

Using behavioral science in an online tool for debt counselling

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*The financial crisis increased the demand for debt help, also in the Netherlands. The increased demand caused waiting times for debt help to increase. That is why the national body of Debt Counsellors (NVVK) and National Institute for Family Finance Information (Nibud) decided in 2008 to make the website Zelfjeschuldenregelen.nl (manage your debts yourself). Its goal is not to replace the face-to-face debt counselling, but to prepare consumers during the waiting period. The site is targeted on consumers with a somewhat higher education, who can take some measures themselves. In order to help people navigate through the website and to give them the best results, we applied behavioral sciences in zelfjeschuldenregelen.nl in different ways. This article gives an overview of these insights and how we implemented them on this website. Of course, in face-to-face counseling a lot of these insights are used as well. It is tempting to try to translate these insights into an online-application.**

Do you recognize this ...? The box "Yes, I would like to receive the newsletter" is already ticked when you want to be a member of an organization. Or you can choose from three products and one of them is recommended especially for you; that is why the company already selected it for you. How kind of them ... Commercial companies know a lot of tricks to push people into the direction they want them to go. Why shouldn't we also use these same principles, but now to help people to make the best financial decisions for themselves?

For a long time, economists considered consumers to be rational decision makers, a homo economicus. They believed that people make rational and logical choices by weighing costs against benefits. Nowadays, we know this is not completely true: decisions are influenced by various factors.

Expectations, emotions, social norms, how a message is framed, even the weather, they all influence our reasoning abilities. With all this knowledge how the mind works and how people make decisions, we as Nibud started to look differently how we present our information to the general public. Are the various books, tools and other consumer products really helpful to change the behavior of households with financial questions? For example in the website zelfjeschuldenregelen.nl (manage your debts yourself) we used a lot of the behavioral insights. This article gives an overview of these insights and how we implemented them on this website.

Nibud

Nibud (National Institute for Family Finance Information) is a very well-known and respected independent foundation in the Netherlands that gives information and advice on financial matters of private households. Its mission is to contribute to family welfare by promoting a sound way of money ma-

agement. On the one hand by enabling households to make decisions on their own about matters with consequences on their budgets. On the other hand, Nibud increases the expertise of institutions on the budgets of private households with their policy, advice or education. These institutions range from debt advisers via governmental bodies to banks and insurance companies.

The research team of Nibud consists of economic researchers and economic psychologists.

Debts in the Netherlands

In the Netherlands, 40 percent of the households are behind paying their bills (van der Schors 2015). 650.000 households (almost 10 percent) have problematic debts (Westhof 2015). In 2015 there were 90.400 applications for debt counselling in the Netherlands (NVVK 2016). These debtors have an average debt of € 42.900,- and they have on average 14 creditors. These figures show the need for debt advice and debt relief. In the Netherlands, debt advice is a task of the municipal government. On the one hand, this local approach means that people can get advice in their own region. On the other hand, local autonomy leads to differences in the policies and in the availability of debt advice between cities. The financial crisis increased the demand for debt help. The crisis caused new groups to apply for debt counseling: higher-educated households that (used to) have higher incomes, home-owners, self-employed. The increased demand caused waiting times for debt help to increase.

The website Zelfjeschuldenregelen.nl

That is why the national body of Debt Counsellors (NVVK) and Nibud decided in 2008 to make the website Zelfjeschul-

denregelen.nl. Its goal is to help people with initial financial problems to find a solution and to get their finances back on track again. In 5 steps, the visitor is guided towards a plan to solve their financial problems. In the tool, the individual spending pattern is compared to a family with the same characteristics, but with a minimal income. In this way, saving options can be found. Furthermore, there is a lot of background information on solving debts and on the way creditors work. There are sample letters, with which proposals to creditors can be made.

The purpose of the website is not to replace face-to-face debt counselling. The site is targeted on consumers with a somewhat higher education, who could do some work themselves. Another goal is to prepare consumers during the waiting period.

At the moment, the site is visited more than 200.000 times per year.

Behavioral sciences in Zelfjeschuldenregelen.nl

In order to help visitors navigating through the website and giving them optimal results, we applied behavioral sciences in zelfjeschuldenregelen.nl in different ways. Of course, in face-to-face counseling a lot of these insights are used as well. The interesting part is how we could translate these insights into an online-application. We used the following phenomena.

1. The EAST model

The general guidelines for activating people is described in the EAST model (Service 2014). EAST stands for Easy, Attractive, Simple and Timely. Online tools should be Easy (no unnecessary steps), Attractive (the look of the site), Simple (easy to understand) and Timely (right timing).

2. Do not evoke emotions

Emotions are a strong determinant in decision-making. For example, people in a positive mood tend to overestimate themselves, while people in a negative mood underestimate themselves and overestimate others (Dolan 2010). Emotions also determine financial behavior to a certain extent. If too many negative emotions are evoked, for example by appealing of fear, the entire message may be rejected. Hansen, Winzeler and Topolinski (2009) researched the ways of informing tobacco consumers about the risks of smoking. They found that mortality-salient warnings may increase the tendency to favor smoking under certain circumstances. Thus, if the message is too scary, it can evoke the opposite behavior you intent to evoke with your message. This can also be true for debts: if people get scared, they may freeze and won't do anything.

That is why the site zelfjeschuldenregelen.nl does not arouse negative emotions. The site encourages people to take action. The homepage has a positive image and positive terms are used. However, the tone is not extremely cheerful.

3. Commit people to their goals

Once we made a choice or took a stand, we will encounter personal and interpersonal pressures to behave consistently with

that commitment (Cialdini 1987). Cialdini gives the example of a study about horse betting. They found that just after placing a bet, people are much more confident of their horse's chances of winning than immediately before laying down that bet.

This also holds when we make a commitment or promise. We feel obligated to work hard to fulfill that promise. This phenomenon is used in zelfjeschuldenregelen.nl: at the start, a person is asked to fill in the amount of money they think they can repay monthly. In this way we want to encourage visitors to turn their good intentions into concrete plans, and commit them to these plans. When they specify here to repay 100 euro per month, it is likely they feel obligated to do so.

4. Let them know they are not alone

People often look at social norms to gain an accurate understanding of and effectively respond to social situations, especially during times of uncertainty (Cialdini 2001). People tend to behave as they should, because they want to meet the standard. Normative behavior is the standard of correctness that follows the rules of society. Developing debts is not normative behavior, therefore people might feel ashamed. Therefore, it can be helpful to let people know they are not the only one. And that also other 'normal' people develop debts.

In the site, this is reflected by a part of the site that gives facts and figures to convince people that they are not the only ones who have financial difficulties for some time. For example it says that 2.3 million people in the Netherlands are behind paying their bills.

In addition, the site includes several stories of common people who developed debts. These stories are written in a problem solving way: how they overcame obstacles and how they got back on track. These narratives encourage people to find solutions for their financial problems.

5. The power of the group

Human herding behavior results from impulsive mental activity in individuals responding to signals from the behavior of others (Prechter 2001). Ash (1951) experimented with this phenomenon. He showed how the opinion of an individual can be influenced by the majority of the group. He showed participants three lines with different lengths. The participants were shown a different (fourth) line and had to compare this line to one of the other three lines. One person was the real participant, the others were instructed on beforehand to give the wrong answer. The experiment showed that the participant followed the opinion of the group, even when this opinion was wrong. Thus, if the group stated that the fourth line was the same as line 2, but it was actually the same as line 3, the participant was inclined to give the wrong answer.

Following the group is not always bad, especially if someone has little or no knowledge about a certain subject. The choice of the group can be a great information resource for someone.

The commercial world makes use of this principle. For example in book stores, they use stickers on a book "sold more than 50.000 times". People think, if so many people bought it,

it must be good. It gives the hesitating buyer the extra push to buy the book.

This principle is used on the website by giving an indication of how much people visit the site. It says: "Each month over 15.000 visitors."

An important side mark is when you use this concept, the used figure should be true. When there is an unbelievable number used, the confidence and credibility of the other information becomes doubtful.

6. Use mental accounting

Mental accounting is the phenomenon that people reserve certain 'containers' for specific expenditures and do not easily exchange money between these various containers because "it is not meant for that". For example, suppose some family saved € 15.000 for their dream vacation home. They hope to buy the home in five years. They just bought a new car for € 10.000 which they financed with a three-year car loan at 15 percent (Thaler 1985). It would have been economically beneficial if they had bought the car from the savings. But because this money was 'labeled' for the house, the family did not use this money for the car. Many households use mental accounting to evaluate, control and process their household budget (Thaler 2009).

On the website the budget is clustered in different expenses: housing costs, insurance, household money, etcetera. By explicitly naming spendings for "repayment" in the budget, we expect that the filled figure will be used for repaying the debts and not for something else, because the money is labeled for that.

7. People are lazy, use it

A default is what is imposed when an individual fails to make a decision (Johnson 2003). To show the large effect of defaults, Johnson and Goldstein looked at the systems of organ donation in Europe. In some countries (Germany, the Netherlands, Denmark and the United Kingdom) the default is that someone is not registered as an organ donor, unless he makes the choice to register. In some other countries (Belgium, France, Hungary and Sweden) the default is that someone is an organ donor, unless he makes the choice to register not to be an organ donor. The difference is huge, in the countries where the default is not to be an organ donor, around 15 percent of the people are organ donors. In the countries where the default is to be an organ donor, around 99 percent of the people are organ donors. The data suggests that changes in default settings could increase donations of organ donors.

Thus, people tend to choose the pre-selected (default) options. Like the options that are described in the introduction of this article.

Also on the website defaults are used. For example, the proposed budget has been pre-filled. This makes it easy for users to customize the missing or incorrect amounts. The site also contains example letters that someone can send to their creditors. In these letters most matters are already filled in, except for the amounts of debts and the name of the creditor. The debtor can easily adjust the letter and send it to their creditors.

Use behavioral insights for the best

By using these insights from social psychology in interventions, the effectiveness might increase. As said before, a lot of these insights are already used in face-to-face debt counselling, also in Germany. We expect that most psychologists and social workers use these phenomena. Yet, face-to-face debt counselling is a costly matter, and public budgets for it are under pressure. In the Netherlands, and most probably also in Germany. Online tooling may be a cheaper complement for debt counselling, if it is used in an appropriate and targeted way. Please use our experience for the best!

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