

Debt advice during coronavirus

May 2021



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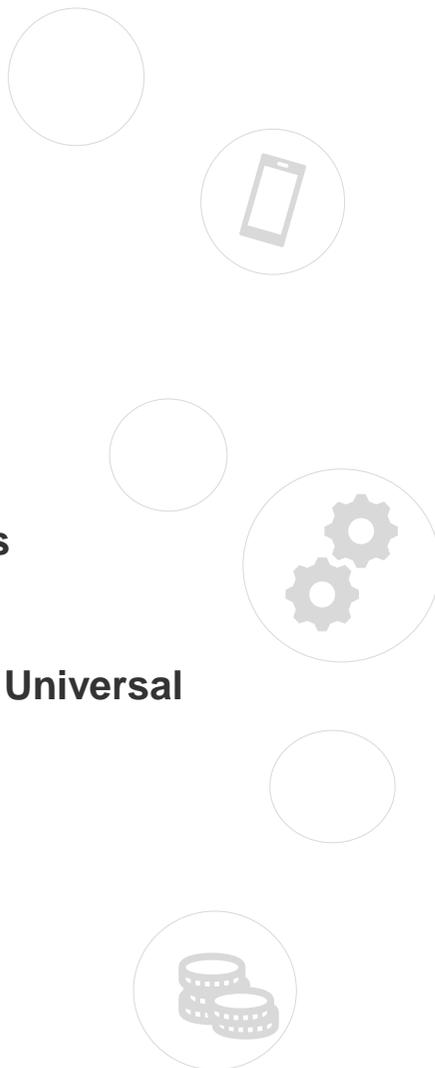
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Background

This report from StepChange Debt Charity provides insight into the demographic and debt characteristics of new clients who first sought debt advice in May 2021. This report also provides website traffic information as well as comparisons to previous months and years.

The charity previously published monthly data reports between March and September 2020, which can be found [here](#). Additionally, the charity recently released the 2020 Statistics Yearbook, highlighting the debt and demographic situations of new clients who received full debt advice between January and December 2020. This document can be found [here](#).

Executive summary

In May 2021, web traffic information highlights that many people are seeking emergency information to help deal with their finances. The website was visited by 330,000 users in May 2021. As with previous months, 'emergency funding' continued to be the most visited debt information page.

Although many people are seeking emergency support, the number of new clients requiring full debt advice remains lower than pre-pandemic levels. Government support measures such as furlough are providing support to many households. Despite this, more than 12,000 new clients still received full debt advice in May 2021.

There have been some notable changes among demographics statistics in recent months, including an increase in the proportion of clients with mortgages, up from 11% in March to 14% in May. There has also been a small increase in the proportion of clients with mortgages who are in mortgage arrears; up from 17% in 2020 to 18% in May 2021.

There has also been an increase in the proportion of clients in full-time employment over recent months, which potentially reflects a growing new cohort of clients seeking advice. Despite this, the charity continues to be contacted by disproportionate amounts of the same client groups who required advice before the pandemic. This includes women, younger clients, renters and single parent families.

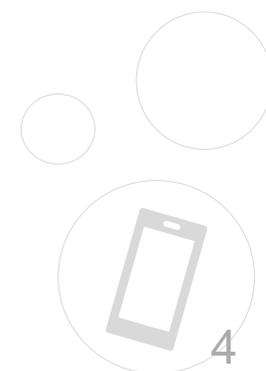
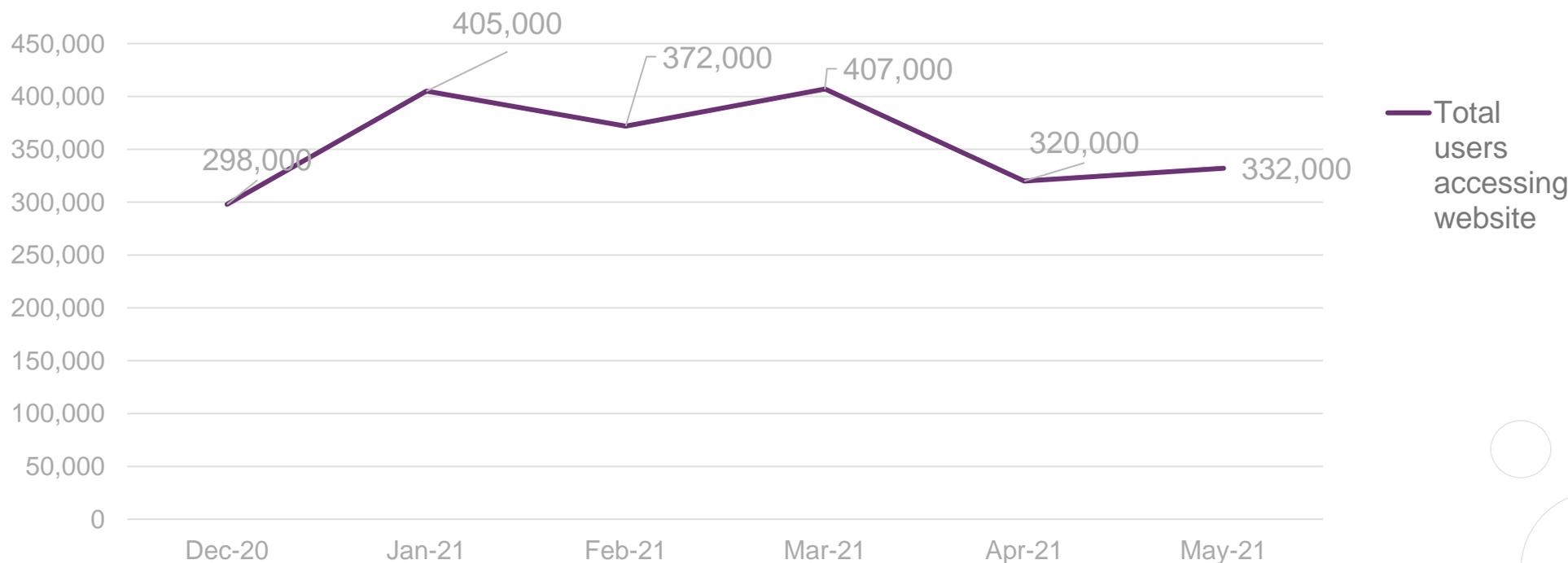
In terms of priority arrears council tax arrears the most common arrears type among new clients, with around one third (34%) of clients responsible for paying a council tax bill in arrears on that bill type.

Additionally, the charity saw small increases in the proportion of new clients with unsecured credit debts, such as credit cards, overdrafts and personal loan debts over recent months, potentially reflecting the deadline for new payment holiday applications in March 2021.

Website trends

Across the past six months, the StepChange charity website saw a peak in traffic between January and March 2021. These visits do not only include clients looking for full debt advice; many users continue to access the website for emergency support. Similarly to throughout 2020, the charity's '**emergency funding**' page continues to be the most visited debt information page, with over 20,000 page views in May 2021.

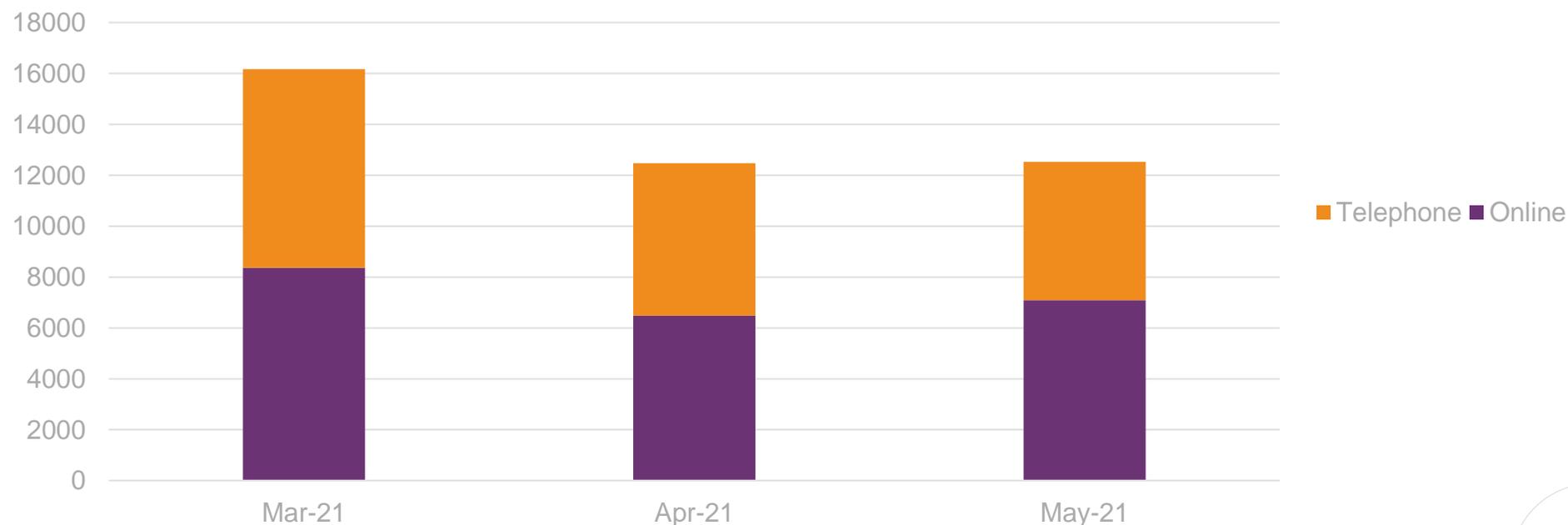
Number of website users: December 2020 – May 2021



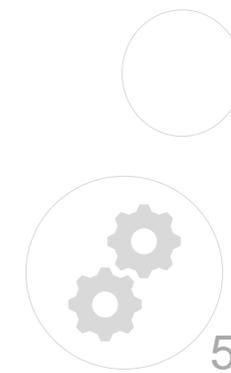
Client volumes

Although recent research highlights that many households across the UK are facing growing levels of personal debt, and risk of financial difficulty during the pandemic*, this has not yet translated into demand for full debt advice. Between January and December 2020, the number of new clients accessing full debt advice had decreased by one third compared to levels in 2019. Despite a small increase in volumes at the start of the year, the charity continues to see less demand for full debt advice compared to before the pandemic.

Number of new telephony and online clients: March – May 2021



*StepChange Debt Charity, 2021 'Stormy Weather'. Available at: <https://www.stepchange.org/Portals/0/assets/pdf/Coronavirus-impact-dashboard-January-2021-StepChange.pdf>

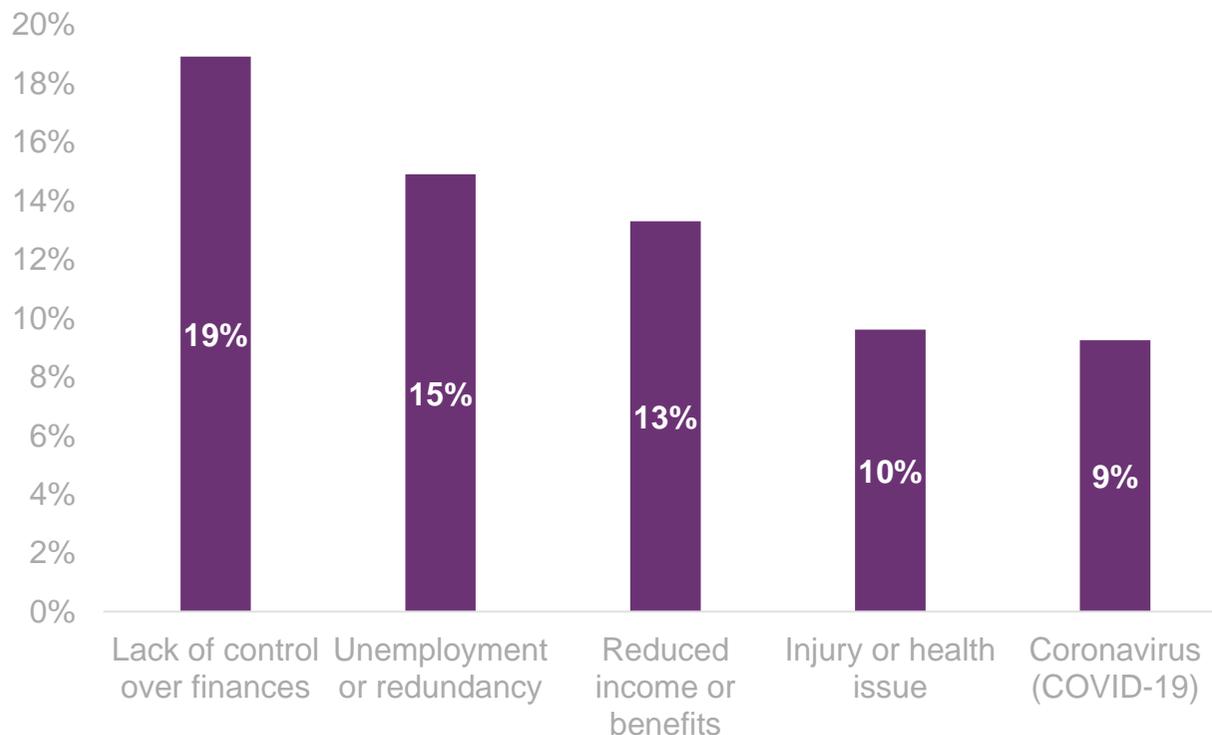


Reasons for debt

The majority of clients continue to report life events such as becoming unemployed, experiencing a reduction to their income, or an injury or health issue as main reasons for debt. Around one in five cite a 'lack of control over finances' as their reason for debt, which tops the list as the single most commonly mentioned reason among new clients receiving full debt advice in May 2021.

Around one in ten (9%) new clients receiving full debt advice specifically cited the impact of Covid-19 as a reason for debt

Most common reasons for debt*: May 2021

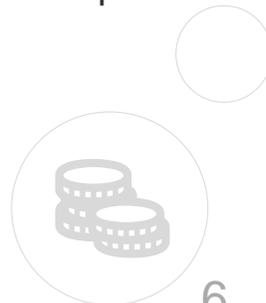


2020

The most common reasons for debt in 2020 were unemployment or redundancy (18%) and reduced income or benefits (15%)

2021

The five top reasons in May 2021 were also the five most common in March and April 2021.



Debt types

Credit cards continue to be the most common debt type among new StepChange clients; a trend which has remained consistent for many years. There has also been a substantial decrease in the proportion of new clients with overdrafts compared to 2020. This decrease is part of a longer term trend, however also more recently potentially represents the FCA's temporary overdraft rules implemented during the pandemic as well as the FCA's permanent repeat use rules implemented in December 2020.

Proportion of new clients with each debt type at the time of advice

| | Full year 2020 | March 2021 | April 2021 | May 2021 |
|---|----------------|------------|------------|----------|
| Credit cards | 67% | 63% | 64% | 66% |
| Personal loan debt | 52% | 47% | 47% | 49% |
| Overdrafts | 39% | 34% | 33% | 34% |
| Catalogue debt | 35% | 33% | 34% | 35% |
| Short-term high cost credit or payday loans | 13% | 11% | 10% | 11% |
| Store card | 14% | 11% | 12% | 12% |

Arrears types

Council tax continues to be the most common arrears type, with one third of new clients behind on this bill type at the time of advice. There were slight decreases in the proportion of new clients behind on council tax in April and May, however it's currently uncertain whether this is part of a longer term trend or a seasonal change given the start of the new council tax year.

The proportion of new clients in arrears among those who have a responsibility for each bill type

| | Full year 2020 | March 2021 | April 2021 | May 2021 |
|-------------|----------------|------------|------------|----------|
| Council tax | 36% | 37% | 34% | 34% |
| Electricity | 26% | 26% | 27% | 26% |
| Gas | 23% | 22% | 22% | 22% |
| Water | 32% | 34% | 31% | 31% |
| Rent | 27% | 24% | 23% | 23% |
| Mortgage | 17% | 20% | 18% | 18% |
| TV license | 7% | 4% | 4% | 4% |

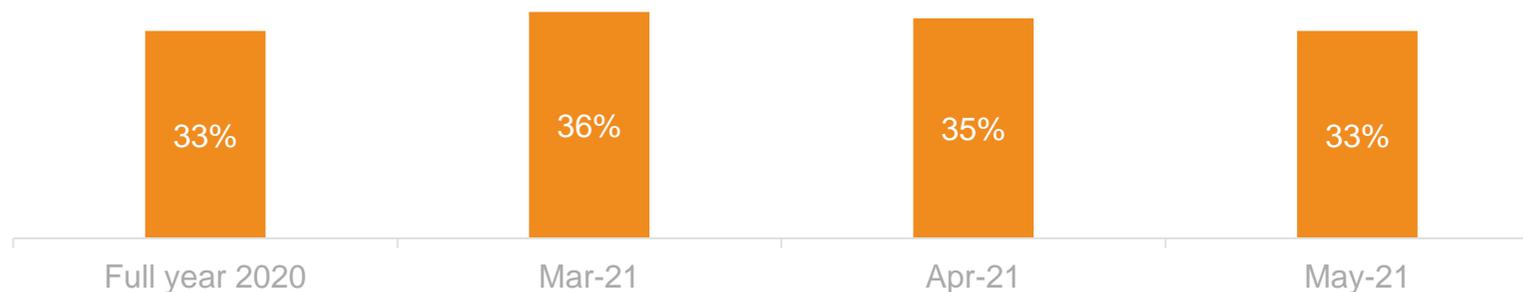
Negative budgets and Universal Credit

The charity has seen a small decrease in the proportion of negative budget clients. In 2020, 30% of clients had a negative budget at the time of advice (where monthly expenditure is greater than monthly income after proceeding through the charity's debt and budgeting advice process). Comparably, in May 2021 this has decreased to 29%. The proportion of clients in receipt of **Universal Credit** has also decreased slightly from a peak 36% of clients in March 2021 to 33% in May.

Proportion of new debt advice clients with negative budgets



Proportion of new debt advice clients in receipt of Universal Credit



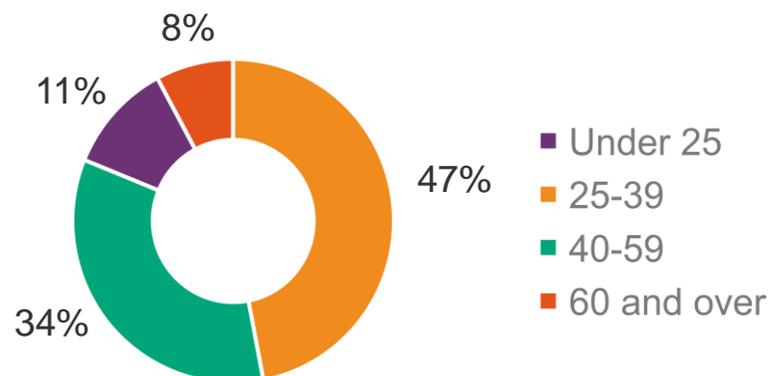
Demographics

Throughout the pandemic, the charity has continued to advise a disproportionate number of **women**. This is a long-standing trend with the charity advising similar proportions of women in 2019. Additionally, in the years before the pandemic, the charity was advising an increasingly large proportion of **under-40s**, and the charity continues to advise a disproportionate number of clients in younger age groups compared to the general UK adult population.

Gender split: New debt advice clients, May 2021

| | Full year 2020 | March 2021 | April 2021 | May 2021 |
|-----------------------|----------------|------------|------------|----------|
| Female | 60% | 60% | 61% | 60% |
| Male | 40% | 40% | 39% | 39% |
| Other gender identity | <1% | <1% | <1% | <1% |

Age: New debt advice clients, May 2021



Demographics continued - housing tenure

The charity has also continued to advise a high proportion of renters, with private sector renting continuing to be the most common housing type; more than one third (35%) of new clients are renting in the private rented sector.

Between March and May, there has also been a small increase in the proportion of clients with mortgages. In May 2021, around one in seven new clients had a mortgage.

Housing tenure among new clients

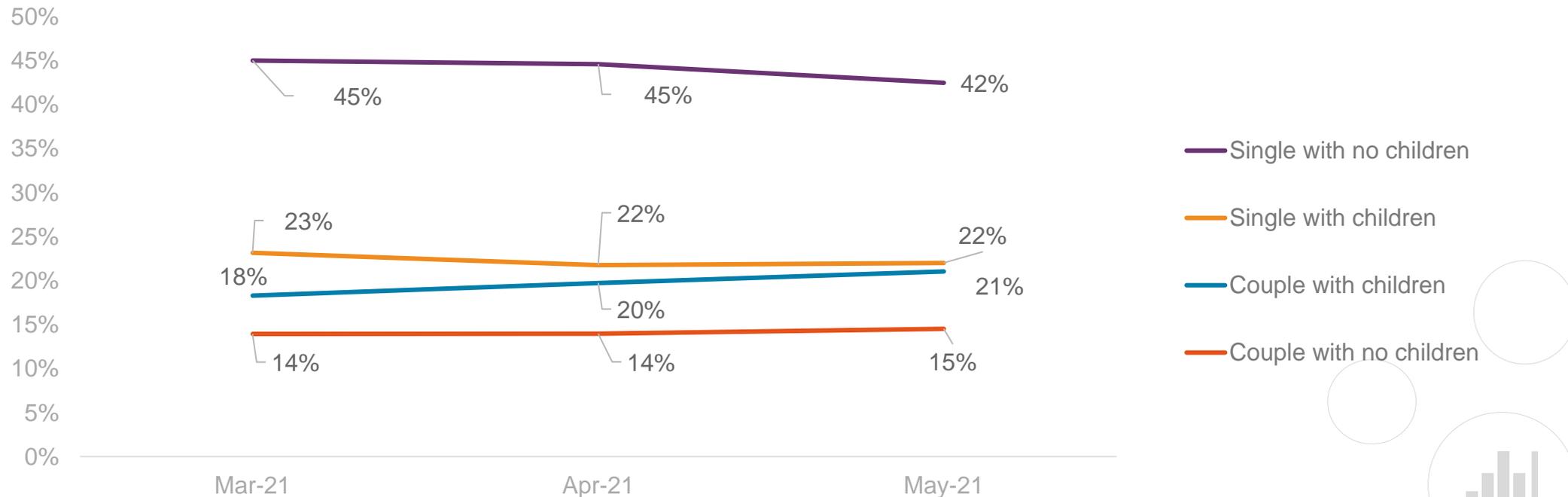
| | Full year 2020 | March 2021 | April 2021 | May 2021 |
|--|----------------|------------|------------|----------|
| Board payment (not with family) | 3% | 3% | 2% | 3% |
| Living with family | 15% | 13% | 13% | 13% |
| Mortgage | 12% | 11% | 12% | 14% |
| Other | 2% | 2% | 3% | 3% |
| Owens property outright | 3% | 2% | 2% | 3% |
| Renting - Council or Housing Association | 31% | 31% | 31% | 30% |
| Renting - private landlord | 34% | 36% | 35% | 35% |
| Shared ownership (mortgage and rent) | 1% | 1% | 1% | 1% |

Demographics continued - family composition

The charity saw an increase in the proportion of single adults with no children compared to before the pandemic. In 2019, 36% of new clients were in this family demographic group. This has since increased to a peak of 45% in March and April 2021.

The charity has seen an increase in the proportion of couples with children between March and May 2021, alongside a disproportionate number of single adults with children (22%) compared to the wider UK population (6%).

Family composition: March – May 2021



Demographics continued - employment

There has been an increase in the proportion of new clients in full time employment over recent months. This has increased from 36% in March 2021 to 39% in May 2021.

Employment status: May 2021

| Employment type | % |
|--|-----|
| Carer | 3% |
| Full-time employed | 39% |
| Not working due to illness or disability | 14% |
| Part-time employed | 14% |
| Retired | 3% |
| Student | 2% |
| Unemployed: looking for work | 15% |
| Unemployed: not looking for work | 9% |
| Zero hour contract | 2% |

The increase in the proportion of new clients in full-time employment is a relatively new trend. Between January and December 2020, 36% of new clients were in full time employment.

Additionally, an overall higher proportion of clients in any form of employment has increased from 52% in 2020 to 55% in May 2021.

**In May 2021,
55% of new
clients were in
employment**



What's next?

Although the number of new clients requiring debt advice remain lower compared to pre-pandemic levels, the findings of this report highlight that many households are experiencing financial difficulty or require emergency support.

Among the 12,500 clients who received full debt advice in May 2021, there continued to be disproportionate amounts of women, clients aged under 40, single parents and renters.

However, there has also been a growing proportion of clients in full-time employment. This trend will be explored in more depth in future monthly data reports. The charity has also started to advise growing proportions of clients with mortgages and mortgage arrears compared to recent months.

It's not yet clear whether these demographic changes form part of a longer-term trend, however it could suggest that a new cohort of people starting to experience financial difficulty. This is particularly worrying given that mortgage payment holidays are due to end at the end of July 2021.

The next research report will be published at the end of July 2021, which will highlight the experience of new clients who first received full debt advice in June.

Notes on methodology

This data is based on the 12,500 clients who first sought debt advice from the charity between 1st – 31st May 2021. All new clients accessed debt advice either through the charity's telephony service, or online channel.

All comparisons to 2020 are based on clients who accessed debt advice through the charity's new debt advice system, Pulse. More details about this system and the data in 2020 can be found in the 2020 Statistics Yearbook, which can be found [here](#).

If you require further information about this report, please contact policy@stepchange.org

If you think you might need debt advice, support with budgeting, or managing persistent debt, StepChange can help with expert advice. Visit www.stepchange.org or call 0800 138 1111 Mon-Fri 8am-8pm, Sat 8am-4pm and take the first step towards taking back control of your finances.



0800 138 1111 (Freephone)



www.stepchange.org