

Scotland IN  
THE

**RED**



2019

# In 2019, over 40,000 Scots contacted StepChange Debt Charity for help with debt problems.

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**StepChange Debt Charity is the UK's leading debt advice charity, offering free and impartial advice online and by telephone to people in problem debt across the UK. In Scotland we help thousands of people recover from debt crisis and are one of the largest providers of free debt advice in Scotland.**

The charity has more than 25 years' experience helping people with problem debt across the UK and from our base in Glasgow, our Scotland teams have helped over 40,000 Scots last year.

We have recently moved into a newer, larger office in Glasgow, increasing the number of approved money advisers from 30 to 70, recognising the growing need for free debt advice across Scotland. Our Glasgow teams provide holistic support in-house for clients with problem debt including supporting them through the Debt Arrangement Scheme, Minimal Asset Process bankruptcy and Sequestration.

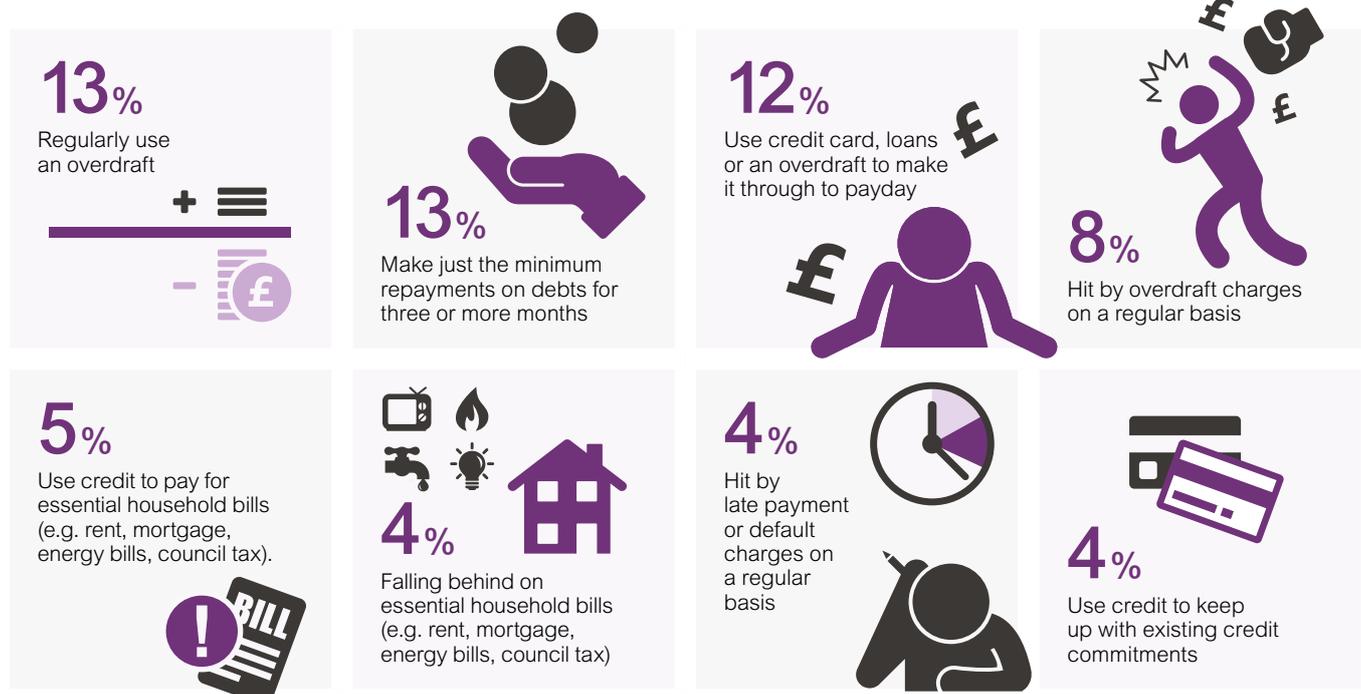
In addition, our dedicated Scottish advocacy team comprised of specialist advisers provide enhanced support to our most vulnerable clients in Scotland. In addition to their financial difficulties, these clients face further vulnerabilities such as physical or mental health conditions or anything else that might make dealing with a debt problem additionally challenging.

# The nature of debt in Scotland

Based on general public polling conducted in 2019 we estimate that around 25% of Scots, 1.1 million adults, are showing at least one sign of financial distress. 274,000 are showing three or more signs and are in severe problem debt<sup>1</sup>. This was before the financial pressure of the COVID-19 pandemic.

	No. of Scottish adults	%
3 or more signs of distress – 'In severe problem debt'	274,247	6%
1 or 2 signs of distress – 'Showing signs of financial distress'	832,936	19%
Showing at least one sign of financial distress	1,107,084	25%
Total number of adults in Scotland [ONS, 2018]	4,409,302	

## Signs of financial distress



<sup>1</sup> Total sample size was 5,326 adults (Including 458 adults in Scotland). Fieldwork was undertaken between 29th April - 2nd May 2019. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

**This report identifies some of the key characteristics and debt situations of our clients in Scotland, exploring the trends in debt types and average balances.**



The evidence in this report explores a range of issues around household bills, financial situations and debt types including key trends in recent years. The experience of StepChange clients highlights financial pressures on households across Scotland.

There is an urgently growing need for action to address key policy issues which affect those vulnerable or living in problem debt.

Problem debt can affect all income brackets. Time and again our clients have found themselves in a position of financial vulnerability due to life events, such as ill-health or losing a job.

But resilience in the face of these events often leaves the most financially vulnerable least able to recover. As the debt spiral worsens, the credit available becomes more costly and so the problem debt grows, becoming more and more unmanageable. Debt has inextricable links with poverty - debt credit has its own poverty premium.



## Methodology

Unless otherwise stated, the data featured in this report is based on 5,291 clients who are based in Scotland and who have completed a full debt advice session through our telephone legacy advice system. The charity's updated advice systems, telephone and online, is being rolled out across 2019 and 2020.

Due to client confidentiality and the anonymity of our online debt advice service, we are only able to collect location information for clients who use the telephone debt advice service.

Any comparison statistics to the overall 2019 UK StepChange client population is based on clients who received debt advice through both telephone and online legacy advice systems. Our telephone clients have, on average, lower debt levels and lower income levels compared to clients who access our online debt advice service.





# Reason for debt

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

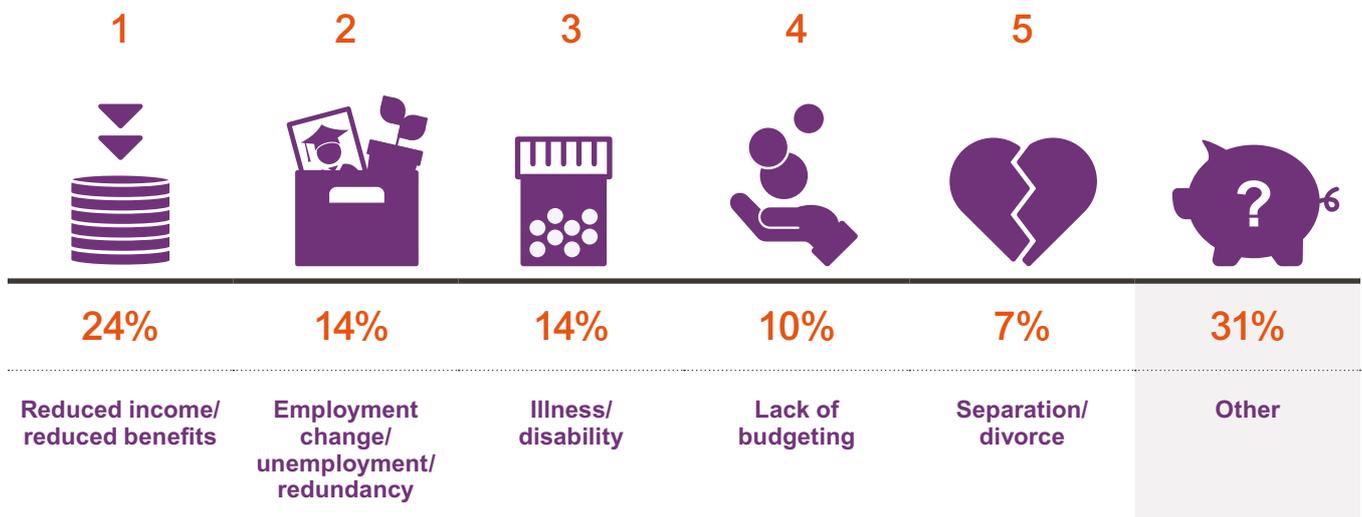
These shocks are as a result of diverse life events, such as ill-health, income or benefit reductions, unemployment or a cut in working hours. A myriad of different events can lead to an increase in financial vulnerability. 'Lack of budgeting' is a catch all term and often can include those who are in spiralling debt due to previous income shocks.

31% of clients fall into the 'Other' category for reasons for debt, which includes bereavement, caring for relatives, increased priority expenditure, one-off expenses or pregnancy / childbirth.



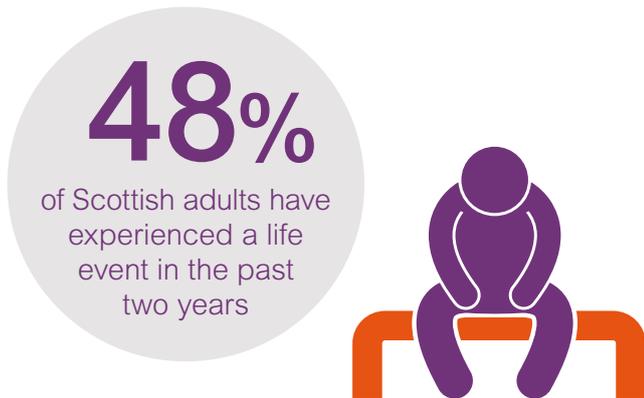
In Scotland in 2019, the main reason for clients contacting us for help was a reduction in income or benefits, which affected 24% of clients. Employment changes, unemployment or redundancy were behind debt problems for 14% of clients, with a further 14% affected by ill-health or injury. These events result in a debt spiral where credit is relied on to cover essentials or to make payments to other debts.

## Top five reasons for debt



## Life events and debt

StepChange has conducted extensive research around how life events like separation, redundancy, ill-health and other events cause people to fall into financial difficulty. Our recent public polling shows that in Scotland<sup>2</sup>:



49% of Scottish adults say they or someone in their household experienced a life event in the past two years. This is higher than for all UK adults, where 46% recall experiencing such events.

<sup>2</sup> Total sample size was 5,326 adults (Including 458 adults in Scotland). Fieldwork was undertaken between 29th April - 2nd May 2019. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

## About our clients

### Employment

Over half (52%) of our clients in Scotland are in full or part-time employment (or in a household where their partner is), compared to 43% for the UK.

Just under 1 in 3 (32%) of clients is unemployed, which is a similar proportion to across the UK where 34% of clients are unemployed.

#### Employment status



## Income and budget

When a client contacts us we help them to draw up a budget which provides for areas of key priority spending like rent, mortgage, council tax, utilities and other essentials like food. If there is any remaining income then this could be used by the client to pay their debts.

But for the first time in recent years, clients on average are showing to be in a deficit after their key essential costs have been covered. The average income for Scottish clients is £1,300 and the average budget is now -£13.73. There are 43 constituencies that show clients in a deficit and in 11 of these constituencies the average deficit is above £50.

These deficit or 'broken' budgets show how difficult it is for those in problem debt to recover when their income is insufficient to cover their essential spending.

These pressures on budgets are shown in the increases in the proportion of clients in arrears with household bills and the increases in the average value of these debts. This represents a deeply troubling situation for clients and leaves them with reduced options for addressing their debt. This also poses a challenge for advice agencies as there are fewer options available to support clients.

### Constituencies with an average client budget deficit

CONSTITUENCY	AMI	ABD	CONSTITUENCY	AMI	ABD
Aberdeenshire West	£1,402	-£188.76	Aberdeen Central	£1,251	-£34.59
Edinburgh Southern	£1,251	-£152.36	Caithness, Sutherland & Ross	£1,296	-£33.10
Aberdeen South & North Kincardine	£1,561	-£139.98	Aberdeen Donside	£1,237	-£32.50
Cowdenbeath	£1,213	-£101.99	Ettrick, Roxburgh & Berwickshire	£1,249	-£29.52
Edinburgh Eastern	£1,310	-£84.69	Clackmannanshire & Dunblane	£1,219	-£29.21
Glasgow Maryhill & Springburn	£1,187	-£81.41	Glasgow Provan	£1,136	-£28.54
Renfrewshire South	£1,197	-£80.00	Coatbridge & Chryston	£1,334	-£27.86
Falkirk East	£1,351	-£71.46	Glasgow Pollok	£1,282	-£26.78
Ayr	£1,220	-£70.96	Glasgow Anniesland	£1,348	-£23.83
Angus South	£1,239	-£58.45	Angus North & Mearns	£1,440	-£19.54
Clydebank and Milngavie	£1,206	-£54.01	Kirkcaldy	£1,157	-£19.15
Na h-Eileanan an Iar	£1,361	-£47.20	Cumbernauld & Kilsyth	£1,278	-£16.04
Glasgow Shettleston	£1,208	-£46.69	Banffshire & Buchan Coast	£1,399	-£13.16
Kilmarnock & Irvine Valley	£1,246	-£46.23	Airdrie & Shotts	£1,222	-£12.76
Inverness and Nairn	£1,392	-£44.01	Cunninghame South	£1,202	-£10.78
Paisley	£1,075	-£40.16	Uddingston & Bellshill	£1,250	-£10.62
Glasgow Cathcart	£1,323	-£38.78	Clydesdale	£1,292	-£6.02
Midlothian North & Musselburgh	£1,320	-£37.89	Dunfermline	£1,147	-£2.70
Glasgow Southside	£1,129	-£36.67	Rutherglen	£1,305	-£2.17
Almond Valley	£1,320	-£35.23	Renfrewshire North and West	£1,587	-£1.52
Perthshire North	£1,432	-£34.96	Moray	£1,245	-£1.30
Cunninghame North	£1,196	-£34.78			

## Vulnerability

Many of our clients face additional challenges that can often complicate, exacerbate, or in some cases trigger income shocks that result in problem debt or leave the individual with greater vulnerability to debt. In 2019 over 47% of Scottish clients indicated they had an additional vulnerability, which is higher than in England and Wales.



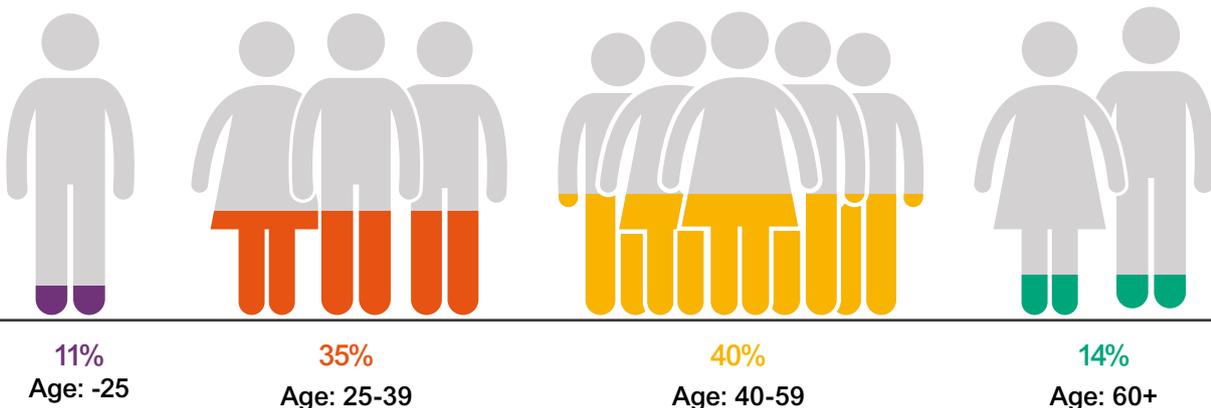
These additional vulnerabilities include mental health problems, physical health issues, learning disabilities, hearing and sight impairments as well as any condition that has the potential to make it additionally challenging to deal with debt problems.

Recognising that more of our clients in Scotland are affected by vulnerability, we have invested, with the support of the Scottish Government, in enhancing and expanding our specialist team of advisers. They provide enhanced support for our vulnerable clients. We are continuing to make links with other organisations who can provide specialist support, such as Macmillan, Samaritans and the Family Fund. This will ensure that whilst we are helping clients with their debt problems, they can receive the specific support they may need for other challenges which face them.

## Age

**The average age of our clients has been falling in recent years across the UK. The number of under 25s remained similar as to 2018. 2019 saw a 1% decrease of those aged 25-39 and 40-59 and a 2% increase of those aged 60+ in the same time period. Compared over to 2015, we have seen the proportion of clients aged 25-39 increase by 2% whilst those aged 40-59 have decreased by 5%.**

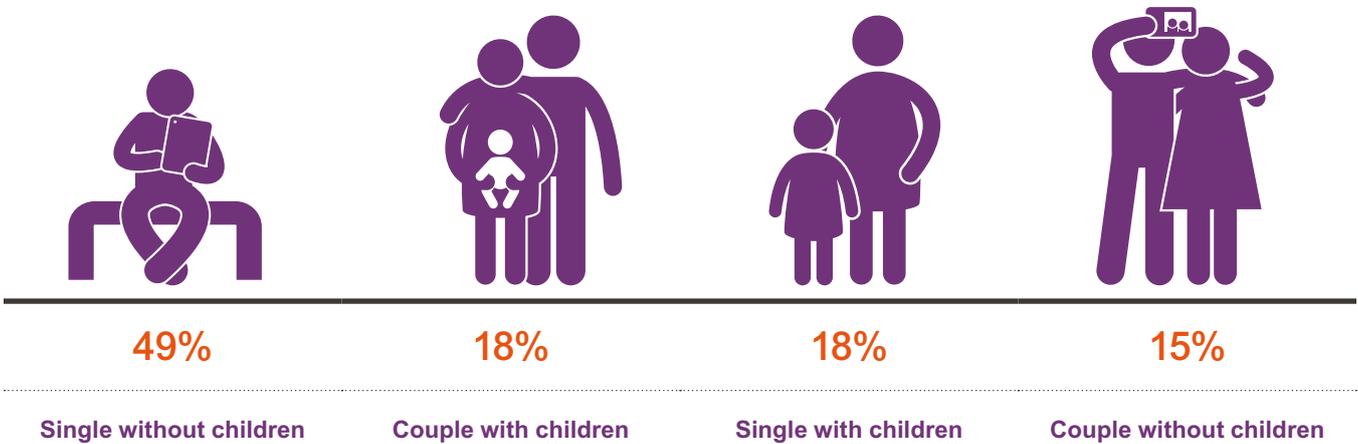
Those aged 25-39 and 40-59 are significantly over-represented, compared to the wider Scottish population. Only 14% of StepChange clients are over 60, while 31% of the Scottish adult population is aged 60 or over. 25-39 year olds are particularly overrepresented, making up 25% of the Scottish adult population but this demographic represents 35% of our telephone clients. Furthermore, many more of our clients in this age group choose online advice avenues as opposed to telephone advice which means they are significantly overrepresented compared to the wider population.



## Family composition

**18% of Scottish clients are in couples with one or more children, with a further 18% of clients who are lone parent households. 15% of Scottish clients are in couples with no children and the largest group are the 49% of clients who are single with no dependent children. It is understood that 3 in 10 families in Scotland are lone parent families, which suggest that lone parent clients are an over-represented group, making up nearly 50% of client households with dependent children.**

The percentage of StepChange clients in couples with children in Scotland at 18% is below the average UK population of 22%. Compared to the charity's UK client statistics, across the UK 26% of clients are in couples with dependent children while 24% are lone parents.

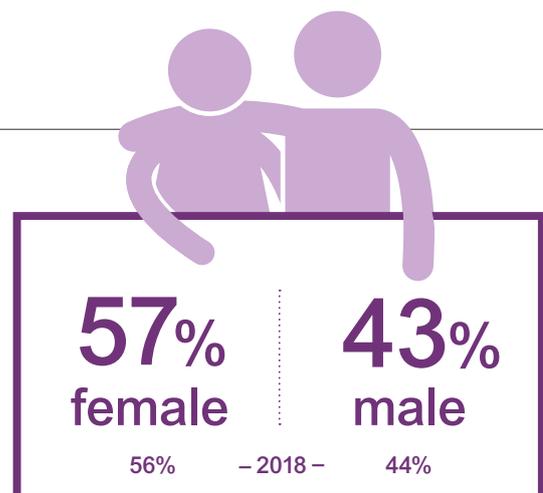


## Gender

**Similar to previous years, women continue to make up the majority of our clients. 57% of clients in 2019 were women, a 1% increase on 2018. The UK adult population is 51% female and 49% male, meaning women are overrepresented amongst our clients.**

In some cases, it may be that a woman is contacting us for their household and on behalf of a partner where there are joint debts which may partly explain this overrepresentation.

But we also know that women are more likely to be lone parents and thus face increased costs, more likely to be in casual or zero-hours employment and are more likely to be underpaid in comparison to their male colleagues.



Each of these factors may contribute to the over representation of women in our statistics however it may also be down to the fact that men are less likely to discuss problems with advice organisation or seek help until their debt situation has deteriorated.

## Housing status

We are continuing to see a high proportion of clients renting their homes compared to owning their homes. In 2019, we saw over three-quarters (78%) of new Scottish clients renting their homes. This is a 12% increase compared to 2015, when 66% rented.

However, clients in Scotland are less likely to be renting from the private rented sector (26%) compared to of all our clients in the UK (39%). Scottish clients are more likely to be renting from a local authority (24% vs 13% in the UK).

The proportion of clients who rent from private landlords has increased from 24% in 2018 to 26% in 2019. There has also been a 1% increase in the proportion of clients who rent from Local Authorities. There has been a corresponding 3% drop in clients with mortgages.

The proportion of Scottish clients paying board remains at 12% which is consistent across the previous years.



Year	Mortgage	Own outright	RENT			Board
			Housing Association	Local Authority	Private	
2019	18%	4%	16%	24%	26%	12%
2018	21%	4%	16%	23%	24%	12%

# Client debts

## Unsecured debt

The average total unsecured debt owed by new Scottish clients at the time of advice is £11,712. This is lower than the average for all telephone clients across the UK (£14,129). It is also £830 lower than the average unsecured debt value for our Scottish clients in 2015.



## Types of debt

The proportion of clients with at least one personal loan debt continues to rise; over half (51%) of new clients in 2019 have a personal loan.

This is an increase of 4% compared to 2015. Almost half of all clients (48%) have at least one overdraft debt at the time of advice, with an average debt of £1,266.

Clients in Scotland are more likely to have personal loan or an overdraft compared to all clients in the UK (48% and 46% respectively).



Personal loan

**£7,241** (£7,974)

**51%** (47%)



Credit card

**£6,405** (£7,408)

**65%** (65%)



Other

**£3,507** (£3,849)

**40%** (37%)



Catalogue

**£1,901** (£1,884)

**39%** (38%)



Payday loan

**£1,684** (£1,108)

**11%** (11%)



Home credit

**£1,520** (£1,499)

**9%** (10%)



Overdraft

**£1,266** (£1,501)

**48%** (59%)



Store card

**£1,188** (£1,068)

**10%** (13%)

**2015 comparison figures are illustrated in brackets**

(£) – Average debt / (%) proportion of clients with debt type

## Credit cards

Credit cards are the most common type of debt amongst new clients in Scotland with nearly two-thirds (65%) of clients having at least one credit card.



Whilst we are seeing the average credit card debt balance fall by just over £1,000 since 2015 (£6,405) compared to £7,408, the percentage of clients with at least one credit card debt remains constant at 65%.

## Short-term, high-cost credit

The proportion of new Scottish clients with a payday or short-term, high cost credit debt has fallen and started to rise again in the past five years.

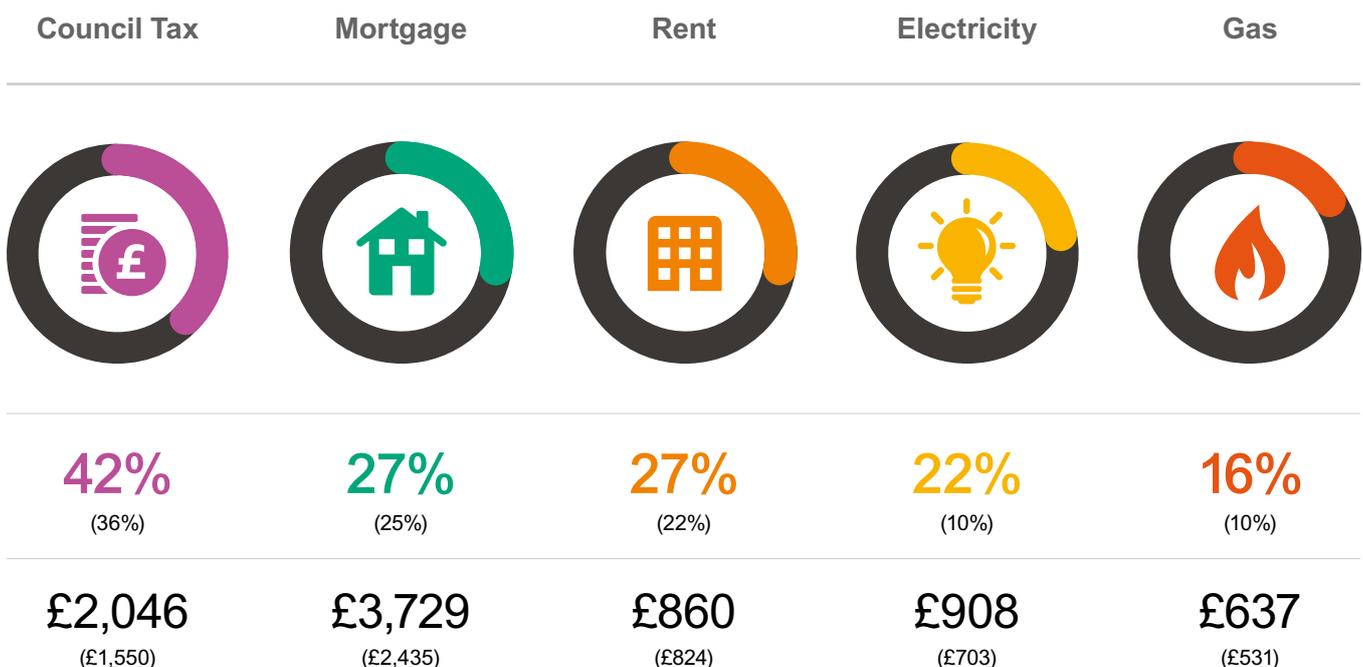


In 2015, we reported that 11% of clients owed on average £1,108. By 2017 this fell to 9% of clients owing £980. In 2019, we have seen the percentage of clients relying on high cost credit to pay for household essentials rise to 11%, with an average debt of £1,684. This is £556 more than the average in 2015.

## Arrears on household bills

Over half of all new Scottish clients (52%) are in arrears on at least one essential household bill, compared to 40% of all our clients in the UK. Since 2015, the average household arrears has increased by £291, up from £2,124 to £2,415 in 2019.

This increase is not concentrated on one household bill type. We have seen an increase in the proportion of clients who are responsible for paying the bill who are in arrears and in the total amount of the arrears.



2015 comparison figures are illustrated in brackets  
 (£) – Average debt / (%) proportion of clients with debt type

## Energy arrears

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The proportion of clients with energy arrears has been steadily increasing in recent years. In 2015, 10% of Scottish clients were in electricity arrears and gas arrears. In 2019, electricity arrears has more than doubled with 22% of clients now in arrears and gas arrears has increased by five percentage points to 15%. In addition, we have seen the amount of arrears increase for electricity by £205 (from £703 in 2015 to £908 in 2019) and gas arrears has gone up by £106 (from £531 to £637).



## Council tax arrears

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The proportion of new Scottish clients with a responsibility for a council tax bill (including water and sewage costs) who are in arrears has increased over the past 5 years.

In 2015, we reported that 36% of Scottish clients were behind on a council tax bill. This has now increased to 42%. The average amount of arrears has also increased over the same period from £1,550 to £2,046.



## Rent arrears

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Along with the continued increase in the proportion of clients renting their homes, there has also been an increase in the proportion of our clients in Scotland falling behind with their rent payments. Over a quarter (27%) of our new clients in Scotland are behind with paying their rent, up from 22% in 2015.

## Mortgage arrears

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Whilst we have seen the number of new Scottish clients who own their home seeking advice fall, we are seeing a higher proportion of those clients in arrears with their mortgage payments. In 2019, over a quarter (27%) of clients who had a mortgage were in arrears compared to 25% in 2015.

Over the same period we have seen that the average mortgage arrears balance has increased by over 50%, from £2,435 in 2015 to £3,729 in 2019.

## Conclusion

People were struggling with finances across Scotland long before the disastrous effects of COVID-19. Life shocks are the main driver of problem debt amongst our clients. Manageable and sustainable levels of debt can swiftly turn, due to a 'life event', into complicated and costly burdens which can have a huge impact on individuals and on wider society.

This pressure is clearly illustrated by the increasing number of clients in debt after falling behind on essential living costs such as rent, council tax and utility bills. The proportion of clients in arrears on their council tax has increased drastically over the past decade, from 18% in 2010 to 42% in 2019. Last year, we described the rises in council tax arrears and the proportion of clients with those arrears as an emergency. That emergency is more acute now, and the economic impact of COVID-19 will significantly exacerbate this already acutely painful problem.

A combination of flatlining wages and benefits over the past decade and rising living costs has seriously undermined household finances. Over 100,000 applications for Universal Credit in Scotland were made in the first weeks of COVID-19 lockdown. Major events such as the ongoing COVID-19 outbreak will have deep and serious effects on personal finances for years to come. Support for vulnerable households that reach capacity as a result of life shocks must be explored in response to the COVID-19 economic disaster. When a crisis occurs there is simply no give and no flexibility open for them to get by.

The safety net must be there for people when they enter crisis, must enable them to recover and rebuild their life and finances without enmeshing them in deeper, sustained financial difficulty. Lenders and Government must work together to ensure that recovery from life events is possible without sustaining long lasting financial harm. Debt solutions must be geared up ready to provide debt relief where necessary and secure and fair repayment where this is possible ahead of the immense harm that households are facing throughout and after the COVID-19 emergency. The long-term impact of the past few months' crisis should not be underestimated. The interruption or reduction to income will leave certain households vulnerable for years.

In these times of economic uncertainty and difficulty, we need more signposting to free debt advice by organisations working with the public so that a widest sector of society possible is encouraging people to seek advice earlier. Anyone can find themselves in problem debt and the earlier they seek advice the more options available and the less harm and stress they could experience..



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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