



Debt advice during coronavirus

April and May 2020

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Background

This report from StepChange Debt Charity provides insight into the demographic and debt information of new clients who first sought debt advice in April and May 2020. It also provides website traffic information as well as comparisons of all new data to 2019. Please see our [methodology note](#) for further details.

This is the second report in the series outlining our latest data during the pandemic. The first report, which outlined findings from debt advice sessions during the first five weeks of lockdown (23 March – 24 April) can be [found here](#).

We will be releasing a new report with the latest client data each month. Our next report, which will highlight data from June, is due for release at the end of July.



Executive summary



In April 2020, StepChange Debt Charity provided full debt advice to **over 10,000 new clients** across our telephone and online channels. We saw a similar proportion of new clients receive advice in May 2020. Despite our [recent polling](#) indicating that 14 million adults experienced a negative effect on their income due to coronavirus between March and May, we're continuing to advise substantially fewer clients than we would expect, compared to the same time period in 2019.



In May, we saw increases among groups identified as most at risk of an income shock due to coronavirus, such as younger age groups, women¹ and renters². However, we've advised fewer clients than normal with arrears on priority bills, such as mortgage, rent and council tax. It's still a complicated picture, but our statistics suggest that many households experiencing financial difficulty were yet to seek advice in May. Temporary forbearance measures are giving people respite, but serious debt problems may be building up behind this.



In May 2020, 13% of new debt advice clients cited coronavirus as a main reason for their debt. 16% of new clients cited unemployment, which still remains the most common reason.

¹Institute for Fiscal Studies (April 2020), Sector shutdowns during the coronavirus crisis: which workers are most exposed?, <https://www.ifs.org.uk/publications/14791>

² Resolution Foundation (May 2020), Coping with housing costs during the coronavirus crisis, <https://www.resolutionfoundation.org/publications/coping-with-housing-costs-during-the-coronavirus-crisis/>

Executive summary



Council tax remains the most common arrears type, affecting 28% of new telephone clients and 19% of online clients in May. Additionally, [recent polling commissioned by StepChange](#) estimates 820,000 people across the UK fell behind on council tax payments between March and end of May 2020.



Our new client demographics highlight that growing proportions of younger clients and those in older age groups (60 and over) sought advice in April and May. We have also seen rises in the proportion of single adults without children and small rises in the proportion of renters.



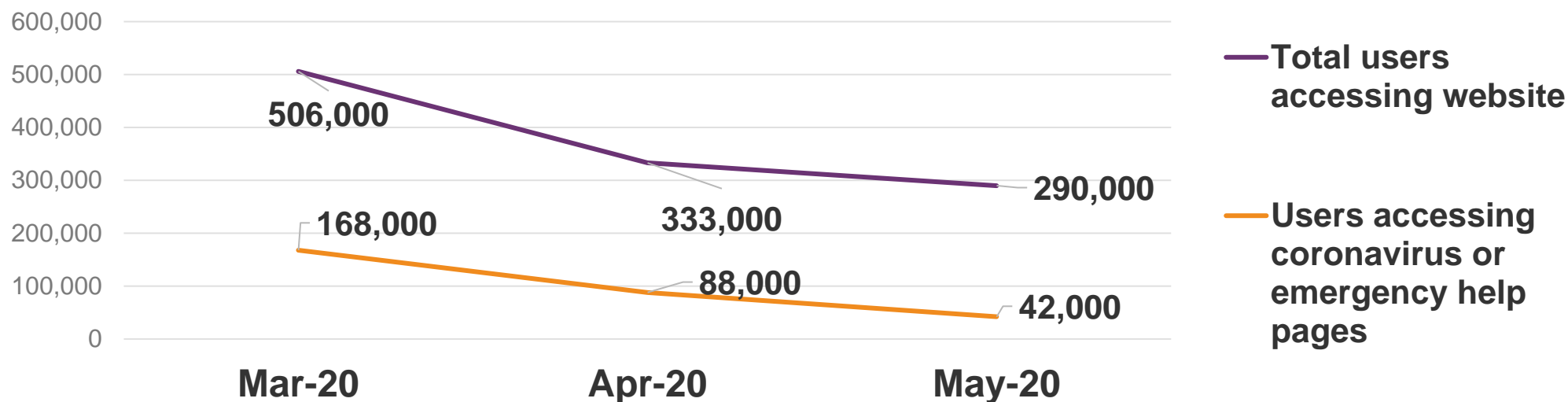
We saw increases in the proportion of new clients in full-time employment between April–May (25% - 28%). There was also a small decrease in the proportion of new unemployed clients between April (31%) and May (30%). Almost half (48%) of new clients were in full or part-time employment in May.



Similarly to findings for 2019, credit cards continue to be the most common form of debt for clients across our online and telephone channels. More than three quarters (76%) of online clients and three in five (59%) of telephone clients had at least one credit card debt at the time of advice in May.

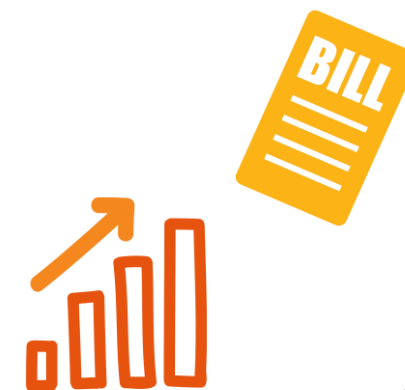
Website trends

Website users – April and May 2020



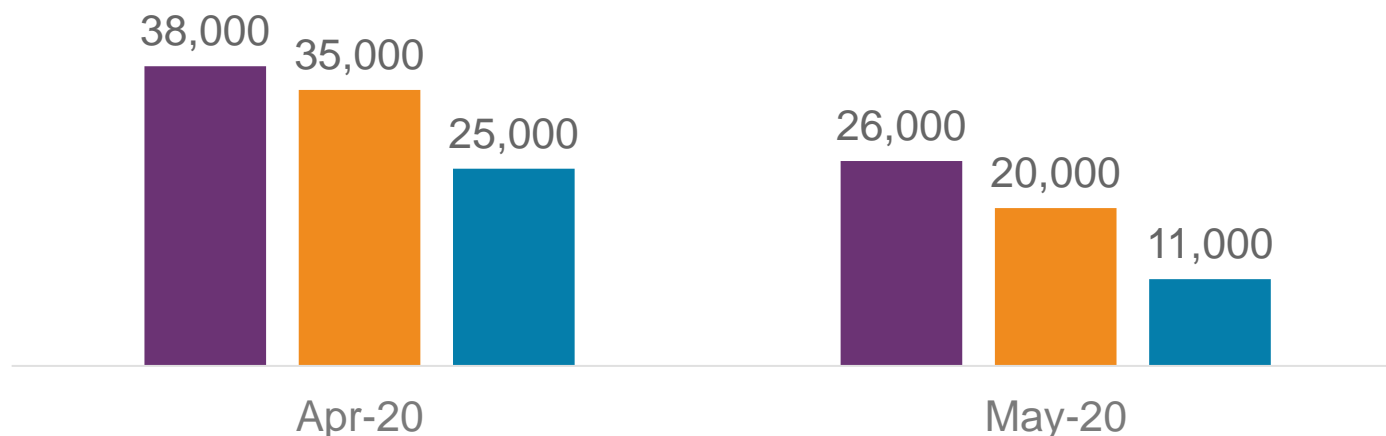
In comparison to the peak at the end of March 2020, we saw a reduction in the amount of website traffic in April and May 2020. Additionally, fewer clients accessed the website compared to May 2019 (306,000 users). This reflects that many people may have moved on from an initial 'emergency phase' to more of a holding pattern in terms of their financial situation.

However, despite a reduction in traffic, a notable number of users are still accessing our emergency help pages, highlighting that many are either continuing to feel the impact of coronavirus on their finances, or are facing new income shocks.



Website trends continued

Most visited web pages (number of page views) – April and May 2020



■ "Emergency funding" ■ "Self employed income calculator" ■ "Debt and coronavirus"

Emergency advice pages still continued to be popular among users, however, in May, we also saw more searches and visits to pages with information about the debt collection process, for example:

- 'statute barred debt' (11,000 views)
- 'default notices and missing payments' (6,000 page views)
- 'how long does a CCJ last' (5,000 page views)

These all bucked the downward trend and saw month-on-month rises in page views, which suggests that people are turning their attention towards what happens when forbearance measures are lifted.



Client volumes

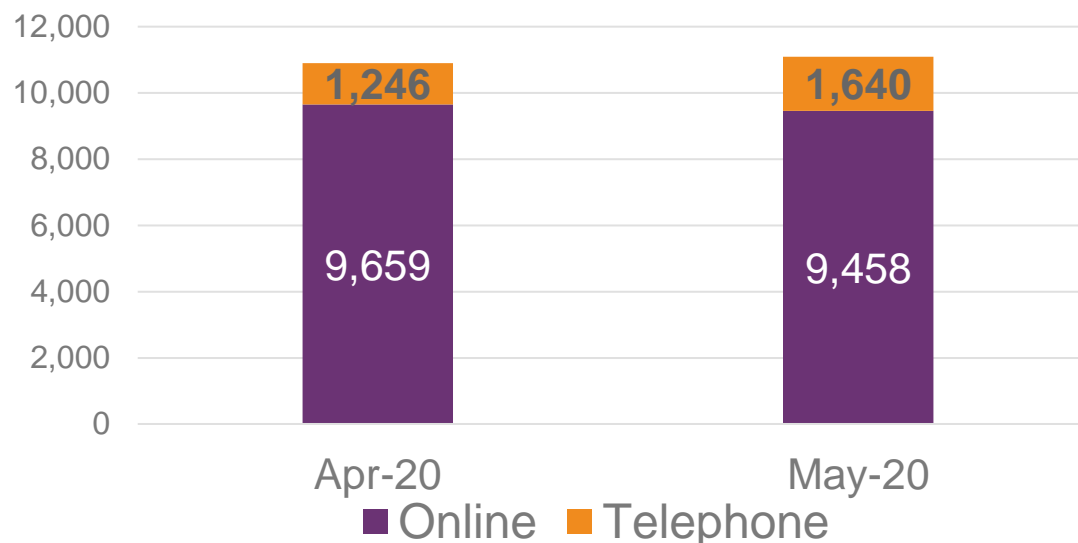
Our recent policy research has highlighted that many people across the UK are at great risk, or have already fallen into, financial difficulty.

However, in line with the wider debt advice sector, in April and May, our statistics suggest that many were yet to proceed through to full debt advice.

In April 2020, StepChange Debt Charity provided full debt advice to **over 10,000 new clients** across our telephone and online channels. We saw a similar proportion of new clients receive advice in May 2020.

In comparison, 24,500 new clients received debt advice in April 2019, and 24,400 new clients received debt advice in May 2019

Number of new debt advice sessions in April and May 2020



Reasons for debt*

In May 2020, unemployment or redundancy remained the most common reason for debt, affecting 16% of new clients.

April 2020



Unemployment or redundancy (19%)



Reduced income or benefits (16%)



Injury or illness (15%)

May 2020



Unemployment or redundancy (16%)



Reduced income or benefits (15%)



Coronavirus (13%)



In 2019, the most common reasons for debt were due to experiencing a reduced income (18%), unemployment or redundancy (16%) or an injury or illness (16%).

New clients with coronavirus as main cause of debt*

In May 2020, 13% of new clients cited coronavirus as a reason for debt in comparison to 9% in April.

Across April and May combined, clients citing coronavirus as the main cause of debt were:



More likely to be women (56%) than men (44%). However, compared against statistics for all new clients, a higher proportion of men said coronavirus was the main cause of their debt problem than women (all new client statistics: 59% women, 40% men)



More likely to be renting their homes. More than four in five (84%) clients citing coronavirus as the main cause of their debt problem were renters.



Compared to all new clients, clients citing coronavirus as the main cause of debt were more likely to be aged under 25. One in five (19%) clients affected by coronavirus in April and May were aged 18-24 (13% of new telephone clients were in this age group)



In terms of employment status, in April and May we advised a larger proportion of clients working full-time (31%), part-time (18%) or in zero hours contracts (6%) compared to statistics for all new clients. However, new clients citing coronavirus as the main cause of debt problems in April and May were more likely to be unemployed (37%) compared to all clients (30%).

Household bills

Arrears – online clients

The table below shows the proportion of our clients accessing debt advice online who have responsibility for each bill type and are in arrears.

	Full year 2019	April 2020		May 2020	
	% of online clients	Number of clients with a responsibility for bill type	% of clients in arrears	Number of clients with a responsibility for bill type	% of clients in arrears
Council tax	23%	5,793	19%	5,474	19%
Electricity	13%	6,284	13%	5,937	13%
Gas	11%	5,120	11%	4,825	11%
Water	19%	5,379	16%	5,108	16%
Rent	17%	5,892	16%	5,569	16%
Mortgage	12%	1,250	9%	1,109	9%
TV license	7%	5,245	6%	4,908	6%

Household bills

Arrears – telephone clients

The table below shows the proportion of our clients accessing debt advice over telephone who have responsibility for each bill type and are in arrears.

	Full year 2019	April 2020		May 2020	
	% of telephone clients	Number of clients with a responsibility for bill type	% of clients in arrears	Number of clients with a responsibility for bill type	% of clients in arrears
Council tax	46%	639	31%	865	28%
Electricity	27%	505	23%	664	23%
Gas	19%	359	17%	473	18%
Water	34%	664	30%	931	27%
Rent	30%	747	28%	966	24%
Mortgage	12%	108	4%	102	5%
TV license	10%	646	9%	852	9%

Household bills

Key findings



Over previous years, our debt advice statistics have highlighted that clients receiving telephone advice are more likely to be in arrears on household bills. Our telephone advice clients are also more likely to be in vulnerable situations, and have lower incomes. These characteristics are also drivers of likelihood to be in household arrears.



Despite remaining as the most common arrears type across both channels, in 2019, almost half (46%) of telephone clients were in council tax arrears, compared to 28% in May 2020.



However, more widely across the UK population, recent polling has revealed that council tax remains an alarming issue for many households. As of late May 2020, [our recent policy report](#) found that 820,000 people had fallen behind on council tax arrears since lockdown began.



Although we continue to advise a high proportion of renters, we have also seen the proportion of new telephone clients with rent arrears fall slightly from 28% in April to 24% in May.



We've also seen a significant decrease in homeowners contact us with mortgage arrears, suggesting that temporary payment holidays are continue to delay some of the most financially vulnerable households from seeking debt advice.

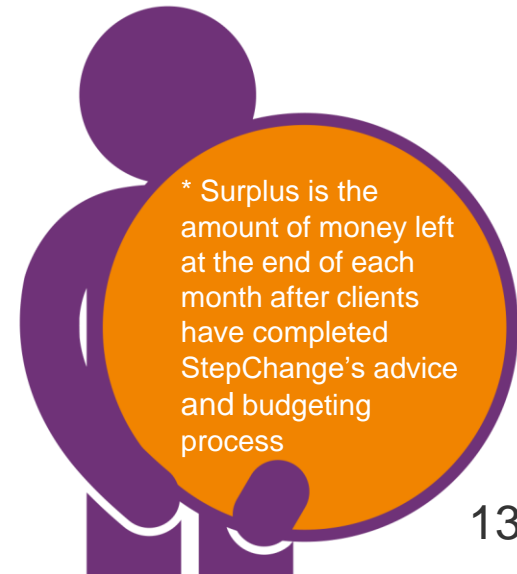


Income and surplus levels

	Full year 2019		April 2020		May 2020	
	Online	Telephone	Online	Telephone	Online	Telephone
Average monthly surplus*	£142	-£36	£111	-£22	£135	£10
Average monthly net income	£1,617	£1,369	£1,496	£1,100	£1,532	£1,137

We have seen a notable increase in the average surplus and income levels of our new clients in May 2020. As presented elsewhere in the report, this is likely due to a compositional change in the client groups seeking advice, rather than households seeing significant increases in income between April and May.

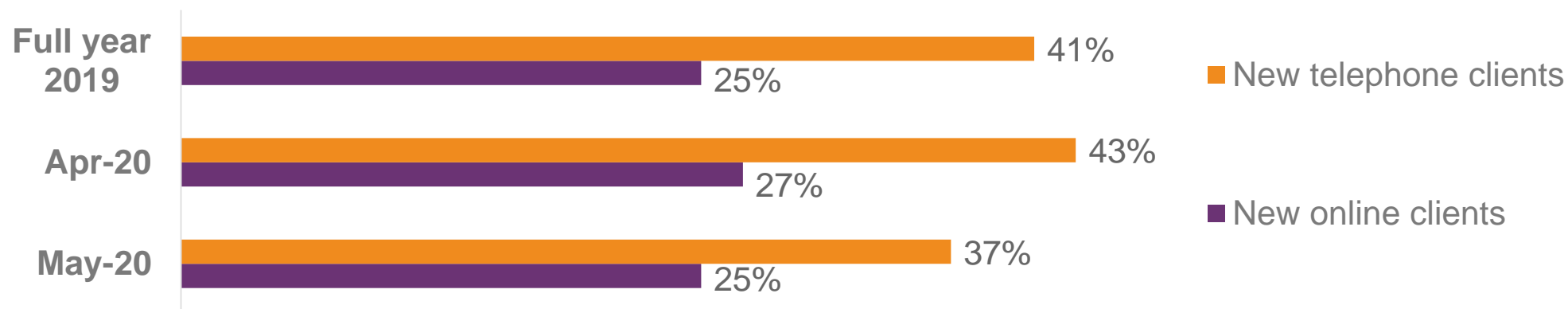
Existing research has already highlighted that lower income households are more likely to have borrowed to meet essential costs. However, many of these households will still be experiencing forbearance from creditors. Our latest polling estimates that 14 million adults have seen their income negatively affected since March. Therefore, although income levels among new clients still remain lower than last year, the findings of this report suggest many households in financial difficulty are yet to seek debt advice.



* Surplus is the amount of money left at the end of each month after clients have completed StepChange's advice and budgeting process

Negative budgets

Proportion of all new clients with negative budgets*



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

Universal Credit (telephone clients only)

There has been an increase in the proportion of new clients receiving Universal Credit (UC). In April 2020, 34% of new clients were in receipt of Universal Credit at the time of advice. **In May 2020, this had increased to 39%**. Clients receiving Universal Credit are more likely to have lower income levels, and be in a negative budget* than all new clients (45% of UC clients in a negative budget vs. 37% all clients).

The rise in the proportion of clients receiving Universal Credit suggests that a small proportion of lower income households, or those who have been negatively affected by coronavirus, are starting to proceed through to full debt advice.

Client demographics: Age

Proportion of new clients in different age groups

	Full year 2019		April 2020		May 2020	
	Online	Telephone	Online	Telephone	Online	Telephone
18-24	14%	11%	17%	12%	17%	13%
25-39	53%	38%	52%	34%	52%	36%
40-59	30%	42%	27%	37%	27%	37%
60 and over	3%	9%	4%	17%	4%	14%

Given our recent polling has pointed to younger age groups being most at risk of financial difficulty due to coronavirus, it's perhaps unsurprising that we continued to see rises in the proportion of new clients aged 18-24 contacting the charity for advice across both our telephone and online channels. We've also seen increases in the proportion of new clients aged under 40, up from 46% in April to 49% in May, which is more closely in line with levels found in 2019.

There have also been substantial rises in telephone clients aged over 60, up from 9% in 2019 to a peak of 17% in 2020 and a fall to 14% in May 2020.



Client demographics: Locations*

Proportion of new clients from different nations and regions:

	Full year 2019	April 2020	May 2020
London	16%	20%	18%
North West	14%	14%	13%
South East	12%	12%	13%
West Midlands	11%	9%	11%
Yorkshire and the Humber	10%	9%	9%
South West	8%	9%	7%
Wales	5%	4%	7%
East Midlands	7%	6%	7%
East of England	6%	5%	6%
North East	6%	6%	4%
Scotland	6%	4%	3%
Northern Ireland	1%	1%	1%



We have seen proportional increases in the amount of Londoners contacting us for advice, accounting for almost one in five (18%) new clients in May.

We advised more clients per national population in Wales than any other UK nation.

*Telephone data only

Client demographics: Gender and housing

Gender

Over recent years, StepChange Debt Charity has advised an increasingly disproportionate amount of women. In April, we saw a small increase in the proportion of men seeking advice, however in May, the proportion of women was more in line with levels found in 2019.

	Full year 2019	April 2020	May 2020
Female	61%	56%	59%
Male	39%	43%	40%
N/A/other gender	<1%	1%	1%

Housing

We have also continued to advise a high proportion of renters:



In April 2020, **82% of new clients were renters** and **18% were homeowners**



In May 2020, **83% of new clients were renters** and **17% were homeowners**

Comparably, just 37% of UK households rent their homes¹

¹Office for National Statistics (2019)., UK Private Rented Sector, <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/ukprivaterentedsector/2018>

Client demographics: Employment status*

	April 2020	May 2020
Carer	2%	2%
Full-time employed	25%	28%
Not working due to illness or disability	16%	18%
Part-time employed	14%	12%
Retired	8%	7%
Student	1%	1%
Unemployed	31%	30%
Zero hour contract	3%	2%

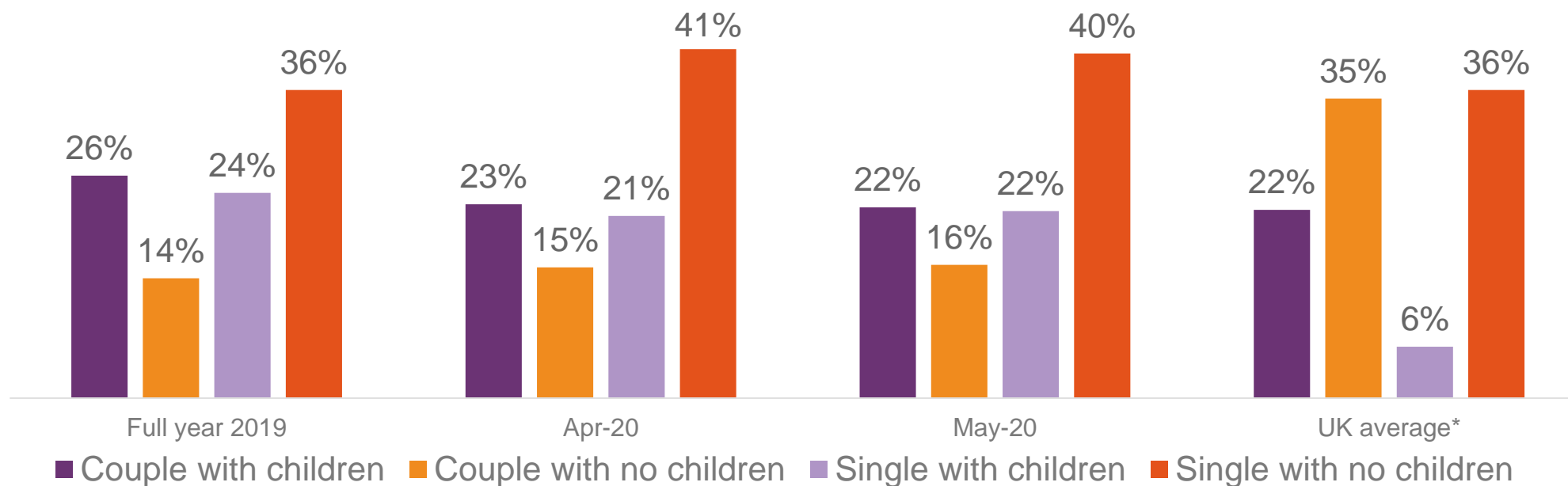
Between April and May 2020, we have advised a growing proportion of clients in full-time employment

In 2019, over half of clients (53%) were in full or part-time employment



*Telephone data only

Client demographics: Family composition



Family composition

In May 2020, we continued to advise a **disproportionate amount of single parents** (22%) compared to wider UK family statistics (6%).

We have also seen **an increase in the proportion of single clients with no children** (40%) requiring debt advice, who are now overrepresented when compared against broader UK family type statistics (36%). Clients in this demographic group are also more likely to be in vulnerable situations.

It's perhaps therefore unsurprising that the proportion of clients in vulnerable situations, such as having a physical or mental health condition, has also been increasing. **In 2019, 44% of clients had an additional vulnerability. This rose to 47% in May 2020.**

Debt types

	Full year 2019		April 2020		May 2020	
	Online	Telephone	Online	Telephone	Online	Telephone
Credit cards	72%	61%	76%	57%	76%	59%
Personal loan debt	49%	48%	50%	46%	52%	47%
Overdrafts	46%	46%	45%	40%	45%	40%
Catalogue debt	34%	36%	32%	31%	33%	36%
Short term high cost credit/payday loans	20%	9%	17%	9%	17%	9%
Store card	13%	12%	14%	12%	14%	13%

Similarly to findings for 2019, credit cards continue to be the most common form of debt for clients across our online and telephone channels.

We've seen limited change in debt types between April and May 2020, although there have been slight increases in the proportion of new clients with catalogue debts and personal loan debts between April and May, and a small increase in the proportion of clients with credit card and personal loan debts.



Summary and what's next?



As client volumes still remain relatively low, our findings for May paint a somewhat complicated picture. The demographic profile of our new clients is starting to look more in line with levels found in 2019, for example, we saw an increase in the proportion of younger clients, women, renters and clients in receipt of Universal Credit. These groups usually have lower income and surplus levels. [Our recent polling revealed these demographics groups were at risk or already in financial difficulty because of the impact of coronavirus.](#)



However we've also observed increases in surplus and income levels across all clients between April and May, alongside decreases in the proportion of negative budget clients. We can assume that this is a compositional change among our total client population. This would suggest that many people in financial difficulty, even among the most at risk demographic groups, were yet to seek debt advice in May.

Upcoming data releases

Looking ahead, our next data report, analysing June client data, will be released at the end of July 2020. Additionally, our Statistics Mid-Year Update, which analyses data from January to June 2020, will be published in Autumn 2020. We are also planning to publish research and policy reports on single parents, ethnicity, location data, and women in debt in the near future.



Methodology note

Due to the impact that the coronavirus pandemic has had on our telephone capacity, we advised a much greater proportion of online clients compared to telephone clients.

In previous years, our data has highlighted that the debt and demographic profiles of our online and telephone clients are, in places, relatively different.

For example, our **online clients** are usually generally more likely to have:

- Higher income levels
- Higher expenditure levels
- Higher surplus levels
- Are more likely to have credit card debts
- And are less likely to be in arrears on household bills

Clients who access debt advice through our **telephone channel** are more likely to:

- Be in slightly older age groups
- Be in arrears on household bills

Where differences in statistics between channels are notable, we have presented this data separately by channel.



For further information please contact the StepChange Policy, Research and Public Affairs team at policy@stepchange.org

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