

Scotland in the Red

The impact of problem debt in Scotland

StepChange Debt Charity Scotland is one of the largest providers of free debt advice in Scotland. From our centre in Glasgow we help over 30,000 Scots a year who are struggling with problem debt. Scotland in the Red is our annual look at what life is like for Scots experiencing problem debt. We've analysed client data across every Scottish constituency to get a picture of how our clients were affected in 2018.

Overview

Why is problem debt growing and why must it be a priority for government?

We believe there are nearly 700,000 people in Scotland at risk of or in problem debt.

Problem debt in Scotland today is primarily a symptom of poverty, poor housing conditions, welfare cuts, ill-health and insecure work.

We know that borrowing is increasing, and this can be seen in the increasing proportion of our clients with personal loans.

Who is vulnerable to problem debt?

Just over 60% of our clients are in debt due to circumstances they couldn't have prevented or planned for called 'income shocks'.

These are unexpected life events such as ill-health, reductions in wages, sudden changes to welfare payments or unemployment.

As people use what credit is available to them to bridge the gap, they find themselves falling deeper into debt, with spiralling costs until eventually the situation is unsustainable.

Early signposting to debt advice is crucial to break the cycle of problem debt.

Financial resilience

There was an increase of £62 in the net monthly average income of our clients, from £1,253 in 2017 to £1,315 in 2018.

However, over the last five years the change in the average income remains marginally below inflation, meaning client incomes are down in real terms.

The increases in average arrears of our clients' priority debts such as rent, utilities and Council Tax demonstrate that their financial resilience has decreased.

Key findings

25% of all clients are in debt due to reductions in income or benefits, an increase of 7% since 2017



46% of our clients are in arrears with Council Tax

Scottish clients had an average of **£11,754** unsecured debt



Average rent arrears have increased **18%** to £819

More people are **struggling with their household bills**



The average amount of Council Tax arrears is **£2,017**

Over a quarter of clients who were tenants were **in arrears with their rent**





Council Tax – a growing emergency

The proportion of our clients in arrears with Council Tax, which includes water and sewage, has shot up alarmingly, from 36% of clients in 2014 to 46% of clients in 2018. On average clients have Council Tax arrears of £2,017, a 26% increase since 2014 when the average level of Council Tax arrears was £1,592.

Our data shows that clients in Scotland are significantly more likely to have Council Tax arrears compared to elsewhere in the UK (46% compared to 30%).

We want to see Local Authorities leading the way to address Council Tax arrears; resulting in sustainable arrangements supported by debt advice that give clients a fair chance to repay where possible.



Supporting vulnerable clients

At StepChange Debt Charity Scotland, we consider all our clients to be financially vulnerable. However, a number of our clients also have an additional vulnerability such as physical or mental health conditions.

Our data shows that Scottish clients are more likely to have a vulnerability than clients elsewhere in the UK; 35% of Scottish clients had an additional vulnerability compared to 27% elsewhere.

We have a dedicated team of specialist advisors who provide enhanced support for these clients, working hand in hand with other organisations, such as Macmillan, Samaritans and the RNIB.

Our key recommendations



1. Earlier signposting to free debt advice

We need more signposting to free debt advice, and we need people to be encouraged to seek advice earlier: stigma is still a big problem and organisations working with the public should reiterate that anyone can find themselves in difficulty.

The earlier someone gets debt advice the greater their options may be and the less harm they could experience.



2. Urgent action on Council Tax

We want Local Authorities to work with the advice sector to develop a best practice toolkit to address Council Tax arrears.

We want Local Authorities to consider separating the water and sewage charges from Council Tax bills to make it clearer to everyone what they are paying.



3. Scotland needs a coordinated action plan for addressing debt

The social cost of problem debt in Scotland is around three-quarters of a billion pounds; impacting all public services, individuals, families and communities.

People who are at risk of debt are also vulnerable to public policy choices, therefore a Minister is required to coordinate and develop a high impact action plan to address the crisis that is blighting many lives and businesses across Scotland.

Find out more:

For more information including full data tables by Scottish Parliament Constituency and region please visit our website at www.stepchange.org/scotlandinthered or email our policy team: policy@stepchange.org