



Citizens Advice Cymru Submission: Equalities and Social Justice Committee Debt and Cost of Living Inquiry

January 2023

Introduction

Citizens Advice in Wales is a network of 19 local offices, all individual charities, offering free, confidential advice online, over the phone and in person.

In 2022, local Citizens Advice offices across Wales helped 26,680 people with debt related issues. The most common types of debt being council tax arrears (23%), energy debt (21%), and rent arrears (18%).

As demonstrated during the pandemic, the impact changes in society have on people's lives is often directly reflected in our service. Over the last year Citizens Advice has experienced unwelcome, record-breaking demand for our services as people try and cope with the cost-of-living crisis. With food costs rising at an alarming rate and energy bills now double what they were a year ago, many people are fearful of what the next few months will bring. People struggling the most are not just having to choose whether to eat or heat their homes, many can't afford to do either.

Over the last year the number of people seeking help on energy debts has risen substantially. Since the summer it's overtaken council tax arrears to become our biggest debt-related issue. During 2022, we've also helped more people than ever access crisis support. This includes supporting nearly 18,000 people to access food bank vouchers, more than double the number in 2021.

Further insights on how the cost-of-living crisis is affecting people in Wales can be found in our latest [Wales Cost-of-living Dashboard](#).

Questions

The priorities that need to be reflected in the Welsh Government's Draft Budget 2023-24 relating to the rising cost of living, including preventing and relieving debt

We strongly welcome the Welsh Government's efforts to provide specific crisis support for households in Wales to help mitigate the impact of the rising cost of living.

Maintaining the additional flexibilities for the Discretionary Assistance Fund (DAF) until the end of March 2023, the expansion of the current Wales Fuel Support Scheme (WFSS)

to more eligible households, and the funding for 'warm hubs' have all helped to provide vital support to many people when they need it the most.

We are however concerned about reduced support in Wales over the next financial year at a time of continued cost of living pressures. The Welsh Government has confirmed it has not budgeted for another round of the Wales Fuel Support Scheme in 2023-24. This additional money has undoubtedly helped keep some low income households out of crisis this year. Our evidence points to a widening gap in household budgets from April for those groups eligible for the WFSS - please see further details in our response to Question 2.

Preventing low income households from falling into unsustainable debt and crisis must be a government priority. The continued boost to DAF funding during 2023-24 is very welcome but this is support to help people with short term, emergency needs. While such emergency support is vital now, what's really called for is a proactive solution to get us out of the cycle of reactive crisis support.

Our recent [research](#) highlights the scale of the challenge in Wales, but also how increasing energy efficiency measures such as insulation will not only help keep homes warmer whilst using less energy to do so, but will also help prepare homes for the transition to low carbon heat.

Further investment in preventative measures, such as improved energy efficiency, should help to keep people from falling deeper into debt and hardship in the first place. In the absence of action on home energy efficiency at scale and at pace, it remains to be seen how the Welsh Government will invest in such prevention in its 2023-24 Budget.

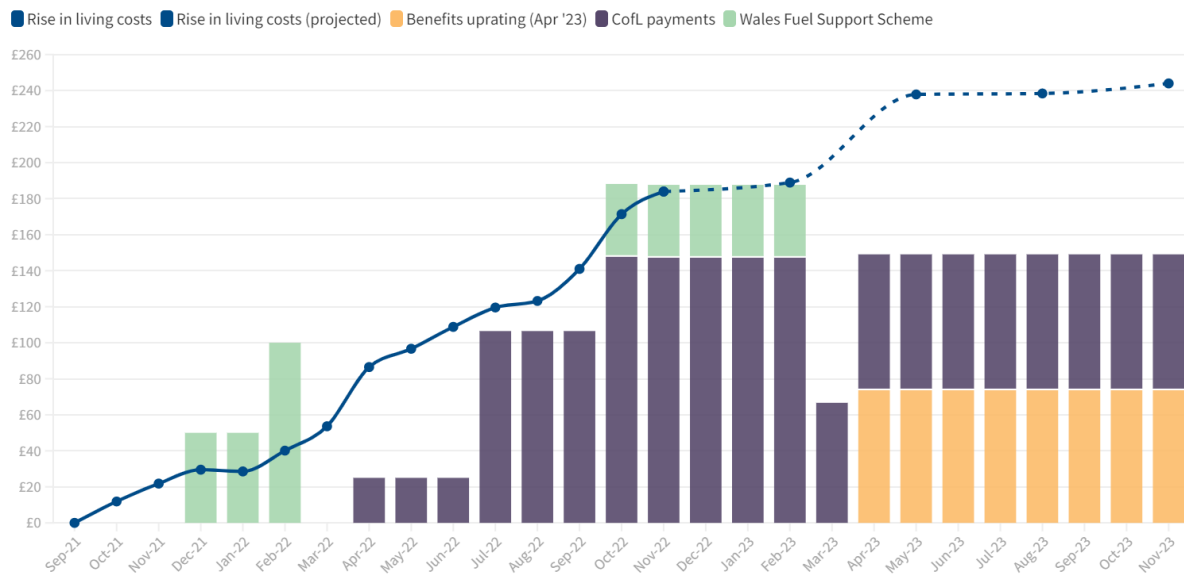
How effective Welsh and UK government support has been in supporting those most in need with cost of living pressures, and in preventing and managing debt

UK and Welsh government support, such as the Cost-of-Living Payments, the Energy Bill Support Scheme (EBSS) and the Wales Fuel Support Scheme (WFSS), has provided essential support to households in Wales over the last year. Uprating benefits in line with inflation from April is also a welcome and essential step in supporting low income households through the cost-of-living crisis.

Recent modelling by Citizens Advice¹, shown in Figure 1 below, demonstrates that in theory this support should have helped some people weather the storm, particularly over this winter. The difference the Wales Fuel Support Scheme has potentially made is also evident.

¹ Further details of the methodology can be found on slide 3 of our [Wales Cost-of-living Dashboard](#)

Figure 1: How support matches up with rising living costs



Our client data appears to reflect this theory. In recent months, when the latest cost-of-living support packages have been paid or implemented, we have seen corresponding decreases in people seeking crisis support and help with debt issues. Comparing October to November: food bank support was down 12%, energy debt advice down 17%, rent arrears advice down 15% and advice on council tax arrears down 7%. While there is likely to be a number of reasons for this, we saw similar dips in the summer immediately after people received cost-of-living payments, particularly in relation to demand for crisis support. However, this impact was only temporary and worrying trends soon returned. We will be monitoring the situation over the coming weeks to see if a similar pattern emerges.

Our modelling also shows that in spite of government intervention there have still been gaps in support during times when prices have continued to rise. This has potentially left many low income households, and other households struggling financially, at increased risk of falling into debt or deeper into debt. Even with the uprating of benefits we are particularly concerned about the potential ‘cliff edge’ from April this year when living costs are predicted to keep increasing and some existing support interventions are due to end.

This crisis is likely to continue for many months to come. While we fully understand the intense pressures the Welsh Government budget is under we are very concerned to learn there are currently no plans to continue with the WFSS next autumn/winter, with no apparent plans for additional crisis prevention.

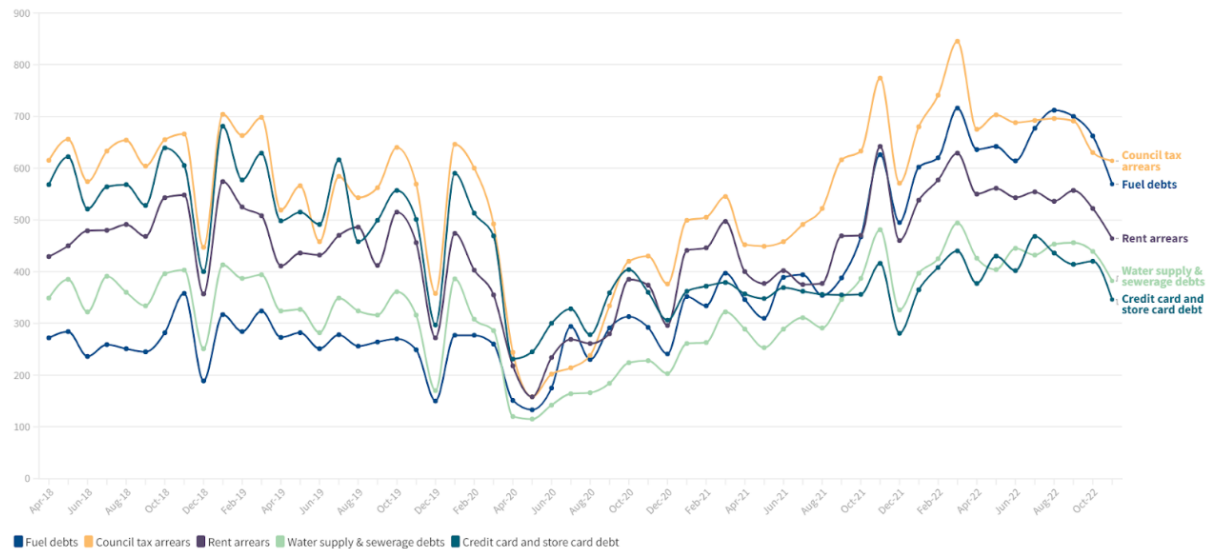
As referred to previously, the continued boost to DAF funding is very welcome, but uncertainty remains whether the current flexibilities will continue beyond March. Our

advisers are also reporting numerous cases where people in extreme financial hardship have been unable to access an Emergency Assistance Payment (EAP) as they have reached the annual limit for applications. We believe access to EAPs should be based on need, helping to alleviate severe hardship whatever people's circumstances.

The impact of inflation and cost of living pressures on take-up of debt advice services, and the implications for future demand and Welsh Government policy

Along with other debt advice charities the number of people who sought our help on debt issues dropped to a low point during the initial months of the pandemic, when various Covid-linked protections were in place and our services adapted to remote provision (online/over the telephone). However, since October 2021, as many of these protections came to an end (including the removal of the weekly £20 uplift to Universal Credit and Working Tax Credit), and when energy prices first started to rise substantially, we have seen a surge in people seeking support with debt issues, as shown in Figure 2 below. After peaking in March 2022 - when we helped more people in one month than at any time in at least 5 years - numbers seeking help on debt have largely plateaued or decreased but they remain high.

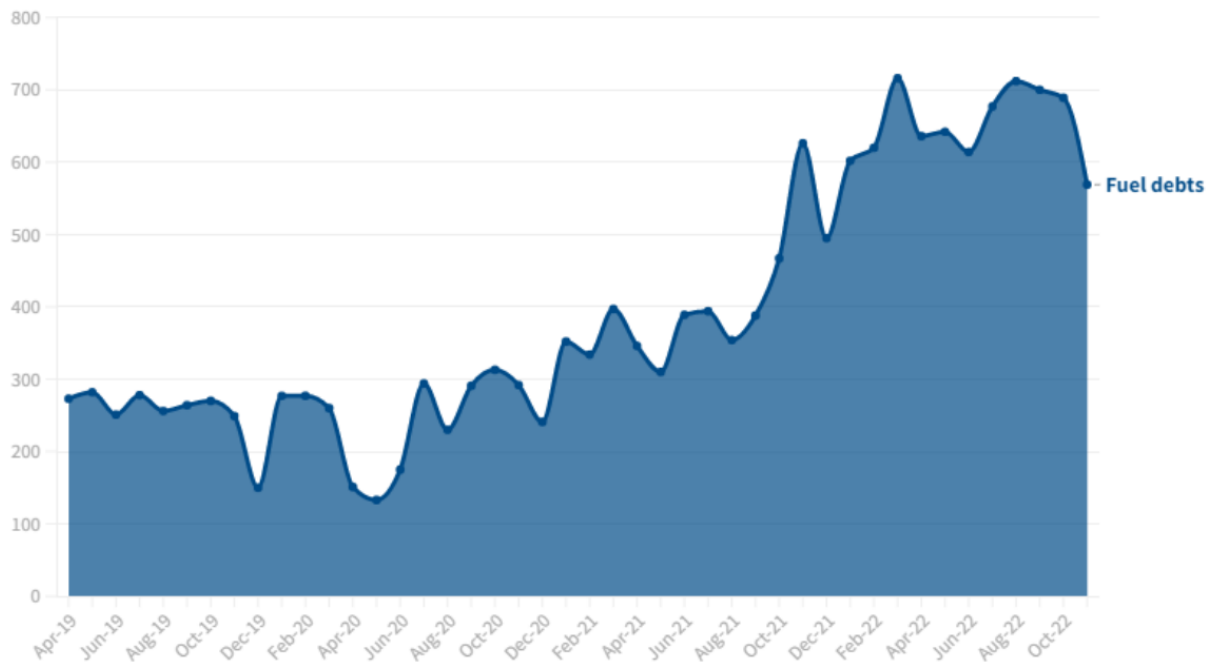
Figure 2: Number of people we've helped with debt advice (Wales)



Currently, the sharp increase in people seeking debt advice over the last year isn't being driven by more people borrowing and struggling to service consumer credit, but rather because more and more people are falling into arrears on essential household bills such as council tax, energy, and rent. Put simply, many people just haven't got enough income coming in to cover their ever-increasing essential living costs.

Unsurprisingly, the number of people we've helped with energy debts towards the end of 2021 and during 2022 has been substantially higher than previous years - see Figure 3 below. Even in the summer we continued to help record numbers. The amount of energy debt that people in Wales have has also increased by 38% compared to pre-pandemic. Last summer (the latest period for which data is available), households we helped with energy debt owed, on average, £1,433 to their energy supplier(s).

Figure 3: Number of people we've helped with advice on energy debt (Wales)



Council tax debt also continues to be one of the most common types of debt for which people seek our help. In spite of a number of Welsh Government interventions to improve council tax collections during the last Senedd term, our client evidence and recent qualitative [research](#) highlights how, rather than helping people get back on track with their bills, outdated regulations governing council tax debt collection, alongside budget pressures that drive in-year collections, mean many people face recovery methods that can worsen debt problems and exacerbate financial insecurity.

Most worryingly, almost half of our debt clients (48%)² are currently living on a negative budget, up from 36% in early 2019. This occurs when someone in debt has £0 or less after paying housing and other recurring bills, meaning there is no money left to make debt repayments. People are often left with no other option but to go without essentials. For example, cutting back on spending for food and utilities.

² Based on calculations for the period up to end of September 2022 (Wales only)

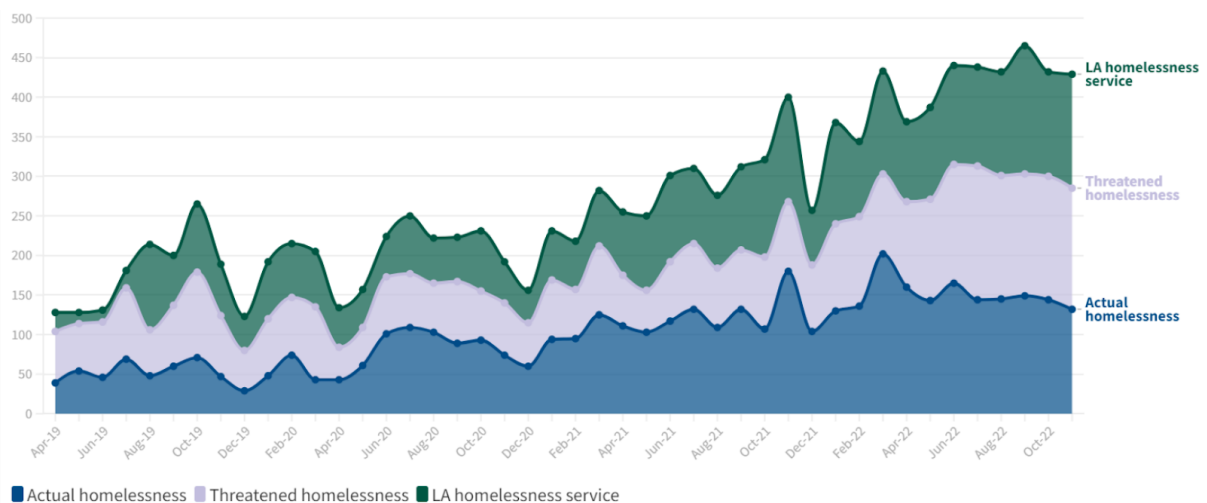
Our [data analysis](#) for England and Wales³ shows groups particularly affected include the unemployed, private sector tenants, disabled people, and those with long-term health conditions. But it's not just those reliant on benefits facing this situation. Increasing numbers of debt clients living on a negative budget are working, with significant rises amongst people who are self-employed (up over 20% since early 2019).

This makes it incredibly challenging for debt advisers as the usual tools and options for supporting people with problem debt are no longer viable. It also means people in this situation are even more vulnerable to severe hardship, threats of disconnection and eviction and deteriorating physical and mental health.

Recent feedback from our debt advisers is that individual client cases are becoming much more complex and as a result, more time consuming and resource intensive.

Another worrying trend is the increasing number of clients seeking help on homelessness issues.

Figure 4: Number of people we've helped with homelessness issues (Wales)



How different groups are experiencing cost of living pressures, and how this is impacting debt issues. How effectively are policy interventions addressing these challenges, and what changes may be needed to meet the needs of particular groups

We are seeing disproportionate demand for advice relating to cost-of-living issues from some groups. Amongst our client base certain groups are overrepresented, compared to the proportion in the population as a whole. For example, over half of all our clients report having a disability or long-term health condition (LTHC). However, even allowing

³ Based on calculations for the period up to end of March 2022 (England and Wales)

for this we're seeing groups such as single adult households (which includes single parents) and people reporting a disability or LTHC making up a higher proportion of the people who seek our help on essential bill debts and food bank/crisis support.

Our data also shows that this is a newer trend for some types of advice. For example, in 2019 only 38% of council tax arrears clients were disabled or had a LTHC, compared to 56% during 2022.

We'll be looking into our client profile data a lot more over the coming months to explore where people may be experiencing intersecting inequalities.

In addition, we are particularly concerned about the situation facing many Prepayment Meter (PPM) users. Bucking other very recent advice trends, in November we saw a record number of people seeking our help because they were unable to top up their PPM (up 15% compared to October), leaving them at risk of self-disconnection and going without energy to meet their essential needs.

In a recently commissioned survey of PPM users in Wales⁴ over 70% are worried about keeping their PPM topped up until April; while 59% of those who had been temporarily disconnected from their energy supplier during the last year because they ran out of credit, said the main reason for this was due to affordability issues.

With increasing numbers seeking our help we are worried some PPM users, especially those using traditional PPMs, may be struggling to access, or have low awareness of, available support from energy suppliers under the EBSS and elsewhere. We welcome the additional funding Welsh Government has given to the Fuel Bank Foundation to enable them to provide additional support to people in Wales who prepay for their energy or live off-grid. Between March 2022 (when we started recording) and the end of the year local Citizens Advice issued fuel vouchers to over 5,000 people in Wales to enable them to top-up their PPM, including 1,300 in December alone.

Worryingly during 2022 we have also seen three times as many people who have been moved onto a PPM (including having their smart meter switched to prepay mode) as a result of falling behind on energy bills, compared to 2019. In our recent survey⁵ 8% of respondents in Wales who don't use a PPM but do have a smart meter have been contacted by their energy supplier during the last year to say that as a result of debt on their account they will be switching their smart meter from credit to prepay mode.

⁴ Survey data based on a representative poll of 4,384 adults (18+) in the UK conducted by Yonder Data Solutions for Citizens Advice, with a boosted sample for Wales (724 adults). Fieldwork was conducted between 6th and 15th December 2022.

⁵ Ibid 4

Recommendations

Cost-of-living support packages, while needed and very welcome, are a 'sticking plaster' for a much bigger issue, namely that hundreds of thousands of people across Wales currently don't have enough money coming in to live on, compensating for an inadequate social security system, low wages and increasingly unaffordable essential services and household bills.

All of these issues need to be addressed in the medium to long term. We recognise that not all are within the powers of the Welsh Government. In the interim, **our key recommendations to this inquiry focus on areas where we believe the Welsh Government could and should act, as a minimum, over the coming months.**

To protect people in Wales who are most in need from the devastating impacts of this generational cost-of-living crisis we urge the Welsh Government to:

1. **Extend the current flexibilities within the DAF for another financial year and also expand eligibility** so that **everyone** in crisis is able to access a higher number of Emergency Assistance Payments, and to apply more frequently, not just those who meet certain criteria.
2. **Commit to uprating all Welsh Government funded benefits and entitlements in line with inflation** from April, including DAF payments.
3. **Work with local authorities and other housing providers to pause the use of enforcement action and evictions**, at least for the next 6 months, as they did during the early stages of the pandemic.
4. **Commit to a medium and long term plan** that demonstrates how it will reduce the need for food banks and warm hubs, and get people into warm homes.
5. **Ensure insulation and other fabric improvements become the cornerstone of the next iteration of the Warm Homes Programme** and that the scheme utilises all funding sources to maximise benefit to eligible households. If implementation of the new programme is delayed Welsh Government should take action to ensure that insulating measures are able to happen at the same time as boiler replacements.