StepChange Debt Charity

Covid-19 Client Data Report

Exploring the experience of debt advice clients during the covid-19 pandemic

December 2020

Introduction

The covid-19 pandemic has delivered a significant blow to household finances. The need to lock down large swathes of the economy for extended periods has meant that many have lost work, resulting in large income shocks. Government support in the form of the furlough scheme, the self-employed income support scheme and the £20 uplift to Universal Credit, among other initiatives, has quelled some of this shock.

Other interventions, such as mortgage payment holidays, have provided respite to squeezed incomes. And the nationwide lockdown has meant that some households have inadvertently benefited from an enhanced ability to save. But despite this, many people up and down the country are making do with less in this difficult time.

Recent general population polling carried out by StepChange found that 2.5 million people across Great Britain are facing a financial crisis due to the impact of coronavirus, with many struggling to afford even the essentials, and debt levels mounting.

Many people who saw their finances affected by the pandemic had already sought debt advice in the first seven months of the pandemic. This report explores the experience of these new clients.

Using data gathered from our clients, this report highlights which demographic groups have been seeking debt advice, and with which types of debt. This report also crucially explores the factors that have underpinned clients' financial difficulty during the pandemic, and how they've coped through this adverse time.

Methodology note

The first section of this report uses data from over 95,000 clients who first completed a full debt advice session with StepChange Debt Charity between 1st April and 31st October 2020. The findings also relate back to client statistics from 2019 and previous years, which can be found here.

Due to the impact on our telephone capacity, in the earlier months of the pandemic we advised a greater proportion of clients online than usual. In previous years the debt and demographic profiles of our online and telephone clients have been slightly different. For example, clients advised through our online channel are usually more likely to have higher surplus levels and forms of unsecured debts such as credit cards.

However, online clients are less likely to have household arrears. Clients who access debt advice through our telephone channel are more likely to be slightly older and in arrears on household bills. Where differences in statistics between channels are notable, we have presented this data separately by channel.

The remainder of the report is based on findings from an online survey of 720 StepChange clients who had completed a full debt advice session between late March and September 2020. Fieldwork took place between 4 – 16 September 2020.

New client demographics

Debt advice data captured between April and October 2020 highlights that many of the same demographic groups that were 'debt vulnerable' before the pandemic continued to be over-represented in our client statistics. For example, compared to wider UK population statistics, we continued to advise a higher proportion of women, younger people, single parents and renters[1,2]. These findings are consistent with other financial research conducted during the course of the pandemic, including our recent general population polling[3].

We have also seen some notable changes among our new clients during the pandemic:

- A growing proportion of new clients had fallen behind on essential household payments such as council tax, utility bills between April and October. For example, the proportion of clients in council tax arrears rose from 20% to 29%;
- The proportion of new clients in rent arrears has increased from 17% to 20% from April to October;
- A growing proportion of new telephony clients were in receipt of universal credit at the time of advice. This increased from 34% in April to 44% in October;
- Credit cards continue to be the most common unsecured debt type. We saw a small increase compared to last year (69%). Seven in ten (70%) new clients had at least once credit card debt at the time of advice between April and October 2020.

[1] ONS, 'Population Estimates', 2020 https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland

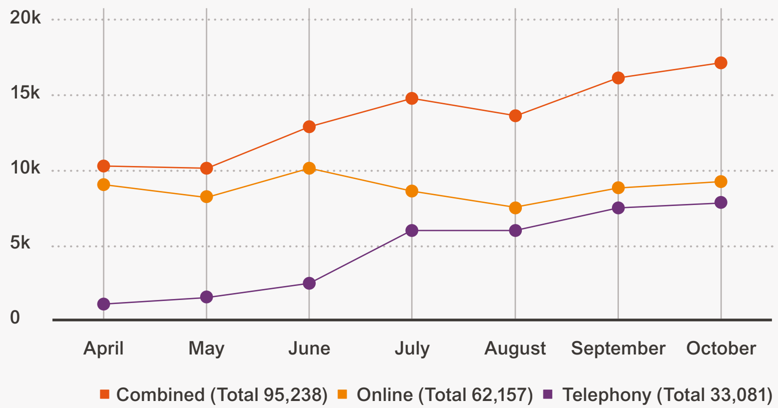
[2] ONS, 'Families and Households', 2019 https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2019

[3] StepChange Debt Charity, 'The coronavirus personal debt crisis', 2020 https://www.stepchange.org/policy-and-research/debt-research/covid-debt-2020.aspx

Client volumes

Between April and October 2020, StepChange Debt Charity provided full debt advice to over 95,000 clients. This is lower than numbers advised in 2019, partly due to temporary forbearance measures such as payment holidays, government intervention and other means of support. These measures provided households experiencing financial difficulty with some level of respite; many delayed seeking debt advice in the earlier months of the pandemic. However, there was a notable increase in the number of new clients seeking full debt advice from September onwards.

Figure 1:
Number of new debt advice clients per month



Arrears on household bills

In April, arrears figures fell compared to pre-pandemic levels. This was partly driven by a decrease in the proportion of new clients accessing advice through our telephony channel. Telephony clients are more likely to report arrears on their household bills at the time of advice.

Although arrears levels fell in April, there have since been increases across different bill types. The most notable is among council tax arrears. The proportion of clients who have fallen behind on this bill has risen from 20% in April to 29% in October 2020.

We have also seen substantial rises in the proportion of new clients behind on utility bills, such as gas, electricity and water, over the course of the pandemic. There has also been an increase in the proportion behind on rent arrears at the time of advice; from 17% in April up to 20% in October.

Figure 2:
Proportion of new clients with arrears[4]

	Full year 2019	April	May	June	July	Aug	Sept	Oct
Council tax	30%	20%	20%	20%	24%	25%	28%	29%
Electricity	17%	14%	14%	15%	20%	21%	21%	21%
Gas	13%	11%	11%	12%	16%	18%	18%	17%
Water	24%	18%	18%	19%	23%	24%	27%	28%
Mortgage	17%	11%	11%	11%	12%	10%	12%	12%
Rent	21%	17%	17%	18%	20%	20%	21%	20%
TV license	8%	7%	6%	5%	6%	6%	5%	5%

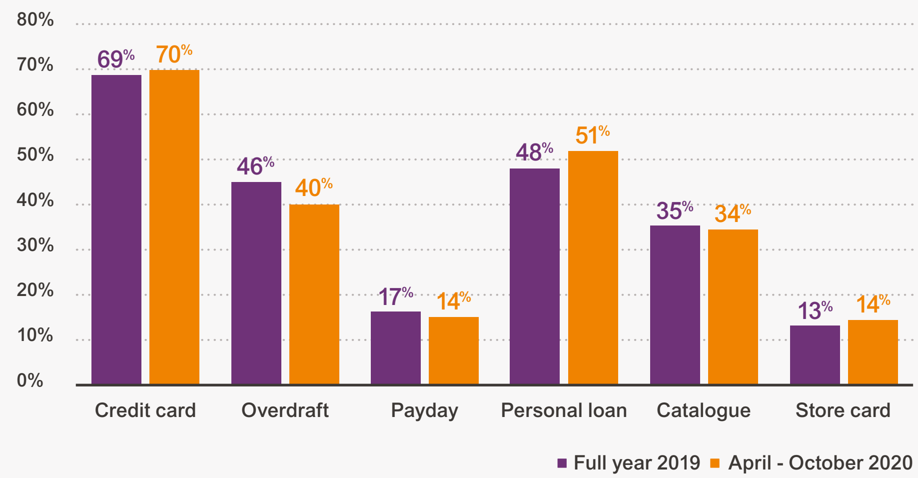
[4] Base for each arrears type includes only clients who have a responsibility for paying that bill type.
populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland

Unsecured debts

When compared against 2019, there have been some notable changes to the proportion of clients with different debt types. For example, seven in ten (70%) new clients between April and October had at least one credit card debt at the time of advice; a small rise compared to 2019 (69%). Credit cards continue to be the most commonly held debt at the time of debt advice.

As the most common debt type, the proportion of clients with credit card debts has increased across both channels between April and October, however particularly among new online clients. At a peak in August, four in five (79%) new clients had at least one credit card debt at the time of advice.

Figure 3:
Proportion of new clients with different debt types



Gender

Women continue to be over-represented in our client population across both telephony and online channels. Three in five (60%) new clients during this time period were women, 40% were men, and less than 1% recorded another gender identity. There was a slight increase in the proportion of men compared to 2019 (38% men; 62% women; <1% other gender identity).

Age

Over the course of the pandemic, there has been a steady increase in the proportion of clients aged 40-59. In October, 33% of new clients were in this age group compared to 29% in 2019.

However, younger age groups are still over-represented in our total client population. Three in five (61%) new clients were aged 18 - 39 between April and October, compared to 36% of the UK adult population[5].

Housing tenure

More than four in five new clients were renting their accommodation between April - October (83%), compared to 17% who were homeowners. This reflects an upward trend in the proportion of renters seeking advice in recent years. In 2017, 78% of clients rented their accommodation.

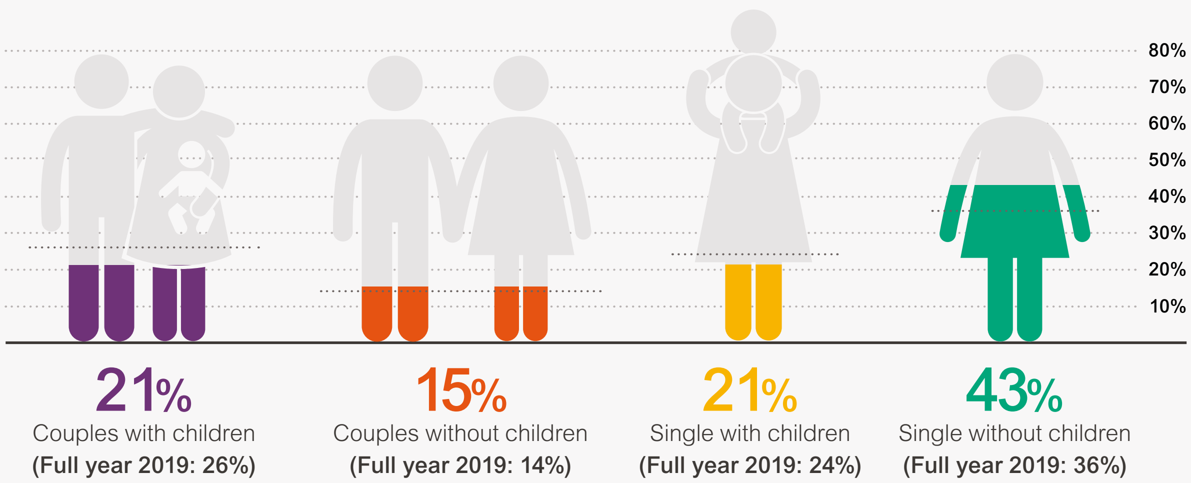
Among new renters between April - October, over half (56%) were renting from a private landlord; 23% were renting from a housing association and 21% were renting from a local authority.

Family composition

Despite decreases in the proportion of single parent clients, this group is still over-represented in our client population. Only 6% of UK families are single parent families[6], compared to 21% of new clients between April and October.

We have also seen a notable increase in the proportion of single adults with no children. This is up from 36% in 2019 to 43% in October 2020.

Figure 4:
Family composition of clients, April – October 2020



[5] ONS, 'Population Estimates', 2020 https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland

[6] ONS, 'Families and Households', 2019 https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2019

Employment

Under half (44%) of new telephony clients between April and October were in employment, which is lower than levels found in 2019 (51%).

During the seven months of the pandemic, around one third (32%) of new clients were unemployed at the time of advice. Among this group, two thirds (67%) said they were actively looking for work.

Clients in vulnerable situations

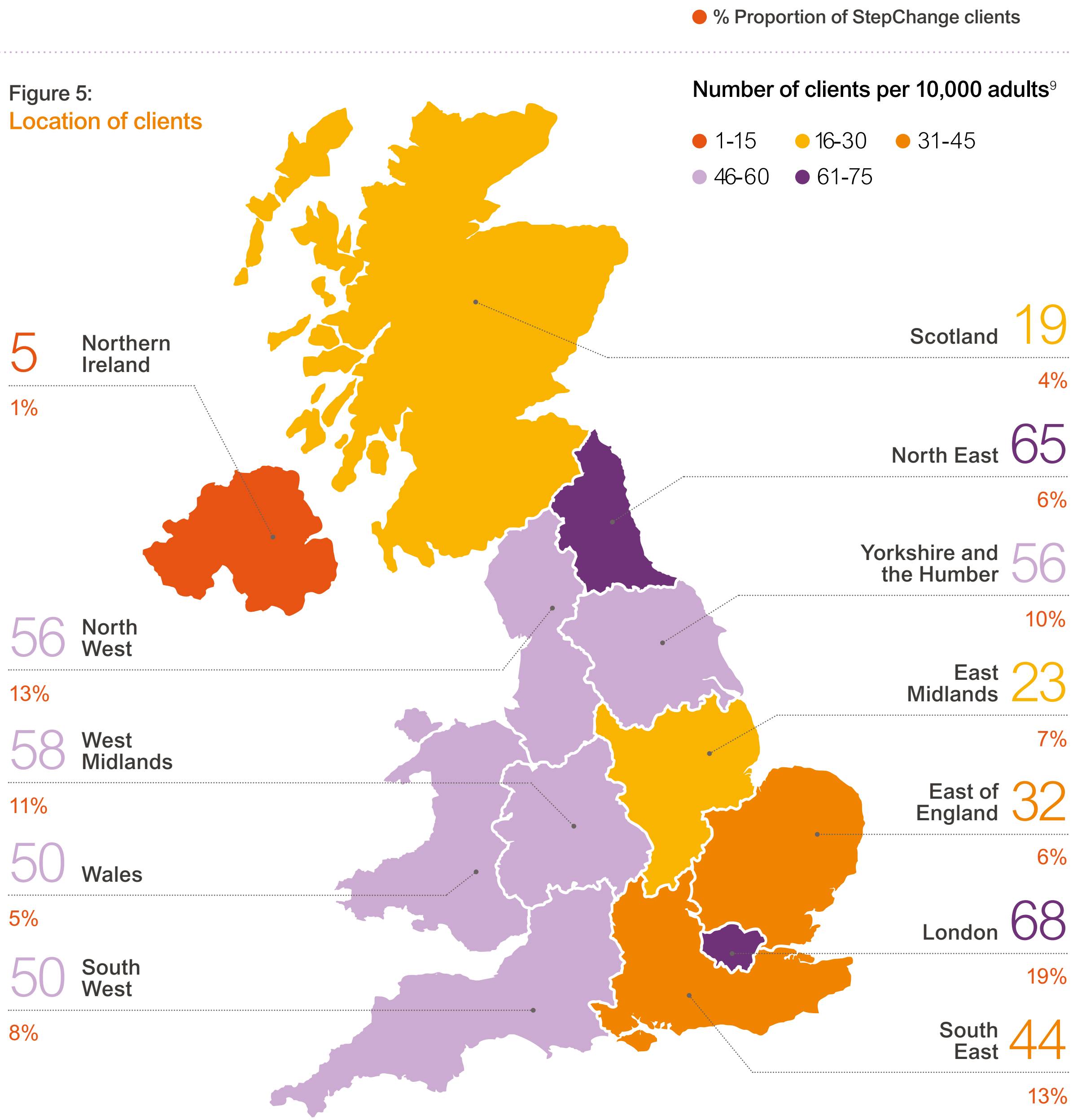
Over half (52%) of all new telephony clients were in a vulnerable situation in addition to their financial difficulty at the time of advice between April and October. This proportion increased from 44% in 2019[7].

Location

London tops the list as the English region with the largest proportion of new telephony clients between April and October, both as a proportion of all new telephony clients and as a proportion of the local population. In 2019, London was ranked fifth in terms of proportion of clients against the local population.

Although only 6% of new clients are located in the North East of England, this region holds its place in the top two regions when compared against local population statistics[8].

Figure 5:
Location of clients



[7] A 'vulnerable situation' includes experiencing a physical health or mental health issue, a learning disability, vision or hearing loss, and other situations which impact someone's ability to deal with problem debt

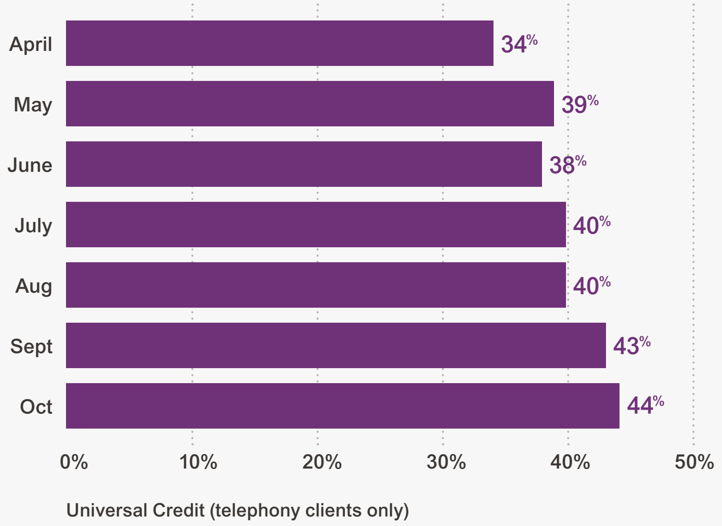
[8] ONS, 'Population Estimates', 2020 https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland

[9] To rank regions and nations as a proportion of the local population, the number of telephony clients who sought advice in each region or nation is compared as a proportion per 100,000 of the number of adults aged over 18 in that region or nation. This is extrapolated to the number of contacts that StepChange Debt Charity received across both its telephony and online channels during April – October 2020

Universal Credit

There has been a notable increase in the proportion of new telephony clients in receipt of Universal Credit. In April, more than one third (34%) of new telephony clients were in receipt of this benefit. By October, this had risen to 44%.

Figure 6:
Proportion of new telephony clients in receipt of Universal Credit



Average surplus levels[10]

Between April and October 2020, average monthly surplus levels per client were slightly lower for online clients, but slightly higher for telephony clients compared to 2019.

Figure 7:
Average (mean) surplus levels per client and proportion of clients with deficit budgets[11]

	Full year 2019	April - October 2020	% of clients with a deficit budget April - October 2020
Online	£142	£114	25%
Telephony	-£36	-£13	39%

Despite differences in average surplus levels, across both channels we continued to advise more clients with a monthly surplus budget than deficit. However, clients who accessed telephony (39%) advice during the pandemic were more likely than online (25%) clients to have a deficit budget.

Many clients with deficit budgets have very high deficit amounts. Between April and October, among deficit budget clients who accessed telephony advice, the average monthly deficit was -£342.

As illustrated by the survey data in the next section, many clients reported increases in expenditure alongside reported falls in income, suggesting that furlough and other forms of support were not always enough to prevent financial difficulty.

Although client volumes are lower than previous years, these findings highlight that many people have already experienced severe financial difficulty during covid-19, particularly groups who were identified as being vulnerable to debt before the pandemic.

It's also alarming that an increased proportion of new clients are falling behind on essential household bills. The next section uses recent survey data to explore clients' experiences in more depth, helping us to understand how the pandemic has affected those who have sought debt advice during these seven months.

[10] Surplus is the amount of money left at the end of each month after a client has completed StepChange Debt Charity's debt advice and budgeting process

[11] A deficit budget describes where a client's monthly expenditure is greater than their monthly income after the advice and budgeting process.

Impacts of the covid-19 pandemic

In September, we conducted a survey of our clients to understand how covid-19 had affected them. The survey included a cross-section of clients who had received full debt advice for the first time during the pandemic. Our findings highlight the extent of difficulties our clients have faced since the outbreak in March.

Many of our clients told us that they had faced large income shocks and were struggling to make ends meet.

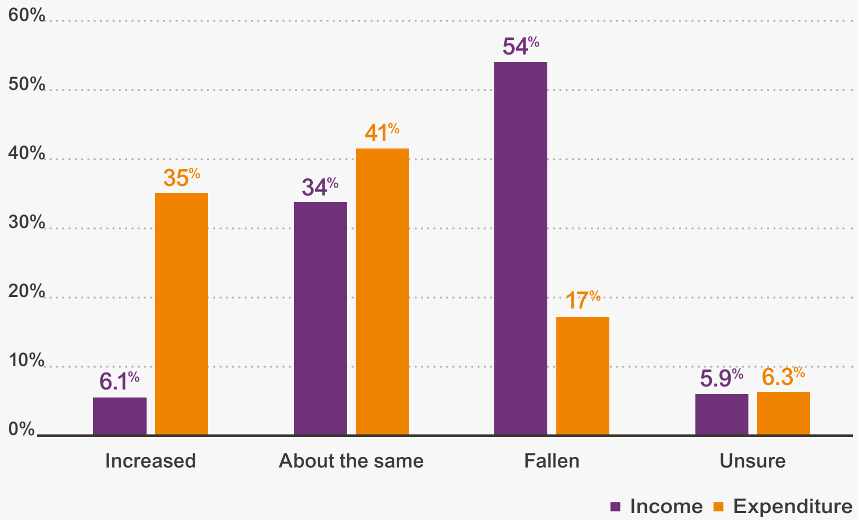
"[Covid-19] has impacted my income and expenditure greatly and because furlough pay was just above the limit I didn't qualify for any help. I cut back on food, water, energy, running a car."

"Income has gone down due to coronavirus issues. Was paid less than my actual salary to keep the job going. Was also working as a part-time uber driver which was stopped due to coronavirus issues and lost all income from there."

"I went from earning over £4,000 per month to just getting my state pension of £927 per month with little or no chance of getting another job this year."

Figure 8 shows how clients responded when asked if and how their household incomes had changed since March. Over half (54%) of the clients surveyed said that they had experienced a fall in their income, while over a third (35%) reported an increase in expenditure. Around 16% of the clients surveyed said that both their income had fallen and their expenditure had increased.

Figure 8:
Changes to household income and expenditure since March 2020, proportion of clients



In the first lockdown, clients often reported having to spend more on food and bills in order to protect themselves and vulnerable family members from the virus.

"Buying food online is expensive and as both my parents (who live at another address) are in the sheltered category we have been doing this to keep away from the grocery store."

"[I've] spent more on food etc. as it was harder to get items, increased cost [of] paying for food deliveries and increased cost of items such as disinfectant and sanitiser etc."

For families with children, this was exacerbated by the extended closure of schools, with some facing significant hardship as a result.

"Me and my children have been indoors now for nearly six months. We've used more electricity, more gas, more shopping, also spent money on things to keep the kids entertained. It's cost much more than usual."

"Covid-19 has crippled us financially; it's been extremely difficult. If it wasn't for Rashford's help, I would have found it hard to feed [my kids]."

The dual shock of higher costs and lower incomes means that many clients have had to cut down on spending in order to cope.

"I have had to make food last longer, buy myself cheaper brands than I would normally buy, make do with the clothes that I already have and not buy new ones."

"Everything has gone up by a huge amount, food by about 50 pence per item, which has made a huge difference on how I spend my money… I have had to do without some foods."

For most, this will have meant forgoing certain items that they were used to but didn't necessarily need. But for some, cutting down on spending has meant giving up things that can make a significant difference to their health and wellbeing. Several clients told us that they are now having to eat less or have less healthy meals.

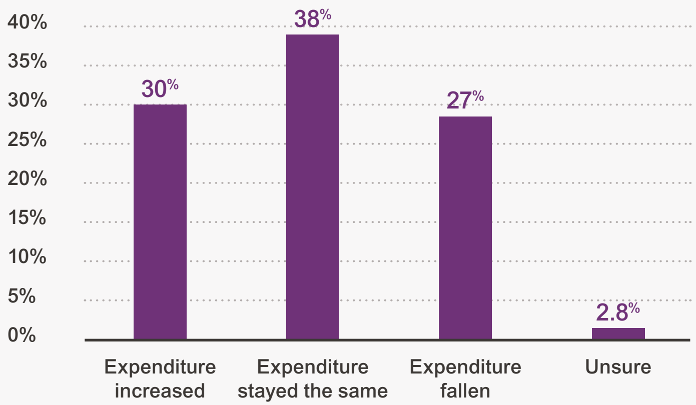
"[I] have bought less food because of increase in prices."

"I have reduced my meals and I eat less healthy now."

"I try to only buy cereal, milk and eggs and live off of that as that is cheap. Cereal for breakfast and then an omelette or scrambled egg for dinner… I am coeliac so buying gluten free is very expensive and I just can't afford to buy that at the moment."

Despite buying less, the nature of the pandemic and increased costs meant that many of those who lost income were unable to offset their losses through spending cuts. Taking a closer look at clients who reported income losses in the pandemic, **Figure 9** shows that just 27% said that their expenditure had also fallen. 38% said that their expenditure had stayed the same, while 30% reported increases in expenditure.

Figure 9:
Changes to household expenditure since March 2020, proportion of clients who had faced an income fall



Savings and debt

With so many clients unable to offset income losses with reductions in expenditure, the squeeze on household incomes has meant that peoples' debt problems have gotten worse. A significant proportion of clients told us that they are now struggling to pay their bills or make debt repayments.

"I couldn't pay my rent for two months or pay my debts."

"We have been unable to pay our mortgage & credit card bills and we are struggling to pay our day to day bills."

"I am financially ruined my income is 0 and I have debt collectors emailing, calling and texting constantly."

For some this has meant undoing progress they had previously made on clearing their debts.

"I have gone from a full-time job with a regular income to unemployed and having to claim Universal Credit. I was clearing my debts but now I am unable to make the full payments and I am getting more in debt."

A number of clients said that they had been struggling prior to covid-19, but that the pandemic had made their situation much worse or pushed them into problem debt.

"I was struggling to pay my bills whilst working but never missed payments. Once I was made redundant there was no way I could pay all of my creditors."

"My situation was already getting bad since the end of last year, they started cutting hours. When the covid arrived, my salary fell by half, I couldn't pay my rent and bills, and I started using the bank's card limit and overdraft, and it became a snowball."

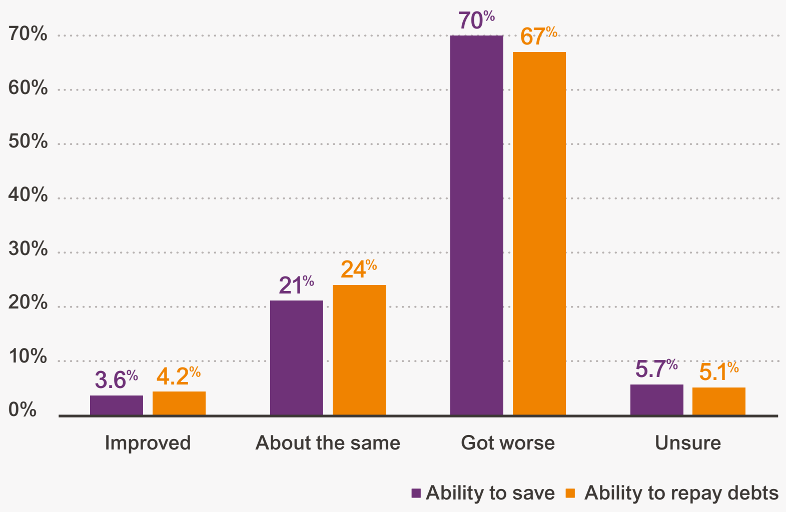
Figure 10 shows that 67% of clients reported that their ability to repay their debts had got worse. This group were more likely to have faced an income shock than the average client, with 68% reporting a fall in income compared to 54% of clients overall. 39% of clients whose debts had got worse reported an increase in expenditure, while 20% experienced both an income fall and an increase in expenditure.

Our figures show that clients are much more likely to have lost out financially from lockdown than to have benefitted. Throughout the pandemic, there has been much talk of 'forced saving' whereby the inability to spend money in locked down sectors has resulted in people inadvertently saving money.[12]

But these up-sides of lockdown do not appear to have fed through to our clients with very few reporting an improvement in either their ability to save or their ability to repay their debts. Rather, around 70% of clients said that their ability to save had got worse. And for some clients, the pandemic has meant that they have had to put long-term financial goals, such as buying a house, on hold.

"Prior to covid-19, I was almost in a position to pay a deposit to buy my own house, now I can barely pay my own living cost and won't be in a position to own my own house for several years."

Figure 10:
Changes to ability to save and repay debts since March 2020, proportion of clients



[12] Institute for Fiscal Studies, Spending and saving during the COVID-19 crisis: evidence from bank account data, 2020 https://www.ifs.org.uk/publications/15146

Figure 11:
Types of credit clients had fallen behind or further behind on since March 2020, proportion of clients[13]

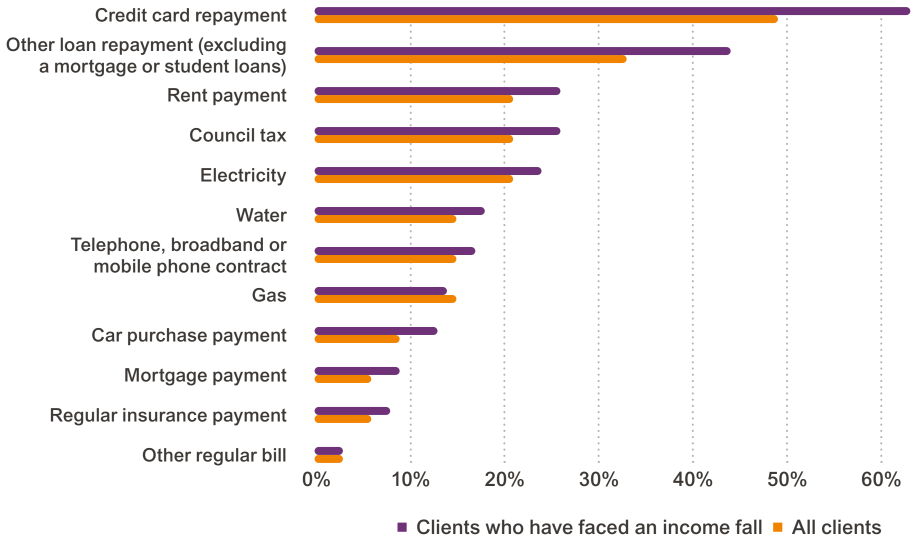
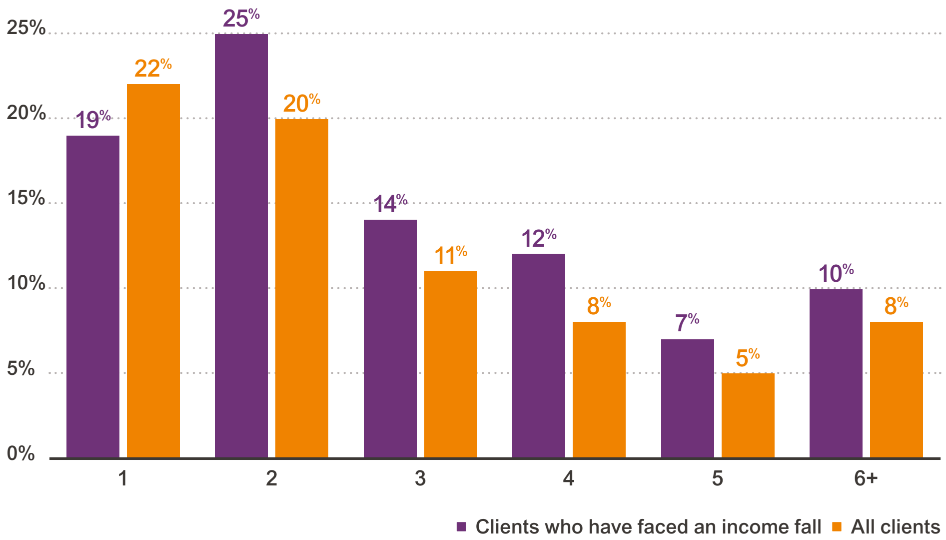


Figure 12:
Number of types of credit clients had fallen behind or further behind on since March 2020, proportion of clients



Among the types of debt that our respondents said had gotten worse, credit cards were the most common, with almost half of our clients (49%) reporting that they had either fallen behind or further behind on payments. Among clients who had faced an income fall, this figure rises by 14 percentage points to 63% **(Figure 11)**.

Where people had taken payment holidays, this will have been a conscious decision that enabled them to better manage squeezed finances in this difficult time, and will have prevented much hardship in the immediate term. But it may have longer term implications such as growing interest or higher payments once the holiday is up.

Covid-19 has also had a significant impact on the proportion of clients falling behind on priority debts. Around 21% of all clients, and 26% of clients who faced a drop in income, reported falling behind or further behind on rental payments.[13] Similar proportions reported falling behind on council tax payments and electricity bills.

In total, 75% of all clients, and 87% of clients who had experienced a drop in income, had either fallen behind or further behind on at least one of these types of payment.

Figure 12 looks at the number of payments that clients reported falling behind on. It shows that 25% of those who had experienced an income shock had fallen behind or further behind on two types of payment. This is compared to 20% of all clients. Around 10% of those who had experienced a drop in income had either fallen behind or further behind on six or more debts.

[13] These figures differ slightly to client data presented above due to differences in sampling

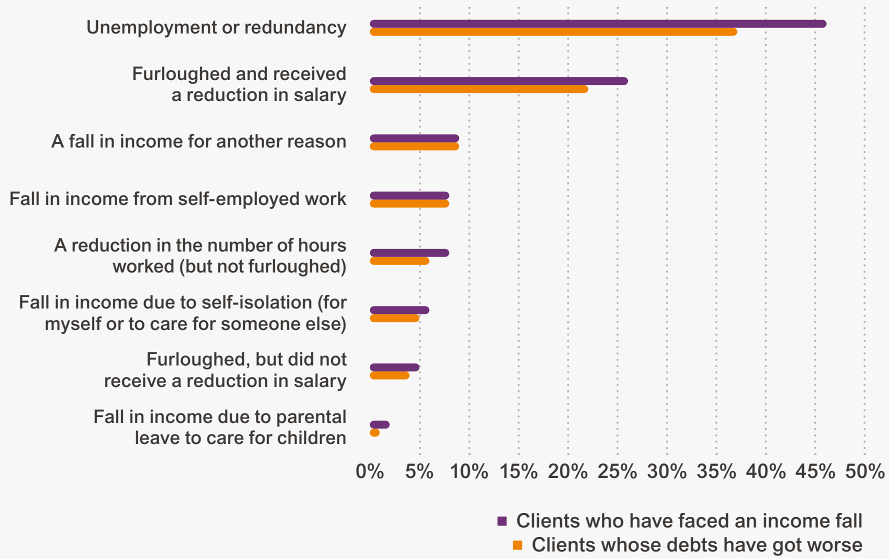
Changes to employment

Looking at the trends behind the income losses and worsening debt shows that, even in September, unemployment and redundancies had been a major contributor to these issues.

Figure 13 shows that 46% of clients who had faced an income fall and 37% of clients whose debts had got worse said that they had either been made unemployed or redundant.

The second most common driver of income losses and worsening debt was being furloughed with a reduction in salary, with 26% of clients who faced an income loss and 22% of those whose debts had got worse experiencing this.

Figure 13:
Changes in employment status and impact on income since March 2020, proportion of clients



Although furlough did prevent a large number of job losses, a significant proportion of clients told us that the money they were receiving while on furlough was not enough to make ends meet.

"I lost out on a lot of money over 5 months of being furloughed, with only receiving 80% pay each month. It was really hard to pay everything as well as provide."

"Having been furloughed on 80% of my salary with no top up, payments to creditors has been especially difficult [sic]. This coupled with an already difficult period financially has been very worrying."

"My income fell below 80%, because government paid up to £2500 [sic]. When this is taxed and NI deducted, income was not enough to cover my expenses. We had to move to another rented house in April and our second child was born in May."

Other clients spoke of losing income from one of multiple jobs. It was clear from these clients that losing even one stream of income had major implications for their household finances.

"I had to isolate due to my arthritis and the medication I was on. After getting back to my main job, my other bank job would not allow me back in case I passed the coronavirus onto the residents in the care home from the hospital I work."

"Lost one job but kept one but on £1300 a month less."

And respondents who had faced reductions in their working hours spoke of similar hardships.

"As I have not been able to do overtime to make up what I would of used towards debts it has made my debt increase due to interest"

"I worry and stress about how I will pay my loans and credit cards without working extra hours."

For many clients living in multiple-earner households, existing spending commitments and, in many cases, the high costs of raising children, meant that a significant loss of income from just one partner or other household member had resulted in those households struggling to make ends meet.

"My partner lost his job, I maintained employment but have been affected financially as my partner was unable to contribute."

"My son is unemployed and unable to contribute to bills at present."

"Losing my income has been and still is very hard as my partner now has to pay all of our household bills and I have had to seek debt advice and apply for a DRO."

In other instances, clients who relied on financial support from outside their household were no longer receiving this support and therefore had to manage with less money to cover their expenses.

"Father to my children was unable to help financially due to him being furloughed and I struggled with day to day bills and expenses."

"My ex-husband helped out financially as I'm a carer for our disabled daughter and as he was on a very good income. He was made redundant which meant I could not keep up with loan repayments."

While for some, the need to support others outside of their household had put additional strain on their finances.

"Child maintenance payments stopped through lockdown due to my child's father not working, I also had to provide for my parents, grandparents and extended family as they are self-employed and had no income."

"Boyfriend [was] impacted by coronavirus. I was spending more due to his situation and supporting us both i.e. paying for both the food shop and all the council tax bill."

Although furlough and job losses were the overriding theme of responses to our survey, some clients did tell us that they had managed to find new work. But this was often on a reduced salary.

"I lost my job, I lost my company car, company private health insurance, and other benefits… I lost my £40k salary plus commissions and bonuses. I found temporary work in food production at minimum wage."

"[Covid-19] has significantly impacted my ability to provide for family and myself. I am fortunate to have gained another job, but this is on reduced income and necessitates that I am in work 6 days a week."

And many more people were struggling to find new work, despite trying.

"I'm applying for jobs anywhere I can but getting no positive outcome. Just so sad."

With so many clients facing large income losses, whether that be through job losses, reductions to hours or furlough, it follows that there is a general sense of anxiety about the future. Several clients told us that although they were currently meeting their spending commitments, they were worried about how they would cope in the coming months if circumstances didn't change.

"I am using my redundancy money to cover priority bills, but as my only income now is JSA, I am unable to continue paying debts, I have stripped my spending budget to the bare minimum as my redundancy money is being depleted and if I don't get a job by Christmas, I will also struggle to pay priority bills."

"If I can't get back to work soon and earn I will get into further debt and have no money to socialise with anyone even if we start to be able to. The future looks bleak and it makes me feel miserable thinking about it."

Likewise, many clients who were still employed or on furlough in September were concerned about whether their jobs would last until the pandemic is over.

"I worry about the future because the future of the jobs' market looks grim with many more people likely to be made redundant."

"[I am] very unsure of my job security and anxious about the future."

While others who had initially been furloughed had now lost their jobs.

"I was furloughed with full pay for 2 months, then furloughed for 2 months at 80% pay, then made redundant…I have now been left unable to pay my monthly bills, that I was comfortably able to pay before."

"I was furloughed at 80% salary for four months and then made redundant as soon as the end date for the furlough scheme was announced."

The findings of our survey confirm that covid-19 has had an overwhelmingly negative impact on the financial wellbeing of our clients. The lockdown has meant that a large number of clients have lost work and faced significant income shocks. At the same time, people have had to spend more money on food and bills making it yet more difficult to make ends meet. Despite these hardships, many are still managing to get by, albeit with difficulty.

Coping with the impact of covid-19

To support households through the pandemic, the government, along with the Financial Conduct Authority (FCA), have rightly put in place a number of measures that protect people from the worst effects of not being able to meet necessary costs. These include payment holidays for mortgages, credit cards and loans, a temporary ban on evictions, and the £20 per week uplift to Universal Credit (UC).

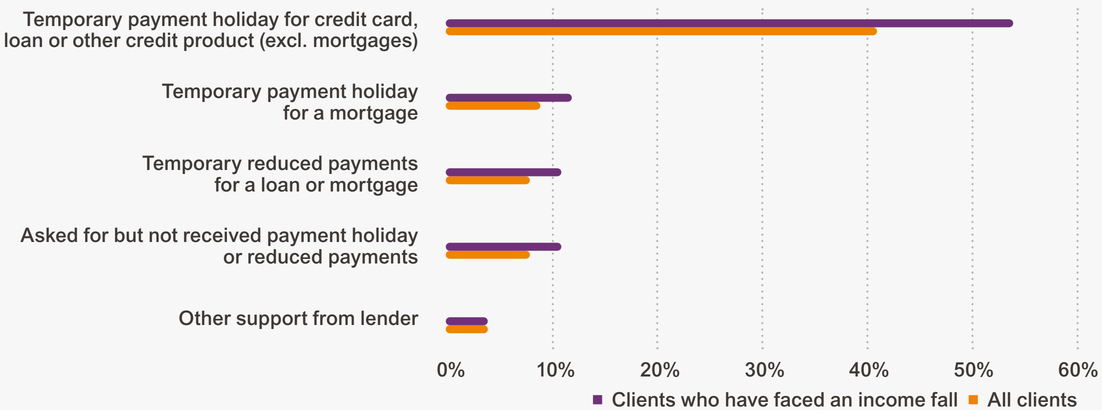
Since March, the measures have provided a strengthened safety net to many households. This section explores how effective this safety net, and other mechanisms for coping with weak finances, have been in supporting households through the initial months of lockdown.

Payment holidays, and other forms of support from lenders, have been widely used to cope with covid-19 related income shocks.

Figure 14 shows that over half (54%) of our clients who had faced an income fall had taken a temporary payment holiday for a credit product, such as a credit card or a loan, and 12% had taken a payment holiday for a mortgage.

Around 11% of clients had agreed temporary reduced payments for either a loan or a mortgage. For many, these measures will have provided a lifeline, preventing far worse outcomes or hardships.

Figure 14:
Support provided by lenders since March 2020, proportion of clients



The majority of clients who received payment holidays or support from lenders were positive about the experience and grateful for the help.

"[The payment holiday] gave me a bit of breathing space which was what I needed."

"It was very helpful, as I was on a very low income and couldn't afford my debts monthly payments [sic] so they put me on an arrangement to pay £1 per month for 3-6 months which did help a little."

"[Credit providers] have all been really helpful and I currently have a 6 month payment holiday with no charges and 0% interest."

And most told us that banks and providers had been very understanding and supportive given current circumstances.

"Most [providers] were really understanding and offered payments break [sic]."

"It was very easy; the lenders are very accommodating in the current situation."

However, not all providers had suspended interest accrual and many clients were concerned about the costs of borrowing going up in future.

"Payment holiday on credit cards are ok as not making a big monthly payment but the interest rate is still being added on - £85 a month and I am continuing to use them to afford food."

"It has helped but it's not really a holiday I know it's just moved back and added interest on it [sic]."

"My debts are still generating interest and it's just putting me in a worse situation to be honest. But I cannot afford to pay so have no other options."

While others were worried about payment amounts going up when holidays come to an end.

"Interest still adds on meaning first initial payment back is more than normal."

"Payment holiday was easy to set up but mortgage payment will increase to compensate for this in October. Credit cards are now in arrears with massive minimum payment requests and default letters received."

Where payments holidays had come to an end or were due to do so imminently, clients were worried about how they would cope with costs as they were still operating on reduced incomes.

"It took the pressure off, but holiday came to an end and I can't pay due to lower income since coronavirus and low surplus income."

"The payment holidays… would have been an ideal solution if I had returned to work, I would have done every second of overtime available to catch up. Having lost my job it has only made things worse as I now owe considerably more due to the interest piling up."

And others were concerned that it would affect their credit score or make it harder to get credit in the future.

"My credit score went down as the bank said it wasn't a payment holiday by their terms."

"Was easy to do but the full effects were never made clear. Sure it won't affect your credit score directly but it will be used against you by lenders in the future if they see you had a holiday."

A minority of clients had a negative experience of either applying for or receiving payment holidays. But for these clients, this often had knock-on implications for their financial wellbeing.

"The phone lines for the companies were so busy. It took me over 2 days of waiting in queue for one. I gave up in the end."

"It took two months before they were actually put in place by which time my hours had reduced."

"Awful, they messed it up and sent me threatening letters, to withdraw my interest free offer, as I had fell behind with payments. This was despite agreeing to the payment holiday."

Around 8% of clients, and 11% of clients who had faced an income fall, said that they had asked for a payment holiday or reduction but been refused **(Figure 14)**. In a few cases, they had been granted by some lenders but not others.

"The only company to honour it has been great they understand the situation the rest have defaulted me without much warning."

"One credit card company was happy to support as my wage changed from full-time to part-time, but catalogue company [was] not helpful, wasn't happy at the amounts [I] suggested I could make and pushed me to get in touch with StepChange."

Among the main reasons for being refused a holiday or reduction were that clients had outstanding arrears or that the provider was unsure that the client could pay back the money.

"They said because they didn't know how we would pay it back"

"Because [I'm] already in arrears, can only get payment holiday if you are up to date with payments"

But many clients who were refused payment holidays told us that they had not been given a reason why.

"I am not sure why, I just received a letter from them to say my application was unsuccessful."

While others had just not heard back.

"I just haven't heard from them but I was getting regular reminders which have now stopped."

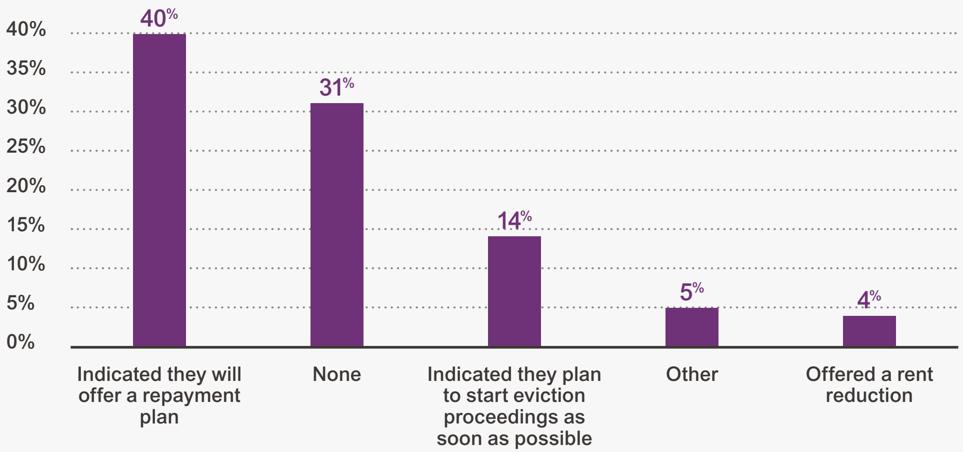
"My lender has been very hard to contact since the covid situation started"

For the clients that received them, the temporary deferral or reduction of credit repayments will have provided much needed relief from large cost burdens, especially for those receiving mortgage holidays. Similar provisions to ease costs have not been formally laid out for renters. This places renters, particularly private renters, who already face the highest housing costs relative to incomes,[14] at a heightened disadvantage with regards to coping with income losses in the pandemic.

Around 21% of clients, and a quarter (26%) of those who had faced an income shock said that they had fallen behind on rental payments **(Figure 11).** While the government has not mandated payment reductions or holidays for renters, many clients have benefited from help provided by their landlords.

Figure 15 shows that 40% of clients who said they had fallen behind on rental payments had been offered a repayment plan by their landlord and around 4% had been offered a rent reduction. That said, 31% of clients who had fallen behind on rental payments had received no support of this kind.

Figure 15:
Actions taken by landlords since March 2020, proportion of clients who had fallen behind on rental payments



The absence of support for renters has added to the struggles that clients have faced over the past few months.

"I'm a private renter, did not get a rent break, and with loss of earnings I was struggling to make repayments on credit cards and loans."

In addition, 14% of those who had fallen behind on rent said that their landlord had indicated that they plan to start eviction proceedings as soon as possible **(Figure 15)**.

The temporary eviction ban effectively prevents renters from becoming homeless, with most renters protected until January 2021. Despite this, several respondents to our survey told us that they were worried about becoming homeless because of covid-19.

"I have lost my job. Unable to pay all my bills, potentially now facing homelessness. It has ruined my life"

"Struggling with rent and bills, going to be homeless soon."

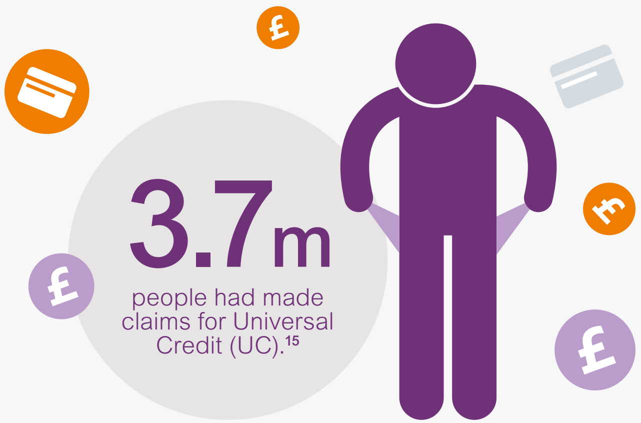
[14] Resolution Foundation, Inequality street: Housing and the 2019 general election, 2019 https://www.resolutionfoundation.org/publications/inequality-street/

Accessing Universal Credit

So far, this section has explored measures that have sought to reduce cost burdens for those who are struggling to meet them. But to cover the costs that cannot be reduced or deferred, many have resorted to alternative sources for funds.

State benefits have played a major role in supporting households through the crisis. Government figures show that, between March and September 2020, 3.7 million people had made claims for Universal Credit (UC).[15]

In our survey just over a quarter of respondents (26%), and a third (35%) of those who had faced an income fall said that they had applied for UC since the start of the pandemic.[16]



[15] DWP, Universal Credit Statistics, 2020 https://www.gov.uk/government/publications/universal-credit-statistics-29-april-2013-to-8-october-2020/universal-credit-statistics-29-april-2013-to-8-october-2020

[16] These figures differ slightly to client data presented above due to differences in sampling.

As with payment holidays, many respondents were grateful for the support.

"UC has affected me positively because am able to get the essentials things."

"My partner wasn't entitled to furlough so we had to live off my 80% wage which was a struggle but we managed to claim universal credit which helped."

"It's not how I want to be operating but I am eternally grateful to get something so that at least I can pay some of my bills if not all."

And some acknowledged the additional help provided by the £20 uplift announced in March.

"The slight increase to UC has made it so I have a bit more for food after rent/bills."

However, several clients had faced very large income falls, of which UC only covered a small proportion.

"Being on UC and receiving a mere £409 [per month] to live on is no holiday compared to my usual wage of over £2000 [per month]."

"Great that I am getting £409 a month coming in. But my outgoings a month are £1100 and I was used to bringing home £1600 from my job for past 7 years."

And many UC clients said that the money they received was not enough to cover their basic costs.

"It is nowhere near enough to cover my monthly living costs."

"I am getting universal credit but doesn't even cover a quarter of my rent, let alone food and bills."

"It is not enough money, guess [I'm] lucky to have it but paying full rent and all my bills, [there] isn't enough for food at the end of each month."

While others were struggling to make debt repayments, or having to get into further debt in order to get by.

"It is a great help, but barely enough to live on, let alone repay debts."

"[I] lost my job, went onto universal credit, couldn't afford to pay my debt."

"As it is the only income I get for now, it is hardly enough even for paying my rent and bills, so I must use my savings and get into even bigger debts."

Some respondents expressed shock at the amount of money that they received.

"Trying to pay for anything is a nightmare, never been unemployed its a shock how little you have to live on."

A few clients spoke of difficulties that they faced due to the waiting time for UC.

"Once payment is finalised our income will improve but the 5 weeks with no money is a struggle."

"I waited 8 weeks for my first payment which meant I quickly spiralled falling behind with regular payments."

Around 46% of clients who applied for UC, had also applied for an advance to tide them over during the wait and 43% received the advance. While the advance is helpful for preventing hardship during the five week wait, a number of respondents were worried about having to pay back the debt.

"I feel they have made the financial situation worse by offering people advanced payments knowing it will have to be paid back."

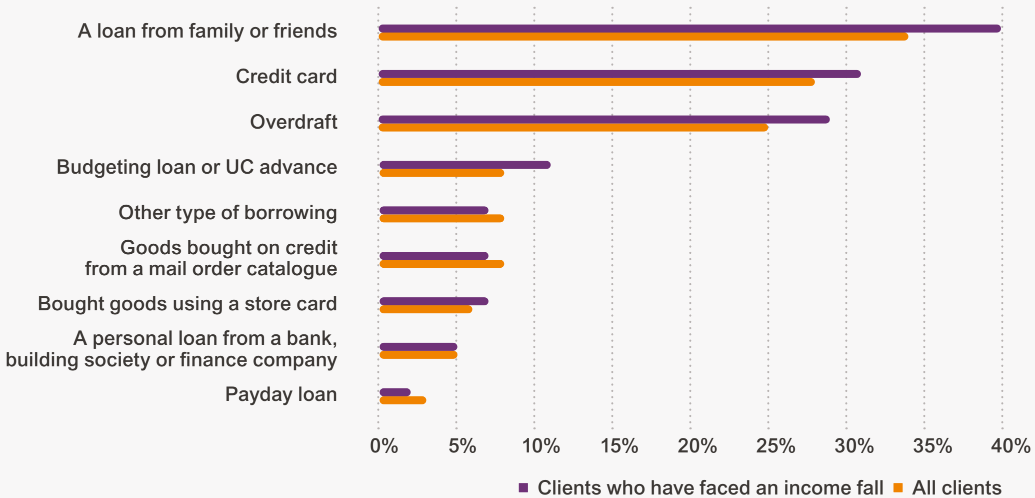
"Have to pay back advance so left with more debt."

Borrowing to make ends meet

In addition to UC, borrowing has been a common method of coping during the pandemic. Almost two-thirds (63%) of the clients in our survey, and 70% of those who had faced an income loss told us that they had borrowed to make ends meet.

Figure 16 shows that a loan from friends and family was the most common form of borrowing among our clients in this time, with around a third of all clients (34%), and 40% of those who had faced an income fall, saying that they had done so. Credit cards and overdrafts were the most common forms of credit used to make ends meet.

Figure 16:
Types of borrowing or credit used to make ends meet since March 2020, proportion of clients



While many clients have borrowed from friends and family to make ends meet during the pandemic, some told us that they were being asked to pay back money that they had previously borrowed because the people that they borrowed from were now facing financial hardship.

"I had no available credit which meant I borrowed from friends and family which I had to pay back due to increase in living costs from being at home and now working from home, this has meant I had no available cash for toiletries or shopping."

"As many of my family and friends lost their jobs and they were financially weak… they have started asking for money they gave earlier."

Those who said that they had borrowed from or relied on friends and family were among the most cash-strapped, and were often borrowing from people who themselves were struggling.

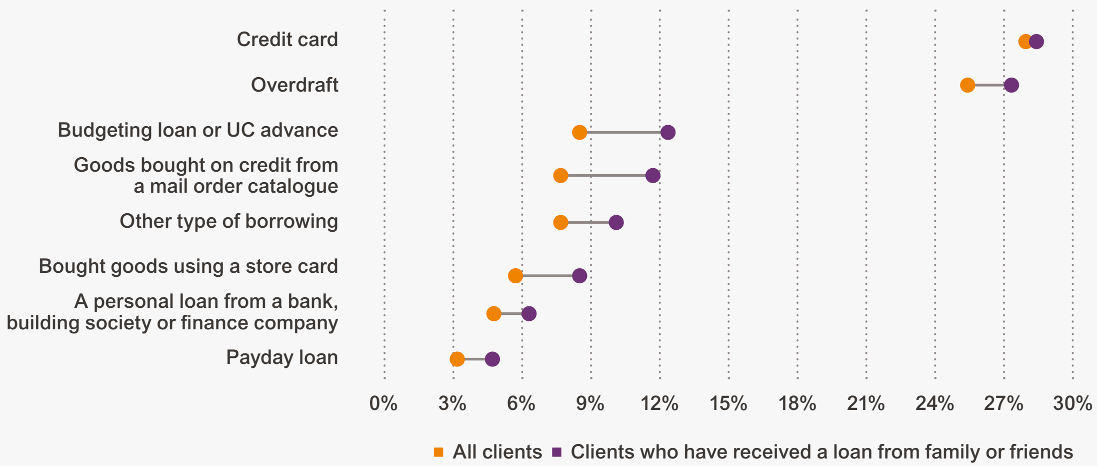
"I had no income for a month, I haven't been able to buy anything without borrowing from friends/family, who are also struggling."

Among those who had borrowed from friends and family, many had also taken out other forms of credit. **Figure 17** shows the proportion of clients who have received a loan from friends and family who have also taken out credit in order to make ends meet, and compares these figures with overall proportions of clients who have taken out credit for this reason. It shows that the proportion of those who had borrowed from friends and family were just as likely as the average client to have borrowed on a credit card, at 28%. However, they were more likely to have used other types of credit.

For example, those who had taken a loan from friends and family were around four percentage points more likely to have taken a budgeting loan or UC advance to make ends meet than the average client, at 12% compared to 8%. At the extreme end, those who had borrowed from friends and family were over 1.5 times more likely to have taken out a payday loan, at 5% compared to 3%.

Figure 17:

Types of borrowing or credit used to make ends meet since March 2020, proportion of clients who had borrowed from friends and family



Alternative methods of coping

Support from friends and family was a strong theme throughout the research, with many clients telling us that they had relied on friends and family for in-kind support when they were struggling.

"At the beginning of the outbreak and the panic buying I could not afford to buy essentials [sic]. I had to go to my parents for supplies as there has not been enough money."

"It's crippled me, my debt has escalated my earnings have reduced by two thirds, I've been barely able to live and have relied on family for food,"

Some were also receiving help from charities and religious groups.

"I just cant make ends meet, surviving on the kindness of family and charity."

"I am able to survive because I get help from family and occasionally from church."

Others told us that they were having to sell their belongings in order to get by.

"I am in desperate financial difficulty. I have not been able to pay bills other than my rent and council tax which was only possible by me selling items such as my TV, clothes and shoes on eBay as I have not been granted universal credit support."

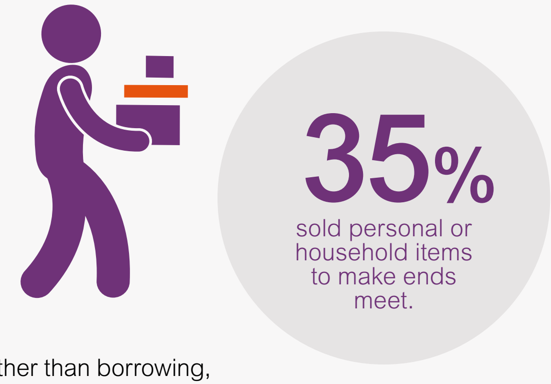
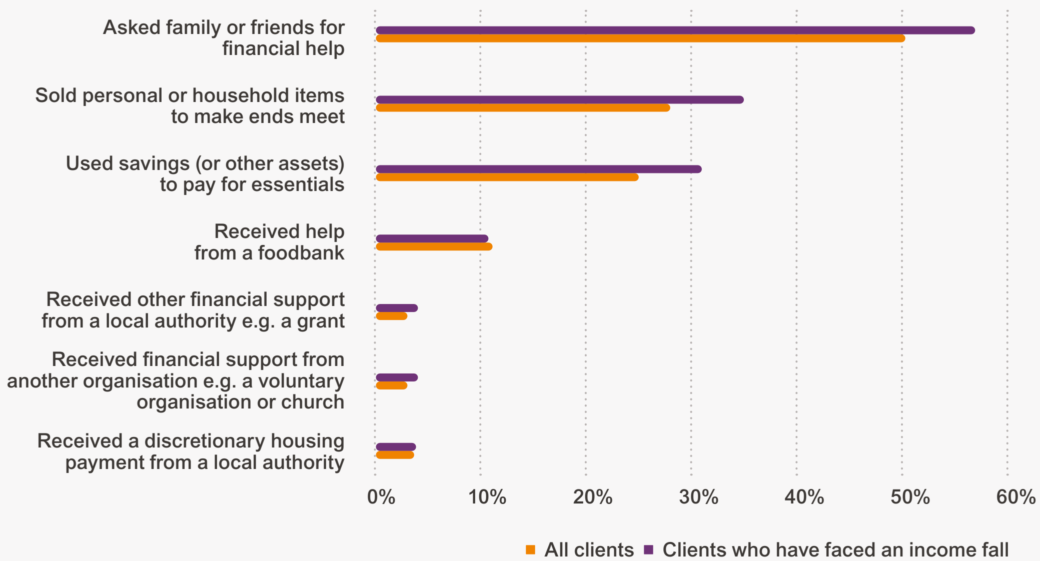


Figure 18 looks at actions that clients have taken, other than borrowing, in order to get by in the pandemic. It shows that over half (57%) of clients who had faced an income fall had asked friends and family for financial help, and a third (35%) had sold personal or household items to make ends meet. Around 11% of those who had experienced an income fall had received help from a foodbank.

Figure 18:
Types of non-borrowing measures taken since March 2020, proportion of clients



31% of clients who had faced an income fall said that they had used savings or other assets to pay for essentials. Savings have provided a buffer for many clients who have fallen into financial difficulty for the first time due to covid-19. However, many clients told us that they were using up their savings to pay for essentials.

"Our minimal savings were used up very quickly and we would have been unable to feed our children a long time ago without [UC]."

"[I went from] having had a substantial income and [being] able to help my family out regularly, to having zero income and having to use any savings I had and claiming benefits."

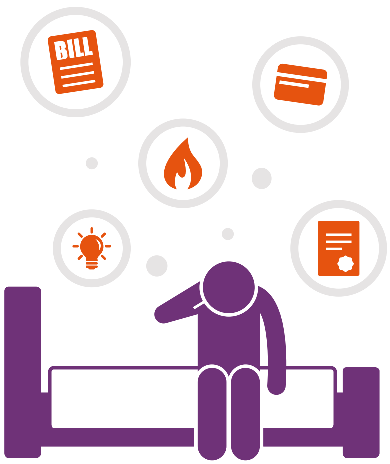
Having to deplete savings in order to get by is likely to have a substantial effect on the financial resilience of clients going forward. Unless the economy recovers and clients are able to get back into work, they will be unable to replenish their savings meaning they are unable to cope with any further financial shocks.

Struggling to cope

The previous section explored how clients had coped with income shocks in the pandemic. But for many, this period has resulted in significant hardship. People have had to juggle bills and debt repayments while continuing to provide for their families on depleted incomes as the cost of living rose. In these circumstances, coping often meant skipping meals and making do with less.

"Some days I was lucky to eat once a day."

"Since the covid-19 started I can't afford to buy clothes for my children even football boots for my son in football academy, sometimes we don't have enough food and toiletries in the house."



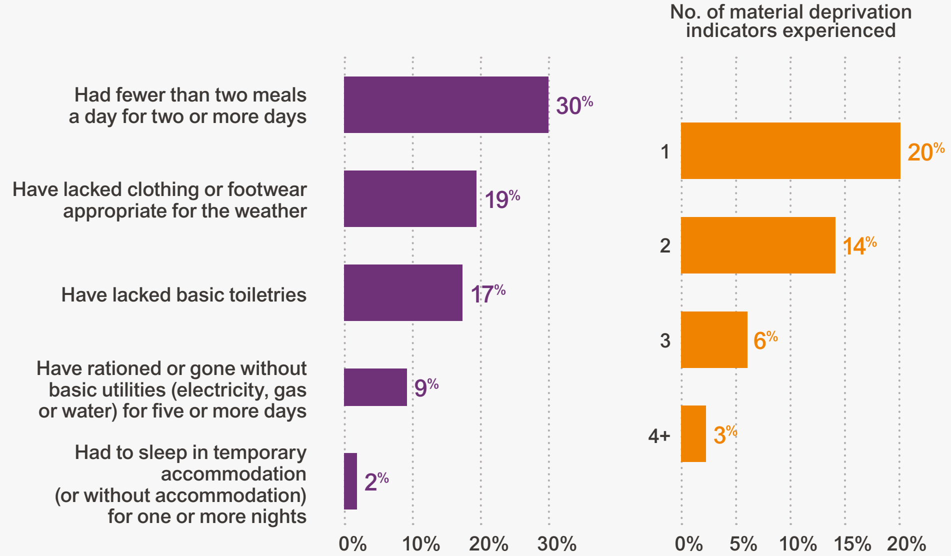
Some clients spoke of making sacrifices so that their children would be provided for.

"I have cut back on a few things that weren't important so my kids had what they needed."

"My record was 10 days without a meal. To ensure the kids could eat meals, I ate bread or 11p noodles, I have lost over a stone… I have froze at night and just got extra blankets… I have a disabled child who has to eat a set diet… we have had to completely shake up the meal plan to make it work [with] no help from government."

Figure 19 looks at the proportion of clients who have experienced material deprivation during the pandemic. It shows that 30% of clients surveyed had had fewer than two meals a day for two or more days in the past month and that 19% of clients had lacked appropriate clothing or footwear for the weather. Around 46% of clients had experienced at least one of these indicators, with 6% having experienced three and 3% having experienced four or more.

Figure 19:
Material deprivation indicators experienced since March 2020, proportion of clients



Mental health implications

The difficult times we are living through have had a substantial impact on the mental health of our clients. Aspects of additional vulnerability are common among StepChange clients, and this latest tranch of clients is no different.

66% of the clients in our survey reported struggling with anxiety, while 62% reported having depression.

With so many clients already vulnerable, current circumstances have served to exacerbate their mental health conditions.

Many clients told us that their situation had left them feeling depressed or anxious.

"I have had to up my medication since being on furlough. My financial situation has now been affected for the next 6 years. It's been a very stressful and emotional time for myself, and unfortunately my children have had to see this."

"We tend to try and make ends meet, the mood is low in the house and some stress has kicked in. Been to Doctors for medication for depression, both my wife and myself, so not the best of situations."

While others told us that the stress of the circumstances was making them spend more.

"Spending a little bit more then usual. Been buying daily and smoking more for the anxiety part of the coronavirus outbreak [sic]."

"Stress and changes due to coronavirus/lockdown have caused severe mood shifts (I am bipolar & autistic) resulting in manic periods and overspending."

For some clients, the situation had led to suicidal thoughts.

"Had left my job and was due to start new one, previous employer refused to reemploy me and put me on furlough. Now on £74 a week benefits. Cannot afford to pay anything, feel like committing suicide some days."

A few clients spoke about how the difficulty of finding work had left them feeling depressed.

"[Covid-19] caused me to feel isolated and depressed and constantly worrying about money while applying for numerous jobs and getting turned down all the time. It's demoralising."

While others spoke of their experiences of managing on very low budgets, particularly while on UC.

"I have been unable to pay my bills and debts, it has caused my anxiety and depression to spiral."

"I hate being on universal credit... it's my opinion the payment is woeful and does not enable me to pay everything I need to. I also get very depressed because of the daily struggles."

The covid-19 pandemic has caused significant hardship for our clients. Measures set out by the government and the FCA have in many instances prevented worse outcomes. The fact that our client numbers reduced in the first months of the pandemic highlights the invaluable support that such schemes provided and feedback from our clients suggests that they have been a great help in this time.

The pandemic has brought with it a shift in the make-up of StepChange clients, as many people experienced financial difficulties for the first time. Job losses and furlough have meant that a significant proportion of new clients are operating on substantially reduced budgets. Coupled with increased living costs in lockdown, this has meant that many struggled to make ends meet and debt problems have worsened.

For some, this has resulted in significant hardship with clients telling us they have found it difficult to pay essential costs and, in certain cases, have struggled to afford food. In some instances, these hardships have taken their toll on the mental health of our clients with many reporting increased anxiety and depression.

In the worst of cases, clients have told us that their situations have led them to feel suicidal. In these circumstances, support from friends, family and charities has been vital, with over half of our clients receiving financial help from friends and family.

The pandemic won't last forever, but the economic fallout will continue to affect us long after it's over. For people who have fallen into problem debt, the impacts will most likely be long term. And if the tide doesn't start to change soon, more job losses in the coming months will mean more people slipping into financial difficulty.

> "In these circumstances, support from friends, family and charities has been vital."

Editors:
Fahmida Rahman
and Josie Warner

If you think you might need debt advice, support with budgeting, or managing persistent debt, StepChange can help with expert advice.

Visit **www.stepchange.org**
or call 0800 138 1111
Mon-Fri 8am-8pm, Sat 8am-4pm
and take the first step towards
taking back control of your finances.

Get in touch:

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