

Child poverty and problem debt: priorities for a new child poverty strategy

Contents

1. [Summary](#)
2. [Background: problem debt and child poverty](#)
3. [Problem debt and children in national survey data](#)
4. [Insights from StepChange client data](#)
5. [Policy priorities for a child poverty strategy](#)
6. [Annex: Financial difficulty indicators](#)

1. Summary

- Families with children in or at risk of poverty disproportionately experience problem debt. Mothers—and particularly single parent mothers—are particularly exposed to debt problems.
- Poverty drives problem debt because those with low incomes are more likely to fall behind on household bills and/or borrow to pay for essentials, leading to unaffordable debt. Problem debt can also cause or worsen poverty because debt repayments reduce income below poverty thresholds. Poverty and problem debt frequently become self-reinforcing, driving a cycle of hardship and borrowing.
- Poverty also leads to debt problems because it makes people less financially resilient—for example, in the form of savings—and more likely to be exposed to negative life events such as unemployment, illness or relationship breakdown that are frequent triggers for debt problems
- Poor national and local government debt collection policy, particularly through council tax debt collection and unaffordable debt deductions from Universal Credit, drives people into hardship, worsens debt problems and undermines financial resilience.
- Key priorities for the Government’s child poverty strategy to reduce problem debt and poverty include:
 - introducing financial resilience metrics as part of revised child poverty targets;
 - setting out a long-term strategy to increase income through:
 - removing the two-child limit and benefit cap;

- committing to uprate non-pensioner benefits in line with inflation or earnings, whichever is higher;
 - re-introducing the family element of Universal Credit; and
 - childcare reforms and a wider package of support to remove barriers to work and in-work progress for parents.
- reducing essential costs for families:
 - re-linking Local Housing Allowance to the 30th percentile of rents;
 - increasing funding for council tax support to enable local authorities to re-establish 100% discounts; and
 - introducing a social tariff in energy, beginning with consideration of expansion of the Warm Home Discount scheme from 2026
- reforming harmful government debt collection practices, prioritising reform of local council tax debt collection practices and the system of debt deductions from Universal Credit;
- supporting families to build financial resilience by expanding support for rainy day savings and increasing access to credit alternatives through a permanent crisis support system building on the Household Support Fund; and
- developing a strategy to create more integrated, holistic advice services to help parents address debt and other problems, maximise income and build financial resilience.

2. Problem debt and child poverty

Problem debt occurs when people can no longer meet household bills and contractual debt repayments. Because people struggling with bills often cope through additional borrowing, those experiencing problem debt often have a combination of arrears on bills and credit repayments they can no longer afford to meet.

Evidence shows that poverty drives problem debt primarily because those with low incomes are more likely to struggle with essential bills and borrow to make ends meet.¹ While credit can be an important cashflow tool for households, borrowing to make ends meet tends to lead to deepening debt and increasing repayments, compounding income problems and creating a self-reinforcing problem.

Debt repayments cause and compound poverty: recent research, for example, found that unsecured debt repayments pushed 10% of families with children below the relevant Minimum Income Standard threshold.² Evidence from debt advice of financial difficulties journeys among those struggling with living costs shows how features of credit commonly used by families, such as credit cards and catalogue credit, often

¹ Stone, J. et al. (2023) *Debt, poverty and living standards in Great Britain*; Hartfree, J. and Collard, S. (2014) *Poverty, debt and credit: An expert-led review*

² Stone, J. et al. (2023)

draw struggling borrowers into difficulty—such as automatic credit limit increases and rising minimum repayments.³

Priority debts like council tax are often collected at unaffordable rates, pulling income below the minimum needed to meet essential costs, and accompanied by aggressive collection practices including bailiff enforcement.⁴ In Universal Credit (UC), fixed debt deductions made at unaffordable rates also cause hardship.⁵ Poor debt collection and enforcement practices lead to harmful coping actions, such as going without a healthy diet, rationing utilities and further desperation borrowing, that compound debt problems.

Debt problems and aggressive collection and enforcement practices tend to cause and compound the stress and health problems to which those experiencing poverty are already more exposed. This leads to difficulty processing information and taking action, often leading to harmful coping actions like delaying seeking help.

Poverty also tends to lead to debt problems because it makes people less financially resilient—they are less likely to have assets, savings or access to other financial safety nets—and more likely to be exposed to negative life events such as unemployment, illness or relationship breakdown that are frequent triggers for debt problems.

The following section of this briefing sets out data showing families with children are at greater risk of problem debt. Single parents are particularly exposed to a number of risk factors for problem debt, including persistent poverty and having frequently experienced a recent relationship breakdown or domestic abuse.⁶ Like poverty, problem debt must be understood as an inter-sectional phenomenon where those most exposed tend to fall within overlapping groups such as being female, being a single parent and having a long-term illness or disability.

The negative impacts of problem debt are severe, with consequences for health, wellbeing and relationships, as well as for employment outcomes among adults and educational outcomes among children. StepChange research with the Children's Society found that families in problem debt were more than twice as likely to argue about money problems, leading to stress on family relationships, and causing emotional distress for children.⁷ Children of parents experiencing problem debt were twice as likely to report being bullied.

Problem debt also compounds the stigma of poverty, which increasingly extends to receiving means-tested benefits. As a 'frontline' organisation supporting people

³ StepChange (2022) [Falling behind to keep up: the credit safety net and problem debt](#)

⁴ StepChange (2024) [Looking through the keyhole: StepChange debt advice clients' experiences of the council tax debt collection journey](#)

⁵ StepChange (2022) [Hardship by design? How to end unaffordable deductions](#)

⁶ StepChange and Gingerbread (2020) [The single parent debt trap](#)

⁷ StepChange and The Children's Society (2014) [The Debt Trap: the impact of debt on families with children](#)

experiencing poverty and difficult life events, StepChange sees the real harm caused by stigma to clients' mental health and ability to cope with their situation.⁸

These non-financial effects of problem debt contribute to poverty by affecting work, and progress in work—7 in 10 StepChange clients, for example, who experienced bailiff enforcement reported their performance at work was negatively affected by debt collection.⁹ Research with StepChange clients has also indicated that debt collection and enforcement weaken work incentives because people who have been able to pause or reduce debt repayments know that any additional income can be subsumed by demands from creditors for increased debt repayments.¹⁰

3. Families with children and problem debt: national data

StepChange commissioned a nationally representative survey in January to better understand risks of problem debt for parents at risk of poverty.¹¹ Appendix A sets key data in more detail.

Problem debt

This survey data indicates parents with lower incomes receiving means-tested benefits are more likely to experience serious problem debt:¹²

- 19% of parents receiving means-tested benefits are experiencing serious problem debt.¹³ This compares to 12% of all parents and 8% of UK adults. (All figures refer to parents with children under 18.)

⁸ StepChange (2022) [Making ends meet: Insights from StepChange advice clients](#)

⁹ StepChange Debt Charity (2024) [Looking through the keyhole: StepChange debt advice clients' experiences of the council tax debt collection journey](#)

¹⁰ StepChange (2022) [Making ends meet: Insights from StepChange advice clients](#)

¹¹ All figures, unless otherwise stated, are StepChange estimates based on a survey conducted by YouGov Plc. Total sample size was 4,613 adults. Fieldwork was undertaken between 19th - 21st January 2025. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+). All figures have a weighted base size over 100 except where highlighted.

¹² Serious problem debt means respondents experienced three or more of a list of indicators including: Made just the minimum repayments on my debts; Used my overdraft in each of the last three months; Used credit, loans or an overdraft to make it through to payday; Fell behind on essential household bills (e.g. rent, mortgage, energy bills, council tax etc.); Used credit to keep up with existing credit commitments; Got hit by late payment or default charges; Missed a regular monthly payment on at least one of my debts; and Used credit to pay essential household bills (e.g. rent, mortgage, energy bills, council tax etc).

¹³ All figures, unless otherwise stated, are StepChange estimates based on a survey conducted by YouGov Plc. Total sample size was 4,613 adults. Fieldwork was undertaken between 19th - 21st January 2025. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+). All figures have a weighted base size over 100 except where highlighted.

- Single parents are significantly more exposed to debt problems, with 17% experiencing serious problem debt, rising to an estimated 23% of single parents receiving means-tested benefits.¹⁴

Arrears on priority bills

- 25% of parents receiving means-tested benefits are in arrears on one or more priority bills (including housing, council tax and energy bills) compared to 13% of all parents and 10% of UK adults.

Financial resilience

- 66% of parents receiving means-tested benefits report that they would be able to meet their essential costs (including housing, utilities and groceries) for less than one month if their income stopped. This compares to 29% of UK adults.

84% of parents receiving means-tested benefits report that they would be able to meet their essential costs for less than three months compared to 50% of UK adults.

- 76% of parents receiving means-tested benefits would not be able to meet an unexpected £1,000 expense without borrowing compared to 41% of UK adults.

Indicators of hardship

A significant minority of UK adults are struggling with forms of hardship and those receiving means-tested benefits, and single parents particularly, are more likely to do so. Parents are more likely to experience hardship than their children, reflecting a common 'shielding' dynamic:

- 48% of parents receiving means-tested benefits report hardship such as being unable to maintain a healthy diet and going without regular social activities because they cannot afford them. This compares to 31% of UK adults.
- 24% of parents receiving means-tested benefits report their children experience hardship compared to 16% of all parents.

The data also shows that credit repayments cause many parents to go without essentials:

- 30% of parents receiving means-tested benefits report going without essentials to keep up with credit repayments compared to 26% of all UK adults.

Notably, where couple parents are less likely to experience signs of hardship than UK adults, they are more likely on average than UK adults to go without essentials to keep

¹⁴ The unweighted base for single parents receiving means-tested benefits is 77 and this figure should be treated as indicative.

up with credit repayments. Where being part of a couple seems to help protect parents against some forms of hardship, the greater likelihood they will hold unsecured credit means they are more exposed to repayment difficulties associated with credit.

Gender gaps

Across the data, mothers, and particularly single parent mothers, are more exposed to acute financial problems:

- Women (8%) are somewhat more likely than men (7%) to experience serious problem debt. This gender gap does not grow among couple parents (where 11% of mothers and fathers report serious problem debt respectively), but grows among single parents, with 20% of single parent mothers reporting serious problem debt compared to 13% of single parents fathers.
- Gender gaps increase with more acute indicators of financial difficulty and hardship. For example, 7% of women and 5% of men are in arrears on priority bills, rising to 10% of mothers and 7% of fathers. This gap is again driven primarily by single parents, with 20% of single parent mothers in arrears on priority bills compared to 14% of single parent fathers (and 7% of mothers and 6% of fathers in couples respectively).

4. Insights from StepChange client data

Data gathered through StepChange's advice service in 2024 also helps understand problem debt drivers and experiences among families with children. Here we highlight four key insights relevant to child poverty and problem debt from StepChange's client data.¹⁵

The data confirms problem debt is disproportionately common among single parent mothers

Half (49%) of StepChange's advice clients are parents with children under-18. The over-representation of parents among StepChange clients (49% of clients v 28% of UK adults) is primarily driven by single parents: 27% of clients are single parents compared to 6% of UK adults.

22% of clients are couple parents (the same as the proportion among UK adults). In contrast, 39% of clients are single adults compared to 36% of UK adults, and 12% of clients are couples without children compared to 35% of UK adults.

¹⁵ The profile of debt advice clients among the large national free advice providers varies due to factors like creditor referral routes, so this data should not be taken as nationally representative of all parents experiencing debt problems.

60% of StepChange clients are women, a more significant split than in our national problem debt estimate. The bigger gender gap is primarily explained by the skew among StepChange clients to single parents, the majority of whom are women.¹⁶

Parents are more likely to fall behind on priority bills and experience enforcement

Priority debts are debts where arrears can have serious negative consequences such as court action and enforcement, energy disconnection (including through a mandatory pre-payment meter) and housing insecurity. Parents are more likely than other clients to be in arrears on priority debts. This is driven by single parents, with couple parents less likely to be in arrears on these debts than some other groups.

StepChange clients with priority arrears (2024)

	All clients	Parents	Single parents	Couple parents
Council tax	34%	36%	43%	27%
Energy	40%	43%	49%	34%
Rent	20%	21%	24%	16%
Mortgage	18%	14%	19%	12%

Single parents are also more likely to experience bailiff enforcement than other client groups. While enforcement can be driven by a range of debts, council tax is the most common driver of bailiff enforcement:

StepChange clients who have experienced bailiff enforcement (2024)

	All clients	Parents	Single parents	Couple parents
Experienced bailiff enforcement?	9%	11%	14%	8%

Consumer credit debts are also a driver of debt problems among parents

The majority of StepChange clients who are parents have ‘mainstream’ consumer credit debts like credit cards and personal loans, but differences emerge between single parents and couple parents. The latter are more likely to hold one or more credit cards, while single parents are more likely to have retail credit debts like online catalogue credit and somewhat less likely to have overdraft debt.

These patterns are likely linked to the relationship between income and access to ‘mainstream’ credit, with previous StepChange research highlighting that single parents are more likely to hold subprime forms of credit like high-cost credit cards and catalogue credit.¹⁷ At the same time, however, the combination of access to credit and greater income pressures mean that couple parents are also exposed to repayment difficulties.

¹⁶ StepChange (2023) [Bearing the burden: Unravelling women’s debt dilemma](#)

¹⁷ StepChange (2019) [Red card: Subprime credit cards and problem debt](#)

StepChange clients with unsecured debts (2024)

	All clients	Parents	Single parents	Couple parents
Credit card	67%	65%	58%	74%
Personal loan	45%	45%	38%	54%
Overdraft	32%	29%	26%	33%
Catalogue credit	29%	35%	36%	34%
Store card	11%	13%	12%	14%

Family structure and employment affect budget pressures

StepChange advice clients have relatively low average income levels compared to the national average.¹⁸ The proportion of parents with a negative budget, which means they do not have enough income to meet basic costs after budget counselling, is similar across all client groups. However, single parents have a much lower average budget surplus—the amount of income remaining after accounting for expenses:

StepChange clients average budget surplus and % with a budget deficit (2024)

	All clients	Parents	Single parents	Couple parents
Average budget surplus	£65	£36	£6	£75
Negative budget	30%	31%	33%	28%

Employment status is also patterned across family type, with clients who are couple parents more likely to be in employment, and more likely to be in full-time employment. Recent StepChange research highlighted the average income for women clients in full-time work is considerably lower compared to men in full-time work, indicating that women face a heightened risk of financial difficulty linked to the gender pay gap independent of the amount of hours worked (with wider research connecting that pay gap with motherhood).¹⁹

A majority of single parent clients are in work, but they are more likely to be in part-time work. In keeping with national evidence, those not in work are more likely to be affected by illness and disability.²⁰ StepChange and Gingerbread's research with single parents similarly drew out how poverty and hardship cause health problems among single parents.²¹

¹⁸ StepChange (2023) [Statistics Yearbook: Personal Debt in the UK](#)

¹⁹ StepChange (2023) [Bearing the burden: Unravelling women's debt dilemma](#)

²⁰ Resolution Foundation (2025) [Reducing child poverty in Britain today will require greater support for working parents](#)

²¹ StepChange and Gingerbread (2020)

StepChange clients employment status (2024)

	All clients	Parents	Single parents	Couple parents
Full-time	43%	39%	29%	53%
Part-time	15%	21%	24%	17%
Not working due to illness or disability	15%	12%	14%	9%
Unemployed (looking for work)	11%	10%	12%	8%
Unemployed (not looking)	7%	10%	12%	6%
Other	10%	9%	9%	7%

Parents with more than two children

Finally, StepChange client data indicates greater budgeting pressures on parents with three or more children in line with the additional dependents in the households, with on average these clients having a negative budget after advice, and more likely to have arrears on priority bills (and higher arrears amounts):

Budget surplus/deficit and arrears among StepChange clients by number of children (2024)

	Clients without children	Parents w/ one or two children	Parents w/ three or more children
% clients	52%	38%	11%
Average budget surplus/deficit	£93	£53	-£23
% w/ arrears on priority bills	58%	64%	73%
Average total arrears	£3,728	£4,174	£5,015

5. How can policy makers ‘break the link’ between problem debt and poverty?

Reducing poverty is the most important way a new child poverty strategy can reduce problem debt. Increasing disposable income enables households to meet ongoing costs and manage their budget without borrowing or falling behind, and to build resilience to cope with more significant financial shocks.

But there are also ways policy makers can prevent and mitigate problem debt, and help those affected to recover and build financial resilience, while making progress on the important challenge of reducing poverty.

Key priorities are:

- introducing financial resilience metrics as part of revised child poverty targets;
- a strategy to increase income and reduce essential costs for families;
- reforming national and local government debt collection;
- supporting families to build financial resilience; and
- a strategy to develop more integrated, holistic advice services.

Introducing financial resilience measures to complement revised child poverty targets

DWP has committed to develop a new 'Below Average Resources' (BAR) measure to complement existing poverty measures.²² This measure will include debt repayments and savings, which are not included in income and expenditure calculations in current poverty measures, once suitable data is available through the revised Family Resources Survey.

These are welcome developments. However, the BAR measure itself will not track whether a child poverty strategy is making progress in reducing problem debt and increasing the financial resilience of households.²³

To address this gap, the refreshed child poverty strategy should include a relevant set of financial resilience metrics as secondary indicators supporting top line poverty measures, drawing on the work of the 2019 Financial Resilience Taskforce.²⁴

These measures should focus particularly on monitoring and reducing the extent to which debt repayments cause and deepen poverty, and increasing parents' ability to maintain rainy day savings. Relevant measures would include, for example:

- households in poverty before and after debt repayments;
- households in poverty with a high debt to income ratio; and
- households in poverty with sufficient savings to cover at least one month's expenses.

²² Department for Work and Pensions (2025) [Response to the consultation on the Below Average Resources measure](#)

²³ DWP has begun gathering data on debt repayments and savings through the Family Resources Survey which will allow it to introduce this kind of metric in future. Income and expenditure calculations in current poverty measures do not currently include debt repayments and savings. DWP has also committed to develop a new 'Below Average Resources' measure, which will include debt repayments and savings, once data is available through the revised FRS. However, the BAR measure itself will not isolate debt repayments without separate metrics.

²⁴ Financial Resilience Task Force (2019) [Measuring Household Financial Resilience](#)

These measures would complement headline child poverty measures, better capture the extent to which debt repayments are causing and deepening poverty and track progress in improving financial resilience among families with children.

A strategy to increase income and reduce essential costs for families

The Government has rightly chosen to prioritise reducing child poverty. Households with children have lost the most through tax and benefit changes since 2010 – on average an estimated £2,200 each year.²⁵ As a result, even though the proportion of parents in work and national living wage have each risen, child poverty has increased. Moreover, the proportion of single parents and parents with more than two children living in poverty has increased disproportionately as more families are affected by the two-child limit or benefit cap.²⁶

A key goal of the child poverty strategy should be to ensure the social security system moves to a position where it supports the Government's poverty reduction objectives. Over the course of the Parliament and the ten-year strategy, the Government should invest to reduce poverty risks as soon as possible. Key priorities should include:

- urgently removing the two-child limit and benefit cap;
- re-introducing the family element in UC;
- increasing non-pensioner benefits in line with inflation or earnings, whichever is higher;
- increasing funding for council tax support in line with rising council tax bills so that all councils can provide 100% reductions for households at risk of poverty; and
- re-linking local housing allowance to at least the 30th percentile of rents and maintaining the link in future years.

We would particularly highlight that a meaningful reduction in child poverty demands a focus on supporting single parent and single earner households where a second adult is not able to work. Increasing housing support and removing the benefit cap would have benefits for these groups, as would further support with childcare costs and other measures removing barriers to employment for those able to work. However, it is also important to recognise that addressing the shortfall in benefits adequacy to meet living costs is a fundamental barrier to reducing poverty for these groups.²⁷

Supporting progression in work through promoting access to high quality flexible jobs, training and education is also an important lever to help those who can work to increase their income.²⁸ However, this requires a long-term approach, including more flexibility in conditionality requirements and the present 'work first' approach, so that

²⁵ IFS (2024) [Families with children hit hardest by tax and benefit changes since 2010](#)

²⁶ Try, L. (2024) [Catastrophic caps: An analysis of the impact of the two-child limit and the benefit cap](#)

²⁷ Clegg, A. and Corlett, A. (2025) [Turning the tide: What it will take to reduce child poverty in the UK](#)

²⁸ For example, see Gingerbread (2020) [Untapped talent: Single parents and in-work progression – the national picture](#)

parents are supported to increase skills and qualifications with a view to high quality sustainable work and careers.

Promoting benefit take-up can help meet poverty reduction objectives: council tax support (CTS) is a significantly underclaimed benefit, according to research by Policy in Practice, with an estimated 2.3 million people missing out on up to £3.4 billion of support.²⁹ Some local authorities have taken welcome steps to use data-sharing powers to automate applications for CTS for new UC claimants. The Welsh Government has also recently taken steps to update regulations so that a council may treat an 'intention to claim' in the DWP UC Data Share as an automatic application for the Council Tax Reduction Scheme.³⁰ This should become the default approach of local authorities and the Westminster Government should facilitate this by clarifying or updating regulations where needed.

More generally, the current approach to setting and funding the level of working age benefits is not working: ad hoc year to year uprating puts the system at constant risk of cuts and shortfalls in basic adequacy. In light of these problems, StepChange believes there is an important role for an independent body in advising the government on the level of working age benefits modelled on the Low Pay Commission and we note several credible proposals have been made along these lines.³¹

A new 'minimum income commission' should be tasked with gathering evidence on the reasonable minimum needs of households, including those with additional needs arising from illness, disability or other special situations, and making recommendations to ministers on that level of support. That level can also inform wider Government debt collection practice by establishing an evidence-informed baseline below which people should not be asked to make repayments. Given the extent to which working-age benefits have fallen below an adequate level, the commission can also advise government on a sustainable pathway to relink the value of support with the real minimum cost of living. This would in turn support an essential dialogue about funding for working-age benefits.

Reducing essential expenses

Income is only one dimension of household budgets: there are also important policy opportunities to make it easier for parents to make ends meet by reducing their essential costs.

²⁹ Policy in Practice (2024) [Missing out 2024: £23 billion of support is unclaimed each year](#)

³⁰ Welsh Government (2024) [Written Statement: The outcome of the consultation on changes to the Council Tax Reduction Scheme](#)

³¹ McNeil, C., Hochlaf, D. and Quilter-Pinner, H. (2019) *Social (in)security: Reforming the UK's social safety net*; Bright Blue (2023) *Building up: The future of social security* and JRF (2023) *An essentials guarantee*

The most significant cost pressure on low- to middle-income household budgets is housing.³² The Government's commitments to significantly increase the building of new homes and reform planning should help reduce the cost of housing in the long-term, but it will take longer than the strategy period for these measures to affect housing costs for many families. In the short- to medium-term, increasing housing support in UC and legacy benefits through uprating LHA to at least the 30th percentile of rents (and maintaining that level) is critical to increase affordability for those with high housing costs.

StepChange research has drawn attention to the increasing proportion of families and those in financially vulnerable situations who are private sector renters, and problems of housing insecurity closely associated with problem debt.³³ We would highlight here that rent and mortgage insurance payments are treated differently in the means-tested benefits system: UC rules treat any rent insurance payment as income it does not benefit the tenant. In contrast, any mortgage insurance payment that exceeds housing support is exempt from being treated as income.³⁴ Updating regulations to align the treatment of rent insurance with mortgage insurance would address a point of unfairness in the benefits system and encourage renters who can do so to access a potential safety net that can reduce their exposure to debt problems.³⁵

Key priorities alongside housing should be council tax (where we have noted the importance of council tax support and discuss debt collection in the following section), energy and childcare. For many parents living in poverty, fuel poverty is a daily lived experience. To put this into perspective, approaching half (46%) of StepChange clients in the first half of 2024 were spending more than 10% of their income on energy. This translates into a daily self-rationing of energy consumption and self-disconnection and negative impacts on health and wellbeing.

We welcome the Government's proposals to expand the Warm Home Discount (WHD) scheme to most of those receiving means-tested benefits this winter (with equivalent funding support to suppliers in Scotland). This will, to some extent, help mitigate the impact of the continued acute elevation of energy bills for those eligible for support. However, a long-term solution in the form of a social tariff is needed to guarantee affordability of energy bills in future. We are encouraged by the Government's discussion of affordability issues in its fuel poverty strategy consultation and would like to see ministers take further steps toward a social tariff, beginning with consideration of expansion of the WHD scheme in 2026.

Childcare costs affect families unevenly but can be a significant driver of costs. Affordable, flexible childcare is also vital to remove barriers to work for parents with

³² Resolution Foundation (2024) [Housing Outlook Q4 2024](#)

³³ StepChange (2023) [Trapped in rent: Experiences of StepChange's debt advice clients renting in the private sector](#)

³⁴ Universal Credit Regulations 2013. SI 2013 No. 376.

³⁵ Institute and Faculty of Actuaries (2020) [Building Financial Resilience for Households in the Private Rented Sector: A cost-benefit analysis of changing the current Universal Credit rules for private renters](#)

younger children. Government has invested substantially in childcare for households with low incomes through free early education and the UC childcare element. However, problems remain: early years childcare provision is complex and fragmented, creating practical challenges for parents; affordability often remains a challenge for those in work and there is limited wraparound and holiday provision for school-age children.

Despite substantial investment in early years provision, there has not been a coordinated long-term childcare strategy since 2004. We would now like to see the Government develop a long-term childcare strategy alongside the child poverty strategy, and note particularly Institute for Policy Research proposals for reforms based on research into the experiences of parents receiving UC.³⁶

Reforming local and national government debt collection

Prior to the localisation of council tax support, funding for national council tax support tracked the level of council tax bills.³⁷ Council tax has since risen significantly while funding for local authorities has fallen, squeezing funding for council tax support: in 2021, the National Audit Office estimated that local authority spending power in England fell by 26% from 2010/11 to 2020/21 while council tax increased by 16%.³⁸ Inevitably, as bills have increased and support has reduced, it has become more difficult for those at risk of poverty to keep up with council tax bills and more households are falling behind, driving the increasing number of debt advice clients with council tax arrears.

StepChange's recent *Looking through the keyhole* report highlighted that those behind on council tax are disproportionately likely to be women, renters and single parents.³⁹ The report describes how poor council tax debt collection practices aggravate financial difficulties and lead to poor outcomes. Problems include rapid escalation with insufficient steps taken to identify and engage those in financial difficulty, a lack of empathy and understanding, and demands for unsustainable repayment agreements. Enforcement action is threatened and pursued too readily, bailiffs too often break the rules and enforcement fees considerably worsen difficulty.

Parents with council tax arrears told us of the devastating impacts of aggressive council tax collection tactics on them and their families: from the constant fear of a knock at the door, to having to go without essentials. One client, a single parent in her 30s, said:

"We didn't have the heating on during the winter, I made sure [my daughter] had something to eat but also made sure she didn't spend as much time at home as

³⁶ Wood, M. et al. (2025) ['A big, vast, grey area': Exploring the lived experiences of childcare for parents on Universal Credit](#). Institute for Policy Research.

³⁷ Communities and Local Government (2012) [Local Government Finance Bill: Localising support for council tax – Updated impact assessment](#)

³⁸ National Audit Office (2021) [Financial sustainability of local authorities visualisation](#)

³⁹ StepChange Debt Charity (2024) [Looking through the keyhole: StepChange debt advice clients' experiences of the council tax debt collection journey](#)

possible so she didn't have to go cold or hungry or see me crying. I was in tears every day and I was scared to seek help for my declining mental health in case I lost custody of my child due to not coping with anything."

Council tax debt collection practices are outdated, driving harm at a time of acute cost of living pressures and in need of urgent reform. Key steps to reform are:

- overhauling council tax regulations that drive rapid escalation and poor practice;
- introducing new national standards for local authorities ensuring those who fall behind are supported to access support and agree affordable repayment plans before escalation to debt collection enforcement;
- removing the harmful threat of imprisonment in England, the only nation where this sanction remains; and
- putting the Enforcement Conduct Board, the independent oversight body for the debt enforcement sector in England and Wales, on a statutory footing to address poor conduct effectively and ensure those affected by enforcement are treated fairly.

These steps will ensure councils support residents in council tax arrears to agree affordable repayment plans before pursuing enforcement action, and increase protections for those in vulnerable situations where enforcement does occur.

A second, crucial driver of unaffordable government debt collection is debt deductions from UC. Almost half of households receiving UC have debt deductions in place, most often for UC advances and benefit overpayments. For StepChange clients receiving UC with a negative budget—whose income is not sufficient to meet their basic expenses—the amount of UC deductions is typically greater than their budget deficit.⁴⁰ We have consistently found that almost all StepChange clients affected by deductions are not able to pay for essentials.⁴¹

There are a number of reasons the deductions system drives hardship and low financial resilience:

- deductions are made at fixed rates without regard for the ability of claimants to meet essential expenses like food, housing and utility bills;
- the deductions priority order puts deductions for UC advances above priority debt repayments like rent, council tax or energy arrears, putting claimants at risk of serious negative consequences like eviction, bailiff enforcement or energy disconnection; and
- 'last resort' deductions for third party debts can be made by creditors without responsible steps to engage with claimants and assess affordability.

⁴⁰ StepChange (2022) [Hardship by design? How to end unaffordable deductions](#)

⁴¹ StepChange (2021) [The true cost of tax credit overpayments: A fairer approach](#)

The Government's decision to reduce the cap on deductions to 15% of the UC standard allowance is a welcome 'downpayment' on reducing child poverty (as well as benefitting wider groups of claimants), but the problems with deductions will remain until the system is properly re-developed, embedding principles of affordability and supporting financial resilience.

StepChange has set out detailed proposals to bring the deductions system in line with responsible practice in debt collection.⁴² Key steps to reform include:

- reducing the maximum deduction for UC advances and benefit overpayments from 15% to 5% of the standard allowance (retaining the maximum overall cap across multiple deductions of 15%);
- introducing mandatory checks for creditors to ensure third-party deductions are made only after appropriate affordability checks; and
- putting priority deductions (rent arrears, council tax and energy) first in the priority order—above deductions for UC advances—to protect the best interests of claimants.

Deductions were introduced in legacy benefits as a well-intentioned attempt to support claimants to manage their money, but the system has become a muddle that undermines adequacy and subjects those who receive social security payments to harsher, less responsible debt collection practices than those who do not. Further reforms to the system will both increase the adequacy of benefits and support better outcomes for those struggling with debt. We would also urge the government to ensure the debt recovery measures proposed in the Public Authorities (Fraud, Error and Recovery) Bill include effective safeguards on affordability and vulnerability.

Supporting families to build financial resilience

The data highlighted in this briefing shows that parents tend to have lower financial resilience. Patterns of financial resilience are also gendered: nationally, the FCA estimates in its Financial Lives survey that 28% of women have low financial resilience compared to 21% of men.⁴³ StepChange recently supported Baroness Morgan of Cotes to convene a discussion with expert stakeholders about women and financial resilience, which surfaced the close relationship between issues of child poverty and low financial resilience, and the consequences for women in later life such as lower pensions and retirement savings.

Drivers of low financial resilience, and their solutions, are complex. From a problem debt perspective, we would particularly like to highlight the importance of supporting 'rainy day' savings and access to alternatives to unaffordable credit to prevent parents from being drawn into harmful problem debt that compounds poverty.

⁴² StepChange (2023) [StepChange response to Work and Pensions Committee call for evidence on benefit levels](#)

⁴³ FCA (2022) [Financial Lives 2022 survey: insights on vulnerability and financial resilience relevant to the rising cost of living](#)

Savings

The Help to Save scheme offers a generous savings top-up and is a potentially powerful lever to support those who are 'just about managing' to build savings. User experience research shows that most Help to Save users are happy with the scheme and that it has helped them to save regularly: 71% of users surveyed reported they save more and 65 per cent that they save more often than they did before; 56% reported they were more likely to save in future.

However, take-up has been much lower than anticipated: the Government estimated 3.5 million people would be eligible for the scheme, but as of 2023 only around 350,000 people had an active Help to Save account.⁴⁴ Even allowing for unanticipated cost of living pressures, the scheme is not reaching enough of those it can help.

Barriers to take up may include having insufficient income to save (and eligible people may be reluctant to open an account if they cannot save the maximum £50 each month and access the full bonus since the scheme can only be accessed once), the scheme's somewhat complicated design and low awareness.

We welcomed the Government's decision to extend the Help to Save scheme to 2027 with some initial reforms to improve savings incentives. We would like to see the scheme refreshed from 2027 with a wider set of changes to help meet child poverty objectives, for example through introducing auto-enrolment for those receiving UC and extending eligibility to parents not in work with young children.

Outside of Help to Save, there are further ways the Government can support families to save. The majority of parents living in poverty are in work and a recent Nest pilot has demonstrated the benefits of 'autosave' opt-out payroll saving schemes.⁴⁵ These schemes work by diverting a proportion of pensions savings into a sidecar pot that employees can access at short notice. As part of its forthcoming Financial Inclusion Strategy, we would now like to see the Government proactively promote opt-out autosave and work with regulators to facilitate the scale up of the model by addressing regulatory barriers to roll-out.⁴⁶

There is also an important opportunity to better support savings among families that have experienced debt problems and access debt and insolvency solutions. Currently, the Single Financial Statement (SFS), the income and expenditure tool coordinated by the Money and Pensions Service and used to assess whether those accessing debt advice can afford to make repayments towards their debts has a savings allowance of 10% of any budget surplus (after accounting for essential costs) up to £25 each month:

⁴⁴ HMRC (2024) [Commentary for Annual savings statistics: September 2024](#); HMRC (2016) [Help to Save: consultation on implementation](#)

⁴⁵ Nest insight (2023) [Opt-out autosave at work](#)

⁴⁶ Nest insight (2021) [Opt-out payroll saving: The regulatory considerations](#)

this is too little to support those who have experienced debt problems to meet cashflow and savings needs.⁴⁷ We would welcome work from the Government with the financial services industry and others to increase savings allowances in debt and insolvency solutions to support the objective of increased financial resilience among parents who have experienced debt problems.

Credit alternatives

Everyone has basic budgeting needs to cope with 'lumpy' costs: expenses that change from month to month, unpredictable costs and occasional emergencies. Families are more exposed to unpredictable costs because there are more people in the household and children's growth and development drives regular expenses like new clothes. One way or another, parents must find a way to meet these expenses through income, savings or credit, or they face an unpalatable choice between going without essential needs and unaffordable borrowing, driving debt problems.

Improving the adequacy of benefits addresses this problem at source because it means more families have sufficient disposable income to budget and save for unexpected costs or access suitable credit. But the present reality is that many households do not have these options. Based on national polling, we estimate two-thirds of those receiving UC cannot afford to repay a commercial loan without falling behind on essentials.

In a forthcoming briefing, StepChange has segmented the need for credit alternatives among UK adults into three groups:

- those who cannot afford any form of credit;
- those who could afford to repay suitable affordable credit; and
- those who can afford mainstream credit but are excluded (for example because they have an impaired credit record).

A spectrum of solutions is needed for these groups including grants, no-interest loans and an expanded affordable credit market. StepChange is participating in the Financial Inclusion Committee affordable credit group and will make the case for steps to scale up access to affordable credit, including through a national no-interest loan scheme building on the present Fair4All Finance pilots.

The most important contribution a child poverty strategy can make to address these needs is to meet the gap in support for those who cannot afford to repay any form of credit. We would like to see the Government expand access to ad hoc discretionary grants by putting the Household Support Fund (HSF), which funds local authorities to provide small emergency grants in England, on a permanent footing.

⁴⁷ A comparable tool, the Common Financial Tool, is used in Scotland.

In Scotland and Wales, the Scottish Welfare Fund and Discretionary Assistance Fund are stable, long-term schemes designed and funded coherently to both meet day to day emergency expenses and provide a smaller number of grants for larger one-off costs. In England, the HSF has enabled local authorities to set up schemes to meet smaller emergency costs like food and bills. However, the scheme remains temporary and has been implemented with limited local consistency. The HSF is also not designed to help meet larger 'transition payments' (for instance, for items like essential white goods and furniture) and, while some local authorities maintain limited local welfare assistance schemes, there is effectively no national funding to meet this need in England.

The Government should now put the HSF on a permanent footing, supported by national guidance to embed a consistent approach based on best practice. It should also extend the scope of the scheme to larger expenses, learning from the comparable schemes in Scotland and Wales, supported by a proportionate increase in funding.

As part of the Child Poverty Strategy the Government should also review and extend development grants targeted at families in England and Wales, focusing alongside birth and development milestones on key points of financial pressure such as the summer holiday and Autumn return to school. We note CPAG's proposals to this end and would also encourage the Government to incorporate learning from Scotland's Best Start grant scheme.⁴⁸

We would also like to highlight how the Government can support families to budget by reforming and improving the UC budgeting advance scheme. Budgeting advances must be treated with some caution as those receiving UC tend to be in financially vulnerable circumstances and the evidence in this briefing shows how debt repayments can cause hardship. Yet where those receiving UC cannot access grants, budgeting advances may be the safest and, in some cases, only form of credit they can access. Moreover, one million people are accessing budgeting advances: there is an imperative to ensure the scheme operates as well and safely as possible.

To strike a better balance, policy makers can simultaneously reduce the chances of repayments becoming unaffordable by reducing repayment rates (by reducing deductions for repayments to 5% of the standard allowance) and increasing flexibilities such as repayment breaks, whilst removing overly restrictive eligibility criteria (which effectively exclude those with income from work) and lifting limits on multiple loans whilst maintaining a maximum borrowing cap set at a sufficiently low level to minimise risk. Given the difficulties in balancing flexibility with risks of over-indebtedness, we would like to see a more flexible scheme piloted before wider roll-out.

⁴⁸ CPAG (2022) ['You have to take it back to the bricks': Reforming emergency support to reduce demand for food banks](#)

A strategy to develop more integrated, holistic advice services

Free national debt advice services play an essential role for families at risk of poverty: helping parents navigate persistent poverty and life shocks, increasing income where possible and supporting people to build financial resilience. However, the impact of advice can be held back by some challenges. Insufficient resourcing of additional services like income max and legal and other specialist advice (for example for those affected by domestic abuse) can limit the effectiveness of support. Where clients need to engage with multiple creditors or multiple sources of local and national support, there are also infrastructure barriers to coherent support and advice journeys can be fragmented.

Where agencies like StepChange identify possible sources of help, our clients then have to navigate complex or time-consuming application processes to actually access that help. Getting through the 'last half mile' of the journey can prove an insurmountable barrier, leading to prolonged financial difficulties and situations where people may turn to high cost and unaffordable credit rather than seeking safer support. Here we note that Government initiatives like the Breathing Space Scheme, where data shared with StepChange can be used to apply for the scheme through a seamless digital data transfer, have shown a better approach is possible.

More generally, StepChange has estimated that some 1.5 million more people need advice than the sector has capacity to help. Local community-based advice that is essential to many of those in the most complex, difficult and vulnerable situations has also been eroded by cuts to local government funding and legal aid.⁴⁹

In the context of child poverty strategy, where those experiencing more severe forms of poverty are often experiencing multiple, complex life and financial challenges, holistic advice services are particularly important. Advice and income max cannot resolve all negative budgets or life challenges, but it can help people to stabilise their situation, minimise poverty and put them in the best possible position to make ends meet and build financial resilience.

We would like to see the Government work with advice and support charities to develop a long-term national advice strategy to expand access to advice and address barriers to good outcomes. Both 'mainstream' national advice providers like StepChange and local placed-based advice services are a crucial aspect of a coherent advice offer to meet both volume and need challenges.

Key priorities include:

- supporting income maximisation in mainstream advice;

⁴⁹ StepChange (2024) [StepChange Debt Charity response to the Money and Pensions Service consultation: MaPS proposals for the delivery of its debt advice strategy](#)

- supporting new infrastructure and technology to enable joined-up advice journeys and overcome ‘last half mile’ barriers to connect clients with social tariffs, grants and other support;
- increasing funding for specialised advice, for example for those affected by economic abuse; and
- supporting community-based advice to support those in the most vulnerable situations through high quality integrated advice provision.

Appendix: Financial difficulty indicators

	All UK adults	Parents	Couple parents	Single parents	Parents (means-tested benefits)	Couple parents (means-tested benefits)	Single parents (means-tested benefits) ⁵⁰
Serious problem debt ⁵¹	8%	12%	11%	17%	17%	16%	23%
Arrears on household bills	10%	13%	10%	24%	25%	15%	37%
Arrears on priority bills ⁵²	5%	9%	6%	17%	17%	11%	27%
Went without essentials to keep up with credit repayments ⁵³	26%	29%	28%	34%	30%	28%	36%

⁵⁰ Weighted base 86 – figures highlighted in red should be treated with caution.

⁵¹ Serious problem debt means a respondent selected three or more of the following indicators (in response to the question *In the past three months, have you experienced or carried out any of the following activities in regard to your household finances? Please select all that apply.*):

- Made just the minimum repayments on my debts
- Used my overdraft in each of the last three months
- Used credit, loans or an overdraft to make it through to payday
- Fell behind on essential household bills (e.g. rent, mortgage, energy bills, council tax etc.)
- Used credit to keep up with existing credit commitments
- Got hit by late payment or default charges
- Missed a regular monthly payment on at least one of my debts
- Used credit to pay essential household bills (e.g. rent, mortgage, energy bills, council tax etc)

⁵² Including housing (rent or mortgage), council tax and energy bills.

⁵³ This means a respondents selected one or more of the following indicators (in response to the question *In the last three months, have you done any of the following to keep up with credit repayments? Please tick all that apply. Please only tick things that you think are a result of credit, debt or borrowing, not anything you have experienced for other reasons.*):

- Rationed the amount of heating, electricity or water I have used
- Went without a healthy diet (food and meals)
- Missed utility bill payments (energy, water, telecoms or council tax)
- Went without appropriate clothing for the weather
- Missed rent or mortgage payments

In the last three months, have you gone without any of the following items because you could not afford them?

	UK adults	Parents	Couple parents	Single parents	Parents receiving benefits	Couple parents receiving benefits	Single parents receiving benefits
A healthy diet	16%	18%	15%	31%	31%	23%	44%
Basic utilities	7%	6%	5%	16%	16%	10%	27%
Clothing appropriate for the weather	14%	10%	11%	26%	27%	20%	39%
Regular social activities	24%	28%	25%	38%	38%	32%	49%
Basic toiletries and household items	6%	7%	5%	13%	14%	9%	21%
Any	31%	33%	30%	47%	48%	38%	65%
None	67%	65%	69%	50%	50%	61%	31%
Don't know	3%	3%	3%	4%	3%	3%	4%

In the last three months, have your child/children gone without any of the following items because you could not afford them?

	UK adults	Parents	Couple parents	Single parents	Parents receiving benefits	Couple parents receiving benefits	Single parents receiving benefits
A healthy diet		6%	5%	7%	10%	8%	12%
Basic utilities		4%	3%	6%	6%	4%	9%
Clothing appropriate for the weather		4%	3%	9%	8%	4%	14%
Regular social activities		12%	11%	16%	16%	13%	22%
Basic toiletries and household items		2%	2%	5%	4%	2%	7%
Any		16%	14%	24%	24%	16%	38%
None		81%	83%	72%	73%	81%	59%
Don't know		3%	3%	4%	3%	3%	4%

Serious problem debt (gender)

	Female	Male
UK adults	8%	7%
Parents	13%	12%
Single parents	20%	13% ⁵⁴
Couple parents	11%	11%

Arrears on household bills (gender)

	Female	Male
UK adults	10%	9%
Parents	14%	12%
Single parents	28%	18%
Couple parents	11%	10%

Arrears on priority bills (gender)

	Female	Male
UK adults	7%	5%
Parents	10%	7%
Single parents	20%%	14%
Couple parents	7%	6%

Hardship among adults (gender)

	Female	Male
UK adults	34%	27%
Parents	36%	30%
Single parents	52%	41%
Couple parents	32%	27%

⁵⁴ Unweighted base 77 – figures highlighted in red should be treated with caution.