

# COUNTY COUNCIL LOCAL COMMITTEE FOR BARROW

**Meeting date: 18 November 2019**

**From: Chief Officer, Barrow Citizens Advice**

## **BARROW CITIZENS ADVICE REPORT RE. MONEY ADVICE SERVICE NOVEMBER 2019**

### **Overview**

A wealth of data from numerous organisations presents a stark and sobering picture of personal debt in the UK. Over 3 million people are in problem debt in the UK, with almost 9.8 million showing signs of financial distress. Personal debt has continued to increase since 2018 with £1,650 BILLION owed at the end of August 2019, up from £1,604 billion at the end of August 2018.<sup>1</sup>

Income levels have fallen in real terms whilst living costs have risen;

- costs for the poorest tenth of households in the UK had risen by 2.7% a year on average between 2006 and 2018.
- for all households, living costs increased by about 2.4% a year on average over the same period.<sup>2</sup>
- average weekly earnings from paid employment fell in real terms between 2010 and 2016, so most people's jobs were not paying enough to keep up with the cost of living.
- the continued freeze on working-age benefits, such as housing benefit, child benefit and tax credits, means the value of these benefits has fallen in real terms.

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<sup>1</sup> The Money Charity Statistics October 2019

<sup>2</sup> The Office for National Statistics

Getting into debt is remarkably easy. For many people, financial difficulties are triggered by life changes, such as losing their job or having hours cut, splitting-up with a partner, falling ill, or becoming a carer. Research shows those who had experienced a life change in the last two years were **three times** more likely to be in problem debt than those who had not experienced a life change.<sup>3</sup>

Other research indicates that unexpected bills such as car repairs, dental treatment, vets bills etc. cost people at least £17bn each year.<sup>4</sup> These bills often left people struggling to afford necessities such as electricity and heat with one in five left in debt after an unexpected bill. Three in ten people do not have savings set aside to meet unexpected bills. This is either because they do not have enough income to save anything or live from pay-cheque to pay-cheque. In most cases people resort to taking out a credit card, loan or overdraft to see them through. The Money Advice Service noted 22% of UK adults have less than £100 in savings, making them highly vulnerable to a financial shock such as job loss or large unexpected bills.

Over-indebtedness, or problem debt, is when someone becomes unable to pay their debts or other household bills. Research indicates the speed at which someone moves from being able to pay their bills and debts to being in problem debt is quick – 1 missed monthly payment can be all that is needed.

People with children, those on lower and middle incomes (less than £30K per annum), disabled people and those living in rented accommodation are most likely to be over-indebted and more vulnerable to life changes.

People increasingly report problems with debts owed to government or utility providers, but whilst there is detailed data on debts owed to retail lenders, complete data on all debts owed to government and utility providers is missing. The ONS estimate debts from arrears and overpayments to be at least £18 billion. The proportion of problems reported to Citizens Advice relating to government debts increased from 21% to 40% between 2011-12 and 2017-18, while for consumer credit it reduced from 52% to 33%.

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<sup>3</sup> Stepchange: Life Happens report 2019

<sup>4</sup> Lowell:

## The Picture in Barrow

People in Barrow who sought advice from Citizens Advice to manage their debts reflected this national picture.

The following tables give amounts owed by category.

Barrow Citizens Advice Moneywise team helped
528 people
2127 debts
<b><u>Total Debt £3,404,832</u></b>

The average income of people helped from April 2018 to March 2019 was less than £12,000 per annum. 43% of people helped have a long term health condition or are disabled. 40% were aged under 35 with 10% between 16 and 24. 42% were between 35 and 54 and a further 12% aged from 55 to 65.

Analysis of the type of debts illustrates the shift from consumer credit to essential living costs, including meeting debts to government:

Type of Debt	Amount Owed	% Clients
Rent/ Mortgage arrears	£236,783	11
Council Tax arrears	£250,489	13
Utilities	£ 95,687	8
Benefit overpayments	£304,628	6
Magistrates Fines	£ 32,239	4
Unsecured loans	£991,821	13
Overdrafts	£ 91,284	9

48% of those helped had priority debts (where serious action can be taken against a person if the **debt** is not paid, such as losing one's home, being disconnected for energy supplies or going to prison).

Ward	Amount Owed	% Clients
Copeland/South Lakes	£101,155	3
Hawcoat	£ 68,401	1
Parkside	£125,813	4
Barrow Island	£164,096	9
Dalton North	£200,866	4
Central	£268,465	14
Walney North	£271,169	6
Newbarns	£271,471	6
Dalton South	£292,443	5
Walney South	£356,355	5
Risedale	£368,857	13
Ormsgill	£416,398	15
Hindpool	£499,340	15

Housing Tenure	Amount Owed	% Clients
Homeless (incl. B & B Tenant)	£ 3,716	1
Staying with Relatives/Friends (Paying Rent)	£ 95,120	3
Staying with Relatives/Friends (Rent Free)	£ 97,783	4
Own Outright	£129,567	5
Buying Home (Mortgage, etc)	£585,367	11
Private Tenant	£1,277,098	36
Housing Association/RSL Tenant	£155,387	6
Council/ALMO Tenant	£531,664	23

Household Type	Amount Owed	% Clients
Single Person	£1,159,852	45
Single Person With <b>Dependent Children</b>	£ 587,220	20
Single Person With Non-Dependent Children	£ 193,207	6
Couple	£ 283,565	6
Couple With <b>Dependent Children</b>	£ 829,394	21
Couple With Non-Dependent Children	£ 29,118	2

Occupation	Amount Owed	% Clients
Retired	£ 142,680	5
Employed	£1,626,787	45
Student	£ 22,037	1
Unemployed	£ 942,913	41
Carer	£ 233,002	

Barrow Citizens Advice met the targets as set by the grant agreement despite increased bureaucratic requirements introduced by the Financial Conduct Authority, some of which were not well received by those seeking advice. Nonetheless, feedback from those helped evidences continued high levels of user satisfaction and a likeliness to recommend the service to others. Scoring over 93% this is 7% higher than scores given to other FCA debt advice services.

I wouldn't have been able to manage for the last 2 years without Barrow Citizens Advice. The workers are very professional, compassionate and not judgemental at all. Overall a very positive outcome as I can now get on with my life without continuous anxiety about money.

Mrs A, used the service over 2018/19

## **The Future**

There is little doubt within the financial sector that problem debt is likely to continue to rise over the next 5 years, with real fears that recession is just around the corner. A further freeze on benefits has already been indicated which will hit both those in low paid work (who qualify for Universal Credit) and those whose sole income is benefits. Business leaders have also warned about wage freezes and increased costs which will need to be passed to consumers because of uncertainty about the economy post Brexit.

Government has announced an initiative called Breathing Space. This is a 60 day period during which an individual in problem debt is provided with respite from creditor action in order to fully engage with debt advice and seek a sustainable solution to their debts. Breathing space and the statutory debt repayment plan (SDRP) will provide welcome protections for those who are struggling with these debts and their methods of collection.

Breathing Space, along with the pressures on income and rising costs of living, mean the need for high quality expert debt advice will remain/likely grow.