

Financial Inclusion Solutions

Family Reunion Finance Information and Consultation



Agenda

- Background Context
- Normal areas where support is required
- Strategies for putting clients in a better financial position
- Strategies relating specifically to Covid costs

What are the main trends in Refugee Finance in the UK?

1. Debt
2. Remittances
3. Informal Lending Networks
4. Limited Financial Capability in the UK context
5. “Friend in the community” (Social Support)

Refugee Debt

There are approximately 4 levels of debt in the refugee community:

- **Official UK Debt:** Council Tax, Rent Arrears, Utilities, Hire Purchase, Integration Loan, etc.
- **Unofficial UK Debt:** Money owed to Informal Lending Networks (Religious, Ethnic Networks/Communities etc).
- **Third Party Unofficial Debt:** Money owed to smugglers, friends, associates, extended family, contacts in relation to their journey to the UK and/or Families.
- **Associated Family Debt:** Loss of income from the main breadwinner being abroad / obligation that they will still cover their immediate and external families expenses / debts incurred to fund loved ones flight.



Refugee Remittances

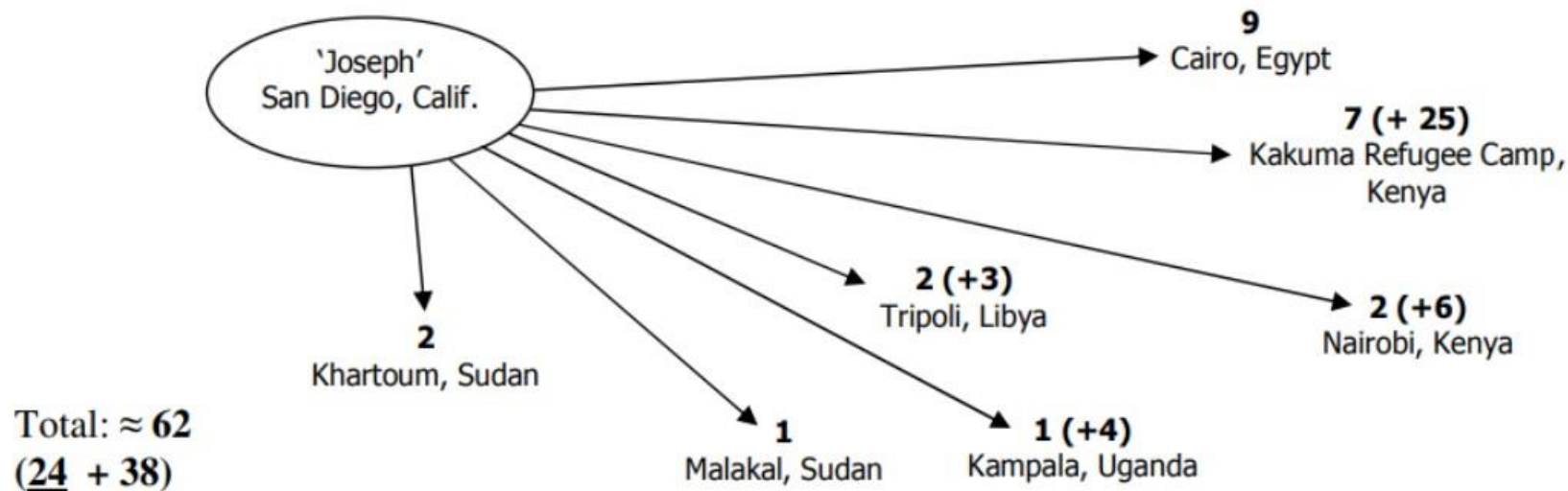
- Refugees like many communities that have migrated have always sent money home.
- At times of crisis e.g family reunion, remittances often increase and even surpass 100% of income with people turning to Informal Lending Networks for additional credit.
- There is an obligation to family members that regular remittance payments will be made.



Refugee Remittances

Remittances as Unforeseen Burdens: Considering Displacement, Family and Resettlement Contexts in Refugee Livelihood and Well Being Is There Anything States or Organisations Can Do?
Stephanie Riak Akuei PhD

- One case example presented below of a Dinka family from my study, a male head of household residing in San Diego with his wife and two small children (now three), provides an apt illustration of the extent of economic commitments typically facing resettled refugees. Within the first two years of resettlement, the household head became directly responsible for 24 male and female extended family members and indirectly 62 persons, displaced across a number of locations*:

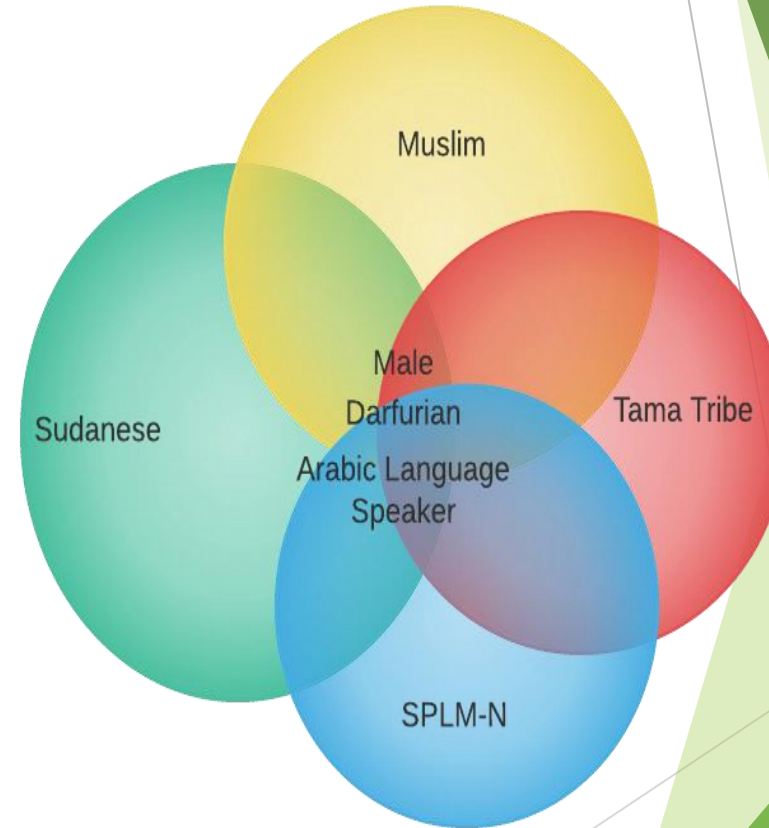


['+' indicates additionally supported children]

*Exchange Rate
increasing value
of money 3-4
times.

Informal Lending Networks

- The IFN follow ethnic, geographical, linguistic, tribal, gender, religious, political, occupational and age related lines.
- For example, a Sudanese Muslim, from the Tama Community, who supports the SPLM-N (Sudan People's Liberation Movement-North) could have 4 Informal Lending Network credit options available in the UK, but with family overseas (Europe / Asia / USA) other options might be available.
- Due to the conservative culture of many refugee groups, there are those who are financially excluded from IFNs e.g. The LGBTQI+ community.
- Informal Lending Networks are unregulated it can be difficult for individuals to keep track of “who owes who” as there can be several layers of interlinked lending.
- When IFNs are exhausted some have engaged with Loan Sharks (Family Reunion Crisis Situations).



Limited Financial Capability in the UK Context



- Many refugees come from mercantile, cash-based / trade-based economies. These economies often have a level of negotiation/bartering involved in every transaction.
- Refugees have often spent their entire or substantial part of their lives growing up in 1 or several other financial systems.
- In Walsh, (1999 p.6) it is estimated that in the USA, up to 45% to 75% of the immigrant population from war torn areas [Refugees] may have had interrupted or limited formal education. Resulting in Adult Literacy and Numeracy issues*.



*NNRF Bilingual -
Adult Literacy and
Numeracy Pilot
Project

“Friend in the Community” (Social Support)

- As advice agencies we often find that for every point of advice we give there is often a counter-point of advice from a “Friend in the Community”
- This can often be one of the sources of outdated or mis-information and it can heavily influence the financial decisions of an individual.
- The “Friend in the Community” will often be influential, respected and has the lived experience of a refugee.
- They can also be gatekeepers for available credit systems. This in reality can be the difference between a family being reunited via family reunion (Associated costs £2500- £5000) or someone waiting years using normal income.



Family Reunion = Debt

- Due to the associated costs of family reunion, which are often between £1000 to £8000+) people inevitably get into debt. Time = Money.
- Refugees often only have a limited knowledge of the family reunion process and costs involved. This often increases the probability of high-risk financial decision making and can often lead to serious debt.
- These debts often put added financial and related pressures on the family once in the UK. These are compounded by delays in DWP/HMRC benefits.
- Debt can affect Immigration Status and complicate ILR applications
- Debt can affect Mental Health : ***Mental Health can affect debt.***
<https://www.moneysavingexpert.com/credit-cards/mental-health-guide/>



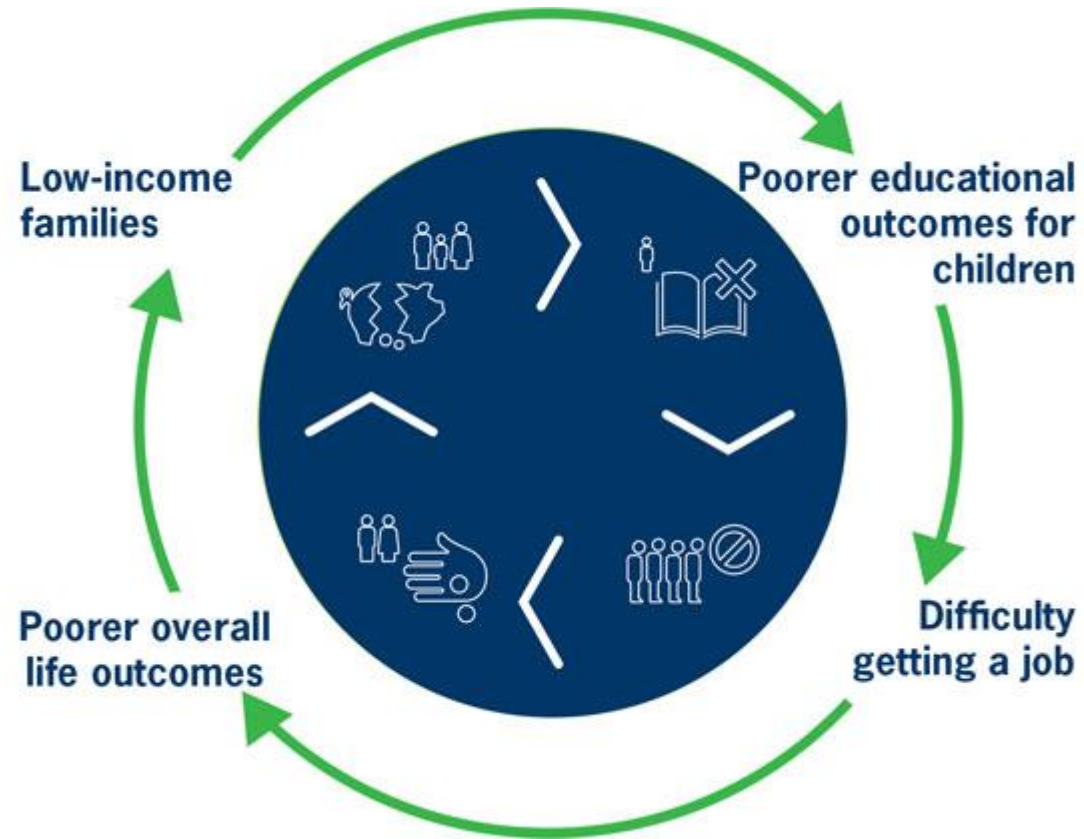
Representative Example: Yagoob*



Credit	Debit	Use	% Income
Total: £680.82		*UC+ *LHA	100%
	- £150	Remittances + Fee	-22%
	- £ 90	Informal Lending Networks	-13.21%
	-£200	Third Party Unofficial Debt, Associated Family Debt	-29.37%
Sub-Total= £680.82 - £440			£440 = 64.6%
Total	£240.82	Left for UK living expenses	35.25%

*UC = Universal Credit, *LHA = Local Housing Allowance | *LHA paying for rent in Cairo – MENA Client

Cycle of Poverty / Debt Trap



Debt and Immigration - Part 1



- *Home Office - Good Character Requirement Guidance (2019), if the conditions are not met it can complicate an ILR application.*

Financial soundness:

- If their financial affairs have not been in appropriate order - for example, they have failed to pay taxes for which they were liable or have accrued significant debt. (Home Office, 2019, p. 9)*

Bankruptcy:

- Bankruptcy occurs when a person is unable to meet their debts and has had a bankruptcy order made against them. A bankruptcy order can be made by a court after a petition either by the individual (on a voluntary basis) or by a creditor or creditors. Fraud can occur during the bankruptcy process.
- Where there is information to suggest on the balance of probabilities that bankruptcy fraud has taken place, the application will normally be refused, (Home Office, 2019, p. 36).

Debt and Immigration -Part 2



Debt:

- An application will not normally be refused simply because the person is in debt, especially if loan repayments have been made as agreed or if acceptable efforts are being made to pay off accumulated debts.
- However, where a person deliberately and recklessly builds up debts and there is no evidence of a serious intention to pay them off, the application will normally be refused, (Home Office, 2019, p. 38).

NHS debt:

- A foreign national may have an NHS debt if they have received free secondary healthcare (i.e. healthcare provided to the person by a hospital, to which they were not entitled). NHS bodies use their own internal processes to recover the monies owed and will only notify the Home Office once the debt has been outstanding for 2 months and there is no agreement to pay by instalments.

Debt and Immigration -Part 3



- Where a foreign national has an NHS debt of more than £500 this is a ground for refusal under Part 9 of the Immigration Rules. A person will not normally be considered to be of good character if they have outstanding debts to the NHS in accordance with the relevant NHS regulations on charges to overseas visitors, (Home Office, 2019, p. 38).

Non-payment of council tax:

- An application will not normally be refused where the person has been unable to pay council tax because of their financial position, particularly if an arrangement is being, or has been, negotiated with the relevant authority. However, payment of council tax is a legal requirement and non-compliance is a punishable offence. Therefore, an application will normally be refused where a person has either:
 - Unreasonably failed to pay.
 - Provided a false statement or statements, including failing to declare their full circumstances, to avoid paying the correct rate.

Debt and Mental Health



- **Martin Lewis - Money Saving Expert**
<https://www.moneysavingexpert.com/credit-cards/mental-health-guide/>
- *“Be under no illusions. Mental health problems can cause severe debt, and severe debt can cause mental health problems. Debt isn’t just a financial problem, it causes relationships to break up, people to lose their homes and families to break down. No matter who you are, it can be hell”*
- *“Some 48% of people who have or have had mental health problems have severe or crisis debts, according to a 2018 MoneySavingExpert.com survey”*
- *“A 2019 survey by debt counsellors Christians Against Poverty found that 75% of those seeking debt help said debt made them ill. Three quarters (78%) of those in relationships said debt negatively affected their relationship and more than a third (35%) had considered or attempted suicide.”*
- Implications for Family Reunion, Integration, employment, housing and ongoing mental health issues.



Strategies for Putting clients in a better financial position #1.



- Ensure that a benefit eligibility check is done. If the client has mental or physical health issues UC Limited capability to work and support group and/ or Personal Independence Payment can be applied for.
- Fuel Direct / Water Direct / Rent Direct / Council Tax Direct
(<https://www.gov.uk/bills-benefits>)
- Contact the priority debt / non-priority creditors and them to put the case on hold for a “Grace period”
(<https://www.moneysavingexpert.com/news/2021/05/debt-crisis-breathing-space-mental-health/>)
- Encourage the client to make or set up “token” payments for all debts. This for example would be £1 - £5 a month. This is to ensure ongoing debt consolidation.
- Refer to an advice agency like the CAB for debt advice or a financial inclusion project for budgeting advice.



Strategies for Putting clients in a better financial position #2.



- Grants for family reunion associated costs (Limited Options)
- Family Reunion Loan for associated costs, if eligible (Refuaid)
- If the Debts are becoming insurmountable, consider applying for Debt Relief Order (DRO), which will put **specific** debts on pause for 1 year and then they will be discharged after.
- If especially vulnerable regarding mental health and debt consider booking a GP appointment for the individual and send them with the debt and mental health form. https://moneyadvicetrust.org/media/documents/DMHEF_Version_4.pdf
- Help to Save (Low income). For every £1 the government gives you 50p. (<https://www.gov.uk/get-help-savings-low-income/what-youll-get>)
- Facilitate clients into employment and employability assistance. Benefit payments are frozen at current levels but earnings can potentially increase over time.



Strategies relating specifically to Covid costs

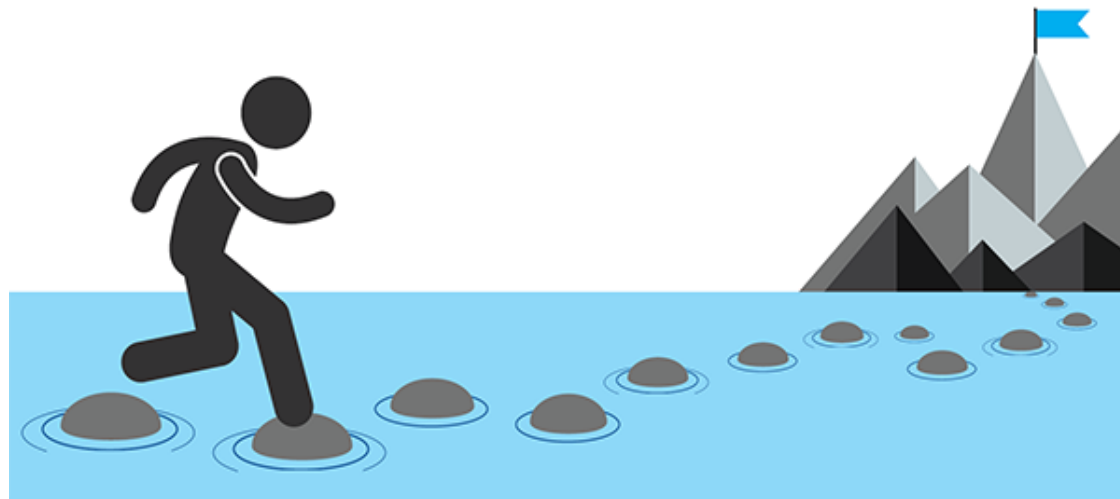
- Ensure the sponsor is informed of the financial situations / complications that could occur during the family leaving and arriving in the UK.
- Ensure the client knows that charities have finite resources and they may need to go back to their informal lending networks for additional emergency finance.
- Encourage the client to have Online Banking as they may need access to their account on in emergency situations during the families journey to the UK.



Long Term Strategic Ideas



- Family Reunion Grant - Applied for via the government
- Family Reunion Orientation Sessions for Refugees and Asylum Seekers.
- Financial and Cultural Orientation Sessions for Refugees and Asylum Seekers.
- Research further into refugee finance and informal lending networks.



Thank you!



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