

Problem debt in Scotland

A manifesto for the 2026
Holyrood elections





Introduction

When Scotland last went to the polls to choose our government at Holyrood in 2021, we were a country still in the grip of the pandemic. The intervening years have compounded the pressure on households through an enduring cost of living crisis, high interest rates and record energy prices. As attention turns once again to the Scottish Parliament elections in May, **we must grasp the opportunity to help people get their finances back on track.**



At StepChange Scotland, we know that debt can affect anyone, at any time, and that the causes of hardship can be complex. We're calling on all parties to put financial security at the heart of the next Scottish Parliament:

£ Ensuring room to repay council tax

We need to reform council tax collections to deliver a system which is fair and ensures everyone has access to free debt advice, the opportunity to claim reductions and discounts, and repayment plans based on affordability.

£ Tackling the energy debt crisis

Energy debt is now the most common form of arrears for our clients. We need to tackle unmanageable energy debts and address ongoing high costs through a modernised Warm Home Discount scheme and social tariffs.

£ Rebuilding financial resilience

The Scottish Government must maintain a concerted focus, across policy areas including social justice, education and finance, to address precarious household finances and rebuild resilience.

£ Addressing coerced debt

Around 1.6 million adults across the UK have experienced coerced debt but the issue is still widely misunderstood and support is inconsistent. The Scottish Government needs to take steps to deliver economic justice for victim-survivors.

£ Dealing with problem debt

With personal debt at near record levels, we need sustainable investment in the free debt advice sector and a modernised insolvency system to ensure that everyone can access the right support and solutions when struggling with debt.

1. Room to repay council tax



Council tax has long been a problematic debt for StepChange Scotland clients – a third are in arrears, owing an average of almost £2,300 each. Local Authorities too often rapidly escalate council tax debt to enforcement action, without assessing whether a household is vulnerable, offering reasonable repayment plans or referring people for free debt advice.

Missing just a single payment can result in a household becoming liable for the full year's balance in one go, followed by the involvement of Sheriff Officers and the imposition of additional penalties. The majority (58%) of diligences executed in Scotland are for council tax debts, and this has increased by over 40% since pre-pandemic levels¹. Not only can these practices cause hardship and exacerbate vulnerabilities, but they are also often not the most effective ways of collecting funds.

The UK and Welsh governments have both acknowledged council tax arrears and collection as major issues and have consulted on reforms to make their own systems fairer. Scotland risks being left behind.

The next Scottish Government should conduct a **review of council tax recovery to deliver nationwide fair collection practices** and ensure that anyone struggling has the time and opportunity to access free debt advice and agree reasonable and affordable repayment plans².

This must also include an **assessment of entitlement to Council Tax Reduction, discounts and exemptions** which are currently underclaimed. 42% of our clients in receipt of Universal Credit are in arrears on their council tax, despite being potentially eligible for support.

The Scottish Government should also **review the 20-year prescription period for council tax debt**, which is an outlier, and consult on reducing this to five years as is standard for most other debts in Scotland, and more aligned to the timescales in England and Wales.

¹<https://aib.gov.uk/publications/scottish-diligence-statistics-2024-25>

²Collaborative Council Tax Collection

2. Tackle the energy debt crisis



Scotland is facing another winter with energy prices still far higher than they were just a few years ago, and households falling further behind on their bills. More than one in three of our clients are in arrears, and debts have surged to over £2,500 per client. The average level of dual fuel debt has doubled since the last election.

This year we launched a new service providing energy debt advice which has already supported Scottish clients to deal with hundreds of thousands of pounds of energy debt. But we need meaningful government action to tackle the joint issues of energy debt and affordability in the long-term.

StepChange has welcomed Ofgem's plans for a nationwide energy debt relief scheme – which has been a long-standing priority for the charity – and we also want to see tangible improvements to make energy debt collection practices fairer.

We also need action to tackle unaffordable energy costs to prevent debt building up again in the future. The **expansion of the Warm Home Discount (WHD)** in England and Wales presents an opportunity for the Scottish Government to simplify the devolved scheme to remove barriers and increase data-sharing and automatic entitlement³.

But even an expanded scheme will remain insufficient to address cost pressures – the level of the WHD has increased by only £30 since its introduction in 2011, while the current energy cap is over £600 higher than a few years ago. That's why the Scottish Government must work collaboratively with their UK counterparts to deliver long-term protection from fuel poverty – including through the **implementation of social tariffs**, or equivalent support, for those on the lowest incomes.

³ [StepChange response to DESNZ consultation on Continuing the Warm Home Discount Scheme](#)



3. Rebuild resilience



Household finances in Scotland remain precarious. Our clients owe almost £5,500 in average household arrears, a staggering 85% increase since the last Holyrood election. More than a quarter of our clients have a deficit budget, meaning they don't have enough money coming in to cover their essentials.

The Scottish Government must ensure that the social security system protects the most vulnerable. For the 18% of StepChange clients who are unfit for work, disability benefits are a lifeline – the difference between a budget surplus of £100, and a deficit of over £100. That's why the **devolved disability benefits in Scotland must be maintained** at an adequate level based on need.

36% of our clients rely on Universal Credit to make ends meet, but they owe an average of £579 in UC advance repayments. The next Scottish Government should engage with the DWP to expand the Scottish choices for Universal Credit, which already allows for some distinct approaches, to enable the **removal of the five-week wait in Scotland**.

Our research shows that four in ten adults are unable to meet an unexpected cost of £1,000 without resorting to borrowing⁴. The Scottish Welfare Fund is a lifeline resource for many, but the fund must be sustainably resourced to cope with rising demands and avoid a postcode lottery for claimants.

The next Scottish Parliament should build on the work of the Financial Inclusion for Scotland Strategy 2024–26⁵, and the UK Government's recently published Financial Inclusion Strategy⁶. This should include strengthening support for credit unions and community lenders and **utilising expanded dormant assets to invest in financial inclusion**.

The **School Meal Debt Fund should be extended** and made available in every local authority in Scotland. The Scottish Government must strengthen financial education in the curriculum and ensure that every child leaving school has a bank account.

⁴ [Somewhere Safe To Turn – StepChange Debt Charity](#)

⁵ [Financial Inclusion for Scotland Strategy 2024 – 2026](#)

⁶ [Financial Inclusion Strategy – GOV.UK](#)

4. Address coerced debt



Our 'Too Close to Home'⁷ report shines a light on the struggles faced by victim-survivors of coerced debt trying to recover their finances. We found that 1.6 million adults across the UK had experienced coerced debt – a third of whom experienced problem debt. Yet the support is inconsistent, debts are rarely written off, and there is no clear path to credit restoration.

At StepChange we're stepping up the support we offer to improve outcomes for victim-survivors of economic abuse and help them rebuild their financial independence, but we also need action from government to tackle the structural barriers to economic justice.

This is a complex issue and we're calling for UK-wide cross-government action to tackle the structural barriers to economic justice. The Scottish Government must engage constructively in this process and also act now in devolved areas – including by **prioritising access to advice and support for victim-survivors.**

We also need to review **the rules around joint-and-several liability** for public debts, particularly council tax, to ensure that victim-survivors are not left responsible for debts arising from economic abuse. The Scottish Government needs to work with COSLA to improve standards and deliver a fair and consistent national approach to writing-off council tax debts in these circumstances.

The next Scottish Government should make progress on the longstanding commitment to introduce **split payments of Universal Credit by default**, instead of by exemption. The Scottish Welfare Fund and national Fund to Leave are both vital resources and must be sustainably financed. The upcoming review of bank arrestment rules must **ensure that these lifeline funds, and other grants or social security payments are protected** from recovery action.

⁷ [Too close to home – StepChange Debt Charity](#)



5. Deal with problem debt



Whichever political party forms the next Scottish Government, they will be leading a country deep in personal debt. Over the last 30 years, StepChange Scotland has supported tens of thousands of clients in financial difficulty – but personal debts today are at levels not seen since the global financial crash. Our clients owe an average of £18,326 in unsecured debts – a massive 45% increase since the last Holyrood election.

With our new 2025-2030 strategy⁸, StepChange are investing to deliver a modern, digital-first, highly scalable service to meet this moment. The Scottish Government needs to be equally serious about these challenges.

Debt advice can make all the difference, but millions across the UK are missing out⁹. The Scottish Government must continue to **invest in the free debt advice sector**, build capacity and support long-term sustainability through multi-year funding. A new **debt advice workforce strategy**, as promised in the Debt Advice Routemap¹⁰, would help attract talent, and retain expertise in this vital sector.

The next Scottish Government needs to engage with the forthcoming recommendations from the ongoing Stage 3 review into statutory debt solutions and take forward reforms to ensure that **Scotland's insolvency system is fit for the future**.

The scope of the proposed **Scottish Mental Health Moratorium** **should be widened** to create an effective and accessible scheme that avoids unnecessary administrative barriers. The moratorium needs to be brought into effect as soon as possible to provide our Scottish clients with protection equivalent to that available to their English and Welsh counterparts.

⁸ [Our 2025-30 strategy – Stepping ahead: Destigmatising debt and powering financial resilience](#)

⁹ [Financial Conduct Authority Financial Lives Survey 2024](#)

¹⁰ [A Debt Advice Routemap for Scotland](#)



Author: Malcolm McConnell

We want to create a society free from problem debt.

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

Get in touch:



Scotland@stepchange.org



www.stepchange.org



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