

Problem Debt

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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?



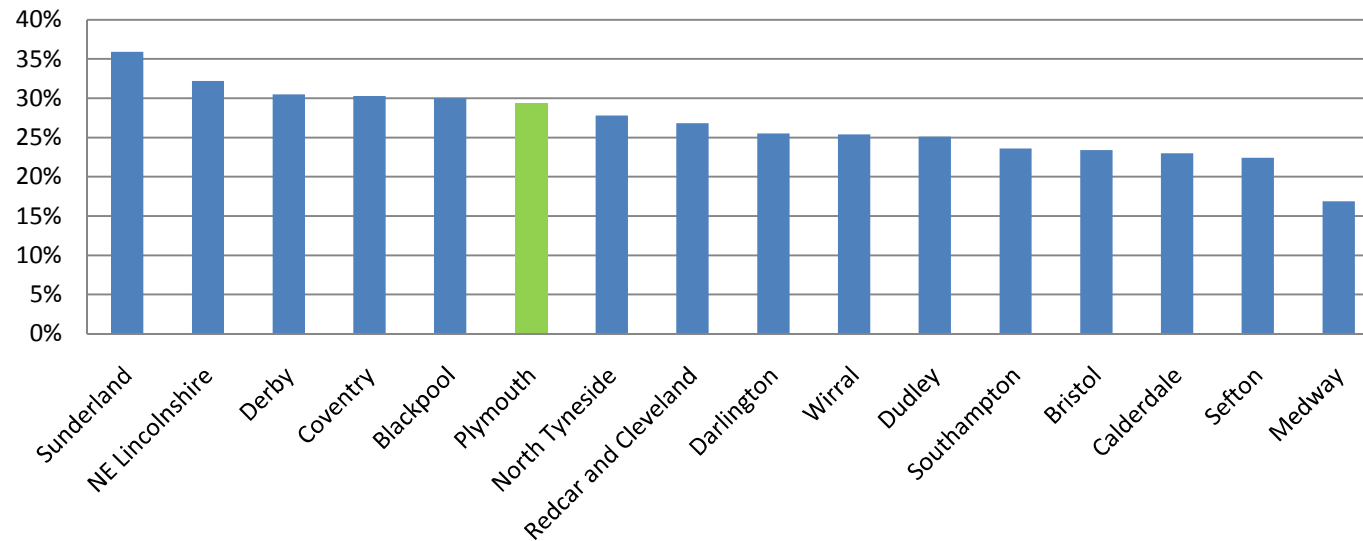
- 8.8 million adults in UK have problem debt - 18% of adult population;
- Every 4 ½ minutes 1 person is declared insolvent or bankrupt;
- Plymouth is ranked 48th worst out of 406 Local Authority areas;
- Plymouth is the most indebted Local Authority area in the South West;
- Almost 30% of adult population 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



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