

Statistics Yearbook

Personal debt in the UK January - December 2020

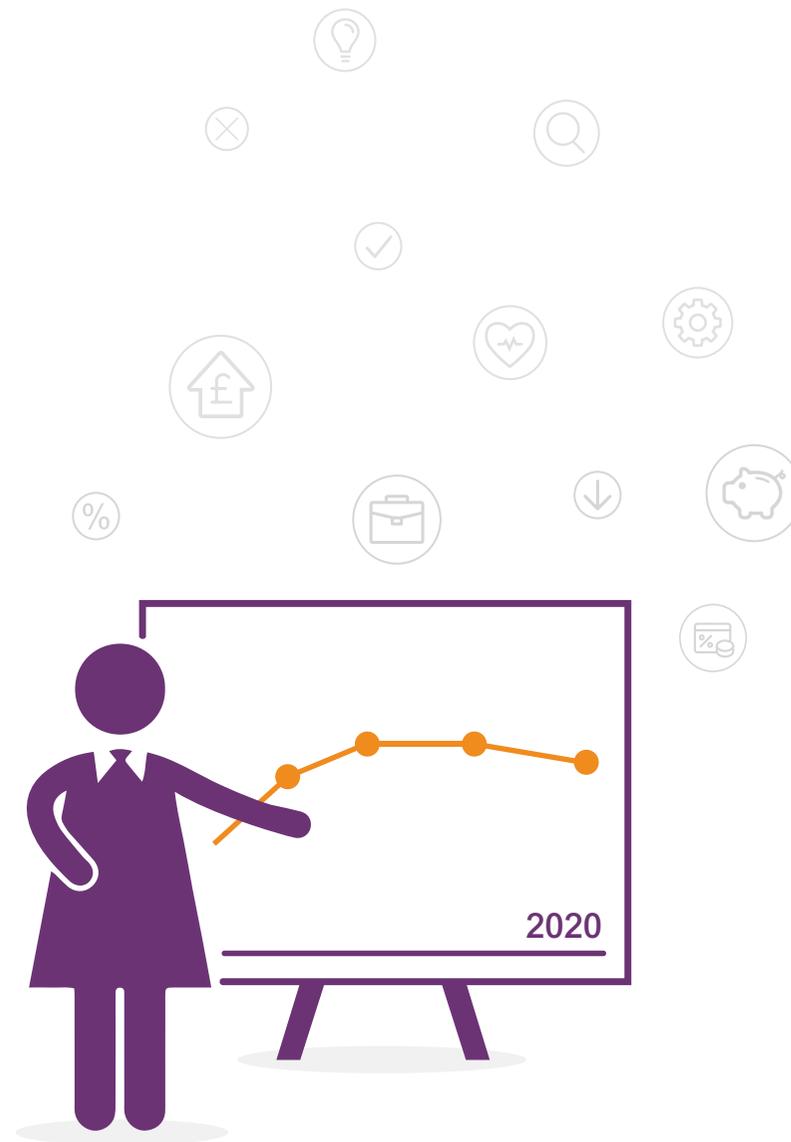
Summary

The Covid-19 pandemic has had a substantial impact on personal finances across the UK. Research by StepChange and others shows that many households are facing growing levels of personal debt or find themselves at risk of financial difficulty¹.

However, this has not yet translated into demand for full debt advice, perhaps as a result of Government support measures including the furlough scheme, and forbearance measures such as payment holidays. Instead, the charity saw more clients move from requiring long term support and solutions to emergency support.

This latest report from StepChange Debt Charity highlights the demographic and debt situations of new clients who first completed a full debt advice session between January and December 2020. During this time, 200,000 new clients completed a full debt advice session through either the charity's new or old debt advice system. This number is down by around one third compared to 2019.

In 2019, the charity commenced the roll out of a new debt advice data capture system, Pulse. The statistics in this document, unless otherwise stated, are based on the 124,534 clients who sought full debt advice in 2020 through the new debt advice system, Pulse, either over the telephone (49% of clients), or online (51% of clients).



1. StepChange Debt Charity, 'The coronavirus personal debt crisis', 2020 <https://www.stepchange.org/policy-and-research/debt-research/covid-debt-2020.aspx>

Among new clients accessing debt advice between January and December 2020:



Three in five (60%) were women



More than one third (34%) were renting privately



Half (50%) were in a vulnerable situation, up from 44% in 2019



Two thirds (67%) had at least one credit card debt



Almost one quarter (22%) were single parents, compared to 6% of the wider UK population²

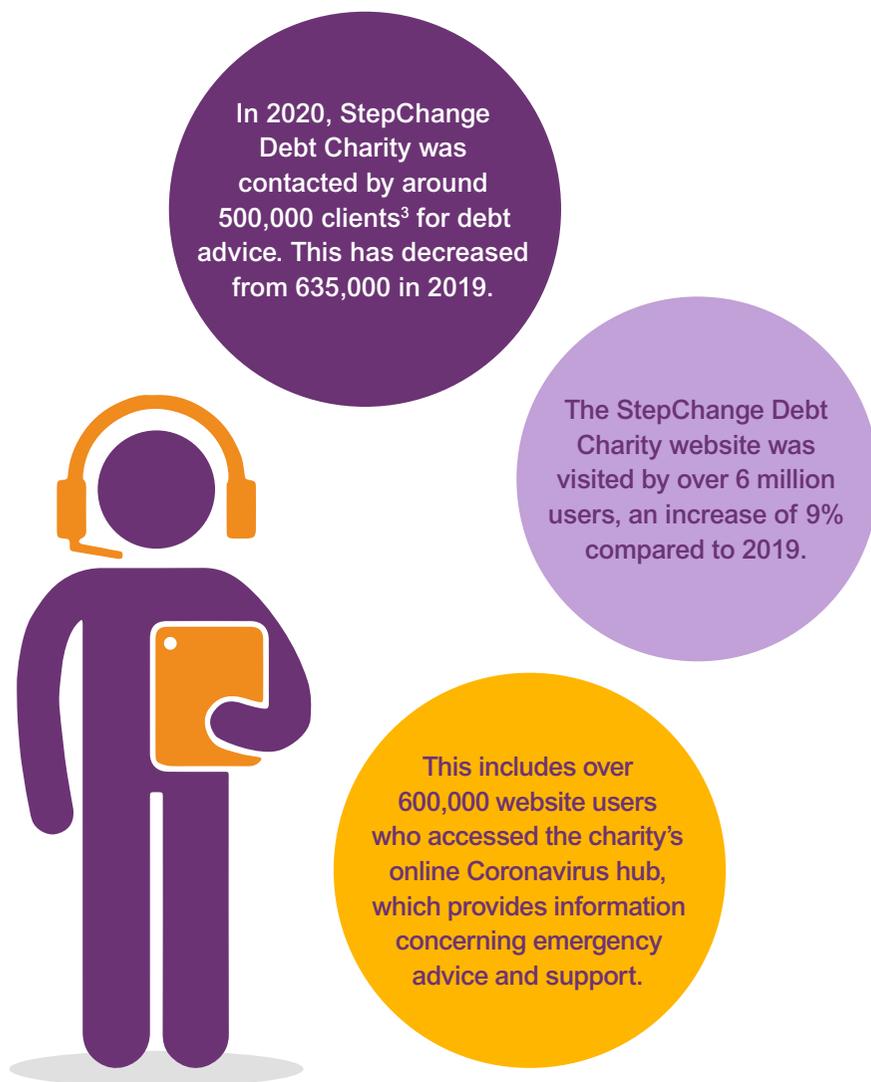


More than one third (36%) of clients were behind on council tax



One third (33%) were in receipt of Universal Credit

Client volumes



Reasons for debt

Although one in ten clients (9%) cited Covid-19 as a main reason for requiring debt advice, many similar issues which affected clients before the pandemic continued to impact new clients throughout 2020.

Experiencing unemployment or redundancy was the most common reason for debt among new clients in 2020, with almost one in five (18%) citing this as a factor contributing to their problem debt. Many clients also cited other life events, such as experiencing an injury or health issue (12%); separation or divorce (8%) and pregnancy or childbirth (3%).

Other experiences such as feeling a lack of control over finances (14%), the increased cost of living (6%) and irregular income (3%) were also among the most common reasons for debt in 2020.

Most common reasons for debt among new StepChange clients⁴:

Reason for debt	2019	2020
Unemployment or redundancy	16%	18%
Reduced income or benefits	18%	15%
Lack of control over finances	11%	14%
Injury or health issue	16%	12%
Covid-19	N/A	9%
Separation or divorce	10%	8%

3. Inclusive of clients who received debt advice through the charity's old debt advice system and new system, Pulse. Also inclusive of new clients who did not proceed through to full debt advice.

4. 'Reason for debt' in 2019 captured the single main reason for a client's debt based on telephony data. In 2020, the new Pulse system captures multiple reasons for debt, and is captured across both telephony and online channels.

Our clients

Clients with negative budgets⁵



(2017-2019: 30% of clients were in a negative budget)

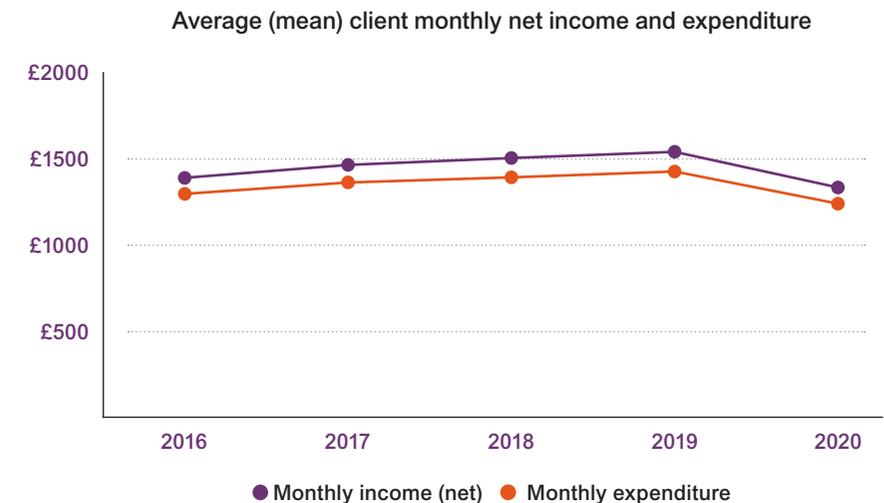


Income, expenditure and surplus

Following a period of growth in the average (mean) monthly net income amount over recent years, there was a notable decrease in 2020. Median net monthly income also fell between 2019 (£1,437) and 2020 (£1,300).

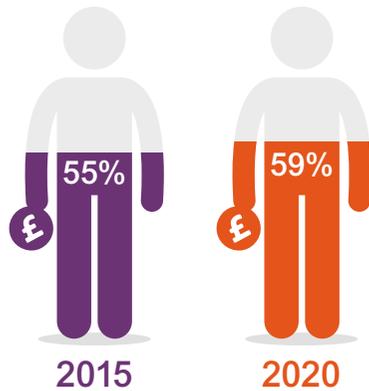
The reason for this decrease is partly compositional, reflecting an increase in the proportion of new clients seeking advice through the charity's telephony channel. These clients are more likely than those seeking online debt advice to have lower income and expenditure levels. This decrease in average income also likely reflects the fall in income that many households across the UK have experienced over the course of the pandemic⁶.

Average (mean) client monthly surplus increased from £89 in 2019 to £95 in 2020⁷.



5. A negative budget describes where a client's expenditure is greater than their income after proceeding through StepChange's advice and budget process.
 6. StepChange Debt Charity, 'The coronavirus personal debt crisis', 2020 <https://www.stepchange.org/policy-and-research/debt-research/covid-debt-2020.aspx>
 7. Surplus is the amount of money left at the end of each month after clients have completed StepChange Debt Charity's debt advice and budgeting process.

Social security



2020 saw an increase in the proportion of clients in receipt of welfare benefits.

This has increased over the past five years from 55% in 2015 to 59% in 2020.

In 2020, one third (33%) of clients were in receipt of Universal Credit at the time of advice. This proportion increased over the course of the year⁸, reflecting the trend in the overall rise of Universal Credit claims across the UK⁹.

Clients in receipt of benefits

Name	New Clients 2020 (%)	Name	New Clients 2020 (%)
Child Benefit	31%	Income Support	2%
Child Tax Credit	9%	JSA (contribution based)	1%
DLA/PIP (adult)	9%	JSA (income based)	1%
DLA/PIP (child)	2%	Universal Credit	33%
ESA	7%	Working Tax Credit	3%

Employment status of new clients

Despite advising a growing proportion of clients citing unemployment as a reason for debt, and an increase in clients receiving Universal Credit, last year most new clients were in a form of employment at the time of advice (52%).

Research recently conducted by the charity highlights the adverse effects that the pandemic has had on those in employment, with many experiencing income shocks such as reductions in income or working hours¹⁰.

New clients 2020 (%)



8. StepChange Debt Charity, 'Debt Advice During Coronavirus', 2020. <https://www.stepchange.org/policy-and-research/personal-debt-statistics-in-the-uk/coronavirus-september-2020.aspx>

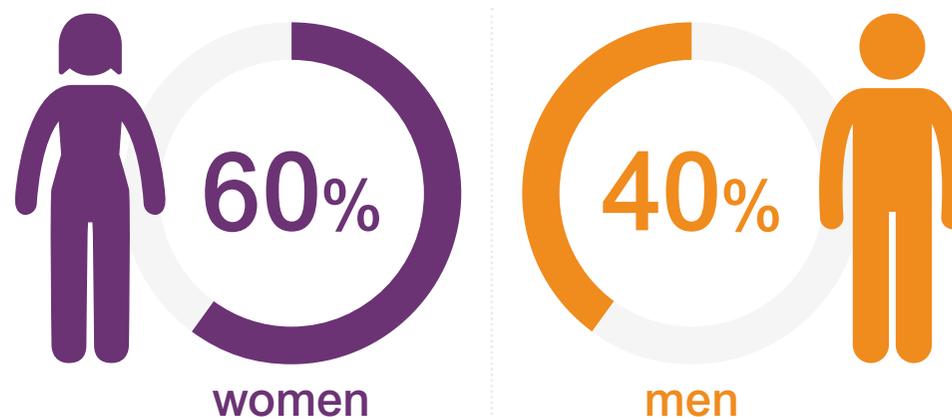
9. Government Official Statistics, Universal Credit Statistics: 29 April 2013 to 15 January 2021. 2021 <https://www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-14-january-2021>

10. StepChange Debt Charity, 'The coronavirus personal debt crisis', 2020 <https://www.stepchange.org/policy-and-research/debt-research/covid-debt-2020.aspx>

Gender

Although the pandemic is more likely to cause women greater risk of financial difficulties¹¹, the charity has advised a greater proportion of women than other genders for many years prior to the pandemic. 2020 was no exception; last year, three in five (60%) new clients were women.

Gender split of clients contacting us for debt advice in 2019



Age

Age groups: new clients (%)

Age Group	2018	2019	2020	UK population ¹²
Under 25	14%	14%	13%	11%
25-39	51%	52%	45%	25%
40-59	30%	29%	34%	33%
60 and over	5%	5%	8%	31%

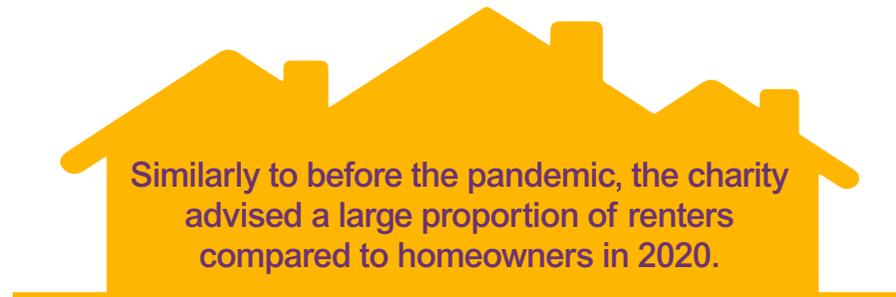
In 2020, StepChange advised a greater proportion of new clients from older age groups compared to previous years. One third (34%) of all clients were aged 40-59, up from 29% in 2019. This increase is likely linked to a rise in the proportion of telephony clients, who are more likely to be from older age groups.

Despite this increase, the charity's debt advice population continued to be over-represented by 18-24- and 25-39-year olds. Around three in five (58%) new clients were aged under 40, compared to only 36% of adults in the wider UK population.

11. Resolution Foundation, 'Women, the young and low-paid workers are bearing the biggest health and economic risks from the coronavirus crisis', 2020 <https://www.resolutionfoundation.org/press-releases/women-the-young-and-low-paid-workers-are-bearing-the-biggest-health-and-economic-risks-from-the-coronavirus-crisis/>

12. Office for National Statistics (licensed under the Open Government Licence), 'Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland', 2020. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland>

Housing



Clients housing tenure

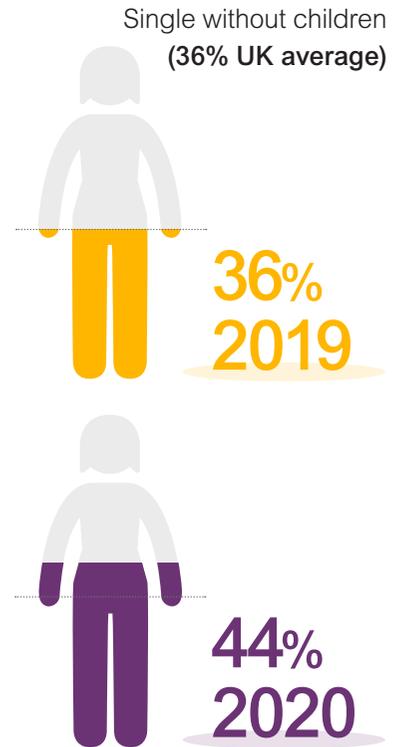
Housing Group	New clients 2020 (%)
Board payment (not with family)	3%
Living with family	15%
Mortgaged	12%
Owns property outright	3%
Renting - Council or Housing Association	31%
Renting - private landlord	34%
Shared ownership (mortgage and rent)	1%
Other	2%

Family composition

There has been a substantial rise in the proportion of single adults without children among new clients in 2020.

This has increased by eight percentage points between 2019 (36%) and 2020 (44%). This is a new trend for 2020. This growth is linked to the increase in the proportion of clients in a vulnerable situation between 2019 and 2020. Among clients in vulnerable situations, around half (49%) are single without children.

However, as with recent years, the charity continued to advise a disproportionate amount of single parents. Single parents account for just 6% of all UK households, however around one in five (22%) new clients in 2020 were from single parent households.



Family Composition	2018	2019	2020	UK population ¹³
Couple with children	26%	26%	19%	22%
Couple without children	14%	14%	14%	35%
Single with children	23%	24%	22%	6%
Single without children	37%	36%	44%	36%

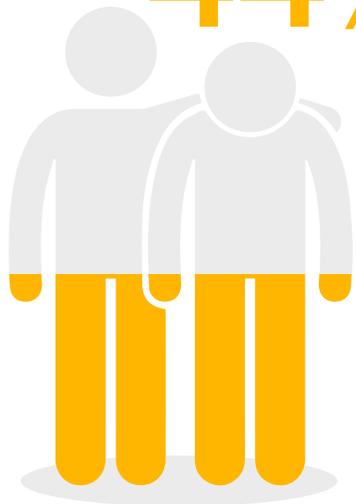
13. ONS, 'Families and Households', 2019 <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2019>

Clients in vulnerable situations

The charity also continued to advise a rising proportion of vulnerable clients.

Half (50%) of new debt advice clients were in a vulnerable situation in addition to their financial difficulty at the time of advice. This proportion increased from 44% in 2019.

2019 **44%**



2020 **50%**



The most common vulnerable situation is a mental health issue, affecting more than one third (35%) of all new clients in 2020.



The latest statistics find that clients in a vulnerable situation are more likely than all clients to be women (62% vs 60% of all clients); single without children (49% vs 44% of all clients), and aged over 40 (47% vs 42% of all clients).

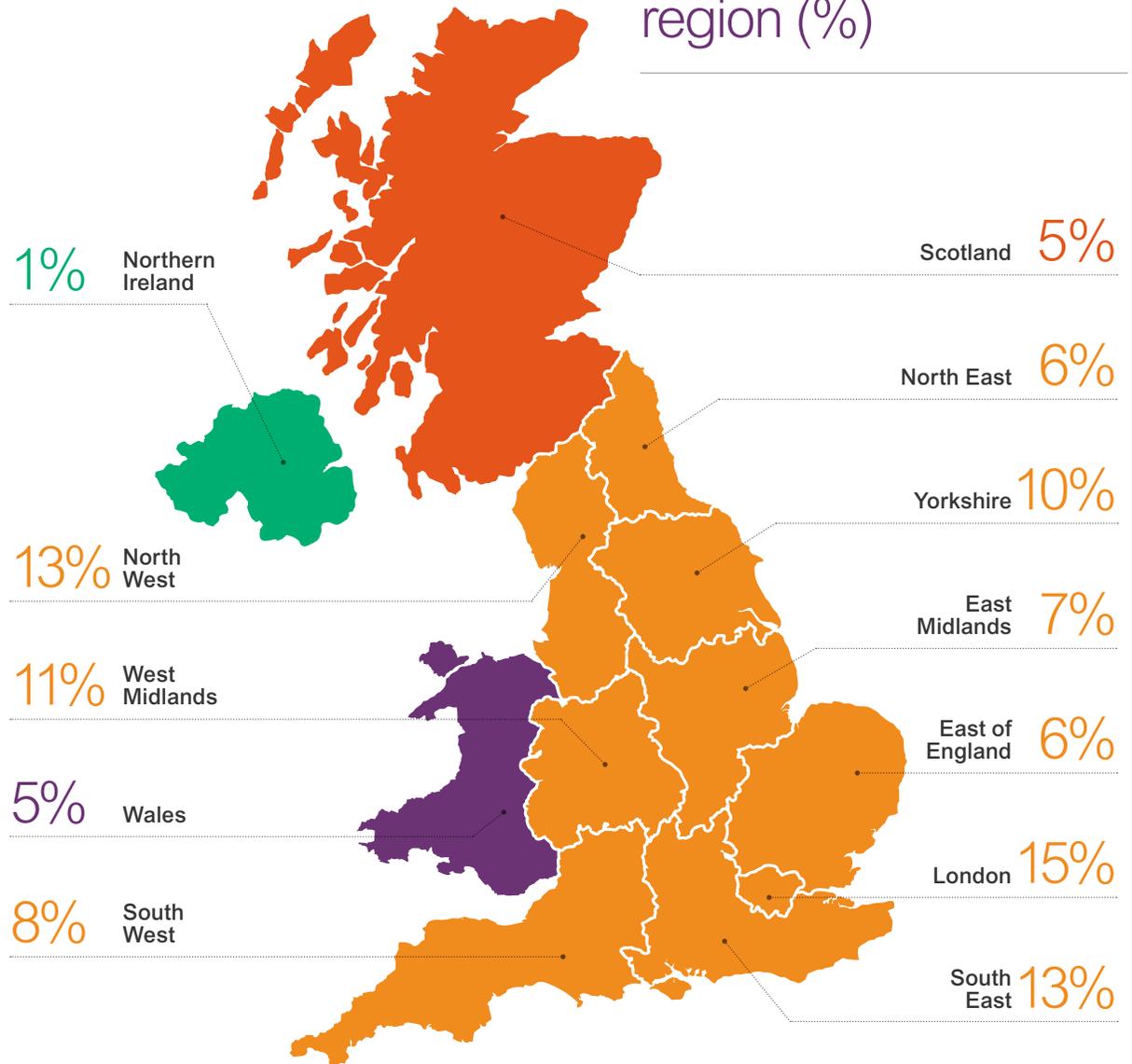
Location

Clients' locations - Nations

Nation	New Clients 2020 (%)
England	89%
Wales	5%
Scotland	5%
Northern Ireland	1%



New clients 2020 by region (%)



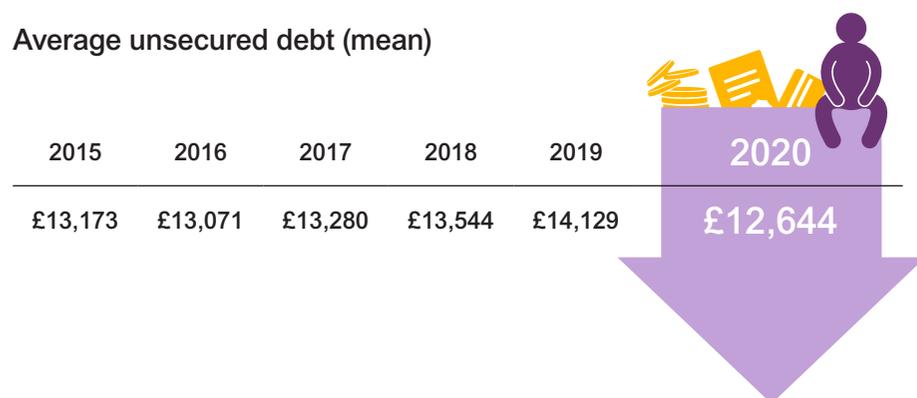
Debts and arrears

Average unsecured debt

Following an increase over recent years, average (mean) unsecured debt had **fallen to £12,644** per new client in 2020. There has also been a decrease in the average median debt levels from **£8,605 in 2019 to £7,724 in 2020**.

This follows a similar trend to the decrease in average monthly income and expenditure levels. Historically, debt advice data shows that clients with lower income levels are more likely to also have lower levels of debt at the time of advice.

Average unsecured debt (mean)



2020: New clients with each debt type (%)

	2018	2019	2020
Credit card	68%	69%	67%
Personal loan	47%	48%	52%
Overdraft	47%	46%	39%
Catalogue	34%	35%	35%
Store card	12%	13%	14%
Payday loan	18%	17%	13%



Credit cards continue to be the most common debt type among new debt advice clients, with more than two thirds holding at least one credit card at the time of advice (67%). In 2020, the average (mean) debt owed on credit cards per new client was £2,879.

There has also been a notable rise in the proportion of clients with personal loan debts. In 2020, over half (52%) of clients held at least one personal loan debt at the time of advice, up from 47% in 2018.

Between 2019 and 2020 the proportion of new clients with overdraft debts fell by seven percentage points (from 46% in 2019 to 39% in 2020). This follows a longer-term trend over recent years; however, this may have been accelerated partly due to temporary FCA rule changes and guidance for firms to better support consumers with overdraft debts during the pandemic¹⁴.

Household bills arrears

Unlike falls in other monetary amounts, the average (mean) amount of arrears on household bills per client increased from £2,137 in 2019 to £2,453 in 2020. This is mirrored by the substantial increases in the proportion of clients behind on many different types of household bill, as well as rises in average monetary amounts for individual bill types. For example, the average amount of rent arrears has increased by almost £400 between 2019 and 2020.

This rise is linked to the proportional increase in clients accessing advice through our telephony channel, who have historically been more likely to be in arrears on household bills. However, our previous research highlighted that the proportion of clients falling behind was steadily increasing over the course of the pandemic across both our telephony and online channels¹⁵.

Despite this increase, there is some level of continuity with before the pandemic.

Council tax, water and rent continue to be the most common arrears types in 2020.



Household bill type	New clients 2019* (%)	Average Arrears Amount 2019	New clients 2020* (%)	Average Arrears Amount 2020
 Council tax	30%	£1,146	36%	£1,292
 Water	24%	£804	32%	£866
 Rent	21%	£1,084	27%	£1,463
 Electricity	17%	£825	26%	£1,002
 Gas	13%	£661	23%	£703
 Mortgage	17%	£2,977	17%	£3,518
 TV License	8%	£103	7%	£92

*base = those with a responsibility for paying each bill type

Further data and information about the latest client statistics is available at StepChange Debt Charity's website: <https://www.stepchange.org/policy-and-research/2020-personal-debt-statistics.aspx>

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

If you think you might need debt advice, support with budgeting, or managing persistent debt, StepChange can help with expert advice.

Visit www.stepchange.org or call 0800 138 1111 Mon-Fri 8am-8pm, Sat 8am-4pm and take the first step towards taking back control of your finances.

Get in touch:



0800 138 1111 (Freephone)



www.stepchange.org



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