

Poverty Alliance's response to the Social Justice and Social Security Committee's enquiry on Low Income and Debt

April 2022

Who we are

The Poverty Alliance is Scotland's anti-poverty network. Together with our members, we influence policy and practice, support communities to challenge poverty, provide evidence through research and build public support for the solutions to tackle poverty. Our members include grassroots community groups, academics, large national NGOs, voluntary organisations, statutory organisations, trade unions, and faith groups.

Introduction

Prior to the pandemic, research from Citizens Advice Scotland showed that 364,004 Scottish adults were in debt. During the pandemic, this number increased by 236,602, bringing the total number of adults in debt in Scotland to 600,606.¹ For those facing debt, it can be overwhelming, isolating and in some cases bring on feelings of depression, anxiety and even suicidal thoughts.²

In the context of a cost-of-living crisis that is likely to pull more people into debt and worsen outcomes for those already struggling, it has never been more important that households are able to access advice on debt, income maximisation and information on their social security entitlements.

While how to manage debt is an issue that requires inquiry, it is important to acknowledge that no amount of advice on how to handle finances or debt can compensate for having a fundamentally inadequate income. Institute of Public Policy Research (IPPR) research underlines the clear link between debt, inadequate income and the high cost of living.³ Action to tackle debt must therefore be framed and delivered as part of anti-poverty policies. It is important to note, of course, that this was a problem *prior* to the current cost of living crisis.

A primary solution to solving debt problems for low-income households therefore is to ensure that everyone in Scotland can access a secure and adequate income. To do this, the focus must be on increasing those incomes through social security and work by ensuring secure and adequate hours at a wage level set at least the real Living Wage, thereby preventing problem or unsustainable debt from being accrued

¹ <https://www.cas.org.uk/news/new-debt-problems-over-600000-people-during-pandemic>

² <https://www.moneyandmentalhealth.org/wp-content/uploads/2016/06/Money-on-your-mind-full-report.pdf>

³ <https://www.ippr.org/files/2020-11/helping-households-in-debt-nov20.pdf>

in the first instance. Alongside this, the Scottish Government should – recognising the way in which this debt can lock people into poverty, as well as ongoing stress and anxiety – work with local authorities, lenders and landlords to develop write-off schemes that will ease this pressure and allow people to move on with greater financial security. Finally, greater emphasis on ensuring that individuals have ready access to high quality debt advice as well as to forms of affordable credit when needed is essential.

Key Recommendations:

- Ensure that social security and income from work provide adequate income for all in Scotland to live a decent life.
- In acknowledging the role that debt plays in locking people into poverty, work with local authorities, lenders and landlords to introduce debt write-off schemes for those struggling with debt repayment.
- Begin work to investigate how a more joined up data sharing system between providers of welfare in Scotland and the UK and third sector and community organisations could work in practice to create a smoother client journey for those seeking support with debt.
- Policy makers in Scotland must take forward proposals for an ambitious new, joined up approach to the future development of and investment in affordable credit in Scotland.
- Provide free, good quality broadband to all low-income households.
- Fight poverty related stigma through communication campaigns and stigma training for front line service providers.
- Invest in local in-person advice services in rural communities.
- Expand concessionary bus travel to those under 26 and in receipt of low-income benefits.
- Raise awareness of benefit entitlement through mass media campaigns, on a similar scale to that of the vaccine roll out.
- Improve long term investment in the third sector, particularly community organisations and design funding schemes to reduce competitiveness and harness collaboration instead.
- Invest in greater awareness training for those in the medical profession regarding the role debt plays in poor mental health.

Digital exclusion

1. How does digital exclusion affect people's experience of debt and seeking money advice? For example, your answer could cover:

- dealing with creditors
- finding information
- engaging with money advice services

“If you are having to choose to eat or heat, digital access is not a priority.”

Covid-19 highlighted both the scale and complexity of digital exclusion for low-income households. The moving of work, education and socialising online posed issues for many, however for people living on low incomes these issues were compounded with existing pressures they were already experiencing. The most recent data from the Scottish Household Survey showed that only 87% of those in the most deprived areas of Scotland had access to the internet compared to 99% of those in the least deprived areas in Scotland.⁴

At a time when more services providing financial support and advice are moving online, access to good quality, affordable broadband is, more than ever, an essential need for low-income households and should be considered an intrinsic part of the Scottish Government’s work around Universal Basic Services. Households with an inability to afford broadband or households with people without digital literacy were particularly impacted during the pandemic.

For families on low incomes *with* access to affordable, good quality broadband, the relocation of many advice services online enables more people to access to these services, particularly in the context of reduced travel need and therefore reduced travel costs. Our research has shown that travel costs can often prevent people on low incomes accessing essential services such as work, advice and education, as well as social connections. Therefore, moving traditionally in-person services online removed that barrier for those with internet access.⁵ However, for households with more restricted incomes, our *Weathering the Storm* report showed that when faced with decisions such as having to pay for expenses such as heating and food, digital access would often be a low priority and often sacrificed to afford other costs that were perceived as more pressing. Additionally, some people without digital literacy skills experienced further isolation during the pandemic, facing an additional barrier to access advice, information and help for financial issues.⁶

Our *Get Heard Scotland: Weathering the Storm* research also showed that some community organisations faced a significant reduction in the number of people accessing their services after being forced to move them online.⁷ One, for example, reported ordinarily having at least 30 people accessing their sessions. However, after moving the sessions online, numbers fell to between six and 10 on average, at least in part due to a lack of digital devices or access to the internet at home. As a result, participants in the report felt it was important to highlight the great need to retain in-person services located in local libraries and other community spaces to

⁴ <https://www.gov.scot/publications/scottish-household-survey-2020-telephone-survey-key-findings/pages/5/>

⁵ <https://www.povertyalliance.org/wp-content/uploads/2021/06/Transport-and-Child-Poverty-Beyond-the-Pandemic.pdf>

⁶ As above

⁷ https://www.povertyalliance.org/wp-content/uploads/2021/08/GHS_Weathering_the_Storm_Summary_Report.pdf

ensure those without broadband access and/or digital literacy could access these services.

When dealing with creditors, a lack of digital skills and literacy is a particular issue, as many creditors operate an online-first approach; this is becoming a more pressing issue due to the closure of more in-person bank branches in recent years. This, again, highlights the need to retain these in-person services, particularly in areas of high deprivation, to allow for those unable to afford or access internet to be able to find information on financial issues and gain support for debt.

2. Are there examples of good practice which reduce barriers created by digital exclusion?

Families involved in the *Get Heard Scotland* research in Inverclyde and Renfrewshire spoke positively of community spaces and charities that had helped with digital skills/access during the pandemic.

Participants also frequently mentioned missing having access to libraries during lockdowns and highlighted the difference that internet access had for different groups, for example young people.

“We used to have a place in, in Greenock, called Youth Connections. But it, that gave teenagers access tae computers. They could go on I think, half an hour tae an hour. To dae whatever they wanted. Go and talk to their pals and stuff like that. You don’t get that, anywhere now. So, I would like to see that sort o’ thing come back. Because you can go on wee courses, and dae’in like online games and stuff.”

Another theme was the importance and utility of having Wi-Fi included within the price of the rent:

“...like a community hub, again, with internet access. Or, as I just discussed, like having free wi-fi in like buildings, run by River Clyde Homes for instance. Then having like a set wi-fi thing, that you don’t have to pay for, it’s included in your rent sort o’ thing.”⁸

The inclusion of Wi-Fi within rent costs is one potential solution to addressing digital exclusion in some housing sectors.⁹

There are a number organisations who focus on digital exclusion and debt. For example, StepChange have a multi-channel approach to the provision of advice; allowing people to access advice in whatever method at a time that works for their circumstances. StepChange can also direct people to face-to-face services where this support is needed in cases of lack of digital access or literacy. Similarly, over-subscribed face to face services can be supported by telephone or digital services

⁸ Exert from interview for *Get Heard Scotland* research in Inverclyde. Unpublished.

⁹ https://www.povertyalliance.org/wp-content/uploads/2021/11/TPA_GHS_Project_Research_Report_FINAL_proof_02-1.pdf

where that is appropriate to the needs and preferences of the person seeking support.

Finally, the Connecting Scotland scheme showed the impact that interventions tackling digital exclusion can have. The initiative helped to fill a gap in public services and offered a solution to individual's digital exclusion as well as provide a gateway to develop other skills. It has been positive for organisations to be able to signpost people to these services to enable them to be supported in areas beyond the scope of debt support organisations. It has been noted that not everyone was aware of the scheme for example people in isolation and those not currently engaging with services were unlikely to hear about the scheme and therefore unlikely to use it. In the future, digital exclusion initiatives such as Connecting Scotland should aim to better target people likely to be facing social exclusion.¹⁰

However, we were pleased to see the commitment to expand the Connecting Scotland in the Programme for Government, repeated in the Tackling Child Poverty Delivery Plan 2022-26.¹¹ Targeting child poverty priority groups as part of the efforts to bring 300,000 people online will be of critical importance.

Accessing money advice

3. What are the barriers to accessing money advice for people with low incomes and debt problems? For example, your answer could cover:

- stigma
- referrals from other agencies
- accessing good quality information about sources of advice
- the existence of local services

Stigma

The impact of stigma on accessing services has been a consistent theme in much of our engagement and research across many years. In our recent *Get Heard Scotland* publication *Child Poverty Delivery Plan 2022-26: Voices from our Communities*, community organisations working with people on low incomes noted that services aimed at supporting people on low incomes had to avoid being seen as a “service for the poor”¹² as this became stigmatising and acted as a deterrent. Some organisations felt that stigma may perhaps be the biggest barrier in addressing poverty, particularly for parents, as stigma and the shame associated with it actively

¹⁰ Christians Against Poverty response to the Social Justice and Social Security committee's enquiry on Low Income and Debt (unpublished)

¹¹ Scottish Government (2022) Best Start, Bright Futures <https://www.gov.scot/publications/child-chance-tackling-child-poverty-delivery-plan-2018-22/>

¹² https://www.povertyalliance.org/wp-content/uploads/2022/03/TPA_GHS_Child_Poverty_Plan_2022-26_proof_02.pdf

prevents people from seeking the support they need, including money advice services.¹³

Stigma also interacts with issues of race, ethnicity, place and culture. For example one organisation working with Sikh communities noted that stigma was heightened for people in this community and was a significant barrier to people seeking support. People living in rural communities faced both the barriers of the assumption that poverty is not an issue in rural areas whilst also facing a lack of available services. For people relying on public transport, this was compounded by expensive and often unavailable routes to use to access advice services¹⁴.

Previous negative experiences of debt collectors, such as Sheriff Officers, can also act as a deterrent to accessing support due to fear of repercussions. People can have misconceptions and concerns around the impact of announcing a debt issue or claiming bankruptcy will have on their credit scores which can result in not seeking support or not disclosing the extent of their situation resulting in an inefficient or inaccurate provision of support. Stigma, and shame associated with living in poverty more generally, can lead to a withdrawal from services both statutory and voluntary as individuals find it more difficult to communicate the situation they are experiencing:

“The more debt I had, the more I had to isolate myself from everybody...there was nobody I would have discussed my situation with. I desperately tried to hide it. The shame was overwhelming.”¹⁵

Lastly, people seeking support for debt may be deterred if there is a perceived negative attitude from individuals delivering the service. There is ample research evidence of institutional stigma that can have this deterrent effect.¹⁶ In this context it is important to address the approaches of service providers and ensure that staff are trained to understand the complexities of debt and poverty and interact with people seeking support, particularly for government agencies and officials such as Sheriff Officers.

Referrals from other agencies

In our research conducted in partnership with the University of Glasgow *How well is Universal Credit supporting people in Glasgow?* one of the key recommendations for DWP and Jobcentres was to provide people with information about entitlements and sources of financial support during appointments through greater awareness raising. One of the key findings was the need for the Jobcentre to improve how they signpost

¹³ As above

¹⁴ As above

¹⁵ Tyler, I (2020) *Stigma: The Machinery of Inequality*, London: Zed Books, p175

¹⁶ Lister, R. (2021) *Poverty*, Cambridge: Polity Press, p112

and make referrals to other agencies, particularly as Jobcentre staff are often not equipped with the capacity or the knowledge to provide financial advice.¹⁷

Accessing good quality information about sources of advice

In our *Child Poverty Delivery Plan 2022-26: Voices from our Communities* report, there were numerous references to the lack of awareness of particular benefits and entitlements, which in turn preventing people from receiving an adequate income; thereby exacerbating levels of debt.¹⁸

Even for people able to access online information, there can be additional barriers regarding digital 'know-how'. For example, when accessing information from DWP and HMRC some predatory operators and lead generators may set up 'clone' websites and firms, who offer commercialised solutions that may not be in the best interest of those seeking information.¹⁹ Accessing the correct information from regulated providers requires a level of digital 'know-how' that some low-income households may not have.

More generally, the role of the third sector in ensuring that people were accessing all the support they needed was emphasised by many organisations. This went beyond formal welfare rights advice services and was primarily about the relationships that members of staff in organisations had with those who potentially needed support. It was noted that basing advice workers within community organisations enables individuals to access advice more readily when they need it:

*"now she's with us the whole day, she's in the garden, chit chatting to people who are volunteering and giving them 'sideways' advice. And then if they want more formal advice, she can speak to them in the office."*²⁰

Furthermore, community organisations are often places where individuals on low incomes feel less stigmatised and are therefore more able to openly discuss support needs and financial issues.²¹

Support for non-specialist organisations to ensure that they are providing the most up to date information and advice was seen as a key part of ensuring people on low incomes had access to information on available support. This links to the need for a 'no wrong door approach' to financial entitlement and support which aims to ensure people seeking information on debt, entitlement to benefits or money advice can find this information without having to go to multiple locations and sources. There is a

¹⁷ <https://www.povertyalliance.org/wp-content/uploads/2020/06/How-well-is-Universal-Credit-supporting-people-in-Glasgow.pdf>

¹⁸ https://www.povertyalliance.org/wp-content/uploads/2022/03/TPA_GHS_Child_Poverty_Plan_2022-26_proof_02.pdf

¹⁹ StepChange response to Social Justice and Social Security committee's enquiry on low income and debt (Unpublished)

²⁰ https://www.povertyalliance.org/wp-content/uploads/2022/03/TPA_GHS_Child_Poverty_Plan_2022-26_proof_02.pdf

²¹ As above

need for information to be available in a variety of locations from GP surgeries to libraries; to bring the information to people, instead of expecting individuals to seek out the information themselves when they may not even know exactly what it is they should look for.

This links into perhaps one of the most prominent issues regarding access to information on money and debt advice; there is a significant lack of awareness of where to go to get support. In *Poverty in Edinburgh: Experiences of Accessing Support and Navigating Services* we spoke to local Edinburgh residents on a range of issues including accessing support and navigating services in 2020.

Most of the research was focused on accessing money and welfare advice. When we asked people where they would go if they were in a financial crisis in Edinburgh, almost all the interviewees said that they did not know where to go to ask for advice and support and appeared to have a lack of awareness of benefits that they might be eligible for.²²

“I think that’s one o’ the main stumbling blocks is, yeah, a lot o’ people just don’t know where to ask and stuff like that, and as I said, I know there is food banks about and whatnot, but if you actually asked me tae try and tell you where one was, I honestly couldn’t tell you. Honestly couldn’t tell you where I could even try and attempt to find one.”²³

“It’s not easy to find. The only reason I found out about rent and information is because I’m always at the doctors and they have some stuff there. But if you’re not always at the doctors and don’t pay attention to the leaflets and the notice boards, and it’s very stressful trying to, trying to even look for help and finding help and, it’s such an invaluable resource... so many didn’t even know about the Warm Homes Scheme. That’s something they keep real hidden.”²⁴

To ensure that the benefit take-up rates are as high as possible there must be an emphasis on raising awareness of entitlements through mass media campaigns, on a scale similar to that witnessed during the pandemic in relation to vaccinations, as well as more focused efforts to remove stigma from public service provision.

The existence of local services

As highlighted previously in this submission, people living on low incomes in rural communities are less likely to have access to money advice services.

²² [Edinburgh-Poverty-Commission-briefing-March-2020.pdf](https://www.povertyalliance.org/wp-content/uploads/2020/07/Edinburgh-Poverty-Commission-briefing-March-2020.pdf) ([povertyalliance.org](https://www.povertyalliance.org))

²³ <https://www.povertyalliance.org/wp-content/uploads/2020/07/Edinburgh-Poverty-Commission-briefing-March-2020.pdf>

²⁴ As above

More should be done to ensure those living on low incomes in rural communities have access to in-person support or access to internet, through the provision of local services such as libraries and community hubs and by ensuring that all low-income households are provided with free, good quality broadband, as we called for in our *A Scotland for All Holyrood 2021 Manifesto*²⁵. To ensure better availability of local services, we would welcome further exploration of 20-minute neighbourhoods²⁶ which was called for by the Edinburgh Poverty Commission and which was included as an action in Edinburgh Poverty Delivery Plan 2020-30.²⁷

Third sector and community organisations are pivotal to providing support to people on low incomes and are often the groups delivering local services. Key to the provision of these services is, therefore, the adequate and consistent funding of these organisations. One proposal made by organisations who took part in our *Get Heard Scotland in Renfrewshire: Voices in the Sector* research was to re-design funding processes to be less competitive and to encourage much more collaboration between organisations, rather than pitting organisations against one another.²⁸

It was also believed to be important to strengthen the role of third sector interfaces in facilitating the sharing of information and coordination of work being carried out in local areas. More efficient information sharing would enable better signposting to organisations that would be best placed to work with an individual's specific circumstances. A participant in our Edinburgh Poverty Delivery Plan research suggested that organisations in the local area should be supported to create a local Edinburgh based network to enable better signposting for people approaching one organisations for support.²⁹

A significant barrier to this is the ongoing financial pressures faced by third sector and community organisations. While this was an issue pre-pandemic – with smaller organisations in particular often being unable to build on successful projects or provide real job security for staff – the additional demand for services over the last two years has placed organisations under greater strain. Many commented on the benefits from support packages such as the Wellbeing Fund and shared concerns about its short-term nature, encouraging the implementation of a fund like this for longer term funding options for third sector organisations.³⁰ To ensure availability and sustainability of welfare and debt advice services, and enable the vision for a joined up network of advice and support providers, we need to redesign our funding

²⁵ <https://www.povertyalliance.org/wp-content/uploads/2021/03/A-Scotland-for-all-of-us-Poverty-Alliance-2021-Scottish-Parliament-election-manifesto.pdf>

²⁶ <https://www.rtpi.org.uk/research/2021/march/20-minute-neighbourhoods/>

²⁷ <https://edinburghpovertycommission.org.uk/2020/12/02/ending-poverty-in-edinburgh-delivery-plan-2020-2030/>

²⁸ <https://www.povertyalliance.org/wp-content/uploads/2021/02/Get-Heard-Scotland-Renfrewshire-February-2021.pdf>

²⁹ [Edinburgh-Poverty-Commission-briefing-March-2020.pdf \(povertyalliance.org\)](#)

³⁰ https://www.povertyalliance.org/wp-content/uploads/2021/08/GHS_Weathering_the_Storm_Summary_Report.pdf

model for the third sector and increase long-term investment in third sector organisations, particularly community-based organisations.

4. Are free money advice services able to meet demand?

Money advisers have stated that demand has increased significantly recently and that services were already limited, particularly face to face and telephone appointments, but what they are mostly concerned is that whilst they can deal with the debt of today, future debt is of great concern.^{31,32}

With the rise in the cost of living, stagnation of wages and the ongoing inadequacy of social security, if individuals on low incomes are able to pay off debt presently, they will likely fall back into debt in the coming months and money advisers have shared concerns about the lack of available options clients will have in the coming months.³³

For example, information from Citizens' Advice Scotland states that most clients are applying for Minimum Asset Procedure bankruptcy, but a client can only apply for this bankruptcy, once every 10 years.³⁴ Even though this will deal with the debt of today, if a client falls back into debt, they cannot apply for another bankruptcy and are therefore left stranded. Many money advisers feel there are not enough options to support clients who have negative disposable income. Their options out of debt and into financial stability is extremely limited.³⁵

A further hindrance to money advice services being able to meet demand is a lack of secure funding which can often lead to high staff turnover. Additionally, there are technical barriers to organisations referring clients between agencies, mainly different systems and internal processes that can lead to complex journeys for people accessing these services.

Debt and mental health

5. How does having a debt problem impact on people's mental health? For example, your answer could cover:

- what role can debt have in creating mental health issues or making existing mental health problems worse?
- how can mental health issues affect people's ability to engage with debt advice services and creditors?

Debt and mental health issues have an interlinked and mutually reinforcing relationship, often working as an unrelenting and exhausting cycle for those dealing

³¹ <https://www.abrdn.com/docs?editionId=7b294590-da7f-4cd0-99bc-4a7b57c01ee0>

³² Citizen's Advice Scotland's submission to Social Justice and Social Security committee's enquiry on low income and debt (unpublished)

³³ As above

³⁴ As above

³⁵ As above

with it. The Money and Mental Health Policy Institute found that 44% of UK adults with mental health problems who fell behind on bills in 2020 considered or attempted to take their own life.³⁶ This link is well established and well known however approaches to addressing these twin issues are often siloed with services aimed at *either* tackling mental health *or* tackling debt. In order to properly break this cycle, we need to embed mental health support with debt and money advice. This goes further than embedding mental health workers in advice centres and vice versa (although this would be welcome) but also links to how we train our medical practitioners. Greater awareness training for those in the medical profession regarding the role debt plays in poor mental health would be one welcome step in this regard.

It is also important to bring attention to more casual and personal forms of debt (informal loans from family and friends) which, if unpaid, can lead to relationship break downs which in turn impacts on mental health. Similarly, those with high amounts of debt may reduce socialising due to associated costs and stigma which again impacts on mental health.

6. Are there examples of specific research looking at the relationship between debt and mental health issues?

Although not directly seeking to investigate the relationship between debt and mental health, our research with the Edinburgh Poverty Commission *Poverty in Edinburgh: Experiences of Accessing Support and Navigating Services* saw mental health come up as a common theme regarding dealing with debt and seeking advice.

“Struggling is the worst thing to do. If you have any mental health problems, and you’re short of money, then everything gets worse and worse. You don’t know what bills you’ve paid and what ones you’re waiting to pay. You get yourself all confused, then, have you anything in to eat, or were you not able to eat this day because you were paying a certain bill. How many times could you be chased by people who are needing money and you just don’t have the money. And the worse you feel, the more you want to take what money you have and spend it on something totally unnecessary, because it’s human nature.”³⁷

Other pieces of research with a more direct focus on mental health and debt include StepChange’s annual *Scotland In the Red* report which looked at the impact of problem debt on clients in vulnerable situations, the leading reason for vulnerability is mental health issues. The research showed that clients classed as vulnerable have

³⁶ <https://www.moneyandmentalhealth.org/suicide-and-debt-pandemic-data/>

³⁷ <https://www.povertyalliance.org/wp-content/uploads/2020/07/Edinburgh-Poverty-Commission-briefing-March-2020.pdf>

higher levels of arrears on essentials but less access to credit and have more difficulty in evidencing debts as part of statutory debt solutions.³⁸

Christians Against Poverty's *Shipshape or sinking ship* research focused on problem debt's impact on financial and mental health. The research found that people in problem debt have lower wellbeing scores on average than the general UK population.³⁹

Lastly, Money and Mental Health Policy Institute published their report *The State We're In* which offered a snapshot of the financial and mental well-being of people across the UK during the pandemic. It revealed that during the pandemic people with mental health problems faced significantly higher risks of financial hardship compared to the wider population.⁴⁰

7. Are you able to provide "good practice" examples of projects which work to reduce the mental health impact of debt?

Participants in the *Citizens' Perspectives on Poverty in Edinburgh: Consequences and Solutions* research expressed positive experiences with Christians Against Poverty's debt counselling service⁴¹. CAP provides community based and person-centred debt advice. CAP Debt Advisors and local community Debt Coaches are trained to understand the challenges people may face around mental health to enable them to support clients to overcome barriers, and journey with them through the process. CAP knows the importance of ensuring the support provided is non-judgmental, and instead full of understanding.⁴²

Similarly, StepChange are a debt focused charity who, although do not exclusively deal with the impact of debt on mental health, provide advice and support to those facing debt problems with tailored, person-centred advice and solutions.⁴³

Essential services

11. What are the main types of debt that people on low incomes with debt problems are likely to have?

According to Citizens' Advice Scotland (CAS), and evidenced in much of our research, the most common types of debt experienced by people on low incomes are:

³⁸ <https://www.stepchange.org/policy-and-research/personal-debt-statistics-in-the-uk/scotland-in-the-red.aspx>

³⁹ https://capuk.org/connect/policy-and-government/shipshape?utm_source=cap-website&utm_medium=webpage_btn&utm_campaign=shipshapebriefing&utm_content=202107-readreport

⁴⁰ <https://www.moneyandmentalhealth.org/publications/the-state-were-in/>

⁴¹ <https://www.povertyalliance.org/wp-content/uploads/2020/09/Edinburgh-Poverty-Commission-Survey-Summary-Report.pdf>

⁴² <https://capuk.org/>

⁴³ <https://www.stepchange.org/>

- Council Tax
- Credit, store and charge cards
- Local authority rent arrears
- Unsecured personal loans
- Fuel debts⁴⁴

12. Do processes to deal with rent arrears (including private sector rent arrears) and council tax arrears support people on low incomes to deal with their debt problems?

On council tax, which is the current biggest debt issue faced by people turning to services such as CAS, one of the most significant issues is a lack of awareness about entitlement to council tax savings out with the Council Tax Reduction Scheme. For example, savings for those who live with someone who is classed as “severely mentally impaired”.⁴⁵ More should be done to ensure that the wider public are aware of these lesser-known savings through, for example, clearer messaging on council tax communication platforms and marketing promotions funded by the Scottish Government.

While it was welcome that council tax arrears have not been pursued as forcefully since the start of the pandemic -adopting a more person-centred approach- concern remained that the aggressive tactics sometimes used by Sheriff Officers may resume and that it would disproportionately impact people on low incomes.⁴⁶

“We do find that therefore, it (council tax debt) does impact people who are on the lowest income, because they are the ones who are maybe more likely to fall into council tax arrears. Not massive amounts from a debt perspective, but lots for an individual. But, they feel like they’ve got no hope of repaying it. And we do find that often the sheriff officer sometimes can be very difficult to negotiate with.”⁴⁷

It was felt that flexibility should be shown in collecting council tax arrears, including ensuring that payment plans were as flexible as possible, taking into consideration the wider circumstances of the individual in arrears and training Sheriff Officers to better signpost individuals to help with their det rather than solely focusing in claiming back what is owed.

More could also be done to ensure support for private tenants who fall into rent arrears. The pre-action requirements on evictions brought in for tenants in the private rented sector during the pandemic were a welcome step to helping tenants to stay in

⁴⁴ Citizen’s Advice Scotland submission to Social Justice and Social Security committee’s enquiry on low income and debt

⁴⁵ <https://www.gov.uk/council-tax/discounts-for-disabled-people>

⁴⁶ https://www.povertyalliance.org/wp-content/uploads/2021/08/GHS_Weathering_the_Storm_Summary_Report.pdf

⁴⁷ As above

their homes, given the financial insecurity brought by the pandemic. Additionally, the move to make all grounds for evictions discretionary during the pandemic was welcome, particularly regarding the rent arrears clause in eviction legislation, ensuring that tenants have the opportunity to discuss the context of their arrears. We therefore support retaining both the pre-action requirements and the discretionary clauses in eviction legislation and would urge for the implementation of better communication processes aimed at ensuring that both landlords and tenants are aware of these processes and their rights within them.

13. Do you have any suggested changes to the law or practices in this area?

On council tax, we would welcome adopting a person-centred approach to arrears as was seen during the pandemic and greater efforts to ensure less aggressive tactics of debt collection by sheriff officers.

On private rent arrears, we would encourage the retention of pre action requirements and making all grounds for evictions discretionary, this would go some way to improve practice in regard to rent arrears in the private rented sector.

Additionally, we wish to emphasise that for some households on low incomes a certain level of debt is simply unpayable and unsustainable. We would therefore urge the Scottish Government to work with landlords and local authorities to explore debt write-off schemes, based on the understanding that debt locks people into poverty and traps them there.

Conclusions

Our work with people with experience of poverty and with our member organisations highlights that issues of problem debt are fundamentally issues of low income. A key priority in addressing problem debt must be a reduction in the levels of poverty that exist in Scotland. Central to delivering on this priority must be fulfilling the commitments in the Tackling Child Poverty Delivery Plan to increase incomes, thereby alleviating the key cause of debt.

Alongside reducing levels of income poverty it is necessary to ensure that advice services are available to all those who need them, both online and in-person. The pandemic has highlighted the important role that online services can play in providing access to help in a timely fashion. However, the need for in-person advice services, particularly those that allow relationships to be established with clients is also important. Continued and increased investment in independent advice and advocacy services will be vital in dealing with the expected increases in problem debt that will arise as a result of the increases in the cost of food, energy and other essentials.

Finally, it is important that in seeking to prevent or ameliorate problem debt, it is necessary to ensure that there are routes to affordable credit for people on low

incomes. As access to high-cost credit such as payday loans has been reduced, there is a danger that some people on low incomes turn to more risky forms of debt, such as door step lenders and loan sharks. In this situation we need to do more to support Scotland's network of Credit Unions and to scale up our approach to Community Development Finance Initiatives (CDFIs).⁴⁸ As part of the response to problem debt there is a need to take a more strategic approach to increasing the availability of alternative, ethical, affordable sources of credit for people living on low incomes. Policy makers in Scotland must take forward proposals for an ambitious new, joined up approach to the future development of and investment in affordable credit in Scotland.

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⁴⁸ Carnegie UK Trust (2021) Advancing Affordable Credit, <https://www.carnegieuktrust.org.uk/publications/advancing-affordable-credit/>