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**THE CORROSIVE EFFECT OF CREDIT:  
CONSUMER EXPERIENCES WITH OVER-INDEBTEDNESS**

SÃO PAULO  
2021

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Tese apresentada à Escola de  
Administração de Empresas de São  
Paulo da Fundação Getúlio Vargas,  
como requisito para obtenção do título  
de Doutor em Administração de  
Empresas.

Campo de Conhecimento: Estratégias de  
Marketing.

Orientador: Prof. Dr. Delane Botelho

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Dedicated to my lovely sisters, wonderful partners in the life journey, and *in memoriam* of my parents.

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Thank you all!

“Eventually, a person with a compulsive debting problem finds that life has become unmanageable” (Debtorsanonymous.org)

“How can risks and hazards systematically produced as part of modernization be prevented, minimized, dramatized, or channeled? Where they do finally see the light of day in the shape of ‘latent side effects,’ how can they be limited and distributed away so that they neither hamper the modernization process nor exceed the limits of that which is ‘tolerable’ – ecologically, medically, psychologically and socially?” (Beck, 1992)

“Risks experienced presume a normative horizon of lost security and broken trust” (Beck, 1992)

“Risks can be legitimated by the fact that one neither saw nor wanted their consequences” (Beck, 1992)

## **ABSTRACT**

This doctoral dissertation is composed of three complementary articles. The first article aims to systematically review and assess the current status of research on consumers' over-indebtedness, identify gaps and under-researched areas, and propose an agenda for future research. I use a systematic review approach to the literature on journals listed on the ABS (Association of Business Schools) list for peer-reviewed academic papers written in English, developing a comprehensive analysis and integrative review of the topic, synthesizing 144 articles published in 80 journals over 50 years (from 1969 to 2019) across the academic disciplines of economics, marketing, finance, psychology, and social science, and present a framework for organizing the literature streams, theories, and main variables related to consumer (over-)indebtedness. I consolidate extant knowledge on the theme, identify broad patterns, inconsistencies, and under-researched areas, suggesting a future research agenda relevant to academics, practitioners, and policymakers. The second article, examining the context of consumer over-indebtedness, aims to understand how consumers lose control and experience the materialization of staggering risks, and the meanings associated to this process. To address this overlooked area in consumer research, I examine the narratives and lived experiences of over-indebted consumers, which I accessed through a qualitative study conducted in Brazil using multiple data sets. The findings describe the unfolding of consumer experiences when credit and debt become highly dysfunctional by unpacking the downward trajectory that affects consumer identity. These findings shed light on the experiences of consumers who are overwhelmed by the hazards of risks and experience the unintended stigmatized position of being over-indebted. The third article aims to understand the process and the dynamics of a consumer-brand relationship deterioration over time, and how consumers can migrate from attachment to aversion, studying the relationship between creditors and debtors in the context of consumer over-indebtedness. I conduct a qualitative study of over-indebted consumers' narratives and lived experiences in their relationships with their creditors (and relationship partners) and use consumer brand-relationship, attachment theory, and attachment-aversion model as theoretical foundations. The findings explain why and how a consumer-brand relationship can transition over time from a

positive to a negative and troubling relationship, from attachment to aversion. This study contributes insights for public policy on avoiding consumer over-indebtedness and for better managerial practices. The findings demonstrate the importance and the impact of over-indebtedness on consumers, firms, and society and call for more responsible marketing of credit and debt.

Keywords: Over-indebtedness; systematic review; consumer credit and debt; consumer-brand relationships

## RESUMO

Esta tese de doutorado é composta por três artigos complementares. O primeiro artigo tem como objetivo revisar e avaliar sistematicamente a situação atual da pesquisa acadêmica sobre o superendividamento dos consumidores. Por meio de uma abordagem de revisão sistemática da literatura em periódicos listados na lista da ABS (*Association of Business Schools*) para artigos acadêmicos revisados por pares e escritos em inglês, eu desenvolvo uma análise abrangente e uma revisão integrativa do tema, sintetizando 144 artigos publicados em 80 periódicos em mais de 50 anos (de 1969 a 2019) nas disciplinas acadêmicas de economia, marketing, finanças, psicologia e ciências sociais. Eu também desenvolvo uma estrutura para organizar os temas da literatura, teorias e principais variáveis relacionadas ao superendividamento do consumidor. O artigo consolida o conhecimento existente sobre o tema, identifica padrões gerais, inconsistências e áreas pouco pesquisadas, sugerindo uma agenda de pesquisa futura relevante para acadêmicos, profissionais do mercado e formuladores de políticas públicas. Examinando o contexto de superendividamento do consumidor, o segundo artigo tem como objetivo compreender como os consumidores perdem o controle e vivenciam a materialização de riscos vertiginosos. Para abordar essa área pouco estudada na pesquisa de consumo, examino as narrativas e experiências vividas por consumidores superendividados, que acessei por meio de um estudo qualitativo realizado no Brasil, usando múltiplos conjuntos de dados. Os resultados do estudo revelam as experiências do consumidor quando o crédito e a dívida se tornam altamente disfuncionais e, ao mesmo tempo, desvendam a trajetória de queda que afeta a identidade do consumidor. Esses resultados lançam luz sobre as experiências de consumidores que são arrasados pela materialização dos riscos e experimentam de forma não intencional a posição estigmatizada de estarem superendividados. Estudando a relação entre credores e devedores no contexto de superendividamento do consumidor, o terceiro artigo tem como objetivo compreender o processo e a dinâmica de deterioração da relação do consumidor com a marca ao longo do tempo, por meio de um estudo qualitativo das narrativas de consumidores superendividados e suas experiências vividas nos relacionamentos com seus credores (e parceiros de relacionamento). Eu utilizo como fundamentos teóricos as teorias de relacionamento do consumidor com as marcas, a teoria do apego

(*attachment theory*) e o modelo de apego-aversão (*attachment-aversion model*). Os resultados explicam por que e como o relacionamento consumidor-marca pode passar de um relacionamento positivo para um relacionamento negativo e problemático, indo do apego à aversão. Este estudo contribui com *insights* para melhores práticas de gestão e políticas públicas que busquem evitar o superendividamento do consumidor e a deterioração da relação dos consumidores com as marcas. Os resultados demonstram ainda a importância e o impacto do endividamento excessivo sobre os consumidores, as empresas e a sociedade e trazem argumentos para uma comercialização mais responsável do crédito e das dívidas.

**Palavras-chave:** Superendividamento; revisão sistemática; crédito ao consumo e dívidas; relação consumidor-marca.

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## CHAPTER 1 - GENERAL INTRODUCTION

“Debting is more than just sensationalized shopping. It can cripple and ruin someone’s life. Debt is like alcohol for the alcoholic, food for the compulsive eater, and gambling for the compulsive gambler.”  
(<https://debtorsanonymous.org>)

Having worked for more than fifteen years as a marketing executive in the market of credit services, first in the credit card market and after in the credit bureau market in Brazil, I have always been intrigued by the theme of consumer over-indebtedness. I knew that we had more than 60 million insolvent people in Brazil, but nobody knew the exact number of over-indebted consumers. We still do not have any indicator for that, only some estimates without much consistency. And this has always seemed something vital to me. So when I decide to go for the Ph.D., consumer over-indebtedness appeared to be the obvious study option. Since the beginning of my Ph.D. studies, I have had this idea in mind and kept attached to it along the way. First of all, I think it is a fascinating topic because it involves consumers and consumption. I felt attracted to this theme because of my natural curiosity to understand why and how consumers get to this situation, what happens to them, what it means to them, and how they could potentially get out of this situation. Second, I think I am doing something with social impact due to its importance for consumers, marketers, firms, and society. A deeper understanding of this phenomenon is undoubtedly essential to generate academic and qualified knowledge that can inform public policies to prevent, mitigate and treat the problem. And third, we are talking about our current lives, our contemporary societies, the world in which we live, the way we live, the way we consume, and the patterns we follow. So, I expect to be doing something important, with a good purpose and also enriching for me at the same time.

In recent years in Brazil, we have experienced a substantial increase in the use of credit in the economy. The ratio of Credit/GDP increased from 26% in 2003 to 53,6% in March/2016. The payments made with credit cards now represent around 32% of the families' consumption, and 96% of credit card holders use their credit cards every

month. According to CNC (National Confederation of Commerce, 2019), in February/2019, based on a survey with 18,000 consumers in all the country's state capitals, 61,5% of the families had some type of debt. At the same time, from the total of consumers surveyed, 23,1% of the families were insolvent with their bills and loans, and 9,2% of the families had no conditions to pay their debts. According to Serasa Experian, the largest credit bureau in Brazil, the number of defaulted consumers in April/2021 was 62,98 million, representing roughly 39,5% of the country's adult population (G1.Globo.com, 2021).

But this increase in the use of credit and the consequent occurrence of over-indebtedness has its parallel in the western developed countries. In the United States, scholars have noticed that credit was normalized (Peñaloza and Barnhart, 2011). From 2001 to 2007, household debt in the US, including mortgage debt and credit card debt, doubled from \$7 trillion to \$14 trillion (Shiller, 2013). In the UK, according to a survey made by Arrowglobal (2019), 90% of the adult consumers surveyed reported that they have, or have had, some form of debt. Half of them had unsecured debt, and just over half of homeowners had a mortgage (Arrowglobal, 2019). Consumer debt in the UK reached a record of \$ (pound) 1,451 billion at the end of September 2015 (Arrowglobal, 2019). At the same time, there are estimates that 16,1% of the UK population can be considered over-indebted (Kinloch, Little, and Morawiec, 2016). Consumers continue to suffer from significant credit burdens, apparently with no reasonable solutions ahead (Custers, 2017). Thus, consumers' over-indebtedness continues to be an essential concern for government and citizens around the globe (Custers, 2017; d'Alessio and Iezzi, 2013).

Aligned with this scenario of increased indebtedness in the global arena, the primary aims of this dissertation are to (1) systematically review and assess the current status of research on consumers' over-indebtedness, identify gaps and under-researched areas, and propose an agenda for future research; (2) exploring the context of consumer over-indebtedness, understand how consumers lose control and experience the materialization of staggering risks, and the meanings associated to this process; (3) understand the process and the dynamics of a consumer-brand relationship deterioration over time, and how consumers can migrate from attachment

to aversion, studying the relationship between creditors and debtors in the context of consumer over-indebtedness.

I will reach these aims in three different articles that complement each other in a comprehensive understanding of this phenomenon. This dissertation is comprised of an introduction, three articles, a final discussion, and appendices. Each one of the three articles corresponds to a specific chapter. The articles are developed to stand alone by themselves, separately, but they are at the same time connected by the theme of consumer over-indebtedness. Therefore, they are interconnected among them and complement each other in understanding consumer over-indebtedness and the issues that arise from it.

In the first article, I conduct a systematic review on the theme of consumers' over-indebtedness. Our search was made on journals listed on the ABS (Association of Business Schools) list for peer-reviewed academic papers written in English. The objective is to map and analyze the literature published on consumers' over-indebtedness to suggest a future research agenda relevant to academics, practitioners, and policymakers. This article follows procedures and methodologies for systematic research established in prior reviews of different high-ranked journals (Tranfield, Denyer and Smart, 2003; Rosado-Serrano, Paul and Dikova, 2018; Terjesen, Hessels and Li, 2016).

In the second article, my objective is to understand how consumers lose control and experience the materialization of staggering risks, examining the dynamics of their ways into over-indebtedness. First, I take the perspective of consumers to understand the origins of over-indebtedness and how it progresses. Then, examining their narratives and lived experiences, I attempt to capture their feelings and emotions along the way, the impacts on their lives, and their family lives. And last but not least, to understand the meanings experienced by them on their journey.

The third article is dedicated to understanding the process and the dynamics of a consumer-brand relationship deterioration over time, studying the exchange relationship between consumers (in their role of debtors) and their creditors (and relationship partners) in the situation of increasing indebtedness reaching over-indebtedness. I took the consumers' perspectives once again to understand their lived

experiences with the marketers, credit institutions, and collectors along the process of becoming over-indebted. The analysis is focused on understanding the experiences and perceptions of consumers on the factors that influenced the deterioration of their relationship with their creditors and the changes that occurred in this process.

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## **CHAPTER 2 – CONSUMER (OVER)INDEBTEDNESS: A REVIEW AND FUTURE RESEARCH AGENDA**

*“Debt has become a persistent feature of household balance sheets at every stage of life” (Lusardi and Mitchell, 2013)*

## 2.1 Introduction

The world economy has seen a dramatic increase in levels of consumer debt in recent decades. In the United States, from 2001 to 2007, household debt, including mortgage debt and credit card debt, doubled to \$14 trillion (Shiller, 2013) and reached \$14.3 trillion in the first quarter of 2020 (Federal Reserve Bank of New York, 2020). At the same time, 55% of US households are savings-limited, meaning they can replace less than one month of their income through liquid savings (The Pew Charitable Trusts, 2015). In the UK, four million households are behind on their repayments, and an additional 1.5 million households are struggling to pay their bills and loans (Arrowglobal, 2019). In 2015-16, around 29% of households in Australia were classified as over-indebted (Australian Bureau of Statistics, 2018). More than 61 million consumers are indebted and in arrears in Brazil, and roughly 30 million are considered over-indebted (da Costa, 2018). This increase in credit and (over)indebtedness has raised concern about its economic and social impacts on the sustainability of households' finances and the well-being of consumers and their families (d'Alessio & Iezzi, 2013). The concern is even more significant in the face of global economic crises such as the one prompted by the Covid-19 pandemic when consumers' income and expenses are subjected to severe and unexpected shocks.

I define indebted consumers as those who have some consumer debt (Betti et al., 2007) and over-indebted consumers as those who report persistent difficulty in paying their debts and living expenses and find their debt to be a heavy burden. (Over)indebtedness is not only a social issue that affects a large number of people facing extreme difficulty in their lives but also a potential problem for creditors and the stability of financial systems (d'Alessio & Iezzi, 2013). And despite its growing importance, it is still an under-researched area (Schicks, 2014).

Considering the increase in consumer credit and indebtedness and its attendant concerns, this study aims to conduct a systematic review of the literature on consumer (over)indebtedness, assessing the current status of research on this theme, identifying gaps and under-researched areas, and proposing an agenda for future research. I consolidate existing knowledge on this phenomenon and identify broad scientific inquiry patterns. Understanding the trajectory of academic research on over-indebtedness is essential for providing direction to this fast-growing research stream

(Paul & Criado, 2020). Only systematic reviews associating (over)indebtedness and its outcomes such as mental and physical health problems were published in the past (Turunen & Hiilamo, 2014; Fitch et al., 2011; Richardson et al., 2013). The present study is the first to develop a comprehensive and integrative literature review on consumer (over)indebtedness. In addition to systematically mapping the literature on this important theme, I develop a framework that integrates research streams and synthesizes all antecedents and outcomes identified in prior research. Finally, I develop suggestions for a future research agenda and provide research questions whose answers may fill the gaps in under-researched topics. This study offers insights for consumers, academics, industry practitioners, and policymakers (Snyder, 2019).

## **2.2 Review design**

Following prior reviews (Rosado-Serrano et al., 2018; Keupp & Gassmann, 2009; Terjesen et al., 2016), four steps were adopted to conduct a comprehensive search for selecting and analyzing the pertinent literature. In the first step, I did a keyword systemic search in the following online databases: (1) EBSCO Host, (2) Emerald, (3) JSTOR, (4) ProQuest Databases, (5) Science Direct, (6) Scopus, (7) SpringerLink, and (8) Web of Science. The search was carried out using the following keywords: indebtedness + consumer(s), overindebtedness + consumer(s), over-indebtedness + consumer(s), and financial distress + consumer(s). A paper was included if these keywords appeared in its title, subject terms, abstract, or author-supplied keywords. The search was restricted to peer-reviewed papers written in English and published in academic journals, resulting in 996 articles. In the second step, a procedure for the exclusion of articles was conducted in three stages (See Appendix A for a summary): (1) I excluded all articles that overlapped across databases (406 articles); (2) I conducted a qualitative analysis of the titles and abstracts of the remaining 590 articles and excluded those that did not fit the objective criteria of the search selection (articles in languages other than English or from journals that were not peer-reviewed) or which had little or no relation to the theme of consumer (over)indebtedness (319 articles); and (3) to guarantee the quality of journals, I excluded all articles published in journals that were not listed on the Academic Journal Guide of the Association of Business Schools (ABS) list (142 articles). In the third step

of the systematic search, I included 15 additional articles cited in our included articles (snowballing) based on their level of importance, connection, and contribution to the review. In the last step, with a final sample of 144 articles (listed in Appendix B), I developed a system of classification based on the different streams of research found in the literature and according to the review structure and framework described below.

## **2.3 Review structure**

I follow *Callahan's* (2014) "four Ws" of literature review methods (where, how, what, and why) to structure the analysis and the review (*Rosado-Serrano et al.*, 2018).

### **2.3.1 What do we know about consumer (over)indebtedness**

In sections 2.4 and 2.5, I summarize the academic research done on the theme of consumer (over)indebtedness. I approach and discuss the different definitions and measurements of consumer (over)indebtedness used in the literature, its antecedents and outcomes, and its diverse streams of research, journals, and years of publication. I classify the articles in the following streams of literature: antecedents (47 articles), outcomes (18), elements (10), personal bankruptcy (16), regulation (21), political and institutional development (11), cultural studies (5), and prevention and mitigation (16).

### **2.3.2 Why should people need to know more about consumer (over)indebtedness**

Consumer (over)indebtedness is a phenomenon with high social and economic impact for consumers and their families, and it brings concerns for practitioners, regulators, and policy makers. Despite attempts de implement public policies to avoid and mitigate this phenomenon, it frequently grows and persists. The body of research done on this field does not yet show a high convergence on its understanding, showing an opportunity to uncover its untapped potential and promote improved theory development. In Section 2.5.3, I present and discuss the main theoretical underpinnings of this literature. I show the limitations and the divergence of the approaches utilized to highlight the need for further attention to the theoretical underpinnings of this field.

### 2.3.3 Countries of data collection and methodologies in prior research (where and what research has been done)

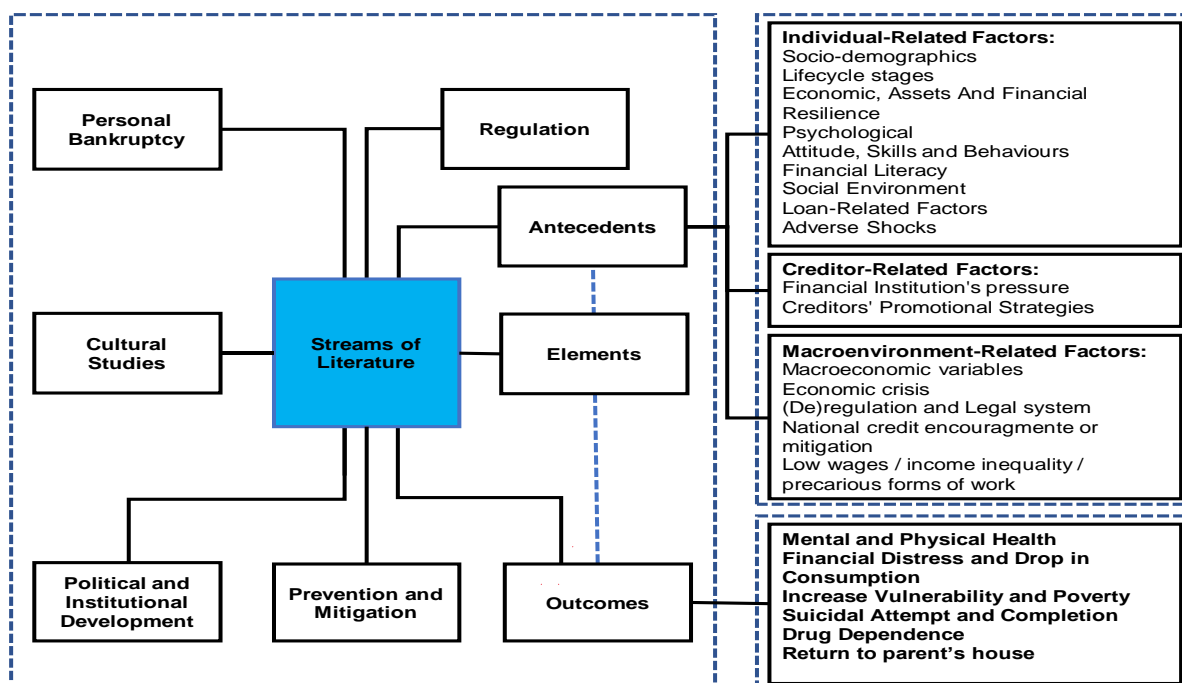
Section 2.5.1.4 (Countries of data collection) shows the different national and regional contexts in which the research on consumer (over)indebtedness was conducted and discusses the implications of cultural and geographic concentration of the studies. In Section 2.5.1.5 – Methodologies used in prior research, I exhibit the most widely used methods in the studies of consumer (over)indebtedness and their contribution to understanding the phenomenon under study.

### 2.3.4 How can this review help fill the gaps in the literature and provide a guide for future research?

Finally, in Section 2.6 – Future Research Directions, based on a thorough and critical evaluation of prior studies, I identify and discuss the gaps and under-researched areas found in the literature and present directions for a research agenda to overcome these gaps and strengthen our understanding of consumer (over)indebtedness.

#### Figure 1

*Framework of the streams of literature on consumer (over)indebtedness*



## 2.4 Consumer (over-)indebtedness: definitions and measurement

### 2.4.1 Definitions

Consumer (over)indebtedness is a complex, multi-dimensional phenomenon for which there is no consensual definition in the literature. Different countries and governments also work with particular definitions of it. According to the UK Money Advice Service, for example, “over-indebted individuals are those that answer either: (1) I find keeping up with bills and credit commitments a heavy burden; (2) I have fallen behind on, or missed payments in three or more months out of the last six months (consecutive or not)” (Money & Pensions Service, 2018, p. 8). In Germany, it is defined as a situation in which household income, “in spite of a reduction of the living standard, is insufficient to discharge all payment obligations over a long period of time” (Haas, 2006). In France, “an individual is considered over-indebted when, with well-meaning intentions, he/she is unable to meet the obligations coming from debts obtained for non-professional reasons” (d’Alessio & Iezzi, 2013). Despite the differences in the definitions, some dimensions are common among them: economic (amount of debt to repay), temporal (medium- to long-term), subsistence (basic expenses that have to be met ahead of the repayment of debts), and psychological (the distress caused by (over)indebtedness) (d’Alessio & Iezzi, 2013). Table 1 presents the various definitions of (over)indebtedness used in relevant articles.

**Table 1**

*Definitions of (over)indebtedness and their sources*

<b>Authors</b>	<b>Consumer (over)indebtedness and related concepts</b>
Betti et al. (2007)	Indebted households: Those that have some consumer debt (e.g., consumer credit borrowing but excluding mortgages)  Over-indebted households: Those that expressed difficulty or serious difficulty in making debt payments, including credit debt, mortgage payments, and hire purchase installments as recorded in household surveys.
Brennan & Gallagher (2007)	Over-indebted consumers are those unable to pay their current credit repayments and other commitments without reducing expenditure below normal minimum levels.

- Bricker & Thompson (2016) Households in financial distress are those facing bankruptcy, foreclosure, being denied credit, late payment to bills, and a high payment-to-income ratio (SCF). Source: SCF (Survey of Consumer Finances)-FED
- Chamboko et al., (2017) Financial distress is a state of physical or mental strain that includes worries about financial matters, with indicators of financial distress including failure to pay debts in time, receiving notices from collection agencies, issuing checks with insufficient funds to cover them, and falling behind on the payment of bills. Source: Prawitz et al., 2006
- Xiao & Yao (2014) Consumer debt delinquency is an indicator of financial ill-being and refers to late debt payment behavior in which the consumer is 60 or more days late in his debt payments. Source: Bucks et al., 2009
- Patel et al. (2012) Occurrence of unmanageable debt and financial difficulty (demonstrating the manifestation of over-indebtedness). Unmanageable debt and financial difficulty sub-categories: (1) unreasonable harassment by creditors; (2) severe difficulties managing money; (3) being threatened with legal action to recover money owed; (4) having a county court judgment; (5) repeated penalty charges by banks or utilities; (6) repossession of the home (from owned housing category); (7) being several mortgage payments in arrears, and (8) being several rent payment in arrears (from the rented housing category). Source: Money Advice Trust
- Schicks (2014) Sacrifice-based over-indebtedness: a microfinance customer is over-indebted if he/she is continuously struggling to meet repayment deadlines and structurally has to make unduly high sacrifices related to his/her loan obligations. Source: Schicks, 2013
- Townley-Jones et al. (2008) Chronic debtors are those who are financially overcommitted, that is, unable to meet debt repayment demands and other normal costs of living expenses
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### 2.4.2 Measurement of consumer (over-)indebtedness

Several indicators or proxy variables are used to measure consumer (over)indebtedness based on objective measurements or individual self-reported subjective measurements. Betti and colleagues (2007) summarize the main indicators of consumer indebtedness used by various organizations as (1) total stock of debt or debt per capita; (2) proportion of households with net liabilities; (3) consumption–income ratio; (4) debt-income ratio; (5) debt–asset ratio; (6) number of bankruptcies/arrears; (7) rate of credit delinquencies; (8) average liabilities per bankruptcy; and (9) number of households self-reporting to be over-indebted. Table 2 presents measures of indebtedness which I classify into *no indebtedness*, such as “possession of household credit card” and “use of household credit card,” that alone does not imply any kind of indebtedness; *light indebtedness*, showing some debt or initial problems with debt (e.g., holding debt, possession of installment plan, current debts, and mild debtors); and *heavy indebtedness*, which implies a burden caused by debts owed and/or delinquent (e.g., financial distress, unmanageable debt). In this article, I use the term (over)indebtedness to refer to light indebtedness and heavy indebtedness.

**Table 2**

*Measures of (over)indebtedness used as dependent variables*

<b>Authors</b>	<b>Dependent variables</b>
Achtziger et al. (2015)	Current Debts
Aristei & Gallo (2016)	Mortgage Arrears Intensity
Baek & Hong (2004)	(1) Installment debt (2) Credit card debt
Betti et al. (2007)	(1) Indebted households (2) Over-indebted households
Bricker & Thompson (2016)	Financial distress (Source: Survey of Consumer Finances, US Federal Reserve Board)
Chamboko et al. (2017)	Financial distress (Source: Prawitz et al., 2006)
Da Silva et al. (2018)	Holding any kind of debt

Di Giulio & Milani (2013)	(1) Possession of household credit card (2) Use of household credit card (Source: Attanasio et al., 2002)
Gathergood (2012b)	Over-indebtedness (measured as a delinquency on debt)
Gutiérrez-Nieto et al. (2017)	Over-indebtedness (Source: Gathergood, 2012b)
Jacobs & Smit (2010)	Level of indebtedness
Xiao & Yao (2014)	Debt delinquency (Source: Bucks et al., 2009)
Majamaa et al. (2019)	Debt problems (debt judgments in court)
Meyll & Pauls (2018)	Over-indebtedness on uncollateralized debt (Source: Gathergood, 2012b)
Oksanen et al. (2015)	Debt problems
Ottaviani & Vandone (2011)	Holding debt (participation in the debt market)
Patel et al. (2012)	Occurrence of unmanageable debt and financial difficulty (demonstrating the manifestation of over-indebtedness) (Source: Money Advice Trust)
Ponchio & Aranha (2008)	Possession of an installment plan
Prawitz et al. (2013)	Felt constraint: cannot make ends meet Felt constraint: material needs
Robson et al. (2017)	Holding debt
Ryan & Maynes (1969)	(1) Debtor households “in some trouble” (2) Debtor households “in deep trouble”
Schicks (2014)	Sacrifice-based over-indebtedness (Shicks, 2013)
Stone & Maury (2006)	Hold unsecured personal debt
Townley-Jones et al. (2008)	Chronic debtors
Wang & Xiao (2009)	Credit card indebtedness
Watson (1998)	(1) Spending Tendency Scale (Sources: Heslin & Frey, 1996; Davies and Lea, 1995)

	(2) Scale of Attitude Toward Debt (Sources: Heslin & Frey, 1996; Davies & Lea, 1995)
Webley & Nyhus (2001)	Debt status: debtors, mild debtors, and non-debtors (an index was developed) (Sources: Lea et al., 1993; Tokunaga, 1993; Van de Geer, 1993)
Xu et al. (2017)	Financial distress

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## 2.5 Consumer (over-)indebtedness: an overview of the literature

### 2.5.1 Classification of studies

#### 2.5.1.1 Classification by ABS discipline

The search showed that 45.1% of the articles were published in journals classified under the discipline of economics, 14.6% in marketing, and 11.8% in finance. Fewer publications were classified under psychology (7.6%) and social sciences (7.6%). Other ABS disciplines account for less than 1% of each of the total articles analyzed. As shown in Table 3, these results evidence the interdisciplinary nature of consumer (over)indebtedness as a research theme.

**Table 3**

*Articles classified by ABS discipline*

<b>ABS area classification</b>	<b>No.</b>	<b>ABS area classification</b>	<b>No.</b>
Economics, Econometrics and Statistics	65	Sector Studies	1
Marketing	21	Business and Economic History	1
Finance	17	Operations Research and Management Science	1
Psychology (General)	11	Information Management	1
Social Sciences	11	International Business and Area Studies	1

No ABS	12	Public Sector and Health Care	1
		Regional Studies, Planning and Environment	1

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### 2.5.1.2 Classification by journal

The articles reviewed were published in 80 different journals, with 13 journals publishing 53.4 % of the articles, as shown in Table 4. The *Journal of Consumer Policy* represented 20.1% of all the publications, followed by the *Journal of Economic Psychology* (6.9%), the *International Journal of Consumer Studies* (5.6%), and the *Journal of Family Economic Issues* (4.2%). Of those included in the review, 67 journals had only one publication each about consumer (over)indebtedness. This analysis reveals high interdisciplinarity and fragmentation of publications, raising concerns of a potential lack of research synergy (Snyder, 2019).

**Table 4**

*Articles classified by journal*

Journal name	No.	Journal name	No.
Journal of Consumer Policy	29	Politics & Society	3
Journal of Economic Psychology	10	Journal of Business Ethics	2
International Journal of Consumer Studies	8	International Journal of Social Economics	2
Journal of Family Economic Issues	6	Journal of Business Research	2
Social Science & Medicine	5	International Journal of Bank Marketing	2
Journal of Financial Services Marketing	3	Journal of Consumer Affairs	2
Journal of Money, Credit, and Banking	3	Others	67

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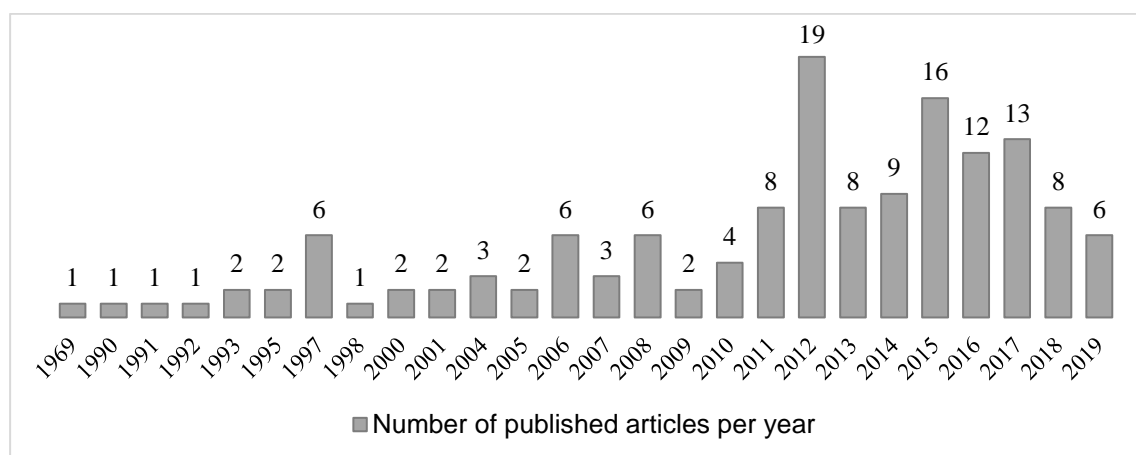
### 2.5.1.3 Classification by year of publication

To provide a historical view of the literature, I classified the articles based on their year of publication, as shown in Figure 2 (without any constraint in years). I

identified a low-activity, medium-activity, and high-activity phase of research. The low-activity phase goes from 1969 to 1995. In 26 years, only eight articles were published on the topic and no more than one per year (average of 0.3 articles/year). Between 1997 and 2010, in the medium-activity phase, there was a considerable increase in publication. Thirty-seven articles were published in these 13 years (average of 2.64 articles/year). From 2011 to 2019, in the high-activity phase, 96 articles were published (average of 10.6 articles/year) and with publications every year, demonstrating a marked increase in interest in the theme.

**Figure 2**

*Number of publications per year*



#### 2.5.1.4 Classification by countries of data collection

Among all articles involving any kind of data collection, 42.5% collected data from European countries and 32.6% from the US. If cross-cultural studies involving Europe, the US, and/or Canada are included, 81.1% of the articles are from these regions, revealing high geographic concentration. There is an under-representation of Latin America (6.9%), Africa (5.9%), Asia (2.9%), Oceania (2.9%), and the Middle East (0), obscuring a global picture of the phenomenon and its potential regional variations. At the same time, this may reflect a lack of synergy in knowledge generation and sharing on this important topic. Another possibility is that the phenomenon could not be significant enough in some countries to attract the attention of scholars, or perhaps

this under-representation could be due to a tradition of publications in outlets not written in English and/or classified by the ABS list.

**Table 5***Countries and Continents of Data Collection*

<b>Continent</b>	<b>No.</b>	<b>Country of Data Collection</b>	<b>No.</b>	<b>Authors</b>
Europe	43	UK	16	Bridges & Disney (2010); Brown & Woodruffe-Burton (2015); Brown et al., (2005); Brown et al., (2017); Finlay (2006); French & McKillop (2016); Gathergood (2012a); Gathergood (2012b); Ironfield-Smith et al., (2005); Lea et al., (1993); Lea et al., (1995); Patel et al., (2012); Reading & Reynolds (2001); Richards et al., (2008); Robson et al., (2017)
		EU	6	Kösters et al., (2004); Anderloni et al., (2012); Aristei & Gallo (2016); Di Giulio & Milani (2013)
		Italy	4	Ottaviani & Vandone (2011); Achziger et al., (2015); Keese & Schmitz (2014); Meyll & Pauls (2018)
		Germany	4	Stolper & Walter (2017); Marsellou & Bassiakos (2016)
		Greece	2	Pastrapa & Apostolopoulos (2015); Camões & Vale (2014)
		Portugal	2	Lopes & Frade (2012); Majamaa et al., (2019)
		Finland	2	Oksanen et al., (2015); Karacimen (2014)
		Turkey	2	Mazibaş & Tuna (2017)
		Netherland	1	Webley & Nyhus (2001)
		Spain	1	Gutiérrez-Nieto et al., (2017)
		Estonia	1	Kukk (2018)

		Iceland	1	Garðarsdóttir & Dittmar (2012)
		Ireland	1	Kelly & McCann (2016)
USA and Canada	34	USA	33	Amar et al., (2011); Baek & Hong (2004); Bhutta et al., (2015); Bigus & Steiger (2006); Bricker & Thompson (2016); Burtch & Chan (2018); Collins & Schmeiser (2013); Dellande et al., (2016); Desai & Elliehausen (2017); Dettling & Hsu (2018); Dobridge (2018); Drentea & Lavrakas (2000); Drentea & Reynolds (2012); Drentea (2000); Hampson et al., (2018); Han & Li (2011); Kim & Wilmarth (2016); Dellande et al., (2016); Lusardi & Tufano (2015); Moorman & Garasky (2008); Morse (2011); Murthi et al., (2019); Poddar et al., (2016); Prawitz et al., (2013); Ryan & Maynes (1969); Shen et al., (2014); Stone & Maury (2006); Sweet (2018); Sweet et al., (2013); Wang & Xiao (2009); Xiao & Yao (2014); Xu et al., (2017); Zhang & Kim (2019)
		Canada	1	Bergerès et al., (2015)
Latin America	7	Brazil	5	Abrantes-Braga & Veludo-de-Oliveira (2019); Cordeiro et al., (2019); Da Silva et al., (2018); Pereira & Strehlau (2016); Ponchio & Aranha (2008)
		Mexico	1	Seira et al., (2017)
		Chile	1	Hojman et al., (2016)
Africa	6	South Africa	3	Jacobs & Smit (2010); Meniago et al., (2013); Naicker & Kabir (2013)
		Ghana	1	Schicks (2014)
		Zimbabwe	1	Chamboko et al., (2017)
		Swaziland	1	Erasmus & Mathunjwa (2011)

Oceania	3	Australia	2	Bamforth & Geursen (2017); Townley-Jones et al., (2008)
		New Zealand	1	Watson (1998)
Asia	3	Malaysia	2	Loke (2015); Loke (2016)
		India	1	Kanz (2016)
Cross-cultural	5	UK and Taiwan	1	Lo & Harvey (2011)
		USA and EU	1	Huls (1992)
		Germany, UK and USA	1	Brown & Taylor (2008)
		England, New Zealand, and the United States	1	Harrison et al., (2015)
		Korean, Japan and USA	1	Masuo et al., (2004)

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### **2.5.1.5 Classification by methodologies used in prior research**

Most articles included in this review are quantitative studies (61.7%), primarily based on surveys and secondary data. These studies usually concentrate on the measurements of antecedents and outcomes of (over)indebtedness. Only 6.3% are qualitative, and 2.1% employ mixed methods. 42 (29.1%) are conceptual articles covering regulation, personal bankruptcy, political and institutional development, and prevention and mitigation.

**Table 6***Widely used methods in consumer (over)indebtedness studies*

<b>Methods</b>	<b>Articles</b>	<b>Data Collection and Methods</b>	<b>Qty</b>	<b>Authors</b>
Quantitative	90	Survey	39	Achtziger et al., (2015); Anderloni et al., (2012); Bricker & Thompson (2016); Di Giulio & Milani (2013); Drentea & Lavrakas (2000); Drentea (2000); Erasmus & Mathunjwa (2011); Finlay (2006); French & McKillop (2016); Garðarsdóttir & Dittmar (2012); Gathergood (2012b); Gutiérrez-Nieto et al., (2017); Hampson et al., (2018); Han & Li (2011); Harrison et al., (2015); Jacobs & Smit (2010); Keese & Schmitz (2014); Finlay (2006); Lea et al., (1995); Loke (2015); Lopes & Frade (2012); Lusardi & Tufano (2015); Meyll & Pauls (2018); Oksanen et al., (2015); Ottaviani & Vandone (2011); Pastrapa & Apostolopoulos (2015); Ponchio & Aranha (2008); Prawitz et al., (2013); Reading & Reynolds (2001); Robson et al., (2017); Ryan & Maynes (1969); Schicks (2014); Shen et al., (2014); Stone & Maury (2006); Sweet (2018); Townley-Jones et al., (2008); Watson (1998); Xiao & Yao (2014); Xu et al., (2017)
		Secondary Data	15	Bergerès et al., (2015); Betti et al., (2007); Burtch & Chan (2018); Chamboko et al., (2017); Collins & Schmeiser (2013); Dellande et al., (2016); Desai & Elliehausen (2017); Dobridge (2018); Kelly & McCann (2016); Leicht (2012); Majamaa et al.,

			(2019); Marsellou & Bassiakos (2016); Mazibaş & Tuna (2017); Morse (2011); Murthi et al., (2019)
	Secondary Data(Survey)	11	Aristei & Gallo (2016); Baek & Hong (2004); Bridges & Disney (2010); Brown & Taylor (2008); Brown et al., (2005); Camões & Vale (2014); Hojman et al., (2016); Kanz (2016); Kim & Wilmarth (2016); Loke (2016); Patel et al., (2012)
	Secondary Data(Panel)	4	Dettling & Hsu (2018); Gathergood (2012a); Kukk (2018); Sweet et al., (2013)
	Panel Data	5	Bhutta et al., (2015); Drentea & Reynolds (2012); Moorman & Garasky (2008); Webley & Nyhus (2001); Zhang & Kim (2019)
	Econometric Modelling	6	Bigus & Steiger (2006); Chatterjee & Gordon (2012); Dell'Aricecia & Marquez (2006); Gordon (2017); Nakajima (2012); Ryoo & Kim (2014)
	Experiment	5	Amar et al., (2011); Da Silva et al., (2018); Lo & Harvey (2011); Poddar et al., (2016); Seira et al., (2017)
	Review	3	Fitch et al., (2011); Richardson et al., (2013); Turunen & Hiilamo (2014)
	Time Series	1	Meniago et al., (2013)
	Exploratory Factor Analysis	1	Masuo et al., (2004)
Qualitative	Interviews	5	Brown & Woodruffe-Burton (2015); Brown et al., (2017); Cordeiro et al., (2019); Naicker & Kabir (2013); Pereira & Strehlau (2016)
	Case Study	3	Burton (2017); Richards et al., (2008); Rodford (2009)

		Focus Groups	1	Bamforth & Geursen (2017)
Mixed Methods	3	Survey And Interviews	2	Karacimen (2014); Wang & Xiao (2009)
		Focus Groups, Interviews, and Survey	1	Abrantes-Braga & Veludo-de-Oliveira (2019)
Conceptual	42	Review	39	Aldohni (2017); Braucher (2006); Brennan & Gallagher (2007); Chancellor & Lyubomirsky (2011); DeVaney & Lytton (1995); Eng (2008); Ferretti (2010); Fišerová & Paseková (2016); Ford (1990); Fuller (2015); Graver (1997); Griffiths (2007); Hallsworth (1991); Hoffmann (2012); Huls (1992); Huls (1993); Huls (1997); Fišerová & Paseková (2016); Ironfield-Smith et al., (2005); Kösters et al., (2004); Linna (2015); Livshits (2015); Mak & Braspenning (2012); Mak (2015); Marron (2012); Méndez-Pinedo (2015); Nield (2015); Niemi (2012); Niemi-Kiesiläinen (1997); O'Neill et al., (2006); Raijas et al., (2010); Ramsay (1997); Ramsay (2012); Schelkle (2012); Stolper & Walter (2017); Takalo (2019); Trumbull (2012); Whitford (1997); Ziegel (1997)
		Editorial or Presidential Address	3	Demirgüç-Kunt (2014); Micklitz (2012); Micklitz (2013)

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## **2.5.2 Streams of literature**

I classified the literature according to the following streams: antecedents (47 articles), outcomes (18) and elements of (over)indebtedness (10), personal bankruptcy (16), regulation (21), political and institutional development studies (11), cultural studies (5), and prevention and mitigation studies (16).

### **2.5.2.1 Antecedents**

#### **2.5.2.1.1 Individual-Related Factors**

##### **2.5.2.1.1.1 Socio-demographic**

Several studies use socio-demographic variables as antecedents of (over)indebtedness. There is total convergence of the results regarding age: younger groups are consistently found to belong disproportionately to the group of the (over-)indebted (Townley-Jones et al., 2008; Oksanen et al., 2015; Ponchio & Aranha, 2008; Betti et al., 2007; Jacobs & Smit, 2010; Di Giulio & Milani, 2013; Stone and Maury, 2006; Majamaa et al., 2019; Aristei & Gallo, 2016; Patel et al., 2012; Gathergood, 2012b) and older people are under-represented (Aristei & Gallo, 2016; Majamaa et al., 2019). There is also high convergence among results related to single parents with children: they are more likely to be (over-)indebted (Townley-Jones et al., 2008; Anderloni et al., 2012; Betti et al., 2007; Patel et al., 2012; Gathergood, 2012b). The presence and number of children at home also increase the likelihood of (over)indebtedness for other types of families (Lea et al., 1995; Oksanen et al., 2015; Ottaviani & Vandone, 2011). Concerning other marital statuses, the results are mixed. Townley-Jones et al. (2008) found evidence of greater likelihood of (over)indebtedness for single adults, and Majamaa et al. (2019) found greater likelihood among the single and divorced and less likelihood for the married and widowed. There is also evidence that higher levels of education tend to correspond to lower levels of (over)indebtedness (Oksanen et al., 2015; Aristei & Gallo, 2016; Di Giulio & Milani, 2013; Bricker & Thompson, 2016; Majamaa et al., 2019; Gathergood, 2012b). Individuals who live in less-developed regions have more difficulties with repayment (Aristei & Gallo, 2016; Di Giulio & Milani, 2013). Long-term illness and disability were also shown to portend a greater likelihood of (over)indebtedness (Patel et al., 2012). There is also evidence of higher risk for individuals of lower socioeconomic status (Oksanen et al., 2015;

Shicks, 2014) and those with prior convictions for property crimes (Oksanen et al., 2015). Some older studies tend to associate (over)indebtedness with poverty, but the more recent ones show that it can reach across classes, including those with high socioeconomic status. Regarding gender, the results are mixed. In four studies, men were more likely to be indebted (Meyll & Pauls, 2018; Jacobs & Smit, 2010; Majamaa et al., 2019; Shicks, 2014). In one study, women were more likely (Lea et al., 1995), and in another, there were no significant differences between men and women (Ponchio & Aranha, 2008).

#### **2.5.2.1.1.2 Lifecycle stage**

Two articles reported positive correlations between family lifecycle stages and patterns of debt and delinquency (Xiao & Yao, 2014; Baek et al., 2004). In the study by Xiao and Yao (2014), young couples with children aged seven or older, middle-aged singles with children under 15, and children aged 15 or older were the three groups with a higher likelihood of being delinquent. Old married couples without children had the lowest likelihood of being delinquent. Younger households and those with children were shown to have a higher probability of being delinquent.

#### **2.5.2.1.1.3 Economic, assets and financial resilience**

In general, the studies provide evidence that lower incomes correspond to greater (over)indebtedness (Lea et al., 1995; Townley-Jones et al., 2008; Betti et al., 2007; Stone & Maury, 2006; Aristei & Gallo, 2016; Schicks, 2014). However, for two studies, income level was not significant (Jacobs & Smit, 2010; Patel et al., 2012). Higher incomes are also shown to reduce financial vulnerability (Anderloni et al., 2012); however, the highest-income households are predicted to have more debit and credit cards (DiGiulio & Milani, 2013). Having more wealth and assets also seems to decrease the likelihood of (over)indebtedness. More financial assets are associated with less consumer debt (Baek & Hong, 2004), and more wealth reduces financial vulnerability (Anderloni et al., 2012). Debtors have fewer economic resources and more uncertain incomes (Webley & Nyhus, 2001; Shicks, 2014). Homeowners or individuals purchasing a home are less likely to be chronic debtors (Townley-Jones et al., 2008), while living in rented accommodation increases financial vulnerability (Lea

et al., 1995; Anderloni et al., 2012; Gathergood, 2012b; Patel et al., 2012). However, Ottaviani & Vandone (2011) show that people with higher net wealth are more likely to hold debt because they have greater access to credit. Work status has also been shown to influence (over)indebtedness. Debtors are more likely to be employed part-time, self-employed, or unemployed (Lea et al., 1995; Ottaviani & Vandone, 2011; Gathergood, 2012a), and employed or retired individuals exhibited lower levels of arrears (Aristei & Gallo, 2016). Overall, economic factors are important for predicting who is and who remains for a longer time in debt (Webley & Nyhus, 2001).

#### **2.5.2.1.1.4 Psychological**

Several studies seek to explain the phenomenon of (over)indebtedness using psychological variables such as impulsivity, self-control, compulsive buying, and materialism. Poor self-control is strongly associated with (over)indebtedness (Gathergood, 2012b; Achtziger et al., 2015; Webley & Nyhus; 2001). Da Silva and colleagues (2018) found an association between lack of self-control and cognitive reflection and debts but only among low-income individuals. Low self-control leads to compulsive buying, which in turn leads to debts (Achtziger et al., 2015). Consumers with less self-control use more high-cost credit and tend to be more exposed to financial shocks (Gathergood, 2012b). Impulsive individuals are more subject to financial vulnerability (Anderloni et al., 2012) and show a higher association with consumer credit but not mortgage (Ottaviani & Vandone, 2011). Students with credit card balances exhibited a greater tendency toward impulsive buying even though impulsive buying did not appear to be a significant predictor of credit card indebtedness (Wang & Xiao, 2009). Individuals with greater present-time orientation have also been shown to be more likely to go into and remain in debt (Webley & Nyhus, 2001). Other studies approach the association between materialism and (over)indebtedness, showing mixed results. Materialism is associated with participation in installment plans (Ponchio & Aranha, 2008) and more favorable attitudes toward spending and debt (Watson, 1998). However, it is not associated with different levels of debt (Watson, 1998). Gutiérrez-Nieto et al. (2017) call attention to experts' opinion that individuals tend to imitate others in their materialistic goals. Xu et al. (2017) provide evidence of genetic and environmental influences on financial distress. Finally, those high in neuroticism and low in ability experience greater financial hardship (Xu et al., 2017),

with genetic influences on financial outcomes mediated by cognitive and non-cognitive abilities.

#### **2.5.2.1.1.5 Attitude, skills, and behaviors**

Attitude towards debt is associated with indebtedness (Webley & Nyhus, 2001). Having a negative attitude towards credit is negatively related to the probability of having consumer debt (Baek & Hong, 2004). Willingness to borrow is associated more with the decision to borrow and less with the amount of borrowing (Baek & Hong, 2004), and expectation (e.g., of future income) is associated with indebtedness (Webley & Nyhus, 2001). Demonstrating prudence and caution in spending and payment practices was a significant factor in predicting lower consumer debt levels (Baek & Hong, 2004).

#### **2.5.2.1.1.6 Financial Literacy**

Analyses of financial literacy, financial education, and financial knowledge as antecedents of debt offer mixed results. Lusardi and Tufano (2015) found that individuals with lower levels of debt literacy usually transact in high-cost manners, pay higher fees, and use high-cost borrowing. They also found low levels of debt literacy in their sample of the US population (about one-third), with worse results for minorities and more vulnerable populations. Other studies also showed that financial literacy reduces household vulnerability (Aristei & Gallo, 2016), and poor financial literacy is positively associated with (over)indebtedness (Gathergood, 2012; Schicks, 2014). Experts also tend to blame (over)indebtedness on individuals' lack of financial literacy (Gutiérrez-Nieto et al., 2017). In a study testing numeracy and money management skills as essential components of financial literacy and their effects on consumer debt and household net worth among credit union members in socially disadvantaged areas, French and McKillop (2016) found that money management skills are important determinants of financial outcomes. Still, numeracy has almost no role to play. Superior money management helped to reduce debt-to-income levels and high-cost credit and to decrease the number of lenders.

On the other hand, in a study assessing the literature to evaluate whether financial education can improve financial literacy and financial behavior, Stolper and Walter (2017) found disappointing results and a lack of evidence of the effectiveness

of financial education in changing behavior. Two other studies similarly showed that having a higher education degree, greater financial knowledge, and prudent financial behavior and attitude does not necessarily translate to better financial management (Loke, 2016). Financial knowledge does not prevent an individual from getting into financial distress (Loke, 2015).

#### **2.5.2.1.1.7 Social Environment**

Where there is more social acceptance of indebtedness and more indebted people around, individuals are more likely to be indebted (Lea et al., 1995). If one adult in a household is experiencing debt problems, the likelihood that other adults in the same household will also experience debt problems is higher (Patel et al., 2012). Social comparison can also contribute to (over)indebtedness when it generates status-driven expenditures (Lea et al., 1995). The economic socialization of individuals also plays a role in the phenomenon (Lea et al., 1995), as parents' attitudes, usage, and views of credit influence individuals' financial decisions (Lea et al., 1995; Stone & Maury, 2006). At the same time, social support can provide resources for the (over-)indebted to overcome the situation. Social support decreases the likelihood of indebtedness, as illustrated by (Wang & Xiao 2009), who found that students who have social prompts and adequate support have a lower risk of holding credit card debt.

#### **2.5.2.1.1.8 Loan-related Factors**

Types of loans, their characteristics, and purposes are related to the risk of (over)indebtedness. For instance, individuals taking out instant loans have an increased likelihood of experiencing debt problems (Majamaa et al., 2019). At the same time, credit limits and the number of credit cards affect the amount of one's consumer debt (Baek & Hong, 2004), and repayment problems are more likely when borrowers have rescheduled their debt terms (Aristei & Gallo, 2016). At the same time, household debt-servicing (i.e., the ratio of a debt installment payment to income) is one of the most significant determinants of household vulnerability (Anderloni et al., 2012). Households with education-related debt are more likely to have been late paying bills, to be denied credit, and to have high payment-to-income ratios (Bricker & Thompson, 2016). In microfinance, the risk of (over)indebtedness is higher for borrowers with low returns on their investments and borrowers who use their loans for non-productive

purposes (Schicks, 2014). The purposes of loans are also strongly related to (over)indebtedness (Meyll & Pauls, 2018).

#### **2.5.2.1.1.9 Unexpected Adverse shocks**

Several studies highlight the immense bearing of unexpected adverse shocks or life-altering events on the occurrence of unmanageable debts and financial difficulty, affecting both incomes and expenses. Individuals can experience a drop in or loss of income, generally linked to job loss and unemployment (Anderloni et al., 2012; Gutiérrez-Nieto et al., 2017; Townley-Jones et al., 2008; Aristei & Gallo, 2016; Patel et al., 2012; Schicks, 2014; Stone & Maury, 2006). They can also experience unexpected increases in their expenses, which can be linked to poor physical or mental health for themselves or other household members (Aristei & Gallo, 2016; Patel et al., 2012; Townley-Jones et al., 2008). The studies also mention domestic discord, divorce or relationship problems, and problems with neighbors (Patel et al., 2012; Townley-Jones et al., 2008). Students, in particular, can experience adverse shocks associated with transitional periods, such as moving out from managed accommodation or returning from placement, thereby becoming more susceptible to debt (Robson et al., 2017).

#### **2.5.2.1.2 Creditor-related factors**

Two studies analyzed the effects of factors related to creditors that can influence consumer (over)indebtedness. Gutiérrez-Nieto et al. (2017) demonstrate that the pressure of financial institutions can contribute to individuals' (over)indebtedness. They argue that competitive pressure in the market can lead the financial industry to irresponsible lending. At the same time, low interest rates and higher credit limits can also attract customers initially and later leave them over-indebted (Gutiérrez-Nieto et al., 2017). Similarly, Murthi et al. (2019) provide evidence that consumers are attracted by low-APR (annual percentage rate) offers and then transfer balances and use revolving credit. Some are unable to pay off the amount at the end of the promotion period and become over-indebted. Low promotional APRs increase the well-being of needy customers in the short term but can encourage overcommitment and may lead to (over)indebtedness later on (Murthi et al., 2019).

### **2.5.2.1.3 Macroeconomic-related factors**

Some studies demonstrate that factors related to the macroenvironment, such as macroeconomic variables, economic crises, and efficiency of the legal system, are associated with higher levels of (over)indebtedness. For example, household debt in South Africa can be associated with positive changes in house prices, inflation, GDP, household consumption expenditures, and household savings. In contrast, household income and prime rates are negatively associated with household debt (Meniago et al., 2013). Economic crises can also create adverse shocks that affect (over)indebtedness (Aristei & Gallo, 2016; Gutiérrez-Nieto et al., 2017). The deregulation and liberalization of financial markets, as well as reduced governmental support and weakened welfare state, low wages, income inequality, and precarious forms of work, can also contribute to (over)indebtedness (Majamaa et al., 2019; Nield, 2015; Niemi-Kiesiläinen, 1997; Karacimen, 2014; Ryoo & Kim, 2014; Braucher, 2006; Leicht, 2012). National financial systems can also operate policies of credit encouragement in which lenders and policymakers push for credit expansion to accelerate economic growth and as an alternative to expanding the welfare state (Trumbull, 2012; Fuller, 2015; Dell'Ariccia & Marquez, 2006).

### **2.5.2.2 Outcomes**

Several studies show evidence of the association of holding debt or being over-indebted with worse physical and mental health (chiefly anxiety, stress, anger, and depression). Heads of households with outstanding (non-mortgage) credit and who have higher amounts of such debt are significantly less likely to report full psychological health and well-being (Brown, Taylor & Price, 2005; Gathergood, 2012a). Both credit card debt and debt-related stress are associated with health, and the debt-income ratio is significantly associated with worse physical health and self-reported poor health (Drentea & Lavrakas, 2000). Anxiety increases with the ratio of credit card debt to income and with being in default (Drentea, 2000), and debtor status is often associated with mental health problems (Drentea & Reynolds, 2012; Fitch et al., 2011; Richardson et al., 2013). Accumulating either student loan or credit card debt increases psychological distress among young people and families with children (Zhang & Kim, 2019; Bridges & Disney, 2010). Several studies also report associations between indebtedness and depression (Reading & Reynolds, 2001; Turunen & Hiilamo, 2014;

Richardson et al., 2013). The symptoms of stress and depression can nevertheless vary over time. Depressive symptoms are higher for those persistently over-indebted, mainly with unsecured debt, but these symptoms vanish as debt levels fall (Hojman et al., 2016). Debt stress for short-run debtors is more than twice that of long-run debtors, and there is evidence that the stress could reduce over time (Shen et al., 2014). Gathergood (2012a) highlights a potential social norm effect whereby individuals with problem debt who live in regions with higher bankruptcy rates experience less deterioration in their psychological health. Indebtedness is also related to suicidal attempts and completion (Richardson et al., 2013; Turunen & Hiilamo, 2014), problem drinking, drug dependence, and neurotic and psychotic disorders (Richardson et al., 2013). Sweet (2018) provides evidence that individuals who internalize neoliberal discourses of self-blame by viewing their debt as a form of failure have higher blood pressure and body composition, more debt-related symptomatology, and worse emotional and psychological health. Overall, these results suggest that debt is an essential socioeconomic determinant of health (Sweet et al., 2013). Kukk (2018) calls attention to another kind of outcome: a substantial short-term drop in spending after the experience of facing financial difficulties. Even when debt repayment problems are resolved, spending becomes lower than before and continues to decrease as long as the problems last. Another outcome is parental cohabitation among indebted young adults. Young adults facing debt problems return to their parents' house as a smoothing mechanism to handle borrowing constraints (Dettling et al., 2018). Individuals who reported more economic pressure also reported higher financial distress and less hopefulness (conceptualized as a combination of agency and planning to achieve goals) (Prawitz et al., 2013). Individuals with a more internal locus of control reported less financial distress and more hopefulness. Gutiérrez-Nieto et al. (2017) also reported the consequences of increased poverty and decline in individual welfare for borrowers. (Anderloni et al. 2012) reported increased levels of financial vulnerability that can be experienced, for example, by individuals' inability to face monthly expenses, arrears in paying bills, and difficulties in shopping for food or paying the rent.

### **2.5.2.3 Elements**

Other elements are related to consumers' (over)indebtedness but are not necessarily antecedents. They include debt management (Amar et al., 2011), money

management (Bamforth & Geursen, 2017), money attitudes (Hampson et al., 2018), attitudes to debt (Harrison et al., 2015), long-term mortgage arrears (Kelly & McCann, 2016), money beliefs (Masuo et al., 2004) and payday loans. Payday loans, the focus of four articles, are criticized by many for their high interest rates charged on borrowers (often higher than 400% per year). The US payday loan trade association (CFSA, 2010) estimates that approximately 12 million households use small-dollar loans each year. Critics of payday loans believe that borrowers are exploited by the creditors (Bhutta et al., 2015) and get stuck in a “debt trap,” having to roll over their debt permanently because of difficulties in repaying it (Desai et al., 2017). The profile of payday loan users tends toward more vulnerable consumers from households characterized by lower income, lower educational attainment, and lower savings (Dobridge, 2018). Payday loan applicants have weak and long-lasting credit histories and apply when they have limited access to mainstream credit (Bhutta et al., 2015). However, research has also shown that payday loans can benefit borrowers in some situations. For instance, Morse (2011) provides evidence that payday loans could decrease foreclosures in the event of natural disasters. There is also evidence that payday loans can help households smooth consumption after periods of temporary financial distress, mitigating declines in spending (Dobridge, 2018). A study comparing the results for US states that banned payday loans to those that did not found that payday loans cause little harm while providing benefits (albeit small ones) to some consumers (Desai et al., 2017).

#### **2.5.2.4 Personal Bankruptcy**

The stream on personal bankruptcy discusses its various models, suggestions for improvements in its functioning, country-level differences, and the profiles of consumers filing for bankruptcy. Ramsay (1997) identifies three models of consumer bankruptcy: (1) bankruptcy law as a response to deviant behavior; (2) bankruptcy as a consumer protection; and (3) bankruptcy as a social welfare law. Behind these bankruptcy models, there is a tension between a social welfare approach and the prevention of negative influences on the perceived obligation to pay one’s debts (Graver, 1997). Ultimately, the controversies are resolved at the discretion of the courts, whose judgments diverge across situations (Graver, 1997). Some critics argue that consumers could abuse the system and file for bankruptcy unnecessarily, but (Moorman et al. 2008) have found a significant correlation between filing for bankruptcy

and having prior financial problems. Ziegel (1997) similarly demonstrates a strong correlation between the number of consumer bankruptcies and growth in consumer credit, rejecting the arguments that going bankrupt has become too easy and that bankrupt consumers could have paid a substantial part of their debts before filing for bankruptcy.

### **2.5.2.5 Regulation**

Behind the discussions on regulation, there are ideological perspectives on both sides of the credit equation. (Nield 2015, p. 139) identifies “neo-liberal notions of rational decision-making within mortgage markets.” This issue can be encountered, for example, in the affirmation by Kösters et al. (2004) of the importance of enabling consumers to protect themselves by providing them with appropriate advice and information, and that bank regulation is the wrong instrument for achieving this. Similarly, some critics of legal intervention argue that competitive markets will achieve better welfare results (Mak et al., 2012). Some scholars affirm the existence of two paradigms: a neoliberal “law and economics” theoretical paradigm and a “law and society” paradigm (Aldohni, 2017). In the former, the regulatory ideology prioritizes the market over society and prevents regulators from interfering with avoiding predatory practices among the credit providers. In the “law and society” paradigm (which follows from Karl Polanyi’s concept of embeddedness), the regulation seeks to prioritize the interest of society and not subordinating it to the economy. In the UK, there has been a shift toward this paradigm, more attentive to the vulnerability of consumers. This shift is not only regulatory but also ideological. Other scholars call attention to an underlying ideology in European consumer law that information can empower consumers and support them in making decisions fully conscious of the risks being taken (Mak et al., 2012). However, it ignores all the heuristics and biases preventing optimal decision-making even among consumers with a good level of financial knowledge and skills. Some authors discuss the corporate social responsibility of the suppliers in the consumer credit industry and defend that only regulation and intervention can overcome the problems that arise from the demands of “shareholders for profits, competition in the free market and consumers’ own folly in demanding immediate gratification and readily accepting additional credit as a means of financing their consumption” (Griffiths, 2007, p. 230). Other articles discuss the role of credit registries

(Ferretti, 2010), the use of credit markets for promoting homeownership and its consequences (Schelkle, 2012), and the regulation of short-term consumer credit (Takalo, 2019). Another stream of literature on regulation highlights recommendations for changes to the regulatory framework. For instance, there are calls for the development of new measures to reflect an appropriate balance of responsibility across stakeholders (borrowers, lenders, and the state) (Nield, 2015) and for improvement in regulation to ensure consumer protection (Mak et al., 2012). These calls consider that consumers often do not have sufficient financial literacy and are likely to make bad decisions regarding financial products (Mak et al., 2012). They also aim to close the gap between intensive attempts to open up the credit market and the detrimental consequences of doing so for consumers (Micklitz, 2012). A growing number of studies point to the importance of responsible lending, or “policy aimed at ensuring responsible behavior of participants in the financial market – including both lenders and borrowers – particularly focused on preventing (over)indebtedness of borrowers, which is given shape through various regulatory mechanisms and which may also be pursued through other legal means, such as remedies in private law, or non-legal means such as education” (Mak, 2015, p. 413). The call for responsible lending is also a call for more responsibility on the part of credit providers (Nield, 2015). It typically requires that lenders verify the affordability and suitability of a loan for the borrower, assess the impact of future changes in interest rates (stress tests), and ensure that the borrower has a feasible repayment strategy (Mak, 2015). Two articles address an unsuccessful initiative to create a Responsible Lending Index for the UK credit industry (Richards et al., 2009; Rodford, 2009). Finally, a subset of articles focuses on Europe-specific issues such as consumer insolvency tourism (Hoffmann, 2012), the possibility of creating a single European market for consumer credit (Ferretti, 2010), the indexation of consumer credit contracts (Méndez-Pinedo, 2015), a common approach to (over)indebtedness of consumers (Huls, 1993), the path to debt adjustment and consumer insolvency systems (Ramsay, 2012; Niemi, 2012), and the potential merger of the instruments of debt relief and debt collection (Huls, 2012).

#### **2.5.2.6 Political and institutional development**

This stream of literature seeks to explain developments in the credit market and household indebtedness and its consequences in different countries using either a historical, social, political, or institutional approach. For example, Eng (2008) explains

the historical growth of consumer credit in Australia during the twentieth century, Fuller (2015) shows that household indebtedness is nearly universal among developed economies, and countries have different approaches to encouraging or mitigating credit use, and Hallsworth (1991) calls attention to the importance of credit availability to retail performance in the UK. Trumbull (2012) discusses the historical factors that influenced US lenders and policymakers to push for expanded credit access to the working class. Another stream of studies highlights the correlation between income and employment insecurity (wage stagnation, low wages, unstable jobs) and (over)indebtedness and increased vulnerability (Leicht et al., 2017). Studies on specific national credit market developments show a high initial consumer acceptance of credit use followed by (over)indebtedness due to credit over-extension and consumers' financial illiteracy (Burton, 2017; Naicker et al., 2013; Erasmus & Mathunjwa, 2011).

#### **2.5.2.7 Cultural Studies**

This stream of the literature shows, for example, the influence of emotions on consumers' decision-making and irrational decisions (Brown et al., 2015). In a study of high-cost credit, Brown et al. (2017) note how consumers with access to multiple credit sources can migrate from cheaper and better types of credit to more expensive ones. Two articles analyze the social bonds among people in the credit context. They show that continuous indebtedness can change the structures of social relationships, for example reinforcing or breaking social bonds (Pereira et al., 2016). It also shows that the practices of borrowing and lending amongst family friends can be a "blessing (when the extension of financial help to important others alleviates financial vulnerability by negotiating the marketplace) or a curse (when extension of financial help to others leads to one's financial constraints)" (Cordeiro et al., 2019, p. 25). In a review article, Marron (2012) states that (over)indebtedness represents a threat to the neoliberal prerogative of individual autonomy and seems to evidence the failure of the self-government of the individual.

#### **2.5.2.8 Prevention and mitigation**

These articles discuss topics and tools that could be used to protect consumers from (over)indebtedness and, in case they become over-indebted, how their situation might be managed, mitigated, and/or relieved. Five main topics are discussed. First, it is the

possibility of developing and using predictive models to anticipate (over)indebtedness before it occurs and monitors the situation to avoid it worsening. These models could be, for example, models of expenditure and (over)indebtedness (Finlay, 2006), well-being-related scales to identify the financially ill-prepared and/or candidates for delinquency (Abrantes-Braga et al., 2019), and models and financial ratios to identify and monitor insolvent households (DeVaney et al., 1995). The second is the effectiveness of information disclosure. While one study shows evidence that additional information on credit card receipts could reduce overall spending (Poddar et al., 2016), a second one found no positive evidence for additional disclosure of interest rates (Seira et al., 2017). Third, materialism and over-consumption, in general, do not bring happiness to individuals; however, the virtue of thrift could help individuals gain greater affective benefit through spending less money (Chancellor & Lyubomirsky, 2011). Fourth is the potential mitigation of debt-related problems through, for example, money advice services and debt management programs. It is highlighted the importance of the cultural dimensions of these programs (Dellande et al., 2016), the requirement of quality standards for these services (Brennan & Gallagher, 2007), and the positive effects they could generate for consumers (Collins & Schmeiser, 2013). Other studies approach the possibility of providing additional funds for the over-indebted via government assistance (Kim & Wilmarth, 2016) or crowdfunding (Burtch & Chan, 2018), both showing evidence of positive results. Kanz (2016) assesses the effectiveness of debt relief in rural households in India, indicating that it generated a persistent reduction in household debt and reported ineffectiveness in stimulating new investments as intended by the relief program. Finally, Braucher (2006) calls attention to the interaction between structure and culture affecting the demand and supply of credit that could lead to (over)indebtedness.

### **2.5.3 Theoretical underpinnings**

The dominant conceptual framework in this literature (used in 13 articles) is the lifecycle–permanent income hypothesis (Friedman, 1957; Ando & Modigliani, 1963), according to which borrowing and saving are critical mechanisms for maximizing utility across time periods (Dettling et al., 2018). Consumers use borrowing and savings to smooth their consumption over time. “The rationale is that income is generally low in an individual’s early working life and tends to rise over time. At the start of their working

life, individuals expect higher future income receipts, thus financing the purchase of assets to raise consumption over the level offered by current income. Nearing the end of their working lives, individuals increase savings levels in preparation for retirement when spending will be greater than earning” (Ottaviani & Vandone, 2011, p. 754). Thus, young people have low income and savings and consequently borrow more, middle-aged people save more and older people spend more during retirement (Oksanen et al., 2015). The lifecycle–permanent income hypothesis is based on assumptions of a rational consumer: a far-sighted planner with unrestricted access to consumer credit (Betti et al., 2007), and also stable economic growth, working careers, and low levels of unemployment (Oksanen et al., 2015). There is evidence of the explanatory power of the lifecycle approach (Webley & Nyhus, 2001). At the same time, it is roundly criticized for both its assumptions and results. One of the critiques is that the behavior of individuals deviates systematically from the “rational choice” model of standard economic theories (Ottaviani & Vandone, 2011). A second critique concerns the absence of any uncertainty regarding future income, although this variable was later introduced in the model (Betti et al., 2007). The assumptions that individuals can maximize their utility and smooth their lifecycle consumption are also criticized (Xiao & Yao, 2014). Other critics of the model found an almost parallel pattern between the household’s income and consumption stream over the lifecycle (Baek & Hong, 2004). It has also been criticized because it fails to consider the presence of children in households, liquidity constraints, and prudence or precautionary savings (Baek & Hong, 2004). However, over time, new versions of the lifecycle model have been enriched with such variables as uncertainty, precautionary savings, the impatience of consumers, and borrowing constraints (Camões & Vale, 2014). The lifecycle–permanent income hypothesis with all its received improvements seems necessary but insufficient to explain (over)indebtedness. No other theory received comparable treatment; the other 11 articles applied each other, its own chosen theory.

**Table 7***Theories and models used in consumer (over)indebtedness*

<b>Theories</b>				
<b>Type</b>	<b>No. Theories</b>		<b>No. Authors</b>	
Life Cycle Theories	11	Life-Cycle-Permanent-Income Model(Modigliani, 1966; Friedman, 1957)	4	Betti et al., (2007); Meniago et al., (2013); Oksanen et al., (2015); Ottaviani & Vandone (2011)
		Life-Cycle-Permanent-Income Model(Modigliani, 1966; Friedman, 1957) + Behavioural Features	2	Baek & Hong (2004); Camões & Vale (2014)
		General Equilibrium Life-Cycle Model Of Huggett(1996) + The Version Of The Gul-Pesendorfer Preferences That Features Temptation And Self-Control(Krusell, Kuruscu, And Smith, 2010)	1	Nakajima (2012)
		Life-Cycle Models	1	Dettling & Hsu (2018)
		Life-Cycle Hypothesis(Modigliani And Brumberg, 1954); Life-Cycle	1	Xiao & Yao (2014)

		Categories(Du And Kamakura, 2006)		
		Life Cycle Theory(Ando And Modigliani, 1963)	1	Kim & Wilmarth (2016)
		Life-Cycle Bankruptcy Model	1	Gordon (2017)
Other Theories	13	Theory Of Market Anomie(Kardtadt And Farrall, 2006) And Institutional Anomie Theory(Rosenfeld And Messner, 1997; Messner And Rosenfeld, 2010)	1	Lopes & Frade (2012)
		Abc-X Model Of Family Stress Theory	1	Prawitz et al., (2013)
		Theory Of The Gift(Mauss, 2003)	1	Pereira & Strehlau (2016)
		Corporate Social Responsibility(Strategic Stakeholder Management Theory)	1	Griffiths (2007)
		"Ability-To-Pay Theory" Theory Of Default(Jackson And Kaserman, 1980)	1	Aristei & Gallo (2016)

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Gift Giving(Mauss, 1925, 1967; Chea, 1988; Belk And Coon, 1993; Sherry, 1983)	1	Cordeiro et al., (2019)
Theory Of Temporal Choices(Ortendal And Sjoberg, 1979); Multiple Mental Account System(Thaler, 1985; Ranyard And Craig, 1995); Theory Of Psychological Accounts(Kahneman And Tversky, 1984)	1	Erasmus & Mathunjwa (2011)
Household Production Models(Becker, 1965; Bryant, 1990) + Systems Approach To Financial Management(Deacon And Firebaugh, 1988)	1	Moorman & Garasky (2008)
Consumer Compliance Theory(Dellande & Gily, 1998)	1	Dellande et al., (2016)
Money Demand Models(Attanasio Et Al., 2002)	1	Di Giulio & Milani (2013)

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Theory Of Income Distribution(Kaldor, 1956) + Veblenian Pecuniary Emulation	1	Ryoo & Kim (2014)
Rationalism, Behaviorism, And Ortega-Y-Gasset (1961) Formula: "I Am Myself Plus My Circumstance"	1	Gutiérrez-Nieto et al., (2017)
Theories Of Sensitization And Habituation(Groves And Thompson, 1970; Hughes And Higgins, 2010; Rankin Et Al., 2009)	1	Shen et al., (2014)

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**Note:** 81 articles used constructs, concepts, and/or variables, and 39 did not specify any theoretical underpinning.

## **2.6 Future Research Directions**

This section focuses on what we need to know to advance the knowledge about consumer (over)indebtedness and provide a future research agenda (Paul & Criado, 2020). The availability and consumption of credit, in general, are linked with (over)indebtedness and have increased markedly in the period analyzed here. The phenomenon under study is, by all appearances, a contemporary one. The studies have emerged in the 1990s, increased slowly in the first decade of the 2000s, and more rapidly thereafter, indicating a response from academia to an issue with significant social impact. It raises the question of whether (over)indebtedness is a consequence of the growing usage of credit, which is assumed in many of the articles analyzed, and whether a credit system that minimizes (over)indebtedness could be conceived. Additional research on the relationship between credit usage and (over)indebtedness might lead to a more nuanced understanding of how consumers use credit and support the development of sustainable credit systems with controlled and manageable levels of default, likely leading to lower levels of indebtedness. I organize our recommendations for future studies to advance the literature in the following topics: antecedents, outcomes, theoretical underpinnings, methods, personal bankruptcy, regulation, and prevention and mitigation, with the central proposed studies and research questions summarized in Table 8.

### **2.6.1 Antecedents**

One of the central contributions of this study is to show that most research on the antecedents of (over)indebtedness is based on the theoretical assumptions that (over)indebtedness is only associated with individual-related factors. It may be due to a longstanding dominant paradigm of the rational and maximizing consumer, however cognitively impaired, which also contributes to the assumption that the responsibility lies with consumers. Due to this research focus, knowledge accumulated on the individual-related antecedents is now quite substantial. At the same time, the influence of creditor-related and macroenvironment-related factors is under-researched. For instance, relatively little is known about consumers who fall into problem debt due to the increasing availability of financial products and instant loans (Majamaa et al., 2019). Future studies should seek to further our understanding of creditor-related and

macroenvironment-related factors affecting (over)indebtedness. *How and which creditor-related factors affect (over)indebtedness? (Q1). How and which macroenvironment-related factors affect (over)indebtedness? (Q2).* And given that individual-related factors are more associated with the demand for credit (Braucher, 2006), future research on creditor-related and macroenvironment-related factors could shed light on the following question: *How do the structures and culture driving and affecting the supply of credit influence (over)indebtedness? (Q3)* (Braucher, 2006). Such research might also investigate the roles and responsibilities of creditors, regulators, and governments regarding (over)indebtedness. Some scholars highlight that banks make more money with the “revolvers” than with the “transactors” or convenience users (Murthi et al., 2019). The question that arises is: *to what extent are the problems related to (over)indebtedness also a consequence of the “go-to-market” strategy of financial institutions and creditors in general? (Q4).* (Over)indebtedness is a process in which debts and problems accumulate over time, but most of the studies conducted are based on cross-sectional analysis. Patel and colleagues (2012) reported that 49.3% of problems with debt and financial issues persisted after three years. Relatively little is understood about the trajectory of individuals into and out of bankruptcy (Ramsay, 2012). Future studies should conduct longitudinal studies to investigate *how debts accumulate over time beyond safe limits (Q5)* (Linna, 2015). Many scholars indicate the importance of early prevention to avoid (over)indebtedness. Examining the process of debt accumulation from the early to late stages may generate insights on how to treat (over)indebtedness while it is still manageable and what to do later when it becomes practically unmanageable. There is evidence that higher credit limits encourage customers to borrow a larger amount of money (Murthi et al., 2019). Future studies might further explore the impacts of credit limits and the effects of their availability on (over)indebtedness from the perspective of both creditors and consumers, bringing the question: *How does the availability of credit limits affect (over)indebtedness? (Q6)* (Murthi et al., 2019). It is not clear in the literature whether consumers are aware of all the risks involved when they borrow on credit and become over-indebted and if they are, in fact, willing to take these risks (Mak & Braspenning, 2012). *If made entirely aware of the risks, would consumers still pursue the same level of credit? (Q7).* Some scholars consider credit to be a double-edged sword (Betti et al., 2007). Future studies should seek to differentiate between “good” and “bad” credit and, at the same time, establish the threshold(s) where it starts to be risky and very risky

for consumers. *How to differentiate between “good” and “bad” credit? How to establish the threshold for consumers? (Q8)*. Debt too often leads to a vicious circle, with indebtedness through the use of unsecured credit by more vulnerable populations and based on basic needs leading to (over)indebtedness. These consumers usually try to complement their income with credit to make ends meet (Richards et al., 2008). Many studies highlight that this debt-based living (Majamaa et al., 2019) tends to lead to very adverse outcomes. Future studies should attempt to answer the question: *What are the determinants of debt-based living? (Q9)* (Majamaa et al., 2019). They could concentrate on this kind of credit to this segment to better understand the conditions in which it occurs and possible ways to avoid the dysfunctional use of credit and its negative outcomes.

### **2.6.2 Outcomes**

Concerning the outcomes of (over)indebtedness, (over)indebted individuals face physical and mental health problems, financial distress, drops in consumption, increasing vulnerability, and risk of experiencing poverty. Depression, which seems commonplace among the (over)indebted, is a leading cause of disability, undermining well-being and generating economic costs (Hojman et al., 2016). There are reports that almost 80% of defaulters do not recover or file for bankruptcy within a two-year period, exhibiting a persistent state of default (Livshits, 2015). Future studies might focus on understanding the individual in this specific situation to evaluate the lived experiences and the possibility of overcoming the associated problems. I anticipate that the individual in this situation is not the rational, maximizing consumer theories prompt us to consider. It brings the question: *What are the determinants of the recovery from (over)indebtedness and return to the market as active economic agents? (Q10)*. Another outcome of (over)indebtedness seems to be excluding consumers from the market, at least temporarily, suffering disturbing consequences. It is an important negative externality of the credit market. Future studies might consider ways to monetize and calculate the costs of market exclusion and its negative effects on individuals and their families. Policymakers could then assess ways to factor those costs and effects into the credit system.

### **2.6.3 Theoretical Underpinnings**

As we have seen, no single set of characteristics is sufficient to explain (over)indebtedness due to its complexity and multifaceted form. To advance our understanding of the phenomenon, I recommend developing new theoretical models that consider a combination of consumer-related, creditor-related, and macroenvironment-related factors (Q11). At the same time, future studies should also address individuals' use of credit and their relationships with creditors in more detail. Studies and models have persistently focused on only one type of credit and one creditor. However, individuals simultaneously use different types of credit products, both secured and unsecured (Livshits, 2015). Individuals interact with multiple creditors, and those in debt distress are generally multi-banked (Livshits, 2015; Naicker & Kabir, 2013). Thus, I suggest the development of new models that consider multi-product and multi-banked consumers (Q12).

### **2.6.4 Methods**

Regarding methodologies, combining different research strategies is needed to get a complete picture of (over)indebtedness (Lea et al., 1995). To this end, I have four suggestions for future studies. First, I suggest the use of mixed methods, mainly adding a qualitative phase (before or after) to the quantitative phase to help answer the "why" and "how" of research questions (Q13). Second, I suggest research designs (e.g., experiments) to understand the causal effect of antecedents on (over)indebtedness and the impact of over-indebtedness on specific outcomes (Q14). Most of the studies analyzed in this review have found only associations and not causality between dependent and independent variables. Third, I suggest more cultural studies to understand the influences of cultural contexts and the related meanings and experiences of consumers on (over)indebtedness (Q15). Cultural and qualitative studies could shed light on consumer's experiences and perspectives and the concrete social circumstances in which (over)indebtedness is embedded to put a human face to the phenomenon as experienced by consumers (Micklitz, 2012). Fourth, I suggest more cross-cultural studies from Asia, Africa, Middle East, Oceania, and Latin America, since those regions are under-represented in the (over)indebtedness investigations (Q16). They would allow for more cross-country comparisons and contribute to the diversification of studies and generalization of results.

### **2.6.5 Personal Bankruptcy**

Some studies on personal bankruptcy note that, even after the discharge of debts or even a fresh start, consumers may not fully recover from (over)indebtedness. At the same time, some types of products, contracts, and/or debts are not part of the discharge or the fresh start. There is a need for rehabilitation programs that bring former debtors back to active citizenship (Linna, 2015). It brings the question: *how can personal bankruptcy models be optimized to provide consumers with credit and economically sustainable rehabilitation? (Q17)*. Studies along these lines could explore the cases in which personal bankruptcy was permanently overcome by consumers and work toward developing optimized bankruptcy models that give consumers permanent and sustainable solutions for the problems. At the same time, research on personal bankruptcy has not sufficiently covered its various practices and legislations in different countries, nor their respective outcomes. Bankruptcy systems seem to be more sophisticated in the more developed western countries. There are studies in this review comparing different systems in the European Union and between the EU and the US, but not in a systematic way. Future research could attempt to answer the question: *How do countries differ in terms of the efficiency of bankruptcy models? (Q18)*. Developing economies could benefit from the experience of the advanced ones and devise better models for avoiding the problems already experienced in other jurisdictions.

### **2.6.6 Regulation**

Scholars can support the work of legislators, regulators, and governments by comparing the different regulations, their underpinnings, and their results and efficiency. They could highlight the pros and cons of regulations in diverse jurisdictions to develop best practices and provide insights to regulators in jurisdictions that are in the process of developing and improving regulations. I suggest some principles for guiding the development and improvement of the current regulation. First, it is important to adopt a systemic approach for regulation considering all stakeholders (creditors, consumer/debtors, collectors, credit bureaus, financial planners and advisors, legislators, governments) (Q19). An aspirational regulation should be based on principles and measures that maintain a viable business model for credit providers and other stakeholders without jeopardizing the protection of the borrowers (Aldohni,

2017). Second, I propose the development of regulation aiming at achieving credit sustainability with responsible lending and consumer credit affordability (Q20). Responsible lending and credit affordability are important pillars of credit sustainability. These pillars have already been included in some regulations (e.g., mortgage in the UK). Still, I understand that they need to be fundamental pillars of the whole credit system in every country. At the same time, it is not enough simply to state the principles and neglect to provide any kind of enforcement. Hence, I suggest developing measures for enforcement and real punishment of the players who do not follow credit sustainability principles, responsible lending, and credit affordability. Financial services should take greater responsibility for the suitability of the products and services they provide (Nield, 2015). For instance, in the credit card industry, the main source of revenue is interest on outstanding balances of customers who carry balances over time (Murthi et al., 2019). This raises the question made by Mak and colleagues (2012, p. 316), "How much responsibility for bad decision making should lie with consumers themselves?"(Q21). And, by extension: how much responsibility should lie with creditors and financial institutions? (Q22) (Nield, 2015). As noted by Richards and colleagues (2008, p. 507), "The fundamental question of whose responsibility it is to ensure lending within limits remains unanswered." A third suggestion would be the development of proposals for more customer-centric regulatory regimes (risk management for individual consumers) (Q23). Regulations, in general, tend to be centered on products, services, and contracts, ignoring that consumers use different secured and unsecured credit products offered by different creditors. Thus, taken individually, each credit contract with a specific creditor is feasible; however, considering the overall situation of having several credit products and several creditors, the consumer may already be over-indebted. A fourth suggestion would be the development of specific regulation for most vulnerable groups (e.g., first-time buyers, young people, low-income earners, low-educated, single parents, those at high-risk, debt consolidators, retired people) (Q24). These segments tend to use high-cost short-term credit for longer periods (Mak & Braspenning, 2012). The protection of these groups would involve the obligations of financial companies to warn and prevent vulnerable consumers from entering into overly risky agreements (Mak & Braspenning, 2012). Many consumers are living on credit, mainly low-income earners and young people (Majamaa et al., 2019). The most vulnerable consumers tend to use credit based on their needs, are the least prepared and educated to use complex financial

services, and have the least resources to manage problems and consequences when they appear. I also recommend the development of potential measures to include consumers' interests in the regulation and supervision of markets and even product development. Several studies call attention to the limited rationality of consumers, their heuristics and biases, their myopia, lack of knowledge, lack of education and illiteracy (not only financial), and at the same time the growing number and complexity of financial products. I suggest the development of regulations guiding the creation of committees with the participation of representatives of society in general, such as consumer advocacy groups, academics, and consumer protection agencies. Such participants would be responsible for representing the voices of consumers/debtors in the regulation, compliance, and product development in committees with regulators, creditors, central bankers, etc. (Nield, 2015). It could be a way to improve the governance of the credit system. Meanwhile, some scholars have highlighted that the credit industry needs debt levels to continuously increase to reach their profit targets. Thus this industry is built on pushing credit to consumers and avoiding more responsible lending practices (Ironfield-Smith et al., 2005). Future research should explore how to avoid, or at least maintain at a healthy level, the influence of the affected industries in combatting new changes in the regulatory environment based only on their interests (Braucher, 2006).

### **2.6.7 Prevention and Mitigation**

Niemi (2012) emphasizes three antidotes to the problem of (over)indebtedness: prevention, alleviation of consequences, and rehabilitation. Several studies mention the importance of early interventions (Moorman & Garasky, 2008; Raijas et al., 2010; Kelly & McCann, 2016). *Future research could compare different kinds of interventions to assess the effectiveness of each one (Q25)* (Aldoni, 2017; Kim & Wilmarth, 2016). It is expected that interventions pursued in the early stages of the process of (over)indebtedness are more likely to be successful because, at this point, debts have yet to accumulate drastically, and consumers may have more resources to manage the problem, provided they receive enough support and appropriate guidance. Scholars might study different interventions related to monitoring the risk to consumers, providing warnings, and taking actions mainly in the early stages when the likelihood of avoiding problems is typically greater (Aldohni, 2017). Monitoring financial

ratios, such as the debt-to-income ratio, is expected to be an essential mechanism for assessing and keeping track of the level of risk to consumers (Kim & Wilmarth, 2016). Potential tools for avoiding the problem of (over)indebtedness could also be tested. For example, as discussed by Betti et al. (2007): *how could mechanisms of self-insurance, market insurance, informal insurance, and social safety networks work to prevent (over)indebtedness problems?* (Q26). Regarding the deeper stages of (over)indebtedness, scholars could study and compare different rehabilitation measures to assess their level of effectiveness, answering the question: *how different rehabilitation measures, such as debt relief differ in terms of effectiveness?* (Q27). Such studies would likely require partnerships with creditors, financial planners, and debt management programs that could, in exchange, benefit from the knowledge they generate.

**Table 8**

*Directions for Future Research*

<b>Stream</b>	<b>Proposed Future Studies and Research Questions</b>
<b>Antecedents</b>	<p>(Q1) How and which creditor-related factors affect (over)indebtedness?</p> <p>(Q2) How and which macroenvironment-related factors affect (over)indebtedness?</p> <p>(Q3) How do the structures and culture driving the supply of credit affect (over)indebtedness? (Braucher, 2006)</p> <p>(Q4) To what extent are the problems related to (over)indebtedness also a consequence of the “go-to-market” strategy of financial institutions and creditors in general? (Murthi et al., 2019)</p> <p>(Q5) (Longitudinal studies) How do debts accumulate over time beyond safe limits? (Linna, 2015)</p> <p>(Q6) How does the availability of credit limits affect (over)indebtedness? (Murthi et al., 2019)</p> <p>(Q7) If made entirely aware of the risks, would consumers still pursue the same level of credit? (Mak &amp; Braspening, 2012)</p>

	<p>(Q8) How to differentiate between “good” and “bad” credit? How to establish the threshold for consumers?</p> <p>(Q9) What are the determinants of debt-based living? (Majamaa et al., 2019)</p>
<b>Outcomes</b>	(Q10) What are the determinants of recovery from (over)indebtedness and the return to the market as active economic agents?
<b>Theoretical Underpinnings</b>	<p>(Q11) Development of new models that take into consideration a combination of consumer-related, creditor-related, and macroenvironment-related factors</p> <p>(Q12) Development of new models that take into consideration a multi-product and multi-banked consumer (Livshits, 2015; Naicker &amp; Kabir, 2013)</p>
<b>Methods</b>	<p>(Q13) More use of mixed methods (qualitative plus quantitative)</p> <p>(Q14) Understand the causal effect of antecedents on (over)indebtedness and the effect of over-indebtedness on specific outcomes.</p> <p>(Q15) More cultural studies to understand the influences of cultural contexts, as well as the related meanings and experiences of consumers, on (over)indebtedness (Micklitz, 2012)</p> <p>(Q16) More cross-cultural studies from Asia, Africa, Middle East, Oceania, and Latin America, since those regions are under-represented in the (over)indebtedness investigations</p>
<b>Personal Bankruptcy</b>	<p>(Q17) How can personal bankruptcy models be optimized in a way to provide consumers with credit and economically sustainable rehabilitation?</p> <p>(Q18) How do countries differ in terms of the efficiency of bankruptcy models?</p>
<b>Regulation</b>	(Q19) Systemic approach for regulation considering all stakeholders (creditors, consumer/debtors, collectors,

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credit bureaus, financial planners and advisors, legislators, governments) (Aldoni, 2017)

(Q20) Regulation aiming at achieving credit sustainability with responsible lending and consumer credit affordability

(Q21) How much responsibility for bad decision-making should lie on consumers themselves? (Mak & Braspenning, 2012)

(Q22) How much responsibility should lie with creditors and financial institutions? (Nield, 2015)

(Q23) Development of proposals for more customer-centric regulatory regimes (risk management for individual consumers)

(Q24) Specific regulation for most vulnerable groups (e.g., first-time buyers, young people, low-income earners, low-educated, single parents, those at high-risk, debt consolidators, retired people) (Mak & Braspenning, 2012)

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**Prevention and Mitigation**

(Q25) Comparison between different kinds of interventions to assess the effectiveness of each one (Aldoni, 2017; Kim & Wilmarth, 2016)

(Q26) How could mechanisms of self-insurance, market insurance, informal insurance, and social safety networks work to prevent (over)indebtedness problems? (Betti et al., 2007)

(Q27) How different rehabilitation measures, such as debt relief, differ in terms of effectiveness.

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## 2.7 Conclusion

This systematic literature review mapped the accumulated academic knowledge about consumer (over)indebtedness since the topic's inception. Research on this theme has shown consistent growth over recent decades due to its noticeable impact on society, which the Covid-19 pandemic will likely exacerbate. Based on a rigorous

review process capturing 144 studies, I synthesized the main themes and findings of past research and developed an integrated framework for configuring the diverse streams of literature. I show that consumer (over)indebtedness is an interdisciplinary, complex, and multifaceted phenomenon that no single set of characteristics is sufficient to explain. Problems associated with (over)indebtedness seldom manifest in isolation; they are related to other problems such as unemployment and divorce, for example. I also show that the consequences of (over)indebtedness for consumers can be disturbing, destabilizing, and de-structuring. I identify trends in terms of the chosen journals, research areas, methods, countries of data collection, variables of interest, and theoretical underpinnings. It is predominantly Euro-American literature and, foremost, a phenomenon-driven one. I identified a growing body of evidence in certain areas, such as individual-related antecedents and outcomes of (over)indebtedness, based on quantitative studies. I provided a range of suggestions and promising directions for advancing research on this critical topic, including a call for more cross-cultural studies, with higher country-representativity, complemented by more qualitative and mixed-methods modes of inquiry. I also suggest new models taking into consideration consumers' multi-product and multi-creditor reality. I also call for more longitudinal studies to account for temporal effects, considering that debts (and certainly the most problematic among them) accumulate over time. Future models also need to consider a breadth of individual-related, creditor-related, and macroenvironment-related factors through a more systemic approach. At the same time, (over)indebtedness should be understood as a social risk that needs overarching solutions on numerous levels and across diverse disciplines. The advancement of research on consumer (over)indebtedness can contribute to scholarship, consumer engagement, improved industry and practitioner insights, and responsible and responsive policy. To scholarship, the contribution can be more cross-cultural, more systemic, and more generalizable knowledge about the phenomenon, leading to richer theorization. To consumers, the contribution can be a healthier and more mature relationship with credit and debt in a way that generates welfare instead of destroying it. Creditors can benefit from having a better relationship with their customers and more manageable bottom-line results. Financial planners and debt management officers can offer more well-informed guidelines to their customers, leading to better outcomes. Finally, regulators and policymakers can build better, healthier, and more sustainable credit systems, benefiting society as a whole.

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## APPENDICES

### APPENDIX A - Table of search summary for selected articles

Inclusion/Exclusion Stages	Articles
Initial Keyword Search (Inclusions)	+996
Exclusion of articles:	
<ul style="list-style-type: none"> <li>• Duplicate articles across databases</li> </ul>	-406
<ul style="list-style-type: none"> <li>• Topics not related to consumers' over-indebtedness, not peer-reviewed or not in English Booknotes, Corporate debt, Country Debt, Finance, Health Care/ Medicine, Law, Macroeconomics, Modeling, Not in English, Regulation, Social Studies, Systemic Risk and Others</li> </ul>	-319
<ul style="list-style-type: none"> <li>• Non-ABS list</li> </ul>	-142
Inclusion of articles	+15
<b>Total</b>	<b>=144</b>

**APPENDIX B - List of 144 articles analyzed for this literature review**

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Abrantes-Braga & Veludo-de-Oliveira (2019)	Kim & Wilmarth (2016)
Achtziger et al., (2015)	Kösters et al., (2004)
Aldohni (2017)	Kukk (2018)
Amar et al., (2011)	Lea et al., (1993)
Anderloni et al., (2012)	Lea et al., (1995)
Aristei & Gallo (2016)	Leicht (2012)
Baek & Hong (2004)	Linna (2015)
Bamforth & Geursen (2017)	Livshits (2015)
Bergerès et al., (2015)	Lo & Harvey (2011)
Betti et al., (2007)	Loke (2015)
Bhutta et al., (2015)	Loke (2016)
Bigus & Steiger (2006)	Lopes & Frade (2012)
Braucher (2006)	Lusardi & Tufano (2015)
Brennan & Gallagher (2007)	Majamaa et al., (2019)
Bricker & Thompson (2016)	Mak (2015)
Bridges & Disney (2010)	Mak & Braspenning (2012)
Brown & Woodruffe-Burton (2015)	Marron (2012)
Brown et al., (2017)	Marsellou & Bassiakos (2016)
Brown & Taylor (2008)	Masuo et al., (2004)

Brown et al., (2005)  
Burtch & Chan (2018)  
Burton (2017)  
Camões & Vale (2014)  
Chamboko et al., (2017)  
Chancellor & Lyubomirsky (2011)  
Chatterjee & Gordon (2012)  
Collins & Schmeiser (2013)  
Cordeiro et al., (2019)  
Da Silva et al., (2018)  
Dellande et al., (2016)  
Dell'Araccia & Marquez (2006)  
Demirgüç-Kunt (2014)  
Desai & Elliehausen (2017)  
Dettling & Hsu (2018)  
DeVaney & Lytton (1995)  
Di Giulio & Milani (2013)  
Dobridge (2018)  
Drentea (2000)  
Drentea & Lavrakas (2000)  
Drentea & Reynolds (2012)  
Mazibaş & Tuna (2017)  
Méndez-Pinedo (2015)  
Meniago et al., (2013)  
Meyll & Pauls (2018)  
Micklitz (2012)  
Micklitz (2013)  
Moorman & Garasky (2008)  
Morse (2011)  
Murthi et al., (2019)  
Naicker & Kabir (2013)  
Nakajima (2012)  
Nield (2015)  
Niemi (2012)  
Niemi-Kiesiläinen (1997)  
Oksanen et al., (2015)  
O'Neill et al., (2006)  
Ottaviani & Vandone (2011)  
Pastrapa & Apostolopoulos (2015)  
Patel et al., (2012)  
Pereira & Strehlau (2016)  
Poddar et al., (2016)

Eng (2008)  
Erasmus & Mathunjwa (2011)  
Ferretti (2010)  
Finlay (2006)  
Fišerová & Paseková (2016)  
Fitch et al., (2011)  
Ford (1990)  
French & McKillop (2016)  
Fuller (2015)  
Garðarsdóttir & Dittmar (2012)  
Gathergood (2012a)  
Gathergood (2012b)  
Gordon (2017)  
Graver (1997)  
Griffiths (2007)  
Gutiérrez-Nieto et al., (2017)  
Hallsworth (1991)  
Hampson et al., (2018)  
Han & Li (2011)  
Harrison et al., (2015)  
Hoffmann (2012)  
Ponchio & Aranha (2008)  
Prawitz et al., (2013)  
Raijas et al., (2010)  
Ramsay (1997)  
Ramsay (2012)  
Reading & Reynolds (2001)  
Richards et al., (2008)  
Richardson et al., (2013)  
Robson et al., (2017)  
Rodford (2009)  
Ryan & Maynes (1969)  
Ryoo & Kim (2014)  
Schelkle (2012)  
Schicks (2014)  
Seira et al., (2017)  
Shen et al., (2014)  
Stolper & Walter (2017)  
Stone & Maury (2006)  
Sweet (2018)  
Sweet et al., (2013)  
Takalo (2019)

Hojman et al., (2016)

Huls (1992)

Huls (1993)

Huls (1997)

Huls (2012)

Ironfield-Smith et al., (2005)

Jacobs & Smit (2010)

Kanz (2016)

Karacimen (2014)

Keese & Schmitz (2014)

Kelly & McCann (2016)

Townley-Jones et al., (2008)

Trumbull (2012)

Turunen & Hiilamo (2014)

Wang & Xiao (2009)

Watson (1998)

Webley & Nyhus (2001)

Whitford (1997)

Xiao & Yao (2014)

Xu et al., (2017)

Zhang & Kim (2019)

Ziegel (1997)

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**APPENDIX C: Articles classified by Journals of publication**

<b>Journal name</b>	<b>No.</b>	<b>Journal name</b>	<b>No.</b>
Journal of consumer policy	29	Journal of Banking Regulation	1
Journal of Economic Psychology	10	Journal of Financial Economics	1
International Journal of Consumer Studies	8	Journal of Business Economics	1
Journal of Family Economic Issues	6	British journal of psychology	1
Social science & medicine	5	Economic Modelling	1
Journal of Financial Services Marketing	3	Journal of health economics	1
Journal of Money, Credit and Banking	3	Economic Notes	1
Politics & Society	3	Journal of Marketing for Higher Education	1
Journal of Business Ethics	2	Journal of Policy Analysis and Management	1
International Journal of Social Economics	2	Journal of Monetary Economics	1
Journal of Business Research	2	Journal of the Operational Research Society	1
International Journal of Bank Marketing	2	Journal of Pension Economics & Finance	1
Journal of Consumer Affairs	2	Labour Economics	1
Journal of Financial Regulation and Compliance	1	Metroeconomica	1
Risk governance & control: financial markets & institutions	1	Journal of the Royal Statistical Society: Series A (Statistics in Society)	1
Cambridge Journal of Economics	1	Journal of Consumer Behaviour	1

		Margin: The Journal of Applied Economic Research, 9(1), 18-	
Empirical Economics	1	38.	1
Journal of Empirical Finance	1	MIS Quarterly	1
European Journal of Law and Economics	1	Cambridge Journal of Regions, Economy and Society	1
Journal of Macromarketing	1	Quantitative Economics	1
Finance Research Letters	1	ACR North American Advances.	1
Research in Economics	1	Quarterly Review of Economics and Finance	1
Financial Services Review	1	Journal of Consumer Psychology	1
World Development	1	Review of Behavioral Finance	1
Intereconomics	1	Journal of Cultural Economy	1
American Economic Journal: Economic Policy	1	Review of Income and Wealth	1
International Advances in Economic Research	1	Service Industries Journal	1
Journal of health and Social Behavior	1	Atlantic Economic Journal	1
Contemporary Economic Policy	1	South African Journal of Business Management	1
Journal of Marketing Research	1	Journal of Economic Behavior & Organization	1
American Economic Journal: Applied Economics	1	The Economic Journal	1
Emerging Markets Finance and Trade	1	Journal of Economic Dynamics and Control	1
Critical Social Policy	1	Theoretical Inquiries in Law	1
Review of Economics of the Household	1	Young Consumers	1
International Review of Financial Analysis	1	Agricultural Finance Review	1
The Journal of Finance	1	Mental Health Review Journal	1

Journal of Aging and Health	1	Clinical psychology review	1
BMC public health	1	Journal of Economic Studies	1
Journal of Banking & Finance	1	Accounting, Business & Financial History	1
Journal of Family and Economic Issues	1	Journal of Economic Surveys	1

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**APPENDIX D - Summary of quantitative methods and findings on Consumer (Over)Indebtedness (Antecedents)**

Author	Models & Estimation Methods	Dependent Variables	Independent Variables	Hypothesis	Findings
Achtziger et al., (2015)	Process Toolbox (Hayes, 2012)	. Current Debts, except for mortgage (debt at banks, savings banks and companies (e.g. installment plans), and with friends and family members)	Self-control (independent) Compulsive Buying (mediator) Gender and Age (Control variables for Compulsive Buying)	They expected significant links between self-control and debts, self-control and compulsive buying, and between compulsive buying and debts	A significant negative link between self-control and debts was observed Self-control showed to be a significant negative predictor of compulsive buying Low self-control skills lead to compulsive buying and compulsive buying, in turn, leads to debts
Anderlon et al., (2012)	Linear Regression	Vulnerability Index	Debt service to income, unsecured debt, interaction debt-unsecured debt, financial literacy, impulsivity, job loss, other shocks, income, single, widow, separate, divorced, children number, age, gender, years	Not specified	Household debt-servicing, i.e. debt installment payment to income ratio, is one of the most significant determinants of household vulnerability (mostly unsecured debts) Impulsive individuals are more subject to financial vulnerability Financial Literacy reduces household vulnerability Income and wealth (having financial and real assets) reduce

			of education, homeownership, home rent, northwest, northeast, south, insurance policy		financial vulnerability Being separate and having children increase financial vulnerability Living in rent accommodation increases financial vulnerability Adverse shocks(like job loss, unexpected income loss and/or higher expenses) Increase financial vulnerability
Aristei & Gallo (2016)	Sample-selection Ordered Probit (SELOP) Model (Huang et al., 1999)	Mortgage Arrears Intensity	<ul style="list-style-type: none"> <li>. Age</li> <li>. Gender</li> <li>. Ethnic background</li> <li>. Level of Education</li> <li>. (Un)Employment Status</li> <li>. Income</li> <li>. Mortgage Expenditures</li> <li>. Major Drop in Income</li> <li>. Risky Investments</li> <li>. Year of Granting</li> <li>. Mortgage Length</li> <li>. Mortgage Modification</li> <li>. Region</li> <li>. Decay Rate</li> </ul>	Not specified	<ul style="list-style-type: none"> <li>. The frequency of arrears is lower for older people, for non-immigrant-headed households, and when the household head is employed or retired</li> <li>. Households with younger heads are more likely to experience mortgage repayment difficulties</li> <li>. Late payments are more likely when the household has lower disposable income or has suffered from a remarkable drop in income. Mortgage arrears are thus precipitated by adverse economic shocks, related to job losses or health problems of the household head or of other members</li> <li>. Household investment in risky</li> </ul>

			<ul style="list-style-type: none"><li>. Legal Enforcement</li><li>. Bank Concentration</li></ul>	<p>financial assets significantly reduces insolvency probability</p> <ul style="list-style-type: none"><li>. Higher education levels significantly lower conditional arrears levels</li><li>. Households with an employed head are more likely to obtain mortgages of larger amounts and to have higher mortgages expenditures, so that, conditional on being insolvent, they also incur in higher levels of arrears</li><li>. Household living in less developed regions display a higher probability of experiencing repayment difficulties</li><li>. Repayment problems are more likely when borrowers have rescheduled their debt terms</li><li>. When the quality of bank loans and the efficiency of the legal system increase, the conditional level of arrears reduces</li></ul>
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<p>Baek &amp; Hong (2004)</p>	<p>Cross-tabulations and Double-hurdle Model (Cragg, 1971), and Bivariate Probit Model</p>	<ul style="list-style-type: none"> <li>. Installment Debt</li> <li>. Credit Card Debt</li> </ul>	<p>Life-cycle Stages:</p> <ul style="list-style-type: none"> <li>. Young Single</li> <li>. Newly Married</li> <li>. Full Nest I</li> <li>. Full Nest II</li> <li>. Empty Nest</li> <li>. Solitary Household</li> <li>. Single Parents</li> <li>. Childless Middle-aged Group</li> </ul> <ul style="list-style-type: none"> <li>-Income</li> <li>-Financial Asset (\$)</li> <li>-Non-financial Asset (\$)</li> <li>-Number of Credit Cards</li> <li>-Credit Limit (\$)</li> <li>-Age</li> <li>-Home Ownership</li> <li>-Education</li> <li>-Race</li> <li>-Employment Status</li> <li>-Spending Behavior</li> <li>-Expected Interest Rate</li> <li>-Attitude Toward Credit</li> </ul>	<p>H1a: Households in the young single, newly married, full nest I, II and single parent stages will be positively related to the probability of having either type of consumer debt</p> <p>H1b: Households in the young single, newly married, full nest I, II, and single parent stages will be positively related to the amount of either type of consumer debt</p> <p>H2a: Credit constraints will be negatively related to the probability of holding either type of consumer</p>	<ul style="list-style-type: none"> <li>. Life-cycle stages, the willingness and ability to borrow, prudence and the need to borrow affected the two types of consumer debt</li> <li>. Many of the life-cycle stages were significantly related to installment debt. In particular, households in the empty nest, solitary households, and the single parent stages were less likely to have installment debt as well as a lower level of installment debt than households in the young single-stage</li> <li>. In the model of credit card debt, solitary households, single parents, and childless middle-aged couples influenced the probability of having credit card debt. It appeared that the life-cycle stages played a more significant role in explaining installment debt than credit card debt</li> <li>. In general, having some financial assets decreased the probability of having either type of consumer debt</li> </ul>
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			<p>-Experience of Credit Rejection          -Discouraged Borrower          -Saving for Major Expenses          -Payment Practices (Credit Card and Installment Debt)          -Home Equity Loans          Loans from Friends/Relatives</p>	<p>debt          H2b: Credit limit and the number of credit cards will be positively related to the amount of either type of debt          H3a: Households whose spending exceeds their income will be more likely to have either type of debt than whose spending is equal to or less than their income          H3b: Household whose spending exceeds their income, who do not have savings for the future, and who do not pay on time or hardly pay off their balance will have</p>	<p>. The credit limit or number of credit cards, which reflected only the ability to borrow, positively affected the amount of either type of consumer debt          . The willingness to borrow seemed to play a more important role in the decision to borrow rather than in the decision of how much to borrow          . Having a negative attitude towards credit was negatively related to the probability of having either type of consumer debt          . Prudence was found to be a significant factor in predicting consumer debt. If households were cautious with their spending and payment practices, they tended to have less consumer debt</p>
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				<p>more of either type of consumer debt</p> <p>H4: Households who have a positive attitude toward credit will be more likely to have either type of consumer debt and will have a larger amount of debt</p> <p>H5: If the interest rate is expected to be higher in the future than today, households will be more likely to have either type of consumer debt and will have more amount of debt</p> <p>H6a: Financial resources(i.e., income, financial</p>	
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				<p>and non-financial assets, and homeownership) will be negatively related to the probability of having either type of consumer debt</p> <p>H6b: Financial resources will be positively related to consumer debt</p> <p>H6c: Education, being unemployed/not working, and being white are expected to be negatively related to the probability of holding either type of consumer debt</p> <p>H6d: Being employed and white will be positively related to the amount of</p>	
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				<p>either type of consumer debt. Education will be negatively related to the amount of installment debt but positively related to the amount of credit card debt</p> <p>H7: If households have a home equity loan or a loan from friends/relatives, they will have less installment debt or credit card debt</p>	
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Betti et al., (2007)	Survey	Household Indebtedness; Household over- indebtedness	Not specified	Not specified	There was a significant over- indebtedness problem among the households with consumer debts in most of the European Union countries included in the study; The proportion of households with loans tends to decrease in most countries as income increases; however, a significant proportion of the low-income households falls within the young group age (when controlled for age, this effect practically disappear); Single-parent households with young children seem to be particularly vulnerable to financial problems
Bricker & Thompson (2016)	OLS estimates, transition probability model, linear probability model (LPM), DNU semi- parametric sample	Financial Distress: . Late Payments; . Denied Credit ; . High PIR(Payment-to- income ratio)	Education debt	Not specified	Households with education- related debt were more likely to have been late paying bills, be denied credit, and have high payment-to-income ratios Having a high amount of education debt also increases the probability that a family transitioned to being late on debt payments Families with education loans but

	selection model,				no completed degree are much more likely to experience distress than are families with education loans that completed a college degree
Da Silva et al., (2018)	Person's Linear Correlation	Holding any kind of debt	CRT (cognitive reflection test)	Not specified	Use of debt is more likely for people who give intuitive but incorrect answers on a cognitive reflection test However, for high-income consumers, the use of debt cannot be explained by poor cognitive reflection and lack of self-control
Di Giulio & Milani (2013)	Logit Regression Model	<ul style="list-style-type: none"> <li>. Possession of household debit card;</li> <li>. Use of household debit card;</li> <li>. Possession of household credit card;</li> <li>. Use of household credit card.</li> </ul>	<ul style="list-style-type: none"> <li>. Gender, Education, Age;</li> <li>. Professional Condition;</li> <li>. Marital Status;</li> <li>. Geographical Area of residence;</li> <li>. Size of the town of residence;</li> <li>. Annual household net disposable income;</li> <li>. Annual household non-durable</li> </ul>	Not specified	<ul style="list-style-type: none"> <li>. Age, education, non-durable consumptions, regional variation, and income are strong predictors of debit and credit card holding and use.</li> <li>. The richest income households are predicted to have more debit and credit cards than the lowest income category</li> <li>. The probability of holding a credit card is higher for households with a higher debt-to-income ratio</li> </ul>

			<ul style="list-style-type: none"> <li>consumption;</li> <li>. Value of homeownership;</li> <li>. Number of household components;</li> <li>Macro-Data:</li> <li>. ATM and POS per capita;</li> <li>. Deposit Interest Rates</li> </ul>		
Gathergood (2012b)	Econometric Model	<ul style="list-style-type: none"> <li>Over-indebtedness:</li> <li>. 1-month delinquency in at least one credit item</li> <li>. 3-month delinquency on at least 1 credit item</li> <li>. Self-report over-indebtedness based on delinquency coupled with self-reports of “real</li> </ul>	<ul style="list-style-type: none"> <li>. Age;</li> <li>. Gender;</li> <li>. Marital Status;</li> <li>. Education leaving age;</li> <li>. Employment Status;</li> <li>. Dependent Children;</li> <li>. Behavioral Characteristics:</li> <li>. Financially Literate;</li> <li>. Confused by Finance;</li> <li>. Heavy Discounter;</li> <li>. Impulsive Spender;</li> </ul>	Not specified	<ul style="list-style-type: none"> <li>. Poor financial literacy and self-control (more strongly) are both positively associated with over-indebtedness</li> <li>. Consumers with self-control problems make more use of high-cost credit and tend to be more exposed to financial shocks</li> </ul>

		financial problems”			
Gutiérrez-Nieto et al., (2017)	Canonical correlations, Means Test and Multivariate Techniques	Over-indebtedness	External Adverse Shocks Internal Adverse Shocks Financial Institution’s Pressure Financial Illiteracy	Not specified	. The most important factors influencing individuals’ over-indebtedness are external adverse shocks such as the economic crisis, internal adverse shocks such as unemployment, and financial institutions’ pressure. . Experts tend to blame the lack of financial literacy among individuals and the tendency to imitate others in their materialistic goals
Jacobs & Smit (2010)	Chi-square, multiple regression analysis, t-test, ANOVA	. Level of indebtedness (number of retail store accounts held)	Age Gender Monthly Income Materialism	Not specified	The relationship between income and indebtedness is marginally significant at a 5% level Gender and indebtedness are significantly and positively related implying that males demonstrate

					<p>higher levels of indebtedness than females</p> <p>There is a significant and negative relationship between age and indebtedness</p>
<p>Xiao &amp; Yao (2014)</p>	<p>Multiple Logistic Regressions</p>	<p>Debt Delinquency: 60 or more days late in debt payment (Bucks et al., 2009)</p>	<ul style="list-style-type: none"> <li>. Lifecycle Stage Categories (Du and Kamakura, 2006)</li> <li>. A single or young couple with no children</li> <li>. Small household(couple) with children less than 7 years of age</li> <li>. Large household(couple) with children less than 15 years of age</li> <li>. A large household with older children</li> <li>. Small household(couple) with children less than 15 years of age</li> <li>. Single/divorced with no children</li> <li>. A small household</li> </ul>	<p>H1: Compared to other age groups and controlling for other socioeconomic and demographic factors, young households are most likely to be debt delinquent</p> <p>H2: Single-headed households are more likely than their married counterparts to be debt delinquent, controlling for other socioeconomic and demographic factors</p>	<p>.The top three most likely to be delinquent are young couples with children aged 7 or older, middle-aged singles with children aged 15 or older, and middle-aged singles with children under 15. Old married couples without financial independents have the lowest odds of being delinquent. These findings support H4 and H5;</p> <p>. The findings suggest that younger households are more financially distressed than their older counterparts (consistent with H1);</p> <p>. Unmarried households are more likely to be debt delinquent than married households (supporting partially H2);</p> <p>. The presence of children seems to be another important factor contributing to debt delinquency, consistent with H3.</p>

		<p>with older children</p> <ul style="list-style-type: none"> <li>. Empty-nest couple</li> <li>. Single/divorced with children less than 15 years of age</li> <li>. Divorced/widow with older children</li> <li>. Widowed empty nest</li> <li>. Divorced/single empty nest; and</li> <li>. Retired/older couple with adult dependents</li> </ul> <p>Control Variables: income shock, receiving public assistance income, household head's education, race, employment status, health, homeownership, holdings of several types of debts, log household annual income, log household financial</p>	<p>H3: Households with children are more likely than their childless counterparts to be debt delinquent, controlling for other socioeconomic and demographic factors</p> <p>H4: Young, single households with children have the highest probability to engage in debt delinquency, controlling for other socioeconomic and demographic factors</p> <p>H5: Old, married households without children have the lowest</p>	
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			asset and survey year	probability for debt delinquency, controlling for other socioeconomic and demographic factors	
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Majamaa et al., (2019)	Statistical analysis (descriptive analysis, confidence test, chi-square, and p-value)	Debt Judgments (Debt Problems)	<ul style="list-style-type: none"> <li>. Age group</li> <li>. Gender</li> <li>. Marital Status</li> <li>. Educational</li> </ul>	<p>Not specified</p> <p>Young age groups are overrepresented among the debtors and those aged 55-59 and older are underrepresented Men were overrepresented, and women were underrepresented among the debtors The single and the divorced were overrepresented among the debtors, whereas the married and the widowed were underrepresented Those educated to the basic or secondary level were overrepresented among the debtors, while those with the highest level of education were underrepresented Regarding instant loans, the number of consumers who apply and get an instant loan is very low, but the findings show that the number of people with debt problems because of this kind of debt is very high, especially among young adults</p>
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Meniago et al., (2013)	Cointegration test, VEC model – regression	Household Debt	<ul style="list-style-type: none"> <li>. Real house price index</li> <li>. Consumer price index</li> <li>. Real income</li> <li>. Real prime rate</li> <li>. Real gross domestic product</li> <li>. Real household consumption expenditures</li> <li>. Real savings</li> </ul>	Not specified	<p>Increasing household debt in South Africa can be associated with positive changes in house prices, inflation, GDP, household consumption expenditures and household savings</p> <p>Negative factors that caused household debt to increase in South Africa are household income and the prime rate</p>
Meyll & Pauls (2018)	Probit regressions	Over-indebtedness on uncollateralized debt	<p>Female, financial literacy, risk attitude, trust, impatience, age, education, married, divorced, self-employed, retired, unemployed, net income, net wealth, amount of debt, cost of living and larger purchases, real estate, company or occupation, student loans, vehicle, debt</p>	Not specified	<p>Women are less likely to become over-indebted</p> <p>Loan purposes are strongly related to over-indebtedness and explain a significant part of the gender gap in over-indebtedness</p> <p>Women refrain from engaging in loans to cover the cost of living or to finance larger purchases</p>

			conversion, other purposes		
Oksanen et al., (2015)	Logistic and Poisson Regressions	Debt problems: - presence or not of debt problems; and - the number of outstanding receivables of 2013	Gender, Age, Education, Income quintile, Children, Marital Status, Criminal conviction	<ul style="list-style-type: none"> <li>. Lower socioeconomic status (SES) will predict debt problems;</li> <li>. Young adults have more debt problems because they are likely to have higher amounts of debt, relative to their income;</li> <li>. There is an association between crime (as a proxy for lifestyle-associated problems) and debt problems;</li> <li>. High SES will increase the</li> </ul>	<ul style="list-style-type: none"> <li>. Lower socioeconomic status (SES) groups face the highest risk of debt problems</li> <li>. The younger age groups had a higher prevalence of debt problems and higher amounts of both public and private debt</li> <li>. Those with a prior conviction for property crimes had considerably more debt problems</li> <li>. Low education is associated with debt problems</li> <li>. The number of children increases the risk of debt problems</li> </ul>

				amount of unpaid debt;	
Ottaviani & Vandone (2011)	Probit Model	<ul style="list-style-type: none"> <li>. Participation in the debt market;</li> <li>. Participation in the mortgage market;</li> <li>. Participation in the consumer credit market;</li> </ul>	Age, Work Status, Net Wealth, Monthly Income, Dependent Children, Gender, Education, Informal Credit Barriatt Impulsiveness Scale	Not specified	<p>Impulsivity was positively associated with the usage of consumer credit, but not with the usage of mortgage</p> <p>The probability of holding consumer credit is higher for self-employed people</p> <p>People with higher net wealth were more likely to hold debt</p> <p>Indebtedness was higher for large families with children at pre-school or school-age</p>

<p>Patel et al., (2012)</p>	<p>Multilevel Binary Logistic Regression</p>	<p>The occurrence of unmanageable debt and financial difficulty (demonstrating the manifestation of over-indebtedness)</p>	<ul style="list-style-type: none"> <li>. Gender</li> <li>. Ethnicity</li> <li>. House Type</li> <li>. Use of motorized transport</li> <li>. Family Type</li> <li>. Tenure (Own, mortgage, public renting, private renting, rent-free)</li> <li>. Economically active (Yes/No)</li> <li>. Long-term illness or disability</li> <li>. Academic qualifications</li> <li>. Means-tested benefits</li> <li>. Age group</li> <li>. Income</li> </ul>	<p>Not specified</p>	<ul style="list-style-type: none"> <li>. Lone parents and younger respondents (specifically those aged between 25 and 34) are more likely to experience unmanageable debt and financial difficulty</li> <li>. People with long-term illness or disability were more likely to experience unmanageable debt and financial difficulty</li> <li>. There was evidence of a strong association between the loss of income arising from loss of employment and the occurrence of unmanageable debt and financial difficulty</li> <li>. However, there was not a significant difference between respondents of different income levels</li> <li>. The experience of a debt problem by one adult in a household increases the likelihood of other adults in that household also experiencing debt problems</li> <li>. Problems associated with over-indebtedness seldom manifest in isolation; they interact with several</li> </ul>
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					other specific problem types such as the experience of divorce or relationship breakdown, employment, and neighbor and mental health problems
Ponchio & Aranha (2008)	Logistic Regression	Possession of an installment plan	Age, Gender, Level of Education, Income Materialism Scale adapted (Belk, 1985; Richins, 2004)	Not specified	Age, gender and materialism are associated with the possession of installment plans
Prawitz et al., (2013)	Structural Equation Modeling	. Felt Constraint: Cannot Make Ends Meet; . Felt Constraint: Material Needs	Locus of Control Financial Adjustments Hopefulness Financial Distress	Not specified	Those reporting more economic pressure in response to economic hardship were likely to experience more financial distress and less hopefulness Participants with a more internal locus of control were likely to report less financial distress and more hopefulness (despite high levels of economic hardship)

					Those with an external locus of control tend to be less hopeful
Robson et al., (2017)	Descriptive Statistics	Holding debt (unsecured personal loan from a bank, credit card, payday company or family and friends; student loans excluded)	<ul style="list-style-type: none"> <li>. Gender</li> <li>. Age</li> <li>. Country of Origin</li> <li>. Level of Course (undergrad, post-grad, doctoral)</li> <li>. Basis of study (full-time, part-time)</li> <li>. Length of Course</li> <li>. Year of Study</li> <li>. Subject Studied</li> </ul>	Not specified	<p>The reasons for indebtedness were found to be many and varied, typically linked to events and changes associated with the year of study</p> <ul style="list-style-type: none"> <li>. The two undergrad segments more susceptible are those moving out from managed accommodation as they enter the second year of study, and those in and returning from placement</li> <li>. There is evidence that each transitional period can result in students becoming more susceptible to debt</li> <li>. Nearly half of the respondents (48%) show a level of concern about their debt; however, the other half does not express any concern</li> </ul>

<p>Ryan &amp; Maynes (1969)</p>	<p>Descriptive Statistics and Correlation Analysis</p>	<ul style="list-style-type: none"> <li>. Debtor Households “in deep trouble”</li> <li>. Debtor Households “in some trouble”</li> </ul>	<ul style="list-style-type: none"> <li>. Marital Status</li> <li>. Age of Head of Household</li> <li>. Number of People in Household</li> <li>. Race</li> <li>. Sex of Head</li> <li>. Education of Head of Spending Unit</li> <li>. Life-cycle</li> <li>. Number of Year Married</li> <li>. Amount of Instalment Debt</li> <li>. Liquid Assets</li> <li>. Disposable Income</li> <li>. Participation in the Labor Force</li> <li>. Income Change (%)</li> <li>. Occupation</li> <li>. Region</li> <li>. Urbanization (size of the city)</li> <li>. Housing Status</li> <li>. Length of Residence</li> </ul>	<p>Debtor households who overspend, relative to their income, place their budgets under pressure and hence may be expected to encounter trouble more frequently than other debtor households</p>	<ul style="list-style-type: none"> <li>. The greatest proportion of DEEP TROUBLE and SOME TROUBLE debtors were found among the unmarried, the poor, and those under 25 or 65 and older</li> <li>. About 40% of single-person households and Black households were in deep trouble</li> <li>. A household headed by women were more likely to experience debt troubles</li> <li>. Income change is associated with debt trouble</li> <li>. Laborers and service workers along with the unemployed and retired were marked by the above-average likelihood of debt trouble</li> </ul>
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			. Number of Cars Owned		

<p>Schicks (2014)</p>	<p>Multinomial Logistic Regression</p>	<p>Sacrifice-based Over-indebtedness</p>	<ul style="list-style-type: none"> <li>. Any Non-Productive Loan Use</li> <li>. Returns on Investment</li> <li>. Gender</li> <li>. Ethnic Background</li> <li>. Marital Status</li> <li>. Level of Education</li> <li>. Health Problems</li> <li>. Housing Type</li> <li>. Employment Status</li> <li>. Main occupation</li> <li>. Income Volatility</li> <li>. Group or individual Consumer</li> <li>. General Fairness of MFIs</li>   <li>. Average Monthly Income Value</li> <li>. Total Assets</li> <li>. Unexpected expense shocks</li> <li>. Expected expense shocks</li> <li>. Score Numeracy</li> </ul>	<p>H1: A borrower's risk of over-indebtedness is related to their gender</p> <p>H2: Borrowers who experience adverse economic shocks are more likely to be over-indebted</p> <p>H2a: Unexpected shocks to a borrower's expenses are positively related to his/her likelihood of over-indebtedness</p> <p>H2b: Expected lump sum expenses are positively related to a borrower's likelihood of over-indebtedness</p> <p>H2c: Unexpected shocks to a</p>	<ul style="list-style-type: none"> <li>. Microborrowers are more likely to be over-indebted when they are male and when they experience adverse economic shocks to their income and expenses</li>   <li>. Over-indebtedness risk is higher for borrowers with low returns on the investment in their microenterprise and for borrowers who, in part, use their loans for non-productive purposes</li>   <li>. Borrowers are more likely to be over-indebted when they lack the financial literacy to understand debt products</li> </ul>
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			<p>Test</p> <ul style="list-style-type: none"> <li>. Score General Financial Literacy Test</li> <li>. Score Debt Literacy Test</li> <li>. Age</li> <li>. Number of Children</li> <li>. Household size</li> <li>. Amount of savings</li> <li>. Number of MFIs Crossborrowing</li> <li>. Total Amount of Debt Disbursed</li> <li>. Average Maturity Weighed</li> </ul>	<p>borrower's income are positively related to his/her likelihood of over-indebtedness</p> <p>H3: Borrowers with low returns on their loans are more likely to be over-indebted</p> <p>H3a: Using a loan for non-business purposes is positively related to a borrower's likelihood of over-indebtedness</p> <p>H3b: Returns on investment in a borrower's productive activity are negatively related to the borrower's likelihood of over-indebtedness</p> <p>H4: Borrowers</p>
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				<p>with better financial literacy are less likely to be over-indebted</p> <p>H4a: A borrower's numeracy is negatively related to his/her risk of over-indebtedness</p> <p>H4b: A borrower's general financial literacy is negatively related to his/her risk of over-indebtedness</p> <p>H4c: A borrower's debt literacy is negatively related to his/her risk of over-indebtedness</p>	
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<p>Stone &amp; Maury (2006)</p>	<p>Estimated Logit Model, Likelihood Ratio tests, Stepwise Regression</p>	<p>. Hold unsecured personal debt (includes debts from cards and loans and excludes mortgages and car loans)</p>	<p>Demographic variables (Social class; partner's social class)                  . Economic variables (Disposable income; the number of debts; the total amount of debt)                  . Enduring psychological variables (People get the respect they deserve; they believe that credit useful but complicated; general coping – less cool and calm; value achievement over social concern; attitudes pro-credit rather than anti-debt)                  . Economic attribution (Important to keep</p>	<p>Not specified</p>	<p>. The model that discriminates respondents with unsecured personal debt represent demographic (such as age, sex, race/ethnicity), psychological, sociological(such as parents attitudes toward credit card usage, size of the city, home of record and credit card use), economic aspects of the individual's profile(total income, financial activities, financial events) economic aspects(life-altering events in the last 12 months).                   . No single set of characteristics (economic, psychological, situational, institutional, etc) is sufficient to explain the indebtedness of the sample, but once combined into a single explanatory equation, representing the complex and multifaceted nature of people's attitudes toward, and habits of, money usage, the ability to predict outcomes increases dramatically</p>
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		<p>up with the Jones's; blame external disasters rather than hedonism)</p> <ul style="list-style-type: none"><li>. Satisfaction on life (satisfied if no change in own standard of living)</li><li>. Economic behavior (Reward self with purchase; think about money; willing to use credit; the number of bank accounts; enjoy shopping for clothes; shop n favorite shops; pay total off the credit card each month; enjoy shopping with family)</li><li>. Background characteristics (Parent's use of forms of credit; parents' view of credit; family</li></ul>	
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		<p>financial situation) . Number of adverse life events in the last 12 months (such as medical bills, marital problems, and work-related problems on financial difficulties) . Psychological variables (Attitudes towards money-retention; decision making-gain situations; attitudes towards money-power; sensation seeking-total score; attitudes towards money-anxiety; self-efficacy; locus of control-internal control; decision making-loss situations)</p>	
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Townley-Jones et al., (2008)	Distributions and Contingency Tables	Chronic Debtors (financially overcommitted, i.e., unable to meet debt repayment demands and other normal costs of living expenses)	<ul style="list-style-type: none"> <li>. Age group</li> <li>. Household group (single, single parent, couple, couple with children)</li> </ul>	Not specified	<ul style="list-style-type: none"> <li>. Individuals in the 25-44 age grouping, single-adult, sole parent households (lone-adult households) and very low-income groups are more likely to be chronic debtors</li> <li>. Only 14% of the chronic debtors were homeowners or were purchasing a home</li> <li>. The major causes of financial overcommitment are unemployment, excessive use of credit, domestic discord and ill health</li> </ul>
Wang & Xiao (2009)	ANOVA and Logistic Regression	Whether or not the student has a revolving balance on his/her credit cards (Students with a credit card balance were treated as one group as opposed to those with no balance)	<ul style="list-style-type: none"> <li>.Compulsive Buying</li> <li>.Impulsive Buying</li> <li>.Social Support</li> <li>.Budget constraint</li> <li>.Parental Income</li> <li>. Male (vs Female)</li> </ul>	<ul style="list-style-type: none"> <li>. H1: Compulsive buying is predicted to cause credit card debt</li> <li>. H2: Impulsive buying is predicted to cause credit card debt</li> <li>. H3: More social support is predicted to reduce the</li> </ul>	<ul style="list-style-type: none"> <li>. Compulsive buying is associated with credit card debt</li> <li>. Students with credit card balances are higher in their impulsive buying than those without a balance. However, impulsive buying does not appear to be a significant predictor of credit card indebtedness</li> <li>. Sufficient social support decreases the likelihood of indebtedness. If students can obtain social prompt and adequate support, the risk of</li> </ul>

				probability of credit card debt	holding credit card debt is reduced and they will be in a better financial position . Family income is unrelated to students' credit card indebtedness but the perceived budget constraint is associated with indebtedness
Watson (1998)	ANOVA + Multiple Regression	Spending Tendency Scale (the spending tendency dimension attempts to identify the person who spends to (and maybe beyond) his or her financial limit) The low score may be characterized as a budgeter, someone who may be called "cheap", and a high scorer may	.Age .Year of study . Gender . Degree Area . Employment Status . Materialism (low/high)	H1: In comparison to people with low levels of materialism, people with high levels of materialism are more likely to (a) be "spenders", (b) have positive attitudes toward debt, and (c) have larger amounts of debt H2: Materialism will serve as a significant predictor in	. Highly materialistic people have more favorable attitudes toward spending as well as more favorable attitudes toward debt than people with low levels of materialism . However, materialism was not related to levels of debt

		be characterized as a spendthrift (Heslin and Frey, 1996)		models of indebtedness	
Webley & Nyhus (2001)	Logistic Regressions and Correlations	. Debt Status: debtors, mild debtors, and non-debtors (an index was developed)	.Net Income . Change in Income . Self-reported Change in Income . Income Expectations . Income Uncertainty . Socio-economic variables . Attitudes to Debt . Time Preferences . Self-control . Time Horizons . Money Management . Economic Socialization	Not specified	. Economic factors are very important for the prediction of who is in debt and who remains in debt. . Psychological variables also demonstrated to have an important predictive power . Those participants with a present orientation and a lack of self-control are more likely to get into debt and stay in debt . Attitude to debt is associated with debt . The use of certain money management techniques (using a housekeeping book, having a limited amount of money on one's person, avoiding shopping) does seem to be associated with debt

			<ul style="list-style-type: none"> <li>. Health</li> <li>. Conscientiousness</li> </ul>		<ul style="list-style-type: none"> <li>. Expectations (e.g. of future income) is associated with indebtedness</li> <li>. Debtors are more likely to expect their incomes to increase in the medium-term but not the short-term</li> </ul>
Xu et al., (2017)	Pairwise correlations, ACE model, AE model (multimethod)	<p>Financial Distress:</p> <ul style="list-style-type: none"> <li>. No utility payment</li> <li>. No phone service</li> <li>. No mortgage/rent payment</li> <li>. Past year worried food depleted</li> </ul>	<ul style="list-style-type: none"> <li>-Personality Traits:                             <ul style="list-style-type: none"> <li>. Conscientiousness</li> <li>. Neuroticism</li> <li>. Extraversion</li> <li>. Agreeableness</li> <li>. Openness</li> </ul> </li> <li>-Cognitive ability</li> <li>-Demographics                             <ul style="list-style-type: none"> <li>. Sex</li> <li>. Age</li> <li>. Race/Ethnicity</li> </ul> </li> </ul>	Not specified	<ul style="list-style-type: none"> <li>. Genetic and environment influences household financial behaviors. About half of the variability of the latent financial distress is genetically influenced</li> <li>. Three personality traits and cognitive ability explain nearly half of genetic variance in financial distress. The study suggests that cognitive and non-cognitive abilities mediate the genetic influences on financial outcomes</li> <li>. Those high on neuroticism and low on ability experience greater financial hardship</li> <li>. Neuroticism plays a relatively more important role among</li> </ul>

					individuals from low SES background and cognitive ability plays a relatively more important role among individuals from high SES backgrounds
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### **CHAPTER 3 – FROM ORDER TO CHAOS: HOW CONSUMERS LOSE CONTROL OF RISKS (AND OF THEMSELVES)**

“Imagine a tsunami: you are in the middle of it, and everything is going everywhere. And you’re in the middle of it, but you want to get out, and so you struggle, you try to escape from one point, just to end up at another, trying to get out. You’re praying for it to end. It will end at some point, and if you can get out alive, great.”

(Luke, overindebted consumer)

### 3.1 Introduction

Consumers face increasing levels of risks in contemporary societies (Beck 1992; Giddens, 1991). These risks can be staggering in the sense that they can surprise, overwhelm, and affect consumers in unintended and negative ways. The challenges for consumers in trying to handle and manage staggering risks are clearly manifest in the use of credit and related debt. The consumption of credit and debt has consistently increased over the past decades and is now ubiquitous (Langley, 2014; Peñaloza & Barnhart, 2011). Also widespread is one of its adverse outcomes: over-indebtedness.

Over-indebted consumers are those expressing difficulty or serious difficulty in making debt payments, including credit debt, mortgage payments, and hired purchase installments (Betti, Dourmashkin, Rossi & Yin 2007), and also suffering unsustainable financial stress from their sum-total of payment demands (Ranyard, McHugh & McNair, 2017). As the opening vignette illustrates, the experience of over-indebtedness can be quite dramatic for consumers. Scholars have reported strong negative effects related to over-indebtedness, including serious physical and mental effects, such as depression, suicidal ideation and attempt, and drug and alcohol abuse (Turune & Hiilamo, 2014; Fitch, Hamilton, Bassett & Davey, 2011; Richardson, Elliott & Roberts, 2013). Financial failure, over-indebtedness, and personal bankruptcy are also highly stigmatized, commonly associated with wrong and immoral behavior (Frade, 2012; Efrat, 2006; Thorne & Anderson, 2006; Sousa, 2017; Sullivan et al., 2006). Even though the risks associated with over-indebtedness are high and dangerous, and consumers can suffer from the stigma of being over-indebted, millions of consumers take these risks and remain involved with and affected by them for long periods (Kinloch, Little, and Morawiec, 2016; Custers, 2018; d'Alessio & Iezzi, 2013). Nonetheless, we know little about the dynamics that take consumers from situations where risks are uneventfully assumed and managed (Peñaloza and Barnhart, 2011) to very dysfunctional situations in which control over risks is lost.

In examining the context of consumer over-indebtedness, I aim to understand: *how do consumers lose control and experience the materialization of staggering risks?* To address this overlooked area in consumer research, I examine the narratives and lived experiences of over-indebted consumers, which I accessed through a qualitative study conducted in Brazil.

In addressing this question, this study extends an emergent stream of literature that examines the sociocultural consumer motivations, perceptions, and understandings in risk-taking (e.g., Celsi, Rose & Leigh, 1993; Thompson, 2005; Wong and King, 2008; Drenten & Zayer, 2017; Thompson and Ustuner, 2015; Barnhart, Huff, McAlexander and McAlexander, 2017; Cross, Leizerovici and Pirouz, 2017). This literature frames consumer risk-taking and the construction of risk understandings beyond the probabilistic assessment of risks and its expected heuristics and biases of Prospect Theory (Tversky & Kahneman, 1974). For example, in high-risk leisure consumption, the motives for consumer engagement evolve along the risk-taking process leading to risk acculturation and the normalization of risk (Celsi, Rose & Leigh, 1993).

This literature has provided important insights into the volitional risk-taking process in which consumers plan and assess risks a priori and face them in the process of identity building, influenced by dominant or anti-establishment cultural narratives. However, it has limited applicability in explaining what happens when consumers take staggering risks and lose control of them. I find that when risks are beyond consumers' capacity to manage them, they lead consumers into a chaotic experience of losing control not only of their debts but also of their lives in the process of identity deconstruction. This experience is in direct contrast with the high-risk leisure consumption, as shown by Celsi, Rose & Leigh (1993), in which consumers acculturate with a high-risk identity, and this risk is then normalized. As such, this contributes to the understanding of consumer risk perceptions, risk-taking, and risk mitigation by showing that the dominant narratives of personal responsibility, autonomy, and control can exert double-edged influence on consumers: they incentivize consumer risk-taking but also hamper consumer efforts to manage and overcome the harmful effects of risk.

This study also extends the sociocultural literature on credit and debt consumption. Credit has been considered a cultural phenomenon normalized in contemporary societies and a tool of lifestyle facilitator (Bernthal, Crockett & Rose, 2005; Peñaloza and Barnhart, 2011). Whereas this literature has made an essential contribution to our understanding of the uses and meanings of credit, it has less to say about the experience of consumers when they lose control and debts become unmanageable. Our findings describe the unfolding of consumer experiences when credit and debt become highly dysfunctional by unpacking the downward trajectory that affects consumer identity. In doing so, these findings shed light on the experiences of

consumers who are overwhelmed by the hazards of risks and experience the unintended stigmatized position of being over-indebted.

Finally, this study is aligned with recent calls from the academic community to examine social problems in context and provide research and insights on how to improve consumer well-being (Ozanne et al., 2015; Davis and Ozanne, 2019). The importance of the phenomenon of over-indebtedness and its negative impacts on consumers and their families justify additional research to improve the understanding of how consumers experience risk in this particular domain.

## **3.2 Theoretical background**

### **3.2.1 Risk society**

Beck defines risks as “a systematic way of dealing with hazards and insecurities induced and introduced by modernization itself. Risks, as opposed to older dangers, are consequences that relate to the threatening force of modernization and to its globalization of doubt” (Beck, 1992, p. 21). As theorized by Beck, the risk society brings new challenges to individuals. With the advancement of modernization, social agents tend to become more individualized and less constrained by social structures. In this process, social agents are not only invited but also required to make choices as self-interested and rational individuals. They must develop their biographies and a coherent narrative of identity in a reflexive way. Accordingly, governmental processes of consumer responsabilization shift the responsibility of solving societal problems from corporate and political actors to individual consumers (Giesler and Veresiu 2014), who must become health-conscious, environmentally responsible, and financially literate. As such, the ethos of a consumer who exhibits self-control, modesty, economic efficiency, hard work, and is capable of managing risks is created. It implies that optimized financial decision-making becomes a requirement for consumer identity-building projects (Giesler & Veresiu, 2014).

While bringing more freedom and possibilities, the risk society also brings new uncertainties. Individuals lose the traditions and modes of living of the industrial society (Beck, 1992). This loss of security can bring fear and anxiety due to the unpredictability and threat of risks. Individuals, instead of systems, can also be personally blamed for accidents and damages by companies, politicians, and politics (Beck, 1992). Thus, it

is increasingly important to understand how individuals perceive, assess, and manage risks in this complex risk society (Beck, 1992).

In this study, I propose the concept of staggering risks that can surprise, overwhelm, and affect consumers in unintended and negative ways. Several conditions characterize staggering risks. They are: (1) complex (multi-causal and multiple adverse effects); (2) dynamic, due to their changing nature; they transform themselves from normalized and socially approved risks into dysfunctional and socially stigmatized risks; they also reveal themselves partially for consumers only over time in a continuous process; (3) ambiguous, because they are uncertain, difficult to interpret, and subjectively perceived; (4) unpredictable, due to their capacity to increase and transform, which makes an accurate assessment of both the negative outcomes and their probabilities of occurrence almost impossible; also, consumers deal with limited information, with no rehearsals to handle risks, and with a semi-reliable memory; (5) severe, due to their potential harm to well-being (Campbell, Inman, Kirmani, & Price, 2020); (6) metastatic, due to their possibility to spread out to different risk arenas and life domains; (7) psychologically close, due to their proximity to the person experiencing the risk effects and the felt involvement (Campbell et al., 2020).

### **3.2.2 Consumer research on risk**

The literature that approaches risk from a sociocultural perspective, in which risks are culturally perceived and understood, considers risky consumption and consuming under risky conditions in risk-laden contexts (Lamberton and Hill, 2017). This literature centers around four themes: (1) voluntary risk-taking, (2) the cultural construction of risk perceptions and understandings, (3) consumer navigation of risk in identity work, and (4) practices of risk mitigation. In the following paragraphs, I briefly overview key studies addressing these themes.

To understand why individuals purposefully seek physical and psychologic risk through voluntary high-risk consumption, (Celsi, Rose & Leigh 1993) explored the motives, risk perceptions, and outcomes of participation in skydiving. The authors showed that both the motives and risk perceptions evolve as consumers acculturate to a high-risk identity. At the beginning of the acculturation process, individuals are motivated by curiosity, thrill-seeking, adventure, and social influence. As they gain

experience in skydiving, their motivation to continue is more related to efficacy motives, group camaraderie, heightened experience, and new identity construction. Finally, when consumers become experienced skydivers, their motivation becomes more abstract, leading to a transcendent feeling of “flow”, “communitas,” and “phatic communion,” in which participants consider themselves extraordinary and special (Celsi et al., 1993, p. 11). Skydivers embrace the experience of “edgework”, a type of voluntary risk-taking that explains how individuals develop and use their skills to negotiate the boundary between chaos and order (Lyng, 1990). Through intensive planning and training, consumers who engage in edgework attempt to exercise control over a situation, master the risks involved in it, and obtain intense pleasure from this experience (Lyng, 1990; Celsi et al., 1993).

In a more ordinary context, but also involving experiences with pleasurable risk and “edgework”, (Drenten & Zayer 2017) examine how consumers engage with Digital Virtual Consumption (DVC) triggered by risk-laden life events. Consumers use DVC to negotiate the tensions related to risk through “edgework”, in which they attempt to experience pleasure and a renewed state of desire while maintaining control of the risks and coping with them. Through DVC, consumers try to transform fragmented life experiences into coherent life stories. Ultimately, consumers use DVC to experience intense emotions in the process of identity construction, identity reaffirmation, and identity transformation (Drenten & Zayer, 2017). Jointly, these studies (Celsi et al., 1993; Drenten & Zayer, 2017) illuminate our understanding of high-risk consumption, “edgework,” and the process by which consumers develop skills to exercise control, transform risk into something desirable, and experience pleasure on this identity-building process.

(Thompson & Ustuner 2015) draw on the concept of ideological edgework to explore marketplace performances in the context of women’s flat-track roller derby. They show that derby grrrls’ resignify their performances of femininity, pushing the boundaries of the normative constraints of their original gender socialization (Thompson & Ustuner, 2015). When resignification processes are successful, derby grrrls can develop their sense of personal empowerment and collective solidarity, maintaining their sociocultural legitimacy (Thompson & Ustuner, 2015). However, these studies building on the edgework concept do not have much to say about situations in which consumers take unplanned and uncalculated risks, cannot negotiate the risk-related tensions to

engage in successful edgework, and cross the boundary between order and chaos, experiencing the negatives outcomes and the hazards of the materialization of risks.

A more informative stream of literature in that regard is prior research that examines how consumer risk perceptions are socially constructed according to dominant or anti-establishment cultural narratives. For instance, in a study of women treated for breast cancer, Wong & King (2008) show that risk understandings are influenced by the dominant illness narrative of restitution that reflects the values of personal responsibility and control strongly presented in the Anglo-western cultures. This narrative approaches the disease as preventable, treatable, manageable, and even curable (Saillant, 1990; Wong & King, 2008). To be aligned and compliant with these cultural narratives, women get to undertake more severe forms of treatment even when lesser ones could suffice. The study shows that these women understand risks from the standpoint of the actual contexts in which they live (Lupton, 2003; Wong & King, 2008). Imbued with the narrative of individual responsibility, women treated for breast cancer transform themselves from patients to successful survivors (Ehrenreich, 2001; King, 2004; Wong & King, 2008). The risks taken by these women, instead of being stigmatized, are glorified in the restitution narrative. On the other hand, consumers can also develop their risk perceptions following the antiestablishment and countercultural narratives.

Examining the context of natural childbirth, Thompson (2005) shows that consumers can develop alternative models of risk reduction influenced by a process of reflexive doubt. These consumers do not align themselves with the risk approach developed by the socially sanctioned expert systems and authorities. They engage with communities of reflexive doubt that cast doubt on scientific rationality and mainstream approaches to risk. In this context of natural childbirth, such engagement means to adopt the narrative that midwife-attended home births are a safer risk choice for pregnant women, rejecting the narrative that a hospital is the safest place to labor (Thompson, 2005). Communities of reflexive doubt create a socially shared construction of risk that does not follow the dominant and socially sanctioned ones. Adopting the shared narratives of these communities, consumers also develop identity work through an anti-institutional construction of the self.

This prior research (Wong & King, 2008; Thompson, 2005) sheds light on the influence and force of social narratives on consumers' risk perceptions and risk understandings in health-related decisions. They show that consumers, influenced by

specific social narratives, make a decision that could be considered in contrast with the canons of the dominant science. Similar to Celsi et al. (1993), these alternative models of risk can be part of an identity-building process for consumers. However, this research stream explains risk perceptions and risk-taking aligned with ideological and socio-cultural narratives. Nonetheless, it does not explain the situations in which consumers take uncalculated risks without consciously following any specific ideology, and the risks become unmanageable and overwhelming.

Exploring risk mitigation, (Barnhart, Huff, McAlexander & McAlexander 2017) examine gun ownership oriented to self-defense. They show that armed consumers face several risks when keeping and/or carrying guns, such as accidentally killing or injuring themselves or another person, being targeted by criminals because of being armed, and also facing legal, moral, or psychological risks for permitting a family member access to firearms, among others. Consumers attempt to mitigate such risks in three ways: “through readiness practices with guns but no assailant, simulated scenario practices incorporating simulated assailants, and mental rehearsals incorporating imagined assailants” (Barnhardt et al., 2017, p. 27). The authors also show that risk mitigation is performed in routinized and consistent patterns and that equipment, training, and mental preparation contribute to the mitigation process. For gun owners, the feeling of “responsible ownership” is essential, as well as a sense of security that comes from compliance with social norms and the self-enhancing practices of mental routines (Barnhardt et al., 2017). Their study makes an important contribution to our understanding of the practices utilized by consumers to mitigate risks; however, it does not explain what happens when consumers cannot reduce risks and lose control of them, experiencing their hazards.

Another study conducted by (Cross, Leizerovici & Pirouz 2017) examined the stigmatized phenomenon of hoarding, defined as the “inventory accumulation, driven by perceptions of a high risk of product deprivation” (Cross et al., 2017, p. 83; McKinnon et al., 1985). The authors explain how the risk for consumers who hoard (i.e., disposing of items that still have inherent and symbolic value) differs from the risk that their behavior creates to others (i.e., a potential threat to personal safety and societal standards). Hoarders seem to ignore the risks and the stigma others associate with the behavior and tend to consider themselves as “savvy, future-oriented, outside-the-box thinkers” (Cross et al., 2017). As hoarding can be regarded as a psychiatric disorder, it is unclear whether these findings would help explain why consumers who

are not affected by psychiatric disorders assume voluntary risks in an unplanned way or how they lose control and experience the materialization of risks not socially sanctioned.

### **3.2.3 Consumer credit and consumer debt**

As this study aims to understand how consumers navigate the risk of over-indebtedness and its consequences, I now turn to the sociocultural literature on credit and debt. Bernthal, Crocket & Rose (2005) have approached the consumption of credit from a sociological perspective of credit card practices regulating different consumer lifestyles. Analyzing the possession and the use of credit cards by consumers, the authors identified a trajectory of freedom towards an “Achieving” lifestyle and a trajectory of constraint towards a “Coping” lifestyle. Consumers more influenced by a protestant ethic would tend to an “Achieving” lifestyle, and consumers more influenced by an entitlement ideology would tend to a “Coping” lifestyle. The authors define a metaphorical Debtor’s Prison as “a lifestyle space imbued with meaning by credit card practices associated with the accumulation of substantial debt relative to the ability to repay” (Bernthal et al., 2005, p. 137). As their study focuses on credit card practices that explain movements into trajectories of freedom and constraint, Bernthal et al. (2005) understandably do not examine in-depth the experience of debt-ridden consumers. They also approach credit and debt as a matter of control of consumer lifestyles and overlook the risk perspective and its impacts on consumers’ meanings and identities.

Peñaloza & Barnhart (2011) show that credit has been normalized in US capitalism. Their work demonstrates that having credit is part of the “package” to be middle-class in the US. The authors approach the consumption of credit and debt as cultural phenomena and identify the cultural meanings associated with them: “Doing the Right Thing” and “Managing Debt,” also identifying two possible trajectories for consumers: into or out of credit/debt. These meanings and trajectories explain the normalization of credit, the cultural productions of credit and debt, and the different consumer subject positions in this market. Discussing the cultural meanings and the influences of the stigma associated with over-indebtedness and the consequences for consumer identity seem to be a necessary and vital extension of this prior work.

Overall, consumer researchers' understanding of risky consumption is still underdeveloped (Lamberton & Hill, 2017), and research on risk perceptions has so far been concentrated on the domain of physical risk (e.g., health-related, leisure consumption, gun ownership, hoarding).

### **3.2.4 Over-indebtedness and stigma**

Historically, financial failure and bankruptcy have been associated with signs of immoral, criminal, and sinful behavior (Frade, 2012). In the past, bankrupted individuals used to be frequently degraded and humiliated in public and used to receive severe punitive treatments such as forfeiture of all property, revocation of citizenship, surrendering children as slaves, imprisonment and death. They were labeled as "deceivers", "frauds", "offenders", "cheaters", and "squanders" (Efrat, 2006, p. 366). The bankruptcy filing was considered fraudulent conduct or disregard of the moral obligation to repay the debts, and individuals commonly attempted to conceal their indebtedness and bankruptcy situation from others (Efrat, 2006). There is controversy regarding whether the stigma associated with (over)indebtedness and bankruptcy has been increasing or decreasing over the years, but studies converge that stigma still exists (Thorne & Anderson, 2006; Efrat, 2006; Sousa, 2017; Sullivan et al., 2006).

The relationship between creditors and debtors has always been associated with notions of morality. To pay one's financial obligations is the right thing to do morally (Sousa, 2018). Debtors, in general, feel ashamed and guilty if they are unable to manage their finances and pay their bills (Hayes, 2000). According to David Graeber (2012), the idea that morality is a matter of paying one's debts is pervasive. The message from the media, politicians and economists to (over)indebted people is that they are at fault and guilty (Lazzarato, 2012). The creditor-debtor relationship presupposes a morality that forces the debtor to be both accountable and guilty (Lazzarato, 2012). Solvency, then, works as a kind of measurement of the morality of men (Lazzarato, 2012).

### **3.3 Research context**

This study focuses on consumers who lost control of their debts, becoming over-indebted. These consumers are financially overcommitted and usually unable to pay their bills, debts, and expenses without reducing expenditures below the level of their family's subsistence (Brennan & Gallagher, 2007; Townley-Jones et al., 2008). Being over-indebted can involve having a high payment-to-income ratio (SCF), being denied

credit, being late in payments, and facing arrears, unreasonable harassment and repeated penalty charges by creditors and collection agencies, being threatened with a legal action or court judgment, and facing the situation of bankruptcy and foreclosure, among others (Bricker & Thompson, 2016; Patel et al., 2012). Over-indebtedness can reach different social classes. However, while middle and upper classes tend to have problems with mortgages and consumer debts with financial institutions, lower-class groups tend to have more problems with non-payment of utility or telephone bills, rent, taxes or fines, debts with friends, or healthcare costs (OECD, 2011).

The exponential expansion of credit in the last decades has led to a growing number of over-indebted consumers (Ranyard et al., 2017; D'Alessio & Iezzi, 2013) both in developed and developing countries. For instance, in a report with data from the European Union of 2016, 14% of people surveyed reported that they could not make their scheduled payments (including rent or mortgages, consumer credit, loans from family or friends, utility or telephone bills). If EU consumers not yet in arrears but with difficulty to make ends meet were included, a total of 21% of surveyed consumers were at risk of over-indebtedness (OECD, 2011). Studies of consumer debt in South Africa, Swaziland, post-communist member states of the European Union, and Turkey showed similar patterns of national credit market developments with high initial acceptance of credit use followed by problems with over-indebtedness (Burton, 2017; Naicker et al., 2013; Erasmus & Mathunjwa, 2011). The same pattern has recently occurred in Brazil, leading the ratio of Credit/GDP to increase from 24,3% in 2003 to 47% in 2019. Of the total credit, 55% is credit to consumers, including mortgages and consumer credit in general. For instance, 32% of the consumption of Brazilian families is made with the use of credit cards (Febraban, 2018). At the same time, with this increasing indebtedness, the share of the family budget directed to service its debts increased from 15,8% in 2005 to 22,2% in 2016 (Ipea, 2016).

The Brazilian context is very appropriate for our research due to the high number of consumers using credit and facing arrears, insolvency, and over-indebtedness. Recent data shows that 67,4% of the Brazilian families had some kind of debt, the highest proportion in a historical series, and 26,3% of families were in arrears in July 2020 (CNC, 2020). In March/2020, the number of Brazilian consumers with insolvency was about 63,8 million (Serasa Experian, 2020), and roughly 30 million consumers are considered over-indebted (da Costa, 2018). Our primary research site

is a public agency specialized in consumer protection, here called ProConsumer, located in the largest metropolitan area of Brazil. ProConsumer offers a support program to over-indebted consumers, giving them orientation and financial education and promoting the renegotiation of debts with all creditors while trying to assure subsistence of the over-indebted. It acts as an intermediary between debtors and creditors. Creditors generally offer better conditions to debtors in deal negotiations mediated by the agency, such as discounts, interest exemptions, and extended payment deadlines. If creditors do not make an offer or consumers cannot pay for the offer received, the deal agreement is not closed, and consumers are recommended to look for free public defense services or go straight to court. According to ProConsumer, consumers' main reasons for over-indebtedness are lack of financial control, unemployment, income reduction, personal or family disease, business failure, borrowing-lending amongst family and friends, divorce, and death in the family. A report from (OECD, 2011) highlights the transfer of opportunities and risks to individuals and households in various financial services segments as a reason for over-indebtedness. It happens concomitantly with the rapid development of financial markets, increased complexity of financial products, fast technological changes, unregulated or inadequately regulated, and misaligned incentives to financial services providers. All the while, the level of financial literacy of consumers remains low in many countries. In combination, these factors bring additional risks to consumers (OECD, 2011).

In Brazil, debtors who have their insolvency records reported in the national credit bureaux are considered bad payers and referred to as consumers whose names are “soiled” (“nome sujo”). Consequently, they attempt to avoid having their names included in these “blacklist” credit databases (Cordeiro et al., 2019). Having a “soiled name” means that the consumer is in an inferior position, and is perceived as someone who lacks honesty and respectability, has less status and less distinction, and is in a position of semi-marginality (Queirós Mattoso, 2005). The social stigma is prevalent, and the over-indebted consumer is considered someone who does not know how to plan and manage his budget, who is unwise, impulsive, and acts in bad faith (Hennigen & Gehlen, 2012). As such, the stigma and the moralizing dimension of over-indebtedness are also strongly encountered in Brazil (Hennigen & Borges, 2014).

### 3.4 Method

I conducted a multi-site study that provided complementary data sources and permitted a deeper understanding of the phenomenon under study. Our leading site for data collection was ProConsumer and its program for over-indebted consumers, which has monthly free lectures/orientations directed to the over-indebted and open to the public. I conducted non-participant observation in six of these lectures and recruited participants in five of them during subsequent months in the second semester of 2018 and the first semester of 2019. I also recruited two employees working on the program as interviewees in these monthly lectures. In parallel, I also participated in six two-hour weekly meetings of Debtors Anonymous (DA) in one of their chapters in the same metropolitan area. DA is a non-profit organization based on the same principles as Alcoholics Anonymous and is present in more than 15 countries worldwide (About DA, 2020). DA offers help and support for individuals whose use of unsecured debt causes problems and suffering in their lives and the lives of others. The only requirement for becoming a participant is a desire to stop incurring unsecured debt (About DA, 2020). To gain a richer understanding of the context of the phenomenon under study, I also participated in another eight events, seminars, and roundtables related to credit and over-indebtedness offered by diverse institutions. Secondary data was collected from institutional websites, including ProConsumer, DA, and others. Besides, I collected media reports during the same period and documents from two other similar programs in two other large metropolitan areas of different States. Table 9 provides a summary of our data sources and purposes of usage.

**Table 9**

*Types of Data Sources*

<b>Source</b>	<b>Types of Data</b>	<b>Purpose of Usage</b>
Non-Participant Observation in ProConsumer Lectures	Field Notes (23 pages) Booklet and Leaflets – Guides and Support Material for Over-indebted Consumers (19 pages)	Obtain access, knowledge, and intimacy with over-indebted consumers' contexts and challenges
In-depth Interviews with Over-indebted Consumers	37 Interviews (Transcribed Verbatim, 635 single-space pages)	Understand the motivations, narratives, trajectories, lived experiences, and consumer meanings

In-depth Interviews with Counsellors/Experts	3 Interviews (Transcribed Verbatim, 36 single-spaced pages) Lectures, Presentations, and Statistics (78 single-spaced pages)	Understand the perspective of specialists and experts to complement the views of consumers
Ethnography with Debtors Anonymous	60 Testimonials (78 single-spaced pages) Field notes (5 single-spaced pages) Program Guidelines and Orientations to Debtors (22 single-spaced pages)	Understand the motivations, narratives, trajectories, lived experiences, and consumer meanings
Participation in Events Related to Credit and Over-Indebtedness	8 Events, Seminars, and Roundtable Field Notes (10 single-spaced pages)	Increase the understanding of the market contexts in which consumers get over-indebted and the perspective of market players
Secondary Data	21 Reports (685 single-spaced pages) 10 Booklets, Manuals, Articles and Leaflets about Credit, Debt, Over-indebtedness, and Regulation (677 single-spaced pages) Documentary on Consumer Over-indebtedness (video and ten single-spaced pages of transcribed verbatim)	Complement the understandings from consumers and experts, analyze statistics and triangulate between different sources of data Obtain the perspective of consumer protection agencies and market players on over-indebtedness

The in-depth interviews were conducted with over-indebted participants recruited in the lectures. Most interviews were conducted in public spaces, except for three of them conducted on Skype and another three at participants' homes. The latter offered an opportunity to observe participants' homes and living standards. A semi-structured interview guideline based on the literature and research interests was developed (McCracken, 1988; Spradley, 2016). Through the in-depth interviews, I explored consumers' experiences along the process into and during over-

indebtedness. The interviews were audio-recorded and transcribed. They lasted from 45 to 158 minutes with an average of 103 minutes.

The situation of over-indebtedness is very sensitive to consumers because there is a lot of suffering, frustrations, and negative emotions involved. Most of the participants cried more than once during the interviews when talking about their feelings and experiences. I tried to be as empathic as possible and establish a good rapport with all participants. Some of them mentioned that they liked to have someone to listen to their stories with interest, confidentiality, and without criticizing them. Some of them reported that they felt a little more relieved after the interview. Table 10 provides a summary of the participants' profiles. They vary in gender, age, educational background, marital status, having children or not, social class, length of time with problem debt, and the amount of debt relative to monthly income.

In the table of participants, I show an estimate of their former and current income, considering that 59,5% of the participants either became unemployed, lost income, or suffered an income decrease as a starting point of their process over-indebtedness. To provide a better understanding of their finances, I also estimate how many times their current monthly income corresponds to the total amount of their debts owed. It is important to take into consideration that these consumers, in general, already have one hundred percent of their monthly incomes (or more) committed to the payments of their debts and basic expenses ("over-commitment"), which demonstrates a very concerning financial situation.

**Table 10***Profile of Participants*

<b>Name</b>	<b>Age</b>	<b>Gender</b>	<b>Education</b>	<b>Occupation</b>	<b>Marital Status</b>	<b>Children</b>	<b>Social Position (*)</b>	<b>Debt/Current Monthly Income Estimated</b>	<b>Recent Income Variation</b>	<b>Length of time with Problem Debt (years)</b>
<b>Caroline</b>	46	Female	Bachelor's	Public employee	Married	1	High Middle Class	7x	Same	20
<b>Rick</b>	28	Male	Bachelor's	Parking lot operator	Married	2	Low Middle Class	9.5x	Decreased	7
<b>Robert</b>	32	Male	Master's Degree	Intern	Single	0	Average Middle Class	2.6x	Same	15
<b>John</b>	48	Male	High School	Cook	Married	0	Low Middle Class	2.8x	Same	1,5
<b>Russel</b>	64	Male	Doctorate	Professor (Retired)	Single	0	High Middle Class	11.9x	Increased	11
<b>Louis</b>	23	Male	Bachelor's	Uber driver	Single	0	Lower Class	10.7x	Increased	6
<b>Paula</b>	41	Female	Bachelor's	Auditor (Unemployed)	Married	0	High Middle Class	21x	Decreased	1,5
<b>Claire</b>	55	Female	High School	Realtor	Widowed	2	Low Middle Class	34.5x	Same	8
<b>Sandra</b>	59	Female	Bachelor's	Administrator (Retired)	Divorced	2	Low Middle Class	53.6x	Decreased	3

<b>Luke</b>	44	Male	High School	Small business owner	Married	2	Average Middle Class	2.5x	Same	3
<b>Mary</b>	56	Female	High School	Assistant nurse (Retired)	Married	0	Average Middle Class	18x	Same	1,5
<b>Raimond</b>	72	Male	High School	Metallurgist (Retired)	Married	4	Low Middle Class	23.7x	Same	10
<b>Philip</b>	42	Male	Bachelor's	Uber driver & Realtor	Single	0	Average Middle Class	15.2x	Decreased	2
<b>Angela</b>	42	Female	Post graduated	Nurse & administrator (Unemployed)	Married	0	Average Middle Class	-	Decreased	1
<b>Neil</b>	56	Male	Bachelor's	High school teaching coordinator	Married	0	Average Middle Class	2.6x	Same	4
<b>Evan</b>	45	Male	High School	Former Salesperson (Disability pension)	Married	3	Average Middle Class	4x	Decreased	1
<b>Ellen</b>	49	Female	Post graduated	Pedagogue & Entrepreneur	Married	1	Average Middle Class	22.2x	Same	2
<b>Owen</b>	65	Male	Bachelor's	Public employee (Retired) & Entrepreneur	Married	1	High Upper Class	8.2x	Same	3

<b>Joe</b>	47	Male	Bachelor's	Former marketing manager (Unemployed)	Married	0	Low Upper Class	8.8x	Decreased	1
<b>Faith</b>	56	Female	Bachelor's	Occupational therapist	Divorced	0	Low Upper Class	10.8x	Same	4
<b>Adam</b>	45	Male	Bachelor's	Industrial chemist (Unemployed) & Martial arts instructor	Single	0	High Middle Class	12x	Decreased	2
<b>Daisy</b>	36	Female	Bachelor's	Legal intern	Single	0	High Middle Class	2.9x	Same	4
<b>Naomi</b>	65	Female	Bachelor's	Institutional relations consultant (Retired)	Divorced	0	High Middle Class	5.1x	Decreased	2
<b>Garret</b>	46	Male	Bachelor's + Specialization	Engineer	Married	1	High Middle Class	3x	Decreased	3
<b>Fabio</b>	29	Male	Bachelor's	Sales manager	Married	3	Average Middle Class	40x	Decreased	1
<b>Valerie</b>	49	Female	High School	Unemployed (Disability pension)	Single	0	Low Middle Class	41.2x	Decreased	5
<b>Lucy</b>	37	Female	High School	Uber driver (Former auditor)	Married	1	Low Middle Class	16.6x	Decreased	2

<b>Ed</b>	71	Male	High School	Military (Retired)	Married	3	Average Middle Class	21.7x	Decreased	4
<b>Carly</b>	51	Female	Bachelor's	Administrator	Married	1	Low Middle Class	60x	Decreased	5
<b>Farrah</b>	55	Female	Doctorate	Architect	Divorced	0	High Middle Class	18x	Decreased	4
<b>Fae</b>	51	Female	Bachelor's + Specialization	Marketing manager (Unemployed)	Married	0	Low Upper Class	5.1x	Decreased	1
<b>Marlon</b>	38	Male	Bachelor's	Freelance journalist	Single	0	Average Middle Class	20x	Decreased	2,5
<b>Cecilia</b>	57	Female	High School	Realtor (Unemployed)	Divorced	2	Average Middle Class	-	Decreased	1
<b>Anne</b>	40	Female	Bachelor's	Psychologist & Secretary	Single	0	Average Middle Class	15x	Decreased	4
<b>Marlene</b>	61	Female	High School	Pensioner	Widow	1	Low Middle Class	6x	Same	10
<b>Ella</b>	59	Female	Bachelor's	Arts/design painter	Divorced	2	Lower Class	6.25x	Decreased	0,5
<b>Emily</b>	78	Female	High School	Accountant (Retired)	Single	0	Lower Class	9x	Decreased	4

(\*) Kamakura & Mazon, 2016) (\*\*) Including family income

I conducted a hermeneutic, iterative analysis of the data (Spiggle, 1994; Thompson, 1997). In the initial stage of the analysis, the complete set of materials, field notes, transcripts were read entirely, and intra-textual analysis was conducted. Each interview was examined individually to generate a comprehensive understanding of each participant's experience and narrative. In the second stage, I conducted an inter-textual analysis of all interviews and triangulated the data from the different data sets to find common emerging themes. I analyzed how each informant's data separately related to the whole in continuous part-to-whole interaction with the various sources of data (Thompson, Locander, and Pollio, 1989). I then started to iterate between data and literature and coded the data based on the theoretical framework of chaos narratives (Frank, 1995, 1998). Emergent themes were challenged continuously until a final interpretation was reached after multiple iterative movements between theorization and re-readings of the data.

In the conceptualization of chaos narratives developed by Frank (1995, 1998), I found a very appropriate lens for examining the lived experiences of risk hazards and their meanings for the participants of our study. Understanding the individual experience under a "general unifying view" also has the benefit of showing both personal and cultural preferences for narrative types (Frank, 1995). Frank (1995, 1998) developed narratives based on stories of those he called "deeply" ill. "Deep illness may be critical or chronic, immediately life-threatening or long term" (Frank, 1998, p. 197). He considers that "illness is "deep" when perceived as lasting, as affecting virtually all life choices and decisions, and as altering identity" (Frank, 1998, p. 197). Frank proposes three basic narrative types of illness stories: the restitution story, the quest story, and the chaos story.

The restitution story is the most common and most culturally accepted, and preferred type of illness narrative. This narrative structure follows the direction of "getting sick, suffering, being treated, and through treatment being restored to health" (Frank, 1998, p. 200). This narrative shows confidence in the treatments and the medical system, in the physicians. The disease is seen as an enemy, and the cure is to defeat the enemy (Frank, 1998). This narrative is also expected, encouraged, and convergent with the most scientific versions of medical practice (Frank, 1998). Restitution stories are optimistic and involve showing control and confidence in improvement (Wong & King, 2008). In the quest story, restitution can no longer be

imagined. However, there is an acknowledgment of some learning in the process. There is a recognition of a hard situation with the illness, but at least it made possible some meaningful learning or change in life. Thus, illness is seen as making possible new qualities for the self or new insights not experienced before. In the quest story, illness is neither accepted nor welcomed but lives as a quest (Frank, 1998). "Quest stories express an unflinching view of the reality of illness. In the face of this reality, they look not to restitution but rather to what can be reclaimed of life: what can be learned, and how this lesson can be passed on to those who have not made their journey" (Frank, 1998, p. 204). Contrary to the restitution story, based on the ideas of remedy and progress, chaos stories are marked by a lack of control, vulnerability, and impotence. Individuals have the feeling that there is no way out, and there is an overdetermination of the situation in which chaos goes all the way down to bottomless depths, a condition in which troubles multiply, and everything seems to be wrong (Frank, 1995, 1998). The syntactic structure of the narrative is based on holes, silences, interruptions, lack of continuity, and repetitions. A chaos narrative is in some way a non-narrative, a non-story (Frank, 1995). A coherent narrative requires past, present, and future, but chaos narratives lack any pursuit of purpose and any sense of future (Frank, 1995). Other characteristics of chaos stories are the emotional battering and consequent suffering of individuals, making chaos stories difficult to hear and anxiety-provoking (Frank, 1995, 1998). Frank (1995) observes that there is an "unmaking of the person's world" in which the disembodied subject of the story loses almost totally his subjectivity. The individual immersed in chaos is overwhelmed by the present and the immediacy. The story of chaos cannot be told from within chaos, only retrospectively (Frank, 1995, 1998).

Of note, I do not intend to provide a comprehensive explanation of the phenomenon of consumer over-indebtedness. Such an endeavor should consider the interaction between structure and culture affecting both the demand and supply of credit that could lead to over-indebtedness (Braucher, 2006). It would be essential to understand both the macro and market-related factors that can affect over-indebtedness, including the roles played by creditors, collectors, regulators, governments, and other intermediaries. My aim concentrates on answering the following research question: *how do consumers lose control and experience the materialization of staggering risks?*

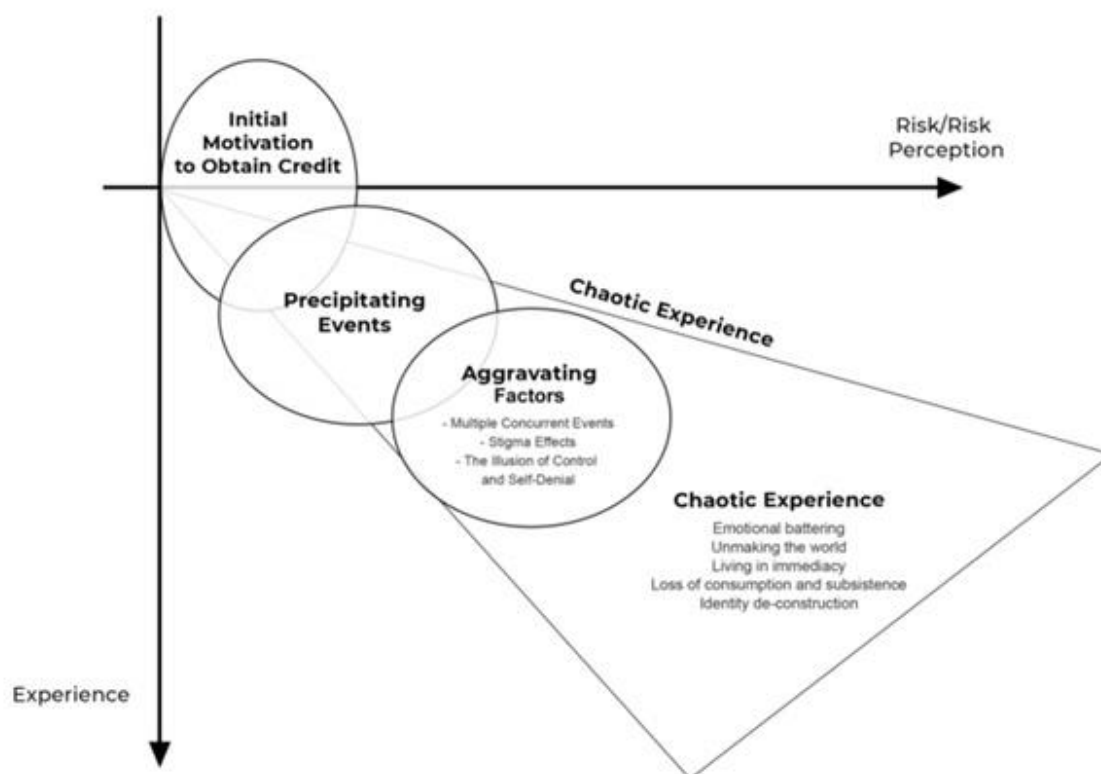
## 3.5 Findings

### 3.5.1 Emerging Narrative of Chaos

As I progressed with the interviews with over-indebted participants and the non-participant observation in Debtors Anonymous' meetings, I perceived consistent narratives of consumers losing control of their debts and their lives over time. The most common expressions used by consumers were "snowballing" (or the variant "spiraling") and "hitting rock bottom". It was clear that consumers, at some point in their over-indebtedness process, entered a disturbing downward trajectory in their lives. Consumers' perception of losing control can happen progressively or suddenly (when problems precipitate very quickly), but the loss of control occurs in an evolving trajectory. First, through the use of credit, some events precipitate situations that put consumers in positions of risk and increasing vulnerabilities. At this point, some control seems to be still possible (this is the case, for example, of consumers that become insolvent for a short period but can pay their debts a little time later). Then, additional factors aggravate consumers' situation. More than one precipitating event can occur at the same time, surprising consumers unprepared for this challenge. Consumers start to feel the effects of the stigma, which contributes to some inaction that can quite often paralyze some consumers in their attempts to solve their problems. At the same time, consumers can think that they still are in control and can deny to themselves (and to others) their complicated situation. Progressively, and parallel to this downward trajectory, usually, when they feel that their debts are out of control, they pass through a chaotic experience, which compounds the loss of control of their debts and lives. Figure 1 shows the development of the trajectory in which consumers lose control in the process of increasing risk and risk perception along with a worsening experience.

**Figure 3**

*The Trajectory of Losing Control (into over-indebtedness)*



### 3.5.2 The Trajectory into Over-indebtedness: how consumers lose control of risks

#### 3.5.2.1 Precipitating events

Consumers enter the process of losing control in situations of consumption and life events that initially put them at risk. In the case of over-indebtedness, the initial use of credit and the needs associated with its use start to push consumers to risky situations. Participants describe multiple reasons for obtaining credit initially, claiming that those functioned as precipitating events leading to over-indebtedness. A prevalent reason is income loss or decrease. In most cases, these losses are unexpected, as when they are related to sudden unemployment or contract losses for free-lance workers. Philip, for example, was not able to find a new fixed-term job after he left the school in which he used to teach. He started to have some temporary free-lance jobs, receiving only a small fraction of what he used to receive before:

“It is a cycle of unemployment. I left my job because my contract expired (and he could not renew it). I used to teach in a technical school...And that was a moment when the crisis was already a bit harsher...So, at that moment, I simply looked for other solutions, and they ended up not working.” (Philip)

In some cases, income loss could have been anticipated, as in retirement. But in those cases, participants who did not plan well for the loss ended up relying on credit in an attempt to increase or restore their income. Another important set of reasons are unexpected expenses associated with life events such as illness or death in the family. Divorce also triggered indebtedness for some participants, either through income loss or additional expenses. In the case of Angela, she had to borrow money to help her husband pay for the pensions for his former wife and his son (from his first marriage). Her husband also started to have health problems, and she paid for his private medical costs.

*“I didn’t become overindebted because I wanted to go to the mall and buy a Louis Vuitton bag, do a lot of shopping, shoes, clothes, and travels. I became overindebted because I had to help my husband pay for alimony, or he would go to jail. I became overindebted because I had to buy medicine. I became overindebted because I had to pay the house bills, water, electricity, telephone. I became overindebted, I had to subsist.”*  
(Angela)

Angela feels bad about her current situation because she was not engaging in superfluous or conspicuous consumption. Her understanding is that she had a sudden necessity, and the only fast option in this emergency was to use credit. Both in cases of income loss and unexpected expenses, consumers affected generally do not have emergency savings. When they do, savings tend to be relatively limited and are quickly spent. This is in line with a survey showing that 67% of Brazilian consumers could not make any savings in 2018 (Anbima, 2020). I also identified situations of borrowing-lending amongst family and friends (Cordeiro, Wong & Ponchio, 2019). Some participants acquired credit for student loans related to them or some of their family members and for purchasing or improving their houses with unsecured credit (without mortgages). Other participants made some decisions related to some life projects that ended up being unsuccessful or regrettable. I also identified a group of consumers that manage their money intuitively, without having a monitored and controlled budget. Besides not controlling their budgets, some participants also engage with excessive spending and consumption. The quotes from Louis and Joe are examples of that:

*“I’ve been shopping by impulse. Like, I felt like I wished to do something and said to myself: ‘oh, yeah, you only live once’.” (Louis).*

*“I spent more money. Because I had a lot of free time, then I started consuming, I started having lunch in restaurants to talk to people, I started dining out as well.” (Joe)*

In these cases, their expenses start to grow unnoticed, eventually leading to a budget deficit. Some participants reported a tendency to overconsumption and impulsive buying (as Louis), but only a small number (n=3) reported being compulsive buyers (O’Guinn & Faber, 1989). Last, four of our participants who were small entrepreneurs (or economically dependent on a family entrepreneur) reported having experienced business failure or bankruptcy affecting the family members. Taking as a whole, both the reasons to start using credit (or to continue using it), the profile of participants, and the precipitating events that can lead to over-indebtedness are very diverse. At the same time, at this point, the risk still seems manageable to all consumers.

### **3.5.2.2 Aggravating Factors**

In the process of losing control, consumers migrate from low levels to increasing levels of risk. Additional factors play a significant role in this. The three most important factors contributing to the moving of consumers to higher levels of risk are: multiple concurrent events, stigma, illusion of control, and self-denial. In the context of this study, for example, short-term insolvency does not characterize the over-indebtedness situation; for it, it is necessary a persistent difficulty in paying the bills and the experience of the problems debts as a heavy burden. Aggravating factors contribute to transforming short-term debts into enduring over-indebtedness.

#### **3.5.2.2.1 Multiple Concurrent Events**

The first factor that contributes to the aggravation of consumers’ risk situations is that multiple precipitating events can occur simultaneously, and very often including an unexpected event that generates an adverse economic shock (Aristei & Gallo, 2016; Patel et al., 2012; Townley-Jones et al., 2008). In the analysis of the participants’ narratives and trajectories, it was possible to notice more than one event occurring simultaneously and exerting compounding influences on their over-indebtedness. For instance, the case of John is a good example:

“It started with the construction (of his house with his partner). I bought the land, then I started the construction, and everything was doing ok. Everything was fine, I took a loan and paid it back. Then I took another loan. Then, a year and a few months later, my partner got sick and had to leave his job, so I was alone (to pay back the loans), and the debt was made considering the income of both of us. But then I had to pay it alone.”  
(John)

The unsecured credit that John obtained for home improvements would be paid considering his income in addition to his partner’s income. However, his partner started to suffer from a chronic disease and lost his job because he could not work anymore. Thus, the couple lost part of their revenues and started to face expenses with the treatments related to the disease. A little later, John’s father-in-law also became sick, and John and his partner had to help him with additional medical expenses. These findings support the understanding of the complex and multifaceted nature of over-indebtedness, with no single set of factors (e.g., economic, situational, or psychological) being sufficient to explain it (Stone & Maury, 2006). Another participant, Farah, lost her job as an assistant professor of architecture, lost some of her contracts as a private architect, recently divorced, with consequent financial impacts, did not manage her budget well, and reported a tendency to occasional overconsumption and impulsive buying. Multiple events occurring in parallel aggravated the risk situation of John and Farah. In the case of over-indebtedness, it is known that problems seldom manifest in isolation; they interact with several other specific issues, like, for example, with sudden unemployment or an appearance of a disease (Patel et al., 2012).

#### **3.5.2.2.2 Stigma Effects**

Stigma plays a vital role in the process of consumers facing staggering risks. Stigmatized individuals can be seen as different from the perceived norm and subsequently can be devaluated (Dovidio, Major, & Crocker, 2000; Mirabito et al., 2016). It can aggravate the risk situation, making consumers feel ashamed, paralyzed, and less prepared to develop successful coping strategies. The process of over-indebtedness of the participants of this study is strongly marked by shame and attempts to hide it from family, friends, and others while trying to solve the problem on their own, without any support from their social circle or specialized professionals. Commonly, over-indebted individuals will try to hide the problem

because they are afraid to be criticized, face family conflicts, and feel that they failed to live up to the expectations of family members (Efrat, 2006):

*“So, I blame myself for having screwed up things at a moment when I didn’t need to have done that. Damn, I was 64, had a good life, a calm one. (And then) to be worn down like this, you don’t know what this has done to me. You don’t know... First, because I didn’t let my brothers know about it, I couldn’t tell anyone, even my girlfriends. My girlfriends are wealthy.”* (Naomi)

In addition to hiding her debt problems from family and friends – who could have helped her solve them – Naomi blames herself for bad decisions taken at that time. Other participants recall hiding their debts for quite some time before the rest of the family discovered the problem. When this happens, it is usually due to over-indebtedness repercussions that affect the family itself, for example, not having money to pay for the bills. In the case of Rick, his mother received collection calls and then told his father and his wife that he was facing problems with debts:

*“I: Is the most difficult part to tell the family?”*

*Rick: The most difficult of everything is to tell anyone. When the phone rings, when you answer, and it’s your phone...you usually never give only one phone number, you always give two numbers. And you give your home number, and then, as I have already had a financial problem in the past, it is still more difficult. To err is human, but to persist in error is diabolical. When the phone rang, and they identified it as being from Bank “X”, my mother said: “But what is it?” “It’s debt”. You can tell them to contact me.”. Then she told my father. My father: “I can’t believe he owes money again. That’s why he’s been nervous, that’s why he’s been stressed”. Then they told my wife, who said: “He’s been really strange lately.”*

Like Rick, other participants thought that people would not understand why they were in that situation and would judge them badly. Louis, who became unemployed and started to work informally as an Uber driver, shares his concerns on how he could be seen by others (and by society in general):

*“Some people don’t understand, people who think it’s unacceptable. Some people simply don’t understand this situation. And some people are more understanding. It depends on the view of each one, but many people in our society see it as a dirty thing, as something wrong with you, I don’t know. They see it really as a disease. Some people see it as a chronic disease...that you will never get out of that situation.”* (Louis)

As they are emotionally affected, over-indebted consumers seldom can solve their debt problems alone. While they are hiding debt from family and friends, they also do not look for external support and, thus, the problem increases. Neil explains:

*“You don’t sleep, you don’t eat, you don’t relax, you get angry, you don’t want to see people, you don’t want to talk to anyone. You don’t want anyone to say anything about it to you. Until you admit, “Oh my God, I need help”, you look for all the different ways (to solve it) individually, because people act individually, and then they get in trouble! Because you don’t accept anyone else...this is my case. I see that most people want to solve it by themselves because if you don’t solve it yourself, you will feel like a failure. It affects your self-esteem; this affects...your anxiety. You have to solve it. And then you enter a period of such emotional instability that you are not able to make it. And then you do crazy things. You mortgage this, and you sell that, you take on something else.” (Neil)*

Neil reasons that people try to solve the problem of personal debt on their own because not doing so would lead them to feel like a failure. But he faced the consequences of that decision, having his self-esteem lowered and his anxiety increased. It seems that it is not the debt itself – but the stigma and consequent isolation surrounding it – that lead indebted consumers down the spiral of “emotional instability” and bad decisions that worsen their financial and personal situation to an extreme point. As to be over-indebted and insolvent is seen as a very negative and almost always unacceptable situation, consumers try to avoid defaulting:

*“Yeah. At the beginning, this was my mistake, ‘cause I got scared with this insolvency, so I was getting new loans to avoid insolvency.” (Owen)*

The short-term solution found by Owen to avoid insolvency was to obtain additional debts to pay for the first one, but the problems increased later. Participants often report entering a snowball (“spiraling of debts”). They also commonly say having renegotiated their debts or extending the duration of the debts, sometimes decreasing the monthly payments in exchange for an extended period. When they are anxious, and in trouble, this seems to be a kind of solution to them, as was the case of Owen. Whereas this kind of arrangement represents a short-term solution, it postpones the problem, leading consumers to accumulate more debts with the increasing effects of compounded interest rates. Thus, the problem becomes much more challenging in the future, overwhelming consumers. Fae is one such consumer who took new debts to pay for older ones to avoid insolvency:

*“We ended up like this, with a lot of loans; we ended up trying to be able to pay everything and not looking for help or taking too long to look for help; that’s what happened with me, right? We feel so guilty and even ashamed to be in this situation. I think that’s why we, too, people who have a profile like mine, demand too much of themselves and try to pay everything they have to pay. And they rely on the financial system; they rely on the account manager and on whoever is on the other side of the counter. And we feel guilty as if we hadn’t managed our resources well, (and) now we have to be able to pay. For you not to become insolvent with a ‘soiled name’ because this is a shameful thing. And then you go there, try to renew your loans, and try to pay for everything. And you sacrifice your health and make new loans and end up looking for new alternatives. And you sell your car, sell your apartment, and you’re still in the same situation because asking for help, looking for professional support (from the public agency), and stopping paying is shameful, you know?” (Fae)*

Owen and Fae recounted how they were anxious and deeply concerned about being in the insolvent and over-indebted stigmatized position. Fae demonstrates guilt and shame of being over-indebted, and, consequently, she took longer to look for professional counseling (Hayes, 2000). Her feeling of personal responsibility also influenced her decision to try to solve the problem by herself, postponing her decision to look for external professional support. What was more severe in her case was that even after making the critical decision to sell the car and the family apartment to pay for the debts, she continues over-indebted.

### **3.5.2.2.3 The Illusion of Control and Self-Denial**

Other important factors that contribute to putting consumers in riskier situations are the illusion of control and self-denial. With the illusion of control, individuals tend to consider that their success probability is (inappropriately) higher than the actual objective probability (Langer, 1975). Over-indebted consumers experience a situation of increasing risks with the accumulation of debts. Interest rates, usually high for short-term unsecured credit, also play an important role in the speed of debt growth, surprising consumers. Despite this increased risk, consumers’ perceptions do not follow it necessarily. Louis, for instance, thought he was in control of his debts and stopped controlling his expenses:

*“I think it was at the moment that I stopped controlling my expenses. I stopped controlling them...I stopped controlling my expenses at some*

*point, and I thought everything was under control. And it was not in control at all; everything was already lost. I stopped....monitoring the amount (of money) I would make and how much I would have to pay..."*  
(Louis)

Some participants have low perceptions of the risk-increasing process; others are relatively surprised when they perceive it. Some others perceive it as increasing but cannot avoid the process at the beginning and keep postponing the problem with new debts and renegotiations. Despite the differences in their risk perceptions, participants tend to believe that they are in control and will be able to solve it later. As Louis, who was in the process of increasing indebtedness, other participants presented an illusion of control. They feel confident that they are in control of the situations; however, they also deal with uncontrollable chance events. As Land (1975) observed, individuals tend to see luck or chance activities as controllable and manageable with their skills. Participants also seem incapable of acting during the debt accumulation process, possibly due to the belief that they will be able to solve the issue at some point, as in the report from Ella:

*"Yes. It's too late because the therapist says to me: "Why did you wait until the last minute to make a decision?" That's it. I waited for too long. I didn't make a decision with my kids; I didn't make a decision with the bank; I didn't make a good investment. Otherwise, this money would be yielding something. I thought I would be able to handle it, and I wasn't. I didn't succeed. That's it."* (Ella)

Frequently this process seems to go beyond the illusion of control because consumers perceive that their risk situation is advanced and severe. Still, they persist in the behaviors that aggravate the condition. It is clear in the experience of Naomi:

*"Then I started to pay attention. Because, you know, I think that never, ever... The bank makes more profits today from the interest on personal loans. That's where they make money; it's not with the money invested or with something else. They make more money with this. It's something that, although I knew, I had never thought about in my life. It's like HIV; it's always other people who get it, right? A 13-year-old pregnant teenager is always the neighbor's, no? To get in the sort of situation, I got stuck in... It's something that happens to someone else, to a neighbor, but not to me. That's it, sadly.* (Naomi)

Naomi shows a tendency to ignore the problem, thinking that it can happen to other people but not to her. Only retrospectively, she can gain awareness of this process. The case of Caroline is an example of a situation in which debt accumulation

is taken to the extreme of over-commitment. And it impedes her from paying any single bill.

*I: So... for how long did this...for how long have you felt this is a problem that makes you suffer, that bothers you?*

*Caroline: (silence)... I think I started ... to be conscious of it when I couldn't get money from anywhere else. When I got...when they took away all the... options from me.*

*I: But did you have any idea that the debts could reach this level? That they could do all of this to you?*

*Caroline: No. I always thought it would work. It's incredible, isn't it?"*

A similar denial process, which aggravates the risk situations, has been evidenced in patients with diseases or disorders. For instance, research in breast cancer patients has shown denial of illness, resulting in late presentations and reluctance to participate in treatments (Phelan et al., 1992). In patients with eating disorders, the denial of illness and attempts to conceal it manifest as a refusal to self-disclose in specific personal contexts (Vandereycken, & Van Humbeeck, 2008). In a study with patients with HIV status, the link between the denial of their status and internalized stigma was also evident (Nam et al., 2008). The perception of Laura (fictitious name), a financial counselor specialist who works with over-indebted consumers, brings additional evidence of consumer's self-denial in the process of over-indebtedness:

*"It's intuition. But the person doesn't know what it is. All these symptoms and these consequences of over-indebtedness, which are psychological, are social, which are family-related, the person doesn't predict. Nobody imagines. No way! And nobody knows how to calculate what is the line at which they're not going to be theoretically managing that debt anymore and becoming over-indebted... As long as the person can transfer one credit to another and keeps doing it on and on, they still think they're on this side (of the line)." (Laura)*

Laura understands that consumers have difficulty defining the turning point between having control and losing it. They easily fool themselves into believing they still have a hold of their debt. Since they can pay their debt(s) by making a new one(s), consumers think that their debt is still manageable when, in fact, it is not. The aggravating factors just explained can occur in different combined ways, and

consumers are not necessarily self-aware of their occurrence and their impacts. When they finally figure it out, they are much beyond the point of control.

### **3.5.2.3 Chaotic Experience**

At some point in the process of increasing indebtedness, which varies per individual but coincides with the aggravation of the financial challenges, our participants perceived that they had lost control of the situation and migrated to chaos. Frank (1995) affirms that chaos stories presuppose a lack of control and give the sense that no one is in control. Building on narratives lens (Frank), we shed light on the lived chaotic experiences of our participants, evidencing in their narratives five key elements of these experiences: (1) emotional battering, (2) unmaking the world, (3) living on immediacy, (4) loss of consumption and threatened subsistence, and (5) identity deconstruction.

#### **3.5.2.3.1 Emotional Battering**

When consumers finally perceive that they have lost control of their debts and are migrating from an ordered existence to a chaotic one, they report an enormity of negative emotions. Over-indebted participants look at the past with feelings of regret, resentment, and self-blame, criticizing themselves for some of the things they have done. They feel oppressed, scared, and threatened, sometimes getting to despair and panic. In his development of chaos narratives, Frank (1995, 1998) explores the emotional battering and consequent suffering of individuals, which makes the stories challenging to be heard and anxiety-provoking. Angela shows her extreme suffering in a moment of despair:

*“I’ve even considered killing myself. Often I had such a feeling of despair in my house; I’ve broken many things in my house out of despair. I haven’t been able to sleep at night; I wake up in the middle of the night with my heart racing because of those matters. Isn’t it damaging me?”* (Angela)

Angela is an unemployed nurse who had to obtain credit to pay for sudden health costs related to her husband, also unemployed at that time. She comes from a family that considers it unacceptable to be over-indebted and insolvent. She is not the only participant admitting to having contemplated suicide. There is a lot of fear and anxiety during the whole process. They fear creditors, collectors, phone calls, being

criticized by others, having their accounts debited by the banks, losing their houses and properties, going to court, or even going to jail. They also report feeling ashamed, frustrated, humiliated, fragile, and vulnerable, crying very often and becoming depressed, in a process marked by pessimism, negativity, sadness, and unhappiness. Scholars have shown the association of indebtedness and insolvency with anxiety (Drentea, 2000) and with mental health problems (Drentea & Reynolds, 2012; Fitch et al., 2011; Richardson et al., 2013). Several studies also report associations between indebtedness and depression (Reading & Reynolds, 2001; Turunen & Hiilamo, 2014; Richardson et al., 2013). One participant defined the process as a “psychological disaster’. For Philip, long-lasting unemployment and consequent over-indebtedness and insolvency led him into a state of depression, as he found himself living a very constrained, difficult life.

*“You get kind of depressed; you become a little more down. That idea of sometimes wanting to do something and not being able to do it, not having the money. Yes, it’s awful.” (Philip)*

Some participants occasionally report feelings of being angry, aggressive, full of rage, and self-destructiveness in a process that can sometimes lead to suicidal ideation. Prior research in health sciences has already found evidence of the association between indebtedness and suicidal attempt and completion (Richardson et al., 2013; Turunen & Hiilamo, 2014), as well as with problem drinking, drug dependence, and neurotic and psychotic disorders (Richardson et al., 2013). Rick has also been emotionally battered to that point.

*“At first, I cried alone; I said, “I think now I’m at the end”. And then, you... can’t see anything positive in your head. You just think about shit. But among them, I think that thinking about killing yourself is worse. It’s worse because you are gonna leave behind a bigger problem.” (Rick)*

As Rick is his family’s breadwinner, he reflects on the harmful consequences that his death could generate for his spouse and two young sons. He shows to be too sad and pessimistic, at rock bottom, having his mind affected by bad ideas.

### **3.5.2.3.2 Unmaking the world**

The life of the over-indebted participants in the middle of chaos is experienced as a sequence of losses and in the process of progressive deterioration. Their world starts to fall apart. The original financial problem spreads out to other life domains, like

metastasis. It brings consequences to their physical and mental health. Family conflicts are prevalent, as well as social isolation, both among family members and between the family and the outside world. Professional life can also be affected negatively. Problems related to over-indebtedness assume a centrality in the life of the participants, and the different pillars of their lives are involved and stay turning around it. This experience reflects what Frank (1995) denominates as an “unmaking of the person’s world”. There is an overdetermination of the situation in which chaos goes all the way down to bottomless depths, a condition in which troubles multiply, and everything seems to be wrong (Frank, 1995, 1998). All participants followed a downward trajectory during the process of over-indebtedness. Louis, for instance, left a job in which he was unhappy and had difficulty finding another one. He had not told his girlfriend and his parents about his over-indebtedness because he was afraid to be criticized and rejected. To find a new source of income after unemployment, he became an Uber driver. His experience demonstrates a subsequent life deterioration that keeps worsening until it reaches rock bottom:

*“If I could separate every six months, like, to do an analysis of each semester, let’s suppose. I got worse, worse and worse until the moment when I found myself at rock bottom.”* (Louis).

The experience shared by Robert shows the life deterioration of his indebted family:

*“If my parents could make ends meet, and if they didn’t have to...if they were independent financially, I could live my life in my place. Of course, these are thoughts (that I have) in my moments of greatest resentment and selfishness. I know that nowadays, I can’t think this way; otherwise, life becomes impossible. But in the moments of greatest frustration, and being absolutely sincere with you, it causes me frustration, tiredness, and anger... the worst possible things, and I’m telling you this without any decency... including in some moments, more extreme moments, I have already said this kind of things to them. It was very...there are times when you can’t stand it, the resentment makes you put these things on the table. “I don’t want to be here”, I have already said this to them. Then... you can imagine, for my father, this has caused strong internal anguish. Now, for my mother, this is very evident. My mother, who used to be extremely social and family-oriented, for her the feeling of frustration with life in general, and with what family life has become, this is permanent, permanent.”* (Robert, 32, intern, representative of his indebted family).

After a long career as an employee of a big company, earning a good salary with a good financial situation, Robert's father was fired and started a small company. A few years later, his company went bankrupt. Robert's father sold the family properties, except for one house in which they lived at the time of this study, and then he started to obtain credit to pay for basic living expenses. Robert and his mother never participated in the family's financial life, which was always controlled by the father, the breadwinner of the family. They knew the father was facing problems but did not understand precisely what was going on, even with the company's situation. When they noticed many things missing at home and bills not being paid, they started to have serious conversations with the father and discovered that he had many debts, and some of them unpaid. After many discussions in which family conflicts became prevalent, they start to cut all possible expenses. However, even after that, the debts were growing faster than the limited money they had to pay for it, composed of the retirement income of his father and Robert's low income earned at his internship. Robert's report demonstrates the decay and disintegration of his family's life. They used to be a happy family in the past, based on his report, but the current situation is full of resentment, sadness, isolation, and frustration. At the same time, his mother became depressed and developed panic syndrome during this traumatic process.

### 3.5.2.3.3 Living on Immediacy

The individual immersed in chaos is overwhelmed by the present and the immediacy (Frank, 1995; 1998). Russel exemplifies a situation of a lasting present occupied permanently with pain, preoccupation, and worries:

*"These last two years were very painful. Very painful (emphasized). Because that was something that appeared in peaks of preoccupation and suddenly the worry became constant, permanent."* (Russel)

No participant claimed not to want to pay their debts, despite normally disagreeing with the exact amount owed, which is overestimated in their opinion. However, when they start to try to pay, their debts are already extremely high, mainly due to the effects of compounded interest rates for longer times. It is the case of Ella, for example:

*"I want to pay the amount of the debt. If they take a look and calculate the amount of the debt and say this: "Look, the amount of the loan was R\$ 20,000", I pay this R\$ 20,000. Because we could think of some*

*interest rates, something else. But not R\$ 47,000, and not R\$ 80,000.”*  
(Ella)

They may borrow from family and friends, renegotiate with creditors, cut expenses, and generate additional income, but they are mostly unsuccessful in their pursuits. Participants struggled to solve the problem, and, in the end, they do not seem to have found a way out of the problematic situation (Frank, 1995, 1998). After the snowball, they say they reach rock bottom. They enter an endless present in which all their attempts are frustrated. The experiences reported by Paula and Sandra show the existence of a present occupied by worries and concerns and the absence of plans for the future:

*“Today, I only think about paying what I owe.”* (Paula)

*“99% of my time is consumed by my preoccupation with debt. 99% because there are no thoughts other than debts. In the mornings, nights and dreams. There are no other thoughts.”* (Sandra)

As the problem is perceived as insurmountable, and over-indebted consumers are overwhelmed by this excess of the present, they rarely think about the future with any good perspective. Most of the time, they report that they only want to get out of that situation. There are references about the past, which is remembered with regret, guilt, and self-blame, but their narratives are mainly about this disturbing and lasting present, as shown in the quotes from Paula and Sandra. What their narratives lack, however, are life projects and good future perspectives. A coherent narrative requires past, present, and future, but chaos narratives, with their holes, silences, and interruptions, lack any pursuit of purpose and any sense of future (Frank, 1995, 1998).

#### **3.5.2.3.4 Loss of Consumption and Threatened Subsistence**

Over-indebted consumers typically have a budget with a deficit, in which all their commitments are higher than their earnings (when they have earnings), and, thus, they cannot pay all their bills. They start to cut their expenses to balance their budgets, but most start doing so when it is already too late. Even when they cut the expenses very strongly, the deficit remains. They need to adapt to a new living standard that precludes any kind of leisure, compensatory, or superfluous consumption. Consumption can be a way in which consumers can exercise some form of control, and it can work as an anchoring mechanism for them to cope with threats and uncertainty (Pavia & Mason, 2004). Over-indebted consumers lose this mechanism of control and the pleasure that could be associated with it, experiencing, in many cases, a life close to subsistence.

Normally, they lose access to credit products, such as credit cards and overdrafts, making things still more difficult. Marlon shares his constraints in adapting to a new life of decreasing living standards:

*“And what else? It was very common...this is one thing; it’s very subtle what I have done. My lunch: I used to have lunch in the same café with a “dish of the day” that cost me some twenty-something bucks (local currency). And (as) things were becoming harder, I had to change, and nowadays my lunch is a juice in a smaller cafeteria that will cost me eight bucks. Then, what do I say? In fact, I am exchanging, in my lunchtime, I have this small dinner made of fruit juice, and at dinner, I cook myself a more complete meal. Just to save, so, my living standard has been falling. When I arrived in the city (from another region), I used to enjoy it, in the sense that at least once a month I used to do something cool, like going to a museum, a theater, a cool restaurant, but currently I don’t do it anymore.” (Marlon)*

Marlon is a journalist who used to work with website content development with two other partners, providing services to companies. However, their small business started to lose revenue due to market competition, and the partnership fell apart. Marlon began to work as a free-lancer but with a much lower income. He currently has five credit cards revolving (i.e., being insolvent in some of them) and uses money from his bank account overdraft, all of them with high interest rates. He still has the financial support of his girlfriend and his mother, but he is afraid that his over-indebtedness could reach them too. Even cutting all the possible expenses, including leisure, he operates with a deficit on his budget. He reports a constant drop in his standard of living and says his “life became sadder and emptier”. This is consistent with the evidence in the literature of a decline in spending after financial difficulties, a reduction in welfare, and increased poverty (Gutiérrez-Nieto et al., 2017; Kukk, 2018). Mary, for example, has an income decrease after her retirement because she lost the extra shifts she used to work to make additional income. At the same time, she borrowed money in her name to buy a machine for her current partner to work. However, the machine is not working, and her partner is not generating revenues to pay her back for the borrowing.

*“I don’t even have money to buy a pair of glasses (or) fix my teeth. My tooth is broken. I don’t have money, I only pay bills. I live to pay the bills.” (Mary)*

Mary has now to pay for her living costs with the partner, the loan payments for the machine, and other costs related to it, but her income is not enough. This situation is leading to a potential divorce, according to her. In addition to that, she had to take care of her sick father in another city for two years. All of this made her experience with over-indebtedness absolutely restricted to the most basic consumption. She complains that her life has been reduced to paying bills. The possibility to acquire goods, services, and experiences is an integral part of the identity projects of contemporary consumers, and lacking these resources can exacerbate marketplace stigma for them (Arnould & Thompson, 2005; Mirabito et al., 2016). The consumption of possessions and experiences could be a way of coping with life-challenging situations (Pavia & Mason, 2004). In the case of the over-indebted participants of this study, the loss of consumption compounds their chaotic experience.

### 3.5.2.3.5 Identity De-construction

The stigma associated with over-indebtedness and the chaotic experience strongly affects the identity of over-indebted consumers. The emotional battering, the life deterioration, the social isolation from family and friends, all the losses on consumption, and the difficulties faced by consumers make them feel more fragile, ashamed, vulnerable, and constantly depressed. They feel “inferior”, “isolated”, “undervalued”, “diminished”, “excluded”, “inappropriate”, “humiliated”. The downward trajectory they experience takes them to rock bottom, where they feel the despair of not being able to get out. The feeling of personal failure is often reported in addition to feelings of low self-esteem and a lack of autonomy in their lives, as we can observe based on Neil’s report:

*“You become like this; you feel like a failure. You lose your self-esteem, you start to underappreciate yourself. “Oh, I don’t...”, you start to...start not paying attention anymore; you kind of isolate yourself, you know? It is a process of self-isolation. You focus so much on (the over-indebtedness) that you forget about other things. When you perceive that it is not only you anymore, when you perceive that alone you don’t have this autonomy anymore, you look for support. But then you are already emotionally destroyed; you are being... you have already gone to the psychiatrist, you had to, you have to be medicated.” (Neil)*

Neil, a teaching coordinator, working for a public elementary school, remained four years without having any adjustment of his salaries in a period of considerable inflation. At the same time, he and his wife did not adjust the expenses, keeping the

same living standards. He also took a relatively long time to recognize the problem and look for external help. His perception of losing his autonomy is evidence that individuals feel like they lack the essential freedom of being oneself and having ownership of their own life. Living on immediacy, experiencing emotional battering and self-isolation, he perceives to be lacking his self-esteem and developing a devalued identity, a personal failure identity. Caroline shares the same experience of personal failure:

*“I feel like I... I... I failed. Failure. I feel like a failure. I don't show it to my dad, don't show it to my mom, to my husband. They think I am strong, but I am collapsing.”* (Caroline)

It is interesting to notice that consumers do not feel that they have only failed to pay their debts; their feeling is that they have personally failed in life, and thus, their whole identity is affected. Caroline's situation also shows that she feels so ashamed and guilty about her problems that she does not share them with her husband and parents. She suffers alone, in isolation. In addition to that, she feels like if she had frustrated their expectations. The personal narrative of Evan, for instance, shows that he used to be proud of being himself, but now, over-indebted and insolvent, he feels ashamed.

*“So...then...your self-esteem drops, you become...let's say, you feel like a good-for-nothing in society. Because it works like this, if you are working and solvent, with a 'clean' name, not owing money to anybody, to nothing, I used to be like this, I used to walk with my head up.”* (Evan)

Evan's self-esteem became low, and he feels useless, excluded from the market and society. Frank (1995, 1998) notes that society considers people in chaos as not belonging to the social body; Evan's case exemplifies that he is not the same person he used to be and also demonstrates his feeling of being apart from society. Debtors Anonymous recognizes the situation of its members as a sequence of losses leading to a constant diminishing of their lives:

*“When we participated in our first meeting of DA, we were lost for so many losses: loss of salary, that was swallowed by debts and compulsive spending, loss of faith, loss of self-respect and peace of mind, loss of friendships, sometimes loss of health, job and family. Many of us were looking for the support of individuals or organizations, but we always ended up feeling as if nobody could understand our problem. Our loneliness made us more and more introspected in ourselves. We lost vitality and interest in life. Many of us got to the point of becoming*

*paralyzed by fear and lacking courage. We could not work or take care of ourselves or our loved ones appropriately. Some of us thought we were becoming mad, and some thought about committing suicide.”* (Endividamento Compulsivo, 2020)

In the risk society, individuals must develop their biographies and a coherent narrative of identity in a reflexive way (Beck, 1992). The chaos narrative of over-indebted individuals is a downward trajectory, with a sequence of losses marked by increasing risk and lack of control, in which problems multiply, and there are no solutions at hand. The identity of the participants suffers from a process of disintegration and deconstruction. Individuals cannot either think of a viable future or find a sense of purpose. Altering identity is one of the characteristics of deep illness narratives (Frank, 1995; 1998), and individuals strongly fear a diminished self and live a diminished life (Broyard, 1993; Frank, 1995, 1998). In the end, over-indebted individuals feel they are inferior, undervalued, isolated, and excluded.

### **3.6 Discussion**

This study applied the lenses of chaos narratives (Frank, 1995, 1998) to the understanding of trajectories into over-indebtedness, explaining the process by which consumers lose control of risks and their consequent lived experiences of suffering, its impacts, and meanings. In contemporary societies, people are released from traditions and certainties and are invited (and required) to make decisions as self-interested and rational individuals (Beck, 1992). This study shows the lived realities in which consumers experience the hazards of risk, its unknown and unintended consequences, and how their perceptions, behaviors, and identities are affected (Short, 1984; Beck, 1992).

The study also shows how risky consumption in risk-laden contexts, in which the risks faced by consumers increase over time, leads to overwhelmed consumers who migrate from ordered lives to experiences of chaos (Lamberton & Hill, 2017). Participants in the study, from various socioeconomic backgrounds, described their loss of safety, security, and a sense of ordered existence (Beck, 1992; Lyng, 1990). They experience the negative aspects of risk and its hazards, following a downward trajectory that compounds over time and in which risk mitigation becomes extremely difficult (Lamberton & Hill, 2017). They soon find themselves unable to take appropriate

actions to recover from the disequilibrium brought about by adverse life events (Moschis, 2007).

### **3.6.1 How consumers try to navigate staggering risks**

This study contributes to the risk literature by showing that the risks faced by consumers can increase along the consumption process. Combined with stigma and emotional battering, these risks' hazards overwhelm consumers in a way that makes it much more difficult for them to handle the situation. When consumers obtain credit at the beginning of the process, they perceive the risks as relatively low. However, in the advanced stages of over-indebtedness, they have their whole life affected, as well as their physical and mental health, in a way that they had not anticipated before. The paradox is that when consumers need to fight the hazards of risks in their more advanced stages, they are already emotionally battered, vulnerable, and disempowered. Thus, the risks are compounded and become overwhelming. And different from experienced skydivers, consumers do not seem to acculturate with these risks. They are defeated by them in a constant process of personal weakening.

This study also explores situations in which edgework becomes impossible or proves unsuccessful. Overindebted participants who enter the process of edgework in an unplanned, unintentional manner cannot negotiate the boundaries between order and chaos. In this sense, their experiences are instances of failed edgework. In successful edgework, individuals demonstrate their ability to maintain control over a situation that verges on total chaos and self-enhance themselves based on their risk management skills, acquiring a heightened sense of self, of omnipotence, self-determination, and self-actualization (Celsi, Rose & Leigh, 1993; Drenten & Zayer, 2017; Thompson & Ustuner, 2015). Over-indebted consumers, who are not successful in negotiating control, tend to experience a chaotic situation that involves substantial life deterioration and a sense of frustration, despair, shame, guilt, isolation, and personal failure, among other negative feelings and emotions. Whereas successful edgeworkers demonstrate the ability and skilled performance to control a situation that borders on chaos (Lyng, 1990), most over-indebted consumers seem to fail at this challenge. It appears that they cannot edge out of a chaotic life experience.

The current literature, predominantly showing consumers in situations of control, or successfully negotiating the boundaries between control and chaos, brings

considerable evidence of a process of identity building through risk navigation (Celsi, Rose & Leigh, 1993; Drenten & Zayer, 2017; Thompson and Ustuner, 2015). However, in the context of over-indebted consumers, I found the opposite - identity processes tend towards identity de-construction. Consumers feel personally diminished along the process of over-indebtedness and become increasingly excluded, isolated, and undervalued. They lose the mythic ideal of autonomy and self-respect that can be regarded as a “primary good” (Henry, 2010; Rawls, 1971). Their identity suffers from a process of disintegration that follows the deterioration of their lives and their chaotic experiences. Their meanings become more abstract over time, leading to a feeling of personal failure in life and an absence of future projects and perspectives.

This study also contributes to discussing the acceptability of risks regarding their costs and benefits to human life and health. This discussion involves the critical question of what makes risks acceptable and where and how we can establish the line between still acceptable and no longer acceptable risk exposures (Short, 1984; Beck, 1992). Short (1984) observes that many modern technological systems' complexity and esoteric nature tend to require high technical and cognitive abilities from individuals. In our risk societies, a large number of people “feel threatened, both physically and mentally, by forces entirely beyond their control,” developing an “all-encompassing preoccupation with the idea of personal survival” (Lyng, 1990, p. 873). The risk of over-indebtedness does not seem acceptable due to the hazards suffered by consumers, and its consequent disturbing impacts, leading to enormous de-structuring of lives and endless sufferings. Frank (1995, 1998) defends that the need to honor chaos stories is both moral and clinical. When the voices of over-indebted individuals are not heard, and potential solutions are not found, they are being denied personally and cannot be cared for (Frank, 1995,1998). If risks are being denied and non-perceived, a community of global risks comes into being with indifference, and the reality of risks threatens and grows (Beck, 1992).

### **3.6.2 The impact of over-indebtedness on consumption**

This study also makes an essential contribution to the sociocultural consumer research literature on credit and debt. Bernthal, Crockett, and Rose (2005) demonstrate that credit cards can work as lifestyle facilitators in practices of achieving or coping lifestyle. The present study on over-indebtedness shows that, besides credit

cards, consumers can accumulate high debt on additional credit and debt products, losing total control over them. These consumers suffer from an intense loss of consumption, difficulty to make ends meet, and can reach a point of threatened subsistence. Their lifestyles become absolutely restricted and constrained. They get locked in a massive amount of debts and cannot be considered to partake in what Bernthal, Crocket, and Rose (2005) call the “trajectory of freedom”. These authors also theorize that consumers with high cultural capital and adherents of the protestant ethic would tend to remain in the position of achieving lifestyles. However, some of our participants have high cultural capital, are very disciplined, financially educated, savings-oriented, and become over-indebted. The present study shows that the risk of over-indebtedness to consumers can reach even high-cultural-capital consumers with a protestant ethic orientation due to the combination of risk consumption with risk-laden unexpected contextual events.

This study also extends the work of Peñaloza and Barnhart (2011) by contributing with the risk perspective on credit/debt consumption and showing that debts can become unmanageable and consumers cannot go back to their original patterns just by learning their lessons. Over-indebted consumers lose control in the process of spiraling into debts and reach rock bottom. Feeling unable to get out, they become overwhelmed, and a fresh start (Price et al. 2018) may not be possible. This study also contributes with new cultural meanings related to credit/debt consumption, such as isolation, exclusion, vulnerability, impotence, and personal failure. It shows that in the dysfunctional over-indebted situation, consumers lose control of different aspects of their lives in a downward trajectory that affects their identity negatively.

The study also shows that over-indebtedness goes way beyond the issue of impulsive and compulsive buying. Despite the commonalities of the outcomes in the experiences of over-indebtedness and compulsive buying, such as anxiety and frustration, sense of loss of control, and domestic dissension (O'Guinn & Faber, 1989; Faber & O'Guinn, 1992), compulsive consumption is characterized as pathological, repetitive and seemingly purposeful behaviors, normally excessive and ritualistic (O'Guinn & Faber, 1989; Faber & O'guinn, 1992). Over-indebted individuals, on the contrary, do not necessarily have psychological traits of compulsion. In general, they migrate from regular situations of consumption to over-indebtedness. Even though compulsive buyers have a higher tendency to become over-indebted, this research brings additional evidence to the understanding of Faber and O'Guinn (1988) that “the

problem of compulsive consumption is likely to represent only a small fraction of credit abusers” (Faber, & O’Guinn, 1988). With the high incentive to consume and the pervasiveness of credit nowadays, a much larger number of consumers can be exposed to the risk of over-indebtedness.

### **3.6.3 Over-indebtedness and consumer responsabilization**

Most of the participants of the study demonstrated to have a sense of personal responsibility. They worked as autonomous consumers obtaining credit in the market and felt responsible for their debts, although disagreeing with the amount in general. Our current Western-oriented societies value the cultural norms of personal responsibility, control, and self-management, according to which individuals should take charge of their own lives (Wong & King, 2008; Fischer, Otnes, & Tuncay, 2007). This feeling of personal responsibility and self-management played a significant role in their decisions to try to solve the problem alone. However, as they could not progress successfully in their endeavors to have their debts paid, this feeling of personal responsibility led them to feelings of personal failure. The guilt and the fault of their over-indebtedness were individualized. The feeling of personal responsibility became, for over-indebted participants, a burden that contributed to their emotional battering and made it more difficult for them to recover from problem debts (Wong & King, 2008). Also, one of the factors that can exacerbate stigma is the perception of being responsible for the stigmatized conditions (Mirabito et al., 2016). Research has shown that responsibilities and obligations have been shifted from the state and corporations to consumers by dominant discourses (Giesler & Veresiu, 2014), and companies, politicians, and politics can blame individuals, instead of systems, for the consequences of risks, like accidents and damages (Beck, 1992). At the same time, consumers’ opinions and responsibilities are influenced by the dominant political ideology (Henry, 2010). In the experiences of credit card debt, responsibility or blame are dependent if the multiple sources of locus of control are considered to be internal or external (Henry, 2010). Research conducted in the credit card domain has shown that consumer responsibility beliefs are prevalent when the locus of control is put on consumers. In contrast, consumer protection beliefs are stronger when the locus of control is put on the service providers (Henry, Garbarino & Voola, 2013). Nowadays, individuals can be held responsible even for social issues through their consumption

choices (Eckhardt & Dobscha, 2018). I argue that putting the responsibility solely on the consumer to avoid over-indebtedness would have challenging (and not often realistic) requirements: high level of financial education, permanent budget management, self-control even in cases of compulsive buying, fighting stigma, anticipating and being prepared for unexpected income losses and unexpected increases in expenses, as well as control over the life uncertainties. At the same time, a very rational and conscious consumer would be expected to overcome the situation potentially; however, this research has shown that the consumer is emotionally battered, usually depressed, and very often paralyzed by a troubling condition. Anxiety is not a good foundation for rational action (Beck, 1992).

Frank (1995, 1998) affirms that the responsibility implied by an experience of chaos cannot be exercised within chaos. The new risks associated with the risk society are complex and difficult to be determined whose responsibility it is and who should be held accountable (Beck, 1992). In the risk society, there is general complicity and a general lack of responsibility (Beck, 1992). The lived experiences of over-indebted participants show that, alone, they will very rarely overcome the situation. Some of our participants are more than 70 years old, cannot find additional revenues, and are already suffering from problem debts for many years. It means living the remaining of their lives over-indebted.

#### **3.6.4 Over-indebtedness and lifestyle narratives**

Finally, this research also expands the cultural framework of illness narratives, more specifically the chaos narratives (Frank, 1995, 1998), beyond the health and medical arena to the experiences of the potential hazards generated by financial risks. The traumatic situation of losing control, becoming over-indebted, and not getting out of debt can be experienced by individuals as a chronic illness for which there is no prescribed treatment or cure in sight. Research has shown that pain, when chosen in a deliberate and planned way, can potentially improve extraordinary consumer experiences (Scott, Cayla & Cova, 2017). This study shows a contrary situation, in which consumers do not choose pain deliberately, but they experience the sufferings from mental and physical pain that contribute to chaotic experiences. The over-indebted participants feel that their problems are lasting, affecting all life choices and altering identities, as preconized by the theoretical work of Frank (1998) for narratives

of deep illness. The body, in this study, is less prevalent than it is in Frank's work, though. Over-indebtedness seems to affect more intensely the mind but also the body. Frank's narratives, however, approach the individual in an integrated perspective of mind and body. Three characteristics of the narratives of over-indebted consumers go beyond Frank's illness narratives. One is the aspect of stigma, which increases individuals' suffering and makes the recovery process more difficult. A second one is isolation, both from family and friends and from not having the possibility to receive the support of the medical system and prescribed treatment, as is the case in deep illness. Even if medical treatment can be unsuccessful, it can offer some perspective of a way out. And third, over-indebted consumers suffer from a profound loss in consumption and their standard of living, getting close to subsistence very often. Research has shown that consumption can help consumers through their crises as a form of control in some life dimensions and coping with sustained life uncertainties (Pavia & Mason, 2004). Thus, the loss in consumption compounds the lack of control and chaotic experience of over-indebted consumers.

The types of narratives used by consumers can also illuminate some aspects of our societies. Restitution narratives are valued and preferred, while chaos narratives are avoided (Frank, 1995). Even quest stories are more socially tolerable and more often heard than stories of chaos (Wong & King, 2008). "Society looks at people in chaos and cannot see them as part of the social body; society often attributes the problem to these "others" themselves" (Frank, 1995, p. 113). A dominant cultural narrative of personal responsibility is a central moral issue for our societies that prefer solvable problems and illnesses for which there are treatments (Frank, 1995).

In chaos narratives, according to Frank (1995), "the modernist bulwark of remedy, progress, and professionalism cracks to reveal vulnerability, futility, and impotence" (Frank, 1995, p. 97). Thus, over-indebted consumers, weak and unable to resist, ashamed, and stigmatized, do not speak up and do not have their voices heard in society. For instance, in the case of credit cards, there is more disdain than sympathy for indebted individuals (Henry, 2010). As over-indebted consumers do not have restitution perspectives, and our societies consider that their stories are not worth telling, it works as if they had no place in society (Frank, 1998).

Over-indebted individuals are a kind of “flawed consumers” that Bauman (2007) defined as the ones lacking resources that socially approved consumer activity requires” (Bauman, 2007, p. 25). Over-indebtedness works in the process of downgrading consumers who have their lives deteriorated, and their identities diminished. According to Bauman (2007), flawed consumers can be seen as a collective victim of the “multiple collateral damage” of consumerism and considered an “underclass” (Bauman, 2007, p. 30). This underclass is seen as “people without a role, making no useful contributions to the lives of the rest, and in principle beyond redemption” (Bauman, 2007, p. 30). As our contemporary societies engage its members primarily as consumers, people in the underclass are seen as useless; they are failed consumers because they were unable to “engage in a fully-fledged consumer activity” and become “non-consumers” (Bauman, 2007, p. 31). Over-indebted individuals suffer from the exclusion of the realm of consuming freedom (Marron, 2012). They lose the desirable consumer normalcy that means to be accepted by other consumers and by themselves in consumption contexts (Baker, 2006; Mirabito et al., 2016). In the end, they do not correspond to the cultural narratives of individual autonomy and enterprise, and their situation is socially regarded as evidence of a failure of self-government and self-management (Marron, 2012; Fischer, Otnes & Tuncay, 2007).

In terms of research limitations, it is important to notice that this study does not offer a comprehensive mapping of the phenomenon of consumer over-indebtedness. Its focus was on the understanding of consumers’ losing control of risks and their experiences and meanings. As such, our sample was restricted to consumers that looked for professional and public service support. It means that they recognized they had a problem, overcame part of the stigma associated with it, and took the initiative of looking for help. Thus, the profile of our sample represents only one part of the universe of over-indebted individuals. There is evidence that the majority of individuals struggling with problem debts do not look for help. Evidence from the UK shows that between 17% and 20% of indebted people access debt advice and support services (Kempson, 2002; TMAS, 2013). Although this study does not provide a comprehensive picture of the phenomenon, our sample was appropriate for the theoretical purpose of this research of showing the losing control of consumers and their related experiences. Future research could be dedicated to the understanding of over-indebted consumers

that experience the same problematic situations and, at the same time, do not look for help. This study brings evidence that consumers avoid looking for support due to shame and stigma and due to an absolute lack of conditions to propose anything in negotiation with creditors because of an extreme over-commitment. It is also possible some consumers could not become so upset with the over-indebtedness situation due to decreasing stigma associated with it or social comparisons in which they perceive many other people in the same condition. Further studies in this context could bring additional theoretical insights into the different ways in which consumers can try to handle risk, risk-laden events, and risk hazards in similar unmanageable situations.

Future research could also explore the phenomenon of over-indebtedness using a longitudinal study from an adaptive coping perspective. Research has shown that individuals can cope with an uncertain future in the face of a health crisis through three stages: an acute stage, with a sharp focus on the present, a stage of sustained uncertainty in which there is confusion between the present and the future, and finally a permanent stage, in which there is a return to a future orientation (Pavia & Mason, 2004). The present study seems to cover part of the acute stage and the sustained uncertainty stage, but not the permanent stage due to the uncertainty and lack of future perspectives identified among the participants. Considering that some of our participants have been suffering from problem debts for more than ten years, are still highly over-committed financially, and some of them are still in very advanced ages, there is evidence of the permanence of some over-indebted consumers in the sustained uncertainty for a long time, maybe forever. At the same time, the experience seems to be traumatic to most of the participants, raising doubts about the possibility of habituation at some future point. Further studies could bring new theoretical insights into the adaptive coping strategies that they could pursue in these situations.

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### APPENDIX E - Examples of data excerpts of chaotic experiences

Experiences	Additional Quotes from Participants
<p><b>Emotional Battering</b></p>	<p><b>Faith:</b> “But man, let me tell you, I was able to manage it. But suddenly a blockage happened, and I said to myself, ‘I don’t know what happened to my life’. Do you know? I don’t know, I...I’m trying (emphasized) to find where the problem is. Because with my earnings, I should make ends meet. But I can’t (emphasized). I don’t know. The car loan payments I always used to pay, I have already paid 48 installments, 49. But I haven’t been able to pay; I am...do you know? My head. It’s emotional. I think that the bills...because I always was like this with calculations, I may not be able to make the calculations, but I know how much I make and how much I spent, you know?” (the participant was very confused and emotional)</p> <p><b>Robert:</b> “It’s extremely consuming. So, I feel like taking on this role (of managing debt among the family) is necessary, but for me, it’s exhausting, consuming, frustrating, and it generates permanent resentment.”</p> <p><b>Caroline:</b> “So, I’m constantly afraid. I’m scared that (Bank X) will bring an action against me. I’m afraid of the bank. I’m afraid that (Bank Y) will bring an action against me; I think they can do that.”</p> <p><b>Paula:</b> “I’ve always had anxiety problems, but my anxiety tripled.”; “From 2015 until today, I’ve gained 30 kilograms.”</p> <p><b>Russel:</b> “I could only sleep using sedatives; I couldn’t sleep.”</p> <p><b>Sandra:</b> “I lost 10 kilograms. 11 kilograms, in fact...Pain, emotional pain, I can’t sleep, I’m seeing a psychiatrist...”</p>
<p><b>Unmaking the World</b></p>	<p><b>Neil:</b> “So...how does it happen? It happens when you lose control of your earnings and your expenses. And how do you handle that? At first, you try to handle that individually, which means you and your creditors. Then you can’t do it; you get sick and get to a situation in which you lose your autonomy completely, you don’t have any more control over your financial life, you don’t have it anymore. And then you start to lose control over other aspects of your life.”;</p> <p>“What is the impact? When you face a financial situation over which you don’t have any control, first you become emotionally affected, then you start to become anxious because you can’t find a solution for that problem...and all your time is dedicated to trying to find a solution for the problem. And what is the impact? It interferes in your relationships...your relationships with other people, your relationship with your wife, your family, friends, and work, because you are really worried about it. In my case, this interferes with my concentration, my memory, my reasoning, and my capacity to solve</p>

problems in my work. I often cannot read or do things that would help me in my work in the school with the teachers, the students, the families. And this also makes me depressed. At the end of 2017-2018, I got to a level of stress that I needed to look for a psychiatrist and started to take medicine for depression.”

**Sandra:** “Now that you’re inside of the hole, everything goes in the hole; everything is in the hole.”

**Paula:** “So (with the loans), my life became a snowball, just to pay the rent for my house. I took on some debts, like for car insurance, and even for us to make ends meet, such as supermarket shopping.”

**Robert:** “We’re in a snowball. Every month we’re not able to pay the bills because we now have a debt plus interest that are unpayable.”;

“So, it is...it’s a totally different life for them, (a life) that deteriorated (emphasized) over time. I think that the sensation of deterioration is huge. And the need to reconstruct the life...because it’s not only to live with less (money), this is one part. It’s a need to reconstruct life having to handle...in my mother’s case, now to try to have a permanent job that she isn’t able to find (she became depressed and had panic syndrome). And my father, well, he is not in a condition to work anymore and make ends meet for the family, as he has always done. Then, it is a sensation of personal failure and incapacity. These are strong words that affect me too.”; “It has changed a lot. Even because...my uncle took on the role to help us, and this has caused a shock in our family. If I’m not wrong, his wife didn’t like it, and this has caused a distance in the relationship between his family and our family. The relationship between my uncle and my mother remained, they are very close siblings, but for a long time now, there haven’t been any more family gatherings, spending Christmas together, this kind of thing, it’s all over. So, our family life, which used to be calm, cheerful, happy, and so on...it was a family that used to travel, participated in different family gatherings, had a car to travel, and all of this became rarer. We became isolated from other members of the family, and we started to become isolated among ourselves. So, all of this caused a strong blow to the family relationships.”

Peter: “I reached rock bottom, over-indebted, lost my first marriage, lost my health, my businesses, spent nights without sleep, and I almost lost my second marriage. I have to recognize that I really lost control of my life.” (Debtors Anonymous testimonial)

**Mary:** “We’re even separating; it’s heading towards a divorce. I told him, ‘Since you don’t pay for anything, leave.’ I told him. And we’re even separating right now; he is going to leave.”

<p><b>Loss of Consumption and Threatened Subsistence</b></p>	<p><b>Rick:</b> “You have a standard in your house that you need to maintain, and when you can’t keep it up anymore, your wife will say, ‘You found another woman, you are beating me (financially) because you are not sustaining the house anymore, you don’t bring stuff to the house, you are spending your money with someone else’. I found a lover. Her name is (name of the bank).”</p> <p><b>Paula:</b> I had to set aside my vanity as a woman because, like it or not, I said it as a joke, but I meant it, about women moving the country's economy. I don’t know, buying a new outfit, going to a nice place, traveling... oh, I was also doing a postgraduate course, I had to stop it. So, it all upsets me.” (Paula)</p> <p><b>Robert:</b> “You see yourself deprived of a lot of things, deprived of habits you used to have and now can no longer sustain. And that affects your life so much, it makes you sad.”; “I have an image that could maybe be illustrative, although it could be seen as a bourgeois thing. When we moved back to São Paulo, we brought everything...everything we had accumulated during our life, back to this apartment where my parents began their married life. Then, as my parents always looked after their material goods very well, we have many old things still intact. And the material from which these goods were made, this is very interesting, these goods are made of porcelain, made from noble materials. The goods bought more recently, they are much simpler; they are made from plastic, from disposable materials, they are not durable goods. They have a more practical function; they are not decorative goods. The decorative elements that we have in our house were bought many years ago. More recently, nothing decorative was bought. They are more utilitarian and instrumental, and (they are) much simpler things.”</p> <p><b>Marlon:</b> “And I made, some days ago, a calculation...I think that 60% of what I spend today is still refinancing. There is this one that is unpayable, that I’m having a conversation with ProConsumer about, and many others are payable of lower amounts. These I can handle; they are under control. What is out of control is the one for which the down-payment is around \$2500, \$3000...and then it’s like...I’m living for the man, for the bank, for the credit card company. And it doesn’t make sense anymore. I am held hostage by them; this is the situation. And this is also important because it affects my family. It was my biggest fear. In the moments of despair in which I was totally ashamed, I thought, ‘OK. I am indebted’. But I feared that over time my girlfriend could become indebted too, my mother could become indebted too, because it is something that starts to contaminate. Then, for example, when I met my girlfriend, she used to study two different languages, used to go to the gym, to have massages, to the therapist...but now, as she is the only one</p>
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	<p>who is paying for our expenses to make ends meet, she cut all of this out. I think she will take a post-graduate course now, but it is the only thing that she'll be able to do. No more gym, no more Spanish classes, no more massage, no more pilates...no. So, our living standard has decreased. But decreased for something like...she had some luxury consumption that she doesn't have anymore. I fear that it will start to impact things that we'll miss strongly, like having to cut our health insurance. It would be a terrible situation because to depend on public health would be very risky."</p> <p><b>Neil:</b> "I won't remain insolvent. This is not on my mind. I took on a debt, I consumed, I used a service, I have to pay. We will have to find a solution for this situation. However, it becomes difficult when, for example, you go to the supermarket, and the prices, look, they increase! Health insurance, for example. Unfortunately, my health insurance only serves the municipality in which I live. And that's all. Many things start to increase and increase and increase...and, for example, this year, my wife and I didn't have any readjustment in our salaries. We didn't have any readjustment (emphasized) once again! Then, we face an increase in living costs, and we don't have any readjustment in our salaries, so we need to stop buying and doing things. And what else? Well, we get depressed. And there are the consequences...of the financial problem. We get down because we cannot do things we used to do; we start to blame each other for this or for that. We start to think, 'I won't do this'. Then we become sad because we are not going to do essential things."</p> <p><b>John:</b> "It's not easy for us... The lifestyle we used to have, we don't have it anymore."</p> <p><b>Ashley:</b> "I got to a point of wanting to commit suicide because I had many, many debts. My energy was interrupted, and I reached a point that the only thing I had to eat was dry bread and coffee. So, my life was truly chaotic, and I couldn't see the light at the end of the tunnel." (Debtors Anonymous testimonial)</p>
<p><b>Living on Immediacy</b></p>	<p><b>Angela:</b> "I wake up a lot of times in the middle of the night, anxious, thinking about it (the debt)."; "There comes a time when you hit rock bottom, you don't know where to reach out for help. That's kind of how I feel like now."</p> <p><b>Louis:</b> "Every day, I go to sleep worried (about the situation)."</p> <p><b>Neil:</b> "I think that, until 2017, all of that was taking every hour of my day, every day, every week, everything. It started to prevent me from doing other things that were necessary for me."</p> <p><b>Rick:</b> "I don't feed myself, I don't eat, don't drink, don't sleep, because I get worried. Because I want to pay."; "You get totally</p>

	<p>crazy because you don't know how to solve the problem.”; “Because my biggest dream is to get out of this hole.”</p> <p><b>Sandra:</b> “Now that you are inside of the hole, everything goes in the hole; everything is in the hole.”</p> <p><b>Paula:</b> “Then my boat sunk. Why? I didn't have credit anymore. Do you know? So, then I became desperate.”</p>
<b>Identity De-construction</b>	<p><b>Robert:</b> “We are an indebted family, for sure. A family that has lived a financial and psychological disaster, that was also a disaster in our relationships.”; “My father took on the role of breadwinner. When it started to fall apart, for him, I think it was a huge shock. He realized he wouldn't... he couldn't have that possibility anymore, that he had failed, and everything he had achieved and accomplished had dissolved. And the solutions he tried to find were also terrible.”</p> <p><b>Sandra:</b> “Bankruptcy, right? Do you know? You feel like you are a bankrupted person.”;</p> <p><b>I:</b> And what were your feelings in the last two years? What have you felt...?</p> <p><b>Sandra:</b> “Failure, you know. Do you know? To feel like if you were a failed person? I am someone too linked to my performance, you know? I am very critical. Then, I even have difficulty, let's say, it's not that I don't forgive myself. It is an expression used by my therapist that we need to forgive ourselves. But it is not this; it's not that I don't forgive myself, but I don't forget the things that I have done to myself, you know?”</p> <p><b>I:</b> Do you blame yourself?</p> <p><b>Sandra:</b> Too much. Too much (emphasized). Why haven't I done this? Why haven't I done that? Do you know? Because then, your self-esteem is seriously diminished. And in the end, I cannot solve my problems.”</p> <p><b>Angela:</b> “But it's hard when the phone rings and rings and rings, and to try to collect from you. You answer the phone thinking it's a job interview, and it's a collector. This destroys the person, destroys your self-esteem. You feel like shit, you feel useless, and you start to ask yourself: What's wrong with me? What do I need to do differently? And you don't find answers. I think this is...it's a conflict that...goes on killing you, you know? Apart from that, society imposes it on you: You have to work, work, and work. You have to pay your bills; you have to pay your bills, isn't it? Then, there is a time in which you reach rock bottom, and you don't know how you could ask for help. It's more or less like this how I feel.”; “I want to pay because I don't think it's a good thing to be indebted. I don't think it's right for a person not to pay her bills, not to honor the commitments she has made. And I have to honor them because I</p>

am a decent person, a serious person, and a correct person. Having become insolvent, and with a soiled name, has caused me, you know, anxiety, resentment, a deep sadness. My father has taught me that we need to have a good name in society.”

**Naomi:** “I used to hear people saying: it’s a bottomless hole. The debt grows because the interest is not like the readjustment of your salary. Then, my (retirement) pension will increase what, \$30, do you understand? Then I started to realize, and I said to myself, ‘I have a good salary, compared to millions of people, who have kids, who pay rent, and who are not in this situation’. I condemned myself very much; I felt like shit. Then I thought, ‘I didn’t need to be in this situation. I shouldn’t have been irresponsible like this.’”; “Because (the indebted) they are people who are trying to solve the problem, to find a solution. I don’t think that they are bad people; they are not dishonest, cheaters, and don’t want to take advantage of the situation, no. I want to pay, want...want to go back to who I am. I was afraid of not being accepted.”

**Russel:** “So, I feel extremely vulnerable.”

**Caroline:** “I feel like I am a victim of myself, and I have the executioner, which is (name of the bank).”

**Joe:** “This was a demotion. It was a humiliation. It truly is a demotion.”

## CHAPTER 4 – FROM ATTACHMENT TO AVERSION: CONSUMERS' PERSPECTIVES ON CONSUMER-BRAND RELATIONSHIP DETERIORATION

“My relationship with Bank X (fictitious name), which is the one I handle until now, is shattered. Let’s say that it is now a matter of honor, isn’t it? To pay everything I owe to the bank, and I will do it, and then after that, I...it looks like a little of sadism, right? But it is to be able to say this: ‘Look, I want to close my account here.’ Because the treatment given to people at the moment that you are...the most difficult, it makes you hate the institution. It does not mean that another one (another bank) will be different, but it will be another one. This one you don’t want more. Just for you to see how it is, the banks, the institutions, don’t think about it; when the person gets there, she gets there fragile, undermined. She gets there in need of help, wanting to solve (the problem), and the treatment is the worst possible. That’s my experience, mine. Just the fact that I have to go to the branch already bothers me. I don’t treat badly the people who assist me because (I know) they are there doing their job. But my relationship with the institution is shaken, I lose the confidence totally, I don’t want either... (don’t want) nothing else with this institution, Bank X. As soon as I solve the problem, and I want to solve it, and I will solve it, I’ll get out of it. I don’t even want to hear of it anymore. And how was my relationship before (with Bank X)? It used to be a good relationship, peaceful, stable. Now I developed a total aversion, a total dislike towards Bank X.” (Neil)

#### 4.1. Introduction

This narrative from Neil, one of the participants of this study, shows some aspects of the relationship between him and his partner (Bank X) that has changed profoundly. According to Neil's perspective, it moved from a quite positive one ("good, peaceful, stable") to a very negative one, characterized by strong aversion, lack of trust, annoyance, and even hate.

The marketing literature shows that it is advantageous for firms to develop and cultivate strong relationships with customers (Keller, 2001; Johnson, Matear & Thomson, 2011). Firms can benefit, for example, from higher profitability and customer lifetime value that can come from enhanced customer attachment (Thomson, MacInnis & Park, 2005). However, as can be shown by Neil's case, consumer-brand relationships can become very dysfunctional. Scholars have also shown that positive and self-expanding relationships can become negative, and strong attachment can turn into strong brand aversion (Fournier & Alvarez, 2013; Johnson et al., 2011). Furthermore, negative relationships affect consumer-brand engagement and consumers' quality of life (Fournier & Alvarez, 2013). For instance, Hill (1994) shows that collectors and debtors can become overly aggressive in their reciprocal interactions, and the relationship between them becomes agentic, depersonalized, manipulative, and full of anger. In addition, negative relationships can generate feelings of contempt, frustration, hatred, and aggression (Mallick & McCandless, 1966; Park et al., 2013). It is very intriguing because firms can benefit from strong and positive relationships with their customers. So, how can these relationships deteriorate and become so negative? And why does it happen? To date, most academic research on consumer-brand relationships is dedicated to positive and strong brand relationships, while limited attention has been dedicated to negative relationships (Fournier, Breazale, & Fetscherin, 2012; Fournier & Alvarez, 2013). Little is known, for instance, of the process and the dynamics of a consumer-brand relationship deterioration over time and how customer relationship attachment can turn into aversion. Also, scant attention has been paid to investigate the dynamics of the relationship between creditors and debtors (Custers, 2018). Relationships are, basically, what they mean to the parties engaged in them (Fournier, 1998). As consumer credit has become ubiquitous in the last years, it is vital to understand the

meanings experienced by consumers in their relationship with creditors in the situation of over-indebtedness.

To address these overlooked areas in consumer research, I examine, in the present study, the narratives and lived experiences of over-indebted consumers in their relationships with their creditors (and relationship partners). I conducted qualitative research developed in a realistic setting in the largest metropolitan area of Brazil, using consumer brand-relationship, attachment theory, and attachment-aversion model as theoretical foundations. The analysis was concentrated on explaining why and how a consumer-brand relationship can transition over time from positive to a negative and troubling one, e.g., from attachment to aversion, according to the subjective consumer experiences.

I chose the context of consumer over-indebtedness because it can lead to downward relationship spirals in which negative interactions escalate, deviating from expected relationship patterns (Fournier & Alvarez, 2013). At the same time, it is a phenomenon with a high negative social impact that brings growing concerns. Consumer over-indebtedness occurs when “the sum-total of payment demands, for example, utility bills as well as loan repayments, are causing unsustainable financial stress” (Ranyard, McHugh, and McNair, 2017). Consumer indebtedness has grown significantly in the last decades in many countries, raising preoccupations regarding the sustainability of household indebtedness. It is also a social issue that affects millions of consumers (D’Alessio & Iezzi, 2013). For example, the level of over-indebtedness of the European countries was estimated to be around 16% (Betti, Dourmashkin, Rossi, and Yin, 2007). The outcomes of over-indebtedness can potentially lead some families to economic distress, social exclusion, and poverty (D’Alessio & Iezzi, 2013). And despite its importance, there is a need in the literature to understand better the difficulties, emotions, and frustrations that debtors face and experience with problem debts in their roles of consumers, credit users, and family/society members (Wang, 2010). A deeper understanding of the phenomenon is also essential to guide improved public policies. In the last years, new policies and regulations have been put in place to deal with credit, debt, and over-indebtedness, such as those implemented to improve consumers’ debt management decisions (Custers, 2018). However, the inaction in solving debt problems persists. Of the total stock of delinquent consumer debt in the UK and the US, less than 10% is repaid

through either negotiation with third-party debt collectors or bankruptcy (Custers, 2018). In the US, roughly 75% of delinquent debt is left uncollected and unsettled (Custers, 2018). These numbers imply that the vast majority of consumers with problem debts do not resolve their situation and lives with such debts on a prolonged basis (Custers, 2018). There is also evidence that rehabilitating insolvent borrowers could benefit them by providing renewed access to credit markets and also benefit the whole economy through lower social costs and higher consumer spending (Arrowglobal, 2019). There is a long road ahead for public policies that support better management of debt and debt leverage to direct them to solve fundamental human problems, making them salubrious rather than odious (Shiller, 2013).

The objectives of this study are threefold. First, to extend previous work by Hill (1994) and Hill and Kozup (2007), contributing with new perspectives on creditor-debtor relationship decline. Second, to contribute to the literature on consumer-brand relationship negatives, exploring the process in which consumers transition from relationship attachment to aversion. And third, contribute with insights for public policy on avoiding consumer over-indebtedness and relationship deterioration, and discuss its managerial implications. The findings of this study show that, according to consumers' perspectives, the following factors influence their relationships with creditors and collectors negatively, leading to its deterioration: (1) disregard of consumer situation; (2) disputes; (3) conflict of interest and disregard of shared responsibility; (4) use (and abuse) of power imbalances; and (5) harassment from collectors (direct and third-party collectors). The findings also show the negative outcomes for consumers and their selves, and the outcomes for consumer-brand relationships.

This paper is organized as follows. The following section reviews the literature on credit problems and the theoretical grounding of consumer-brand relationships, attachment theory, and attachment-aversion model. Then the method is presented with an emphasis on data collection, analysis, and the qualitative approach utilized. In the following section, the findings of the study are presented. Finally, I discuss theoretical, public policy and managerial implications based on the findings, which contribute to preventing and mitigating consumer over-indebtedness and relationship deterioration.

## 4.2. Literature Review

Of interest to our research is understanding consumer-brand relationship deterioration mainly in the context of problems debts, and over-indebtedness. Several scholars have conducted substantial research on consumer credit problems, although not exploring the relationship aspects. One stream of research is in the line of understanding the antecedents and consequences of consumer problem debts. Some scholars, for example, have examined the role of materialism on the (over)use of credit/debt and risky financial behavior. More materialism influences consumers to take heavier indebtedness (Watson, 2003; Ponchio & Aranha, 2008) and have more positive attitudes toward borrowing (Watson, 1998). Materialism influences credit practices because consumers believe they will transform themselves with their acquisitions, bringing positive and meaningful changes to their lives, such as “improvements to interpersonal relationships, to the self, to the amount of pleasure experienced, and to the ease and efficiency with which consumers can manage life tasks” (Ricchins, 2011, p. 150). Other studies were made to understand compulsive buying and the relationship between compulsive consumption and credit abuse, demonstrating a positive relationship between them (Faber & O’Guinn, 1998; O’Guinn & Faber, 1989). These studies, in general, showed that people with strong and recurrent credit problems had buying patterns very similar to the ones of compulsive buyers (Faber & O’Guinn, 1998; O’Guinn & Faber, 1989). They have also demonstrated that some of the consequences of compulsive buying are abnormally high debt levels, anxiety, frustration, a sense of loss of control, and domestic dissent. Compulsive consumption, however, represents only a small fraction of credit abusers (Faber & O’Guinn, 1998). Studying the antecedents and consequences of risky credit behavior among college students, Xiao, Tang, Serido, & Shim (2011) found evidence that parental norm and parental socioeconomic status are important factors that influence risky behaviors. These authors also found that behavioral intention and financial knowledge influence risky behavior (Xiao et al., 2011).

Another stream of the literature is in consumer protection and potential solutions for the consequences of consumer problem debts. Some studies approach the issue of responsibility on the acquisition and use of credit. These studies point out that too much responsibility is put on the consumer side of the equation, and much less responsibility is put on credit lenders and marketers (Szmigin & O’Loughlin, 2010).

They call for more responsible marketing of credit as a critical element of social policy (Szmigin & O'Loughlin, 2010). Other studies explore how consumers form opinions ("marketplace metacognitions") about consumer protection and individual responsibility in the credit card domain (Henry, Garbarino, and Voola, 2013). Their findings show that protection beliefs are driven when the locus of control is put on credit providers. In contrast, responsibility beliefs are driven when the locus of control is put on the consumers (Henry et al., 2013). Wang (2010) has studied consumer credit card debt as an experience of vulnerability that could be mitigated by the help and support of credit counseling agencies. Debt-ridden consumers face financial difficulties and stigma that affects their self-esteem and social relationships. At the same time, credit counseling agencies could help consumers regain their financial and personal well-being overcoming the vulnerable situation and getting back to a normal condition (Wang, 2010).

Another stream of studies was dedicated to understanding the exchange relationship between creditors and collectors and between creditors and debtors. Hill (1994) studied the exchange relationship between indebted consumers and collection organizations. This relationship was identified as a troubled market exchange based on agency and not communion (Hill, 1994) because of the collector's alienation and isolation from indebted consumers. From the side of collectors, consumers are depersonalized and manipulated by debtors. From the side of consumers, the reaction is based on anger and outrage at these tactics, decreasing the probability of a cooperative agreement between the parties. Collectors also react using coercive power over debtors in a spiral of mutual aggression (Hill, 1994). This study makes a substantial contribution showing how conflictive and negative an exchange relationship can become. However, it is limited to studying the relationship between debtors and collectors and does not cover the origins and the trajectory of the relationship that started with creditors and debtors. This brings the question of how was the credit acquisition process between debtors and creditors, and how this relationship could have changed to reach this much negative point explored in the work of Hill (1994).

Hill and Kozup (2007) conducted a study with individuals who had loans with subprime lenders accused of illicit marketing actions. They concluded that industry practices are implemented to the detriment of individuals usually considered "vulnerable" and impoverished. Creditors such as consumer finance companies,

banks, mortgage brokers, and subprime financial institutions approach mostly “vulnerable” consumers such as the elderly, impoverished, and African-American charging high rates, added fees, and flipping of loans (Hill & Kozup, 2007). Their study identified that creditors induced consumers to assume additional debt, hid essential information from consumers, used unfair and aggressive collecting practices, and victimized consumers with no offers except for the subprime ones (Hill & Kozup, 2007). Although making an essential contribution to the study of negative relationships exploring consumer experiences with predatory subprime lending practices, the study of Hill and Kozup (2007) study is restricted to the experiences of impoverished low-income and high-risk consumers. It does not have much to say about the experience of regular and non-vulnerable consumers that acquire credit not necessarily through illicit or deceptive marketing practices from creditors that are traditional financial institutions and not predatory subprime lenders.

Another line of research is dedicated to studying negative brand relationships in contexts other than debt problems. It shows that “strong positive brand relationships can easily transform into hateful and vengeful associations” (Fournier & Alvarez, 2013, p. 254). For instance, in a study to explore the predictors of consumer anti-brand actions, Johnson et al. (2011) showed that self-relevant prior brand relationship is positively associated with anti-brand actions, while a self-neutral prior brand relationship is negatively related to anti-brand actions. Their study provides evidence that the experience of loss of self-esteem and harm of self-concept (and not critical incidents) precipitates acting out and anti-brand behaviors. It also makes an essential contribution to the literature on anti-brand actions, demonstrating the effects of prior relationships and the risk that a firm’s best customer can turn into future antagonists. However, their study focuses on self-relevant relationships that have already come to an end. Thus, it does not explain why and how consumer-brand relationship deteriorates over time and negative relationships form.

In a study of online public complaining contexts, Grégoire, Tripp, & Legoux (2009) show that online complainers hold a grudge against firms over time and that the firm’s best customers have the most prolonged unfavorable reactions in what they call a “love-becomes-hate” effect. The authors also show that while avoidance increases over time, revenge decreases over time. In addition, they notice that firms can offer apologies and compensation after the complaint to mitigate the damaging effect. Their

study was important to show evidence that consumers with strong relationships with a brand can become its more severe critics and have a more emotional response than less committed customers. Yet, their study is dedicated to understanding the effects of time and relationship strength on the evolution of customer revenge and avoidance. Moreover, it is restricted to online public complainers, who tend to be more dissatisfied with the firms they have a relationship with. Thus, it has less to say about why and how a consumer-brand relationship can suffer from a gradual erosion from customer attachment to the point of avoidance or aversion.

## **4.2.1 The Creditor as a Relationship Partner**

### **4.2.1.1 Consumer-brand relationships**

The literature on personal and close relationships has exerted a strong influence on the study of consumer-brand and consumer-firm relationships, as well as on the study of the relationships and conflicts within and among channels of distribution (Fournier, 1998; Brown & Day, 1981; Gaski, 1984). Consumers tend to personify brands, assign human characteristics to them, treat them as active "others" and relationship partners (Fournier, 1998; Alvarez & Fournier, 2016). Relationships are multiplex phenomena that provide meanings in psycho-socio-cultural contexts (Fournier, 1998). Relationships add and structure meanings in a person's life (Berscheid & Peplau, 1983; Hinde, 1995). Meaningful relationships can change or reinforce self-concept (Fournier, 1998; Aron & Aron, 1996; Aron, Paris & Aron, 1995). The psychological contexts are also important to understand relationships. They may help resolve life themes (Csikszentmihalyi & Beattie, 1997), may deliver on important life projects or tasks (Cantor, Niedenthal & Langston, 1987; Caspi, 1987), or may be rooted in current discrete concerns and tasks (Klinger, 1987; Little, 1989). Relationships are context-interdependent: they affect and are affected by the contexts in which they are embedded (Fournier, 1998). Studying consumer-brand relationships, Fournier (1998) developed a typology of the following possible relationship forms: arranged marriages; casual friendship/buddies; marriages of convenience; committed partnerships; best friendships; kinships; rebounds/avoidance-driven relationships; childhood friendships; courtships; dependencies; flings; enmities; secret affairs; and enslavement.

In the literature on interpersonal relationships, four underlying dimensions were developed to analyze relationships: the power-symmetry-asymmetry, the valence of the relationship, the extent of interdependence, and whether the relationship is primarily social- or work-related (Wish et al., 1976; Wish, 1976; Leary, 1958). These dimensions were later confirmed to work for individual-to-individual, individual-to-firm, and firm-to-firm relationships in commerce (Iacobucci & Ostrom, 1996). The power symmetry-asymmetry dimension characterizes relationships that are thought to be equal versus unequal or dominant versus submissive (Leary, 1958; Iacobucci & Ostrom, 1996). The valence dimension characterizes relationships that can vary in a continuum from “cooperative and friendly” (positive) to “competitive and hostile” (negative) (Iacobucci & Ostrom, 1996). The dimension of the extent of interdependence in a relationship characterizes the intensity of the relationship, e.g., if it is a close relationship or a more distant one. The last dimension characterizes relationships that are primarily social-related or work-related (Iacobucci & Ostrom, 1996).

#### **4.2.1.2 Attachment Theory and Attachment-Aversion Model**

Attachment Theory, a theory of human relationships that expanded its use to consumer-brand, as well as to organizational relationships, is concerned with the cognitive-affective processes of “attachment,” conceptualized as the propensity that individuals have to search for and develop affectional bonds to particular others (Bowlby, 1973; Yip et al., 2018). According to this theory, individuals tend to seek support from others in case of need and difficulty. Attachment Theory defends that individuals have an attachment behavioral system involved in the selection, activation, and termination of behaviors that seek protection and support (Yip et al., 2018; Mikulincer & Shaver, 2009). When individuals are at risk of potential physical and psychological threats, the behavioral attachment system is activated to develop responses seeking to fulfill attachment needs (Yip et al., 2018; Mikulincer & Shaver, 2009). In addition, fear-provoking situations, challenging situations, and conflictual interactions can activate the attachment system (Kobak & Duemmler, 1994; Simpson, Rholes & Phillips, 1996).

The attachment-aversion model is a theory-based account of consumer-brand relationships that includes both the positive and the negative brand engagements (Fournier & Alvarez, 2013; Park, Eisingerich & Park, 2013). It provides a “unified and

integrated theoretical account of the full spectrum of positive to negative relationships” (Fournier & Alvarez, 2013, p. 254). Brand attachment occurs when consumers feel attached or close to a brand, which is perceived as a means for self-expansion. Brand aversion, on the contrary, occurs when consumers are averse and feel distant from the brand (Park et al., 2013). Consumer-brand relationships positioned in the middle of the continuum between brand attachment and brand aversion are characterized as brand indifference (Park et al., 2013). The two conceptual components of the attachment-aversion relationships are the degree of brand-self distance and brand prominence (Park et al., 2013). Brand-self distance is conceptualized as the perceived distance between a brand and the self. A close relationship to the self has a positive valence, and a distant relationship has a negative valence (Park et al., 2013). And brand prominence is conceptualized as the perceived memory accessibility of a brand to a consumer, e.g., the higher the relevant and cognitive-affective memories about a brand, the higher the brand prominence (Park et al., 2013). The attachment-aversion model of the consumer-brand relationship proposes that brands have characteristics and functions that can work as assets to consumers if they help them achieve their goals (Park et al., 2013). On the contrary, if these characteristics hinder consumers in achieving their goals, they can work as liabilities (Park et al., 2013). Thus, according to the model, the three assets that a brand can possess are enticing the Self, enabling the Self, and enriching the Self. And the three liabilities are annoying the Self, disabling the Self, and impoverishing the Self (Park et al., 2013).

### **4.3 Method**

Our main site and source of data collection was a public agency responsible for elaborating and executing consumer protection policies with the mission to equilibrate and harmonize the relationships between consumers and providers. This agency is located in the largest metropolitan area of Brazil, and it is going to be called ProConsumer (fictitious name). ProConsumer has a specific program dedicated to the support of over-indebted consumers, offering orientation and education, and promoting the renegotiation of the debts with all the creditors (following the family budget and guaranteeing the subsistence of the family). The requirements to participate in the program are the following: to be an individual aged 18+; to live in one of the

municipalities of the State; individuals with any disposable income; and over-indebted. The situation of over-indebted is detected by ProConsumer employees based on the analysis of information and documents provided by the consumers. After consumers have sent all their records, have given all their data, and have had their over-indebtedness verified, ProConsumer invites them to a three-hour lecture on over-indebtedness. These lectures explain the ProConsumer program, provide financial advice, and offer support to help consumers analyze their incomes and expenses. The program also checks if some potential cuts can be done to consumers' budgets and help adapt their budgets to the new situation as much as possible. Then, ProConsumer makes contact with all the creditors (banks, financial institutions, retail stores, credit card companies, etc.), showing the situation of the over-indebted consumers and asking for a (potentially affordable) renegotiation proposal. According to ProConsumer, the main factors contributing to consumers' over-indebtedness are lack of financial control, unemployment, income loss or reduction, personal or family disease, business failure, borrowing-lending amongst family and friends, divorce, and death in the family. ProConsumer acts as an intermediary in the negotiations with creditors and debtors, and they affirm that, in general, in sixty percent of the cases, the parties get to an agreement. If an agreement is not made, ProConsumer recommends consumers look for the Public Defense (public lawyer that acts free of charge on the defense of consumers) or go to the court. In these cases, the problems between debtors and creditors are going to be discussed at the tribunals.

To gain a more comprehensive understanding of the phenomenon under study, during 24 months, among the years 2017, 2018, and 2019, I deployed multiple and complementary methods of data collection, including: (1) non-participant observation in six lectures of ProConsumer; (2) in-depth interviews with 37 over-indebted consumers recruited at the ProConsumer lectures; (3) in-depth interviews with three experts (two ProConsumer counselors and one credit market specialist); (4) participation in 8 events, seminars or roundtables related to credit and over-indebtedness; (5) collection and analysis of secondary data and materials related to consumer over-indebtedness. A summary of the data sources, their descriptions, and the purpose of usage are described in **Table 11**.

**Table 11***Types of Data Sources*

<b>Source</b>	<b>Types of Data</b>	<b>Purpose of Usage</b>
Non-Participant Observation in ProConsumer Lectures	Field Notes (23 pages) Booklet and Leaflets – Guides and Support Material for Over-indebted Consumers (19 pages)	Obtain access, knowledge, and intimacy with over-indebted consumers' context and challenges
In-depth Interviews with Over-indebted Consumers	37 Interviews (Transcribed Verbatim, 635 single-space pages)	Understand the motivations, narratives, trajectories, lived experiences, and consumer meanings
In-depth Interviews with Counselors/Experts	3 Interviews (Transcribed Verbatim, 36 single-spaced pages) Lectures, Presentations, and Statistics (78 single-spaced pages)	Understand the perspective of specialists and experts to complement the views of consumers
Participation in Events Related to Credit and Over-Indebtedness	8 Events, Seminars, and Roundtable Field Notes (10 single-spaced pages)	Increase the understanding of the market contexts in which consumers get over-indebted and the perspective of market players
Secondary Data	21 Reports (685 single-spaced pages) 10 Booklets, Manuals, Articles and Leaflets about Credit, Debt, Over-indebtedness, and Regulation (677 single-spaced pages) Documentary on Consumer Over-indebtedness (video and 10 single-spaced pages of transcribed verbatim)	Complement the understandings from consumers and experts, analyze statistics and triangulate between different sources of data Obtain the perspective of consumer protection agencies and market players on over-indebtedness

I conducted in-depth interviews with participants recruited at the ProConsumer monthly lectures. Having the consent of the Program Coordinator, I presented myself in the interval of the lectures and started to ask for their contacts. For those who gave

their contacts and agreed to participate in the research, I scheduled the interviews in the following days, according to their availability and in a location of their convenience. I developed an interview guideline based on the literature and research interests to serve as a semi-structured interview guide (McCracken, 1988; Spradley, 2016). The interviews started with warm-up questions, moved to clarifications about the purpose of the study, and then the approval and signature of the consent form. Then I moved to more personal questions as “tell me about yourself” kind of questions, demographics, and other background information. The rest of the interview guideline was composed of the following issues concerning the consumers’ lived experiences, perceptions, and perspectives on the exchange relationship between them and the creditors: the process of credit acquisition; the process of increasing indebtedness; the level of trust (or untrust) on the banks, financial institutions, retail stores, and collection agencies; the relationships with and the confidence (or untrust) on the account managers; the experience of dealing with over-indebtedness; the debt renegotiation process, the functioning of the collection process, the impacts on consumers and their perceptions of the relationship partners along the whole process, and the lessons learned. I let the participants speak freely and follow their natural flow of telling their stories. In most of the cases, they covered the themes of the interview guideline. If the themes were not covered with the natural conversation flow, I went back to the guideline and brought the missing points to the conversation. The interviews were taped and transcribed. They lasted from 45 minutes to 2:38 hours with an average of 1:43 hours.

In Table 12, I exhibit the profile of participants. It shows a diverse sample in age, gender, education, occupation, marital status, number of children, and social position. Then, in the three last columns, I exhibit some estimated data to show that: (1) the amount of debt owed varies considerably among participants, but all of them have a highly complex situation due to their current over-commitment; (2) most of the participants experienced a loss or decrease in their flow of revenues, which was a crucial factor in their over-indebtedness; (3) participants are, in general, struggling with problems debts for a long time, indicating that over-indebtedness is a mid to long-term problem.

**Table 12***Profile of Participants*

<b>Name</b>	<b>Age</b>	<b>Gender</b>	<b>Education</b>	<b>Occupation</b>	<b>Marital Status</b>	<b>Children</b>	<b>Social Position (*)</b>	<b>Debt/Current Monthly Income Estimated</b>	<b>Recent Income Variation</b>	<b>Length of time with Problem Debt (years)</b>
<b>Caroline</b>	46	Female	Bachelor's	Public employee	Married	1	High Middle Class	7x	Same	20
<b>Rick</b>	28	Male	Bachelor's	Parking lot operator	Married	2	Low Middle Class	9.5x	Decreased	7
<b>Robert</b>	32	Male	Master's Degree	Intern	Single	0	Average Middle Class	2.6x	Same	15
<b>John</b>	48	Male	High School	Cook	Married	0	Low Middle Class	2.8x	Same	1,5
<b>Russel</b>	64	Male	Doctorate	Professor (Retired)	Single	0	High Middle Class	11.9x	Increased	11
<b>Louis</b>	23	Male	Bachelor's	Uber driver	Single	0	Lower Class	10.7x	Increased	6
<b>Paula</b>	41	Female	Bachelor's	Auditor (Unemployed)	Married	0	High Middle Class	21x	Decreased	1,5
<b>Claire</b>	55	Female	High School	Realtor	Widowed	2	Low Middle Class	34.5x	Same	8
<b>Sandra</b>	59	Female	Bachelor's	Administrator (Retired)	Divorced	2	Low Middle Class	53.6x	Decreased	3

<b>Luke</b>	44	Male	High School	Small business owner	Married	2	Average Middle Class	2.5x	Same	3
<b>Mary</b>	56	Female	High School	Assistant nurse (Retired)	Married	0	Average Middle Class	18x	Same	1,5
<b>Raimond</b>	72	Male	High School	Metallurgist (Retired)	Married	4	Low Middle Class	23.7x	Same	10
<b>Philip</b>	42	Male	Bachelor's	Uber driver & Realtor	Single	0	Average Middle Class	15.2x	Decreased	2
<b>Angela</b>	42	Female	Post graduated	Nurse & administrator (Unemployed)	Married	0	Average Middle Class	-	Decreased	1
<b>Neil</b>	56	Male	Bachelor's	High school teaching coordinator	Married	0	Average Middle Class	2.6x	Same	4
<b>Evan</b>	45	Male	High School	Former Salesperson (Disability pension)	Married	3	Average Middle Class	4x	Decreased	1
<b>Ellen</b>	49	Female	Post graduated	Pedagogue & Entrepreneur	Married	1	Average Middle Class	22.2x	Same	2
<b>Owen</b>	65	Male	Bachelor's	Public employee (Retired) & Entrepreneur	Married	1	High Upper Class	8.2x	Same	3

<b>Joe</b>	47	Male	Bachelor's	Former marketing manager (Unemployed)	Married	0	Low Upper Class	8.8x	Decreased	1
<b>Faith</b>	56	Female	Bachelor's	Occupational therapist	Divorced	0	Low Upper Class	10.8x	Same	4
<b>Adam</b>	45	Male	Bachelor's	Industrial chemist (Unemployed) & Martial arts instructor	Single	0	High Middle Class	12x	Decreased	2
<b>Daisy</b>	36	Female	Bachelor's	Legal intern	Single	0	High Middle Class (**)	2.9x	Same	4
<b>Naomi</b>	65	Female	Bachelor's	Institutional relations consultant (Retired)	Divorced	0	High Middle Class	5.1x	Decreased	2
<b>Garret</b>	46	Male	Bachelor's + Specialization	Engineer	Married	1	High Middle Class	3x	Decreased	3
<b>Fabio</b>	29	Male	Bachelor's	Sales manager	Married	3	Average Middle Class	40x	Decreased	1
<b>Valerie</b>	49	Female	High School	Unemployed (Disability pension)	Single	0	Low Middle Class	41.2x	Decreased	5
<b>Lucy</b>	37	Female	High School	Uber driver (Former auditor)	Married	1	Low Middle Class	16.6x	Decreased	2

<b>Ed</b>	71	Male	High School	Military (Retired)	Married	3	Average Middle Class	21.7x	Decreased	4
<b>Carly</b>	51	Female	Bachelor's	Administrator	Married	1	Low Middle Class	60x	Decreased	5
<b>Farrah</b>	55	Female	Doctorate	Architect	Divorced	0	High Middle Class	18x	Decreased	4
<b>Fae</b>	51	Female	Bachelor's + Specialization	Marketing manager (Unemployed)	Married	0	Low Upper Class	5.1x	Decreased	1
<b>Marlon</b>	38	Male	Bachelor's	Freelance journalist	Single	0	Average Middle Class	20x	Decreased	2,5
<b>Cecilia</b>	57	Female	High School	Realtor (Unemployed)	Divorced	2	Average Middle Class	-	Decreased	1
<b>Anne</b>	40	Female	Bachelor's	Psychologist & Secretary	Single	0	Average Middle Class	15x	Decreased	4
<b>Marlene</b>	61	Female	High School	Pensioner	Widow	1	Low Middle Class	6x	Same	10
<b>Ella</b>	59	Female	Bachelor's	Arts/design painter	Divorced	2	Lower Class	6.25x	Decreased	0,5
<b>Emily</b>	78	Female	High School	Accountant (Retired)	Single	0	Lower Class	9x	Decreased	4

(\*) Kamakura & Mazon (2016) (\*\*) Including family income

I conducted a hermeneutic, iterative analysis (Spiggle, 1994; Thompson, 1997) of the data. The complete set of materials, field notes, and transcripts were read entirely in the first stage. Then, each interview was examined individually to generate a comprehensive understanding of each informant and notice the emerging themes. In the second stage, I triangulated the data from the different data sets to find common themes and systematic patterns to develop dominant groups through iterations of comparison and rereadings of the entire data set. In the third stage, I analyzed how each informant's data separately related to the whole in a continuous part-to-whole interaction moving continuously among various data sources (Thompson, Locander, & Pollio, 1989). Finally, the interpretation of the data was developed through multiple readings and resulted from the comparison between prior assumptions and emerging insights (Spiggle, 1994).

Based on consumers' perspectives, this study intended to understand the dynamics of the relationship between debtors and creditors during the process of over-indebtedness. The analysis was concentrated on explaining why and how the consumer-brand relationship can evolve over time, transitioning from a positive to a negative relationship. Thus, this study aimed to answer the following research questions: Why and how can a consumer-brand relationship deteriorate and make consumers migrate from attachment to aversion? What are the outcomes of a consumer-brand relationship deterioration?

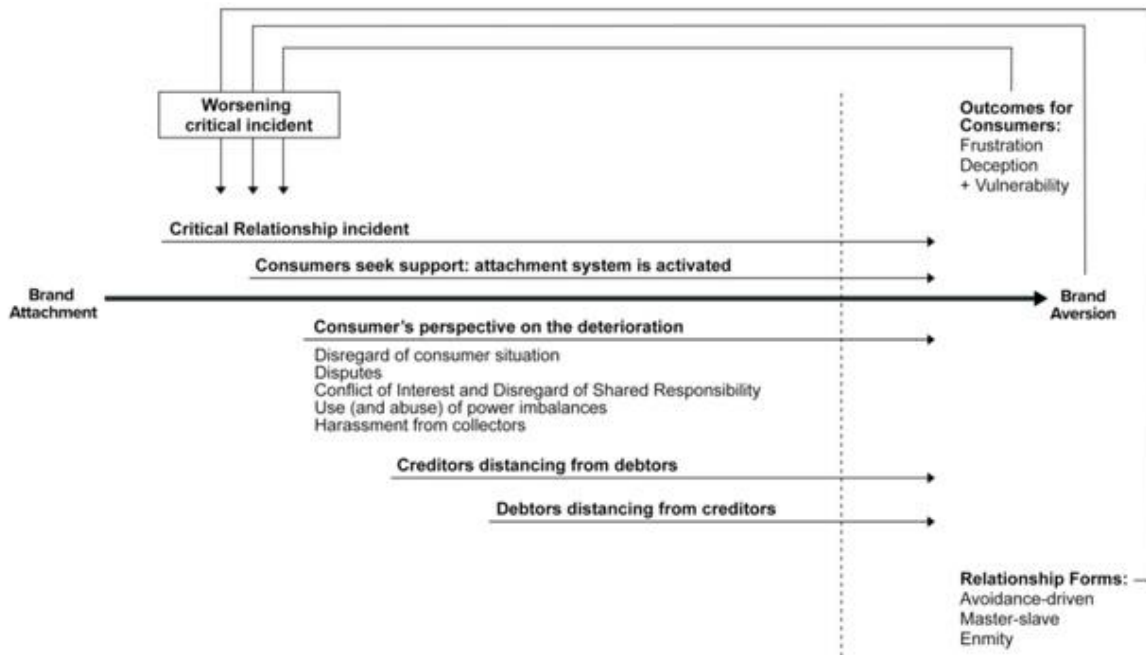
#### **4.4 Findings**

This study shows that over-indebtedness works as a critical relationship incident that activates the attachment system of consumers who seek support from their creditors. However, consumers perceive that they do not have enough support from creditors and become frustrated. The main pattern I observe from the participants' perspectives is that when the problems of over-indebtedness begin, creditors and their account managers start to distance themselves from over-indebted consumers, ignore them sometimes, and treat them litigiously. Then, over-indebted consumers start to become highly frustrated, deceived; many times, they feel betrayed, and in this process, they also begin to distance themselves from creditors. In the continuum from attachment to aversion, they feel creditors are

becoming more averse. Then they begin to become less attached and more averse, moving from a positive to a more hostile relationship pattern, as illustrated in Figure 4.

**Figure 4**

*Model of consumer-brand relationship deterioration*



This process is explained in more detail as follows: first, around the experiences and perspectives of consumers of the factors that affect the relationship deterioration; then, around the outcomes for consumers and their selves and the consumer-brand relationships.

#### **4.4.1 Consumer's Perspective on Issues Affecting the Consumer-Brand Relationship Deterioration**

The participants of this study experience a gradual erosion of the relationship with their creditors, which begins when problems arise and continues along the over-indebtedness process, including the renegotiation stage. According to consumers' perspectives, the following factors influence their relationships with creditors (and collectors) negatively, leading to its deterioration: (1) disregard of consumer situation; (2) disputes; (3) conflict of interest and disregard of shared responsibility; (4) use (and

abuse) of power imbalances; and (5) harassment from collectors (direct and third-party collectors).

#### 4.4.1.1 Disregard of Consumer Situation

The participants of this study report that their actual conditions are not sufficiently considered by their creditors when they are attempting to solve their problems and renegotiate their debts. Despite recognizing their difficult financial situations, they intend to pay for their debts. However, they say that they need better conditions adapted to their current possibilities. Still, creditors lack flexibility in the negotiations, disregard their good historic of payments, are careless, and ignore them many times. Mary is an example of this situation:

“What I really wanted, it’s that Bank X (fictitious name to be used for all brands mentioned by participants) could at least... shorten the debt, lower the interest rates, so that I could pay it sooner, to get rid of it sooner. It’s not that I don’t want to pay. I will pay with difficulties, I want to keep paying, but I need to have some spare money, right (to make ends meet)?” (...) Then what’s left? \$800-\$850. It doesn’t even reach... the maximum is \$900, depending on the month. But then how will I pay the bills? Eat? Buy my glasses, medicine? It’s hard. It became complicated. (...) They didn’t consider my historical records. I’ve had a Bank X account for my whole life. (...) I’ve worked all my life; I am a public employee, never left bills or cards unpaid. I purchased things with my credit card, always paid, never left them unpaid. They didn’t consider that. But that’s the way it works, right? The manager doesn’t even care, and he wants to defend his position, isn’t it.” (Mary)

According to Mary’s perspective, if she pays for all that the creditor is reclaiming, she will not make ends meet. She feels that the creditor does not care about her difficult situation and refuses to understand it in depth. Some participants understand that, if they accept the renegotiation offers of their creditors, they could maybe pay for them in the short term but not in the mid and long term, as can be shown in the report from Garret:

“So, we are trying to find a balance with the hope to be able to handle it. Did you get it? We intend to pay these debts off (both mine and my wife’s), but we cannot find a feasible agreement with the banks. (...) The bank does not want to know; it proposes 72 installments, with an endless perspective that multiplies by four the amount of the debt, and this is going to be crazy. It’s

like killing yourself, like shooting ourselves in our feet and our heads to do something like this. But we keep trying..." (Garret)

Like Mary, Garret understands that creditors are not considering his actual payment possibilities and his long-term solvency. He thinks that they do not offer him an affordable, feasible agreement that could be sustainable in the mid and long term. The renegotiation offers he receives seem not to solve the problem because they accumulate more debts and postpone the payments. Based on his experiences of negotiations with creditors to avoid insolvency and pay his debts off, Russel expresses the same concerns and complaints made by Mary and Garret. But in addition to that, he shares an interesting insight:

"They repeat the same business model that they have with their regular customers with the over-indebted ones. I think that the customer who goes through over-indebtedness... needs another type of treatment and method. (...) The renegotiation, in some way, gives continuity to the same kind of credit operations. What do I mean? For example, Bank X replaced my operations with 24 installments by others with 78 installments. They used to decrease the interest rates but lengthened the debts infinitely, e.g., they keep doing business the same way." (Russel)

The importance of the insight of Russel comes from the fact that over-indebted participants are usually over-committed, many times already insolvent, and with strongly restricted conditions to pay for their debts. Their debts have been accumulating for some time, and their risk of default is high. Most of the time, they are already in default and insolvent. In Russel's perspective, keeping the same conditions of the original credit ignores the actual conditions of the over-indebted consumers, not solving the problem and increasing the problem debts. Russel also expressed his surprise and frustration that creditors only started to renegotiate (and make reasonable offers) after he became insolvent, showing disregard for his difficulties shared with creditors sometime before insolvency. Thus, in general, participants understand that, when they reached creditors for help, they did not find genuine partnership, flexibility, and reciprocity for their patronage in the past. Frequently, they considered that creditors did not consider consumers' interests. On the contrary, they found them self-interested, not open to possible negotiations that could fit consumers' conditions.

#### 4.4.1.2 Disputes

Disputes, conflicts, and disagreements mark the relationships between creditors and over-indebted consumers. They can start with minor misunderstandings that could be quickly resolved in a good relationship environment of positive reciprocity. However, they can escalate and become more serious, contributing to the relationship deterioration. Let's take a look at the report from Sandra:

"...this new agreement is wrong, it's written: 'Your due balance is \$33,000'. How is it that from one month to the next, the debt goes to \$59,000? They create numbers! (...) Okay, I owe money. I am a debtor, but I don't owe \$59,000. I want proof. I opened a protocol. I don't know if it's going to work. But you know? It's the sort of thing that you need to keep doing. (...) They should not have this power. Even if they send you a letter changing the amount of the debt to \$59,000, I think that, by law, if I was someone, a politician, there should have a punishment. It would require punishment. How is it that you go from \$33,000, and next month it is \$59,000? How is it that the girl from Financial House X (name of the financial house) says to me: 'It's 11,000', then the girl, after nine days, the other girl says that it is \$17,000? (...) They say things like these, and no one does anything. Because, for those who do not care, it's OK, but it's a stab for those who are suffering. Then, you say to yourself: I'm really fucked up." (Sandra)

All participants of this study have expressed clearly their intent to pay their debts. At the same time, the vast majority of them do not agree with the total amount of their debts, as is the case of Sandra. Thus, many discussions between creditors and debtors take place around arguments of the current amount of the debts, with protests and disagreements on the part of debtors. One aspect contributing to this problem is the effect of high interest rates on the debts, mainly considering that participants became indebted with unsecured debts that generally have higher interest rates. These debts were made to be initially short-term but became mid and long-term debts due to over-indebtedness. The experience of Ella shows some of these issues:

"Look, the interest rates on credit cards are around 300% p.a. So, it's what I tell you, they sent to the credit bureaux records of an \$89,000 insolvency, but I have already received collection calls related to a due amount of \$120,000, and now I am receiving a collection offer of \$47,000 in one lump sum. So... the issue is: it's legal. The interest rates that they charge are legal. It's abusive, but it's legal; the government allows it to be charged this way. (...) I want to pay the amount of the debt. So, they

made some calculations of the amount of the debt and said: 'The amount of the purchase was \$20,000'. So, I can pay this \$20,000. I can think of (paying) some interest rates, something else. But not \$47,000 and not \$80,000.' (Ella)

The effect of high interest rates on the debts for an extended period makes them increase considerably. This effect, combined with the different offers and discounts made by creditors in the renegotiation process, results in substantial variability in the amount of the debts. As demonstrated by the passage from Ella, participants become surprised with these constant changes, disagree most of the time with the adjusted amount, and start to lose confidence both in the numbers and in the relationship partners. The case of Marlon is similar to Ella's case in terms of the disagreements with the adjusted amount of the debts. However, it brings additional insight to the understanding of the disputes between creditors and debtors:

"It's like they lent me \$12,000 and adding up all that I have already paid them, it sums up to \$14,000, so I paid everything back, with interest rates and monetary adjustments, but I still owe \$15,000. The debt is already paid, paid more than the original amount borrowed, but I still had \$15,000 to pay. So, I asked for a discount, and they offered me 10 or 15%. Then, I said to myself, "you know what, I am asking for help, and they are not collaborating. I send e-mails, and they do not respond, my phone calls they transfer to someone else, or sometimes they do not even answer. (...) ...then I decided to ask for the support of ProConsumer, to see if they could help me as intermediaries in the negotiations." (Marlon)

The understanding of Marlon is widespread among the participants. He understands that he has already paid for his debt because he has paid the principal amount borrowed. However, there is still much debt to be paid. Participants want to pay and think it is correct and fair that they pay their debts, but this line of reasoning applies to the principal borrowed and not to the interest rates. They tend to think that interest rates are too high, unfair, and unfeasible to be paid. All these discussions and disagreements with debtors and creditors play a role in weakening the relationship ties.

#### **4.4.1.3 Conflict of Interest and Disregard of Shared Responsibility**

From the reports of participants, it is possible to notice that they call attention to the credit acquisition process and the subsequent increase of its use. In general, they do not deny their part on the responsibility for their over-indebtedness. However, at the same time, they highlight the role of creditors, account managers, advertising, and

credit offers. Russel, for instance, after committing more than 100% with debt repayments, becoming insolvent, and attempting to renegotiate his debts many times unsuccessfully with creditors, become reflexive and critical of the whole process of acquiring and using credit in excess:

“I really left that administration to the banks. (...) Those old managers who used to be long-term employees with fixed job contracts had a different behavior from those new ones who are extremely pragmatic and change from branch to branch all the time. They are managed by goals, aren't they? So, their goals are to push the highest number of products as possible...and what are these products? Credit products. (...) They offer you products, and then you start shopping with one of the cards, and suddenly, on the other day, you take another card and... You can no longer manage anything else.” (Russel)

“I remember that this new manager started to be responsible for the negotiations (with Russel). (...) I said, 'look, you are pushing me credit that I can't afford.' And the manager normally used to answer 'No!!! Take a look at this operation'. I mean, he would never assume that he continued proposing new deals for me. (...) I mean, it was the last straw. I mean, if I had an indebtedness of 78% of my income, he elevated that (with an additional credit operation) to 90%. (...) In all my experiences with the financial sector, it was never to talk about or warn me about the risks.” (Russel)

Russel shows that credit offers to him have been massive, and he started to use them more and more. Initially, he used to have trust and confidence in his old account managers, who used to help him manage his finances. Later on, with a change of the profile of managers, more aggressive account managers started to sell a lot of credit products to him and contributed to this increasing indebtedness. He also calls attention to the lack of risk warnings from the creditors and the account manager during his process of increasing indebtedness. The signaling of his manager was that the risk was manageable, and he should not be worried about it. In the end, Russel was completely over-indebted and did not have support from his creditors to renegotiate his debts. This passage from Neil shows more clearly the aspect involving the conflict of interest of his relationship partners:

“The impersonality is complicated. Then, that thing, you don't have an account manager; unfortunately, I had to learn that...(the hard way). It's that the girl who receives me there (at the branch): 'Oh, please, sit here. How can I help you?' How can she help me? No! It's how she can help

herself and help her institution (the bank). It's very complicated; it's hard for me to handle this. (...) You are in need. Actually, almost without noticing, you go there and use it (the credit). You start to use it more and more. Then, you have the interest rates that eat part of your salary, but you are still using it, and the bank, in an ingenious way, increases your limit. Then, when you realize...it's what happens to most of the people today, isn't it?" (Neil)

Neil starts to perceive the conflict of interest between the interest of account managers (reaching their sales goals of credit products) and the welfare of customers. Sometimes, participants feel they have been naïve because they trust their banking partners and account managers and think they were working in customers' best interests. The passage also shows the conflict of interest of the bank in which it increases Neil's credit limit, developing incentives to his growing usage of credit that will reach over-indebtedness in the end. In this following excerpt, besides showing the conflict of interest of creditors, Rick expresses his view that creditors have compelling credit offers, such as 'buy now, pay later,' easily and attractively sold, contributing to their customers' over-indebtedness.

"They give you a pretty good option; it's something amazing. They told me the first installment would be due only in 60 days. (...) But let me tell you, Bank X is everywhere, man. Bank X is like a disease. It's a disease, man. Because the bank offers you credit, this is the biggest problem of Bank X. I talked to the manager: Do you know what the problem with you guys is? You guys offer credit, grant credit, put the cake in the mouth of the child, and then you exempt from the problem, you guys only want to collect, what is good for you, not what is good for the customer – I said – did you guys know that it's easier to negotiate with a loan shark than with Bank X? I have already owed money to loan sharks. I did it. (...) We always say 'my manager.' No, he really isn't your manager. He is the bank's manager; he works for the bank." (Rick)

However, later on, when debts and payments become problematic, creditors do not consider themselves responsible, putting the responsibility only on customers. According to participants like Rick, Neil, and Russel, creditors do not share any responsibility for their customers' over-commitment and over-indebtedness and, at the same time, do not behave like a partner anymore in the renegotiation process.

#### 4.4.1.4 Use (and abuse) of Power Imbalances

A remarkable difference in power marks the relationship between creditors and debtors. In the case of over-indebted consumers, this difference is even higher because they owe money to creditors and, in general, are not in conditions to pay. This quote from Farrah expresses her recognition of this difference:

“Because the banking market is focused on financing the public debt of the government. It is not interested in the individuals, let’s say, even not in the companies. So, this situation remains. Then, I think...we become very...it is very unequal relationships, I would say. Totally disproportional. (...) I didn’t take a look (at the contract and its clauses, insurance, etc.), because they... as the guy said in the lecture, we are in an up and down movement, and the guys there looking at you: ‘You have to sign, to sign it now,’ (you must do now) a payment of \$3,000.” (Farrah)

Farrah recognizes the disproportion between her power and the power of creditors in the negotiations. Nevertheless, her anxiety and her feelings of disempowerment make her sign (almost impulsively) renegotiation contracts without sufficient reflection if they will be good for her and her best interests. Part of this power asymmetry can be seen in unilateral measures on the part of creditors and collectors. According to participants of this research, creditors are in a position of power and control over the renegotiations. For instance, they can cancel access to credit products unilaterally, block access to cars financed with them, not provide access to credit contracts, and make unfeasible renegotiation proposals. Besides that, they exercise control over banking accounts of debtors and, thus, can make debits of payments in the accounts even if not authorized by debtors and can also block these accounts preventing access from debtors to their money in the banking accounts. These passages from Owen and Mary shows some examples of these issues:

“And now, in December, as I had a due debt, the bank took all my salary (deposited on his account). My son initiated a judicial action to revert that. Now I’m talking to the manager... although they do not have any autonomy, today everything is on the system.” (Owen)

“Bank X didn’t want to know who I am or who I was (her historical records as a customer). They cut my card, screwed my name (informed insolvency on credit bureaux), and made me have bad credit scoring. And canceled my checkbook, so I’ve been fucked up, fucked up.” (Mary)

As Owen receives his salary in the bank account and has a due debt, the bank withdrew all his money from his account as soon as he received his salary. Now, he is trying to receive his money back with a lawsuit in court. The quote from Mary is also an example of the extreme disempowerment of over-indebted consumers in the relationship with creditors. As a consequence of unilateral actions from her creditor, she lost access to her cards and checkings account and had her insolvency records sent to the credit bureau, having her credit scoring lowered. She feels in a passive position in which she cannot do anything to avoid or revert the actions of her creditors. The power asymmetry between creditors and debtors is also reflected in knowledge and financial education, as demonstrated by this excerpt from John:

“Or it is a contractual fine or interest rates, I don’t know. It’s so much, IOF (kind of tax), so much stuff that I don’t even understand how they... We can’t understand all the things... You go to the bank seeking information; they tell you a bunch of things in their language that you don’t understand.” (John)

John acquired a credit contract linked to the renovation of his house, but he does not understand the contract's exact terms, even if (supposedly) explained. Many times, participants of this research recognize that they do not understand the basic functioning of credit products, including the effects of compounding interest rates on their debts, or even if these interest rates are low or high. The report from Caroline shows her perspective of how the relationship is functioning in the advanced stages of deterioration:

“What they (banks) have been doing to me today is refusing to negotiate. They are not negotiating. (...) When I broke the deal, I didn't receive any money on my payment day (her salary). They took everything. They took it all. So, I started a lawsuit... and I went to ProConsumer to see if they could help me with receiving it back (her salary). I am terrified about (not receiving) my salary this month (again). (...) So, it’s a bank. It’s a bank (emphasized) against you. It’s a bank as if you were being crushed. Because of your necessity, you are asking for a favor. But, then, you already put yourself in a position of a loser because you are asking. You are asking. It’s like, ‘Oh, you can’t cancel it (a product or a contract)? Ok, no problem’”. (Caroline)

From Caroline’s report, it is possible to notice that the dialogue in the relationship barely exists. Creditors are practically not negotiating more with her, and the one that holds her bank account is making a debit of all her money on the banking

account to pay for her debts, leaving her without her salary. As she has not been successful in her conversations with creditors, the only way she finds to do something about it is by going to the court or the public agency responsible for consumer protection. Caroline recognizes the strong power asymmetry between her and her creditors, aggravated by her situation as an insolvent debtor. In the end, she felt like a powerless loser and dominated by fear in her relationship with creditors.

#### **4.4.1.5 Harassment from Collectors (direct and third-party collectors)**

As over-indebted consumers owe money and often are insolvent, they always receive collection calls from their creditors or outsourced companies hired by their creditors. It is a common experience they share, as shown by Paula in this passage:

“I think that, by chance, I’m going to get some renegotiation with the bank, because... at this moment I get non-stop calls from the bank charging me. (...) It’s horrible. I’ve even blocked a number, but they keep calling from different ones. So, it bothers me. (...) So, they call, I receive e-mails... It’s Bank X sending a renegotiation request. Once again. Because I do not answer the calls.” (Paula)

Most of the time, participants do not have enough money to pay for their current debts, if they have it at all. At the same time, creditors and their collectors keep with permanent efforts to collect. As in this example from Paula, participants start to become bothered and commonly overwhelmed. And as they know that collectors will keep calling and they will not have enough money to pay, they start to use some strategies like changing or blocking phone numbers and not answering the calls. Collection calls work in a way that makes over-indebted consumers constantly remember that they have a problem for which they do not find a reasonable solution. Collectors, on the other hand, facing unsuccessful negotiations, increase their level of pressure over debtors, as shown by Fabio and Garret:

“Then, the collection company from Bank X used to call me all the time. And then, when I proposed some payment deadline for them, ‘I want to sign an agreement, I’ll go to the bank,’ but they want to collect from me right away, on the phone. And I didn’t feel safe to close the deal on the phone, ‘I want to negotiate in the branch, there is no problem.’ But then they started to call me with threats, at that time. They threatened me with confiscation of my goods and properties. (...) Because it’s embarrassing. It’s embarrassing; it’s an embarrassing situation, it’s awful because they

are going to call you, they are going to try to collect from you in a hard way.” (Fabio)

“We want to have a good night of sleep, and not have the dissatisfaction of having a call center all the time calling us: ‘Look, you have a due debt, when are you going to pay?’, ‘Look, your name (your insolvency records) was sent to a credit bureau,’ and so on, did you get it? It is terrible (emphasized) to any family, did you get it?” (Garret)

Fabio feels threatened and embarrassed by collectors, and Garret shows he is losing his peace of mind with constant calls from collectors. In general, participants report that collection calls can become painful, abusive, and humiliating. It is permanent harassment, usually combined with threats, that causes fear and other negative emotions on consumers and contributes to the relationship deterioration.

#### **4.4.2 Outcomes for Consumers and the Self**

The participants of this study report experiences of increasing vulnerability and disempowerment in their process of over-indebtedness, which is aggravated by their relationships with their partners (creditors, brands, account managers, collectors). The reports from Carly and Angela help us understand this point:

“Look, I think that the bank is a criminal because what it does is extortion. In the relationship I have with the bank, I feel (I am) oppressed, extorted. I think that this average consumer (like her) receives a terrible treatment.” (Carly)

“What does it mean to me? It means a strong frustration; I feel frustrated. Hopeless. Maybe this is the best word. Hopeless. I am a victim of a system that oppresses me more and more (silence). That’s the way I feel... oppressed, strangled (silence).” (Angela)

Carly and Angela feel powerless, frustrated, and oppressed in their interactions with the creditors. Their problem debts and their unsuccessful attempts to renegotiate them put both in a powerless condition in which they feel more vulnerable and do not find a way out. The collection calls, most of the time excessive, according to the participants, play a critical role in this process of weakening and disempowering the over-indebted consumers, as shown in this quote from Adam:

“Because my situation will not change from 9 am to 12 noon to 2 pm. If they made only one call a week, only one (emphasized) call a week... things could change in a week, it would be acceptable. But they call every day, four times a day, no, this is wrong! Instead of helping the person,

they are actually penalizing this person even more. If you approach an honest person this way, you lower her self-esteem, you leave her at the bottom. If she does not have a strong psychological structure, she will end up killing herself because she does not support the pressure anymore.” (Adam)

Being under pressure all the time and facing a considerable power asymmetry between them and their creditors (usually big banks and credit card companies), participants are also afraid of the potential consequences of not paying their debts off. They fear the collection calls, the bank power, the money in their bank account being subtracted, losing their homes and properties, being taken to court, on so on. Caroline reports her situation of living in permanent fear. In a spontaneous metaphor, she sees herself as a cockroach being smashed by the creditor, in a powerless, vulnerable, and inferior position.

“I am afraid of the calls, you know? When the phone rings in the office, and someone pronounces my name, I talk to myself: Oh my God, what am I going to say? So, normally I am very scared. I am afraid that Bank X could take me to court; they can do it. Because I owe them money, isn't it? And I am afraid that they take the money from my account the day I receive my salary. I'm afraid that they can retake my salary. (...) It looks like they are dealing with a cockroach as if I was a cockroach. The man is stepping on the cockroach. The cockroach will never succeed. Never. The cockroach is in need and asking for help, and the man is stepping on her.” (Caroline)

Echoing the feelings of Caroline expressing extreme vulnerability and powerlessness, Lucy adds something else: a sense of despair and a feeling of being discarded, excluded, diminished.

“We feel powerless, right? We feel like shit because you cannot do it; you cannot do anything more. It looks like...I don't know; I cannot explain. You get out of circulation. It's like if you are a coin... a smashed money note, a torn paper.” (Lucy)

Lucy is a black woman who works as an Uber driver at night because she has to take care of her four-year-old daughter and a sick father during the day. The car she uses for work is financed with a car loan, but she is in arrears with the down payments. As a result, she risks losing the car and expresses feelings of fear, humiliation, exclusion, and despair:

“Then I said, OK, next month I can pay creditor X. And now I have to pay creditor Y. The most important for me is the car because I make a living based on the car; I need the car. It is giving me a headache. They send messages like: “I will block the car,” “Your car will be confiscated,” “In 24 hours if you do not make the payment, your vehicle will be blocked”. Man, it puts me in despair! (...) I cried once with a guy on the phone...it’s like if you were begging, you know? A person (emotional) who worked hard her whole life, I am not begging (trembling voice). It’s hard; it’s very (emphasized) hard. I think it’s unfair because when I was paying for everything, I was the dearest one, now I’m not anymore. Now, they throw you away, you have to take care of yourself, you have to do what they want, and that’s it.” (Lucy)

#### 4.4.3 Outcomes for Consumer-Brand Relationships

Most of the participants reported a change in the relationship patterns along the process of over-indebtedness. Initially, they used to have a good relationship with their creditors and their account managers. If the relationships were not reported positively, they were at least neutral (even with some criticism sometimes). Many participants reported pleasant memories of receiving good treatment from their creditors, as can be shown in this passage from Garret:

“At that time, I was a Bank X’s Prime Customer; I mean when you are promoted to “Prime,” you feel like an executive... The account manager comes to greet you, offers you a chair, coffee, invites you to talk about investments... You feel good.” (Garret)

As a public employee with a high salary, Russel was also a premium customer who received excellent treatment in the past. He shared good experiences with his account manager from a state bank a long time ago. She used to be very helpful and concerned about his personal finances:

Russel: “We used to meet, we were...it was a type of relationship like ‘Oh, look, I saw your account. Be careful, don’t spend so much on lunch’. So the management at that time was very close, almost personal, and I trusted it extremely.” (Russel)

However, over time, based on all his experiences of getting over-indebted, becoming insolvent, then trying to negotiate a solution for his debts, and facing a lot of relationship attritions with the creditors, he becomes much more critical and reflexive:

“Well, I faced critical moments. Bank X judicialized one of my debts and blocked the account in which I receive my salary. And I want to say this: I think this is one of the most serious iniquities I suffered. (...) The financial system approaches you (to sell products and services); at first, it stimulates you; in a second moment, it harasses you, threatens you, I mean, it scares you. And that fear causes a lot of suffering. (...) so today, I don't feel comfortable; I am now extremely cautious with any bank product.” (Russel)

The experience of Russel with creditors changes over time from a positive one to a mostly negative one. He loses trust and confidence in his relationship partners progressively, in the process of increasing frustration, due to a lot of attritions, disputes, lack of flexibility, understanding, and reciprocity from the partners. Russel understands that his creditors are ignoring and keeping distant from him. Over time, he also becomes more distant from them, in the process of decreasing attachment and increasing avoidance and aversion, transitioning from an initially positive to a negative relationship pattern. The case of Philip is an example of an evident change in the relationship pattern along the traumatic process of over-indebtedness and the frustrating attempts to solve the problem with his creditor. Retrospectively, he remembers quite good (and sometimes neutral) relationship patterns in the past:

“I had a great account manager at Bank X, Sarah (fictitious name). She treated me wonderfully well. (...) I think I have never had a love for the bank, you know. But the minimum consideration I once had (for it) is totally over.” (Philip)

Philip complains about the treatment he receives. He is bothered about the high interest rates he has to pay, the lack of support and flexibility in the negotiations, the lack of understanding of his situation, and the disregard for his records as a good and solvent customer in the past, etc. He then starts to develop a very negative feeling and attitude toward the creditor:

“Bank X is going to lose a 21-year-relationship customer since I am worth nothing now that I need some help.” (...) A bank is a money machine. It's trash. (...) You are good to the bank when you have money to give. (...) However, if you cannot pay it off, you are like shit to him, to be clear. That's what a bank is, in my opinion. Because now, my historical score of 750 is not worth anything. And their advertising is deceiving: ‘Oh, Bank X is going to help you.’ I was never called there with the same intention as in the ad: we help you think about your credit. (...) The extortion they practice is huge. The interest rates on credit cards are unbelievable. (...) Even loan sharks charge less than they do.” (Philip)

Philip tends to see himself as being instrumentalized in the hands of creditors. In his example, both the difficulty to solve the problem debts and the deterioration of the relationship lead him to consider the creditor not like a partner anymore, but as an enemy. Relationships understood as enmities are the ones “characterized by negative affect and desire to avoid or inflict pain on the other” (Fournier, 1998, p. 362). As a result, the dialogue between Philip and his creditors starts to become very difficult, and Philip develops feelings of revenge and negative reciprocity:

“I’m not going to talk to the bank anymore. I refuse to go to Bank X and try to renegotiate. I want a mediator, a person who will be with me when I am closing the deal because then the guy (the creditor) is obliged to tell me how much I owe, how it was calculated, and why. (...) Today I want to forget about the bank. I want it to die and go bankrupt... for it to know how it is. (...) That’s what I tell you, the bank will want to abuse you, to exceed any and every limit. So, today, I don’t worry about the bank, I am really concerned about fixing my things, and I want that the bank goes to hell. The same treatment it has given to me these last couple of years is what they are going to get from me from now on.” (Philip)

In the most advanced stages of the relationship deterioration, participants report feelings toward the creditors of avoidance, trauma, or hate:

“So like, now, the relationship, even the personal relationship changes, you see? It seems like I’ve done something against her. (...) A friend of mine said she couldn’t stand it and she will not answer phone calls anymore, you know?” (Caroline)

In this passage, Caroline shows her perspective of the antagonistic pattern of the relationship and the avoidance that her friend feels about creditors and collectors. In the case of Ella, the feeling of avoidance is combined with trauma with the partner, which she intends to quit permanently after paying for her debts. Thus, based on the perspective of Ella, her relationship with the creditor can be seen as rebounds/avoidance-driven relationship, defined as a “union precipitated by a desire to move away from prior or available partner, as opposed to attraction to chosen partner per se” (Fournier, 1998):

“Look, I don’t wanna know of it (the bank) anymore. I don’t wanna know of credit anymore. As soon as I pay my debts, I don’t want... Bank X started to be a trauma for me... because this is traumatizing. When I see the branch, my mind alerts me: ‘debt, you owe money!’ (...) and they call me all the time; they send letters, there are phone calls on my mobile all the time.

I turn it off when I'm in class, and then later, there are 14 calls! The phone rings the whole afternoon." (Ella)

The report from Lucy shows that her relationship with the partner is perceived as an enmity:

"I called the bank sometimes, and I think it's too bad, you know? Because when you are making money, they come after you, they always used to call me. Now, I even don't know who is my account manager anymore. I cannot talk anymore. Nobody can answer my calls; nobody can, you know? But before, I had home insurance, car insurance, insurance of this and of that. (...) Oh, despair, despair. When I went to the bank to talk to her (the account manager), she was out for lunch, then she was on vacation, it was hard to find her. (...) Then, she became an enemy; she is not even in the branch anymore. (...) I wish not to be a customer of banks anymore, you know? I don't recommend a bank to anyone." (Lucy)

Even though Lucy sees her partner as an enemy, the relationship can be better characterized as one of enslavement, defined as "nonvoluntary union governed entirely by desires of the relationship partner (involves negative feelings but persists because of circumstances)" (Fournier, 1998). It happens because Lucy wants to quit the relationship with her partner, but she cannot because she still has a debt to be paid. Thus, it works like her enemy, her master, enslaves her. This understanding could often be applied to many creditor-debtor relationships in the advanced stages of over-indebtedness and relationship deterioration because debtors would like to avoid and quit their relationships with their creditors. However, they cannot do it because they are linked to them by an overwhelmed debt yet to be paid.

#### **4.5 Discussion**

This study applied the lenses of consumer-brand relationship, attachment theory, and attachment-aversion model to the understanding of debtor/creditor relationship deterioration, shedding light on the process in which consumers transition from attachment-oriented to aversion-oriented relationships. The valence of the relationships analyzed in this study transitions from positive to negative (Iacobucci & Ostrom, 1996). These relationships tend to be cooperative and friendly at the beginning of the process when credit is acquired initially, but they move over time to competitive and hostile relationships (Iacobucci & Ostrom, 1996). The relationship

dimension of power symmetry-asymmetry also showed to play an essential role in the dynamics of the relationships analyzed (Iacobucci & Ostrom, 1996). These relationships are strongly asymmetric and unequal because creditors have much more power and control over the whole process, including the renegotiations. Due to this asymmetry, they can establish their conditions many times with disregard of debtors' situations, taking advantage of their far superior power. And debtors, feeling that they do not have enough power, become frustrated and start looking for solutions outside their relationships with creditors. In terms of brand self-distance, debtors become more and more distant from creditors over time (Park et al., 2013). At the same time, brand prominence seems to increase negatively (Park et al., 2013). Debtors are overwhelmed due to their problem debts and deteriorated relationships with creditors and, thus, the brand becomes more relevant and highly accessible by the negative memories.

This study contributes to the literature dedicated to understanding the exchange relationship between creditors and collectors and between creditors and debtors. It extends the work of Hill (1994) by showing that the relationship between creditors and debtors tends to be positive at the credit acquisition stage and the beginning of the process overall. In the credit selling and credit acquisition moment, consumers and their creditors tend to have a good exchange relationship, and creditors usually are used to pleasing their customers. However, when over-indebtedness occurs, it represents stress to the relationship, and the subsequent interactions between creditors and debtors start to deteriorate, following the process explained in the Findings section. This study also extends the work of Hill and Kozup (2007) by showing that many of the consequences of predatory lending that they identified for subprime lenders accused of illicit marketing actions can also occur in a very similar way to regular use of credit that becomes dysfunctional. The present study shows that practices that subprime lenders use for impoverished low-income and high-risk consumers can also be used by traditional financial institutions with regular and originally non-vulnerable consumers, resulting in similar negative consequences for consumers. Examples of these practices are charging high rates, added fees, flipping of loans, induction to assume additional debt, hide essential information from consumers, and aggressive and unfair collecting practices (Hill & Kozup, 2007). This finding is critically important because it shows that regular credit can become troubled,

dysfunctional, and predatory. Thus, this issue deserves more discussion and improved public policies to avoid and mitigate the problem.

This study also makes a contribution to the literature on consumer-brand relationship negatives. In a realistic setting, it shows how the process of relationship deterioration develops and gives a perspective of why consumers can migrate to negative relationship orientations, such as avoidance, aversion, revenge, or attack. Yet, it shows the outcomes for consumers and their selves, and to consumer-brand relationships. In addition to that, it also indicates that the relationship deterioration, moving from attachment to aversion, can result in three relationship forms: avoidance-driven relationships, enmities, and enslavements (Fournier, 1998). In the end, for the stressed relationships analyzed in this study, brands are not any more assets that help consumers achieve their goals, but liabilities because they hinder consumers from attaining their goals (Park et al., 2013).

Despite its contributions, it is also important to recognize the limitations of the present research. One significant limitation is that the study only covered consumers' perspectives on their roles as debtors. Consumers are only one side of the relationships, and this study did not focus and approach the side of creditors. Creditors could have a much different perspective on the relationship deterioration, and they probably would state that these debtors are owing money to them and do not pay. Although I recognize this research limitation, I understand that the present study's findings could be essential to guide future research aimed at understanding the other side of the relationships and the relationship dyad overall. An additional limitation is related to the sample of consumers who participated in the research. The sample was composed of over-indebted consumers looking for professional and public service support. Thus, they recognized their troubled situation and took the initiative of looking for help. It is possible that different profiles of debtors, including the ones that do not look for support, could develop different relationships patterns with their creditors, with alternative processes and outcomes. Another limitation of this research is that, as over-indebtedness can be a very traumatic experience for consumers, it is difficult to separate the influences of this condition from the forces of the relationship deterioration in the outcomes. These influences are interconnected in a downward spiral of relationship deterioration leading to adverse consequences for consumers and the relationships.

#### 4.6 Implications for Public Policy

This study makes the case for improved regulation on the process of credit acquisition, credit monitoring, and credit collection to avoid and mitigate the problem of consumer over-indebtedness. Academic research has shown that debtors and over-indebted consumers are less likely to report full psychological health and well-being (Brown, Taylor & Price, 2005; Gathergood, 2012a). Several studies have demonstrated the positive association between high indebtedness with physical and mental health, including anxiety, stress, anger, and depression (Drentea & Lavrakas, 2000; Drentea, 2000; Drentea & Reynolds, 2012; Fitch et al., 2011; Richardson et al., 2013; Reading & Reynolds, 2001; Turunen & Hiilamo, 2014). Positive associations were also found with suicidal attempts and completion (Richardson et al., 2013; Turunen & Hiilamo, 2014), problem drinking, drug dependence, and neurotic and psychotic disorders (Richardson et al., 2013). Problem debts were also associated with increased poverty and a decline in welfare (Gutiérrez-Nieto et al., 2017) and with an increased level of financial vulnerability (Anderloni et al., 2012). Thus, over-indebtedness is an influencing factor leading to lower levels of consumer well-being and higher levels of consumer vulnerability. At the same time, despite public policy interventions made in the last years, debt problems persist (Custers, 2018). Policies based predominantly on informational theories, such as financial education and mandatory informational disclosure in credit card statements, did not significantly improve consumer behavior (Custers, 2018). Another reason for improved public policy regarding the risk of over-indebtedness is that, as corroborated by the data of this research, creditors face a conflict of interest, which comes from their interest in the selling of credit products to consumers increasing their indebtedness.

Scholars have highlighted that the credit industry is built on selling credit to its customers, and thus it needs rising debt levels to reach its profit targets (Ironfield-Smith et al., 2005). The problem is that increasing levels of debt can lead consumers to over-indebtedness. In addition, creditors' power is much superior to debtors' power in the exchange relationship. In the end, the consequences of over-indebtedness for consumers are brutal, and creditors do not seem to take part in that responsibility. The constant disputes between creditors and debtors, and the harassment in collections, also contribute to the deterioration of the relationships. Besides that, the whole process

of consumer migration from regular and controllable credit use to one of the problem debts and over-indebtedness contributes to consumers' increasing weakening and vulnerability.

The problem of over-indebtedness can be avoided, mitigated, and treated by measures of prevention, alleviation of consequences, and rehabilitation (Niemi, 2012), and following these lines, this study makes four recommendations to guide better public policy regarding over-indebtedness. The first recommendation regarding the prevention of the problem is that the credit granting process must follow strict guidelines of responsible lending and affordability. It means that it must be guaranteed and enforced that the amount of credit granted (and later renewed or increased) is within the possibility of consumers' payments. The overall financial-economic situation of consumers needs to be assessed, including their (updated) income, current commitments, disposable income, and only affordable credit could be granted. It is known that consumers can fall into problem debt due to the increasing availability of financial products and instant loans (Majamaa et al., 2019). The correct management of credit limits of consumers is also fundamental. The data of this study shows data creditors can be interested in increasing credit limits to do more business, and consumers can use these higher limits, even if not appropriate and affordable. There is evidence in the literature that the availability of higher credit limits can encourage consumers to use more credit (Murthi et al., 2019). One financial counselor from ProConsumer shares a situation of inappropriate use of credit limits:

“Take the situation of an unemployed consumer, and he has a contract, an overdraft, his limit is \$8,000, and he has used \$3,000 so far. We send the request to the creditor. “Look, he’s unemployed and needs to cancel the contract because he cannot pay the \$3,000 and needs this amount to be paid in installments. And the creditor does not accept because he understands that the consumer is solvent; he is not insolvent. But is he going to reach \$8,000 for only after that the creditor offer some proposal? Then the consumer reaches \$8,000, becomes insolvent, and then, six months later, what happens? Why don’t they try to solve it before? Take the \$3,000, apply a lower interest rate, and divide into 12-24-36 installments; the bank will receive the amount owed. The consumer is not going to belong to the 63 million insolvent people (informed by the credit bureaux) and will have a solution for his life.” (Financial Counselor)

This passage shows that creditors can have interest that consumers use more credit limit even if it is not affordable for them. It also indicates that creditors can avoid acting pro-actively to support consumers who will get in trouble with problem debts later. One possible explanation for that is that the credit industry makes money from interests on outstanding balances carried over time, such as the credit card companies that make more profits with the “revolvers” than with the “transactors” or convenience users (Murthi et al., 2019). This passage also brings evidence of the importance of acting initially instead of postponing the problem. Then, the second recommendation is that all possible action be taken pro-actively, in the early stages of increasing over-indebtedness, when more severe problems can be avoided. At the beginning of the process, debts are not yet very high. Consumers can have more ability and more resources to deal with the problem, mainly if they receive appropriate support and orientation. Several studies concur on the importance of early interventions to avoid over-indebtedness (Moorman & Garasky, 2008; Raijas et al., 2010; Kelly & McCann, 2016), while the problem can be yet manageable.

The third recommendation is related to improving the monitoring of consumer risks. Consumers must be fully aware of the risks they are taking along the whole credit process, e.g., during the credit acquisition stage and during all credit duration, including the collection process. There are questionings in the literature about whether consumers know the risks they are taking when borrowing credit and whether they are willing to accept these risks (Mak & Braspenning, 2012). The idea behind the permanent monitoring and disclosure of risks to consumers is that, in case of increasing risks, actions could be taken previously to avoid a high accumulation of debts and the negative consequences of over-indebtedness. It is also crucial that creditors and debtors share the same measurement of risks and the responsibility to manage them as relationship partners. The possibility to provide warnings to consumers in the initial stages of indebtedness could help them avoid problem debts later (Aldohni, 2017). This study defends the implementation of monitoring financial ratios, representing the risk that consumers are taking, such as the debt-to-income ratio, to maintain consumers aware of their risks and the changes in risk (Kim & Wilmarth, 2016). Consumers should know their risks, classified for example, as low, middle, and high risk. This measure would allow actions to be taken when low risks become moderate risks (or even before). Signaling to consumers their level of risk

relative to others could also be important to show their position compared to all other debtors.

The fourth recommendation refers to the alleviation of consequences and rehabilitation of over-indebted consumers. I recommend that all renegotiation offers developed by creditors be customized and suitable for each customer, e.g., adapted to his personal and contextual conditions. Creditors must avoid pre-formatted templates in renegotiations due to the specificity of individual customers. These excerpts from Robert and a financial counselor from ProConsumer help us understand how the renegotiation process can be improved:

“Look, the account manager called us and proposed that we pay all debts related to the overdraft in some conditions. And then we took a look at the conditions, and it’s horrible. It’s less bad than before, but even now we do not have how to pay. So we discussed again (his family), and I said: We need to solve this problem definitively. So we cannot accept this offer because it’s not good and does not solve the problem. In the short term, it’s a palliative that seems to improve things, but long term we get back to the same problems”. (Robert)

“In general, the performance of creditors has been satisfactory, on average, but we need to improve many things with some creditors, mainly the state banks that have more difficulty. Like Bank X, that requires a lump sum (in the renegotiations). So, the consumer is in a difficult situation, he cannot pay \$500 a month, but for him to get into the renegotiation process, the bank requires him to pay \$5,000 as a lump sum. So, this creates barriers and difficulties.” (Financial Counselor)

The passage from Robert shows his recognition that a renegotiation offer that seems to be good at first sight is not sustainable in the long term. If Robert and his family accept it now, they will probably break the deal sometime soon, e.g., the renegotiation offer is not sustainable. The passage from the financial counselor shows a situation in which the proposal made by the creditor is unfeasible for the consumer. The creditor is disregarding the consumer's problematic situation and is not offering a proposal that can fit his customer's conditions. This study shows that creditors must recognize the vulnerable and challenging situation of their over-indebted customers, as well as their levels of risk. Scholars have advocated for financial services companies to be more responsible for the suitability of the products and services provided (Nield, 2015). Creditors must ensure that their renegotiation offers are affordable, sustainable and consider their customers' conditions to offer them the possibility to pay their debts

off according to the new conditions proposed. For this, they need to be flexible and consider the overall economic-financial situation of their customers.

The fifth recommendation is that regulation needs to be customer-centric, centered on avoiding dangerous levels of risk for consumers. For example, if regulations are only based on credit products, services, or contracts, they will ignore that consumers use different credit products (secured and unsecured) offered by various creditors. Let's take, for instance, the case of Owen:

“Because, then, I cannot pay everything at the same time... to make agreements... all creditors accept agreements. But I cannot handle (and pay for) all these agreements at the same time. So then, it does not work if I close these deals and I am not able to pay for them later, isn't it?”  
(Owen)

Like many other participants of this research, Owen obtained credit from different creditors and is owing money to them. He could maybe pay one or two creditors, but he cannot pay all of them. There is evidence in the literature that individuals in debt distress are generally multi-banked (Livshits, 2015; Naicker & Kabir, 2013). Thus, both in the credit acquisition and debt renegotiation processes, regulation must recognize each consumer's situation in the overall market, considering that this consumer can have several credit products with several creditors. Each contract taken individually could be feasible, but the consumer can be over-committed and over-indebted in the overall market with the sum of all his operations.

#### **4.7 Managerial Implications**

This study generates important insights and implications for brands and companies, mainly those belonging to the industries of banking, credit card, and financial services in general. The first implication is that, by doing business with their customers, companies can put them in high-risk situations (even if not consciously or intentionally). In these situations, customers feel diminished and increasingly vulnerable. The participants of this study, in general, understand that brands and companies have (to a more or less extent) contributed to their problems. When they needed these partners the most, they felt in some way abandoned and were considered as the only ones responsible for their problems, in a process that generates intense frustrations. They also understand that companies do not offer enough support,

ignore their current conditions, and, in the end, even contribute to worsening the problems. A critical insight from this study is that when consumers get in trouble with problem debts, the stage of contract renegotiation between companies and their customers could work as a new opportunity for companies to offer the support that customers would need to overcome their problems. Brands and companies should reflect on the adverse outcomes experienced by their customers and work to avoid the negative impacts. Working pro-actively with their customers could avoid the relationship deterioration and the worsening of their customers' situation.

One of the consequences of all these negative experiences reported in the present study is that customers can become averse to or avoidant of brands and companies that used to be their relationship partners. They start to develop strong negative attitudes and beliefs about these brands and companies. This passage from Lucy is an example of that:

“Fuck, this thing of banks makes me like...wishing not to have more banks, you know? Of not...the...the...Bank X conducted a satisfaction survey... (asking) if I would recommend it. I do not recommend a bank to anyone.” (Lucy)

This excerpt shows that an angry Lucy developed an avoidant attitude to her bank (and banks in general). At the same time, as a customer detractor, she can influence other customers to avoid her bank and cause damage to the bank's image and reputation. Based on Lucy's negative word of mouth, the company could also potentially lose the acquisition of new customers.

Another significant implication for brands and companies is that when a customer becomes over-indebted, his potential to do more business as an active consumer decreases strongly. These customers, in general, lose their purchasing power, become insolvent or almost insolvent, and their businesses with the financial services companies start to become restricted to renegotiating contracts looking for affordable deals. As a result, their potential to generate new businesses for the companies decreases strongly, and the likelihood that they do not pay their debts off increases greatly. For brands and companies, having customers reaching over-indebtedness looks like killing their own business with those customers. Thus, brands and companies should work pro-actively with their customers as true relationship partners to prevent them from becoming over-indebted. If that happens, they should

try to alleviate the consequences and rehabilitate them to regular credit use. By sharing these responsibilities, brands and companies can improve their relationship with these customers, offering help for them to recover from problems in a bad moment and build a healthier business with more sustainable customers.

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**APPENDIX F – Examples of data excerpts of consumers' perspectives on issues affecting the brand-relationship deterioration**

<b>Perspectives</b>	<b>Additional Quotes from Participants</b>
<b>Disregard of Consumer Situation</b>	<p><b>Louis:</b> “I receive some calls, I’ve already tried to negotiate with the banks, but I didn’t get to a final agreement... a proposal that considers my conditions to pay, something that I could really pay.”; “I have a credit card debt with Bank X, I’ve tried to renegotiate the installments so that the collection would stop, they don’t accept it. I want to negotiate, but they are not as flexible as Bank Y (fictitious name of the bank), where I got a renegotiation.”; “The bank is making more and more money each time and I see that it only wins. He is not willing to lose at any moment. Not even willing to imagine any deal to be fair, something fairer to you. Furthermore... I don’t know, it should be reasonable, let’s put it like that.”; “The account manager is there, he sees it and he doesn’t even care, it’s like there was no one monitoring what you do, analyzing, all of that. For me at least, that’s the view I have, the impression I’ve had. I never saw anything like...didn’t receive the call: ‘let’s figure this out? Let’s talk about it? Let’s see what’s best for you?’. That doesn’t exist.”</p> <p><b>Rick:</b> “That is stressing, you know? I don’t mean to solve the debt today. But if they would give me a deadline in March of the next year, I would pay what I owe. Now, it’s them who don’t open space for renegotiation.”; “The day I went to the bank talk to the manager, I went basically to humiliate myself there. I sat there, explained my situation to her, she looked at me and said: ‘and what do you want me to do?’”; “Then, when I needed the bank, a negotiating channel? It didn’t exist.”</p> <p><b>Robert:</b> “We can’t accept that offer from Bank X, because it is not good, it doesn’t solve the problem. It is a palliative that, in short term, seems to make things better, but in the long run, we are back with the same problems.”; “I believe that there is a insensitivity of the banks and of the interest-rate policies they practice with their clients.”</p> <p>The bank puts us in a position that we have a debt that it does not allow us to pay. I know this is ...(silence), the story is more complex than that but we a have a debt with the use of with checkings account that generates a level of interest rates that (increase the debt to a level that) does not make it possible for us to pay it. Myself, as a consumer of banking services, I feel completely prejudiced with the policy of interest rates charged by the bank. I want (emphasized) pay the bank, the thing I want the</p>

most is to pay my debts off with Bank X and Bank Y (fictitious name). But the interest rates charged every month prevent me from doing that. So, I feel defeated, completely defeated.”

**John:** “I want to pay, I want... a proposal that fits in my budget, that I can afford. I want to pay.”; “Oh, something about the bank, as far as...the debts I have accumulated, I think their interest rates are too high. When you have a payment delay, when you... I think that if their interest rates weren’t so high, we could pay.”; “I have the impression that...that’s what I notice: they have a... there is a model of negotiation and they do not have any motive for changing this model. There is nothing I can do that make them change their model. They will not change it.”

**Paula:** “Because today my debt, I have even consulted my manager: ‘look, you can propose 48 installments’, but the price of the installment is basically all I earn today. So, it’s like, the installment would... would cost me almost all of my paycheck. And I can’t make it.”; “I want to pay the bank, but in a way that... that’s feasible for me. In a way that fits my conditions.”

**Angela:** “The inflexible bank won’t accept what I can do, then I have to accept whatever they want me to do? I have no conditions. What they want me to pay, I cannot pay.”; “They did almost the same offer as my account manager. But it didn’t fit my budget, that proposition. So there was no deal.”; “I am not saying that I don’t want to pay or that I will not pay. Yeas, I want to pay. As long as I am employed again, I want to pay. But it won’t work if they charge me \$3,000 and I’m making \$600. What am I going to do with \$600? I’ll buy food, I’ll pay for electricity.”

**Philip:** “I do not owe (to Bank X), I never owed and all my receivables are in Bank X. They know how much I make each month better than I do. (...) They know more about my life than I do, they have historic records there, I’m sure they have them.”

**Neil:** “I think like...I’m a customer of the same brank (of the bank) since 1985. So, this is not little. So, at least to be heard, to come to talk to the manager, to who can help you, she does not want to know what happened to leave you in that situation. She works with numers, that debt, it’s something cold, dry. (...) But then she syas: ‘You owe this much. What can we do?’ This means that, your life (emphasized), you as a person, your individuality, is not worth anything. My relationship with the people from Bank X, my time of relationship with the bank and the branch, my trajectory, my historic records, were not worth anything. I became a debtor and was treated like that.”; “You try to renegotiate your debt wth the financial institution, you go there and talk to the anager but

	<p>the bank is not flexible, the bank is not open, it does not make an acceptable proposal, that can fit your budget.”</p> <p><b>Ella:</b> “Then she said: The only way to open negotiations with the bank is to become insolvent, because currently you are solvent. If you are solvent, they will not negotiate. I am sending the renegotiating proposals but they are not accepting them.”</p> <p><b>Evan:</b> “...when I went there (at the branch) to negotiate, and I showed her (my situation), she was indifferent, uou know? She didn’t ccare about it. “I had a problem...I am not receiving money. I stopped receiving my disability pension and I am in this situation. As soon as I start to receive again, I can negotiate. It does not work if you keep calling (for collection). I don’t have a new source of money, I cannot rob. The little I have now is to pay for food.”</p> <p><b>Fae:</b> “And something else is that they do not help you at any time, you know? I called them and said: ‘Look, I am facing difficulties, I am making half money than before, I am not being able to pay. Couldn’t we renegotiate? And they never negotiate if I was not insolvent, because why are they going to renegotiate if we are paying, right? If we are paying promptly, trying to handle all the payments, right?’”</p> <p><b>Specialist (Credit Counselor):</b> “Sometimes the creditor reduces the interest rates, lengthen the timeframe for payments, but even in theses situations the payments proposed do not fit the budget and the conditions of that family, that consumer.”</p>
<b>Disputes</b>	<p><b>Joe:</b> “Look at this. What is \$15 thousand is going to be a lot more (...) I said: let’s make it in instalments. They wanted... I owed \$15,000. I owe \$15,000, and I think it was 12 installments of \$1,700 - \$2,000. It would turn into around \$24,000.”; “They told me it was R\$1000. But it is not. The bill, when I stopped paying for it, it was R\$500.”</p> <p><b>Angela:</b> “Oh, I don’t know (what are the interest rates). What I know is that their proposal is basically charging me three times what I really owe.”</p> <p><b>Carly:</b> “Bank X didn’t charge me for a year. Now they are charging me everything back.”; “For one person who owed, let’s say, \$22,000 in August, we are now in January, it’s 6 months, now I’m owing \$40,000. So, how can this be possible?”; “ I have the picture, I owed \$22,000, I don’t know exactly, if I was paying in 12 instalments it would become \$92,000. I thought: how can this go duplicating? (laugh) I know mathematics.”</p> <p><b>Mary:</b> “But I blame the bank because it charged a very high interest rate. Interest rates are very high (emphasized). I am going to pay until 2024. That’s what I would like to negotiate. In</p>

fact, summing up all I have already paid to the bank, (I consider) I have already paid all I have borrowed. I am paying \$1,000 a month since 2015. Considering that I have borrowed around \$20,000 plus \$8,000, I have already paid it in fact. I would like them to negotiate, to lower the interest rates. It's hard, isn't it?"

**Anne:** "The collection negotiations only on the phone, they do not make available in person. I went to the retail store, the girl said to me to call. Then on the call, the girl says: 'No, this proposal does not exist'. This proposal your are talking about is your (emphasized) proposal'. I thought: it's only arguments and quarrels, then I'd better ask ProConsumer to talk to the collections department. Retailer X (name of the retailer) sne dthe proposal yesterday and I said: with this one I agree, but talking to the collections department I cannot make it."; "...ProConsumer helped me to negotiate that, because myself negotiating...it was not working, they charge very high interest rates."

**John:** "If you don't pay us today...if you don't pay...do you have how to pay us today? You have money on your savings account. I fyou don't pay, I can withdraw the money from your savings account to pay the debt off. Then I said: You cannot, because I didn't authorize you to do that. Then, it's like that, they even don't know why I have that money on the savings account. Then I had to go to the bank and my account was blocked. I went to the bank, took the medical precriptions and the medications that I had to bought for my father-in-law in order for the manager to unblock the account. But they said it was not them, it was the credit bureau. I don't know if they can do that."

**Evan:** "They proposed me 18 instalments of \$700. I said: What? No...no, you are crazy. I'm sorry but you are crazy, you as a company, not you as an employee. You work, you are a call centar operator. You are great, you are servicing me well. But I'm talking about the company. Are you crazy? If we sum up 18 instalments of \$700 and something, it's going to totalize almost \$14,000. I do not owe \$14,000, and I still said: if you were saying that it would be \$1,200 divided in 4 payments with no interest rates..."

**Rick:** "They dind't want to send me the contracts...of the first loan. Why? I think it's because they are going to work on that original debt. Because they are charging me something I didn't agree."

**Faith:** "When she added up, the total was \$70,000. Then, I went to the bank. So, of \$7,000 plus \$7,000, she added the checkings account, and the total was \$70,000. I don't know how she charged so much of interest rates!"

	<p><b>Garret:</b> “And, at the moment that she starts (his wife to be employed again), and we reorganize and say something like: OK, this much we can pay, we are able to pay and want to pay. I recognize the debt, but I don’t recognize the interest rates. These interest rates are inadmissible, but the debt we recognize and we want to pay.”</p>
<p><b>Conflict of Interest and Disregard of Shared Responsibility</b></p>	<p><b>Russel:</b> “Consume, buy, do it, and etc... that we can solve your problems”; “In our country, the offers and the ads are really insidious, it is subliminal, it appears... mostly for the low-income population, to ‘make your dreams come true’”; “It became even more clear to me that what pushed me into indebtedness was a huge offer of credit (from the banks).”</p> <p><b>Naomi:</b> “I was renewing my credit operations again and again until I got to a point where I was out of control. Because the bank comes and say: “look, do you want a ...? They send a letter as if it was a checkbook with a “released credit amount”, pre-approved, saying I can have (access) to that amount of money right away”.</p> <p><b>Caroline:</b> “Bank X was always calling and saying things like ‘Hey, our rates are lower now. Don’t you wanna buy that thing? Don’t you wanna buy a car?’ They were always calling us.”; “I had a boyfriend, one of my boyfriends worked at Bank X. I remembered he used to tell me ‘sometimes we have to include an insurance there, then take it off, you know? And tell the costumer it was a system error’. Why? Because they have goals. I knew about that, but I didn’t learn.”</p> <p><b>Robert:</b> “So the banks, they offer credit in a very attractive, very easy way, with a very compelling offer, which seems to me a bit perverse”; “That really looks like a solution because it is very immediate. It is very immediate. Of course, the bank will always say ‘it’s the customer who decides’. Ok. But there is a whole presentation of that to the customer, which makes it easy for him to make a decision without being aware of the risks and consequences of that decision.”</p> <p><b>Paula:</b> “I remember when I... When I didn’t have bad credit records at all, I was not over-committed as I am today, they used to call me very often: ‘oh, you have available credit. Don’t you need it? And so on’. They used to call me.”; “So, the way I see now is that they are commercial people who are thinking about models, reaching goals, and not like: ‘Look, does the customer really need it? Why am I going to indebt him? Why they don’t...I don’t know...if I have some money left, why they don’t offer me investments? I don’t know...I think that maybe, if they offer loans, their commission can be higher, I don’t know. Today I see them</p>

this way. I don't see that the bank's manager is concerned about making orientations and guiding the customer. No. He is worried about reaching his goals. How many loans... can that customer... I don't know, take... how many products can he offer to that customer?"; To me they never said: 'Look, let's invest your money, or let's...', I don't know, it was always about loans, offering loans."

**Joe:** "It was always very easy, I talked to... I took many payroll loans. It was already pre-approved, right? I would only send an e-mail, saying like: 'Look, I want this amount of money. Can I have it?', I know it was pre-approved because I've never had any problem."; "The bank gives you credit when you don't need. Everything works like that. If you are doing right, it's automatic, they make the credit lines available for you."

**Cecilia:** "Then the bank offers you... and you are having difficulties, so like, it offers you R\$3.800. You need that money, you know?"

**Lucy:** "Like the home insurance that I acquired, I even used it once. Then I saw it was worthless, because they push me so many things, that sometimes I say: do you know what I wanted? Increase the limit of my credit card. So, then take this private pension fund that it can help increase (the limit). Did you get it? And in the end, you do it, because you need it. Like, when I acquired my first loan, I had to acquire two things that I don't remember exactly...that is life insurance and home insurance. Then you need something else: 'Could you acquire a private pension fund: it helps to increase the limit. Now, when I call the bank, when I need their help, I don't know, like decrease the interest rates. Like I said: Isn't it possible to suspend the down payment for one month and postpone it to the end?' "No, no way. It is not possible to do that.' The down payment now is \$1,400, and what I'm making is \$1,400. That means..."

**Market Specialist (Consumer Defense Agency):** "We started to help this consumer. We went to the bank branches in which he had accounts, we present his historic records, we talked about the importance of finding a way to renegotiate the debt because he did not have more conditions, and even in this situation, the bank was unflexible. The alternatives (presented) were always based on more credit. More credit, more credit."

**Faith:** "The worst thing that I have made in my life was to have accepted to have an account manager. When I didn't have a manager, it was better, I didn't have checkings account. I didn't have any problem (emphasized). Since the account manager appeared, it seems it was a devil in my life. Then, when problems

	<p>appeared, weher is the manager to help me? They go away, you don't have. You don't have (them anymore)."</p> <p><b>Ella:</b> "I was induced. Yeah. I asked: "Is it in the credit limit? Yes, it is. The bank is offering to you. Ad the I kept going. When I had some money invested, credit used to come very easily, spontaneously, it was practicaly offered. They knew I had that money in investments, and when I said I had thi smoney for my retirement, the eyes of the manager shined and he soon made available this high credit line, and provided a credit limit I didn't asked for."</p> <p><b>Specialist (Credit Counselor):</b> "He does not feel, as a debtor, even as having the right (emphasized) to go there and say: 'Look, I need a different solution'. And the few that do it, they are kind of convinced (maybe cheated) by the managers. They acquire a new loan, a new credit, as long as they acqire anotehr banking product. E have a lot of very sofisticated financial products that are unkown for the average consumer. Do you know? Then, it's like: 'Hey, I am not being able to pay this debt off, it is \$600 a month the down payment. 'Oh, look, I can adjust it for you, you start to pay \$350 – normally extending the timeframe – and then you acquire this planned savings of \$50 per month, that is not savings actually, that is part savings and part lottery. Did you get it? So, we have a lot of difficulty of having these consumers to be autonomous in this market."</p> <p><b>Angela:</b> "When you have money and a positive balance account, all the time someone calls you offering a product, an insurance or a capitalization bond, (or) some kind of support and recommendations".</p> <p><b>Evan:</b> Unfortunately, we are obliged to have a banking account and I think this is perverse. Because, whether you like it or not, they start providing you with some facilities. And as we didn't have good education since we were young, financial education, the habit of savings...so the bank provides facilities. Then, it comes a little card, a small credit limit, and then you have this limit that you can use, and I don't know what, and it goes instigating, instigating and instigating (laughs), until some day it falls. But...that's it. I know that unfortunately we depend, we depend (on it)."</p>
<p><b>Use (and abuse) of Power Imbalances</b></p>	<p><b>Angela:</b> "When you don't have the money, they call you and make you indecent proposals, for you to think that their offer is interesting. Then, when you do the calculations, analyze it, and calculate the interest rates, you see that you are being robbed."; "There is no point if I lose my sanity, if I lose my temper, if I lose... my judgement of things, I'm the one who's going to lose, the bank is going to be there still. The five biggest millionaires of</p>

Brazil hanging out on private jets, drinking champagne and caviar (...) So these guys take advantage. Make a fortune based on what? The disgrace of other people's family?"

**Russel:** "The renegotiation proposals started to occur six months or almost a year after I stopped paying."; These documents of the mortgage took 4 months and a half to be done. In these 4 months what did Bank X do? The money was blocked, but they started charging me the down payments. The money was on my account, but it was blocked."; "Bank X judicialized a debt of mine and blocked my account. They blocked it without prior notice."; "Now I am locked in this negotiation, because both operations have been judicialized."; "At this moment I'm not a consumer, I am a victim of them (the banks), because they now have a certain power of opening a negotiation or not, which I don't have. My power is much more relative."; "Bank X does not give a very high discount, and the methodology is like that: 'Oh, you cannot pay this much? So, let's divide it in 98 payments'. Then, it's something absurd. They lower the amount of the payment, but then you an endless number of payments to do."; "And they put a draconian contract that is the following: if you delay any payment in 24 hours, the agreement is canceled, the debt returns and you lose what you have negotiated. Then, my lawyer said: 'do not sign this'. "; "I know I have the right to a positioning of the status of this debt, I've tried to renegotiate before, but nobody helps you."

**John:** "That card was good for me at that time. It wasn't bad, I can't say it was bad. Now it is more about the delay. When we delay, the interest rates charged, I don't think they're right, because it is too high, based on my possibility to pay."; "The bank called me 'Look, you have a 40-day delay, can you pay it tomorrow?' (...) It is until tomorrow the deadline they had given me, they give you a deadline like that."; "No. The bank is not being correct to me because that money... I have a savings account, independent of anything, they cannot use or block one of my accounts because I owe them a contract."; "For example, sometimes I wasn't able to deposit the money on Friday (the deadline was on Saturday), so I would do it Saturday. But Friday night they sent a text to my phone telling they had already discounted the amount from the overdraft. Then, when I would pay on Monday, I already had to pay for the interest rates."

**Sandra:** "And it's something, it's horrible, you have to keep paying. Okay? So, if he got to that amount I was already like 'all right, dear God'. Even if I pay during my whole life, but I can't pay R\$1800,00. And now they have raised it, right? Again, with that small talk. No, can you see how that's dishonest?"; "You find it

the end of the world, you think that they (the banks) are right, because I am the wrong one, because I owe money.”

**Robert:** “The bank ends up being our daily lives’ financier, because we live based on credit and overdraft.”

**Louis:** “A bank that says it’s totally different from the others and so on, and in the end it’s being worse than the rest.”

**Neil:** “I think that no one ... anyone minimally honest, minimally decent wants to pay what is owed. It’s like I said once: ‘It’s easier to borrow money from the leader of traffic (drug dealer) than to borrow from the bank. I would be better treated by loan sharks and the leader of the traffic than by the bank. Of course I am not going to do this, far from that. But this is the reality.’”

**Naomi:** “Yeah, they negotiated, but in their terms. ‘How much can you pay each month?’. ‘\$2,000’. OK, so you are going to pay \$ 2,000 with astronomic interest rates during 60 months. Imagine to pay that...”

**Rick:** “And then a guy from a call center called me, he talked well, I was at the table having lunch. And he said: ‘We have a proposal for you, I am from the Central of Quality. You are having a bad time with these loans, I want to help you. I have a proposal for you, and it would be 14 payments of \$1,674. Then I said: ‘Man, if I am not being able to pay \$1,300, how am I going to pay \$ 1,600?’. ‘But look, your card will be included’. Remember that I said to him that I would think about it. It was not really so bad. I had to check what I had already paid, if it was worthwhile to renegotiate that debt. But then, when I took a look at my account, the \$1,674 has already been charged (without his authorization).”; “Because the money that is deposited on the account the bank is taking. It’s not that it’s taking, it’s his. However, it is charging something I am not in agreement and I am not being able to solve. I called Bank X 37 times, I have 27 numbers of protocols, the time I remained in the call, the name of the operator, did you get it?”

**Lucy:** “I had the money, but I don’t know what happened that I delayed the payment of the car loan, only a delay, but I had the money. But I delayed and they sent a message to me that they would block the car access, like with 10 days of delay in payment. Do you know? I was desperate at the hospital with my dad, and they sending messages. Do you understand? Today, people talk about empathy. In theory emphasized), because in practice nobody never does it. Never (emphasized) does.”

**Ella:** “Then, when I tried to cancel the banking tariffs that they never let me cancel, they said: ‘No, don’t cancel it, you have your chechings account, let’s not do it’. I tried but she...the manager

	<p>never cancelled it, spent the whole year saying she would do it, but she didn't do it. "No, I don't know what", 'Ok, I'm going to cancel, I am...I am...'.  I: And did you accept that:  Ella: 'Oh, but you are going to lose your credit'. I don't want to know about the credit, you can cancel it. And then she said: 'But then you are going to be serviced by a different sector', I don't know what, 'you are not going to be exclusive (customer) anymore', 'Your interest rates will be higher'. Ok, ok. And suddenly your high tariffs are charged again."  <b>Carly:</b> "Look, you owe \$22,000, from now on we are going to apply the interest rates from Central Bank. From now on, you are a debtor. No, they give you more \$2,400, for you to go accumulating (the debts).  I: Did they increase your limit:  Carly: Yes, and charge you fees, e.g., it's dirty. I think that the banking system is dirty like this, almost criminal. But that's what we have."</p>
<p><b>Harassment from Collectors (direct and third-party collectors)</b></p>	<p><b>Russel:</b> "There is a harassment in the negotiations. (...) I couldn't... With every communication of the bank, that was too much. I think the last couple of years were very painful."  <b>Philip:</b> "The worst was the collection department of the bank bothering you with 20 calls per day. That is bizarre. (...) Even if there is no condition, they keep calling you. It is hell, you can't imagine. I think this is the worst part. It's abusive, it's humiliating."  <b>Robert:</b> "The ring of the phone became a sound of terror. Because the movement is: your family start to call you less and the bank start to call you a lot more. So, the telephone became something very disturbing. You know it is going to ring and that it is going to be a creditor."  <b>Angela:</b> "I couldn't stand the guys calling me, calling me, they would call me around 4 times a day. In the morning, afternoon and night. That was damaging my focus because I couldn't even study."; "As a health professional, I seek some protection, like, for example, I try to have walks, I try to meditate, I try to have good thoughts. But it is very hard at the time the telephone starts to ring, ring, ring and charge you. You answer the phone thinking it is going to be an interview, it's collection. That ruins the person, the person's self-esteem."  <b>Lucy:</b> "And the way they talk to you, sometimes...look, my cel phone is on mute now because I receive a call every 5 minutes."  <b>Cecilia:</b> "But look, you see something like this, you feel threatened."; "They say that if you don't pay, that it will go to...to the laws of some code...it's a shame I didn't bring the letter for</p>

	<p>you. I think I have it on the cel phone. It says clearly that they are going to take me to the court, to confiscate my goods and properties (emphasized), man, it's a threat!"</p> <p><b>Ellen:</b> "And the collection companies, I think they have a goal. Then, we it approaches day 20, 19-20 up to 25, it is hell how much they bother me with the payments. I try to make an agreement, now they want to charge me \$47,000."</p>
<p><b>Outcomes for Consumers and the Self</b></p>	<p><b>Robert:</b> "Myself, as a financial service consumer, as an individual, I feel extremely harmed by the policies of interest rates that the bank uses to charge me."</p> <p><b>Philip:</b> "Today, I go to the same branch of Bank X, and the employees barely look at me, you become a number."</p> <p><b>Farrah:</b> "When I went there to complain about a clause of the insurance, the account manager didn't know what it was. So, they made me sign a contract with a cause that even they didn't how how to explain it. So, I think it's very bad, really bad. We become very vulnerable in these situations, everybody becomes vulnerable."; "And these people (the over-indebted) are helpless in fact. This is the truth, this is kind of... a perverse system because the interest rates are unbelievable."</p> <p><b>Rick:</b> "The day I went to the bank talk to the manager I was practically humiliating myself. I sat there, explained the situation, she looked at me and said: 'What do you want me to do? (...) I want that you help me.'"</p> <p><b>Faith:</b> "I feel...I feel like...tied. I have to pay \$ 30,000...now it is \$38,000, then I had to go to the bak to renegotiate because otherwise they take my salary and I won't have any place to complain. If you are indebted, how are you going to pay for a lawyer? Then the lawyer takes all of your money. There is no escape. (...) I feel like an ass (dumb). It's like if you were not anyone, you know?"</p> <p><b>Anne:</b> "Ah, it was preoccupation. Worried about my debts, of not being able to handle the situation. I had a lot of fear, fear that thing wouldn't work, of losing everything, of losing my aptment, of having to go back to my parent's house. (...) I cried a lot. I was scared, really scared. I was not sleeping much and was crying a lot."</p> <p><b>Cecilia:</b> "And they threaten you, they say they are going to confiscate the goods of our house."</p> <p><b>Ed:</b> "And I have a daughter-in-law, she's a poison. Then she started to talk to my wife: 'Your husband is going to lose your house.'"</p> <p><b>Owen:</b> "First, I started to become anguished with that...I had a terrible fear with this, becoming insolvent. I had never been</p>

	<p>insolvent before, it was like a phantom for me. (...) The I also started to suffer emotionally. I didn't sleep well at night, had a stomach pain, a lot of things like that...and this also kind of blocks you of trying to find new ways to solve the problem. We start to become discouraged, we let things happen without having any reactions.”</p> <p><b>Marlon:</b> “But wiht this new credit card they started to threaten me with sending my name to credit bureaux, to inform my insolvency, we I got scared.”</p> <p><b>Ella:</b> “I became anxious, scared. I had my worst Christmas time ever. Why? Because I didn't know how to solve the problem with my debts. I was...I didn't know how to live. I didn't have anyone else to help me. It's a feeling of powerlessness, of inutility, of being nothing, of not being anyone.”</p>
<p><b>Outcomes for Consumer-Brand Relationships</b></p>	<p><b>Fae:</b> “So, about this issue of the bankss...it's like that saying: when you are doing well, there are a lot of people around you, but when you are not financially well, the relationships change. T's the same way with the banks, right? You are a customer and you always pay a fee, having money or not. When you are doing well, you have more banking services: investments, savings, insurance. And they try to sell you more services. When you are in a bad sitution, they overwhelm you with loans, and when they notice that you cannot pay the credit cards, they propose a renegotiation, then another one, a new loan, etc.”</p> <p><b>Naomi:</b> “My relationships (with the bank) has always been good. Lways good. But now I start to see it differently. For example, I think that Bank X shouldn't do to anyone what he has done to me. For example, sending me a leter with pre-approved credit... you have a limit of \$ 15,000. Credit card.”</p> <p><b>Carly:</b> “Bank X charges me \$300 the annuity of the card. Every year I have to call them and say: “hey friend, I have this card for 150 years, couldn't you please gime the discount? Blablaba. ‘Oh, I'll check the system...I can see here that you have a discount. So, why don't you send the discount right away? Why do I have to call you every time? It's humiliating, It's humiliating, ou know? It's not a relationship with a consumer, with a client. Oh, I talked to my manager and he said he'll give the discount as soon as you give the receipt that you have paid the first installment. What kind of relationships is this? And in this period we had a decrease in the offer of banks in the market and the customers, I'm saying as a banking customer, became more cornered. Because with Bank Y, despite not so different from the others but as a smaller bank, having a branch nearby, I used to fell less of a number.”</p>

**Rick:** “I feel like a relationship...let’s say... betrayal. When it was good, I was doing my money operations, things were going forward, for the bank it was great. For the bank it must have been wonderful, it even offered me more credit. Then, later, when I needed the bank, a channel to negotiate? It didn’t exist. There is not a channel for you to talk like this: ‘Look, I am in this situation, I can pay this way. Could we review the interest rates? Because it’s not possible that they do not provide this anywhere.”

**Angela:** “I had always paid my bills on time. I was a VIP client. ‘Golden Premium’ (fictitious name of the special customers from Bank X)”; “As I couldn’t stand the guys anymore calling me, calling me, they used to call me 4 times a day, in the morning, afternoon and at night. That was bothering me, harming my concentration, I couldn’t study. Then, I decided to look for my rights. I went to the court and they stopped doing it.”

**Louis:** “I think the bank is only interested in making money over you. For any reason he will want to sell you a product with which he is going to earn from you, with which he can take the maximum out of you, through loans, through a lot of ways, they will always try to come out on top, to win. I don’t see the bank as a partner.”; “The bank is not willing to lose anything at any time. Even something that could be fair, a little fairer, something reasonable at least.”; “They don’t care if you are okay, if you are not, if you are sad, if you are happy, they want to get paid. Anyways they want to earn a huge amount of interests on top of interests, over you. And in the end, you have to handle it.”; “Yeah, yeah. I had a different view (of the bank). I thought it was there to help me. But I think in fact to help only the ones who know how to use it, right?”

**Evan:** “I used to have a good salary. The account manager always called me: ‘Hey, don’t you want to invest in mutual funds? Come to have a coffee with me’ (laughing). So, I was pampered. They called me: ‘Look, we have a card (for you)’. ‘Hey, you are a customer XYZ Premium with a XYZ premium card and I don’t know what else. I was pampered, believe, me! Today? They even don’t answer my calls. They only call me today to collect. So, when we have something...we are what we have. Unfortunately in the world we are the properties we have. (...) The banks, the financial markets, they don’t want to help you, they want to subtract your money, take your money. They take \$1,000 from me, lend to you charging \$10,000, then from that \$1,000 he pays me \$10 a month and charge me \$100 of interest rates. So, what he wants is to take my money for him, and lend it to other people.”; “Then, it’s becoming something unpayable. I became insolvent. “We are goig

	<p>to the court'. 'OK, go to the court. Let's leave it to the judge. The judge will have to judge, and I will say: 'This is my situation.'; 'I don't see the financial markets with good eyes. It's good for people who have money and can invest. For the majority of the population, it is a disaster.'"</p>
<p><b>Attachment to Aversion</b></p>	<p><b>Sandra:</b> "I've had a Diners credit card for 22 years. So, I must have been very useful to them, right? My credit limit was R\$35,000."; "My dream now would be not having any bank account, you know? Take out this Bank X of my life. It's this bank, the rest I can eliminate. I hope God can listen to my prayers."</p> <p><b>Luke:</b> "The bank is a bandit, a loan shark. The bank is a loan shark. It works with the illusion of people, it sells dreams and cars. I am not in an even worse situation because my debt was with the school (for the daughters) and not with the bank."; "So, the bank is your friend until it is taking your soul. Take care with the bank, learn how to make your own money."; "My view? Get out of the bank!"</p> <p><b>Ellen:</b> "So, my relationship with the bank, I always thought it used to be good. When I needed, I used to go there, talked to them, checked for the best possibilities, the bank had always helped me on that."</p> <p><b>Faith:</b>          "I: Do you notice any difference in your relationship with the bank when you did not have problems with debts and when you started to have these problems?          Faith: Oh yeah. Totally. Totally. The bank simply starts to ignore you. At Christmas time, I stayed for so long at Bank X waiting for the manager. 'Oh, he left for lunch, he is in a meeting. Then I talked to someone else, it seems that he is going to become my new account manager. Then he said: 'Oh, it did not work, the system did not accept it.'; "Oh, man, If I was a bandit, I would put a bomb in the Bank X. Because is not possible an institution to be such a son of a bitch. It's not possible. I went to the branch yesterday and said to the manager: 'Look, I'm coming here to renegotiate, you guys said to me come here to se...and then the manager said: 'But isn't your manager servicing you? I said: No! And they: 'But your manager knows your case. Did she check what is best for you? And I said: no!"</p> <p><b>Cecilia:</b> "The way I see it, if you have money, you are very well treated by the bank. I remembered a situation, that was when I realized it, when my husband left his job and refeived some money from the firm. It was when made some investments...then what happened? We went to Bank X, the manager came to greet us and</p>

	<p>she kissed me. I got a little surprised and said: 'Wow, she came to kiss us. It was a good amount of money that he received. And I thought: Gosh, we are being really well treated. You know, I have always been very naïve, you know? I'm smart for some things and naïve for others.'</p>
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## CHAPTER 5 – FINAL DISCUSSION

This dissertation has investigated the theme of consumer over-indebtedness and the consumer experiences associated with it. The importance of the theme comes from the high number of consumers becoming over-indebted with their dysfunctional use of credit and by the devastating impacts that it can generate in consumers' lives overall. It is also important due to the potential systemic risk for the economy. I believe that this study has made significant contributions to a better understanding of this phenomenon. If consumer credit is known as a two-edged sword, this dissertation sheds light on the negative side of it, a place of financial disasters and tragedy (Wang, 2010). A place full of adverse life outcomes for consumers such as losing their homes, having marriage breakups, loss of creditworthiness, bankruptcy, emotional stress, experiences of shame, sense of failure, and hopelessness (Henry, Gabarino and Voola, 2013). A place of trouble sleeping, mental health problems, troubles with personal relationships, and abuse of drugs or alcohol (Arrowglobal, 2019). Thus, a place that deserves a better understanding.

I attempted to provide a comprehensive understanding of the theme with the development of the three complementary articles. In the first one, the objective was to systematically review the literature on consumer over-indebtedness to map what we know about the theme, what we do not know, and what we would like to know about it. In the two empirical articles, I took advantage of the data richness to answer some questions related to under-researched areas identified in Article 1. In Article 2, my focus was on consumer experiences with over-indebtedness under a risk perspective. Finally, in Article 3, I focused on consumer-brand relationships in the context of debtor-creditor relationships. In some way, Article 2 is more on the demand side of credit, and Article 3 touches the offer side.

I attempted to provide a deeper understanding of the phenomenon of over-indebtedness, substantive advancement of knowledge, and bring new contributions to the literature. In Article 1 of this dissertation, based on a rigorous review process of 144 studies, I conduct the first systematic review on consumer over-indebtedness, mapping the publications since their beginnings and showing an increase of interest and relevance of the theme. In the review, I show how the definitions of the topic are approached and measured in the literature, the historical perspective of these lines of

research, in which journals and areas of study they were published, in which countries they were made, and which methods and theoretical underpinnings were utilized. An essential contribution of Article 1 was developing the first theoretical framework on the theme, integrating different research streams, and synthesizing the antecedents and outcomes identified in previous research. Overall, the review clarifies the interdisciplinary, complex, and multifaceted nature of consumer over-indebtedness. It shows that no single set of characteristics is sufficient to explain over-indebtedness, and the problems associated with it rarely manifest in isolation. The review also indicates that the consequences of over-indebtedness can be disturbing, destabilizing, and de-structuring for consumers' lives and their families. Another noticeable contribution of this review article is that, after identifying critical gaps and under-researched areas, it provides a future research agenda with a range of suggestions and promising directions for advancing research on this vital topic. I suggest developing new studies mainly in the streams of antecedents and outcomes, theoretical underpinnings, methods, personal bankruptcy, regulation, and prevention and mitigation. The review identifies a Euro-American and foremost phenomenon-driven literature predominantly with a growing body of evidence in areas such as the individual-related antecedents and outcomes of over-indebtedness, based on quantitative studies. I make a call for more cross-cultural studies, with higher country-representativity, more qualitative and mixed-methods, more longitudinal studies, and consideration for multi-product and multi-creditor realities. I also call for more integrated models considering individual-related, loan-related, and macroenvironment-related factors through a more systemic approach. The insights provided by this research and the future research agenda recommendations can offer contributions for consumers, academics, industry practitioners, and policymakers (Snyder, 2019).

In Article 2, the objective was to understand how consumers lose control and experience the materialization of staggering risks. For this, I conducted a qualitative study with multi-site data collection and complementary data sources to develop a deeper understanding of the phenomenon under study. I conducted in-depth interviews with consumers and market specialists, non-participant observation in different sites, participation in conferences, seminars, and events related to the topic, and used diverse secondary data sources. This data collection strategy provided the possibility to access and analyze the meanings expressed, the narratives and lived experiences

of over-indebted consumers, and the privilege of having a more comprehensive understanding of the sociocultural context in which the phenomenon occurs. Findings describe the unfolding of consumer experiences when credit and debt become highly dysfunctional by unpacking the downward trajectory that affects consumer identity. These findings shed light on the experiences of consumers who are overwhelmed by the hazards of risks and experience the unintended stigmatized position of being over-indebted. Applying the theoretical lenses of chaos narratives (Frank, 1998, 2013) to the understanding of trajectories into over-indebtedness, the study unfolded the process by which consumers lose control of risks and suffer from their unknown and unintended consequences. The findings show consistent narratives of consumers losing control of their debts and their lives over time, entering into a disturbing downward trajectory in their lives. First, with the consumption of credit, some events precipitate the situations that put consumers in positions of risk and vulnerability. Then, additional factors aggravate consumers' status, such as multiple concurrent events, stigma effects, the illusion of control, and self-denial. In a progressive process, in parallel to the downward trajectory, usually when they feel that they have lost control, they pass through a chaotic experience, which compounds the problematic situation, in the process of increasing risk and risk perception along with a worsening experience. Thus, consumers migrate from an ordered experience to a chaotic one, losing safety and security (Lamberton & Hill, 2017).

Besides contributing to understanding this critical phenomenon with high social impact, this study also makes significant theoretical contributions. It contributes to the literature on consumer edgework, exploring situations in which edgework becomes impossible or is unsuccessful. Previous literature on edgework has described how consumers successfully negotiate the boundaries between chaos and order to their self-interest, exerting their abilities and skills (Celsi, Rose & Leigh, 1993; Drenten & Zayer, 2017; Thompson & Ustuner, 2015). Overindebted participants who enter the process of edgework in an unplanned, unintentional manner cannot negotiate the boundaries between order and chaos. In this sense, their experiences are instances of failed edgework.

It also contributes to the consumer research literature that explores the relationship between risk and identity. The current literature, predominantly showing consumers in the situation of control, or successfully negotiating the boundaries

between control and chaos, brings considerable evidence of a process of identity building (Celsi, Rose & Leigh, 1993; Drenten & Zayer, 2017; Thompson and Ustuner, 2015). In the context of over-indebted consumers, however, the identity processes and narratives oppose these studies. Over-indebted consumers seek to negotiate risk-related uncertainty in their lives, but they failed at doing it and experience subsequent stages of identity de-construction.

The study also contributes to the risk literature in showing that the risks faced by consumers increase along the process. Combined with stigma and emotional battering, these risks' hazards overwhelm consumers in a way that makes it much more difficult for them to handle the situation. The risk is low at the initial phase of acquiring credit but increases progressively over time, in a way not anticipated before. Contrary to experienced skydivers, they do not acculturate with the risks; they are defeated by them in a constant personal weakening process. Another important contribution is made to the sociocultural consumer research literature on credit and debt. Bernthal, Crockett, and Rose (2005) demonstrate that credit cards can work as lifestyle facilitators in practices of achieving or coping lifestyle. The present study on over-indebtedness shows that, besides credit cards, consumers can accumulate high debt on additional credit and debt products, losing total control over them. These consumers suffer from a substantial loss of consumption, difficulty to make ends meet, and can reach a point of (or close to) subsistence. Their lifestyles become restricted and constrained. They get locked in a massive amount of debts and cannot see the perspective that Bernthal, Crockett, and Rose (2005) call the trajectory of freedom. These authors also theorize that consumers with high cultural capital and adherents of the protestant ethic would tend to remain in the position of achieving lifestyles. However, some of our participants have high cultural capital, are very disciplined, financially educated, savings-oriented, and become over-indebted. The present study shows that the risk of over-indebtedness to consumers can reach even high-cultural-capital consumers with a protestant ethic orientation due to the combination of risk consumption with risk-laden unexpected events. This study also extends the work of Peñaloza and Barnhart (2011) by showing that debts can become unmanageable, and consumers cannot go back to their original patterns just by learning their lessons. This study also contributes to new cultural meanings related to credit/debt consumption, such as isolation, exclusion, vulnerability, impotence, and personal failure. In addition,

the study shows that over-indebtedness goes way beyond the issue of impulsive and compulsive buying. Despite the commonalities of the outcomes in the experiences of over-indebtedness and compulsive buying, such as anxiety and frustration, sense of loss of control, and domestic dissension (O'Guinn & Faber, 1989; Faber & O'Guinn, 1992), compulsive consumption is characterized as pathological, repetitive and seemingly purposeful behaviors, normally excessive and ritualistic (O'Guinn & Faber, 1989; Faber & O'Guinn, 1992). Over-indebted individuals, on the contrary, do not necessarily have psychological traits of compulsion. In general, they migrate from regular and routine situations of consumption to over-indebtedness. Thus, considering the pervasiveness of credit nowadays, a much larger number of consumers can be exposed to the risk of over-indebtedness.

The study makes an additional contribution to the literature on consumer responsibility. Most of the participants of the study demonstrated to have a sense of personal responsibility. Although disagreeing with the amount of their debts, in general, participants of this study worked as autonomous consumers obtaining credit in the market and felt responsible for their debts, aligned with current Western-oriented societies values and cultural norms of personal responsibility, control, and self-management (Wong & King, 2008; Fischer, Otnes, and Tuncay, 2007). This feeling of personal responsibility and self-management played an important role in their decisions to try to solve the problem alone. However, as they could not progress successfully in their endeavors to have their debts paid, this feeling of personal responsibility led them to feelings of personal failure. The sense of personal responsibility became, for over-indebted participants, a burden contributing to their emotional battering and making it more difficult for them to recover from problem debts (Wong & King, 2008). This research shows that putting the responsibility solely on the consumer to avoid over-indebtedness would mean challenging requirements: high level of financial education, permanent budget management, self-control even in cases of compulsive buying, fighting stigma, anticipating and being prepared for unexpected income losses and unexpected increases in expenses, as well as control over the life uncertainties. The lived experiences of over-indebted participants show that if they are left alone, they will rarely overcome the situation.

Last, the study displayed in Article 2 contributed to expanding the cultural framework of illness narratives, more specifically the chaos narratives (Frank, 1998,

2013), beyond the health and medical arena to the experiences of the potential hazards generated by financial risks. For consumers, losing control, becoming over-indebted, and not getting out of debt is experienced as a chronic illness, for which there is no prescribed treatment or cure in sight. Participants of this study feel that their problems are lasting, affecting all life choices and altering identities, as preconized by the theoretical work of Frank (1998) for narratives of deep illness.

In Article 3, the objective was to understand the process and the dynamics of a relationship deterioration over time, studying the relationship between creditors and debtors in the context of consumer over-indebtedness, aimed at generating insights for public policy and managerial implications. The same data collection sites and methods of Article 2 were used to conduct a qualitative study of over-indebted consumers' narratives and lived experiences in their relationships with their creditors (and relationship partners). The theoretical grounding utilized for this study was the consumer-brand relationship, attachment theory, and attachment-aversion model. The findings of this study explain why and how a consumer-brand relationship can transition over time from a positive to a negative and troubling relationship and from attachment to aversion. From a debtors' perspective, some factors negatively influence their relationships with creditors, weakening them. These factors are the following: disregard of consumer situation, disputes that occur in the process, conflict of interest and disregard of shared responsibility, use and abuse of power imbalances, and harassment from collectors (direct and third-party collectors). The findings also show the adverse outcomes experienced by consumers and the outcomes for consumer-brand relationships.

Article 3 of this dissertation makes significant contributions to the development of insights and recommendations for public policies aimed at improving regulation on credit acquisition, credit monitoring, and credit collection to avoid and mitigate the problem of consumer over-indebtedness. Optimizing public policies is critical due to the potential reach of over-indebtedness nowadays and its adverse impacts on consumers and their families. Academic research has shown that debtors and over-indebted consumers are less likely to report full psychological health and well-being (Brown, Taylor & Price, 2005; Gathergood, 2012). In addition, over-indebtedness is an influencing factor leading to lower levels of consumer well-being and higher levels of consumer vulnerability. At the same time, despite public policy interventions made in

the last years, debt problems persist (Custers, 2018). Policies based predominantly on informational theories, such as financial education and mandatory informational disclosure in credit card statements, did not significantly improve consumer behavior (Custers, 2018). However, if well addressed, the problem of over-indebtedness can be avoided, mitigated, and treated by measures of prevention, alleviation of consequences, and rehabilitation (Niemi, 2012).

Article 3 contributes to public policy with five critical recommendations. The first recommendation regarding the prevention of the problem is that the credit granting process must follow strict guidelines of responsible lending and affordability to guarantee that the credit granted (and later renewed or increased) is within the possibility of consumers' payments. The correct management of credit limits of consumers is also fundamental. The data of this study shows that creditors can be interested in increasing credit limits to do more business, and consumers can use these higher limits, even if not appropriate and affordable. There is evidence in the literature that the availability of higher credit limits can encourage consumers to use more credit (Murthi et al., 2019). The second recommendation is that all possible actions be taken pro-actively, in the early stages of increasing over-indebtedness, when more severe problems can be avoided. When debts are not yet very high at the beginning of the process, consumers can have more ability and more resources to deal with the problem, mainly if they receive appropriate support and orientation. Several studies concur on the importance of early interventions to avoid over-indebtedness (Moorman & Garasky, 2008; Raijas et al., 2010; Kelly & McCann, 2016), while the problem can be yet manageable. The third recommendation is concerned with better monitoring of consumer risks. Consumers must be fully aware of the risks they are taking along the whole credit process, e.g., during the credit acquisition stage and during all credit duration, including the collection process. The idea behind the permanent monitoring and disclosure of risks to consumers is that, in case of increasing risks, actions could be taken previously to avoid a high accumulation of debts and the negative consequences of over-indebtedness. The possibility to provide warnings to consumers in the initial stages of indebtedness could help them prevent problem debts later (Aldohni, 2017). The fourth recommendation refers to the alleviation of consequences and rehabilitation of over-indebted consumers. This study in Article 3 recommends that all renegotiation offers developed by creditors be

customized and suitable for each customer, e.g., adapted to his personal and contextual conditions. Creditors must avoid pre-formatted templates in renegotiations due to the specificity of individual customers. Creditors must ensure that their renegotiation offers are affordable, sustainable and consider their customers' conditions to offer them the possibility to pay their debts off according to the new conditions proposed. The fifth recommendation is that regulation needs to be customer-centric, focused on avoiding dangerous levels of risk for consumers. For example, if regulations are solely based on credit products, services, or contracts, they will ignore that consumers use different credit products (secured and unsecured) offered by various creditors. There is evidence in the literature that individuals in debt distress are generally multi-banked (Livshits, 2015; Naicker & Kabir, 2013). Thus, both in the credit acquisition and debt renegotiation processes, regulation must recognize each consumer's situation in the overall market, considering that this consumer can have several credit products with several creditors. Each contract taken individually could be feasible, but the consumer can be over-committed and over-indebted in the overall market with the sum of all his operations.

Article 3 also makes critical contributions regarding insights and implications for brands and companies, mainly those belonging to the banking and credit card industry and financial services in general. The first contribution is to show that, by doing business with their customers, companies can put them in high-risk situations (even if not consciously or intentionally). In these situations, customers feel diminished, vulnerable, angry, and become averse to or avoidant of brands and companies that used to be their relationship partners. They start to develop strong negative attitudes and beliefs about these brands and companies. A critical insight from this study is that when consumers get in trouble with problem debts, the stage of contract renegotiation between companies and their customers could work as a new opportunity for companies to offer the support that customers would need to overcome their problems. Brands and companies should reflect on the adverse outcomes experienced by their customers and work to avoid the negative impacts. Working pro-actively with their customers could avoid the relationship deterioration and the worsening of their customers' situation.

Another significant contribution for brands and companies is to show that when customers become over-indebted, they lose their purchasing power and become

insolvent or almost insolvent. Thus, their businesses with the financial services companies become restricted to renegotiating contracts looking for affordable deals. As a result, their potential to generate new businesses for the companies decreases strongly, and the likelihood that they do not pay their debts off increases greatly. Thus, brands and companies should avoid letting their customers become over-indebted because this would mean killing their own business with those customers. Therefore, brands and companies should work pro-actively with their customers as true relationship partners to prevent them from becoming over-indebted. If that happens, they should try to alleviate the consequences and rehabilitate them to regular credit use. By sharing these responsibilities, brands and companies can improve their relationship with these customers, offering help to recover from problems in a bad moment and build a healthier business with more sustainable customers.

To conclude, it is noticeable that consumers' over-indebtedness continues to be an essential concern for government and citizens around the globe (Custers, 2017; d'Alessio and Iezzi, 2013). Consumers continue to suffer from significant credit burdens, apparently with no reasonable solutions ahead (Custers, 2017). This study shows that consumer over-indebtedness is an interdisciplinary, complex, and multifaceted phenomenon that no single set of characteristics is sufficient to explain. Problems associated with over-indebtedness seldom manifest in isolation; they are related to other issues, and their consequences for consumers can be disturbing, destabilizing, and de-structuring. Therefore, over-indebtedness should be understood as a social risk that needs overarching solutions on numerous levels and across diverse disciplines. This dissertation attempted to shed more light on this phenomenon, bring the voices, experiences, and perspectives of consumers, and contribute to scholarship, consumers, industry, practitioners, and policymakers.

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## APPENDICES

### APPENDIX G - Termo de Consentimento Livre e Esclarecido

#### Informed Consent Form

#### Pesquisa: Crédito e Endividamento

Obrigado pela sua disposição em participar deste projeto de pesquisa. A sua participação é muito apreciada.

Esta pesquisa busca compreender os padrões de consumo de crédito e endividamento no Brasil. Para abordar o assunto, o pesquisador acadêmico irá conduzir entrevistas e observações com consumidores que façam uso de crédito e tenham ou tenham tido dívidas relevantes. Os resultados serão publicados só em jornais e meios acadêmicos (i.e., publicação de artigos/capítulos em livros, apresentações em congressos). Seu nome não será utilizado em qualquer fase da pesquisa, o que garante seu anonimato, e a divulgação dos resultados será feita de forma a não identificar os voluntários.

Antes de começar a entrevista, gostaria de reafirmar os seus direitos como participante:

- A sua participação é totalmente voluntária;
- Você pode se recusar a responder qualquer pergunta, a qualquer momento;
- Você está livre para encerrar a entrevista a qualquer momento;
- O áudio captado por esta entrevista será mantido de forma confidencial e estará disponível apenas para os membros do grupo de pesquisa para posterior transcrição e possível utilização de alguns trechos com o único propósito de publicação em jornais e outros veículos acadêmicos.

Agradeço se puder assinar este relatório de forma que possa atestar ter conhecimento das condições apresentadas.

## Research: Credit and Indebtedness

Thank you for your willingness to participate in this research project. Your participation is very much appreciated.

This research has as main objective to study behavior patterns related to the consumption of credit and debt in Brazil. As part of our fieldwork, the academic researcher is carrying out recorded interviews and participant observations with consumers that make use of credit and have or have had relevant debts. The findings of this study will be used for academic purposes only (i.e. publications in academic journals/book chapters and presented at academic conferences). Everything you say will be kept confidential and anonymous: we will not use any real names or give information that might identify you.

Before we start the interview, I would like to reassure you that:

- Your participation in this interview is entirely voluntary;
- You are free to refuse to answer any question at any time;
- You are free to withdraw from the interview at any time;
- The data from this interview will be kept strictly confidential and will be available only to members of the research team for further transcription. Excerpts of this interview may be used in the final research report with the single purpose of scholarly publication. If used, your identity will be kept anonymous.

Would be grateful if you would sign this form to show that I have read you its contents and that you agree to these guidelines.

### FGV-EAESP

Programa de Doutorado em Administração de Empresas

Av. 9 de Julho, 2029 – SP/Brasil

Pesquisador Principal: Júlio César Leandro (FGV)

Orientador: Delane Botelho (FGV)

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Assinatura do Participante

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Data

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Assinatura do Pesquisador

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Data

## APPENDIX H – Invitation Letter to Participate in the Research



### Participação em Pesquisa

Prezados participantes,

Meu nome é Júlio Leandro e estou fazendo meu doutorado na FGV sobre a questão do endividamento. Para a minha pesquisa, eu preciso entrevistar pessoas que estejam enfrentando problemas com as dívidas e o endividamento.

Minha pesquisa é totalmente confidencial e o nome de ninguém é revelado. A pesquisa tem finalidade estritamente acadêmica.

Se você pudesse conversar comigo eu seria muito agradecido. É apenas um bate-papo informal no qual eu gostaria de entender sua visão e sua experiência com a questão das dívidas. Não existe certo nem errado, o meu interesse é a sua visão sobre o problema e os impactos na sua vida.

Como agradecimento para aqueles que puderem conversar comigo, estarei presenteando com dois kits da Natura: um feminino e um masculino. Veja abaixo as fotos dos kits.

#### - Kit feminino:



Colônia banho de Lavanda Águas

Sabonete vegetal Tododia

#### - Kit masculino:



Desodorante masculino Homem

Sabonete vegetal Homem

Agradeço muito àqueles que puderem conversar comigo. As conversas duram em torno de uma hora, às vezes um pouco mais. Você pode entrar em contato comigo pelo meu e-mail: [julio.leandro@fgv.edu.br](mailto:julio.leandro@fgv.edu.br) ou pelo Celular/whatsapp: (11) 99970-6136.

Muito obrigado,

Júlio.

## APPENDIX I - Interview Guideline

### Warm Up and Objectives of the Research

The Purpose of the Study

Consent Form

### Tell me about yourself

Who are you? Tell me about yourself; Tell me about your past; Tell me about your aspirations/future

Life Narrative

Background

Family

### Life Before Credit Use and Debt

How was your consumption before you started to use credit?

How did you buy your things before you started to use credit?

What was your view of credit at that time? Before been widely used? And how about today?

Do you plan your purchases? How do you organize your budget/expenses?

What are the main difficulties to control your expenses?

Do you consider yourself consumerist? What is your profile of consumption? What do you think has influenced that?

### The First Experiences with Credit

First types of credit use

Types and levels of credit/debt in relation to life events

And in relation to friends and family

Sources of credit(stores, banks, etc)

How do you define credit and debt? What is your understanding of them?

The relationship between credit and lifestyle

## Getting Over-Indebted

The first experiences of insolvency

What were you buying? For what? Purposes, motivations?

How did you get over-indebted?

When did you feel you had lost control of the situation?

Are there different phases or stages into over-indebtedness?

Time in Over-indebtedness (objective over-indebtedness)

Is there recurrency?

How is the experience of being over-indebted for a long period of time?

Have you already thought of giving up fighting against the problem? And accept being indebted forever?

What are the sacrifices you are doing for being over-indebted? Are there things you would like to do and you cannot?

Did you have the experience of having your credit denied? The card was not accepted?

How did you feel?

Who else knows you are over-indebted? Who did you tell? Who did you not tell? Why?

What do you think other people would say if they knew you are over-indebted?

## ANNEX I – Approval of FGV Research Ethics Committee



Rio de Janeiro, 04 de outubro de 2018

*Comitê de Conformidade Ética em Pesquisas Envolvendo Seres Humanos – CEPH/FGV*

Parecer n. 76/2018

Pesquisador responsável: Julio Cesar Leandro

Centro/Escola: EAESP-FGV

Título do projeto de pesquisa: “The dynamics of over-indebtedness of consumers”

Financiamento: Não há

Relator: Vagner Ardeo

### Apresentação

O presente projeto de pesquisa tem como objetivo entender a dinâmica dos consumidores superendividados. Serão considerados superendividados aqueles consumidores que estejam com contas em atraso por mais de 3 meses nos últimos 6 meses ou que se sintam superendividados. Os participantes serão os consumidores maiores de 18 anos que se encontrem ou tenham se encontrado no passado em situação de superendividamento.

Ademais, o pesquisador pretende destinar uma série de questões ao entrevistado: Como os consumidores chegam a essa situação? Como isso começa? Como eles experimentam essa situação? Como eles tentam superar tal situação? Qual é o impacto do superendividamento em suas vidas e na vida de suas famílias? Quando eles tentam resolver o problema sozinhos e quando eles procuram ajuda e assistência? Como é a experiência de estar superendividados por um longo período de tempo? Por que eles acham que estão nesta situação? Quem e/ou o que eles culpam pela sua situação? Eles se arrependem de decisões tomadas no passado? Como eles vêem sua vida e suas perspectivas para o futuro?

As entrevistas serão realizadas diretamente pelo pesquisador. A interpretação dos dados será desenvolvida por meio múltiplas leituras e será o resultado da comparação entre as premissas iniciais do estudo e os insights emergentes. Se necessário, o pesquisador

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pretende oferecer um incentivo entre R\$ 50,00 e R\$ 100,00 para cada participante que se interesse em participar da pesquisa de forma voluntária.

O pesquisador esclareceu que o objetivo do incentivo financeiro é motivar os “superindividuos”, para que eles se interessem em participar da pesquisa e também como forma de agradecimento pela participação. Ademais, destacou que conforme as pesquisas feitas no exterior, é muito comum haver incentivo financeiro ou em forma de créditos escolares para os alunos que participam.

### Considerações

#### I. Termo de Consentimento Livre e Esclarecido e Confidencialidade

O pesquisador previu a obtenção do consentimento por parte dos respondentes do questionário através de um TCLE e coleta de assinatura física. Os participantes serão informados acerca da voluntariedade na participação e na possibilidade de desistência sem acarretar quaisquer riscos aos respondentes.

O pesquisador garante que o áudio captado durante a entrevista será mantido de forma confidencial e estará disponível apenas para os membros do grupo de pesquisa para posterior transcrição e possível utilização de alguns trechos com o único propósito de publicação em jornais e outros veículos acadêmicos. Ademais, o nome ou qualquer outro dado ou elemento que possa de qualquer forma identificar o consumidor entrevistado será mantido em sigilo.

### Deliberação

Após deliberação dos membros, o CEPH/FGV classifica o presente projeto de pesquisa como:

**Aprovado**

O protocolo está totalmente adequado para execução.

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Daniel Vargas

Coordenador do Comitê de Conformidade Ética em Pesquisas Envolvendo Seres Humanos -  
CEPH/FGV