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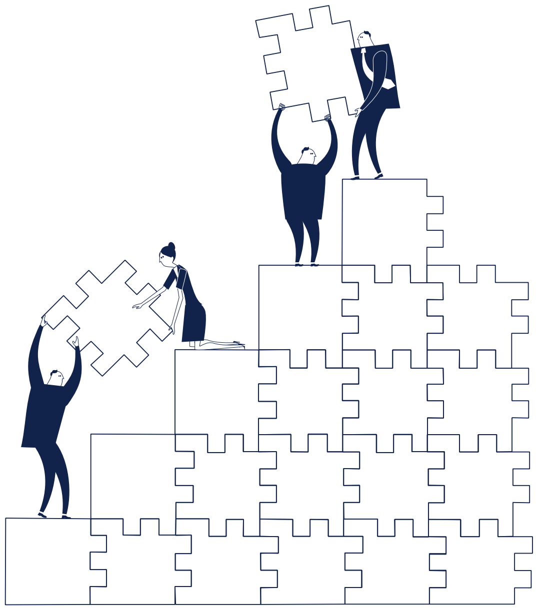

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CONTRIBUTION STATEMENT

Extant research on consumer debt has focused predominantly on debt repayment decisions (Amar et al. 2011; Navarro-Martinez et al. 2011) and the effects of bankruptcy (Fay, Hurst, and White 2002). However, actually repaying debt is a very uncommon behavior when it comes to consumers with substantial debt. In such a situation, many consumers fail to reach out for help and often avoid their creditors' attempts to reach them. This is costly, for both consumers and their creditors, because it easily results in additional fees and interest, of which collection is uncertain. This research focuses on this phenomenon of creditor avoidance—a "head in the sand" approach to personal debt management—which has been largely overlooked in the consumer financial decision-making literature. Using a unique dataset from the UK's Money Advice Service, we find that debt-related shame and guilt, as well as the feeling of "drowning in debt," are associated with creditor avoidance. Other negative emotions, such as anxiety and unhappiness, are not. Furthermore, creditor messages that match consumers' pre-message emotional states can risk intensifying the adverse effect of creditor contact on consumers, in turn increasing creditor avoidance. In these circumstances, creditor messages may act as an additional stressor rather than as a nudge towards repayment. The findings presented in this research suggest that greater attention should be paid to the circumstances under which consumer debt is not repaid. The results suggest that effective communication in debt management should not be about "fearful persuasion." Rather, we suggest that to mitigate creditor avoidance, messaging tactics need to overcome or mitigate specific negative emotions that consumers have in relation to their personal financial situations.

ABSTRACT

Why do consumers avoid creditors when they send messages that put pressure on consumers to repay their debts? This behavior, called creditor avoidance, ultimately hurts consumers but many still engage in it despite it being against their best financial interests. To better understand factors that contribute to this behavior, this article uses unique data from a survey of 3,287 over-indebted consumers. Specifically, this research examines the association between creditor messaging and consumers' creditor avoidance, and how consumers' negative emotions about their debt circumstances are related to creditor avoidance behaviors. Findings indicate that debt-related shame and guilt, as well as the feeling of "drowning in debt," are associated with creditor avoidance behaviors. Other negative emotions, such as anxiety and unhappiness, however, are not. Further, creditor messages that match the consumers' pre-message emotional state risk intensifying the adverse effect of creditor contact on consumers, thus increasing creditor avoidance. In these circumstances, creditor messages may act as an additional stressor rather than as a nudge towards repayment. These findings have implications for how credit organizations and policymakers communicate with, and assist, over-indebted consumers.

Keywords: financial decision making, communications, messaging, consumer finance, creditor avoidance, emotions.

Household debt is historically high in many countries, including the US and the UK. Credit card delinquencies in the US, for example, have increased in the past year, which is a trend not seen since the 2008 financial crisis. Additionally, in the UK, levels of consumer debt have been rising faster than household incomes. These trends have raised significant concerns about the unsustainability of current consumer debt levels (Bank of England 2017; Federal Reserve Bank of New York 2018). Although high levels of indebtedness do not automatically equate to consumers not paying their debts, as debt levels increase, there is a tendency for more consumer debt to be left unpaid.

When faced with unpaid consumer debt, creditors (e.g., banks, credit card issuers, consumer credit companies, and retailers) have been increasingly turning to third-party debt collection firms. Collections agencies, as they are often called, manage large debt portfolios. For example, in the US, debt collectors managed $792 billion of consumer debt in 2016, which was approximately 22% of total outstanding consumer debt that year (Board of Governors of the Federal Reserve System 2018; Ernst & Young 2017). Collections agencies use various tactics to get consumers to pay back overdue loans and credit card balances. Most commonly, debt collectors send messages to over-indebted consumers via mail or call them as a way to make them aware of their debt situation and to encourage repayment.

Despite these tactics, only a small proportion of debts are recovered from delinquent consumers. For instance, in 2016, a striking 90% of delinquent US debt held by third-party debt collectors remained uncollected (Ernst & Young 2017). The problem is similar in the UK, with 95% of third-party debt collection holdings uncollected each year (Credit Services Association 2016). These staggering statistics suggest that many over-indebted consumers simply do not repay their debts. In other words, they live with problem debts for extended periods of time.

While in this situation, consumers are frequently contacted by creditors or their debt-collector agents, who attempt to recover unpaid funds from them. Consumers often blatantly ignore such contact attempts. We refer to this phenomenon as *creditor avoidance*. It is a serious financial problem with both macroeconomic and individual consumer consequences, and is particularly troubling given the efforts to which creditors and their collection agents go to collect delinquent debts from consumers. Creditor messaging, such as letters, phone calls, and other tactics are intended to encourage repayments and often are designed to apply some pressure in order to affect repayment. Such approaches, however, seem to be largely ineffective and might have unintended side effects on consumer well-being not accounted for in the model of debt collection, such as causing emotional harm.

Given the magnitude and seriousness of the problem of creditor avoidance, and the apparent ineffectiveness of current debt-collection messaging practices, a better understanding of the phenomenon of creditor avoidance is needed. This is the objective of this paper. Specifically, we focus on over-indebted consumers and attempt to understand factors that contribute to them exhibiting creditor avoidance behaviors. At first sight, avoiding repaying one's debts is a seemingly irrational behavior that is likely to be personally harmful, often with long-lasting ramifications for one's creditworthiness. Nevertheless, creditor avoidance is a common way for consumers to "manage" their personal debt via a "head in the sand" approach. What triggers or fosters this detrimental behavior is, however, puzzling. Thus, the aim of this research is to identify some of these factors, which we hope can be used to inform public policymakers and guide better approaches to creditor messaging tactics. We focus on over-indebted consumers themselves and, specifically, how they feel about their debt situation and what they do (or not do) about it.

The current research is distinct from extant studies due to our focus on the phenomenon of creditor avoidance. Prior work on consumers' relationships with their debts and their approaches to debt management has predominantly focused on consumers' debt repayment decisions (Amar et al. 2011; Navarro-Martinez et al. 2011) and the effects of bankruptcy (Fay, Hurst, and White 2002), instead of creditor avoidance. However, as the statistics above illustrate, actually repaying debt is a very uncommon behavior when it comes to consumers living with problematic debt. Similarly, and unsurprisingly since it is typically used as a last-resort option, bankruptcy is also very rare (e.g., fewer than 0.4% of US adults and 0.2% UK adults filed for bankruptcy in 2013 and 2015, respectively; The Insolvency Service 2016; United States Courts 2013). Thus, our focus on creditor avoidance instead of repayment reflects a more prevalent and realistic problem in the broader set of issues pertinent to consumer debt. We thus extend prior research by examining the realities of being over-indebted with a particular focus on how this makes consumers feel and how creditor messaging helps—or hinders—consumers' abilities to "dig out" of their over-indebted situations.

The question of what over-indebted consumers do outside of the relatively uncommon outcomes of repayment and bankruptcy is largely unexplored. The creditor avoidance phenomenon, which essentially means adopting a "head in the sand" approach to personal debt management, is rife but not well understood. When in problem debt, many consumers fail to reach out for help and often avoid their creditors' messaging attempts. This is costly, for both consumers and their creditors, because it easily results in additional fees and interest, of which collection is uncertain. This phenomenon has not yet been researched in the consumer financial decision-making literature, and the empirical evidence of who engages in creditor avoidance, why, and critically, how they feel and then act, is limited.

Ultimately, creditor avoidance is a highly consumer-relevant issue. Moreover, it is squarely a marketing-related issue because communication in the form of creditor messaging (e.g., letters, phone calls) to over-indebted consumers is an integral part of standard debt-collection practice in most countries. For creditors to effectively encourage and help over-indebted consumers to repay their debts, effective communication with consumers is essential. Yet, we know very little about the effectiveness of creditor messaging tactics other than that industry and government statistics suggest that they are largely ineffective. For example, according to the US Consumer Financial Protection Bureau (2016), debt collection is the largest consumer financial products and services complaints category in the US, implying a disconnect between creditors' messaging efforts and consumers' reception of these efforts. It is plausible that debt collectors' communications strategies and, specifically, creditor messaging tactics, are not working. Moreover, creditor messaging that attempts to get people to repay debts might backfire and trigger creditor avoidance.

To shed light on these issues we consider (1) whether creditors' messaging tactics are effective in establishing contact with over-indebted consumer debtors, and (2) conditions under which messaging tactics are likely to be effective in mitigating creditor avoidance. We argue that to mitigate creditor avoidance, messaging tactics need to overcome certain negative emotions that consumers have in relation to their personal financial situations. Conversely, messaging that is ineffective by exacerbating the problem of creditor avoidance is likely that which does not overcome negative debt-related emotions and might in fact make them worse.

To address these questions, we analyze a unique dataset of 3,287 over-indebted consumers in the UK. The dataset is the first of its kind, capturing consumers' actual debt management decisions, including creditor avoidance, their debt-related negative emotions, and types of creditor messages they have received. To preview our findings, debt-related emotions of shame and guilt, as well as the feeling of "drowning in debt," are each positively associated with creditor avoidance behaviors. Other negative emotions, such as anxiety and unhappiness, however, are not. Additionally, creditor messages that match the consumers' pre-message emotional states risk intensifying the adverse effects of creditor contact on consumers, thus increasing creditor avoidance. In these circumstances, creditor messages may act as an additional stressor rather than as a nudge towards repayment. These findings have implications for how credit organizations and policymakers communicate with, and assist, over-indebted consumers.

BACKGROUND AND CONCEPTUALIZATION

Not opening the envelope is a powerful metaphor to capture the essence of creditor avoidance. Theories of information avoidance and coping suggest that this phenomenon may be driven by affect-based motivations. Prior research in consumer behavior typically measures effective behavior change (or the intention to) as a result of persuasive messaging (Andrews et al. 2014; Keller and Block 1996). It does not, however, directly measure avoidance as an (unintended) outcome of messaging tactics. Our primary goal is to understand under which conditions messages, intended to persuade consumers, may backfire and lead to avoidance.

Information Avoidance

A plausible reason why consumers avoid creditors is that they avoid information about their debts (i.e., not opening the envelope and, thus, putting their heads in the sand). Information avoidance has been studied in various disciplines, ranging from medicine to communication to economics, and in the organizational behavior, economics, and psychology literatures. In psychology and economics there have been recent efforts to develop theories on information avoidance. In psychology, information avoidance is defined as the tendency to prevent or delay the acquisition of available, but potentially unwanted, information (Sweeny et al. 2010, p. 341). In economics a narrower range of phenomena are considered and information avoidance is treated as an active decision made by individuals. Information avoidance is “active” if the individual is aware that the information is available and has free access to the information or would avoid it if access were free (Golman, Hagmann, and Loewenstein 2017).

In the current research, we adopt a perspective similar to that advanced by Golman et al. (2017) such that creditor avoidance can be classified as active information avoidance. This is related to what psychologists have termed “deliberate ignorance” (Gigerenzer and Garcia-Retamero 2017; Hertwig and Engel 2016). Consumers know the information is available—creditor messages are pervasive and hard not to notice—and is freely accessible. Yet they decide to avoid it. We hypothesize that consumers’ information avoidance when in problem debt is hedonically or affectively driven (Golman, Hagmann, and Loewenstein 2017), such that creditor messages can make consumers experience negative emotions because the information inside these messages carries direct negative utility for them. In an attempt to avoid these negative mental states from arising, consumers may simply decide to avoid their creditors’ messages.

Prior work on information avoidance in consumer behavior research has not specifically considered debt and creditor avoidance. Instead, the consumer literature on information avoidance looks at how receiving threatening information in one domain (e.g., health) can lead to less curiosity in another domain (e.g., charity giving) (Wang and Zhu 2014), and at how well-targeted messages can nudge consumers to engage more actively with their finances (White and Sussman 2016).

Consumer behavior research has looked at avoidance as a behavioral outcome in the context of coping. Drawing on coping theory (as opposed to information avoidance theory), prior research has explained how consumers cope with negative emotions arising from stressful consumption decisions (Luce 1998; Luce, Bettman, and Payne 1997). Coping, as a general behavior, has avoidance as one form of response under the general category of coping responses (Duhachek 2005). With the exception of work by Duhachek, Agrawal, and Han (2012), who study coping (of which avoidance is one strategy and action or approach another) and message framing, prior research has not explicitly linked coping (avoidance) mechanisms to effective messaging effectiveness. Similar to motivations for information avoidance, creditor avoidance may be an attempt to cope with the negative emotions arising from creditor messages. This reaction, however, is the opposite of what debt collectors try to achieve: persuade consumers into repaying debt.

Persuasion and Message Tactics

Debt collection letters are often perceived as threatening (Custers 2017). The reason that these messages have threatening content may be that, generally, fear appeals are positively associated with attitude, intention and behavior changes and the stronger the fear arousal, the more persuasive it is. At the same time, as exemplified by creditor avoidance, fear appeals are also associated with defensive responses such as avoidance. Which response is dominant in response to fear appeals (avoid or persuade), depends on the context in which the message is received (Witte and Allen 2000).

Existing research on fear appeals (e.g., in smoking cessation) focuses on persuasive messaging and intention to change behavior (Andrews et al. 2014; Keller and Block 1996), as opposed to messaging tactics that may be damaging or counterproductive. This makes intuitive sense, because in general research is aimed at nudging consumers towards decisions that improve their welfare. This focus on adaptive responses (i.e., the intention to change behavior) however ignores negative (and possibly unintended) consequences of messaging tactics, which may result in an incomplete understanding of messaging effects. We study conditions under which messaging tactics may backfire and lead to a defensive avoidance response, rather than adaptive message acceptance (Witte and Allen 2000).

(Untailored) Framing

One reason for this backlash effect against threatening creditor messages may be that these messages are not well-tailored to the consumers' circumstances. An important moderator in the effectiveness of message tactics is the consumers' pre-message affective state. Messages tailored to this state tend to be more persuasive. Gain- (loss) framed messages have been found to be more effective in persuading recipients with a negative (positive) emotional state (Keller, Lipkus, and Rimer 2003), and specific coping tendencies of negative emotions act as boundary conditions (Duhachek, Agrawal, and Han 2012). In other words, not only the valence of pre-message affective state matters for the effectiveness of messaging tactics, but also the specific emotion and its respective coping orientation. For example, threat appeals, which represent loss frames, lead to greater message effectiveness when matched with pre-message negative emotional states typically associated with emotion-focused coping, such as fear and shame (Duhachek, Agrawal, and Han 2012). Based on these prior findings we would expect that consumers' negative emotions in relation to their debt that are typically associated with emotion-focused coping (such as fear and shame) do not significantly moderate the relationship between creditors' messages and avoidance.

In contrast, ad frames matching the affective state (i.e. messages that signal the same emotion as the pre-message affective state) have been found to generate defensive processing, being less persuasive and in essence inducing a backfire effect (Agrawal and Duhachek 2010). Since creditors' messages tend to be threatening, we would expect consumers to avoid their creditors' messages more when they are in a state of threat-related emotions.

DATASET

Overview

In 2012, the Money Advice Service, an independent body in the UK that aims to improve people's money management, commissioned a survey to analyze characteristics of the over-indebted population. The survey was carried out by Public Knowledge, a market research agency. Consumers were eligible to take part in the survey if they had been at least three months behind with their bills in the last six months, and/or felt that their debts were a heavy burden. See web appendix A for details. We use this survey as the basis for this research.

The full sample covers 5,020 over-indebted individuals (mean age 41-45, 50% female). However, due to missing data on key variables of interest we excluded 1,733 individuals from the sample, resulting in a sample size of 3,287 over-indebted individuals used in our analysis (mean age 41-45, 50% female). Respondents were excluded due to missing data if they answered “don’t know” or “prefer not to answer” to key questions used in our analysis. A balance check between the included and excluded respondents revealed no statistically significant differences on socio-demographic variables such as sex, geographical location, and home ownership status. We did, however, find that income and age statistically significantly differed between included and excluded respondents, but in both cases the absolute difference between the two groups was very small (less than 8% of 1SD). Thus, we are not concerned that our exclusion rule biased the resultant sample in any meaningful way. See web appendix B for details. The mean age bracket of the sample is 41-45 years, and the gender respondent divide is split evenly at 50%. The median household income band of the sample is £20,000 - £29,999 and 64% are economically active (either full time or part time employed). Further, 53% are financially responsible for dependents, and 50% own their home.

In terms of the two sample selection criteria, 65% of respondents in our analysis report their debt as being a heavy burden (referred to as subjective over-indebtedness) and 69% said they are behind with their bills in at least three out of the last six months (referred to as objective over-indebtedness). In addition, 38% agree or strongly agree with the statement “Sometimes I don’t open letters or answer phone calls in case they are to tell me that I owe money.” This is the creditor avoidance behavior of central interest for this paper. A further 54% are contacted by creditors to recollect debt. Definitions of these measures are provided below, and web appendix B reports summary statistics.

An important feature of this dataset is that it provides information on real-world consumer behavior of a sub-population that is typically difficult to study. Conventional population tracking surveys or household surveys (e.g., census or other economic surveys) often underrepresent over-indebted individuals, for instance. In practical terms, this means that conventional surveys have subsamples of over-indebted individuals that are too small to allow for detailed statistical analysis. For example, in prior work on over-indebted individuals in the UK using household survey data, Gathergood (2012a) has a mere 142 observations of over-indebted households.[1] Perhaps more importantly, conventional survey-based approaches usually do not jointly measure (1) creditor messaging received, (2) creditor avoidance behaviors, and (3) consumers' emotions towards their debt circumstances. Thus, to the best of our knowledge, this is a unique and rich dataset that enables us to more completely understand how and why over-indebted consumers respond to creditors' messaging attempts in real life.

One concern, however, is that focusing on only over-indebted individuals can result in a selection bias, thus limiting generalizability of our results to the general population. In our view, this is not of serious concern since this research is specifically about consumers who are in over their heads with respect to personal debt. Thus, our sample is appropriate given the focus of this study. Notwithstanding, when compared to national UK averages on some key demographics, our sample of over-indebted people is relatively consistent with the general population. The gender distribution and geographical spread of the sample is representative of the general population, although younger (under 18) and older (over 65) people are underrepresented (consequentially, the economically active are relatively over-represented compared to the general

[1] Of which 124 consumers are 3 months behind on at least one credit item, and 18 (1.5% of the total sample) of consumers have real financial problems (but do not report to have fallen behind with many bills). Gathergood (2012a) also classifies consumers who are 1 month behind on at least one credit item as over-indebted. These consumers (92) are not included in the 142 observations used as a reference.

population). The median gross household income band in our sample (£20,000 - £29,999) corresponds to the UK fourth and fifth gross household income decile group in 2014 ($M_{\text{fourth decile}}$ = £22,360; $M_{\text{fifth decile}}$ = £28,600). Our sample is, however, more frequently financially responsible for dependents ($M_{\text{sample}} = .53$; $M_{\text{national average}} = .29$), and respondents are less likely to own a home ($M_{\text{sample}} = .50$; $M_{\text{national average}} = .66$). And finally, unsurprisingly, respondents in our sample[2] are more likely to consider their debt to be a heavy burden than members of the general population ($M_{\text{sample}} = .65$; $M_{\text{national average}} = .20$). Web appendix C provides further details on these comparisons.

Variables

Over-indebtedness. The dataset contains three variables that measure self-reported levels of debt. They are based on, or are variations of similar measures used in, the UK government's Wealth and Assets Survey conducted by the Office for National Statistics. The first variable, which we label *objective over-indebtedness*, is a binary variable and one of the two respondent recruitment criteria. It measures whether, in the last 6 months, a consumer has fallen behind on, or missed any payments for credit commitments or domestic bills for any 3 or more months (0 = no, 1 = yes). It is an objective measurement in the sense that it does not take into account whether the missed payment is perceived as large or small relative to the consumer's budget or emotional bandwidth.

The second measure of over-indebtedness, as well as the second respondent recruitment criteria, is a binary measure of whether respondents feel that their debts are a heavy burden (1),

[2] In the remainder of this paper 'sample' refers to the 3,287 observations used for analysis.

as opposed to somewhat of a burden (0) or no burden at all (0). We label this variable *subjective over-indebtedness,* since it measures over-indebtedness scaled by emotional means. Web appendix A provides details on the respondent recruitment criteria.

The third measure, labeled *keeping-up commitments*, asks respondents the extent to which they feel they are keeping up with their bills and credit repayment commitments, from "without any difficulties" (1) to "having real financial problems" (5). Table 1 reports survey questions and scale points for each variable and correlations between these variables are reported in table 2.

Creditor Contact. The survey captured five different ways in which creditors could have contacted respondents with messages encouraging them to repay their debts in the last three months: (1) sending letters or making phone calls, (2) sending a court summons, (3) visits from bailiffs, (4) threatening eviction, or (5) threatening termination of electricity, gas, or water supply. Of those respondents who reported receiving messages from creditors (53.8% of the sample), the majority said they received letters or phone calls (92%), followed by receiving threats to terminate utility services (23%), court summons (21%), bailiff visits (15%), and eviction threats (13%). Moreover, while consumers can be subject to multiple types of creditor contact, the average number of contact types (out of 5) was .87 (SD = 1.107, median = 1). As a result, the distribution of numbers of contacts from creditors is skewed and we created a binary variable that was equal to 1 if a respondent had been contacted by creditors in one or more of these five ways at all in the last three months (and 0 if no messages or contact had been received).

Creditor Avoidance. This is a 5-item Likert scale (1=strongly disagree, 5= strongly agree) in response to the statement “Sometimes I don’t open letters or answer phone calls in case they are to tell me that I owe money”.

Emotions. The data contains six single-item measures of specific emotions that are explicitly associated with debt, each measured on a 5-item Likert scale (1=strongly disagree, 5= strongly agree): (1) shame (“I would be too embarrassed to discuss my financial situation”), (2) guilt (“I’m worried that other people think that my money difficulties are all my own fault”), (3) drowning in debt (“Sometimes I feel like I’m drowning in debt”), (4) unhappiness (“My debt makes me unhappy”), (5) worry (“Being in debt does not worry me”), and (6) anxiety/stress (“I often feel anxious or stressed because of my debt”). In addition to these six negative emotion items, we treat *subjective over-indebtedness* also as an emotion.

Other Variables. Several other variables that were collected as part of this survey are used as control variables in our analysis, most notably a set of socio-demographic characteristics and measures of respondents’ general attitudes towards debt. The former include age, income, sex, financial responsibility for others, employment status, home ownership status, and geographic region. The latter include debt-related attitudes measured on set of 20 5-item Likert scales (1=strongly disagree, 5= strongly agree). Examples of these items include “debt has negatively affected my family life” and “I can’t see that I am ever going to be in a debt free situation.” For a full list see web appendix D.

TABLE 1

VARIABLE DEFINITIONS AND DESCRIPTIVE STATISTICS

	Type	Construct	Measure	Mean	SD	Mdn	Min	Max
1	Over-indebtedness	Objective over-indebted-ness	In the last 6 months, have you fallen behind on, or missed, any payments for credit commitments or domestic bills for any 3 or more months? These 3 months don't necessarily have to be consecutive months.	.69	.46	1	0	1
2		Subjective over-indebted-ness	To what extent do you feel that keeping up with your bills and credit commitments is a burden? *	.65	.48	1	0	1
3		Keeping up commitments	I'm keeping up with bills and credit commitments, - without any difficulties (1); - but it is a struggle from time to time (2); - but it is a constant struggle (3). I'm falling behind with or missed some bills or credit commitments (4). I'm having real financial problems and have fallen behind with or missed many bills or credit commitments (5).	3.08	.94	3	1	5
4	Creditor Contact	Creditor Contact	Being contacted by creditors in 1 or more out of 5 ways in the past 3 months. - Receiving creditor letters or phone calls - Receiving a court summons from a creditor - Being approached by bailiffs - Being threatened with eviction - Being threatened with termination of electricity, gas, or water supply	.54	.50	1	0	1
5		Number of Contact Types	Number of contact types (out of 5) received in the past 3 months.	.87	1.10	1	0	5
6		Contact Type	Received no contact (0), letters/phone calls (1), abstract threats (2), concrete threats (3).	.94	1.09	1	0	3
7	Creditor Avoidance	Creditor Avoidance	Sometimes I don't open letters or answer phone calls in case that are to tell me that I owe money **	2.77	1.39	3	1	5
8	Emotions	Shame	I would be too embarrassed to discuss my financial situation **	2.99	1.25	3	1	5
9		Guilt	I'm worried that other people think that my money difficulties are all my own fault **	3.29	1.24	4	1	5
10		Drowning in debt	Sometimes I feel like I'm drowning in debt **	3.47	1.14	4	1	5
11		Unhappiness	My debt makes me unhappy **	4.13	.91	4	1	5
12		Worry	Being in debt does not worry me **^	1.81	1.07	1	1	5
13		Anxiety/ Stress	I often feel anxious or stressed because of my debt **	3.98	.95	4	1	5

Based on 3,278 observations
* Binary Scale: A heavy burden (1), somewhat of a burden / not a burden at all (0)
**Likert Scale: strongly disagree (1), tend to disagree (2), neither agree nor disagree (3), tend to agree (4), or strongly agree (5)
^ In the analysis we use the inverse of this measure, where 5 indicates strongly disagree with the statement that being in debt does not worry the respondent

TABLE 2

CORRELATIONS

	Construct	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Objective over-indebtedness	1.00												
2	Subjective over-indebtedness	-.48	1.00											
3	Keeping up commitments	.17	.32	1.00										
4	Creditor Contact	.47	-.13	.29	1.00									
5	Number of Contact Types	.39	-.08	.27	.74	1.00								
6	Contact Type	.41	-.12	.25	.80	.89	1.00							
7	Creditor Avoidance	.31	.00	.31	.40	.42	.40	1.00						
8	Shame	.09	.05	.12	.13	.18	.17	.37	1.00					
9	Guilt	.10	.09	.21	.18	.20	.18	.39	.42	1.00				
10	Drowning in debt	.06	.27	.39	.22	.25	.21	.41	.31	.43	1.00			
11	Unhappiness	-.01	.22	.26	.08	.08	.07	.21	.23	.32	.43	1.00		
12	Worry	.11	-.23	-.23	.03	.10	.09	.00	-.01	-.12	-.21	-.33	1.00	
13	Anxiety/Stress	.00	.24	.30	.13	.13	.11	.26	.26	.36	.51	.59	-.31	1.00

Based on 3,278 observations.

ANALYSIS AND RESULTS

To test our predictions and check the robustness of our findings, we estimated two regression models. The first model captures relationships between creditor avoidance and several factors hypothesized to be associated with creditor avoidance, including creditor contact. The second model tests our predictions around the moderating role of negative emotions in this relationship, adding interaction effects between emotions and creditor contact.

Creditor Avoidance and the Moderating Role of Creditor Contact

To identify which factors are associated with creditor avoidance, we first estimate equation 1 which models creditor avoidance as a function of distinct negative emotions, creditor contact, and, as control variables, a range of socio-economic factors and attitudes towards debt.

$$\text{CreditorAvoidance}_i = \beta_0 + \beta_1 \text{ CreditorContact}_i + \sum_{k=1}^{K} \beta_{2k} \text{ Emotions}_{ik} + \theta \text{ ControlVariables}_i + \varepsilon_{i,} \tag{1}$$

where $\text{CreditorAvoidance}_i$ is creditor avoidance for individual i measured on a 5-item Likert scale (1=strongly disagree, 5= strongly agree), CreditorContact_i is creditor contact measured as an indicator function taking the value 1 if individual i is contacted in any of five ways, Emotions_{ik} is a seven-variable vector of distinct negative emotions for individual i (where k = shame, anxiety/stress, unhappiness, guilt, drowning in debt, worry, heavy burden; and K = 7), $\text{ControlVariables}_i$ is a vector of individual characteristics for individual i and ε_i is the error term.

We model creditor contact as an exogenous stressor because it is systematically applied as a function of a consumer's financial situation, but is independent of the consumer's emotional state. As long as an account is in arrears and no contact has been established, creditors follow pre-defined messaging strategies that are designed to "nudge" consumers into repayment. As a result, any consumer with accounts in arrears is subject to creditor contact, but the consumer's emotional appraisal and subsequent coping decision as a consequence of those attempts differs from person to person. We can test whether the association between creditor contact and avoidance is conditional on a consumer's particular emotion appraisal of the situation (e.g., being unhappy, worried, or anxious as a result). This is estimated using a two-way interaction in equation 2:

$$\text{CreditorAvoidance}_i = \beta_0 + \beta_1 \text{ CreditorContact}_i + \sum_{k=1}^{K} \beta_{2k} \text{ Emotions}_{ik} + \sum_{k=1}^{K} \beta_{3k} \text{ CreditorContact}_i \text{ x Emotions}_{ik} + \theta \text{ ControlVariables}_i + \varepsilon_{i,} \quad \textbf{(2)}$$

We estimated these regressions with robust standard errors (note that effects are comparable when not using robust standard errors), and with mean-centered emotion variables. The results for both regressions are in table 3, with equation 1’s parameter estimates listed under model 1a and equation 2’s parameter estimates listed under model 2a.

TABLE 3

ASSOCIATIONS WITH CREDITOR AVOIDANCE

	Model 1a	**Model 1b**	**Model 2a**	**Model 2b**
Creditor contact	.471 (.045)***	.490 (.045)***	.499 (.068)***	.524 (.067)***
Emotions				
Shame	.083 (.019)***	.083 (.019)***	.081 (.025)***	.078 (.025)***
Anxiety/Stress	.009 (.028)	.012 (.027)	.039 (.033)	.038 (.033)
Unhappiness	.039 (.029)	.042 (.028)	.026 (.035)	.028 (.035)
Guilt	.078 (.021)***	.083 (.021)***	.068 (.027)**	.075 (.027)***
Drowning in debt	.145 (.024)***	.151 (.024)***	.107 (.029)***	.113 (.028)***
Worry	-.005 (.022)	-.006 (.021)	-.068 (.028) **	-.066 (.028) **
Heavy burden	-.029 (.052)	-.024 (.052)	-.023 (.076)	-.013 (.076)
Two-way interactions				
Shame x Creditor Contact			.005 (.035)	.011 (.035)
Anxiety/Stress x Creditor Contact			-.052 (.052)	-.046 (.051)
Unhappiness x Creditor Contact			.033 (.050)	.034 (.050)
Guilt x Creditor Contact			.020 (.040)	.017 (.040)
Drowning in debt x Creditor Contact			.087 (.043)**	.087 (.042)**
Worry x Creditor Contact			.106 (.038)***	.101 (.037)***
Heavy burden x Creditor Contact			-.028 (.089)	-.035 (.088)
Socio-demographics				
Gender				
Male	b.c.		b.c.	
Female	.049 (.040)		.049 (.040)	
Annual gross Income				
£0 - £14,999	b.c.		b.c.	
£15,000 – £19,999	-.054 (.057)		-.056 (.057)	
£20,000 – £29,999	-.034 (.057)		-.036 (.057)	
£30,000 – £39,999	-.064 (.069)		-.059 (.069)	
£40,000 – £49,999	-.087 (.080)		-.082 (.080)	
£50,000 – £59,999	-.081 (.100)		-.085 (.100)	
£60,000 – £69,999	.132 (.129)		.113 (.128)	
£70,000 – £99,999	.210 (.141)		.197 (.143)	
£100,000 – £149,999	-.056 (.174)		-.055 (.172)	
£150,000 +	.081 (.227)		.093 (.230)	
Objective over-indebtedness	.255 (.057)***	.275 (.057)***	.246 (.062)***	.268 (.062)***
Keeping up commitments				
Keeping up without difficulties	b.c.	b.c.	b.c.	b.c.

	Model 1a	Model 1b	Model 2a	Model 2b
Struggle time to time	.034 (.088)	-.006 (.085)	.038 (.090)	.000 (.088)
Constant struggle	.016 (.088)	-.036 (.086)	.029 (.091)	-.022 (.090)
Falling behind	.294 (.096)***	.246 (.094)***	.290 (.099)***	.243 (.096)**
Real financial problems	.553 (.113)***	.503 (.110)***	.517 (.115)***	.469 (.112)***
Age				
18 - 30	.073 (.124)		.079 (.124)	
31 - 40	.215 (.123)*		.226 (.123)*	
41 - 50	.116 (.121)		.123 (.121)	
51 - 60	.015 (.118)		.030 (.118)	
61 - 70	.052 (.103)		.058 (.103)	
75+	b.c.		b.c.	
Employment				
Full-time	.087 (.078)		.085 (.078)	
Part-time	-.009 (.082)		-.005 (.082)	
Retired	-.079 (.106)		-.083 (.106)	
Student / unemployed	.026 (.087)		.027 (.087)	
Home maker	b.c.		b.c.	
Homeownership	-.081 (.042)*		-.080 (.042)*	
Dependents	.019 (.040)		.015 (.040)	
Geographical location				
East of England	b.c.		b.c.	
London	-.087 (.082)		-.072 (.082)	
Midlands	-.161 (.080)**		-.158 (.080)**	
North East	-.136 (.104)		-.136 (.104)	
North West	-.183 (.083)**		-.177 (.083)**	
Northern Ireland	-.075 (.146)		-.075 (.146)	
Scotland	-.242 (.089)***		-.230 (.089)***	
South East	-.133 (.083)		-.127 (.083)	
South West	-.194 (.086)**		-.191 (.086)**	
Wales	-.171 (.102)*		-.161 (.102)	
Yorkshire & the Humber	-.033 (.087)		-.015 (.087)	
Attitudinal controls	yes	yes	yes	yes
Intercept	1.495 (.304)***	1.422 (.254)***	1.479 (.311)***	1.417 (.261)***
Number of observations	3287	3287	3287	3287

* $p < .10$, ** $p < .05$, *** $p < .01$. Moderators (i.e. negative emotions, with the exception of heavy burden (binary variable) are mean-centered to improve interpretability).

Main Effects. First, for model 1a (main effects only) we find a statistically significant and positive association between creditor avoidance and creditor contact (coefficient estimate = .471, p = .000). This is consistent with the expectation that fear appeals incite a defensive avoidance response. Furthermore, model 1a indicates that feelings of drowning in debt (coefficient estimate = .145, p = .000), shame (coefficient estimate = .083, p = .000), and guilt (coefficient estimate = .078, p = .000) are statistically significantly associated with creditor avoidance. The other emotions, notably anxiety/stress, unhappiness, worry and debt being a heavy burden are not statistically significantly associated with creditor avoidance. This suggests that indeed, when controlling for other factors, certain negative emotions are positively and significantly associated with creditor avoidance, whereas other negative emotions are not.[3]

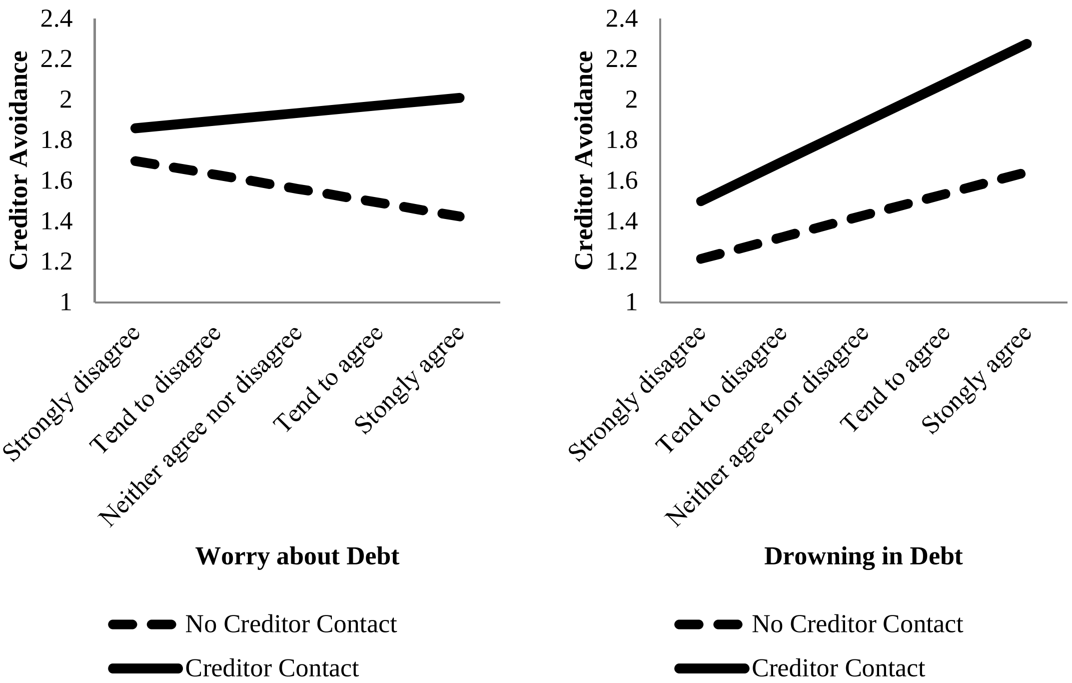
Moderating Effects. Second, we consider the interactions estimated in equation 2 (model 2a). We find that worry (coefficient estimate = .106, p = .005) and drowning in debt (coefficient estimate = .087, p = .044) significantly moderate the association between creditor contact and creditor avoidance. Both negative emotions towards debt intensify the adverse effect of creditor contact on consumers, increasing creditor avoidance. This relationship is not moderated by the other measured negative emotions towards debt (i.e. shame, anxiety, unhappiness, guilt and debt being a heavy burden). The main effects in model 1a and 2a for most of these other emotions (anxiety, unhappiness and debt being a heavy burden) are not statistically significantly different from zero. To illustrate these results, we graphed the worry and drowning in debt x creditor contact interactions in figure 1. For both negative emotions, the largest difference in creditor

[3] The mean VIF for equation 1 is 2.85. The 13 variables with VIF scores > 2.5 are dummy control variables (age, employment and keeping up commitments), and thus can be safely ignored as cause of concern for multicollinearity.

avoidance seems to be concentrated among those consumers who have (strong) negative feelings about their debts, where avoidance is higher for those who are being contacted by creditors.

FIGURE 1

INTERACTION EFFECTS



To further probe these interactions, we performed a floodlight analysis for all possible values of the moderator (Spiller et al. 2013). Table 4 shows the results, which reveal that respondents who are contacted by creditors have a stronger avoidance reaction at any given point of intensity of the respective emotional state (i.e., all values of the emotional state—in this case worrying about debt or drowning in debt—in the range of the data (1-5)), compared to those who are not contacted and experience a similar intensity of emotional state. The exception to this is those respondents who strongly disagree (1) to worry about their debt; this group of respondents does not react differently (i.e., does not avoid creditors more or less) regardless of whether they are contacted or not.

TABLE 4

FLOODLIGHT ANALYSIS INTERACTION EFFECTS

	Y (contact = 0)	Y (contact = 1)	Difference (b1)	Robust standard error	t(96)	p	Lower 95% C.I.	Upper 95% C.I.
Worry about debt								
Strongly disagree	1.698	1.859	.162	.130	1.24	.214	-.093	.416
Tend to disagree	1.629	1.897	.268	.100	2.69	.007	.072	.463
Neither agree nor disagree	1.561	1.934	.374	.076	4.91	0	.224	.523
Tend to agree	1.492	1.972	.480	.067	7.15	0	.348	.611
Strongly agree	1.424	2.009	.585	.078	7.54	0	.433	.738
Drowning in debt								
Strongly disagree	1.215	1.500	.285	.116	2.46	.014	.058	.511
Tend to disagree	1.322	1.694	.372	.084	4.42	0	.207	.536
Neither agree nor disagree	1.429	1.888	.459	.067	6.85	0	.327	.590
Tend to agree	1.536	2.082	.545	.075	7.26	0	.398	.693
Strongly agree	1.643	2.276	.632	.103	6.16	0	.431	.834

Note: estimated using mean centered data.

Taken together, these findings suggest that negative emotions of threat (in this case, worry, but not anxiety/stress) and feelings of drowning in debt moderate the association between creditor contact and creditor avoidance such that the adverse effect of creditor contact on consumers (i.e., increasing creditor avoidance) gets worse as these negative emotions towards one's debt situation get more severe.

Other Factors. Objective over-indebtedness (i.e., being behind on bills for at least 3 of the last 6 months) is significantly associated with creditor avoidance (model 1a: coefficient estimate = .255, p = .000). Interestingly, when it comes to keeping up with credit commitments, those consumers who have fallen behind on payments (model 1a: coefficient estimate = .294, p = .002) or have serious financial problems (model 1a: coefficient estimate = .553, p = .000) are the ones that are statistically significantly associated with avoiding creditors more. This suggests that as long as consumers struggle, but have not yet seriously fallen behind on bills, consumers do not put their heads in the sand as much as those that have started to fall behind or have real financial problems.

It is noteworthy that in both model 1a and 2a socio-demographic factors (other than objective over-indebtedness and keeping up commitments) are not significantly associated with creditor avoidance, with the exception of home ownership and a few selected geographical regions. Home ownership is a factor that commonly is statistically significantly associated with debt management (Gathergood 2012b). This is not surprising, since the consequences of ignoring mortgage debt are very serious. We further explore the role of the nature of debt and associated creditor avoidance in the additional analysis discussed next.

Confound Checks

It is possible that the results are confounded by a number of factors, most notably personal characteristics or environmental variables that influence the consumer's emotional state we observe.

Firstly, with respect to personal characteristics, the results presented above are robust to leaving out socio-demographic factors (see table 3, models 1b and 2b). However, unsurprisingly, the attitudinal control factors act as a confounder for the association between negative emotions and creditor avoidance (see web appendix D for details). We therefore include attitudinal controls in all models, and the interpretation of results is thus dependent on statistically controlling for these personal attitudes and excluding them would induce omitted variables bias.

Second, environmental factors could be a source of confounds. Recall that a creditor's decision to contact consumers is independent of a consumer's emotional state (because they cannot observe this state), but is a function of the consumer's level of objective debt (which is observed by the creditor). On the other hand, a consumer's emotional state and subsequent decision to avoid creditors (or not) is likely to be influenced by the consumer's objective debt levels keeping all else constant. We control for this correlation structure by controlling separately for objective debt in both models. Additionally, we performed a robustness check to test whether the observed interaction effect is independent of different levels of objectiveness. Adding three-way interaction terms to model 2 ($CreditorContact_i$ x $Emotions_{ik}$ x $ObjectiveDebt_i$), these interactions were not significant, thus indicating that the previously discussed effects between emotions and creditor contact hold for all levels of (objective) debt.

GENERAL DISCUSSION

Our objective was to document effects and gain insights into an important, realistic, and under-researched phenomenon in the consumer finance literature: creditor avoidance. A number of complementary mechanisms fit this paper's findings of significant association between creditor avoidance and creditor messaging, exacerbated when met with pre-message compatible emotional states. We discuss these possible explanations for our findings in this section, as well as consider directions for future research. It is important to note that our goal here has been to document and better understand creditor avoidance using real-world data on the experiences of over-indebted consumers. Although we speculate here on possible mechanisms underlying these findings, we leave further exploration of these for future research.

Possible Explanations and Mechanisms

Taken together, our research suggests consumers may be predominantly advancing their subjective welfare as opposed to their financial welfare when receiving messages that remind of their problem debt. There are at least three mechanisms that may be of relevance in relation to these findings. Two of these, the fear appeal hypothesis and the conceptualization of creditor messages as attention nudges appear ineffective. The third, the emotional compatibility mechanism is compatible with our findings. In what follows, we discuss each of these mechanisms and how they are related.

Firstly, the fear appeal hypothesis (Witte and Allen 2000), which predicts that threatening messaging tactics are effective persuaders leading to adaptive responses such as message acceptance, appears incompatible with our findings; in the case of creditor contact—a type of fear appeal—the defensive response tends to dominate the adaptive response, resulting in avoidance behaviors. In other words, the fear appeal hypothesis appears subordinate when it comes to debt repayment. The significant emotion moderators shed further light on why this may be the case. Consumers who experience threat-related emotions associated with their debt (e.g., worry) turn against their creditors by avoiding them, whereas feelings of drowning in debt exacerbate the association between creditor contact and creditor avoidance.

This interpretation fits the emotional compatibility mechanism described previously (Agrawal and Duhachek 2010), in which messages generate defensive processing when met with a compatible pre-message affective state, inducing avoidance. If creditors' messages are perceived in a manner that fosters more worrying and a sense of feeling overwhelmed by one's debt situation, then this emotional compatibility mechanism may be what underlies the observed effects. It may be that these feelings are what triggers information avoidance, and thus the "head in the sand" approach to handling one's debt situation in the face of communications from creditors and their debt collection agents.

An alternative, but compatible explanation for our results is that creditor contact is an ineffective attention nudge. Creditor contact attempts can function as reminders, that would presumably nudge consumers' limited attention towards debt repayment. Based on rational choice theory, we would expect such reminders to reduce avoidance. Behavioral science suggests that present bias or a preference for instant gratification leads consumers to prioritize consumption today over planning for tomorrow (Lynch and Zauberman 2006; Zauberman et al. 2009). Limited attention is likely to aggravate this problem; when confronted with many demands, a focus on one issue (e.g., making ends meet today), may lead to neglect of others, in particular the less-pressing, long-term goals (Zinman and Karlan 2015). Reminders have been proposed to serve as a means to combat such attentional bias by increasing the salience of the piece of information that should lead consumers to less biased decisions. The hypothesized mechanism behind these reminders is that they mitigate limited attention to saving- or debt repayment goals, and bring them back to "the top of mind" (Karlan et al. 2016).

Our results suggest that this nudge is ineffective when it comes to repaying problem debt. Moreover, the fact that various emotions are statistically significantly associated with creditor avoidance also when consumers are not contacted implies that (not) dealing with debt is not a matter of salience; also when not being reminded about debt are distinct negative emotions significantly associated with creditor avoidance. Rather, creditor contact may be predominantly perceived as an environmental stressor, leading to avoidance. Psychological health and problem debt has repeatedly been linked before (Bridges and Disney 2010; Brown, Taylor, and Wheatley Price 2005), and having problem debt has been found to worsen psychological health (Gathergood 2012b). Reminders about debt in the form of creditor contact may in fact backfire and be perceived as a stressor, leading consumers to avoid their creditors more, rather than less.

Indeed, reminders of resource scarcity may be different in nature from reminders that encourage consumers to for example save money or energy, or to go to the gym. Reminders about the latter have generally been found to be effective behavioral nudges (Calzolari and Nardotto 2016), whereas reminders of the former, resource scarcity, have, for example, been found to activate a competitive orientation, resulting in spending decisions that promote consumers' own welfare (Roux, Goldsmith, and Bonezzi 2015). Further exploring the theoretical connections between reminders of resource scarcity, fear appeals and persuasive communication appears imperative.

Limitations and Future Research Directions

There are at least three potential limitations of the survey-based method used in this paper: self-reporting bias, endogeneity bias due to omitted variables or simultaneous causality, and the inability to distinguish the dispositional from the circumstantial element in creditor avoidance. These limitations, in combination with the effects documented in this paper, give rise to future research directions. First, self-reporting bias may be at play, for example, when asking respondents about their mental states in relation to debt. Second, given the data structure, which is cross-sectional survey data without exogenous variation, causality cannot be inferred. Causal inference, however, is not the focus of this research. Rather, our primary goal is to determine what factors are associated with creditor avoidance, an intriguing phenomenon and an important, widespread behavior with real economic and emotional well-being implications. Our findings provide important guidance for both consumer protection regulation and creditors, and also demonstrate that existing administrative datasets can offer valuable insights about consumer behavior phenomena.

Nevertheless, an important direction for future research is to better understand the underlying mechanisms and to identify causally the relationship between creditor contact and creditor avoidance. The consequences of unpaid debts are large as they impact both financial and emotional well-being, at societal as well as at the individual level. Furthermore, a lot of our results are indications of the fact that the stage of indebtedness a consumer finds him or herself in matters, because the extent to which certain debt-related emotions are experienced will inextricably (but not necessarily completely) be associated with one’s stage of indebtedness. For example, the extent of over-indebtedness (objective debt levels or extent to which a consumer is keeping up with commitments) is strongly correlated with creditor avoidance. Better understanding the moderating role of the stage of indebtedness (in addition to the moderating role of selected negative emotions towards debt, as we have examined in this study) in the relationship between creditor contact and creditor avoidance is an important direction for future research.

Third, avoidance, and coping strategies in general, have been conceptualized both as a dispositional and contextual behavior (Moos, Holahan, and Beutler 2003). For the purpose of this research we are interested in whether introducing additional environmental stressors can result in more avoidance given a consumer's dispositional tendency to avoid. A simple cross-tabulation of creditor avoidance and creditor contact shows that the proportion of over-indebted consumers who avoid creditors is much higher when being contacted by creditors compared to not being contacted (see web appendix E), which suggests a clear circumstantial effect of creditor contact. Nevertheless, we do not rule out the possibility of this effect being driven by an unobserved factor. While conclusively separating the trait from the state element is not possible due to the current cross-sectional data structure, further uncovering the mechanisms that underlie creditor avoidance provides important directions for future research.

Implications for Policy and Practice

Finally, this research raises important concerns when it comes to effective policies for reducing the vast sums of debt that currently remain uncollected in many parts of the world. Clearly, policies formed under current theorizing have not closed the gap of inaction in debt management. This research shows that effective communication in debt management is not about fearful persuasion. Rather, consumers have *some* money to repay, but not enough to repay everything in full to all creditors. We argue that to mitigate creditor avoidance, messaging tactics need to overcome certain negative emotions that consumers have in relation to their personal financial situations. In such circumstances, empathy, as opposed to threats, may be more effective in connecting with consumers. There are promising examples of such empathic approaches to debtors, for example in the Netherlands to restructure health care payment[4], or in the UK to pre-empt rent arrears and restructure rent payments according to individual situations[5]. Such solutions are based on creating a relationship of trust between the debtor and the creditor, in which communication and debt repayments flow.

Ultimately, our findings illustrate the importance of going back to assumptions underlying debt non-repayment. In current debt collection practices, creditors assume consumers do not want to pay. However, there is increasing evidence that consumers often would want to pay, but simply cannot. For example, 90% of respondents tend to agree, or strongly agree that they would like to pay off their debt as soon as possible, while 55% of respondents tend to agree or strongly agree that their debt means that they cannot afford to buy basic household items. In such situations, benign messaging may not be sufficient. A more radical policy implication in these circumstances would be targeted debt forgiveness. If indeed the reason behind avoidance behaviors is rooted in insufficient money to repay, or consumers being willing but unable to repay all their debts, then debt forgiveness may overall result in more, rather than less repayment. Indeed, experience from the debt renegotiation policy intervention under the Home Affordable Modification Program (HAMP) in the US shows that under exceptionally harsh economic conditions, debt renegotiation on one type of debt (here, mortgage debt) can lead to relative decline in delinquency rates of other nontargeted consumer credit and increase durable spending (Agarwal et al. 2017). Our results suggest further experimentation with debt forgiveness in consumer debt may be worth exploring.

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[4] Instituut voor Publieke Waarden (2018) "Sociaal Hospitaal", https://sohos.publiekewaarden.nl/wp-content/uploads/2017/09/sohos-infograph.pdf

[5] Gateway Housing Association (2017) "Rent Arrears", http://www.gatewayhousing.org.uk/download.cfm?doc=docm93jijm4n1038.pdf&ver=1563

Conclusion

In sum, the findings presented in this article suggest that greater attention should be paid to the circumstances under which consumer debt does not get repaid. Creditor avoidance is a common behavior among the over-indebted that ultimately hurts them financially. Creditor messaging that matches consumers' pre-message emotional state such as debt-related shame and guilt, as well as feelings of "drowning in debt", can further exacerbate this behavior, eliciting a counterproductive response. A key implication of these results is that solutions to address this behavior may lie in a change in the ways that debt is collected.

DATA COLLECTION INFORMATION

The Money Advice Service, an independent body in the UK that aims to improve people's money management, commissioned the data collection in 2012. The survey was carried out by Public Knowledge, a market research agency. The resulting anonymized dataset freely accessible on the web: https://www.moneyadviceservice.org.uk/en/agreements/indebted_lives_report. The first author was primarily responsible for the data analysis with input from the second author. Data and analysis plans were discussed throughout the entire research plan by both authors.

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WEB APPENDIX

A. SAMPLE RECRUITMENT CRITERIA

Consumers were eligible to take part in the survey if they had been at least three months behind with their bills in the last six months (objective over-indebtedness), and/or felt that their debts were a heavy burden (subjective over-indebtedness). For the full sample (N=5020), the distribution looks as follows:

		Subjective over-indebtedness	
		Yes (Debt is a heavy burden)	No (Somewhat of a burden or no burden at all)
Objective over-indebtedness	Yes (1)	N=1529	N=1675
	No (0)	N=1773	N=0

Missing data for 43 observations.

Distribution of the sample used in the analysis (N=3287):

		Subjective over-indebtedness	
		Yes (Debt is a heavy burden)	No (Somewhat of a burden or no burden at all)
Objective over-indebtedness	Yes (1)	N=1147	N=1136
	No (0)	N=1004	N=0

B. BALANCE CHECK OBSERVATIONS INCLUDED (N=3,287) AND EXCLUDED (N=1,733) IN ANALYSIS

	MEAN (N=5,020)	SD	MEAN_IN (N=3,287)	MEAN_OUT (N=1,733)	MEAN DIFFE RENCE	P value
Creditor Avoidance	2.67	1.41	2.77	2.42	.35	.000
Objective over-indebtedness	0.64	.48	.69	.55	.15	.000
embarrassed_finance	2.91	1.28	2.99	2.72	.27	.000
debt_anxious	3.88	1.04	3.98	3.66	.32	.000
debt_unhappy	4.05	.98	4.13	3.87	.26	.000
own_fault	3.2	1.27	3.29	3.00	.29	.000
drown_debt	3.33	1.21	3.47	2.99	.48	.000
invdebt_notworry	4.15	1.11	4.19	4.05	.14	.000
sub_debt	0.67	.47	.65	.69	-.03	.020
keepingup_commitments	3	.94	3.08	2.85	.24	.000
contact	0.47	.50	.54	.35	.19	.000
numcontact	0.76	1.06	.87	.53	.34	.000
pressuretype	0.84	1.08	.94	.65	.29	.000
neg_familylife	3.58	1.12	3.66	3.40	.26	.000
attitude_reassurance	3.12	1.10	3.21	2.94	.27	.000
attitude_incapable	2.66	1.20	2.76	2.43	.33	.000
attitude_futureless	3.22	1.27	3.30	3.02	.28	.000
attitude_encouragement	3.12	1.11	3.23	2.87	.36	.000
attitude_lackofconfidence	2.89	1.30	2.97	2.69	.28	.000
attitude_fatalist	2.4	1.18	2.47	2.25	.23	.000
addedup_debt	2.69	1.34	2.77	2.51	.26	.000
attitude_inevitable	3.72	1.00	3.79	3.58	.21	.000
attitude_difficult	3.74	1.09	3.84	3.51	.32	.000
attitude_poverty	3.27	1.21	3.36	3.07	.29	.000
attitude_gowithout	4.1	.96	4.17	3.93	.24	.000
attitude_payoff	4.33	.84	4.37	4.23	.13	.000
attitude_control	2.73	1.14	2.63	2.96	-.33	.000
attitude_unexpected	3.8	1.06	3.88	3.60	.28	.000
attitude_debtfree	4.2	.87	4.20	4.21	-.01	.640
attitude_luxuries	4.04	1.00	4.11	3.87	.24	.000
debt_usedto	3.19	1.17	3.25	3.04	.21	.000
attitude_luxurypref	2.3	1.30	2.33	2.24	.08	.040
attitude_newcredit	2.58	1.32	2.71	2.25	.46	.000
gender	0.5	.50	.50	.52	-.02	.190

employment - don't know	0.02	.13	.00	.05	-.05	.000
employment - full time employment	0.41	.49	.47	.31	.16	.000
employment - home maker	0.08	.27	.08	.09	-.01	.360
employment - part time employment	0.17	.37	.17	.16	.00	.840
employment - retired	0.15	.36	.13	.20	-.07	.000
employment - student/unemployed	0.17	.38	.16	.19	-.03	.020
ownhome	0.5	.50	.50	.49	.01	.470
dependents	0.5	.50	.53	.44	.09	.000
East of England	0.09	.28	.08	.09	.00	.660
London	0.14	.35	.13	.15	-.02	.050
Midlands	0.15	.35	.15	.15	.00	.770
North East	0.05	.22	.05	.05	.00	.850
North West	0.12	.32	.12	.11	.01	.290
Northern Ireland	0.02	.15	.02	.02	.00	.640
Scotland	0.08	.27	.08	.07	.01	.280
South East	0.13	.34	.13	.13	.00	.750
South West	0.09	.28	.09	.08	.01	.170
Wales	0.05	.21	.05	.04	.00	.630
Yorkshire and The Humber	0.09	.29	.09	.09	-.01	.500
income	2.81	1.97	2.87	2.69	.19	.000
age	5.25	2.94	5.17	5.40	-.23	.010

For definitions of attitudes, see web appendix D.

C. COMPARING OUR SAMPLE TO THE GENERAL AND OVER-INDEBTED POPULATION

Source:	**This Study**	**UK Wealth and Assets Survey**			**Gathergood (2012a)**		**Kinloch et al. (2016)**
	mean_IN (N=3,287)	2012-2014 (Wave 4)	2010-2012 (Wave 3)	UK Census 2011	Indebted *	Not indebted	Indebted
Debt is a heavy burden	.65	.20	.20				
Gender	.50			.51	.58	.53	.55
Economically active	.64	.59	.54		.59	.68	
employment - full time employment	.47						
employment - part time employment	.17						
employment - student/unemployed	.16	.06	.05		.085**	.033**	.23**
employment - home maker	.08	.04	.04				
employment - retired	.13	.23	.31		.06	.11	
ownhome	.50	.66	.68		.42	.62	
dependents	.53	.29	.25		.34	.24	.54
Geographical spread							
East of England	.08	.09	.10				
London	.13	.13	.09				
Midlands	.15	.16	.17				
North East	.05	.04	.05				
North West	.12	.11	.12				
Northern Ireland	.02	NA					
Scotland	.08	.09	.09				
South East	.13	.14	.14				
South West	.09	.09	.09				
Wales	.05	.05	.05				

Yorkshire and The Humber	.09	.09	.09			
annual gross household income (median)	£20,000 - £29,999	£28,600 ***	NA		29700.00	40000.00
age ****						
Under 14 (16)	NA	.19	.18	.18		
18-25 (16-24)	.11	.12	.09		.07	.09
26-35 (25-34)	.20	.14	.09		.24	.28
36-45 (35-44)	.26	.13	.13	.66	.26	.20
46-55 (45-54)	.24	.14	.14		.21	.19
56-65 (55-64)	.11	.11	.14		.21	.24
65+	.09	.17	.22	.16		

* Gathergood (2012) also includes consumers who are 1 month behind on at least one credit item as over-indebted. In our data, we only include consumers who are behind on, or missed any payments for credit commitments or domestic bills for any 3 or more months in the last 6 months.
** unemployed only
*** fifth gross household income decile group in 2014. The fourth decile corresponds to £22,360 (Office for National Statistics 2017).
**** age in brackets are age bands for the UK Wealth and Assets Survey

D. ASSOCIATIONS WITH CREDITOR AVOIDANCE, ROBUSTNESS CHECKS

	Model 1a	**Model 1b**	**Model 2a**	**Model 2b**
Creditor contact	.471 (.045)***	.490 (.045)***	.499 (.068)***	.524 (.067)***
Emotions				
Shame	.083 (.019)***	.083 (.019)***	.081 (.025)***	.078 (.025)***
Anxiety/Stress	.009 (.028)	.012 (.027)	.039 (.033)	.038 (.033)
Unhappiness	.039 (.029)	.042 (.028)	.026 (.035)	.028 (.035)
Guilt	.078 (.021)***	.083 (.021)***	.068 (.027)**	.075 (.027)***
Drowning in debt	.145 (.024)***	.151 (.024)***	.107 (.029)***	.113 (.028)***
Worry	-.005 (.022)	-.006 (.021)	-.068 (.028) **	-.066 (.028) **
Heavy burden	-.029 (.052)	-.024 (.052)	-.023 (.076)	-.013 (.076)
Twowayinteract				
Shame x Creditor Contact			.005 (.035)	.011 (.035)
Anxiety/Stress x Creditor Contact			-.052 (.052)	-.046 (.051)
Unhappiness x Creditor Contact			.033 (.050)	.034 (.050)
Guilt x Creditor Contact			.020 (.040)	.017 (.040)
Drowning in debt x Creditor Contact			.087 (.043)**	.087 (.042)**
Worry x Creditor Contact			.106 (.038)***	.101 (.037)***
Heavy burden x Creditor Contact			-.028 (.089)	-.035 (.088)
Socio-demographics				
Gender				
Male	b.c.		b.c.	
Female	.049 (.040)		.049 (.040)	
Annual gross Income				
£0 - £14,999	b.c.		b.c.	
£15,000 - £19,999	-.054 (.057)		-.056 (.057)	

	Model 1a	Model 1b	Model 2a	Model 2b
£20,000 - £29,999	-.034 (.057)		-.036 (.057)	
£30,000 - £39,999	-.064 (.069)		-.059 (.069)	
£40,000 - £49,999	-.087 (.080)		-.082 (.080)	
£50,000 - £59,999	-.081 (.100)		-.085 (.100)	
£60,000 - £69,999	.132 (.129)		.113 (.128)	
£70,000 - £99,999	.210 (.141)		.197 (.143)	
£100,000 - £149,999	-.056 (.174)		-.055 (.172)	
£150,000 +	.081 (.227)		.093 (.230)	
Objective over-indebtedness	.255 (.057)***	.275 (.057)***	.246 (.062)***	.268 (.062)***
Keeping up commitments				
Keeping up without difficulties	b.c.	b.c.	b.c.	b.c.
Struggle time to time	.034 (.088)	-.006 (.085)	.038 (.090)	.000 (.088)
Constant struggle	.016 (.088)	-.036 (.086)	.029 (.091)	-.022 (.090)
Falling behind	.294 (.096)***	.246 (.094)***	.290 (.099)***	.243 (.096)**
Real financial problems	.553 (.113)***	.503 (.110)***	.517 (.115)***	.469 (.112)***
Age				
18 - 30	.073 (.124)		.079 (.124)	
31 - 40	.215 (.123)*		.226 (.123)*	
41 - 50	.116 (.121)		.123 (.121)	
51 - 60	.015 (.118)		.030 (.118)	
61 - 70	.052 (.103)		.058 (.103)	
75+	b.c.		b.c.	
Employment				
Full-time	.087 (.078)		.085 (.078)	
Part-time	-.009 (.082)		-.005 (.082)	
Retired	-.079 (.106)		-.083 (.106)	
Student / unemployed	.026 (.087)		.027 (.087)	
Home maker	b.c.		b.c.	

	Model 1a	**Model 1b**	**Model 2a**	**Model 2b**
Homeownership	-.081 (.042)*		-.080 (.042)*	
Dependents	.019 (.040)		.015 (.040)	
Geographical location				
East of England	b.c.		b.c.	
London	-.087 (.082)		-.072 (.082)	
Midlands	-.161 (.080)**		-.158 (.080)**	
North East	-.136 (.104)		-.136 (.104)	
North West	-.183 (.083)**		-.177 (.083)**	
Northern Ireland	-.075 (.146)		-.075 (.146)	
Scotland	-.242 (.089)***		-.230 (.089)***	
South East	-.133 (.083)		-.127 (.083)	
South West	-.194 (.086)**		-.191 (.086)**	
Wales	-.171 (.102)*		-.161 (.102)	
Yorkshire & the Humber	-.033 (.087)		-.015 (.087)	
Attitudes				
Debt Has Neg Affected Family Life	.050 (.023)***	.052 (.023)***		
Need reassurance that I am managing my money in best way possible	-.014 (.025)	-.019 (.025)		
I don't feel that I am capable of getting my money in order myself	.068 (.025)***	.067 (.025)***		
I can't see that I am ever going to be in a debt free situation	.010 (.021)	.006 (.020)		
I need encouragement to get my finances more under control	.065 (.025)**	.062 (.025)**		
I don't have the confidence to negotiate with the people I owe money to	.076 (.021)***	.082 (.021)***		
If I try to sort out my money problems I'll probably just make matters worse	.135 (.023)***	.135 (.023)***		

	Model 1a	Model 1b	Model 1c	Model 1d
Haven't added up debt, can't face it	.164 (.020)***	.162 (.020)***		
In the current economic climate living in debt is inevitable for people like me	-.004 (.022)	.002 (.022)		
Paying off my debt is going to be difficult	-.046 (.024)*	-.050 (.024)**		
My debt means I cannot always afford to buy basic household items	.031 (.021)	.030 (.021)		
Debt means I cannot do losts of the things I want to in life	-.026 (.030)	-.024 (.030)		
I would lke to pay off my debt as soon as possible	-.058 (.031)*	-.058 (.031)*		
I feel in control of my debt	-.025 (.021)	-.023 (.021)		
I never expected to have this much of debt	-.052 (.024)**	-.057 (.024)**		
It is important to me that I am debt-free	.011 (.028)	.018 (.028)		
Debt means I cannot afford to buy luxuries and treats for myself and/or my famil	-.052 (.027)*	-.055 (.027)**		
Used to living in debt	.018 (.019)	.024 (.019)		
I would prefer to have luxuries and treats than be debt free	.011 (.016)	.014 (.016)		
I would be willing to take on a new credit commitment to pay off my debts	-.004 (.016)	.010 (.016)		
_cons	1.495 (.304)***	1.422 (.254)***	1.479 (.311)***	1.417 (.261)***
Number of observations	3287	3287	3287	3287

* $p < .10$, ** $p < .05$, *** $p < .01$. Moderators (i.e. negative emotions, with the exception of heavy burden (binary variable)) are mean centered to improve interpretability.

E. CONSUMERS WHO ARE CONTACTED AVOID CREDITORS MORE FREQUENTLY

		Creditor Avoidance (%)					
		Strongly disagree	Tend to disagree	Neither agree nor disagree	Tend to agree	Strongly agree	Total
Creditor contact (%)	No	37.39	29.82	14.88	15.08	2.83	100
	Yes	15.27	16.63	12.84	34.79	20.48	100
	Total	25.49	22.73	13.78	25.68	12.32	100