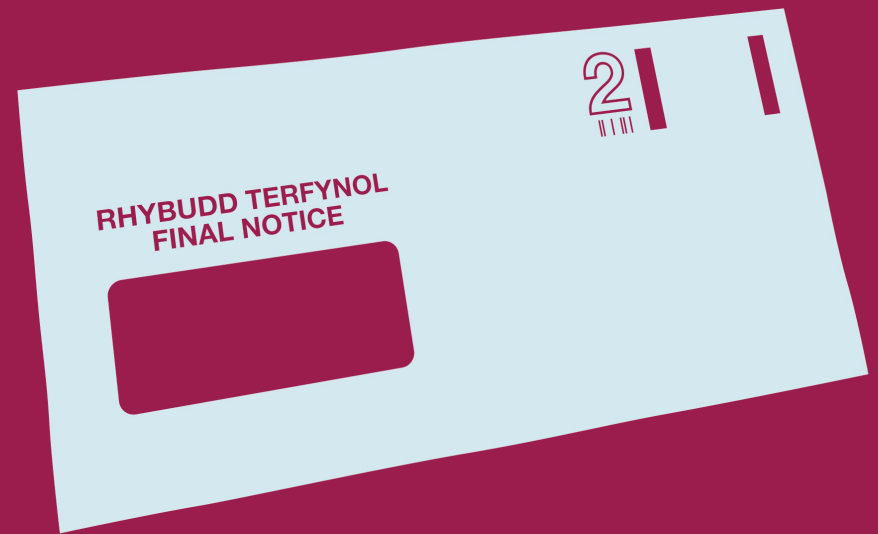


Coronavirus debts

Estimating the size of
lockdown arrears in Wales



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Gwen Hardy

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Summary

The problem

Household finances in Wales have been hit hard by coronavirus. Many people have lost jobs or seen their incomes reduced, leaving them struggling to keep up with day to day costs.

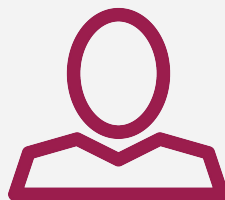
We estimate that **£73 million** in arrears on household bills like rent, energy or council tax has built up since the outbreak began.

Over **280,000 people** in Wales report they have fallen behind on payments. People whose work has been affected by coronavirus, households with children and people with disabilities are most likely to have fallen behind.

The impact

While the crisis has undoubtedly led many to accrue new debts, it has also exacerbated problems for people who were already struggling financially. **A third (34%) of people with household bill debts have been unable to afford food or other basic necessities** in the period since the outbreak began.

An estimated **£73,000,000** in debt since the start of the pandemic



An estimated **280,000 people** in Wales have accrued debt since the start of the pandemic

The solution

Although many of the mechanisms to directly support people in arrears on household bills are outside of its control, **the Welsh Government must take steps to minimise the harm caused by long-term debt.**

It should:

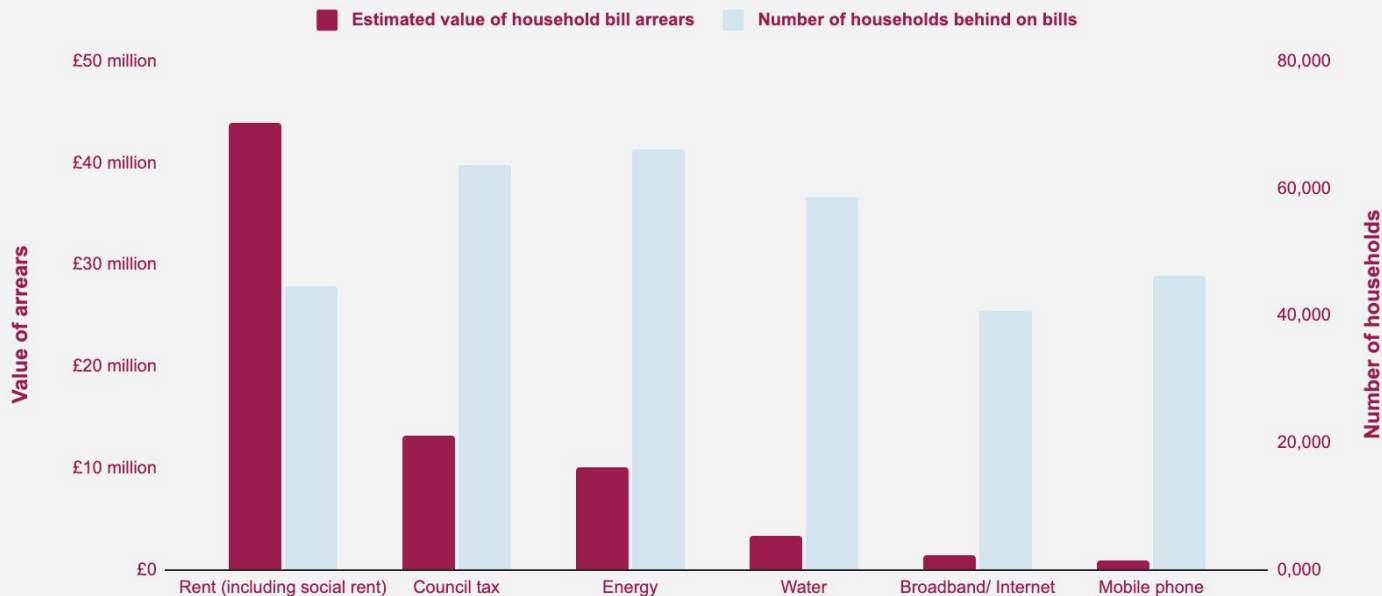
- Pause face to face bailiff visits during the Christmas period and any future 'firebreaks'
- Ensure council tax collection practices don't push people further into debt
- Work with utility companies to improve their identification of households in need and raise awareness of available support
- Maintain the funding increase for the Discretionary Assistance Fund into the next financial year

We estimate that £73 million in household bill arrears has been built up by people in Wales during the coronavirus crisis

Our research finds that since the start of the pandemic, households in Wales are **most likely to have fallen behind on their energy bills and council tax payments.**

As well as the number of people facing debt, the size of this debt matters, for both households and the economy. Not only does household bill debt leave people vulnerable to the short term consequences of missing payments, such as intimidating collection practices and having services cut-off. The long term economic impact of households in debt having less disposable income, is also likely to be ongoing and harmful on a wider scale.

The largest sources of debt during this crisis have been rent arrears and council tax.



66,000 households have fallen behind on **energy bills**



64,000 households have fallen behind on **council tax bills**



An estimated total of **£44,000,000** exists in **rent arrears**



We estimate that people are behind by at least **£13,300,000** on **council tax**

Some groups are more likely to have fallen behind on bills

1 in 9 people have fallen behind on household bills since the start of the pandemic.

However, some groups of people have been disproportionately impacted by the pandemic.

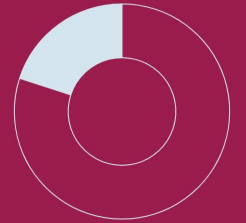
Our research shows that families with children, people who are unemployed or have seen a negative impact of the crisis on their work, and those with a disability or long term health condition are more likely to have fallen behind on household bills.

People with a disability are **three times more likely** to face debt than someone without a disability. Families with 3 or more children are also more likely to be facing debt as a result of the crisis.

Though many factors may contribute to this, we know the economic impacts of the pandemic have not been felt equally across society. The Citizens Advice report [An Unequal Crisis](#) found that, across the UK, those with caring responsibilities were three times more likely to face redundancy. 1 in 4 people disabled people have faced redundancy, compared to 1 in 6 of the overall population.

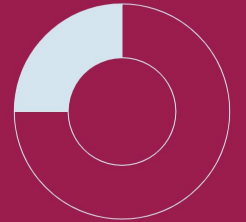
1 in 5

people with a disability

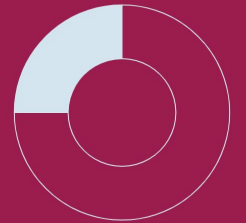


1 in 4

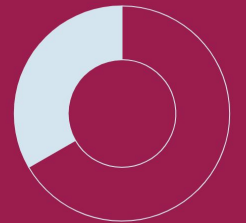
people who have experienced a negative change in their work as a result of coronavirus



1 in 4 of those with 3+ children



1 in 3 people who are unemployed



Coronavirus has pushed some families into debt for the first time

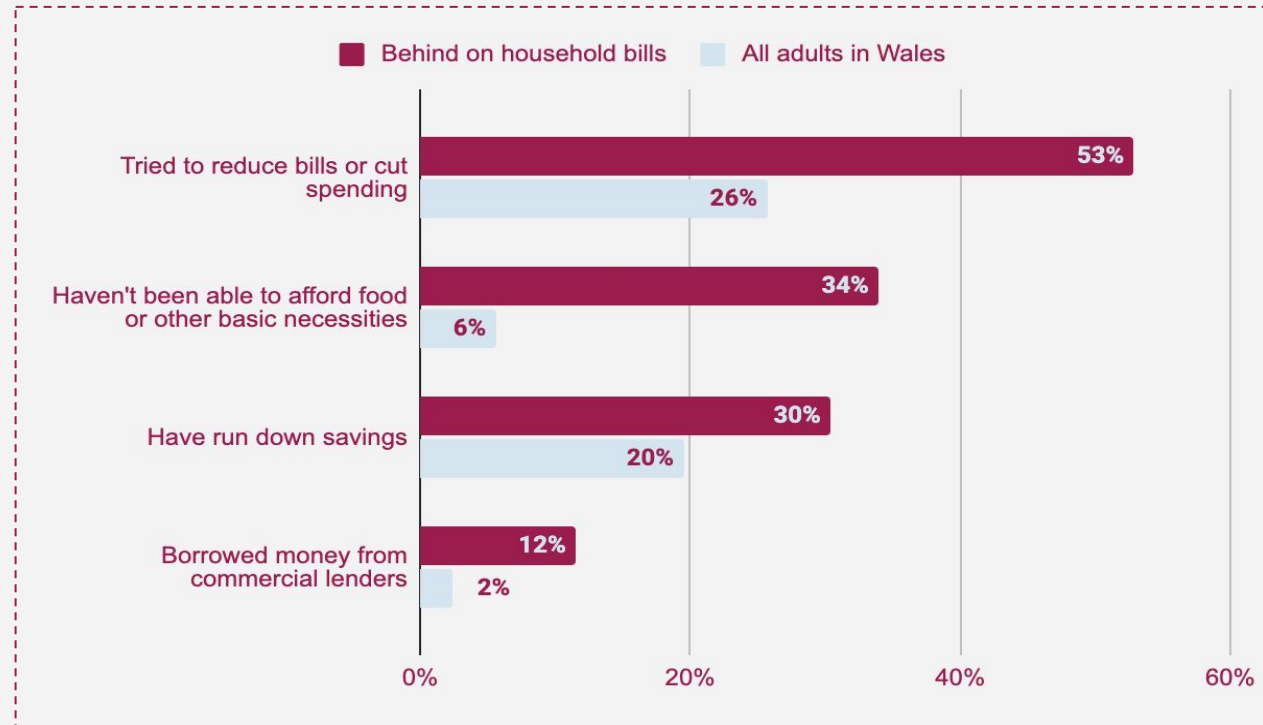
We estimate **around £35.5 million** in household bill arrears has been built up as a direct result of the crisis.

Whilst households in Wales are taking steps to adapt to financial challenges, some actions - such as using savings or borrowing from commercial lenders - could make them less financially resilient in the long term.

If people aren't able to repay debt built up due to coronavirus they may face a long period of time where they are financially insecure or in problem debt.

High levels of debt will also reduce consumer spending and could dampen the economic recovery — every pound spent on debt repayments is a pound not spent consuming goods and services.

Financial behaviours in Wales since the outbreak



Elin's story

Elin is self-employed and her business has been severely affected by the coronavirus pandemic. Her income is currently much lower than it was and varies a lot from month to month. As a result of this, she had fallen behind on her rent and council tax payments.

Elin's landlord was aware of her situation and had decided not to take any action for the moment, but she had been issued with a liability order for her council tax arrears. This meant she was at risk of incurring extra fees and her debt could be passed to a bailiff. Her Citizens Advice adviser helped her to contact her creditors to try and arrange a payment schedule and discussed long-term options for managing her debts.

For others, the crisis has exacerbated existing financial problems

Some households have faced extra costs as a result of spending more time at home or being unable to rely on support from friends or family during lockdown.

Others have found it difficult to access support they might usually rely on, either because they prefer face to face services or struggle to get online.

Many of those who have fallen behind on their bills are facing severe hardship. A third (34%) of people with household bill debts reported that they have been unable to afford food or other basic necessities in the period since the outbreak began.



1 in 3 have been unable to afford food or pay for other basics

Aileen's story

Aileen has a severe mental health condition and was referred to Citizens Advice for help with her debts. Whilst she had been struggling financially since the previous year, her situation had worsened during the lockdown and she was finding it difficult to support herself and her children. She was having money deducted from her Universal Credit payments and had been hit by the 'two child limit' which meant she was receiving a lower amount of support for youngest child.

Aileen wasn't aware she had to apply for the Council Tax Reduction Scheme separately from Universal Credit, and this meant she had accrued arrears on top of what she already owed. She also had water and fuel debts, and had fallen behind on her rent. Her adviser helped her to arrange payment plans for her utilities and access vouchers for food and fuel.

Recommendations

The Welsh Government must take steps to minimise the harm caused by long-term debt. It should:

1. **Pause face-to-face bailiff visits during the Christmas period and put similar measures in place during any future 'firebreaks'.** This would minimise the risk to people's health and ensure that people struggling as a result of the crisis do not face enforcement action in their homes at a time when their work and access to support is still restricted.
2. **Ensure council tax collection practices don't push people further into debt.** Regulations governing enforcement mean that people can be charged their full annual bill if they miss one payment. Councils have limited powers to recover debt without getting a court order, which can add fees of up to £70. Use of bailiffs to collect arrears can also result in additional fees, and puts more pressure on people in vulnerable circumstances. Whilst the Council Tax Protocol for Wales is a welcome move towards making the collections process fairer, it is not statutory for Local Authorities.
3. **Work with utility companies to improve their identification of households in need and raise awareness of available support.** With more people working and spending more time at home, many

families are having to spend more on energy and other utilities. At a time when incomes are already squeezed, it is crucial that the Welsh Government takes steps to ensure that consumers who are struggling with bills can access the support available in Wales.

4. **Maintain the funding increase for the Discretionary Assistance Fund into the next financial year.** Whilst it is difficult to predict the direction the pandemic will take or what public health restrictions will be needed over the coming year, it is clear that the economic impacts of the crisis will continue to affect families in Wales. Maintaining additional funding for emergency grants will ensure that the fund can meet demand amongst people in severe financial difficulty throughout the challenging year ahead.



Methodology

Online survey

Between 22nd October and 2nd November 2020, we commissioned a YouGov survey of 2,086 adults in Wales, to find out how coronavirus was impacting people's finances. Fieldwork was undertaken between 22nd October - 2nd November 2020. The survey was carried out online. The figures have been weighted and are representative of all Welsh adults (aged 18+). The survey asked all respondents if they had been unable to pay any of their bills during the pandemic. From this, we were able to estimate the number of adults in Wales who had fallen behind on one or more household bills since the start of the pandemic.

Estimating the value of debts

To estimate the value of debts in Wales we first approximated the number of people behind on bills during this period, using our polling sample. To do this we used the Office for National Statistics (ONS) 2019 mid-year population estimate for Wales, then calculated the number of people who had fallen behind on bills based on the responses in the polling.¹

From here, we estimated the number of households that had fallen behind on bills, based on the earlier population figure, to account for any overlap of bill payment. We calculated the average number of people per household in Wales by dividing the ONS estimate of households in Wales (1,368,708) by the adult population estimate (2,589,044). This gave us a result of one 0.53 households for every one person.

To create a conservative estimate of the average debt held by each household, we first used ONS expenditure information for Wales and official provider information online to source the average monthly bill for each of the services we are researching. We were able to find average household expenditure data for Wales from the Office for National Statistics, including the average spent on water, energy and telecoms bills,² alongside Homelet data on rent,³ Ofcom data on mobile phone bills,⁴ and the average Band D Council Tax rate in Wales as cited by the Welsh Government Statistical First release on council tax levels in Wales.⁵

As there is no specific public data on the average amount that people fall behind their bills, we were able to make a conservative estimate to value the amount of lockdown arrears for each sector. To do this we made an assumption that people have missed half their bill for three months. By doing this we could take into account that some people in debt may have been able to pay some of their bill, but not all.

To calculate the lockdown arrears estimate for each sector, we multiplied the number of households that our survey told us were behind on their bills, with our conservative debt estimate. From here, we were able to estimate the total amount faced in lockdown debt.

Example calculation: Rent

Calculation	Value
% of Welsh adults behind on rent payments since the start of the pandemic	3.26%
Population behind on bill estimate	84,402.83
No. of households behind on bills	44,619.83
Average monthly rent bill in Wales	£657
50% of average monthly bill	£328.50
50% of average bill for 3 months	£985.50
Value of arrears if each household behind missed 50% of bill for 3 months	£43,972,892.53

¹ Estimated using the [2019 Mid-year population estimates released by the Office for National Statistics \(ONS\)](#)

² Office for National Statistics, [Dataset Family spending workbook 3: expenditure by region, \(March 2020\)](#)

³ Homelet, [Average Rents in Wales | Average Rental Prices 2019, \(October 2020\)](#)

⁴ Ofcom, [Pricing trends for communications services in the UK, \(January 2020\)](#)

⁵ Statistical First Release, [Council Tax Levels in Wales: 2020-21](#)

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