

## Debt and Mental Health

It is a common misconception that people find themselves in debt due to living an excessive lifestyle, 'maxing out' their credit and store cards and not being able to manage their money effectively.

The truth is there are many reasons why people fall into debt, such as unemployment, redundancy, divorce, separation, a death in the family, the birth of a child, an unexpected cost or change in circumstances, physical ill-health, the impact of COVID 19... the list goes on.

Changes like these can mean that you struggle to pay your household bills and debts. Having to adjust to such a financial change can be difficult, even if it is only going to be for the short term.

Mental ill-health can also affect you finances, with debt being a factor in triggering anxiety or depression.

### How can debt affect your mental health?

The BBC recently quoted the Money and Mental Health Policy Institute as saying that 'people with mental health issues are 3.5 times more likely to be in problem debt', the Royal College of Psychiatrists found 'One in four people with a mental health problem are also in debt' and that 'half of UK adults in problem debt are also living with mental ill-health.'

Much of debt-related anxiety can be attributed to lack of support from creditors, family, friends, and employers. Other factors increasing the burden, may be dealing with it alone and disrupted sleep brought on by worrying about problem debt. Lack of sleep can affect your mood and energy levels and have a knock-on negative effect in other areas of your life like career and family, all contributory factors.



Last year COVID-19 has been a major factor in increasing mental ill-health issues, not to mention the pressure and stress that everyday life can generate for some.

No matter what your attitude to money may be, debt problems can happen to anyone.

### How can mental health problems affect your finances?

The Adults with Incapacity (Scotland) Act 2000 provides a framework for safeguarding the welfare and managing the finances of adults (people aged 16 or over) who lack capacity due to mental illness, learning disability, dementia or a related condition, or an inability to communicate.

Mental health problems can affect you finances in several ways. People diagnosed with mental health issues such as bipolar and depression may be more susceptible to debt problems. However, there are many other reasons why mental ill-health can affect the management of your finances.

Feeling constantly tired and having little energy can make it harder to keep track of money. At these times people may make rash or unwise decisions or overspend. If time off work is required to recover, or in more serious cases, being admitted to hospital, a sudden reduction in income can also make it harder to keep up to date with bills.

If someone is under pressure from creditors and anxious about the situation, time is often of the essence. We can usually arrange to speak with you or meet without delay.

It is unlawful for people to make decisions on another person's behalf about what they do with their money unless they have the legal authority. A valid Power of Attorney (POA) is required in order for someone to do this on another person's behalf. The POA must be very specific to allow the individual dealing with another person's debt to proceed.



In a recent case at Thomson Cooper, the POA presented by the debtor's relatives, needed amendment, to allow them specifically to deal with their relative's debts.

Fortunately, in these circumstances, the individual was deemed, by their lawyer, to still have the mental capacity to be able to sign the amended POA. This then allowed the family to apply for a Trust Deed on the individual's behalf, avoiding any further stress.

## How do I know if I have debt problems?

- I often feel anxious or stressed when thinking about how I will manage my repayments.
- I routinely miss, or am unable to make, the minimum payments towards utility bills, credit cards or rent.
- I feel unable to deal with situations or address problems to make them easier to handle. The thought of mounting debts makes things worse.
- I just 'bury my head in the sand' ignoring bills and avoiding calls from unknown numbers, in the hope that they will go away.
- I have little or no emergency funds to cover unexpected costs such as redundancy, car expenses or emergency repairs.

If you feel that any or all of these relate to your current situation there is help at hand.

## Debt Solutions

In Scotland there are several debt solutions available to help someone who is struggling with problem debt.

**A Moratorium** – can be put in place to stop creditors from taking action for six months under current emergency legislation.

**The Debt Arrangement Scheme (DAS)** - allows you to repay your debts over several years, freezing interest and charges and protecting assets.

**A Trust Deed** – an agreement between you and your creditors to pay back an affordable amount, usually over four years. There is an element of debt relief. Assets may be at risk.

**Bankruptcy (Sequestration)** – involves transferring your assets into the care of a Trustee; appointed to pay off your creditors as far as this is possible. If able, you would expect to make a contribution for four years.

## Useful Links

Help is available for anyone dealing with problem debt and the anxiety it can cause. Citizens Advice Bureau, Samaritans and Step Change all offer free advice. For further information, check out the following useful links:

[Citizens Advice Scotland](#)

[Samaritans Scotland](#)

[Mental health and Money Advice](#)

**Thomson Cooper also offer free, confidential, non-judgemental debt advice.** If you are struggling with problem debt, please contact us, don't suffer alone and in silence.



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