

Council tax debts

How to deal with the growing arrears crisis tipping families into problem debt

A growing problem: council tax arrears

Council tax arrears are one of the fastest growing debt problems that StepChange Debt Charity has seen in the last four years – second only to payday loans.

In 2010, just 10% of StepChange Debt Charity clients had arrears on their council tax bills. In 2014, this had grown to 28%. The proportion of people we help with council tax arrears has almost tripled in four years, growing faster as a problem than payday loans. Not only are more of them in arrears, they owe more. Our clients owe an average of £832 in council tax arrears – up from £675 in 2010.

This is part of a changing picture of the kind of problems that people in problem debt have. Our clients' consumer credit debts, while still high, have decreased significantly since the financial crash. A much greater proportion is now in arrears on their essential bills, like rent, energy and council tax. Unlike a debt arising from a one off expenditure, these debts can grow and act as an ever tightening noose on people's financial well-being. If people are behind on their essential bills, it is a sign that – without help – they simply cannot afford to meet their most basic costs.

Varying regulations for how debts can be collected and enforced apply to each essential service sector. Falling behind on some bills can see people lose essential services, such as heating or electricity, risk losing their home, facing bailiff enforcement or even jail.

All of these consequences can lead to serious long term negative effects on families' finances and children's chances at school, can increase people's reliance on other support services, and act as a drag on the economy.

Council tax arrears are particularly worrying. Not only has the proportion of our clients with council tax arrears almost tripled, but councils rank as among the most unhelpful types of creditor when people are in difficulty. Our previous research found that a third (32%) of parents struggling with their finances said their council was 'not helpful at all', compared to a 28% average for all consumer creditors, and 20% for mortgage lenders.¹

Some councils help people struggling financially but it is vital that all councils help people avoid the perils of problem debt, which costs £8.3 billion through the knock on effects to individuals and their families, and the additional demand for services from local and national government, as well as drags on productivity that affect the wider economy.²

Who has council tax arrears and why?

People with council tax arrears have much in common with other people in problem debt, but differ quite starkly in other ways.

Demographics

People with council tax arrears are:

- **More likely to be families with children.** 53% of our clients with council tax arrears have children at home, compared to 43% who don't have council tax arrears.
- **More likely to be women.** 64% of our clients with council tax arrears are women, compared to 57% who don't have council tax arrears.
- **More likely to be single parent families.** 25% of households with council tax arrears are single parent families, compared to 17% of those who don't have council tax arrears.
- **More likely to rent their home, and to rent from a private landlord.** 40% of those with council tax arrears rent from a private landlord, compared to 34% of those who don't have council tax arrears.

Income and outgoings

People with council tax arrears are **more likely to work part time.** While similar levels of those with and without council tax arrears are in work, 20% of

those with council tax arrears work part time, compared to 16% who do not have council tax arrears.

Their household income (£1,254 a month) is about the same as those who don't have council tax arrears (£1,246 a month). But people with council tax arrears face significantly higher outgoings (£1,328) than those who don't have council tax arrears (£1,144). This means that people with council tax arrears are £74 short of meeting essential costs, on average each month, while those that don't have council tax arrears have £102 to repay any debts each month after they have paid their essential outgoings.

This might be driven by the fact that clients with council tax arrears are more likely to have children and rent from a private landlord – factors which have a significant impact on a household's basic costs.

Other debts

People with council tax arrears are significantly more likely to be behind on other household bills. They are three times as likely to be behind on their electricity and gas bills than those who aren't behind on their council tax, and around four times as likely to be behind on their rent and water accounts.³

Many people with council tax arrears report struggling to keep up with their credit commitments too:

- 28% were behind on payday loan payments;
- 56% were behind on credit card repayments; and
- 46% were struggling with their overdraft.⁴

People falling behind on their council tax faced serious financial problems – many were already behind on other key bills and juggling credit commitments and bills to make ends meet at the time they were unable to keep up with their council tax payments.

External factors

Like most of our clients who fall into problem debt, income shocks are the main factor that tipped people with council tax arrears into problem debt. Specific factors, such as reduced benefits or income, and injury/illness, account for a higher proportion of the reasons people fall into difficulty.

Many clients with council tax arrears found a significant number of people affected by council tax arrears were facing adverse circumstances at the time they fell into arrears.

- 43% were suffering stress or mental ill health;
- 15% were ill or physically disabled;

- 9% had recently experienced bereavement; and
- 7% were caring for an adult friend or relative.⁵

These pressures often came at the same time as people were facing reductions in the support available to them. In the twelve months prior to falling behind on their council tax bills:

- 18% had seen their council tax benefit reduce;
- 26% became liable for council tax;
- 21% had seen reductions in the support they received for their housing costs;
- 7% experienced benefit sanctions; and
- 11% had been turned down for a welfare loan.⁶

In many ways, our clients who fall into arrears on their council tax are a picture of ‘the new insecure’ – renting, working part time, and struggling to make ends meet. This forms a backdrop to a mixture of adverse personal circumstances, life events, changes in employment and reductions in welfare support that make it hard for people to cope with their essential costs.

Why does it matter how councils collect arrears?

Any creditor dealing with a customer who is facing temporary financial difficulty has a range of options for responding to people's circumstances. Different sectors have different regulations that mean different conduct is permissible.

At StepChange Debt Charity we find that the most sustainable method for repaying debts is a steady repayment plan, based on an objective calculation of what households are able to afford, with interest, charges and enforcement action paused whilst people repay their debts.

Councils are not able to levy charges or interest for late payments, but they have more significant formal enforcement tools at their disposal, with bailiff enforcement and jail possible outcomes of falling behind on council tax bills.

StepChange Debt Charity's client research finds that the approach creditors take has a significant bearing on their mental health, their finances, and their consequent actions. Where people getting help – via affordable payment plans, stopping interest, charges and enforcement – from their

creditors, they have a greater chance of getting back onto a steady financial footing:

- 79% said that their anxiety reduced;
- 74% are able to sleep more easily;
- 60% said it stabilised their finances;
- 47% said it led to family relationships improving;
- 32% of those who had been out of work said it made it easier to apply for a new job;
- 27% of those who had been out of work said it made it easier to sustain a new job; and
- 83% of those in work said it made it easier to sustain their current job.⁷

Where people find that their creditors will not stop enforcement action or stop adding charges and interest to the debt, their debt problems worsen. **6 in 10 people (61%) who continued to face collections action and interest and charges borrowed more money as a result, getting deeper into debt.**⁸

While councils cannot add interest and charges, they can and do demand significant 'lump sum' payments and carry out a range of formal enforcement activities, which can make a big difference to whether people's finances stabilise or whether their debts worsen.

How do councils respond to people with council tax arrears?

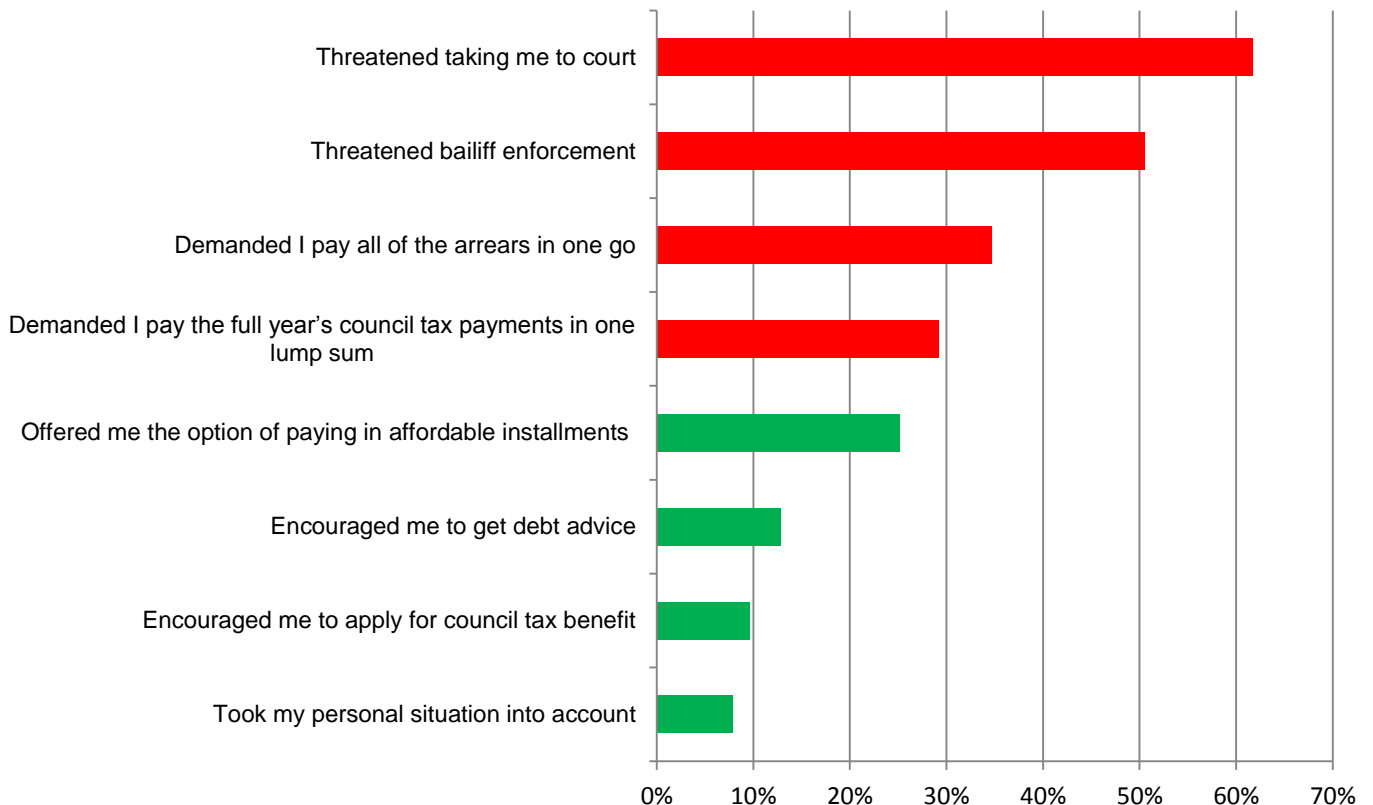
The vast majority (86%) of people with council tax arrears engaged with their council to get help with their arrears at some point.

More than a quarter (26%) proactively got in touch with the council before the council wrote to them, four in ten (41%) got in touch with the council after receiving the first letter, and one in five (19%) got in touch with the council after receiving the second letter from the council.⁹

On the whole, people found that councils were more likely to take a threatening or demanding approach than a supportive one.

In total, 65% of people who contacted their council received a tough demand or threat of enforcement – being threatened with bailiff enforcement, threatened with court action, or having a demand for the full arrears or the full bill to be paid in one go.¹⁰

Clients' experience of supportive and demanding approaches from councils



When councils take a tough approach – demanding large, often unaffordable payments or threatening enforcement action - it can result in a significantly higher proportion of people falling into deeper difficulty.

	Large payment demanded or enforcement threatened	No large payment demanded or enforcement threatened
Borrowed money from friends and family to pay the bill	24%	12%
Used existing credit lines to pay the bill	11%	3%
Took out a payday loan to pay the bill	14%	4%
Fell behind on another bills to pay them	47%	32%
Used savings to pay the bill	3%	1%
Agreed to a repayment plan I could afford	13%	38%
Agreed to a repayment plan I couldn't afford	49%	36%
Didn't take any action because I knew I couldn't afford to pay	16%	8%
Sought debt advice	43%	37%
Applied for council tax benefit and received it	5%	11%
Applied for council tax benefit and didn't receive it	16%	7%

It can be seen that people who received a tough demand or threat from their council were:

- More than three times as likely to take out a payday loan
- Almost three times as likely to borrow more money using existing credit lines
- Twice as likely to borrow money from friends and family
- Almost 50% more likely to fall behind on other bills to pay the council tax demand.
- More than twice as likely to find that they are ineligible for council tax benefit ¹¹

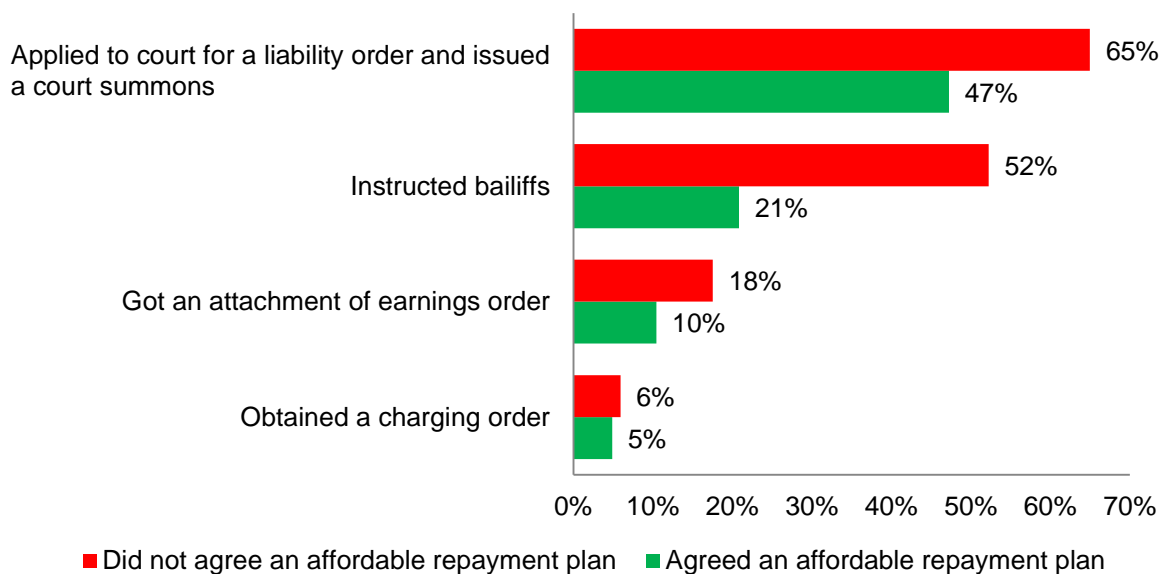
Tough pressure prompts some people to seek debt advice, which helps to deal with their money worries. But by this stage there is less that debt advisors can do to stall enforcement action and help people repay their debts at a sustainable rate. Furthermore, people may now have bigger debts if the consequence of threatening action from councils has been to exacerbate borrowing or lead to people falling behind on other bills.

There is a major contrast in how tough pressure affects client outcomes. Half of those who faced a tough demand or threat from the council agreed to a repayment plan they could not afford, compared to just a third of those who did not face a tough demand from their council.

Conversely, those who experienced more supportive action from their council were almost three times as likely to agree to a repayment plan they could afford.¹²

Agreeing to an affordable repayment plan, in turn, has a huge impact on protecting people from the consequences of further enforcement.

Impact of affordable repayment plans on enforcement action



Source: StepChange Debt Charity client survey, 2015. Sample: 1,087 clients with council tax arrears who came to the charity for advice in 2014. Fieldwork conducted February 2015.

While a significant number of clients with affordable repayment plans still found that their council applied to the court for a liability order, a significantly lower proportion faced more severe enforcement options. A significantly higher proportion who were not able to agree an affordable repayment plan with their council, faced bailiff enforcement action.

Many councils also appear not to take into account where households are potentially vulnerable. The Financial Conduct Authority's recent research on vulnerability has identified that people with vulnerable characteristics are disproportionately adversely affected by, and find it harder to challenge, poor practice.¹³

As such, creditors should seek to identify where households might be vulnerable and adjust their approach accordingly. Of those experiencing the following circumstances that guidance documents suggest may make households vulnerable and disproportionately affected by enforcement action, only a small minority were asked by the council about their circumstances:

- 18% of those with children living at home;
- 12% of those who were single parents;
- 4% of those who were ill or physically disabled were asked about their condition;
- 6% of those suffering stress or mental ill health;
- 4% who recently experienced a bereavement;
- 9% with caring responsibilities for another adult.¹⁴

This suggests that most councils are not actively taking into account whether people are potentially vulnerable and could be particularly adversely affected by their action.

The experience and impact of bailiff enforcement action

Bailiff enforcement action, while frequently used by councils to collect council tax debt, has a negative effect on people struggling with problem debt.

Almost half of our clients with council tax arrears faced bailiff enforcement action over their council tax debts.

The Ministry of Justice has recently changed the national standards for enforcement agents (the official name for bailiffs), and in April 2014 issued guidance to steer the conduct of councils and enforcement agents when they are collecting debts from people.

While the guidance is relatively new, our early evidence gathered from clients who came to us for advice in 2014 suggests that key provisions in the guidance, listed below, are being contravened in practice:

- In 12% of cases bailiffs visited the home outside 'reasonable hours' of 6am – 9pm.
- In 17% of cases bailiffs continued action despite clients agreeing a repayment plan

- In 3% of cases, bailiffs entered the home when only children were in.
- In 5% of cases people said that enforcement agents contacted their friends and family about their debts.¹⁵

Given these practices, it is unsurprising that enforcement agent action has a significant impact on the mental health of those who experience it:

- 93% of said it increased their level of stress/anxiety;
- 63% said it put their family under strain.¹⁶

The pressure of enforcement agent action also made it harder for people to work, to apply for new jobs and put their family finances back on sustainable footing:

- 50% said it affected their concentration at work;
- 39% said it affected their ability to focus on getting a new/better paid job.¹⁷

Fees are high: 87% of those who faced bailiff enforcement action said they were charged at least £75 for being sent a letter about the bailiff enforcement, 58% said they were charged at least £235 for a visit from the bailiffs, and 15% said they were charged a further £110 for their goods to be sold – paying £420 in total.¹⁸

In addition, 19% of respondents said they had been charged VAT on top of the fees.¹⁹ It is not clear that enforcement agents are able to charge VAT on fees to the debtors, as VAT is generally chargeable to the purchaser of the service – which is the council.

Given these costs, the emotional pressure families are under, and the actions of some enforcement agents, it is unsurprising that people get into deeper financial difficulty in order to pay the arrears and fees:

- 38% borrowed from friends/family to pay the arrears and bailiff fees;
- 14% used credit to pay the arrears and bailiff fees;
- 58% fell behind on other bills to pay the arrears and bailiff fees.²⁰

In all of these circumstances, the enforcement action may result in the council collecting their arrears sooner rather than later, but worsens their residents' financial problems, pushing people into a 'debt trap' that is harder for them to bounce back from.

Towards more responsible council tax arrears collection

StepChange Debt Charity defines responsible debt collection as situations where creditors collect debts at an affordable rate for the individual household, based on an objective budgetary standard.

Whilst people are paying an agreed affordable amount, creditors should pause enforcement action and do not add interest or charges where applicable. This is what we aim to negotiate with each of our clients' creditors when they come to us for advice,

This is an approach that's supported by the public. 70 percent of adults in Britain believe that people behind on their council tax payments should be allowed to pay it back at a rate they can afford.²¹

Some councils are very supportive of this approach. StepChange Debt Charity works with a number of councils across the country who actively promote debt advice, knowing that it can lead to more sustainable outcomes for local residents facing financial difficulties.

Case study: Leeds City Council

StepChange Debt Charity has been working with Leeds City Council to promote debt advice services to households struggling with their finances for two years. In that time, the number of people from Leeds contacting our services has increased by 34% - almost twice the pace of growth we've seen nationally. Promotional activities included sending StepChange Debt Charity information to all households with council tax arrears, training 100s of frontline staff on how to identify people with debt problems, and placing information and telephones connecting to the StepChange Debt Charity helpline in local centres.

Enlightened councils are persuaded by strong cost-saving arguments for encouraging people to seek advice and repay their debts at an affordable, sustainable rate.

This is confirmed by analysis that StepChange Debt Charity commissioned from Baker Tilly, whose study of the impact of our advice on our clients found that a steady, proportionate approach to debt repayment actually yields a higher recovery rate for creditors. For all of the 235,790 clients we helped repay their debts in the 12 month period in which this analysis was conducted, Baker Tilly estimate that our approach to debt collection created £175 million in savings for creditors.²²

Councils should be influenced by this logic. More so, because unlike most creditors, councils themselves pick up some of the £8.3 billion social costs of problem debt, including a share of the £2.8 billion costs of people losing their home and much of £658 million social care costs and £229 million children's care costs.

Councils could improve on their collection rates and reduce demand for wider services by avoiding a heavy-handed approach to debt collection and focusing on sustainable, affordable repayment.

As well as a cost saving case, and engagement with organisations like StepChange Debt Charity, councils are encouraged through numerous guidance documents to take a measured, proportionate approach to collecting arrears, enforcement action is taken as a last resort, and advising caution against tough enforcement where debtors are potentially vulnerable.

- The Department for Communities and Local Government published guidance for local councils, discouraging councils from overusing bailiffs, encouraging them to take people's

circumstances into account, to exhaust other options before taking legal action to recover debts, and to take ultimate responsibility for the actions of bailiffs.²³

- The Ministry of Justice's National Standards for Taking Control of Goods, published in April 2014, sets out considerations for councillors as creditors to ensure their use of bailiffs is proportionate and measured, as well as setting out detailed guidance for the responsible conduct for enforcement agents collecting debts by visiting debtors' at home.²⁴
- Local Government Association and Citizens Advice published a good practice protocol 2013 sets out good practice in ensuring partnership activities between local authorities and advice agencies, good practice in giving information about advice, and in taking steps to prevent cases going for bailiff enforcement.²⁵
- The Local Government Ombudsman published recommendations to councils using bailiffs to collect council tax debts, encouraging councils to exercise caution when dealing with potentially vulnerable debtors.²⁶

Despite a strong cost-benefit argument and the existence of numerous pieces of guidance, our clients' experience suggests that many councils' collections and enforcement activity is focused on the short term, narrow pursuit of council tax revenue, regardless of its wider impact on the individual and the demand for other council services.

Bailiff enforcement action seems to be more of a default approach than a last resort, and that councils are not taking into account clients' circumstances – particularly where they might be vulnerable.

One reason may be that all of the guidance to local authorities is voluntary. This contrasts with most essential service and credit sectors, where guidance is more likely to be binding, or at least contain stronger directions on how to treat people in financial difficulty. For example:

- Energy companies are regulated by Ofgem's Standard Licence Condition 27, which requires energy companies to help people with their arrears by giving them advice on paying back their arrears and agreeing affordable repayment plans.
- Mortgage lenders are regulated by binding Financial Conduct Authority forbearance, which specifies that lenders cannot add arrears charges

if borrowers have agreed a repayment plan for the arrears

- Unsecured credit providers are regulated by Financial Conduct Authority rules requiring lenders to treat customers in arrears with 'forbearance and consideration', to refrain from disproportionate action and not to pressure people in financial difficulties into unaffordable debt repayments.

While not making rules on how firms should treat vulnerable consumers in particular, the Financial Conduct Authority has also set out a framework for firms to meet their high level obligations in terms of identifying and responding to vulnerable customers' needs.²⁷ This will be reinforced with an intensive supervisory approach, where the FCA's supervisory teams visit firms, inspect their policies and processes to ensure they are sufficient to meet the FCA's principals and stated expectations.

Where FCA principles or rules are breached, the FCA is able to fines firms. In 2014, it levied almost £1.5 billion in fines to firms. Guidance, supervision and the consequences for non-compliance are simply stronger in other sectors than they are for councils.

Given the lack of effective pressure via obligations and supervision, it is understandable that councils' behaviour may instead be driven by

the reality of immediate cost and public pressures.

With overall revenues down since 2010, and revenues projected to reduce more substantially over the coming five years²⁸, councils are increasingly reliant on revenue from council tax and are incentivised to make the most of this revenue stream, whilst also facing pressure from central government to freeze their overall council tax rates.

Councils also face pressure from central government to collect their council tax “in-year”.²⁹ Councils are ‘named and shamed’ by central government on the basis of their in-year collection rates. This puts pressure on local authorities to collect council tax arrears by reporting dates rather than at a pace which is sustainable for individual households’ finances – and that may not neatly fit within the reporting period.

Despite this pressure, council tax collection rates actually fell 0.4% in 2013/14 – only the second fall in twenty years, suggesting that the increasingly tough approach to enforcement and collections is not effective at increasing overall collection rates.

At the same time, reducing the use and impact of bailiffs was a Coalition agreement commitment, and councils have been criticised by the Department for Communities and

Local Government for “burly bailiffs with heavy-handed tactics like kicking down doors, making phantom visits or charging excessive fees”.³⁰

Councils face pressure from central government in several different directions, evidencing a disparate approach across government on problem debt. Tough bailiff enforcement action is scorned, but the unaffordable debt collection practices that lead to bailiff action are almost encouraged. On balance, the pressure to collect taxes “in year”, and the perception that tough enforcement action is the most effective way of achieving this end, appear more persuasive.

A more consistent, responsible and proportionate approach to council tax arrears collection is needed.

Policymakers must recognise that voluntary guidance is insufficient where the political and financial pressure to collect arrears seems to outweigh considerations about the wider costs of tough enforcement action. Ensuring that council tax arrears collection and enforcement is proportionate and fair requires us to consider factors which might influence councils' practice:

- Councils could be better informed about the wider, longer term costs of tough enforcement over sustainable, affordable repayments;
- Central government could give more consistent messages, and apply more consistent pressure, around the value of proportionate enforcement on arrears;
- Councils could be more strongly obliged – through regulation and supervision - to take a balanced, proportionate approach to arrears collection, and to actively promote free debt advice in early communications about arrears;
- People could have better, easier to enforce rights to protection from

disproportionate enforcement activity whilst they attempt to repay their debts at an affordable rate.

With hundreds of local authorities across the country responsible for council tax arrears collection, we do not believe that a voluntary or engagement-led approach is sufficient to ensure that every household struggling with their council tax arrears gets fair and supportive treatment.

While we acknowledge that there are numerous examples of good practice in local council debt collection, and we are fortunate enough to work with a number of local authorities who see the benefit in actively promoting debt advice to struggling households, we believe that only central government can ensure councils consistently treat people with council tax arrears fairly and proportionately.

We believe that central government should take the following actions:

1. Ensure there are consistent incentives and messages for councils that reinforce the importance of encouraging affordable repayment;
2. Putting guidance for councils collecting council tax on a stronger legal footing;
3. Introducing a new individual protection against enforcement and unaffordable repayments while people seek to repay their debts.

1. Ensure there are consistent incentives and messages for councils that reinforce the importance of encouraging affordable repayment.

The positive case for steady, affordable council tax arrears collection is undermined by political pressure on collection rates and the pressure on council budgets that mean they are ever more reliant on council tax revenue to fund services.

Central government must provide consistent leadership on all government debt collection, recognising the impact of collections activity on wider policy objectives – where tough enforcement and unaffordable repayments lead to people falling into deeper difficulty, being less productive in the labour market, straining family life, and making it harder for people to get back into work.

In order for leadership to have an effect, central government must ensure it is reinforced through a consistent framework for reporting local debt collection. Such a framework should focus on explicitly recognising and valuing affordable, sustainable repayment processes, and emphasising the wider costs of tough enforcement action where it is inappropriately used. Using a balanced scorecard approach, the framework

should seek to challenge practices that simply displace costs elsewhere.

- ***The Department for Communities and Local Government should develop a balanced scorecard framework to hold councils to account on responsible debt collection, which could include collecting and publishing the breakage rates for council tax repayment plans and the percentage of council tax arrears cases in which enforcement agents have been instructed.***

2. Putting guidance for councils collecting council tax on a stronger legal footing.

As we have demonstrated, the voluntary approach to guidance for councils collecting council tax has not been effective in ensuring a proportionate response to enforcement and collection of council tax arrears.

Alongside consistent messages and framework from central government about the importance of sustainable repayment of council tax arrears, we believe it is necessary to underpin selected key aspects of the guidance with obligations that would ensure that people struggling with their council tax arrears had ample opportunities to get advice and repay their debts at a sustainable rate.

- ***We would like to see amendments to the regulations pertaining to the Council Tax Administration and Enforcement Act 1992 to make obligatory the following provisions:***
 - ***All correspondence about council tax arrears should include contact details for free debt advice;***
 - ***Councils should be able to evidence that they have sought to arrange an affordable repayment plan, based on an objective budget standard, before pursuing people through formal enforcement action;***
 - ***Councils should ensure that they have adequate procedures in place to identify potentially vulnerable households, and amend their approach to collections and enforcement accordingly;***
 - ***When councils consider the action they take to collect the debt, they should make best endeavours to establish whether households are potentially vulnerable, and determine the course of action accordingly.***

- Where they check and respond to whether people might be vulnerable;
- The affordability of plans that are agreed;
- The hours at which people are visited;
- Entering the home when only children are present.

We believe there is a case for publically reviewing the effectiveness of the implementation of the guidance. Ministry of Justice should consider the value of making the guidance statutory rather than voluntary, as well as examining more effective ways of monitoring councils' and enforcement agents' compliance.

- ***We would urge the Ministry of Justice to publish a first year review of the implementation of the new guidance, considering whether to make the guidance statutory, and explore how monitoring and inspection of local authority and enforcement agent case files can ensure better compliance with the national standards.***

The findings of our client survey suggest that enforcement agents and councils are failing to comply with the Ministry of Justice's new minimum standards for the conduct of enforcement agents, and creditors instructing them, as they take control of goods, including:

3. Introducing a new individual protection against enforcement and unaffordable repayments while people seek to repay their debts.

A more consistent framework from central government and stronger

guidance will help improve the practice of councils, but this must be complemented by people having individual rights to protection from unaffordable debt collection and tough enforcement when they seek debt advice.

When people are in financial difficulty, they need a guarantee of protection from interest, charges and enforcement action while they pay back their arrears at a rate that they can afford, and is sustainable. Otherwise, councils' – or indeed other creditors' – demands can disrupt people's carefully balanced repayments.

Currently, there is little help that debt advice agencies can *guarantee* to people who face unaffordable demands via council tax enforcement. We believe that a guarantee of protection will encourage more people to see advice earlier, leading to people getting help sooner, building up less debt, and being more likely to avoid the consequences that present significant costs to the state and society.

Giving people a statutory right to affordable repayments and protection from enforcement is the most effective way to ensure that councils offer a

proportionate, fair response. This can be delivered via debt advice, and affordable repayments can be calculated using an objective budget standard.

Scotland has statutory protection for people with solvable or temporary financial difficulties through the Debt Arrangement Scheme (DAS). This protection allows people the space and time to regain control of their finances – by making affordable repayments to creditors, and freezing all charges from the date of application – as soon as debt advice is sought. Council tax arrears are included in DAS.

A similar statutory scheme is needed for England and Wales. Only by giving this protection a statutory underpinning can it be guaranteed to people struggling with mounting debts, encouraging them to seek advice, and ensuring that their repayments can remain affordable and sustainable.

- ***We urge the next government to implement our proposals for an Extended Breathing Space Guarantee, which would give struggling consumers this protection at no cost to the state.***

Many councils' practice in collecting council tax arrears leaves a lot to be desired. A lack of focus on affordable, sustainable repayment for struggling residents is pushing people into deeper financial difficulty. This increases their risk of problem debt, which has £8.3 billion in social costs, including many borne by councils.

In particular, practices where lump sum payments are demanded, where enforcement action is threatened and, indeed, carried out by bailiffs, are likely to drive people into further difficulty, exacerbating the consequences and costs of problem debt.

A significant minority of people do get sustainable help with their council tax arrears, and it makes a big difference to their outcomes. But ensuring that every council gives residents the best chance of repaying their council tax arrears at an affordable rate is vital to

helping prevent people from falling into problem debt.

A consistent approach is needed, and is in local authorities' wider financial interests. But it has not occurred in a context where guidance is voluntary, where central government gives mixed messages about debt collection, and where individuals have few protections once enforcement action has started.

We believe a combination of clearer, more consistent messages and reporting frameworks from central government can reinforce the value of sustainable, affordable repayment in council tax debt collection. This should be complemented by strengthening key aspects of guidance addressing council tax arrears collection and enforcement, along with the right to protection from enforcement while people are seeking to repay their debts at a sustainable rate.

This approach is light touch, and can be done with little additional bureaucracy for councils. It will help prevent people from falling into problem debt, and the resultant negative costs for individuals, local and central government, and society more broadly.

¹ StepChange Debt Charity and the Children's Society, 2014. The Debt Trap. Total survey sample: 2000+. Surveyed families all contained a child aged 10-17. The survey was commissioned by The Children's Society and administered by Research Now in February 2014.

² StepChange Debt Charity, 2014. Cutting the cost of problem debt.

³ Client analysis based on 340,000 StepChange Debt Charity clients in England and Wales given advice in 2014.

⁴ Ibid.

⁵ StepChange Debt Charity client survey, 2015. Sample: 1,087 clients with council tax arrears who came to the charity for advice in 2014. Fieldwork conducted February 2015.

⁶ Ibid.

⁷ StepChange Debt Charity client survey, 2014. Sample: 923 StepChange Debt Charity clients who came for advice in 2013. Fieldwork conducted June–July 2014.

⁸ Ibid.

⁹ StepChange Debt Charity client survey, 2015. Sample: 1,087 clients with council tax arrears who came to the charity for advice in 2014. Fieldwork conducted February 2015.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Financial Conduct Authority, 2015. Occasional Paper No. 8: Consumer Vulnerability.

¹⁴ StepChange Debt Charity client survey, 2015. Sample: 1,087 clients with council tax arrears who came to the charity for advice in 2014. Fieldwork conducted February 2015.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ StepChange Debt Charity commissioned online survey from Populus. Weighted sample: 2,322 GB adults. Fieldwork: 24th - 26th October 2014

²² StepChange Debt Charity, 2014. Cutting the cost of problem debt.

²³ Department for Communities and Local Government, 2013. Guidance to local councils on good practice in the collection of Council Tax arrears.

²⁴ Ministry of Justice, 2014. Taking Control of Goods: National Standards.

²⁵ Local Government Association and Citizens Advice, 2013. Council tax arrears – good practice protocol.

²⁶ Local Government Ombudsman, 2013. Taking possession: Councils' use of bailiffs for local debt collection.

²⁷ Financial Conduct Authority, 2015. Occasional Paper No. 8: Consumer Vulnerability.

²⁸ Local Government Association, 2014. Future funding outlook 2014.

²⁹ Audit Commission, 27 November 2014. 'Council tax and business rates income rises, despite £4.55 billion uncollected'

³⁰ Department for Communities and Local Government, 17 June 2013. 'Clampdown on councils using heavy-handed bailiffs'

Written by Robbie de Santos, Senior Public Policy Advocate.

StepChange Debt Charity London Office

6th floor, Lynton House
7- 12 Tavistock Square
London WC1H 9LT
Email: policy@stepchange.org
Web: www.stepchange.org
Twitter: @stepchange

For help and advice with problem debts call
0800 138 1111 Monday to Friday 8am to 8pm
and Saturday 9am to 4pm

© 2015 Foundation for Credit Counselling
Registered office: Wade House, Merrion Centre, Leeds LS2 8NG
Registered in England No 2757055
Registered Charity No 1016630
Registered in Scotland No 162719
Scottish Charity No SC024413