own their own home.

In terms of the two sample selection criteria, 67% reports their debt as a heavy burden (also referred to as subjective over-indebtedness), and 74% of respondents are behind with their bills for at least three out of the last six months (also referred to as objective over-indebtedness). In addition, 41% reports to have experienced regular non-payment of bills in the last 3 months. This is the behavior of central interest for this thesis and indeed one of the ways in which inaction in debt management is manifested. A further 61% are contacted by creditors to recollect debt. **Table 4** presents descriptive statistics. Detailed definitions of the variables are provided in the fourth empirical chapter.

Table 4. Descriptive Statistics

Variable	
Age	
18-25 years (%)	10
26-30 years (%)	10
31-35 years (%)	10
36-40 years (%)	12
41-45 years (%)	14
46-50 years (%)	13
51-55 years (%)	12
56-60 years (%)	6
61-65 years (%)	5
66-70 years (%)	6
71-75 years (%)	2
76 and above (%)	1

Female, Male (%)	47, 53
Median household income (£)	15,000-19,999
Economically active (%)	
Full time	47
Part time	17
Dependents (%)	55
Home owner (%)	48
Objective over-indebtedness (%)	74
Subjective over-indebtedness (%)	67
Inaction in debt management (%)	41
Contacted by creditors (%)	61

Quality Criteria and Limitations

Quantitative research quality criteria for trustworthiness are internal validity, external validity, reliability, and objectivity (Lincoln and Guba 1985). In what follows, each of these criteria are discussed.

Internal validity. Threats to internal validity occur when the reported change in the dependent variable is not just a function of the independent variables, but also of other confounding factors not directly controlled for in the regression (Malakoff 2012). It is the degree to which the claim of causal inference can be justified. Examples of threats to internal validity are endogeneity bias due to omitted variables or simultaneous causality, self-selection, or self-reporting bias. Given the nature of the data used for this thesis, which is survey data collected at one point in time, all these three factors are possible pitfalls. Indeed, on the basis of the data, causality cannot be inferred.

Causal inference, however, is not the focus of this research. Rather, the primary goal is to determine what factors are associated with inaction in debt management, which is both an intriguing phenomenon and an important, widespread behavior with real economic and well-being implications. Exploring such associations is part of a first

examination of the phenomenon with the aim of encouraging future research that can further tease out causal pathways.

External validity: Generalizability of research is a terrain that needs to be threaded with care. The qualitative transferability criterion reminds us that no finding is context free. On the other hand, any good research, whether qualitative or quantitative should be able to construct social policy or legislation based on its findings (Tracy 2010). Examining the degree to which findings can apply to different situations is thus core to all research.

A consequence of the focus on over-indebted consumers in the survey is selection bias, which limits generalizability to the general population. Comparing the survey sample to the national average, unsurprisingly, shows that respondents are more likely to consider their debt a heavy burden (sample: 0.67; national average: 0.2).

Otherwise, the gender distribution and geographical spread of the sample is broadly representative of the general population, but children and adolescents (under 18), and retirees (65+) are underrepresented. The economically active are represented in comparable terms, whereas the unemployed (including students) are relatively over-represented in the sample, compared to the general population (sample: .63 employed, .16 student/unemployed; national average: .59 employed, .06 student/unemployed).

The median household income band of the sample (£15,000 - £19,999) is below the UK median equivalised household income in 2012/4, at the time of the survey (£24,900). Furthermore, the sample is more frequently financially responsible for dependents (sample: 0.55; national average: 0.29), and respondents are less likely to

own a home (sample: 0.48; national average: 0.66). Appendix 7 provides further details.

However, the survey was not intended to be representative of the general population. Rather, it was intended to reflect important trends amongst the over-indebted population. Comparing the MAS sample to the over-indebted respondents analysed by Gathergood (2012), respondents are roughly equally likely to be economically active, but twice as likely to be unemployed or retired. On the other hand, respondents in the MAS sample more frequently own a home and are more likely to be financially responsible for dependents. See also Appendix 7. It is difficult to appraise the importance of this difference: it is quite likely that neither Gathergood's sample, neither the MAS survey sample is fully representative of the over-indebted population. Generalizing results to the broader over-indebted population thus will have to be done with care.

Reliability. This factor of trustworthiness refers to whether the findings would be consistently repeated if the study were replicated with the same respondents in the same context. This in turn depends on the consistency of measures and stability of selected test methods (Lincoln and Guba 1985; Malakoff 2012). Most of the measures used in the survey are standard measures that have been used in other large-scale surveys before (e.g., the UK census). Moreover, the statistical methods used (correlational analysis and binary logistic regression analysis) are among the relatively simple, straightforward, and commonly available methods. On the other hand, the order of survey questions and response options were not randomized, which could have improved and assured the reliability of measures. While for the most part

standard measures have been used, reliability of measures could have been further enhanced for this study.

Objectivity. The degree to which the researcher is distant from the object of study, and analyzes relationships between variables within a value-free framework, is typically regarded as “objectivity” (Malakoff 2012; Sale, Lohfeld, and Brazil 2002). I would argue that research is never value-free. In quantitative research, it starts with the framework selected to approach the data and the measures that come with it. Often times, instrumentation is regarded as an objective, distant tool to collect data (Lincoln and Guba 1985). But measures of concepts (e.g., translating inaction in debt management into a survey question that next becomes a variable in a regression) are never wholly distinct from norms and values. They are conceived based on a particular view of the world of what, in this case, inaction in debt management is (and is not). Similarly, the statistical tests chosen, as opposed to those that are not chosen, are subject to bias. All these choices of measures and hypotheses come from a particular framework. Compared to alternative frameworks, such a framework is never neutral.

To tackle this problem, I will make clear and explicit what the particular framework is through which the data are analysed, and how it differs from alternative frameworks. Since, in this thesis, the quantitative work builds on the framework developed in the grounded-theory approach, the basis for the interpretation of the measures and hypotheses are explicitly described. This thesis is thus transparent (rather than objective) about its theoretical disposition.

In sum. The correlational hypotheses testing in this thesis is based on survey data, which uses predominantly existing, frequently applied measures. This makes the data reliable. On the other hand, due to the structure of the data, causal inference is not possible. Generalizability beyond the sample of the survey needs to be done with care. The theoretical disposition from which the survey data is analysed is explicitly and transparently presented in the empirical chapters of this thesis.

REFLECTIONS ON POSITIONALITY

The previous two sections have separately discussed the qualitative and quantitative approaches this thesis takes. This section draws these two approaches together and reflects on the implications of this mixed-methods approach. Reflecting on one's positionality in research is important because it influences the design of research, the way it is executed, and the way it is analyzed. It helps putting the research into perspective, vis-à-vis other research traditions and studies. Positionality relates to both the researcher's worldview as well as her position within a given study to the topic, participants, and research context (Savin-Baden and Howell Major 2013). In what follows, these two different aspects of positionality will be discussed. In addition, a reflection on ethical considerations based on the in-depth interviews is offered.

Mixed-Methods, Philosophical Traditions and Triangulation

Mixed Methods. Combining qualitative and quantitative methods in one study is challenging and raises both practical and philosophical questions. In this thesis I show

that it is not impossible, however, to combine the two to study the same phenomenon, and that the two methods in fact can complement and reinforce each other. Each method has its own focus because it has a different outlook on the world. Against the background of the paradigm schism in CB research described in the literature review, with a dominant positivist behavioral stream drawing on neo-classical economics and cognitive psychology, and a challenging but much smaller, separate interpretive stream of thought, I offer an attempt to show how these two paradigms can inform each other.

Many mixed-methods scholars view the approach as a third methodological way, in addition to the centuries old qualitative and quantitative traditions (Johnson and Gray 2016). The use of mixed methods gained increased interest in the 1980s, following a century of intense discussion on social scientific method (Denzin 2012). Recall from the literature review that the 1989 president of the Association for Consumer Research hoped for a more pluralistic paradigm to emerge in CB, out of the dominant behavior stream and the challenging CCT stream. In a Kuhnian sense, a mixed-method approach could be facilitating this long-awaited new paradigm for CB by merging the two methods and historical roots into one. But while the mixed-method approach emerged, researchers using it have struggled to develop a corresponding philosophical foundation. Issues of method and methodology, and its corresponding philosophical underpinnings, have indeed been identified as one of the most important contemporary issues for mixed-method research by leaders in the field (Tashakkori and Teddlie 2016).

Pragmatism versus Complementary Philosophical Traditions. Today, pragmatism is regarded as the dominant philosophical tradition for mixed-methods research, and different versions of it have been developed for different forms of mixed-methods research (Johnson and Gray 2016, p. 87). The characterizing criteria for such an approach is that the research question is of primary importance, that the forced dichotomy between post-positivism and constructivism should be abandoned (as well as should be the use of concepts such as “truth” and “reality”), and that a practical and applied research philosophy should guide methodological choices (Creswell and Plano Clark 2007, p. 44). Moreover, pragmatism is driven by solution-oriented research. It is real world and focuses on what works.

This pragmatist worldview fits my research approach well. The driving force for this thesis is the over-arching question of what is behind the large problem of inaction. The purpose of understanding it is to propose better solutions to address the problem and the system in which it occurs than currently exist. Nevertheless, this thesis does not sit entirely comfortable in a pragmatist framework. This unease is based on the ignorance of the fundamentally different roots of the quantitative and qualitative approaches that still form the basis for the methods used in mixed-methods research. These roots inform not only the respective methods of data collection, but also the approach’s epistemology and ontology, or philosophical assumptions of what constitutes knowledge and reality. An extreme interpretation of these differences is the proposition of incompatibility or incommensurability, which holds that qualitative and quantitative methods are based on different assumptions and as a result cannot be (easily) combined (Denzin 2012, p. 82).

This thesis' research approach illustrates the fundamentally different roots of the methods used. The grounded-theory approach, drawing on qualitative data including the document analysis, is deeply constructivist. I start with approaching the problem of inaction in debt management from a historical point of view, followed by the point of view of those who live with sustained problem debt. Through this approach, I describe the world from the participants' point of view, which is socially constructed. Next, the findings of the grounded-theory approach form the basis for the testing of hypotheses using survey data and statistical analysis. This quantitative method in turn assumes objective, distant observation of "facts." The lead in my research approach is thus taken by qualitative, constructivist research, followed by quantitative, positivist work. Clearly, these two approaches are fundamentally different in many ways, and not addressing or reflecting on the difference, how they relate to each other and what that implies for the research (which is common to a pragmatist approach) seems inappropriate and easy to criticize.

There are alternative points of view to the incompatibility proposition that accept the difference in research traditions but do not reject the possibility of complementarity or combination (Greene and Hall 2016). Indeed, the mixed-methods approach provides several answers to the incompatibility issue, which allows having two separate methods *and* philosophical roots mixed in a single research project. This is different from the pragmatist view that tends to not reflect on this difference, but also different from the incompatibility thesis, which concludes that mixed-methods research is impossible (Tashakkori and Teddlie 2003, p. 17). One of these alternative views purports that different methods and their historical roots can have complementary strengths and can exist in parallel. In this view, methods must be kept separate in the

research, so that the strength of each philosophical research tradition (e.g., positivism and constructivism) can be realized (Tashakkori and Teddlie 2003, p. 17). Thus, each selected research method adheres to its respective paradigmatic quality criteria to ensure that valuable, trustworthy data and research findings are produced. These findings can be combined to reflect on the phenomenon under study. This is indeed the approach taken in this chapter, where I have outlined in detail the data collection and analysis procedures for each respective method, and have assessed their rigor using the relevant quality criteria for that particular approach.

But combining findings from two different philosophical traditions while keeping the empirical pieces separate in one research project is easier said than done because these two positions are very different in terms of their epistemological and ontological predispositions. To illustrate what this implies in practice, consider the following.

Even though qualitative and quantitative methods may often appear to study the same phenomenon, the labeling and therefore understanding of it will refer to different things. This because reality is viewed differently by each respective research tradition (Sale, Lohfeld, and Brazil 2002, p. 48). For example, from a positivist perspective, consumers avoiding creditor letters or phone calls may be like an ostrich behavior; it can be seen as consumers avoiding such contact attempts based on debt levels or some other objectively measurable factor. But from a constructivist perspective, the key to understanding the meaning of such avoidance rests with determining how it occurs, perpetuates itself, is different for every consumer, and is part of a larger societal structure. In other words, a positivist may count the number of ostriches having put their head in the ground; a constructivist may look at the same situation

and examine what ostriches thought before deciding whether to put her heads in the ground.

This example demonstrates that the same phenomenon may mean different things, depending on the research paradigm selected. It also illustrates that these differences can in fact be complementary and can highlight different aspects of the same phenomenon. Knowing what ostriches think and how these thoughts vary provide clear hypotheses to test quantitatively. This is precisely the worldview I take: that qualitative and quantitative research can offer complementary insights into real world problems, while each method and its findings are standing on its own in terms rigor, quality, *and* novelty of findings. Thus, the quantitative piece of this thesis does not merely test hypotheses that can be derived from the grounded-theory approach, but adds further understanding and nuances of some of the large-scale patterns associated with inaction in debt management. Similarly, the qualitative piece produces original insights that are valid and trustworthy, and go beyond the quantitative dimension in terms of complexity.

Triangulation. Note that for many researchers this particular approach—valuing each respective method by itself—inhibits triangulation of results across research methods (see Howe 2012 for a discussion). There is a rather fierce divide within the mixed-methods field with different views on whether triangulation across research methods is meaningful (or even can be done). One view contends that if research methods are incompatible, and each address a particular, different piece of a phenomenon, then the findings cannot be used to confirm convergence or divergence of conclusions because it is not about the same “thing” (Sale, Lohfeld, and Brazil 2002). In this view, the

philosophical division makes triangulation across methods incoherent and should therefore not be done (Howe 2012).

I do not hold this position, however. Howe (2012) makes the interesting point that, in order to determine whether triangulation across methods and philosophical traditions is or is not “possible,” a researcher should define how he or she conceives causal explanation in social research. Because this conception, he argues, “has been at or near the center of the qualitative-quantitative “paradigm wars”” (Howe 2012, p. 91). My conception of causal explanation is that qualitative work provides the necessary and indispensable exploratory work for theory generation. It is one of the methods that provide the direct observations based on which hypotheses can be framed. The qualitative work, however, does not prove causality. It is the quantitative work that in turn allows testing and falsifying the theory. If studies are well defined and the data structure permits, causal inference may be possible at this stage.

In this view, complementarity is the mediator for the “paradigm wars,” or for normal science in conjunction with anomalies that are building up. It allows incorporating the other paradigm’s findings into future work. I do not think of mixed methods as a third approach. Rather, I see it as the only way to solve social problems and produce change. Positivist research that does not draw on a-priori, in depth understanding of human behavior risks producing science that does not help solve problems, as the literature review of this thesis has shown. Vice-versa, interpretive research risks over-generalizing behavioral patterns specific to a small group of people, or producing biased theories due to researcher’s dispositions. Also that will not help inform policy.

Thus, in my view, triangulation of methods, and using mixed methods in the first place, is important and perhaps the only way to be sure to work towards solutions. To ensure that such triangulation is meaningful and produces actual social change, each piece of research will have to be of the highest quality as defined by its historical paradigmatic traditions. For this thesis, this means, for example, that the quantitative piece cannot establish causality. The nature of the data (cross-sectional survey data) does not allow for causal inference, as also explained above. The theory developed in the qualitative piece in turn cannot, by itself, be reflective for a population beyond the specific characteristics of the sample. Taken together, however, they do provide a thorough exploration of consumers' inaction in debt management, providing the basis for future research that will look further into causality.

Finally, it is important to place all these reflections into perspective. There is no "true," "right," or "wrong" choice of philosophical underpinning. There certainly is no consensus on the philosophical traditions of mixed methods (Denzin 2012). It rather is a considered choice that guides how one does and writes about research.

Research Project Positionality

Interpretive research has a rich tradition in reflecting on the researcher's position within a given study. Such reflection is particularly relevant for the part where I collected data myself in the form of in-depth interviews. But it certainly also applies indirectly to this thesis as a whole. In what follows, I will discuss my positionality in relation to the topic, participants, and research context of the in-depth interviews, complemented with general reflections on the research process.

As will also appear from the empirical chapters, I position this work from the consumers' or debtors' perspective. This is partly because of my research approach, which predominantly relies on consumer interviews and surveys. This by definition offers their views and experiences of the world they live in. I complement this consumers' view with a historical account of debt collection practices, which reflects on both the creditors' and debtors' role in inaction in debt management. As discussed above in this chapter, these observations are based on industry reports and existing research accounts. With the exception of interviews with two employees from different large UK retail banks I did not myself interview creditors about their perspective on inaction in debt management. These interviews were not part of the formal data analysis for this thesis, however, and rather functioned as background information.

This was a deliberate approach, however. It in a way followed from the same "blindness" I identify in this thesis' literature review, where the existing paradigm is predominantly focused on consumers and their cognitive abilities. Going into this research, I wanted to go beyond the focus on cognitive abilities. That creditors played such an important role in inaction in debt management, in addition to consumers, only emerged once my grounded-theory work was well under way. Future research would certainly benefit from further examining the creditors' perspective on inaction in debt management. The account presented in this thesis, however, resides with the debtors.

This position is not entirely separated from my own personality. My career thus far has been dedicated to understanding and improving people's lived experiences of

poverty. It was thus a very logical and natural approach to study the human consequences of over-indebtedness and inaction in debt management. From this position towards the research, it is easy and tempting to tell a simple story of default and collections through the construction of a set of binaries, notably the debtor as victim and the collector as predator (Deville 2015, p. 4). I have actively tried to stay away from such a polarized approach. I have tried to present a balanced record that takes both sides into account.

Other positionality concerns typically stem from the extent to which the researcher can distance herself from the participants. Too much distance can create misunderstandings of the (cultural) context and socially desirable responses, whereas too little distance can create subjective biases, being overtly sympathetic to the participants' concerns. Getting the balance right is important. In ethnography, this is referred to as the insider-outsider debate. Barriers between the researcher and participants often are imposed though gender, ethnicity, social class, or language differences. In my case, for the in-depth interviews, there was no consequential barrier in case of language or gender. Ethnicity and social class could have been possible barriers, which I tried to downplay by trying to make the participants feel at ease. I paid attention to what I was wearing. I also often tried to ask participants to explain something technical to me (e.g., the details around the bedroom tax). The fact that I was not from the UK and a non-native speaker helped to decrease the distance between me and the participant because they could at times clarify things for me.

There were a few ethical concerns that I encountered. Since many of the participants were single mothers, some of them brought their children (age 0 to 15) to the

interview. While it was clear from the children's reactions (many fell asleep) that none of what was discussed was new to them, I did at times feel uncomfortable with their presence because of the nature of our conversation. In a way, this response was probably reflective of my unfamiliarity when it comes to what it means to live with problem debt on a continuous basis.

Similarly, quite a few of the female respondents turned emotional at one point during the interview. This emotionality often went hand in hand with relief: participants were sad about the situation they were in, but the opportunity to speak to someone about it freely brought (temporary) relief. The latter was true not just for women; also many men expressed relief at the end of the interview.

Lastly, in terms of positionality towards the research process, combining two methods with vastly different research traditions posed practical challenges in terms of presenting the results. It is tempting to present the qualitative research findings from a positivist perspective because it is the dominant paradigm in CB research. It is also my academic background; I am an economist by training. Until starting the research for this thesis, I had never engaged in substantial qualitative work. And thus my personal natural tendency is to fall back on that what I know best, which is a positivist view of the world. A positivist perspective uses language that infers "empiricism," "objectivity," "observations," "generalization," or "biases."

I have indeed rewritten significant parts of the qualitative research findings over time to eliminate this positivist approach because it simply is not appropriate to explain the grounded-theory findings using such terms. It misrepresents the richness non-

positivistic approaches have to offer. For example, I have often attempted to strike a compromise between the qualitative and the quantitative work by letting the quantitative piece “prove” the rigor of the qualitative work. However, the more I progressed in my work, the more I began to see and to understand that I should let the two separate research methods speak for themselves. As noted above, there is no need to “prove” the qualitative work by confirming it through the quantitative piece: they stand on their own, but without being blind to each other, which, as I argue in the literature review, is currently too often the case in CB research. This approach implies a break of writing style between the third and fourth empirical chapter, where I move from the qualitative research findings to the quantitative research findings.

4. DEBT COLLECTION AND ITS HISTORY

Before examining the possible mechanisms that underlie consumers' absence of action in debt management, this chapter discusses the debt collection system that is supposed to bring down the level of uncollected debt. From the data analysis, it emerged that the debtor-creditor interaction forms a critical part of the way consumers experience over-indebtedness, and that these experiences subsequently influence consumers' debt management decisions. Therefore, the nature of the relationship between creditors and debtors—the second research question of this thesis and the one that this chapter starts to address—is an important component in understanding the problem of inaction in debt management.

This empirical chapter provides the necessary background to the analysis and interpretation of the data presented in subsequent empirical chapters. The aim of this chapter is to show that many of the assumptions about how the debt collection system should work today are a result of the evolution of the system throughout its long history—and may be contributing to the problem, rather than solving it. Even though consumer credit *provision* has changed dramatically since World War II, credit *collection* is still rooted in centuries of practice. These practices are predicated on the assumption that instilling either fear or shame is the most effective debt collection tactic. In truth, however, this system starts to show cracks and the consumers who are at the receiving end of these tactics question its assumptions. Many of the debt collection practices observed today are left from history, but contrary to the past, with none of the teeth compared to what they used to be. The changing landscape of consumer finance questions the viability of today's credit collection practices.

Important to note at the outset is that this chapter provides a descriptive account of the history of the debt collection system, rather than a critique of the literature that describes the system. It is presented in narrative form. As laid out in the literature review, the purpose of this thesis is to contribute to the consumer behavior research literature, not to the (historical) literature on debt collection. The data presented in the empirical chapters, however, originates from the debt collection system, and the analysis and interpretation of this data will only be meaningful if embedded in an understanding of the system itself. This chapter provides the necessary context.

Debt collection practices vary by jurisdiction. The subsequent account applies to the Western or developed world only. The description of the debt collection system refers to the UK, unless specified differently. Parallels are at key points drawn with the US because, while debt collection practices and associated legal instruments were exported from Europe to its colonies in the 19th century, this was reversed in the 20th century when the US began to export its debt collection techniques to Europe (Deville 2015, p. 81). The same holds for trends in consumer finance, the supply side of credit. Within European countries, the UK has traditionally been an early adopter (Ryan, Trumbull, and Tufano 2011). Many of the debt collection practices, and patterns in consumer credit more generally, observed in the UK today are thus based on innovations that previously occurred in the US.

This chapter starts with a history of the enforcement mechanisms the debt collection industry has had at its disposal. This historical account reveals that, today, creditors seem to have lost most of their powers to enforce recollection of debt, and as a

consequence must fall back on psychological appeals that older practices induced: pandering to fear and shame. The chapter next explores the nature of these psychological appeals in more detail and proposes that they are rooted in two different tactics: threats and moral appeals. This is followed by a brief history of consumer credit provision. The chapter ends with a reflection on the dyadic relationship between creditors and debtors in today's debt collection system.

THE HISTORY OF DEBT COLLECTION ENFORCEMENT MECHANISMS

The origins of separating the collection of debt from its provision. Creditors in the US have used third parties' services to recollect debt since the late 19th century. This separation of debt collection activities from the credit provider dates back to the Industrial Revolution, when depersonalization of credit (that by definition equals debt) was followed by a rapid increase in "bad debts." Creditors found it difficult to recollect these bad debts and quickly discovered that it was more effective to hire legal representatives, such as attorneys, to collect the debts on their behalf. In parallel, "letter peddlers" were selling collection letters to small countryside merchants, or those who could not afford legal representation, which were said to "guarantee" to bring in the money. Selling such letters proved profitable until the idea of selling a collection service, instead of letters, was capitalized, and the collection agency was incorporated in the late 1880s (Krumbein 1924, p. 48).

In order to recollect debt, these agencies adopted methods that today would not pass the Financial Conduct Authorities, yet they are clear forerunners of contemporary collection methods. For example, collection agencies would send envelopes with

“Bad Debt Collection Agency” printed on it in a large font or would send large and brilliantly coloured wagons with the same words on it to the debtor’s home, and those wagons would not leave until the debts were paid. Allegedly, “rather than submit to such notoriety, debtors were prompt in paying up,” when subject to these practices (Krumbein 1924, p. 49).

With the increasing prolificacy of apartment buildings in the early 20th century in the US, the precursor of the bailiff replaced the practice of the flashy debt collection wagons. The wagon proved no longer effective because it could after all be meant for anyone living in the apartment block. In response, credit collection agencies reached for other instruments. For example, they arranged local justices who could secure judgments that made it possible for the agency to send a van to the home of the debtor to confiscate personal belongings up to the value of the outstanding debt. Other agencies employed corps of motorcycle collectors, dressed them in bright red uniforms, and sent them off to terrify debtors into paying. “Such was the reputation of these collectors that the mere rumor of their approach sent the debtors scurrying to the agencies to pay off their accounts” (Krumbein 1924, p. 50).

Technological advances. These collection methods, relying on letters and doorstep visits, remained the dominant modes of debt collection all the way through to the 1970s, when technological advances became available to the industry. Until then, the technologies available to debt collectors were paper records, typewriters, and telephones. Since the 1970s, debt collection technologies have become more sophisticated. In particular, the application of the telephone has evolved, with the emergence of affordable long-distance calls, followed by the automated dialer. The

latest generation machines are predictive dialers that use algorithms to call multiple numbers simultaneously and start new calls while collectors are still in conversation with other debtors, greatly decreasing the time they spend on dialing numbers. This is being coupled with advances in information technology that make tracing of (email) addresses and phone numbers more efficient and successful, and allow for accounts to be traced years after they go delinquent (Hunt 2007).

With the speedy advancement in technologies in the last 10-15 years, corresponding collection strategies have also evolved rapidly. A 2008 survey conducted by the Credit Management Research Centre based at the University of Leeds demonstrates this particularly well. The survey notes that for the interviews arranged with major lenders in the UK in 2008, the expectation was that there would be incremental changes in debt collection practices compared to the earlier interview round in 2003. But what was found instead were quite radical shifts. In those five years, creditors had, for example, moved towards more frequent contact attempts early on in the delinquency cycle, reaching out after just 1 or 2 missed payments, rather than after 5. This reflects a tendency that lenders increasingly try to preempt delinquency by identifying customers that may be heading for financial trouble through a change in spending patterns. It is part of an increase in “behavioral scoring” in collections in the UK and elsewhere in advanced economies, aimed at segmenting consumers based on debts and determining the respective most effective escalation process for each debt and consumer (Credit Management Research Centre 2008, pp. 106–8). A collection manager described this activity-based costing as follows:

[W]e need to know more specifically what action generates what return and the cost of each action. At the moment we know the cost of broad areas of actions and can evaluate their cost effectiveness but we need to drill down further [...]. (Credit Management Research Centre

2008, p. 107)

Thus, technological advances have culminated in a contemporary debt collection system that uses sophisticated algorithms aimed to accurately classify debtors into debt segments and reasons for nonpayment in order to couple them with the most effective collection method for that particular debtor. Today, when a consumer's account is in arrears, it moves through different stages of contact attempts, each one tailored to the interaction history and state of the account. Every collection team has their own unique collections strategy (this is each company's business case) and follows some sort of flow chart or escalation strategy (Credit Management Research Centre 2008; Deville 2015, p. 134). For example, missing the first payment may result in reminders by phone or writing, asking with sympathy to bring the account up to date. But as the period of delinquency persists, consumers can expect to be contacted with increasing frequency and firmer tone, and collection strategies may culminate into bailiff visits or litigation. (Deville 2015; StepChange Debt Charity 2016b).

Yet, despite all this, the predominant mode of contacting debtors in the UK is still letters and phone calls, followed by 'doorstep' visits. Such doorstep visits are different from a bailiff or enforcement officer; in the UK, doorstep debt collectors have no legal powers, and their visits are primarily used to gather further information about the debtor's financial situation (Credit Management Research Centre 2008; StepChange Debt Charity 2016c) . Also the algorithms are merely used to optimize the "right time to call" or to send the letter. Other modes, such as SMS or email, are mainly used to invite inbound calls (Credit Management Research Centre 2008). Thus, while creditors have more sophisticated technologies at their disposition

compared to a century ago, these technologies mostly leverage the timing aspect. As a result, although on the surface it seems that the main modes of getting in touch with debtors have changed significantly since the 1920s, the underlying structures have remained largely the same.

Litigation. The similarity of collection mechanisms now and a century ago is also reflected in the relative scarcity of litigation. Historically, litigation has been something that collectors would often avoid. This applies to the UK now, just as much as it has before. Collectors typically avoid litigation unless it is clear that the debtor has some worth in terms of assets or regular income (Credit Management Research Centre 2008, p. 109; Deville 2015, pp. 116–17). Legal processes are lengthy and costly: for example, in the UK, court fees to claim money vary from £50 for claims between £300-500 to £455 for claims between £5,000-10,000 (Gov.uk 2016). The court fee is added to the amount the debtor already owes, but if the debt recollection is unsuccessful, the creditor will have to cover it. For recollection of an average unsecured debt of £4500 (Department for Business Innovation & Skills 2012), the court fee easily amounts to 5% of the outstanding debt (Gov.uk 2016). Moreover, given that 23% of debtors have two or more payments in arrears (Department for Business Innovation & Skills 2012), the average creditor is likely not the only one “racing” for the debtor’s money. In this case, delaying the collection process through relatively expensive legal procedures may be ineffective and may not pay off.

Cost-effectiveness tests in the UK indeed show that recovery rates from litigation are very low at around 2% to 3% of outstanding balances (Credit Management Research

Centre 2008, p. 109). In the US, on the other hand, there are signs that litigation is becoming more and more common. A recent examination by *The New York Times* based on thousands of court records, combined with interviews with hundreds of lawyers, plaintiffs, industry consultants, and judges found that debt collection companies are increasingly using the courts to recollect debts through the garnishing of bank accounts, while at the same time preventing the debtors from challenging the collection tactics (Silver-Greenberg and Corkery 2015). Indeed, if debt collection practices in the US are a forerunner for collection techniques used in Europe, then litigation may be on the rise. But today, rather than enforcing legal procedures, the majority of creditor-debtor interaction in the UK takes place in the informal sphere.

Enforcement mechanisms. A common thread through this history of debt collection is that psychology has been providing, and still provides, the central foundation on which creditors build their collection strategies. It is the mechanism that ensures effective enforcement of debt collection. Already in the 1920s, collection agents relied on psychoanalysis (Krumbein 1924), even though collectors still had harsher means than words in their toolbox, such as imprisonment.

The “discovery of psychological appeals” in collection strategies can be traced back to the abolishment of imprisoning debtors towards the end of the nineteenth century. These debtors’ prisons, which go back at least 3,000 years, were instruments to realize debtor punishments by using the body as collateral (Deville 2015). Indeed, “debt peonage,” “execution,” “loss of freedom,” “mutilation,” “pawnship” (of the body or even children), and “sins” (which could lead to imprisonment or even execution) have in the past all been used as debt punishments. These six debt

punishments listed by Graeber (2011, p. 405) all explicitly involve the body. Imprisonment for indebtedness was first abolished in the US since 1833, followed by many European countries. In the UK, even though imprisonment of debtors was formally abolished in 1896, defaulting debtors could be sanctioned with imprisonment up until 1970. With the abolishment of imprisoning debtors, creditors' ability to tie a debt to the debtor's body seemed to have disappeared. This disappearance would potentially place creditors' ability to recollect unpaid debt in jeopardy because they would no longer have the opportunity to punish, or threaten with punishment in case of unpaid debt. Creditors, however, had one instrument left that allowed them to continue to exploit bodily attachment: capturing the debtors' mind (Deville 2015, pp. 78, 106). Indeed, as the next empirical chapter will also show, the mind appears the last physical enclave where creditor-debtor interactions are played out in a bodily way.

Psychology as an enforcement mechanism thus has taken a more central place in collections than ever before. It is the backbone of debt collections. But, importantly, the history presented thus far does not provide an explicit explanation for *how*—or through which mechanism—the capture of the mind is assumed to function. This is where considering the implicit assumptions of the debt collection system becomes essential. This thesis posits that the assumption of psychological appeals as an effective debt collection enforcement mechanism is rooted in two different tactics: threats and moral appeals.

THREATS AND MORAL APPEALS

Threats play a central role in debt collection. The collection methods adopted by early debt collection agencies—letters, wagons or corps of motorcycle collectors—were mainly aimed at threatening the customer into repaying. The mere rumor of being approached by collectors would be sufficient to make debtors rush to settle their accounts because they were terrified of the indignity that came with it (Krumbein 1924, p. 50). Effective debt collection thus has an origin in threat and intimidation. This is echoed in the fact that today it is the *threat* of legally instigated proceedings that ultimately is more significant for the debt collections industry than the legal proceedings themselves (Deville 2015, pp. 75, 80).

However, threats will only be effective if they are credible. In order to be credible, creditors' threats have to be linked to something that is valuable to the debtor. Lacking access to the body, today, this typically is the collateral in the case of secured debts, or wages, utilities, other services, or housing if there is no, or insufficient, collateral. For example, not paying electricity bills in the UK can result in being disconnected from the power net (Citizens Advice 2016a). In addition, a creditor can reduce credit scores by filing non-payments on the consumers' record. While this does not impact existing debts, it does impact a consumer's ability to take out future credit and therefore functions as a threat that creditors can use to urge the consumer to repay the existing debt. The implicit assumption in the debt collection system is thus that threats to take away something valuable from debtors will "scurry" them to repay.

The second psychological dimension which creditors exploit is rooted in what Graeber (2011) in his book on the first 5000 years of debt labels the moral conviction

that one ought to pay one's debts. Consider for example the letters used in debt collection in the early 20th century. They actively played with consumer's consciousness:

The usual practice is to compose from letters of a general context but with blank spaces for filling in enough specific material to cover the particular account. The more modern and progressive adjustment companies apply the principles of psychoanalysis and develop a series of letters which play upon the complexes of the various classes of debtors, seeking to bring certain questions into the consciousness of the debtors, which questions remain in their minds until they have answered them by paying their accounts. (Krumbein 1924, p. 60)

Such letters will effectively only capture the debtor's consciousness if the receiver subscribes to the idea "that debts *have* to be repaid" (Graeber 2011, p. 3 original italics). The assumption that debtors indeed believe that debts have to be repaid has been sustained throughout the century. This is reflected in the fact that debt collectors have continued to leverage this moral obligation in order to instigate repayment. Moreover, over time, debt collectors have developed increasingly tailored messaging to capture debtors' minds using this idea. A 1948 conference presentation to the American Collectors Association (America's trade association representing third-party debt collectors established in 1939, which still exists today) by a debt collector illustrates the industry's explicit intention to leverage debtors' moral obligation to repay particularly well. It is worth quoting at length:

We are in the business to give or render service and, in so doing, make a reasonable profit for ourselves. To achieve this end, what do we do? We write letters, make phone calls, and conduct personal interviews in which we try to create the desire to pay the account. They are stimuli. The reaction desired, or the response, is the payment of the account. The letter, phone call, or interview must appeal to the emotions. Emotion means a 'stirred up' state of mind. Included are Joy, Sorrow, Fear, Anger, Amusement, Disgust, and Curiosity. There is where your psychology enters in. [...]

Many or, shall we say, most people have a tendency to place a taboo on words that recall to them a sense of shame and wrong-doing. So they resent words that remind them of these feelings. They get angry, another

emotion. By approaching the situation in a more friendly light the other emotions are reached and the proper response elicited. (Lockman 1948, in Deville 2015, 94)

Compared to Krumbein's account from the 1920s, debt collector Lockman describes in very specific terms those reactions collectors should evoke in order to enforce repayment. It captures what psychology was already doing for collections in the 1940s (Deville 2015, p. 94). Lockman, for example, suggests that nonpayment is associated with "shame and wrong-doing," and that by speaking to that feeling in a more friendly light "the proper response" —repayment—can be elicited. Thus, the second implicit assumption in the debt collection system is that moral appeals will shame debtors into repaying because debtors believe that debts *have* to be repaid.

Importantly, effective debt collection does not rely solely on either threats or moral appeals. Rather, it uses a mix of the two. For example, the threat of being approached by brilliantly coloured wagons or a corps of motorcycle collectors dressed in bright red uniforms would hasten debtors to repay *because* they wanted to avoid the social shame of being publicly identified as a person in arrears. Or letters would signal both signal wrong-doing on the outside (sender: "Bad Debt Collection Agency") *and* threaten harsher enforcement mechanisms on the inside of the communication, such as bailiff visits in case of non-payment.

This tailored mix of threats and moral appeals still forms the basis of debt collection today. A description of organizational norms about tactics that bill collectors ought to deploy illustrates this mixed approach. For example, bill collectors are trained to express a sense of urgency, or "high arousal with a hint of irritation or disapproval," at the start of their calls (Sutton 1991, p. 245). This characterization of urgency

reflects the two different tactics assumed to underlie effective debt collection: being met with high arousal is threatening, whereas irritation and disapproval aligns with providing a moral lesson. Furthermore, debt collection agencies' strategies are conditional on the debtors' response to the initial general expression of urgency: debtors' anxiety is to be met with warmth; debtors' indifference, friendliness, or sadness with higher irritation and even anger; and debtors' anger is to be met with calmness or neutrality. These specific responses are assumed to be the most effective strategies for debt collectors to incite repayment depending on the debtor's mental state (Sutton 1991).

More generally, collectors implicitly assume that debtors are unwilling to pay their debts, and that a range of "tactics" and "manipulations" increases the likelihood of getting in touch with the debtor to incite repayment. Debtors, on the other hand, perceive creditors' contact attempts as harassment. They feel overwhelmed and assaulted, and "report that they are threatened regularly by collectors who often display moral outrage" (Hill 1994, p. 27). Today, consumers' complaints about debt collection activities are, at 23%, the largest complaint category in the US (Consumer Financial Protection Bureau 2016). Similarly, in the UK, consumers' complaints about debt collection increased by 45% in the 2016/17 tax calendar, compared to the previous year (Financial Ombudsman Service 2017). This suggests there is a deep disconnect between creditors efforts to recollect debt and consumers' reception of these efforts.

I am not the first one to point out this disconnect. It has in fact been there for at least 5,000 years. There have been arguments about the rights and wrongs of interest

payment, repossession, the seizing of vineyards, the enslaving of children, and so on for most of human history. And with remarkable regularity, these arguments have resulted in public outcry, often starting with the ritualistic destruction of tablets, papyri, ledgers, basically everything that held debt records (Graeber 2011, p. 8). In the early 20th century, public opinion turned against debt collection agencies because of the unspeakable indignities suffered by debtors at the hands of the motorcycle corps, such that agencies had to discontinue the practice (Krumbein 1924). Similarly, the Fair Debt Collection Act, introduced in the US in the 1970s was a response to what was perceived as unfair debt collection (Hunt 2007). Thus, the primary caption of “harassment” used to summarize the consumer’s side of the debt collection story (Hill 1994), and debt collection activities topping today’s consumer complaints are rooted in a tradition of troublesome creditor-debtor interactions.

It therefore comes as no surprise that some debtors try to avoid their creditors’ contact attempts, as will be documented in the next empirical chapters, by not opening letters or, in a desperate move, hiring expensive debt management companies that face the harassment for them. Others hide their creditor letters in the drawer. This avoidant behavior is ascribed to the fact that the letters capture consumers’ minds (Deville 2015; Hill 1994). In other words, the “urgency” collection strategy thus indeed seems to be effective in signaling both elements of threat and moral disapproval, and these psychological appeals are unpleasant to deal with. The success of creditor letters depends on their ability to transform debtors’ worlds into a place where consumers constantly anticipate that they can be threatened by creditors to repay their debts at any point in time (Deville 2015). Yet, this “anticipatory landscape of default,” as Deville calls it, does not always lead to repayment. Rather, as this thesis will continue

to document in the subsequent empirical chapter, creditor avoidance is an attempt to escape these threats and moral appeals, and implies a period of inaction in debt management. This type of behavior is implicitly at the heart of the expansive collection industry—after all, if contact were established easily, then no such elaborate collection industry would be necessary to determine whether a consumer is likely to pay.

While this historical narrative highlights the debt collection system's practices on the one side and consumers' reactions on the other side, these two parts have not yet been brought into the prevailing CB approach to consumers' debt management decisions. This is indeed the purpose of this thesis. Before moving on with this, however, it is also important to consider the background of general consumer finance against which these interactions between debtor and creditor occur. Because being over-indebted is not possible unless creditors were willing to hand out credit in the first place.

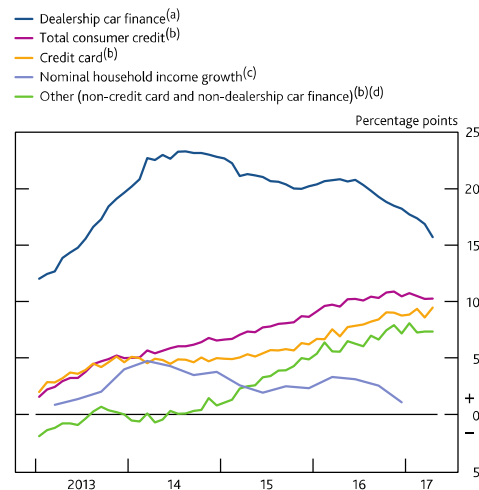
PROVISION OF CONSUMER CREDIT

Let's take a step back and consider where all this uncollected consumer debt has emerged from. It looks like we are at a time where consumer credit is more easily available than ever before. In its biannual report, the Bank of England (2017) warns that consumer credit (excluding mortgage debt and student loans) has since 2013 been growing much faster than household incomes. Nominal UK average household income growth has in fact steadily declined since 2014, while at the same time consumer credit has continued to increase from close to zero in 2013 up to an annual growth rate of 10.3% by April 2017 (see **Figure 5**). Indeed, even the Bank of England

has labeled UK household indebtedness as “high by historical standards” (Bank of England 2017, p. 14). This trend in indebtedness is paralleled with historically low saving rates: in the first quarter of 2017, the UK household saving ratio dropped to 1.7 percent, the lowest since the ratio was first measured in 1963 (Office for National Statistics 2017). Even though high indebtedness does not equal non-payment, the combination of rapid consumer credit growth, declining household income growth, and declining savings imposes serious risk to the credit system.

Figure 5. UK Consumer Credit Growth Compared With Household Income Growth,
 Reproduced from the Bank of England (2017, p.14)

Chart A.19 Consumer credit has been growing much faster than household incomes
 Annual growth rates of consumer credit products and household income



Sources: Bank of England, ONS and Bank calculations.

- (a) Identified dealership car finance lending by UK monetary financial institutions (MFIs) and other lenders.
- (b) Sterling net lending by UK MFIs and other lenders to UK individuals (excluding student loans). Non seasonally adjusted.
- (c) Percentage change on a year earlier of quarterly nominal disposable household income. Seasonally adjusted.
- (d) Other is estimated as total consumer credit lending minus dealership car finance and credit card lending.

Historical accounts suggest that, since World War II, a gradual shift has been taking place in both the US but also in Europe. That shift has been of credit responsibilities, and with that risk, from institutional actors (governments in particular) towards households (Ferguson 2009; Ryan, Trumbull, and Tufano 2011; Streeck 2017). In the US, this shift started with an increase in credit availability for households as a consequence of increased wealth and income since WWII, in combination with the “democratization” of credit. Increased wealth meant there was more money to spend and a higher ability to take on debt (e.g., for financing homes). At the same time, civil rights and women’s movements in the late 1960s and 1970s demanded equal rights to credit, which, until then, often was restricted to men. As a result, more and more US households carried an increasing level and types of debt (Ryan, Trumbull, and Tufano 2011).

Initially, within the Western or developed world, this trend of increased credit availability and subsequent household indebtedness was most pronounced in countries where the welfare state participation was weaker, with the US in front and the UK following second in line. Similar trends also appeared in other advanced economies, but with a delay and not as stark (Ryan, Trumbull, and Tufano 2011). Where the initial raise in debt as a percentage of disposable income post WWII until roughly 1985 can be ascribed to increases in household income and wealth, coupled with political and social movements (Ryan, Trumbull, and Tufano 2011), the further surge in private debt throughout the 1990s and beyond can be attributed to the rolling back of the welfare state (Ferguson 2009; Streeck 2017). During this process, households were enabled to take on debt, at their own risk, for services previously typically provided by the government, such as education and health care. And this pattern is not

just specific to the US; the gradual shift from public debt to private debt throughout the 1990s was also seen in other OECD countries, such as Germany, Sweden, and the UK (Streeck 2017).

When consumers take on greater debt, it is not necessarily bad or harmful for an economy. In fact, a functioning and efficient credit system that finances investments and thus creates debt is a critical condition for economic growth. Indeed, one could go as far as Nial Ferguson (2009, p. 4) does in his book, *The Ascent of Money: A Financial History of the World*, where he claims that “money is at the root of most progress.” In this model, however, sustainability of debt is important. A threat to such sustainability is overleveraging, which occurs when a household (or any institution) takes on too much debt and accompanying risk as a proportion of their income.

Indeed, by 2010, US households’ leverage roughly tripled since 1950: households’ debt levels steadily increased while savings went down (Ryan, Trumbull, and Tufano 2011, p. 493). Note the similarity with today’s credit situation of UK households, where household indebtedness is “historically high” and savings “historically low.”

While this does not say anything about the extent to which households are still able to service their debts, it does point towards a clear trend in which leverage and thus repayment of debt is increasingly put under pressure. This tension is clearly reflected in this thesis’ empirical data. As the next chapter will show, many study participants struggle to make ends meet and have built up debt, the repayment of which has come under pressure.

In terms of risk associated with such increased leverage, Ryan et al. (2011) find that risk is not as much coming from variability in household income, but rather from

exogenous risks (such as variations in real-estate) being off-loaded from institutions onto consumers. Increased availability of consumer credit was thus paralleled with a transfer of risk from the public or government to the consumer. This notion of exogenous risk being off-loaded onto consumers will also become relevant in the context of the next chapter. As I will show, a large number of respondents suffer from “system debts,” which they at least partially incur because governments no longer buffer consumers’ risks. Rather than the state being in debt on behalf of its citizens to other governments or investors, I observe respondents getting in debt to the welfare state itself because of individualized responsibility and associated risk. The next chapter will further elaborate this idea.

There are, of course, differences across countries when it comes to the specifics of consumer credit availability, the roll back of the welfare state, and subsequent household leverage and associated risk. What is relevant for the purpose of this thesis, however, is the identification of a broad trend in which consumer debt, households’ leverage, and their exposure to exogenous risks are all increasing simultaneously. This trend, which set-off in the second half of the 20th century, seems to hold for the US, but also the UK and to a lesser extent other European countries. The current numbers on UK consumer credit growth, lagging growth in household incomes, and low savings fit within this pattern. Crucially, this significant change in the situation of credit provision and increased pressure on household budgets does not seem to be paralleled with a change in credit collection, as illustrated in the previous sections. The collection of credit is, de facto, still based on century old practices and assumptions. The question is whether these are still fit for the magnitude with which consumer credit provision has changed in the last seventy years.

WHERE WE STAND NOW: STAGNANT DEBT COLLECTION ASSUMPTIONS AGAINST A BACKGROUND OF INCREASING CONSUMER INDEBTEDNESS

What emerges from the historic account of debt collection is an image of a system that predominantly relies on psychological appeals to recollect debt. The effectiveness of creditor tactics is rooted in moral appeals and threats to take away something valuable from debtors. The combination of these two factors is to result in debt repayment of whatever money there might remain. Enforcing repayment warrants harsh language and frequent communications. Because until proven otherwise, consumers are assumed to *not want* to pay their debts. Threats are assumed to be credible, and consumers are assumed to recognize the moral obligation to repay debts. Moreover, debt collectors assume to be able to manipulate consumers' response just so the "reaction desired" can be elicited. Specific words in letters, vocal tones in phone calls, and even the timing of a collector's intervention into a conversation become variables to manipulate a debtor's response (Deville 2015). Given that creditors have honed their collection strategies for over a century now, using increasingly sophisticated technologies, but still relying on psychological appeals, suggests that there is no better way of recollecting debt as is currently being practiced.

In this debt collection system, it is creditors who set the tone, not debtors. While creditors can no longer lay physical claims on debtors, their enforcement method still attempts to capture the mind (Deville 2015). Creditors set the terms of communication and negotiation. But implied in this debt collection system is a rather simplistic expectation of consumer compliance. This expectation is naïve because, as the next chapters will further illustrate, consumers actively engage with creditors'

communication by weighing whether to avoid, circumvent, counter, or deal with them. Moreover, against a background of stagnant household incomes, many consumers simply do not have enough money to meet all their credit commitments. Creditors' psychological appeals thus do not always result in repayment. It is this dimension of inaction in creditor-debtor interaction that warrants further exploration. Moreover, at least a portion of consumers experience these debt collection tactics as obtrusive. Creditors' collection practices must have an impact on well-being. This raises the question at what psychological cost debt is collected.

All these interactions occur against a background where consumers, over time, have further and further indebted themselves. As this chapter has illustrated, today, consumer indebtedness is associated with significant exposure to exogenous risks. Falling behind on debt repayments is thus quite a lot more likely today, as opposed to in the early 1900s, because consumers have more (in number), larger, and more risky debts. The system that is supposed to bring the level of uncollected debt down is growing fast (e.g., at 10% per year in the UK (Credit Services Association 2016)). But its enforcement mechanism has arguably weakened with less or no reliance on litigation, and the sole tactics at the system's disposal remain psychological in nature.

Recall the statistic presented in this thesis' introduction: roughly 75% of delinquent consumers debt ultimately remains unpaid. This calls the effectiveness of existing debt collection practices into question. In combination with the changing consumer finance landscape, this makes it all the more pertinent that credit collection tactics are further researched, starting with the consumers' perspective of why they do not repay all of their debts.

5. INTERLUDE: THE GROUNDED-THEORY APPROACH

The two chapters that follow present the grounded-theory approach, drawing on the video-ethnographic and interview data. They explore what explains consumers' inaction in debt management. The chapters will do so by examining respondents' characteristics and concrete conditions (RQ1), the dyadic relationship between debtors and creditors (RQ2), and the structural elements in the broader market system (RQ3) that contribute to the problem. As is common for a grounded-theory approach, these chapters are presented in narrative form. Recall, however, that the purpose of grounded theory is not to tell participants' stories. Rather, the purpose is to identify and to explain conceptually an ongoing behaviour—inaction in debt management. The findings are about the patterns of behaviour in which people engage, exemplified through individuals' lived experiences (Breckenridge et al. 2012; drawing on Glaser 1998). But before moving to the empirical analysis, this chapter starts with a short interlude to introduce the fieldwork setting.

* * *

When conducting my fieldwork in London, I was sharing a small flat in Camden opposite a council housing flat with two other housemates. My bed was the sofa in the living room that took up the whole space when unfolded, with only a hard board at my feet's end. We had to top-up gas and electricity at the nearest Post Office, having to always plan ahead in order to make sure we would not run out. This had to be done during office hours and meant standing in line. In addition, a paying-as-you-go utility is a lot more expensive than standard meters and can go up to £300 pounds per year

compared to the cheapest available alternative (Christians Against Poverty 2015). The code on the key that we needed for topping up our utilities had almost faded and it had happened a few times that we were unable to recharge. My tenancy was temporary, and so the situation was manageable. But it did cross my mind what it would be like to live like this permanently.

One Saturday morning, while paying for something at the supermarket, the girls behind the till were chatting to each other: “I was offered this credit card, and now I owe them all this money.” This happened during a break from the disheartening video-ethnographies I was watching at the Money Advice Service. Surely, worries about debt were everywhere and not just a distanced phenomenon displayed on film.

A few months later, after having conducted my interviews at the debt advice center an hour east from Camden, I returned to Oxford to write my thesis. I got up early to start work before 8am in the college library. Indeed, that was earlier than usual. Around 10am I wanted some coffee, so I went back home. Just after having resettled into reading, there was a firm knock on the door. Like I always do, I opened the door. I thought it might be the college coming in for a utility reading. A man dressed in black identified himself as a bailiff. A prior tenant, whose letters we had indeed been receiving, was the sought after person. Well, he did not live here anymore, so surely that solved the issue? Not really, it turned out. If I could not prove on some written document that had my name and address on it that this person was not living here, he would have to come in to take possession of, what, my laptop? And then I could claim it back if I had the right papers to show that it was not I who had incurred the outstanding debt.

The irony of the lived experience of problem debt escaped me at the time. Eventually, the bailiff accepted my bank statement as proof of residence, which meant that now the collectors are no longer after “stuff in the house,” but rather the debtor himself. One minor detail, not to be overlooked, is that my name will be in UK court orders forever in relation to outstanding debt.

While I was confronted with what could be the consequences of having problem debt, the respondents’ narratives that follow illustrate what it means to really live such a life.

6. STRUCTURAL ELEMENTS IN INACTION

This chapter examines reasons for why study participants have problem debts. These are credit commitments that consumers can no longer pay on time. The demand side for debt is an area that has not been fully worked out yet. The high consumer debt burdens as related in the previous chapter remain puzzling to economists also (see for example, Zinman 2015). Broadly speaking, in the literature, consumers have been found to get into problem debt for three reasons: income shocks (e.g., becoming unemployed), consumption shocks that consumers can anticipate statistically but don't always do (e.g., a car breaks down), and a certain level of chosen expenses (e.g., living beyond one's means or inexperience with debt) (Halpern-Meekin et al. 2015; Lusardi, Schneider, and Tufano 2011). It is thus a mix of external factors and deliberate choice.

The typical behavioral approach, however, is able to explain only parts of why these factors lead to problem debt (Zinman 2015). Problem debt as a consequence of financial shocks or consumption beyond one's means is not just the result of failing to plan ahead and save for a rainy day or over-indulging. In other words, the assumption that consumers can stay out of debt if they are cognitively smart falls short. There is limited understanding what other elements may be underlying living beyond one's means and exposure to financial shocks. Moreover, there may be factors outside the concepts of financial shocks and chosen levels of expenses that contribute to problem debt. This chapter finds that two structural elements of the credit system in the UK contribute significantly towards problem debt and its non-repayment (RQ3): system

debt and tight budgets. These factors go beyond the individualized cognitive failure approach.

The majority of respondents have what I label “system debts.” This is a new category of debt that I introduce, not typically among the list of debts considered in previous studies, such as credit card debt, utility debt, rent arrears or education loans (Halpern-Meehin et al. 2015, p. 159). These are debts that are incurred through back billing by authorities, such as the local council, the national tax office, or utility providers. They originate in overpaid tax credits, housing benefits, or energy billing mistakes. The nature of system debt is different from debt incurred through financial shocks or active consumption choice. Like financial shocks, they are imposed, rather than a function of choice. However, unlike losing a job or a car breaking down, no risk factor is involved in system debt. Rather, system debt arises due to inefficiencies in the systems a particular group of consumers in society has to disproportionately deal with, typically welfare-related institutions, but also utility companies. These system inefficiencies, resulting in retrospective income or expenditure changes, become problem debts and lead to inaction in debt management because the respondents who incur such system debts are often cash trapped.

Indeed, for the respondents, a large part of system debts, and problem debts more generally, arise because of their tight household budgets. Many respondents live hand to mouth, and their budgets get predominantly absorbed by basic necessities such as food, housing, and utilities. When deciding which bills to pay, respondents sometimes make choices that are difficult to reconcile with what would be the “rational” choice from a financial well-being perspective. On the one hand, respondents prioritise by

the likelihood a creditor enforces repayment. On the other hand, their choices frequently align with making sure their children are all right, which sometimes means foregoing a utility payment so a birthday present can be bought. These choices present moral dilemmas, central to individual debtor's lives, and therefore part of the debt collection system, although this is not generally acknowledged by existing literature. Such moral dilemmas are also at the heart of the normative framework underlying CB's behavioral approach: which consumption choices can be altered, and who is to decide how scarce money is spent? Is that the consumer, the creditor, or society through policies? Above all, this chapter will show that such decisions are in any case not rooted in ignorance or inattention but in normativity, and thus goes beyond the debate of whether consumers are cognitively smart enough.

In what follows, the respondents' narratives illustrate the complex, intricate relationship between the choice element in problem debt and subsequent repayment decisions, and the degree to which debt is imposed. This chapter starts with a section on system debt, followed by a discussion of problem debt in the context of tight budgets. The chapter ends with a general reflection on this chapter's theorizing.

SYSTEM DEBT

A striking pattern that emerged from the respondents' accounts is one of inefficient systems that put consumers into debt. In the case of welfare, respondents experienced a mix of system inefficiencies, where council tax bills are unclear or non-reported changes in circumstances result in initial overpayments and subsequent large arrears. In the case of electricity bills, a number of respondents experienced billing mistakes

that put them into large arrears once presented with the check. The common thread in both of these cases is one of back-billing consumers who are financially fragile and as a result get into debt because they simply do not have the money.

Welfare Debts. Respondents had a variety of debts originating in overpaid tax credits or housing benefits. As a consequence, these respondents had debts with the national tax office (Her Majesty's Revenue and Customs, HMRC) for overpaid child tax credits, with the local council for outstanding council tax, and with housing associations for cuts in housing benefits due to bedroom tax. Bedroom tax reduces housing benefits if consumers are classed as having spare bedrooms. Council and bedroom tax arrears in particular are debts that many respondents struggled with.

Elizabeth (*interview*), for instance, has built up council tax arrears once she started working after her second divorce. Out of the blue, after a few months of work, she received a letter from the council summoning her to court because she was in arrears. When phoning up the council to sort out the matter, the council said that the arrears were due to a "benefit mix-up" because she had been in and out of work. As a result, a £240 court fee was added to her arrears, which left her with a total of £1,100 to pay back. Rather than settling in court, she agreed on a repayment schedule directly with the council of £50 per month, on top of her regular £100 tax council payment. The £150 takes up 37.5% of her wages, which are £400 per month. Her rent is another £200 pounds, which leaves her with £50 spending money for herself and her 8-year-old daughter.

The current solution to Elizabeth's situation, imposing penalties, assumes willful evasion of payments to the welfare system and regards such behavior as warranting punishment. But Elizabeth's account does not at all reflect someone who tried to evade council tax and benefit from the welfare system. Quite the contrary, she took up a job, and as soon as she learned about her arrears she pro-actively approached the council to try to sort out her situation. She has been paying the £150 on time ever since.

This compliant attitude is easily undermined, however. The day before the interview Elizabeth received a subsequent letter from the council. This new letter is, in Elizabeth's words, "threatening to take her stuff". This is strange because she is keeping up with her monthly payments (including the £50 arrears payment). Her first reaction to this communication is to go to the solicitors: she feels a limit has been reached. In her understanding, she has been keeping up with payments as per the agreed schedule, with payments that are way above her means, and instead of working towards resolving the situation, the council is suggesting she is not paying at all. This time, however, Elizabeth is not going to contact the council anymore "Because they're just gonna keep doing it all the time," she says. Elizabeth continues:

I'm not budgeted to pay for it now so I can't keep having them sending me letters like that, it's just too much.... I don't want more money being put on top because I'm never gonna finish paying it. The arrears I mean, I'm never gonna finish paying it. Because every time they're gonna keep putting money on top. So that's why I'm gonna seek legal advice.

Elizabeth's situation raises a set of pressing questions. Firstly, the council tax she needs to pay seems disproportionately high, and she most likely is entitled to council tax support since she is on a low income. This should help her resolve at least part of

the situation, but she seems unaware of this option. Secondly, something appears to go astray in the council tax system. A consumer is informed of arrears after a few months of work (via threatening communication tactics). Once she is making very significant payments in the context of her budget to settle these arrears, she gets punished for it by further communications threatening to send the bailiffs, rather than awarded. It is not difficult to see how this upsets Elizabeth, making of her a consumer who wanted to pay (while struggling doing so), into someone who no longer wants to pay because the process seems unfair to her. Through frustrated interaction with the system, she is slowly becoming the consumer the council, or welfare system in general, assumes her to be: unwilling to pay council tax.

Elizabeth is not the only respondent who is having issues with council tax payments and subsequent communications. More respondents received conflicting communications from the council, which make it very unclear what exactly the status of arrears is. Neelam (*interview*), for example, receives unclear council tax statements from her local authority on an ongoing basis:

So you get, you get a council tax bill every day, for the whole month: 'Okay, this is how much you owe us. Okay, no, we've recalculated, this is how much you owe. Okay, no, according to this, this is how much you owe.' I'm like 'Just send me one correct one, because you are actually, you know, playing with my mind.' I'm thinking 'Okay, what, what am I supposed to be paying now?' You get 128, one bill, and then you get 600 and something on other bill. So, how am I supposed to know which is the correct and which one isn't?

Sylvia (*interview*) has a similar experience. She too describes how the council keeps changing and amending the amounts. And she finds the communications not at all clear: "They send you a kind of like a break down and then it's like in Chinese—you don't understand it." Such conflicting and incomprehensible communications confuse

respondents and over time affect their attitude towards the council. Respondents know they have to pay council tax. But a lack of clarity and conflicting messages about how much to pay erodes their willingness and also ability to pay. The amount charged often times are sums the respondents cannot afford and seem unreasonable for the amount of income they have. At the same time, they are a burden that has to be carried by default, not by choice. It is part of the system they live in.

Other respondents had system debts, not with the local council, but with the HMRC. Consider Nazeera (*interview*) who at some point was overpaid benefits and child tax credits. The overpaid benefits occurred because she enrolled in a study program, which annulled her entitlement to benefits. The overpaid child tax credits occurred because she continued receiving them after her son turned 16, the age after which child tax credit eligibility ends. Nazeera only learned about the debts a few years after the overpayment had happened. At the time of the interview her son was 23 and she had started receiving notifications when he was 22. By then, Nazeera had not received child tax credits for a while and she had no idea she was overpaid at some point in the past.

Of course, had Nazeera been more pro-active on her end, she could have avoided parts of these debts. She should have known that, once her son turned 16 and she was still receiving child tax credits, something was wrong. She also should have known that as a student you're not eligible for benefits. That is indeed the assumption under which the welfare system is set-up, and financial penalties apply for not observing those rules. The current system orders that consumers "must tell the local authority about any change in circumstances which [they] could reasonably be expected to

know might affect [their] entitlements” (Citizens Advice 2017). The burden of ensuring authority records are correct thus lies with the consumer. Not doing so is assumed to originate in willful deception of the system.

There are two caveats when it comes to this assumption, however, as the accounts of Elizabeth, Nazeera, and Sylvia illustrate. Firstly, dealing with multiple authorities and frequently changing circumstances due to irregular work and income make for a complicated position. Even if someone is diligent, searches for relevant information, and is orderly about their finances, the system can be difficult to navigate, in particular when having to deal with not just one type of benefit and authority, but likely many more. Secondly, communications from the respective authorities on the state of accounts appear often unclear and incorrect, as the respondents’ accounts have shown. The question is to what extent consumers can be expected to carry full responsibility for their welfare system records if the system itself is inefficient and inconsistent. This relates to the point made in the previous chapter about risk and, with that, the responsibility being increasingly off-loaded onto consumers. Not only does the scaling back of the welfare state increase consumers’ exposure to risk and irregularities, but also, *because* of these irregularities, consumers are in turn increasingly exposed to building up debts with the system itself. Given the limited budgets many consumers are on, it appears unrealistic and counterproductive to punish them by means of adding on fees when they fail to ensure their system records are up to date.

There are further inconsistencies in the welfare system that emerge from the interviews. In some cases, the responsibility of incorporating changes in

circumstances lies with the welfare system, not the consumer. However, for quite a few respondents, such updates took place months after they should have happened, with as a result that respondents were presented with relatively large sums to pay back at once. Given fragile budgets, most respondents struggled repaying these overpaid benefits. For example, consumers do not need to report changes in age. Yet, Nazeera still was overpaid roughly £400 in child tax credits once her son turned 16. This suggests that even when responsibilities lie with the authorities, records can be wrong. Recall that Nazeera learned about the overpaid benefits long after the fact, which subsequently left her with a significant amount of arrears. As she could not afford it and left the arrears unpaid, she was summoned to court and agreed on a repayment plan. At the time of the interview, she was paying £15 a month for the overpaid child tax credit.

Similarly, in one particular instance, the government changed the welfare rules but in some cases only presented consumers with the bill months later. The bedroom tax, which was introduced in 2012, reduces housing benefit if consumers are classed as having spare bedrooms. Ryan (*interview*) for example, who was released from jail a few years before the interview and divorced from his wife soon after, was given a two-bedroom property so he could see his children every weekend. Since his children do not live with him, with the introduction of the bedroom tax, he needs to pay £20 a week for the extra bedroom. He was, however, only presented with the bill two years after the fact. This is how he learned about it:

My housing [association] phoned me and said, 'You got a call because of your bedroom tax.' I said, 'What's bedroom tax?' They said, 'You owe us £2,000 bedroom tax.' I said, 'But you never told me I had to pay you. If you just said to me, "Today, from now on, you have to pay £20 a week," I would start

paying you.’ ‘You told me when it was £2,000. You never told me before.’ So they said, ‘Yeah, but it’s a government thing. Everybody knows.’ I said, ‘I don’t want to tell you that I don’t read the paper.’... And I said, ‘You gave me the flat so I can have my kids on the weekend, so basically, you’re saying, because they don’t live here, I have to pay for the room?’

Ryan feels the housing association has changed the tenancy without his knowing. His first reaction was to not pay for it. In any case, he does not have the money. But then the housing association threatened to take his flat. He had to give up his bedroom. So Ryan said:

‘Take the bedroom then. Give me a one-bedroom.’ ‘Oh, we can’t give you one or two-bedrooms until you pay your arrears.’ I said, ‘Well, what do you want me to do then? Lock the door. Put—seal one of the bedrooms, and no one will go in there. You can have it back.’ They said, ‘You got to still keep paying £20.’ So if I’m getting—if I’m getting, um, £70 a fortnight, how can I pay £20 a week?

The core of Ryan’s issue is that what are assumed to be payments associated with basic necessities, in his case a house to live in, seem impossible to meet within the limited, minimal budget he is on. Even if Ryan had not built up arrears, he would have struggled to meet the bedroom tax requirement: it would have left him with £30 spending money for two weeks. By definition of the system, Ryan is getting into debt. He has too little money to meet basic needs. The system is built on the assumption that if the bedroom tax is too expensive, Ryan would move out. But he is caught in a vicious cycle in which he can no longer move into a cheaper place.

The respondents’ experiences with bedroom and council tax are illustrations of a larger problem. It is not hard to see how these systems set-up consumers with large sums of debts that never get repaid or resolved. System debts contribute to the problem of inaction. And it is not because consumers are not willing to pay their debts

or regular bills. Rather, it appears a situation created by limited financial means and inefficient systems.

Electricity. Electricity debt differs from the previously discussed examples in at least two fundamental ways: the consumer does not have any responsibility to update the provider of changes in circumstances, and it concerns a private-sector debt (in the case of the UK), rather than a debt with the government. Important similarities are that electricity is regarded as a basic necessity (as are housing and minimum welfare support in the UK), and, in this case too, there often appear to be inconsistent systems leaving consumers with large payment arrears. As a result, the examples that follow qualify as “system debts.” Note that not all electricity debts are due to inefficiencies, and consumers also build up arrears by simply not paying their bills. This type of debt, mostly due to tight budgets in the case of respondents, is discussed in the next section.

A number of respondents were in dispute over electricity bills. Indeed, UK energy suppliers are notorious for their inaccurate billing of consumers. This has resulted in a voluntary industry “Code of Practice for Accurate Bills”, developed to fight back billing (amongst others) (Energy UK 2017). Rebecca (*interview*), for example, has accumulated a large deficit with her electricity company. From when she moved into her new flat a few years ago, after a divorce, her electricity bills were systematically higher than anyone else in the apartment block. She never managed to sort out the discrepancy with the electricity provider. She queried the amount at the start, when just moving into the property. The provider came by to take a meter reading and it seemed to correspond with her usage. Rebecca recalls they said:

It does seem very strange. It's very odd. Knock on your neighbour's door, maybe get... um, an understanding as to what they are paying.

Ever since, she has been in an argument with the electricity provider, which continued to send bills that are very high. She used to put them to the side and not pay. Rebecca in the mean time tried multiple times to set-up a meter reading to challenge the usage, but without success. A few months before the interview, she came to an arrangement with the electricity provider. She is now paying £30 a week through "Fuel Direct," which takes the money directly from her benefit payments. This was essentially perceived by her as institutional blackmail because if she had not agreed she would have lost parts of her benefits. She is struggling: "I've not really got a choice that, you know, this is what I have to—I mean I can't afford... £30 a week literally, I'm on benefits now, so that's why I agreed to it." She came to the debt advice center to see if they could help her "squash" the debt and to challenge the size of her bills.

Similar to Rebecca who built up arrears over time due to electricity bills she could not afford and seemed incorrect, Tara (*interview*) is charged a "business" electricity rate that is double the consumer rate. She cannot afford it, and it is erroneous. After unsuccessful attempts of trying to change the rate back into regular consumer tariffs, the bill has been passed on to a debt collector. Tara is ignoring the debt collectors' calls and contact attempts, and had not settled the debt at the time of the interview. She has resorted to inaction. Hers is one of the debts that counts towards the macro pile that is not being repaid, nor is it being settled.

Neelam (*interview*) was in a situation that was quite different. In her case, the amount to pay was not incorrect, but she was back-billed with a significant amount. Upon moving into her property, she never received an electricity bill. When calling the electricity company, they could not identify her account for a long time. When they finally “managed to get my name right, address right, and the account number right,.... they sent me a bill for £2,300 and something, and I'm like ‘Oh my god! Seriously?’”

Neelam too is struggling to pay. She is a single mother of three, working part time at the local community centre earning £104 per week. Neelam spoke to the electricity company, and it asked her to pay £40 a week. She is paying £56 per week for rent, so “that’s 100 pounds gone, then I've got other bills that I have to pay. It can’t work like this”, Neelam says. She tried negotiating a lower payment with the electricity company:

So they were like ‘Okay. We'll get someone to call you back for this dispute.’ So you get another letter, you call them, they're ‘Okay...’ ‘I was expecting a phone call. You didn’t return my call. What's happening?’ ‘Okay, blah, blah, blah,’ the same thing, it's just going round in a circle.

In the end she received a court warrant. So the electricity company had moved on to using threatening tactics. At the time of the interview, the debt was not yet settled. So also this debt counts towards the vast sums of arrears that are unpaid. Another respondent, Deepak (*interview*), also experienced back-billing by an electricity company. When trying to sort out a cheaper electricity deal for his temporary accommodation, his provider mentioned that “Oh by the way, you owe us 80 pounds from the last address.” Deepak did not agree with this and complained:

So basically they gave me 12 different people, like complaints handling. Imagine you called me first.... or would say 'No, you owe us 80 pounds.' I gave my reasons, then instead of you answering the questions I had put to you, you pass it on to your colleague. They kept doing that for 12, about a good 10 to 12 people. Then it got to the, um, the complaints resolution team. Same thing; they can't answer a question, they pass it on to the next one, they can't answer, and I, I think they deliberately do this to extort money out of people.

Deepak goes on to describe his frustration with the interaction:

So I'm trying to explain to them 'You guys have got all of my chronology of emails, you've got over about a dozen to two dozen [of] emails, and you still can't even read the email to say, and you're having me repeat the same thing like the story format of criminology, over and over again from different corner to corner.'

For Deepak, the issue of back-billing was not so much the amount, but rather the principle and the interaction process with the electricity company. It illustrates the slow-moving, troublesome interaction around system debt. Overall, the respondents' accounts reveal a picture of back-billing (e.g., Neelam and Deepak), or wrong billing (e.g., Tara and Rebecca), which leave them with electricity debts they cannot meet, and so they resort to inaction. They also reveal frustration and the sense they have been treated unfairly. These debts appear to stem from system inefficiencies that ultimately also erodes the willingness to pay and, at a minimum, leaves large sums of debts unsettled.

On reflection. The narratives presented thus far paint a picture of systems that put consumers into debt due to inefficiencies in design (e.g., assuming that consumers will and can update authorities about changes in circumstances) and operation (records that appear not up to date, missing accounts, back-billing of consumers, etc.).

Respondents are reliant on these systems by necessity because they provide basic needs, such as utilities or a basic income. Compared to typical consumer debt types (e.g. Halpern-Meehin et al. 2015, p. 159), system debt emerges as a distinct category, different from the types of debts considered in CB research (and other literatures) thus far. For example, it is different from credit card debt, a car or education loan, medical debt, a mortgage, bank overdrafts, rent arrears, catalogue debts, and so on. The difference between these, and system debts, is in the origin of the debt.

As also illustrated in the introduction of this chapter, in the literature practically all problem debt is generally assumed to be a function of unforeseen shocks to either income or expenditure and/or an active chosen level of consumption (as opposed to unforeseen shocks) that may be larger than disposable income. Various types of debts fit these categories well. For example, credit card debt can be the consequence of an emergency expense (e.g., car repairs), but it can also have been the result of holiday expenses, grocery shopping, or a birthday present—expenses that would fall under an actively chosen level of consumption. Similarly, mortgage debt or an education loan is a chosen debt, whereas unpaid bills such as utility or rent can be the consequence of either a financial shock or of another bill that followed from a previously chosen expense.

System debt does not fit these categories. Roughly speaking, financial shocks can be regarded as debts or expenses that occur by statistical chance, not active choice, whereas debts following a chosen level of expenses result from an adopted level of consumption above disposable income. First of all, system debt is not a function of choice. It is not a consequence of an expenditure for which debt had to be taken out

that subsequently could not be repaid. It is also not a situation where a good or product is consumed today on a future repayment plan, such as a car-financing plan or catalogue debt. In other words, system debt is not a matter of deciding to purchase an item or service that pushes expenditure above financial means. Rather, system debt is a form of imposed debt, incurred by being reliant on systems that provide necessities, be it income support in the form of welfare state payouts and subsidies, or utilities such as electricity in the case of the respondents.

System debt is, at the same time, different from debts arising from financial shocks. The crucial difference in the nature between debts arising from financial shocks and system debts is that the former arise due to risk, or statistical chance, while the latter arise due to systemic involvement with a modern capitalist welfare state and associated basic needs. Particular groups of consumers in society are tied up with such systems more than others because of their lower income levels. The inefficiencies in these systems, resulting in retrospective income or expenditure changes, lead to problem debts for consumers who do not have enough financial means to cope with such retrospective budgetary changes. Moreover, for these consumers, over time, such system debts grow as they go into collections.

Against this background, system debts cannot be explained through a neoclassical rational choice theory, neither through a cognitive psychology lens of attention, because there is no real choice involved below a certain level of income. System debt is thus not predominantly a function of individual cognitive failure, where consumers deliberately over-consume or do not anticipate risk. As this section has pointed out, knowledge certainly does play a role in incurring and managing system debts (e.g.,

through knowing one's rights to council tax support or—on the contrary—knowing one's responsibility to update institutions regarding changes in circumstances). But that is not the full story. Structural elements, namely system inefficiencies, play a significant role as well. This factor is currently absent from existing models of problem debt. It is one of the factors outside the behavioral domain that appear relevant in building a more comprehensive and complex understanding of what determines problem debt and of inaction in debt management.

TIGHT BUDGETS

As the previous section has tried to make clear, the definition of “chosen level of expenses” and having problem debt as a consequence does not sit well in the case of low disposable incomes. CB research, in its conceptualization of problem debt, focuses predominantly on the chosen level of consumption. In this literature, taking out or repaying debt is typically explained as a function of choice. This lens is unsuitable for the proportion of consumers who have to get by on chronically low incomes. The idea of “chosen expenses” suggests they can be reduced. But when, for example, is a birthday present or a certain level of grocery shopping “chosen,” versus “necessary,” or part of a decent life? Similarly, are utilities and rent really a “chosen expense”? Or do they belong to basic necessities? Such questions are generally absent from CB research and risk portraying an incomplete picture of patterns in having and managing problem debt.

The majority of respondents in this research simply had too little money to meet all financial responsibilities, regardless of back billing. Having to get by on a tight

budget implies continuous weighing of expenses, often times choosing between options that are unthinkable to forego, such as food and utilities. At the same time, expenses for clothes, festivities, birthdays, and entertainment appear as inconsistencies that sometimes get paid at the expense of the same basic necessities. It raises the question of what is normatively sound or rational financial management. Respondents take their financial management seriously and try to keep up with their finances as much as they can. Their stories reveal a picture of careful and deliberate prioritization of expenses, quite different from a narrative of ignorance and irresponsibility, a connotation that sticks to the idea of over-consumption.

Having too little. In many cases, financially fragile situations emerged because of a life event that impacted income or expenses. They are the type of income shocks that can lead to problem debt. Sandip (*interview*), for example, lost his job and as a consequence could no longer cover his rent after a while. Francesca (*interview*) ended up homeless after her parents had her move out and then had to pay double rent for a few months in order to secure a council flat for her and her toddler. This left her with large arrears. She also had to take out loans to furnish her new home. Tara (*interview*) moved into a new council housing property that was above her means, and Janet (*interview*) has lived in chronic poverty ever since her husband died 14 years ago. While just a handful of examples, they are reflective of the situations respondents were in.

Divorce or death of a partner was a returning cause of over-indebtedness for many respondents. Nine of the interviewed women (out of eleven), and two women of the video-ethnographies (out of six) had children from a man they were no longer with.

The divorce has put these women at financial risk. They either have to make ends meet depending entirely on benefits or with part-time jobs supplemented with income support. But that income would most of the time not be sufficient to pay all bills. Child support paid by fathers could have alleviated this, but no systematic information was collected to this end, and so it is not known whether most respondents who are single mothers received child support. In any case, such support is likely to be small. One respondent, Elizabeth (*interview*), receives child support from the two different fathers of her children, but for each child, this is only five pounds a week, the minimum maintenance requirement for someone on benefits (Money Advice Service 2017a). Clearly, this does not substantively change her situation. More generally, all female respondents had significant debts, which implies that the income they received (as a combination of benefits, income from work and child support) was insufficient to meet their expenses.

Many respondents thus experienced a significant reduction in income at some point, either through job loss, divorce, or death. These are financial income shocks, which led to a substantial and permanent reduction in income. The question is whether, given the situation they were in, the respondents' chosen level of expenses is too high. By measure of their current budgets, it is. After all, they are in debt. But further examination reveals what exactly the disposable income gets spent on, how these decisions are made, how the chosen levels of expense came about, and whether they can be adjusted. It turns out that, for many respondents, there have been times when it was the choice between food or bills. Rebecca (*interview*), for example, has rent arrears (due to the bedroom tax) in addition to her utility debt. For both she has come to a payment agreement, but these repayments are taking up all her money:

That's another thing [rent arrears] I've got to pay for when it's just our—that's just all the money—it's just—at the moment, it's like food or bills.... It's just that's just—the money that I've got is just... it's just food. Food, and there's if they [her children] need a clothe [sic], you'll have to buy a cheaper meal, you know, to get that clothe [sic], and other things. It's just no money, that's the basic thing.

Catherine (*interview*) has been in similar situations where “it was a case of robbing Peter to pay Paul”. At these moments, having food in the house for her daughter was more important than paying the water bill. Similarly, Elizabeth (*interview*) is very grateful for the free school meals her daughter gets: “Because what I do without, I don't even know what would happen. Because how would I afford to do meals, do after school clubs and all this stuff, you know. It's too much but they brought that in, so that's good. I don't need to worry about her having her meals at school, yeah.”

Some respondents lead an incredibly financially fragile life. One person, Ben, could not make it to the interview, because he only had 21 pence in his pocket. When I offered to reimburse him for his travel costs, he said he could not even afford an Oyster Card (which costs £3), let alone advance money for the trip. Janet (*interview*) is one of the respondents who also lives such a life. She has: rent arrears of more than £4000; a credit card debt of £1000; 4 or 5 more homes store cards; a child tax credit arrears that is now more than over £1000; a £3000 payday loan debt; a £14000 debt to be repaid to her sister for her husband's funeral; and £240 to her neighbors for electricity. And this is likely not an exhaustive list. Janet describes her situation as a constant struggle and had only 40 pence in her purse at the time of the interview.

About her electricit, and situation in general, she says:

I can't top up. I have to basically go borrow constantly to put on. I have to do.... because, we, I can't afford to eat much, so I've had like beans on toast or egg on toast, to go and buy a loaf of bread, people might think 7-8 pennies, not a lot money, but it is to me. I can't buy milk. I have to have red milk, because it's no fats in it [and thus the cheapest].... I don't eat steak, I don't eat chops. I have chips, sausage and beans, chips, eggs and beans, fish and, fish fingers and beans. Toast—beans on toast, that's what I eat.

Janet would always put any windfall, however small, immediately on her electricity meter. She once found £10 on the floor (“It’s gold”) and “went straight to put 5 on the gas, 5 on the electric.” Similarly, Francesca (*interview*) recalls that:

Even if I didn't have a lot of money, like even if I didn't have a lot of money towards food, I always made sure that I paid the, the must things like electricity and the water.... Because the last thing I wanted is for the electricity to go off at night.

More mothers expressed the fear of having no electricity. Recall Rebecca (*interview*) whose immediate reaction was to refer to her two children when hearing that the electricity company wants to put a meter in her property. And also Nazeera (*interview*) makes sure that at all times she keeps £20 for electricity and another £20 for gas on the side in case she runs out of money. Then at least she can still keep the electricity and gas going.

But priorities are not just about utilities, neither are they without normative contentions. Often times, unprompted, other bills came up during conversations that would not be regarded as “priority” payments by debt advice agencies. Some respondents, for instance, would continue to pay their Sky bills, a prominent TV and broadband provider in the UK that offers premium entertainment, while other bills were going unpaid. Neelam (*interview*) pays her Sky bill through direct debit, while she is in arrears on the electricity, heat, and water bill. Catherine (*interview*) too pays

Sky through direct debit. But a few months ago she had to cancel the direct payments and had “Sky cut off for the first time in ages.” But she was not going to give herself a headache over it: they could do without watching Sky for a little while. A few weeks later she paid her outstanding Sky bill by foregoing her electricity and water bill.

At first sight, this seems irrational behavior, deeming television more important than food. But in fact, Catherine is very strategic when it comes to prioritizing. Over time, she has learned which debts she can leave unpaid without being cut off. In her experience, Sky will cut you off, but the gas and electricity companies don’t (at least not immediately). She says: “I’ve learned—since—because I also got epilepsy, so I’ve learned that they can’t cut off my electricity. They can’t cut off my water, and... if I’m honest, there’s a part of me that’s used that for not paying them sometimes.”

In Neelam’s case, it is less clear whether she explicitly prioritized her Sky payment over her utility bills or whether that was by default because the direct debit was set up for it. Either way, normatively, consumers who forego payments that put utility provision at risk are hard to understand, at least at first sight, because the loss of income for the utility providers will ultimately have to be compensated for by raising energy prices for all (other) consumers. And if all consumers were to simply not pay their bills, then in the long run there would be no utility provision at all.

This is precisely the moral hazard creditors are wary of: debtors who take out debt (or use services) knowing they will not repay. It is what on the creditors’ part “legitimizes” threats and moral appeals to collect delinquent debt. It also captures the

frailty of the credit system, which is predominantly built on (trust in) morality. And if the trust breaks down, the immorality of non-payment (i.e., moral hazard) is countered by moral appeals, inflicting shame on this immoral behavior. In other words, it is morality against morality. The question is what is the essence of morality in debt repayment. Or, which morality prevails, the consumers' or the creditors.' Generally, the creditors' normative calculations seem to triumph. After all, threats and moral appeals to recollect debts have endured.

From the consumers' side, however, inaction is not a simple story of not paying debts and going on a holiday instead. Catherine wished she had that choice:

I'm like, I haven't even got that amount in my bank account to say—if I did, I'd be on holiday right now because I need a holiday. Me and my daughter haven't been away for four years. And we so want to go somewhere. But...um, prioritising is important.

Rather, as Catherine's testimony reveals, for this group of consumers, default is part of a weighted decision of which debt to pay first by when. Respondents deliberately choose which bills they think can wait, and which ones cannot. They run into normative contradictions when making such choices, but *not* in a naïve way.

Elizabeth (*interview*), for instance, has her 'little catalogue debts,' with Next, an online clothes store. Her debts are around £500:

I love Next. Especially when I've got a little girl as well; well I've got 2 boys and I've got a girl. But, um, the little girl—their clothes are cute aren't they?

When I asked her how much she pays the catalogue every month, she responds:

Um, about 40 pounds. Not, not much. Their, their debt is manageable, yeah. It's this council tax, 150 a month, I'm like 'God!' And I only work—um, I get 200 pounds a fortnight.

Clearly, this is not adding up. Recall from the previous section that she is also paying £50 for rent every week. Let alone electricity, gas, and food. Based on the interview data, it is impossible to verify the exact amounts of Elizabeth's total income and expenditure. What is relevant for the purpose of this thesis, however, is the observation that Elizabeth is financially struggling and finds herself in a very precarious situation. And while paying her council tax, she also is paying a significant amount towards her catalogue debt. It would be easy to conclude that, at least partly, Elizabeth is over-consuming and engages in moral hazard—she got herself in debt with a catalogue rather than saving up for clothes and paying for them at the point of purchase. Or rather than saving and paying, perhaps she should have foregone the consumption altogether (until she is out of debt). Moreover, in terms of prioritizing, she arguably has not got her rankings in order because she would better use those £40 pounds for priority bills. Indeed, in a neo-classical economic rational world view, that would be the conclusion. In reality, the story is, again, more complex.

At the point of taking out the catalogue debt, Elizabeth was not in trouble. And even today, she still regards this debt as manageable. It is the council tax—the system debt—that has put her into trouble. Elizabeth clearly compartmentalizes these two bills. The catalogue debt, which she chose to have herself, she is managing just fine. The council debt, which she did not choose herself, is causing difficulty. Moreover, besides shelter and food, clothes too are something that belong to a decent life. So, arguably, it should be one of her priorities. The question of course is to what extent, and what constitutes necessary clothes—how many, of which quality, etc. Catalogue

credit accounts can function as a consumption-smoothing mechanism, where consumers are aware of and willing to pay a premium for the service. This is normatively different from over-consumption, which implies a naïve consumer who is not aware of the consequences of her actions. Elizabeth, however, is very organized:

I put—I have all my bills. I put like my phone on top of my bills and I always... I'm very organized. I sort out my bills as I'm going along—as the date, as the due date of the bill comes—I organize my money so everything gets paid.

Nazeera (*interview*) organizes her bills in a similar way:

I open the letter and I just leave it on the table until I count all the bills and everything and when I see I can pay; one after one decide, decide which one is more important? Which date is earlier? Which one is the next bill?... I see which one is more important and which one is like more convenient to pay. Like I don't get, get any you know, red notice or anything like that.

From these narratives, it appears that problem debt is the consequence of income shocks in combination with a slow build-up of different credit commitments over time, whether actively chosen, such as Elizabeth's catalogue debts, or imposed, such as her council tax. The management of these credit commitments is through active and deliberate prioritization, trying to make sure everything gets paid. And if there is not enough money, those bills that risk getting "red notices" first are prioritized, such as Nazeera does, or similarly, those bills that are not enforced are put last in line (e.g., Catherine's water bill). Regardless of whether these are normatively "just" strategies, the respondents' narratives illustrate that getting into problem debt and its subsequent management typically goes beyond cognitive failure.

Another factor that guides respondents' priorities, besides avoiding creditors' enforcement tactics, is making sure their children are alright. The example of some respondents prioritizing entertainment (Sky), for example, can be considered as something that is part of making sure the children have a decent life. As a debt advisor pointed out, a night out in London with a family easily amounts to £60. Compared to this, a £30 Sky bill for a month's entertainment does not seem outrageous. Similarly, parents frequently expressed normative deliberations around clothes, festivities, and birthdays. Festivities were a very difficult and stressful time for respondents generally. It would add another priority to their list. For example, the day before the interview, which was on Eid, Jasmina (*interview*) had gone to Tesco to buy groceries to make a festive meal for her four children. At the check-out, when paying the bill, her debit card did not work; she had reached the limit of her £250 overdraft. This was the first time in a long time that this happened. She had to leave all her shopping behind and go home without any. Her friend said that she would help her out.

Birthdays are another normative stress factor for respondents. Rebecca (*interview*) for instance has a birthday of one of her children coming up, and rather than looking forward to it, the only thing she can think of are the financial implications:

It's financial. It's just...an issue. I mean I don't—I mean I wouldn't... [long pause] I don't—I wouldn't show it to the children, you know. I don't sit there and cry and say, 'We haven't got the money and you can't get a lot.' They get whatever I would.... I would go without and the children would.... cutbacks, you know, for a couple of weeks before the occasion, so I can give them a couple of birthday treats, you know, and it will be a happy day. But at the end of the day, I'll be thinking, 'Oh my god.' You know, like, I've just had to spend that money.

Similarly, Ryan's (*interview*) daughter's twelfth birthday is coming up and he has promised her all sorts of things:

She's been phoning me, saying to me, 'What am I going to get for my birthday? What am I going to get for my birthday? What am I'—ah, just—and.... She makes me promise things I can't even keep. Do you know what I mean? She says, 'Oh, can you get me this?' and I was—'I want an iPad,' and I'm like, 'All right then.' How did I say alright then? So now it's pressure, just to give that. You know what I mean? I said all right. You know what I mean? And she said, 'Yeah, but last time you said I can have a bike as well.' 'All right then.' It's like....

Perhaps the hardest part of having too little money is to say no to children. And respondents know that it is their "weak spot." Neelam (*interview*) for example explains:

I'm giving to my children (chuckles) so easily, so if they say 'Mum, I feel like having a takeaway.' I'm 'Okay. Fine.' So, just to keep them happy. You know, I'll say 'Okay, just take that money and go and get it.'

But when things got really difficult financially, Neelam knew she had to also cut back on spending for her daughters:

I don't think that, that was really bad in the beginning. I used to just say 'Okay, let's go out and let's get something to eat.' Recently, I've cut it down thinking, 'you know something, first of all, it's not healthy. Second of all, I'm financially struggling a lot. If you want essential stuff, I won't be able to get it for you. If you want take away every week, I won't be able to get, like, you need, um, a pad, a sketch pad, you need pencils, expensive ones, I won't be able to get that for you. So if you can't actually help me not doing all these unnecessary stuff, then, yeah, I might be able to get you those stuff.' So, they're in the, in the midway of understanding. 'Okay, mum's got to be looping out, so, probably, she'll change her mind next week and we'll go back to normal.' But trying to keep, sort of, like, you know, this is a strong point, thinking 'Okay. Now, I've made my mind. I've made my decision; I'm gonna stick to it.'

Neelam tries to rationalize the cut back in expenditure for her daughters. Sticking with the decision is not easy, however. But more generally, when the necessity arose, respondents did reduce spending for their children. It was not the first thing they let go of, but eventually, they did. Francine (*video-ethnography*) finds it particularly difficult to see how her children react to her financial troubles:

The older one has not been behaving very well at all. Really anti-social, like going into the bedroom, and just don't wanna mingle, go anywhere and... they're all... because I've had to pull back on money in situations, I feel sorry for them a lot, because it is affecting them, it is affecting them, and, um, there's things that they'd like and they can't have. We haven't had a holiday, again this year. It's not nice. Even a day-trip, you know like, it can end up being a 100-150£. Money gives you options, isn't it?

Francine echoes that having to say no to children is difficult, and that more generally family entertainment is expensive and a luxury. Implicitly in the narratives on priority setting throughout this section, at all times, parents are making sure that their children are alright. It starts with a place to live, electricity to keep the lights running, and gas to heat the house. This is followed by food on the table. Interwoven with those priorities are the less frequent, but also important, purchases of clothes, festivities, birthdays, and entertainment. Parents are juggling bills and cutting back, often at their own expense, to make sure their children can live a decent life.

On reflection. The narratives presented in this section illustrate that being dependent on a very tight budget introduces specific dynamics into the framework of getting into problem debt. Recall that, typically, consumers are assumed to get into debt because of financial shocks in combination with a chosen level of expenses. On the one hand, in line with the framework, many respondents did face financial shocks, often a severe reduction in income through either job loss or divorce, which put them into a

financially vulnerable situation. As a result of this limited disposable income, however, the idea of a “chosen level of expenses” becomes ambiguous. For many respondents, there were often times when it was either “food or bills.” Recall from the qualitative sample description in chapter 3 that 75% of the interviewees had rent arrears, and 56% was behind on their utility payments (see **Table 3**). For the respondents, the choice is thus often not just between food or a new mobile phone, but rather between food or priority bills. Getting into, and more importantly, out of problem debt when on a chronically low budget (whether imposed through shocks or otherwise) thus is not a simple matter of choice.

While the sample is selective, the respondent narratives are illustrative for a specific case in which the idea that expenses are choices and thus can be changed, presumably to get out of or to avoid problem debt, does not apply well. For most of the respondents, there simply is not enough money to meet even basic expenses. As a result, they wallow in a pool of debt that gets bigger with every uncollected bill.

Surely, as also illustrated in this section, money, however scarce, still gets spent on what would not be labeled as priorities or basic necessities, such as festivities, birthdays, and other forms of entertainment. This introduces a moral dilemma, at the heart of debt collection, one that also underpins the normative framework underlying CB’s behavioral approach: if there is money left for such extras, then from a moral perspective, ought this spending be reduced and go towards debt repayment? It is a dilemma this thesis does not solve because the answer depends on one’s philosophical and political position. What the narratives presented in this section do, however, is explicate the implicit assumptions that guide the idea of “chosen expenses” in

problem debt. When it comes to having to get by on very little, this domain needs careful threading.

DISCUSSION

This chapter has identified two structural elements, system debt and tight budgets, that contribute significantly to respondents' problem debt and subsequent inaction in debt repayment. These elements go beyond consumers' cognitive failure or the direct influence of consumers. They go beyond information and attention as dominant elements in consumers' financial decision making. Rather, they point to structures that certain consumers navigate by necessity, such as the welfare state or utility providers. The elements of system debt and tight budgets complicate our existing understanding of how consumers get into, and manage problem debt.

While both are structural in nature, system debt and tight budgets play different roles in this chapter's conceptualization of having problem debt. **Figure 6** presents a model to visualize this. While the model necessarily simplifies reality, such an attempt is useful nevertheless to start illustrating broad patterns in inaction in debt management. It also helps to start comparing insights from the respondents' narratives to existing theoretical accounts. The model illustrates problem debt as a function of three factors that impact income and expenditures: retrospective budget changes, financial shocks, and a chosen level of expenditures. The first two factors can impact income as well as expenditures, whereas the latter only directly impacts expenditures. These three factors have different mechanisms and lead to different type of problem debts.

Regardless of the specific mechanism, they lead to system debts or outstanding accounts with systems that consumers interact with by necessity.

Retrospective budget changes, for instance, can be a function of cognitive failure (e.g., lack of knowledge), as well as system inefficiencies. Throughout this chapter, system debt was predominantly a function of inefficient systems, but in some instances, respondents could have avoided the debt had they been more alert.

Financial shocks are structural and similar to retrospective budget changes in the sense that they are imposed; that is, the consumer had rather avoided the shock (e.g., the car breaking down). Yet they are different in the sense that they occur by chance, with some statistical certainty, rather than through system inefficiencies. The problem debts that follow from financial shocks, through a reduction in income or an increase in expense, are similar to the type of debts that follow from the third factor that impacts income and expenditures: the chosen level of expenditure. These chosen expenditures in turn consist of basic necessities such as rent and utilities, in addition to other consumption. Problem debts arising from such expenditures can be a function of over-consumption, which in CB's behavioral framework would count as cognitive failure, or, of having to get by on chronically low incomes.

In comparison with the existing literature's understanding of problem debt, this chapter has identified two additions that speak to different elements of problem debt. The red shapes in **Figure 6** are based on existing literature, the black shapes are additions based on this chapter's theorizing. Firstly, this chapter finds that besides financial shocks and a chosen level of expenses, respondents experience retrospective budget changes due to system inefficiencies. Certain knowledge (e.g. anticipating

council tax statement or updating benefit offices about a change in circumstances) could have possibly avoided parts of the system debt that results from this, but certainly not all of it. This system debt is a new type of problem debt not yet identified in the literature.

Secondly, this chapter offers that the notion of a chosen level of expenditure becomes a convoluted idea when it concerns consumers who have to get by on very tight budgets. Explicitly separating chosen levels of expenditures into basic necessities and other consumption choices is helpful in order to highlight the normativity that is involved when thinking about this concept. If problem debt is a function of chronically low disposable income—too low to meet basic necessities—it is not obvious that different expenditure decisions can reduce or avoid having problem debt. As is the case for system inefficiencies and system debt, the answer to problem debt, and thus inaction in debt management, seems to be at least partly beyond individual cognitive failure when having to get by on very little. Note that this is specific to living such a precarious financial life, as the respondents of this thesis do. The accounts presented in this chapter suggest that the general model of problem debt would benefit from a heterogeneous approach, conditional on financial constraints.

Figure 6. A Model of Problem Debt

Income and Expenditures	Mechanism	Types of Problem Debt
Retrospective budget changes: <ul style="list-style-type: none"> - Repay income, e.g. child tax credit or housing allowance - Increased expenditure, e.g. council tax or utilities 	System inefficiencies vs cognitive failure	System Debt
Financial shocks: <ul style="list-style-type: none"> - Income shock, e.g. job loss, divorce - Expenditure shock, e.g. broken car 	Random element; risk that can be statistically anticipated	For example: <ul style="list-style-type: none"> - Credit Card - Utilities - Car Finance - Education - Medical - Mortgage - Family/friend - Bank (e.g. overdraft) - Rent arrears - Catalogue - Legal
Chosen level of expenditures: <ul style="list-style-type: none"> - Basic necessities - Other consumption 	Cognitive failure vs tight budgets (chronically low disposable income)	

Red shapes based on Lusardi et al. 2011 and Halpern-Meeke et al. 2015.

In sum, based on respondents' narratives, this chapter posits that consumers' financial constraints (often arisen through income shocks) contribute significantly to consumers having no option but to live beyond their means. For this group of consumers, a predominant focus on chosen level of expenditures when explaining problem debt, as is currently the case in CB, is a lens that does not fit well. Moreover, the chapter has identified retrospective budget changes, imposed by inefficient systems and resulting in system debt, as a new mechanism that contributes to consumers' problem debt. The next chapter further examines how these problem debts, regardless of their origin, perpetuate inaction.

7. FACING PROBLEM DEBT: THE DEADLOCK BETWEEN DEBTOR AND CREDITOR

Having problem debt does not occur in a vacuum, and the way consumers deal with it depends on creditor-debtor interactions and individual characteristics and conditions.

As the previous chapter explored, there are several structural elements that contribute to problem debt. Such problem debt, by definition, implies that (some) credit commitments go without payment. As a result, creditors try to collect outstanding debt. This chapter examines respondents' responses to both having problem debt and having to deal with creditors' attempts to collect this debt. In doing so, it explores the creditor-debtor interactions (RQ2) and examines characteristics and conditions behind consumers' inaction in debt management (RQ1).

From the respondents' narratives, three responses emerge in reaction to the situation of facing problem debt and subsequent contact attempts by creditors. Firstly, often times, consumers resort to inaction, a situation in which debts continue to be unpaid. They may make a payment once in a while, juggling debts, but, on the whole, regular non-payments of particular debts occur. Secondly, in other circumstances, consumers take action. For example, they reach out for debt advice, negotiate a payment plan with creditors, or file for bankruptcy. They clearly break with inaction and undertake steps to resolve the debt. Better understanding under which conditions consumers move from inaction to action in debt management will help to start thinking about solutions to the major social problem identified by this thesis. Thirdly, the process of debt management, whether through action or inaction, takes its toll and impacts consumers' well being. Respondents suffer a significant reduction in well being.

When it comes to inaction in debt management in particular, respondents express this behavior in various ways. One dimensional extreme is to not open letters or answer phone calls when they are to ask for money, whether other respondents open or answer them all. When it concerns inaction, however, both these dimensional extremes have the same outcome: debts remain unpaid. Respondents do want to repay the majority of their debts, however. But they often simply do not have the money. In selected instances, respondents decide that they no longer want to repay some of their debts. This often occurs in relation to frustrated creditor-debtor interactions or when respondents no longer recognize responsibility for the debt.

In what follows, the three responses to having problem debt and being subject to creditor pressure are discussed separately. While doing so, the chapter will reflect on, and highlight, the role of the creditor-debtor relationship and individual characteristics and conditions in the emergence of these responses. The chapter will end with a discussion that compares and contrasts these responses with the assumptions of the debt collection industry and the CB literature. It will however start with discussing an element central to having problem debt and subsequent consumer responses: creditors' attempts to collect outstanding debt.

CREDITOR PRESSURE

The letters, they kept coming, coming, coming, coming.—Ryan, (*interview*).

When consumers start to fall behind on payments, they frequently receive letters and phone calls asking for money, or, when in serious problem debt, they are threatened with termination of utilities, eviction, bailiff visits, or court summons. Respondents use emotional language to characterize their experiences of dealing with creditors' contact attempts. They describe their creditors' letters as aggressive: "You need to pay this. Red, in writing" (Rebecca (*interview*)); frightening: "When- when you open a letter, like this, it says £912 they want. That's scary!" (Catherine (*interview*)); and threatening. Ryan (*interview*) for example recalls:

I thought like, 'Who are they talking to? Why are they threatening me like this?' Like, 'We would take your flat today if you don't pay and all that,' you know? Like, I really take, I thought like going down there and smashing their windows and things like that. I thought like, 'You guys are—you guys are...in a nice way, you guys are bullying me.' You know what I mean? 'You guys are being horrible.' You know what I mean? Like in a nice way. I mean, I said, 'I don't like it because I don't—some people just read that and think, 'Oh, I'll pay,' but I take it as like you're threatening me. You're being aggressive. That's how I take it. In a nice way.'

Ryan's words reflect the essence of creditor pressure. By putting consumers under pressure to repay, creditors hope to collect unpaid debt. The quotes clearly illustrate the debt collection industry's tendency to apply a mix of threats and moral appeals onto consumers. For example, "red, in writing" is a pure threat, whereas debt collectors "bullying" consumers, yet "in a nice way," try to manipulate consumers into repayment by kindling their moral obligation to repay. Experiences of creditor pressure were shared by the majority of respondents, such as "No one leaves you alone" (Janet (*interview*)), and "I kept getting these letters...they would literally call me, literally every day" (Francesca (*interview*)), suggest that this pressure is

pervasive. Janet's (*interview*) memory of the worst confrontation she has had with creditors is when they sent the bailiffs. She recalls:

I sent my sister to the door. This was for the, um, the council tax, um, and they said '[Janet] here?' She [her sister] said 'No, she's not here today.' Um, 'We'll come back another day.' So I'm sitting in the living room. And they're at the door. [T]hey came back when they said they were coming back. You know, my—My brother came to the house, I told him, I rang him 'Can you be there?' He said 'Yeah.' So he [the bailiff] said 'On the third call we will come in.' So the third call, I was in and I said to them 'Okay, what do I have to pay?' He [the bailiff] said 'If you pay 5 pounds a month, we won't come back.' So I said 'I agree.' So I paid 5 pounds and I paid it off the council tax every month because I didn't want them to come and take what little bit of furniture I had.'

In this case, sending bailiffs to Janet was effective in pressuring her to repay the council tax. Recall that Janet has many debts and a very limited income. As a consequence, she cannot afford a similar agreement with many creditors. She has been, in parallel, frequently summoned to court for her other debts. The same happens every time she goes:

And then I'll write a list of my income and a list of my outgoings.... There's nothing and the judge will—the people write back 'We will accept one pound a month.' And I'd write back 'If you're lucky.'

Janet's case reminds of the multitude of creditors "racing" for a piece of the debtors' shrinking pie as also discussed in chapter 4. In her case, this medley of creditor pressure has led to a race to the bottom. There is nothing left. Yet, the pressure does not stop. She continues to receive letters and phone calls on a regular basis. The situation fits the debt collection industry's assumption that debtors do not *want* to pay their debts, failing to recognize that they may *not be able* to pay.

While Janet has been visited by bailiffs, recall from the history of debt collection chapter that the threat of legally instigated proceedings ultimately is more often used by the debt collections industry than the legal proceedings themselves. Indeed, such threats are assumed to be credible, and consumers are assumed to recognize the moral obligation to repay debts. The power of these psychological appeals is described by respondents. Elly (*video-ethnography*), for example, never received a warning that bailiffs were going to be “knocking on the door,” yet the possibility seemed very real to her and induced stress:

A lot of mental pressure has gone off because...I don't know, I mean, for me personally, I used to get so stressed out. There is nothing more frightening than some day, you hear all these horror stories don't you, about people knocking on your door, people ringing you up for money and, you know, getting into that trap. And it does frighten you, and it always frightens me that I am not you know it's all, it's not gonna be there and I'd like to make sure, you know, those horror stories never come through...

To Elly, creditor threats appeared very real and were effective in inducing anxiety and stress, even when never having been actively approached by bailiffs. Chapter 4 illustrated that this image of fearful consequences of not repaying one's debts is precisely what creditors aim to achieve with their pressure. Similarly, when talking about bailiffs, Sylvia (*interview*) wonders:

[B]ut obviously if you're repossessed they kind of send like bailiff people, don't they? I don't know. I've never gotten that far but, um, [pause], bailiffs would be for something else unpaid.

There appears to be a common image spun around unpaid debts and subsequent warranted punishments that consumers collectively hold in their minds. These images are partly built on experience, partly on hearsay, and are precisely the “horror

stories,” as Elly (*video-ethnography*) calls them, that creditors leverage to recollect debt. For many respondents, this psychological enforcement mechanism indeed induces fear and anxiety. The questions are, however, whether such creditor pressure leads to repayment, and what are its further negative side effects on consumers’ well being.

As the next sections will show, the respondents more often do not repay their problem debts. This is because their individual conditions are different from what the debt collection system assumes them to be: respondents often do want to pay, but do not have the money. As a result, rather than leading to repayment, the threats and fear appeals severely impact the respondents’ well being. They perceive the situation as having nowhere to go with their problem debt. In a few instances, the continued creditor pressure backfires, and respondents are made into the consumer the debt collection system assumes them to be: they no *longer* want to pay their debts. Note that from the outset, they typically did want to pay. When being confronted with creditor pressure that is perceived as “unfair,” however, and through frustrated experiences with the debt collection system, over time, their disposition has changed from wanting to pay to no longer wanting to pay. In other words, consumers are being more aware and resistant than the current debt collection system imagines them to be. As a result, if outstanding debt and negative externalities on subjective well being are to be effectively reduced, a different approach to debt collection seems warranted.

INACTION

One of the responses to problem debt and creditor pressure is inaction—not repaying debt. It is the core theme of this thesis, or, “what this research is all about” (Strauss and Corbin 1998, p. 146). Indeed, inaction was not voiced explicitly by respondents, but instead abstracted from the data in which the theme implicitly reappeared all the time. It started with the observation that many respondents did not open envelopes sent by their creditors and dreaded managing their finances. Upon careful examination, this behavior appears part of a broader trend of inaction in debt management in which vast sums of debts remain unpaid. The behavior presents a conundrum to both practice and theory, as illustrated in the problem statement of this thesis, and what explains it is this thesis’ over-arching research question.

The previous two chapters explored inaction through a historical lens and through a system-level approach, examining what is behind problem debt, which is the state that arises from regular non-payment of debts. While the previous chapters have rather implicitly addressed inaction from a macro-perspective, this chapter is discussing the behavior explicitly from a micro view. It examines how the response is manifested and how it relates to other responses to having problem debt and being subject to creditor pressure (i.e., action and reduced well-being).

Inaction in debt management is expressed in a variety of ways and motivated by different beliefs, depending on both personal differences and circumstances. Firstly, some consumers religiously avoid their creditors’ messages, whereas others open them immediately. Both instances, perhaps counterintuitively, result in regular non-

payment of debts when there simply is too little money. Secondly, inaction appears motivated by different dispositions towards debt: the majority of consumers does want to pay but cannot pay. There are a few instances when consumers no longer want to pay, regardless of whether they can. In these cases, consumers *become* who the debt collection system assumes them to be. In what follows, these two different categories behind inaction in debt management will be discussed.

Personal differences in inaction: dimensional extremes. Inaction implies not responding to creditors' contact attempts to collect outstanding credit commitments. In other words, it implies not responding to creditor pressure with payments. What do consumers do with such creditor pressure instead? From the respondent narratives, two extremes of inaction arise: either they immediately open their creditor letters or answer their phone calls, or, they don't. While producing the same outcome, namely unpaid debts, behind inaction go very different expressions of dealing with the constant stream of creditor pressure.

Nazeera (*interview*) always opens the creditor letters she receives. Recall from the previous chapter that after doing so, she puts them on the table and organizes them according to payment date. Looking at the letters and putting payment dates in her diary makes her feel strong. Then she is "ok, happy." It gives a sense of having things under control, even though she cannot always afford to pay. If she does not open her letters and not organize them, she is stressed.

Whereas Nazeera opens all her letters, other respondents indicate to be more selective: they open some and not others. Selim (*interview*), for example, when

referring to his rent arrears for which he has now been threatened with eviction for the second time says, “I open it, yeah I always open this one.” “This one” suggests he does not open some others. Neelam (*interview*) is like that. She consistently redirects creditor letters addressed to her ex without opening them. The bills that she knows are hers she opens: “I open them, and then I have to know what I owe, if I can [make] some payment, [or that] I need to make an arrangement.”

Tara (*interview*) too usually opens her mail. She may not do so immediately (e.g. if she is rushing somewhere then she leaves the mail), but “I don’t leave it for a week or something, no.” When asking whether she is never tempted to just not look at it, she responds: “Well, the thing is, uhmm, I, if I know where it’s from and I know what it’s about, because if the letter is, is the same thing that they are asking for, me for money, it’s no nothing new so...[you might as well open it].”

For other respondents, this is precisely the reason why they do *not* open mail or answer phone calls if it is to tell them that they owe money. Because it is “nothing new.” For example, Rebecca (*interview*) explains: “It got to the point for a while that I was putting them to the side because I know what they’re saying. ‘You need to pay this.’ Red, in red writing.” Rebecca keeps the unopened envelopes; she does not throw them away. “It’s just to remind me. I don’t know why. I should really [throw them out]...because it’s depressing, some of the letters.”

Many respondents, like Rebecca, avoid their creditors’ contact attempts. Rather than keeping the letters, they “just throw them out” (Ryan, *interview*), or “rip it up and put it in the bin” (Janet, *interview*). The phone calls they “didn’t really

used to answer” (Francesca, *interview*) or their number they “chang[e] over...so they can’t contact [them]” (Janet, *interview*). In other words, they have done “the, um, thing where the letters come through the door, and I just look the other way. I don’t—I’m not seeing it there, and I don’t, I don’t read them. Or my phone rings, and I know where the number’s coming from. I don’t answer,” as Adeline (*interview*) aptly describes. They “put [their] head in the ground” (Sandip, *interview*), avoiding the problem debt, “push[ing] it under the carpet and hop[ing] it goes away...” (Lucy, *video-ethnography*).

Rebecca already alluded to it: creditors’ messages are depressing. Whatever the message exactly is, some describe it as too much to deal with (Sylvia, *interview*), others as “reality hitting you” once the letter is opened (Francesca, *interview*). Avoiding these messages thus becomes a way to not deal with the depressing situation, at least for a while. Sandip, for example, went through a phase where he “wouldn’t open post.... Just wouldn’t open it. I was so stressed by it. I just, I just don’t want to know.” Similarly, remember Ryan (*interview*), whose initial reaction is to get very angry when he sees a creditor letter. About his rent arrears he explains:

And I’ll get angry, and I’d start thinking, ‘I don’t want to pay no one, and I’ll just—I’ll just leave the flat,’ and I’d realise I can’t do that. I got to sort it out. You know what I mean?... A lot of the time I didn’t even open the letters...because I just thought ‘I don’t even want to see it—in the bin’.... In the bin...just throw them out.

Not being able to pay the bills, while getting pressured to do so, upsets Ryan. Throwing the letters out, unopened, is a way to avoid him getting angry and “smashing up his flat.” It does not get the bills paid, but at least it avoids being reminded about the feeling of being stuck and not having a way out. Neelam

(*interview*) feels and does the same. Even though she opens her letters, she tries to ignore the situation:

I just walk away from it. So, come the next day I'm thinking about it again, and this is what I have been doing all this time for the last few months—I'm just ignoring it. I can't stand the fact that I have to deal with it, because I can't... I don't know how to deal with it anymore.

These are clear signals of how respondents feel they are stuck in a web of debts and creditor pressure. They are looking for a way to not having to deal with the troublesome situation anymore, and the path with least resistance, initially, seems ignoring the signals that remind them of their predicament. This inaction, however, by default, only makes the situation worse: debts continue to grow while creditor pressure intensifies. For some, inactions means opening all letters but putting them to the side, whereas for others it means opening a few selected ones or none of them. But these personal differences when it comes to dealing with creditor pressure when not having enough money have the same outcome: unpaid debt.

Disposition towards debt repayment. The history of debt collection chapter illustrated that when debt remains unpaid creditors assume that, until information to the contrary arises, consumers *can* but do not *want* to repay their debts, and that psychological enforcement is the most effective way in collecting such debts. When further examining the conditions that are behind respondents' inaction, however, this assumption appears problematic. Two different patterns arise from respondents' narratives: either they want to pay their debts, but cannot pay, or, in selected instances, through disputes with their creditors, they no longer want to pay their debts, regardless of whether they can pay. These conditions contradict creditors' assumptions in two ways: firstly, for many respondents, it is not a matter of not

wanting to pay, but rather, of not being able to pay. Secondly, creditor pressure may in fact backfire, because consumers may be more aware of and resistant to creditors' tactics than assumed. In what follows, the two different dispositions of (no longer) wanting to pay will be discussed.

Want to pay, but can't. The previous chapter has documented that respondents have to get by on very tight budgets. As a result, they are constantly prioritizing debts. Contrary to the creditors' assumption that consumers *can* repay their debts, respondents can pay *some*, but not to everyone. It is not a case of going on a holiday and therefore not having enough money to repay debts. Rather, for many respondents, it is a choice between priority bills, while negotiating other expenses, such as festivals and birthdays. The predominant thread in respondents' stories is that they do want to pay their debts, but often simply can't. As a result they avoid their creditors and resort to inaction. Adeline (*interview*), for instance, has £6,000 outstanding on 2 credit cards. She says:

I don't have 6.000 pounds, you know. So, I have sort of been naughty and avoid.... I don't answer the phone sometimes, because, you know, I just don't have the money, and that, but I'm trying to get the money.

Adeline has increased her hours with Sainsbury's and is trying to see if she could find a Saturday job in addition. She has been diagnosed with terminal cancer and does not want to leave her children behind with debts. So she is trying to clear off all her debts for as much as she can. She continues:

Some letters I think if it's debt, I don't open it.... I'm just building up the courage. I just think it's really embarrassing to phone them and say 'Look, I can't pay these bills. Can you do a minimum of whatever, 20', so I can either see if I could get someone to do it for me, to negotiate so that I would...because I do wanna pay, I don't want to not go and not pay one of my bills.

Avoiding letters because of not having enough money, but at the same time wanting to pay, is a common pattern in the respondent interviews. Tara (*interview*) also does not want to avoid creditors but finds herself in a deadlock because there is no money:

I don't normally ignore things, but it's just...my bills got so high and, um, I just didn't know what to do, where to start. Um, it's like all these things happened in, at the same time, um...it's just whenever I try to contact them, I try to explain them my situation that I'm, I've...my benefit had stopped, I'm in a lot of debt and all this stuff, they had [to] sort of understand, I can't do nothing, but it's just...they, they would ask me for whatever I have in my account I have to pay.... Since then, I've tried to ignore them sometimes, because it's not, I can, I've got nothing in my account, I can pay nothing, so they wouldn't listen.

Tara is one of the respondents who always opens her mail. But because of the disillusioning interaction with her creditors when she tried to contact them herself, she has retreated to inaction. Her debt is one of the many debts that count towards the pile of non-resolved debts. There are a few similar instances where, over time, respondents consider not repaying because they deem the debt or collection practices unfair. Regardless of whether they may have some money to repay (parts of) the debt. The origin of this non-payment is not a consumer who willfully misleads creditors by taking out debt intending not to repay. Rather, these are situations that are created through a frustrated debtor – creditor interaction, or, originate in debts taken out by someone else. The next paragraphs further discuss these different conditions.

No longer want to pay. Sometimes, what used to be credible creditor threats become less credible over time. This happens in particular when creditor threats have gone without any enforcement for a long time. The longer consumers are in debt and have to deal with creditor threats, the more likely it is that non-enforcement undermines the credibility of the threat. Catherine's (*interview*) utility debt management decisions illustrate this point. She used to avoid the respective creditors. Initially, she was

scared about the consequences. When she thinks a bit more about it, however, she says:

If I'm honest, oftentimes, it wasn't that I did have the money to pay, that it's—like I said, it was a case of robbing Peter to pay Paul, so it's having food in the house for my daughter was more important than paying the—the water bill, because I know, by law, they can't cut me off. So, I, I kind of know my 'rights' in quotes, yeah?

Catherine has learned over time that some creditor threats are empty or not credible: they may be threatening with disconnecting the water supply, but legally they are not allowed to. Water companies in the UK may send one or more reminder notices, call to ask for payment, and pass the debt on to a debt recovery agent. They may also take the consumer to court, which may result in a notice telling bailiffs are going to visit. They cannot, by law, disconnect consumers (Citizens Advice 2016b). For Catherine, as a result, it made it easier to decide to put the limited money she had towards food rather than towards the water bill. The outcome, in both cases is the same: the water bill does not get paid, and the debt rises. But before Catherine updated her perceptions of creditor pressure not being credible, the avoidance was accompanied with fear of what may come of it. Now, she knows she won't get cut off, so ignoring the bill is easier. Also Ryan has started to believe the creditor threats he receives are empty:

[T]he funniest thing is like...I've always got bills, but no one's actually like never come...to the door, no. Like, so where—like...Why did you let my electric bill get to £3,800? Why didn't you cut it off...And put a meter in it. So if you let me—if you keep letting me use it, I'm going to keep using it.

Ryan's reaction to creditor pressure is counterproductive from a creditor's perspective: instead of successfully evoking repayment, initially it caused anger and made Ryan turn away from them. Later on, he had the same pressure put on him, but not only did it make him turn away, it made his reaction almost retaliative in the sense that he keeps on using electricity on purpose even though he is in arrears and will

likely never repay his debt. Also, in Ryan's case, the outcome remains the same (unpaid bills), but the beliefs associated with it have shifted from anger rooted in fear and hopelessness of never being able to pay to anger rooted in infidelity.

Sandip has a similar reaction to creditor pressure, not perceiving it as a credible threat anymore, after years of dealing with it. He knows that, from a creditor's perspective, it is a fine balance between getting some money or nothing at all, and he uses that knowledge to negotiate with his creditors directly:

[T]here's a debt for instance that I was meant to pay yesterday that I paid today now, and I called yesterday, and she was very hard at the beginning, you know. 'I'm afraid you've—you know, you've defaulted on your payment. You're gonna—we're gonna send an enforcement officer to your home. Blah blah blah, blah blah blah.' And I said, 'So listen,' I said, 'I completely appreciate your position.' I said, 'But all of that is a complete waste of time.' I said, 'The situation is simply this. I've not had any money since March the 24th.' I said, 'I have other priority debts. I appreciate that I broke my, the, my, um, payment plan. I'm prepared to pay for it tomorrow.' There isn't—we're going to gain nothing from you sending enforcement.' I said, 'And you can send them around. I'm just not going to open the door. I know my rights.' Well, when I said that to her, she completely said, 'Ok, what can you pay tomorrow?' you know. So they try to, you know, to scare you first. And of course, people get scared.

Sandip explicitly dismantled the credibility of the creditor's threat to send an enforcement officer. He knows creditors experiment with a "secret sauce" of threats for collections and understands which buttons to press to manipulate his creditors in return. When asked whether he ever gets scared, he responds:

Nah, I don't give a shit. I mean I don't mean it in a bad way, but I get angry.... I respect people doing their jobs. That's one thing. I don't respect somebody trying to push themselves on me and... 'Oh! You know, you have to', you know. I say to them, 'Look. Why—this is the question I would pose to you: why do I want to owe you the money? Why do I want you to phone me and stress my ears out? I don't. I've shown you in the past that I've paid. It's not like I've avoided you. I've paid. This has been a hard month. I haven't been able to borrow the money. I mean I'm living on a hand-to-mouth existence.' I said, 'So it, it's simple as that. We have two ways of doing it. If you are to try

and take me to court, so then we can go to court because I have got nothing to hide. I'll just show the judge, 'This is what's going on. I can pay this amount.'

Sandip uses strong language when it comes to his experience with creditor pressure. His reaction is the antithesis of what creditors hope to achieve: anger and antagonism, rather than panic and fear. Rather than kindling Sandip's conscience, presumably pressuring him from not wanting to pay towards being willing to pay, in reality the sequence seems to be the other way around. Sandip does want to pay but does not have the money. When in this situation Sandip meets further threats rather than understanding, he questions the creditor's morality. By asking "Why do I want to owe you the money?" he gets to the heart of the moral debt contract: when does the moral obligation to repay turn into the moral obligation to forgive?

In practice, often, the creditors' morality seems to triumph. After all, most respondents do feel intimidated. But at what costs, both emotionally and financially, can creditors continue to pressure consumers to get their money back? As the respondent's narratives show time and again, with problem debt, for a significant portion of consumers it is no longer a simple case of moral hazard. All respondents struggle to make ends meet and made very deliberate consumption choices. In the case of moral hazard, "stressing someone's ears out," as Sandip perceives his creditor's attempt to demand money over the phone, may be effective in terms of increasing repayment rates. In the case of living a hand-to-mouth existence, however, this type of pressure adds a "well being tax" on to the consumer and is likely to often be counterproductive in establishing contact, as shown by the respondents' narratives in this chapter.

In another instance, respondents sometimes avoided creditors when it concerned debts that they deemed were unfair. This concerned system debts in particular. Recall Rebecca (*interview*), who has accumulated a large deficit with her electricity company because the bills systematically come in very high, higher than anyone else in her apartment block. After a series of very frustrating interactions with her creditor, trying to sort out her situation, she thought:

‘You know what? It’s not my—I’m not using that electric. That’s not my problem. I’m just putting the...the problem to the side.’... It got to the point for a while that I was putting them to the side because I know what they’re saying.... I just, just... put it to the side.... I don’t [look at it]. It’s just to remind me. I don’t know why. I should really...because it’s depressing, some of the letters.

Rebecca’s quote illustrates the stranglehold she finds herself in: she has a large system debt that she cannot meet because there is no money, and part of her does not want to pay the bill because she deems the amount unfair. But the debt with its creditor pressure attached to it is depressing her. She knows that avoiding her creditor is not going to solve the issue. Indeed, in the end, the creditor resorted to traditional means, threatening to enter Rebecca’s property with a warrant in order to disconnect her from the net and give her a pay-as-you-go meter. While the increased creditor pressure was successful in triggering Rebecca into action (she approached an advice centre for help), this did not change her perception of the unfairness of the debt. She reached out for help because she feared being left without electricity with two children to take care of. The origin of her inaction was not rooted in that fear, however, but rather in deeming the amount charged unjust. This is fundamentally different from the consumers who do not repay their debts because they are afraid of the threats that unpaid debts carry.

A different type of perceived unfairness and subsequent creditor avoidance, however, has nothing to do with the creditor-debtor relationship, but with the perceived responsibility of the debt. Some consumers take out debts, or register bills in their name, on behalf of someone else. This other person is usually closely related to them, often a family member or partner. Examples of these types of debts or bills are telephone bills, catalogue orders, or consumer credits, such as credit cards. In these situations, the creditor has a formal contract with one consumer, whereas another consumer has used the credit. The two consumers often strike an informal agreement about who is repaying the debt. This tends to not be an issue as long as the two consumers are on good terms with each other and the consumer who uses the credit adheres to the informal arrangements made regarding servicing the debt. When the relationship between the two consumers deteriorates, however, this informal arrangement easily comes under pressure. Divorce was a common cause for such relationships to go down. Neelam (*interview*), for example, is blacklisted with some catalogues because her ex-husband owed them money in her name:

[A]nd because I'm the additional partner, they send me letters as well, that 'This is how much you owe.' I'm like 'It's got nothing to do with me. I am not the main person who applied for it. It's somebody else. So you need to get hold of that person instead of coming to me.' So, I get bills coming to my name, and I just ignore them because there's nothing I can do. I just refer them, send them back to, you know, where it came from and said 'You know, I'm not the person who is owing you this. This is the person, you need to get hold of that person.'

Neelam clearly does not recognise the obligation to repay this debt. It is her partner's debt, not hers. Legally, the creditors have a different understanding, however. The debt is in her name, so therefore she is the debtor. The result is letters that go unanswered and a debt that remains unpaid. Likewise, Catherine (*interview*) took out a £20,000 loan with Sainsbury's in her name for her ex-husband, who she divorced

six year ago. She signed the documents, got the loan, and handed the money to him.

When asked about how she deals with that debt now, she responds:

Every now and again, every, say, like the new tax year, I'll get a letter saying 'You owe this amount of money,' and it's from Sainsbury's. And I look at it, and that one, I have to be very honest, I ignore it because, um, I used to actually put them in an envelope and send them to his flat in [place] simply because it's not my debt...

Thus, while the debt is in her name, Catherine does not recognize it as hers. This is further exemplified by the fact that when she mentioned the Sainsbury debt, we were well into the conversation. When asked about her debts initially, she only mentioned utility debts. The Sainsbury debt was not what she considered as her problem debt. It is not something she worries about, on a day-to-day basis. The reasons for why debts that fall in this category go unpaid are thus of a different nature compared to the other beliefs and rationales discussed thus far. Namely, they go unpaid because they are deemed erroneous, and not theirs. Respondents have told their creditors this multiple times, but if creditors do not acknowledge the switch in responsibility, then respondents leave the debts unpaid.

In sum. While inaction manifests itself in different ways for each respondent, the outcome is the same; namely, debts remain unpaid. Respondents engage with creditors' contact attempts through dimensional extremes (e.g., opening or not opening envelopes) and their behavior is motivated through different dispositions: either they do want to pay, but cannot pay, or they no longer want to pay their debts. In the first instance, creditor pressure afflicts shame and fear, but this seems unnecessary: respondents always wanted to pay their debts but simply do not have enough money. Their disposition towards debt repayment never was the issue. In the second instance, shame and fear are replaced with frustration and perceptions of

injustice. The creditor-debtor relationship plays a critical role in the shifts of frame of minds. Sometimes, through counterproductive interactions respondents have been made into whom the debt collectors assume them to be: consumers who do not want to pay their debts. In these cases, the credibility of creditors' psychological appeals or responsibility of the debt is no longer recognized. In other cases, personal circumstances of respondents have changed due to which they no longer recognize responsibility for a debt that is in their name, but, in their eyes, belongs to someone else, (e.g., an ex-partner or son). While both dispositions (wanting to pay and no longer wanting to pay) result in non-payment of debt, the motivations behind it are very different.

For the respondents, inaction is the default response to creditor pressure and problem debt. It is the road with least resistance. Importantly, across the board, creditor pressure seems to be pushing respondents away from a solution rather than towards it. There are instances, however, where respondents did act on their situation. The next section further explores these responses.

ACTION

Respondents do not pay none or nothing of their debts. As also illustrated in the previous chapter, they constantly juggle and prioritize credit commitments. They try to stay afloat as best as they can. Inaction thus often involves selected action on selected payments. But in the aggregate, non-payment prevails, and, as a result, they live with problem debt on a continuous basis. There are a few instances, however, where respondents clearly try to break with this situation. They take steps that are

different from the default of “repaying some, avoiding most.” In these cases, some reach out for debt advice, while others directly negotiate with their creditors themselves. The trigger for action is when it “all becomes too much.”

It's just, you know, too much stuff to pay actually, too many bills, too high, it's terrible.—Tara (*interview*)

Tara summarizes the essence of the respondents' situation very well: for all of them, the amount of bills is just “too much” in 3 ways: in number, in value, and in terms of the well-being tax it imposes. When respondents reached this state, all of them took some form of action, trying to change the situation. Francesca (*interview*), for example, when the bills started to pile up and creditor pressure became overwhelming to the extent that creditors even started to call her sister, she looked for solutions online. She tried getting a payday loan just to consolidate all individual debts into one, which she thought would reduce the pressure. When that did not work out because her credit score was so poor, she got involved with a commercial debt management agency. They take care of all the direct communications with her creditors, and, as a result, she no longer receives letters or phone calls. Francesca is paying the debt management agency £60 every month, including £25 service fees, for five years. She is thus willing to pay £25 a month simply for someone else to take on the emotional baggage of managing her debt. Basically, she is buying peace of mind. This solution provided only temporary relief, however, because soon after she was short on cash again. Finally she reached out to the advice center for help.

Broadly speaking, respondents switched into action as a consequence of two factors: when they had hit rock bottom financially and/or emotionally. For many respondents, these two states are intertwined. Whereas all respondents had reached their emotional capacity to deal with the situation by the time they reached out for help, there is variation in the extent of indebtedness. For example, Elizabeth (*interview*) and Jasmina (*interview*) had both reached the ceiling of their ability to cope with the situation, whereas financially, there was still some slack. Elizabeth decided to get advice “because it’s too much. I can’t keep having them sending me letters like that, it’s just too much.” The main debt she is dealing with is her council tax, however, and if she really had to, her uncle or mother would sort her out: “They offer me because they know I’m stressed.” Financially, she has not hit rock bottom.

Similarly, Jasmina (*interview*), even though she came to the advice center the day after she had reached her maximum overdraft (£250) when shopping at Tesco’s for Eid, would not describe her debt as “high-high.” She has had financial difficulties in the past, when all she had to live on was £50 a week, but her current financial situation is not as dire, at least not yet. The issue at the time of the interview was that Jasmina felt that many bills all of the sudden came up at once and became too much to handle. Something snapped the day before the interview, when she had to leave her groceries behind due to insufficient funds and had to go home empty handed to her four children on this festive day. Yet, when asked how she felt about her overall financial situation and whether she had any other debts, she busted into tears and said “Thank god, my debt is not high-high.” She thanked god many times for being in good health too.

If over-indebtedness were a cycle where consumers move from juggling on a daily basis, to struggling constantly, to next starting to fall behind on bills and payments, to finally having real financial problems, then Jasmina and Elizabeth would be on the verge of starting to seriously fall behind. For them, having recently moved from juggling to struggling, the prospect of real financial problems is unbearable, and so they decided to try to do something about their situation.

Another group of respondents waited longer before deciding that it was all becoming “too much” and that something needed to be done. This group of respondents reached out by the time there were real financial problems. Examples are Ryan (*interview*) and Rebecca (*interview*), who are in debt for a couple of thousands of pounds and have come to the point where they have to decide whether it is “food or bills.”

Approaching the advice center is one of their last hopes to sort things out.

The solutions for both groups of consumers, whether they have hit rock bottom or not, are roughly the same. Debt advisors will assist consumers to renegotiate a payment plan with creditors wherever possible. The accounts presented thus far showed a few instances where respondents had directly negotiated repayment plans with creditors themselves. Recall Elizabeth (*interview*), for example, who agreed the £50 repayment plan directly with the council. Or Sandip (*interview*), who even made sure to avoid further enforcements by pre-empting his creditor of his non-payment that day.

Similarly, Nazeera (*interview*), after having avoided her telecom provider for a long time, finally one day picked up the phone and called the creditor: “I decided ‘No, I’ll call them, it doesn’t matter what, what they’ll tell me.” The stress associated with her £900 bill and the monthly letters had become too much to handle. She called them up,

and they helped her out. She settled for a £3 monthly repayment plan. This relatively low amount and the creditor's attitude were quite a surprise to her. She recalled they were actually really helpful, and asked whether she was sure it was okay to pay 3 pounds per month. They said to her, "Tell us, if you can't [afford this] then tell us."

Most of these respondents, however, learned about the possibility to negotiate debt only once they had been through that process before. Nazeera (*interview*), for example, had been summoned to court for her overpaid benefits. That is where she first settled with a creditor. Similarly, Sandip (*interview*) has gone bankrupt years ago, so he is a seasoned debtor. Moreover, when consumers (finally) call the creditor, they do not always succeed in negotiating an affordable repayment plan. Recall that Tara (*interview*) felt she was met with incomprehension when she phoned her electricity provider because she was mistakenly charged with too high a tariff and could not pay the bill.

Tara's and Nazeera's cases stand in stark contrast. While both initiated contact with their creditors, Tara started to avoid her creditor after an unsuccessful interaction early on, whereas Nazeera successfully interacted with her creditor after a long period of avoidance. The fear of being met with aggression and incomprehension leads more respondents to postpone the contact, even though they know it is the best thing to do. Adeline (*interview*) knows she should probably call up her creditors, but thinks it is embarrassing to do so. She is building up the courage. What she really fears, is the confrontation.

What these narratives point to is that, in some cases, if consumers had known about the possibility of negotiating debt, they may have done so earlier rather than wait until debts have built up steadily over time, and they really saw no other way out then to contact the advice center for help. Ryan (*interview*) describes:

[O]bviously I've got to start paying something. But I'm saying I've got a lot of problems....Half of it, and it's my responsibility, but the situation I'm in, I can't do nothing about it. So, if you're going to kind of like squash that and let me start again. Do you know what I mean? And that's what I was asking for.... So then now, I'm realising that you can work things out—instead of ignoring it. So now, I'm trying to work things out with these people.

Until reaching out to the debt advice center, Ryan did not realise he could speak to the creditors and negotiate. He is asking for a clean slate, to forgive at least parts of his debts. It is possible he would have reached out to creditors sooner if he had known what he knows now about debt negotiations. On the other hand, there were instances where consumers did contact creditors themselves and were met with reluctance and noncooperation. It left them with frustration. The few successful debt renegotiations, in the sense that a settlement came of it, seemed to have happened when either the settlement was enforced through the courts or when the creditor revealed empathy (e.g., in Nazeera's case). In either case, the settlements often came when debts were multiple times the originally missed payment. As a result, settlement often is preceded by large implications for consumers' well being, due to sustained stress associated with having problem debt.

REDUCED WELL BEING

Regardless of action or inaction, all respondents experienced reduced well being, an encompassing response to living with sustained problem debt and associated creditor

pressure. They often find themselves ruminating on their finances, and attempts to stop thinking about it after a while no longer help. It is on their mind all the time. For some respondents, having problem debt results in sleepless nights, anxiety, physical illness, and even suicidal thoughts. It is indeed, becoming “too much.”

Rumination. When having to get by on limited means, thinking about money takes a prominent place in life. A few respondents seemed to find themselves in this situation of juggling to make ends meet since only fairly recently. As a result, money-related thoughts started to occupy their minds, and they are ruminating about it. When asked whether she finds herself thinking about money often, Elizabeth (interview), for instance, responds:

Yeah, recently I am. Recently I’m just like, ‘Oh, I’ve got to do this with this, um, electricity if I make sure,’ you know, and before I wasn’t like that. It’s quite weird. Like even when I was on the dole and not working, I never had to think, ‘Oh, I’ve got 20 pounds in the gas and you know, pumps the electricity, I’ve got to do 20 for food,’ it’s like I literally sit down, um, ‘20 for this, 20 for that, 20....’ You know what I mean? But I did not do that before, I was relaxed. It’s like I’m working and I’m thinking more about it which is quite weird.

She thinks about it “just any time. Just random, random times.” Thinking a lot about money is something that appears characteristic for an indebted life. It is not hard to imagine how this becomes overwhelming after a while. Rebecca (*interview*) describes what that is like:

It’s on my brain 24/7.... When’s the next money coming in? And what am I going to do with it? You know, the kids need this, the kids need that. And I want to get this for the home, and I want to get that, and I know I’ve got bills to pay, and I’ve got a birthday coming up, or Christmas is coming up. It’s just constantly a survival. It’s just survival.

Money is on Rebecca's mind because there is too little of it. Also Neelam (*interview*) refers to survival when it comes to making ends meet, and how much it occupies her mind:

I'm constantly thinking about it. Like, how to deal with it. You know, money is the main issue in life. Without money you can't survive, you know. That's the main part. If you have money, you can do things. If you don't have money you can't do anything. But if you don't have that money you are struggling, you know, and there's no way out. You've got stuff coming in, and you've got stuff waiting that needs to be cleared off. I actually literally think 'money is life.' Other than that you have no life because I can be at home, you know, I can survive today, but tomorrow I'll have to have food on the table. If I don't have that, you know.... So, it's always like, you know, going in my head, circling around and thinking, 'Okay, what do I do? How do I save money from now on? What do I do?' I try to budget myself. 'Okay, today, I'll spend this much. This is how much is going out of my account for this and that bill. So, how much am I left with? What can I do with that?' Not much. Not much. Because I have more outgoing than incoming and I wonder 'How is that happening?' I really know that I've got, I've got so much outgoing, but it's all in arrears as you can see everything is in arrears.

Neelam's "money is life" demonstrates how pervasive living with problem debt can be: it entwines all facts of daily life because money is needed for almost every basic necessity in modern society. She also describes how every purchase consideration becomes an exercise in normative trade-offs, determining where to spend the limited available money. When having to juggle so many things, it is easy to drop a ball, every now and then. Sylvia (*interview*) describes what that looks like for her:

Just making sure that the rent is paid, um, the electricity, um, just about that: rent, electricity, school dinners, school dinner money, um, the main bills basically that you need to pay, and sometimes, when you are stressed, your priorities can be a bit mixed up, so putting things first, what comes first is...can be clouded or mixed up.... When you are thinking about what you need to do, and what you are gonna do to go about it, um, other things, silly, could get in the way, um.... Every day-to-day things can get in the way, just if you've got a family to, to look after, and got to prepare dinner, if you've got to make sure that all their clothes are clean for the next week, the school uniform, etcetera, and trying to save electricity, making sure not too much electricity is on etcetera.... When to do the washing because, um, I know it's cheaper to do washing at night. Um, drying clothes, that can be a lot of electricity, um, just keeping the house warm...

She is trying to keep up with bills, seeing where she can save, while managing the everyday routine of getting her children to school. But there is a limit to what she can do in a day and how many things she can stay on top of. Sylvia mentions that sometimes her priorities can get “a bit mixed up.” When living a financially fragile life, such a mix-up can easily result in a missed bill and subsequent fines. Over time, this can culminate into being seriously behind on bills. In these instances, consumers no longer just find themselves having to deal with the daily stress of making ends meet, but in addition they will have to worry about debt repayments and accompanying creditor pressure.

The stress and worries that result from this situation are overwhelming. Many respondents say things like “it's mainly these sort of problems, like my bills, um, and when there is no money, this causes a lot of stress” Tara (*interview*), or “I think, um, I’m worried about all the debts actually.... Stress actually” Nazeera (*interview*), and “[L]ots of pressure is coming but I don’t [know what to do with it]. Bills, everything” Selim (*interview*). It sometimes leads to sleepless nights, for example for Sandra (*video-ethnography*):

Because I do lay there at night and think, god... I didn’t pay that today. I must remember to pay that tomorrow. Is the money gonna be in the bank for that?

This rumination can be so pervasive that consumers seek ways to stop it. They try to distract themselves. Elizabeth (*interview*), for example, would start watching television:

It would be on my mind then and I could just—I could start watching telly. Or doing something else. Yeah, sort of just, sort of close off my—my head. After I’ve worked it out in my head, then I’ll start thinking about something else.

Also for Nazeera (*interview*) it helps to do something else. For her, when she is working, she is not thinking about it, but when she comes home “it does come, you know.” Similarly, Elly (*video-ethnography*) explains:

Things just...I don't know. Just don't tend to ever have any money.... I had a conversation with mom not so long ago, sometimes it's easy just to not think about it and weep out when it happens and...you know it's not something you want to tend to talk about.

After having said this Elly walked to the door because the mail came in. She said “Luckily, no bill, bills today....” Avoiding creditors' messages is part of these attempts to stop ruminating on finances. Recall that many respondents would not open mail because it would stress them out. But regardless of whether letters are opened or phone calls are answered, creditors' messages remind respondents of their financial situation and trigger thoughts about their financial problems. Respondents feel they are stuck where there is no way out. For some, this stress manifests itself in unstoppable thoughts about money. An extreme example of this is Janet (*interview*), the most chronically indebted respondent. When asking her how she gets through her day with no money to spend, she answers:

I sit in the kitchen. I don't ...I sit in the kitchen, I have a notebook, and I'll write down 'If I could...!' That's what I've got, 'If I could ...have' ...and then I write down everything, what I would like to have. Every day and the next day, I'd rip that out and I'll date it again.... If I could have..., I would like..., pay the rent off. Pay the bills off. Right at the end of it, buy some knickers. That's what I'd write for myself. Everything is all the bills first and right at the end, me.

She has been doing this for years, every morning. Because the interview took place in the morning, she was going to do it later on. The list is always the same. It is one of the ways in which not having enough money occupies her mind. The thoughts don't go away, as she continues to describe:

It's on my head all the time. I go to bed thinking of it. In [my] sleep I'm thinking of it, I wake up thinking of it, it doesn't go. If the hospital would put me to sleep for two weeks I would love it. I wouldn't have to think of it.

For Janet, the ruminative thoughts about money are so all encompassing that the only option she still sees to escape these thoughts is to not wake up. The impossibility of this proposed solution signifies the sincerity of the burden. Indeed, in another attempt to "try hard not to think about it," Janet rips creditor letters. But from her descriptions, it appears that this strategy is not very effective in making her ruminative thoughts disappear. For example, compared to Elizabeth and Nazeera, distraction may initially still be effective in putting one's thoughts to rest, but for Janet, it no longer is.

More generally, the respondents' accounts point towards a pattern in which thoughts about money occupy respondents' minds once they start struggling to make ends meet. These thoughts are pervasive and tiring, and respondents try to distract themselves, whenever possible. Avoiding creditors' messages is one way of distraction. Respondents who have been living with problem debt for a long time have particular difficulty not thinking about it. As the situation persists, it impacts subjective well being significantly for many.

When distraction no longer helps. Over time, problem debt can accumulate into sleepless nights, anxiety, physical illness, depression, and even suicidal thoughts. Respondents try to deal with these emotional predications in various ways and have varying success in getting them under control, as the previous sections have illustrated. Janet (*interview*) is no longer able to distract herself and experiences physical illness and depression because of it. That is what she finds the hardest about being in debt:

Depression. I'm [seeing] the doctor for depression. Um, osteoarthritis. I've got—I have operations for carpal tunnel [syndrome], everything is stressing me out. Even now my hands are completely numb. Completely numb.... Until I have the operation. And it's complete stress. I'm sick, I'm sick of it. I just, I constantly cry all the time because of it.

While it is impossible to determine the causal relationship between Janet's physical illness and her problem debt, it is clear that for Janet, her health is a mirror of her financial situation. Francine (*video-ethnography*) is in a similar situation. While touching her chest, she says:

I think it affects my health. A lot. Because I can feel it all the time, now, it's just like a pain, and I think, god is that stress? You know it's not something that I've really felt. I just think it must be anxiety. I just think, I get a lot of pain when I think about it.

Anxiety is something that many respondents experience. Also for Sylvia (*interview*), avoiding creditors does not help to stay calm. She says:

See, you know you have to deal with it, and you know that you are being really stupid for not opening the letters, so that makes you even more stressed because you know that you should be sorting it out, or trying to sort it out, um, it's something that will stop you from sleeping. And you.... It makes me feel anxious to the point of where I'm shallow breathing kind of thing. Um, I have no heart or panic attack as far as I know, but then I could have this constant sense of a tightness in my chest and not being able to breathe as well.

Neelam (*interview*) is depressed and cries herself to sleep:

But that has actually put me through a depression now because I have got a rent that's in arrears; I've got [an] electricity bill that's in arrears; I've got council tax in arrears, um, you know, the list just goes on, and sometimes it's, it's.... I'm laughing now, but, some nights I cry myself to sleep, thinking 'What am I going to do tomorrow? You know, if...if, if I do wake up?' You know, because I feel like 'Oh, I wish I was dead,' but I'm thinking 'Okay, I've got two kids, I need to look after them, wish for the, you know, best. So, tomorrow is another day. We'll think about it.' But, come another day, still same thing, you are thinking 'Okay, the bill is still sitting there. What do I do?'

Neelam's financial situation is dragging her down, but her children give her the strength to face a new day. She continues:

And I'll sit in the toilet, and I'll cry my eyes out, and I'll just talk to my god. That's what I do sometimes: I cry and I talk to my god. That's what I do. I feel comfortable, I'm thinking 'Okay. He is the one who is listening to me. He is the one who has provided all this for me. He is the one who's gonna relieve me from all this pain.'

Crying, suicidal thoughts, and praying is a cycle that Adeline (*interview*) also goes through while trying to deal with her debts:

Yeah, before I couldn't say no to them [children] but now I'm starting to say no because I'm seeing the effect like...you know, on me, the stress because, um, it kind of made me feel suicidal, like when they've...seriously, really thinking, 'Oh my god' you know, just to get out of it you just feel suicidal, seriously. So I've just thought, 'No, no, enough is enough, I don't wanna feel like that.'

In a poignant illustration of this reality, Sandip (*interview*) recalls that a friend of his committed suicide over money. In the case of Neelam and Adeline, they were not clinically suicidal, but their stories underline the damaging impact that living an indebted life can have on well being. While in most of the respondents' lives debt was not the only issue (often there was also a loss of a beloved one (including separation) or a job, or a health issue such as terminal illness), it appears that the burden of having too much debt and too little money weighs very heavily on their shoulders, and, for them, is perceived as a major source for their reduced well being.

Indeed, respondents frequently refer to things becoming "too much" to handle. Some of them, like Neelam and Adeline, reach out to their god, to "just pray and hope that something different...[comes up]" (Adeline). At other times, the feeling of things becoming too much leads respondents to undertake action in order to change the situation, as the previous section has illustrated. This road to action is, ultimately,

what creditors are interested in. This thesis posits, however, that the current path to action in debt management is too damaging and sub-optimal from a societal point of view.

DISCUSSION

This chapter documents three responses to having problem debt and being subject to creditor pressure as a result of it: inaction, action, and suffering reduced well being. The first two responses are direct debt management behaviors, and indeed each other's opposite. The third is an encompassing reaction to the specifics of the indebted situation. When in problem debt, many respondents opt for inaction. Inaction varies in its dimensional properties (e.g., creditor envelopes may be opened or not), as well as by a consumer's disposition towards debt repayment. It involves juggling payments and constant prioritizing of which credit commitment gets paid and which does not.

From the respondents' perspective, the default response of inaction, rather than action, is the path of least resistance. A move from inaction to action is typically instigated when respondents feel they have hit rock bottom financially or (and) emotionally. Action to resolve a situation is a last resort when the default of inaction has become "too much" to handle. That is the point when respondents reached out for debt advice or approached the creditors themselves to seek for an arrangement. This system of consumers dwelling in problem debt, while being under constant creditor pressure but having the perception there is no way out because there is too little

money to repay, takes its toll. All respondents referred to their reduced well being because of the situation they were in.

Similar to the previous chapter, it is at this point helpful to visualize the relationships discussed. **Figure 7** depicts the three identified responses to having problem debt and being subject to creditor pressure as a result. In response to their total debt portfolio, consumers may act on some and not act on other debts. The specific choice to either act or not act on a particular debt is a function of the type of debt, the creditor-debtor relationship, and individual characteristics and conditions (further detailed in **Figure 8**). A move from inaction to action can be instigated when consumers feel they have hit rock bottom financially or (and) emotionally. Moreover, regardless of the extent of action or inaction, having problem debt and being subject to creditor pressure impacts a consumers' subjective well being.

Figure 8 shows what is behind inaction. It varies in the way it is expressed (e.g., some open letters and others do not) and in terms of a consumer's disposition towards the debt. This disposition can change into no longer wanting to pay as a function of frustrated interactions with their creditors, including specific debt types, such as for example system debt or personal circumstances (e.g., divorce) that have led to a conflict over who is responsible for the debt. Recall that these personal differences and dispositions towards debt repayment are all conditional on having problem debt and being subject to creditor pressure.

This recalls the specificity of the sample on which this grounded-theory approach is based. Not only was one of the interview selection criteria that respondents had ever

been in receipt of one or more benefits, they were also recruited with help of a debt advice centre. Thus, by definition, all of the interview respondents had reached out for help, and thus resorted to action for at least one of their debts. This is not representative of the general over-indebted population, of which 17% is estimated to reach out for debt advice in the UK (Money Advice Service 2013). Thus, respondents may have resorted to action more easily than an average indebted person would. However, since the purpose of this thesis is to identify solutions to the problem of consumer over-indebtedness and inaction in debt management, this bias is not an issue. Understanding why and when respondents did reach out for advice will precisely help identify where the levers for action in debt management might be.

Figure 7. Responses to Facing Problem Debt & Creditor Pressure

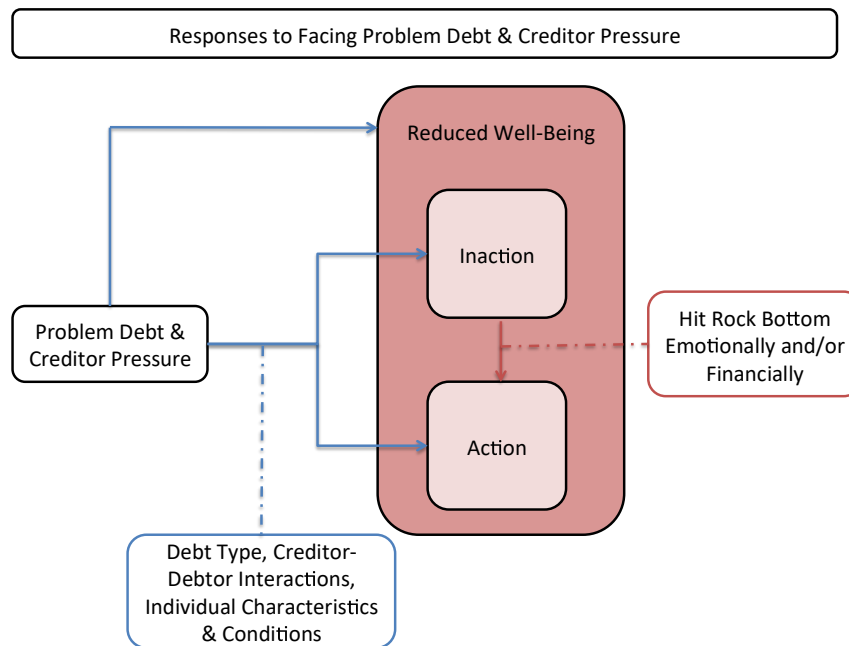
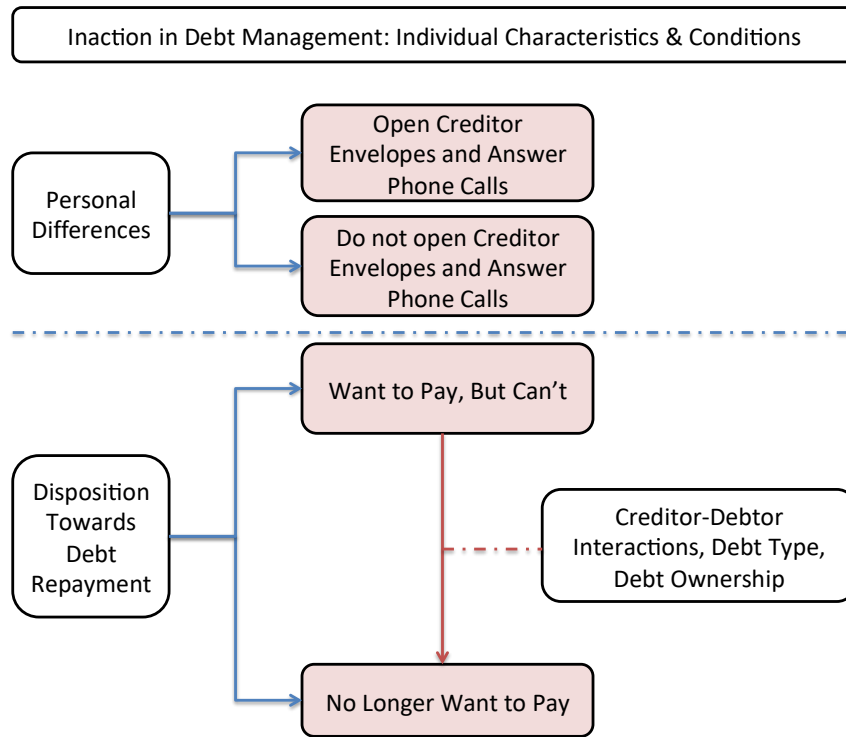


Figure 8. Inaction in Debt Management: Individual Characteristics & Conditions



This time, the visualizations are not a direct juxtaposition to existing theory. Instead, the visualizations contrast implicitly with the assumptions underlying the debt collection system. As pointed out in various places in both this and the previous empirical chapter, the predominant difference between respondents' narratives and the debt collection system's assumptions is that respondents do *want* to pay their debts but have limited means to do so. In the few instances where respondents did no longer want to pay their debts, frustrated creditor-debtor interaction played a significant role in creating these situations.

The current debt collection system thus is inflicting damage on at least a part of consumers, the check of which seems to be imposed on society as a whole, in terms of large sums of unpaid debt and debt related well-being issues. Recall Francesca (*interview*) who was willing to pay a monthly lump sum to a debt management

company that was relatively large compared to the original outstanding debt, only to no longer have to deal with the continuous creditor pressure she was getting. She was willing to buy peace of mind for a high sum of money. Francesca's response is illustrative for the significance of the reduction in well being that comes from having problem debt and being under creditor pressure. The examples, and narratives presented in this chapter more generally, suggest that it is quite safe to assume that the vast sums of uncollected debt do not just imply non-repaid debt but also significant reduced consumer well being.

In economic terms this reduced well being would count as a negative externality, not accounted for in the model of debt collection. Creditors are currently not responsible for picking up the cheque in terms of inflicted reduced well being. In their business model, the only costs that count are those that are directly associated with establishing contact and the risk of not recovering outstanding debt. Indirectly, reduced well being may become a cost to creditors but only if it leads to further non repayment of debt; that is, inaction. This is the counterproductive cycle this chapter has illustrated.

The costs to resolve the inflicted reduced well being, however, are not part of creditors' thinking. These costs feed into a country's health care system and make for less productive workers. I am not aware of estimates for the UK, but as a comparison, in the Netherlands, where over-indebtedness is less of a problem than it is in the UK, anecdotal evidence suggests that these health care costs are estimated at 30 cent to every euro consumer debt. Costs to employers are estimated at €13.000 per year for every gross average income (€37.000), consisting of 20% reduction in productivity, 7 days additional sick leave, and 3 hours of administration associated with wage

garnishing (Schors and Schonewille 2017). In other words, negative externalities to problem debt and creditor pressure are significant.

An alternative approach to debt collection appears imperative. The final discussion chapter of this thesis will further elaborate on what such an alternative approach could look like. Before doing so, the next chapter will quantitatively explore some of the relationships theorized in these grounded-theory chapters. It will start with drawing together the insights that follow from the previous two chapters.

8. EXPLORING STATISTICAL PATTERNS IN INACTION AND ACTION

This fourth and final empirical chapter will start to draw together insights from the previous chapters and examine statistical relationships between nine key themes that emerged from the grounded theory approach. It will do so testing twelve hypotheses, using a survey of 2,162 over-indebted individuals. Firstly, these hypotheses will be compared against simple correlations. Secondly, these high-level patterns will be further tested using binary logistic regression analysis.

The main behaviors explored in this chapter are inaction and action, two of the responses to having problem debt and being subject to creditor pressure documented in the previous chapters. As pointed out in the previous chapter, better understanding which conditions predict inaction and action in debt management will help to start thinking about the solutions to the major social problem—inaction in debt management—identified in this thesis.

Even though the research approach in chapter three discussed the survey data and sample characteristics at length, it is helpful to recall a few key statistics. The mean age bracket of the sample is 41-45, and the gender respondent divide is split at 47% female, 53% male. Further, 64% are economically active (either employed full time or part time), and the median household income band of the sample is £15,000-£19,999. Lastly, 55% are financially responsible for dependents, and 48% of respondents own their own home. See also **Table 4** in chapter three. The sample is not representative of the general population but is characteristic of the over-indebted.

In terms of some of the concepts that have been introduced in this thesis thus far that are measured in the survey: 41% reports to have experienced regular non-payment of bills in the last 3 months; 61% are contacted by creditors to recollect debt; 53% of survey respondents with problem debt tend to agree or strongly agree that they sometimes do not open letters or answer phone calls because they fear that the notifications will tell them that they owe money; 92% of survey respondents tends to agree or strongly agree that they would like to pay off their debts as soon as possible; and 60% reports to tend to agree or strongly agree that their budget is too tight to afford basic household items. Definitions of these measures are provided below.

This chapter starts with introducing hypotheses, after which the constructs used to tests these hypotheses are discussed. This is followed by the presentation and interpretation of correlations. Subsequently, the binary logistic regression analysis is presented, which tests the robustness of the correlation results. The last sections discuss limitations and offer a reflection on the findings.

HYPOTHESES

This chapter tests twelve hypotheses, or conjectures, that can be derived from the grounded-theory approach. While these hypotheses necessarily simplify the narratives presented, they do point towards certain broad, general patterns that are empirically verifiable. Note that, in line with the discussion in Chapter 3 on the philosophical underpinnings of this thesis, this reduction of narratives into formal hypotheses necessarily means that the dimensions of the concepts are significantly reduced and

the relationships between them therefore refer to very specific aspects of these concepts. This does not make this exercise less valuable, however. It means that it is important to define what dimensions of the concepts the findings refer to. These definitions are provided in the next section.

In the hypotheses that follow, data availability is taken into account. Thus, hypotheses are presented only for equivalent measures that are observed in the survey data. For example, Chapter 5 theorizes that system inefficiencies (related, in particular, to those systems that low-income households interact with), cause system debt. Since this is a newly coined concept in this thesis, the Money Advice Service survey does not contain any variable in relation to system debt. The survey does, however, contain measures of nine other key elements identified in the grounded theory: inaction, action, tight budgets, problem debt, creditor contact, creditor avoidance, well being, willingness to pay, and knowledge. Abstracting away from the grounded-theory approach, a few broad patterns between these nine concepts arise.

Following **Figure 7** in Chapter 7, three responses emerge as a result of having problem debt and being subject to creditor pressure: inaction, action, and reduced well being. Respondents either act on their debt or resort to the default of inaction, meaning bills remain unpaid. A third encompassing response is for respondents to experience reduced well being. Taken together, this results in the following set of hypotheses:

H1: Problem debt is positively correlated with inaction.

H2: Creditor pressure is positively correlated with inaction.

H3: Problem debt is positively correlated with action.

H4: Creditor pressure is positively correlated with action.

H5: Problem debt is positively associated with reduced well being.

H6: Creditor pressure is positively associated with reduced well being.

Furthermore, recall that, for many respondents, inaction was a function of tight budgets, meaning respondents were getting by on very little unable to meet basic necessities. When there is simply not enough money to repay all bills, inaction is the default response. This situation of having to worry about money all the time, in turn, negatively impacted consumers' well being. In essence, this reduction in well being was the result of being under creditor pressure and wanting to pay debts, but not being able to because of limited income. Thus:

H7: A tight budget and inaction are positively correlated.

H8: A tight budget is positively associated with reduced well being.

H9: Willingness to pay is positively associated with reduced well being.

Then, in relation to **Figure 8** in Chapter 7, which further explores inaction in debt management, the following hypotheses can be derived. Recall that Chapter 7 conceptualizes inaction both in terms of dimensional extremes or personal differences, and in terms of disposition towards debt repayment. Both factors are observed in the survey. Firstly, with regards to personal differences, consider the extent to which respondents open creditor messages or answer their phone calls. When it comes to inaction, both cases were observed: avoiding such messages and

opening letters. Regardless of whether respondents avoided creditors or not, inaction in debt management was taking place. Thus:

H10: Inaction is not associated with creditor avoidance.

Secondly, recall that while facing problem debt and living on a tight budget, having too little to meet all credit commitments, respondents typically did *want* to pay off their debt but simply did not have the money. While resorting to inaction, most respondents did want to pay their debts. Thus:

H11: Inaction is positively associated with willingness to pay.

Lastly, while not explicitly visualized in the previous chapters, information did come up as a factor in relation to action, often after the fact. Quite a few respondents said they would have reached out to resolve their situation of over-indebtedness sooner if they had known that debt was negotiable and that options were available to allow them to start with a clean slate. In terms of awareness of debt-solution oriented knowledge this implies:

H12: Action is positively associated with information.

CONSTRUCTS

The twelve hypotheses presented in this section rely on nine core concepts that all played a central role in the grounded-theory approach: tight budgets, problem debt,

creditor pressure, inaction, action, reduced well being, information, creditor avoidance, and willingness to pay debt. This section presents the definition of these concepts and the specific dimensions that are captured in the survey measures. The definition is provided in relation to the grounded-theory approach, which is then compared and contrasted with the dimension of the concept captured by the survey measure. **Table 5** presents summary statistics for each of the measures.

Tight Budgets. This concept refers to having too little money to meet all credit commitments, specifically *not* because of a chosen level of expenses (e.g. having an expensive car and house for which income is barely sufficient), but rather a consequence of a chronically low income. The survey measure that captures this dimension is a 5-item Likert scale (1=strongly disagree, 5= strongly agree) in response to the statement “My debt means I cannot always afford to buy basic household items.” This measure captures the specific situation of (very) tight budgets.

Problem Debt. This concept refers to debt that consumers have difficulty repaying. It is debt on which consumers are behind. The survey has a binary measure that captures this well. It measures whether, in the last 6 months, a consumer has fallen behind on, or missed any payments for credit commitments or domestic bills for any 3 or more months. It is an objective measurement of debt in the sense that it does not take into account whether the missed payment is perceived as large or small relative to the consumer’s budget or emotional bandwidth. The measure is one of the two sample selection criteria (see Chapter 3 for more details).

Creditor Pressure. This concept refers to creditors' psychological appeals to recollect debt. As elaborated in Chapter 4, such pressure is a combination of frequency and content of creditors' messages. The survey did not account for the number of creditor messages consumers received. There are, however, a number of variables that together allow capturing whether a consumer has been under creditor pressure. The data contain five different ways in which creditors contact consumers to repay outstanding debt. It captures whether respondents have received (1) creditor letters or phone calls, (2) a court summon or (3) bailiffs, or threats of (4) eviction or (5) termination of electricity, gas, or water supply in the three months prior to the survey.

Of those consumers contacted by creditors in the last three months (61% of the sample), the majority received letters or phone calls (92%), followed by court summons (21%), bailiff visits (15%), eviction threats (13%), and threats to cut off utilities (13%). Moreover, while consumers can be subject to multiple types of creditor contact, the average number of contact types (out of 5) is 1.01 (SD=1.15), with a median of 1 type. As a result, the distribution of contact is highly skewed. I therefore operationalize creditor contact as a binary variable, equal to 1 if a consumer is contacted by creditors in any one or more of these five ways in the last three months.

Inaction. At its core, this concept refers to non-repayment of debt while no contact is established with creditors. Recall that in the problem statement of this thesis, the magnitude of the problem of inaction in debt management is illustrated in terms of the amount of uncollected debt that exists in the US and UK economies today. In the respondents' narratives, inaction captures the idea of living with problem debt that

remains unresolved for sustained periods of time. In both cases, the large sum of uncollected debt and living with problem debt, the essence thus is non-paid debt. While problem debt measures the state of being in debt, inaction refers to non-payment as a behavior. The survey measure used to test associations with inaction is a binary measure in response to the statement “In the last 3 months, have you experienced regular non-payment of bills?” (0=no, 1=yes). The measurement captures both the non-payment and time dimension in the sense that non-payment is a regular, systematic occurrence.

Action. This concept captures a range of efforts to find a solution to problem debt. It implies a clear break with inaction and requires getting in touch with creditors. It involves negotiating a repayment plan with them, applying for bankruptcy or other insolvency measures, or reaching out for debt advice. The survey contains a binary measure whether consumers have reached out for debt advice: “Have you ever accessed advice about debt before.” Forty-six percent of respondents report to have done so. Note that this is more than twice the proportion of over-indebted consumers who are typically estimated to reach out for debt advice in the UK (Money Advice Service 2013). The survey does not contain information on the other pathways to action. Therefore, the measure of action specifically captures the domain that relates to the tendency to reach out for debt advice, which seems over-represented in the survey.

Reduced Well being. Well being is a concept that in itself has motivated large bodies of work. The way it has been used in this thesis is in a subjective sense, specifically relating to one’s life evaluation while having problem debt. Typically, economics

distinguishes “decision utility” from “experienced utility.” The former is observed through revealed preferences (i.e., the choice made is assumed to be the preferred choice out of all available options), whereas the latter refers to the hedonic experience of such a choice or outcome (Kahneman and Thaler 2006). The experienced type comes closest to what is observed in this thesis as well being, which is an encompassing reaction to the specifics of the indebted situation.

This type of experienced, or subjective well being can in turn be separated into emotional well being and evaluative well being. The former refers to the emotional quality of someone’s everyday experience (e.g., frequency and intensity of experiences of anxiety or joy), whereas the latter refers to someone’s thoughts about his or her life in general (Kahneman and Deaton 2010). In the case of this thesis, the conceptualization of reduced well being comes closest to a domain-specific evaluative well being. Rather than referring to *life* in general, it is about how the general, all-encompassing state of having debt impacts someone’s subjective well being.

The survey contains four variables that together capture this domain specific evaluation of well being. They are all measured on a 5-item Likert scale (1=strongly disagree, 5= strongly agree) in response to the following statements: “My debt makes me unhappy”; “I often feel anxious or stressed because of my debt”; “Sometimes I feel like I’m drowning in debt”; and “Being in debt has negatively affected my family life.” An exploratory factor analysis of these four variables results in relatively high factor loadings onto one single latent factor ($>.61$). The corresponding kmo-measure is .7857, which implies that the correlations between the variables are appropriate for factor analysis. Appendix 4 reports the factor analysis results. The correlation analysis

uses a simple factor that is the sum of these four subjective evaluations, with the constant rescaled to zero.

Information. In the context of this thesis, information relates to knowledge that helps consumers make financial decisions. When it comes to the problem of inaction in debt management, this concerns information that helps consumers find a solution to their problem debt. The survey has a number of binary variables (I need help with this =0, I know how to do this already=1), which capture the perceived extent to which respondents master such information. Examples of such knowledge are being aware of legal rights and obligations or the different debt solutions available, acquiring the skills and confidence to deal with creditors, and having information on benefits and credits entitlements. Similar to the approach for reduced well being, an exploratory factor analysis of these four variables results in relatively high factor loadings onto one single latent factor ($>.68$). The corresponding kmo-measure is .8097, which implies that also here the correlations between the variables are appropriate for factor analysis. Appendix 4 reports the factor analysis results. The correlation analysis uses a simple factor that is the sum of these four types of information.

Creditor Avoidance. This concept refers to the way consumers deal with creditor pressure in the moment when the message (e.g., a letter or phone call) reaches them. The grounded-theory approach illustrated there are two dimensional extremes to creditor pressure: either to avoid all messages entirely, or to open and answer them religiously. The survey contains a 5-item Likert scale (1=strongly disagree, 5=strongly agree) in response to the statement, “Sometimes I don’t open letters or

answer phone calls in case they are to tell me that I owe money.” This measure is used to capture the dimensional extremes of creditor avoidance.

Willingness to Pay Debt. This concept captures the extent to which someone wants to pay their debts. The survey contains a 5-item likert scale (1=strongly disagree, 5=strongly agree) in response to the statement, “I would like to pay off my debt as soon as possible.” The survey measure captures the essence of wanting to pay.

Table 5. Variable Definitions and Descriptive Statistics

Construct	Measure	Mean	SD	Mdn	Min	Max	N
1 Tight budgets	My debt means I cannot always afford to buy basic household items ****	3.50	1.15	4	1	5	2162
2 Problem debt	In the last 6 months, have you fallen behind on, or missed, any payments for credit commitments or domestic bills for any 3 or more months? These 3 months don't necessarily have to be consecutive months. *	0.74	0.44	1	0	1	2162
3 Creditor Pressure	Being contacted by creditors in 1 or more out of 5 ways in the past 3 months. - Receiving creditor letters or phone calls - Receiving a court summons from a creditor - Being approached by bailiffs - Being threatened with eviction - Being threatened with termination of electricity, gas, or water supply	0.61	0.49	1	0	1	2162
4 Inaction	In the last 3 months, have you experienced regular non-payment of bills? *	0.41	0.49	0	0	1	2162
5 Action	Have you ever accessed advice about debt before? *	0.46	0.50	0	0	1	2162
6 Reduced well being	Factor** based on the following statements: - My debt makes me unhappy - I often feel anxious or stressed because of my debt - Sometimes I feel like I'm drowning in debt - Being in debt has negatively affected my family life	11.72	3.10	12	3	16	2162

Factor*** based on the following statements:

The following list includes a number of different things that could help people resolve their financial situation:

- Being aware of your legal rights and obligations
- Being aware of the different debt solutions available to you
- Information on what benefits and credits you are entitled to
- Acquiring the skills and confidence to deal with creditors

7	Information		1.51	1.57	1	0	4	2162
8	Creditor avoidance	Sometimes I don't open letters or answer phone calls in case that are to tell me that I owe money ****	2.95	1.41	3	1	5	2162
9	Disposition towards debt	I would like to pay off my debt as soon as possible ****	4.41	0.74	5	2	5	2162

* Binary Scale: Yes (1), No (0)

** Factor of four likert scales (1-5), constant rescaled to zero.

*** Factor of four binary scales (I know how to do this already (1), I need help with this (0))

**** Likert Scale: strongly disagree (1), tend to disagree (2), neither agree nor disagree (3), tend to agree (4), or strongly agree (5)

CORRELATIONS

This section presents a correlation matrix that reports correlations between the multiple concepts (**Table 6**). **Table 7** summarizes the hypotheses and correlation results.

Table 6. Simple Correlations (Spearman), N=2,162

	1	2	3	4	5	6	7	8	9
	Tight Budgets	Problem Debt	Creditor Pressure	Inaction	Action	Reduced Well being	Information	Creditor Avoidance	Willingness to pay
1 Tight Budgets	1.00								
2 Problem Debt	.08 (.00)	1.00							
3 Creditor Pressure	.20 (.00)	.46 (.00)	1.00						
4 Inaction	.23 (.00)	.42 (.00)	.41 (.00)	1.00					
5 Action	.10 (.00)	.05 (.01)	.16 (.00)	.07 (.00)	1.00				
6 Reduced Well being	.54 (.00)	.05 (.01)	.18 (.00)	.23 (.00)	.12 (.00)	1.00			
7 Information	-.17 (.00)	-.12 (.00)	-.13 (.00)	-.17 (.00)	.13 (.00)	-.29 (.00)	1.00		
8 Creditor Avoidance	.32 (.00)	.31 (.00)	.39 (.00)	.36 (.00)	.07 (.00)	.37 (.00)	-.29 (.00)	1.00	
9 Willingness to pay	.23 (.00)	-.04 (.00)	.01 (0.53)	.03 (.18)	.00 (.89)	.42 (.00)	-.09 (.00)	.05 (.02)	1.00

Table 7. Hypotheses and Correlation Results

	Construct 1	Construct 2	Direction of Association	Spearman Correlation (significance)	Confirmed
H1	Problem debt	Inaction	+	.42 (.00)	☐
H2	Creditor pressure	Inaction	+	.41 (.00)	☐
H3	Problem debt	Action	+	.05 (.01)	☐
H4	Creditor pressure	Action	+	.16 (.00)	☐
H5	Problem debt	Reduced well being	+	.05 (.01)	☐
H6	Creditor pressure	Reduced well being	+	.18 (.00)	☐
H7	Tight budget	Inaction	+	.23 (.00)	☐
H8	Tight budget	Reduced well being	+	.54 (.00)	☐
H9	Willingness to pay	Reduced well being	+	.42 (.00)	☐
H10	Inaction	Creditor Avoidance	No association	.36 (.00)	-
H11	Inaction	Willingness to pay	+	.03 (.18)	-
H12	Action	Information	+	.13 (.00)	☐

Out of the twelve hypotheses, all but two are confirmed (not rejected). Of these confirmed hypotheses, one reports a moderate positive association above .50 (H8), whereas three report a low positive correlation between .30 and .50 (i.e. H1, H2 and H9). Another six confirmed hypotheses (i.e. H3, H4, H5, H6, H7 and H12) report a significant but negligible positive correlation coefficient below .30 (Mukaka 2012). H10 has a low positive correlation (.36 (.00)) but is rejected, whereas H11 is rejected based on an insignificant correlation (.03 (.18)).

These results suggest that out of the three responses (inaction, action, and reduced well being) to problem debt and creditor pressure, inaction is most strongly correlated

with these factors: H1 and H2 record (low) positive correlations, whereas H3-H6 record negligible positive correlations. This corresponds to the observation in the grounded-theory chapters that inaction is the default response when in problem debt. Furthermore, the correlation results suggest that having to get by on a tight budget significantly increases the likelihood of resorting to inaction (H7). In particular when consumers want to pay their debts (H9), but cannot because of tight budgets (H8), consumers are more likely to experience reduced well being. Information, on the other hand, is significantly associated to action (H12), albeit weakly.

When it comes to the relationship between inaction and creditor avoidance, this association appears significantly positive (H10, .36 (.00)), rather than insignificant as hypothesized. Recall that while the grounded-theory approach documents two dimensions of inaction—respondents either avoided creditor messages, or they did not—the respondent narratives did not point to either of these two responses being dominant. However, the significant correlation coefficient between creditor avoidance and inaction suggests that not opening letters, as opposed to opening them, may be the dominant response when resorting to inaction.

The insignificance of the association between inaction and willingness to pay (H11, .03 (.18)) contradicts this thesis' hypothesis that, even though many consumers resort to inaction, most consumers do want to pay their debts. It is helpful to nuance this relationship. From the survey it appears that the mean (median) score for reported willingness to pay off debt as soon as possible is 4.4 (5), out of a maximum score of 5. This implies a relatively high overall willingness to pay off debts. At the same time, relatively few survey respondents (41%) report inaction in debt management. It

is thus possible that, generally speaking, consumers would like to repay their debts regardless of whether they resort to inaction or not, and that this explains the insignificant association between willingness to pay off debts and inaction there. Recall that, more generally, the high willingness to pay off debts does not correspond to the assumption that appears dominant in today's debt collection; namely, that consumers do *not* want to pay. The specific dynamics surrounding willingness to pay debt and its relation to inaction and debt management in general warrants further examination.

In summary, the majority of patterns observed in the grounded-theory approach are confirmed (or not rejected) by the correlation analysis. While helpful in providing a first general sense of patterns in the data, correlated associations can be subject to endogeneity bias, meaning unobserved factors may be driving the observed associations. To further substantiate the direction and significance of the observed correlations, I will next test two binary logit regressions. The regressions cannot address concerns of causality, but they provide a way to start to control for endogeneity bias, by holding observed factors constant.

BINARY LOGIT REGRESSIONS

The models that can be tested based on the twelve hypotheses presented are numerous. Staying close to the topic of this thesis, I will first test a model of inaction as a function of the main concepts identified in this chapter: tight budgets, problem debt, creditor pressure, reduced well being, information, creditor avoidance, and willingness to pay debt. In order to compare this model against a benchmark, I will

also test a model of action as a function of the same concepts. Taken together, these two models will provide a robustness test for eight of the twelve hypotheses (H1-H4, H7, H10-H12). The specifications of the two models are as follows:

- (1) $\Pr(\text{Inaction} = 1|x) = F(\beta_0 + \beta_1\text{TightBudget} + \beta_2\text{ProblemDebt} + \beta_3\text{CreditorPressure} + \beta_4\text{CreditorAvoidance} + \beta_5\text{WillingessToPay} + \beta_6\text{Reduced Subjective Well being} + \beta_7\text{Information} + \beta_8\text{ControlVariables})$
- (2) $\Pr(\text{Action} = 1|x) = F(\beta_0 + \beta_1\text{TightBudget} + \beta_2\text{ProblemDebt} + \beta_3\text{CreditorPressure} + \beta_4\text{CreditorAvoidance} + \beta_5\text{WillingessToPay} + \beta_6\text{Reduced Subjective Well being} + \beta_7\text{Information} + \beta_8\text{ControlVariables})$

Where,

Inaction = binary variable taking the value 1 if experienced regular non-payment of bills in the last 3 months;

Action = binary variable taking the value 1 if ever accessed debt advice before;

TightBudget = 5-item Likert scale (1=strongly disagree, 5= strongly agree) in response to the statement “My debt means I cannot always afford to buy basic household items”;

ProblemDebt = binary variable taking the value 1 if fallen behind on, or missed payments for credit commitments or domestic bills for 3 out of the last 6 months;

CreditorPressure = binary variable taking the value 1 if contacted in any of five ways;

CreditorAvoidance = 5-item Likert scale (1=strongly disagree, 5= strongly agree) in response to the statement “Sometimes I don’t open letters or answer phone calls in case they are to tell me that I owe money”;

WillingessToPay = 5-item Likert scale (1=strongly disagree, 5= strongly agree) in response to the statement “I would like to pay off my debt as soon as possible”;

Reduced Subjective Well being = simple factor of four 5-item Likert scales (1=strongly disagree, 5= strongly agree), with the constant rescaled to zero: “My debt makes me unhappy, “I often feel anxious or stressed because of my debt”, “Sometimes I feel like I am drowning in debt”, “Being in debt has negatively impacted my family life”;

Information = simple factor of four binary variables (I need help with this =0, I know how to do this already=1): “Being aware of legal

rights and obligations”, “Being aware of the different debt solutions available”, “Acquiring the skills and confidence to deal with creditors”, “Having information on benefits and credits entitlements”;

Control variables = set of socio-demographics (gender, income, age, home ownership, dependents, geographical location) and 21 attitudes and situational indicators, mostly rated on 5-item Likert scales (1=strongly disagree, 5= strongly agree) (see Appendix 5).

I estimate the equations with robust standard errors (effects are comparable when robust standard errors are not used). **Table 8** presents the results of the estimations.

Table 8. Associations with Inaction and Action

	INACTION	ACTION
	Odds Ratio	Odds Ratio
Tight Budget	1.185***	1.023
Problem Debt	6.070***	1.103
Creditor Pressure	2.511***	1.894***
Creditor Avoidance	1.122**	1.072
Willingness to Pay Debt	1.055	.834**
Reduced Subjective Well Being	1.032	1.138***
Information (Solution Oriented)	1.001	1.203***
Control Factors		
Socio-demographics	yes	yes
Attitudes and Situational Factors	yes	yes
cons	.033***	.235**
Number of observations	2162	2162
note: ***p<.01 ; ** p<.05 ; * p<.1 ;		
Odds ratios are reported based on binary logistic regression (yes/no)		

Main effects. With the exception of H3 (the positive and significant association between problem debt and action), the pattern of results for the binary logit regressions is similar to the correlation observed in **Table 7**. More specifically, H1, H2, H4, H7, and H12 are confirmed, whereas H10 and H11 are not confirmed. The insignificance of problem debt in predicting action (H3) is not surprising, as the observed correlation was very low (**Table 7**, .05 (.01)). Overall, the direction and significance of associations observed in the correlation analysis thus appear rather robust. The other hypotheses, 5-6 and 8-9, are not explicitly tested in the binary logit regressions. These hypotheses focus on the third encompassing response to problem debt and creditor pressure—reduced well being—and are beyond the focus of this thesis’ research questions. The discussion chapter will further reflect on the role of subjective well being in research on consumers’ financial decisions.

Looking more closely at the specific magnitudes of the odds ratios, an increase in tight budgets by 1 SD (1.15), results in 21% higher odds to resort to inaction.

Similarly, as compared to respondents with no problem debt, respondents with problem debt are 6 times more likely to resort to inaction. A third predictive factor of inaction is creditor pressure. Respondents who are subject to creditor contact are 2.5 times more likely to resort to inaction than those who are not contacted. Finally, an increase in creditor avoidance by 1 SD (1.4) results in 17% higher odds to resort to inaction.

Similarly, looking at what explains action, respondents who are subject to creditor pressure are 90% more likely to resort to action than those who are not contacted.

Furthermore, on the one hand, an increase in willingness to pay off debts by 1 SD

(.74) results in 12% lower odds to spring into action. On the other hand, the higher reduced subjective well being or awareness of solution-oriented information, the more likely respondents are to act on their debt; an increase in reduction of subjective well being by 1 SD (3.1) results in 43% increased odds to act, and an increase in awareness of relevant information by 1 SD (1.57) results in 32% increased odds to act.

Note that the magnitude of odds ratios across the two models (inaction and action) are not comparable due to unobserved heterogeneity (Mood 2010). This implies that adding or removing different control variables as a further robustness test cannot be used. An alternative robustness check is to estimate the same models using probit and OLS, and compare if the estimations tell a consistent story (Wooldridge 2002). This is indeed the case: significance and direction of coefficients are identical across the three estimation methods (see Appendix 6). This suggests the binary logit regression estimation is robust.

Even though magnitudes of effects cannot be interpreted across binary logit regression models, it is nevertheless useful to compare the significance of independent variables. Quite strikingly, with the exception of creditor pressure, the significance of concepts between the two models is reversed. Whereas tight budgets, problem debt and creditor avoidance are significant predictors of inaction, willingness to pay debts, reduced subjective well being and solution oriented information are significant predictors of action. These results endorse the grounded theory approach, in the sense that it identified critical components in both behaviors. To illustrate this, consider the following.

Firstly, this thesis has identified creditor pressure as both a tool used by creditors to nudge consumers into action as well as a counterproductive instrument, turning consumers away from their creditors and resulting in inaction. The binary logit regression results suggest that both responses arise from creditor pressure. The questions are: Which response prevails? and do the costs of creditor pressure in terms of unpaid debt and reduced well being justify the method? These questions cannot be answered based on the survey data but are important questions for future research. Without the grounded-theory approach, however, these questions may not even have been asked.

Secondly, this thesis described how respondents moved from inaction to action when they felt they hit rock bottom financially and (or) emotionally. The regression results show that reduced well being is predictive of action, whereas tight budgets are not. Tight budgets (as well as problem debt) are predictive of inaction. This fits the picture of consumers struggling to make ends meet, trying to get by as best as they can but having to let some bills go without payment, and consequently living with problem debt that remains unresolved for sustained periods of time. Action is taken only when the situation is becoming “too much to handle”, predominantly from an emotional point of view.

Thirdly, creditor avoidance is specific to inaction, which also fits this thesis’ grounded-theory findings: avoidance was specifically hypothesized in relation to this behavior (see **Figure 8**). A result that is not easily explained by the findings in the previous empirical chapters is that willingness to pay debt is specific to action (not inaction) and negatively associated with it. Note that this specific relationship was not

part of the formal hypotheses tested in this chapter because it did not emerge from the findings in the previous chapters. As already discussed in relation to the insignificant correlation between inaction and willingness to pay (H11) in the preceding section, the specific dynamics surrounding willingness to pay debt and its relation to inaction and action in debt management warrants further examination.

Lastly, the significant role of information in taking action calls for specific attention. Recall from the literature review that one of CB research's blinders is the prevailing reliance on information as behavior changer, while in practice it has thus far been insufficient to produce actual change. As the significance of awareness of solution-oriented knowledge in taking action points out, it is not that information does not matter. It does. The question this thesis poses, however, is whether a focus on information alone is sufficient to change consumers' decisions. If past practice is any guidance, given from what we know from policy in practice, it is not. Based on the regression results, it is tempting to conclude that because information is a significant predictor of action, providing (currently unaware) consumers with such information is one way of instigating action, possibly even reducing inaction in debt management. This thesis, however, has shown that there are broader, structural, non-cognitive barriers that may inhibit such behavioral change, even if information is available and known. The subsequent discussion chapter will further elaborate on this idea.

Control factors. There are a few further points to note when it comes to the control factors added to the two estimation models. On the one hand, for both inaction and action, socio-demographic factors are insignificant (with the exception of Northern Ireland and Scotland dummies in model (2)). These behaviors thus do not appear to be

a function of gender, income, age, home ownership, dependents, or geographical location, but occur throughout different socio-economic groups across the UK.

On the other hand, a few attitudes appear significant predictors of inaction and action in debt management. **Table 9** lists these significant attitudes and their respective direction of association with inaction and action. Appendix 5 reports the full models and corresponding odds ratios.

Table 9. Direction of Association Between Significant Attitudes, Inaction and Action

Measures	Inaction	Action
I haven't really added up how much I owe because I can't face finding out the total sum	+	-
Falling behind with bills or credit commitments, or having real financial problems	+	n.s.
I feel in control of my debt	-	n.s.
I would be too embarrassed to discuss my financial situation	n.s.	-
I never expected to have this much of debt	n.s.	+
Living in debt is something I am used to	n.s.	+
I would be willing to take on a new credit commitment to pay off my debts	n.s.	-

While not explicitly hypothesized about in the previous grounded-theory chapters, it is useful to consider to what extent the directions of significant associations correspond to the understanding of inaction and action. One attitude, “not adding up debt,” is inversely correlated to action and inaction respectively. Consumers who have not added up how much they owe are more likely to resort to inaction, and less likely

to resort to action. Avoiding being confronted with the status of over-indebtedness comes close to creditor avoidance. This direction of results thus makes intuitive sense and is in line with the findings presented thus far.

Similarly, falling seriously behind on bills and credit commitments is positively associated with inaction. This measure corresponds to having problem debt, one of the main predictors in the model for inaction, and is measured as a dummy variable that scales expenses in relation to income (i.e., whether a given level of debt is high in relation to available income). In accordance with problem debt, it is positively associated with inaction. Conversely, consumers who feel they are in control of their debts are less likely to resort to inaction. This too makes intuitive sense: this thesis has conceptualized inaction as the default response when having too little money to meet all credit commitments. When in control of debt, there most likely still is sufficient (or at least some) money to pay off debts.

Embarrassment and being willing to take on new credit commitments are negative predictors for action. Also this makes intuitive sense: a barrier to seeking debt advice may well be embarrassment. Similarly, having an alternative to seeking debt advice (viz., taking out one new debt to solve all others outstanding) mitigates the need to reach out for advice. Such new credit commitments provide an alternative solution.

Being used to living in problem debt and never expecting to have this much debt are positive predictors for taking action. The first situation, being used to living with debt and at the same time being more likely to reach out for action, fits a situation of “seasoned debtors” who reached out for help in the past but find themselves back into

problem debt a few months or year later. The second situation, where action is more likely when debt comes as a surprise, also this makes intuitive sense: it is well possible that for those for whom debt is a surprise (e.g., a bill went unpaid for lack of attention and not because there was not enough money), the ability to resolve the situation may be larger.

In terms of magnitudes (reported in Appendix 5), the corresponding odds ratios are all very similar to comparable constructs that are part of the main explanatory variables. For example, the odds ratios for Likert-scales (all of the measures in **Table 9** except one) vary between plus or minus 11%-28%, similar to Creditor Avoidance and Willingness to Pay Debt (also measured on a Likert-scale). For the binary variable, Falling Seriously Behind with Bills or Credit Commitments, the significant odds ratio of 4.9 is in a corresponding range of magnitude to the similar main explanatory variable Problem Debt (also measured on a binary scale), which has an odds ratio of 6.

In summary, the direction and significance of associations observed in the correlation analysis appear rather robust, with the exception of H3 (the positive and significant association between problem debt and action), which is rejected in the binary logit regression estimation. Moreover, with the exception of creditor pressure, the significance of concepts between the two models (inaction and action) is reversed. Tight budgets, problem debt, and creditor avoidance are significant predictors of inaction, whereas willingness to pay debts, reduced subjective well being and solution-oriented information are significant predictors of action. Socio-economic factors are not predictive of action or inaction, whereas a few (not a-priori

hypothesized) attitudes and situational factors (e.g., feeling in control of debt or feeling embarrassed about debt) are.

LIMITATIONS

A few important limitations to the survey data and method of analysis prevent causal inference. Firstly, inherent to the data structure, as also elaborated on in the research approach, the strength and direction of association (negative or positive) may be subject to omitted variables bias, self-selection, or self-reporting bias. For example, respondents may respond particularly positively to the statement asking whether they would like to pay off their debts as soon as possible because it has an element of social desirability attached to it. This may result in an overestimation of positive associations with disposition towards debt. Likewise, for example, the relationship between information and action may be different depending on someone's educational background. Education thus may be an omitted variable in the strength of the association between the two concepts. At the same time, however, most if not all presented directions of associations make intuitive sense, suggesting that the pattern of observed results is rather robust.

Something else the data cannot infer is direction of causality. For example, based on the results, it is impossible to say whether inaction leads to creditor pressure or whether creditor pressure leads to inaction, or whether both are driven by an unobservable third variable. Quite likely, this is a vicious cycle, not a static relationship. Relatedly, some of the measured concepts can be regarded as both a state and a trait. For instance, consumers may have a natural tendency to avoid dealing

with their finances because they dislike doing so, but when under creditor pressure, more consumers who would not engage in such behavior otherwise may resort to avoidance. In assessing creditor avoidance, there is very likely an element of disposition as well as circumstance. Avoidance, as a general behavior, has been conceptualized both as a dispositional and contextual behavior (Moos, Holahan, and Beutler 2003). While separating the trait from the state element is not possible due to the current cross-sectional data structure, these alternative interpretations provide directions for future research.

Another limitation in this chapter's hypothesis testing is the degree to which measurements do indeed capture the dimensions of the concept they are supposed to capture, following the grounded-theory approach's definitions. A case in point is the measurement used in this chapter described as action. In the grounded theory, action involved a range of efforts to find a solution to problem debt, ultimately resulting in repayment or resolving debt. This can be negotiating a repayment plan, applying for bankruptcy, or debt advice. The survey measure captures only the latter category. Going forward, a further exploration of the breath of behaviors that imply a move away from inaction in debt management will be important.

Moreover, given the operationalization of this chapter's measurements, survey respondents can fall under both action *and* inaction; a respondent might not be repaying bills during the last 3 months and simultaneously have accessed debt advice at any point in time before. Future research could, for example, focus on studying action and inaction as a continuum of debt repayment and test whether similar associations as observed in this thesis emerge.

Such partial measurement is suboptimal and an example of how dimensions and the understandings of concepts can differ significantly depending on the research method used. It illustrates the point made in the research approach that each research paradigm addresses a particular, different piece of a phenomenon, and that this makes it a difficult task to refer to the same “thing” across methods. For example, if I had the opportunity to design the survey instrument myself, I would have refined the measurement of for example “action” or asked for more information on debt repayment. Moreover, I would in such a case also have added new concepts to the survey, such as system debt. I would also have looked for adding exogenous variation to the data, either through an experiment or by looking for instrumental variables in order to start testing some of the causal relationships. Such an approach, however, is for further research.

In summary, while most of the observed associations are in line with the grounded theory, it is important to reiterate that such correlations in themselves cannot “prove” the theorizing presented in this and the previous empirical chapters. Yet, this thesis holds that testing associations between the observed concepts, despite the shortcomings, is still more informative than not looking at such associations. It is a first step in exploring questions that previously have not been asked.

DISCUSSION

The objective of this chapter was to explore associations between core concepts identified in the grounded-theory approach. Across the analysis of correlations and

binary logit regressions, the following patterns are consistently documented: tight budgets, problem debt, creditor pressure, and creditor avoidance significantly predict inaction, whereas creditor pressure, reduced well being, willingness to pay, and information significantly predict action. Socio-economic factors are not predictive of action or inaction. In addition, the correlation analysis resulted in significant associations between reduced well being and tight budgets, and between reduced well being and willingness to pay. These associations were not further tested using regression analysis.

Perhaps the most revealing observation of this chapter is that, with the exception of creditor pressure, the significance of concepts in relation to inaction and action is reversed. The grounded-theory analysis thus has successfully identified critical components in both behaviors.

The quantitative analysis presented in this chapter has not just tested hypotheses that followed from the grounded-theory approach. It has also furthered insights into specific relationships between concepts that the grounded-theory approach itself could not quantify. For example, when resorting to inaction, consumers are more likely to not open letters or answer phone calls (i.e., creditor avoidance) than to answer creditors' contact attempts. The analysis presented in previous chapters was not able to quantify which of these two behaviors was more likely. If indeed creditor avoidance is more likely when resorting to inaction, a further examination of the origins of this behavior (e.g., its specific relationship to creditor pressure and communication tactics more generally) is important in order to find a solution to the problem of inaction.

Similarly, the specific dynamics surrounding willingness to pay debt and its relation to inaction and action in debt management warrant further examination. The quantitative analysis reports results that are different from the grounded-theory analysis. Specifically, willingness to pay debt is negatively associated with action and insignificantly associated with inaction. These are puzzling results. In general, however, average reported willingness to pay debts is high (4.4 out of 5). This high average willingness to pay debts contradicts the assumption that appears dominant in today's debt collection; namely, that consumers do *not* want to pay their debts. This discrepancy, also pointed out in the grounded-theory analysis, raises questions with respect to the most effective way of communicating with consumers in order to collect debt.

The significance of creditor pressure in both models of action and inaction gets to the heart of the dilemma that creditors face today: Does creditor pressure push consumers into action *more* than into inaction? This chapter cannot answer this question, but this thesis' empirical chapters in general raise the importance of reconsidering such structural components that define today's credit system.

9. DISCUSSION AND CONCLUSION

The empirical chapters have shown how the individual, the dyadic, and the systemic level are crucial to understanding inaction in debt management. The combination of these three aspects is indispensable when thinking about problem debt. The two methods used in this thesis—grounded-theory and hypothesis testing— have generated complementary results that further our current understanding of consumers' debt management decisions.

The research approach chapter of this thesis reflects in detail on the challenges of combining qualitative and quantitative methods in a single research project. Throughout this thesis the methods and corresponding samples have been kept separate, as well as the discussion of results following from each methodological approach. This ensured that the strength of each philosophical research tradition could be realized. That is not to say, however, that the findings resulting from each method (i.e., the grounded-theory approach and hypotheses testing) cannot be combined to reflect on the phenomenon under study, inaction in debt management. Indeed, these respective insights can complement each other, as long as it is clear from which method and corresponding sample each insight is derived. They can highlight different aspects of the same phenomenon. This chapter will discuss each method's respective results in relation to the three research questions as well as reflect on how the two methods relate to each other.

More specifically, the grounded-theory approach has provided the necessary and indispensable exploratory work for theory generation. The result is a set of concepts that are essential to consider when thinking about consumers' problem debt. These concepts emerged in response to this thesis' research questions and can form the basis for future theorizing. The hypothesis testing has subsequently quantitatively explored the relevance of, and relationship between, some of these concepts following from the grounded-theory approach, across a larger population. The insights from this hypothesis testing provide a first step towards generalizing results and exploring statistical relationships. Together, these methods and samples have provided insights that contribute to both the work that has been foundational to this thesis, and offer an alternative set of commitments to the cognitive paradigm that may be guiding future research on this topic.

In what follows, this chapter will first answer the research questions by discussing the results from the grounded-theory approach. Subsequently, it will discuss the results following from the hypothesis testing, extending our understanding of the concepts identified using the grounded-theory approach. This chapter will continue by discussing the contributions this thesis makes to the literature. Next, after briefly discussing limitations, it will offer avenues for future research in CB. The chapter will end with concluding thoughts about this research project.

RESEARCH QUESTIONS & RESULTS

The grounded-theory approach, drawing on qualitative data including document analysis, resulted in a set of concepts and hypotheses about their inter-relations in

response to this thesis' research questions. In relation to the first research question—*“What conditions and characteristics lie behind individual consumers' non-repayment of debt?”*—the grounded-theory approach identifies two such elements: consumers' personal differences in creditor avoidance and willingness to repay debt.

Not opening the envelope is a powerful metaphor to capture what this thesis has described as creditor avoidance. The grounded-theory approach has illustrated that many respondents avoided their creditors, especially when facing problem debt, being subject to creditor pressure, and resorting to inaction or nonpayment of debt. Others, however, continued to read all communications.

At the same time, most respondents did want to repay their debts but had limited means to do so. Generally speaking, the high willingness to repay debts contrasts sharply with the dominant assumption that—based on documentary analysis—appears to underlie today's debt collection practices: that consumers can pay but do not want to pay. The results in relation to the second research question further elaborate on this contradiction.

The second research question of this thesis is *“What is the nature of the relationship between creditors and debtors, and how does it contribute to consumers' non-repayment of debt?”* What appears from the documentary analysis is a relationship based on mistrust and hostility, rooted in creditors' assumption that debtors do not want to repay their debts. Combining this assumption with insights following from the qualitative data analysis, using messaging tactics that do not match the receivers' circumstances can be counterproductive. Rather than instigating repayment, in the

absence of sufficient funds inaction prevails and consumers' well being is negatively impacted. Over time, creditor pressure may even push consumers to deliberately not pay and erode their willingness to pay. This situation arises because creditors largely ignore the structural elements that underlie over-indebtedness.

The grounded-theory approach illustrates the nature of the creditor-debtor relationship from a historical perspective, as well as through the experience of present-day consumers. A striking observation is that, while the provision of consumer credit has changed dramatically since World War II, the debt collection system that is supposed to bring the vast sums of uncollected consumer debt down is still rooted in centuries of practice. These practices no longer seem to match today's consumer debt landscape.

Most strikingly, there appears only limited consideration in debt collection tactics of consumers not being *able* to pay but wanting to pay. For example, the documentary analysis illustrates that creditors' messaging tactics are predominantly based on threats and moral appeals, assuming non-payment of debt is a matter of consumers not being willing to pay debts. The documentary analysis shows that based on ossified practice, infliction of shame and fear is assumed to be the most effective method to convert this unwillingness into willingness to pay. As the respondent narratives reveal, however, nonpayment of debt does not appear to be predominantly about reluctance to pay, but rather it is about whether the money to pay the debts is available. As a consequence, using messaging tactics that do not match the receivers' circumstances can be counterproductive and erode consumers' willingness to pay.

The respondent narratives illustrated instances where, over time, due to frustrated interactions or unenforced creditor threats, consumers no longer wanted to pay their debts. They deemed the debt and the way they were treated unfair, or they no longer thought creditors would enforce their threats. These consumers have become what the debt collection system assumed them to be from the start: consumers unwilling to pay their debts. From sincere consumers, they are pushed into the role of “cheats.”

Evidently, this cannot be the most effective way of recollecting debt.

A special case—independent of creditor-debtor interactions—is debts for which the respondents no longer recognize themselves as being responsible (e.g., debts registered in the respondents’ names but taken out for someone else, or as in a divorce respondents no longer deem the debts as theirs but are liable because, legally, the debts are in their name). These debts too are left unpaid and count towards the pile of uncollected debts. The moral obligation to repay these debts is not recognized as the responsibility of the respondents. Without the moral constraint, respondents were less worried about these debts.

Taken together, these findings following the grounded-theory approach show a mismatch in creditors’ derived assumptions about consumers’ situations and respondents’ lived realities. The path to action currently seems to be through putting pressure on consumers who want to pay but do not have enough money. Yet, contrary to the reaction debt collectors seek, the default consumer response to the situation of having problem debt and being subject to creditor pressure is to resort to inaction.

In addition, creditors' messaging tactics cause harm, as the grounded-theory approach has shown, to consumers' well being. This reduced well being is an externality not accounted for in the debt collection model and is a cost imposed on society at large through increased health care costs and lower productivity.

Creditors, in other words, seem to have a false assumption about consumers' disposition towards repaying debt. The real problem in today's consumer debt landscape does not seem to be unwillingness to repay debts. Rather, it is a structural problem, as the next research question will further illustrate.

The third research question of this thesis is "*What structural elements of the credit system contribute significantly to this non-repayment of debt?*" As the grounded-theory approach has illustrated, tight budgets and system debts appear critical factors here. These are factors that go beyond individual consumers' choice ability because they are part of the general credit system consumers have to navigate.

One element that substantially determines respondents' inaction is that they have to get by on structurally tight budgets. The survey confirms that inaction and tight budgets are significantly correlated. Living on a minimal budget, respondents found their disposable income too low for their credit commitments. If indeed creditors' assumption about consumers' disposition towards debt repayment is that it is not a matter of whether consumers have the money but rather that they do not want to pay, then tight budgets are at the heart of the mismatch between this assumption and respondents' narratives that illustrate the opposite. For the respondents, as much as they would like to pay their debts, they in fact do not have the money to do so. The

key to resolving inaction may well lie in bridging this difference in outlook on what lies behind it.

Besides the typical problem debts, such as rent arrears, utility debts, or credit card debts, this thesis identifies a new type of debt, “system debt,” that many respondents struggle with and which contributes considerably to their inaction in debt management. These system debts impose retrospective budget changes by either requiring consumers to repay income or through back billing that, in hindsight, imposes higher expenditure. A large part of these system debts arise due to inefficiencies in systems upon which respondents are reliant (e.g., retrospective changes in housing allowance or back-billed electricity usage).

This type of debt is different from the larger social/market context of the credit “system” of banks, mortgages etc. The essence of system debt as defined in this thesis is that consumers become indebted to the state (or public service deliverers more generally), on which they rely by necessity, not to typical providers of credit such as credit card companies or banks. Respondents have to navigate these systems because they are dependent on income support or because they need utilities. As a result, they are exposed to building up debts with these systems due to the system’s inefficiencies and irregularities. System debt is thus not a matter of choice. It is not a consequence of an expenditure for which debt had to be taken out that subsequently could not be repaid. Rather, it is a form of imposed debt, when consumers are reliant on systems that provide necessities. This discussion of whether an observed outcome is the result of deliberate consumer choice is at the heart of this thesis’ contributions.

RESULTS HYPOTHESIS TESTING

Besides the results following from the grounded-theory approach, the hypothesis testing further adds to the understanding of consumer's inaction in debt management. While not adding new concepts or responses to the research questions, the quantitative analysis provides an initial testing ground for their relevance outside the sample used for the grounded-theory approach. Where the results following the grounded-theory approach are derived from a relatively small qualitative sample of which the majority has sought debt advice and relies on benefits, the hypothesis testing draws from a survey administered to a much larger (N=2,162) and diverse sample of over-indebted individuals. The results of the hypothesis testing extend our understanding of the identified concepts in terms of prevalence across a wider population and statistical patterns between them.

Specifically, this thesis statistically explores a total of nine concepts following from the grounded-theory approach: tight budgets, problem debt, creditor pressure, inaction, action, reduced well being, information, creditor avoidance, and willingness to pay debt. A first observation that stands out is that many of the consumer responses to having problem debt as identified in the grounded-theory approach have high average scores in the survey data. For example, in relation to the two concepts identified under the first research question (creditor avoidance and willingness to repay debt), 53% of survey respondents with problem debt tend to agree or strongly agree that they sometimes do not open letters or answer phone calls because they fear that the notifications will tell them that they owe money. Similarly, the survey reveals a high average score for reported willingness to pay off debt as soon as possible: 92%

of survey respondents tends to agree or strongly agree that they would like to pay off their debts as soon as possible.

This suggests that these concepts hold value not just for the sample used for the grounded-theory approach, but for a broader population of indebted consumers that is not necessarily characterized by reaching out for debt advice or relying on benefits. Subsequent hypothesis testing further probes the strength of association between different concepts, as well as heterogeneity in terms of socio-demographic characteristics.

Returning to the example of creditor avoidance, based on the grounded-theory approach it is impossible to say what is more likely: for over-indebted consumers to avoid creditor messages or to continue to read them. Both behaviors are observed. The hypothesis testing reveals that for consumers who participated in the survey creditor avoidance is more likely when resorting to inaction. Similarly, the survey documents that the highest correlations (overall) occur between reduced well being and willingness to repay debt or tight budgets. This fits the pattern that putting pressure on consumers assumes that consumers do not want to pay, whereas they do want to but do not have enough money. Such an assumption not only negatively affects consumers' subjective well being, but also does not help to effectively reduce the amount of outstanding debt.

On the other hand, for the particular survey sample, socio-demographic characteristics are not significantly associated with inaction. This is a remarkable result and suggests that the main phenomenon under study in this thesis is common across gender, age,

income, and geographical location amongst others. This encourages the further testing of general patterns in inaction in debt management beyond the specific sample underlying the grounded-theory approach.

More generally, the hypothesis testing reveals a reversal of significant association depending on whether the identified concepts are associated with inaction or action in debt management. For example, tight budgets, problem debt and creditor avoidance (as measured in the survey for that specific sample) are significantly associated with inaction, but not with action. Likewise, willingness to pay debt, reduced subjective well being and solution oriented knowledge are significantly related to action. This suggests the grounded-theory analysis was indeed successful in identifying critical components to both inaction and action in debt management.

CONTRIBUTIONS

The contributions of this thesis speak to two different components identified in the literature review. Firstly, this thesis' findings complement existing exploratory work in CB research on consumer debt and consumer financial decision making, specifically by Hill (1994) and Peñaloza and Barnhart (2011), work that has provided a foundational basis for this thesis. Secondly, this thesis makes explicit the anomalies that are building up against the prevailing paradigm and offers a way of thinking that goes beyond the idea that the problem of consumer over-indebtedness predominantly is the result of individual cognitive failure.

One central pattern that stands out from this thesis' findings is consumers' helplessness. The sense of having no realistic way out of problem debt captures a

combination of inaction, wanting to pay debts but not having sufficient money to do so, the build up of system debt and reduced well being. While helplessness is not explicitly conceptualized in the empirical chapters, the notion combines the different elements identified in response to this thesis' research questions. It provides one central idea which can be used to show the contribution of this thesis vis-à-vis existing exploratory work in the CB space.

Hill (1994) focuses on the dyadic relationship between bill collectors and consumers. His primary caption used to summarize the consumer's side of debt collection is "harassment". He posits that the specific institutional context in which the dyad is embedded fosters a low-quality, high-conflict relationship. This thesis extends Hill's (1994) argument by adding a broader historical perspective to how this low-quality, high-conflict relationship between debtors and creditors has come into existence. Also, this thesis takes one step further, by showing how quantifying some of the concepts identified can add depth and nuance to the understanding of the relevance of the dynamics identified in the grounded-theory approach. It demonstrates that concepts and results following qualitative analysis *can* be quantified.

This thesis also identifies contentious relationships between bill collectors and consumers. Creditors hope to collect unpaid debt through creditor pressure. Consumers in turn, in an attempt to avoid this pressure, try to avoid creditors and resort to inaction. This thesis' broader historical perspective helps highlighting elements that have not previously been considered in the dyadic relationship between creditors and debtors. Most notably, besides consumers' experience of harassment and creditor pressure, this thesis identifies the critical role of consumers' inability to

pay while they would like to pay their bills. This dynamic of wanting to pay, but not being able to pay, while being under constant creditor pressure and not always being able to control the type of debts that build up (in the case of system debt) leads to a sense of hopelessness, or seeing no way out. This is a parallel, yet very different reaction to the feeling of being harassed and complements our understanding of why inaction occurs. Inaction is not just a way to cope with harassing creditor pressure, but it is rooted in something deeper and more structural such as the inability to pay. In other words, the dyadic relationship cannot be fully understood unless the systemic is taken into account.

Peñaloza and Barnhart (2011) study the systemic factors behind consumer debt and focus on the credit system as a market place. In their work they focus on the cultural and market forces that have contributed to the normalization of debt in the U.S., where carrying debt that is just about manageable has become the norm. It is something one should do to be an efficacious consumer (Peñaloza and Barnhart 2011, p. S124). This thesis' notion of helplessness among respondents when carrying high debt loads that have become unmanageable adds a different perspective to how consumers can perceive over-indebtedness.

Helplessness in response to problem debt is the opposite of normalizing the situation. While many of this thesis' respondents have become used to living with problem debt on a sustained basis, they do not normalize their situation. Quite the contrary; they respond with inaction, action and experience reduced well-being to having problem debt and being subject to continuous creditor pressure. These are signals that from a

normative perspective, consumers perceive that being in debt is morally wrong (i.e., not the norm).

This raises interesting questions in terms of what cultural factors and market forces are behind this alternative account of experiencing over-indebtedness. Also in the context of the cognitive paradigm the implicit underlying assumption is that consumers overspend too easily. However, the caption of helplessness suggests quite a different dynamic. Indeed, this thesis identifies two structural elements—tight budgets and system debt—that contribute to the sense of having no realistic way out of problem debt. Taking these factors into account when explaining consumer debt appears imperative.

More generally, what is important about this thesis' central caption of consumers' helplessness is that this helplessness is not a function of cognitive failure.

Respondents deliberately choose which bills they think can wait, and which ones cannot. But regardless of their choice, it cannot make their debt go away because there simply is too little money to meet all credit commitments. They run into normative contradictions when making such choices, but *not* in a naïve way. Rather, helplessness refers to being trapped in the dyadic and the systemic, which operate largely outside the realm of the individual. Having to rely on chronically low incomes, or being presented with harassing debt collection practices and retrospective budget changes that build up system debts is not something the individual consumer can change. Indeed, changing these dyadic and systemic pressures that contribute to inaction requires something bigger.

First and foremost, it requires a change in our way of thinking about consumer financial decision making. While Hill (1994) demonstrates the importance of the dyadic relationship and Peñaloza and Barnhart (2011) lay out the systemic forces behind debt, neither have engaged with the cognitive paradigm directly. This thesis, however, has taken the step to explicitly show how the anomalies are building up against the cognitive paradigm, firstly in the existing literature, and secondly in the type of elements that this thesis identifies as being central to inaction in debt management. It adds to the accretion of anomalies, bringing the field closer to considering a new set of commitments, or a new basis for the practice of science—or in other words, what Kuhn (1970) refers to as a scientific revolution.

The current set of commitments in the dominant cognitive paradigm relies heavily on the role of information and cognitive processing thereof in consumer financial decision making. What this thesis offers is the beginning of an alternative set of commitments to refer to, should the current paradigm topple and be in search for another way of seeing the world. Central to this set of alternative commitments is the idea that the individual, the dyadic, and the systemic are joint crucial dimensions to inaction in debt management but distant from a cognitive paradigm. The dominant cognitive paradigm would have been unable to single out the different elements of inaction identified in this thesis. To illustrate this, consider the following.

Firstly, creditor avoidance and willingness to repay are a set of individual factors that are different in nature from CB's typical focus on cognitive determinants of financial decision making. Neither of the two individual factors identified in this thesis is a pure function of cognitive or calculative ability. Instead, both have an element of

morality attached: the idea that one “ought” to repay debts means that, generally speaking, consumers want to repay their debts, but when one cannot, the natural inclination is to avoid the situation (bury the head in the sand) and stay with the status quo, which implies inaction. Notions of morality are inaccessible to the cognitive paradigm, which relies on the existence of a (financial) rational choice that everyone “ought” to follow by making smart choices. The future research section will further elaborate on this idea.

Secondly, a pure focus on consumers’ cognitive abilities would not have brought forward the striking contrast between assumptions underlying debt collection and consumers’ lived realities. The majority of consumers already want to pay their debts, so—contrary to the status quo—that is *not* the main issue to address. This thesis has clearly illustrated that, unless the difference between creditors’ and consumers’ understanding of what underlies inaction in debt management is bridged, there will be no way forward for a significant portion of consumers. Solely trying to “improve” consumers’ debt management decisions by making them cognitively smarter will do little to address the bigger picture of the vast sums of outstanding problem debt. For this, the entire system of debt and its collection will need to be addressed.

This leads to the third point, the structural elements of the credit system. The cognitive paradigm would have been unable to account for the elements of tight budgets and system debt, simply because they are outside the realm of individual considerations. These structural elements are conditions that are imposed on consumers and that constrain their choice set. In CB’s approach to consumer financial decision making, financial rational choices are generally assumed possible or

attainable. For example, when deciding which debt to repay, there is assumed to be money to repay debt in the first place. There is currently no conception in CB's cognitive paradigm of certain (rational) choices perhaps being unrealistic given consumers' circumstances. However, for consumers at the bottom end of the income distribution, where income is chronically low, being cognitively smart may not be enough to get out of and to stay out of debt.

Similarly, there is currently no notion in CB research of problem debt in certain situations *not* being an active choice (as opposed to being imposed). Yet, as illustrated in this thesis, many respondents were getting into debt due to system mistakes, not cognitive mistakes. Thus, in a case of system debt, such debt is not a function of impaired choice, but rather of having no realistic way to avoid the debt from arising. As a result of structurally imposed elements, debt may be a fact of life for some consumers.

In summary, the grounded-theory approach resulted in findings I would have remained blind to had I taken CB's prevailing approach to consumer financial decision making. The individual, the dyadic, and the systemic are joint crucial dimensions that are inherently different from the micro, subjective, experiential, and internal perspective that is native to psychology and economics, the foundational disciplines to CB's cognitive paradigm. That is not to say that cognitive capacity does not matter. As this thesis has emphasized multiple times, it *is* of consequence. Based on the evidence presented, however, this thesis posits that relying on the cognitive paradigm alone is not enough to resolve the inaction in debt management problem. The complexity and inter-relatedness of dimensions and actors, and the significance

of systematic forces, requires a comprehensive approach that goes beyond consumers' cognitive failure.

LIMITATIONS

This thesis' research is subject to a number of limitations, which have been discussed at length in Chapter 3 and also in Chapter 7. Without repeating in detail what has already been said in terms of limitations, it is useful to put the discussion of results and contributions of this thesis' findings offered above into perspective. Most notably, this chapter has thus far discussed this thesis' findings in general terms, referring at will to "consumers", even though the insights are drawn from specific consumer samples. Therefore, when interpreting this thesis' contributions, it is important to keep in mind the basis on which these conclusions are drawn. Generalization of results beyond the samples used is not possible on the basis of this thesis' methodology.

The main methodological limitations inherent to the grounded-theory approach span across the criteria typical for trustworthiness of qualitative research, namely, credibility, transferability, dependability and confirmability. Firstly, in terms of credibility, one important limitation of the qualitative work in this thesis is that all of the respondents recruited through the debt advice agency sought debt advice in the past and relied on benefits. The insights drawn from this sample about what is behind inaction in debt management are thus based on a group of individuals that eventually broke with this behavior and had relatively low income.

As a result, some of the individual and structural elements identified as lying behind consumers' non-repayment for debt, such as willingness to pay and tight budgets, may be specific to the sample. For example, perhaps those who reach out for debt advice are more willing to pay their debts. It is possible that others, who have never reached out for debt advice are less willing to pay their debts. Likewise, many respondents felt they were stuck in inaction because they simply had no money to repay the debts they owed. Other consumers, with relatively more spacious budgets, may have different motivations for inaction. In other words, the relevance of willingness to pay debt and tight budgets may thus well be limited to a specific group of consumers.

Secondly, in terms of transferability, as also discussed in the introduction, this thesis' data originates from a UK context, and is juxtaposed with a body of literature drawing predominantly from the US. Similar to the point made previously, the findings' broader claims are thus limited to these specific debt systems. Lastly, in terms of dependability and confirmability, the grounded-theory approach draws on a limited number of observations. In addition, I carried this research out all by myself (as opposed to having a co-author). The results of the grounded-theory analysis will have to be taken in this light.

The main methodological limitations to the survey analysis are the inability to identify causal inference, and the fact that the survey respondents could both have not paid at least some debts for 3 months (i.e., exhibited some form of inaction) and at the same time have sought debt advice in the past (i.e., resorted to action). For these

survey respondents, there was thus not a mere presence or absence of action or inaction, but rather, a gradation in these two respective behaviors.

In fact, across both samples and methods, this thesis observes a gradation in action and inaction respectively. This is made clear and transparent in the empirical chapters and the need for further research on action and inaction as a continuum of debt repayment is explicitly discussed (e.g, at the end of Chapter 7). The occurrence of this gradation, however, does not negate the findings of this thesis when it comes to understanding inaction in debt management. Rather, it illustrates the complexity of dealing with problem debt, and underlines the importance of research allowing for the emergence of such complexity.

In summary, while the very methods that I have chosen are limited, they allowed me to gain insights that would otherwise not have been available. For instance, a relatively small qualitative sample really is the only way to do grounded-theory analysis, and, similarly, the initial exploration of statistical patterns (not causality) was the only option given the survey data available. Together, the specific combination of methods enabled a unique approach to studying consumers' inaction in debt management. Drawing on this mixed-methods approach and using triangulation of results, this work has very much been a traditional monograph in which I have not just explored in detail and thoroughly documented a phenomenon, but have also positioned myself as a researcher in the field of CB. This monograph is a first exploration of inaction in debt management, resulting in pointers for a set of new theoretical commitments that can next be further explored in terms of generalizability and dependability.

DIRECTIONS FOR FUTURE RESEARCH IN CONSUMER BEHAVIOR

This thesis' findings offer new avenues for research more fully grounded in the actual setting in which consumers behave with regard to debt. These avenues provide a basis for a new set of commitments that could guide CB's cognitive paradigm and at the same time build towards a holistic solution to the inaction in debt management problem. In order to do so, the next studies need to look at:

- Avoidance as outcome behavior in relation to damaging messaging tactics;
- Determinants of willingness to repay debt;
- Subjective well being driving decisions, not just financial well being;
- Creditors' place in the market space, as well as their behavior and mindset;
- and
- Changes to the credit system consumers navigate.

The first two research streams could relatively easily be studied using the same methods typical for CB research, yet providing a different way of seeing the world by focusing on different dependent variables or mechanisms behind these outcomes. The third stream involves a broader definition of what defines deviant consumer behavior, whereas the fourth stream involves looking at the other side of the dyadic relationship in debt management—the creditor—in more detail. The last and fifth stream is a more radical approach to rethinking the consumer credit (and ultimately societal) system. In what follows, each of these avenues will be briefly discussed. The section will end with a reflection on the practical implications that arise from this thesis' findings.

Avoidance as outcome behavior. This thesis has shown that creditor pressure can backlash when signaling threats and is associated with creditor avoidance and both inaction and action. The question for future research is whether creditor pressure, through inciting an avoidance response, (causally) exacerbates inaction in debt management, and if so, which type of messages can mitigate an avoidance response.

Research on avoidance in CB has typically not been linked to communication strategies. With the exception of Duhachek et al. (2012), who study coping (of which avoidance is one strategy and action or approach another) and message framing, CB research has not explicitly linked coping mechanisms to (in)effective messaging. Moreover, CB research has predominantly focused on persuasive messaging, as opposed to messaging tactics that may be damaging. This of course makes intuitive sense because, in general, research is aimed at nudging consumers towards decisions that improve their welfare.

This focus on adaptive responses (i.e., the intention to change behavior) however ignores negative (unintended) consequences of message tactics, which may result in an incomplete understanding of messaging effects. CB research on fear appeals (e.g., in smoking cessation) has focused on effective persuasion and intention to change behavior (Andrews et al. 2014; Keller and Block 1996), but has ignored possible defensive responses, such as avoidance. Following this, future research that looks at the relationship between fearful messaging and coping responses (both adaptive and defensive) would extend current understanding. When applied to the specific context

of inaction in debt management, large societal gains would follow if such tactics were to alter this behavior.

Determinants of willingness to repay debt. The findings raise a range of questions about the concept of willingness to repay debt. For example, under which conditions is the willingness to pay debt affected by creditor pressure (and creditor-debtor interaction history more generally)? How does the willingness to pay debt vary by debt type? And, finally, how does the willingness to pay debt relate to inaction and action in debt management? The idea of willingness to repay debt, while new to CB research, transverses well with the notion of willingness to pay (WTP), one of the most popular dependent variables in CB's cognitive paradigm. Bringing in the notion of willingness to *repay* into CB research on consumer financial decision making will open up new avenues for researching mechanisms behind financial phenomena thus far unexplained (e.g., creditor avoidance).

Subjective well being. This third pathway requires a shift in thinking about what defines deviant consumer behavior. Recall that, in many situations, respondents' financial decisions were guided by overall well being, rather than by just financial well being. For example, some respondents hired an expensive debt management company to deal with problem debt just to buy peace of mind so as to not have to deal with creditors on a daily basis or to avoid creditors' letters, even though financially that may not have been their optimal choice.

CB research would typically document such decisions as deviant from the optimal decision (unless overall well being and financial well being align). In CB research on

consumer financial decision making, financial rationality prevails. In this line of thought, solutions should focus on helping consumers make the financially optimal choice, such as paying off larger debts with higher interest rates before smaller debts with lower interest by focusing attention on interest (Amar et al. 2011) or redirecting consumers' attention to help consumers predict their future financial circumstances more accurately (Berman et al. 2015).

But consumers do not look at the world through CB's cognitive paradigm. In their view, well being is broader than just financial considerations, and the non-financial dimension may in fact often prevail in determining consumer behavior. Certain decisions that are optimal financially may have negative (unintended) consequences on other aspects of well being, in particular subjective well being. To accurately explain observed behavior, we as CB researchers ought to place ourselves in consumers' shoes.

The point of this shift in thinking is not only that certain decisions should no longer be thought of as deviant. Rather, through this different view of the world, some of the blinders typical of Thomas Kuhn's "normal science" will be lifted. Solely focusing on (deviations from) optimal financial decisions risks overlooking factors that do not fit the paradigm. Approaching phenomena from the consumer-side up, like this thesis did, allows identifying aspects that were previously not part of CB vocabulary, such as creditor pressure and willingness to repay debt. Only with these additions will we be able to start to describe the complexities of life in debt.

Creditors. This stream of research and the subsequent one both fall under the umbrella of CB's market system dynamics research. Market places are co-constituted and shaped by multiple actors, not just the firm and the consumer (Giesler and Fischer 2017; Siebert and Giesler 2012). As illustrated in the literature review, the role of creditors in consumer credit markets, and in particular the possible unintended consequences of this market today, remains largely unconsidered in CB's cognitive paradigm. While this thesis has complemented the consumer's view with (documentary) accounts from creditors, the creditors' position was not based on primary data. Further exploring how creditors configure market dynamics in ways that maximize their returns, and how this impacts consumers and the economy as a whole, would be an exciting and important follow-up of this thesis' work.

Once these forces are understood in more detail, the insights about creditors' behavior and their mindsets can be brought into CB's cognitive paradigm. They can be used to model contexts (i.e. interventions) more fully grounded in actual settings in which consumers are required to make financial decisions as compared to the status quo. Ultimately, variation in these contexts will help us get closer to finding solutions to inaction in debt management that work.

System-level factors. This thesis identified three systemic factors, notably creditor pressure, tight budgets, and system debt, which offer an array of new research project possibilities. To start, for each of these factors, the dimensions (e.g., what does and does not qualify as system debt) and their interrelatedness in complex market systems can be further explored. Moreover, the factors are highly contextual (e.g., rules and regulations on debt collection vary by jurisdiction, and system debt is more likely

when a welfare state is present). Therefore, studying variations across countries and cultures will provide insightful comparisons that will together contribute to a fuller understanding of the dimensions and relative importance of each factor across different locations. Also, the prevalence and magnitude of system debt, for example, is important to map.

Continuing this system-level approach to the topic of inaction in debt management and consumers' financial decision making more generally, including the individual, the dyadic, and the systemic like this thesis has done, offers ways to extend thinking about practical solutions to social problems that go beyond cognitive failure. An initial sampling of what such solutions may look like in the specific case of inaction in debt management is provided in what follows.

Practical Implications. In terms of changing the status quo or starting to think about solutions to inaction in debt management, a few fundamental system changes are worth exploring in more detail. Firstly, related to creditor pressure, future research may look into whether different messaging tactics (e.g. moving away from the threatening sphere towards messages signaling empathy and collaboration) is effective in reducing inaction and the possible negative externalities of today's debt collection tactics. More empathetic creditor messages could signal a better understanding of the consumers' situation (viz., most likely not being able to pay, instead of not wanting to pay) and signal a willingness to accommodate the consumers' situation. Such messaging may allow for more empathetic market structures to arise and subsequently may reduce consumers' avoidance responses, and

ultimately reducing the inaction in debt management by either settling more debts or not letting debts continue to grow as inaction persists.

Different messaging tactics, however, still run into the problem that many consumers avoid their creditors' messages. Change in this domain may therefore happen slowly, allowing consumers to update their beliefs about debt collection tactics over time.

Even if such change happens slowly, that is not a reason to continue debt collection tactics as is because, as this thesis has shown, they can be very damaging.

Another concern would be that a different messaging style and any means of being more benign in debt collection would encourage "strategic default" (see also Guiso, Sapienza, and Zingales 2013), in which case consumers default on debt even if they can afford to pay, in this case because there no longer is a credible threat associated with not repaying debt. Indeed, this line of reasoning is at the basis of the existing of threatening communication tactics.

Recall that, if from the outset a creditor cannot identify whether a consumer can but does not want to, or simply cannot pay the debt, current collection practices by default assume the consumer can but does not want to pay in order to minimize moral hazard. As a consequence, creditors get it wrong at least some of the time and, as this thesis has illustrated, probably quite a lot of the time (recall that 92% of survey respondents tends to agree or strongly agree that they would like to pay off their debts as soon as possible). There is of course always a gap between intentions and actual behavior. Nevertheless, switching to a different default of more benign messaging may offer

ways into earlier and easier settlement of outstanding debts for a considerable number of consumers.

The rational argument would be that this earlier and easier settlement may hold true for the short term, transitioning from the current situation of threatening creditor pressure while not having enough money to repay into a more benign creditor-debtor relationship, but that, in the long run, once consumers learn they do not “have” to repay their debts, such benign messaging encourages moral hazard beyond control. If that is indeed the long-term consequence, it would be irrational from a creditor’s perspective to offer more benign messaging today even if it may reduce inaction and lead to more settlement of outstanding debt in the short run. Clearly, this argument has prevailed since the time consumer debt has become a problem, as it is has been the dominant way of collecting debt for centuries now. This line of reasoning, however, does not take the negative externality of today’s creditor pressure into account. It poses the conundrum of debt collection “at what price”.

In short, further exploring the merits and demerits from different messaging tactics over time is worth exploring. Yet, in the end, the findings of this thesis call for more than just further messages (albeit at a different tone). What is really needed is an overhaul of the consumer credit system that in its current form does not work for a significant portion of consumers and creditors. Such overhaul specifically involves depressurizing consumers’ tight budgets on the one hand and stopping the cycle that produces system debt on the other hand. These are ambitious and complex goals that warrant research agendas of their own. Below I will provide a flavor of what such research programs may entail.

In relation to depressurizing tight budgets, one option would be debt forgiveness. The respondent narratives in this thesis explicitly raised the question when the obligation to forgive surpasses the moral obligation to pay. Today, typically, debt forgiveness is an anomaly and the only way to get a clean slate in the UK is to apply for insolvency, the rates of which are relatively very low at 1.1% of UK consumers with problem debt (see Appendix 1 for details). An important reason behind this low frequency might be the general moral conviction that one ought to pay one's debts (Graeber 2011).

Debt forgiveness is indeed a contentious topic where the usual arguments of moral hazard prevail. In historical terms, however, it actually is not an aberration. The biblical Jubilee specified that all debts would be automatically forgiven in the "Sabbath year," which is every seventh year, when those held in debt bondage would also be freed. In addition, every 49 (or 50, in some readings) years, all family land was to be returned to its owners, and slaves were to be set free (Graeber 2011, pp. 82, 403). While imprisonment of debtors has disappeared, the notion of debt forgiveness seems to be in need of being reinstated in our thinking about debt. Given the levels unpaid debt has risen to, we can no longer ignore the social and moral questions it raises.

From an economic perspective, on the one hand, debt forgiveness implies foregone income for those who extended the debt, for example banks, utility companies, (social) housing associations and municipalities (in the case of council tax). There is thus an economic cost involved on the part of the creditor to offload debt. On the

other hand, household debt forgiveness has been associated with lower consumer debt delinquencies (on other loans) and higher durable spending following debt forgiveness (Agarwal et al. 2017). In addition, this thesis' findings suggest that debt forgiveness would improve consumers' economic well-being and associated productivity. Whether these two effects offset each other, and which cost society is willing to bear, raises economic questions, but also moral questions.

A simpler, less contentious starting point to depressurize tight budgets may be to freeze debts or to have less punitive escalation and debt collection fees when debt goes unpaid. Creditors often offer such options, but those options are conditioned on the consumer getting in touch with the creditor. Future research could explore how to change default debt collection escalation policies and the macro consequences of such action.

Research could also look into how an increase in disposable income (irrespective of the source) impacts debt management decisions. For example, do some consumers, regardless of their income always get into problem debt (and if so why)? Or is it indeed the case that, as this thesis has argued, for many consumers disposable income has simply become too low to make ends meet? This research pathway links closely with the present-day discussion on the increasing inequality in most developed countries and the accompanying pressure on household income. How to turn that tendency around? Ultimately, indebtedness caused by chronically low incomes will not be resolved unless those incomes are sufficient to make (basic) ends meet.

In relation to system debt, there are two (related) options to break the cycle: resolve system inefficiencies or restructure those systems (and the social contract more broadly) so that consumers are no longer reliant on systems that impose debt. The recently popular notion of “basic income” would resolve both these issues at once: it is an unconditional, automatic, and guaranteed income (Torry 2013). By means of these properties, retrospective changes to income or expenditures and the subsequent system debt arising from that (related to the welfare system) would be reminiscences of the past. Yet, while tests are being done with basic income around the world, it is unlikely this option will receive the required political leverage in the near future. Alternatives are thus needed to start to address the cycle of system debt.

A first step towards resolving system inefficiencies specific to the UK welfare system is in fact already being put into place. The UK is making radical changes to its welfare provision through the introduction of a “Universal Credit,” which is currently being rolled out in stages across the UK (none of the respondents were on it yet). This Universal Credit replaces six benefits and tax credits and importantly, does not impose limits on how many hours a week someone can work while claiming the credit. Rather, the universal credit will gradually be reduced as someone earns more (Money Advice Service 2017b). In theory, the Universal Credit promises to address many of the system debt issues this thesis’ respondents faced. As it is still in its infancy, it will remain to be seen to what extent this alternative welfare system reduces inefficiencies and, with that, helps to prevent problem debt. Measuring and capturing whether this is indeed the case are important future research avenues.

At the same time, a Universal Credit does not negate the dependency on welfare. Indeed, being reliant on welfare systems is highly correlated with tight budgets or limited income. Resolving the tight budgets factor (as discussed previously) should, in part, resolve the cycle of system debt.

CONCLUDING THOUGHTS

Over the course of this research project, the problem of consumer over-indebtedness has continued to gain importance. Shortly before submitting this thesis, the chief executive of the UK's Financial Conduct Authority (FCA) publicly aired his concerns about consumers' increasing difficulties to keep up with priority bills, such as council tax and utility bills, the arrears of which often go in parallel with harsh recollection policies. He too stressed the current lack of a fitting solution to the increasing unsustainability of the consumer credit system, and emphasized that only a concerted effort of multiple bodies can start to address it (Inman and Treanor 2017).

Just like this thesis, the FCA chief executive's words encapsulate the micro (falling behind on bills), the dyadic (debt collection tactics), and the systemic (tight budgets and an unsustainable consumer credit system) in describing the consumer debt challenge. His words too illustrate the importance of the solution involving the market's structural elements; at this stage, the problems have risen beyond the individual consumer's ability to redirect the credit system's course. Consumers' choices are confined by the economy of which they are a part, and the economy itself is faltering.

The actors involved in this economy of debt have difficult choices to make. Many consumers have to over-leverage themselves in order to smooth consumption and make ends meet in a time when income is becoming more erratic (Inman and Treanor 2017). This is not without risk, however. It forms the root cause of much of the inaction observed in this thesis. Moreover, while this thesis has mostly focused on consumers at the very low end of the income distribution being dependent on income support, this is not the only group struggling with financial difficulties. Many developed economies are recording an increasing number of fragile consumers, who do not have a financial buffer large enough to protect them from getting into debt (Lusardi, Schneider, and Tufano 2011). Thus, the questions raised in this thesis may apply to an increasing number of consumers who find themselves on the brink of problem debt.

This thesis has cast consumer debt management in a completely different light in comparison to CB's cognitive paradigm. The immense amount of consumer debt that currently goes unpaid poses an unavoidable problem to society as well as to individual consumers who have to live with such problem debt on a continuous basis. Continuing to work under the limits of CB's cognitive paradigm that is caught up in "normal science" is blocking progress to explaining and finding solutions to this major social problem.

What is needed is research that is closely connected to consumers' realities and is not eschewing moral questions. Debt collection at what cost?, and When does the obligation to forgive surpass the moral obligation to pay? are questions that can no longer be ignored when considering this thesis' findings. Finding the answers to these

questions demand a shift in CB thinking that goes beyond consumers' cognitive failure.

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11. APPENDIX 1

Table 10. Consumer Debt in the US based on Q1 2013

<i>US Economy, Q1 2013, Source: Federal Reserve Bank of New York (2013)</i>	
Outstanding debt	\$ 11.23 trillion
Delinquent debt	\$ 909 billion (8.1% of outstanding debt)
Of which:	
Early delinquency (30-60 days)	\$ 231 billion (25% of delinquent debt)
Seriously delinquent (90 days or more)	\$ 678 billion (75% of delinquent debt)
<i>US Third Party Debt Collection, 2013, Source: Ernst & Young (2014)</i>	
Debt collection holdings	\$ 756 billion (6.7% of outstanding debt, 83% of delinquent debt)
Recollected debt	\$ 55.2 billion (7.3% of debt collection holdings)
Of which fees and commissions	\$ 10.4 billion (18.8% of recollected debt)
Resolution of consumer accounts	
Resolved with payment	11.2%
Closed for reasons of valid disputes, wrong person, consumer refuses to pay	27%
<i>Bankruptcy (Based on Chapter 7 and 13 of the bankruptcy code), 2013, Source: United States Courts (2013)</i>	
Proportion of adults	< 0.4%
Proportion of over-indebted consumers	Not available

Table 11. Consumer Debt in the UK, 2016

<i>UK Economy, October 2016 and Q3 2016, Sources: Monetary and Financial Statistics Bank of England (2016a) and Credit Conditions Survey Bank of England (2016b)</i>	
Outstanding debt (October 2016)	£ 1508 billion, excluding student loans
Delinquent debt (Q3 2016)	No details available on total stock
Change in default rate on secured loans to households, compared to past three months	Reduction of 15% (this is part of a falling trend)
Change in default rate on unsecured loans to households, compared to past three months	Increase of 12.4% (with 7.7% on credit card loans and 32.3% on other unsecured loans)
<i>UK Third Party Debt Collection, 2015, Source: Credit Services Association (2016)</i>	
Debt collection holdings	£ 60 billion (4% of outstanding debt, excluding student loans)
Recollected debt (annually)	£ 3 billion (5% of debt collection holdings)
Of which fees and commissions	Not available

Resolution of consumer accounts	Not available
Resolved with payment	Not available
Closed for reasons of valid disputes, wrong person, consumer refuses to pay	Not available
<i>Individual Insolvencies in England and Wales¹, Sources: Office for National Statistics (2016) and Kinloch et al. (2016)</i>	
Proportion of adults	< 0.2%
Proportion of over-indebted consumers	1.1%

The figures in these two tables illustrate the extent of the repayment gap in delinquent debt. Based on the figures in **Table 10**, it can be concluded that less than 10 % of delinquent debt in the US is settled through either negotiation with third party debt collectors (7.3%), or bankruptcy (0.4%). Figures in the UK show a similar trend: table 3 illustrates that 5% of third party debt collectors holdings is recollected each year, and an additional 1.1% of over-indebted consumers settles debt through individual insolvency measures.

There are a few indicators missing in order to provide an estimation of the total % of delinquent debt that get settled each year, on average. Most importantly, there are no figures available on delinquent debt that gets settled with primary creditors.

Furthermore, third party debt collections are a stock variable, whereas bankruptcy settlements refer to accounts that get settled fully. Bankruptcy data does not indicate how much delinquent debt gets settled. Given the relatively low percentage of bankruptcy, and the fact that debt accounts on average are small (e.g. \$752 for US

¹ When in debt in the UK (with the exception of Scotland which has slightly different but comparable insolvency solutions), consumers have three options that can help write off (some) of their debts: bankruptcy, and individual voluntary arrangement (IVA, allows to make reduced payments over 5 or 6 years after which the remaining debt is written off), or a debt relief order (DRO, can write off relatively low debts for consumers with limited disposable income and assets). The figures presented in this table refer to individual insolvencies in England and Wales, which together represent 89% of the UK population in 2012.

third party debt collection accounts, no equivalent information available for the UK), these bankruptcies do not close the repayment gap.

12. APPENDIX 2

The literature search consisted of three stages. In what follows, each of these three stages are discussed.

STAGE 1: JOURNAL SELECTION

In order to identify the relevant papers and themes for review in CB research, the first step is to identify journals appropriate for the search. To this end, I selected journals that publish CB research that are considered to be of the highest quality. This resulted in a list of four journals, *The Journal of Consumer Research* (JCR), *The Journal of Consumer Psychology* (JCP), *The Journal of Marketing Research* (JMR) and *The Journal of Public Policy & Marketing* (JPPM). The first four journals have a rating of four stars, the highest achievable quality grade in the Academic Journal Guide 2015, published by the Chartered Association of Business Schools (ABS) (2015). JPPM has 3 stars and complements the theoretical and empirical focus of JCP, JCR, and JMR with a policy perspective on consumer financial decision making.

STAGE 2: SYSTEMIC KEY WORD SEARCH

I next conducted a systematic multiple keyword search in the four selected journals (JCP, JCR, JMR and JPPM) using the EBSCOhost Business Source Complete database. Search terms used were “financial decision making”, “consumer finance”, “debt” and “credit”. I also used “borrowing” but that resulted in zero search results.

Papers were included if these search terms appear in a paper's title, subject terms, abstract or author supplied key words.

Note that from the outset these search terms result in a partial overview of the consumer financial decision making literature, purposefully focusing on the financial behavior that is relevant to this thesis, namely decisions about borrowing and repaying. This is one out of four themes that Lynch (2011) identifies as core financial decisions, in addition to saving and investing, purchasing of complex financial products and, spending patterns and resource allocation of small items and big-ticket expenses. Articles on the other themes were also identified by the literature search strategy, but likely resulted in a non-exhaustive list on these respective themes.

Not all authors investigating one of the four themes that make up the core of financial decisions explicitly label their papers with a general term such as financial decision making. Rather, they may supply more narrowly defined key words such as debt and goal pursuit (e.g. Gal and McShane 2012), or savings and mental accounting (e.g. Sussman and O'Brien 2015). The general search terms "financial decision making" and "consumer finance" thus do not identify such papers, and therefore have to be complemented with more specific search terms in order to make the literature search more comprehensive. Since within the set of core financial decisions, the body of literature relevant for this thesis is the research on borrowing and repaying (the latter in particular), the additional key word search focuses on papers that study debt and credit decisions. The key word search does thus not result in a comprehensive overview of literature on paying for goods and services, saving/investing and risk management (though such papers may be included under the general search terms

“financial decision making” and “consumer finance”). This is, however, not an issue since the main aim of this literature review is to identify broad patterns in scientific inquiry of the consumer research community. The same pattern of ‘normal science’ would have very likely emerged had the literature review focused on an exhaustive review of saving and investment, rather than borrowing and repaying.

Table 12 summarizes the results of this key word search.

Search Term	Publication	Exclusion criteria	Results
Financial Decision Making	JCP	Excluded when referring to macro- (markets/corporates) perspective, pre-1985.	4 total, 2 relevant
	JCR		6 total, 5 relevant
	JMR		24 total, 20 relevant
	JPPM		4 total, 3 relevant
<i>Total relevant</i>			<i>30 (out of 38)</i>
Consumer Finance	JCP	Excluded when referring to macro- (markets/corporates) perspective, or when referring to macro finance concepts (e.g. volatility, spread, stocks), pre-1985.	0
	JCR		17 total, 12 relevant
	JMR		33 total, 20 relevant
	JPPM		5 total, 3 relevant
<i>Total relevant</i>			<i>35 (out of 55)</i>
Debt	JCP	Excluded “debt-to-equity ratio”, pre-1985.	5 total, 3 relevant
	JCR		8 total, 7 relevant
	JMR		14 total, 9 relevant
	JPPM		8 total, all relevant
<i>Total relevant</i>			<i>27 (out of 35)</i>
Credit	JCP	Excluded “credit” when used as non-financial (e.g. self-credit, course credit or personal credit, reference to	5 total, 3 relevant
	JCR		25 total, 12 relevant
	JMR		23 total, 9

		survey), or referring to macro-level / bond market, pre-1985.	relevant
	JPPM		18 total, 10 relevant
<i>Total relevant</i>			<i>34 (out of 71)</i>

Table 12. Overview Results Systematic Key Word Search

Results were examined for relevance using exclusion criteria described in Table 12. A total of 199 papers resulted from the search terms. Some of the papers resulting from the search terms overlap, however (for example, the paper by Lynch (2011) was picked up by all four search terms). After the exclusion of duplicates, the search resulted in 151 unique papers, of which 78 are deemed relevant for the purpose of this thesis and representative for the body of work on debt management in CB research.

STAGE 3: CLASSIFICATION OF SELECTED PAPERS

At this stage, the exclusion criteria are more qualitative. I classified the 78 identified papers on the basis of the main theories drawn from, and their respective disciplinary root. This resulted in the identification of the three broad theoretical frameworks on which the literature review is based. Below follows a list of papers within each theoretical framework, in addition to the remaining 44 papers that did not fall within these three frameworks.

Informational Determinants – Information Disclosure

- (Hershfield and Roese 2015)
- (Navarro-Martinez et al. 2011)
- (Salisbury 2014)
- (Soll, Keeney, and Larrick 2013)

Informational Determinants – Financial Knowledge

(Duclos 2015)
(Monga and Bagchi 2013)
(Raghubir and Das 2010)
(Bolton, Bloom, and Cohen 2011)
(Hadar, Sood, and Fox 2013)
(Mckenzie and Liersch 2011)
(Lee and Hogarth 1999)
(Frank 2011)

Mental Accounting

(Stilley, Inman, and Wakefield 2010)
(Sussman and Alter 2012)
(Gourville and Soman 1998)
(Berman et al. 2015)
(Soman 2001)
(Zhou and Tuan Pham 2004)
(Shah et al. 2016)
(Thomas, Desai, and Seenivasan 2011)
(Rick et al., 2011)
(Bagchi and Block 2011)
(Besharat, Varki, and Craig 2015)

Goal Setting and Achievement

(Garbinsky, Klesse, and Aaker 2014)
(Amar et al. 2011)
(Gal and McShane 2012)
(Soman and Zhao 2011)
(Ülkümen and Cheema 2011)
(Wilcox, Block, and Eisenstein 2011)
(Brown and Lahey 2015)
(Grant and Xie 2007)
(He, Inman, and Mittal 2008)
(Hershfield et al. 2011)
(Besharat, Carrillat, and Ladik 2014)

Other papers, building on different theories

(Berntthal, Crockett, and Rose 2005)
(Palmer, Pinto, and Parente 2001)
(Xiao et al. 2011)
(Galak, Small, and Stephen 2011)
(Henry, Garbarino, and Voola 2013)
(Okada and Hoch 2004)

(Spiller 2011)
(Lynch et al. 2010)
(Herzenstein, Sonenshein, and Dholakia 2011)
(Chancellor and Lyubomirsky 2011)
(Ridgway, Kukar-Kinney, and Monroe 2008)
(Nenkov, Inman, and Hulland 2008)
(O'Guinn and Faber 1989)
(Zemack-Rugar, Corus, and Brinberg 2012),
(Haws, Davis, and Dholakia 2016)
(Richins 2011)
(Montoya and Scott 2013)
(Wilcox and Stephen 2014)
(Zhu et al. 2012)
(Fischer 2013)
(Peñaloza and Barnhart 2011)
(Hill 1994)
(Lynch 2011)
(Srivastava and Raghurir 2002)
(Salisbury and Nenkov 2016)
(Goldstein, Johnson, and Sharpe 2008)
(Morrin et al. 2008)
(Nenkov et al. 2009)
(Shu, Zeithammer, and Payne 2016)
(Disatnik and Steinhart 2014)
(Chernev 2006)
(Dholakia et al. 2016)
(Duclos, Echo Wen Wan, and Yuwei Jiang 2014)
(Bolton, Cohen, and Bloom 2006)
(Lee and Andrade 2011)
(Lee et al. 2008)
(Andrade and Iyer 2009)
(Haws and Poynor 2008)
(Chatterjee and Rose 2012)
(Feinberg 1986)
(Sussman and Olivola 2011)
(Gaurav, Cole, and Tobacman 2011)
(Levav and McGraw 2009)
(Urminsky and Kivetz 2011)

13. APPENDIX 3

Examples of verbatim text that underlies open coding in video-ethnographies:

Better times

Respondent: The company I work for, is Sky. So we get all like, we don't have broadband bills anymore. We don't have, I don't pay for the TV packages anymore, and, well we do, we get a free land line but we just pay for any calls that we make, but we don't make any. So that's been a massive saving. It's huge. So I might get less money in the bank each month, but... a big lump of the bills have gone. From what people like have said it's probably about a saving of about a 100£. When it all adds up, each month.

Juggling expenses

Respondent: I just worry that when things like Christmas approach, birthdays... doesn't matter what it is, can I afford it? Like my sister's birthday, you know, it was awful, and then my daughter's came after. And I thought, how am I gonna juggle this? It's really difficult. Yeah, it was really hard.

Angry

Respondent: I've had a financial advisor before, and... I was like 'yeah yeah', and he was asking about telly, and shopping and... all this stuff, and he was like well, you

could save a lot of money, like get rid of Sky, and I am like, I just put to phone down.
'You're talking nonsense.' [offended, angry]

Not thinking about money

Respondent, about filling out a financial diary: Because, and I suppose it is because I don't really know how much I spend on different things. I know the direct debits that go out, I don't know. I suppose it's because I don't really want to see it written down on paper... I don't know, it's depressing, I don't know if I looked forward to doing it I think I would have done it. I don't know, I just didn't give it a second thought.
Because I suppose there is not really no money to spread out. It's going, and I've got no say over where it goes.

Saying no to children

Respondent: The older one has not been behaving very well at all. Really anti-social like going into the bedroom, and just don't wanna mingle, go anywhere and.. they're all.. because I've had to pull back on money in situations, I feel sorry for them a lot, because it is affecting them, it is effecting them, and ehm, there's things that they'd like and they can't have. We haven't had a holiday, again this year. It's not nice. Even a day-trip, you know like, it can end up being a 100-150£. Money gives you options, isn't it.

Lottery

Respondent: When someone would win the lottery... Or someone that runs a really like a successful business. Yeah I think if... yeah that is comfort, isn't it? Because you not got to worry. I'm not saying it's alright, you might not have a perfect life. But... it's about being able to have that choice of, yeah you know what I think I want to book a holiday. So book it, and not have that worry about paying for it.

Creditor calls

Respondent, while the phone is ringing: You know, that is for PPI [Payment Protection Insurance]. Insurance, right? This number rings me about 8 times a day? I spoke to them a few times, they sent me out a pack about that thick [indicates 5cm] and I had to sign it. They were like don't worry about reading it, just sign it, I'm like, no way. I'm not signing nothing. Not until I've read it. But I don't have the time to read their essays and essays worth of... information. I mean on one of them it's got my date of birth as the 12th December 2012. I mean that makes me not even old enough to have a card, let alone an insurance on it! You know what I mean?" "I did look into it, I was being harassed. I'm like okay, is it gonna be easy, because I don't want the stress of it. And they were like well yeah, you just got to sign this and send it back and we'll get 28% of whatever you're given. I'm like 'well that sounds a bit much!'

Bills/letters

Respondent, while sorting through mail that has just arrived: Hmmm.. Post. I don't like brown envelopes. Bills. Not gonna open them. I leave them for a week

sometimes. I've got a lot of bills that I need to sort out, to be fair. But... I don't... just don't go in it.

Examples of verbatim text that underlies open coding in interview data:

Avoidance strategies

Me: And settling the payment plan for the rent arrears. Is that something that you contacted them about yourself or did they reach out to you?

Respondent: No, I left that as well. I just left it and left and left it, and they contacted me and they said, 'Look, you know... You have to start paying off some of this, some of this debt.' Um, they said, you know, 'It's not...' They didn't say you need to [...]. It wasn't where it's getting to the point of I'm going to need to... you know. They just said, 'Look, we're here to help. If you—can you pay this amount?' and I said, 'Yeah, that's fine.' And they said, 'Right. Then that's what we'll do.' So that was a big stress off my head.

Creditor pressure

Me: And how did you decide to then go to a debt management company? What was the reason for that?

Respondent: Because I knew that I wouldn't be able to pay it off and I kept getting these letters. I kept getting the letters to pay and then money laund-; the, the, the money shop, they would literally call me, literally every day.

Me: Everyday?

Respondent: Everyday they call you.

Me: Once a day or more times a day?

Respondent: Probably once a day until they like, they get hold of you and because you have to put like a next of kin they started calling my sister.

Creditor-debtor relationship

Respondent, about his rent arrears: So I did explain to my housing officer, but the very bottom line with them is of course, it's procedural. So at a certain point, I think it's after two—if- if you're in arrears of over two months, they immediately apply for, um, uh, a court order to repossess your home. Now I have a housing association. I think this is important because I mean I think this is the- the route that people end up becoming destitute on. You see? So my point being is this – I then contacted them [the housing association], and luckily for me, I was in a position to... Uh, this- this decision came on the 23rd of September, ok? And I'd spoken to the guys and I said, 'Look. On the- by the 23rd, I'm going to get a- a decision from- from the appeals committee. And hopefully, they'll just backdate my pay, and we'll be good,' because by this point, I was in about just under £2,000 worth of arrears [...a]nd they were like, 'Ok. Well, we'll wait, we'll wait.' But in the same—in the same breadth, I was still also... looking to- to borrow money from friends and unfortunately family are not in a position to support me. So I contacted a friend. Luckily for me, somebody was able to lend me, uh—give me, uh, an open-ended loan basically, so they're like, 'How much do you need?' They could only give me... £700, so I managed to pay... A chunk of this—o- of the housing associa—so they- they stopped me going into court for now.

Debt cycle

Respondent: And I was in some situation where I was like—like £3,000 electric bill, no rent paid, no food in the cupboard, not signing on, been sanctioned. Um, do you know like, no gas, no electric. Selling my furniture to pay for electric and gas so that—my flat, my flat was fully furnished. Now, it's an empty flat. I got to sell everything to pay for—to keep—do you know what I mean?

Rumination

Respondent: It's on my brain 24/7.

Me: And what are the type of thoughts that you have?

Respondent: 'When's the next money coming in? And what am I going to do with it? You know, the kids need this, the kids need that. And I want to get this for the home and I want to get that, and I know I've got bills to pay, and I've got a birthday coming up or Christmas is coming up.' It's just constantly a survival.

Reasons for debt

Respondent: So it was March, April, and May, three months that caused this big debt problem for me. If we're going to trace back where this debt began, it's- it's because of this non-payment in that three months. And it's because I wa- I wasn't in a position to have any other funds or any other support in that- in place. I thought, you know, what I earn is what I spend. I don't—I'm not in a position to save, and that's something I probably need to learn from, you know.

14. APPENDIX 4

Constructing a Latent Factor for Reduced Subjective Well Being

The data has six variables that measure reduced subjective well being in relation to debt, appearing in two clusters of questions. They are all measured on a 5-item Likert scale (1=strongly disagree, 5= strongly agree). The statements measuring reduced subjective well being are as follows:

Please indicate whether you strongly disagree, tend to disagree, neither agree nor disagree, tend to agree, or strongly agree with each statement or if it was not applicable to you.

...My debt makes me unhappy

...Being in debt does not worry me

...I often feel anxious or stressed because of my debt

...Being in debt has negatively affected my family life

And,

The following statements are things other people have said about their finances.

...I would be too embarrassed to discuss my financial situation

...Sometimes I feel like I'm drowning in debt

Table 13 presents summary statistics and **Table 14** reports the correlation matrix between these different items. The correlation matrix reveals that unhappiness, anxiety or stress, feelings of drowning in debt, negative effects on family and in some instances being worried about debt, are relatively highly correlated ($>.40$). This raises the question whether these variables have similar patterns of responses because they are associated with a latent variable—reduced subjective well being, a complex concept to measure directly.

Table 13. Summary Statistics Reduced Subjective Well Being

	Mean	SD	Mdn	Min	Max	N
My debt makes me unhappy	4.21	0.88	4	1	5	2,162
Being in debt does not worry me	1.76	1.07	1	1	5	2,162
I often feel anxious or stressed because of my debt	4.09	0.92	4	1	5	2,162
Being in debt has negatively affected my family life	3.78	1.03	4	1	5	2,162
I would be too embarrassed to discuss my financial situation	3.05	1.28	3	1	5	2,162
Sometimes I feel like I'm drowning in debt	3.63	1.12	4	1	5	2,162

Table 14. Spearman Correlations Reduced Subjective Well Being (N=2,162)

	Unhappy	Not worry	Anxious/ stressed	Family life	Embarrassed	Drowning in debt
Unhappy	1.00					
Not Worry	-0.45	1.00				
Anxious/ stressed	0.63	-0.42	1.00			
Family life	0.53	-0.31	0.51	1.00		
Embarrassed	0.22	-0.08	0.25	0.22	1.00	
Drowning in debt	0.46	-0.29	0.52	0.48	0.29	1.00

To test whether this is the case I next use these six variables to perform an exploratory factor analysis (EFA). **Table 15** reports the result of this EFA. Factor 1 exhibits high factor loadings ($>.6$) on unhappiness, anxiety, feelings of drowning in debt and negative impact on family life, but weaker factor loadings on the other two variables, not worried about debt and being embarrassed about debt. Moreover, the results suggest that there is no second unobservable factor that any of these six variables significantly load onto; factor 2 exhibits low factor loadings on all six variables. The high factor loadings of factor 1 on the four variables indeed suggest the existence of a latent factor, which I label 'Reduced Subjective Well Being'. The kmo-measure of the EFA presented in **Table 16** is 0.7763, which implies that the correlations between the variables are appropriate for factor analysis.

From a theoretical perspective, it is plausible that embarrassment is of a different nature, compared to feelings of unhappiness, anxiety, or drowning in debt, and therefore does not have a high factor loading onto factor 1 presented in **Table 15**. Embarrassment is a self-conscious emotion with an external orientation (Walker 2014), whereas the five other emotions arguably are more internally oriented. The poor factor loading of factor 1 (**Table 15**) onto being worried about debt could be explained by the nature of its measurement: in contrast to the other variables, this question was phrased as a negative clause ("*...Being in debt does not worry me*"), which potentially led to a poor understanding of the response scale (strongly agree to strongly disagree).

In this thesis' analysis I focus on the four variables for which factor 1 exhibits high factor loadings. Since the latent factor analysis is based on Likert scores I use a

simple factor that is the sum of these four subjective evaluations, with the constant rescaled to zero. Only individuals reporting a valid response on all four variables are taken into account. The scale reliability coefficient (Cronbach-alpha) for this 4-item scale is 0.7875, which suggests that a valid scale can be computed.

Table 15. Exploratory Factor Analysis Reduced Subjective Well Being 1

Variable	Factor 1	Factor 2	Uniqueness
My debt makes me unhappy	0.7233	-0.1095	0.4648
Being in debt does not worry me	-0.3627	0.2525	0.8047
I often feel anxious or stressed because of my debt	0.7377	-0.0456	0.4537
Being in debt has negatively affected my family life	0.6465	0.0535	0.5791
I would be too embarrassed to discuss my financial situation	0.339	0.2423	0.8298
Sometimes I feel like I'm drowning in debt	0.6329	0.1405	0.5797

Table 16. Exploratory Factor Analysis Reduced Subjective Well Being 2

Variable	Factor 1	Uniqueness
My debt makes me unhappy	0.7118	0.4933
I often feel anxious or stressed because of my debt	0.7294	0.468
Being in debt has negatively affected my family life	0.6579	0.5671
Sometimes I feel like I'm drowning in debt	0.6224	0.6126

Constructing a Latent Factor for Solution Oriented Information

The data has four binary variables (I need help with this =0, I know how to do this already=1) that measure the perceived extent to which respondents master solution oriented information:

The following list includes a number of different things that could help people resolve their financial situation.

- ...Acquiring the skills and confidence to deal with creditors
- ...Being aware of your legal rights and obligations
- ...Being aware of the different debt solutions available to you
- ...Information on what benefits and credits you are entitled to

Table 17 presents summary statistics and **Table 18** reports the correlation matrix between these different items. The correlation matrix reveals that all four variables are relatively highly correlated (>.40). Testing whether these variables have similar patterns of responses because they are associated with a latent variable—solution oriented information—suggests this is indeed the case.

Table 17. Summary Statistics Solution Oriented Information

	Mean	SD	Mdn	Min	Max	N
Acquiring the skills and confidence to deal with creditors	0.41	0.49	0	0	1	2,162
Being aware of your legal rights and obligations	0.33	0.47	0	0	1	2,162
Being aware of the different debt solutions available to you	0.39	0.49	0	0	1	2,162
Information on what benefits and credits you are entitled to	0.37	0.48	0	0	1	2,162

Table 18. Spearman Correlations Solution Oriented Information (N=2,162)

	Skills & Confidence	Legal Rights & Obligations	Debt Solutions	Benefits & Credits
Acquiring the skills and confidence to deal with creditors	1.00			
Being aware of your legal rights and obligations	0.56	1.00		
Being aware of the different debt solutions available to you	0.56	0.57	1.00	
Information on what benefits and credits you are entitled to	0.46	0.55	0.55	1.00

credits you are entitled to

The EFA reveals high factor loadings (>.6) on all four variables. Moreover, the results suggest that there is no second unobservable factor that any of these four variables significantly load onto (see **Table 19**). The high factor loadings of factor 1 on the four variables indeed suggest the existence of a latent variable, which I label ‘Solution Oriented Information’. The kmo-measure of the EFA presented in **Table 19** is 0.8043, which implies that the correlations between the variables are appropriate for factor analysis.

Table 19. Exploratory Factor Analysis Solution Oriented Information

Variable	Factor 1	Uniqueness
Acquiring the skills and confidence to deal with creditors	0.6973	0.5138
Being aware of your legal rights and obligations	0.7435	0.4471
Being aware of the different debt solutions available to you	0.7435	0.4472
Information on what benefits and credits you are entitled to	0.684	0.5322

Similar to the Reduced Subjective Well Being factor, I use a simple factor that is the sum of the four binary statements. Only individuals reporting a valid response on all four variables are taken into account. The scale reliability coefficient (Cronbach-alpha) for this 4-item scale is 0.8254, which suggests that a valid scale can be computed.

15. APPENDIX 5

Table 20. Associations with Inaction and Action - Full model

	Oddsratios	
	INACTION	ACTION
Tight Budget	1.185***	1.023
Problem Debt	6.070***	1.103
Creditor Pressure	2.511***	1.894***
Creditor Avoidance	1.122**	1.072
Willingness to Pay Debt	1.055	.834**
Reduced Subjective Well-Being	1.032	1.138***
Information (Solution Oriented)	1.001	1.203***
<i>Socio-Demographic Control Factors</i>		
Gender		
Female	.883	.975
Male	Base case	
Income (£)		
0 - 14,999	Base case	
15,000 - 19,999	.888	1.139
20,000 - 29,999	.896	1.177
30,000 - 39,999	.936	1.228
40,000 - 49,999	1.152	1.396
50,000 - 59,999	1.275	1.241
60,000 - 69,999	1.032	.727
70,000 - 99,999	.892	1.257
100,000 - 149,999	1.123	.980
150,000 +	1.394	.603
Age		
18-30	1.230	.582
31-40	.857	.707
41-50	.945	.872
51-60	.650	.941
61-70	1.184	.847
71 +	Base case	
Employment		
Full-time	.984	.809
Part-time	.843	1.324
Retired	.804	.736
Student / unemployed	1.080	.908
Retired	Base case	

Homeownership	.938	.902
Dependents	1.161	.977
<i>Geographical region</i>		
London	.982	.901
Midlands	.860	.939
North East	.688	1.014
North West	.868	.823
Northern Ireland	.597	.467**
Scotland	.947	.611**
South East	.914	.909
South West	1.176	.740
Wales	.777	.742
Yorkshire & the Humber	.862	.845
<i>Attitudinal and Situational Control Factors</i>		
I would be too embarrassed to discuss my financial situation	.928	.876***
I'm worried that other people think that my money difficulties are all my own fault	.999	.996
Being in debt does not worry me	.908	.938
Keeping up with your bills and credit commitments is a heavy burden	.861	1.143
I need reassurance that I'm managing my money in the best way possible	.888	1.091
I don't feel that I'm capable of getting my money in order by myself	.993	1.073
I can't see that I'm ever going to be in a situation where I am free of debt	1.001	.948
I need encouragement that I'm getting my finances more under control	1.013	1.020
I don't have the confidence to negotiate with the people I owe money to	1.053	.950
If I try to sort out my money problems I'll probably just make matters worse	1.058	.992
I haven't really added up how much I owe because I can't face finding out the total sum	1.147***	.880***
In the current economic climate living in debt is inevitable for people like me	1.040	.962
Paying off my debt is going to be difficult	.989	1.063
Debt means I cannot do lots of the things I want to in life	.943	.971
I feel in control of my debt	.852**	1.080
I never expected to have this much debt	1.043	1.197***

It is important to me that I am debt-free	1.001	.914
Debt means I cannot afford to buy luxuries and treats for myself and/or my family	.879	.986
Living in debt is something I am used to	.998	1.276***
I would prefer to have luxuries and treats than be debt free	1.064	.954
I would be willing to take on a new credit commitment to pay off my debts	1.067	.886***
Falling (seriously) behind on bills and credit commitments	2.511***	1.001
Number of Observations	2,162	2,162
PseudoR2	0.3283	0.0965
note: ***p<.01 ;** p<.05 ; * p<.1.		

Odds ratios are reported based on binary logistic regression (yes/no)

Variable Descriptions

Socio-demographic control factors are all dummy variables. Attitudinal and situational control factors are all measured on a 5-item Likert scale (1=strongly disagree, 5= strongly agree), with the exception of “Keeping up with your bills and credit commitments is a heavy burden” and “Falling (seriously) behind on bills and credit commitments”, which are both binary variables (0=no, 1=yes).

16. APPENDIX 6

Table 21. Robustness Check

	INACTION			ACTION		
	OLS	Logit	Probit	OLS	Logit	Probit
Tight Budget	.024 (.010)**	.169 (.067)**	.096 (.038)**	.005 (.012)	.023 (.053)	.012 (.032)
Problem Debt	.205 (.026)***	1.803 (.207)***	1.007 (.111)***	.023 (.031)	.098 (.143)	.067 (.087)
Creditor Pressure	.149 (.023)***	.921 (.138)***	.542 (.079)***	.139 (.025)***	.639 (.117)***	.389 (.071)***
Creditor Avoidance	.019 (.009)**	.115 (.054)**	.072 (.031)**	.015 (.010)	.070 (.045)	.041 (.027)
Willingness to Pay Debt	.010 (.016)	.054 (.099)	.032 (.057)	-.039 (.018)**	-.181 (.085)**	-.108 (.051)**
Subjective Well-Being	.005 (.005)	.031 (.032)	.017 (.019)	.028 (.006)***	.129 (.027)***	.079 (.016)***
Information	.000 (.007)	.001 (.043)	.000 (.025)	.041 (.008)***	.185 (.036)***	.113 (.022)***
Control Factors						
Socio-demographics	yes	yes	yes	yes	yes	yes
Attitudes and Situational	yes	yes	yes	yes	yes	yes
cons	-.034 (.133)	-3.409 (.912)***	-1.961 (.515)***	.190 (.152)	-1.450 (.693)**	-.872 (.423)**
Number of observations	2,162	2,162	2,162	2,162	2,162	2,162

note: ***p<.01 ; ** p<.05 ; * p<.1.

Regressions coefficients are reported in all cases (not odds ratios). Magnitudes therefore differ from the results presented in the other regression tables.

17. APPENDIX 7

Table 22. Sample Comparison

	Thesis (N=2,162)	UK Wealth and Assets Survey		UK Census 2011	Yougov 2010 (Gathergood (2012))		Kinloch et al. (2016)
		2012-2014 (Wave 4)	2010-2012 (Wave 3)		Indebted *	Not indebted	Indebted
Debt is a heavy burden	.67	.20	.20				
Gender	.47			.51	.58	.53	.55
Economically active	.64	.59	.54		.59	.68	
Full time	0.47						
Part time	.17						
Student/unemployed	.16	.06	.05		.085**	.033**	.23**
Home maker	.08	.04	.04				
Retired	.12	.23	.31		.06	.11	
Home ownership	.48	.66	.68		.42	.62	
Dependents	.55	.29	.25		.34	.24	.54
Geographical spread							
East of England	.09	.09	.10				
London	.14	.13	.09				
Midlands	.14	.16	.17				

North East	.05	.04	.05		
North West	.13	.11	.12		
Northern Ireland	.02	NA			
Scotland	.08	.09	.09		
South East	.13	.14	.14		
South West	.09	.09	.09		
Wales	.04	.05	.05		
Yorkshire and The Humber	.09	.09	.09		
Annual household income (median)	£15,000 - £19,999	£24,900***	NA	£29,700	£40,000
Age ****					
Under 14 (16)	NA	.19	.18	.18	
18-25 (16-24)	10.22	.12	.09		.07 .09
26-35 (25-34)	20.58	.14	.09		.24 .28
36-45 (35-44)	25.95	.13	.13	.66	.26 .20
46-55 (45-54)	24.05	.14	.14		.21 .19
56-65 (55-64)	10.96	.11	.14		
65+	8.24	.17	.22	.16	.21 .24

* Gathergood (2012) also includes consumers who are 1 month behind on at least one credit item as over-indebted. In my data, I only include consumers who are behind on, or missed any payments for credit commitments or domestic bills for any 3 or more months in the last 6 months.

** unemployed only

*** median equivalised household income

**** age in brackets are age bands for the UK Wealth and Assets Survey