Plugging the gap:

The case for national social tariffs in energy and water

April 2026

Plugging the gap

StepChange Debt Charity

Contents

Executive summary

Much of our lives are spent at home. We should all be able to live comfortably in homes that are warm and well-lit, confident to use the water we need to maintain our health and dignity, without financial concerns.

Yet this sense of assurance feels out of reach for too many of us. Nearing half (45%) of GB adults are worried about their ability to pay their energy bills over the next six months; three in ten (28%) say the same for water bills in England and Wales – noting most Scottish households pay for water through their council tax bill.

The destabilising impacts of these concerns manifest in troubling ways – from rationing heating use to harmful levels, to cutting down on showering or bathing. These experiences must not be normalised. Instead, we should seek to address their cause, prevalence and consequences – and find solutions to root them out.

The issue, at its core, is two-fold: one of income and expenditure. In the 20 years from 2003-04 to 2023-24, the bottom 10% of incomes among working age adults only grew by a cumulative 0.5 per cent – compared to what the Resolution Foundation termed a 'still meagre' 7.7 per cent growth at the 75th percentile.[1] Average annual energy bills meanwhile have risen by 44%, or £503, when comparing the typical annual bill you could expect from April 2021 to April 2026 – and look set to spike again from July this year.[2] Average annual water bills increased by over 50% – or £206.40 – between 2020/21 and 2025/26.[3]

The resulting affordability pressures are most acutely felt by low- to middle-income households, who spend a larger proportion of their incomes on essentials. Increasing housing and food costs have also placed broader pressures on household finances in recent years.[4]

In January 2026, we surveyed StepChange debt advice clients to understand their experiences of falling behind on household bills, alongside analysing client data, conducting debt advisor focus groups and commissioning nationally representative polling. This report focuses on those with energy and water arrears, and tackles three core questions:

1. Who is behind on bills, and by how much?

2. Why are they behind?

3. How do we prevent this in the future?

The good news is that some of the work to lay the foundations for improving utility affordability has already started. In domestic energy, the Warm Home Discount (WHD) scheme provides a practical framework to expand on for future support. Social tariffs, meanwhile, are an established – albeit voluntary and variable – feature of the water market.

With household disposable incomes projected to rise less than one per cent each year over the next five years, energy prices predicted to remain elevated well into the 2030s – even before the recent sharp increase in wholesale gas prices – and the average water bill set to rise by over 36% between 2024-25 and 2029-30, the case for urgent intervention to plug the affordability gap is abundantly clear.[5] This report sets out the current reality, and practical next steps.

Key findings: Energy

Energy arrears are the most common form of priority debt among StepChange debt advice clients and, in an attempt to take control of energy costs, many households are turning to troubling coping mechanisms.

- In the last three months, six in ten (58%) GB adults responsible for paying energy bills have personally taken action to try and reduce spending on their energy bill. This climbs to three quarters (74%) among those worried about their ability to pay their energy bills over the next six months.
- Those who have attempted to reduce spending on energy report restrictive actions like cutting back on non-heating electricity (44%), confining activities to one heated room (20%), or going to bed early (20%), diminishing the scope of their lives at home. A minority (8%) have gone without meals to avoid cooking.

Certain groups are disproportionately bearing the brunt of ongoing energy affordability challenges – including women and disabled people.

- Seven in ten GB StepChange clients with energy arrears in 2025 were women (71%), and two in five (38%) were single parents – with notable overlap between these groups. This compares to six in ten (60%) women clients overall, and a quarter (26%) of single parents overall.
- Half (51%) of clients receiving Disability Living Allowance (DLA) or Personal Independence Payment (PIP) and responsible for paying energy bills were in arrears, compared to around a third (35%) of those not receiving DLA or PIP and responsible for energy.
- Four in five (81%) clients with energy arrears were living in a form of rented housing.

Negative budgets – meaning someone's monthly income is not enough to cover their basic monthly costs – loom large over some with energy arrears.

- In 2025, two in five (40%) StepChange GB clients with energy arrears had a negative budget, compared to around three in ten (28%) clients overall.
- One in five (18%) clients with energy arrears had a monthly deficit of more than £400.

Current Government-led energy support is not sufficient to protect struggling households – both in terms of its reach and amount.

- The WHD scheme payment – introduced in 2011 as a single £120 sum paid in the winter intended to help those living in fuel poverty with their energy costs – has only increased by £30 over its lifetime, and by a minimal £10 since winter 2014/15.
- In stark contrast, in the last five years between 2021 and 2025, the average amount of energy arrears per StepChange client has risen by 79% – from £1,374 to £2,455.
- Nearly two thirds (63%) of StepChange clients with energy arrears were in receipt of Universal Credit (UC) in 2025; 10% or fewer were receiving other qualifying means-tested benefits like Pension Credit or income-based Jobseekers' allowance. While those receiving means-tested benefits are at greater risk of energy arrears, limiting WHD scheme eligibility to those receiving means-tested benefits alone excludes many clients in need of support.

Key findings: Water

▶ Customers with a water meter in England and Wales are feeling forced to take measures which compromise their ability to clean themselves and their clothing in an attempt to keep up with payments.

- Two in five (41%) adults in England and Wales with a water meter have personally taken action to try and reduce spending on water bills in the last three months. This rises to three in five (62%) among those worried about their ability to pay their water bill.
- Among those taking such steps to ration water use, the most common actions taken are reducing the length of time spent in the shower (61%), or how often they flush the toilet (57%).
- A worrying number – around two in five – had respectively reduced how often they shower or bathe (43%) or cut down on clothes or bedding washing (39%).

▶ While debt can and does happen to anyone, affordability challenges are not dished out equally – with certain groups in England and Wales being disproportionately likely to face challenges meeting essential household costs like water.

- Over four in five (85%) StepChange clients with water arrears in England and Wales in 2025 were living in private or social rented housing, compared to three in five (62%) clients overall.
- Three quarters (73%) were women, compared to three in five (60%) clients overall. Two in five (40%) were single parents, compared to a quarter (26%) of clients overall.
- Clients in receipt of DLA or PIP in 2025 were more likely to be behind on water than those not in receipt of these benefits and had, on average, £138 of additional water arrears compared to those who are behind but not receiving these benefits.

▶ A large minority of StepChange clients with water arrears are burdened by a negative budget, meaning their monthly income doesn't accommodate their essential costs.

- Two in five (39%) clients with water arrears in 2025 had a negative budget, compared to three in ten (28%) clients overall. Almost one in five (17%) with water arrears had a budget deficit of more than £400 a month.

▶ Limited awareness of voluntary water social tariffs is a blocker to ensuring eligible households receive the financial support they have a right to, while individual providers' offerings vary when it comes to both eligibility criteria and support amounts.

- Only three in ten (29%) adults in England and Wales are aware of water social tariffs – cheaper or discounted deals designed for low-income customers.
- Among those in receipt of UC, the same figure (29%) are not aware of water social tariffs, despite being in receipt of means-tested benefits and this in and of itself often being part of providers' qualifying criteria.
- The annual financial support offered by the main water and sewerage providers diverges significantly nationwide, creating a postcode lottery in assistance.

Affordability challenges at a glance

44,519
GB clients behind on energy bills in 2025

21,508
clients behind on water bills in England and Wales in 2025

£2,455
average amount of energy arrears per GB StepChange client

£1,326
average amount of water arrears per client in England and Wales

£544
additional energy arrears among those receiving Disability Living Allowance/ Personal Independence Payment

£138
additional water arrears among those receiving Disability Living Allowance/ Personal Independence Payment

-£126
average mean monthly budget position per GB client with energy arrears

-£120
average mean monthly budget position per client with water arrears in England and Wales

63%
proportion of GB energy arrears clients accessing Universal Credit

67%
proportion of water arrears clients in England and Wales accessing Universal Credit

65%
GB energy arrears clients with an additional vulnerability beyond their financial situation

67%
water arrears clients in England and Wales with an additional vulnerability beyond their situation

Recommendations

StepChange debt advisors support clients in vulnerable situations struggling with the cost of energy and water bills every day, including many who cannot meet the essential costs needed to provide a dignified quality of life. These challenges are most acutely felt by those with lower incomes and with higher essential consumption needs.

Central and devolved Governments should work together to introduce national energy and water social tariffs to protect financially vulnerable consumers from unaffordable utility costs by:

1. Transforming the existing Warm Home Discount Scheme into a social tariff.

2. Introducing a single national social tariff across all water providers in England and Wales.

Five principles should guide the design of both energy and water social tariffs – 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 providers**, to prevent a postcode lottery of support.

For the WHD scheme, this means:

- reforming the scheme to introduce higher tiers of support for households with lower incomes or greater consumption needs at risk of fuel poverty;
- expanding eligibility criteria to those receiving non means-tested disability benefits, to reflect the higher consumption requirements many disabled people face; and
- building data-matching infrastructure to identify and support households with low incomes not receiving means-tested benefits and at risk of fuel poverty.

Central and Welsh Government should also consult as soon as possible on the introduction of a national water social tariff in England and Wales including:

- a system of auto-enrolment to address low take-up;
- consistent eligibility criteria to ensure fair, well-targeted support; and
- a minimum level of support to ensure the social tariff effectively prevents water poverty.

Methodology

This report is based on research using StepChange debt advice client data, a client survey, qualitative focus groups with debt advisors and nationally representative polling.

1. We analysed data held on StepChange clients in Britain who completed a telephone or online debt advice session with us in 2025 – 153,829 clients.

2. We conducted an online survey among StepChange clients between 16 January and 2 February 2026. The survey was sent to a random sample of 10,625 clients in England and Wales, and 1,010 clients in Scotland, who first completed debt advice between 1 January 2025 and 30 June 2025 and had arrears for at least one of the following bill types: energy, water, broadband or mobile arrears (or council tax arrears in Scotland, as most households pay water and sewerage charges through this bill).

   257 clients responded to the survey and provided an answer to at least one question. There were no mandatory questions. Names marked with an asterisk are used to protect client anonymity.

3. We carried out two qualitative focus groups with 11 StepChange debt advisors who have regular engagement with clients who have utility arrears, on 13 and 15 January 2026, to contribute to our understanding of clients' experiences.

4. We commissioned YouGov to conduct nationally representative polling. Fieldwork was undertaken on two occasions:

   - between 19 and 20 January 2026, with a total sample size of 2,179 UK adults. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+). The GB subset contains responses from 2,121 adults, while the England and Wales subset contains 1,944 responses.
   - between 6 and 7 April 2026, with a total sample size of 2,104 UK adults. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+). The GB subset contains responses from 2,073 adults, while the England and Wales subset contains 1,892 responses.

Each of these research elements factor into the findings of this report. For the purpose of this research, we have excluded insight on clients in Northern Ireland due to the differing utilities policy landscape between different UK nations.

The persistent problem of high energy costs

The global gas market has experienced significant volatility in recent years – with a return to pre-pandemic energy bill expectations now unlikely in the foreseeable future.

First, rewind to 2021: a surge in wholesale gas prices sparked a drastic rise in domestic energy costs, quickly becoming known as the "energy crisis".[6] The then-Government responded with the Energy Bills Support Scheme (which provided all households with a £400 non-refundable discount on electricity bills) and the Energy Price Guarantee (a temporary subsidy on energy costs) in October 2022.[7] While these acts insulated all households from the worst of the energy crisis, their universal nature meant they were both expensive and imperfectly targeted.[8]

Energy bills still remain far above pre-energy crisis averages, with a typical household in Britain facing average annual energy expenditure more than £500 higher compared to what they could expect to pay for the same consumption just five years ago.[9] The financial assistance available to support those in or at risk of fuel poverty, meanwhile, has quite simply not kept pace.

But the picture looks set to worsen. Since February 2026, there has once again been a sharp increase in wholesale gas prices, driven in this case by conflict in the Middle East. Current forecasts indicate that Ofgem's next price cap – which will come into effect between July to September this year – could rise by an annual average of £220 for a typical household, which effectively wipes out the fixed annual £150 Warm Home Discount payment and then some.[10] Although it is too early to be sure of the long-term impact the conflict will have on UK energy bills, it is likely to be significant.[11]

With the ramifications of the earlier energy bill shock still affecting many households, it's sadly no surprise that warnings of another increase in prices has seen polling commissioned by StepChange this April find that nearing half of (45%) GB adults are worried about their ability to pay their energy bills in the next six months – up from three in ten (29%) in January. The proportion of people saying this was a worry climbs to over half (55%) among single parents, while three in five (61%) people receiving UC said the same.

These crises have accelerated a longer-term trend: since 2000, energy prices have consistently outpaced both inflation and poorer households' income growth.[12] Not only this, but Britain has some of the oldest and poorest quality housing stock in Europe.[13] This comes at a social cost. Research by the BRE Group estimates that it is costing the NHS some £1.4 billion per year to treat people experiencing ill-health connected to poor housing in England alone.[14]

Years of high prices have already taken a profound toll. The latest Ofgem figures show that total energy debt levels have grown to a new record high of £4.55 billion, up by 18% year on year.[15] While we are encouraged by the regulator's plans to write off some historic debt built up over the peak of the "energy crisis" through the rollout of the Debt Relief Scheme, it is clear – exemplified by the current global context – that this alone will not be enough to tackle either the buildup of unsustainable debt levels or the ongoing affordability problem.[16]

A deepening energy debt and affordability crisis

Energy arrears are the most common form of priority debt that StepChange debt advice clients face. Priority debts are broadly defined as debts which can impact your home and health, cause legal problems, or lead to more debt.

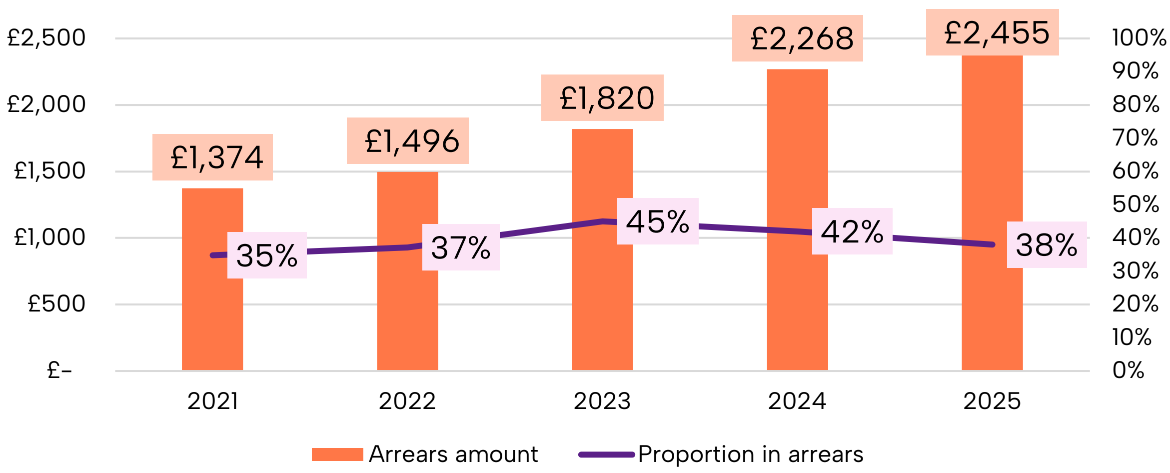
Among 118,070 new StepChange clients in Great Britain who were responsible for paying energy bills in 2025, almost two in five (38%) – 44,519 people – were behind.

While the proportion of StepChange clients with energy arrears has dipped by seven percentage points since 2023, the average amount of arrears *per* client has deepened each year since 2021. In the last five years alone, this figure has risen substantially – by 79% – and now sits at an average total of £2,455. What's more, almost three quarters (72%) of those behind on energy bills in 2025 had multiple household arrears.*

This indicates that there is a group for whom energy bills – and household bills more widely – remain persistently unaffordable. The implications of this ongoing affordability crisis are severe and far-reaching – from driving debt problems to causing or exacerbating mental health problems and detrimental physical health impacts due to self-rationing energy consumption. The perils of living in a cold, damp home are well-evidenced. The End Fuel Poverty Coalition has highlighted bleak reality that certain vulnerable groups such as those with lung conditions and mental health problems are far more likely to be in this situation, as well as those living in private rented accommodation.[17]

Importantly, data on energy arrears does not capture those who are just about managing to avoid falling behind but still struggling. Polling commissioned by StepChange in January 2026 shows that 4% of GB adults – equivalent to over two million people** – had used credit to pay essential household bills (for example, rent, mortgage, council tax and utility bills) in the three months prior. Once someone is in a cycle of borrowing to stay on top of essentials, debt tends to deepen, repayments increase and financial difficulties become further entrenched.

Figure 1: Average energy arrears amount and proportion in arrears amoung GB StepChange clients over time



* By household arrears, we mean dual fuel, electricity, gas, council tax, water, rent, mortgage, ground rent/service charges, TV licence, home phone and broadband.

** Population estimates have been calculated by StepChange, based on ONS data.

Who is behind on energy bills?

While the enduring period of high energy prices has affected the financial lives of many households, its reverberations have been especially felt by certain groups.

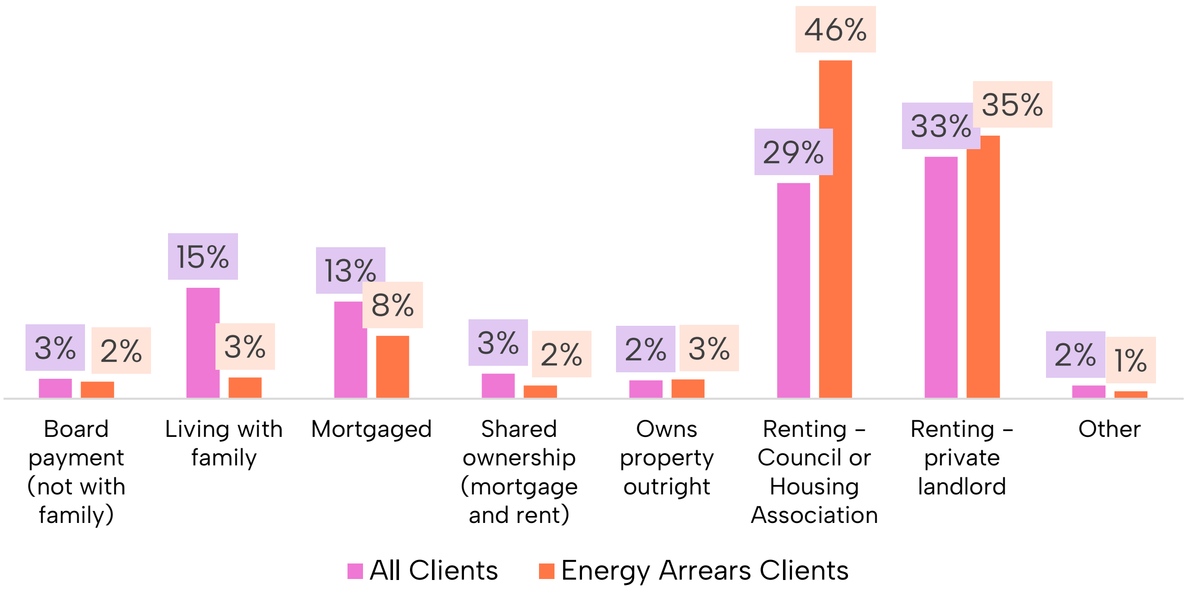
StepChange clients with energy arrears are disproportionately likely to be women, private or social renters, and single parents compared to national averages and clients overall. Among those with energy arrears in 2025:

- **81% were in private or social rented housing,** compared to 62% of clients overall.
- **71% were women,** compared to 60% of clients overall.
- **65% had an additional vulnerability beyond their financial situation,** compared to 54% of clients overall – ranging from physical or mental health challenges to emergency or family issues such as a recent bereavement.*
- **38% were single parents,** compared to 26% of clients overall.

Data from the Office for National Statistics indicates that single parent households with dependent children make up 6.6% of UK households overall – so they are significantly overrepresented among our clients, and even more so among those with energy arrears.[18]

Previous research conducted by StepChange has shown how these groups overlap in many cases – for example, women are much more likely to be single parents – and can be particularly exposed to problem debt and financial harm.[19]

Figure 2: Housing tenure among GB energy arrears clients



* An 'emergency issue vulnerability' includes experiences of domestic violence, a recent bereavement, redundancy/dismissal from work, suicidal tendencies and having been a victim of crime.

A shrinking of worlds?

Polling commissioned by StepChange shows that the majority of GB adults who pay energy bills are taking steps to try and deal with high energy costs. Many of these should give us cause for concern.

In the last three months, six in ten (58%) GB adults responsible for paying energy bills have personally taken action to try and reduce spending on their energy bill. This climbs to three quarters (74%) among those worried about their ability to pay their energy bills over the next six months.

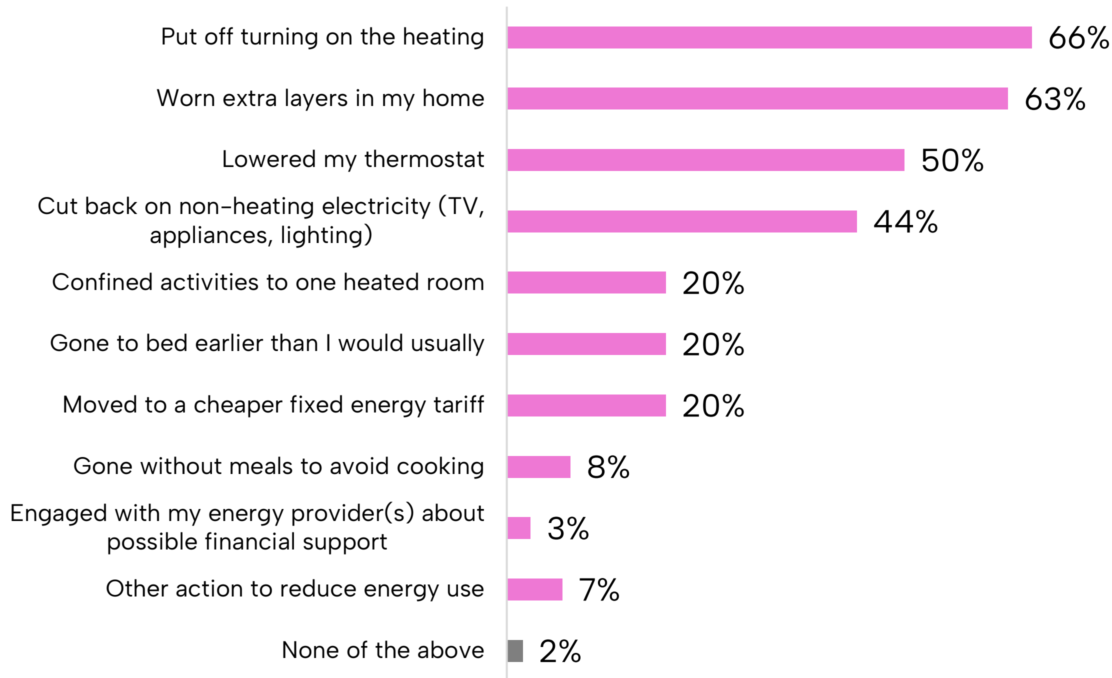
Encouragingly, one in five (20%) who are cutting back have managed to switch to a cheaper fixed energy tariff in the last three months. This is an important avenue that consumers can consider pursuing to cut energy costs – but it's not open to everyone. You can't switch, for example, if you have arrears of more than £500 per fuel on a prepayment meter, or any arrears which have been outstanding for over 28 days on a standard meter.[20]

Some cost cutting steps might, on the surface, appear to be practical and potentially helpful. But steps like confining activities to one heated room, cutting back on non-heating electricity (like TV, lighting or appliances) or going to bed early, if prolonged, can represent a shrinking of someone's world.

Others have more blatant negative wellbeing implications. Concerningly, almost one in ten (8%) have gone without meals to avoid cooking.

Representing a missed opportunity that needs addressing, just 3% have engaged with their energy provider about possible financial support.

Figure 3: Specific steps carried out by GB adults who have taken action to try and reduce spending on their energy in the last 3 months



Source: YouGov survey of 2,104 UK adults, undertaken online between 6-7 April 2026. Responses shown only among those in Britain who said they have taken action to try and reduce spending on their energy bill [n=1,132]

Employment status, disability and health inequalities

StepChange debt advice clients with energy arrears in Britain in 2025 were less likely than clients overall to be in paid employment, driven by more clients with energy arrears not working due to illness or disability.

Three in five (60%) clients overall were in some form of paid employment in 2025 – whether full-time, part-time, self-employed or on a zero hour contract. Over two in five (44%) with energy arrears were in the same position.

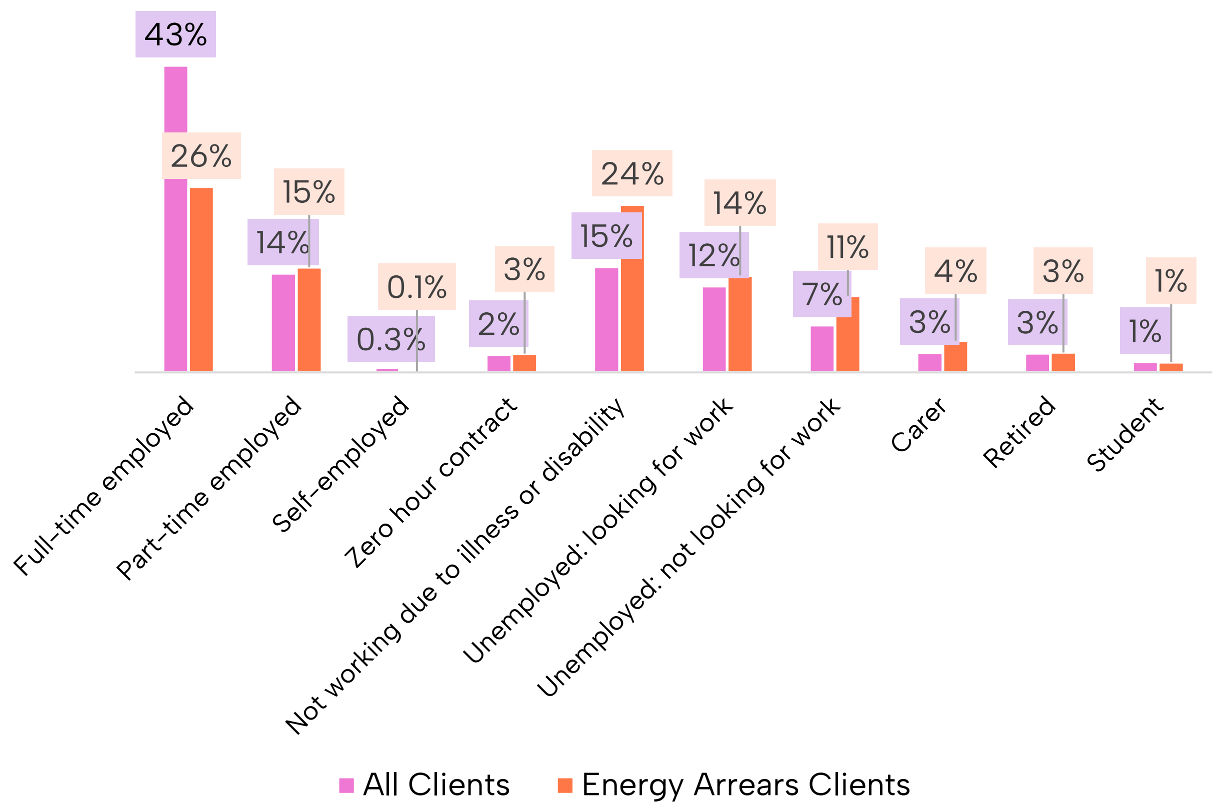
In its 2026 UK Poverty Report, the Joseph Rowntree Foundation noted how in-work poverty has become a "persistent feature of the labour market", with rising numbers of workers unable to achieve a decent standard of living despite being in employment.[21]

This resonates with research published by StepChange in 2024 charting the rise of clients in full-time employment (FTE) seeking debt advice.[22] It highlighted the potential inadequacy of existing safety nets, the prevalence of in-work debt problems and gender-specific experiences – with women in FTE facing greater financial precarity, with lower average monthly incomes and a higher reliance on UC.

A quarter (26%) of clients with energy arrears were in FTE in 2025. Their monthly income marginally surpassed their expenditure on average – meaning they were, when taken together, in a mean surplus position of £46, decreasing to £26 among single parent clients.

This does not imply solid financial ground; a dynamic reflected in polling commissioned by StepChange in January 2026 – which found that over a third (37%) of adults in FTE found it difficult to keep up with household bills in the last few months.

Figure 4: Employment breakdown among GB energy arrears clients



The interaction between health inequalities, employment and debt is an essential part of any conversation about utilities affordability interventions.

In 2025, a quarter (24%) of StepChange clients with energy arrears weren't working due to illness or disability – compared to 15% of clients overall.

Crucially, disabled people and those with long-term health conditions can face extensive barriers relating to employment. The disability charity Scope describes how factors such as inaccessible interview tests and formats, inflexible working patterns and negative attitudes and discrimination make it harder for disabled people to find and stay in work.[23]

One client described how they are not currently working due to health issues, and "not able to secure the type of job that would be suitable for me. Still searching." Another client told us "I lost my income due to severe mental health problems and solely rely on benefits to cover my expenses."

£2,859

The average energy arrears of clients receiving DLA or PIP

...compared to

£2,315

amoung those not receiving DLA/PIP

There is also a wealth of evidence to show that disabled people and those living with long-term health conditions or illness tend to spend more on energy and are more likely to be behind on this bill.[24] This is reflected in StepChange data: 51% of clients receiving DLA or PIP and responsible for paying energy bills in 2025 were in arrears, compared to 35% of those not receiving DLA/PIP and responsible for energy. Clients in receipt of these benefits also had, on average, £544 of additional energy arrears compared to those who are behind but not receiving these benefits.

Scope's 'Disability Price Tag' report also estimates that disabled households need, on average, an additional £1,095 a month to have the same standard of living as non-disabled household.[25]

One client told us: "I am disabled and rely on things like my stairlift to maintain independence. It got to the stage I was too worried about the utility bills that I often went without using my amenities and buying healthy foods as a way of cutting costs."

Another client said: "I have a nonverbal disabled son and use a lot of electric to keep him warm…I burn a lot of electric and have to use the emergency [top-ups] a lot… I'm on benefits and it is a struggle."

"I'm disabled due to a stroke that has now [given] me left sided weakness. Basically I'm house bound so I can't move about to try and heat me up. Due to this I had to put my heating on more often than usual." – StepChange client

What does it mean to be fuel poor?

There is no singular definition of fuel poverty across Britain, as it is a devolved issue – complicating the ability to capture the true scale of the challenge in a consistent way.

- In Wales, a household is deemed to be in fuel poverty if it needs to spend more than 10% of its income on all household fuel use to maintain a satisfactory heating regime.[26]
- In Scotland, a household is termed fuel poor if more than 10% (20% for extreme fuel poverty) of net income is required to pay for their reasonable fuel needs after housing costs have been deducted, and the remaining household income is not enough to maintain an acceptable standard of living.[27]
- In England, unlike other GB nations, only those households in homes with lower energy efficiency (bands D-G) who fall below the poverty line after energy costs are considered to be in fuel poverty.[28] This measure has been called a "blunt instrument" which "assumes households cannot be fuel poor if they are living in properties deemed to be energy efficient".[29]

What we do know is that in recent years, households have watched their incomes falter while their utility costs have soared. Research by the Institute of Fiscal Studies published in 2024 found that the preceding 15 years had been the worst for income growth in generations.[30]

While difficulty paying utility bills is not purely a product of stagnating incomes, it is those with the lowest financial resilience that have borne the brunt of the turbulent last few years.

This is articulated by the fact that over two in five (43%) StepChange clients who had energy arrears in 2025 had a personal income of less than £20,000; a slightly higher figure compared to our client base overall, where 38% are in the same position.

What's more, in 2025, nearing three in five (58%) StepChange clients with energy arrears were spending more than 10% of their personal income after housing costs on energy. A quarter (24%) were spending more than 20% after the same considerations have been made.

While these calculations are aligned with personal rather than household income – the measure typically used in fuel poverty estimates – they provide a useful, albeit worrying, data proxy. When looking at single adult clients – who are less likely to have access to a dual income – three in five (60%) are spending more than 10% after accommodation costs on energy, while a quarter (26%) are spending more than 20%.

Here, it is important to note that private renters have seen a greater increase in their monthly housing costs since 2022 than mortgaged homeowners – and average rents in the UK currently sit £129 higher than average monthly outstanding mortgage repayments.[31]

Conditions of scarcity

Negative budgets loom large over some StepChange clients with energy arrears. This means that, after going through a full debt advice and budgeting session, someone's monthly income is not enough to cover their basic monthly costs.

In 2025, two in five (40%) StepChange clients with energy arrears had a negative budget, compared to around three in ten (28%) clients overall.

One in five (18%) clients with energy arrears had a deficit of more than £400.

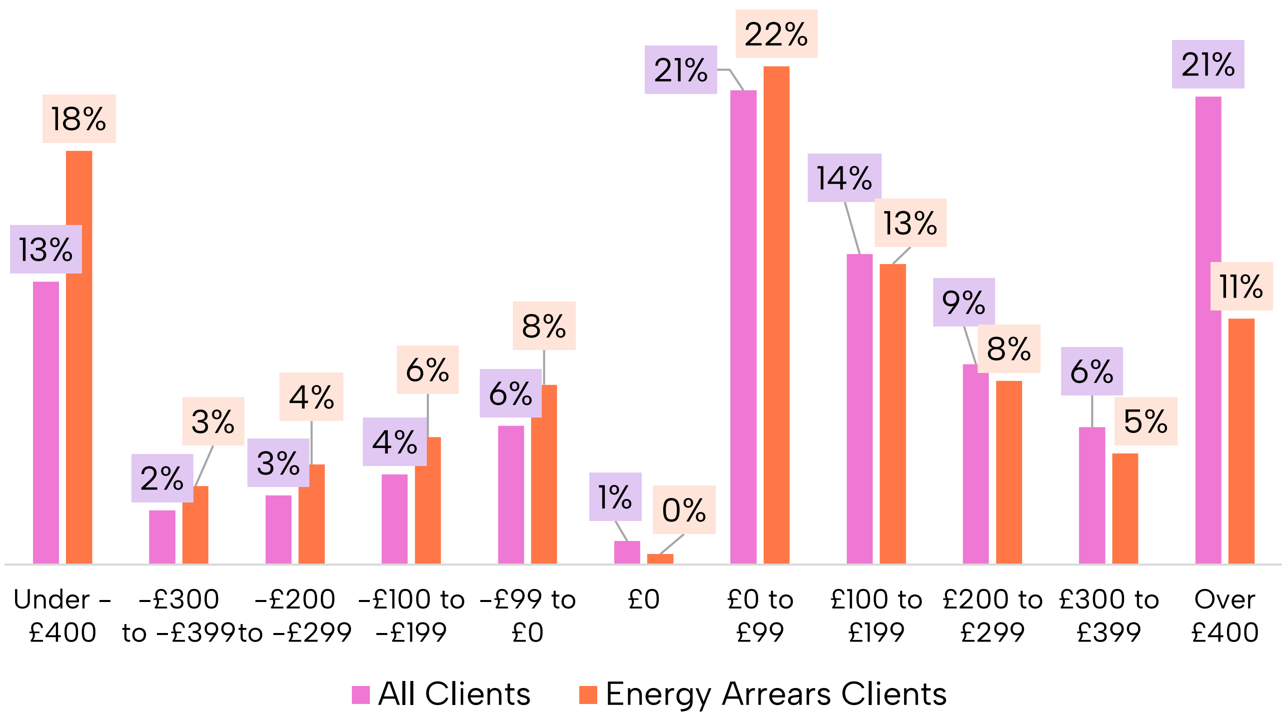
One client told us how: "Getting into debt with credit cards to pay for utilities and food to support children and keep a roof over their heads is crippling, the worry, the sleepless nights, anxiety, depression is exhausting."

Another said, of their difficulty affording utility bills: "It felt like I was barely surviving, that day to day life was a struggle, that made me question 'what's the point?"

As the above experiences show, challenges paying essential costs exert very personal health and social hardships on individual households. These experiences also have wider societal ramifications – with poorer mental and physical health outcomes increasing pressure on public services, as well as on the wider economy through inactivity or lost productivity.[32]

A recognition of both the intimate and economic implications of energy bill unaffordability is central to the success of any policy intervention in this space.

Figure 5: Budget surplus breakdown among GB arrears clients

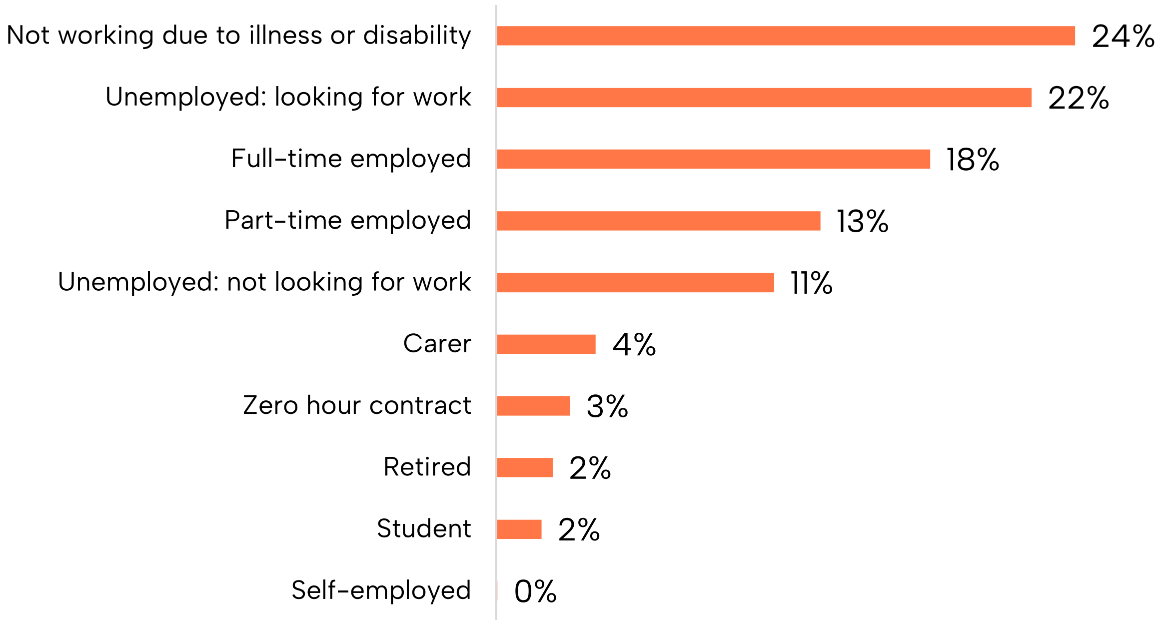


A snapshot of negative budget clients with energy arrears

Those in negative budget positions are at the severe end of challenges making ends meet. An understanding of their situations is critical for policymakers looking to implement affordability interventions.

- **Four in five (80%)** were living in some form of rented accommodation.
- **Seven in ten (69%)** were women, while over a **third (37%)** were single parents.
- **Over two in five (45%)** had a mental health vulnerability.
- Approaching **three in five (57%)** had a personal income of £20,000 or less.
- **A quarter (24%)** weren't working specifically due to illness or disability.
- **Two thirds (66%)** were in receipt of UC, while **15%** were in receipt of DLA/PIP (adult), **4%** in receipt of DLA/PIP (child), and **1%** in receipt of Pension Credit.

Figure 6: Employment breakdown among GB energy arrears clients with a negative budget



Approaching half (46%) of those with a negative budget had a monthly deficit of more than £400. Seven in ten (71%) single StepChange clients with energy arrears who had a negative budget in 2025 were spending more than 10% of their personal income after housing costs on energy, while over two in five (43%) were spending more than 20%.

The importance of early intervention

Firms are on the frontline when it comes to stemming the escalation of energy arrears and identifying potential avenues of support – such as debt repayment matching schemes, cheaper tariffs or referrals to free debt advice. This involves steps like:

- establishing effective pre-arrears and early identification policies and practices;
- making effective efforts to contact individuals who have fallen behind through a variety of methods, or those that align with their support needs or preferences;
- engaging to understand people's personal and financial circumstances, including vulnerabilities or life events which might be impacting their ability to pay;
- seeking to agree an affordable repayment plan using the Standard Financial Statement – an agreed approach to assess ability to pay; and
- identifying those who are likely to benefit from free money and debt advice and making effective referrals where needed.

But focus groups among StepChange debt advisors surfaced frustrations about repeated situations where energy customers have accrued hundreds or even thousands of pounds of arrears before conversations with providers about affordability take place.

Advisors described how this is sometimes driven by someone relying for an extended period of time on estimated energy billing, which then turned out to be an inaccurate reflection of their actual usage – leaving them with a shock bill.

This echoes research published by the Personal Finance Research Centre in 2025, conducted in partnership with StepChange and Ofgem, on unlocking better pathways to debt advice, which found that unexpected large hikes in energy costs were the biggest issue reported by debt advice client survey respondents in the preceding two years.[33]

As Ofgem itself stated in 2024: "Accurate billing is fundamental; it ensures customers can budget effectively, avoids unexpected bills, and builds trust and satisfaction".[34] But our research suggests that there is still quite a long way to go to make this a reality.

"[My supplier] did not inform me that my direct debit did not cover the gas I used for over a year, and when I told them I was in sheltered housing and the meter was on the outside of the property for them to check the meter [so] they would have known the correct amount, they just didn't ever check." – StepChange client

"[Customers are] just trusting the utility companies that, you know, you're doing what you need to do. And then they're finding themselves at the point when the meter readings are going in, everything's been estimated wrong and they've got this huge chunk of arrears. They're just calling us up saying: "They're now telling me I owe £1,000. I've been paying what they asked me for, but at this point I've got this debt. I don't know how to deal with it."" – StepChange advisor

While this report focuses on upfront utility affordability challenges, providers' conduct has the potential to either alleviate or exacerbate debt issues. Taking account of people's circumstances and support needs is paramount.

Asked what further support they would have liked to receive from their energy provider, one client told StepChange: "Help in repaying them and meter checks. Also not having them emailing, texting and sending letters every day."

Another said: "Mostly better communication and understanding. I struggle to remember things, fully comprehend written messages due to depression and anxiety and get overwhelmed easily." This is not an isolated experience. In fact, approaching half (47%) of StepChange clients with energy arrears in 2025 had a mental health problem.

Research by the Money and Mental Health Policy Institute highlights how the cognitive, psychological and behavioural changes associated with mental health problems can make navigating debt collection systems harder – including difficulties in understanding and processing information, and reduced planning and problem-solving skills.[35]

Gas and electricity suppliers have an obligation to inspect their customers' meters at least every two years. But our research shows, in the face of widespread vulnerabilities, that more encouragement to support customers to take regular meter readings – or directly provide this service where a customer lacks the capacity to do so – is needed.

As one debt advisor put it: "[Providers] need to take responsibility a lot earlier on for meter readings for vulnerable people." One resource which is potentially partly untapped is the Priority Services Register which, among other help like priority support in an emergency and the ability to nominate someone to receive communications and bills from your supplier, offers the option of regular meter reading services.

Unfortunately, advisors hear all too often that the arrival of a shock energy bill, and interactions about arrears more generally, are followed by unaffordable repayment demands from providers. Upfront affordability interventions must be coupled with concerted action from both providers and Ofgem to ensure accurate billing and improve debt collection standards for those who, for whatever reason – such as a negative life event like a bereavement or job loss – may still fall behind.

"It's that early intervention and that early affordable repayment structure that allows them then to just get right back on track. And I think that [clients] don't have that experience with their energy providers who are saying, "Oh yeah, you missed last month's payment so pay this month's and last month's." That's not affordable, because if I missed last month's payment, I absolutely can't afford to pay double this month." – StepChange advisor

Current financial measures to tackle energy affordability challenges

As it stands, there are two main Government-led policies in place to tackle energy affordability challenges:

- **The Warm Home Discount (WHD) scheme** – a one-off £150 discount off your electricity bill over winter in certain circumstances (for example, being on qualifying means-tested benefits like UC).
- **The Winter Fuel Payment (WFP**) – a payment between £100 and £300 over winter if you were born before 22 September 1959, with those earning over £35,000 a year having the payment automatically reclaimed unless they opt out.

In November 2025, the UK Government consulted on extending the WHD scheme for a new five-year period from winter 2026/27 to 2030-31 – a move which has now, in positive news, been confirmed. StepChange is pleased that the Industry Initiatives element of the scheme has been retained, as this is a further effective route through which practical, meaningful support can be provided to customers who are in or at risk of fuel poverty – including debt support and energy efficiency advice.[36]

That being said, the scheme payment – introduced in 2011 as a single £120 sum paid in winter, intended to help those living in fuel poverty with their energy costs – has only increased by £30 over its lifetime, and by a minimal £10 since winter 2014/15. It goes without saying that increases in energy costs have far outstripped these changes.

As one client put it: "any amount is very important but [the WHD payment] didn't affect much." Another described how it: "lasted all of a month over Christmas, as energy bills have gone up even higher. I am using over £30 a week electric."

With historically high levels of energy debt in the system following years of high prices, many households will continue to struggle to meet their energy costs – both debt repayments and ongoing usage – without further, more comprehensive action on both affordability and debt.

As one advisor said: "It often doesn't touch the sides of the arrears and it's not going to reduce their monthly payments, so from a debt advice perspective it doesn't really change a huge amount."

Ofgem's Debt Relief Scheme will provide some welcome support to customers struggling with historic energy debt, but many people have continued to accrue substantial amounts of debt beyond the scheme's eligible debt period. This one-off intervention therefore won't be enough to provide a 'debt reset' on its own.

"If you're someone who pays by direct debit and the reason you're in arrears is because your monthly payment is too high, then all it means effectively is for one month you'll accrue less arrears. So that's why we don't see a massive impact of it… It's better than nothing, but it doesn't fix the problem." – StepChange advisor

If – as the Government has signalled – a version of the WHD scheme is to remain the core policy vehicle used in response to energy affordability pressures, it must be made fit for purpose.

Positive existing elements of the scheme setup include the fact that it is mandatory for energy suppliers with over 1,000 customers and is largely delivered automatically to eligible customers, minimising well-known barriers to market participation among financially or otherwise vulnerable households.[37]

It is widely accepted, however, that the current WHD scheme provisions are insufficient to comprehensively deal with the scale of the energy affordability and debt challenge households are facing – with the Government itself acknowledging this in September 2025.[38] The recent surge in wholesale gas prices has only been made this more obvious, and intervention more pressing.

Analysis by the BFY Group and So Energy indicates that the average "fuel poverty gap" (the reduction in a household's energy bill required to no longer be classed as fuel poor) is £550, significantly higher than the current WHD payment.[39] This gap of £550 is an average which "masks the greater difficulties faced by the most fuel poor households"; for example, this research shows households in the lowest income decile, which have high energy requirements or high housing costs, face fuel poverty gaps of more than £1,000.[40]

Support for the introduction of a form of energy social tariff – a cheaper or discounted price for certain essential services – is wide-ranging, from charities and consumer groups through to Energy UK, Ofgem and successive iterations of the Energy Security and Net Zero Committee.[41] It is rare to achieve such a consensus across such a broad group of stakeholders, but it is testament to the strength and necessity of the proposals.

As it stands, it appears that making meaningful adaptations to the existing WHD scheme is the most likely way this ambition can become a reality. Crucially, when confirming the scheme's extension to 2030-31, the Government explicitly stated it will continue to explore improvements – both in terms of ensuring bill support is targeted and designed to support those who need it most.[42]

The scheme certainly provides important foundations for a revised approach which would better protect people from falling behind on energy bills. We lay out our vision for this in our recommendations.

The role of means-tested benefits in determining support

Currently, access to the WHD scheme payment largely hinges on whether or not someone is receiving means-tested benefits.

The Scottish Government has ownership over the scheme in Scotland, and sets slightly different eligibility criteria – enabling a higher degree of supplier involvement in this process – but means-tested benefit receipt still plays a significant role.

Approaching two thirds (63%) of StepChange clients with energy arrears were in receipt of UC in 2025, a significantly higher proportion compared to clients overall (41%). Two in five (42%) of those in receipt of UC and behind on energy had a negative budget.

On the surface, this indicates that current eligibility conditions aren't far off the mark. But it should also instigate a more searching question of policymakers because, despite much of the current targeted fuel poverty support relying on means-tested benefit status, these interventions are evidently not sheltering these groups from problem energy debt.

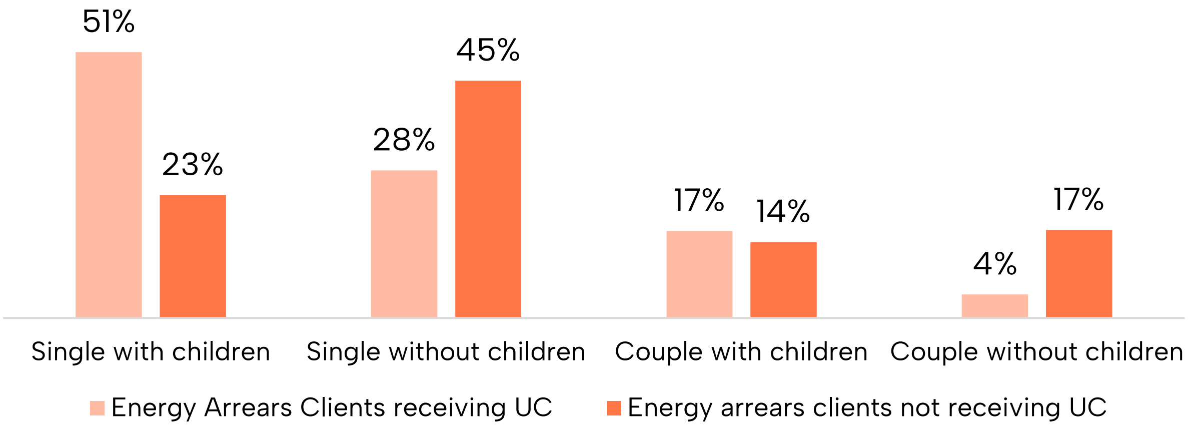
On top of prompting questions around the adequacy of existing affordability interventions, these figures also make it clear that using means-tested benefits as the sole or main eligibility criteria for help with energy costs leaves many missing out on support.

Understanding the circumstances of people who are accruing energy debt but not receiving UC – the predominant means-tested benefit in Britain – is critical for policymakers looking to extend energy affordability support outside of this system.

A quarter (26%) of clients who *weren't* in receipt of UC and had responsibility for paying energy in 2025 – 16,445 people – were behind on this bill. Among this group:

- **The average level of arrears was £2,244,** compared to £2,578 among UC recipients behind on energy.
- **Over two thirds (69%) were in some form of paid employment,** compared to three in ten (29%) UC recipients behind on energy.
- **Two in five (41%) were living in private rented accommodation,** compared to a third (32%) of UC recipients behind on energy. A smaller, but still notable, proportion (29%) lived in social housing compared to over half (55%) of UC recipients behind on energy.
- **Approaching six in ten (57%) were women,** compared to eight in ten (79%) UC recipients behind on energy.
- **Approaching a quarter (23%) were single parents,** compared to half (51%) of UC recipients behind on energy.
- **Approaching six in ten (57%) had an additional vulnerability beyond their financial situation,** compared to over two thirds (69%) of UC recipients behind on energy.
- **Over a third (35%) had a personal income of £20,000 or less,** compared to half (48%) of UC recipients behind on energy.
- **Half (51%) were spending more than 10% of their personal income after accommodation costs on energy,** compared to approaching two thirds (63%) of UC recipients behind on energy.

Figure 7: Family composition among energy arrears clients in receipt of UC versus not in receipt of UC



Over a third (37%) of clients with energy arrears who were *not* in receipt of UC in 2025 had a negative budget. One in five (20%) had a monthly budget deficit of more than £400.

Those not receiving UC and in energy arrears also had much higher levels of unsecured debt, averaging £15,284, compared to those receiving UC, which averaged £8,338. This is consistent with the trend in our wider client data of clients with higher incomes having higher unsecured debt balances.

There are also recognised barriers to engaging with the welfare system altogether, including awareness, personal capacity, administrative complexity and stigma.[43]

Research by the organisation Turn2Us found that one in five people delay claiming for over a year because of stigma and fear, with a third cutting back on food and essentials rather than make a claim.[44] The Money and Mental Health Policy Institute estimates that £24.1 billion pounds of financial support will go unclaimed across the country this year.[45]

Resting eligibility criteria exclusively on engagement with the benefits system – whether means-tested or otherwise – creates pitfalls which risk financially or otherwise vulnerable people missing out on much-needed support.

Data sharing, matching and automation are important tools which, although utilised through some support schemes already, should be further harnessed by Government. The Digital Economy Act 2017 has opened important channels and set the precedent for effective data sharing powers, though there is work still to be done in this space.

As stakeholders including Fair by Design, Scope and Age UK have pointed out, reform which enables targeted energy affordability support to extend effectively outside of the welfare system would likely involve cultivating a more sophisticated data-matching system that integrated data from suppliers and bodies including HM Revenue and Customs, the Department for Work and Pensions, Department of Health and Social Care and National Health Service while navigating privacy and safeguarding considerations.[46]

The Government must take practical steps to pursue these frameworks – including investigating the merits of an income-linked eligibility model – at speed, with the recognition that it might take multiple iterations to refine this system of well-targeted support.

This is not an insurmountable challenge: particularly as the Government has specifically committed to work to unlock the household data needed for WHD support to be targeted more effectively in the future.[47]

The recent Energy Security and Net Zero committee report on 'tackling the energy cost crisis' summed the situation up well: "While a social tariff may need to evolve over time, the Government must not wait for perfect data to be available before it is introduced".[48]

Are we a step closer to securing warm homes for all?

The fact remains that some of us find it harder to heat our homes than others. Sometimes this is based on, or intensified by, its fabric or heating source. So, no conversation about energy affordability and fuel poverty is complete without also talking about the significance of energy efficiency.

And it is a very topical time to do so. In January 2026, the UK Government published both its long-awaited Warm Homes Plan and Fuel Poverty Strategy for England.[49] The Government has pledged that it will deliver £15 billion of public investment to upgrade up to five million homes and "lift up to a million families out of fuel poverty by 2030."

These ambitions are welcome, and vital. Office for National Statistics analysis of 2021 census data shows that, of homes with an Energy Performance Certificate, around eight million in England (58%) and 460,000 in Wales (62%) were rated below band C – the UK Government's threshold for a low energy efficiency home.[50] The Institute of Health Equity has also found that 9.6 million households in the UK are living on incomes below the minimum income standard and in poorly insulated homes.[51]

Coupled with persistently high upfront energy costs, the status quo cannot remain. As one debt advisor put it: "I think for people in a lot of cases, they're so stuck with these [inefficient] heating systems and not being able to change their usage because they're just eating power. It's a cycle, a constant cycle that they're not going to get out of."

Critically, new plans signal support for groups facing heightened barriers to adopting energy efficiency measures and technologies: those on low incomes and living in social or privately rented homes. The need for this dedicated provision is plain to see: four in five (81%) clients with energy arrears in 2025 were living in some form of rented accommodation.

StepChange research has also shown that debt problems and housing precarity – in itself a form of vulnerability – can trap tenants in poor quality homes, including those where issues relating to energy efficiency are present.

Our 2023 report, 'Trapped in Rent', found that three in five (58%) survey respondents living in rented housing stated that they were experiencing at least one quality issue, affecting the extent to which their home can be classed as meeting the Decent Homes Standard (DHS) – which currently only applies to the social rented sector. Over one in ten (15%) private rented sector respondents who experienced quality issues did not report problems with their home for fear of being evicted.[52] We're concerned that the Government's current 2035 timeline for the implementation of the revised DHS across both rented sectors risks certain tenants being left in unsuitable housing for the best part of a decade.

For its ambitions to come to fruition, the Government must be cognisant of how the prevalence of poor-quality housing interacts with barriers which prevent renters from raising issues with landlords or housing providers. It's welcome to see the Government confirm it will act to strengthen minimum energy efficiency standards in the private and social rented sectors by 2030. Those pledges must now translate into action.

Tracy's story

One of the clients who responded to our survey, Tracy*, told us how difficulty paying her utility bills stemmed from her daughter and grandchildren having to come and stay with her due to severe damp and black mould in their property.

Though Tracy's daughter's local authority was meant to provide temporary accommodation, it failed to do so. Her daughter was still having to pay full amounts for utilities at her own home, even though it was uninhabitable at the time.

"This meant all of my bills were rising and no change in my income. They stayed with me a year before work was fully completed on their home."

The stress of the situation meant that her daughter, who "suffers with mixed type bipolar [disorder]", faced "episodes of psychosis, and mania."

Robert's story

One client, Robert* who responded to our survey said: "Utility debt is horrific". Describing what led to him falling behind, he told us he lost his income due to severe mental health problems and solely relies on benefits to cover his expenses.

He told us that "constant bombardment by the company adds so much pressure." Unfortunately, he had turned to dangerous coping mechanisms in response to his affordability challenges, saying: "Heating is limited during the winter as much as possible. Food becomes secondary to paying companies energy bills."

Struggles to stay afloat: experiences of water arrears

A steady supply of clean water into our homes is inarguably an essential component of healthy, happy lives. This should not be compromised by someone's financial situation.

Thankfully, such is the case in England and Wales – with water companies legally prohibited from cutting customers off if they fall behind on payments. While this is a crucial premise in protecting people's wellbeing and dignity, it does not prevent people from facing affordability challenges, or from being pursued for water arrears. Polling StepChange commissioned in April 2026 found that three in ten (28%) adults in England and Wales are worried about their ability to pay their water bills over the next six months, up from one in five (20%) three months prior – showing cost of living pressures are once again growing.

This worry isn't theoretical. As of March 2024, when the latest data was available, Ofwat stated that approximately 8.2% of household water customers in England and Wales were in payment arrears, with an average amount owed to their water company of approximately £822. At that stage, total debt for households in arrears amounted to over £2 billion.[53]

Currently, all water companies offer a social tariff for eligible customers which reduces water bills, and the WaterSure scheme is available in England and Wales for certain customers with a water meter. The scheme caps bills for those with a medical condition that requires extra water, or with a large family living at home. The Government recently confirmed it will expand eligibility for WaterSure, including the list of qualifying benefits.[54]

These interventions have limitations. Support through social tariffs is not consistent across providers and 2025 research from Policy in Practice estimates that 3.8 million eligible households are not receiving support, leaving £745 million unclaimed each year with an average loss of £194 per household.[55] WaterSure caps bills at the average for that supplier and is only available to those on a water meter or who are waiting to have one installed. While this support can be significant, the scheme reached only 260,000 households in 2024/25, with its expansion estimated to increase that number by 53,000.

The water sector also differs from other regulated markets in England and Wales in that you're unable to switch to another provider, whatever your motivation is.

There are widespread calls for a national, single water social tariff, to drive consistency and take-up, including from the Independent Water Commission.[56] We believe that the Government should take this course, and lay out the case here.

Methodology note: Most households in Scotland pay their water and sewerage charges through their council tax bill. If you have council tax arrears, you will almost certainly also be behind on your water and sewerage charges. Similarly to England and Wales, you can't be cut off due to your financial circumstances. For the purposes of this research, we are focusing on clients based in England and Wales who pay their water charges directly to a water provider.

The trend of water arrears among StepChange advice clients

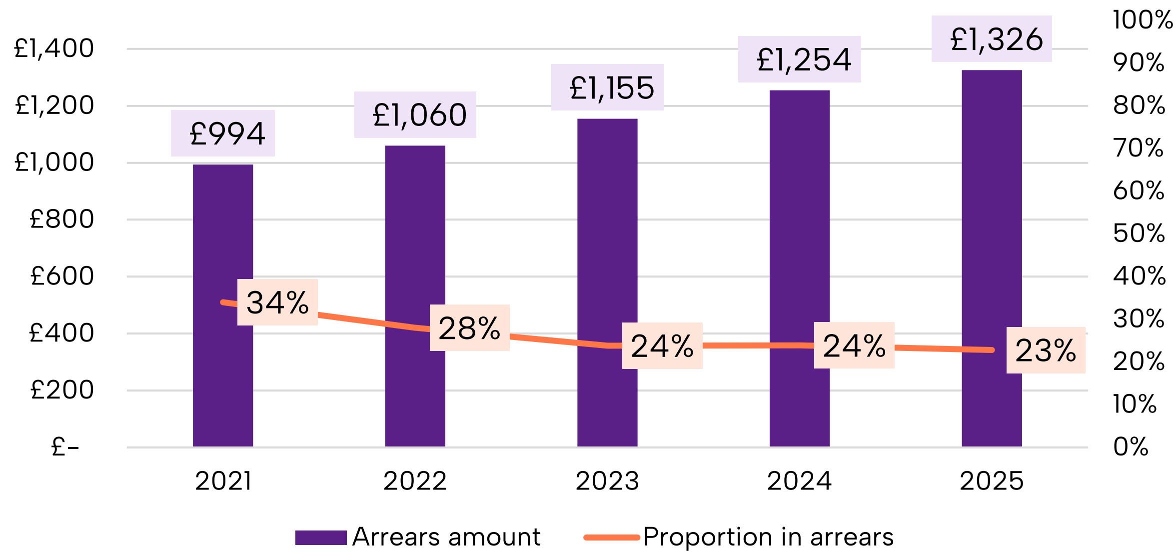
Among over 94,000 new StepChange debt advice clients in England and Wales who were responsible for paying water bills in 2025 approaching a quarter (23%) – 21,508 people – had water arrears.

The proportion of clients with water arrears has remained relatively consistent since 2023, but the individual amount of arrears per client has grown by 15% over the same period – now sitting at an average £1,326.

This is perhaps unsurprising, given that average annual water bills rose by 35% in the two years between April 2023 and 2025 alone, from £448 to £603.[57] Combined with steep household bills across the board, it has simply not been possible for some households to stay afloat financially. One client described his difficulty paying in this context, saying: "I am 84 years old with no hope of increasing my income to meet the cost of living."

The proportion of clients with water arrears was higher in 2021 and 2022 than in subsequent years. This can perhaps be explained by the fact that average household water consumption saw a sharp rise during the peak of the COVID-19 pandemic in 2020-2021, when the population spent more time at home, and has been falling since then.[58]

Figure 8: Average water arrears amount and proportion in arrears among StepChange clients in England and Wales over time



Nine in ten (89%) clients who were behind on water bills in 2025 had multiple household bill arrears, indicative of acute challenges affording the essentials. As one client told us: "The stress of dealing with ever increasing rates of water and energy and basic dietary requirements sometimes gets too much and makes me feel depressed."

"Our falling behind on bills was because our focus was on paying the rent. That was the priority and any other bills like utility bills we struggled paying – electric bill, water rates, council tax. There just never seems to be enough money. The rent had to be the priority and food [and] travelling expenses." – StepChange client

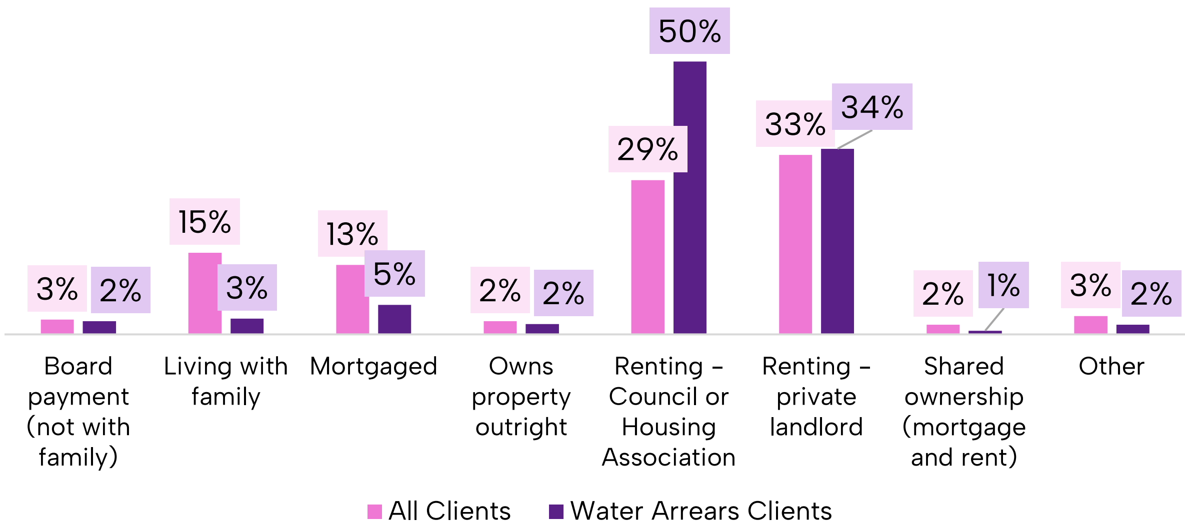
Who is behind on water bills?

Mirroring trends seen when looking at StepChange clients with energy arrears, those with water arrears in 2025 were disproportionately likely to be women, renters or single parents compared to clients overall.

Among StepChange clients in England and Wales with water arrears 2025:

- **85% were in private or social rented housing,** compared to 62% of clients overall.
- **73% were women,** compared to 60% of clients overall.
- **40% were single parents,** compared to 26% of clients overall.

Figure 9: Housing tenure among England and Wales water arrears clients



Two thirds (67%) had an additional vulnerability beyond their financial situation compared to 54% of clients overall, ranging from emergency or family issues such as a recent bereavement to disability and physical or mental health conditions.

Disabled people and those with long-term health conditions or illness can have high water usage requirements, which has a knock-on effect on their total bill if they're on a water meter. As the charity Disability Rights UK outlines, families, individuals and carers may require additional use of water for personal care such as bathing, using specialized hygiene equipment, or laundering adaptive clothing and bedding due to continence issues or because of severe skin conditions such as eczema.[59]

Leah's story

Leah*, a disabled client who experiences continence issues, told us how struggles to afford her utility bills meant that she was "afraid to put heating on and limited washing/drying." She went on to say that she couldn't afford food, and ultimately, had to rehome her "much loved pet".

Amara's story

Another client, Amara*, told us: "My son has Crohn's disease, so we use extra water because of this." She said, "extortionate prices and the cost of living made everything difficult in keeping up with bills" and shared that she had found it hard to buy enough food shopping.

Employment status among clients with water arrears

StepChange debt advice clients with water arrears in England and Wales in 2025 were less likely than clients overall to be in paid employment, driven in large part by more clients with water arrears not working due to illness or disability.

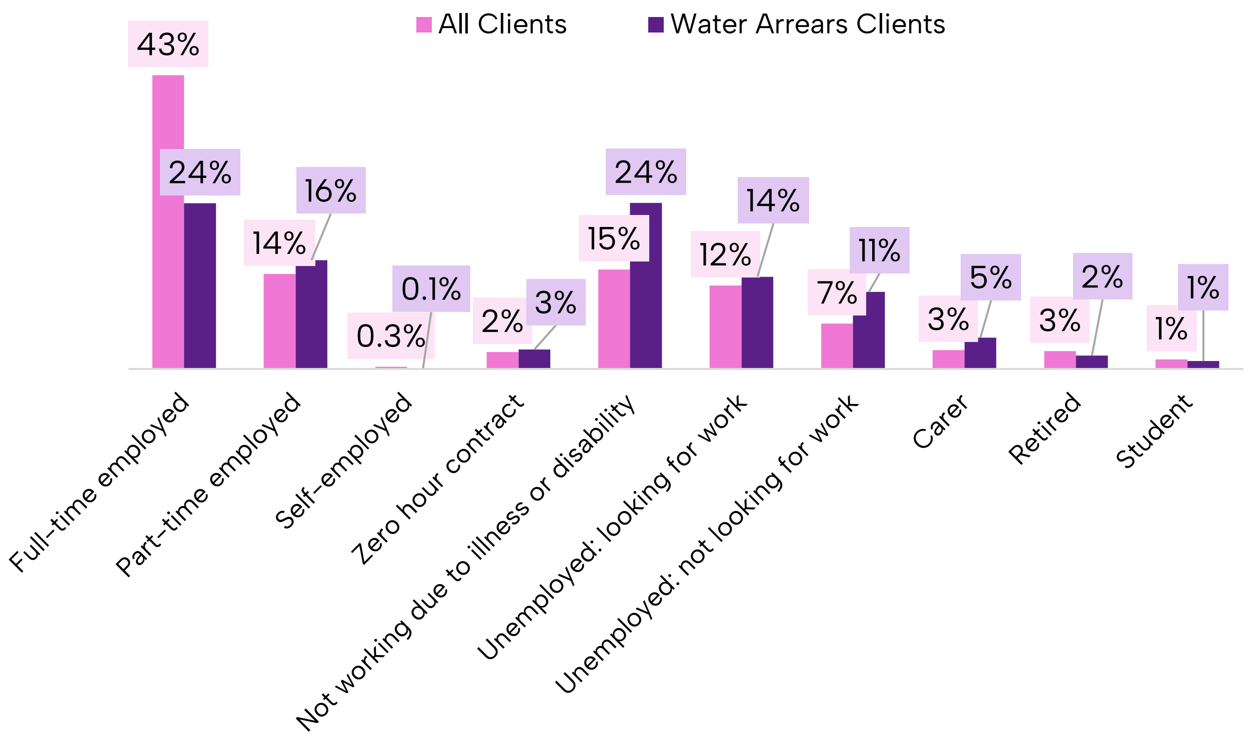
Three in five (60%) clients overall were in some form of paid employment in 2025 – whether full-time, part-time, self-employed or on a zero hours contract. Over two in five (43%) clients with water arrears were in the same position, with a quarter (24%) in FTE.

Clients in FTE with water arrears in 2025 had a mean monthly budget surplus of £51 on average, following an income and expenditure assessment. Single parent clients in FTE with water arrears see this surplus reduce to £34. While technically positive figures on paper, they do not convey a sense of financial resilience.

To put this into perspective, polling commissioned by StepChange in April 2026 found that nearing a quarter (23%) of adults in FTE in England and Wales said they had no savings that they could use for "rainy day" expenses including unexpected expenses like a boiler breakdown or home repairs, or a loss of income.

At StepChange we know that debt can happen to anyone, and people can just be one unexpected expense or negative life event from financial precarity. Sometimes their income is simply insufficient to meet their households' essential needs. Those in FTE are evidently not exempt from this reality. In fact, a quarter (26%) of clients with water arrears in FTE still had a negative budget overall.

Figure 10: Employment breakdown among England and Wales water arrears clients



While debt can and does happen to anyone, some groups are disproportionately likely to face challenges meeting essential household costs like water.

In 2025, a quarter (24%) of StepChange clients with water arrears in England and Wales weren't working due to illness or disability compared to 15% of clients overall.

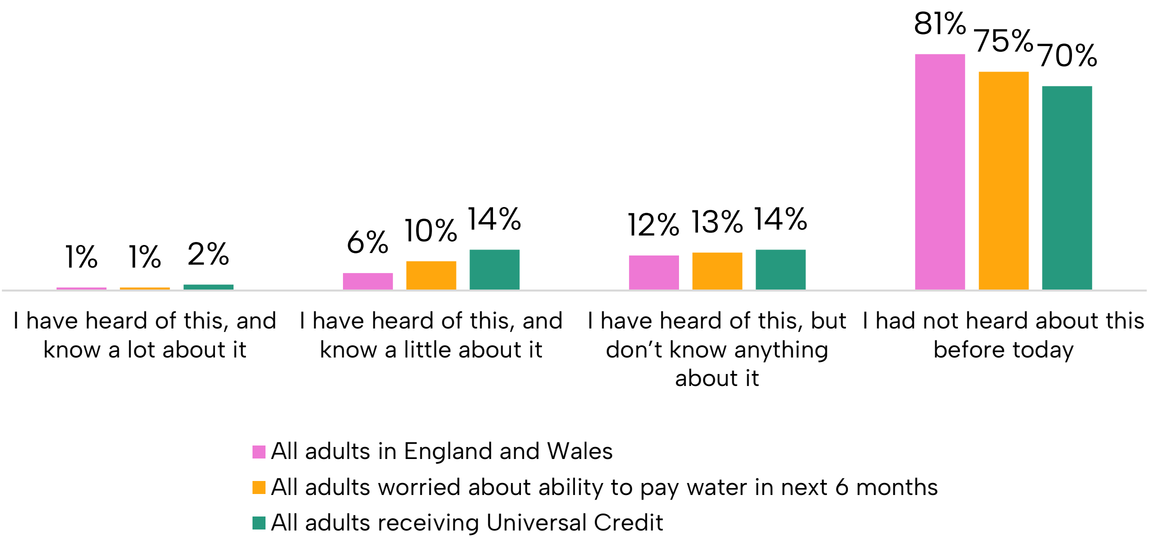
Research by the disability charity Scope has shown that on average, disabled households need an additional £1,010 a month to have the same standard of living as non-disabled households.[60] As we have noted, disabled people and those living with certain long-term health conditions can have high water consumption requirements. Taken in tandem with precarious or lower incomes, for example due to not being able to work due to illness or disability, their households can be particularly exposed to utility bill arrears.

This is corroborated by client data: three in ten (30%) clients in receipt of DLA or PIP in 2025 and responsible for paying water were behind on this bill, compared to one in five (21%) of those not receiving these benefits. Those receiving DLA or PIP had, on average, £138 of additional water arrears compared to those who were behind but not receiving these benefits.

There is some targeted support available for low-income households in England and Wales who use a lot of water for medical or family reasons, such as the WaterSure scheme. The Government recently confirmed it will make changes to the scheme including extending qualifying benefits and updating the bill cap.[61]

Polling commissioned by StepChange in January 2026 found that awareness levels of WaterSure are worryingly low. When we asked adults in England in Wales, unprompted, how much, if anything, they knew about the scheme, four in five (81%) said they had not heard of it before. Three quarters (75%) of those who are worried about their ability to pay water bills over the next six months said the same, while seven in ten (70%) receiving UC – the most common qualifying benefit – did so.

Figure 11: Adults in England And Wales asked – How much, if anything, do you know about the WaterSure scheme?



Source: YouGov survey of 2,179 UK adults, undertaken online between 19-20 January 2026. Responses shown only among those in England and Wales, where the WaterSure scheme exists [n=1,944]

Concerning coping mechanisms

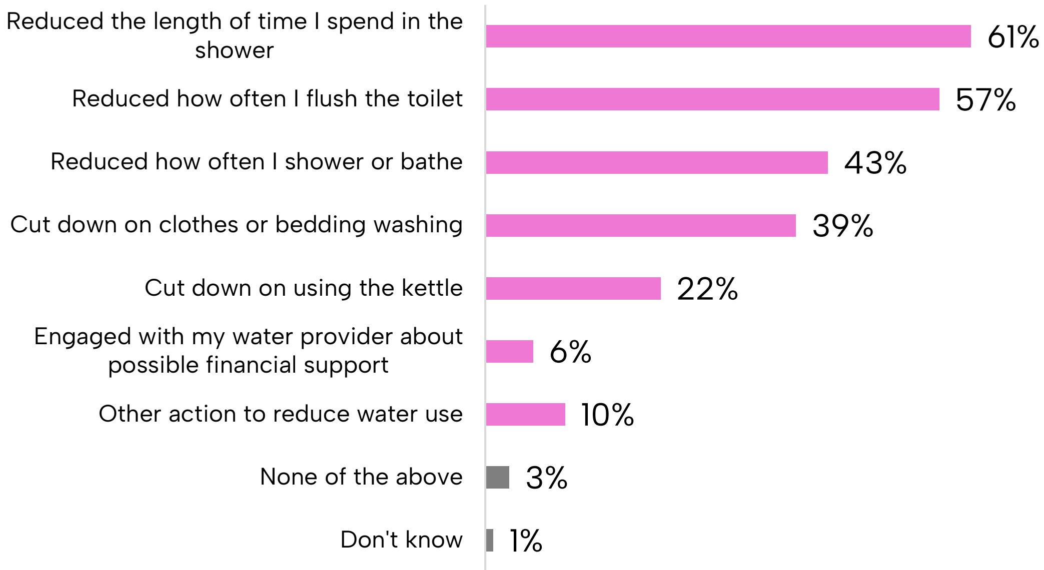
Customers with a water meter in England and Wales are turning to worrying forms of self-rationing, posing the risk that their water use will dip below the amount needed to maintain healthy and hygienic living standards.

Polling commissioned by StepChange in April 2026 shows that the two in five (41%) adults in England and Wales with a water meter have personally taken action to try and reduce spending on water bills in the last three months. This rises to three in five (62%) among those worried about their ability to pay this bill.

Among those cutting back, the most prevalent actions taken are reducing the length of time spent in the shower (61%), or how often they flush the toilet (57%).

A worrying number – around two in five – had respectively reduced how often they shower or bathe (43%) or cut down on clothes or bedding washing (39%). People should not feel forced to take measures which compromise their ability to clean themselves, their clothing or bedding in any circumstances – including due to their financial position.

Figure 12: Specific steps carried out by adults on a water meter in England and Wales who have taken action to try and reduce spending on their water bill in the last 3 months



Source: YouGov survey of 2,104 UK adults, undertaken online between 6-7 April 2026. Responses shown only among those on a water meter in England and Wales who said they have taken action to try and reduce spending on their energy bill [n=425]

Almost 65% of households in England and Wales now have a water meter, according to the Consumer Council for Water (CCW).[62] Those not on a water meter do not have the option to consider cutting consumption to achieve efficiency savings, whatever the mechanism.

One client with arrears told us: "What I was paying monthly didn't cover my water bill and [my provider] left it months without telling me. I live in a block of flats alone and am not on a water meter. I don't use much water."

What do we mean by water poverty?

There is currently no official Government definition of water poverty in England and Wales – arguably signifying a shortage of much-needed political attention on water affordability challenges.

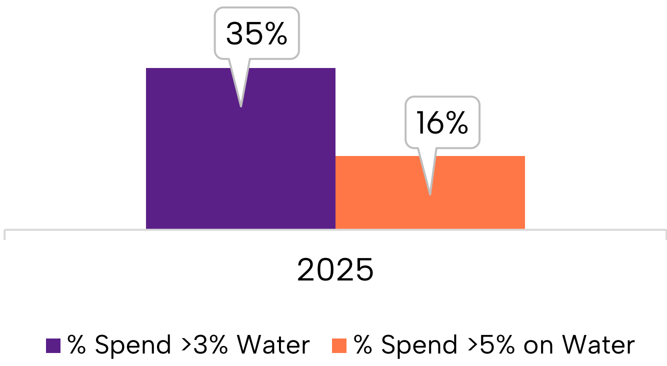
In its absence, however, commonly understood and widely used measures of water poverty across the water and charitable sectors are where households spend more than 3% or 5% of their income after housing costs on water.[63]

The BFY Group estimates that 6.3 million households in England and Wales, 25% of total households, are spending more than 3% of their income after housing costs on water.[64]

StepChange collects data of our clients' personal rather than household income, so estimates of water poverty among our client base do not precisely map onto household metrics. Client data nevertheless gives us a helpful indication of the scale of the water affordability problem among those seeking debt advice, particularly when looking at the financial circumstances of single adults who are less likely to have a dual income.

Over a third (35%) of single adult water arrears clients in 2025 spent more than 3% of their personal income after accommodation costs on water. Approaching one in five (16%) spent more than 5% after the same considerations have been made. These figures have remained very similar between 2023 and 2025.

Figure 13: Proportion of single England and Wales water arrears clients spending more than 3% or 5% of their personal income after accommodation on water costs



As the Resolution Foundation highlights, higher water bills hit low-to-middle income households hardest. This is because water bills don't vary much by income, meaning the cash increase in bills is similar across the household income distribution.[65]

This is borne out by our client data: almost half (48%) of single clients with a personal income of £20,000 or less spend more than 3% of their income after housing costs on water, while a quarter (25%) spend 5% in the same context.

The burden of a negative budget

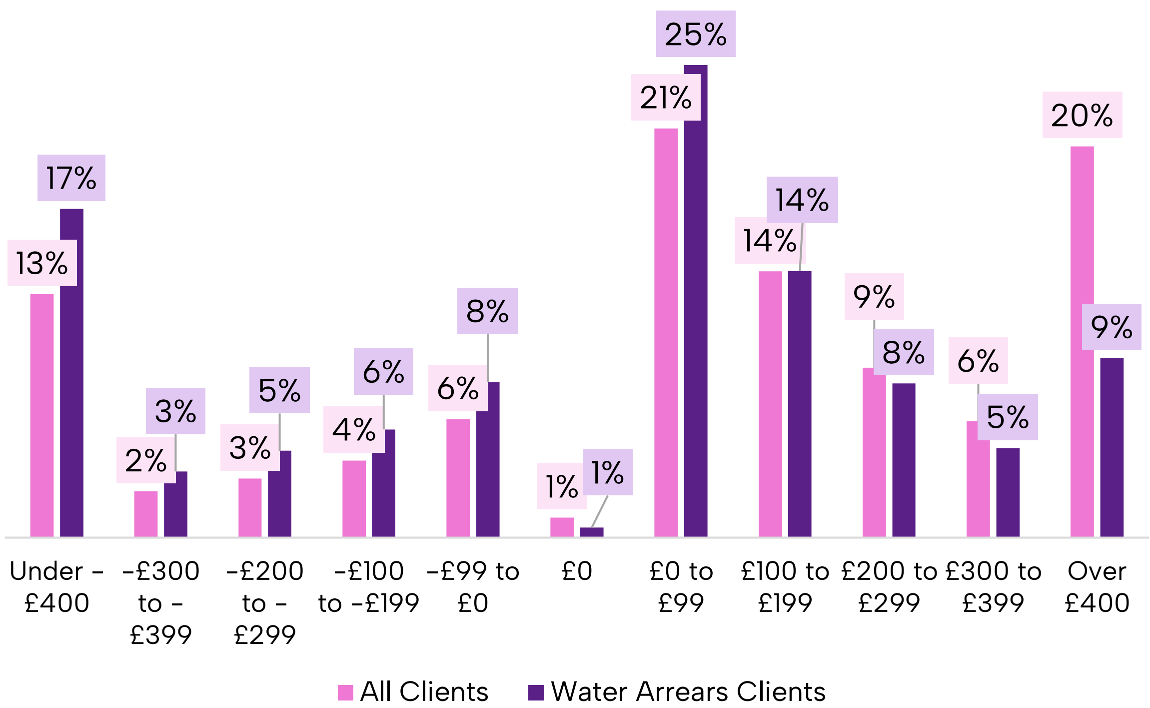
A significant minority of clients behind on water bills in England and Wales have a negative budget after a full income and expenditure assessment.

Two in five (39%) clients with water arrears in 2025 had a negative budget, compared to nearing three in ten (28%) clients overall. Most disconcertingly, almost one in five (17%) with water arrears had a budget deficit of more than £400 a month.

As one client put it: "It is easy to fall behind but even more difficult to recover back to a zero-debt position when all the odds are playing against that being actually achieved, especially when on fixed pension income!"

Another client told us: "I'm a low-income earner and a single mum of two with no access to benefits or support from anywhere. My debts kept increasing and my repayments increased as well, leaving me with no money at the end of the day."

Figure 14: Budget surplus breakdown among England and Wales water arrears clients



The postcode lottery of existing water affordability support

Every water and sewerage provider in England and Wales currently provides a form of social tariff – a cheaper or discounted price for certain essential services like broadband or water, often designed for low-income customers or those on certain benefits. But support isn't consistent across providers, and awareness is low.

Polling commissioned by StepChange in January 2026 found that three in ten (29%) adults in England and Wales were, when prompted with the above description, aware of water social tariffs – leaving two thirds (67%) unaware.* Only three in ten (29%) in receipt of UC were aware, despite this often being part of providers' qualifying criteria.

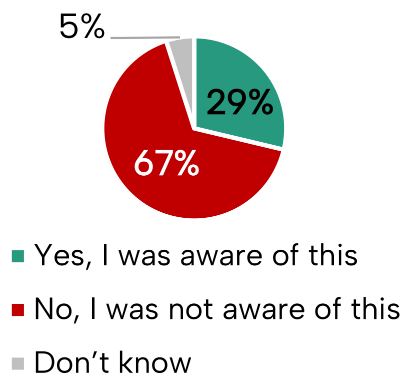
Research by Policy in Practice estimates that 3.8 million households are not receiving a water social tariff they're entitled to, leaving £745 million unclaimed each year and equating to an average loss of £194 per household.[66]

These figures collectively paint a troubling picture: millions of eligible households paying full price for water bills which could be reduced.

Many also find it difficult to navigate complex eligibility criteria or the application process. One client told us: "I am actually not sure if I am [on a water social tariff]. I think I am as I applied for it, but due to my mental health I forgot to follow up on it. It wasn't easy to find information on it though; I was actually trying to find information on other benefits when I came across it through links via UC."

Positively, both clients and advisors highlighted some favourable perceptions of water providers and their support offerings once contact *had* been made about a customer's financial circumstances and a relationship established.

Figure 15: Awareness of water social tariffs among adults in England and Wales



"When I contacted the water company and explained that I was on my own and on a low income, they were more than happy to explain what I could do and help me through the procedure. The monthly cost of the water is now very manageable." – StepChange client

"With the water companies as well, the general feedback I get is they seem to be a lot more supportive [than energy providers]. They seem to be giving the clients a lot more information about tariffs and schemes that are available and just generally trying to support them to get on track for the clients that are engaging with them." – StepChange advisor

*Source: YouGov survey of 2,179 UK adults, undertaken online between 19-20 January 2026. Responses in pie chart shown only among those in England and Wales [n=1,944]

But diverging levels of social tariff support design, eligibility criteria and generosity between providers means someone in the same financial circumstances could be entitled to substantially less than someone living a street across from them. In some cases, they might not be eligible at all.

For example, someone living in an area serviced by Severn Trent – where the average water bill is £587 – could get up to £411 off their annual bill if their household income sits below £24,454.[67] Meanwhile, someone supplied by the neighbouring Yorkshire Water – where the average water bill is £636 – might be eligible for a reduction of up to £295 dependent on their circumstances, if they have household income below £21,000, or below £26,000 with dependents.[68]

This variation also plays out when it comes to providers' eligibility criteria for support. Water companies currently use a range of criteria to target their social tariffs, employing approaches which consider, for example: a household's income threshold, receipt of means-tested benefits, or whether a household meets a certain water poverty threshold. Some providers use a combination of these factors to determine eligibility.

As it stands, the UK and Welsh Governments issue guidance to providers around social tariff design, which they must have regard to – but they are largely able to choose their own support criteria and approach.[69]

When it comes to the WaterSure scheme, receiving a means-tested benefit is the primary eligibility proxy for low income, though some water providers also offer WaterSure if you're receiving DLA or PIP – and the Government confirmed in March 2026 that it will be broadening WaterSure eligibility so that those receiving disability benefits will now be eligible if their household income is below £25,745 per year.[70]

One in five (20%) StepChange clients with water arrears were in receipt of DLA (adult) or PIP in 2025, while 7% were receiving DLA (child) or PIP, compared to 13% and 4% of all clients respectively. Over two thirds (67%) of clients with water arrears in England and Wales were in receipt of UC in 2025, a significantly higher proportion compared to clients overall (41%).

While this data indicates that those facing water affordability challenges are more likely to be in receipt of means-tested benefits like UC compared to debt advice clients more broadly, relying on this eligibility criteria alone for social tariff support schemes is an imperfect approach which leaves some struggling customers to fall through the cracks.

To put this into perspective, over a third (36%) of clients with water arrears in England and Wales who were not in receipt of UC in 2025 still had a negative budget, compared to two in five (40%) of those receiving UC.

We want to see intervention to drive take-up and consistency, minimise barriers to entry and enable financial support to reach a larger cohort of struggling utility customers on low incomes. We believe the introduction of a national water social tariff – with a single national identity and branding to counter confusion – is the best way to make this happen.

Conclusion and recommendations

Life and home are deeply intertwined. The intimate implications of struggling to afford household utility bills – including actions like reducing the number of showers or baths taken, putting off turning on the heating or going without meals to avoid cooking – can degrade people's health, happiness and sense of self-worth.

Research has also shown how, under conditions of scarcity, people tend to focus on the here and now and lose sight of what the future might hold – with a chronic lack of resources causing cognitive strain.[71] This daily, grinding reality is articulated by one client, who told us her experience of falling behind on utility bills "caused so much anxiety and stress. I'm constantly worried and living on eggshells."

These experiences have negative ramifications for wider society too. As well as contributing to mental health problems, as described above, difficulty affording utility bills – and at its worst, fuel or water poverty – can cause, or exacerbate, a range of physical health problems for those cutting back on usage.[72] It can also contribute to educational disparities for children, as well as social isolation and reduced productivity.[73]

This report set out to document both why and to what extent StepChange debt advice clients are struggling to afford their energy and water bills – and it has shown that existing support schemes are not meaningfully cutting through. Action to plug this affordability gap is critical, and coincides with tackling the cost of living being high on the political agenda.[74]

StepChange wants to see targeted, enduring intervention which protects financially vulnerable consumers from unaffordable utility costs. Central and devolved Governments should adopt the following recommendations at speed:

1. **Transform the existing Warm Home Discount Scheme into a social tariff.**
2. **Introduce a single national social tariff across all water providers in England and Wales.**

The design of social tariffs should be based on the principles that this 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 providers,** to prevent a postcode lottery of support.

Our vision for the transformed Warm Home Discount scheme:

The UK Government confirmed in January 2026 that the WHD scheme would be extended for a new 5-year period to 2030/31.[75] Importantly, it has committed to exploring scheme improvements throughout this phase – both in terms of ensuring bill support is targeted and designed to support those who need it most.

At present – taking Industry Initiatives aside – the scheme's core provision is an imperfectly targeted flat rebate, which does not go far enough to protect financially vulnerable households.

The recent surge in wholesale gas prices reinforces the importance of having responsive and flexible mechanisms in place to support low-income households struggling with energy bills.

Crucially, seven in ten (70%) UK adults support the introduction of a national energy "social tariff", offering discounted energy bills for people on the lowest incomes.

The UK Government should work with the Scottish Government – which determines eligibility for the scheme in Scotland – to bring the following guiding principles to fruition for a social tariff approach.

Effectively targeted, to make sure support reaches the right people.

Context: Currently, only households in receipt of certain means-tested benefits in England and Wales can access the WHD payment. In Scotland, electricity suppliers might have extra eligibility criteria on top of this.

Approaching two thirds (63%) of GB StepChange clients with energy arrears in 2025 were in receipt of UC, one of the main qualifying criteria. As well as inviting wider questions about the adequacy of existing welfare support, this shows that using means-tested benefits status as the sole proxy for difficulty meeting energy costs is a blunt instrument – leaving many with energy affordability challenges ineligible for support.

It also raises fairness questions for those on low incomes but not participating in the welfare system, either due to barriers relating to factors such as awareness, complexity and stigma – or falling just outside of the eligibility bounds.

Action: The Government should take urgent steps to review and revise the eligibility criteria for the WHD scheme, to encompass low-income households not captured through the means-tested benefits system.

DLA and PIP

This approach should initially involve (though importantly, not be limited to), the inclusion of recipients of non-means-tested disability benefits. In 2025, 20% StepChange clients with energy arrears were in receipt of DLA (adult) or PIP and 7% in receipt of DLA (child) or PIP.

A quarter (26%) of those with energy arrears in receipt of UC in 2025 were also in receipt of DLA (adult) or PIP, while 10% were in receipt of DLA (child) or PIP.

This report, alongside extensive further research, has highlighted how disabled people and those living with long-term health conditions or illness tend to both spend more on energy, and be disproportionately behind on this bill. Those on non-means-tested disability benefits were WHD beneficiaries only a few years ago – when nearly 300,000 disabled people lost out on support – and this report has shown that the case for their re-inclusion within eligibility criteria is strong.[76]

Scope analysis from 2025 indicated that adding disability benefits to the eligibility criteria would support around 680,000 additional disabled households. The charity also estimated that this move would add around £102 million to the WHD spend based on the current £150 discount.*

Those at risk of fuel poverty not receiving benefits

But this criterion still raises a key question, and challenge: *how do you target support so that it can reach low-income households outside of the welfare system altogether?*

Research shows that low income remains the strongest predictor of energy affordability challenges and fuel poverty, with fuel poverty concentrated in the three lowest income deciles that include those on the state pension, means-tested benefits or in low wage or part time jobs.[77] An eligibility model which accounted for income instead of benefits status would more comprehensively capture struggling households, supported by data on health and energy consumption.

Modelling by Public First indicates that an income-linked tapered payment starting at £700 for those with the lowest incomes and extending up to a threshold of £30,000 annual household income, would cost £2.4 billion. Alternatively, if the government was to add £100 booster payments for all disabled households and income-eligible standard credit households, it would cost £4.1 billion and help over a million households escape fuel poverty.[78] This naturally raises questions around scheme funding, given it is currently levied on all customers' bills, which we discuss further below.

Provided automatically wherever possible, to guarantee high uptake.

Context: In 2024/25, the vast majority of households (3.10 million, 96%) received their WHD rebate automatically based on data matching, with a further 124,000 receiving rebates after contacting the WHD Helpline.[79] These are welcome figures, when considering learnings from previous Government-led energy support schemes – where take-up lower among harder-to-reach households unable to access support automatically and who had to apply for it.[80]

But, as noted above – this high WHD conversion rate is only possible in relation to the current scheme eligibility criteria.

The Digital Economy Act 2017 has opened important channels and set the precedent for effective data sharing powers which could lead to more effectively targeted energy support. As stakeholders such as Energy UK and multiple charities have pointed out, reform which enables targeted energy affordability support to extend effectively outside of the welfare system would likely involve cultivating a more sophisticated data-matching system that integrated data from bodies including suppliers, HM Revenue and Customs, the Department for Work and Pensions, Department of Health and Social Care and National Health Service, while navigating privacy and safeguarding considerations.[81]

* These calculations are shared with permission from Scope, having been produced for a 2025 MPs briefing looking at reforms to the WHD scheme and energy affordability.

Action: The Government should take practical steps to pursue these frameworks – including investigating the merits of an income-linked eligibility model – at speed, with the recognition that it might take multiple iterations to refine this system of well-targeted support.

In the interim, there should be an accessible route for households who are not captured by automatic enrolment, but are still at risk of fuel poverty, to engage with the scheme. The Government should work closely with Ofgem as it designs phase 2 of the Debt Relief Scheme, which will set a precedent for targeted energy bill support for low-income households outside of the means-tested benefits system.

Tiered, to reduce the potential for steep cliff edges in eligibility.

Context: As it stands, all WHD payment recipients receive a flat £150 payment. But this research has made it clear that a one-size-fits-all approach to tackling fuel poverty will not work in the long term, with factors such as health and disability affecting households' energy consumption requirements.

Action: The Government should consider options for the design of a tiered WHD payment approach at speed. This could involve higher value payments being delivered to those on the lowest incomes and with the greatest energy needs – for example, disabled households dependent on a constant electricity supply – while smaller payments could be made to low-income households with lower usage needs.

This work would need to be carried out in tandem with the data sharing explorations referenced above – as by having access to a combination of income, health, benefits and energy consumption data, support could be tailored more appropriately to accommodate household circumstances. Such an approach would also mitigate the eligibility cliff edges in support from the current fixed lump sum. Importantly, there is already widespread support for this move from diverse stakeholders.[82]

Enhanced, to tangibly ease low-income households' bill burden.

Context: In its lifetime – spanning nearly 15 years – the amount of financial assistance afforded to those eligible for the WHD scheme has only increased by £30 altogether, and by £10 in the last decade. Average energy arrears per StepChange client, meanwhile, have increased by £1,081 in the last five years alone.

Two in five (40%) StepChange clients with energy arrears in 2025 had a negative budget, meaning they have less income than needed to meet their minimum living costs – and one in five (18%) clients with energy arrears had a monthly deficit of more than £400.

By official figures, the average fuel poverty gap for England in 2024 (the reduction in fuel costs needed for a household to not be in fuel poverty) was estimated at £407 in 2024, using the Government's Low Income Low Energy Efficiency (LILEE) metric – which fuel poverty campaigners and academics alike have called out for being too restrictive.[83] Comparable data is not available for Wales or Scotland.

This all goes to show that current energy support is clearly not doing enough to tangibly tackle deep-rooted energy affordability challenges.

Action: If a revised version of the WHD scheme is to be the vehicle through which the Government intends to bring about long-term intervention on energy affordability, the Government will need to significantly uprate and tailor the amount of financial support available to eligible households, to meet actual energy affordability needs.

Mandatory for all providers, to prevent a postcode lottery of support.

Context: As it stands, all energy providers with over 1,000 domestic customers are obligated to participate in the WHD scheme – a welcome improvement from the previous baseline of 50,000 customers.[84]

Action: The Government should investigate the viability of bringing suppliers with smaller customer cohorts – which can currently sign up to the scheme voluntarily – into compulsory participation, while at the very least preserving the current low threshold.

A note on funding

Though we broadly welcomed the Government's recent decision to move the costs of WHD scheme recovery from the standing charge to unit rates – given the overall advantages it presents for lower income households – we want to see bolder ambition.[85]

The most progressive move the Government could and should consider is to move the cost of WHD recovery into general taxation.[86] This would alleviate the unfairness presented through current costs being funded by a subsidy on all customers' bills, which in turn also practically reduces the level of support afforded to eligible households (as they will also be paying towards these policy costs through their own bills).

Organisations like Public First and Citizens Advice have also put forward policy proposals around mixed funding models based on part subsidisation, which the Government could consider if fiscal constraints prevented the scheme from being paid for fully by general taxation.[87]

There is precedent for different funding approaches, with the Government announcing last year that it would fund 75% of the domestic cost of the legacy Renewables Obligation – previously funded through bills – for three years.

Our vision for a national, single water social tariff:

We know people are rationing water usage or cutting back elsewhere, trying to make ends meet. The announcement that water bills in England and Wales are rising by 5.4% from April 2026 will only place further pressures on struggling households.

The UK Government's long-awaited Water White Paper, published in February, mentions improving the guidance for social tariffs, exploring more consistency across schemes, and increasing awareness and uptake of the support on offer.[88] We believe that the best route to comprehensively achieving those objectives is the implementation of a national social tariff – which would end the current postcode lottery of support.

Importantly, seven in ten (68%) UK adults support the introduction of a national water "social tariff", offering discounted energy bills for people on the lowest incomes.

The UK Government should work with the Welsh Government, regulators, industry and charity stakeholders to design a national social tariff guided by the following principles.

Effectively targeted, to make sure support reaches the right people.

Context: As it stands, water providers can choose their own social tariff eligibility criteria, which has led to significant divergence.

The Independent Water Commission's final 2025 report cited feedback that "the variability in eligibility criteria and levels of support on offer from companies' social tariffs lead to very different outcomes for customers across the country".[89]

Citizens Advice analysis from February 2025 found that, out of 19 schemes, eligibility was defined as an annual income limit for 5 schemes, 4 were based on income and expenditure assessments, 2 used means-tested benefits, while 8 used a hybrid of these criteria.[90]

In blunt terms, this setup means that geographical separation by one road could potentially mark the difference in whether someone is eligible for up to hundreds of pounds of support.

Action: The UK and Welsh Governments should consult on consistent eligibility criteria as part of a wider consultation on the introduction of a mandatory national social tariff.

Provided automatically wherever possible, to guarantee high uptake.

Context: Polling commissioned by StepChange in January 2026 found that three in ten (29%) adults in England and Wales were, when prompted with a description of a social tariff – as a cheaper or discounted price for certain essential services like broadband or water, often designed for low-income customers or those on certain benefits – aware of water social tariffs, leaving two thirds (67%) unaware.

Only three in ten (29%) in receipt of UC were aware of water social tariffs, despite this often being part of providers' qualifying criteria.

In addition to awareness, the CCW has identified other barriers to accessing support, including mental and emotional barriers (such as coming to terms with the need to ask for financial help), lack of trust in large organisations, the complexity of the application and literacy and language skills.[91]

Certain providers have been able to pioneer advances in automatic enrolment. Thames Water recently ran a pilot project with Policy in Practice in partnership with Richmond and Wandsworth Councils to identify candidates for auto enrolment in social tariffs, through establishing a data sharing agreement under the Digital Economy Act. For the 2,934 matched customers in arrears, Policy in Practice identified 1,234 (42.1%) households eligible for but not currently claiming a social tariff. These customers were subsequently due to be auto-enrolled, with each household receiving £316 annually.[92]

Action: The UK and Welsh Governments should engage with water providers, Ofwat and expert stakeholders to build knowledge on the use of auto enrolment and its applicability under a mandatory national social tariff, including an exploration of the practical steps required to establish more effective data-sharing agreements.

Tiered, to reduce the potential for steep cliff edges in eligibility.

Context: As it stands, water providers can choose their own social tariff support structures. Positively, several providers have opted to offer a form of tiered support which changes dependent on household circumstances: for example, certain income or usage thresholds. However, this tiered offering is not a mandatory requirement of water providers.

Various stakeholders have explored what tiered models of support under a mandatory social tariff could look like, which the Government should consider. For example, Independent Age, in collaboration with academics from the University of York, put forward the following proposal using a combination of a water poverty measure, household income cap and benefits data:

- **Tier 1** – households spending more than 5% of their income after housing costs on water bills, and with a gross household income of £25,744 or less.
- **Tier 2** – households spending more than 3% but less than 5% of their income after housing costs on water bills, and with a gross household income of £25,774 or less.
- **Tier 3** – people not spending more than 3% of their income after housing costs on water bills, but receiving means-tested benefits.[93]

Action: The UK and Welsh Governments should explore the practicalities of tiered payments when consulting on the introduction of a mandatory social tariff. This work would need to be carried out in tandem with the data sharing explorations referenced above – as by having access to a combination of income, health, benefits and water expenditure data, support could be tailored more appropriately to accommodate household circumstances.

Enhanced, to tangibly ease low-income households' bill burden.

Context: Two in five (39%) StepChange clients with water arrears in 2025 had a negative budget, meaning they have less income than needed to meet their minimum living costs. Nearing one in five (17%) had a deficit of more than £400 a month.

Meanwhile, CCW analysis of the latest available data in 2025 showed the average bill reductions provided through the main water and sewerage companies' social tariff schemes ranged from £120 to £314 a year.[94]

This discrepancy again raises questions of fairness – particularly as under existing legislation, households in England and Wales cannot switch to another water or sewerage service provider, whatever their motivation for wanting to do so may be. The company that supplies your property will depend entirely on where you live.

Action: The UK and Welsh Governments should seek feedback on establishing a baseline level of financial support that eligible customers in comparable circumstances could expect under a mandatory national social tariff. This should be carried out alongside explorations of tiered support models, as this would ensure households in the greatest need – for example, those at the more extreme end of the water poverty definition – received the most support.

We believe that this move would help to simplify consumer-facing communication about social tariff support. It would also, importantly, not prevent providers from opting to deliver additional financial or practical support on top of the minimum national expectation.

Mandatory for all providers, to prevent a postcode lottery of support.

Context: Each water company in England and Wales offers a voluntary social tariff scheme, operating with differing levels of support and eligibility criteria. The support on offer isn't consistent between providers – and take-up is worryingly low.

Action: The UK and Welsh Governments should consult on the introduction of a mandatory national social tariff in England and Wales with a view to improving take-up and securing consistent eligibility criteria and levels of support.

A note on funding

Most social tariffs are funded by the cross-subsidy companies charge on customer bills. Some companies have consulted their customers to gain support to increase the cross-subsidy level applied to fund their social tariffs.[95] In 2024, water companies spent a total of £235m per year on social support schemes – with the average household in England and Wales spending £8-9 to cover the costs.[96]

As the Independent Water Commission report highlighted, the design of a national scheme – how it is funded, and the level of support – would likely involve distributional decisions between billpayers nationally rather than distributional decisions being intra company and based on customer agreement. The UK and Welsh Governments must work together to explore different funding mechanisms for a mandatory water social tariff, and ensure that support is distributed fairly.

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