



One year of Breathing Space

Initial findings from StepChange

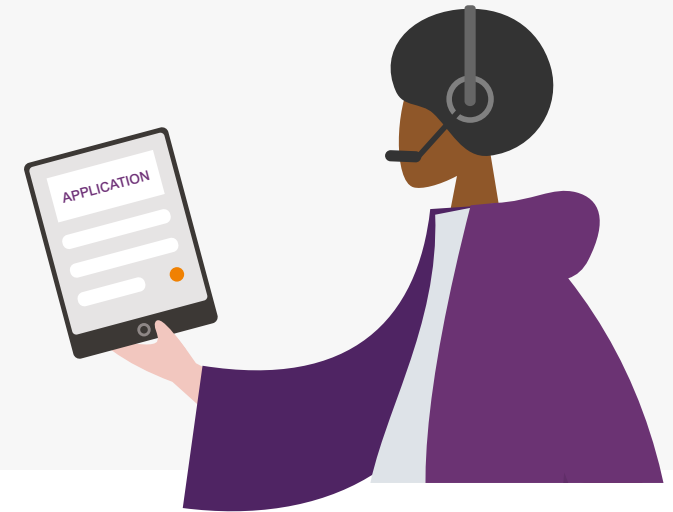
July
2022

Summary



The Debt Respite (Breathing Space) scheme has been in place since May 2021.

- There were **69,613** Breathing Space applications in the first 12 months.¹
- StepChange delivered **46,050** of these applications.



We are conducting an evaluation of the Breathing Space scheme after its first year to begin to understand how successful it has been in achieving its objectives so far.

In this paper we present some initial findings from a mixed client survey of those who took Breathing Space and those that did not to understand their experience. The survey was conducted online and we received responses from 548 clients, 379 of whom had taken Breathing Space. We have also analysed our client data from May 2021 to March 2022, comparing the profiles and outcomes of Breathing Space and non-Breathing Space clients over the last year.

These initial findings tell a positive story about the scheme's first year:

- Before coming to debt advice less than 1 in 5 clients had received the protections offered by Breathing Space from all their creditors after contacting them to say they were struggling.
- Clients who took Breathing Space are over three times more likely than those who do not go through full debt advice and enter into a debt solution.
- Breathing Space clients had better wellbeing outcomes: 2 in 3 Breathing Space clients report improved wellbeing after debt advice compared with 1 in 2 among those who did not access the scheme.

¹ Insolvency Service statistics: Breathing Spaces by Location, Age and Money Advisor Organisation, 4 May 2021 to 30 April 2022

Who has accessed Breathing Space?

Clients who accessed Breathing Space through StepChange have similar demographic profiles to clients who did not access Breathing Space. More notably, Breathing Space appears to be supporting clients with more debt and more complex cases.

Breathing Space clients had higher debts and arrears than other clients.

↓	No Breathing Space	Breathing Space
Average unsecured debt	£10,899	£11,630
Average arrears	£3,236	£3,911

Breathing Space clients also had more debts and arrears.

↓	No Breathing Space	Breathing Space
Average number of debts or arrears	7.1	8.8
Average number of arrears	3.7	4.6

Specifically, Breathing Space clients were much more likely to have council tax arrears.

↓	No Breathing Space	Breathing Space
% of all new clients with council tax arrears	24%	30%

Breathing Space clients were much more likely to be experiencing enforcement and specifically bailiff enforcement.

↓	Non-Breathing Space	Breathing Space
Enforcement ²	11%	20%
Bailiff enforcement	6%	13%

Perhaps because of the eligibility criteria for Breathing Space, clients who accessed the scheme had larger budget surpluses on average and were less likely to have negative budgets than other clients.

↓	Non-Breathing Space	Breathing Space
Average monthly surplus	£88	£107
Negative budget	30%	17%

²Bailiffs, attachment of earnings or charging order

Has Breathing Space helped people to get through debt advice once they've engaged with a provider?

Clients who accessed Breathing Space were more likely to go through a full debt advice session than those who contacted StepChange but did not access the scheme.³

↓	No Breathing Space	Breathing Space
Number of new contacts who completed full debt advice	26%	91%

Has Breathing Space helped people get onto a debt or insolvency solution?

Breathing Space eligibility rules mean that clients accessing the scheme are more likely to be eligible for a formal debt solution. We would therefore expect more of these clients to be recommended a solution after debt advice compared to clients who did not enter the scheme.

↓	No Breathing Space	Breathing Space
Entered a repayment or insolvency solution after advice ⁴	12%	42%

³ These figures and those for solutions are month 3 matured figures for clients accessing advice between March-May 2022

⁴ Token Payment Plan, Debt Management Plan, Debt Relief Order or IVA

⁵ All findings were statistically significant. (P value < .05) apart from the first row

Are there wellbeing benefits to clients entering Breathing Space?

There was strong evidence that the Breathing Space protections were helpful and had a positive impact on people's ability to deal with their debts. The client survey results found:



Agreed that the pause on interest fees and charges was useful



Agreed that the pause on enforcement action was useful

Interestingly, wellbeing outcomes seemed to be stronger for clients who went through Breathing Space than those that did not. This may partly be a result of the selection criteria for Breathing Space attracting clients who were in a better position to resolve their situation from the outset.⁵

Compared to before I sought advice	No Breathing Space	Breathing Space
I feel better able to deal with creditors or debt collectors	60%	74%
I worry less about my debts	60%	71%
I feel better able to deal with day-to-day life	57%	74%
I sleep better	47%	65%
My wellbeing is better	52%	69%

Has Breathing Space encouraged people to take debt advice?

Our survey evidence re-affirmed the need for statutory protections that ensure consistent forbearance from creditors and provide an incentive for people to access debt advice earlier.

1 in 2 (53%) clients had waited over a year before accessing debt advice

4 in 5 clients (85%) found their debts to be a heavy burden before accessing debt advice

People's awareness of the scheme was limited prior to accessing Breathing Space. Further research and promotion of the scheme is therefore needed to understand whether Breathing Space is encouraging people to take up debt advice earlier. Responses to our survey give an early indication that it may be a factor in people seeking to access support.

3 in 4 (75%) clients were unaware of the Breathing Space scheme before accessing debt advice

1 in 2 (55%) clients who had heard about the scheme said it was a factor in them accessing advice

Is Breathing Space an improvement on current creditor forbearance?

A majority of clients who contacted their creditors before advice to say they were struggling received inconsistent levels of creditor forbearance.

4 in 5 (80%) of clients who had interest, charges or fees added to their debt said none or only some of their creditors had frozen these

2 in 3 (60%) clients who had experienced doorstep visits (e.g. bailiffs or debt collectors) said none or only some of their creditors had suspended this action

How have clients found accessing the scheme?

Evidence from our survey suggests the application process could still be made easier for those accessing the scheme, although these challenges are similar among clients going through standard debt advice.

2 in 5 (43%) Breathing Space clients found it difficult contacting creditors for information

1 in 3 (31%) Breathing Space clients found it difficult finding the details of their debts



“Until the weight of the debts was lifted from my shoulders I had not realised just how stressed I had been and how much I had been depriving myself of necessities.

This experience has changed my life completely.” StepChange Breathing Space client

How have creditors responded to the scheme?

The most important part of the scheme is the statutory protections. Some StepChange clients told us that creditors did not apply the protections immediately after they entered the scheme, but many clients said that these were resolved once all creditors were contacted.

1 in 10 (9%) clients still experienced doorstep enforcement while accessing the scheme

2 in 5 (37%) still had interest, charges and fees added to their debts while accessing the scheme

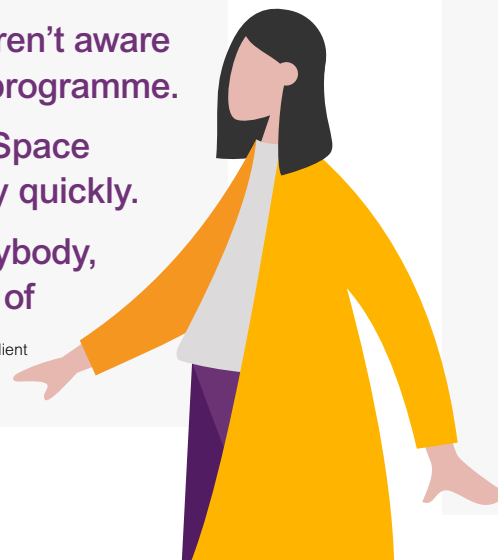
1 in 4 (24%) still had unaffordable repayments taken while accessing the scheme

The near universal positive reflections on the usefulness of the scheme suggest that some may have been experiencing these actions on debts that were not covered by Breathing Space. This is nevertheless an area that needs to be monitored closely, with swift action in cases where creditors are not complying with their responsibilities.

“These were creditors that weren’t aware I was in the Breathing Space programme.

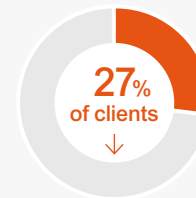
Once I phoned the Breathing Space department, they sorted it very quickly.

It just takes time to reach everybody, especially when you have a lot of debts like I did.” StepChange Breathing Space client



Was 60 days long enough?

For those Breathing Space clients who entered a solution, a substantial proportion found that more time was needed to get their solution in place before Breathing Space expired. However, for many an extension was needed to get their solution in place.



(1 in 4) said their solution wasn’t in place before the end of Breathing Space



(2 in 3) said an extension of less than 3 months would have been sufficient

Overall, there was a strong appetite for the Breathing Space protections to be extended.



(2 in 5) said 60 days wasn’t long enough for their situation to stabilise and to make progress with their debts



(1 in 2) said they would need six months or less for their situation to stabilise and to make progress with their debts

What happened to clients after the scheme?

Some people had debts that they had to deal with independently when their Breathing Space ended, either because a debt wasn't covered by their debt solution or because they hadn't entered a solution. A significant proportion of those affected had not yet been able to reach an agreement with creditors, with evidence to suggest clients who accessed Breathing Space were less likely to be able to reach an agreement with creditors.

↓	Non-Breathing Space	Breathing Space
Not yet been able to reach an agreement on a priority debt ⁶	24%	23%
Not yet been able to reach an agreement on a credit debt ⁷	29%	52%

Breathing Space clients cited offers being rejected or being asked for an unaffordable amount as were the most common reasons for them being unable to come to an agreement with their creditors.

Reason for being unable to reach agreement	Priority debt	Credit debt
Creditor asked for an unaffordable payment	28%	15%
Creditor rejected offer	11%	22%
Creditor passed debt to enforcement	15%	10%
Didn't feel able to contact creditor	17%	19%
Didn't hear back from creditor	9%	8%
Other	20%	25%

⁶Rent, mortgage, council tax, energy (gas, electric, dual fuel) and water

⁷Credit card, payday loan, overdraft, store card, loan

For a minority, creditor action resumed after debt advice. While Breathing Space clients were less likely to experience unaffordable repayments being taken following advice after accessing the scheme, they were more likely to experience doorstep visits.

↓	No Breathing Space	Breathing Space
Doorstep visits (e.g. bailiff or debt collector)	9%	18%
Creditor taking unaffordable repayments	20%	14%
Adding fees, interest and charges	26%	31%

It's important that Breathing Space is recognised as a sign of financial difficulty and those coming out of it are granted ongoing forbearance where debts are not covered in a debt solution.

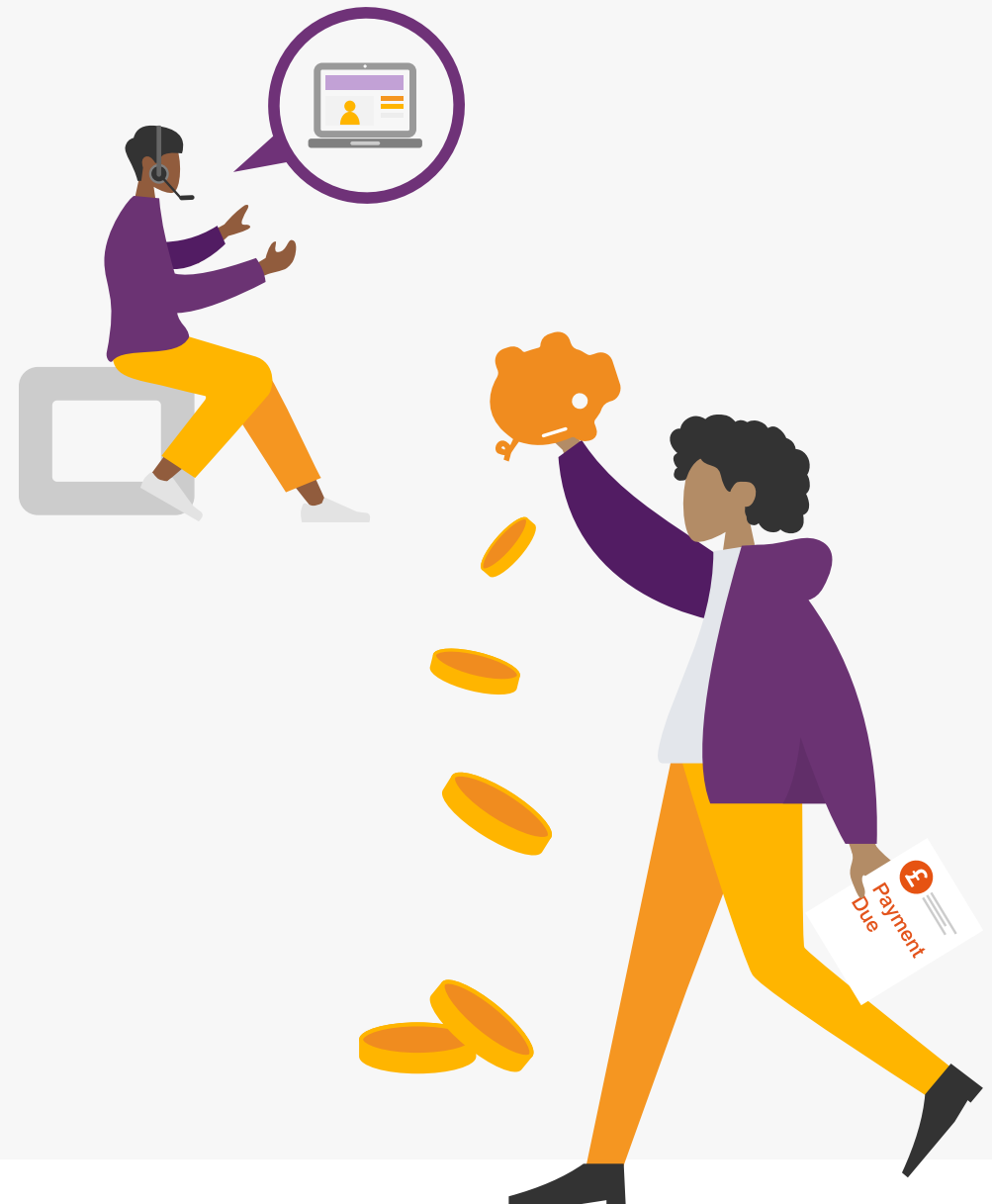


What can we say about Breathing Space after 12 months?

The first year of Breathing Space has not been without problems. Volumes have not been as high as forecast but there has still been a sizeable number of applications. These early findings suggest that the scheme has been well received by those who have taken it.

People who access Breathing Space tend to value the protections offered by the scheme, are more likely to enter a debt solution, and display more positive wellbeing outcomes than other clients. However, concerns remain about the outcomes experienced by some clients, enforcement of Breathing Space protections and the length of the scheme.

We will follow up this initial analysis with a broader evaluation report later this year. This will include input from creditors, providers and debt advisers to understand impacts across the sector, and consider recommendations to improve the scheme.



Editor: Ed McDonagh

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:



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