

Wales in the RED

In 2018, approximately
1 in every 75 Welsh
adults contacted
StepChange Debt
Charity for help with
their debt problems.

StepChange Debt Charity is the UK's leading specialist debt advice charity, offering free and impartial advice to those in problem debt across the UK through our telephone and online debt advice channels. We have more than 25 years' experience and in 2018 our team of debt experts helped 650,000 people across the UK with their debt problems.

We operate our telephone and online provision in centres across Great Britain, including our specialist advocacy debt advice centre in Cardiff. Our colleagues in Cardiff provide general debt advice, and are specifically trained to provide advice and support to clients who may be in vulnerable situations on top of their financial difficulty.

This can include a mental or physical health condition, learning difficulty, difficulties with speaking or reading the English language, a vision or hearing impairment or anything else which may make dealing with a debt problem additionally difficult.

The nature of debt in Wales

Based on general public polling, we estimate that around 8% of adults living in Wales are facing severe debt problems, compared to around 6% of the UK adult population. This equates to 193,000 people in Wales in severe problem debt. We estimate a further 412,000 (16% of the Welsh population) are showing signs of financial distress.†

This report identifies some of the key characteristics and debt situations of our clients in Wales.

The evidence in this report looks at a range of issues including key trends in debt types, financial situations and household bills of our clients across Wales, including key differences since StepChange Debt Charity last produced a Wales in the Red report which featured data from 2014.

The experiences of StepChange clients highlight the financial pressure that many households across Wales are currently facing, and reiterates the need for urgent action required to address the key policy challenges affecting those in or at risk of problem debt.



Methodology

Unless otherwise stated, the data featured in this report is based on 6,434 clients who are based in Wales and completed a full debt advice session through StepChange Debt Charity's telephone debt advice service between July 2018 and June 2019.

Due to the client confidentiality and anonymity of our online debt advice service, we are only able to fully collect location information for clients who use the telephone debt advice service. In 2018, more than 350,000 people completed a full debt advice session across the UK.

Our latest full Stats Mid Year Update showed that 65% contacted us through our online debt advice channel. We therefore know there are far more clients in Wales who received debt advice beyond those included in this report. However, we are only able to provide full and accurate location information for clients who utilise our telephone service.

Any comparison stats to the overall StepChange client population are based on clients who complete a full debt advice session through the charity's telephone debt advice service. Our telephone clients have, on average, lower debt levels and lower income levels compared to clients who access our online debt advice service.

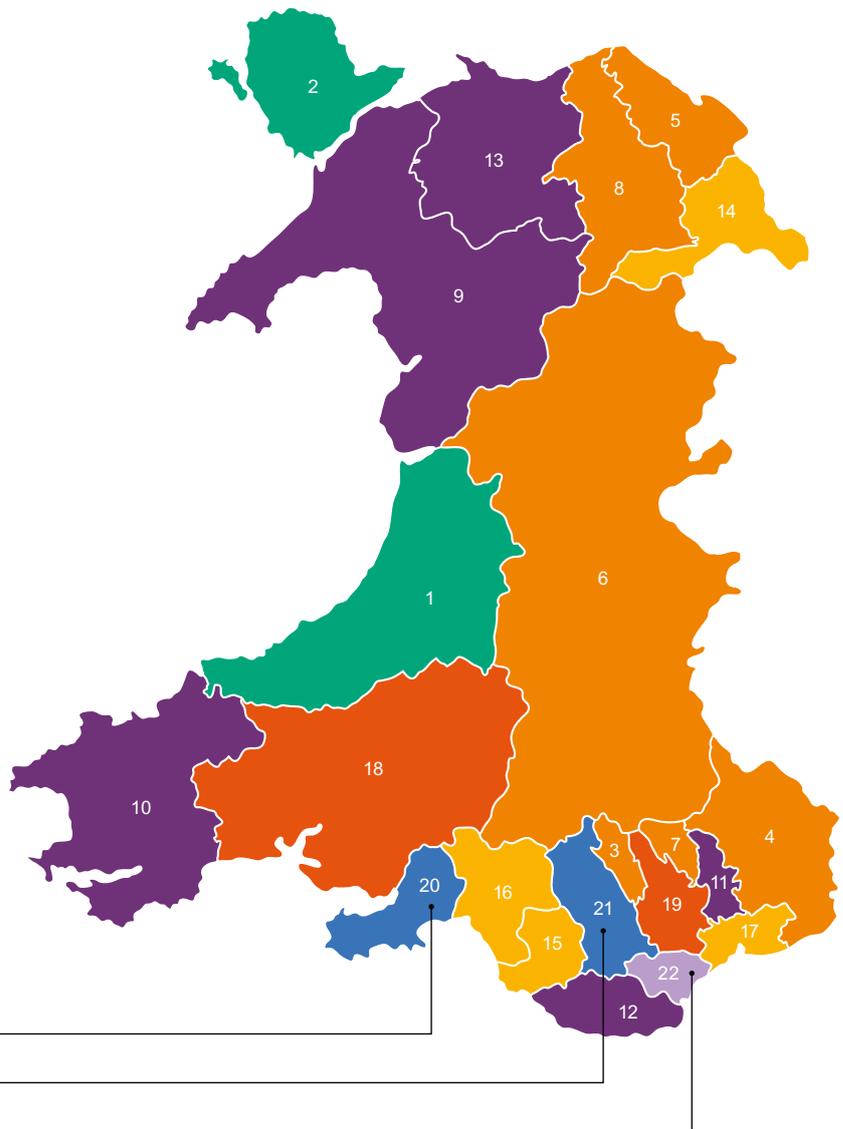
Locations

Our Clients in Wales (Telephone data only)*

Count of new StepChange clients in each local authority area

● 001-100 ● 101-200 ● 201-300 ● 301-400 ● 401-500 ● 501-600 ● 601-700 ● 701-800

Map	Region	Count
1	Ceredigion	95
2	Isle of Anglesey	98
3	Merthyr Tydfil	125
4	Monmouthshire	139
5	Flintshire	156
6	Powys	159
7	Blaenau Gwent	174
8	Denbighshire	192
9	Gwynedd	206
10	Pembrokeshire	217
11	Torfaen	223
12	Vale of Glamorgan	246
13	Conwy	268
14	Wrexham	320
15	Bridgend	345
16	Neath Port Talbot	365
17	Newport	377
18	Carmarthenshire	412
19	Caerphilly	471
20	Swansea	554
21	Rhondda Cynon Taf	561
22	Cardiff	731



* Figures based on clients who sought advice through the telephone debt advice channel only. Please see methodology note on page 3 for further details.

Unsurprisingly, given its population size, the local authority area with the highest number of new StepChange clients from July 2018 – June 2019 was Cardiff, followed by Rhondda Cynon Taf and Swansea.

The only local authority areas where fewer than 100 people contacted StepChange were Ceredigion and the Isle of Anglesey.

Reason for debt

StepChange clients in Wales are most likely to experience debt problems due to income shocks.

For example, the top three reasons for debt among our clients in Wales are a reduced income (16%), injury or illness (15%) and unemployment (12%). These are the same top three reasons for all clients across the UK.



Top 10 reasons for debt

Reduced Income	Injury / Illness	Unemployment	Separation / Divorce	Lack of Budgeting
16%	15%	12%	10%	10%
Used Credit for Living Expenses	Increased Priority Expenditure	Reduced Benefits	Bereavement	Other
5%	4%	3%	2%	12%

Life events and debt

We recently undertook research around how life events such as separation, unemployment, redundancy, illness, bereavement and other events cause people to fall into financial difficulty.

Based on general public polling[†], we found that:



45% of adults in Wales say they, or someone in their household, experienced a life event in the past two years. This is the same figure as for all GB adults (45%).



More than one in four Welsh adults (28%) said they, or someone in their household, had experienced a life event that made them worse off financially in the last two years. This is slightly higher than the percentage for GB adults (24%).

About our clients

Employment

Half (50%) of StepChange clients in Wales are in full-time or part-time employment, while one in three clients are unemployed, which mirrors statistics found across the UK (51% of UK clients are in full or part-time work and 34% are unemployed).



Employment status



Any client who contacts StepChange Debt Charity for business debts or is self employed is referred to Business Debtline, a charity run by the Money Advice Trust. Business Debtline is a free debt advice service for those who are self-employed and small businesses in England, Wales and Scotland.

Income and household budgets

Almost two in five (39%) Welsh clients are in a negative budget* after the StepChange advice and budgeting process. This is broadly similar to the average for all clients (43%).

The average total monthly income per client in Wales is £1,317, which is £47 lower than the average monthly income for the total client population (£1,364).

*A negative budget describes where a client's monthly expenditure is greater than their monthly income after the StepChange advice and budgeting process.

Northern Ireland	£1,389
England	£1,371
Wales	£1,317
Scotland	£1,308



Vulnerability

More than two in five (42%) Welsh clients have an additional vulnerability on top of their existing financial difficulty.

This includes mental health problems, physical health issues, learning disabilities, hearing or sight impairments as well as any other condition which makes dealing with debt problems additionally challenging.

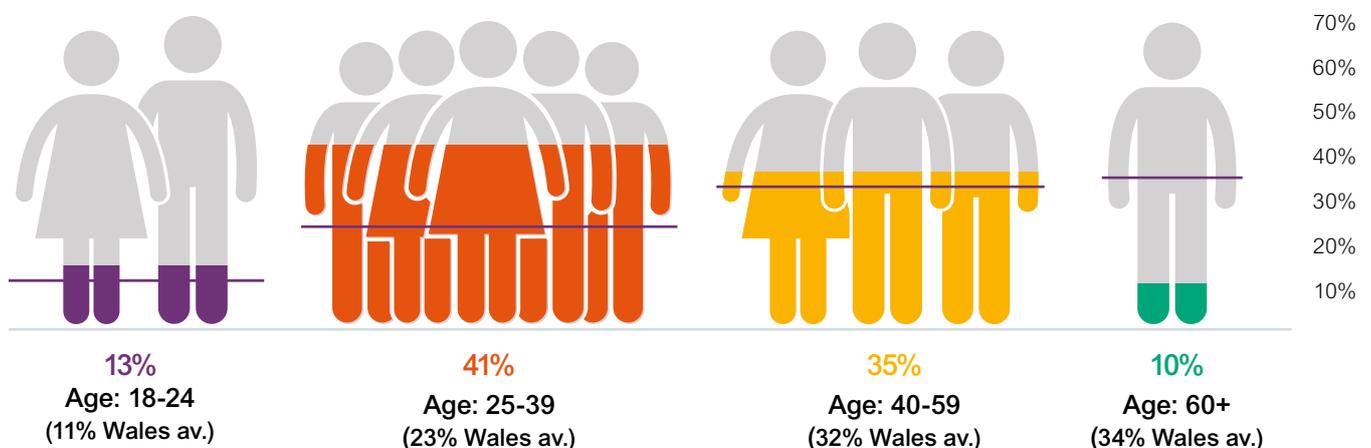


Age

Across the UK, and including in Wales, the average age of our new clients has been falling in recent years. Our most recent stats show that over half (54%) of Welsh clients are aged under 40, yet only a third (34%) of all Welsh adults in the wider population fall into this age group.

The charity is particularly over-represented with clients aged between 25 and 39 compared to the wider Welsh population. Less than a quarter of all Welsh adults are aged between 25 and 39, yet 41% of Welsh clients fall into this age group.

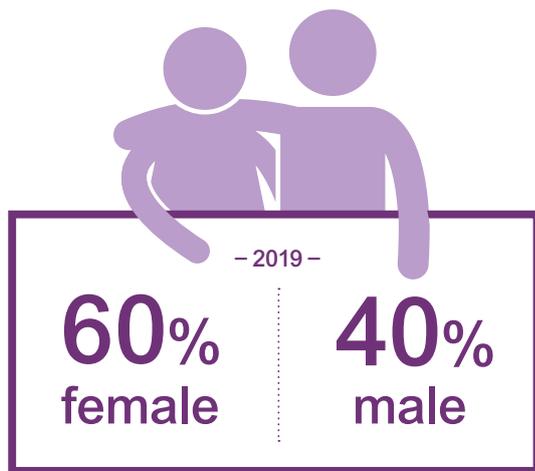
Only 1 in 10 (10%) StepChange clients in Wales are aged 60 or over, despite a third (34%) of the Welsh adult population aged at least 60.



Family composition

14% of Welsh clients are single without children, 14% are in a couple without children, 19% are in a couple with children and almost a quarter (23%) are single parents.

Single parent clients are an over-represented group compared to the wider Welsh population. For example, when looking solely at clients who have dependent children, over half are single parents (54%) whilst 46% are in couples. In the wider Welsh population just 27% of adults with dependent children are single parents, compared to 63% who are in couples.



Gender

The high proportion of single parents can potentially be attributed to the difference in gender split of our clients in Wales, which is also reflected in the wider client population. 60% of clients in Wales are women and 40% are men.

Housing status

We have seen a significant increase in new clients in Wales who are renting their homes. In 2014, just over half of Welsh clients (53%) were renting their homes, however this has now increased to four in five (79%) Welsh clients. Just one fifth (21%) of Welsh clients are homeowners.

Although this finding is similar to results for all StepChange clients across the UK, there are some slight differences in the proportion of clients renting their accommodation.

Clients in Wales are less likely to be renting in the private rented sector (35% in Wales vs 39% across the UK), and are more likely to be renting from a local authority (17% vs 13%).



Client debts

Unsecured debt

The average total unsecured debt owed by clients in Wales is £10,415, lower than the average for all telephone clients across the UK (£10,658).

StepChange clients' average unsecured debt balances decreased following the credit crunch, but have recently started to increase again.



Types of debt

Average debt per type:

Proportion of clients with debt type: **Wales clients %** (all UK clients %)



Personal loan

£6,743

54% (48%)



Other

£3,114

45% (44%)



Credit card

£5,618

62% (62%)



Overdraft

£1,240

46% (47%)



Catalogue

£1,634

41% (36%)



Payday loan

£1,135

10% (10%)



Home credit

£1,428

11% (9%)



Store card

£1,055

12% (12%)

Clients in Wales are more likely to have a catalogue debt (41%) compared to the UK client average (36%).

Clients in Wales are also more likely to have a personal loan (54%) compared to all clients in the UK (48%).

Credit cards

Credit cards are the most common type of debt amongst clients in Wales, with 62% of clients having at least one credit card debt. This is the same proportion as for all clients across the UK (62%).



Short-term, high-cost credit

The proportion of clients in Wales with a payday or short-term, high-cost credit debt has fallen substantially over the past five years.

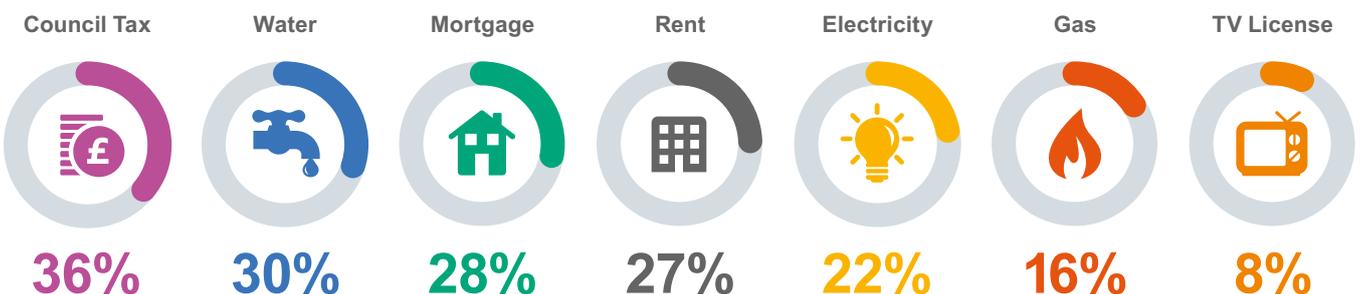
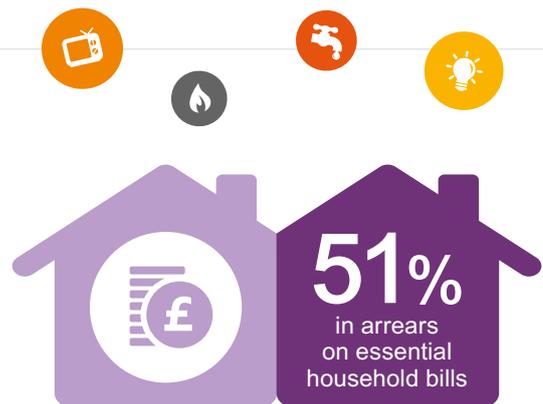
In 2014, we reported that 17% of clients had this debt type. Our latest stats show just one in ten (10%) Welsh clients have a payday loan.

This fall is also mirrored in client stats from across the UK (10%). We believe this is an outcome of regulatory interventions by the Financial Conduct Authority, and the withdrawal of some short-term, high-cost

credit firms from the market. However, our research shows that 1.4 million adults across Great Britain are relying on high-cost credit to pay for household essentials. This highlights a continuing need for regulation in order to reduce the harm that this type of credit can cause. Policy makers also need to ensure viable alternatives to short-term high-cost credit work effectively for those who currently rely on this form of credit.

Arrears on household bills

Over half of all clients in Wales (51%) are in arrears on at least one essential household bill. This is not concentrated to one arrears type; on average, StepChange clients in Wales have 1.5 different types of arrears. Outlined below is the proportion of Welsh clients in arrears for each type of household bill (clients are only included in calculations for each arrears type if they had a responsibility for paying that bill):



Council tax arrears

The proportion of Welsh clients with a responsibility for a council tax bill who are in arrears has increased slightly over the past 5 years.

In 2014, we reported that 30% of Welsh clients were behind on a council tax bill. This has now increased to 36% of clients. This is similar to the proportion found for telephone clients across the

UK (38%). Our findings also show that in Wales women who sought advice from StepChange were far more likely than men to have council tax arrears. 38% of women were in council tax arrears at the time of advice, compared to 33% of men.

The average council tax arrears amount for our clients in Wales is £984.

Energy arrears

We have also seen increases in the proportion of clients in Wales with electricity arrears.

In 2014, we reported that 14% were behind on an electricity bill; this has now risen substantially to 22%.

Additionally, the proportion of Welsh clients with gas arrears has also slightly increased from 15% in 2014 to 16% in our latest stats. These energy arrears findings are similar to statistics found for the wider UK client population.

Rent arrears

Alongside a sharp increase in the proportion of clients renting their homes, there has also been an increase in the proportion of renters in Wales

falling behind with their rent payments. Over a quarter of Welsh renters (27%) are behind on paying their rent, up from 23% in 2014.

† We conducted a large national online poll with YouGov Plc. The poll had responses from 5,326 GB adults. The fieldwork was undertaken between 29 April – 2 May 2019. The figures have been weighted and are representative of all GB adults (aged 18+). Where we extrapolate national figures from this data, these are calculated by StepChange Debt Charity using 2017 population estimates from the Office of National Statistics which indicate that there are 50,644,094 adults in Great Britain.

Conclusion

This report provides a snapshot of people in Wales struggling with problem debt. It shows that experience of financial distress and problem debt remains widespread, with many households struggling to cope with financial shocks following life events or struggling to keep up with basic household bills. The report highlights where these financial pressures are falling on people in Wales; with younger adults, single parents, renters, and people with additional vulnerabilities particularly prominent among our clients.

This highlights two related policy challenges.

Firstly we need to ensure people in Wales struggling with debt now get the help and protection they need to recover.

- StepChange is delighted that the new statutory breathing space and debt repayment plan schemes will be available for people in Wales when they come into force. The challenge now is to get implementation over the line as quickly as possible.
- There is an opportunity in Wales to build on progress in making council tax debt recovery fairer; working with local government to deliver the debt management standards financially vulnerable people need and reduce bailiff use.

- StepChange urges Assembly Members to join the call for independent bailiff regulation.
- We welcome support for free-to-client debt advice from the Welsh Government. StepChange looks forward to working with policy makers to ensure everyone in Wales can get the advice they need and get it earlier, before debt problems can cause serious harm.

At the same time we need to improve household financial resilience and reduce vulnerability to debt in Wales.

- Encourage take up of the Help to Save scheme by eligible people in Wales as part of a strategy to build up households' emergency savings buffer.
- Continue to build alternatives to harmful high cost credit and reduce the need for people to use high cost credit for essential bills.
- We invite the Welsh Government and Assembly Members to work with us to improve the financial resilience of single parents, young adults and people currently most likely to be struggling with household bills.

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For data tables, visit the [StepChange Debt Charity website](#).

For help and advice with problem debts call (Freephone) 0800 138 1111 Monday to Friday 8am to 8pm and Saturday 8am to 4pm, or use our online debt advice tool