Cost of Living

About StepChange Debt Charity

StepChange is a registered charity providing free and non-judgemental debt advice and support to people across the UK. Since 1993, we have helped more than 7.5 million people with debt problems take back control of their finances and their lives.

Summary

> "It was literally a choice between not eating or not having energy—and not eating and feeding our daughter wasn't an option." *Naomi, StepChange client*

The cost of living continues to hit households hard, with housing, Council Tax and utilities, such as energy and water, all at historically high levels. Although inflation has fallen, its cumulative impact means living costs remain far higher than before the pandemic. For StepChange, the high cost of living is one of the most significant factors in the financial struggles of our clients, as it can lead to increased debt and hardship[i]. With more than 20 million people in the UK living in financially vulnerable circumstances[ii], it is no surprise that our own research has found that around four in ten (38%) UK adults have found it difficult to keep up with bills and credit commitments in the last few months[iii].

What are the main issues?

Increasingly unaffordable household bills, including **Council Tax, energy and rent**, are pushing people into debt, with more people finding **work is not shielding them** against financial hardship. For instance, **rent** has risen **21% more than income growth**[iv]**.** Additionally, the **average energy arrears** among StepChange clients in Britain continues to climb, **increasing by over £1,000 in the last five years to a new high of £2,455**[v]. This marks an increase of 79% since 2021. This is causing severe anguish for families, with almost **one in two (45%) GB adults saying in April that they were worried about their ability to pay energy bills** over the next six months.

The recent conflict in the Middle East adds another layer of instability and increased costs for households across the UK. **Those on the lowest incomes face growing budget deficits** and are more at risk from **unfair and damaging debt collection practices,** pushing more people to rely on **unaffordable credit** to make ends meet. Our research shows that using credit to cope with budget shocks makes people much more likely to experience serious debt problems[vi]. This is **harmful to health, work and relationships**, creating significant social costs and acting as a **drag on growth**[vii].

What changes are needed?

" All of my money goes on rent and utilities and it's making me feel stuck and scared for the future." Bethan, StepChange client

People are looking for financial reassurance and support. An uncertain and volatile world impacts the financial situation of all households, not just those already in crisis. Boosting people's confidence that policymakers see and recognise their situation, and are working to improve it, is vital. For many people, saving money and accessing affordable credit remain out of reach.

Without both immediate action and long-term reform, the ambitions of the Government's Financial Inclusion Strategy to strengthen financial resilience will not be achieved. StepChange are therefore calling on the Government to take action as follows:

Introduce an energy social tariff: Government should move at speed to introduce targeted support with energy costs from this winter, building on the Warm Home Discount scheme infrastructure guided by the following five principles - support should be:

- **Effectively targeted,** to make sure support reaches the right people.
- **Provided automatically** wherever possible, to guarantee high uptake.
- **Tiered,** to reduce the potential for steep cliff edges in eligibility.
- **Enhanced**, to tangibly ease low-income households' bill burden.
- **Mandatory for all suppliers**, to prevent a postcode lottery of support.

Introduce the Energy Debt Relief Scheme: Government must work with Ofgem to progress the planned scheme at pace, supporting those with energy debt accumulated during the period of historically high prices to repay arrears affordably, including write-off for the most financially vulnerable groups.

Uprate housing benefit in line with the cost of rent: building on the welcome end to the two-child limit, Government should take cost-effective steps to help those most exposed to hardship by increasing support with housing costs—the biggest expense most households face—ensuring that the worst off are protected from unaffordable rents.

Increase the take-up of council tax support (CTS): An estimated 2.5 million households not claiming CTS are missing out on over £3 billion in financial support.[viii] Government should actively promote take-up and facilitate councils to use auto-enrolment for CTS wherever possible by updating regulations so that councils can treat a Universal Credit (UC) claim as an automatic application for CTS and ensure councils can access UC data.

Expand take-up of the Help to Save scheme: Government should boost financial resilience among those with low-to-middle-incomes receiving UC by introducing a system of auto-enrollment for the Help to Save scheme, and bring forward extension of the scheme to eligible parents and carers from 2028 to 2027.

Scale-up access to safe, affordable credit through a national No Interest Loan Scheme (NILS). Government should further boost financial resilience by rolling out a national NILS, providing a valuable alternative to high-cost credit and harmful borrowing, through no-cost small sum loans to help those with low- to middle-incomes to smooth lumpy costs safely.

How can you help?

The policy solutions above aim to support people to feel less of a pinch on their pockets and start to build financial resilience, and we welcome the chance to provide more detail about them.

Request a meeting with StepChange for more information about how you can support our work, and to obtain constituency-level data, by emailing Lucy.Hooper1@stepchange.org.

Become a member of the APPG on Debt and Financial Inclusion. Email James.Cleverley@stepchange.org for more information.

[i] StepChange, (2026) *Statistics Yearbook: Personal debt in the UK, January-December 2025*

[ii] Fair4All Finance estimates there are 20.3 million people living in financially vulnerable circumstances *Fair4All Finance segmentation model*

[iii] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,179 adults. Fieldwork was undertaken between 19th - 20th January 2026. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

[iv] StepChange client data on income growth vs expenditure is available on request

[v] StepChange, (2026) *Plugging the gap: The case for national social tariffs in energy and water*.

[vii] Institute for Fiscal Studies (2024) The distributional impact of tax and benefit reforms since 2010 | Institute for Fiscal Studies

[viii] Policy in Practice (2025) *Missing Out 2025: £24 billion of support is unclaimed*