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against
poverty

CAP

Deficit budgets: The cost to stay alive

September 2024

When the budget doesn't balance

Insights into the deficit budgets UK people are facing



22% of UK adults say they have a deficit budget.

High costs and low incomes

A deficit budget occurs when a household's income, whether from wages or social security, falls short of covering basic expenses such as rent, utilities, food, and clothing.

Recent YouGov polling of over 2,000 UK adults, commissioned by UK debt help and anti-poverty charity Christians Against Poverty (CAP), reveals one in five (22%) UK adults report having a deficit budget.



21% of UK adults are skipping meals at least once a month because of costs



48% limited their electricity or gas use in the house at least once a month because of the cost

The cycle of debt and poverty

For over 25 years, CAP has been working to end UK poverty by providing free, independent debt help and financial education. Through a team of more than 400 dedicated staff members and award-winning FCA-accredited debt advice, tens of thousands of families and individuals have been supported to become debt free.

In the past, a client becoming debt free would be able to break free from debt and poverty. Now many remain trapped in a vicious cycle.

Despite our best intentions and highly skilled staff, CAP, like many other debt advice organisations, are facing the reality that many clients' debt free 'moment' won't be the end of their struggles. With incomes not matching the cost of essentials they need to survive, they risk falling back into debt and remaining trapped in the cycle of poverty.

CAP clients access debt counselling through in-person visits, but this in-person support runs alongside the Bradford head office-based FCA-authorized debt advice. This includes income and expenditure calculations and the creation of a budget based on the cost of essentials, and a recommended route out of debt such as debt repayments or insolvency solution that best suit the client's situation. However, even with our expert team of advisors, the current reality is that around 50% of CAP clients now face deficit budgets.

Breaking CAP's statistics down further, it is apparent that there is a higher prevalence of people with deficit budgets who are in vulnerable circumstances requiring additional support, and the high number of people who receive an income from social security who are reaching out for debt advice.



47% of CAP clients advised had a deficit budgets*



75% of clients with additional needs had deficit budgets*

This reality leaves many people in a vulnerable position. Even when they have made the journey to become debt free, they are likely to be pulled back into financial difficulty, simply due to the cost of basic essentials.

Another area of concern is the amount by which income and essential expenditure are not adding up.

£273

The average deficit amount per month for all CAP clients with deficit budgets*

* An average from all budget calculations CAP made for clients from May- July 2024, rounded to the nearest full number.



Effects of deficit budgets



Personal

Deficit budgets can have deep, personal repercussions for both the individual, and the debt advisors and others working closely to support them. It can have a negative effect on people's mental well being, physical health, and sense of isolation and autonomy.

It was like being stuck on a never-ending treadmill. ... I think I just always felt like we could never get ahead of ourselves. And I'd often hear myself saying, "I just need a break"... It just feels like a never-ending slog.'

Nathan, on his experience of living with a deficit budget



Societal

The impact of living on a deficit budget goes beyond the individual, often impacting their family, friends and wider community.

17% of UK adults (9 million people) said their financially difficult period put pressure on their relationships

11% (5.6 million people) said it had a negative effect on their family and friends.



Systemic

Deficit budgets have a seismic effect on individuals, spanning health, wellbeing, living standards and relationships, and this in turn impacts institutions and bodies within our society.

'As a country, we're at breaking point with people's finances, and no matter how much advice CAP or anyone else gives, it still doesn't address the root cause of the issue.'

Stu, who has experience of living with a deficit budget

How are people surviving?

Using credit

Borrowing from friends and family

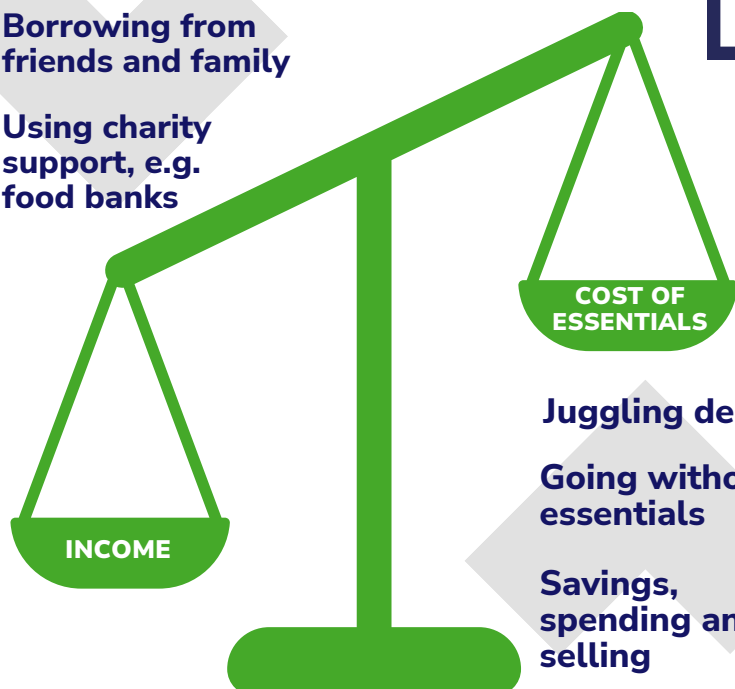
Using charity support, e.g. food banks



77% of CAP clients have turned to consumer credit such as credit cards



9% of UK adults are using credit mainly to pay for monthly bills



Juggling debt

Going without essentials

Savings, spending and selling

'I just do without food etc.'
'I stopped using the cooker, central heating, hot water.'
'I skipped meals to pay bills.'

Experiences shared through CAP's polling conducted by YouGov

People need enough to **survive.**

Addressing inadequate incomes

- Establish a protected minimum amount of social security, an Essentials Guarantee, so that the basic rate of social security always covers life's essentials, and ensure support is never pulled below that level.
- Recognise the current gaps in income and consider the value of the Minimum Income Standard (MIS) as a strategy for tackling poverty in the UK.
- Continue a sustained focus on ensuring incomes remain in line with the real costs of living.
- Review the social security system to ensure it provides support and does not inadvertently cause harm.
- Develop a strategy to guarantee that every individual and household across the UK receives the social security they are entitled to.
- Consider auto-enrolment in Universal Credit to guarantee income maximisation, reduce the personal burden of social security applications, and ensure everyone has a protected income floor.

Targeting the cost of essentials

- Support community-based initiatives designed to pool and share resources, such as social supermarkets, food pantries, fuel bank vouchers, and item libraries.
- Recognise and address the poverty premium affecting access to essential services by empowering regulators to ensure firms tackle cost disparities faced by those in poverty.
- Implement long-term, targeted support in the energy sector to ensure everyone can afford to keep warm and safe.
- Create a dedicated 'Help to Repay' scheme to support individuals struggling with energy arrears. This scheme should offer repayment matching to help people get out of debt sooner or provide full debt relief based on their level of need.
- Increase the rights and protections for tenants in rented accommodation to provide stability and a safe home for all.
- Ensure the levels of social housing meet demand.

Supporting those trapped in debt

- Provide more sustainable and sufficient funding streams to ensure FCA-authorized free debt advice is available and accessible for people facing debt.
- The Money and Pensions Service (MaPS) should launch a strategic effort, working with the Government and businesses, to ensure people are aware of the free and non-judgemental support available.
- Ensure that any new legislation or regulation does not cause additional harm to people surviving on deficit budgets.
- Increase regulation of credit marketing and advertising, providing safeguards on language, location of advertisements and customer profiling.
- Develop regulatory requirements to hold firms accountable for protecting customers by offering support and reporting data to the Money and Pensions Service (MaPS) when customers use credit to pay for essentials.
- Implement clear policies and processes to ensure customers with deficit budgets receive income maximisation support and access to additional help

Find the full report at:
capuk.org/deficit-budgets

This resource has been created by Juliette Flach (Senior Policy & Public Affairs Officer) and CAP's policy team.

We'd love to keep in touch!

If you would like to discuss CAP's work further, please get in touch with us at:

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