

Re-start

Relentless Expert exchange and financial inclusion paths to promote stable debt advice services and fresh **START**

D4.1 Interim report of value chain



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Acronyms

MDC	Movimento Difesa del Cittadino
CSB	Crisis Settlement Bodies
EC	European Commission
ECDN	European Consumer Debt Network
EU	European Union
MC	Movimento Consumatori
OECD	Organisation for Economic Co-operation and Development
IMHO	Irish Mortgage Holders Organisation
DRP	Debt Restructuring Plan

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1. Executive summary

This document summarises the first results collected by RE-START - *Relentless Expert exchange and financial inclusion paths to promote stable debt advice services and fresh START*- project funded by European Union's Single Market programme under grant agreement No 101055374. According to project proposal, the RE-START's objective was to implement an innovative and replicable solutions addressed at the European associations that already perform debt-advice service, or would be, enhancing quality service, standardizing process. Moreover, in order to improve the operational effectiveness of the structures that already perform debt advice services, the RE-START project's aim is to create a permanent network of experts operating at local, national and European level, in all the matters related to debt-advice to share information and best practices.

Specifically, RE-START aims to:

1. Increase the accessibility of debt advice services to Italian consumers.
2. Improve the operational effectiveness of the structures for providing debt advice services to EU consumer through the creation - or the strengthening – to experts, technicians, and debt-advisors EU network.

In order to achieve its tasks, Movimento Consumatori (MC) has perform a preliminary up-to-date review information to provide a comprehensive overview of the most recent state of the art about over-indebtedness and debt advice services in Italy.

According to MC activities, an insight on the value chains will be provided to verify if RE-START's results could be applied at national and European level.

2. Introduction

2.1 About RE-START

RE-START is an 18-months research project carry out by MC through its own national network of NGO, foundations against loan-sharking, National Institution and Italian Universities focused on debt-advice services. To be more precisely, MC has created the first Italian debt-advice services network able to cover 85% of national territory through n.27 helpdesk and n.100 debt-advisor and with the capability to sustain almost 3.000 citizens and 3.00 firms per-year.

Moreover, to improve the technical skills of advisors employed and to sustain financial education, MC has organized specialist courses based on over-indebtedness issues. Until now, MC formed almost 8.000 technician and debt-advisors on procedure and legislative update, and 300 universities students on financial education and over-indebtedness issues. According to project activities, MC will expect to attract the interest more or less of 12.000 citizens.

Therefore, the main goal of RE-START is to strengthen MC network activities focused on Italian consumer support, from a preliminary check up on own debt situation to a full financial rehabilitation, providing in the meantime all necessary and properly information to make informed future choice.

Thus, starting from what MC is already performing in Italy, RE-START funding will allows to build a stable base to provide a permanent debt-advice in a continuative and viable manner.

To be more precisely, RE-START aims to:

- Increase the accessibility of debt advice services to Italian consumers.
- Improve the operational effectiveness of the structures for providing debt advice services to EU consumer through the creation - or the strengthening – to experts, technicians, and debt-advisors EU network.

Objective 1: Increase the accessibility of debt advice services to Italian consumers.

Based on an updated state of the art review - consumer and sector requirements - MC will strengthen its own network of n.27 debt-advice points providing a dedicated phone-line. Thus, a **remote assistance service** will be activated to offer a first aid to citizens in difficulty and to deal with unpredictable Covid-19 crisis evolution. The on-line support i) will provide information on MC network services and on its closer advice point; ii) will represent a first contact point to collect consumer's needs and to transfer practical information to deal with generic issue iii) and to give consultant assistance through MC advisors.

Moreover, to enhance the debt advice points' capacity to involve local citizens, and to increase financial education knowledge among consumers, **n.5 video clips** dealing with economic themes like debt, debt sustainability and over-indebtedness with a specific focus on pathological cases will be made. The beneficiaries will be citizens and stakeholders' staff (worker and volunteers of NGO organizations, parishes, public and private operators, and social workers) that, as a front-line worker, may have a direct impact on beneficiaries, sharing videos and knowledge.

Objective 2: Improve the operational effectiveness of the structures for providing debt advice services to EU consumer, including through the creation or the strengthening of specific networks of experts, technicians and debt-advisors.

According to MC activities, a team of experts has been selected from foundations, universities, and national institutions to achieve highest quality standard on debt advisory services and steer network work, if needed. According to this goal, a Technical Support Committee (TSC) has been made to verify over-indebtedness state of art and to provide an updated training course on economic, law and psychological themes to increase MC advisors' skills.

Thus, to strengthen a TSC network of experts, technicians, and debt-advisors, through RE-START project MC will organize **n.4 on- line workshop** to debate on case studies from legal, psychological, and economic point of view.

On 2023 MC is going to organize n.4 workshop focus on:

- I° Workshop - topics: MC best-practice and debt-advice service; ethics and customer services code; communication and networking strategies.
- II° Workshop - topics: out-of-court settlements; guarantees and social securitization; over-indebtedness procedures; customer's barriers and obstacles identification on debt advice service access.
- III° Workshop – topics: State of art of debt advice services in Europe; service organization; ethic code, target groups, communication.
- IV° Workshop – topics: out-of-court settlements and over-indebtedness procedures, a comparison between EU countries models.

Moreover, in order to maximize workshops achievement, RE-START project will organize a new **specialist-training course** that, based on those already in uses, will be upgrade with workshops results. Thus, the new course aim will be to provide knowledge on a) social, economic and physiological reasons that can lead to an

over-indebtedness, b) creditworthiness assessment procedures, c) new provisions on Italian legislature (in force from 1 September 2021) and d) on European state of art, new opportunity, and common strategy – cases study.

2.2 Scope of the document

This report has been conducted within the context of Work Package 4 - PROJECT MANAGEMENT. In the RE-START project, an interim report has been made not only to drive successful future RE-START service development, but also to ensure a correct alignment of project activities to any players of debt advice value chain (public administration, private sector - profit and no-profit - and client).

Therefore, the main goal of this study is to analyse the debt advice services currently developed in Italy identifying *pros and cons*.

To realize it, a value chain¹ analysis will be done using qualitative - workshops - and quantitative tools – questionnaires. Qualitative data will be realized between March and May 2023 and will allow to realize a more objective assessment on trends and on relationships among different value chain actors. Instead, the questionnaires will focus on key players in Italy (debt advisors, experts, and Crisis Settlement Bodies [CSB]) to analyse what and how they work. Therefore, while qualitative research tools – workshops – will provide a means to check the reliability of data from questionnaires, collected data by surveys will give us a benchmark to study what players do and how they formulate their decisions.

Moreover, an up-to-date review of national and European context has been carried out to help us identify policy issues that may be hindering or enhancing the functioning of the value-chain and the institutions and organizations providing the services that the different chain actors need in order to make better informed decisions.

2.3 Document structure

Before presenting the data collected until now (28/02/23), the report provides a brief description of debt advice services in Europe and in Italy, based on existing research and reports, followed by a methodology chapter that explains the approach applied to begin this research that will continue across all 18-months project. Thus, some initial results will be present while some recommendations will be offered from Movimento Consumatori' s (MC) at the end of the project.

¹ *the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final customers, and final disposal after use;*

http://www.spincambodia.com/filelibrary/Value_Chain_Research_Methodology.pdf

3. The context

In 2016, G20 approved the “National Strategies for Financial Education” created by OECD - Organisation for Economic Co-operation and Development - and evaluated as a strategic tool to increase financial knowledge, skills, and attitudes. “In turn, this can contribute to individuals’ (including vulnerable and low income) participation in financial, economic, and social life, as well as to their financial well-being. As a complement to financial inclusion and financial consumer protection, financial education is also important to restore confidence and trust in financial markets and can support financial stability”². As a result, now most of G20 countries have a national strategy for pursuing the objective of financial inclusion and some states also mention the debt advice tool as part of this strategy.

According to that, the European Commission (EC) has launched several activities aimed to encourage Member States exchange through meetings and conferences to evaluate how to promote and develop debt advice services in all countries of the European Union (EU). On 10 October 2018, the European Commission organised a first Stakeholder Forum on Debt Advice to collect views from different stakeholders on this topic. The Forum addressed the importance and effectiveness of providing such assistance to EU households to address over-indebtedness³. The Forum agreed that over-indebtedness was a multifaceted phenomenon with a negative impact on different stakeholders and society as a whole. Debt advice benefits all involved actors: it is a powerful tool to help over-indebted people, who face an unsustainable debt burden and economic distress. At the same time, it allows creditors to be repaid. If provided in early stages, it can help overindebted people to accept and clarify their difficult financial situation, prioritise actions, and facilitate negotiation between parties. It also helps to ensure that all debtors are treated with respect. Unscrupulous credit management should be prevented⁴.

On 2020, Eurofound published a new study on which debt advice services were examined across EU Member States, analysing their main characteristics and possible development trends⁵. As Eurofound report shows, there are some countries with long history of debt advice service and more with absent or limited capacity on debt advisory services.

² National Strategies for Financial Education Oecd/Infe Policy Handbook; OECD;
<https://www.oecd.org/daf/fin/financial-education/National-Strategies-Financial-Education-Policy-Handbook-Highlights.pdf>

³ Conclusions of 2018 Debt Advice Stakeholders Forum: https://commission.europa.eu/system/files/2018-10/conclusionsdebt_advice_forum_.pdf

⁴ Conclusions of 2018 Debt Advice Stakeholders Forum: https://commission.europa.eu/system/files/2018-10/conclusionsdebt_advice_forum_.pdf

⁵ Eurofound (2020);
https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19044en.pdf

Here, the following countries were categorised in those three groups:

- Relatively well-established debt-advice: AT, BE, DE, FI, FR, IE, LU, NL, SE, (UK);
- Considerable debt-advice: CZ, DK, EE, PL, PT;
- Sporadic debt-advice: BG, CY, EL, ES, IT, HR, HU, LT, LV, MT, RO, SI, SK.

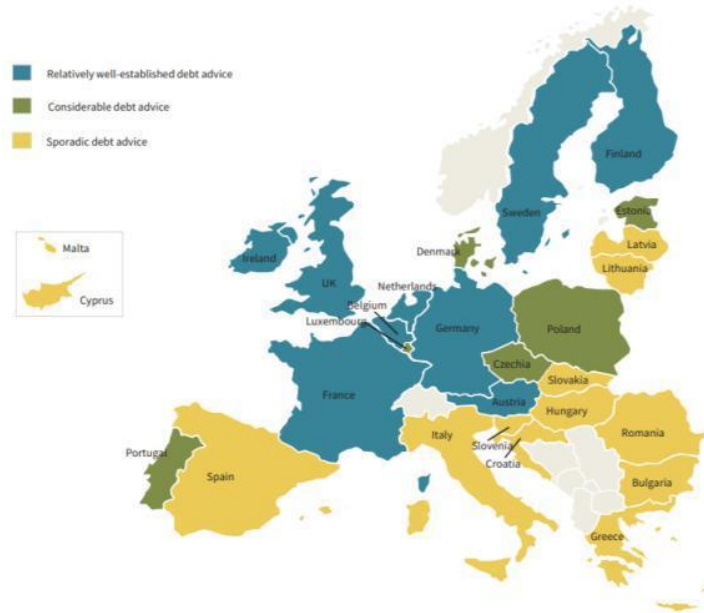


Figure 1 - Source: Eurofound (2020), *Addressing household over-indebtedness*, p.20 – compiled by Eurofound from the contributions of the Network of Eurofound Correspondents, Eurofound’s own investigation and feedback by experts

In 2020, Commission pointed out – on *New Consumer Agenda* - as a “debt advice has proven an effective way of helping over-indebted consumers to return to financial sustainability, while ensuring that creditors are repaid” and how “a euro spent on debt counselling can save more than two euros in social benefit”⁶. Even the Council, on 22 February 2021, “underline the need to promote inclusive awareness campaigns and local advice to reinforce consumer protection online and offline; highlights the importance to support debt advice services and preventive financial counselling as well as considering relief mechanisms”⁷.

In December 2021, European Commission published the final report of “Provision of actions to extend the availability and improve the quality of debt advice services for European households” project. Therefore, the Commission concluded that “additional funding for debt-advice systems is needed to improve the quality of the availability of debt-advice services in the EU. This is particularly evident for the countries where the

⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0696&from=EN>

⁷ <https://data.consilium.europa.eu/doc/document/ST-6364-2021-INIT/en/pdf>

provision of debt advice is sporadic or not available at all. Besides scaling up funding, it is also essential to create the necessary infrastructure with debt advice organisations and debt advisors to deliver the service”⁸.

Finally, Commission launched SMP-COSME-2022-SEE call for proposals aims at supporting transnational and cross-sectorial cooperation, and exchange of good practices to enable sustainable growth of social economy SMEs and entrepreneurs regarding the green transition; boosting the capacities and skills of staff and management within social economy SMEs and entrepreneurs to green their operations and develop sustainable products and services; encouraging the uptake of sustainable alternatives and innovative solutions through capacity building, incubation and acceleration, advisory services and coaching; fostering cooperation between social economy entities on the one hand, and mainstream businesses, academia and public authorities on the other.

At the European level, the European Consumer Debt Network (ECDN) represents one of the most relevant organizations in the field of debt advice. The ECDN has 41 members, all working together to fight over-indebtedness and financial exclusion. The members consist of debt advice service organisations, consumer rights organisations, educational organisations, consumer agencies, and research institutes from 18 European countries⁹.

3.1 Debt advice system

Without a European regulation, debt advisory service has evolved differently according to the countries, services or final users involved, often emerged in response to specific needs¹⁰. However, three are the main category in which debt advice service can be divided a) money and debt management, b) legal counselling, and c) social and psychological assistance¹¹.

Money and debt management - They include helping people to prioritise payments, to create structure among the often-overwhelming number of letters by creditors and to ensure timely response to it. Another activity includes restructuring (often multiple high interest) loans into one cheaper loan, sometimes using a specific fund.

Legal counselling - Legal counselling deals with disputes between the debtor and creditors and may play a role in verifying the legality of creditors’ claims. Debt advisory services also provide support in accessing debt

⁸ https://commission.europa.eu/system/files/2022-06/debtadvice_final_report.pdf

⁹ <https://ecdn.eu/>

¹⁰ Eurofound (2020);

https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19044en.pdf

¹¹ https://commission.europa.eu/system/files/2022-06/debtadvice_final_report.pdf

settlement procedures: they inform people about the process, help people access them (applications and funding), and support people in going through the process.

Social and psychological assistance - Debt advisory services can also support people by helping them to access a tailored range of social services. They can serve as a point of contact that can obtain a good understanding of the over-indebted household’s situation. The organisation can then trigger a range of referrals to appropriate services. These may include mental healthcare, employment and welfare services. Effective referral from debt advisory services to other services is considered key in achieving sustainable solutions.

According to Commission (2021), debt-advice services must be provided by “independent” debt advisors. Therefore, the debt advisors are professionals that provide support to people dealing with financial difficult situations due to debt obligations. To perform this service, the debt advisors can be paid or not but, in no way, they should be influenced by other interests that can conflict with “client” interest.

Thus, as already pointed out, any EU countries have developed several and independent strategies that, case-by-case, have responded to different needs. Furthermore, debt advisory services can be provided by different organisations as i) NGOs, churches or humanitarian organisations, ii) Consumer organisations, iii) Social partners – as employer organisations and trade unions – iv) Public authorities, v) Publicly funded organisations at some distance from public administration and vi) Private for-profit professionals or companies¹².

Country	Main provider
Austria, Belgium, Denmark, Estonia, Finland, France, Ireland, Luxembourg, the Netherlands, Slovakia, Sweden and the UK	Public authority or publicly funded organisations
Czechia, Germany, Hungary, Italy, Malta, Romania, Slovenia	NGOs, Charities, other social organisations
Greece, Portugal, Poland and Spain	Consumer organisations
Bulgaria, Cyprus, Croatia, Latvia, Lithuania	Private

Table 1 – Source: European Commission (2021), Provision of actions to extend the availability and improve the quality of debt-advice services for European households.

About debt advice service funding, instead, several categories could be found according to different countries. The main difference that can be made is between public and private funding even if, more often, an “hybrid” situation – public/private – take place. Moreover, could be permanent or link to a specific project

¹² https://commission.europa.eu/system/files/2022-06/debtadvice_final_report.pdf

funding that sometime can be international¹³. Finally, particular attention must be made if debt advice has been funded by creditors. In fact, in some cases creditors have established and funded debt advice services even jointly with independent organization¹⁴ (i.e. consumer associations). Furthermore, it is important point out that creditors are not only financial institutions, but also private company as gambling industry or telecoms companies. To summarize, while in some countries, debt advice is largely funded from public tax revenues, in others, it is mainly privately funded, by charities, or by membership or user fees¹⁵.

The professional debt advice service availability is only the first barrier that each over-indebtedness must face. In fact, as we already undelight, several countries across EU have characterized by limited or absent capacity on debt advisory services. Therefore, in this case, except for private lawyers or some organisations (often small), there are no support to citizens. Moreover, even if some debt services are available, the criteria take into the account to select beneficiary and debt category, can affect the service effectiveness. Furthermore, even if high quality of debt service is available, the charge of fee by advisors or the lack of consumers awareness can dishearten to carry out any activities or may lead to paying for services that they could obtained for free.

3.2 Italian's context

In Italy, the over-indebtedness is defined – by the Law 3/2012 - as <<the persistent imbalance between obligations assumed and assets that can be readily liquidated to meet them, which cause significant trouble to fulfil regularly to the obligations>>¹⁶.

On July 15, 2022, Italy's Code of Business Crisis and Insolvency (CCII or Crisis Code) took effect, following three previous measures: (i) Legislative Decree 14/2019, (ii) the "corrective" Legislative Decree 147/2020, and (iii) Legislative Decree 83/2022 implementing European Directive 2019/1023.

A key principle of the Crisis Code affirms that it is preferable to resolve a crisis in the least traumatic way possible, either by attempting the restructuring of the company so as to preserve its value or by assigning to the debtor and its creditors a plurality of varied instruments abstractly suitable to regulate the crisis without having to open liquidation proceedings, which often, if not always, result in an atomistic liquidation,

¹³ Project: *Citizens Advice Bureau "Support for the people in debt" funded by EU* <https://www.gov.pl/web/unpaid-help/citizens-advice>

¹⁴ i.e. IMHO (Irish Mortgage Holders Organisation)

¹⁵ Eurofound (2020);

https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19044en.pdf

¹⁶ Art.6, Law 3/2012: *la situazione di perdurante squilibrio tra le obbligazioni assunte e il patrimonio prontamente liquidabile per farvi fronte, che determina la rilevante difficoltà di adempiere le proprie obbligazioni, ovvero la definitiva incapacità di adempierle regolarmente*". <https://www.gazzettaufficiale.it/eli/id/2012/01/30/012G0011/sg>

disrupting company values. These instruments include (i) negotiated settlement, (ii) reorganization plans, (iii) moratorium agreements, (iv) restructuring plans subject to approval, (v) restructuring agreements, (vi) composition agreements, and (vii) judicial liquidation, where negotiated settlement is the least disruptive option for the company, and judicial liquidation is the most disruptive.

To summarize, Crisis Code define:

1. Rationalization of the insolvency discipline.
 - a. Elaboration of general principles and a definition of the concept of crisis.
 - b. Unlike the previous Bankruptcy Law, the Crisis Code adopted, or rather tried to adopt, a single procedural model for establishing the state of crisis or insolvency.
 - c. The Crisis Code regulates both commercial enterprises and civil debtors. Thus, every category of debtor is included, with the exception of public entities.
 - d. Specific protocol is introduced for the crises of “groups of companies.”
 - e. The Crisis Code displays a preference for business continuity and favors composition with creditors over liquidation. Notably, the latest decree transposing the Insolvency Directive tried to further improve this procedure.
2. New elements
 - a. Increased responsibility of internal bodies.

In general, the company must have (and, therefore, adopt) a proper organizational structure to detect the state of crisis in a timely manner for the purpose of taking appropriate initiatives. The supervisory body is obligated to report symptoms of crisis to the board of directors (or legal representative), and qualified public creditors and lending institutions also have new reporting obligations.
 - b. Introduction of “negotiated composition for the resolution of business crisis.”

The Crisis Code creates a new voluntary, negotiated, and out-of-court procedure to support companies facing difficulty. An expert is appointed to guide the simplified procedure, which is proposed by recourse to the Business Registry rather than the court. The Crisis Code establishes protective measures to carry out the ongoing negotiations for the assisted settlement. Notably, the request may be selective and, therefore, limited to certain initiatives undertaken by creditors or to certain creditors. Creditors must negotiate in good faith. If it is not possible to proceed with the negotiated crisis resolution procedure, a liquidation arrangement (a so-called “simplified” arrangement) can be utilized; this may be detrimental to creditors as it does not provide for a voting phase. Thus, the “dissenting” creditor can only express opposition to the eventual approval.

c. Introduction of tax cram-down.

Subject to the need to monitor the evolution of interpretation and application with regard to the tax settlement, the court, under certain conditions, can approve restructuring agreements and composition agreements even without acceptance of the settlement, as acceptance is decisive for the achievement of majorities, i.e., when the votes related to the acceptance of the settlement are needed to reach the majorities to approve the procedure.

d. Introduction of “restructuring plan subject to approval.”

To comply with the Insolvency Directive, a new instrument of crisis regulation was introduced called the restructuring plan subject to homologation (renamed “PRO”) which, in short, consists of a proposal to satisfy debts addressed to creditors divided into classes without respect for *par condicio creditorum* (the so-called “relative priority rule”). In any case, workers must be satisfied within 30 days of approval, and this can only occur if all classes vote in favor. Certification on the feasibility of the plan is required.

e. Composition with creditors

Although these procedures are not new to the legal system, the Insolvency Directive provides ways to make them more efficient. For example, (i) constraints aimed at employment protection have been eliminated, but the text affirms that the protection of jobs should be pursued as far as possible, (ii) in addition to the principle of “absolute priority rule,” the principle of “relative priority rule” has been introduced, (iii) on the subject of pending contracts, the Crisis Code stipulates that creditors may not unilaterally change contractual terms, even by refusing performance merely because of the filing of the application for access to the arrangement, just as they may not interfere with the proper performance of essential contracts (a definition of which is provided) merely because past claims have not been paid¹⁷.

Therefore, Italian code provide only a consumer’s debt settlement services than, unfortunately, are often not utilized due to lack of awareness and unsustainable procedure costs¹⁸. According to debt settlement rules, the Italian code providing for Crisis Settlement Bodies - CSB (*Organismi di composizione della crisi - OCC*¹⁹) an independent body able to manage the over-indebtedness crisis situations. Therefore, the activity carried out by CSB bodies is aimed to assist consumer to activate the procedures provided by Italian legal

¹⁷ Italy’s New Business Crisis and Insolvency Code Takes Effect, <https://www.gtlaw.com/en/insights/2022/7/italys-new-business-crisis-and-insolvency-code-takes-effect>

¹⁸ *Il Fenomeno del sovraindebitamento*, Quaderno a cura del Competence Centre (2020), https://www.cattolicanews.it/QUADERNO%20DEL%20COMPETENCE%20CENTER%20SUL%20SOVRAINDEBITAMENTO_DEF_V2.0.pdf

¹⁹ Law 3/2012, art.15, <https://www.gazzettaufficiale.it/eli/id/2012/01/30/012G0011/sg>

system. Thus, CSB bodies are entitled to charge a fee, calculated according to specific criteria, for any service provided. Finally, any CSB have to be enrolled into the Justice Ministry log²⁰ to perform its own services.

Compared to European experiences, CSB cannot represent a properly debt advice service. In fact, as we already verified, debt advice should be characterized by assistance on family budget planning, on out-of-court settlement with creditors and provide psychological advice.

Moreover, regarding to consumers protection, Crisis code provides a specific procedure - called “Debt Restructuring Plan (DRP)”²¹ – exclusively reserved for over-indebtedness consumers. Therefore, a debt restructuring plan must specifically indicate times and methods to manage the over-indebtedness crisis. Moreover, debt restructuring plan is concern both payment times (credit future assignment it is allowed) and the amount of the debt (in any case, regular payment of unattachable credits must be guarantee). Moreover, according to DRP rules, it is important highlight than consent of creditors is not mandatory. Therefore, consumer’s debt restructuring plan could be binding even against creditors will. For this purpose, any DRPs must be approved by a Judge, entitled to verify that the proposal is no more disadvantageous for creditors than other procedure (i.e., controlled liquidation). Therefore, to proceed, the judge has to take into the account the CSB’s report on debtor creditworthiness assessed in relation to disposable income, less the amount needed to guarantee a “decent living standard”.

3.3 Italian experiences

As Eurofound report shows, Italy is a country with “Sporadic debt-advice” service. In fact, in the Italian legal system currently missed a structured provisions relating to *debt advice* services or, in any way, is not *enough* compared to European standard.

Nevertheless, in Italy several experiences have been collected and must be point out.

In 1998, *Caritas Italia* established the first free debt advice service in Italy with a headquarters in Bolzano but working on Alto Adige area²². The assistance performed was mainly focus on legal, social and economic point of view. In 2021, Caritas has introduced a new remote assistance service – called “*ServiceDebiti*” – by which consumers can chat – through WhatsApp technology – to receive quick answers about general question on

²⁰ 24 September 2014 decree, n. 202, Justice Ministry: <https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.ministeriale:2014-09-24;202!vig=>

²¹ Piano di Ristrutturazione dei Debiti

²² <https://caritas.bz.it/it/attualita/temi/prevenzione-dei-debiti.html>

budget management²³. Finally, the budget advisory service is designed to help individuals and families to monitor and properly plan the family budget.

A second experience is related to Adiconsum²⁴, one of the associations authorized by Treasury Ministry to manage the *Fund for the Prevention of Usury*. Established by Italian law no. 108 of 1996 and managed by the Department of the Treasury, this Fund makes it easier for businesses and families in financial difficulty, and who are therefore at risk of falling prey to usurers, to gain access to credit²⁵. Therefore, after an assessment carry out case-by-case, Adiconsum is able to determine whether subsist the conditions to grant anti-usury guarantees.

Another example is represented by WeMi, the first Italian public platform able to collect several services tailored on citizens need provided by the Municipality of Milan and by local network of associations, cooperatives and social enterprises²⁶. Among them, we would like to highlight the *Financial Education*, a free service inspired by international experiences of the British Government (Money Advice Service) and of main US cities (Offices of Financial Empowerment) that realize a concrete support to increase the family's well-being. WeMi Financial Education service is divided in two main activities: *public awareness meetings* and *individual meeting*. In the first one, general issues are facing and useful advice on budget management are share. In the second one, instead, continuous support is provided not only to solve concrete problems but even to plan new economic goals. At the end of any meeting, the citizen receives a written report that summarized what has been done and what has been recommended.

Moreover, there are some consumer associations that have launched projects aimed to promote or create different forms of debt advice services.

*Debt solve*²⁷ - Realized by MDC (*Movimento Difesa del Cittadino*) and Progeu, Debt Solve project aimed to improve the living conditions of over-indebtedness citizens through a pool of expert and n.16 help desk on n.4 region (Sicily, Calabria, Basilicata and Apulia).

*@alex*²⁸ – Realized by Progeu, is a new platform by which consumers can directly booking an appointment with debt advisor

²³ <https://caritas.bz.it/it/attualita/news/dettaglio/servicedebiti-la-consulenza-debitori-della-caritas-ora-disponibile-anche-via-whatsapp.html>

²⁴ <https://www.adiconsum.it/al-tuo-fianco/fondo-di-prevenzione-usura/>

²⁵ https://www.dt.mef.gov.it/en/news/2020/fondo_prevenzione_usura.html

²⁶ <https://wemi.comune.milano.it/#cosa-e>

²⁷ <https://www.difesadelcittadino.it/portfolio-item/debt-solve/>

²⁸ <https://www.progetto-alex.it/>

RIPARTO²⁹ – Movimento Consumatori (MC) and ACLI have currently build up a national network of NGO, foundations against loan-sharking, National Institution and Italian Universities focused on debt-advice services. To be more precisely, MC has created the first Italian debt advice services network able to cover 85% of national territory through n.27 helpdesk and n.100 debt-advisor and with the capability to sustain almost 3.000 citizens and 3.00 firms per year. Moreover, to improve the technical skills of advisors employed and to sustain financial education, MC has organized specialist courses based on over-indebtedness issues. Until now, MC formed almost 8.000 technician and debt-advisors on procedure and legislative update, and 300 universities students on financial education and over-indebtedness issues. According to project activities, MC will expect to attract the interest more or less of 12.000 citizens. Finally, on 09 March 2023, MC and ACLI will present on public event, the results of 18-months research study on over-indebtedness. The research, that will be published, has been carry out with the support of project stakeholders not only on economic and legal but also on psychological point of view.

4 Methodology and research design

The research activity has been initially developed through an exploratory phase typical of mixed methods approaches (Bryman 2006). Sources drew on documented research work and reports on debt advice service (ECDN 2023³⁰; Eurofound 2020; VVA Brussels s.p.r.l. and CEPS 2021). Institutional sites and sources were used at the European and Italian level in the investigation. As documented in the introduction, reports from initiatives promoted by Institution, universities, and research centres active on the theme of debt advice were considered to be valuable sources. In the initial phase, we participated in some online events to deepen the debt advice themes (RIPARTO 2023³¹; PEPI 2023³²).

The research design involved two joint actions:

- a) The creation of online questionnaires addressed to Italian’s debt advisors, experts and CSB;
- b) The organization of n.4 workshops to validate the results and to debate on case studies from legal, psychological, and economic point of view:
 - o I° Workshop: MC best-practice and debt-advice service; ethics and customer services code; communication and networking strategies.

²⁹ <https://progettoriparto.it/>; <https://www.movimentoconsumatori.it/progetti/progetti-mc/elenco/9-riparto>

³⁰ ECDN fact sheet – Situation of over-indebtedness at the beginning of 2023. <https://ecdn.eu/2023/02/16/ecdn-fact-sheet-situation-of-over-indebtedness-at-the-beginning-of-2023/>

³¹ RIPARTO (2023), Sovraindebitamento e consulenza sul debito. https://www.movimentoconsumatori.it/images/FilePDF/Progetti/Riparto/Programma_convegno_Riparto_27_gennaio_2023.pdf

³²PEPI (2023). *Legal Framework for Debt Advice in Germany, France, Netherlands and Ireland*. <https://ecdn.eu/2022/12/18/the-2022-november-newsletter-2/>. *Professional Qualification of debt counsellor*. <https://ecdn.eu/2022/12/18/webinar-february-15-2023/>

- II° Workshop: out-of-court settlements; guarantees and social securitization; over-indebtedness procedures; customer’s barriers and obstacles identification on debt advice service access.
- III° Workshop: State of art of debt advice services in Europe; service organization; ethic code, target groups, communication.
- IV° Workshop: out-of-court settlements and over-indebtedness procedures, a comparison between EU countries models. the first with consumer associations, the second with companies active in the food supply chain industries; the third with institutions

According to project timetable, Movimento Consumatori designed and disseminate n.3 different surveys tailored on key player on debt advice value-chain: Italian’s debt advisors, experts and CSB.

Debt advisors – Involving MC’s debt advisors already performing a debt-advice service, the survey has been defined to study:

- Client needs (we use “client” to identify any consumer that requires assistance and debt advice)
- Debt advisors skills-knowledge (self-assessment even on client management skill)
- Time-effort ratio according to treated difficulty cases
- The client’s availability to collaborate with debt advisor (i.e., documents collection)
- Debt advisors and CSB connection

Experts – According to the “Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on consumer credits” - art.3 (25) – *debt advisory services’ means personalised assistance of a technical, legal or psychological nature provided by independent professional operators in favour of consumers who experience or might experience difficulties in meeting their financial commitments*³³. Therefore, a survey has been focused on sector experts (academics, particularly qualified professionals, institutions, subjects active in financial education, microcredit, operators of loan-sharking associations and foundations) to evaluate the state of art of Italian’s debt consultancy services and the introduction on a structured debt advice service. Moreover, a specific focus has been done on relationship between debt advisors and over-indebtedness crisis procedures.

CSB – According to Italian Justice Ministry data, the CBSs’ procedures number are small and often further decimated by procedure’s waivers and dismissal. Therefore, the survey has been structured to evaluate:

- the reasons that justify the high waivers number.
- the possible barrier to access than procedures.
- the debt advisor’s role in the client management (consultancy activities and preparatory activities)

³³ DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL.
https://eur-lex.europa.eu/resource.html?uri=cellar:2df39e27-da3e-11eb-895a-01aa75ed71a1.0001.02/DOC_1&format=PDF

5. Results

The n.3 surveys have been created and disseminated but, until now, we were able to collect only n.53 questionnaires (n.21 debt advisors; n.21 experts; n.11 CSB). During the project, dissemination activities will be intensified even with the support of stakeholders that we are going to involve organizing next workshops.

In spite of few data collected, some initial trend could be identified for all player involved:

Debt advisors - According to debt advisors experience, is it clear as emotional or psychological aspect affect the advisor effectiveness. Thus, most of the advisors believe that specific tools and skills in the field of psychological and emotional management of the client is needed (*In the majority of cases* - 42,9% and *in any cases* - 23,8%) than are often missing (always: 14,3%; in the majority of cases: 52,4%)³⁴. Therefore, do not surprise that, from advisors' point of view, the most common difficulty to provide advise service are related to emotional client's difficulty that does not allow to make decisions and to be actively collaborate (11 on 21 response). Moreover, even if the majority of advisors believe that the clients need an expert and professional support to collect documents and assess its own economic situation (76,6%) to apply to CSB, the main reason that explain the few procedures realized is linked to the cost (57,1%).

3. Nel fornire un servizio di consulenza sul debito, ritiene necessario il possesso di strumenti e competenze specifiche nel campo della gestione psicologica ed emotiva del cliente:

21 risposte

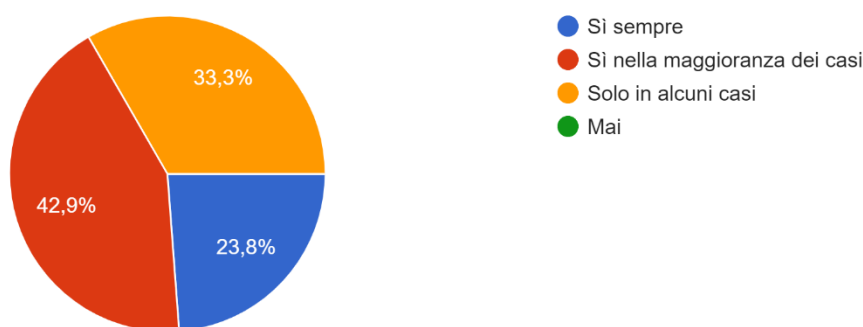


Figure 2 - To provide a debt advisor service, specific tools and skills in the field of psychological and emotional management of the client, is it needed?

³⁴ Figure 3

4. Nel fornire i servizi di consulenza sul debito ha avvertito:

21 risposte



Figure 3 – Self assessment on psychological and emotional management skills

Experts - As already point out, Italy is characterized by “sporadic debt-advice” (Eurofund 2020). According to involved expert panel, the main reasons that can explain Italian situation are related to lack of adequate funding to structure a capillary debt advice service (42,9%) and lack trained professionals (38,1%). Moreover, most of experts contacted seem to agree than over in debts, creditors and the whole community could benefit from more debt advice services (81%). As showed by figure 6 and 7, the experts agreed on need to perform a debt advice service (35%) for free or charged to a paltry cost (45%), while public (28,6%) or private/public (61,9%) should finance or co-finance a national structured debt advice service. Finally, most of the experts agreed than CSB procedure should not determine any charge for clients (76,2%).

3. Lo studio Eurofund 2020, Addressing household over-indebtedness

(<https://www.eurofound.europa.eu/publications/repor...>e cause di una limitata diffusione di tali servizi?

21 risposte

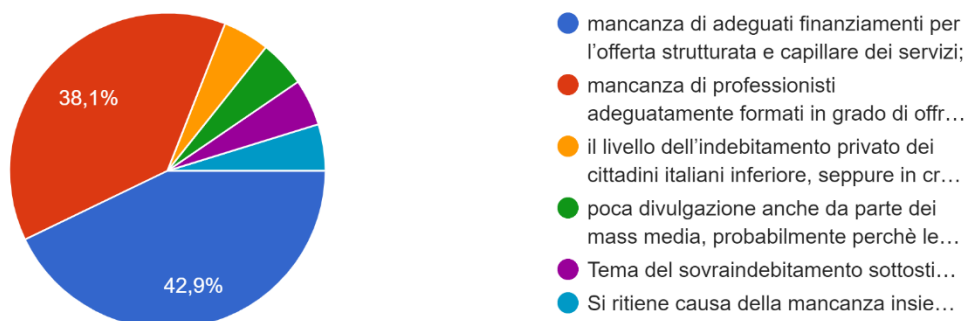


Figure 4 – Reasons for sporadic debt-advice in Italy

6. Quali sarebbero nella sua opinione i beneficiari di una maggiore diffusione dei servizi di consulenza su debito in Italia:

21 risposte

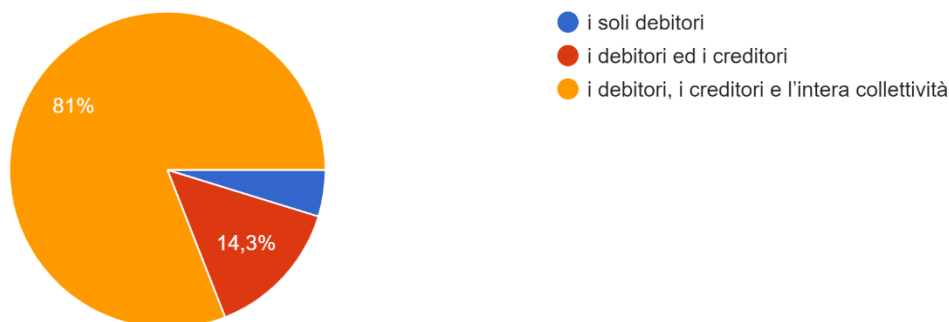


Figure 5 – Beneficiary of debt advice services

10. Ritieni che i debitori debbano pagare il servizio di consulenza sul debito?

20 risposte

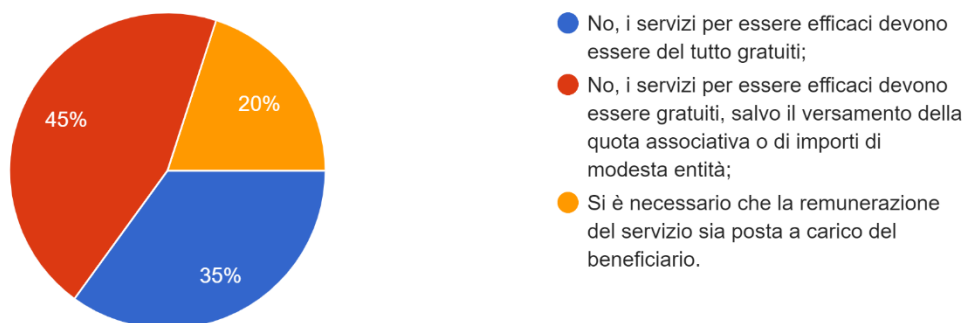


Figure 6 funding debt advice service (1 on 2)

12. Chi dovrebbe finanziare i servizi di consulenza sul debito?

21 risposte

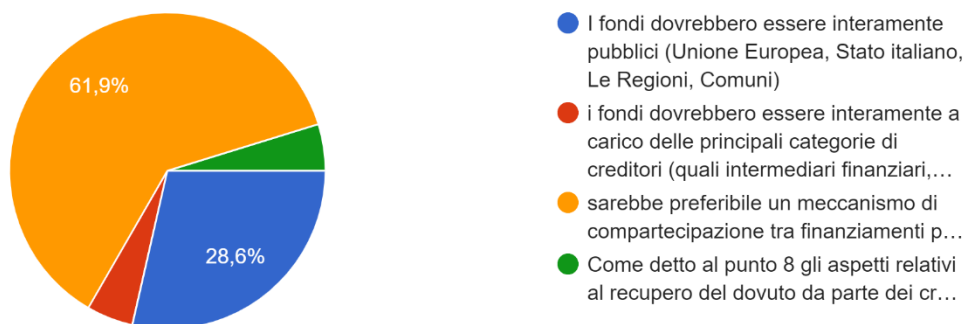


Figure 7 funding debt advice service (2 on 2)

CSB - In according to data collected, most of clients that apply to CSB procedure are supported by lawyer or accountant that, to perform its own activities, require the payment of a fee. Moreover, related to the cost theme, the data shows as almost the half of CBSs assess “appropriate” the cost charged to client (fig. 8).

12. Ritieni che il compenso richiesto dall'OCC al debitore sia adeguato alla natura delle attività svolte e alle difficoltà tipiche delle procedure di composizione della crisi da sovraindebitamento?

11 risposte

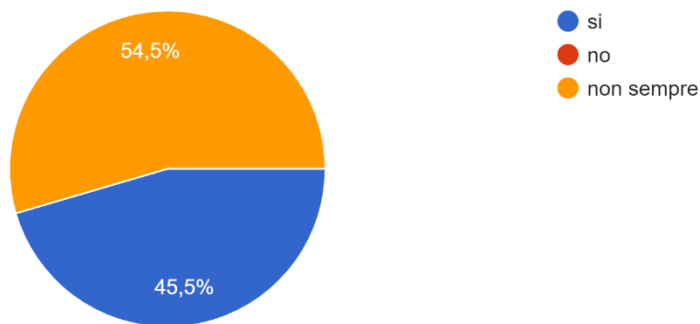


Figure 8 CSB assessment on procedure cost (1 on 2)

Furthermore, the data shows that from CSB point of view, even if CSB procedure should be performed for free, that should not increase the number of appliers (45,5%) or will increase only in few cases (18,2%) (fig. 9).

14. Ritieni che esentare il debitore sovraindebitato dal pagamento dei compensi dovuti all'OCC prima dell'avvio della procedura (quindi non pagati ...ne) possa incrementare il ricorso a tali procedure?

11 risposte

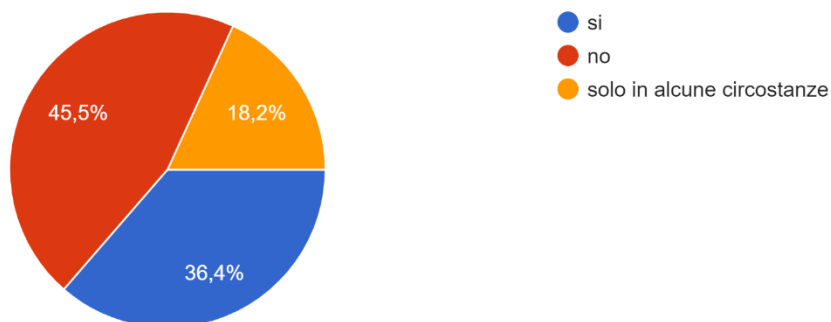


Figure 9 CSB assessment on procedure cost (2 on 2)

Finally, even CSBs involved agreed on fact that CSB procedure should be funding by public fund (72,7%) or at least provide for support to over-indebtedness client (27,3%) (fig. 10)

15. Ritiene che le attività degli OCC dovrebbero godere di finanziamenti pubblici per consentire la copertura dei costi da parte dei soggetti che non sono in grado di sostenerli?

11 risposte

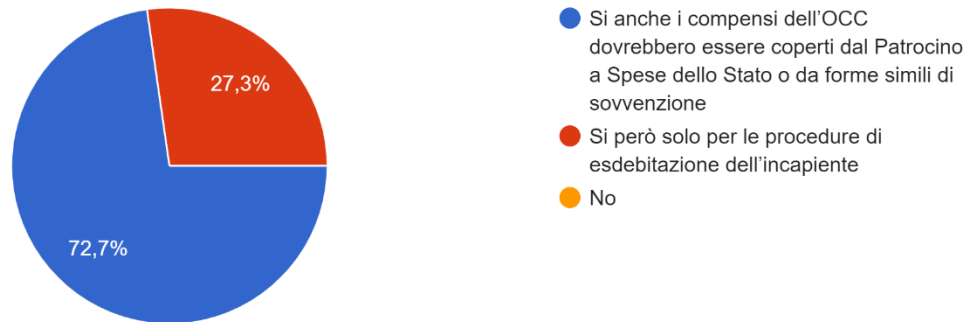


Figure 10 CSB assessment on public funding

6. Conclusion

A preliminary up-to-date review of scientific literature has been done to ensure that all relevant research in the area was identified and to make certain any developments since proposal preparation stage were picked up. Until now, n.3 surveys have been done to benchmark the opinion of some value-chain players in Italy. The results show us than, in Italy, without a structured debt advice service, the citizen have to rely only on private professional or on few no-profit association to find support. Despite it, the support performed seems focused only on economic or legal themes even if, mainly from debt advisors, psychological support should be useful to perform an effective aid in the most complicated cases. Most important, emotional support should be involving not only the client but even the advisor. In fact, without a specific preparation the advisors seem unprepared to encourage meek client and to manage stress linked to debt advise service. Moreover, even without a structured debt advice system, some procedures have been defined by national legislator that, however, are characterized by long and expensive path. Therefore, only a few cases are effectively treated, leaving most of the demand ignored. Finally, from the economic point of view, data confirms that debt advice should be - at least partially - funded by public authority.

In the next months, this task will be completed with n.4 workshops where Italian and international stakeholders will be attended. Moreover, to strength stakeholder network, MC got in touch with any coordinator's project funded by the European Union's Single Market programme (SMP-CONS-2021-DA) and

two of them - **ECDN** (Primary European Coordinator of **Peppi** project) and **FEBT** (Coordinator of **PPOI** project; GA: 101055238) – have manifest interest to be part of next RE-START activities, mainly workshop. That will increase number and quality of stakeholder involved on over-indebtedness and financial exclusion themes.

In their own small way, analysis performed, and data collected confirm as economic, legal and psychological aspects have to be treated together for any system that pretends to deal with debt advice. Mainly in countries like Italy, where an official structured system of debt advice is missing, these aspects should be taken into the account.

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