

Supporting people in problem debt

Priorities for
the Government





Introduction

The past few years have put immense strain on household finances. Rising energy bills, high food price inflation and spiralling housing costs mean that many households are struggling to cope, often relying on unsustainable credit just to make ends meet. Research by StepChange shows that over 4 million people are in serious problem debt.¹

The impact of being in problem debt is wide-ranging and can be devastating, taking a heavy toll on health, relationships and work. Over half (52%) of people seeking our help disclose an additional vulnerability such as poor mental health, and almost half (47%) are already behind on essential bills. Single parents and those with health conditions are among those hardest hit.²

We welcome positive steps taken by the Government to help households under financial strain, like a commitment to proper bailiff regulation, a consultation on fairer council tax collection, and legislation to regulate Buy Now, Pay Later. But too many people are still struggling to stay afloat and wait too long before getting the help they need.

That's why we're calling on the Government to put financial security at the heart of its agenda. We need bold action to stop hardship becoming entrenched, prevent avoidable harm, and build genuine financial inclusion.

StepChange has identified six priorities for the Government to take forward in its agenda to help the most financially vulnerable in the UK:

- 1. Introduce a statutory regulator for bailiffs**
- 2. End imprisonment for council tax non-payment in England**
- 3. Commit to supporting the debt advice sector in the Financial Inclusion Strategy**
- 4. End the two-child limit and benefit cap**
- 5. Commit to capitalise a national no-interest loan scheme**
- 6. Launch a cross-government economic abuse taskforce**

¹ StepChange analysis estimate this figure using ONS data. Office for National Statistics (ONS), released 8 October 2024, ONS website, statistical bulletin, Population estimates for the UK, England, Wales, Scotland, and Northern Ireland: mid-2023.

² StepChange Debt Charity Research – Statistics Yearbook 2024

1. Introduce a statutory regulator for bailiffs

Although bailiff enforcement should be a last resort, doorstep visits are common, with around **four million** cases each year.³ Too often bailiff conduct falls short, with behaviours exhibited including **threats and harassment**. Some vulnerable people feel pressured to pay more than what they can afford.

The vast majority of our clients who experienced bailiff action (95%) say bailiff conduct negatively affected their mental health, making it more difficult for them to resolve debt problems.⁴ In addition, StepChange clients who experience bailiff action were **more likely to have an additional vulnerability**, such as a disability or mental health condition.

Councils need revenue to fund essential public services, but aggressive collection practices are counter-productive, causing harm and increasing public costs to the NHS and other services. In contrast, evidence shows that good debt collection practices benefits individuals and boosts collection rates among those who can afford to repay.

We are asking for a statutory regulator for the bailiff industry to improve standards and protect vulnerable people from harm.

After a long campaign on the urgent need for proper bailiff regulation, we're delighted to see the Government's recent consultation in this area which states it is *"...minded to legislate to ensure oversight of the enforcement sector by an independent statutory regulator."*⁵



We are still waiting for the outcome of the consultation, but in the meantime, **please show your support by writing to Sarah Sackman KC MP, Minister of State at the Ministry of Justice, calling for the introduction of a statutory regulator for bailiffs.**

StepChange is happy to assist with a draft letter, please get in touch with james.cleverley@stepchange.org

³ Ministry of Justice, released July 2023, GOV.UK website, Government response, Review of the Taking Control of Goods (Fees) Regulations 2014

⁴ StepChange Debt Charity Looking Through the Keyhole

⁵ Ministry of Justice Regulation of the debt enforcement sector consultation

2. End imprisonment for council tax non-payment in England

StepChange has long called for interventions to better protect those who fall behind on council tax payments through the introduction of greater flexibility and empathy into the debt collection journey.

Certain elements of the current collection system are at best outdated and at worst **dangerous** for those behind on this bill. This is characterised by the **continued existence of the sanction of imprisonment for council tax non-payment in England**, which causes **undue harm**. This **does not clear their debt**; it just **takes away their ability to work** to pay it off while costing the taxpayer thousands in court and prison costs. Additionally, England currently stands alone as the only country in the UK that sends people to prison for not paying council tax.

Following a 2018 High Court judgement, the number of people sent to prison for non-payment of council tax is now minimal⁶. Despite this, the threat of imprisonment is often **overemphasised**, and the **perceived risk** of this alone is enough to cause **long-lasting, devastating consequences** to people's mental wellbeing – people who are **already struggling with problem debt** and are **financially vulnerable**.

The Government is currently legislating to abolish most short prison sentences in England and Wales⁷. However, as council tax is not a criminal matter, imprisonment **for non-payment does not fall under this legislation**, meaning this could become one of the only matters where short-term imprisonment remains an option.



Please write to Ms Alison McGovern MP, Minister for Local Government, calling for an end to the outdated, ineffective, and damaging threat of imprisonment for council tax debt in England.

StepChange is happy to assist with a draft letter, please get in touch with james.cleverley@stepchange.org

⁶ Written Parliamentary Question UIN 23550, tabled on 13 January 2025

⁷ UK Government Sentencing Bill 2025



3. Commit to supporting the debt advice sector in the Financial Inclusion Strategy

Debt advice is **essential to prevent the harm of problem debt** and help people who have experienced debt problems to build financial resilience to help them withstand financial shocks in the future.

4.5 million people are in financial difficulty. However, only 1.7 million people accessed debt advice in the last year. **Millions are currently missing out on debt advice despite being likely to benefit from it.**⁸ There is not enough free debt advice availability to help the number of people in financial difficulty, with the sector being unable to meet the high demand.

The lack of capacity for vital free debt advice services comes at a time where debts are getting bigger and harder to deal with.

Three in ten new StepChange clients have a negative budget (they don't have enough income coming in to cover their essential costs).⁹ This makes debt problems much harder to solve. In order to deal with increasingly complex problem debt cases, **the free debt advice sector needs more ongoing support to ensure everyone struggling with debt gets the help they need.**

More complex financial situations are not the only barrier to high-quality, free debt advice. Too many people seeking help with their debts online **face a wild west of scammers**, ads impersonating charities and debt solution providers operating to different consumer protection and redress standards. We want to ensure we can create **a safe pathway for people seeking debt solutions by bringing IVA providers within an effective regulatory framework** and ramping up action to stop harmful and misleading online and social media debt advice and solution ads.



Please write to Lucy Rigby KC MP, Economic Secretary to the Treasury, asking for a commitment to investigate and develop an approach to debt advice funding that better supports the needs of people struggling with problem debt in the Government's upcoming Financial Inclusion Strategy.

StepChange is happy to assist with a draft letter, please get in touch with james.cleverley@stepchange.org

⁸ Financial Conduct Authority Financial Lives Survey 2024

⁹ StepChange Monthly Client Data Report July 2025

4. End the two-child limit and benefit cap

Families with children in, or at risk of, poverty disproportionately experience problem debt. Mothers – particularly single parent mothers – are particularly exposed to debt problems. **Households with children have lost the most** through tax and benefit changes since 2010 – an estimated £2,200 per year on average.¹⁰ As a result, child poverty has increased and many families have ended up in debt as their benefit payments are inadequate to meet their basic needs.¹¹

Scrapping the two-child limit is the most cost-effective way to start to reduce child poverty, lifting 350,000 children out of poverty and reducing the likelihood of families borrowing to cover essential costs.¹² This tax on siblings is the biggest driver of rising child poverty in the UK today and breaks the link between what children need and the support they receive.

As a member of the End Child Poverty Coalition, we welcome the Government's creation of the Child Poverty Taskforce and its upcoming Child Poverty Strategy. 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 this Parliament, the Government should invest to reduce poverty risks as soon as possible.

The Government must take this opportunity to remove the two-child limit and benefit cap, two driving forces behind child poverty and destitution.



We are asking MPs and Peers to please pledge your support for the removal of the two-child limit and benefit cap on your social media channels, tagging @StepChange.

StepChange can provide statistics and draft posts, so please get in touch with james.cleverley@stepchange.org to find out more.

¹⁰ Institute for Fiscal Studies press release, 8 June 2024

¹¹ UK Parliament Written evidence from the Benefit Changes and Larger Families research team BPI0035

¹² Child Poverty Action Group The two-child limit: our position

5. Commit to capitalise a national no-interest loan scheme

The ability of UK households to cope with financial shocks has been deeply undermined by a series of economic crises. Many people have little to no savings to cope with unpredictable costs: **four in ten (41%) UK adults say they would not be able to meet all of an unexpected £1,000 expense without borrowing**, forcing them to rely on desperation borrowing.

At the same time, **financial services are not working for all**, with limited access to affordable credit forcing people to use risky, high-cost products, or leaving them excluded altogether from accessing safe credit options. There are currently **over 20 million people in financially vulnerable circumstances** across the country.¹³

Without access to essential safety nets such affordable credit, too many people are at risk of falling into serious hardship. What's more, the poverty premium for services like insurance means those with the least access to resources to cope with unexpected shocks are most exposed to risk.

At StepChange, we're calling for **scaled up affordable credit options**, including for **the Government to commit to capitalise a No Interest Loan Scheme (NILS)**. The NILS pilot was created by Fair4All Finance and is supported by a number of organisations including HM Treasury to provide a possible solution for people with a need for responsible credit who can't access existing options, either due to affordability or lending criteria (credit risk).¹⁴ Early indications suggest that access to the no-interest loan scheme is helpful to those who are struggling to cover unexpected costs while allowing people to put some money aside for a rainy day.



Please request a meeting with StepChange to find out more and how you can help support our ask for the Government to commit to capitalising a no-interest loan scheme by emailing james.cleverley@stepchange.org

¹³ Fair4All Finance press release, 16 July 2024

¹⁴ Fair4All Finance No Interest Loan Scheme (NILS) Pilot



6. Launch a cross-government economic abuse taskforce

StepChange's *Too Close to Home* report estimates that **1.6 million people had experienced coerced debt in the last 12 months**.¹⁵ Coerced debt occurs where the perpetrator uses coercive and controlling behaviours to make a victim-survivor take actions that lead to debt. Coerced debt and economic abuse happen in the context of domestic abuse where abusers control and dictate a victim-survivor's choices and everyday actions, using pressure and violence.

Victim-survivors currently face limited and inconsistent support. They are **liable for coerced debts in their own names** and, except where it is possible to demonstrate fraud, **typically face the burden of repaying them**. They also often **face long-term financial exclusion because of the impact of the debts—accrued through no fault of their own** – on their credit records, limiting their access to vital goods and services, housing and even employment opportunities.

There are currently a number of barriers to supporting victim-survivors, including:

- No regulatory framework for separating joint and severally liable debts.
- Credit information reporting arrangements that prevent victim-survivors' credit records from being reset or repaired.
- No comprehensive agreed expectations of creditors and suppliers in supporting victim-survivors with coerced debts.
- Insufficient specialist debt advice funding and capacity to support victim-survivors with coerced debts.

These barriers cannot be resolved in isolation and require a comprehensive solution coordinated by Government.

We are calling for a Government-led economic abuse taskforce to bring together stakeholders and experts to address barriers to economic justice for victim-survivors.

Please help us by showing your support for victim-survivors on social media. StepChange can provide statistics and draft posts, so please get in touch with james.cleverley@stepchange.org to find out more.



¹⁵ StepChange Debt Charity *Too Close to Home*

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We want to create a society free from problem debt.

For more expert debt research and insights,
visit the StepChange Debt Charity website.

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