



# Making ends meet

Insights from StepChange advice clients

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## 1. Introduction

The coronavirus pandemic and cost-of-living crisis have made making ends meet harder for many to achieve. But for households up and down the country, these challenges are not new. At the outset of the pandemic, 30% of new StepChange clients had a negative budget. This means that, after debt advice session and budget counselling, their expenses exceed their income.

StepChange seeks to support those struggling with debt to put in place a sustainable debt solution and get their finances back on track. Clients with negative budgets, however, do not have access to the full range of statutory and non-statutory debt solutions because they do not have surplus income to make repayments. StepChange research into client outcomes shows that, while such clients benefit from advice—for example, through better protection from creditors and alleviated anxiety—they are less likely to achieve positive long-term outcomes.<sup>1</sup>

In Autumn 2021, we conducted a series of interviews with StepChange advice clients with a negative budget at the time they sought advice. The purpose of the research was to learn more about the experience of these clients: we aimed to better understand causes of negative budgets and problem debt, coping strategies and the effectiveness of local and national support.

A number of common themes emerged. For most participants, living with a negative budget caused anxiety, stress and health problems. Some had experienced traumatic events. These factors, in turn, conditioned their ability to cope with their financial situation and access help and support. Participants spoke of confusion navigating complex, fragmented and, in places, under-resourced support across creditors, local authorities and national support agencies. The mismatch between the needs of those who are struggling and the support available contributed to poor experiences and missed opportunities to intervene early and prevent harm.

We learned from participants not only about the negative impacts of living with inadequate resources, but insights into opportunities to break the link between having a low income and problem debt and better support those managing financial difficulty. The conclusion of the report discusses lessons for public policy drawn from the themes that emerged in the interviews. Ultimately, our interviews reinforced the reality that the most effective protective factors against financial difficulty and problem debt are sufficient income to make ends meet and greater financial resilience against shocks.

**|** We want to create a society free from problem debt

## 2. Methodology

An invitation was sent to a representative sample of clients in England and Wales who completed the advice process with a budget deficit. We offered a £50 shopping voucher in return for participation.

Interviews were arranged with sixteen clients and conducted in October 2021 by members of the StepChange Policy, Public Affairs and Research team using a guide exploring topics including:

- individual and household circumstances;
- income and expenditure;
- use of credit prior to accessing debt advice;
- reasons for problem debt and recent life events;
- approaches to managing money;
- Universal Credit;
- health and wellbeing;
- accessing support from family and friends, creditors and local and national services including debt advice;
- views on additional support that would have been, or would be, helpful; and
- any further topics participants wished to raise.

Interviews were conducted by phone and transcribed manually. A summary was produced setting out experiences and quotes linked to the interview guide topics and a coding exercise was conducted to identify common themes.

All the participants' names have been changed. Some quotes have been lightly edited for length and clarity.

### 3. Interview participants

	Household	Reasons for negative budget	Reasons for problem debt
<b>Holly, 42</b>	Lives with partner and one son (2).	Household income fell after her son was born and Holly's partner was subsequently made redundant during the pandemic.	Began using credit cards to keep up with household expenses after son was born and husband was made redundant.
<b>Eric, 32</b>	Living alone following recent relationship breakdown. Has two children who live with former partner.	Reliant on Universal Credit single adult payment and helping support two children.	Began using credit to help cope with periods of unemployment experienced throughout adulthood due to serious mental illness.
<b>Julia, 51</b>	Lives with partner (has grown-up children who live independently).	Income from part-time (zero hours) work alongside partner's income from work is insufficient to meet costs.	Built up unaffordable debt over a long period to buy necessities but also felt she had sometimes used credit to buy 'nice things' and overspent.

<b>Anthony, 40</b>	Lives with his wife and two children (9 and 5).	Antony is unable to work due to ill-health while his wife had experienced a spell out of work. Universal Credit does not meet essential costs.	Family built debts while in work and became unable to manage repayments following redundancy and ill-health.
<b>Richard, 38</b>	Single household.	Reliant on Universal Credit following closure of equipment rental business and decline in acting work during the pandemic.	Used personal credit cards when business ran into difficulty and eventually could not keep up with repayments.
<b>Jarred, 50</b>	Lives with daughter (14).	Unable to work due to health problems and reliant on income from tax credits, Child Benefit and Employment and Support Allowance.	Used credit cards to try to maintain standard of living after becoming unemployed and subsequently struggled with debt over more than ten years.
<b>Charles, 46</b>	Lives with partner.	Charles and his partner experienced unemployment before the pandemic (recently made an application for Universal Credit).	Had built up debt before unemployment and then used further credit to pay for essentials until no longer able to keep up with repayments.

<b>Eleanor, 31</b>	Lives with partner and daughter (14), who has autism.	Partner became unemployed prior to the pandemic and the family now depends on Universal Credit.	No credit debts: struggling with arrears on energy and council tax bills.
<b>Becca, 37</b>	Single mum living with daughter (16).	Works full-time in a factory and receives Universal Credit.	Debt problems arising primarily from council tax arrears.
<b>Roxana, 37</b>	Single mum with two children (5 and 7).	Survivor of domestic abuse who relies on Universal Credit and Child Benefit.	Struggling with energy and council tax arrears, and a benefit overpayment caused by the perpetrator of abuse.
<b>James, 50</b>	Recently separated and lives alone. Two teenage children who visit regularly.	Relies on Universal Credit with disability element due to physical disability and lung disease (COPD).	Received an unexpectedly high energy bill and needed advice and support to negotiate with supplier.
<b>Sarah, 50</b>	Single mum living with son (18).	Unable to work due to a recent accident. Universal Credit payment fell when son began working.	Unable to keep up with motor finance and credit cards repayments following fall in income.



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<b>George, 54</b>	Lives alone and shares custody of his two children (11 and 15).	Low income from two zero hours jobs alongside child tax credit.	Survivor of domestic abuse who was left with arrears on bills and credit debts taken out without his knowledge.
<b>Denise, 55</b>	Single mum living with two adult children.	Furloughed then made redundant. Now relies on Universal Credit.	Repayments on credit card debts were no longer manageable after fall in income.
<b>Natalie, 49</b>	Lives with partner and son (7).	Furloughed and made redundant: partner's income from part-time work and Universal Credit insufficient to meet living costs.	No longer able to keep up with repayments on credit cards and catalogue credit.
<b>Sabine, 34</b>	Single mum with one young son.	Works 30 hours a week and receives Universal Credit but struggles to meet living costs after paying for childcare.	Repayments on credit and store cards became unaffordable after relationship with partner ended.

## 4. What drives negative budgets?

Having a negative budget means that, after budgeting advice, a client has a lower income than the amount needed to meet their living costs. Income and expenditure can each be an influence on this mismatch, and we asked participants about each. The budget shortfall of most participants was driven by low income in comparison to typical living costs for their household. However, where participants highlighted unusual or specific expenses that contribute to income pressures, we have noted these.

### Income

Participants were evenly split among those who had lived with a low income in the long-term and those who had a low- to middle-income (albeit in some cases a precarious income) until they were affected by one or more life events.

Half of the interview participants had been managing with a low income in the long-term. Reasons for this included low pay, part-time work and long-term illness or disability.

Julia described having a low-paid, part-time job with fluctuating hours:

*"I do work but I don't really get that much money [and] I only know how much I'll get when my wages*

*are put in my bank. I think it's depending on how many hours, say for instance one week I do 10 hours and then next week I could do 12 hours."*

**Julia**

Antony's wife is the primary earner for his household, including their two young children:

*"She was on about £15 an hour which was a lot more than the minimum wage but it still didn't cover everything because [in work] we didn't get any help with the rent, we didn't get any help with council tax. We were losing massive chunks out of her pay packet [on bills] and it's like 'Oh God'. It got to that point where we were struggling and we [thought] 'What [bills] can we not pay so we make sure we've got everything [the essentials]?"* **Antony**

Sarah, a single mother, had been managing solely on Universal Credit (UC) after leaving her NHS job as an occupational therapist several years ago due to ill-health:

*"Up until my son left college [and his social security payments were stopped], we managed on UC. We just about made ends meet."* **Sarah**

Becca, a single mother with a 14-year-old daughter, works full-time in a factory and could not afford to save but told us:

*"We didn't have any extra money, so we couldn't go on any holidays, but we had enough to get by."*

**Becca**

The group of participants who had not been managing on a low income in the long-term had all experienced life events that reduced their income to the point that it was inadequate. (Many of those who had been managing on a low income in the long-term had also experienced such events, which had also made their situation more difficult.) StepChange has previously explored the role of life events in problem debt in the report *Life happens: Understanding financial resilience in a world of uncertainty*.<sup>2</sup> Our interviews suggest that it is typical, rather than unusual, that recent experiences of life events negatively affect the circumstances of advice clients with negative budgets.

### Unemployment and redundancy

Eight of 16 participants, or someone in their household, had recently experienced unemployment or redundancy. For example, both Charles and his partner were made redundant before the beginning of the coronavirus pandemic (Charles' partner subsequently had to isolate for health reasons):

*"My income changed from having a job to having no work whatsoever and my partner ... had lost her job couple of months prior to [the pandemic] so*

*she's had 15-16 months off with no pay and I just couldn't keep up with everything."* **Charles**

Antony's wife had initially been made redundant in 2012 and, although she had found work, her wage had never recovered to its 2012 level (she had subsequently been made redundant again due to the pandemic):

*"It originally started in 2012 when my wife was made redundant. She'd had a good paid job; she'd been with the company for years... We thought, 'We'll be fine because you'll get your redundancy we can use some of that.' We didn't realise how long it was going to take from her getting her redundancy to her going back to work."* **Antony**

Holly and her partner accrued debt to cope after they had their first child and were subsequently made redundant:

*"When I went to maternity, there was full wage coming into the house, then suddenly there was just that shortage. [There] was a £1,200 shortage coming into the house every month. We had only just got married and prior to that we had bought the house, so we've had big changes, almost all in a row... I was always told that I wouldn't be able to have children and then suddenly fell pregnant. Before [me and my husband were made*

*redundant] I wasn't struggling because I knew that I had a job to go back to [after maternity leave]."*

**Holly**

A number of participants had been furloughed then made redundant. Natalie described how her income fell dramatically after the beginning of the coronavirus pandemic:

*"I had debt but I had a good job, so it was balancing out because I was earning good money. [My income went] down a lot because I was furloughed and my job was commission-based so I lost about £1,000 a month [and] that's when I started struggling."* **Natalie**

Experiences of unemployment had not always been straightforward. Eric, who lives alone and contributes financially to support two children with his former partner, was unemployed at the time of the interview but explained that he had been 'in and out of work for 13 years or so' due to a fluctuating health condition. Eric noted being in and out of work also meant he had 'never had a particularly well-paid job'.

**Life events**

Several participants mentioned a drop in their benefits as the reason for financial difficulty. Having been made redundant,

Natalie, who has one son aged seven, decided to move in with her mum to better cope with costs. When Natalie moved, she was no longer eligible for support with housing costs and, because she still needed to contribute rent, was worse off than before:

*"The [housing support] has gone because my mum wants rent [because she is contributing to residential care costs] but they don't accept [a board payment] as rent... I think it's really mean; I just needed a bit of a rest because we had so much going on but they said no, that was it, you don't get rent paid it's because you live with your mum so that was it. [Now] we only get about £200 a month."* **Natalie**

Sarah had left her job to return to college and retrain, but had not realised that when her son left college she would no longer be entitled to financial support for him:

*"Up until my son left college, we managed on UC. We just about made ends meet. As soon as he left college, all his benefits stopped. I was just left in the lurch because the money I got from UC didn't even cover my bills."* **Sarah**

A few participants mentioned that they were having to survive on less due to the end of a relationship. For Sabine, the breakdown of her relationship meant that she became a single parent and the

primary carer for her young son. She was only able to work part-time, so her income remained low:

*“I split up with my partner, so we obviously had two incomes coming into the house but then it just went down to my income, which is how I ended up accruing all my debt. I couldn't support my son and my rent and everything else plus paying out all my debts just on the income that I had coming in. I only work 30 hours because I still do the school drop-offs and pick-ups so it works around my childcare situation” Sabine*

### Expenditure

Participants were asked about expenditure pressures and the costs they were most concerned about meeting. In practice, most participants struggled to identify particularly difficult expenses; this was seemingly because they had cut back most, if not all, non-discretionary expenditure and found it difficult to pay all of their expenses. As a result, participants tended not to see any specific expense as the driver of their difficulties.

Some participants did, nevertheless, cite specific issues linked to costs. Denise, a single mother with two adult children, noted how the cost of utilities is rising faster than social security payments and wages:

*“Utility companies constantly expect that they can make [pay] these raises ... when your benefits don't go up, your salary doesn't go up. If you're working on a tight budget and you're a single parent, and you don't have anyone else to lean on, you have no choice but to keep as tight [a budget] as you can because it's so easy for things to spiral out of control. Suddenly you're getting further into debt just to survive on a daily basis.” Denise*

Julia and her partner persistently struggle to keep up with rent on their local authority-managed home:

*“We've always got the people from the [local authority] on our back ... and I said to them, 'look we can only pay what we can pay, at the moment we're in financial difficulties ourselves, we can only pay what we've got.’” Julia*

Sabine also referred to the dilemma she faced because she had moved closer to her family for support after the end of a relationship but was struggling to afford rent in the area:

*“I was breaking down on the phone to them [the local authority] saying this is the situation I'm and they literally couldn't offer me any [help]. Their solution [was] do another exchange move to somewhere less [expensive] but I was trying to*

*explain to them I've moved here to be closer to my family.” Sabine*

Participants with children (both in couples and single) cited childcare costs in a number of contexts. Holly explained how childcare costs caused expenditure to exceed income:

*“I found a job which was full-time but then [my son] had to go to nursery ... I decided to take the job but nursery fees are £1,000 a month and [my husband] is still on a low wage so we've got more going out every month than we have coming in.” Holly*

Eleanor, who lives with her partner and 14-year-old daughter, meanwhile, mentioned the extra costs she incurred to meet her daughter's development needs:

*“With [my daughter's] autism it's like sensory items that she has to have constantly to keep her mind occupied. We used to go to a hydrotherapy session but the council doesn't fund that any more. Luckily where I live there is a lot of stuff to do for nothing like tree top apparatus and a few parks, a few gyms.” Eleanor*

Eleanor also mentioned the costs of her daughter's school uniform as an additional burden which meant that she has struggled to pay her electricity bills and had to ask the utility company for help:

*“With having to buy school uniform and everything like that for my daughter [I had] to ask my electric company for help [because] the money ran out because I had to purchase school uniforms.”*

**Eleanor**

### Causes of problem debt

The reasons participants have a negative budget and the reasons they have struggled with debt are not necessarily the same. No two participants' experiences of problem debt were the same but three notable themes emerged: shortfalls in income driving borrowing that eventually became unsustainable, unanticipated life events or expenses leading to debt problems and economic abuse.

For participants, restricted incomes often made credit repayments unaffordable and the way they coped with this led to escalating borrowing. As Eric describes:

*“For a while I did a lot of robbing Peter to pay Paul. I tried debt consolidation loans or I'd get a newer bigger credit card and then try and transfer some of the smaller balances onto it. At some point, I ended up getting in debt because I was in debt. [For] three or four years, that was the cycle:*

*running up larger balances on worse interest rates in the process.” Eric*

Charles described a similar experience:

*"I've been struggling for probably five to six years but I was always managing to... I wouldn't say keep on top of it but pay some off so the creditors were okay and off my back and then since I was having personal loans from one company and it was going straight out to pay bills off or another loan and that's what I was doing for a long time. You just keep doing it and keep doing it to get by until something goes wrong and then you can't afford any of it." Charles*

A number of respondents described how features of credit products meant that becoming dependent on credit led to spiralling debt problems. Natalie explained how a drop in income led to missed repayments, which in turn led to higher interest charges:

*"I lost my job but before that we went on furlough and I started missing payments so the credit rating had suddenly dropped and the bills (credit repayments) were going up and because I wasn't paying them, credit ratings crash and then I just couldn't pay them." Natalie*

Eric mentioned how unsolicited credit limit increases had exacerbated problems:

*"Sometimes it would just be a text. It would be a reasonably low value credit card like £250, £300 and then I'd have a text through [that] 'we've increased your credit limit to £550', which is great but it's not great really, when I'm already drowning in [debt] but because of the ways I was already drowning there was no way I was ever going to refuse it." Eric*

Jarred, who lives with his 14-year-old daughter and has a fluctuating health condition, had taken out credit cards when he was in employment, then used the cards to help meet costs when he was later out of work. Because his condition had led to a pattern of periods in and out of work, his debt problems had been ongoing for almost a decade, dating back to the time of the financial crisis:

*"I used to have a very good job so all my bills got paid on time [and] I had a very good credit rating so I had lots of credit cards with large amounts of credit on them and I was earning good money. [I] never had any reason to use those credit cards until things started to go a bit more difficult for me so then you start using the credit cards so that*

*you're able to maintain a certain same standard of living as you've become accustomed to, you think that your problems are going to end so that you're going to be able to service that debt. The debt spirals and spirals [and] gets to a size where it's unmanageable. It's the first time I've had any real debt problems but it's just been going on probably about 12 or 13 years." **Jarred***

Other clients we interviewed were just about making ends meet but a life event, unexpected bill, increase in living costs or other circumstances out of their control had led to problem debt.

Antony described how he and his wife had a sufficient income and accrued debts that only became unmanageable when his wife lost her job:

*"We spiralled into debt because we had spare money and we did things like credit cards and loans and paid for things on finance... and then all of a sudden when [my wife] was made redundant we went from a good support for three of us... onto benefits when you didn't have the money to [pay for] everything we had ... We sort of buried our heads thinking 'Oh well, we'll find jobs soon', we'll get back to work and try to avoid that whole process because we just didn't want to admit that*

*we got ourselves into trouble and then all of a sudden we were literally being bombarded by letters saying 'You owe us, you need to pay.'"*

**Antony**

James, who is living alone after separating from his long-term partner a year ago and regularly has his two teenage children stay with him, describes suddenly receiving a bill for a large sum of money and being unable to repay the amount.

*"When I first moved out I thought, 'This is all ok. They're taking care of all the bills automatically, they'll let me know how much I've got to pay.' And it didn't quite work out like that. I had a little meter in the house that was telling me I was using barely nothing and then I had a bill telling me I was £120 odd in debt, which really freaked me out. I know it's not a lot of money but someone like me who was on next to nothing anyway, it was a worry." **James***

Becca had a similar experience with council tax arrears that had built up due to the interaction of council tax support and the hours she was working on a zero-hours contract:

*"[They] kind of like slapped it on you, said 'Here's this bill from 2018,' and I thought 'Why are you telling me now? It's been two years'. It was a council tax bill [for] £700 which is a lot of money. I*



*could never just pay that bill all at once and they [told me] you've got five days to pay it and I just had a bit of a meltdown.”* **Becca**

Becca later accessed free debt advice and made a monthly repayment offer to the council, based on her budget, that the council accepted, indicating the situation was avoidable.

Large one-off costs were also a common theme. Having recently completed a claim for Universal Credit after her partner was made redundant, Eleanor was forced to use her advance payment to replace household items due to a leak in the property. The repayments meant that she then struggled to afford essentials:

*“We live in a block of flats on the top floor. [The council] was having some renovations done to the outside of the block and at the time it was causing leaks through our ceiling which destroyed loads of our clothing, our double bed, my daughters bedding and carpets. I’ve had to replace all of that out of my budgeting advance so then I had nothing left to buy like other things that we need. With the clothing and bedding, new bed, carpets and everything, it’s been over £1,000.”* **Eleanor**

Often participants’ circumstances were complex. Eric described the interaction of fluctuating employment caused by mental health problems and debt problems:

*“I’ve got a personality disorder and ADHD and autism so managing finances isn’t exactly my forte in the first place. The more unwell I get, the more I get impulsive with less of a view [of the consequences]. So as I was becoming more unwell and approaching the time that I would have to come out of work my spending would spike at the same time, which really compounded [financial problems].”*

*“I’ve been in and out of work for the last 13 years or so and each time I come out of work, I’ve got debt commitments I made while I was working but with the inability to keep up on promises that I’d made because loss of income. I couldn’t keep up and after the second prolonged absence from work I ended in a state that I couldn’t recover from: I had £23,000 worth of debt and no way to pay it back.”*

**Eric**

Charles experienced a mix of insecure work, being a victim of theft and the financial impact of his partner’s disability:

*“I’ve been in and out of work, I’ve been self-employed on and off... and I had a van stolen [and] couldn’t afford to replace it, so I got in debt that way. My partner has got lung disease, so she has*

*been in and out of work... [so] we were getting into more and more debt.” Charles*

Roxana, who has two children and is a survivor of economic abuse, outlined a series of financial shocks that came on top of one another:

*“Debts started to pile up when I went into the refuge [due to domestic abuse] and when DWP started asking me to give money back and then [the] council tax situation [arrears] and when I moved to this house I needed to furnish [it].”*

**Roxana**

Four participants were survivors of some form of economic abuse. The charity Surviving Economic Abuse describes economic abuse as situations in which a partner ‘repeatedly dictates their partner’s choices and controls their everyday actions, becoming violent or threatening to become violent if their demands are refused. A perpetrator may restrict how someone acquires, uses and maintains money and economic resources, such as work, social security payments, accommodation, food, clothing and transport.’<sup>3</sup>

Roxana spoke about her experience of fleeing domestic violence. She described how her husband had controlled the household finances and left her paying off a social security debt:

*“When I fled the domestic violence... my husband was claiming tax credits and he was working at the*

*time and then the DWP said to me I owed them money, I think £3,000-£4,000 because [my husband] was claiming that into my account. DWP said to me to pay them back even though I didn't use a single penny of that money because he was the one who was controlling all financial stuff of the house, so I never saw or used the money but because that account was mine, DWP said I need to pay them back.” Roxana*

As Roxana’s husband had controlled the household finances, she had no money when she did eventually flee the relationship. Having to move into and furnish a new home while having no savings then left Roxana in debt to her sister:

*“When I moved into the house I didn't have any money and nothing on me because I was in a refuge. The house was empty: there was no carpet, no furniture, nothing. I asked my sister to lend me money and she gave me around £2,000 for the carpet and the sofa and the bed, which I really needed. Because there was no washing machine I had to buy it [and] I bought second hand but still obviously I needed money for that so I was piling up all the debts”*

*"Since I moved into the house I am still struggling because I couldn't manage to give my sister's money back and I still owe her £1,300."* **Roxana**

Eleanor and George were also survivors of economic abuse. Eleanor's ex-partner had built up debts in her name and stolen money from her bank account when the relationship came to an end:

*"I was completely debt free, but [my ex-partner] took out mobile phone contracts and things in my name as well online. ... I had a savings account because I was living in private accommodation and I only had a six month tenancy agreement so I had money in the bank at the time. I actually had over £3,000 of savings which I would have used for a security deposit and put down the upfront cost from another private property [but] when we broke up he took my bank card and took all of the money out of my bank account."* **Eleanor**

George, who shares custody of two children, had been paying debts that his ex-partner had built up in both names and had had money repeatedly taken from accounts without his knowledge. However, George's creditors recognised that he had been subject to economic abuse and he was no longer liable to pay back the debts:

*"There were tonnes of bills not paid [that] piled up on me. It wasn't one, it was a few of them... [My ex-partner] also put credit card debt in my name without me knowing, in the sense of putting it in my name and making me sign without me really understanding what I was doing"*

*"I spoke directly with the banks... and I arrived at the point where I spoke with managers of collections and explained the situation and after a while they understood and most of them defaulted the account but cancelled the debt, so they didn't make me pay."* **George**

### Summary

Participants' experiences highlight the complex circumstances that cause negative budgets and problem debt. For most participants, life events with negative financial impacts had occurred in a context in which they were either already struggling with a low income or were vulnerable to financial shocks. The negative financial consequences of life events could be amplified by past credit use or becoming dependent on credit to meet living costs as a coping tool, leading to debt spirals that were difficult to escape. Some participants had very simple debt problems: just a single priority bill they were unable to meet; however, their lack of

financial resources meant even these debts created a difficult situation.

Participants' insights point towards the importance of finding ways to support and build financial resilience against shocks among those with low incomes, and preventing avoidable shocks such as unexpected bills, particularly among those with fragile finances. The experiences they described of developing an ultimately harmful reliance on credit also reinforces the need for careful design of products and services, and responsible creditor conduct to prevent and support customers out of unsustainable 'safety net' borrowing. The incidence of economic abuse among participants reflects national prevalence estimates and points to the need to better prevent credit or other financial resources, such as social security, being used as a tool of abuse, and supporting those affected sensitively when abuse does occur.

## 5. Impacts on mental health and wellbeing

Our interviews explored the impact of struggling with debt on the mental health and wellbeing of participants. Most participants told us of experiences of stress, anxiety or depression linked to their financial circumstances. Becca described her experience:

*"I couldn't sleep and I was worried, worried all the time thinking where do they expect me to get this money from? How am I going to get out of this mess? I started drinking more than I normally do. Smoking more cigarettes than what I normally do. And then, my daughter, not being able to provide properly for her, that made me feel worse. I was thinking lower of myself [and] I started questioning myself as a mother. It was a hard, dark, horrible time. I just felt helpless."* **Becca**

Eric told us of the long-term impact of problem debt on his mental health:

*"[Worries about debt] affected my sleep for years. I still have dreams about money and not having it and needing it. ... I'd lie in bed fretting and worrying and panicking about it and then when I did fall asleep I'd be still thinking about it even while I'm sleeping and I'd wake up in panic and*

*fear a lot. ... The general stress levels, general anxiety levels of it all were insane.*

*"Mental health, poor decisions, crap jobs, crap money. I've never really had a way to climb out. I was given a shovel with which to dig but no ladder."* **Eric**

Holly was positive about the support she had received from creditors, but this had not prevented a significant impact of worries about debt on her mental health:

*"[Debt is] something that constantly stresses and worries me out. ... I find myself crying continuously, once I drop [my son] off any I'm on my way to work I'm crying, or I'm just randomly crying at work."* **Holly**

Sabine highlighted fears about bailiffs turning up because she could not keep up with credit repayments:

*"I was in such a worry. I didn't want debt collectors turning up and it was just such a worry but my wages only stretch so far. I just didn't physically have enough money coming in to pay all what I owed. I was really worrying for myself and how I was going to keep everything going."* **Sabine**

For some respondents, the weight of worries about debt and the feeling that they did not have a way out had led to thoughts of suicide:

*"I wish I could just go to sleep and not wake up. That's how bad it's got me recently. I've got myself into debt and I just can't get out and it's getting worse and worse and until yesterday I just could not see a way out of it."* **Charles**

Jarred linked mental health problems to feeling like a burden:

*"I've been on medication for a number of years now for stress and anxiety due to debt, so I am a burden on the NHS as well. Just a burden, debt is a burden."* **Jarred**

Charles mentioned that worries about money had affected his relationship with his partner:

*"I recently took myself to the doctors because there was something wrong with myself. I was snapping my missus' head off over nothing because we both know what kind of problems [with money] we're in, but it's just not knowing what to do to get out of it."* **Charles**

The way repayment difficulty or arrears are handled also had an effect on participants' mental health. Antony spoke about the

impact the sense that creditors (in this case a local authority) would not offer realistic repayment options had on his mental health:

*"It's just made me feel absolutely worthless. It really pushes me to the point where when it gets too bad and nobody wants to listen when [you are] trying to say to them, 'Look, we want to pay you we just need to work out what is the best option, what is the best way we can pay, can you accept this minimum token payment so you can see were trying to pay?' And when some of them need more than that and you're like, 'I can only do what I can', and it gets you to that point where you don't want to be here anymore. It will be easier for the people that are here because at least then my debt would be wiped out because it's just my debt: it's only in my name."* **Antony**

Sarah mentioned the impact that unexpected requests for payment could have:

*"There have been moments. It comes and goes. I have better days than others. Sometimes I'll get really anxious and I'll panic and think, 'Now what?' Or if it's a payment that comes out of nowhere, that*

*knocks you. The unexpected things really get me in a panic and I'm like 'Where do I go to?'" Sarah*

Julia told us that the approach of the creditors she contacted made her feel 'ganged up on':

*"Instead of them helping me and saying 'Okay, I suggest you do that or I suggest we do that' [it felt like they were] ganging up on me, [that] they weren't listening to me." Julia*

Several participants mentioned creditor letters and phone calls as a trigger for their mental health.

*"I think it has [affected my mental health], especially when they [creditors] were phoning me all the time and sending really nasty letters, constant phone calls and I have to say that [one bank] were awful, really nasty." Natalie*

*"I found all the phone calls and letters constantly from the debtors, it just was getting too much. I just was starting to really worry." Sabine*

*"Every time I'd see a debt letter, I'm like 'I know, please leave me, I can't handle this, just give me a break.'" Antony*

Sabine mentioned that after she accessed debt advice persistent contact decreased, which reduced the pressure she felt:

*"As soon as I mentioned [debt advice provider] to the creditors the way they spoke to me and were treating me just completely changed and ... the 10 phone calls I'd get a day and the letters constantly and the emails, it all kind of come to a halt and that was a relief in itself." Sabine*

A number of participants highlighted independently that addressing mental health problems is an important aspect of supporting those who have experienced financial difficulty:

*"[There should be] counselling or therapy to help with the stress of dealing with it all to be honest. The statutory care services for therapies always [has an] insanely long wait and they're not always the best interventions so ... talking therapies around the psychological impact of being in this hopeless financial place. I think that would be helpful." Eric*

*"These mental health charities, I think that is a top, top priority because I know there's a lot of people who end up committing suicide or [feel] there's no way out for them and not everybody has family, friends [or] whatever that will help. [Debt advisors should] pass you on to someone who could advise you on the mental health side of things." Richard*

## Summary

Our interviews confirmed the close relationship between financial difficulty and mental health problems. Participants' descriptions highlighted that these difficulties were often shaped by a feeling that they did not have any options, which can heighten feelings such as stress and a sense of worthlessness. Aside from preventing acute financial difficulty emerging at all, participants' insights point to the need for early engagement using sensitive approaches, sustainable debt solutions that allow clients to feel they have a safe pathway and positive future, and the potential benefit of referrals to mental health services (and the availability of such services).



## 6. Coping strategies and budgeting

*“When you are in a deep hole up to your neck you can't budget, you prioritise.”* **George**

StepChange clients with negative budgets are less likely to report a lack of control over finances as reason for debt than the general client population (at 10% compared to 19%). Participants described the challenge of budgeting with inadequate income to make ends meet. We explored this experience both before advice, when credit use was often a factor in meeting costs, and after advice, when clients with negative budgets are likely to have been advised to stop or make only token repayments.

One common coping strategy was simply to cut back to the point of hardship. Eric described his own experience before accessing advice:

*“I stopped eating properly for a while, but that wasn't really sustainable. I had to make a decision to stop making repayments because I couldn't keep up with it. I couldn't do it and still live.”* **Eric**

Participants described a range of such difficult decisions about prioritising expenditure. Richard mentioned that prioritising food meant building up rent arrears:

*“Food is important so that was number one... but then we did get in a lot of debt with the rent, so debts were mounting up like crazy.”* **Richard**

Julia spoke about having to use the foodbank as she doesn't always have the money to shop for her own groceries. She had also made the decision to have pre-paid meters for her gas and electricity rather than direct debits so that she could be more in control of month-to-month costs:

*“To be honest with you, I have to go to food banks sometimes. We do get groceries but I have to do it when I have the money. This month I managed to get a few bits and pieces and put a little bit of money on the electric and gas because it's a [pre-paid] card. ... The gas and electric is not on direct debit: we were going to do it but then we thought no, we won't do it because we can't really afford that way.”* **Julia**

Elsewhere in her interview, Julia explained that the uncertainty about the number of hours she will work each week means she must take an ad hoc approach to budgeting: she waits to see how much she is paid and then decides how to use her income.

For participants with children, costs associated with children were typically given priority over other expenses:

*"We don't go out anywhere, we don't go out and have meals, we don't buy any new things. [My son] needs new clothes or new shoes and that's different, we have to do something but generally we don't. We don't smoke, we don't drink. We just can't afford to buy anything."* **Holly**

On birthdays or at Christmas, parents have to make difficult choices about what they can realistically afford:

*"It's my son's birthday tomorrow, and being a single mum, I wish I can do more for my son. But to be honest I haven't been able to buy him a single present. I was thinking to go to some shop and buy him some kind of stationary [so] at least he can have some presents."* **Roxana**

Sarah, who lives in a rural area, told us about not being able to go out as she couldn't pay for petrol:

*"I reached the point where I knew I couldn't spend anything at all. That I had to just cease spending on anything. I didn't buy anything. I couldn't drive but I thought I could get to the point where I could do little journeys but I couldn't even fill the car with petrol so I couldn't go anywhere anyway."* **Sarah**

Charles and his partner had ended their home internet connection to reduce costs:

*"We've cancelled our broadband at home which was £17.95 a month [and] we've both had to go onto pay-as-you-go mobiles because we couldn't afford the contract [as well as] living on the bare minimum."* **Charles**

Eleanor, referring to the impact of the withdrawal of the £20 uplift to Universal Credit during the pandemic, explained how the resulting drop in income affected her budget:

*"My daughter used to have a bus pass for school and then had to start walking because of the £20 cut. [The council's] answer is 'you need to change the school' because we moved [but] she was already settled in her high school."* **Eleanor**

A key theme that emerged from the interviews was the fear of increased financial commitments arising from moving into work. Antony described fears that when his wife moves back into work, the increased costs will swallow up a large amount of the additional income:

*"[My wife] will be back at work soon but we're dreading where we're going to end up because when we actually do the maths, we're not better off because it is minimum wage. When the council tax suddenly goes up to the full amount ... leaps to suddenly £25 a week [and] you've suddenly then*

*lost another £100 because you don't get help with the rent, so until she gets her first paycheque' we don't know where we're actually going to be."*

**Antony**

Jarred raised concerns about both a potential increase in council tax and renewed collection pressure from creditors:

*"[As] soon as you go to work, the council suddenly want all the money for council tax and all the companies that you owe money to all of a sudden gain a lot more power to pursue you for that debt. If you're unemployed they can't really pursue you. So the way the system works is it generally encourages you to stay out of work and there isn't anything really to help you out of this debt."* **Jarred**

With insufficient income to meet costs, Eric protected income from creditors by withdrawing cash as soon as it was paid to him:

*"When [money comes in], I would go straight to the cash machine and draw out as much as I could because then it can't just be swallowed by the bank. So I was always bouncing in and out of unarranged overdrafts on the bank account. I'd give the ex-partner some money to go towards some bills at home and the money would be gone within the first couple of days of being paid."* **Eric**

The dilemmas participants describe help to explain why clients with negative budgets are more likely to have arrears on bills and have higher amounts of arrears on those bills than clients with positive budget.<sup>4</sup> (Notably, this is unlike unsecured debt, where clients with a surplus are more likely to have higher debt levels.)

Participants illustrated the impossible choices they could face. Antony described the choice between paying the present council tax bill and repaying arrears:

*"[Because] we'd still not paid the [council tax] debt because we were paying the actual council tax for that year, they sent bailiffs to the door. It just turned into an absolute nightmare. ... [If] you can't pay this year's one because you've got to pay that year's one, that's just a cycle."* **Antony**

We noted in the first section of this report that debt problems had emerged for a number of participants because borrowing to make ends meet had become unsustainable, reflecting the problematic role that credit can play as a budgeting solution. Participants often spoke about why they had needed to use credit:

*"[We] couldn't cope with the bills and so we started using credit cards. We were just taking one credit card after another after another to help with the household bills and eventually we got into this*

*state where we were just reliant on credit cards.”*

**Holly**

*“[Borrowing] was for things that were essential at the time: I needed to do a car repair or I needed to rent a van to move house again or I needed to find some money to put a deposit down on something or I needed to replace something that was [broken] or repair something. Just life. And because I didn't have money: it's really hard to find money when you don't have money.” Eric*

*“Some of my debts have been around for a while. When you're a parent and your children are growing you have to provide for them. You have to provide food, pay for school trips. If you're a single parent you have to have some way of meeting those needs.” Denise*

For these participants, using credit as a budgeting solution had ultimately become unsustainable.

### Summary

The experiences of the participants illustrate the complicated balancing act with which clients with negative budgets are faced. They must make difficult decisions about which costs to prioritise

and the implications of prioritising one expense over another are much more severe than for most: a decision to prioritise paying rent or household bills might mean less food on the table, while prioritising food might mean missing bill payments or racking up credit card debts. Participants often did not feel they had the opportunity to proactively budget and instead faced a continuing challenge of juggling minimum needs and essential costs.

The most common coping strategy participants articulated was cutting back: hardship appears to be the first-line solution to resolve budgeting dilemmas. Acute budgeting dilemmas contribute to fear about changes such as moving into work that could increase repayment burdens, with respondents specifically citing fears of increased council tax burdens and more aggressive collection tactics by creditors. Given the budgeting pressures participants described, it is unsurprising that those with negative budgets faced situations in which they were not able to pay household bills. Participants had often resolved budgeting dilemmas by borrowing using unsecured credit. However, once repayments became unaffordable, credit balances became an additional burden.

## 7. Local and national support

Participants had experience of seeking support from, or being offered support by, a range of organisations, including banks and credit firms, utility providers, charities and friends and families.

### Creditors and utility providers

A common theme raised by participants was some degree of conflict between what was affordable to them and what firms were willing to accept. Jarred was keen to settle his debts but the amounts proposed were too high:

*“Creditors aren’t realistic as to how much they’re prepared to take... If I owe [a creditor] £20,000 and I can’t afford to pay it... if you then contact [the creditor] and say look I can’t afford to pay you how much will you accept in full and final settlement to write that debt off, they will say that they want 30%. You haven’t got £6,000 so you say ‘well, I can’t pay’ that so I can’t afford to pay anything.” Jarred*

Eric arranged repayment plans, but these did not prove to be sustainable:

*“I ended up with payment plans with everyone I’d missed payments with. I was behind on literally every kind of payment you could imagine.”*

*Ultimately, none of that really helped because none of it actually made the situation better, but it got them off my case for a bit.” Eric*

Natalie, who felt she had been able (after advice) to agree repayments that were realistic, articulated the significance of stopping interest charges and reducing repayments:

*“[The creditors] put me on interest free: it lowers it [repayments] completely, and I’m not snowballing into massive debt. We were paying over £1,000 [a month] with all the individual payments which I couldn’t do but it’s been reduced to about £200 which is amazing. So in that case it’s made it manageable and that’s what I wanted.” Natalie*

Several participants mentioned a dynamic of negotiation: it appears a common response of creditors was not to seek to arrive at a realistic repayment proposal based on a customer’s circumstances, but to make an offer (presumably based on what is a cost-effective rate of recovery to the firm):

*“We get letters through every now and again saying if you can pay this in the next 90 days, we’ll reduce [the debt] from £200 to £80, so if you can pay £80 we’ll forget about it. And then I start going ‘who can we not pay?’ Pay something else to get that money to pay for that and I know it’s gone.”*

*Yeah, I know it's still on the credit file, but it's paid and it's one less and then it makes me feel like we've achieved something. One less debt."*

**Antony**

When discussing their experience with banks or credit firms, participants also touched on the variation in the support they received:

*"We spoke [to the creditors] and they [said] we still expect this payment or a minimum of this payment and then you speak to another creditor and [they say] 'no, we expect a full payment' and it all depended on which company it was."* **Antony**

*"I phoned the people that sent me the letters and I explained to them 'I'm working but it's only like part-time and I don't get much money' and they asked me how much, I said 'well it can vary: one month I can get £100, one month I can get £120 – it varies'. Some of them were quite understanding, some of them weren't."* **Julia**

Antony also mentioned that he had struggled to access adequate support because he had not yet missed a payment:

*"The attitude we got was 'Well you're not in arrears so there's not a problem at the minute. We need to wait for the account to go into arrears because*

*then we can pass you to a different team and they can help'."* **Antony**

Holly also cited examples in which a utility provider and mortgage lender offered limited flexibility to reduce payments:

*"I'm paying £108 a month [on a telecoms contract] and they're not willing to go down any less than £90."*

*"I phoned [the mortgage provider] and asked them if they could give me a mortgage break and they said they couldn't. I asked if there was any chance of re-mortgaging and [they said] that with my credit score it's very unlikely, so I didn't do that in the end either. What they did offer me was a variable rate, [but] it's not a risk I wanted to take."* **Holly**

### **Local authorities**

A number of participants had experience of seeking support from a local authority with council tax arrears. Several participants mentioned the experience of receiving a council tax demand for payment was central a driver of anxiety and stress because the demand in its initial form appeared unrealistic, while the council showed limited flexibility in agreeing a repayment schedule.

Following the withdrawal of council tax support, Roxana was sent a bill for back-payment:

*"They ended up asking me to pay £1,400 for the whole year and I wasn't able to pay because I was already in debt, so I wasn't able to deal with this and I was so stressed out"*

*"I asked them to spread the transactions... I am willing to pay but they need to reduce the amount because £80 is a lot of money, because I was paying £23 every month already for council tax but [the council] said they can't spread it out into more months."* **Roxana**

Council tax arrears can lead to court action and referral of the debt to a collections agent (bailiff). Eleanor described a distressing experience when a bailiff visited her home seeking repayment of a council tax bill:

*"[The bailiff] put his foot in my front door and obviously with my daughter being autistic as well she was screaming the house down and they still continued to come into my property even though my daughter was in distress ... [He] even had the cheek to put his finger over my spy hole. I shouted to him, 'Who is it?' and he said, 'It's the council*

*love', and I opened the door and it wasn't the council."* **Eleanor**

Eleanor told us she had been threatened with the removal of goods if she did not agree to a repayment that was more than she could afford:

*"I showed [the bailiff my budget] and that's when they came to the agreement that I could pay £50 a month. I said to them I would only be able to afford £30 [but] they said that they'd have to take £50 [and] if not they'd remove goods there and then."*

**Eleanor**

We asked participants about experiences of accessing other forms of support from a local authority (such as grants or assistance in kind). Eleanor had accessed a local welfare assistance scheme but noted limits on access and did not feel the assistance had been matched with adequate signposting or referral to other support:

*"I've applied for the local welfare provision but you're only entitled to it twice a year and because of having to pay for a school uniform I had to use it twice in two months, so then I can't access it for another year."*

*"It's like [the council] just try and brush you off... I'm in extreme hardship and I'm saying to them that*

*I've got no food and I'm having to send my daughter to school with packed lunches and things because of her autism, and they're saying to me, 'Well, you've had two vouchers this year, you're not entitled to another one.' If [the council] couldn't have helped with a food voucher they could have at least pointed me in the right direction as to where I could get one from."* **Eleanor**

George had sought but was unable to access support when he became temporarily homeless (at the time of interview, George had found a new home):

*"They slammed the door in my face—in a virtual way, but they did. I felt treated like... you know when you flick the fly from your shoulder, that's the feeling... I had a quite deep meeting where I cried... and [it felt like] they didn't give a damn."* **George**

Roxana gave another example that illustrated the impact a lack of flexibility in eligibility criteria can have:

*"[It] was a long journey for me and my children [to school] and I didn't have a car so I applied for a free bus pass for my son, but they denied it because [we aren't outside] the two mile area. I said to them my daughter is on other side [at*

*another school] so we have to travel both ways, but they didn't understand."* **Roxana**

Julia mentioned she and her partner had received support from the local authority to clear rent arrears in the past but despite the time that had elapsed, she was hesitant to seek support again:

*"We have been in rent arrears before, but we managed to sort it all out. We had to go to a person at the council that could help us... It was about four years ago and they put about £600 towards the rent and then my partner paid £400 more on top of it, but this time we didn't go there because we didn't know whether they would help us again."* **Julia**

Due to her experience with one part of the council, Denise (who lives in local authority-managed housing) expressed a view that the local authority would be unlikely to offer support with financial problems, highlighting that poor experiences can undermine trust:

*"They're not very good at those things, they're not very good at helping in those situations... They can barely keep up with the [housing] repairs."* **Denise**

Eric hadn't considered that the council would even offer assistance:



*"I wouldn't know whether [the council] would be able to help in the first place. I'd never think of them as a resource." Eric*

Participants' experience and contact with local authorities was most often mediated through a debt owed to local government. Local authorities are large organisations that provide a wide range of services. As such, previous experiences of local authority services also coloured participants' attitudes. Nevertheless, compared to participants' feedback regarding creditors and utility suppliers, comments notably highlighted a perceived lack of flexibility. Local authorities were sometimes a source of support, but that support did not appear part of a coordinated effort to provide holistic advice and assistance. More often, local authorities were a source of repayment pressure. While local authorities have, in principle, stronger incentives to support residents struggling with debt or financial problems than commercial creditors, the participants in this project did not appear to have encountered such support. This insight must be contextualised by the modest size of the sample compared to the number of local authorities in England and Wales (174).

### **Charities and third sector organisations**

A number of participants reported having received financial support from charities. Sarah mentioned receiving a grant from a

large national charity and Eleanor was able to get help towards the cost of new appliances:

*"I applied for a grant [through Turn2Us]. Never in a million years expected to get anything but they gave me £1,000. I'm blown over completely and I'll never ever forget, and they will get it back twice over when I get back on my feet." Sarah*

*"StepChange put me in touch with LEAP (the local energy advice partnership) as well and they had a co-working company called HEART (the Home Energy Appliance Replacement Team) and then they helped us get a new washing machine and fridge freezer when mine were broke as well."*

**Eleanor**

Like local authorities, charities are also resource-constrained and interviewees had experience of being turned away because they did not meet eligibility criteria:

*"I contacted [a charity which helps single mums with debt], but because the debt was less than £5,000, they couldn't help me." Becca*

After being unable to access a UC budgeting advance to help with moving costs, Natalie approached a charity but was also turned down:

*"I asked for an emergency £500 off [a charity] but they said, 'You can't because your partner has earned more than £3,000 in six months.' I mean: that is nothing." Natalie*

It was not always clear to interviewees how to find and access support, and difficulty distinguishing between legitimate online information and organisations posing as charities caused confusion:

*"You feel like you're just backwards and forwards searching for different things to make sure you haven't missed anything and then you don't get everything. It just felt like it was really hard work to pull everything together and make sure you had as much information or all the support that you could get." Sarah*

All participants in our interviews, of course, had accessed free debt advice. However, it had not necessarily been a straightforward journey to understand and access advice. Sarah highlighted the sense of confusion that arose from encountering imposter firms (firms mimicking not-for-profit advice agencies) and the lack of clarity about the best next step to take:

*"It's such a minefield out there when you're looking for help. And trying to work out what it is you want and what you need. I just wanted some*

*straightforward, honest speaking person to just say 'you need to go away and do that that and that' and it just didn't happen."*

*"Online when you search for help with debt there's so many websites come up with 'free government debt help' and when you looked at the website called StepChange it wasn't StepChange [but] something else." Sarah*

Even where participants had encountered information about free debt advice, this did not necessarily mean they understood how it could help them:

*"I ended up going online and trying to work out what options would be best for me but it's a minefield and I didn't really understand IVAs, DROs, bankruptcy etc. I did not really understand what would be best for me.*

*"There are numbers for debt charities on the back of letters chasing you for money ... so I knew there was help. I just didn't really realise that there was help for me. There was nobody I was on the phone to [that] said you should really speak to these people [free debt advice]." Eric*

Eric's comment is notable because other participants had accessed free debt advice after someone they trusted had

explained what advice could offer and referred them to an advice service, highlighting the difference good practice can make.

### Friends and family

Friends and family were the most common form of support on whom participants had relied. Experiences varied depending on the nature or relationships, the extent of social networks and the financial resources available to friends and family (or whether they themselves were struggling).

Several participants received frequent help from friends and family and spoke about the importance of those networks. They mentioned that the relationships were reciprocal such that they would help each other out when they fell on hard times:

*"I'm lucky to have family around me... we support each other, and you just manage, you make things work, you make meals stretch, you be creative. Everyone's different, some people are more resilient than others. If I have something in my cupboards and I know my sister hasn't then I [give] and vice versa... You carry each other when you need to carry each other... Thankfully, because not everyone has got that support network. So, in that respect I'm grateful I have that." Denise*

*"My mum knows that we're financially struggling. I often have to call her and ask her for money just to help with the bills." Holly*

Eric received money from his grandmother to help with the situation. He had intended to borrow the money but given the situation she was insistent that he keep it:

*"My grandmother gave me some money, which I tried to lend off her, but she was like, 'No, I know the situation you're in, just keep it.' She gave me, like, a few hundred quid." Eric*

Participants also mentioned borrowing (and sometimes lending) small amounts. After struggling to cope with costs and to cover her debt repayments, Sarah eventually borrowed money from a friend to keep her going, while George cited small loans he had taken and offered:

*"I did something I vowed I'd never do... and I'd never do it again, but I borrowed off a friend. I had to. I've never done it because so many people fall out over it and it's just not worth it. And that just about killed me having to do that... it was only £500 but it's enough that I need to get it back to her. I don't like being in debt to people I know. It shouldn't be like that." Sarah*

*"[I borrow from] friends, family... I try not to borrow too much, about £100 - £200 when you're short for petrol or the essentials. When it's not essential I don't ask... it's a give and take, so one time you give it back, they ask you to give £50. Everyone is in the same situation nowadays, so you help each other, you trust each other. But it's not more than £100, £150; no more than that because I can't be thinking that I need to give back money."* **George**

Despite these experiences, participants also cited a reluctance to accept help from friends and family because they were aware that others had their own problems and they didn't want to be a burden; this could lead to masking the extent of financial difficulty:

*"My family and friends have been very supportive. My mum, bless her, she's on her own but she'd try and help me out when she could but she's not in a financial position to do that either... It was putting pressure on my friends and family, because obviously they don't want to see us going without."*

**Sabine**

After fleeing an abuser, Roxana had taken a loan from her sister to pay for household goods and is now conscious of asking for more money because her sister also faces financial pressures:

*"If I need any help then I ask [my sister] but I really don't want my debts to be piled up because I'm not a kind of person who takes advantage of anybody... I really don't want to take advantage of her because she's working but she's got her own family, she's got her four kids to look after, so I don't want to be an extra burden on her anymore, so I don't ask her anymore for the money."* **Roxana**

Julia's daughter wanted to help but Julia insisted that her daughter did not because she faced her own financial pressures:

*"My older daughter was trying to find the money for me and I said 'Look, you don't really need to do that because you have your own family', because she has her own daughter and her partner's disabled so she really needs to have the money for her family. ... It's only when I said to her, 'Look, I don't want you to. Please don't, I don't want you to', she took it in that, 'OK then, if you don't want me to, but I am here if you need to.'" **Julia***

Not everyone has friends or family that can help them. Antony mentions that the only person that he could ask is his dad, who he is concerned would take on debt to help:

*"We're limited on who we could talk to because if I'd have talked to my dad, my dad probably would*

*have got himself into debt to help us pay our debt..." Antony*

Eleanor, who is the primary carer for her autistic daughter, says that she doesn't have family members that she can lean on:

*"I don't have no family members. I have my other children's dad who my other children live with but that's it and then my partner: he's only got his mum and she's a pensioner." Eleanor*

Richard was discouraged from asking for support because he felt a sense of embarrassment acknowledging that he needed help:

*"Going to friends and family I find absolutely embarrassing. I don't know if it's a pride thing. I've always, from a young age, [been] working. Even as a 12-year-old I was working on the markets, so I've always been that type of driven person and it was embarrassing. I think that's the bit what really got me more than the other stuff. It was having to go there and share that you've f\*\*\*\*\* up." Richard*

Becca told us that she had accepted help from friends and family in the past, but she was unable to reciprocate the help and found it embarrassing to keep asking:

*"My friends, my best friend [have helped]. My mum helps when she can, my nana helps me when she*

*can, but I do have a good support. But they're struggling so everyone's just in the same boat, but I do have support there if I need it. If it gets too bad"*

*"At times it's a bit embarrassing, I don't like to ask anyone for help, [I'm] quite independent.... You know they've asked me before, but I've not been in a position to even help anybody. I just feel like I'm just asking which is not nice." Becca*

### Summary

Our participants' experiences of accessing support show that people facing financial difficulty rely on a host of different resources. However, there are gaps and weaknesses in the infrastructure of support that frustrate prompt and effective assistance.

Creditors tend to see the problems of a customer through a narrow lens of the debt or arrears owed to them (the creditor) rather than holistically, and can operate policies that lead customers to unrealistic agreements that are not sustainable. Most participants had multiple debts and, while a number had some good experiences with the organisations to which they owed money, ineffective support from others eroded the sustainability of arrangements agreed.

In a number of cases, it appeared that it was only through the failure of prior agreements with creditors that they had been referred to advice or realised they needed to seek out help. It had also not been clear to a number of these participants that free debt advice was available and that it could offer help to them. These participants had experienced prolonged periods of unresolved difficulty with debt and arrears that it appears could have been prevented or foreshortened.

Local authority and charitable grants had provided welcome relief to some participants, but resource constraints and eligibility criteria blocked others from access, while this form of support was not a sustainable solution to a shortfall in income to meet ongoing needs.

Support from friends and family most often make up for gaps in the support infrastructure, but not everyone has access to informal help while those who did tended to be aware that seeking support could undermine the finances of those in their network. Participants also highlighted the stigma of seeking help with financial troubles and the emotional impact of relying on support from people you care about.

## 8. Universal Credit

Eleven of the sixteen participants received UC, one had recently ended a UC claim following an increase in income and one further participant received tax credits. Most participants receiving UC were struggling to afford essentials:

*"[UC has] enabled me to survive at the minute, me and my partner. And when I say survive, it literally is surviving."* **Charles**

*"I've had to rely on the savings I had to try and top up UC because it doesn't cover all my bills and that doesn't include food or petrol... That's been hideous [and] I've been relying heavily on the foodbank."* **Sarah**

*"My last salary was around November and UC started just before Christmas. So, from then on it was a lot less money than I had coming in... I could see little by little every month, what I was trying to manage was not going to cover my expenses."*

**Denise**

*"We were scratching around, and then I got made redundant that's when it got really hard. We went on [UC]: it paid the rent and paid a tiny bit [after*

*that] but we couldn't live off it. We we're really worried about paying the bills then."* **Natalie**

A number of participants were also concerned about coping after the removal of the 2020/21 £20 uplift to the UC standard allowance:

*"I've been living on such thin margins: I've got my weekly food shop down to £22-24 a week. That increase in UC has basically paid for food for me for the last couple of months. So being without it is going to be unpleasant, but that's life... I don't know yet [how I'll cope] because I'm already living very, very lean so there's not much left to cut so I'm not really sure... where it's going to be cut from because I already don't have money for hobbies or stuff, I'm not really sure what I can reduce my outgoings on."* **Eric**

*"The £84 that we're going to be missing each month now, if nothing else changes... We pay £80 extra rent to the housing association because housing benefit doesn't cover it all. Now we've to got find that from somewhere else."* **Charles**

*"[£80 is] another bill. How the hell do I pay that one? Where do I go from here? What do I do now?... It will be a bill that doesn't get paid."* **Sarah**

Beyond the level of support, participants touched on a number of issues they had experienced with UC. Several referred to the wait for the first payment after applying and deductions from subsequent payments to repay a UC advance:

*“Sometimes it just takes a little bit too long and I understand they're very busy but at that point I had to apply for, like, an advance loan from them so that means they reduce the amount you will receive... I feel as soon as you've had the interview, they should sort it out, but it took I think another two weeks or something after that. It just felt like it was an ongoing thing.”* **Richard**

*“You apply for UC because you're in a [difficult] situation and then you've got to wait between four and six weeks to your first payment. I find that very, very frustrating... You're applying for benefits because you're struggling and then they're like, ‘Oh yeah, we'll give you some money in a couple of weeks,’ and you're like, ‘What! No, I need it, like, today’.”* **Eric**

Antony and Becca told us that they had accumulated more debt and arrears due to the five-week wait:

*“Because it takes so much time for the benefit system to actually kick in, we were getting bills*

*saying ‘Oh your behind with your rent, you're behind with this, you're behind with that’ and we're like, ‘But what can we do, we're waiting for a UC claim to be processed and we don't know [how long it will take] and in that time the rent arrears is going up, the council tax [arrears] is going up.”*

**Antony**

*“It takes quite a while for you to start your new claim and I had to wait about six weeks before I got a payment... it got me in so much debt because I had to borrow money to see myself through the six weeks before you get your initial help. That's the bad side of it because you're kind of starting off in the red.”*

*“I did [take an advance] but they didn't give me one until a couple of weeks before I got paid... and then they only give me £100 just for that three weeks I [thought] ‘Oh my god I don't know what to do with that.’ That didn't really help if I'm honest.”* **Becca**

The wait for a payment meant that Charles was unable to afford food and had to use a foodbank, while deductions to repay an advance from a previous claim reduced support:

*“It was six weeks before we were due the payment, so before that there was no way to afford anything.”*



*I had to walk three miles to get a foodbank certificate. It was the advance payment that I struggled with because I'd had a claim for UC a few years prior and I still owed them some money... There is a payment of £29 taken off before we receive anything and that is for previous advance loans." **Charles***

Eric mentioned that the challenge of managing on UC payments was compounded for him by the monthly payment structure:

*"The monthly payments are very difficult to manage. A month is a very long time. When you get paid one time in a calendar month and there's not much money to go very far. I've got commitments spread out through the month because I'm an adult and that kind of just happens, I find it very difficult to ensure that I'm able to consistently fulfil all my commitments each month."*

**Eric**

Antony also said that fluctuating UC payments had caused difficulty:

*"How can you budget if you don't know what you're going to get coming in? Before we knew exactly that we were going to get 'x' amount of working tax credit and 'x' amount of child tax credit, which was*

*paid to us weekly. [Now] I'm literally finding out on Thursday when we're getting paid on the Tuesday or the Wednesday the next week. It doesn't really give you enough time if there's not enough money there to figure anything out." **Antony***

Denise, whose number of working hours varied from week to week, mentioned the administrative burden and stress of maintaining a UC claim with fluctuating hours:

*"The two confuse each other and it just becomes very complicated. You have to let them know every single thing that you're getting, everything that you're earning, all the hours. It just becomes so complicated, frustrating, and stressful." **Denise***

Several participants mentioned their experiences of accessing support while experiencing ill-health had been negative:

*"I was at the doctors with severe depression with everything that had gone on, and the doctors said 'No, you're not fit for work', yet [DWP] said that they didn't recognise that. The doctor said, 'Why don't they ring me up?' They weren't very happy with that answer, so they said they didn't recognise sickness, or it's called sick note now, isn't it? So they rang me up every two weeks even though I had proof from the doctors and they kept mithering*

me every two weeks: 'You need to get a job, you need to do this.' So it's not nice, it's very stressful."

**Natalie**

"I can't work because I am medically signed off by a doctor at the moment and just keep handing them sick notes, but they were still adamant at the very beginning, I needed to look for work ... It was a bit of a nightmare because you need to prove that you're ill and even though I had sick note [from a doctor], they referred me to have an interview to see if was true... It made me feel like I was asking for something I was entitled to." **Antony**

Finally, a number of interviewees spoke about the stigma of receiving UC or social security payments. For these participants, alongside the anxiety and stress linked to financial difficulty, this stigma could be another factor contributing to low wellbeing:

"There's a stigma isn't it with being on UC? You feel a bit of a loser." **Natalie**

"I find there's a lot of social stigma around it still... people being on benefits and not being able to work and there seems to be this misguided public opinion that UC is great and there is a social safety net and people take the piss and just apply to be

on it and then they live a life of luxury and it's not: it's not a life of luxury."

"If I could address one thing it would be how other people see [UC] because the last seven months I've lived on £4,000. It's really difficult to live on four grand in seven months." **Eric**

The most common positive feedback about UC was gratitude for any financial support at all. A number of participants also offered positive comments about the ease with which they were able to apply online, update the system and communicate with a work coach:

"Communication on the app [journal] with your work coach [is good]. You can send a message to somebody and they will get back to you." **James**

"The administration side was fine because you do everything online, you have the access to the [journal], you make any remarks or comments on anything you need to speak to someone about and they'd come back more or less straight away."

**Denise**

### Summary

UC had been essential to most of the participants, but the reality was also that the amount of support they received was

inadequate. These interviews were undertaken as UC recipients were being notified of the removal of the £20 uplift put in place for a year and a half (across 2020-21) during the pandemic. At that point in time, the interviewees were very concerned about how they would meet the additional budget shortfalls that they would face. Since then, as the cost of energy and food has increased sharply, it is very likely these challenges have become more acute.

Our interviews highlight that applications for UC are often made at a point of transition and change in a context of acute financial difficulty. Those who are struggling don't just need financial support, they need that support to be delivered in a way that helps mitigate that difficulty and support financial recovery.

Unfortunately, the design and administration of UC can exacerbate difficulties through issues such as delayed payments, unpredictable changes in support and inflexible payment schedules. Moreover, in spite of strong evidence financial difficulty is associated with wellbeing and health problems, participants' experiences suggested elements of the administration of UC and perceptions of social stigma are often exacerbating those challenges.

## 9. Conclusion: implications for policy makers

The 16 clients we spoke to provided a rich snapshot of the experiences of StepChange clients with a negative budget. There was diversity in the experiences of those clients and the context in which they had experienced problems with debt, from an abrupt fall in income precipitated by the pandemic to difficulties that extended back a decade or more. All described an interaction between debt vulnerability and changes in circumstance—in most cases multiple events—that led to an unmanageable debt problem. Pathways of difficulty were rarely neat or linear, indicating that it is helpful to avoid overly simplistic assumptions about both causes of difficulty and the stability of recovery pathways.

Most participants had struggled with a low income or financial precarity before their debt problems became acute. This had led a number to use credit to meet essential costs until doing so became unsustainable. Some of those who had been coping before a change in circumstances reduced their income used credit cards to keep up with costs until the limit of the cards had been exhausted. As a result, many participants had also struggled with debt servicing costs over a number of years.

Not all participants had fallen into difficulty because of problems with a persistent low income, but most had recently relied on social security or were still doing so and had found support too

low to meet an adequate standard of living. Their testimony of hardship and poor wellbeing and mental health reinforce the negative social consequences of the long-term stagnation in the value of social security payments. This situation is not helped by the stigma that people feel when they need financial support. While targeted grants had been important to several participants, the experience of other participants in need of being excluded from support showed that discretionary assistance is not a solution to sustained income shortfalls.

The challenge of making ends meet while on a negative budget is characterised by difficult decisions about which costs to prioritise. Participants spoke of 'survival', while budgeting decisions were often about choosing from different forms of hardship. A number had used, or were using, foodbanks to cope. While all had accessed debt advice recently, many faced a continuing challenge to stay out of further debt and arrears. The costs of looking after and caring for children was a strong theme among parents and feeling unable to provide for their children often left parents feeling inadequate.

Only one participant appeared to have a relatively smooth journey from experiencing a problem with debt to accessing advice. Rather, the common experience was of attempting to cope until the situation became unmanageable. This pattern had led to extended experiences of financial difficulty with potentially avoidable negative impacts on living standards, health and

wellbeing, and work. Several factors caused this pattern: creditors (including local authorities) were more likely to have been a source of unaffordable repayment demands than to identify and engage those who are struggling, and participants did not perceive such organisations as a source of assistance and had a low awareness of the options open to them and the benefits of free debt advice. As a result, participants often responded to repayment pressures through harmful or ineffective coping actions such as further borrowing or avoiding the problem.

Family support networks were a crucial source of resilience. This support is sometimes provided in the form of financial assistance, but most participants did not have family members in a position to provide substantial financial support. Rather, assistance was typically in the form of the small amounts needed to navigate expenditure pressures from time to time and, perhaps most crucially, in the form of emotional and other types of practical support. The benefits of social networks, however, exists in tension with anxiety about seeking help from friends and relatives. Social networks can be both a source of resilience and driver of anxiety and worry.

Several participants had been living with their debts for a decade or more with little prospect of paying them off soon because they do not have surplus income to make repayments. As such, clients in this situation often continue to live with creditor actions such as persistent communications even after informing lenders they are

unable to meet repayments. A number of participants expressed a wish for a solution to this impasse so that they did not continue to experience anxiety linked to unresolved debts and distress caused by persistent repayment demands.

### Participant insights

Participants offered a number of specific insights and suggestions that could inform public policy, ranging from what would have helped prevent their problems to ideas to make access to support and recovery easier.

Several participants mentioned moments when they thought they could have been supported to access help at a much earlier stage. Becca's experiences when she reached out to council and a local charity discouraged her from believing help was available:

*"[Being turned away] was off-putting because I thought, 'If they can't help me, no one can', and I didn't know about [debt advice]. [If I had] I would have definitely gone to them first."* **Becca**

Eric highlighted that being aware that help is available does not mean those who will benefit from it will act, but this could be because those in a position to make referrals did not do so effectively:

*“About three years before I got [debt advice] I could have done with help then and that was when I looked into it and never did anything with it. Ultimately it went nowhere because I don't know whether I wasn't in a position of enough pain to actually deal with it yet or whether the help wasn't particularly good at that point.” Eric*

Sarah, who had struggled to identify legitimate organisations that could support her, suggested a directory would be helpful (while elements of this type of directory are in place, for example though the Money and Pensions Service [Money Helper](#) site, it remains difficult to identify what help is available and appropriate without going through a detailed advice process):

*“Is there any way that all these genuine charities that are offering support can come together in a big directory?” Sarah*

Charles, who had not initially realised free debt advice was available, spoke about effective marketing for people like him:

*“I'm not great with computers but if I would have gone to [the supermarket] and if there were a big sign up there regarding debt advice I could have perhaps seen something about some help or on the telly. Just more advertising to say that there are*

*companies out there that can help with free phone numbers.” Charles*

Eleanor, who had survived economic abuse, believed that it should have been possible for her bank to identify that something was wrong due to sudden changes in borrowing from her account in a short period of time. Separately, Roxana mentioned that DWP had started asking for the repayment of a tax credit overpayment while she was in a refuge after leaving an abuser, suggesting that a key vulnerability had not been flagged. These examples point to potential opportunities to prevent and stop abuse, and to support survivors sympathetically and effectively.

Income maximisation advice and support had helped a number of participants to reduce costs or make their budget go further (income maximisation is provided or signposted through debt advice, but participants highlighted the difference this support had made at other stages):

*“[The electricity supplier] got me help with switching to the government [tariff]. It was roughly £180 a month and we've worked out now it's about £130 a month so I'm saving about £50 a month. [Debt advice] also told me about the BT internet [at cost social tariff], so that saves me some money on my bills because I was paying roughly £28 a month*

*and now it's only £20 a month with line rental.”*

**Eleanor**

*“I don't think I realised how much I could save by doing a few little things and I just thought, ‘I'm already in debt anyway, what difference does £7 [a week] make?’ But it does actually make a difference.”* **Becca**

Holly, who estimated her monthly childcare costs at £1,000, said the change that would most help her now is more help with those costs:

*“I don't think there is anything that I can do now other than just carry on doing what we're doing and hope for another year for the struggles to die down a little bit because then we get 15 or 30 hours [free early education and childcare] and that payment will go down.”* **Holly**

Several participants highlighted that the way debts are handled when someone moves into work affects both the implicit attractiveness of work and, in practice, work incentives:

*“Debt stops people from going back to work. [Debt] stops them from working because they realise they're too far in debt to get themselves out of it easily and they know that all the while they're unemployed [they] can't really pursue you. As soon*

*as you're working they start pursuing you, you become vulnerable.”* **Jarred**

*“I've got £3,500 in council tax arrears from my first marriage and [the council] was going to start taking an attachment of earnings but it was a ridiculous amount that I could not afford to pay. I'd have just had to pack my job in.”* **Charles**

Eric offered a simple rule of thumb for credit card firms to avoid making the problem worse for those struggling to keep up with repayments:

*“[Firms] shouldn't offer increased credit card limits to people making minimum payments because it's just offering people who are already struggling more debt to struggle more with in the future, and when you're financially struggling you're never going to say no to an increased credit limit or more lending because there's always something you want or need.”* **Eric**

Finally, after completing the debt advice process, a minority of participants did not have a long-term debt solution in place, for example because they fell outside the eligibility criteria for a Debt Relief Order, did not feel they could risk giving up property by applying for bankruptcy or could not afford the bankruptcy fee. This gave rise to a desire for alternative solutions:

*“The only downside I had with [debt advice] is because we fell into a bracket that we didn't have enough, we had more outgoing than incoming and it was over a certain threshold [advice would] happily give us advice, but they couldn't [provide a solution].” Antony*

*“I've got a 14-year-old that lives with me and I have a mortgage on that property. To declare myself bankrupt I would have to forfeit my house [and] I would have nowhere to live, which would then mean my daughter having to go to a different school.” Jarred*

*“After I did my income and expenditure, they gave you some options of what I could do with my debt. I clicked on what I wanted to do and that was just go bankrupt. My problem was I hadn't got the money to pay to go and get it sorted.” Charles*

### Designing effective support and early intervention

Alongside these suggestions, insights from participants pointed particularly to the importance of effective support delivered as early as possible and, so far as possible, on a preventative basis. Taking into account the issues participants described, a more effective approach demands change in key areas:

- Participants described experiences in which organisations in a position to intervene early did not do so, or did not do so effectively. This included local authorities, utility providers and credit firms. This weakness seems in part to stem from the incentives on those organisations to prioritise repayment. There is a need for greater clarity from government and regulators about when and how referrals to support should be made. There must also be effective monitoring and accountability for meeting these expectations.
- The majority of participants felt they had benefitted from debt advice but accessing advice had typically been a last resort. This suggests a catch-22 in which those who are struggling do not know what advice can offer until they access that advice. Advice providers and others should continue to seek to improve how advice is explained and marketed, and specifically seek to identify what approaches are effective in reaching those who are struggling.
- A number of participants had benefitted from income maximisation support and ad hoc grants. Small amounts of money can have an outsized benefit for



those struggling with a budget deficit. However, the manner in which participants had accessed such support had been relatively scattershot and inconsistent. This points to the need for advice providers to continue to find ways to develop an integrated, holistic service, and for providers of income max and grants to seek ways to place their offer within integrated support.

- Those struggling with their finances are likely to be experiencing high levels of anxiety, much more likely than average to be experiencing mental health problems and may have experienced traumatic events. Participants' stories suggested creditors' approaches to pursuing repayment can take little or no account of this context and, as a result, be less effective and even compound mental health difficulties. Given the prevalence of mental health problems among those experiencing financial difficulty, financial services should assume their customers may be affected and design their products, services and communications with this in mind. Participants also highlighted that dealing with mental health problems is crucial to recovering from debt problems. Cutting short experiences of acute financial difficulty is one way of

preventing and reducing negative health impacts. It is important that money and debt advice services continue to look at ways to facilitate access to appropriate health services and vice versa.

Far from suggesting that problems are intractable, seeking insight from those with negative budgets who have struggled with debt illuminates pragmatic opportunities to prevent and mitigate many of the problems they have experienced. Structural public policy issues such as the cost of essentials and the adequacy of social security payments are central to reducing the number of households facing poverty and income shortfalls—and these issues demand urgent attention—but there are also steps within the reach of regulators, creditors and advice services that can change the experience of those struggling with debt for the better.

Authors: Fahmida Rahman and Adam Butler

For more information, 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.

Get in touch:

0800 138 1111 (Freephone)

[policy@stepchange.org](mailto:policy@stepchange.org)

[www.stepchange.org](http://www.stepchange.org)

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<sup>1</sup> StepChange Debt Charity (2020) [Paths to Recovery: Understanding client outcomes 15 months after advice](#)

<sup>2</sup> StepChange Debt Charity (2019) [Life happens: Understanding financial resilience in a world of uncertainty](#)

<sup>3</sup> Surviving Economic Abuse, <https://survivingeconomicabuse.org/what-is-economic-abuse/>

<sup>4</sup> In 2021, 82% of clients with a negative budget had arrears averaging £4,900 compared with 66% and £3,100 among clients with surplus budgets.