

# Tackling problem debt

# Jan 2016 – Jun 2017 snapshot



925,665  
people contacted us for advice



5.3 million  
visits to our website



£14,309  
is the average unsecured debt  
when clients first contact us



457,270  
clients successfully completed  
a debt advice session



30,000  
clients became free of problem  
debt with our help



21%  
of our clients are single parents  
(compared to 7% of the UK population)



79%  
of our clients are renting (compared  
to 67% of our clients in 2013)



In Scotland, we became the largest  
provider of debt payment programmes  
via the Debt Arrangement Scheme (DAS)



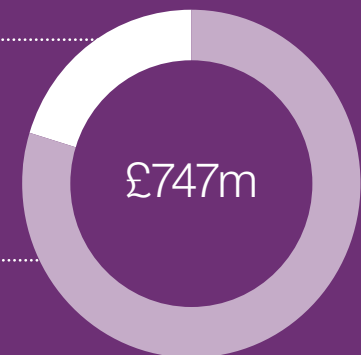
In the 2017 General Election,  
the two main parties made  
manifesto commitments to our  
Breathing Space proposal



Following manifesto commitments to  
our Breathing Space proposal, the  
Treasury launched a call for evidence  
on how to implement such a scheme

£136m  
debt written off by creditors

£611m  
debt paid off by our clients



We're the UK's largest debt advice charity, dedicated to helping people affected by problem debt through free independent advice and solutions. We also campaign to prevent problem debt and reduce the harm it causes.

Record numbers of people are contacting us for help with debt they can no longer manage. Many tell us their lives have been devastated and over half suffered for a year before seeking help. 2.9 million people in the UK have severe problem debt, but only 1.5 million seek support. More than 600,000 people a year seek our help and the need looks set to grow.

Since we created our internal data warehouse in 2003, we have helped over 4 million people tackle over £50 billion of debt

Consumer lending is growing at its fastest rate since 2005 and wages are not keeping up with inflation. Unsurprisingly, we are seeing growing levels of personal debt and the Bank of England has expressed concern.

Job loss or unemployment (19%), injury or illness (16%), reduced income (12%) and separation or divorce (10%) are the top causes of problem debt we see in our clients. Problem debt not only causes harm to individuals and families, it drains the UK economy of an estimated £8.3 billion through its impact on physical and mental health, productivity and through the social welfare costs of supporting those who become trapped by debt.

Drawing on real-life experiences and data from people we help, we make evidence-based cases for changing policies, law and private practice to reduce the likelihood of problem debt and the damage it causes. We campaign for responsible lending with products which don't create unexpected or unaffordable debt. We also campaign to ensure that collection practices are fair.

We're majority funded by voluntary donations from lenders who support our work. Since 2012, our income has grown by 39%, which has allowed us to increase the number of people we are able to help by 60%. As the need for free debt advice grows, we're committed to doing even more. Therefore we're investing in transforming our business processes to enable us to provide an even better service to help even more people in need.

## Key facts



**2.9 million**

people in the UK have severe problem debt, but only 1.5 million seek support



**£8.3 billion**

drained from the UK economy through health, productivity and welfare costs



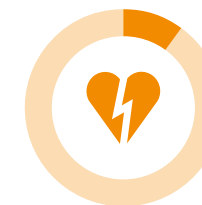
19%



16%



12%



10%

Job loss or unemployment (19%), injury or illness (16%), reduced income (12%) and separation or divorce (10%) are the top causes of problem debt for our clients



**60%**

more people helped by us thanks to a 39% growth in our income since 2012



**600,000**

people a year are currently seeking our help and the need looks set to grow

## Out-performing others

Our advice and solutions help people recover from problem debt. In the 18 months to June 2017, nearly 30,000 StepChange Debt Charity clients became free of problem debt. Many more were able to tackle debt themselves by following our advice. StepChange intervention also relieves clients from the stress of creditor action. And alongside this, independent analysis in 2013 by Baker Tilly revealed savings to creditors of £175 million over a year as a result of the charity's work.

StepChange DMPs are much more sustainable, leading to significantly higher levels of debt reduction than DMPs supported by other agencies

Where clients can repay some of their debts, we work with their creditors to arrange an affordable debt management plan (a DMP). Every penny a person pays through a DMP goes directly towards eliminating their debt. In the 18 months to June 2017, clients paid over £611 million off their debts through DMPs. In order for such plans to resolve problem debts, it is vital that they are sustainable.

According to Arrow Global, a leading debt purchaser, StepChange DMPs are much more sustainable, leading to significantly higher levels of debt reduction than DMPs supported by other agencies. Similar evidence was obtained by us working with a major utility company and a credit

reference agency. StepChange clients were less likely than other consumers to go into subsequent arrears on their utility bills and, when they did, ended up owing less. In addition, the charity's acceptance and revocation rates for debt protection plans in Scotland are significantly better than the industry average. Since 2010, our award winning Financial Solutions team has provided free, impartial advice for clients wishing to explore their equity release options. And our award winning advocacy team secured £2.3m of write-off for our most vulnerable clients – an average of £6,787 each.

For those who cannot repay their debts, we also provide free support to arrange debt relief through insolvency. In the 18 months to June 2017, our clients saw debt worth more than £110 million written off through debt relief orders and individual voluntary arrangements (IVAs). IVAs lead to debt write-off if they are sustained. Our IVAs are more sustainable than the industry average with just 2.7% failing in the first year compared to an industry average of 5.2%.



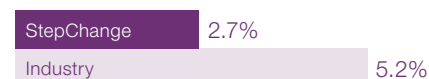
94%

of our clients were very/quite likely to recommend us to others (2017)



89%

of our clients rated our service excellent or very good (2017)



2.7%

average client IVA failure rate in the first year from 2007–2015 compared to the industry average of 5.2%



£175 million

savings to creditors as a result of the charity's work



“Making the initial contact was daunting but every person I have spoken to has been kind, supportive and non-judgemental. I am incredibly relieved and so glad I made the decision to contact StepChange. The steps I am taking now really have changed my life.”

Linda, Suffolk

“At every stage of the process, your staff were exceedingly helpful, considerate and reassuring. The debt solution offered to me has given me back control of my life.”

Richard, Merseyside

“I was very depressed and sure I would lose my home along with everything else. It was taking a toll on my health and I spent many sleepless nights trying to figure out what to do. StepChange has helped me in a way I would never have thought possible.”

Alison, Surrey

# Influencing change

Our vision is a society free of problem debt. Our campaigning, influencing and partnership work helps prevent and reduce the harm of problem debt by influencing change in industry practice, regulation and government policy.

## Tackling barriers to recovery Breathing Space

Too often, people who have taken the brave steps necessary to tackle their debts are undermined by creditors who continue to take enforcement action against them or add interest and charges on top of what is owed.

**Our clients often describe the relief they feel when the harassment calls stop and interest or charges no longer escalate their debts**

Our clients often describe the relief they feel when the harassment calls stop and interest or charges no longer escalate their debts. But this depends on us convincing each of their creditors to informally agree to grant a temporary Breathing Space period.

We've been campaigning for the Government to introduce a comprehensive Breathing Space scheme with similar protections to the Debt Arrangement Scheme (DAS)

in Scotland to support people seeking help to pay their debts through a regulated debt advice provider. The scheme should give a period of up to a year in which interest and charges are frozen and enforcement action halted.

We secured support for a Breathing Space scheme from debt charities and a number of other charities, the Work & Pensions Select Committee, Financial Inclusion Commission and Credit Services Association.

We also secured manifesto commitments from the two main parties during the 2017 General Election and four months later, the Treasury launched a call for evidence on how a Breathing Space scheme should be implemented.



1/5

people struggling financially have been unable to afford food after making unsecured debt repayments



96%

of DAS clients felt it was important that freezing interest and charges stopped their debts from growing



6/10

of our clients said that their financial situation stabilised once all of their creditors agreed to freeze further interest, charges and enforcement action



96%

of DAS clients felt it was important that they were able to pay back their debts in a manageable way



6/10

of our clients who were not protected from interest, charges and enforcement actions went on to take out more credit to cope



94%

of DAS clients felt safer knowing creditors could not take court action against them

## Tackling the biggest causes The lack of rainy day savings

Traumatic events such as redundancy, relationship breakdown or bereavement can set a family back financially for months, even years. Accessible savings can help avoid problem debt, promote financial inclusion and lead to wider social benefits but many struggle to save for a rainy day. Our two-year campaign contributed to the introduction of the Government's Help to Save scheme which will launch in 2018 offering a matching 50% (up to a maximum £600) to those saving on a low income.



£1,000

in savings could reduce the number of households at risk of problem debt by 500,000



21.8 million

adults are not confident that they are saving enough to cope with a rainy day

## Tackling the biggest debt types

### Credit cards and overdrafts

Credit cards are designed as short term products but can too easily lead to persistent long term debt. The Financial Conduct Authority (FCA) has acknowledged that the persistent debt caused by this product is detrimental to consumers. Significant reform is needed including lenders intervening earlier to prevent the build-up of persistent debt; increasing minimum payments on credit card balances and banning unsolicited credit limit increases.

Overdrafts can also lead to persistent debt problems. Regularly having to go into an overdraft, or being hit by unarranged overdraft charges can lead to and exacerbate financial difficulties. The FCA is undertaking a review of overdrafts and as part of this, we are recommending they abolish unarranged overdraft charges and ensure banks are helping more people out of persistent overdraft debt.



8.8 million

people turned to credit to pay for everyday essentials in 2016



67%

of our clients have problematic credit card debt (an average of £8,134 each)



1.1 million

used high cost credit (e.g. payday/doorstep loans) for everyday essentials in 2016



50%

of our clients have an overdraft (an average of £1,722 each)

## Tackling debt trends of concern

### Payday loans, council tax and poor bailiff conduct

When payday loans were the fastest rising type of debt among our clients, we campaigned for better controls to limit the rise and extreme detriment they were causing. The FCA introduced a package of measures to deal with payday lending problems, including a cap on interest and charges to help regulate the payday loans market, with the aim of making it fairer for borrowers.

Regulatory interventions quickly and significantly reduced the proportion of our clients with payday loan debts and we saw fewer cases of egregious bad practice. However, we continue to see problems with unaffordable multiple short term high cost loans and poor debt collection practices. More accessible and affordable alternatives to high cost credit are needed for the most financially vulnerable.

A current debt trend of concern is the significant rise in the number of clients falling behind on household bills from 22.9% in 2010 to 40.6% in the first half of 2017. In particular, the proportion of clients in council tax arrears increase from 25.1% in 2013 when reforms to council tax support were introduced, to 31% in 2017. Council debt collection accounts for the majority of bailiff use in England and Wales and we are working with ten other charities on the Taking Control campaign for bailiff reform.



1/6

StepChange clients surveyed had been visited by a bailiff in the previous year



24%

tried repayment over the phone but the bailiff insisted on visiting their home



50%

of those who had been visited by a bailiff said they were treated unfairly



55%

of those visited by a bailiff said it made their debt problems harder to manage

“Every time I spoke to them they had a very positive customer focused approach and every advisor I spoke to was so kind and helpful. I am now debt free and so organised with my finances, I even have a budget excel spreadsheet on my phone! Thank you so much to all the team at StepChange. A vital service to low income families in debt.”

**Eve, Cheshire**

[www.stepchange.org](http://www.stepchange.org)

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