

# Chapter 05:

## Budgeting and money management

### 5.1 Introduction

In this chapter, we look at how survivors can be supported in drawing up a budget, what items they should include in their budget, and suggestions for managing money more effectively in future.

As resources become increasingly sparse, local services supporting survivors will be relied upon

more and more to support their clients with a wider range of issues. The aim of this chapter is to equip you better to assist with financial and debt issues. However, it is important to recognise where your limits are, and to seek professional advice if you are at all uncertain about how to proceed.

### 5.2 Preparing the way to develop a budget

Survivors' circumstances and needs are very varied. Some will be struggling to come to terms with a new financial situation – whether this involves trying to manage on a much reduced income, or whether for the first time in many years, they now have control over their own money. Some will still be living with their abusers when they come for support; others will be in the process of re-establishing themselves independently. Whatever their situation, the starting point must be working out a **sustainable budget**. This will be central to any support and assistance you are able to give.

The process of drawing up a budget is both a way of collecting information to assist with problem solving, and a way of developing a practical day to day guide to help the survivor to stabilise her financial situation.

In order to complete the task, you are likely to need:

- at least 45 minutes of quiet time with the survivor;

- space to spread out paperwork;
- a calculator;
- a blank budget template (an example of a budget template can be found at the end of this chapter);
- relevant paperwork from the survivor - bills, bank statements, etc. (see below).

Ideally, the client should bring with her, or have to hand, any paperwork which might be helpful in identifying payments and spending patterns – for example bank statements, utility bills, wage slips, confirmation of rent or mortgage payments, and letters regarding any benefits she is receiving or in the process of claiming. However, not all survivors will have all (or any) of the relevant paperwork; and some, due to recent upheavals in living arrangements, will still be unsure about what they have coming in or going out. In these cases, you will need to be prepared to work without firm information.

Because the lives of survivors of domestic violence are often in a state of flux the budget may need to be worked out on several occasions – initially, and then subsequently

whenever there are changes of circumstance, such as a move from temporary to more permanent accommodation, or a transition to or from employment or education.

## 5.3 Calculating the budget

Drawing up a budget involves a process of exploration and probing to ensure that all aspects of the individual's financial transactions and lifestyle are covered. You may find it useful to approach the budgeting process in the following steps:

### Step 1 – What income does the client have coming in?

Sources of income could include earnings (from full-time or part-time employment, self-employment or casual work), benefits and tax credits, maintenance payments, pensions, and so on.

You will need to check the frequency of each form of payment: for example, some benefits are paid fortnightly, others weekly and some four weekly; whereas earnings are usually paid either weekly or by the calendar month. Between you, you should decide on the basis for the budget (e.g. should it be by calendar month, or is a weekly basis easier for the client?) Once this has been decided, you must make sure all the figures are calculated on the same basis. You should try to engage the survivor in what you are doing and explain why, as you go along – if necessary, in some detail.

### Step 2 – Is any income maximisation possible?

Income maximisation involves looking for **gaps in income** and assessing potential **eligibility for benefits** and tax credits (see below, Step 3).

Other forms of income maximisation also

need to be considered. For example, those survivors who are in permanent accommodation might consider taking in a lodger, or asking for contributions from non-dependents (such as adult children still living at home); and those in work might be able to increase their hours, or take on an additional job<sup>39</sup>. In some instances it may be possible to apply to a charity for a grant for urgent household needs or to pay a priority debt.

### Step 3 – Provide support with benefits claims.

This could perhaps be done using an online benefits checking resource. Basic information about benefits is included in Part 2 of this guide. Depending on your level of knowledge and experience, you might decide to call on more specialist advice at this point.

At the point she comes to you for support, the survivor may still be unclear what benefits she will get. Until any outstanding issues such as ongoing benefit claims or other forms of income maximisation are resolved, it might be difficult to finalise a sensible budget. However, it should be possible to continue by using estimated figures, (based, for example, on what benefit entitlements she appears to have); but in such cases, it will be important to check the figures again once the actual situation becomes clear.

### Step 4 – Go through the expenditure in detail,

This step, again, requires the careful collection of detailed information remembering to check and standardise the frequency of payments. It is

<sup>39</sup> See for example the one available at [www.direct.gov.uk/en/Di011/DoltOnline/DoltOnlineByCategory/DG\\_172666](http://www.direct.gov.uk/en/Di011/DoltOnline/DoltOnlineByCategory/DG_172666)

important to ask questions not only about each category, but to question around them to make sure nothing has been left out.

If the budget is going to be sustainable in the long term, it must take into account not just regular expenses, but items which crop up only from time to time – for example, repairs to essential household items, celebrations such as Christmas or birthdays, holidays, outings, and treats (see below for more on this).

#### Step 5 – Work out whether the budget balances

Is there enough money to cover all the essentials? A budget will only be sustainable in the long term if income matches, or is greater than, expenditure. If not, you might need to go through it again to ensure that at least essentials are covered.

#### Step 6 – Identify the disposable income or deficit.

Once the income and expenditure on essentials has been calculated, it should be possible then to see whether there is any disposable income available for other purposes – such as paying towards any outstanding debts.

You may discover as you go through this process with the survivor that there are debts which she is attempting to pay out of her income. It is best to put payments to creditors such as credit card companies, banks and other lenders to one side until you have worked out whether she has enough to live on in the first instance. How to deal with drawing up a budget if there are debts is dealt with later in the chapter.

## 5.4 What should be included in the budget?

For a budget to be a useful tool, it needs to be detailed, and geared to the individual's circumstances and those of her household: for example, are there children to support? are any members of the household disabled?

Ideally the budget should be sustainable in the longer term. This means that the proposed budget should not only include essential bills, food and transport, but also take into account items of expenditure which crop up from time to time (for example birthday celebrations, new school uniforms), and include some non-essentials, such as gifts, treats, and leisure spending. Sometimes it is difficult to estimate these irregular items of expenditure, but it is important to try to reach an agreed figure, so that at least a small amount can be put aside for these items.

If the client **does not have any debts**, once income and expenditure has been determined, you will be able to see if the budget balances, or whether adjustments will be needed to afford the essentials without falling into debt in the

future. Changes will be advisable if there is a shortfall in the budget.

Discussing how and what changes to make can be a very sensitive matter; particularly if the survivor is facing a drastic reduction in income due to leaving her abuser (and perhaps having to leave her job as well). In these circumstances, she might have to make difficult choices which will affect her and her family's lifestyle – often at the same time as she and her children are having to cope with the aftermath of the abuse, and many other associated changes. However, some survivors welcome some help with these issues:

*The adviser went through everything I was struggling with – because I was struggling at the time, being on benefit. She wrote it all out and basically made it easier ... - what was going out weekly, what I could afford and what I couldn't. It made it easier for me to manage at the time.* **Laura**

## 5.5 Money management

Many survivors are unsure exactly how much they spend on what, as they are likely to have been focusing on other more urgent issues. In

such cases, it might be helpful to suggest they use a **spending diary** for up to a week, to help them focus on what they are spending and how much.

### Sample spending diary

How much do you have to start with? £

|           | Income £ | where spent? | How much? |
|-----------|----------|--------------|-----------|
| Monday    |          |              |           |
| Tuesday   |          |              |           |
| wednesday |          |              |           |
| Thursday  |          |              |           |
| Friday    |          |              |           |
| saturday  |          |              |           |
| sunday    |          |              |           |

TOTAL SPENDING/ANYTHING LEFT?

|  |                  |
|--|------------------|
|  | Total income: £  |
|  | Total spent: £   |
|  | Anything left: £ |

*It's a lot better than what it was. I have cut back on a lot of things, sat down and worked all my finances out, what I can and can't do. And obviously I'm getting a bit more help now.*

**Selena**

Items which vary from week to week or during holidays – for example, child care costs or school meals - might be more easily calculated on an annual basis, and then divided by twelve to arrive

at the average monthly cost. In such cases, it is important that the client understands that the money has to be set aside throughout the whole year.

*I still don't have much money by the end of the month, but at least I've got my debts written off. I'm not really any better off but I'm not getting myself into any more debt. Before, I was overspending – my outgoings were more than my income.* **Celia**

## 5.6 Potential underlying problems

Some clients might find the process of drawing up and sticking to a budget particularly difficult. Although on the surface their spending looks manageable and realistic, there could be some underlying issues which they are reluctant to discuss. There is, for example, a considerable overlap between experiencing domestic violence and substance misuse<sup>40</sup>. Substance misuse is often a response to and a way of dealing with abuse; and in addition, some women are introduced to substances by their abusive partners as a way of increasing control over them. The result is that women experiencing domestic violence are up to fifteen times more likely to misuse alcohol and nine times more likely to misuse other drugs than women generally - and spending on alcohol or drugs can very quickly outpace any budgetary allowance. Other underlying issues may involve compulsive spending, or mental health issues<sup>41</sup>.

*It's not that I can't... but at times my brain is not working and I need to be told what to do... My brain gets very argumentative at times and I find it too tiring and sometimes I think I can't be bothered... Kishwar*

In circumstances like these, a non-judgmental approach is particularly important. Try to build a rapport with the client, and work towards as open a discussion as you can achieve. If it seems appropriate, discuss options for counselling or other specialist services to help her address the underlying issues. However, bear in mind that some drug and alcohol services are not fully aware of domestic abuse issues, and also women-only support is often unavailable. The Stella Project (part of AVA) has some useful resources and information, and is working to improve responses to and treatment options for women who experience problematic substance use and domestic and sexual violence, so the picture may improve in future<sup>42</sup>.

## 5.7 Banking arrangements

The survivor's banking arrangements will need to be looked at as part of the budgeting process. For most people, a bank current account is essential, to enable the payment of state benefits, earnings, tax credits or other income, and to make regular payments of bills - for example, direct debits to utility companies, as this is often cheaper and may be of help in budgeting. Initially, the main thing to check is that the client has easy, safe and practical access to her income, and is able to use it to pay for essentials.

The benefits of having a bank account include:

- **facilitating payment of benefits or earnings;** while Post Office card accounts may initially be sufficient, they only allow the payment of state benefits and do not offer any banking functions

other than cash withdrawal.

- **enabling direct debit payments** of bills - which may be cheaper, and also help in managing money and budgeting.
- **allowing access to mainstream lending facilities** such as agreed overdrafts or, for larger items, bank loans: these are usually less expensive than other forms of borrowing.
- **enabling access to savings and insurance** products if required.

Whether or not the survivor continues to use her existing bank account (if she has one) or opens a new one will depend on her circumstances: see below.

<sup>40</sup> See for example, Swan et al., 2000; Ettorre, 1997; Humphreys et al., 2004; Humphreys and Thiara, 2004; Humphreys and Joseph, 2004; Jacobs, 1998; Taylor, 2003; Raine, 2001.

<sup>41</sup> See for example, Humphreys and Thiara, 2003; Humphreys and Joseph, 2004.

<sup>42</sup> See [www.avaproject.org.uk/our-projects/stella-project.aspx](http://www.avaproject.org.uk/our-projects/stella-project.aspx)

## 5.8 Using existing bank account

Before making any attempt to use her existing bank account, the survivor should check first that it is safe to do so. A survivor who has a joint bank account with her partner/abuser will almost certainly be advised not to use it, and should as soon as possible ask the bank to remove her name from the account, or freeze it, in order to avoid further liabilities for overdrafts and debts. (The survivor can do this on her authority alone; but the account cannot be closed without both parties agreeing.)

Until her name has been removed from the joint account, any money in it belongs to both partners, and, usually, either can make withdrawals without the permission of the other person. This means that the abuser might withdraw all the money from the account, or run up an overdraft for which both parties would be equally responsible. If there is a risk of this - and providing it is **safe to do so** - the survivor should contact the bank straight away.

If the survivor has a bank account or credit card in her own name, again she would normally be advised not to use it, as it might enable the perpetrator to trace her whereabouts if he has (or can arrange) access to her account details through statements sent to her previous home address, and/or internet banking records. For

example, when money is obtained from ATM, the location is given in the bank statement; and details will also be given of any shops where card payments are made. She might also have been using security information (such as her mother's maiden name or her place of birth) which he knows, or PIN numbers and passwords he could easily guess. These might enable him to access the account by telephone or online, and – if he has obtained her bank card – through an ATM.

Even if it is safe for the survivor to use an existing bank account, she might have forgotten or misplaced her security details (such as her telephone or internet password), due to the abuse and associated trauma. She might also have been unable to take her bank card, cheque book, or other details and documentation with her when she left the abuser.

If the survivor does continue to use an existing account, it is important that she changes her contact details, PIN numbers, and passwords as soon as possible; however, if she has outstanding debts or a large overdraft, she might find that the bank is unwilling to change her address or other details, or to set up a new account, until any debts are paid off or properly dealt with. The support of an adviser could help her to overcome these problems.

## 5.9 Setting up a new bank account

If the survivor is having difficulty in accessing her money - perhaps because she is unable to use her existing or joint account for reasons of safety, or because she is overdrawn and incurring charges every time she uses it, or she has debts, such as a personal loan, with her bank - it might be necessary to start again with a new bank.

As a general rule, most survivors would be

best advised to set up a basic or current bank account in their sole name, with a bank with which they do not have any existing relationship (including borrowing), in order to manage their current income and expenditure separately from any previous debts or liabilities.

However, many survivors may experience problems in opening a new account; for example, they may lack the forms of ID necessary, such



as a passport or driving license and a utility bill showing their current address. If a survivor is living in refuge accommodation, she might have only a P.O. Box address, which some banks find unacceptable; and if she has outstanding loans, debts or overdrafts with existing financial providers, she might be unable to pass a credit check, which is often required before opening a new bank account.

Women may find some banks are much more helpful than others to people in their situation. In particular, Post Office accounts, or accounts with credit unions, might be more accessible. Credit unions are mutual societies registered under the Industrial and Provident Societies Act, and regulated by the Financial Services Authority (FSA). They offer a range of savings accounts and loan products at affordable rates suited to the member's individual needs, and may be more willing than high street banks to help people on low incomes. Credit union members are in control of their own finances and have a say in how the service is run. Go to [www.findyourcreditunion.co.uk](http://www.findyourcreditunion.co.uk) to see whether there is a credit union available.

Some domestic violence organisations have liaised with their local banks to make the procedure easier for survivors with whom they are in contact; for example, the bank might accept a letter from such an organisation confirming an individual's identity and current address. Local bank branches tend to follow different practices, regardless of the overall policy of the bank, so it is worth investigating the situation with local branches in your area.

Survivors who have had financial problems, whether or not they feel in part responsible for these, might fear getting into debt in future. Some survivors might be having to manage on incomes considerably smaller than they have been used to, and/or might be new users of bank

accounts, so it is important that they keep track of their spending. They might find having a bank account helps them to do this; but in any case, they should avoid building up unmanageable or unauthorised overdrafts, which might entail unexpected costs.

In such cases, it might be worth considering a **basic bank account**, which all banks should now offer. These allow automatic payments of benefits, wages, and pensions, and they provide cash cards (for taking out money at ATMs). There is also the ability to set up direct debit payments, and cheques can also be paid in free of charge. They do not, however, offer credit facilities nor do they allow the customer to become overdrawn, and no cheque book is provided. Note that some basic bank accounts have started making a charge for using an ATM other than their own, so the survivor should be advised if possible to set up a basic account with one of the banks that do not charge for use of other banks' cash machines. If this is not possible, ensure that the client is aware of this limitation, so that she does not unwittingly build up extra charges.

Once the survivor has an accessible account, she should make arrangements to ensure that any income (benefits, wages) is paid into this account as a matter of urgency. She should then make a record of all payments going out and income coming in, the dates they are made and the amounts. This will make it possible for her to track payments in and out of the account through the month, and therefore to see whether there will be any problems with making the payments when they fall due. She might also wish to set up direct payments such as direct debits and standing orders. Sometimes she will also need to cancel these on her old account – but a direct transfer is inadvisable, as this could give the abuser clues to her whereabouts.

## 5.10 Summary

- The starting point to giving money advice is to work out a budget with the survivor.
- The process of calculating a budget follows a number of stages, which should enable the survivor to balance income against expenditure.
- Using a spending diary could help her identify where she is spending her money.
- Sometimes underlying issues – often relating to the abuse she has experienced – make it harder for her to keep to a budget.
- Having an accessible bank account, and tracking payments through the account, are often a help in managing money.
- Most survivors are best advised to set up a new bank account in their sole name.

### A sample budget

While this might look unnecessarily lengthy and detailed, it is intended as the basis for a structured and probing conversation, rather than tedious fact gathering. In some cases (such as when a woman is resident in a refuge) some items will not apply as they will be covered by the overall service charge to the refuge organisation. In other cases, it will rapidly become evident whether the survivor is likely to be eligible (or not) for maternity pay or a retirement pension, or has costs relating to maintaining a car, or children's education, for example. However, whenever there is any room for doubt, it is worth taking a comprehensive approach in order to lessen the danger of leaving out important items.





## Your budget

| <b>Income</b>        | <b>Monthly Amount</b> | <b>Expenditure</b>           | <b>Monthly Amount</b> | <b>Expenditure cont</b>       | <b>Monthly Amount</b> |
|----------------------|-----------------------|------------------------------|-----------------------|-------------------------------|-----------------------|
| Earnings             |                       | <b>Housing costs</b>         |                       | Cleaning/toiletries           |                       |
| Partners earnings    |                       | Rent                         |                       | Papers etc                    |                       |
| Other earnings       |                       | Mortgage                     |                       | Cigarettes/tobacco            |                       |
| Maintenance          |                       | Secured loans                |                       | Alcohol                       |                       |
| Lodger etc           |                       | Council tax                  |                       | Clothes/shoes                 |                       |
| Student loan         |                       | Mortgage Protection          |                       | Childcare                     |                       |
| Student grant        |                       | Payment                      |                       | Nappies etc                   |                       |
| Other earnings       |                       | Ground rent/service charge   |                       | School fees                   |                       |
| Pension              |                       | Contents insurance           |                       | School meals                  |                       |
| Partners pension     |                       | Buildings insurance          |                       | Pocket money                  |                       |
| Other pension        |                       | Endowment                    |                       | Pet costs                     |                       |
| Income Support       |                       | Other life insurance         |                       | <b>Health costs</b>           |                       |
| JSA                  |                       | <b>Utilities</b>             |                       | Dentist/prescriptions/glasses |                       |
| Child Benefit        |                       | Gas                          |                       | Care costs                    |                       |
| Child Tax credit     |                       | Electricity                  |                       | Health insurance              |                       |
| Working tax credit   |                       | Water                        |                       | <b>Other expenses</b>         |                       |
| Housing benefit      |                       | Other fuel                   |                       | Repairs                       |                       |
| Council tax benefit  |                       | <b>Other important items</b> |                       | Household maintenance         |                       |
| DLA                  |                       | Court orders/fines           |                       | Window cleaning               |                       |
| ESA                  |                       | Child Support etc            |                       | Maintenance contracts         |                       |
| Attendance Allowance |                       | HP/Cond sale                 |                       | Fees/subs                     |                       |
| Carers allowance     |                       | TV licence                   |                       | Postage                       |                       |
| Stat Maternity pay   |                       | Landline                     |                       | Haircuts                      |                       |
| Stat sick pay        |                       | Mobile                       |                       | Sat TV/Internet               |                       |
| Other benefits       |                       | <b>Travel costs</b>          |                       | Appliance rental              |                       |
| <b>Total</b>         |                       | Travel to work               |                       | Outings                       |                       |
|                      |                       | Travel to school             |                       | Lottery                       |                       |
|                      |                       | Travel to shop               |                       | Charity giving                |                       |
|                      |                       | Other fares                  |                       | Hobbies                       |                       |
|                      |                       | Car tax                      |                       | Gifts                         |                       |
|                      |                       | Car insurance                |                       | Courses                       |                       |
|                      |                       | Petrol                       |                       | <b>Total</b>                  |                       |
|                      |                       | MOT etc                      |                       |                               |                       |
|                      |                       | Breakdown insurance          |                       | <b>Leaving</b>                |                       |
|                      |                       | Parking costs                |                       |                               |                       |
|                      |                       | <b>Housekeeping costs</b>    |                       | <b>Payments to creditors</b>  |                       |
|                      |                       | Food                         |                       |                               |                       |