



Sedgemoor

# A PRELIMINARY ANALYSIS OF PROBLEM DEBT IN SEDGEMOOR

As at September 2020

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# Citizens Advice Sedgemoor

*Citizens Advice Sedgemoor is a registered charity (formerly Sedgemoor Citizens Advice Bureau). It is part of a Citizens Advice service which operates at 2700 locations in England and Wales to provide advice that is free, confidential, independent and impartial.*

*The service helped 2.7 million people face to face, over the phone, by email and web chat in 2016-17 with the help of 23,000 volunteers. There were 43 million visits to our online advice pages. Debt is one of the three top issues that we deal with, and Council Tax Debt is by far the main category of Debt.*

*Twin aims of the service are:*

- To provide advice people need for the problems they face*
- To improve the policies and practices that affect people's lives.*

*Each local Citizens Advice is an independent charity, giving advice on a wide range of issues including debt, benefits, consumer and employment.*

*Citizens Advice Sedgemoor consists of 12 paid staff and about 35 volunteers.*

*This report will be available online, with our other reports at <http://sedgemoorcab.org.uk/research-campaigns/>.*

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## Foreword

This is a hastily compiled report, driven by Her Majesty's Government consultation on Debt Collection Management.

We are in a strong position to report – we expect to see more than 3500 people a year on almost 10000 issues. Debt is one of the main kinds of advice that people seek (16.14% of our work); and Council Tax Debt is the main kind of Debt (15.53% of Debt – roughly 50% more than the next category) .

The Appendices to this document contain the best data that is available to us and some statistical analysis. Appendix A is a spreadsheet showing Key Statistics for CA Sedgemoor, comparing the year to September 2020 with the year to September 2019; Appendix C is a spreadsheet showing some analysis of that data<sup>1</sup>. This is our own data acquired via CA proprietary systems Casebook and Tableau.

This study is considerably complicated by the implications of the Covid-19 Pandemic. This has had the effect of reducing the numbers of our clients; and it has changed the picture dramatically. Examples include the fact that people's incomes are reduced, but evictions are forbidden and Universal Credit and Housing Benefits have increased.

The client data is our own. As are the Conclusions and Recommendations.

We derive authority for the procedural statements from CA Advisernet and <https://www.gov.uk/guidance/universal-credit-debt-and-deductions-that-can-be-taken-from-payments#:~:text=How%20much%20can%20be%20taken,claimant's%20Universal%20Credit%20standard%20allowance>

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<sup>1</sup> Supporting data (depersonalised) is that of CA Sedgemoor and is available on request.

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## Explaining Debt

In modern Britain, some sort of Debt is taken for granted.

It is a major part of the way our economy works. Total household Debt in Great Britain was £1.28 Trillion in April 2016 to March 2018<sup>2</sup>. Most of this (91%) was property Debt. The least wealthy half of the population held 36% of total household Debt. 4% of households were identified as having Problem Debt: 66% of the households in Problem Debt were renting property, and 6% had a household head who was unemployed (compares with 1% of the whole population).

Debt becomes a problem when we are unable to maintain the agreed repayments.

The more prosperous apply to a bank (or other institution) borrow hundreds of thousands of pounds to buy a home – as much as nine tenths of the value. They expect repayments to take a sixth of their income for 25 years or perhaps more.

In Quarter 2 2020, residential mortgages in the UK amounted to £1513.3 Billion (3.2% higher than the previous year)<sup>3</sup>. Outstanding balances increased by 2.8% to £14.1 Billion.

The prosperous also routinely apply to a bank (or other institution) borrow tens of thousands of pounds to buy a car. They expect repayments to take hundreds of pounds every month for two years or more.

Ideally they understand the fact that they will repay more than they borrowed – with interest and other charges.

Even the less prosperous routinely obtain mobile ‘phones “on contract” by which make an application, and pay say £50 - a month for the object and the services they need to use it, for perhaps two years.

They may also buy household items such as televisions, kitchen equipment and furniture by applying for credit and repaying its value over two years or more.

Many households apply for loans or credit cards.

A loan usually has a fixed term and a fixed amount.

A credit card is a flexible form of debt with a maximum loan and no fixed end date: the holder can use the card to obtain goods and services freely until the maximum amount is reached. For those who are unable to visualise the debt and the repayment at the moment of purchasing, these can be a nightmare. For those who use them to pay for goods and services – and repay the total amount every month, they can be a useful – and free – tool for managing

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<sup>2</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/debt>

<sup>3</sup> <https://www.fca.org.uk/data/mortgage-lending-statistics>

their finances. For those who “max out” their cards and then look to acquire another, they quickly become an expensive problem.

Most households are routinely granted credit without anyone thinking much about them – they take services, such as gas, electricity, telephone lines and water, and they pay for them monthly, in arrears. Never thinking of them as debts.

An important point in these routine transactions is that the borrower understands that he/she will make repayments over a long period of time. Some people fail to understand that properly, enjoy the new item and overlook the repayments.

In many cases, the borrower makes a formal application, and the lender considers the circumstances of the borrower: assesses how they are able to repay – how likely they are to repay in full. Obvious examples are bank loans and credit cards.

This often applies to a Landlord allowing a tenant to occupy a home and pay rent. Typically the tenant will pay a deposit (at least one month’s rent) and some charges for administration before taking occupancy. They typically agree to occupy the home for six months to begin with – and to pay six months’ rent. After the first six months, the tenancy is taken to be on a monthly contract basis.<sup>4</sup>

But when they take services, such as the utilities, this formal process does not take place.

Some loans are informal – with one friend or family member lending money to another. Or rogue lenders.

Another kind of loan is fortunately less common than a decade ago: “payday loans” were short term loans, with huge rates of interest and fees. Applications were quick and easy; repayments were not, and implied very high rates of interest. They allowed corporate lenders to make profits from people who often failed to understand the transaction properly. Citizens Advice campaigned against them with some success and they are now much better regulated, and much less of a pitfall for our clients.

It is typical of our cases that they start well. The initial transaction is honest and honourable for all concerned. The first few payments are made successfully. Then something major goes wrong. Such as a family breakup, a bereavement, or the loss of a job.

Problem Debts of £15000 are not uncommon with our clients – sometimes all recent; sometimes accumulated over several years.

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<sup>4</sup> This briefly describes an Assured Shorthold tenancy under the Housing Acts of 1998 and 2006. If a tenancy is not explicitly of another type then this is the default position in law.

### *Tax – Such as Council Tax*

One more kind of Debt turns out to be the most common problem – that of a Tax Liability; and the important and common example is of Council Tax. There is no initial agreement. Tax is not a matter of agreement. It is imposed by the state on the individual.

A good tax takes according to the ability of the payer to pay. So the rich pay more than the poor.

Council tax is a local tax on the occupation of domestic property. People with bigger, better properties pay more (in Bands) than people with smaller, cheaper ones. This pays about a quarter of the costs of the local authority – and may be applied to costs including Homelessness and Environmental Services.

It has special rates for a property that is occupied by a single person, and for students, the mentally ill, prisoners, and care home patients, among others.

In 2011, the average levy was £1196/year on homes in England.

In 2012, at the beginning of the freeze on Benefits, the rate was £1444; in 2020 it is £1818.

Councils fail to collect, and end up writing the debt off, in roughly one case in 40.

If I fail to pay my Council Tax to an agreed schedule, I expect to receive a reminder after 2 weeks.

If I continue to fail, I expect to receive a Final Notice after another week.

After that I expect legal action, and a court can choose to take money from my earnings or benefits; they can choose to deploy a Bailiff to recover goods and/or money more directly; ultimately it is possible that I will serve a prison sentence of up to 3 months if they decide that I am refusing to pay without good reason.

People with low incomes can apply for a form of Benefit referred to as Council Tax Support or Council Tax Reduction. The local authority sets the amounts – which do not be equal to the full amount of tax payable – and the calculations are complex, involving factors such as age, family circumstances and disability.

Several Local CA offices have relationships with utility companies designed to mitigate the problems of Debt – for creditor and debtor. We have such a relationship with Wessex Water.

We suggest that a similar relationship could be developed with Local Authorities to mitigate the problems of Debt. See Recommendations below.

### *When Debt Goes Wrong*

The first stage is for the creditor to approach the debtor Client.

Often the first approach will take the form of an account showing the overdue payments.

But, depending on the nature of the debt, it could be a formal Default Notice, with a Letter of Claim, and a Claim Pack. This should make clear how many payments have been missed, and the total amount due. It invites the debtor to reply.

The wise response is to make an offer that is realistic and achievable.

Our clients often fail to reply.

The creditor can then be expected to take court action unless he/she has accepted an offer.

The Court may set a payment plan; ultimately they may deploy bailiffs.

The Court may obtain information about the debtor's account by an Order To Obtain Information; not least the information about pay dates is useful – indicating a time at which there may be money to be taken.

The Court may order the debtor's bank to pay – by way of a Third Party Debt Order.

The Child Support Agency and the Child Maintenance Service can take money from a debtor's account without reference to a court by a Deduction Order.

An alternative approach for some debts is for the creditor to consider the income of the debtor.

Deductions may be made from Benefits:

- Last Resort Deductions – for rent and/or fuel, to prevent eviction and/or disconnection
- Other Third Party Deductions – for arrears such as Council Tax, Rent, fuel
- For Benefit-related debts – such as for loans, Hardship Payments, Advances and overpayments
- Fines and Compensation orders

But there are limitations:

- No more than three Third Party deductions can be taken at any one time.
- No more than 30% of Universal Credit Standard Allowance should be taken.
- Benefit related debts and debts for rent, fuel and are charged at the rate of 10% of the standard allowance.
- Fines and compensation orders are (each) charged at a rate of 5% as well.
- It is possible that the 10% limit for Rent Arrears will be exceeded.



### *Credit Rating*

Perhaps the worst outcome is that a bad debt, usually through an adverse County Court Judgment, can affect the Client's Credit Rating.

When we apply for Credit (for a mortgage, or rent, or a bank loan, or a credit card, for example) the company usually checks to see whether we have a good credit record. They refer to one of a few reputable agency for our Rating and decide accordingly.

### *Dealing with Debt*

When a client brings a Debt problem to Citizens Advice, the first work is to assemble a picture of the problem – available income, household outgoings, debts and repayments.

We will help to put the Debts into an order of Priority.

We take great trouble to avoid making judgements. We do not categorise debt as fraudulent or as a matter of non-compliance.

High Priority debts are likely to cause the individual more trouble, such as eviction withdrawal of services or court action; they include:

- Rent arrears
- Arrears of a mortgage or secured loan
- Council Tax arrears
- Gas and electricity arrears
- Telephone and Internet charges arrears
- Outstanding fines
- Overpaid Tax Credits
- Hire Purchase payments arrears
- Overdue tax payments
- Unpaid Child Maintenance and Child Support.

We will encourage the client to engage with creditors in an effort to negotiate a viable payment plan in relation to High Priority Debts – and then move onto the rest.

Bankruptcy and Individual Voluntary Agreements are options – but are not usually attractive for either the Debtor or the Creditor.

We may support them through the process for example to try to stave off Eviction or removal of services. We may go on to support appeals or applications for Mandatory Reconsideration and/or Financial Hardship Decisions.



While some government-related debts have a sanction of imprisonment, it cost an average of £37543 to keep a prisoner imprisoned in 2017-18. And imprisonment reduces still further the likelihood of recovering any money.

## The Facts

- 11 to 17% of our work relates to Debt – between one case in six and one in nine. This year, almost a thousand people from Sedgemoor have become worried enough by their debts to seek help: about 1.3% of the population; but this is less than last year.
- Considerably more of our work relates to Benefits – around two cases in every five or 40% of our clients.
- Of our debt cases about 4.5% to 6% (around one in every twenty – more this year) involves enforcement action, which may be Eviction, or deductions from income, or court orders, including bailiff action.
- Less than 2% of cases involves Eviction. That number has risen (doubled) in 2020, despite the prohibition associated with the Pandemic.
- The main topic for our Clients, between 14 - 17% of the debt cases (around 2% of all of our clients), is Council Tax related.
- Rent matters is around fifth highest debt topic – about 8% of our debt cases.
- Unfortunately, it is not possible to establish how many of our Debt clients are claiming Benefits.
- In normal years, we expect a modest and consistent growth year by year. This is not the case in 2020, and although it is difficult to provide evidence, one very significant factor is that we withdrew from offering face-to-face advice in March and have not yet resumed. We know that our clients rely heavily on face-to-face sessions, and the more disadvantaged, and vulnerable, the more they rely on them.
- Catalogue and mail order debt cases joined the Top Ten list this year; nudging Housing Association Rent Arrears cases off that list.
- But there are no hugely significant changes from last year: in fact there is remarkable consistency.
- We cannot Evidence a connection between Debt and Mental Health, but we firmly believe that there is one. We note that the respected Mental Health charity MIND is campaigning for a Financial Safety Net<sup>5</sup>.
- We cannot Evidence a connection between Debt and Suicide, but we firmly believe that there is one.

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<sup>5</sup> <https://www.mind.org.uk/media-a/6039/minds-five-tests-for-mental-health-final-090720.pdf>

## Reading and Reflecting on the Facts

It is important to remember that we see clients who are motivated by worries: they don't come to tell us their good news. Which drives our perspective.

Debt cannot be considered in isolation.

We often see it in a context of a greater disaster for the people involved – in the context of a family breaking up, or a loss of employment. But this is not always the case. Some clients lack the skills or/and the inclination to manage their affairs well. Some simply have outgoings above their income.

It is often, but not always linked to benefits. Employed people often have lower incomes and they may equally have Debt problems.

### *Negative Budgets*

Often, we see it arrive gradually in a situation of Negative Budget.

That is to say that even when the client manages his/her affairs wisely, each month the household has not enough income to cover the basics – of rent, utilities, and food. And this may be the case for working households. The Citizens Advice definition of Negative Budget is that the household spends 90% or more of their income on those basics.

In a national study in 2019, Citizens Advice<sup>6</sup> found that 40% of the people we help with debt who claim income-related benefits don't have enough money to cover their costs. This is up from 32% in 2016-17. Almost 4 out of every 5 of our clients have less than £100 after living costs. Those who are disabled or have a long-term health condition are more likely to have a negative budget.

Typically, they have low incomes and high fixed living costs, such as rent and utilities.

Some critics will argue that they waste money on expensive mobile 'phone contracts; but in modern times a smart 'phone is a lifeline, such as to claiming benefits and/or applying for jobs.

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<sup>6</sup> See Negative Budgets: A New Perspective on Household Finances Report by Jasmin Matin and Joe Lane.

### *Implications of a Benefits Freeze*

After public and political opinion turned against the Benefits system a Benefit freeze was introduced in 2012<sup>7</sup>, and Benefits have not increased since until 2019<sup>8</sup> and the 2020 exception of significant temporary increases related to the COVID-19 Pandemic.

So, if a family was just about managing in 2012, they will need to have reduced their food bills, and their utility bills and their rent bills by 13% in order to get by in 2020.

Few families can reduce their rent. They can switch off heating and water, and reduce their grocery bills, but they have to do so by more than 13% to make up for the hard stop on the rent – and the rent may well have increased.

Our calculations suggest that there are some circumstances – involving people over the age of 35, and with children, and with disabilities, whose income from benefits exceeds their income if they work 16 hours a week at the Living Wage. But that leaves a huge number of people who seem likely to be falling towards/into debt.

In these circumstances the households are not applying for debts – it is not a conscious decision: they are sliding slowly and inevitably into debt with landlords, and utility bills. And there is little they can do about it.

Government intentions seem to have been to allow this situation to encourage people back to work.

This did not seem like a successful strategy before the Pandemic. Now there are appreciably less employment opportunities.

The recent lifting of the freeze has improved matters, but it affected 27 million people<sup>9</sup> (many of whom are our Clients), including 11 million children; and most of these are working households.

People living in poverty are on average £560 a year worse off than they were in 2015, which can be seen as around three months of food shopping for an average low-income family.

Meanwhile, if an item cost £100 in 2012, it probably cost £113.01 in 2019.

This includes food, and rent and fuel and utilities.

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<sup>7</sup> First as a cap and then by a freeze announced in 2015 Budget. See <https://www.jrf.org.uk/report/end-benefit-freeze-stop-people-being-swept-poverty>

<sup>8</sup> Benefits now increase with the Consumer Price Index.

<sup>9</sup> <https://www.jrf.org.uk/report/end-benefit-freeze-stop-people-being-swept-poverty>

### *Financial Capability*

These problems would challenge the most competent and intelligent.

However, in a 2015 study, more than half of our clients indicated that they have some problems with literacy, numeracy, and/or IT literacy. Many of our clients have huge problems in the area of Financial Capability.

We saw 700 clients on matters that we classified as Financial Services and Financial Capability in the 2019-20 year.

In the year to 31<sup>st</sup> August 2020, 33% of our clients considered themselves to have a Mental Health Disability, 21% had multiple Disabilities, 3% had Learning Disabilities, 1% had a cognitive Impairment. 1% a Visual Impairment, and 1% was hard of hearing. These factors must operate against Financial Capability, and these are among the more Vulnerable people. We believe that the very act of beginning a conversation with Creditors is a huge psychological hurdle for our clients to jump, and so often they are unable to make it.

### *“Complex Lives”*

Some of our clients have problems with drink, or drugs, or both; the Criminal courts are not an uncommon part of their lives – as victims, witnesses and offenders. Many don't have employment, take benefit sanctions as a matter of routine, don't read incoming correspondence let alone deal with it or reply, don't keep appointments, don't have any appreciable assets, may be homeless: we refer to them as having Complex Lives.

We have not yet sought to understand the relationship between Mental Health and this group. Some of the group have Mental Health problems.

Neither money nor the lack of it is a significant motive for them. Their thinking does not routinely go back to commitments they made in good faith in the past. They live for the moment and don't worry too much about the future.

At the time of writing we cannot quantify this statement. We are working towards doing so.

They may well be widely considered fraudulent and/or non-compliant.

The first step in dealing with this group – and perhaps improving their lives – is to understand them better. We know that at present we do not understand them: we are not sure that anyone does.

## *Changing Attitudes*

There is a traditional attitude that poverty and hunger will force people to work – and that it is acceptable to use those forces for that purpose. We doubt the validity of that.

We strongly suspect that a new generation of clients is bringing some new attitudes.

A new generation has carried the burden of Student Loan Debt for two decades. Debt is no longer a fear. It is normal. The average debt of students finishing courses in 2018 was £36000. The Government expects only about a third to repay them in full<sup>10</sup>. Over 90% of students take the loans: about 1.1 million last year. It is possible to see this as a generation brutalised by Student debt – that in fact some of them never earned enough to begin to repay.

This generation has had limitations placed on its hopes and aspirations. When we talked to Homeless people, studying their problems in 2016 and 2017, the concept of Hopelessness was mentioned extensively.

Many of the Debts we deal with are not the result of an application: they are instead the result of being unable (or arguably unwilling) to pay bills – such rent, tax, utility bills. Not a step into debt, but a slide.

This view is supported by the fact that Council Tax debt is the top form of debt bothering people at CA Sedgemoor. 10% more than the next category. Rent and utilities are also prominent on the Top Ten list.

We think that there is another aspect to this. That today's young people retain some expectations – perhaps expectations that derive from our education system. They expect (rather than aspire to) things like:

- Congenial hours – not so much of night shifts, long shifts and weekends
- A degree of dignity in their interactions with their managers
- A clean, healthy and safe working environment.

If and when those expectations are not met, they are more ready than previous generations to leave that employment. Whatever the consequences.

A good deal of care work is anathema – “wiping people's bottoms” is not for our next generation.

We suspect that even with the pressures of hunger and poverty, the rewards currently on offer for uncongenial work are not enough to persuade them. Despite the threat of Debt.

Add in to the mix the fact that relatively small proportions of debt are enforced. So far.

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<sup>10</sup> <https://commonslibrary.parliament.uk/research-briefings/sn01079/>

These insights are mere comment at this stage. We are not currently in apposition to support them with Evidence.

### *There are Two Sides to a Debt - The Business Side*

Thinking about Rent Debt: some landlords are big commercial enterprises founded on the model of buying property to rent at a profit. They have a responsibility to their shareholders to make a profit.

Others are of fairly wealthy families who are able to buy a second and perhaps a third (or even more) properties to supplement the family income.

Many more are cases in which an older person has gone into a care facility and is renting out what used to be his/her home to help pay the care home fees. A large proportion of these would be unable to pay the fees without the income from rent, or at least unable to do so for very long.

John Paul Getty is quoted as saying: "If you owe the bank \$100 that's your problem. If you owe the bank \$100 million, that's the bank's problem."

One aspect of the UK Debt problem not quite the same: it is that many millions of people each owe a few thousand pounds of debt.

The collection and enforcement of Debt is costly and time consuming.

We have no statistics at hand to indicate how much debt is not capable of recovery. But clearly if a debtor has no assets, nothing can be recovered.

In theory a creditor can go to court, and use bailiffs if necessary, to recover the debt – as well as the costs of the bailiff and the legal processes. If the debtor has any assets.

Many or most of the people coming to us with Debt problems are worth in total far less than they owe.

A bailiff generally is not allowed to force entry or to take tools for work or study, things the debtor needs to live, things that don't belong to the debtor (eg employer's, belonging to others in the household.)

And there are special rules for cases involving pregnancy and where there are children.

Thinking more broadly about Debt: many creditors are corporate. Some are partnerships, supporting one or two families. Some are limited companies with responsibilities to shareholders.

Anyway, they often have employees who depend on them for a living.



They may have begun based on a significant commercial loan, with interest.

All of these have some justification for making reasonable profits. At the risk of being arbitrary, and for the sake of discussion, we will take reasonable profits to be up to 30%.

### *The View from Government*

In 2008, we became aware that there is a problem with the National Debt.

It has worsened considerably in recent weeks with the implications of the Covid-19 Pandemic (eg funding the Furlough Scheme). It may worsen further yet as we anticipate a significant growth in unemployment.

So we can see a rationale for robustly working to recover debts owed by the individual to the Government.

We can also see a rationale for maximising tax income to the government. Which implies chasing Tax Debts (at every level – including Council Tax and Student Loans) as well as Advances in connection with the Benefits system.

The flip side of the problem is that businesses and individuals who become creditors do not want to set a precedent: to send a message that there is no real need to repay a Debt.

Maximising tax implies enabling businesses to thrive – to pay taxes. Which can be invested to provide services – and generate more taxes from the same money<sup>11</sup>.

Local and National government are creditors to a very significant extent. To the extent at which the scale of the debt is beginning to shift the onus – beginning to make it a worry for the creditor as much as the debtor.

We fear that the government over-estimates the assets that are available to recover from debtors.

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<sup>11</sup> See J M Keynes' theory in "The General Theory of Employment, Interest and Money".

## Conclusions and Recommendations

It is crucially important to understand that for our clients there are two parts to the Debt problem: one is of course the money. A second, massive, hidden, difficulty is the psychological hurdle of contacting Creditors to open discussions and maybe negotiate a viable solution. The psychological hurdle is so big that many good outcomes are lost. The automation and long waiting times for telephone call centres add a deterrent effect.

Debt cannot be considered in isolation. It is merely a part of Poverty.

Government related Debt certainly cannot be considered in isolation. Our clients routinely declare a portfolio of Debt of which Government Debt such as Council Tax is merely a part.

We see few cases relating to Bailiffs.

We think that this is partly because it is clear that our clients have no significant assets – they are not worth chasing from the point of view of a business/organisation – or The Taxpayer. Bailiffs and Debt Collectors cost money and it would be very easy to spend yet more on chasing these hopeless debts. This is a central point of central importance.

The main route for Debt Collection in Sedgemoor seems to be Deductions from Benefits.

We would therefore argue that the problem of Government Debt Collection Management is a symptom of much greater problems. While the Government operates with the interests of The Taxpayer in mind, companies (who employ people), and individuals (often with dependent issues such as Care Home fees) have similar problems with Debt Collection Management, and usually they have appreciably less ability to chase late payments.

We strongly suspect that the Debt problem is a major one throughout the UK economy. A problem both to Debtors and to Creditors; to businesses and individuals.

Another important point is that Problem Debt is not always the result of bad lending decisions. The most common examples in Sedgemoor result from imposed taxes. The third biggest category of Debt problems is about Water (and sewage) – which neither side originally thought of as being a credit issue.

A main problem in relation to Debt is the capabilities of our clients. Of course – some of our clients are competent and capable, but have fallen on hard times, perhaps lost a job that they have held for years. Some try hard but have problems with Literacy or Numeracy or IT Literacy, or more than one of these: understanding concepts such as interest is a problem.

Others have problems with drink or drugs or both, don't have employment, take benefit sanctions as a matter of routine, don't read incoming correspondence let alone deal with it or reply, don't keep appointments, don't have any appreciable assets, may be homeless: we refer to them as having Complex Lives. Neither money nor the lack of it is a significant motive for them. The Criminal courts are not an uncommon part of their lives – as victims, witnesses

and offenders. Their thinking does not routinely go back to commitments they made in good faith in the past. They live for the moment and don't worry too much about the future.

Many of our clients reject or delay dealing with correspondence because it is a stressful experience: good news doesn't come to them in writing.

Another group of our clients has no apparent income: they originate in other countries and their travel documents show that they have no access to public funds. But they can still incur Debts including Government Debts, such as Income Tax, Council Tax, and Rent.

One of our Homeless hostels provides a service of helping its visitors to deal with their correspondence.

The Debt problem exists in a climate in which Negative Budgets are reasonably common. Debt is hardly a surprise.

This problem is worsening as we write: the COVID-19 pandemic is leading to reduced incomes and job losses: this in turn will certainly lead to an even greater amount of Problem Debt, and Council Tax debts can be expected to retain the leading position.

### *We Recommend:*

**Treating this as a far wider problem:** a problem not just for Government but throughout the economy – a significant drag factor. A problem that if resolved should increase company revenues (perhaps with implications for employment), and tax revenues, and save older people from difficulties with their care home fees – which are also capable of impacting on local authorities.

**Improving Financial Capability** training for young people as well as for adults.

**Improving the experience of calling a Creditor** to begin negotiating. Such as reducing call waiting times.

The wide adoption of the **Standard Financial Statement (offered by the Money Advice Service)** as an assessment tool.

Adopting a principle that it is **unacceptable for a Creditor to put a debtor into Negative Budget.**

The group of **Complex Lives** is not well enough understood, let alone managed/addressed. This group may well contain some explanations for debt arising from fraud and/or non-compliance.

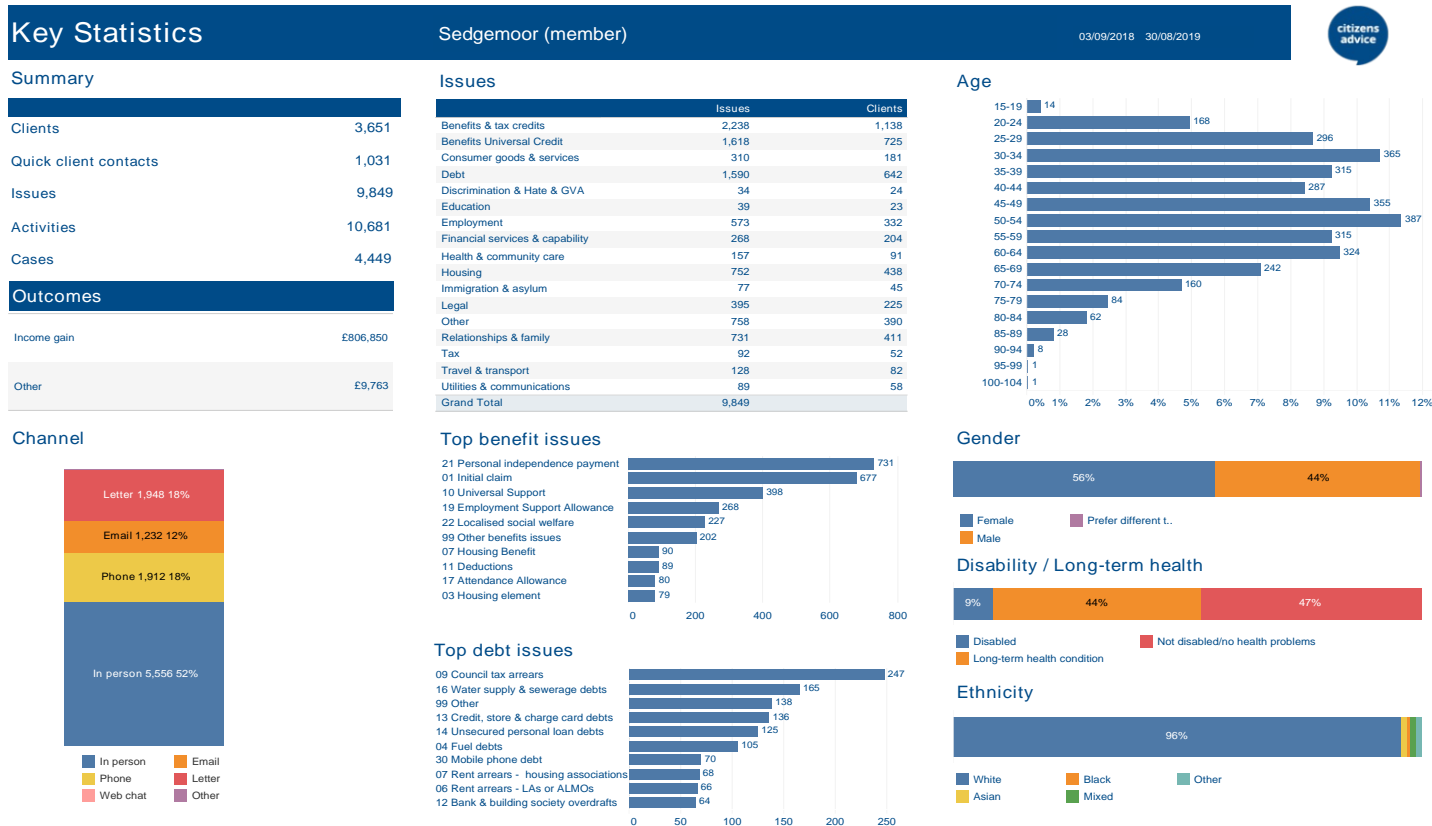
**Reviewing the alignment of Benefits with real costs of living to reduce or ideally eliminate Negative Budgets.** Particularly making the temporary changes to Universal Credit and

Housing Benefit into permanent uplifts. These are the roots of Debt and Poverty and Misery – and we are convinced that they increase Mental Health problems and Suicides.

Council tax debt, for example, is at present painful for both sides, and expensive for the authorities, when there may well be no assets: **we recommend developing a Debt Advice scheme for those with Debt problems.** Citizens Advice should offer a service so that when an authority sends a Reminder, it also routinely refers the individual to Citizens Advice so that the Debt problem can be brought under control early, and our Advisers can negotiate a best possible payment plan rather than resort to law.

# Appendix A

## Key Statistics for Citizens Advice Sedgemoor



## Key Statistics

Sedgemoor (member)

02/09/2019 01/09/2020



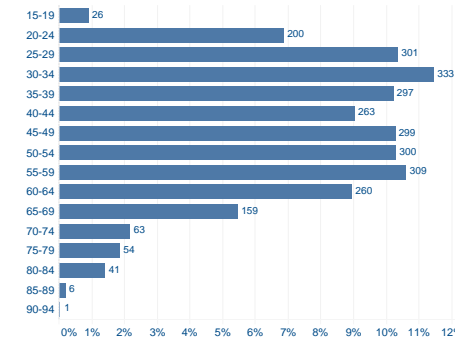
### Summary

<b>Clients</b>	3,163
<b>Quick client contacts</b>	1,707
<b>Issues</b>	8,176
<b>Activities</b>	9,298
<b>Cases</b>	3,237
<b>Outcomes</b>	
Income gain	£939,718
Other	£114,447

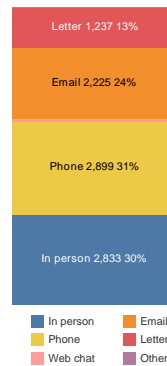
### Issues

	Issues	Clients
Benefits & tax credits	1,739	846
Benefits Universal Credit	1,575	809
Consumer goods & services	267	110
Debt	1,108	465
Discrimination & Hate & GVA	41	33
Education	25	11
Employment	692	338
Financial services & capability	176	109
Health & community care	139	56
Housing	565	267
Immigration & asylum	96	34
Legal	343	142
Other	597	333
Relationships & family	596	297
Tax	53	35
Travel & transport	95	43
Utilities & communications	69	39
<b>Grand Total</b>	<b>8,176</b>	

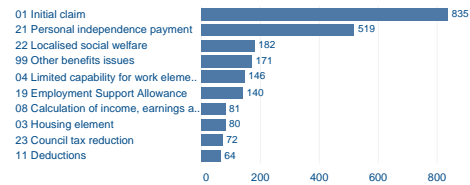
### Age



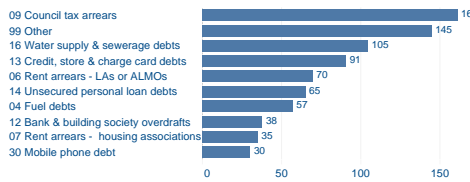
### Channel



### Top benefit issues



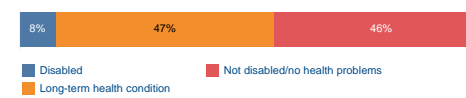
### Top debt issues



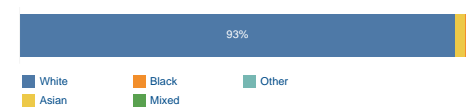
### Gender



### Disability / Long-term health



### Ethnicity



## Appendix B

### Some Analysis of Debt Work at CA Sedgemoor

	9/19	% of total	% of Debt	9/20	% of total	% of debt
<b>Debt</b>	1590	16.14		969	11.85	
<b>Council Tax</b>	247	2.51	15.53	161	1.97	16.62
<b>Other</b>	165		10.38	145		14.96
<b>Water</b>	138		8.68	105		10.84
<b>Cards</b>	136		8.55	91		9.39
<b>Unsecured Personal Loan</b>	125		7.86	65		6.71
<b>Rent Arrears LU (ALMO)</b>	68		4.28	70		7.22
<b>Fuel</b>	105		6.60	57		5.88
<b>Overdraft</b>	64		4.03	38		3.92
<b>Mobile Phone</b>	70		4.40	30		3.10
<b>Catalogue/Mail Order</b>				26		2.68
<b>Rent Arrears Housing Ass</b>	68		4.28	35		
<b>Bailiff/Enforcement Cases Excl Deductions from income and court process and Evictions</b>	72	4.53		54		5.57
<b>Eviction Cases Incl Possession Order process</b>	12	0.75		14		1.44
<b>TOTAL ISSUES</b>	<b>9849</b>			<b>8176</b>		
<b>Benefits</b>	3856	39.15		3314	40.53	
<b>Employment</b>	573	5.82		692	8.46	

## Appendix C

### Case Studies

*The following cases have been selected to illustrate the points in this report from our cases arriving after March 2020.*

#### *Alfred*

Alfred is not native British.

He lost his job in January 2020. He wants another.

He is buying a flat through a mortgage. His repayments are £262.98. He is now 4 months in arrears.

He claims Universal Credit at Basic Rate - £409/month.

He has a tax bill of £2000.

He is 3 months in arrears with Council Tax.

He also has 3 months arrears of fuel bills.

He has more outgoings than Income. He is very worried and he is accepting support for Mental Health problems.

#### *Belinda*

Belinda is female and 34 years of age. She lives with her partner.

Her concerns are with a previous relationship.

There is an outstanding Council Tax bill of £800; and £7000 rent arrears.

She is not sure whether she should pay.

#### *Carl*

This was a social worker calling on behalf of a Client. The Client is a male single parent with a child.

He claims Universal Credit and Child Benefit.

The call disclosed significant Council Tax arrears and he is unable to pay.



*David*

David is a 57 year old male. In employment.

He has received Housing benefit overpayments to the sum of £3224.87 and he now has a letter threatening court action. The deadline expires today (day of calling).

*Eric*

Eric is a single male, aged 54. He has recently been discharged after a long prison sentence and is trying to organise his affairs.

He was declared Bankrupt in 2013.

He owes £2100 in benefit overpayments.

*Fiona*

Fiona is 31; living with her partner.

She is a part time hairdresser.

She owes:

2 Credit cards - £17000

BT - £280

1 month Council Tax - £120.

Her rent is £700/month.

Her partner earns about £63000/year and contributes to the bills.