

## **COUNTRY REPORT: Germany**

### **A - DEBATE ON FINANCIAL EXCLUSION/INCLUSION**

#### **1- Actual state of the debate and key players**

If we look at the debate, and especially at actual results -- in legislation for instance --, projects, and initiatives that can be allocated to the broader subject of "financial exclusion", we will find that it concentrates on the fields of access to current accounts and on financial education. Altogether, there is no comprehensive and coordinated debate.

Access to current accounts: In Germany, there is no legal entitlement to a current account. Since 1995 there has been the recommendation of the Central Credit Committee (*Zentraler Kreditausschuss*, ZKA) to provide a current account without overdraft facility for "Everyone", however, as already described in the first part of the country report, it has only been implemented insufficiently. (Kap. C 1 a) On 05 September 2006, the German Federal Cabinet passed a bill on the reform of the garnishment protection act (*Pfändungsschutzgesetz*), providing for the establishment of a so called *Pfändungsschutzkonto* (bank account that cannot be seized) (Kap. B 2. 3).

Financial education: There are numerous projects on financial education or the prevention of indebtedness or over-indebtedness, however, in most cases these projects do not aim at improving access to financial services. Nevertheless, financial education can contribute to the prevention of financial exclusion in various ways. In the first place, financial education, in its capacity as primary and secondary prevention, tries to prevent over-indebtedness, which in turn represents an important cause for financial exclusion. Secondly, emancipation-oriented financial education will inform about consumers' rights, thus helping people affected by financial exclusion to actively defend themselves. Thirdly, financial education provides orientation in dealing with credits in a productive, rationale way, and can therefore counteract possible self-exclusions due to lack of knowledge and experience with financial services.

However, experts discuss as well that the possibilities of financial education are limited. „Even well educated consumers also need flexible and transparent financial products, access to credit at fair prices, good advice; appropriate legislation and regulation and effective debt relief and rehabilitation.“ (Schelhowe, 2007) The European Coalition for Responsible Credit (ECRC), a network focussing on the promotion of responsible lending, has developed principles regarding responsible lending emphasizing that financial education should address both consumers and providers of financial services.

In this respect, apart from their special contents, the individual projects on financial education differ from each other regarding their underlying understanding of financial education. The *Institut für Finanzdienstleistungen e. V.* (iff), for instance, emphasizes in the context of its project on *SchülerBanking* introduced in chapter 2, that financial education as opposed to mere knowledge transfer does not mean to streamline consumers according to the needs predetermined by providers of financial services (cf. Reifner 2003). By contrast, the North-Rhine Westphalian ministry of consumer protection introduces its project "*Netzwerk Finanzkompetenz NRW*" (network on financial competency in North-Rhine-Westphalia) as follows: „In our society, more and more people have difficulty in keeping up financially. In Germany, more than three million households are regarded to be over-indebted and are no longer able to meet their financial obligations. Many consumers seem

to be unable to cope with more complex issues of money and sales contracts. (<http://www.munlv.nrw.de/verbraucherschutz/wirtschaft/finanzkompetenz/index.php>) Here, consumers are clearly and one-sidedly blamed and it is stated that they have to be taught 'how to deal with money correctly'.

#### Access to credit

The subject is being discussed with emphasis on responsible lending. The iff coordinates the network „European Coalition for Responsible Credit“ (ECRC), which organises, among other activities, regular conferences on the subject.

### **2- Future developments/possible players of the debate**

It seems to be important to combine the knowledge of debt advisors about the situations of people who are financially excluded with measures to prevent financial exclusion on a structural and individual level. To prepare this report we made a request at various ministries asking about initiatives/ projects in the area of financial exclusion. The main focus of the answers given was about projects in the area of financial education. This shows a focus on the individual level and on the side of the consumer. But even though financial education can play an important role in preventing financial exclusion, especially if it is critical and oriented at the idea of emancipation, nevertheless (as has been stated above) prevention of financial exclusion is a question of politics, legislation and a responsibility of the credit industry. There have to be measures beyond the often selective, short-term projects on financial education that can not excuse or compensate the lack of changes on a structural level. It will therefore in the future be an important question to answer how partnerships between different actors can be shaped.

## **B - GOVERNMENT RESPONSE FOR FINANCIAL INCLUSION (POLICY MEASURES, AS FACILITATOR AND AS LEGISLATOR)**

### **1- Government commitment to tackle financial exclusion**

On the part of politics, individual aspects of 'financial exclusion' or related problems (such as people without current accounts, scoring procedures, poverty & over-indebtedness) are addressed, however, the subject has hardly ever been regarded as an overall problem of lacking access to financial services.

### **2- Political framework and agenda regarding FE prevention**

#### **2 a ,Current account for everyone?'**

During the 1990ies, welfare organisations, local umbrella organizations, but also individual political parties and trade unions demanded to establish the right to a current account (AG SBV 2004, p. 2). As a result, in 1995, the associations organized in the Central Credit Committee (ZKA) recommended to provide each citizen with a current account without overdraft facility.

#### **ZKA's "Current Accounts for Everyone" recommendation**

„All banks operating current accounts for all sections of the population shall, on request, make available current account facilities to every citizen in the area in which they do business. This will enable the customer to receive credit items, to make cash deposits and withdrawals and to transfer funds. Overdrafts need not be allowed. Every bank shall be free to provide additional banking services.

Banks shall, in principle be prepared to operate current accounts for everyone, regardless of the nature and amount of the customer's income, e.g. unemployment benefit, social assistance. Entries with SCHUFA indicating that the customer's financial situation is poor shall not, by themselves, constitute grounds for refusing to operate a current account.

A bank shall not be obliged to operate a current account for the applicant where this is deemed to be unreasonable. In this case, the bank may also close an existing account. Opening or continuing to operate an account shall be deemed to be unreasonable where

- The customer misuses the services provided by the bank, especially for illicit transactions, e. g. fraud or money laundering
- The customer provides false information that is of major importance for the account relationship
- The customer makes a serious nuisance of himself to or poses a threat to the safety of staff or other customers
- It is not possible to use the account for the intended purpose of remitting and receiving cashless payments because, for example, the account is frozen as a result of debt enforcement measures taken by creditors or remains dormant for a period of twelve months.
- It is not ensured that the bank will receive the customary fees agreed for operation and use of the account <sup>1</sup>."

Source [www.zentraler-kreditausschuss.de](http://www.zentraler-kreditausschuss.de) on 04/10/2007

Since 1995, the German Federal Government has presented four reports on the implementation of the ZKA's recommendation regarding a Current Account for Everyone. In the second of these reports, published in the year 2000, the government considers the development to be basically positive and sees itself confirmed in having taken the way of voluntary arrangements; however, at the same time it prompts the bank associations to establish complaint offices or dispute settlement offices. (Deutscher Bundestag 2006, p. 5) The lower house of German parliament considered this to be reasonable and required the Federal Government to present a biennial report on the implementation of recommendations, the efficiency of the dispute settlement offices and on the structure of people keeping a Current Account for Everyone. (ibid. p. 6) In the third report, published in 2002, the Federal Government criticizes the data presented by the ZKA to be of limited meaning and recommends a more consumer friendly realization of the out-of-court dispute settlement offices of the bank associations. Moreover, it requires cancellations and refusals of current accounts to be justified in writing and to refer customers to the possibility of using dispute settlement offices free of charge. (However, this is not being implemented.) In the 2006 report, the data situation is still described as being unclear; at the same time the Federal Government announces a bill to modify the account garnishment act.

Debt advice centres and consumer protection organisations (represented by, for example, the *Bundesarbeitsgemeinschaft Schuldnerberatung e. V.*, the *Arbeitskreis Konto der Arbeitsgemeinschaft Schuldnerberatung der Verbände*; the *Verbraucherzentrale Bundesverband* and, of course, committed debt advisors in the communities) refer to ongoing cancellations and refusals, in most cases justified by negative SCHUFA entries

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<sup>1</sup> The Central Credit Committee explicitly points out that this enumeration of reasons for rejection or terminations in no way represents a final list.

and account garnishments. They continue to call for the legal establishment of a right to a current account. (for the estimated number of people without current account, please see Country Report I)

The banking industry (among others represented by the *Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*, the *Bundesverband deutscher Banken*, the *Bundesverband öffentlicher Banken Deutschland* and the *Verband deutscher Pfandbriefbanken*), on the other hand, maintains the point of view that these were controllable individual cases and refers, for example, to the low number of only 1,104 complaints registered at the banking industry's customer complaint offices in 2005. (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken et al. 2006)

## **2 b Reports on poverty and wealth**

On 27 January 2000, the lower house of parliament decided the Federal Government should provide a poverty and wealth report on a regular basis. The first report was presented on 25 April 2001, the second was adopted by the Federal Cabinet on 02 May 2005. The report also addresses over-indebtedness of private households and presents figures, causes and trigger events as well as coping resources. In this context, it is also pointed out that "access to a current account is not guaranteed for every natural person at the time being". (Federal Government 2006)

## **2 c Orders for expert's opinions**

On behalf of the Federal Ministry of Consumer Protection, Food and Agriculture, the *GP Forschungsgruppe*, headed by Dr. Dieter Korczak, has established a report on responsible lending. The *GP Forschungsgruppe* recommends, among other things, to improve consumers' knowledge, work towards disclosure of scoring criteria and their rating, work against discrimination due to age, housing area, job and business sector, and to think about new forms of lending to low-income or over-indebted households. (GP Forschungsgruppe 2005).

The iff has criticized the report with respect to the following aspects:

- Korczak came to the result that lending was responsible "if, seen from the lender's perspective, the consumer could apparently pay back the credit according to terms". (<http://www.iff-hamburg.de/6/aktuell-050914-01.html>)
- The report was based on the assumption that consumers would take wrong decisions because they had difficulty in comparing offers and because offers were not sufficiently transparent. (ibid.) Therefore the report considered responsible lending to be "responsible borrowing", which the lender had to guarantee by penalties, education, information and loan refusal". (ibid.)
- Instead of the interviews with experts, studies on lending practice were necessary
- The request for disclosing rating criteria would only refine "the system of social discrimination". (ibid.)

In his response, Dieter Korczak pointed out that, among other aspects, the *GP Forschungsgruppe* had not tried to do legal sociological work, that their report explicitly considered rating and scoring procedures as being not necessary for consumer credits, and that the *GP Forschungsgruppe* regarded the advertising pressure exerted by the banking industry to have indeed taken on a new dimension. ([http://www.bag-sb.de/uploads/-tx\\_inhalt/Entgegnung\\_iff.pdf](http://www.bag-sb.de/uploads/-tx_inhalt/Entgegnung_iff.pdf))

Another report commissioned by the Federal Ministry of Consumer Protection, Food and Agriculture has been established by the independent *Landeszentrum für Datenschutz Schleswig-Holstein* (state centre for privacy of the Land Schleswig-Holstein) on “Scoring systems applied to rate creditworthiness - chances and risks for consumers”. Based on an inventory of credit scoring practice, the report criticizes that consumer interests are affected negatively by, among others, lacking transparency of scoring criteria for consumers and by questionable features of credit scoring, not taking into account individual situations and being discriminatory. The report establishes that already existing data protection conditions are only respected insufficiently and that the transparency demanded by law does not exist. (Unabhängiges Landeszentrum für Datenschutz Schleswig-Holstein 2005)

### 3- **Government response**

#### **Reform of account garnishments**

In January 2007, the German Federal Ministry of Justice has presented a draft bill on the reform of the account garnishment protection act (*Kontopfändungsschutzgesetz*) which was adopted by the Federal Cabinet in September the same year. This reform explicitly aims at preventing cancellations of current accounts because of blocked accounts. The bill provides for an automatic garnishment protection of the monthly garnishment-free amount of 985,15 € if the amount is deposited on a garnishment protection account agreed between bank and customer. The protection will be granted independently from the type of income and will automatically be considered by the bank. Unlike so far, no court decision will be required. The individual protection from account garnishments remains valid and can still be applied for at the enforcement court, however, the protection from garnishment of the garnishment protection account is given priority. ([www.bmj.de](http://www.bmj.de))

The *Bundesarbeitsgemeinschaft Schuldnerberatung* and the *Bundesverband der Verbraucherzentralen* appreciate this bill, however, apprehensions are expressed that the intended impact might be avoided if banks refuse to open garnishment protection accounts. Consequently, the need for a right to a current account will remain on the agenda, also after the act will have come into force. (Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege u. a. 2006)

#### **Consumer insolvency**

A long-term legal measure to reduce financial exclusion is, of course, consumer insolvency. Over-indebtedness is an important reason for people lacking access to financial services. Consequently, the possibility of consumer insolvency helps ensure this access in the long term.

Consumer insolvency proceedings offer the chance of an economic restart to over-indebted private individuals currently not exerting a self-employed economic activity. In the context of a three-phase procedure they can free themselves of their debts – except debts deriving from criminal offences - within six to eight years. Debtors can file an application for consumer insolvency proceedings at the insolvency court, which is usually the local court, if they are either insolvent already or insolvency is imminent. Consumer insolvency proceedings are divided into three stages: At first, there is an approach to achieve an out-of-court agreement with the creditors based on a plan for debt settlement. In case the out-of-court agreement should fail there is the possibility of a court settlement. Here it will be attempted to implement the debt settlement plan, possibly even against the wishes of a minority of creditors. The precondition is that there is a prospect of success at all. In the

third stage, so-called facilitated insolvency proceedings will follow involving a six-year period of good behaviour. During this period, debtors have to transfer the seizable part of their income to a trustee appointed by the court. Furthermore, debtors are required to meet certain information and cooperation obligations. They must give information on every change of residence and employment as well as on changes in their financial situation. Furthermore, they are obliged to try and find a reasonable job should they become unemployed. ([www.meine-schulden.de](http://www.meine-schulden.de))

Additionally, there are other publicly sponsored offers and programmes such as:

- Financial support of projects for financial education (chapter 2<sup>2</sup>)
- Provision of essential statistics on over-indebted households
- Funding of the creation, maintenance and continuing update of the internet data base *Adressenverzeichnis der Schuldnerberatungsstellen in Deutschland* (directory of debt advice centres in Germany)

#### **4- Future (known and possible) developments**

##### **Insolvency reform**

There have been discussions on facilitating consumer insolvency proceedings for as long as five years. The act on debt relief for fundless individuals will probably take effect in autumn 2008. The bill provides that the opening of proceedings can be waived in case debtors have no assets at all. Instead, an interim trustee is to examine the debtor's financial circumstances and thereafter the court will immediately pronounce the period of good behaviour. (Henning 2007) There are controversial discussions on the debtor's individual contribution to the costs of the trustee during the period of good behaviour. Therefore, although the *Arbeitsgemeinschaft Schuldnerberatung der Verbände* (working group on debt counselling of the associations) welcomes the significant facilitation of proceedings it also warns against the exclusion of debtors who are not able to raise the individual contributions (AG SBV 2007). Also the *Landesarbeitsgemeinschaft Schuldnerberatung Hessen e. V.* criticizes the individual contribution of up to about 1,000 Euro because it constitutes an additional burden "especially for households on already low incomes" and because "it is intended to take funds from the subsistence level or the remaining income that has deliberately been declared non-seizable". (<http://www.sozialnetz.de/ca/tp/immn> on 05/10/2007)

#### **C- MARKET RESPONSE FOR FINANCIAL INCLUSION (VOLUNTARY CHARTERS, PROVISION BY ALTERNATIVE PROVIDERS OR MAINSTREAM PROVIDERS)**

##### **1. Stakeholders commitment**

###### **a) Banking industry commitment**

ZKA's Current Account for Everyone recommendation: cf. chapter B.2

Some banks support projects in the fields of financial education, debt prevention and counselling through sponsoring and/or cooperations. Mainly when banks participate

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<sup>2</sup> Some selected projects are described in chapter 2. However, this list is in no way complete. Other projects include in the appendix.

actively, for instance in education events for young students or trainees, the aim is to promote participants' access to financial services.

- ‚Commerzbank Ideas Lab‘ for financial education: development of a code of financial education
- ‚Students banking‘ provided by the *Institut für Finanzdienstleistungen e. V.* in cooperation with the Hamburg based savings bank *Haspa*: programme on financial education for young students/trainees
- ‚Bank and youth dialogue‘: educational programme for young students in close cooperation with banks
- Helpline of the *Schuldnerhilfe Köln e.V.* sponsored by, among others, the Citibank Foundation: first aid for debtors by phone or email

## **b) Not for profit sector commitment**

The *Verbraucherzentrale Bundesverband e. V.* (Federation of German Consumer Organisations - vzbv) is the umbrella organisation of 16 consumer centres operated by the Laender and of 25 associations pursuing consumer-political aims. The *Verbraucherzentrale Bundesverband e. V.* and its member organisations are involved in activities for the prevention of financial exclusion on different levels, mainly in the fields of access to current accounts and responsible lending:

- consumer-political statements, for instance on the subject of consumer credit and residual debt insurance
- organization of a conference dealing with “responsible lending” in 2005
- Advice on consumer questions and support with legal problems provided by the consumer centres of the Laender: These are provider-independent organisations with predominantly public funding, providing consumers with advice regarding private consumption. For instance, the Hamburg consumer centre offers free counselling to recipients of ALG II (unemployment benefit II) on the subjects of credit and bank account. ([www.vzbv.de](http://www.vzbv.de))

## **Debt counselling organisations**

An AG SBV survey, though limited with respect to quantity, has shown that about 34 % of interventions carried out by advice agencies in cases of refused or cancelled current accounts are successful. (AG SBV 2004). Therefore debt counselling organisations point out that debt advice centres are doing the work the banks' dispute settlement offices should do. Apart from local debt advice centres, other agents include:

- *Bundesarbeitsgemeinschaft Schuldnerberatung*: In 1986, a nation-wide working group on debt counselling, the *Bundesarbeitsgemeinschaft Schuldnerberatung e. V. (BAG-SB e. V.)* was founded as a professional association for debt counselling. Founded by 30 members, the non-profit association now comprises several hundred legal entities and natural persons. The objectives of the *BAG SB* are to structure, systematize and qualify the exchange of information and the training and further education provided to advisors. ([www.agsbv.de](http://www.agsbv.de)) Furthermore, the social situation of over-indebted people shall be examined and professional standards be developed, not only regarding the solution of individual problems, but also involving economic and sociopolitical structures. ([www.bag-sb.de](http://www.bag-sb.de)) The *BAG SB* publishes a quarterly specialist magazine on debt counselling.



- *Arbeitsgemeinschaft Schuldnerberatung der Verbände*: The AG SBV was founded in 1995 as the umbrella organisation for the large welfare organisations, the *Verbraucherzentrale Bundesverband* and the *BAG SB*. It is the aim of this working group to coordinate the professional effort and the activities of its members in the field of debt counselling and on a national level. ([www.agsbv.de](http://www.agsbv.de)) There is a working group on current accounts (*Arbeitskreis Girokonto*) within the AG SBV.
- *Fachberatungsstellen der Länder* (advice centres of the Laender): *Koordinierungsstelle Schuldnerberatung Schleswig-Holstein*, *Fachberatungsstelle für Schuldner- und Verbraucherinsolvenzberatungsstellen* und *Schuldenprävention Thüringen*, *Schuldnerfachberatungszentrum Rheinland-Pfalz*

#### ***Institut für Finanzdienstleistungen e. V.***

„The *Institut für Finanzdienstleistungen* (institute for financial services) is an independent, internationally oriented non-profit association doing research and giving advice in the field of sustainable financial services. The institute develops IT programmes to be used for giving financial advice to consumers, provides publications, contributes to further training, and creates models for socially responsible credits, investments, means of payment and insurances.” ([www.iff-hamburg.de](http://www.iff-hamburg.de)) The *iff* acts as a mediator between consumer and provider and aims at analysing structural problems and product deficiencies.

#### **c) Other organisations commitment**

##### ***Stiftung Warentest***

The *Stiftung Warentest* provides for tests on products and services performed by independent institutes and publishes the results in its magazines. The *Stiftung Warentest* finances itself by selling publications, especially the magazines *test* and *Finanztest*, but also through their online portal, special editions and books. Additional funds are provided by the Federal Ministry of Consumer Protection, Food and Agriculture, currently corresponding to 12.5 percent of its total budget. ([www.test.de](http://www.test.de))

#### **d) Partnerships**

There are cooperations between NPOs and individual banks, mostly in the field of financial education. The degree of cooperation with the banks usually varies between more active forms of participation like offering consultations to young students, the mere provision of materials and financial support. For concrete projects please see chapter 2.

## **2. Services provided and programmes implemented**

### **Programmes on financial education and the prevention of indebtedness and over-indebtedness**

#### ***Präventionsnetzwerk Finanzkompetenz***

The *Präventionsnetzwerk Finanzkompetenz* (prevention network for financial competence) was founded on 07 November 2005. Today it has about eighty members from debt counselling organisations, associations for home economics and consumer associations, as well as from science and research. „It is the aim of the *Präventionsnetzwerk Finanzkompetenz* to improve financial competencies that have often been called for and



their general setting by exerting socio-political influence. ([www.praeventionsnetzwerk-finanzkompetenz.de](http://www.praeventionsnetzwerk-finanzkompetenz.de)) The network publishes, among others, a monthly email newsletter and has compiled a collection of projects supporting financial competencies throughout Germany on its homepage. In 2008, it will be organising the second information market on financial competence, preceded by a competition of projects dealing with financial competence and debt prevention.

#### Projekt Finanzkompetenz NRW

Beginning of 2006, the North Rhine-Westphalian Ministry of the Environment and Conservation, Agriculture and Consumer Protection has launched a network for the promotion of financial competence. About 100 members from welfare organisations, debt advice centres, political and economic institutions came together in working groups and developed projects for young students, first-time employees, young families and the media. In the context of a sub-project, sponsored with 120,000 Euro by the ministry of consumer protection, called “*Alles im Griff – Unterricht zum Umgang mit Geld*” (everything under control - lessons on how to deal with money), debt counsellors have carried out about one thousand two-hour teaching units in 280 North Rhine-Westphalian schools on the subject of consumption and the accumulation of debt. Furthermore, project weeks for first-time employees and a project “Money & Kids” have been introduced in full-time schools. Next year, further training will be provided for staff members of family centres, youth welfare offices, and social institutions such as day care facilities for children. (<http://www.munlv.nrw.de/verbraucherschutz/wirtschaft/finanzkompetenz/index.php>)

#### Commerzbank Ideenlabor zur finanziellen Bildung

In 2003, on behalf of the Commerzbank's Ideas Lab, a platform for independent experts from science, economy and society, the institute for financial market research *NFO Infratest Finanzforschung* (today *TNS Infratest*) carried out a survey on financial education in Germany. In response to the, from the Commerzbank's point of view, sobering results mainly with young adults, the Ideas Lab has developed a so-called Code of Financial education in 2003/2004, ambition of which is to define the indispensable components of financial education. Based on this compilation, the *Commerzbank* and the *Landesinstitut für Schulentwicklung in Baden-Württemberg* (Baden Württemberg's institute for school development) have developed teaching materials adapted to the curriculae (2007). On the homepage of the *Landesinstitut für Schulentwicklung* these materials are provided to teachers. ([www.bildung-staerkt-menschen.de](http://www.bildung-staerkt-menschen.de))

The *iff* has criticized both the survey carried out by questionnaire and the code developed by the Ideas Lab. Among other points, the criticism refers to the lack of elements criticizing providers, a quantitative understanding of education and the overall concept of an optimized *Lebensrendite* (~ financial activities scheduled on a life-time basis). (<http://news.iff-hh.de/media.php?t=media&f=file&id=792>)

#### Bank and youth in conversation

The project “Bank and youth in conversation”: A programme to support the consumption and financial competencies of youth attempting to support young people in their conscious, competent and critical handling of money. Another aim is to organise networking and cooperation of local participating institutions such as banks, debt advice centres, consumer centres and the university of Ludwigshafen. The project was founded in 1997 by the *Arbeitskreis Schuldnerberatung der Diakonie Krefeld & Viersen* (workshop on debt advice of the deaconry in the cities of Krefeld and Viersen) and the *Katholischen Verein für Soziale Dienste Krefeld* (Catholic association for social services in Krefeld) and was

supported by Prof. Dr. Gerhard Raab on a scientific level (university of Ludwigshafen). Young students from 8th grade onwards and trainees take part in a project consisting of three parts and taking several days. It comprises the visit to a bank, where bank trainees inform participants on subjects like bank account or credit, the visit to a debt advice centre and to a future workshop. Since 2006 the project has extended its geographical scope and now also offers lectures for disseminators in other parts of Germany. (<http://www.zuvielschulden.de/projekte/bank/inhalt.html>)

#### Unterrichtshilfe Finanzkompetenz

The *Unterrichtshilfe Finanzkompetenz* (teaching aid for financial competence) is a project carried out by the *Arbeitsgemeinschaft Schuldnerberatung der Verbände (AG SBV)* in cooperation with different associations of the banking and insurance industry and welfare organisations. The project was funded by the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth and developed by Prof. Dr. Kirsten Schlegel-Matthies. It comprises modularized and tried-and-tested teaching materials for teachers. The teaching aid includes modules on the subjects: Finances under control, driving licence and car, apartment of one's own, mobile phone and debts, provisions for one's old age and debt spiral. In 2006, the materials have been revised on the basis of feedback from practice and have been adapted to be used also in *Hauptschulen* (general-education secondary schools -- 5-9 grade). The project is meant to work on the prevention of indebtedness, not over-indebtedness. ([www.unterrichtshilfe-finanzkompetenz.de](http://www.unterrichtshilfe-finanzkompetenz.de))

#### Steps taken by the Land Thuringia in the field of debt prevention

**1) Model project “Building a network of preventive debt counselling for youth and young adults (2001-2003):** „In its first part, the project comprised the collection and evaluation of all measures and projects for debt prevention already available throughout Germany. Professor Piorkowsky from the Universität Bonn was commissioned with the scientific supervision of all practical projects of the concerted action to prevent poverty and to alleviate poor living circumstances by improving housekeeping competencies (poverty prevention programme) of the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth. After a suitable concept for use in Thuringian schools and vocational institutions had been created, curriculae for teacher training were developed in cooperation with the *Thüringer Institut für Lehrerfortbildung, Lehrplanentwicklung und Medien (ThILLM)* (Thuringian institute for teacher training, curriculae development and media). Simultaneously, a „round table“ was initiated in the city of Jena, comprising representatives of the banking industry, housing industry, energy sector, youth career service, city authorities such as the youth welfare and social offices.” (Information by the Thuringian Ministry for Health, Family, and Social Affairs (TMSFG) of 27.09.2007 and from [www.knappbeikasse.de](http://www.knappbeikasse.de))

2) Establishment of an **expert advice centre** for debtors and advice centres for consumer insolvency and debt prevention

3) **Project „Netzwerk Schuldenprävention“** (network debt prevention) as a permanent task of the TMSFG and the Thuringian ministry of culture as part of the work plan of the Thuringian government (since 2005): „The project aims at implementing the results of the model project "Netzwerk Schuldenprävention" while including new target groups (families) in all Thuringian regions, thus playing, in the long run, a role in reducing the number of people that get into the debt trap. For this purpose, the available offers in the field of debt prevention are to be linked and developed and new steps to improve housekeeping competencies and families' and youths' competencies in dealing with money are to be

created and tested.” (ibid.) In this context, several round tables have been initiated with participation of representatives of savings banks und *ARGEN*.

#### SchülerBanking ([www.SchuelerBanking.de](http://www.SchuelerBanking.de))

*SchülerBanking* (Students’ banking) is a cooperation project of the *Institut für Finanzdienstleistungen e. V. (iff)*, the *Hamburger Sparkasse (Haspa)*, the *Behörde für Bildung und Sport* and of the *Zentrum für Schule und Wirtschaft*, pursuing the aim of supporting financial education in schools. Financial education should, according to the *iff*, help develop a productive way of handling financial services and should be oriented towards the needs and the situation of the individual person as well as their current problems. (<http://news.iff-hh.de/index.php?id=2255&searchid=2&offset=1iell>) Flexible modules regarding financial education for 14 to 18 year old students include role plays, case work and a consultation in the cooperating bank, which is critically prepared and discussed afterwards. Participating classes study cashless payments, functions and uses of current accounts and how to deal with financial crises. They independently elaborate criteria for choosing current accounts and credit depending on need and tailored to specific situations. ([www.SchuelerBanking.de](http://www.SchuelerBanking.de)) The *iff* emphasizes that the cooperation with the savings bank will enable a dialogue between consumer and provider.

The project is promoted by the *Hamburger Sparkasse*. In the school year 2006/2007, about 2,400 students in 90 classes have participated in the project in Hamburg. Next year, the programme will also be implemented in a region of Southern Germany, in cooperation with a local savings bank.

#### Prevention projects in Munich

**Cashless Munich** is a joint project of the *Anderwerk GmbH*, the *AWO München gemeinnützige Betriebs-GmbH* (AWO: workers welfare association), the *DGB Region München* (DGB: German Trade Union Federation) and the *Kreisjugendring München-Stadt* (Munich regional council of youth groups). It is funded by the social department of the city of Munich. This is an offer provided in the context of youth education on debt prevention. It includes meetings in schools and vocational schools dealing with subjects such as mobile phones, first own car, first own household, critical events in life, etc., for which appropriate teaching concepts have been developed and tested.

**“Sweet life – overflowing children's rooms”** is a prevention project for use in nurseries provided by the *Caritas München*. During parents' evenings parents shall be made aware of own behaviours having a lasting impact on the consumer behaviour of their children. (Korczak 2007, S. 37) These meetings start with a lecture on the topics of consumer needs, consumer traps and impact of ads. Additionally, consumption-oriented elements of children's' daily routine are pointed out, such as children's birthdays, TV consumption, excessive use of courses for children<sup>3</sup>, etc. (ibid.) Afterwards there are working groups on own experiences with consumption and a final discussion.

Both projects have been evaluated by Dr. Korczak from the *GP Forschungsgruppe*

#### **Programmes in the field of debt counselling**

Federal Ministry of Family Affairs, Senior Citizens, Women and Youth/BAG SB:

Online guidebook [www.meine-schulden.de](http://www.meine-schulden.de)

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<sup>3</sup> This indicates that the main target groups of these evenings seem to be middle and upper class parents and not low income families.

The internet-based offer provides first information to people seeking advice on how to deal with their debt problems. It consists of three parts covering information, services and guidance. On the information sites, visitors are systematically guided through the regulations around the subject of debt relief. The workflow of a debt settlement process and consumer insolvency proceedings are described as are the many practical notes on what creditors are allowed to do and what they are not. In case visitors have a concrete request they can search for support in the guide-book on the right side of the website. Typical questions from the debt counselling practice are answered here and first tips on how to deal with financial problems are given. On the service sites, many model letters are published and a search module to find the next debt advice centre. The site was developed by the *Bundesarbeitsgemeinschaft Schuldnerberatung* in cooperation with the Federal Ministry for family affairs. ([www.sfz-mainz.de](http://www.sfz-mainz.de)) The internet-based offer provides, among others, model letters to apply for a Current Account for Everyone and contact details of the banks' dispute settlement and customer complaint offices.

Visitor numbers of the online guidebook saw a heavy increase in the context of media reports on the insolvency reform: In August 2007, the site was visited around 57,000 times, in the preceding months and thereafter, about 20,000 visitors had been counted.

Currently, a national portal on debt counselling is underway. In this context, the *Bundesarbeitsgemeinschaft Schuldnerberatung e.V.* plans to expand the online guidebook and to establish links with the national portal. The German *Sparkassen und Giroverband* (association of savings banks) has announced to support the project by providing more than 50 percent of the funds needed.

#### Schuldenhelpline der Schuldnerhilfe Köln e. V.

In November 2006, the project *Schuldenhelpline* of the *Schuldnerhilfe Köln* started after six months of preparation. It aims at providing first aid to people affected or threatened by over-indebtedness on a short-term basis using phone or email. The project is scheduled for three years and is funded by donations of the [GlücksSpirale](#) and the [Citigroup Foundation](#). It comprises 3.5 staff, 1.5 of which are administrative jobs. The research institute Evers & Jung was commissioned with the project evaluation. Between November 2006 and February 2007, 522 individuals made use of the project. The project aims at avoiding waiting times, reaching new target groups, referring to reliable debt advice centres and helping people to help themselves. First experiences show that people tend to contact the *Schuldenhelpline* at an earlier stage than they would have contacted a debt advice centre, and that there is a high percentage of self-employed people among those seeking advice. ([www.schuldenhelpline.de](http://www.schuldenhelpline.de))

## **D- EVALUATION OF IMPACT**

There are no assured evaluations regarding the impact on access to financial services of the measures and projects described. With respect to the topic of a „right to a current account” reference has been made to the reports of the Federal Government on the implementation of the ZKA recommendation, published every two years. All these reports, however, emphasize the uncertain data situation.

Assured results on the impact of financial education on dealing with financial services are not available as well. Project evaluations mostly refer to assessments and evaluations of the participants and can therefore hardly provide an assessment of the ‘real impact’ of the steps

taken. One of the few evaluations of concepts in the field of financial education has been established by Dr. Dieter Korczak regarding prevention projects in Munich (see above). It is a detailed evaluation report: Addressees are described and the results of a survey conducted with participants immediately after the meetings are presented. Participants give positive feedback on the evaluated projects and problem awareness could be achieved. However, according to Korczak only a longitudinal study could reveal if problem awareness has been changed in a sustainable way. In this respect, the evaluation gives evidence regarding the usefulness of the steps taken, however, statements on medium-term effects can only be delivered upon termination of the follow-up project planned to be an intervention study. (Korczak 2007)

## **Appendix: Other projects in the area of financial education and prevention of overindebtedness**

Funded by the Bavarian Ministry of the Environment, Public Health and Consumer Protection („Bayerisches Staatsministerium für Umwelt, Gesundheit und Verbraucherschutz“):

- „Handy-Trendy“ [www.handytrendy.de](http://www.handytrendy.de) ; Association „Ökoprojekt Mobilspiel e.V.“
- „Fit in die Zukunft“ (Fit for the future) <http://www.baylah.de/downloads/fitindiezukunft.pdf>; implemented by the Bavarian National Committee for Home Economics („Bayerischer Landesausschuss für Hauswirtschaft“)

Funded by the Ministry for Intergenerational Affairs, Family , Women and Integration of Land North Rhine-Westphalia (Ministerium für Generation, Familien, Frauen und Integration Nordrhein-Westfalen):

- Project „Shopping im Internet“ (Shopping in the Internet); Association „Schuldnerhilfe Essen e. V.“

Funded by the Ministry of Social Affairs, Health, Family, Youth and Senior Citizens of Land Schleswig-Holstein (“Ministerium für Soziales, Gesundheit, Familie, Jugend und Senioren Schleswig Holstein”):

- „fit for money“ – [www.fit-for-money.de](http://www.fit-for-money.de); Kiel
- „Was kostet die Welt?“ (How much ist he world?) – [www.waskostetdiewelt.com](http://www.waskostetdiewelt.com); Schleswig-Holstein
- „Moneycrashkurs“ – [www.moneycrashkurs.de](http://www.moneycrashkurs.de); Lübeck/Ostholstein
- „Kidsundkohle.de“ – [www.kidsundkohle.de](http://www.kidsundkohle.de); Neumünster
- [www.cash-oder-crash.de](http://www.cash-oder-crash.de); Kreis Nordfriesland, Stadt Flensburg, Teile Kreis SL-FL

Funded by the Ministry of Health and Social Affairs of Land Mecklenburg-Vorpommern (“Ministerium für Soziales und Gesundheit in Mecklenburg-Vorpommern”)

- Project "Integration von präventiv-wirtschaftlichen Beratungsangeboten in die Familien- und Schularbeit in M-V" (Integration of preventive-economic counselling services into the social family and school work in M-V); implemented by the Association „Einkommens- und Budgetberatung für Familien e. V.“ (Income and Budget Counselling for Families)

Funded by the Ministry of Labor and Social Affairs, Health and Family of Land Brandenburg („Ministerium für Arbeit, Soziales, Gesundheit und Familie des Landes Brandenburg“):

- Project „Auskommen mit dem Einkommen“ (Making ends meet); Tips and Tricks for Families on Housekeeping



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