

Plugging the gap:

The case for national social tariffs in energy and water

April 2026: Summary report



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.

¹Resolution Foundation (2025), [The bare necessities: Unpacking the rising cost of essentials for low-to-middle income Britain](#)

²Ofgem (2020), [Savings on energy bills this winter as price cap falls](#) and Ofgem (2025), [Changes to energy price cap between 1 January and 31 March 2026](#)

³Water UK (2020), [Average water and sewerage bills for England and Wales to fall by £17 in 2020/21](#) and Water UK (2025), [Annual average bill changes 2025 -2026](#)

⁴House of Commons Library (2026), [High cost of living: Impact on households](#) and Big Issue (2026), [Rents in UK are at record highs. Will they keep going up](#)

▶ To read the full report please visit: stepchange.org/plugthegap

▶ Or **scan the QR code** to download your copy



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For more information, visit the StepChange Debt Charity website.
For help and advice with problem debts call (Freephone) 0800 138 1111 Monday to Friday 8am to 8pm and Saturday 8am to 2pm, or use our online debt advice tool

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