

Debt and the pandemic

Summary of engagement

Wednesday, 20 October 2021

Background

As part of the Equality and Social Justice Committee's inquiry into debt and the pandemic, the Citizen Engagement Team proposed a qualitative approach to the engagement.

A series of four online focus groups were arranged to gather the views of debt advisers and credit union staff in Wales, during the pandemic. These online focus groups took place on Microsoft Teams between Wednesday, 6 and Friday, 8 October 2021.

The online focus groups involved a total of 14 participants from Aberconwy, Anglesey, Bridgend, Cardiff West, Merthyr Tydfil and Rhymney, Pontypridd and the Vale of Glamorgan, with many providing advice across Wales and cross-border. Participants varied in terms of level of seniority within their organisations, with some responsible for directly providing debt advice, whilst others were in managerial (or equivalent) roles.

Participants were sourced through a number of key stakeholders within the sector including Citizens Advice, StepChange and Credit Unions of Wales.

Format

The format of engagement was largely comparable between sessions but varied slightly to meet the needs of participants and to accommodate late absences. The following questions were asked (with some variation), along with some supplementary questions to tease out detail.

1. What has been your experience of advising clients on debt related issues during the pandemic?



2. What has been the impact of the pandemic on the number of people using your services?
3. Are the cases you're dealing with as a result of the pandemic easier or more challenging to resolve than the ones you were working on beforehand?
4. How easy has it been for you to signpost individuals to support services available?
5. In your experience, have particular groups within the population been more affected by debt issues during the pandemic than other groups?
6. In your view, how effective has the Welsh Government's approach to tackling debt-related issues been during the pandemic?
7. Do you think the Welsh Government could be doing more to support the individuals you advise? If so, in what way?
8. What challenges are the people you provide advice to likely to face over the coming months, and how could the Welsh Government help to address these?

The following themes emerged from the discussions. Verbatim notes of each session are available upon request.

Demand for debt advice

There was initial discussion amongst participants in all focus groups regarding the take-up of debt advice during the pandemic. Three of the four focus groups explained that they had witnessed an initial, marked decline in the number of individuals accessing debt advice when restrictions were first introduced in March 2020.

"... there was a drop off. We were quiet. Not sure why, but we were quiet. I know I keep comparing it, but the only other year I remember it being that quiet was the first year of the credit crunch, so that was the closest comparison."

Participant 2, online focus group 2, Cardiff

Whilst participants emphasised that the reasons they offered for the decline were speculative, they surmised that it seemed to coincide with initiatives introduced to alleviate the financial pressure on many, or the more sympathetic position taken by creditors. Furlough, Breathing Space, the Discretionary Assistance Fund and payment holidays were the initiatives most frequently referenced by participants.

“We saw the people going through full debt advice as we call it, drop by two thirds, throughout 2020 to 2021, March to March. Personally, I feel that is because the creditors were putting holds on things. Bailiff action was suspended, eviction was suspended. But there is a genuine concern that these things are now stopping and that bailiffs are already back out . . . and we've got Breathing Space which gives them 60 days. But as soon as those 60 days are up, we're heading for a massive problem, because services like ours will not be able to cope.”

Participant 1, online focus group 2, Cardiff

“At the start of it, I was mainly face-to-face . . . and then there was the transition over to telephone advice, digital advice . . . Then there was a bit of a bit of a lag. But then I expected it just to go crazy and to be inundated with debt clients. But it just went quiet, and I don't know whether that's because of all the different schemes that were introduced like furlough.”

Participant 1, online focus group 1, Vale of Glamorgan

Some participants attributed the decline in demand, to the need for organisations providing debt advice to adapt the way they delivered their services. Others explained that the restrictions imposed as a result of the pandemic meant that some individuals had more income than they may have had under normal circumstances.

“There was the impact on the current clients, and some of that was down to a shift in channels because we were primarily face-to-face. We had clients that just stopped engaging and whether or not that was the shift in channels or whether or not it was because they stopped getting letters from the creditors, we don't know.”

Participant 2, online focus group 1, Anglesey

“At the start of the pandemic, people had other priorities and there were so many things in place like the payment breaks, the holidays . . . So perhaps the historic debts or the debts they had but couldn't pay, they were able to manage it in that way.”

Participant 3, online focus group 3, Bridgend

Conversely, participants in the fourth in the series of online focus groups, opposed the suggestion that there had been a decline in demand for debt

advice, and explained that the contrary was true. These participants worked for an organisation based in Rhondda Cynon Taf.

“Ours definitely increased. Food vouchers, fuel vouchers, they were coming out of our ears. We haven’t got the figures, because that’s not our role . . . but that was definitely not the case at all. Allocation of cases was going through the roof, because nobody knew what was going on.”

Participant 2, online focus group 3, Rhondda Cynon Taf

“Certainly from an energy perspective point of view, I know we had the fuel voucher scheme but I saw my workload increase by along the lines of 33% . . . in Rhondda Cynon Taf, we’ve got the highest level of pre-payment meters outside of Cardiff . . . and very often those meters are installed by suppliers to recover debts.”

Participant 1, online focus group 3, Rhondda Cynon Taf

Late advice

Whilst not exclusively attributable to the pandemic, participants in all online focus groups explained that the majority of individuals continue to approach them for debt advice as a final resort. References to clients reaching ‘crisis point’ before accessing advice, and the challenges associated with providing support when debt has escalated, were frequent across all focus groups.

“They do the ostrich impression and they are afraid to seek professional advice.”

Participant 2, online focus group 3, Merthyr Tydfil

“We see people at the latest stage, when they’re at crisis point. They seem to leave it until they’ve got no other option. Then they’ll come to us for advice.”

Participant 1, online focus group 1, Vale of Glamorgan

Many participants were eager for the Welsh Government to play an active role in promoting the benefit of seeking early advice. There was also discussion in one focus group, regarding the importance of educating people more generally about financial well-being. One participant gave an example of the number of individuals they have advised who have claimed Universal Credit for the first time during the pandemic but were unaware that a claim for council tax reduction must be made separately.

“We're probably going to see them too late. They're broken when they ring you up. They don't reach out for a long time, so I think just encouraging them to reach out and take some advice before they're in trouble, rather than us reacting to the problem, would be a good thing. Just pre-empt this bomb. There's going to be some broken people in a year or two when their credit rating's gone and they haven't got the job back at the rate they thought they were going to get, or at all.”

Participant 2, online focus group 2, Cardiff

Adapting services

Some participants explained that the need to adapt the delivery of their services, due to restrictions associated with the pandemic, has resulted in streamlining the process of engaging with clients.

“... for me it's been much, much better for the caseworkers because actually there's so many more means of communication than we had before... The reality is, by offering a range of channels, our debt engagement has been much, much better overall as a result.”

Participant 2, online focus group 1, Anglesey

“It's easier for the clients to send this information these days with all these different mediums like WhatsApp... In the old face-to-face days, a client would turn up with a Tesco bag full of paperwork and you would just wade through the paperwork with them. But now they can be a bit more selective in what they send in rather than just give you everything.”

Participant 1, online focus group 2, Vale of Glamorgan

Nature of debt queries

All focus groups discussed the nature of queries received from clients, with many explaining that fixed costs appeared to be those most frequently encountered during the pandemic.

“Some of the loan applications we had through... some were noticing that there were a lot more missed payments to creditors and a lot more county court judgments were appearing on their credit reports, whereas on the other scale you've got those who were applying who's credit had improved because they were investing in...”
“Well I can't go on holiday, so I'm going to use that £500 to

try and bring down some of my debt level". We've also noticed a lot of 'buy now, pay later' having an impact, and before they know it their monthly outgoings have increased but they're not realising."

Participant 1, online focus group 3, Aberconwy

"I would say, pre-pandemic, it was a bit more consumer debt. In the pandemic it's a bit more fixed costs like your rent, your council tax, your fuel bills. Those fixed costs that you really can't get away from; rather than loans."

Participant 1, online focus group 1, Vale of Glamorgan

Fuel debt in particular, was referred to by a number of participants as being particularly problematic for a variety of reasons. Some participants warned of the impact that will be felt by their clients over the coming months.

"I guess one of the main challenges with fuel debt, all the way through the pandemic, has been the lack of agents available to deal with any energy issues. So it has actually created debt where there may not necessarily have been any."

Participant 2, online focus group 1, Anglesey

"My go-to on energy debt would be trust applications . . . We had a situation in the pandemic where the British Gas Energy Trust was so inundated with applications, that they had to close early for the first time ever, because they'd used all their resources. They've really tightened up on their eligibility criteria now."

Participant 1, online focus group 4, Rhondda Cynon Taf

Groups accessing debt advice

The majority of participants did not share any particularly strong views on whether certain demographics had been disproportionately affected by debt during the pandemic. However, some participants explained that they had advised a number of people who, pre-pandemic, would have been unlikely to have found themselves in financial difficulty. Some described these groups as 'middle class' or the 'nuclear family'.

"People who would not have accessed our services were accessing our service, and I think that was pretty much across the board from young people to maybe people who were, dare I say it, quite middle class."

Participant 1, online focus group 4, Rhondda Cynon Taf

"I think the only thing that we have seen is probably an increase in people who wouldn't normally fall into the debt advice sort of criteria. So like the typical nuclear family, two parent families, both working, with children who prior to the pandemic were surviving and could pay their bills, although maybe not have a lot leftover at the end of the month. But if one or both of them have taken a 20% pay cut, they're thrown into crisis."

Participant 1, online focus group 2, Cardiff

"When I was giving general advice, a lot of my clients were benefits based whereas going to the debt role, I'm seeing a lot more on zero hour contracts. Mixture of working, mixture of UC with debts. So I'd say a lot of my clients are not reliant on benefits. They have two sources of income."

Participant 3, online focus group 4, Rhondda Cynon Taf

The perfect storm

Many participants across all focus groups shared concerns that the true impact of the pandemic on those experiencing debt or financial hardship, has yet to be realised. References to a "perfect storm" or a "tsunami" were made when describing the likely situation over the coming months and years.

"I think over the next few months, with the furlough scheme ending, self-employment scheme ending, National Insurance going up, fuel bills going up, UC uplift gone, that I think the tsunami is coming. I just don't know when it's going to come."

Participant 1, online focus group 1, Vale of Glamorgan

"I don't think we've seen a massive difference yet if I'm being really honest. Generally, the last time we kind of dealt with anything like this was 2008 and we didn't see the difference in 2008, we saw it in the years that followed."

Participant 2, online focus group 2, Cardiff

Signposting

Participants discussed the challenges and opportunities of signposting to specialist services during the pandemic, with mixed views across focus groups. Some participants discussed the resource challenges faced by some of the organisations to which they would usually signpost clients. Others explained that

the pandemic had afforded the opportunity to forge stronger partnerships with organisations, which has led to a more holistic approach to supporting clients.

“If we have to refer externally to [homeless charity] possibly, we can do that. The feedback I get from clients is sometimes they can't get through to them, or sometimes there's a long wait for a call back, but that's just probably a demand and supply issue from the [homeless charity] point of view because there's a lot of people trying to use their services currently.”

Participant 1, online focus group 1, Vale of Glamorgan

“I would add one thing as well with our vulnerable clients. A lot of them have lost their day-to-day support networks. They were coming through and sometimes they wanted more from us than we could give because they lost the face-to-face support. So we spoke to a lot of people in the middle of a mental health crisis. It wasn't as easy to signpost to somebody who could give them face-to-face support, because it wasn't there.”

Participant 2, online focus group 2, Cardiff

Some participants involved with signposting clients to mental health support, explained that they will often make a judgment call on whether a client is capable and confident of accessing a service. This has proven difficult in the absence of face-to-face engagement, due to the difficulty in reading non-verbal communication.

“From a mental health point of view, our referrals tended to drop because the people that were accessing those services weren't able to get to that venue because they were closed. So there was a dip, but it has now started to increase a bit... maybe because we're back in the venues... but I would say, if you have anxiety and depression, you've not necessarily going to pick up the phone from an unknown number.”

Participant 2, online focus group 4, Rhondda Cynon Taf

Welsh Government support

Participants shared their views on the approach taken by the Welsh Government during the pandemic, which were largely positive. In particular, the Discretionary Assistance Fund was referenced by a number of individuals as an initiative which had been invaluable to many of their clients.

"I think they're doing quite well. Things like the Discretionary Assistance Fund - that's been really good. Obviously, the six month notice period for tenants by landlords that's been very useful as well."

Participant 1, online focus group 1, Vale of Glamorgan

"I work with colleagues over the bridge and in comparison to what they've had . . . I think we've done fairly well in terms of the DAF, extending the amount of the emergency assistance payments that are available during Covid 19. They haven't even got that there."

Participant 1, online focus group 4, Rhondda Cynon Taf

Conversely, whilst some focus groups welcomed the aim of the Tenancy Saver Loan, now Grant, they were critical of its perceived narrow application.

"They introduced the Tenancy Saver Loan or the Tenancy Saver Grant. I think that's far too restrictive. I hardly know anyone that's successfully applied . . . because of the criteria you have to meet to get it. So it's there, and again, maybe you have the statistics on it, but I don't think many people are actually applying for these grants . . . I know when I go through the criteria with clients, and it's very rarely somebody would meet the criteria for the grant."

Participant 1, online focus group 1, Vale of Glamorgan

Future challenges

Participants in all online focus groups speculated about the challenges likely to face people over the coming months and years, of which many were discussed.

"I'm just wondering whether in the next three, or six months, historic borrowing is going to come to the fore and maybe we're just sitting on a suppression of debt problems."

Participant 2, online focus group 3, Merthyr Tydfil

"What really worries me is a potential 30% increase in gas and electricity prices in 2022. That is going to push people into Victorian poverty. And we've got the increase in National Insurance contributions, you've got less suppliers because they're collapsing, the energy price cap has been raised . . . I'm really worried about next year."

Participant 1, online focus group 4, Rhondda Cynon Taf

Participants explained that in order to meet the anticipated future demand for debt advice, it is important that advice agencies are adequately funded and the experience of existing advisers is harnessed.

"I guess the other thing really for us is funding for debt advice . . . having the ability for people to be able to access advice quickly and easily is really dictated by the advice provision that's available that goes across the board, not just for debt advice."

Participant 2, online focus group 1, Anglesey

" . . . the energy advice projects are funded for a 6 month period really, so they're almost seasonal. It's such a narrow view to cut it off and to lose the experience of good advisers who know how best to support clients. I have a situation where come 31 March, I'll get a redundancy notice. Dependent on whether we can then be refunded under another vehicle. If I walk out the door I take a lot of experience, contacts and knowledge with me."

Participant 1, online focus group 4, Rhondda Cynon Taf

A number of participants discussed the gradual increase in bailiff action, with some sharing concerns about the way such action is conducted. Some participants also expressed concern about the immediacy of action taken by councils over council tax arrears, and queried whether the Welsh Government could encourage councils to exercise greater forbearance.

"The council are quick to get a liability order in place and quick to instruct bailiffs . . . this is anecdotal, but bailiffs should adhere to certain guidelines, but in practice they don't."

Participant 3, online focus group 4, Rhondda Cynon Taf