

THE PRESENT STATE AND FUTURE PROSPECTS OF DEBT PROBLEMS IN HOUSEHOLDS

This research has been conducted on the assignment of the Ministry of Employment and the Economy. The purpose was to map debt problems encountered in Finnish households during the ongoing decade, until autumn 2008. The data consist of a) secondary material such as public statistics, b) statistics produced for this very research by expert organisations, c) relevant reports and documents on the issue, and d) expert interviews. In general, quantitative analysis sets out directions that the qualitative data specifies and deepens.

The research started in October 2008, right before the US financial crisis and its landing on Finland, resulting very quickly in dim economic prospects with announcements of temporary dismissals and firings. Thus, the research gives a possibility to acknowledge the types and the extent of debt problems existing prior to the economic decline. That in turn enables one to pay attention to a variety of risk factors and their interplay when governing debt problems in the near future.

The situation is complex altogether. Debt problems form a permanent part of present day credit society, independently of economic crises. This is clearly pictured by the research. Debt problems have increased especially during the last couple of years, when the national economy still flourished in an economic boom. The problems are partly due to instant loans that have been available in Finland since 2005, but also other consumer credits play an important role.

A substantive amount of consumers face difficulties in handling consumer credits. Consumer mentality is deeply grounded in life style expectations, and well promoted by consumer culture. Credits form an easy “solution” to acquiring products seen as belonging to a normal way life. Any consumer easily ends up having a variety of credit cards and accounts. In such a situation, an amount of citizens tend to loose track of their loans and financial standing. Such a debtor has often many debt collectors, and the total amount of debts can reach several dozens of thousands of euros even though the entirety consists of relatively small individual debts. Finally, loans are acquired in order to pay for old debts. As a result, instruments

designed to govern citizens' debt problems are not capable of responding to all dimensions of the situation.

In addition, many debtors who find it difficult to handle consumer credits experience general problems of life control. Some more specific difficulties have also increased as background factors, such as gambling and mental health problems, especially manic depression. It is also worrying that many poor people take instant loans in order to pay for every day expenses like food, health care etc.

In recent years, individual house loans have become bigger with long payment periods. In practice, it means limitations in negotiating new terms of payment if needed. So far consumer credits, when taken on top of house loans, have given rise to debt problems in some of these households. With little buffer against extra costs, potential unemployment in such households may easily turn the families' financial situation around with serious consequences.

In general, employment plays a crucial role in the constitution of debt problems in the next few years. According to recent economic forecasts the situation is alarming. Yet, delays may occur in the outward appearance of debt problems if arising payment difficulties will be patched up by consumer credits. As a result such activity, problems easily increase in time. One further difficulty consists of creditors' inability to access data on their clients' credit history. It may lead to an exploitation of the situation by both parties, as well as to additional costs for the clients, due to payment difficulties.

The situation calls for practical and moral evaluations on the distribution of responsibilities in governing debt problems. The individual is obviously responsible for excessive consuming but that is not the sole factor leading to problems relating to consumer credits. In any case, the overall problematics also revert to the vigorous marketing of consumer credits and the general consumer culture promoted by the society.