StepChange Debt Charity Scotland

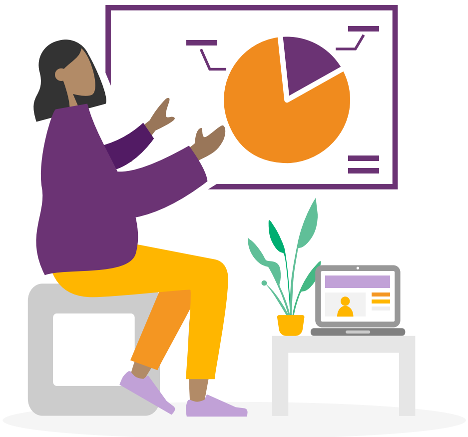
Scotland in the Red

A look at personal debt statistics in Scotland 2021

Summary

Through 2021 COVID-19 continued to have an unprecedented impact on personal finances.

Households emerging from the pandemic are facing rapidly rising living costs and the impact of the pandemic across society has been far from uniform, with financial shocks continuing to be felt by higher proportions of vulnerable households, despite the cushioning impacts of many emergency pandemic measures last year. The relative success of forbearance measures, furlough and the universal credit uplift allowed some households to successfully absorb shocks through 2021, but these measures did not reach everyone that needed them.



There has been a rise in the proportion of clients in the private rental sector, with over 60% of all clients now renting their home. 2021 also saw an increase in the proportion of clients with rent arrears. Households who might have weathered initial impacts, enter a worsening inflation and cost of living crisis in 2022 with their financial resilience depleted. But this imminent pressure has yet translated into demand for full debt advice.

The proportion of clients in a vulnerable situation – in addition to their financial difficulty at the time of advice – has increased sharply to a new, concerning high of 54%. A 'vulnerable situation' includes physical health conditions, mental health conditions, learning disabilities, sight or hearing difficulties and other situations which can make dealing with finances particularly difficult. This growing proportion represents a real challenge to advice providers, as clients face greater complexity in addressing problem debt. Many existing clients have faced significant uncertainty with their finances, which has led to many requiring new advice based on their shifting circumstances.

Methodology Note

StepChange Scotland helped over 28,600 people in 2021, including new and returning clients.

Statistics in this document, unless otherwise stated, are based on a sample of **8,433 new Scottish clients** who sought full debt advice in 2021 online or via telephone. Comparisons are therefore between this 2021 sample and the data from the 2020 edition of Scotland in the Red. Where available we have included data for vulnerable clients adjacent to all client statistics to illustrate differences between this group and all clients.

Previous editions of Scotland in the Red have been restricted to telephone advice clients only. Historically online clients have been younger, had more debt and higher earnings than telephone clients.

Scotland – key statistics

Among new clients accessing debt advice in Scotland between January and December 2021:

Client average arrears on essential bills have increased by **£659 to £2,961**

Over half (54%) of clients had an additional vulnerability

Nearly two-thirds (63%) of vulnerable clients were female

52% of vulnerable clients were at risk of losing their home

75% of vulnerable clients were in arrears with electricity bills – before the full impact of price rises

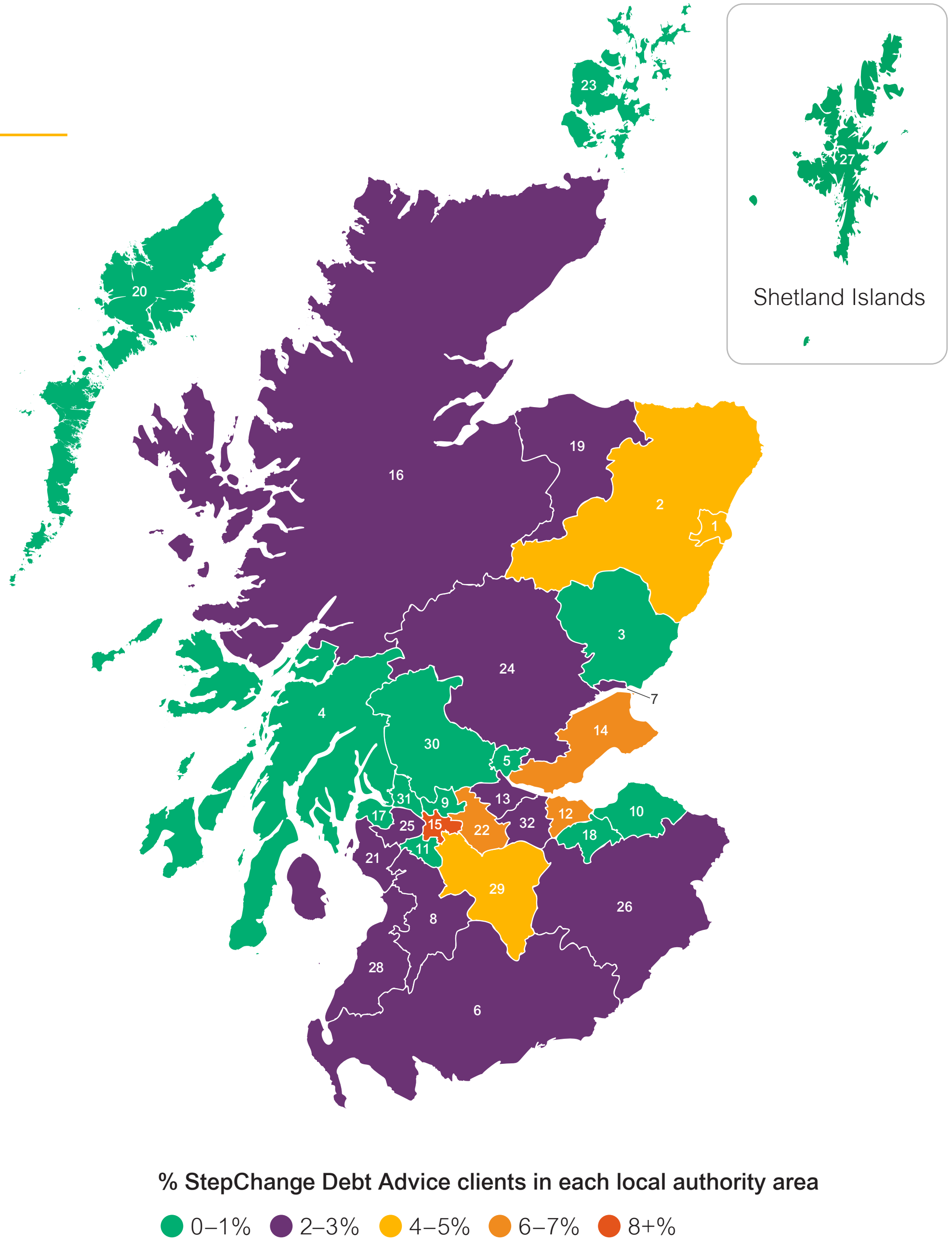
Council Tax remains the most prevalent household bill for clients to be struggling with, with **44%** of vulnerable clients in arrears

Locations

StepChange supports clients right across the country. Our Glasgow based team of over 60 colleagues provides support with a range of advice and solutions, including the Scottish statutory solutions; the Debt Arrangement Scheme, Minimal Asset Process and Sequestration. Traditionally the charity has received most contacts from Glasgow and the West of Scotland, though recent years pre-pandemic have seen increases in the proportion of clients from the North East, perhaps reflecting the impact of economic decline related to the North Sea economy.

	Local Authority	% Debt Advice Clients
1	Aberdeen City	4.83%
2	Aberdeenshire	4.47%
3	Angus	1.87%
4	Argyll & Bute	1.20%
5	Clackmannanshire	1.08%
6	Dumfries & Galloway	2.62%
7	Dundee City	3.04%
8	East Ayrshire	2.74%
9	East Dunbartonshire	1.10%
10	East Lothian	1.70%
11	East Renfrewshire	1.00%
12	Edinburgh, City of	6.98%
13	Falkirk	2.88%
14	Fife	7.45%
15	Glasgow City	13.68%
16	Highland	3.74%

	Local Authority	% Debt Advice Clients
17	Inverclyde	1.79%
18	Midlothian	1.72%
19	Moray	2.06%
20	Na h-Eileanan Siar	0.27%
21	North Ayrshire	3.64%
22	North Lanarkshire	7.12%
23	Orkney Islands	0.26%
24	Perth & Kinross	2.24%
25	Renfrewshire	3.19%
26	Scottish Borders	2.25%
27	Shetland Islands	0.31%
28	South Ayrshire	2.39%
29	South Lanarkshire	5.84%
30	Stirling	1.23%
31	West Dunbartonshire	1.96%
32	West Lothian	3.36%



Reasons for debt

The proportion of clients citing COVID-19 as a direct reason for their problem debt remains a visible trend in problem debt.

Long term issues cited by clients as the reason for falling into problem debt such as reduced income and reduced benefits or employment changes were still significant reasons for clients to experience debt problems, although a more buoyant employment market has contributed noticeably to a reduction in the proportion who raise this as an issue. Cost of living has been directly cited by a growing proportion (up 2% to 11%) of clients. Lack of control over finances remains the most common issue for clients to identify, often a catch-all term reflecting the increasing challenge of managing finances around fluctuating income, cost of living increases and ill-health impacts, particularly on mental health.

Most common reasons for debt among new StepChange clients

Reason for debt	Vulnerable clients 2020	Vulnerable clients 2021	All clients 2020	All clients 2021
COVID-19	7%	**7%**	9%	**9%**
Employment change /Unemployment/ Redundancy	16%	**14%**	17%	**14%**
Reduced income/ Reduced benefits	16%	**12%**	16%	**13%**
Lack of control over finances	17%	**19%**	18%	**21%**
Separation/Divorce	7%	**6%**	7%	**6%**
Illness/Disability	20%	**16%**	11%	**10%**
Other	17%	**17%**	22%	**16%**
Cost of living increase/used credit to cover living costs	7%	**9%**	9%	**11%**

About our clients

The average net monthly income of clients increased marginally by £42 and £24 for vulnerable clients on 2020, but this is lower than the rate of inflation.

Similar challenges were faced by clients pre-pandemic as the trend of low or stagnating incomes forced households to rely further on credit to cover their essential costs as demonstrated further in the report.

A negative budget is a budget that is in deficit after essential costs like rent, Council Tax and utilities are accounted for.

Negative Budgets

In 2021

27% of **all clients** had a negative budget with an average monthly deficit (after essentials) of

-£307

while

30% of **vulnerable clients** with a negative budget had an average deficit of

-£289

Average (mean) client monthly income and expenditure

	Vulnerable clients		All clients	
	2020	**2021**	2020	**2021**
Average monthly income	£1,253	**£1,277**	£1,355	**£1,397**
Average budget	£106	**£107**	£152	**£153**
% of clients with negative budget	32%	**30%**	28%	**27%**

Social security

2021 saw a marginal increase of clients in receipt of benefits (1%). Over 55% of all clients and 64% of vulnerable clients were in receipt of benefits – including child benefit. Excluding child benefit 45% of clients were in receipt of welfare. 28% of clients were in receipt of Universal Credit (UC), an increase of 1% in 2021. This proportion increased over the course of the year, reflecting the trend in the overall rise of Universal Credit claims across the UK. The impact following the end of the £20 uplift in October 2021 is yet to become apparent. Before the cut, internal research showed the majority (59%) of clients on Universal Credit were in budget surplus, with more income than outgoings each month. Now following the cut, only 28% will have just enough to pay for essential living costs. The impact of UC changes will continue to play out through 2022.

Unsurprisingly, vulnerable clients were more likely to be in receipt of DLA/PIP (22%), Universal Credit (34%) and ESA (14%).

Clients in receipt of benefits %

	Vulnerable clients		All clients	
Benefits type	2020	**2021**	2020	**2021**
All Scotland (including child benefit)	63%	**64%**	54%	**55%**
Child benefit	24%	**25%**	25%	**26%**
Income support	2%	**2%**	2%	**1%**
Child tax credit	6%	**7%**	7%	**6%**
JSA (contribution based)	1%	**1%**	1%	**1%**
DLA/PIP (adult)	20%	**22%**	11%	**13%**
DLA/PIP (child)	2%	**3%**	2%	**2%**
Universal credit	33%	**34%**	27%	**28%**
ESA	14%	**14%**	8%	**8%**
Housing benefit	14%	**11%**	12%	**8%**
Working tax credit	2%	**2%**	2%	**2%**

Employment status of new clients

A majority of clients continue to be in full or part-time employment with an increase of 2% in the past year to 53% reflecting a more active job market. Despite this however, clients continue to fall into difficulty as stagnating incomes fail to cover essential costs.

Nearly half of vulnerable clients were unemployed, but there was an increase of 2% in the proportion of vulnerable clients in employment. Vulnerable clients were also less likely to be employed full time compared to all clients.

Employment status of new clients

	Vulnerable clients		All clients	
Employment status	2020	**2021**	2020	**2021**
Full time	27%	**28%**	38%	**39%**
Part time	12%	**13%**	13%	**14%**
Full time carer	3%	**2%**	2%	**2%**
Zero hours	2%	**2%**	2%	**2%**
Retired	6%	**4%**	5%	**4%**
Student	3%	**3%**	3%	**3%**
Unemployed	47%	**47%**	36%	**35%**
Other	–	**–**	1%	**–**

Gender and age

Gender

Last year saw a further increase in the proportion of women contacting the charity with an increase of 2%. The charity has advised a greater proportion of women than other genders for many years prior to the pandemic, indicating that women are more exposed to financial vulnerability and are at a greater risk of financial difficulties. 2020 and 2021 were no exceptions; with the gap widening, perhaps illustrating the greater economic impact of the pandemic on women, with women in precarious employment, who in general bear a greater impact from economic turbulence and financial vulnerability.

Nearly two-thirds (63%) of vulnerable clients were female, an increase of 1% on last year.

Gender split of clients contacting us for debt advice (%)

	Vulnerable clients		All clients	
Gender	2020	**2021**	2020	**2021**
Male	38%	**36%**	41%	**39%**
Female	62%	**63%**	58%	**60%**
Other gender identity	<1%	**<1%**	<1%	**<1%**

60% of clients who contacted us for debt advice in 2021 were women

Age

In 2021 the proportion of new clients aged 25-39 increased as did those aged 40-59, a slight movement from 2020 when the proportion of under 25s was 2% higher. This decrease in under 25s is perhaps related to the evolving impact of the pandemic through 2021 and a more open economy last year, as opposed to the first months of lockdown in 2020. This may have reduced the impact on precariat demographics as hospitality sectors, while still heavily affected, were open for more of 2021.

Over 55% of new clients are aged under 40. The proportion of clients over 40 increased by 2% compared to 2020

49% of vulnerable clients were aged over 40, which is unsurprising given worsening health outcomes in later life and greater propensity to have left the workforce, therefore reduced earning potential.

Age groups: new clients (%) 2021

	Vulnerable clients		All clients	
Age group	2020	**2021**	2020	**2021**
Under 25	11%	**11%**	13%	**11%**
25–39	38%	**40%**	43%	**44%**
40–59	39%	**38%**	35%	**36%**
60 plus	11%	**9%**	9%	**11%**

Housing and family composition

Housing

The charity continues to advise a growing proportion of renters, with 62% of clients renting in 2021, an increase of 3% since 2020. This increase is apparent amongst private renters and those in housing associations. Over 68% of vulnerable clients were in rented accommodation, an increase of 3% compared to 2020.

Clients' housing tenure

	Vulnerable clients		All clients	
Housing tenure	2020	**2021**	2020	**2021**
Mortgage	15%	**13%**	19%	**17%**
Own outright	3%	**3%**	3%	**3%**
Rent — Housing association	16%	**19%**	14%	**15%**
Rent — Local authority	25%	**25%**	21%	**21%**
Rent — Private	24%	**24%**	24%	**26%**
Board/living with family	14%	**12%**	16%	**14%**

2021 26% of all clients were living in privately rented housing

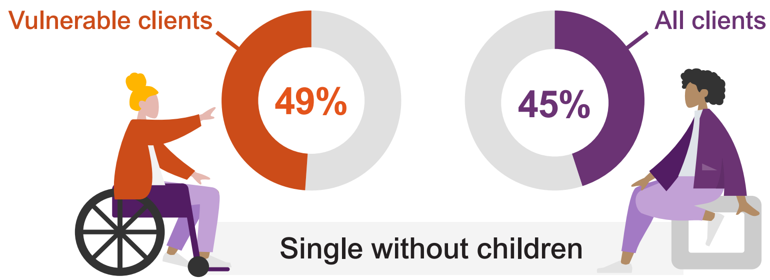
only 3% of all clients owned their home outright

Family composition

The charity saw a slight increase in the proportion of single parents requiring support with a rise to 19% in 2021. The proportion of single clients has decreased over the same period. The impact on families with children has been significant but the proportion of vulnerable clients who were single without children at 49% is 4% higher than the proportion of all clients in this bracket.

Family composition

	Vulnerable clients		All clients	
Family composition	2020	**2021**	2020	**2021**
Couple with children	16%	**16%**	20%	**20%**
Single with children	18%	**19%**	18%	**19%**
Couple without children	16%	**16%**	16%	**16%**
Single without children	50%	**49%**	47%	**45%**



Debts and arrears

The increase in client average arrears is remarkable, with arrears increasing by nearly 29% for all clients.

The reduction in average debts for this period may reflect clients using credit to cover their essentials during turbulence in 2020, perhaps nowhere is the connection between essential spending and arrears more evident. Equally this may indicate the more vulnerable demographic who needed advice in 2021, are perhaps less eligible for credit and struggling more with their arrears. It is likely both factors are reflected in the data. However the similarities across most demographic groups, point towards the former conclusion, with credit exhausted, essential spending and the ability to cope with further income shocks in 2022 are pressing more heavily on clients. Arrears now reflect well over two months of average spending for all clients and vulnerable clients.

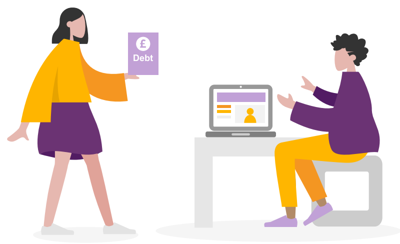
(All clients)

Income, expenditure and surplus

	Vulnerable clients		All clients	
Income, expenditure and surplus	2020	**2021**	2020	**2021**
Average (mean) unsecured debt	£13,028	**£10,914**	£14,566	**£12,730**
Average (mean) arrears	£2,759	**£3,304**	£2,302	**£2,961**

Average unsecured debt

Average debt balances have fallen for many credit types in 2021 compared to 2020, excluding catalogue debt. Vulnerable clients generally owed less compared to all clients, excluding store card debt where they owed £43 more than all clients, but vulnerable clients also owed £38 more on catalogue debts than in 2020. Credit cards and loans have seen the largest decrease in debt balance. Vulnerable clients also owe £79 more on store cards than in 2020. Vulnerable clients also saw a substantial fall in the average balance of credit cards of £697. The general decrease in debt balances reflect a consistent trend as essential bills represent a growing slice of client debts. Clients also often use commercial credit to meet these commitments. It may also indicate that less credit has been available to clients throughout the pandemic and that cash-first measures to support households during 2020 and 2021 have somewhat mitigated the impact of problem debt. The increase in average balance of certain debt types such as Buy Now Pay Later may also indicate shifting spending patterns throughout the pandemic.



19% of clients said falling behind with creditor payments was their main concern

Average debt balances

	2020			2021			Difference to 2021/2020	
	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients
Personal Loan	£8,574	£7,342	-£1,232	£8,349	£7,380	-£969	-£225	+£38
Credit card	£7,962	£7,168	-£794	£7,693	£6,471	-£1,222	-£269	-£697
Overdraft	£1,541	£1,451	-£90	£1,417	£1,341	-£76	-£124	-£110
Catalogue	£1,987	£2,056	+£69	£2,045	£2,048	+£3	+£58	-£8
Payday loan	£1,538	£1,505	-£33	£1,401	£1,352	-£49	-£137	-£153
Store card	£1,277	£1,238	-£39	£1,274	£1,317	+£43	-£3	+£79

Debt types

The most significant fall in proportion was for overdraft debts which have fallen by 5% since 2020 for all clients and for vulnerable clients.

This may reflect that fewer clients are qualifying for overdrafts in the first place, perhaps due to regulation within this space. This decrease across most debt types may reflect accessibility of credit and temporary adjustments to lending criteria throughout the pandemic.

Proportion of clients with debt type

	2020			2021			Difference to 2021/2020	
	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients
Personal Loan	53%	51%	-2%	51%	48%	-3%	-2%	-3%
Credit card	70%	66%	-4%	69%	66%	-3%	-1%	–
Overdraft	43%	42%	-1%	38%	37%	-1%	-5%	-5%
Catalogue	36%	35%	-1%	37%	38%	+1%	+1%	+3%
Payday loan	12%	12%	–	10%	10%	–	-2%	-2%
Store card	14%	14%	–	13%	12%	-1%	-1%	-2%

Arrears on household bills

Household arrears were a mixed picture compared to 2020. Positively, the proportion of clients with Council Tax arrears has fallen by 4% for all clients and 7% for vulnerable clients.

This may reflect new approaches to collection of Council Tax during the pandemic or clients making use of creditor forbearance to cover other bills. The most significant decrease in average arrears was also for Council Tax, with a fall of £314 to £1,660 in average arrears for vulnerable clients and a fall of £257 for all clients in 2021. Council Tax remains the most prevalent household bill for clients to be struggling with.

There was an overall fall in the proportion of clients with Mortgage arrears but a rise in the proportion of vulnerable clients of 1%. The average arrears amount for vulnerable clients has increased by £116 to £3,842.

2021 was the second year in a row with an increased proportion of tenants in arrears with a higher amount of rent owed, as well as an increase in the overall proportion of tenants. The proportion of all clients in difficulty with rent has risen by 3% since 2020. 25% of all clients were behind with rent in 2021 and 30% of vulnerable clients; a particularly concerning figure. Average rent arrears have increased by £119 to £1,362 for vulnerable clients and for all clients by £111 to £1,341. These increases come after sharp rises in 2020. The Scottish Government and Local Authorities must continue with mitigation action and identify further ways to support tenants in 2022. It is concerning that as more tenants are falling into difficulty, support measures such as the Tenant Support Grant have ceased from March 2022.

Average arrears

	2020			2021			Difference to 2021/2020	
	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients
Mortgage	£3,667	£3,726	+£59	**£3,470**	**£3,842**	**+£372**	**-£197**	**+£116**
Rent	£1,230	£1,243	+£13	**£1,341**	**£1,362**	**+£21**	**+£111**	**+£119**
Council Tax	£1,975	£1,974	-£1	**£1,718**	**£1,660**	**-£58**	**-£257**	**-£314**
Electricity	£1,239	£1,259	+£20	**£1,228**	**£1,226**	**-£2**	**-£11**	**-£33**
Gas	£823	£850	+£27	**£824**	**£783**	**-£40**	**+£1**	**-£67**
Dual fuel	£1,100	£1,091	-£9	**£1,148**	**£1,137**	**-£11**	**+£37**	**+£47**

The proportion of clients with utility arrears has increased for all clients and, of greatest concern, the proportion of vulnerable clients in difficulty with dual fuel bills is 8% higher at 44% than for all clients at 36%. The proportion of vulnerable clients in difficulty with their utilities is significantly higher than for all clients, 4% for electricity at 31% and 5% higher for gas at 27%. This is before the impact of price cap change has fully begun to be felt.

Average balances for utilities across 2021 as a whole have not risen significantly in comparison to previous years, though average arrears on utilities were particularly higher at the end of 2021. The impact of price cap change will become much more apparent in 2022. Emergency action will be needed from government and regulators to alleviate the damage for the most vulnerable.

Average balances for utilities across 2021 as a whole have not risen significantly in comparison to previous years, though average arrears on utilities were particularly higher in the last months of 2021.

The impact of price cap change will become much more apparent in 2022. Emergency action will be needed from government and regulators to alleviate the damage to the most vulnerable.

Proportion of clients with arrears type

	2020			2021			Difference to 2021/2020	
	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients	Difference	All clients	Vulnerable clients
Mortgage	20%	21%	+1%	17%	22%	+5%	-3%	+1%
Rent	22%	27%	+5%	25%	30%	+5%	+3%	+3%
Council Tax	43%	51%	+8%	39%	44%	+5%	-4%	-7%
Electricity	25%	32%	+7%	27%	31%	+4%	+2%	-1%
Gas	21%	28%	+7%	22%	27%	+5%	+1%	-1%
Dual fuel	33%	39%	+6%	36%	44%	+8%	+3%	+5%

15% said that maintaining households bills was their main concern

42% (2 in 5) of clients were at risk of losing their home

52% of vulnerable clients were at risk of losing their home

Stephen's story

"

Before I was in debt, I was working as a chef and balanced doing a photography degree on the side. My mental health wasn't always fantastic but I was getting by with the support of my partner and my son.

Little did I know, my partner was taking out multiple credit cards and other loans in my name. When I found out about the debt it was absolutely crushing and we split up after 16 years together.

After the relationship ended, I started being hounded by the creditors via phone calls and intimidating letters. It all got too much for me and I tried to end my life by jumping off a bridge over the Clyde. I'm not sure what happened but subconsciously I must have wanted to survive because I found myself fighting the current. I felt like I was in a black hole that I couldn't get out of, and I thought that it would be soothing to put an end to it all.

In an effort to try and restore some of my mental health, I gave up my role as a chef and started working as a kitchen porter. It was easier for me to get on with my day with a pair of headphones on – I didn't have to talk to anyone whilst I was doing the washing up. However, my income fell as a result of the role paying less than my previous one, and my creditors continued to hound me as the interest and charges built up.

At this point, I wasn't able to pay anything at all towards any of the debts because I simply didn't have the money to do so.

Despite not believing anyone could help me, I went online and researched what my options might be. I came across the StepChange website and decided to phone up. I was taken through the full debt advice process and I immediately felt better. I chose to apply for a MAP bankruptcy option and it was a huge turning point for me.

Getting the support I needed and clearing my debts has been incredibly refreshing. Without the help of a debt solution that helped me in my circumstances, I don't think I'd still be around today. I'm very glad to have taken the first step to rebuilding my life and I look forward to seeing what the future holds for me and my son.

"

Recommendations for change

The Scottish Government and Local Authorities should learn from successful measures and look at how targeting support specifically at vulnerable households will mitigate the expected impact on cost of living in the coming months.

Moratorium extension — the Scottish Government must look carefully at the debtor moratorium, currently in review, and find a suitable extended period. The current emergency provision is 6 months, up from 6 weeks. There must be steps taken to permanently lengthen this period to a term that works for households in problem debt. This period has allowed clients to find new employment, get a debt solution in place or maximise their income through welfare. To remove this safeguard at such a volatile time would be damaging. Allowing a client, in tandem with a debt advice organisation, to renew their moratorium, will give clients a chance to gain control of their finances and alleviate stress and anxiety.

Extending support to Tenants through the Tenant Support Hardship Grant. Pressure on renters was significant in 2020 and the increase in proportion of renters approaching the charity for advice shows this remained an acute problem in 2021. The Scottish Government should revisit the grant scheme and extend it while tenants are still struggling. The Scottish Government should also look at including other household essentials within the grant, such as utility costs, or ensuring eligibility for alternate support with these bills is made a component part of support.

Look again at the £150 Council Tax Rebate announced by the Scottish Government. While any mitigation of increased Council Tax bills is to be welcomed, the rebate scheme is not fit for purpose for the vulnerable households who need it most. Those in Council Tax debt – average arrears for a vulnerable client in 2021 £1,660 – will see this support totally dwarfed by the arrears amount due to the way Council Tax debt is recovered. Those in this situation would likely only see a slight reduction in the term of a repayment arrangement. Arguably the rebate is a regressive measure which will see those households in least difficulty gain the most.

Fair and Sustainable Debt Recovery — the Scottish Government and Local Authorities must work together to ensure that repayments particularly for Council Tax, and rent debt are collected fairly and at an affordable rate. Local Authorities should adopt a collaborative approach with advice organisations as recommended in the Improvement Service publication *Collaborative Council Tax Collection* to ensure that enforcement practices do not push households into further difficulty.

Editor: Lawrie Morgan-Klein

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:

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StepChange Debt Charity Scotland