

# The cost of living: Urgent action needed to tackle problem debt

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**January 2026**

StepChange Debt Charity provides free, expert debt advice and solutions to people across the UK struggling financially.



## Summary

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The cost of living continues to hit households hard, with housing, Council Tax and utilities, such as energy and water, all at historically high levels. Although inflation has fallen, its cumulative impact means living costs remain far higher than before the pandemic.<sup>i</sup> For StepChange, the high cost of living is a significant factor in the financial struggles of our clients, as it can lead to increased debt and hardship.

Across the UK, more than 20 million people are in financially vulnerable circumstances,<sup>ii</sup> with one of the main reasons cited for

falling into debt from StepChange clients cited as the 'cost of living increase'.

We recognise that it is the toll of the increased cost of living that is having a huge impact on those seeking debt advice.

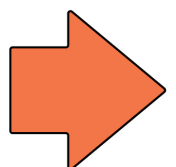
This is also illustrated by polling commissioned by StepChange in September 2025<sup>iii</sup> which found that four in ten (40%) UK adults have found it difficult to keep up with bills and credit commitments in the last few months.

## What are the main issues?

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Increasingly unaffordable household bills, including Council Tax and energy, are pushing people into debt, with more people finding work is not shielding them against financial hardship. For instance, the average energy arrears among StepChange clients continues to climb, reaching £2,669 per person as of May 2025.

This is causing severe anguish for families, with three in ten (31%) UK adults saying they are concerned about being able to pay their energy bills over the next six months. Those on the lowest incomes face growing budget deficits and we're concerned that this could be pushing more people to rely on credit to make ends meet.



## What changes are needed?

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It is vital that increasingly unaffordable household bills are tackled as a matter of urgency. This should be through targeted support aimed at delivering long-term financial resilience for low-income households.

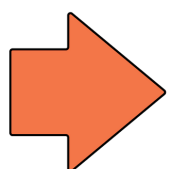
As a priority, we need the Government to urgently tackle the impact of the high cost of living via the following:

1. **Introduce targeted energy support, including steps towards an energy social tariff**, to protect consumers from unaffordable bills.
2. Build on the commitment to end the two-child limit with further steps during the Parliament to address poverty and hardship, prioritising **uprating support with housing costs in line with the real cost of rent**.
3. **Expand take-up of the Help to Save scheme, setting-up a system of auto-enrolment**, and support employers to offer workplace savings schemes to boost financial resilience among low-income households.
4. **Scale-up access to safe, affordable credit, including the No Interest Loan Scheme**. This will help people build financial resilience.
5. **Investigate an approach to funding for the free debt advice sector** that enables us to better support increasing numbers of people struggling with problem debt.
6. **Ensure the new Crisis and Resilience Fund is sufficiently funded** to provide targeted crisis support for people facing acute financial difficulties.

## Bethan's story

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"In 2019, I returned to university to improve my life and provide for my two children, but since the pandemic and the cost-of-living crisis, our financial situation has worsened. My rent has gone up by over £100 per month, and my utility bills are now around £250 per month. As a single parent who has escaped an abusive relationship, finding work has been tough, and right now my only income is universal credit and child benefit, which isn't enough to cover my essentials. I've built up rent arrears and, despite seeking help from the council, there's a 12-year wait for social housing, and I can't find anything affordable. We've faced eviction before, and while a one-off grant helped, we're stuck in a cycle of debt. I've also built-up arrears with most of our utilities and have been switched onto a prepayment top up meter for our energy, which is a lot more expensive than a direct debit, and I constantly worry about us being shut off. I want people to know how difficult things are for people in circumstances like mine. All of my money goes on rent and utilities and it's making me feel stuck and scared about the future."



## References

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<sup>i</sup> House of Commons Library (2025) High cost of living: impact on households.

<sup>ii</sup> Fair4All Finance estimates there are 20.3 million people living in financially vulnerable circumstances (<https://fair4allfinance.org.uk/our-resources/customer-segmentation>).

<sup>iii</sup> All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,364 adults. Fieldwork was undertaken between 4th – 5th September 2025. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).



StepChange will be able to support with a template letter and be on hand to answer any questions.

**[www.stepchange.org](http://www.stepchange.org)**

### How can you help?

Please request a meeting with StepChange for more information about how you can help support our work, by emailing

**[lucy.hooper1@stepchange.org](mailto:lucy.hooper1@stepchange.org)**