

Unavoidable debt

Coronavirus council tax debt

The logo for Citizens Advice, featuring the text "citizens advice" in a dark blue, sans-serif font inside a white speech bubble shape with a small tail pointing downwards and to the left.

**citizens
advice**

Benedict Guindi and
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Over 3.5 million people are behind on council tax bills

Coronavirus has pushed millions into financial hardship

The pandemic and the restrictions put in place to control it, have had a dramatic impact on household finances.

Many people have been made redundant, furloughed, become too ill to work or have taken time off to care for a loved one.

Nearly 1 in 3 households have lost income because of coronavirus, meaning people are struggling to pay bills and are falling into debt.

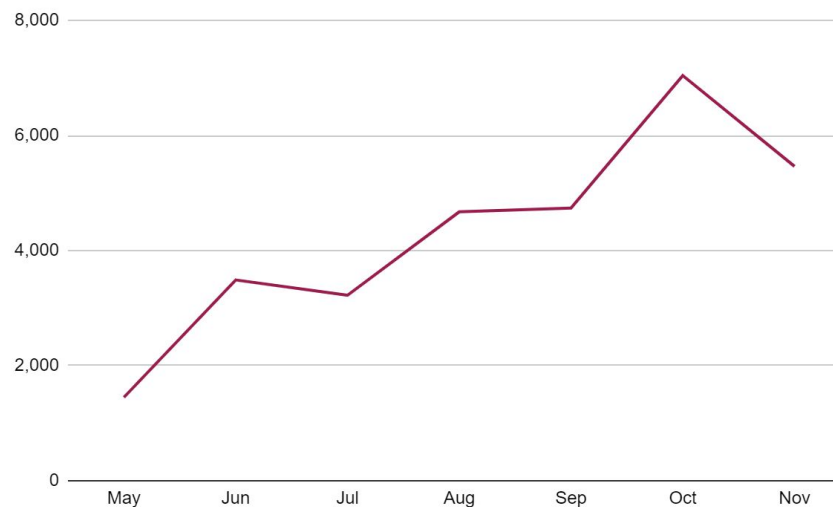
Council tax is one of the bills that people have been struggling with the most.

We estimate that over 3.5 million people are currently behind on council tax.

51% of people currently behind on council tax weren't behind before the pandemic.

Of those who were behind on their council tax bills before the pandemic, 40% have seen their arrears increase since.

Between May and October 2020 the number of views of our online advice pages on council tax arrears more than tripled.



£800

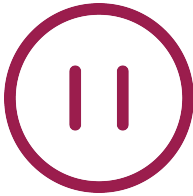
The average value of people's council tax arrears

We estimate the total value of council tax arrears is over

£3 Billion

Some groups have been hit harder than others

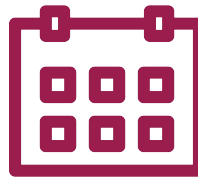
People's employment status impacts their ability to pay their council tax bills



11%
of people who were furloughed



33%
Of people on zero hour contracts



28%
of agency workers



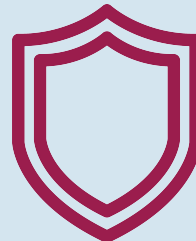
22%
of people who were made redundant during the pandemic

... are behind on their council tax bills



17%

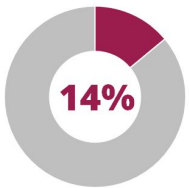
of parents with children aged 5 or under are behind on their council tax bills



20%

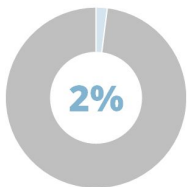
of people who were told to shield are behind on their council tax bills

Age

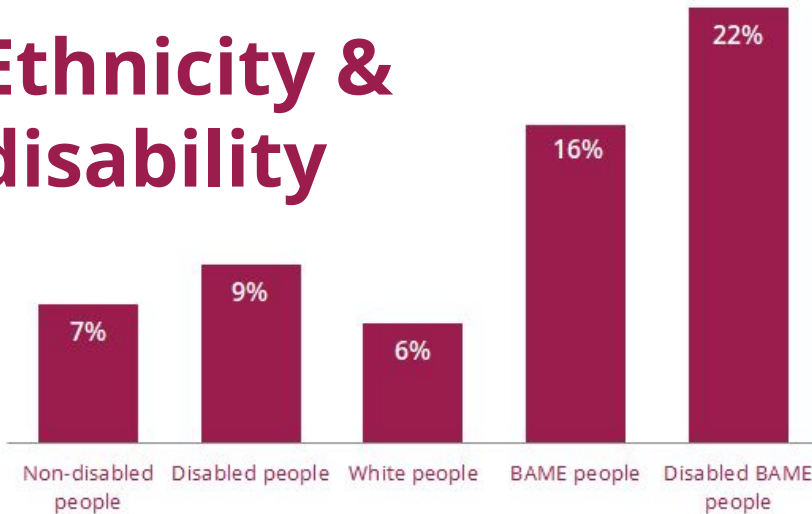


18-29

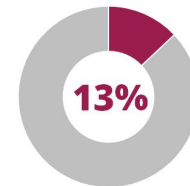
50+



Ethnicity & disability

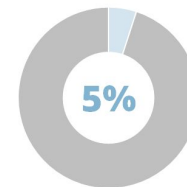


Tenure



Renters

Home owners



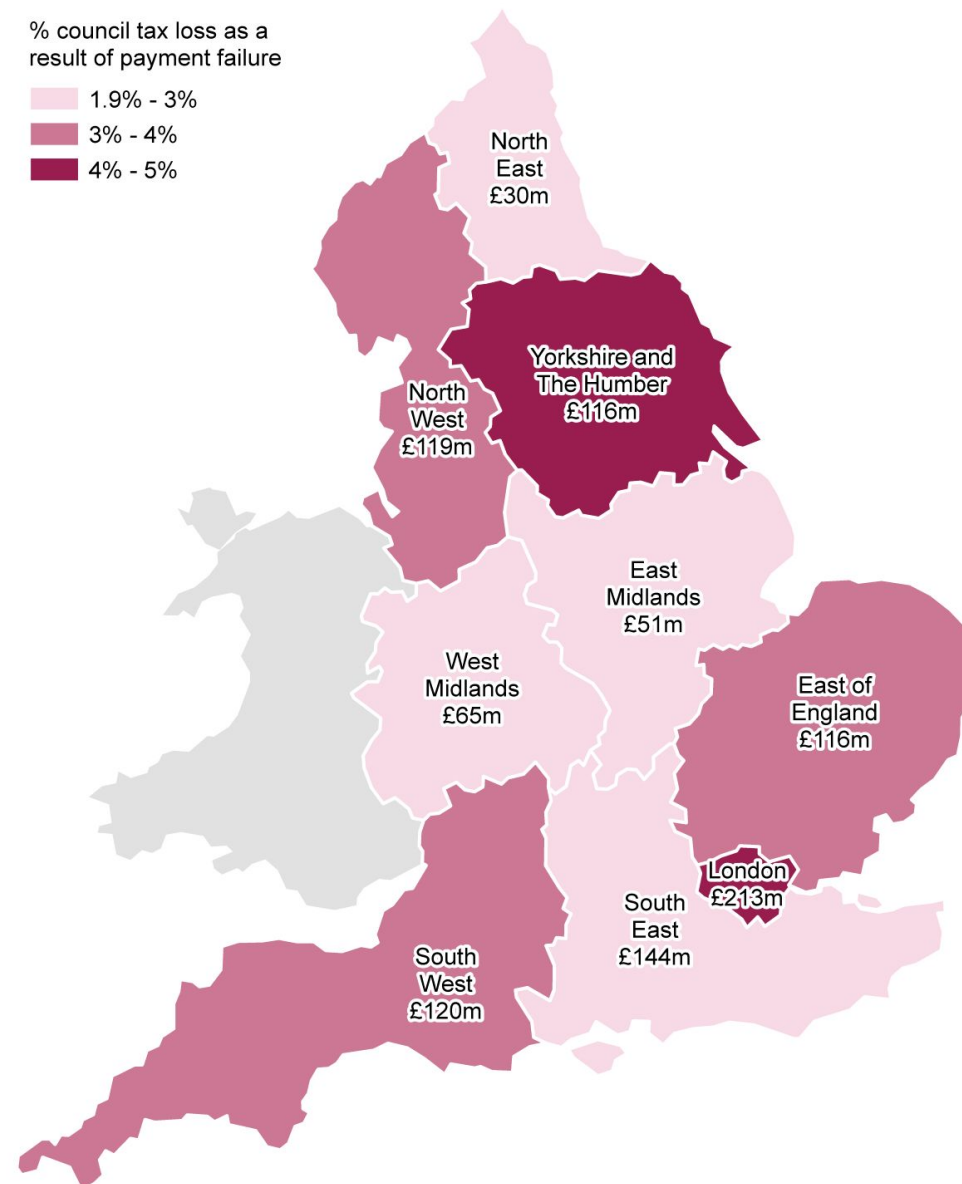
Where are people most behind on council tax bills?

On average, **7% of people in England** are behind on their council tax bills. But the percentage of people with council tax arrears varies by region.

- **8% of people in Yorkshire and the Humber** are behind on their council tax bills.
- **12% of people in London** are behind on their council tax bills.

The heat map of England shows the estimated amount local authorities in different regions have lost due people being unable to pay their council tax bills in 2020.

People are struggling to pay council tax bills in all regions, but people in London and Yorkshire and the Humber have been hit particularly hard.



The consequences of being behind on council tax bills are particularly severe

On average, the people we help with council tax debt have just £20 left after covering essential living costs to pay off debts. 40% have a negative budget, meaning their income doesn't cover their living costs.

6 Years

The time it would take the people we help with council tax debt to repay their arrears using all of their available income after covering their living costs.

People are often forced to make trade offs between repaying their debts and covering essential living costs. During the pandemic, 17% of people with council tax arrears were unable to afford food in comparison to 3% of the total population.

Council tax is one of the household bills with the harshest consequences for non-payment.

Regulations set centrally on how council tax arrears are collected are inflexible and push councils to take unnecessarily aggressive action.

For instance, 2 weeks after missing a payment, people become liable for their entire annual bill. People will then often face court costs and bailiff fees meaning missing a single payment of £167 can escalate to a debt of over £2,065 in just over 2 months.

Councils frequently use bailiffs to collect council tax. In 2018/19 local councils used bailiffs over 1.4 million times. This adds to the stress of being behind on bills and exacerbates mental health problems.

Having to rely on bailiffs to recover debts causes knock-on costs and is often not effective for recovering the money councils are owed.

Sarah's Story

Sarah lives alone with her two children in private rented accommodation. She had already set up a direct debit to pay off her council tax debt, but when payments were paused during lockdown she assumed her debt had been paid off.

In November, at the beginning of the second lockdown, Sarah received a letter from the bailiffs stating that she had to pay £992 immediately or they would return to force entry and seize goods. The Bailiff refused to negotiate a payment plan with Sarah.

Sarah is worried that if the bailiff takes her car she won't be able to work and will fall further into debt.



Council tax arrears have an impact on local councils and the economy

Responding to the pandemic has required extra expenditure from local councils. But with 3.5 million people struggling to pay their council tax bills and council tax support costs of £586 million, councils' revenues have declined.

As a result, councils have forecasted that they will take £1.5 billion less in council tax in 2019/20.

It's in everyone's interests that councils can recover the lost income and continue to provide essential services to their areas. That's why we were pleased to see the government commit to providing £762 million to local authorities to cover 75% of irrecoverable council tax and business rates revenues.

However, council tax arrears don't just have a negative impact on individual households and local councils, they also affect the economy as a whole.

Research from the Bank of England found that **households with higher levels of debt made larger cuts in spending following the 2008 financial crisis.**

The result was an increase in the depth of the recession and a slowing of economic recovery.



During the England wide lockdown in November, **we asked people in arrears how likely they were to cut back spending on a range of goods and service** to keep up with their bills



78% said they're likely to spend less on **eating out**



80% said they're likely to spend less on **entertainment and culture**



75% said they're likely to spend less on clothes and shoes

Recommendations

Helping people recover from coronavirus

The government has committed to providing **£762 million** to local authorities to cover 75% of irrecoverable council tax and business rates revenues.

It's vital for individuals and the wider economy that this funding is also made available to support people who aren't able to pay their council tax arrears.

However, the government's current guidance instructs billing authorities benefiting from the funding to continue collection and enforcement action for outstanding council tax debt in the usual way.

The government should change its guidance to ensure that where councils are able to make up for unrecoverable council tax losses, they write off the debts of households unable to pay those bills.

Councils should prioritise writing off the debts of those who are struggling the most financially, such as those in receipt of Local Council Tax Support and people receiving benefits.

Council tax reform

There were existing problems with the way council tax is collected before the pandemic hit. The way the regulations are designed makes it harder for people with council tax arrears to arrange and make repayments. The Ministry for Housing, Communities and Local Government should use secondary legislation to amend the Council Tax (Administration and Enforcement) regulations to:



Stop people being liable for their entire annual bill if they miss 1 monthly payment.



Make it easier for councils to improve collection by giving them more powers to collect debt in a fair way without getting a liability order first.



Set out more steps councils must take before using the court process. This would ensure that all people in debt are given the option of affordable repayments to get back on track.

Methodology

Citizens Advice commissioned ICM unlimited to conduct a survey of a representative sample of 6,004 adults living in the UK. The survey took place between 12th and 25th November.

The sample has been weighted by age, gender, region, social grade, work status and ethnicity to be representative of the UK adult population.

The 3.5 million in arrears figure is based on 7% of the population being behind on their council tax bills. Then extrapolating this out to the UK adult population of 52.5 million.

The total of more than £3 billion in debt is based on an average debt over £816 for these 3.5 million people. This is an underestimate. Data reported by local authorities to MHCLG show there was £3.5 billion of arrears at the end of 2019/20 - before the pandemic.

This report also contains data and case studies from the Citizens Advice service and website.

All case study names have been changed to preserve anonymity.

External references

- Heat map data: Total predicted council tax collections based on [council tax receipts live table](#) 2019. Total council tax collections per region were divided by total losses as a result of payment failure per region and then multiplied by 100 to give a % figure.
- Councils have forecasted that they will take £1.5 billion less in council tax in 2019/20: based on information reported in [IFS - council funding and covid - what's the medium term outlook?](#)
- Research from the Bank of England found that **households with higher levels of debt made larger cuts in spending following the 2008 financial crisis**: based on [Bank of England, 2015, 'Household debt and spending'](#).

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Whoever you are.

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We're here for everyone.



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