StepChange Debt Charity Scotland

Scotland in the Red

A look at personal debt statistics in Scotland 2022

Summary

Cost-of-living pressures were at the forefront of minds in 2022, and the crisis in household finances continues into 2023.

Many households faced hugely difficult circumstances and some of the measures which Scotland in the Red tracks indicates new groups of clients have been seeking help for the first time. There has been an increase in the average consumer debt level and increase in average monthly income. Households have also faced extreme pressure on their utility bills, despite government intervention.

While many more people are now affected by the unprecedented impacts of the last 12 months, their experiences reflect long running and stubborn trends within household finances. Stagnant income levels have failed to keep pace with spiralling costs lie at the heart of problem debt issues facing many today. Client vulnerability remains high with 54% of clients in a vulnerable situation.

A 'vulnerable situation' includes physical health conditions, mental health conditions, learning disabilities, sight or hearing difficulties and other situations such as being a victim of economic or domestic abuse which can make dealing with finances particularly difficult.

This is a real challenge to advice providers, as clients face greater complexity in addressing problem debt, and advisers have fewer options for helping them. Many of the charity's existing clients have also seen what they thought were stabilised financial situation plunged into difficulty and uncertainty once more, as rapidly changing costs have left them in need of further advice, crisis breaks, or variations to existing solutions or leave them facing insolvency.

Methodology

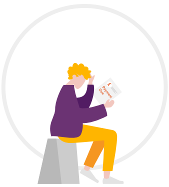
StepChange Scotland helped over 27,600 new Scottish clients in 2022, on the telephone and online.

Statistics in this document, unless otherwise stated, are based on a sample of **9,447 new Scottish clients** who sought full debt advice in 2022 online or via telephone. Comparisons are therefore between this 2022 sample and the data from the 2021 edition of Scotland in the Red. Where available we have included data for vulnerable clients adjacent to all client statistics to illustrate differences between this group and all clients.
Previous editions of Scotland in the Red have been restricted to telephone advice clients only. Historically online clients have been younger, had more debt and higher earnings than telephone clients.

Scotland – Key findings

A **'cost of living increase'** is the second most common reason for debt, up by 11% year-on-year to 16% in 2022

The proportion of **clients with a negative (deficit) budget** is 27% in 2022



75% of all clients and 85% of vulnerable clients **are in arrears with their electricity bills** (electricity arrears and dual fuel arrears)

StepChange continues to advise a **growing proportion of women** (61% in 2022 vs. 60% in 2021)

We advised a growing proportion of **those aged between 25-39**, up to 45% in 2022

The **average unsecured debt** amount per client increased by 27% year-on-year to £16,174 Clients' arrears on household bills increased by 68% from £1,739 in 2021 to £2,920 in 2022

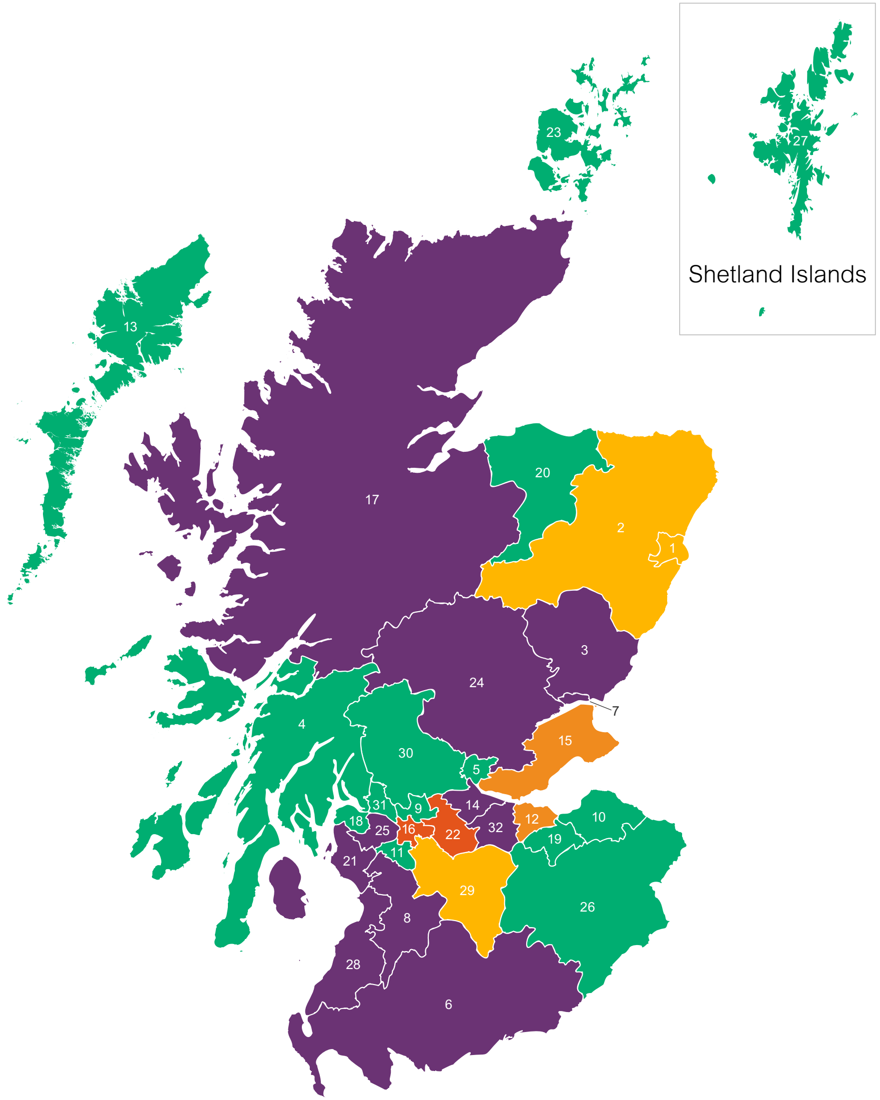
Locations

StepChange supports clients across Scotland from the borders to the Shetland Islands. Our Glasgow based team of over 60 advisers and specialists, including advocacy, welfare benefits and mortgage advisers provide support with a range of advice and solutions, including the Scottish statutory debt solutions; the Debt Arrangement Scheme, Minimal Asset Process and Sequestration. The charity's clients reflect population concentration, with greatest proportions in Glasgow and Lanarkshire, with additional concentrations in Fife and Scotland's other urban centres of Aberdeen and Edinburgh. Cost of living pressures present a national challenge to households across urban and rural areas and our clients are to be found in every local authority and constituency across the country. Individual constituency data reflects the diversity of this challenge. All data contained within this report has been generated at Local Authority and Scottish Parliamentary boundaries, reflecting local pressures on households.

Table 1.1 Debt Advice clients by local authority

	Local Authority	% Debt Advice Clients		Local Authority	% Debt Advice Clients
1	Aberdeen City	5.1%	17	Highland	3.6%
2	Aberdeenshire	4.5%	18	Inverclyde	1.5%
3	Angus	2.0%	19	Midlothian	1.7%
4	Argyll & Bute	1.3%	20	Moray	1.9%
5	Clackmannanshire	1.1%	21	North Ayrshire	3.5%
6	Dumfries & Galloway	2.9%	22	North Lanarkshire	8.0%
7	Dundee City	3.4%	23	Orkney Islands	0.3%
8	East Ayrshire	2.5%	24	Perth & Kinross	2.3%
9	East Dunbartonshire	1.1%	25	Renfrewshire	3.2%
10	East Lothian	1.8%	26	Scottish Borders	1.8%
11	East Renfrewshire	1.0%	27	Shetland Islands	0.2%
12	Edinburgh, City of	6.5%	28	South Ayrshire	2.2%
13	Eilean Siar	0.2%	29	South Lanarkshire	5.9%
14	Falkirk	3.1%	30	Stirling	1.3%
15	Fife	7.6%	31	West Dunbartonshire	1.9%
16	Glasgow City	13.0%	32	West Lothian	3.7%

Note – a minority of clients who complete advice online cannot be assigned a constituency.



% StepChange Debt Advice clients in each local authority area

0–1% 2–3% 4–5% 6–7% 8+%

Reasons for debt

Clients find themselves in difficulty for a variety of different reasons. As part of initial advice, we categorise the issues clients identify to give a picture of what is driving people into problem debt.

Each category should not be viewed exclusively. Clients can experience multiple of these life events or income shocks which can worsen their spiral into problem debt. Lack of control over finances remains a common issue cited by 19% of clients, often a catch-all term reflecting the increasing challenge of managing finances around fluctuating income, cost of living increases and ill-health impacts, particularly on mental health. It comes as no surprise that cost-of-living pressures were cited by a majority of clients (16%) in the sample in 2022 as households struggled to cope with stagnating pay and soaring costs, especially on energy and food. The lower proportion of clients citing reduced benefits and reduced income (10%) reflects the changing nature of the client sample, as more clients with middle-incomes find their wages insufficient to support their living costs.

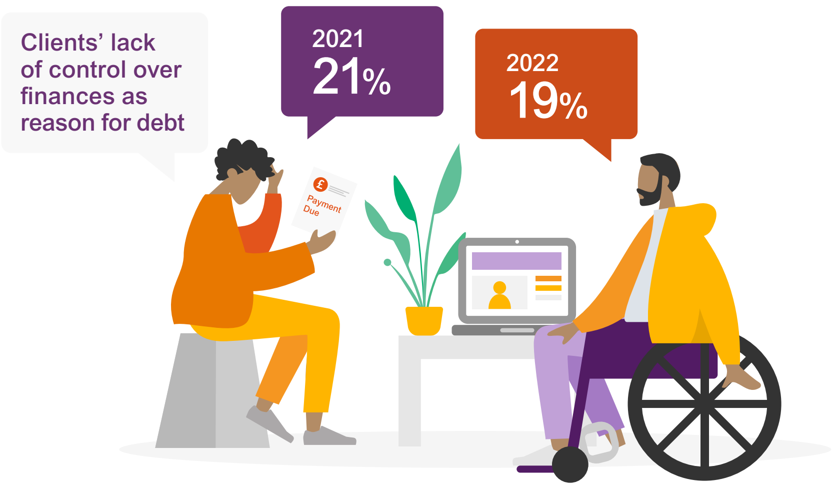


Table 1.2 Most common reasons for debt among new StepChange clients (%)

	Vulnerable clients		All clients	
Reason for debt	2021	**2022**	2021	**2022**
COVID	7%	**3%**	9%	**3%**
Employment change / Unemployment / Redundancy	14%	**13%**	14%	**12%**
Reduced income / Reduced benefits	13%	**10%**	13%	**10%**
Lack of control over finances	19%	**17%**	21%	**19%**
Separation / Divorce	6%	**5%**	6%	**5%**
Illness / Disability	16%	**15%**	10%	**9%**
Cost of living increase	4%	**14%**	5%	**16%**
Used credit to cover living costs	5%	**6%**	6%	**7%**
Other	16%	**17%**	16%	**19%**

About our clients

Client average unsecured debt levels have increased by £3,444 from £12,730 in 2021 to £16,174 in 2022, a 27% increase.

This reflects a slight shift in client demographics over that time, as more middle-income families have required help with their finances. We have also seen an increase in the average number of debts clients are seeking help with, increasing from 5 debts in 2021 to 6 debts in 2022. The increase in average debt total also reflects that there has been a greater reliance on credit to cover the cost of everyday essentials over the past few years. Similar patterns are seen for vulnerable clients whose average unsecured debts increased by £3,124 from £10,914 in 2021 to £14,056 in 2022, a larger increase of 29% and the average number of debts has increased from 5 to 6.

Clients saw similar increases to their average household arrears in 2022 on bills like rent, mortgage, council tax and utilities, with an increase of £1,181 from £1,739 in 2021 to £2,920 in 2022. Their average arrears increased by an eye-watering 68%. Over the same period average household arrears of vulnerable clients increased by £1,172 from £2,129 to £3,301 a slightly less steep, but still shocking, 55% increase. This shows the extreme pressure on household finances throughout 2022. Vulnerable clients have consistently struggled with higher average arrears compared to all clients.

Table 1.3 Income, expenditure and surplus

	Vulnerable clients		All clients	
	2021	**2022**	2021	**2022**
Average (mean) unsecured debt	£10,914	**£14,056**	£12,730	**£16,174**
Average (mean) arrears	£2,129	**£3,301**	£1,739	**£2,920**

Table 1.4 Monthly Client Incomes and Budgets

	Vulnerable clients		All clients	
	2021	**2022**	2021	**2022**
Average monthly income	£1,277	**£1,405**	£1,397	**£1,543**
Average budget	£107	**£71**	£153	**£139**
% of clients with negative budget	30%	**31%**	27%	**27%**
Average Monthly Income - Clients with a Deficit Budget	£915	**£1,049**	£957	**£1,104**
Average Deficit Budget	-£288	**-£332**	-£309	**-£331**

Average monthly incomes for clients increased by £146 in 2022 to £1,543 from £1,397 in 2021 an increase of 10%. Vulnerable clients' average incomes increased by £128. The increase in average client income is not through wage rises in 2022 but reflects new groups requiring advice, clients with higher monthly incomes who previously had managed or were using credit to manage their household finances. This increase in need from this group will place greater pressure on advice agencies who are already stretched providing support to clients who have been affected by the long-term income stagnation and increasing costs.

Despite clients' average income increasing, the amount remaining in the client's budget after they account for their household bills, has fallen from £153 in 2021 to £139 in 2022, a decrease of £14 or 9%. We have seen a similar decrease in vulnerable clients' budgets too, falling by £39 from £107 in 2021 to £71 in 2022, a decrease of 33%. This shows that vulnerable clients are more likely to have higher costs and have been disproportionally impacted by the cost-of-living crisis.

Social security

The proportion of clients in receipt of universal credit decreased by 2% in 2022 for both all clients and vulnerable client groups. There has also been a slight increase in the number of clients and vulnerable clients in receipt of child benefit, suggesting greater pressure on families. Vulnerable clients are more likely to be in receipt of ADP/PIP (24%), ESA (15%) and Universal Credit (32%).

Table 1.5 Clients in receipt of benefits (%)

	Vulnerable clients		All clients	
Benefits type	2021	**2022**	2021	**2022**
All Scotland (including child benefit)	64%	**62%**	55%	**53%**
Child benefit	25%	**26%**	26%	**28%**
Income support	2%	**2%**	1%	**1%**
Child tax credit	7%	**7%**	6%	**6%**
JSA (contribution based)	1%	**0.3%**	1%	**0.3%**
ADP (DLA/PIP)(adult)	22%	**24%**	13%	**14%**
ADP (DLA/PIP)(child)	3%	**4%**	2%	**3%**
Universal credit	34%	**32%**	28%	**26%**
ESA	14%	**15%**	8%	**9%**
Working tax credit	2%	**2%**	2%	**2%**
Housing benefit	11%	**10%**	8%	**8%**

Employment status of new clients

Continuing to reflect demographic changes, an increasing proportion of clients are in employment. Over 54% of all clients are in full or part-time work, an increase of 1% since 2021 and 2% since 2020. There has also been a 2% increase to 30% of vulnerable clients in full-time employment and a decrease of 2% in the proportion of vulnerable clients in part-time work. Employment has an insulating effect on the impact of problem debt and the continuing increase in those who are still struggling is a worrying trend. The proportion of clients who are full time carers has increased 1% to 3% in 2022. We have seen a significant rise in the number of clients reporting that they were not working due to illness or disability, 19% of all clients and 31% of vulnerable clients; an increase of 3% for both groups; a possible outcome of the pandemic.

Table 1.6 Employment status of new clients (%)

	Vulnerable clients		All clients	
Employment status	2021	**2022**	2021	**2022**
Full time	28%	**30%**	39%	**40%**
Part time	13%	**11%**	14%	**14%**
Full time carer	2%	**3%**	2%	**3%**
Zero hours	2%	**2%**	2%	**2%**
Retired	4%	**4%**	4%	**4%**
Student	3%	**3%**	3%	**3%**
Unemployed	19%	**16%**	19%	**16%**
Not working due to illness/disability	28%	**31%**	16%	**19%**
Other	1%	**–**	1%	**–**

Gender and age

Gender

The proportion of women contacting the charity increased by 1% to 61% in 2022, including for vulnerable clients who are more likely to be female, making up 64% of our vulnerable clients. This also ties in with the increasing proportion of clients in receipt of child benefits. Women face greater financial burdens, are more exposed to financial vulnerability and are at a greater risk of financial harm. Women are more likely to be in precarious employment and to be responsible for household finances, while at the same time may not be in control of those finances, for example those in receipt of universal credit paid into a partner's account or in economically abusive relationships. The charity has advised a greater proportion of women for a number of years. We expect the cost-of-living crisis will continue to impact on women more severely throughout 2023.

Table 1.7 Gender split of clients contacting us for debt advice (%)

	Vulnerable clients		All clients	
Gender	2021	**2022**	2021	**2022**
Male	36%	**35%**	39%	**39%**
Female	63%	**64%**	60%	**61%**
Other gender identity	<1%	**<1%**	<1%	**<1%**

61%
Over 61% of clients who contacted us for debt advicein 2022 were women

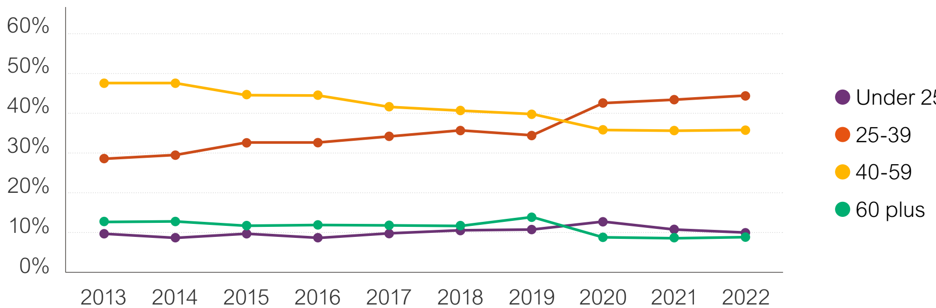
Age

The proportion of clients aged 25-39 years has been a growing group over the past 10 years. In 2022 this age group continued to increase by 1% and now makes up 45% of all clients, with a corresponding 1% decrease in the proportion of clients aged under 25. Vulnerable clients are slightly more distributed. They remain more likely to be older with 11% in the 60 plus category compared to 9% of all clients and 39% aged 40-59 compared to 36% of all clients.

Table 1.8 Age groups: new clients (%)

	Vulnerable clients		All clients	
Age group	2021	**2022**	2021	**2022**
Under 25	11%	**9%**	11%	**10%**
25–39	40%	**41%**	44%	**45%**
40–59	38%	**39%**	36%	**36%**
60 plus	11%	**11%**	9%	**9%**

Age demographic over the past 10 years



Housing and family composition

Housing

Housing tenure remained static in 2022 compared to 2021, with 20% of clients' owning their home compared to 62% of client tenants. It will be important to monitor tenant protections to ensure that this group do not suffer further harm due to cost-of-living pressures. Rising interest rates will also begin to affect homeowners as initial forbearance measures become exhausted.

Table 1.9 Clients' housing tenure (%)

	Vulnerable clients		All clients	
Housing tenure	2021	**2022**	2021	**2022**
Mortgage	13%	**13%**	17%	**17%**
Own outright	3%	**3%**	3%	**3%**
Rent — Housing association	19%	**18%**	15%	**15%**
Rent — Local authority	25%	**25%**	21%	**21%**
Rent — Private	24%	**24%**	26%	**26%**
Board/living with family	12%	**13%**	14%	**14%**

62% of all clients were living in rented accommodation

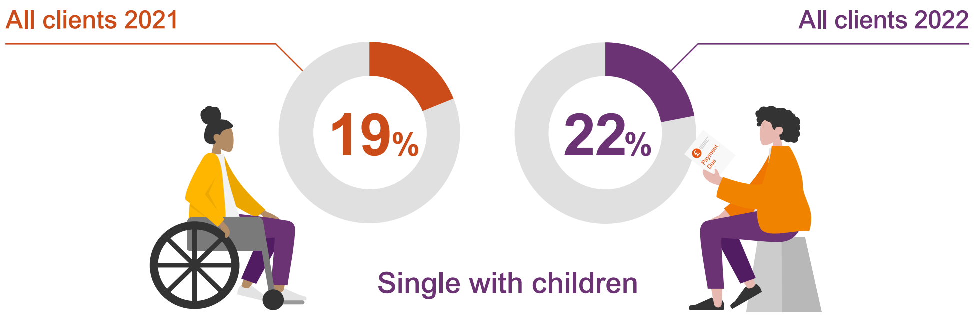
17% of all clients had a mortgage

Family composition

Along with other concerning demographic shifts, the 3% rise in the proportion of single parents from 19% to 22% is particularly alarming. More such households will likely continue to fall into difficulty in 2023 as cost-of-living pressures continue to mount and government support particularly with utility bills recedes. Of the 42% of our clients who have children, 13% will have a family of 3 or more children and nearly 4% will be under the age of 25.

Table 1.10 Family composition (%)

	Vulnerable clients		All clients	
Family composition	2021	**2022**	2021	**2022**
Couple with children	16%	**16%**	20%	**20%**
Single with children	19%	**20%**	19%	**22%**
Couple without children	16%	**15%**	16%	**14%**
Single without children	49%	**49%**	45%	**44%**



Debts and arrears

In 2022, the average unsecured debt total for all Scottish clients was £16,174, up £3,444 on 2021.

Glasgow Local Authority had the largest number of clients seeking help but had the second lowest average unsecured debt of £13,072 and average household arrears of £2,956. The Local Authority with the lowest average debt balance was South Ayrshire with £12,318 and average household arrears of £3,361.

East Dunbartonshire clients had the highest average debt balance with an average of £21,569 and average household arrears of £2,279. The Local Authority with the highest average household arrears was Orkney at £5,859 and average unsecured debts of £17,480. In comparison, Shetland had the lowest household arrears average balance of £509 and average unsecured debts of £13,317.

Average arrears
2021
£1,739

Average arrears
2022
£2,920

All clients in Scotland

Table 2.1 Debts and arrears

	Vulnerable clients		All clients	
	2021	2022	2021	2022
Average (mean) unsecured debt	£10,914	**£14,056**	£12,730	**£16,174**
Average (mean) arrears	£2,129	**£3,301**	£1,739	**£2,920**

Note – This table is a repeat of data contained in Table 1.4 for illustrative purposes to aid composition of the debt and arrears

Average unsecured debt types

The total amount of unsecured debt owed by all Scottish clients was nearly £131 Million, with £49M owed on credit cards and nearly £42M in personal loans. Credit card debt remains the most popular debt amongst our clients (69%) with clients having on average three credit cards. Nearly half of our clients (49%) will have personal loan debt, with on average two loans per client.

Average loan debt for clients increased from £8,349 in 2021 by £572 to £8,921 in 2022. Average loan debt is an outlier compared to other types of consumer debt which table 2.2 shows all decreased in 2022, barring store card debt which saw a slight increase of £12 to £1,286. We have also seen an increase in the average amount of hire purchase debt owed by clients, which increased from £7,693 in 2021 to £8,571 in 2022, an increase of £878 or 11%.

This could be due to more clients looking to spread the cost of larger purchases as the cost-of-living crisis puts pressures on finances. Despite the decreases in these consumer debt categories the outstanding average debt totals remain high for clients as clients have sought credit from alternative sources. Taken together with other demographic changes and rises in average incomes, it is possible that the increase in average loan debt is down to more clients who were eligible for more credit in the past now struggling and are seeking advice.

Whilst credit card debt remains the most common type of debt owed by our clients, for the second year in a row, we have seen the average credit card debt level fall for Scottish clients from £7,962 in 2020 to £7,693 in 2021 to £7,430 in 2022. A decrease on average of £532 or 7%. With the average unsecured debt level for vulnerable clients being £2,118 less than all Scottish clients, it is not surprising that vulnerable clients have significantly less personal loan (-£1,205), credit card (-£1,152) and hire purchase debt (-£715). They do have slightly greater catalogue and store card debt levels.

Table 2.3 also shows decreases across the board in the proportion of clients with consumer debts, tying in with the most common reason for clients to say they are seeking advice, increases to their cost of living. A lower proportion of clients utilising credit may insulate some from increases in interest rate rises through 2023, but the extent of indebtedness while trying to respond to spiralling increases in essential bills will leave many vulnerable to this economic instability.

For the second year in a row, we have seen the proportion of clients with average personal loan fall for Scottish clients from 53% in 2020 to 51% in 2021 to 49% in 2022. A decrease on average of 4%. There has been a similar trend for vulnerable clients with the proportion of them having personal loan debt falling from 51% in 2020 to 47% in 2022. Using overdrafts to manage finances continues to be less popular with our clients. We have seen a steady decline in the proportion of clients using overdrafts over the past 10 years.

In 2013 over 64% of our clients had an overdraft debt. In 2022 this has fallen to only 36%.

The proportion of vulnerable clients with personal loan, credit card and hire purchase debt is fractionally less than all Scottish clients, between 2% to 3%. They are likely to have slightly greater proportion of catalogue and store card debt.

Average unsecured debt types continued

Table 2.2 Average debt balances

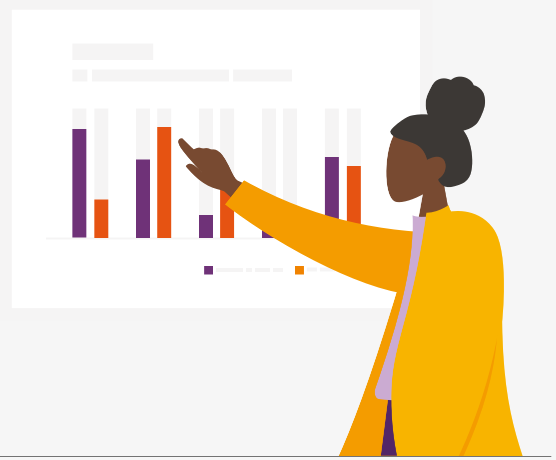
	2021			2022			Difference 2021 / 2022	
	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients
Personal Loan	£8,349	£7,380	-£969	£8,921	£7,716	-£1,205	+£572	+£336
Credit card	£7,693	£6,471	-£1,222	£7,430	£6,278	-£1,152	-£263	-£193
Overdraft	£1,417	£1,341	-£76	£1,368	£1,320	-£48	-£49	-£21
Catalogue	£2,045	£2,048	+£3	£2,023	£2,045	+£22	-£22	-£3
Payday loan	£1,401	£1,352	-£49	£1,292	£1,286	-£6	-£109	-£66
Store Card	£1,274	£1,317	+£43	£1,286	£1,305	+£19	+£12	-£12
Hire Purchase	£7,693	£8,062	+£369	£8,571	£7,856	-£715	£878	-£206

Table 2.3 Proportion of clients with debt type

	2021			2022			Difference 2021 / 2022	
	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients
Personal Loan	51%	48%	-3%	49%	47%	-2%	-3%	-1%
Credit card	69%	66%	-3%	69%	67%	-2%	0	+1%
Overdraft	38%	37%	-1%	36%	36%	0	-2%	-1%
Catalogue	37%	38%	-1%	34%	37%	+3%	-3%	-1%
Payday loan	10%	10%	0	10%	11%	+1%	0	+1%
Store Card	13%	12%	-1%	13%	14%	-1%	0	-2%

69%

Credit cards remain as the most common unsecured debt type held by clients'



A higher proportion of vulnerable clients had store card debts in 2022 and were more likely to have catalogue debts. The average personal loan debt for all clients increase by £572 to £8,921.

Arrears

66%

of all clients are in arrears with their essential bills

Not unsurprisingly, with the rise in costs faced by all households, the average arrears on household bills have mounted in key areas. 66% of all clients are in arrears with their essential bills. These bills, including mortgage, rent, utilities and council tax, are categorized as essential by money advisers and are reviewed first when assessing the client's financial problems. In 2022, vulnerable clients on average had £381 more household arrears than all Scottish clients, with arrears of £3,301 compared to £2,920; 13% more. Table 2.5 shows that a higher proportion of vulnerable clients are in arrears on all their household bills (between 3% and 7% more).

Table 2.4 Average Arrears by household bill type

	Average Arrears balances 2021			Average Arrears balances 2022			Difference 2022/2021	
	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients
Mortgage	£3,497	£3,842	+£345	£5,322	£5,664	+£342	+£1,825	+£1,822
Rent	£1,404	£1,425	+£21	£1,452	£1,471	+£19	+£48	+£46
Council Tax	£2,344	£2,352	+£8	£2,086	£2,079	-£7	-£258	-£273
Electricity	£1,326	£1,325	-£1	£1,438	£1,445	+£7	+£112	+£120
Gas	£846	£805	-£41	£847	£839	-£8	-£1	+£34
Dual Fuel	£1,305	£1,298	-£7	£1,637	£1,639	+£2	+£332	+£341

Table 2.5 Proportion of clients with arrears of household bills

	Proportion of clients with arrears type 2021			Proportion of clients with arrears type 2022			Difference 2022/2021	
	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients
Mortgage	17%	22%	+5%	13%	18%	+5%	-4%	-4%
Rent	25%	30%	+5%	21%	25%	+4%	-4%	-5%
Council Tax	39%	44%	+5%	32%	37%	+5%	-7%	-7%
Electricity	27%	31%	+4%	29%	32%	+3%	+2%	+1%
Gas	22%	27%	+5%	28%	31%	+3%	+6%	+4%
Dual Fuel	36%	44%	+8%	46%	53%	+7%	+10%	+9%

Housing costs

For the second year in a row, we have seen the proportion of clients in arrears with their mortgage payments has decreased from 20% in 2020 to 17% in 2021 to 13% in 2022.

A higher proportion of vulnerable clients are struggling to maintain their mortgage payments with 18% in arrears with their mortgage compared to 13% of all Scottish clients in 2022.

32% of clients were in arrears with their council tax – a decrease of 7%

The average arrears for all mortgage clients in 2022 increased significantly by £1,825 to £5,322, a 52% increase. Vulnerable mortgage clients saw a similar rise in arrears of £1,822 to £5,664 in 2022 compared to £3,842 in 2021, an increase of 47%. This provides further evidence of demographic shift and raises concerns as more homeowners' faced rises to the mortgage payments due to these rate rises at a time when all other costs were rising too, putting increased pressure on budgets. Forbearance will be key to help support these clients as interest rates rise through 2023.

The proportion of all renting clients with rent arrears has fallen by 4% to 21% in 2022 and the proportion of vulnerable clients in rent arrears has also fallen 5% to 25%. The average rent arrears of all clients remains relatively static, with an increase of £48 from £1,404 to £1,452 in 2022 and a similar increase of £46 for vulnerable clients from £1,425 to £1,471.

A lower proportion of clients eligible to pay council tax (including water and sewage costs) were in difficulty with their bill in 2022 than in 2021. The number of clients in arrears with their council tax decreased by 7% from 39% in 2021 to 32% in 2022.

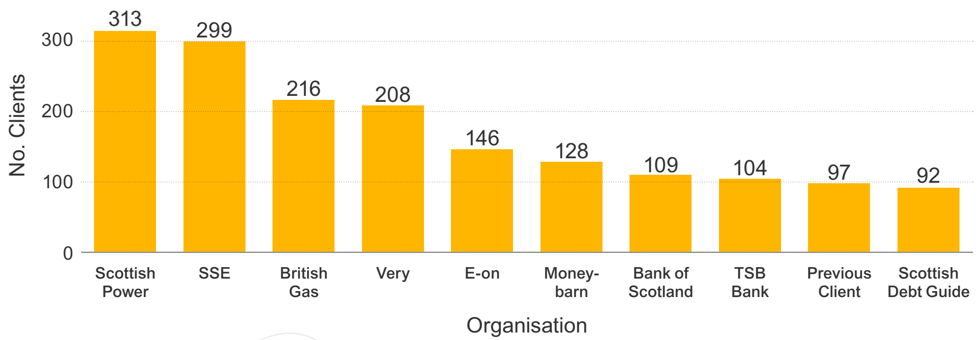
Whilst a higher proportion of vulnerable clients were struggling with council tax, the proportion in difficulty has also decreased by 7% from 44% in 2021 to 37% in 2022. The average arrears on council tax bills for all clients is lower, falling £258 (11%) from £2,344 in 2021 to £2,086. The council tax arrears of vulnerable clients also decreased by £273 (12%) from £2,352 in 2021 to £2,079 in 2022.

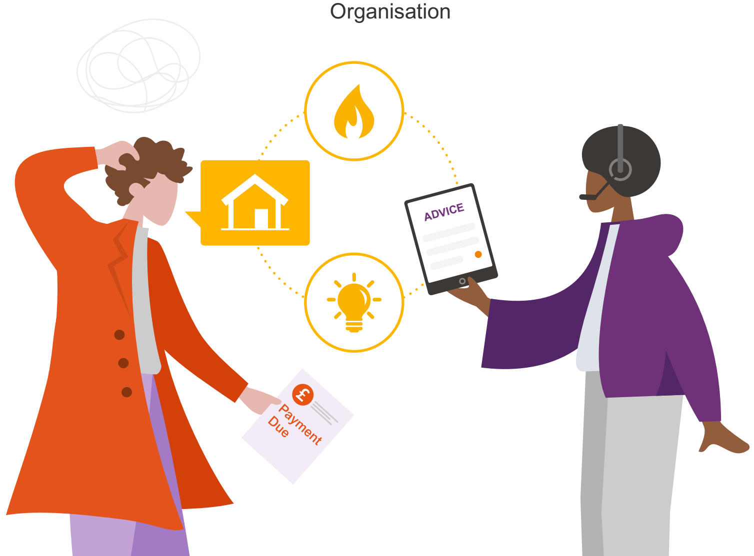
These decreases could be due to the Government's council tax rebate scheme which provided a payment of £150 to eligible households in council tax bands A to D. Whilst this is welcome given the acute difficulty households face when they fall into arrears with council tax, it is evident that this still hasn't been sufficient to help many under the current cost-of-living crisis.

Utility bills

The most acute area of household finances for clients in 2022 were utilities. The proportion of clients in arrears with gas, electricity and dual fuel have all increased.

Top 10 Referral Organisations





For those clients who are liable to pay their household electricity bill, 75% of all clients and 85% of vulnerable clients are in arrears (29%/31% electricity arrears plus 46%/53% dual fuel arrears). Not unsurprisingly the top referral organisations to the charity over 2022 have been the major utility providers.

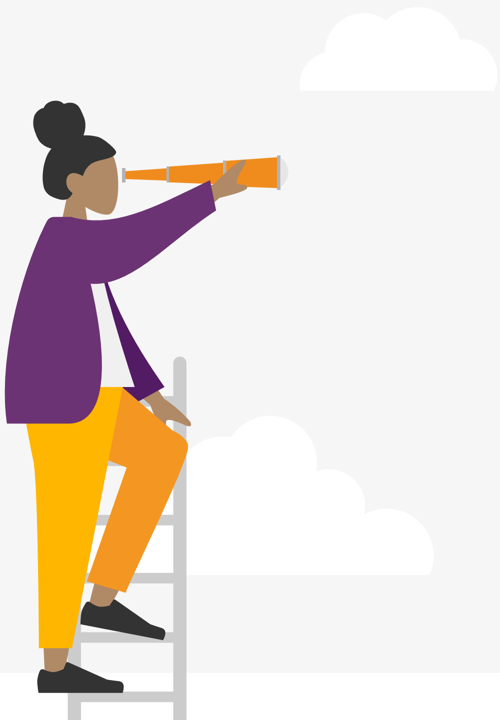
The proportion of clients with electricity arrears has increased 2% from 27% in 2021 to 29% in 2022. The average arrears on electricity bills continued to increase in 2022, rising £112 (8%) to £1,438. Vulnerable clients were again more likely to be struggling with their electricity bills with 32% in arrears, and a similar increase of £120 (9%) to £1,445 average arrears in 2022.

The proportion of clients in difficulty with their gas bills saw an increase of 6% of clients in gas arrears to 28%, and vulnerable clients were more likely to be in difficulty with 31% in arrears, a 4% rise since 2021. The average amount due on gas arrears for all clients increased marginally by £1 to an average of £847, but the average arrears increased for vulnerable clients by £34 to £847 in 2022.

The impact of the energy crisis can clearly be seen on clients with dual fuel (those clients who pay their gas and electricity together). Dual fuel arrears were significantly worse in 2022. The proportion of clients in arrears increased 10% from 36% to 46% and by 9% for vulnerable clients from 44% to 53%, surpassing Council Tax which has consistently been the most common essential bill for clients to be struggling with through the 2010s. The average arrears on dual fuel for all clients also increased significantly by £332 to £1,637, a 25% rise. Vulnerable clients' average arrears increased by £341 to £1,639, a 26% increase.

Conclusion

Like many households across the UK, our clients felt the impact of increased living costs on essential items such as food and energy. For many of our clients, this rise in costs left them unable to afford these everyday essential costs even with the various interventions provided by the government.



Support must continue to households through 2023 as the crisis continues, especially targeted support for vulnerable households who face increased costs as show in our 2022 data. It is clear that a new group or groups of people have fallen into deeper financial difficulty in 2022, so support must be there to ensure that they have an opportunity to recover or avoid financial distress in the first place. Support for advice agencies will be crucial, as many services are at or near capacity and have been for much of the 2010s supporting an ever-growing number of vulnerable clients. Adviser welfare is also a significant concern as they deal with their clients at a time where there are increased pressures worries about their own financial situation. The pressure on services is extreme, through the volume of individuals requiring support and as the complexity of client cases continues to increase. Too many clients face harrowing circumstances and impossible financial decisions.

2022 saw cost-of-living difficulty across society, but for many debt advice clients the decisions that many are facing are not new. A long period of stagnating incomes and eroded safety nets have left a large and growing part of society especially vulnerable to economic shocks.

Our recommendations for change

Action can be taken to ensure greater resilience and support rehabilitation so that clients are not trapped in long-term financial difficulty:

- Protecting household incomes and boosting incomes where possible, particularly in ensuring welfare payments keep up with increasing costs
- Urgent action to prevent just coping households falling deeper into difficulty such as support with spiralling energy costs
- Extra targeted help to vulnerable households who face higher financial barriers
- Support for advice agencies and clients to allow individuals to escape financial difficulty when they fall into it and prevents them entering a long-term cycle of distress.
- Fairer enforcement action, particularly on energy bills, that avoids throwing a household deeper into crisis.

Editor: Lawrie Morgan-Klein

For more information, visit the **StepChange Debt Charity website.**

For help and advice with problem debts call (Freephone) 0800 138 1111 Monday to Friday 8am to 8pm and Saturday 8am to 2pm, or use our **online debt advice tool.**

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