

# StepChange response to the Fair4All Finance consultation: Priorities for additional Dormant Assets funding

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## **Introduction: Scale of financial vulnerability and problem debt**

StepChange Debt Charity is a not-for-profit provider of debt advice and debt solutions supporting people across the UK. In 2025, over 700,000 people contacted StepChange seeking debt advice or guidance with their problem debt and close to 165,000 people completed full debt advice through our online and telephone service.

We welcome the opportunity to feed into this Fair4All Finance consultation on priorities for additional dormant assets funding. Our experience in supporting people with problem debt highlights the need to increase financial inclusion, financial resilience and reduce financial vulnerability.

We broadly agree with the prioritisation framework on page four of the consultation. We agree that support must be focused on initiatives that address financial vulnerability. We support the ambition that initiatives should attract additional funding and be supported by robust outcome and impact measures, although this might be a high bar to get over for some of the issues and suggestions raised in the consultation.

If our understanding is correct, this consultation is about the allocation of an additional £45 million of funding. In abstract this is a significant sum to support financial inclusion, and if employed in a way that recycles or levers in further funding, could be transformational. However, against 20.3 million people in financially vulnerable circumstances it is about £2 each. Among the 5 million people living with problem debt it is £9 each. By way of comparison, the median combined essential bill arrears and unsecured debt of people seeking debt advice from StepChange in 2024 was £11,431. This suggests the need for a strong focus on added value.

We have limited our response to issues relating to problem debt. Our answers to questions on problem debt will pick up topics and issues raised in other sections of the question list.

## **Answers in response to section 5: Problem debt – new approaches**

### ***5.1 Would a cash transfer scheme or debt jubilee concept be an effective way to address problem debt, and how could this work in practice?***

We are sceptical about ‘jubilee schemes’, if this means using dormant asset funds to directly settle debt with lenders. We agree that there is a need for routes to debt relief that are less formal, expensive, legalistic and stigmatising than insolvency. However, developing a policy led scheme to do this needs careful thought, design and implementation.

Firstly it is not clear that funding ‘jubilee’ debt settlement schemes will necessarily deal with underlying financial vulnerability. Our debt advice outcomes found 27% of clients surveyed saying they had used credit between 9-12 months after receiving debt advice. 8% said they were having to use credit for day-to-day living expenses such as food and groceries. This was

more likely for clients reporting an additional vulnerability or negative budgets at the time of advice<sup>1</sup>. Our outcomes research also found that 15 months after advice, 43% of negative budget clients had fallen behind on at least one essential bill in the previous six months.

Unless underlying financial vulnerabilities can be resolved, debt problems are likely to carry on or resurface. In which case, the main mid-term outcome of the intervention could be recapitalising lenders whose products and practices may have contributed to the debt problem the jubilee scheme aimed to resolve. This requires careful consideration.

Debt settlement can be an effective way of resolving debt problems in the right circumstances. Co-ordination is key. We have some evidence of lenders offering partial settlement deals to people in financial difficulty – writing off a larger debt balance on receipt of a lump sum partial debt repayment. This can be an attractive offer but finding the money to make that payment can destabilise payments elsewhere. The experience of this StepChange client in receiving unsolicited settlement offers from creditors explains this dilemma:

*“We get letters through every now and again saying if you can pay this in the next 90 days, we’ll reduce [the debt] from £200 to £80, so if you can pay £80 we’ll forget about it. And then I start going ‘who can we not pay?’ ... pay for that and I know it’s gone...it’s paid”.*<sup>2</sup>

StepChange supports clients to make settlement offers where it is a good outcome for them. So we know that debt settlement can be an effective way of resolving problem debt when it is coordinated in a structured process involving debt advice. This is something Fair4All Finance might consider. But you will need to consider the scale of outstanding problem debt.

The total debt (excluding mortgages) reported by StepChange clients in 2025 was in excess of £3 billion. The FCA 2024 *Financial Lives* survey estimated 1.7 million people used debt advice in the 12 months to May 2024. StepChange clients represent about 10% of debt advice seekers. Extrapolating StepChange figures, a crude estimate of the outstanding problem debt of people seeking debt advice might be in the region of £30 billion.

It does not seem likely that debt write off funded by dormant asset funds could provide a sustainable or transformational solution. However further research and policy work on the benefits of effective debt settlement / part payment schemes, and how these might be organised to ensure good outcomes, might point the way to a more client centred route to debt relief that is more efficient and less stigmatising than formal insolvency.

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<sup>1</sup> StepChange (2020). Paths to Recovery. [https://www.stepchange.org/Portals/0/assets/pdf/Paths-to-Recovery\\_March-2020.pdf](https://www.stepchange.org/Portals/0/assets/pdf/Paths-to-Recovery_March-2020.pdf)

<sup>2</sup> StepChange (2022) . Making Ends Meet. <https://www.stepchange.org/Portals/0/assets/policy/making-ends-meet-insights-from-clients-StepChange.pdf>

## **5.2 What other new or innovative approaches to dealing with problem debt should we consider?**

Various estimates put the population of people experiencing serious problem debt now at 4-5 million. Similar groups appear to be persistently over-represented in measures of financial vulnerability, low financial resilience and problem debt. So problem debt is a large-scale problem with causes deeply rooted in disadvantage and exclusion.

As a result, interventions from the dormant assets fund are unlikely to be transformational in tackling problem debt as a whole, but investment from the dormant assets funds can make a difference.

### **Financial Inclusion Strategy:**

- **Safe, Affordable Credit:** Measures in the financial inclusion strategy on scaling up safe, affordable credit would certainly help. People remain vulnerable to income shocks and emergency / lumpy expenses even after debt advice and may to use credit or other support to meet their needs. Our debt advice outcomes research found 27% of StepChange clients saying they had to use credit in the period 9-15 months after debt advice. 9% said credit was used for unexpected or lumpy expenses like car repairs or children's clothes and shoes. If this credit is unaffordable at the outset or high cost, it can derail progress on dealing with existing debts or start a fresh cycle of financial difficulties. Developing a supply of safe alternative credit options that work with the needs and circumstances of financially vulnerable people could support people recovering from problem debt. This should include investment to scale up the *No Interest Loan Scheme* and work on access to credit should connect to policy work on effective crisis support.

Fair4All Finance might consider whether further research, policy and convening work is needed to understand where and how people access support for lumpy and unexpected expenses.

Our *Somewhere Safe to Turn* briefing highlights over 21 million UK adults who would not be able to meet all of an unexpected £1,000 expense without borrowing. Nearly 14 million of these had no or low ability afford credit repayments<sup>3</sup>. The Financial Inclusion strategy articulated the need for 'alternative options which can also help households manage unexpected costs', along with better customer journeys to appropriate help (whether credit or something else). How this is to be achieved is not fully bottomed out.

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<sup>3</sup> StepChange (2025). Somewhere safe to turn: Segmenting the need for credit alternatives and affordable credit in the UK. <https://www.stepchange.org/Portals/0/23/policy/Somewhere-safe-to-turn-briefing-StepChange.pdf>

We urge Fair4All to continue your work on ‘decline journeys’, extending this to focus specifically on the needs and credit application journeys of people recovering from a problem debt crisis. Safe, affordable credit might be a good option to support people with emergency cash needs. There may be other options, including debt advice, that could deliver an appropriate outcome. We would welcome the opportunity to work with Fair4All Finance to build our understanding of post debt advice support needs and how we can build effective journeys to the appropriate sources of help for people with urgent cash needs.

- **Savings / Financial Resilience:** Research by StepChange and many others highlights the potential for ‘rainy day’ savings to protect people from problem debt. Previous analysis of StepChange client data suggested around a quarter of StepChange clients have the SFS savings allowance in their budget. However our research finds that 15 months after debt advice only 9% of clients have enough saved to replace a washing machine or fridge. More optimistically, 59% of clients said they had been putting some savings aside in case their income drops. This gives some evidence that people experiencing financial vulnerability are able to build precautionary savings but may need some help to do so.

Recent research with StepChange clients by PFRC University of Bristol shows a significant proportion of people seeking debt advice who have had debt advice before<sup>4</sup>. This suggests that problem debt is not always a single treatable life event but a crisis moment in a longer repeating cycle of financial vulnerability. In which case the historic focus of debt advice on problem debt needs to broaden out to helping people build financial resilience and ensuring recovery sticks.

StepChange is currently looking at developing a framework to support our debt advice clients build precautionary savings as a core part of their recovery from crisis point debt. Funding for independent research and evaluation of support services that help build savings, broader financial resilience and inclusion for people recovering from debt would be valuable in increasing our understanding of interventions that can reduce repeat need for debt advice.

- **Insurance and financial resilience:** We welcome the work on insurance set out in section 4 of the consultation. Previous analysis of StepChange client data found people seeking

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<sup>4</sup> Evans, J. & Collard, S. (2025) Powering up support: unlocking better pathways from energy debt to debt advice. Personal Finance Research Centre, University of Bristol. <https://www.bristol.ac.uk/media-library/sites/geography/pfrc/documents/Powering-up-support.pdf> See page 15: A third (34%) of clients in the survey said this was the first time they had been in financial difficulty – highlighting how the cost-of-living crisis has necessitated more people getting professional help. For most, though, financial difficulties were not a new experience: four-in-ten (42%) survey respondents had been in financial difficulty once before and two-in-ten (19%) multiple times before.

help with problem were often were not budgeting for contents insurance and very few seemed to have life insurance or protection products.

Fair4All Finance might consider extending the focus on contents insurance out to other groups as well as tenants in social housing. A similar proportion of StepChange clients live in social housing and the private rented sector (PRS). Clients in the PRS share many of the financial vulnerabilities of clients in social housing but don't have the same support from their housing provider. Fair4All Finance might also consider the role that debt advice providers could play in helping people recovering from problem debt to get key cover like content insurance.

We would support work by Fair4All on increasing access to appropriate product options for people on precarious incomes. Key areas in respect of dealing with problem debt would be insurance products that help people cope with financial shocks without getting into financial difficulty. For instance addressing the barriers to a viable rent insurance product that could protect tenants.

### **Income maximisation**

The section of the consultation on benefiting financially vulnerable groups mentions income maximisation. Fair4All Finance has supported and championed embedding income maximisation tools in lending journeys. There is a similar, if not more pressing need to embed effective income maximising tools and support into debt advice and debt recovery journeys. Fair4All Finance is aware of the recent research report from the Money and Mental Health Institute highlighting the £24 billion in financial support that goes unclaimed each year<sup>5</sup>.

To scale this against problem debt, in 2025 the total value of debt StepChange advised on (excluding mortgages) was £3.3 bn<sup>6</sup>. This was in respect of around 10% of the people who seeking debt advice, according to the most recent (2024) FCA *Financial Lives* data<sup>7</sup>. So a crude scaling up of the total debt (excluding mortgages) of people seeking debt advice in 2025 might be in the region of £30 billion. A similar order of magnitude to the amount of unclaimed financial support.

Not every person's problem debt can be prevented or resolved by income maximisation, but expanding the capacity of debt advice to deliver effective income maximisation would make a

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<sup>5</sup> Smith F, White L. In touching distance: why people with mental health problems are missing out on vital income. Money and Mental Health Policy Institute. January 2026.

<https://www.moneyandmentalhealth.org/wp-content/uploads/2026/01/In-Touching-Distance.pdf>

<sup>6</sup> Roughly £2.2 billion for unsecured debt (credit) and around 1 billion for non-mortgage secured debt, priority arrears etc.

<sup>7</sup> The 2024 Financial Lives survey found 1.7 million people used a debt advice or debt management service in the 12 months to May 2024 Financial Conduct Authority. Based in Financial Lives figures, we estimate around 1.4 million people got free advice / debt management. See slide 69, <https://www.fca.org.uk/publication/financial-lives/fls-2024-forbearance-debt-advice.pdf>

difference. Particularly for those people with deficit budgets after debt advice who remain vulnerable to ongoing or repeat problem debt.

The Money and Mental Health Institute report highlights that resources for detailed income maximisation work are overstretched. Digital benefit calculator tools give a low-cost route to raising awareness of possible entitlement at scale. This can be effective but does not necessarily lead to increased income or support for financially vulnerable people. Some benefits have complex entitlement rules that require expert advice. People may need support to claim benefits and other support.

Debt advice providers are not resourced to do this work within existing funding. StepChange has a small referral partnership with a specialist income maximisation service that has helped people to receive support many times greater than the investment in the service. Resources are not currently available to scale this service up.

We see three ways the Fair4All Finance might use dormant asset funds to help scale up access to effective income maximisation for people seeking help with problem debt.

- Commission research and partner co-ordination work to fully understand 1) the scale of need for income maximisation services, 2) where the gaps are, 3) what the resource investment would be scale effective services to the need, 4) quantify the value of successful income maximisation interventions in supporting financially vulnerable people / preventing and resolving problem debt, 5) support partners to make the case for to government investment in service development and innovation.
- Use the learning and experience from working with lenders on income maximisation tools to work with MaPS to support innovation in the debt advice sector.
- Work with advice and support organisations to make the case with government for innovation to make it easier for people to claim - closing the 'last mile' gap. Here we note our experience of working with the Insolvency Service on setting up a digital application route to the Breathing Space scheme. This proved that government can onboard data gathered and digitally transferred by support organisations to help people apply for a government scheme.

We believe the client data gathered for debt advice could be used to help clients apply for other forms of support, including support identified by income maximisation. This would require an investment in technology, development resources and policy intent from government. We would welcome the opportunity to work with Fair4All on this, both in scoping a route to innovation and making the case with government. An investment of dormant asset resources here might produce a good return in terms of outcomes delivered that reduce financial vulnerability.

## Other research and innovation

- **Joining services up – referral journeys, co-ordination and complex need**

Our response to the Fair4All Finance consultation on financial capability discussed people in financially vulnerable situations needing help to navigate a complex and fragmented system of support that can involve interactions with multiple organisations. This speaks to the income maximisation support needs outlined above, but also to broader support needs articulated by people seeking help with problem debt.

Research by the Personal Finance Research Centre found debt support journeys often involve people being referred between agencies<sup>8</sup>. 37% of StepChange clients<sup>9</sup> were referred into StepChange by another agency. Referring organisations included financial services firms, utility firms, government agencies, other debt advice providers and other support organisations. StepChange referred 21% of its clients on to other advice and support organisations for help with specific needs. These needs included support with mental health; addiction; abuse; benefits / income maximisation; gambling; housing issues; food security; energy / fuel poverty; specific and specialised advice and debt solution provision (where not funded to manage in house).

Of those people referred or signposted by StepChange to another support organisation, 28% were referred or signposted to three or more organisations. That is about 6% of StepChange clients with multiple support needs that may need to be addressed before resolving their debt problem. Crudely scaling this up to the *Financial Lives* estimate of people seeking debt advice suggests over 100,000 people needing help with both debt and multiple complex needs.

Client referral routes and other interactions between advice and support services have grown up organically in response to need. The desire to network is a core strength of the not-for-profit advice and support sector. However in responding to need, these networks are maintained without adequate or sustained funding. There is not an overarching strategic framework. There is not a common approach to innovation and monitoring that ensures successful referral outcomes in every case and for every need.

Our 2019 research on debt advice outcomes found that three months after debt advice, more than half of clients (56%) said they had already got in touch with the organisation they were referred to by StepChange. Of those, 60% said they got the help they needed from that organisation. This equates to 34% of clients who successfully got the help they needed from

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<sup>8</sup> Evans, J. and Collard, S. (2023). *Joined up: supporting debt advice clients through strong referral partnerships*. Personal Finance Research Centre, University of Bristol.  
[https://www.stepchange.org/Portals/0/23/policy/Joined%20up\\_report\\_Bristol\\_University\\_StepChange.pdf](https://www.stepchange.org/Portals/0/23/policy/Joined%20up_report_Bristol_University_StepChange.pdf)

<sup>9</sup> 2022 StepChange client data.

another organisation after being referred by StepChange<sup>10</sup>. This suggests that there is work to do on joining up support services and ensuring safe and successful referral journeys between them.

Fair4All Finance could consider how some of the dormant assets funds might be used for research and innovation to support and improve client journeys between debt advice and other support organisations. This could look at technology, co-ordination, monitoring, strategic development and develop a long-term funding and development plan on connecting up advice and support services to meet the complex needs on people in financially vulnerable situations. StepChange would welcome the opportunity to work with Fair4All Finance on this.

- **Other research suggestions:**

Fair4All might consider supporting research to deliver financial inclusion and resilience outcomes and metrics to inform the Financial Inclusion Strategy and related policy development.

Fair4All might consider funding research to better understand help seeking behaviour of people dealing with problem debt. This could build on work by Fair4All on ‘decline journeys’.

Fair4All might consider research giving a deeper experience of the dynamics of financial vulnerability. This could have a focus on groups overrepresented among debt advice clients and in low financial resilience statistics.

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<sup>10</sup> StepChange (2019). Measuring Client Outcomes. See p11.  
<https://www.stepchange.org/Portals/0/documents/Reports/stepchange-debt-charity-measuring-client-outcomes-pilot-project.pdf>

