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Democratic Support

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SCRUTINY - COOPERATIVE SCRUTINY REVIEWS

PROBLEM DEBT

Wednesday 15 October 2014
10 am
Warspite Room, Council House

Members:

Councillor Kate Taylor, Chair
Councillors Damarell, Philippa Davey, Downie and Riley.

THE ATTACHED DOCUMENTS WERE TABLED AT THE MEETING.

Tracey Lee
Chief Executive

SCRUTINY - COOPERATIVE SCRUTINY REVIEWS

4.3. Supporting Information / Evidence

(Pages 1 - 22)

The following additional documentation has been provided in order to help inform members with their deliberations –

- Problem Debt Presentation
- Problem Debt – Jenny Endean Witness Statement

Problem Debt

15th October 2014



Pete Aley, Head of Community Services

Laura Griffiths, Financial and Social Inclusion Officer

Overview



- Understanding Problem Debt
- National and Regional picture/context
- Recent impacts
- What is happening in Plymouth
- Key Issues

What is problem debt?



- Over-indebtedness
- At least 3 months behind with bills in the last 6 months, or
- Individuals have said they feel their debts are a heavy burden
- Debt can be separated by the level of risk associated by non-payment:

High Risk/Priority	Lower Risk /Non-Priority
Mortgage; rent arrears; fuel arrears; Council tax arrears; court fines; child maintenance; income tax;TV licence.	Benefit over-payments; credit debt such as credit cards, loans, overdraft, hire purchase, catalogue, student loans, pay day loans and door step lenders; friends and family.

What are we seeing?



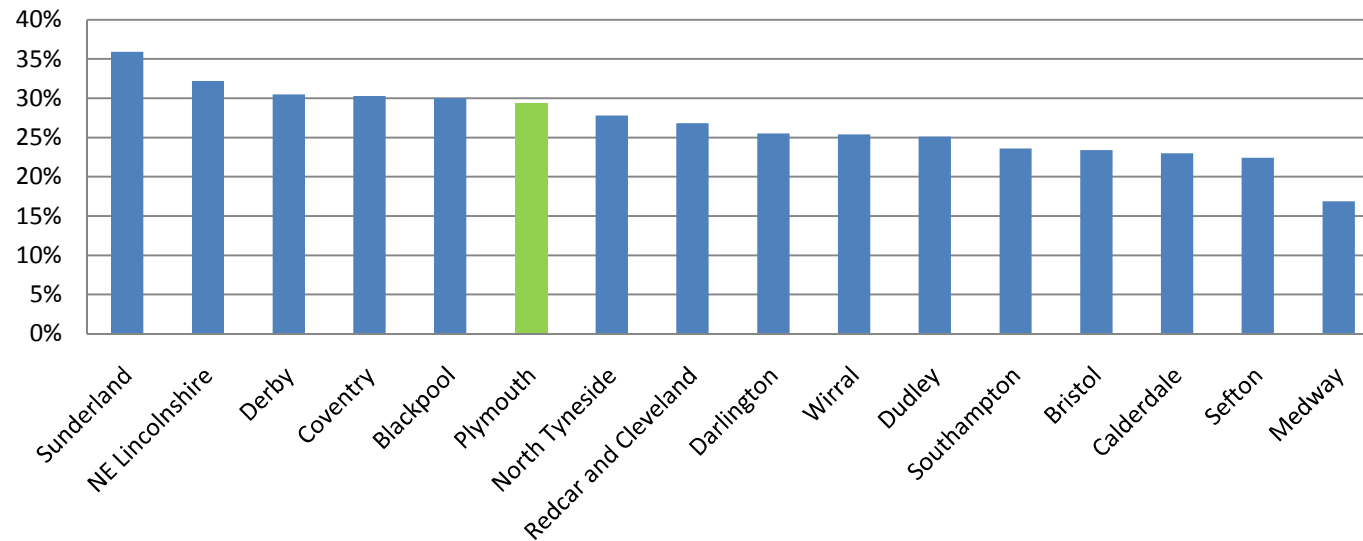
- 8.8 million adults in UK have problem debt - 18% of adult population;
- Every 4 ½ minutes 1 person is declared insolvent or bankrupt;
- Plymouth is ranked 48th worst out of 406 Local Authority areas;
- Plymouth is the most indebted Local Authority area in the South West;
- Almost 30% of adult population in Plymouth is over-indebted – 12% higher than the national average;
- This is almost the equivalent of the entire population of the wards: Devonport; Stoke; St Budeaux; Budshead and Honicknowle;

Comparator Local Authorities



Plymouth sits higher than areas traditionally considered more deprived

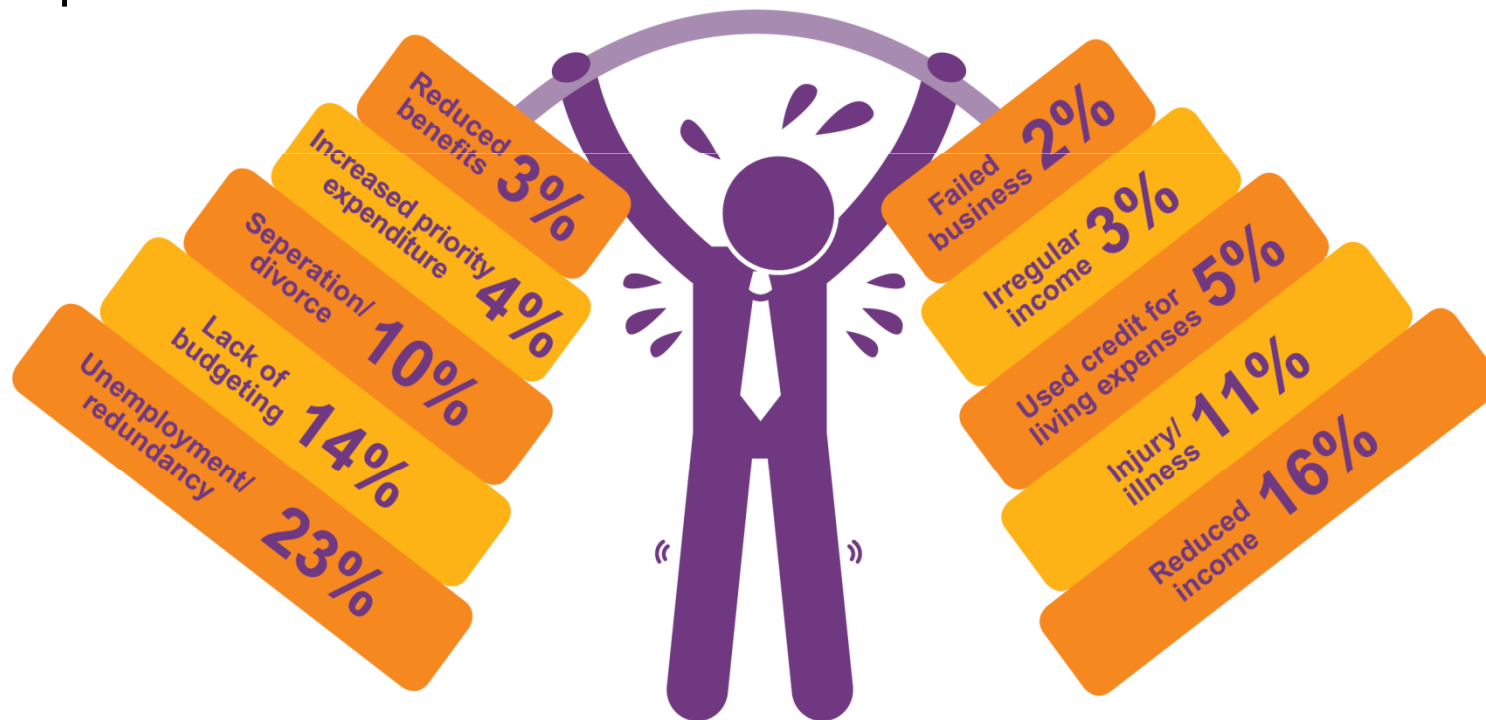
Comparator Local Authorities and % over indebted population



What can cause debt?



Long term unemployment, sudden unemployment and reduced income from loss of hours are the biggest drivers of debt problems



All figures based on StepChange Debt Charity clients 2013 – sample size: 180,666

Why should problem debt worry us?



On People

- 1 in 2 adults in debt have mental health problem;
- Greater risk of homelessness;
- Financial exclusion – more expensive to be poor
- Relationship breakdowns;
- Risk of losing employment;

On Services

- Problem debt costs the UK economy £8.3bn annually;
- 41% increase in demand homelessness advice;
- 15% increase in Neglect case referrals in Children Social Care;

Recent impacts



- Welfare Reforms have lowered household budgets;
- Rising cost of living – food and fuel costs;
- Low wages and zero hours contracts;
- In work housing benefit claimants increase by 22%
- High interest credit market e.g. Pay day lending and 'rent to own';

What's happening in Plymouth?



- Who has problem debt in the city:
 - 26,043 working families;
 - 12,598 benefit dependent families;
- Advice Plymouth state:
 - 66% of all enquiries relate to debt and financial issues;
 - In 12 months the total amount of debt at first contact increased from £1.9mil to £2.2mil;
 - The most common type of debt is fuel e.g Gas, Electric and water debt;
- Up to 9,000 adults in Plymouth take out Pay Day Loans annually:
- 51,000 loans a year
- £8.8million in interest and charges

What's happening in Plymouth?



Council Tax	16,600+ residents additional bill Court Summons 13,114 Council tax debt £2.8million 13/14
Housing Benefits Overpayment	Over £4 million outstanding debt September 2014
Care provision for Adult Social Care clients	£2 million September 2014
Discretionary Housing Payments	40% increase in demand from those affected by under-occupancy/bedroom tax
Emergency and Welfare Fund	66% increase in payments
Housing waiting lists to downsize	70% increase in people waiting for 1 bed properties due to under-occupancy/bedroom tax
Rent Arrears	Registered Social Landlords reporting 10% increase in rent arrears

What are we doing?



- Commissioned Advice Plymouth;
- Banned pay day lending adverts on any PCC owned computers and billboards;
- Funded a credit union shop front;
- Plymouth Energy Community (PEC) switch to cheaper energy tariffs and debt advisors.

Our Emergency and Welfare Fund has provided a package of assistance for:

- A housing options case worker is in place giving debt advice;
- A rent arrears clearance package and removal costs support for tenants;
- Young people supported with moving costs and can access a low cost loan to pay off arrears;
- Young Savers Initiative with credit unions for Year 11 pupils
- Training teachers to deliver Personal Financial education for pupils
- Commissioning a feasibility study into setting up an ethical alternative to current pay day lending

Key Issues for consideration



We need to understand problem debt in the city and take action on the issues that risk financial exclusion, health and wellbeing and pressure on organisations.

Scrutiny may wish to consider:

- Financial education;
- Future commissioning opportunities and New George Street access to debt advice/support;
- Access to affordable credit;
- Plymouth City Council as a creditor;

References/Questions



Money Advice Service, Indebted Lives : the complexities of life in debt, November 2013

<http://www.stepchange.org/Portals/0/documents/media/PersonalStatsYearbook2013.pdf>

<http://www.theguardian.com/money/2014/may/26/council-tax-arrears-most-common-debt-problem-citizens-advice>

<http://www.stepchange.org/Infographics/Causesofdebt.aspx>

<http://www.plymouth.gov.uk/mgInternet/documents/s58312/RI40829%20problem%20debt%20final.pdf>

Mind. Still in the red: Update on debt and mental health. 2011

The Fairness Commission: A presentation of introductory data. March 2013

<http://www.plymouth.gov.uk/mgInternet/documents/s57925/Child%20Poverty%20Update%20Co-op%20Scrutiny%20Board%2023Sep14%20FINAL.pdf>

<https://www.gov.uk/government/statistics/characteristics-of-children-in-need-in-england-2012-to-2013>

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Problem Debt Scrutiny Review

During the period of 1st April and 30th September 2014 under the Money Advice Service funded contract, Plymouth CAB saw via the Advice Plymouth Drop-in Service and via the telephone; **590** clients who presented with debt issues including: rent and mortgage arrears, Council Tax, gas and electricity arrears, water arrears, personal loans, credit cards, payday loans, door to door lenders.

Of those clients, the amount of debt that was dealt with was **£4.4 million**. This is an average personal debt of **£7457.62**.

Of those clients accessing the service, the **top 5 areas of indebtedness** in Plymouth for that period was:

1. St Budeaux - £519,042.99
2. St Peter and the Waterfront - £440,064.56
3. Moorview - £355,477.25
4. Stoke - £342,564.69
5. Honicknowle - £299,065.61

The area with the least amount of indebtedness in Plymouth for that period was:

- Plympton Erle - £42,204

Personal Insolvency

As part of the debt strategies that are offered to clients, insolvency can be a solution to a client's situation. During the same period (1st April – 30th September) Plymouth CAB assisted **15** clients with petitioning for bankruptcy and **39** clients with submitting Debt Relief Order applications.

The Cause

There are many reasons why people fall in to debt e.g. loss of employment, illness, separation, bereavement, managing on a fixed income.

Here are some examples of people who have accessed the service in the last 6 months and why they have fallen into debt:

Stephanie

Stephanie lives in St Budeaux with her husband and two adult children in a property rented from a housing association. She has recently suffered from a stroke which has left several impairments. Her husband has had a heart attack in the past and is now on continuous medication to monitor this.

Stephanie's income is based on her husband's claim for income support which is £159.10 p/w and the contributions from her adult daughter which is £400 p/q.

Assets & Savings:

Neither Stephanie, nor anyone in her family has any assets or savings.

Clients Debts:

- Energy debts - £ 3,587.85

How the debt occurred:

The debt occurred because Stephanie has had such a low household income. This has made it a struggle to maintain household bills as well as essential items such as food and toiletries etc. Stephanie's health has been deteriorating over the past couple of years which has made it impractical to work, and difficult to manage finances.

Rachel

Rachel lives in Stoke. She is divorced and all her children have now grown up and left home. She lives on her own in a privately rented property. She doesn't currently have any health conditions. Rachel works full time but is only receiving £700 per month from her wages. She also receives Working Tax Credits at £45 per week and partial Housing Benefit.

Assets & Savings:

Rachel doesn't have any assets or savings.

Clients Debts:

Rachel has £8,500.00 worth of debt. She owes the council £800 of Council Tax arrears. This is made up of credit cards and a bank loan. £800 of this debt is made up of Council Tax Arrears.

How the debt occurred:

The debts started accumulating shortly after Rachel got divorced. The divorce caused major upheaval to her life and she had to live off of her bank overdraft for a while. When she finally got settled, her inadequate income meant that it was impossible to keep up with ongoing household bills, essential items and the high demands that her creditors were making.

Julie

Julie lives with her partner in his mortgaged property in Devonport. She doesn't currently have any children. She has secondary cancer which she is receiving treatment for. She is in receipt of Employment Support Allowance at £77.00 p/w.

Savings & Assets:

Julie stated that she currently lives with her partner who owns the mortgaged property that they live in. She has said that this property is not in her name but

that she has contributed over time to the general household income when working.

Clients Debts:

- Credit Card - £3000.00
- Credit Card - £2250.00
- Catalogue - £1190.00
- Store Card - £500.00

How the debts occurred:

Julie stated the debts occurred because she had to give up her job due to her ill health. She said that this meant that she had a severe reduction in her income and as such struggled financially. Julie stated that as her health has deteriorated her partner has had to reduce his hours to care for her.

Jess

Jess lives with her husband and her two children in her own mortgaged property in Peverall. She suffers from depression. They are currently in receipt of Working Tax Credits (£320.00 p/m), Child Tax Credits (£445.00 p/m) and Child benefit (£136.00 p/m).

Savings & Assets:

Jess owns her own home; she believes that she has £50,000 of equity in his property. She has said that she owns a car, and her husband has a taxi on finance.

Clients Debts:

- Council Tax Arrears - £300.00
- Energy Debt - £1000.00
- Car Finance - £5837.57
- Debt Collection Agency- £1495.00
- Store Card - £3056.00
- Credit card - £1375.00
- Catalogue - £3582.00

How the debt occurred:

Jess stated the debts occurred because her household income has reduced significantly due to her husband's taxi breaking down and as such he has been unable to work. Jess stated that she has tried to find a job but struggled.

The Impact

Based on the evidence presented to us by our client's, debt can impact on individual's and their families in different ways. We see client's where they are experiencing difficulties with managing their debts and this impacts on their mental health, client's not sleeping as they are worrying and also client's who are not eating properly either due to the worry or due to the lack of money to buy healthy food. These factors ultimately impact on an individual's well-being and the ability to function properly.

Here are some examples of how living with debt is impacting on individuals:

Susie

in Monichawle.

Susie currently lives on her own in a property rented from her local housing association. She was physically assaulted in her home which left her with several long term health conditions including brain injury, learning difficulties and mental health issues. She is receipt of Employment Support Allowance, (£97.70 p/w). Susie stated that deductions are being made for her Council Tax Arrears. She is also in receipt of Housing benefit and Council Tax Support.

Assets & Savings:

Susie has no assets or savings.

Clients Debts:

Council Tax Arrears - £200.00 approximately

How the debt occurred:

Susie stated that the debts occurred because she was subjected to a violent attack that left her with brain damage and mental health issues. She stated due to this she has memory issues and struggles to complete day to day tasks. Susie stated that before welfare reform, she managed as her Council Tax was cover by benefit but now struggles to maintain these payments.

What help was required:

Susie was scared to deal with authority figures as she did not wish to "make matters worse". She stated that she was extremely distressed about the situation and could not bear the thought of bailiffs coming to the door due to her ordeal or the thought of losing her home, the only place she stated she feels safe. Susie needed help to deal with these issues.

What help was given:

We called the Housing Association and were informed that she now receives full housing benefit as she is in a new property. We then applied for the Severe Mental Impairment Exemption to remove current liability and clear arrears.

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How did our intervention help:

Susie stated that she was so pleased with the help that we had offered her and that she would now be able to move forward with her life and be able to not hide away. She stated that she was so grateful for the help we provided.

Jacob

Jacob who lives in the Efford and Lipson area owns his own mortgaged property with his partner and two children. He suffers with depression, sleep apnoea and is recovering from an operation.

He receives £174.00 p/m from tax credits, £34.00 p/w from child benefits, and £500.00 p/m from his wages and £580.00 p/m from his partner's income.

Savings & Assets:

Jacob says that he owns a property with about £60,000 equity in it.

Clients Debts:

- Mortgage Arrears - £8194.00
- Council Tax Arrears - £300.00

How the debt occurred:

Jacob stated the debts occurred because he has suffered ill health and could not work, he has said that this caused him financial instability. He stated that he has tried to catch up but has not been able to and is now concerned about his home.

What help was required:

Jacob came to the bureau at a point in which the lender had an eviction date. He convinced he was going to lose his home. Jacob was extremely worried about the impact it would have on his family, he stated that he has not slept worrying about this and that he believes his recovery period has been longer due to the stress of the mounting debts. He needed immediate help and support regarding the imminent eviction.

What help was given:

We completed a financial statement with him and assisted with lender negotiations. We were able to hold any action and refer his case as one of only a few to Shelter mortgage specialist team who were able to stop eviction. We were able to negotiate with the local council to stop action and an affordable payment plan.

How did our intervention help:

Jacob stated that his health has greatly improved and he has been able to return to work. He strongly believes that without our intervention he would have lost his home. He is extremely thankful for our help.

Access to help – Debt Provision

Plymouth CAB delivers a face to face via the Advice Plymouth Drop-in service for debt advice Monday – Friday, 9am – 5pm. Client's can access this service by attending the Drop-in. Client's can also access the service via the telephone Monday – Friday 9am – 8pm and Saturday's 8am – 1pm.

When a client access's the service they are assessed and the client's capability is identified where they are provided with advice by utilising the appropriate channel e.g. face to face, telephone.

Once the client has been assessed and advised, options are agreed and an action plan is implemented so that the client has a clear view of what will happen next.

At Plymouth CAB we will also look at our other contracts and refer across where necessary to assist the client e.g. water arrears are referred to Freshstart, Electricity and Gas arrears referred to apply for a Trust Fund.

We have existing partnerships with JBW bailiff's where we have access to an online portal and we can access this with the client present to help set up an affordable repayment plan. We have web access to non-fee charging Debt Management companies e.g. Payplan to assist the client with implementing a affordable repayment plan to their creditors.

We have 6 Debt Relief Order Intermediaries who can fully advise on insolvency and administer and process Debt Relief Order applications.

The Advice Plymouth partnership ensures that we can refer across smoothly to our partner agencies e.g. Routeways, Plymouth Guild, Shelter.

Multi channel advice: Plymouth CAB is part of a national pilot to deliver advice via webchat and hopes to develop this further. Client's can already access the service via email enquiry, telephone and Drop-in.

Energy Advice: We currently host the national helpline for vulnerable customers funded by EDF energy. We provide energy efficiency advice as well as debt advice.

This area of our work is increasing and since January 2014, we have completed 300 EDF Energy Trust Fund applications which includes assisting client's living in Plymouth. A grant can assist client's with clearing energy debts. We are seeing a significant increase in the amount of client's falling

Case 6.

into fuel poverty and also being forced into a position to have a pre-payment meter fitted. Some of these client's will be self-disconnecting and will be living in one room during the winter to try and keep the cost of their fuels costs at a minimum. Citizens Advice are currently running a national campaign to try and address this issue.

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