



# ***The Poverty Strategy Commission call for evidence***

*CAP's written response to the PSC Consultation*

June 2022

**always hope.**



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## Priorities

*We are considering a number of different domains that are relevant to shaping a comprehensive anti-poverty strategy. We would like to get an understanding of people's views of the relative importance of these domains.*

*Please rate the importance of the following domains to tackling poverty:*

*Not at all important*

*Low importance*

*Neutral*

*Important*

*Very important*

### Very important

- Incomes
- Financial resilience and debt
- Extent of social networks and community

### Important

- Available assets
- Childcare
- Housing costs and quality
- Costs of disability and social care
- Family stability
- Education, skills and qualifications
- Health (mental and physical)
- Labour market opportunities

## Evidence

*Please suggest any evidence of poverty you think the Commission should consider.*

### **CAP client report 2022**

As the cost of living continues to rise across the UK, millions of households are being pushed to the very edge, one move away from being plunged into the chilling depths of poverty. In CAP's latest client report: *On the edge*, we explore the reality of living in debt and poverty in the UK in 2022 through the experiences of our clients, and what's driving people to a place of financial crisis. We also dig into what can be done to pull people from the depths, and prevent them from getting there in the first place.

Available here: [capuk.org/clientreport](https://capuk.org/clientreport)

CAP has also researched the impacts of specific issues and the relationship that finances have with factors such as mental wellbeing. Below are a selection of our recent reports:

### ***Digital divide***

2.6 million people in the UK do not use the internet regularly, and 14.9 million have very low levels of engagement (according to the Lloyds UK Consumer Digital Index). This report presents data from CAP clients, as well as UK-wide population data from Experian Mosaic, to reveal the barriers that cause persistent and periodic digital exclusion – including capability and confidence, lack of access to devices and infrastructure, and the ongoing cost of internet data or a broadband connection.

Available here: [capuk.org/digitaldividepdf](https://capuk.org/digitaldividepdf)

### ***Shipshape or sinking ship?***

Financial and mental wellbeing are central planks that allow us to plan, connect and have control over our lives. Problem debt, low income and some welfare policies can have a harmful effect on people's financial wellbeing. This report considers the role that debt advice, creditors and the Government can play in improving the financial and mental wellbeing of the UK population and helping people move on from problem debt for good.

Available at: [capuk.org/shipshapepdf](https://capuk.org/shipshapepdf)

### ***Left destitute by debt***

In a just and compassionate society, it is not right that many people are held back by destitution and locked out of opportunities to improve their lives. This is particularly the case for a high proportion of those in financial difficulty who experience poverty so extreme that they lack basic subsistence. For example, before CAP's help, 89% went without food, 80% went without heat for their home and 9% went without shelter. This report goes beyond the numbers to explore poverty in today's society.

Available at: [capuk.org/destitutionpdf](http://capuk.org/destitutionpdf)

**Please suggest any work you are aware of that considers the viewpoints of people with lived experience of poverty.**

Below are a selection of recent research reports and projects that consider the viewpoints of people with lived experience of poverty:

- [CAP: Stacked against](#)
- [Church Action on Poverty: Life on the breadline](#)
- [Trussell Trust: Debt to government, deductions and destitution](#)
- [APLE Collective](#)
- [Poverty and Inequality Commission research by Poverty Alliance and the Scottish Poverty and Inequality Research Unit \(SPIRU\)](#)
- [The University of York: COVID realities: families on low incomes during the pandemic](#)
- [Fair by Design and University of Bristol: The poverty premium: A customer perspective](#)
- [Runnymede Trust: The colour of money](#)

We work closely with our clients and take the trust that is developed between CAP and our clients very seriously. When there is a desire to do so, we seek opportunities to enable them to provide their insight into the sector. If you would like to find out more, or would like to explore the possibility of hearing directly from people with lived experience, then please get in touch at [externalaffairs@capuk.org](mailto:externalaffairs@capuk.org).

## Policies

*Please suggest policies that you would like the Commission to explore as part of its work.*

### Incomes

Wages in relation to providing a liveable income is an important factor. More than a quarter (29%) of households surveyed by the Office for National Statistics in early 2022 felt they would not be able to afford an unexpected but necessary expense of £850, with adults on the lowest incomes amongst those most likely to feel this way.<sup>1</sup> With almost nine in ten CAP clients (85%) receiving an annual income below the national average according to our latest client survey, there is an undeniable link between low income, poverty and unmanageable debt.<sup>2</sup> Four-fifths (83%) of CAP clients find themselves so restricted by their income that putting savings aside for emergencies or general costs proves impossible.<sup>3</sup> Evidently, numerous people are already scraping by on less than they realistically need. It is crucial that the rate at which people's incomes – and especially social security – are rising matches inflation rates, so that life remains affordable. Otherwise, more and more people inevitably will be pushed below minimum income standards.

Ensuring that everyone in the UK receives a living wage is an important step to help to bring an end to UK poverty. However, CAP acknowledges from the experience of our clients that this is only part of the solution. The security, quality, regularity and the number of hours of work available are all factors that will influence someone's potential income rate. Those on zero-hour contracts or in the informal employment sector are particularly exposed to the income fluctuations that can come from insecure employment agreements.

CAP also recognises that full-time employment is not always an option. People's disabilities, age, caring commitments and family situations may prevent them from accessing income from the labour market. Income from the social security system to support people or go alongside their employment is crucial. This is a particularly significant consideration during this current cost of living crisis when incomes are being stretched for those in and out of the labour market.

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<sup>1</sup> Office for National Statistics, *Impact of the increased cost of living on adults across Great Britain: November 2021 to March 2022* (2022)

<sup>2</sup> CAP UK, *Client report* (2022) available at: [capuk.org/clientreport](https://capuk.org/clientreport)

<sup>3</sup> CAP UK, *Client report* (2022) available at: [capuk.org/clientreport](https://capuk.org/clientreport)

The fear of being pushed over the edge by problem debt and the challenges of life on a low income can feel overwhelming. Trapped, isolated, suicidal – these are all words that CAP regularly hears being used by clients. Many describe their debt as all-consuming. Shame and embarrassment rob people of dignity as they feel compelled to hide their debt, which compounds already heightened levels of stress. Over a third (36%) of CAP clients across the UK seriously considered or attempted suicide because of problem debt.<sup>4</sup> Low mental and financial wellbeing are prevalent, and CAP's evidence shows low income is a significant driver of this.<sup>5</sup> Some groups typically fare worse than others, with much lower financial and mental wellbeing scores within the following subsectors: insolvency clients, those on the lowest incomes, younger people and those subject to particular welfare policies.<sup>6</sup>

Incomes not only affect people's ability to thrive but also creates practical barriers that further exacerbate the isolation they experience. Digital exclusion can also arise from financial barriers. It is low-income households, single parents and people in receipt of means-tested benefits who experience financial barriers the most. Amongst CAP clients, 98% of people who can't afford enough data on their phones face a vulnerability factor, with 85% of people who are unable to afford a broadband contract in receipt of a means-tested benefit.<sup>7</sup> This digital exclusion can subsequently cause even more barriers for people who are already vulnerable if they are unable to seek and access the support they need.

James<sup>8</sup>, a client at a CAP Debt Centre in Uddingston, continues to experience digital exclusion. James is a young, single male on a low income. He is currently recovering from cancer and is working with CAP to pursue bankruptcy through the Minimal Asset Process (MAP).

<sup>4</sup> CAP UK, *Client report* (2022) available at: [capuk.org/clientreport](https://capuk.org/clientreport)

<sup>5</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at [/capuk.org/shipshape](https://capuk.org/shipshape)

<sup>6</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at [capuk.org/shipshape](https://capuk.org/shipshape)

<sup>7</sup> CAP UK, *Digital divide: Financial difficulty and digital exclusion* (2021) available at [capuk.org/digitaldivide](https://capuk.org/digitaldivide)

<sup>8</sup> Client's name has been changed

He is unable to afford internet on a phone or home broadband. This means he was unable to use any teleconferencing software, such as Zoom, to get advice and support during the COVID-19 pandemic. Being digitally excluded is exacerbating his isolation and also preventing him from accessing the help he needs for both his health and finances.

Low income is an underlying issue. Although debt advice and statutory solutions like bankruptcy can pull people out of poverty, this is not a guarantee, with factors such as insufficient income trapping people in the cycle of debt and poverty. This issue is particularly prevalent with the rising cost of living.

The majority of low-income households cannot afford the cost of the energy they need to live safe, warm and well. More than half (55%) of CAP clients have rationed their energy at least occasionally in the last two years, with three in ten (29%) doing so weekly.<sup>9</sup> CAP is aware of the personal side of these statistics, with clients such as Ron from Irvine not being able to turn on his heating and instead left using blankets and clothing to try and stay warm inside his own home. Low income, expensive energy tariffs and a lack of practical help available means people give up and make do without, or are pulled back into debt. Energy bills are one of the biggest contributors to the poverty premium due to higher tariffs charged for people who pay by standard credit and prepayment meter.

A cost of living review needs to be carried out to look into the adequacy of people's incomes from employment or social security. Policy recommendations that we would like to be explored as part of this review are as follows:

- 1) Social security allowances need to be updated in closer alignment with current inflation rates. This would require a shorter gap between inflation rates being announced and uprating support being applied to all social security measures.
- 2) All welfare payments and caps should be uprated automatically and annually with the exception only being for exceptional circumstances. This should include Local Housing Allowance and the benefit cap.
- 3) There needs to be increased support and regulation of the labour market to ensure that everyone receives a living wage for the work that they do, and are legally and

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<sup>9</sup> CAP UK, A dark place: Unaffordable energy costs and how low-income households cope (2020) available at: [capuk.org/connect/policy-and-government/a-dark-place](https://capuk.org/connect/policy-and-government/a-dark-place)

financially supported when the working hours and security of their job does not provide a sufficient income for them to live on.

### Available assets – by which we mean liquid savings and investments

CAP acknowledges that the impacts of financial insecurity are not just a money problem but also a concern for people's mental wellbeing. Debt often goes hand-in-hand with mental health problems, acting as both a symptom and a cause.<sup>10</sup> Having insufficient income and savings significantly limits people's financial wellbeing, and while the majority of CAP clients live on a low income, those living in poverty (and particularly persistent or deep poverty) will have the most difficulty achieving gains in wellbeing.<sup>11</sup> Consequently, helping and supporting people to be able to plan and save is important to enable people to enjoy the security and peace of mind that this offers.

Currently, there are restrictions to the accessibility and availability of accumulating assets. Firstly, there are the financial restraints that prevent people from being able to afford to save. At CAP we meet clients whose income does not balance with the essential outgoings that are required to be met. Two in five (38%) people accessing debt advice from Citizens Advice do not have enough money to cover their essential living costs which are expected to rise as the cost of living increases.<sup>12</sup>

Beyond financial constraints, there are also elements of the current saving and investment options that could be addressed to open up this avenue for those who are able. Four policy options should be considered in this area:

- 1) Extending eligibility of the *Help to save* scheme which is currently only available to people who are receiving the following benefits:
  - Working Tax Credit
  - Child Tax Credit – and are entitled to Working Tax Credit

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<sup>10</sup> Money and Mental Health Policy Institute, *Money on your mind* (2016)

<sup>11</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at [/capuk.org/shipshape](https://capuk.org/shipshape)

<sup>12</sup> Citizens Advice, *Negative budgets: A new perspective on poverty and household finances* (2020)

- Universal Credit and they (with their partner if it's a joint claim) had take-home pay of £658.64 or more in the last monthly assessment period<sup>13</sup>

This excludes people who are on disability benefits. This should be opened up to enable 'Help to Save accounts' to be available for people who want to use this saving mechanism.
- 2) Government-supported saving schemes should be offered through credit unions and alternative providers that are more accessible and rooted in local communities. By using these channels, people who may be reluctant to use the current process to engage directly with banks and government mechanisms may have an alternative method of accessing this support.
- 3) More support needs to be offered to help people to understand what saving options are available and ways to receive this support without access to official documents such as 'Government Gateway user ID' and 'UK bank details'.<sup>14</sup>
- 4) Payroll savings need to be seriously considered as a method of encouraging and incentivising people to save. Concepts such as 'Sidecar Savings' could be explored to establish easy saving practices.<sup>15</sup>

## Childcare costs and quality

CAP recognises that childcare is a significant cost which often exacerbates poverty, has an impact on labour market engagement, and affects the wellbeing of children and parents/guardians involved. There needs to be a review of the current system to ensure that suitable childcare support is available in the best way. The major factors that need to be considered are as follows:

- 1) There are currently blockers to enable people on Universal Credit to access childcare, such as the restriction for costs to be paid upfront and for people to 'be working' or 'have a job offer'.<sup>16</sup> These restrictions need to be considered and addressed to enable people to access the childcare support they need. Universal

<sup>13</sup>Gov.uk, *Get help with savings if you're on a low income (Help to Save)*, available at: [gov.uk/get-help-savings-low-income/eligibility](https://www.gov.uk/get-help-savings-low-income/eligibility)

<sup>14</sup>Gov.uk, *Get help with savings if you're on a low income (Help to Save)*, available at: [gov.uk/get-help-savings-low-income/how-to-apply](https://www.gov.uk/get-help-savings-low-income/how-to-apply)

<sup>15</sup>House of Commons Library, *Sidecar Savings (2021)*, available at: [commonslibrary.parliament.uk/research-briefings/cbp-9410/](https://commonslibrary.parliament.uk/research-briefings/cbp-9410/)

<sup>16</sup>Gov.uk, *Universal Credit and childcare*, available at: <https://www.gov.uk/help-with-childcare-costs/universal-credit>

Credit should pay for childcare upfront or directly to the provider and not require a receipt for payment in arrears.

- 2) The cost and eligibility to free childcare needs to be reviewed with the potential for further subsidies to be offered to those who need it. The hours that children aged two, three and four receive need to be reviewed. Changes could include:
  - a) Lowering the maximum wage that a household can have to still be entitled to additional childcare.
  - b) Offering more childcare hours to people on low income.
  - c) Extending provisions for childcare allowance for children under two years old, aligned with the end of maternity and paternity leave. This would provide the option for parents to return to work without the cost of nursery care being a barrier for parents on low income.

However, before this change is made, capacity within the nursery and childcare sector needs to be considered and increased to ensure that the quality and staff-to-child ratio are not impacted by this alteration.

- 3) Changes need to be made to address the stereotypes and status assumptions of staff working in the childcare sector. This needs to be considered to help address multiple aspects of poverty. Raising the salary scale to be, for example, based on the primary school teachers' wage scale, would improve the finances people working in the sector receive. This alteration would also encourage new staff into the sector to help address the current need, enabling more parents to return to work. Additionally, improvements to childcare would also bring benefits to children who will then be better equipped to go on to thrive in education and increase their social mobility in the long-term.<sup>17</sup>
- 4) Recognition needs to be made of the positive impacts Childcare Centres and Sure Start initiatives can, and already, have in supporting families with young children. These can also be used as an opportunity to signpost families for support regarding free safeguarding, financial, health and legal advice. Further, cross-organisational signposting through free childcare facilities could be further explored and funded to ensure that it provides the best holistic support for families who are in or at risk of being pulled into poverty.
- 5) Increasing child benefits would be a quick and easy way to support families with young children who are in financial difficulty. It would support all families with an

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<sup>17</sup> The Sutton Trust, Closing Gaps Early (2017) available at:  
[https://www.suttontrust.com/wp-content/uploads/2019/12/Closing-Gaps-Early\\_FINAL.pdf](https://www.suttontrust.com/wp-content/uploads/2019/12/Closing-Gaps-Early_FINAL.pdf)

income less than £50,000.<sup>18</sup> Although some families at the higher end of this threshold may have more disposable income, with the current high childcare costs in addition to increasing essential costs, this would be a quick way of increasing support whilst long-term options for more targeted support are explored.

- 6) The two-child limit and the benefit cap currently penalise larger families who are more prone to be living in poverty. CAP calls for these to be scrapped to ensure that people can access the support they need.

## Housing costs and quality

There are significant immediate and long-term issues with the cost and quality of housing that need to be addressed.

Local Housing Allowance is failing to keep pace with rent prices, the benefit cap is not keeping pace with average incomes, and benefit deductions for debts are demonstrating a severe lack of proper affordability checks. All of this is placing excessive strain on household budgets and leaving people across the UK fighting to keep their heads above water. Consequently, people are being pulled into debt with rent arrears being the fourth most common type of priority debt that new CAP clients sought help for.<sup>19</sup>

Below are CAP's key policy recommendations in this area:

- 1) Housing Association properties often come unfurnished which puts financial strains on people who are already struggling financially. In response to this need, good quality carpets and white goods as a minimum should be provided in all housing association properties. In addition to standard white goods, there needs to be a cash-first approach to support people to choose their own furniture to enable people to experience dignity and choice. Through resourcing people to have agency, approaches can be financially viable whilst also enabling people to feel empowered. An example of this is the Scottish Welfare Fund, where the capacity to receive the funds to enable people to purchase their own furniture rather than being given standardised models provides a more dignified approach.

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<sup>18</sup> Gov.uk, Claim Child Benefit, available at: <https://www.gov.uk/child-benefit/eligibility>

<sup>19</sup> CAP UK, *Client report* (2022), available at: [capuk.org/clientreport](http://capuk.org/clientreport)

- 2) The Local Housing Allowance is currently not providing the required support to those who need it in the UK. As highlighted within research by ESRC Research Centre on Micro-Social Change:

'Longer-term results show that overcrowding continued to increase as changes to the uprating system further reduced the value of housing benefit. The decision to reduce the Local Housing Allowance and sever its relationship with actual rents has therefore reduced the ability of recipients to access suitable housing which will have had important implications for health and wellbeing, particularly during the COVID-19 pandemic.'<sup>20</sup>

There was a delay in updating the Local Housing Allowance, although it has now been updated, these rates have been frozen again for 2022/3. With the current speed of price rises, this current rate is soon to be inadequate again. There should be more regular uprating with a guarantee in regulation that this will remain in line with local market rents. The second issue with the Local Housing Allowance is the current upper limit on housing benefits to support renting costs. The current rate is the 30th percentile of local market rents. CAP calls for this to be moved back to the previous rate of the 50th percentile.

- 3) In the long term, there needs to be an increase in the number of affordable homes that are created to provide accommodation options for people on lower incomes and with financial barriers.

### Costs of disability and social care

Above and beyond individual policy recommendations is the importance of the creation of a more accessible society where people are empowered and resourced. CAP believes that everyone should be treated with dignity, live in freedom and have equal opportunities. Everyone should feel accepted and able to contribute to society. These principles should apply to changes in society, for example through employment options being altered to make them accessible, and alterations to public transport to make it more accessible and available. In addition to changes in the wider systems and structures, alterations to the

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<sup>20</sup> Amy Clair, *The effect of local housing allowance reductions on overcrowding in the private rented sector in England* (2022) International Journal of Housing Policy 2022, Vol 22, No. 1, 119-137 available at: [tandfonline.com/doi/full/10.1080/19491247.2021.1964253](https://tandfonline.com/doi/full/10.1080/19491247.2021.1964253)

current pathways for people to access support need to be made. Here are three policy recommendations regarding the costs of disability and social care:

- 1) The process of applying for PIP support needs to be addressed to enable it to be more accessible for people with additional needs. The current process is time-consuming, hard to navigate and requires people to provide sensitive information in an insensitive way. Learnings should be learnt from the support that is being offered and the transition towards the Adult Disability Payment that is taking place in Scotland.
- 2) As highlighted by multiple charities in the sector including Money and Mental Health Policy Institute (MMHPI), there needs to be increased support and clear advice offered to help people navigate the social security system to ensure that people are able to access the benefits that they are entitled to.<sup>21</sup>
- 3) 72% of PIP tribunals made by the Social Security and Child Support (SSCS) Tribunal have resulted in the original decision being overturned, enabling people to access their Personal Independence Payment.<sup>22</sup> A review needs to be made to establish why the original decisions were made and ensure that these delays and mixed messages do not occur in the first place.

## Family stability

Relationship breakdowns accounted for a tenth (11%) of new CAP clients' debt crises in 2021. This is very often exacerbated by low income, which remains one of the most common reasons given (17%) for falling into debt.<sup>23</sup> As the cost of living in the UK continues to rise, increasing numbers of people are struggling to retain any kind of buffer to fall back on when money is tight and times get hard.

The family environment can have a large impact on people's financial situation in addition to the instabilities that this can have on families and children. Relationship changes can result in a range of impacts.

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<sup>21</sup> Money and Mental Health, Set up to Fail (2021) available at:  
<https://www.moneyandmentalhealth.org/publications/universal-credit-report/>

<sup>22</sup> Ministry of Justice, Tribunal Statistics Quarterly: January to March 2022 (2022) available at:  
<https://www.gov.uk/government/statistics/tribunal-statistics-quarterly-january-to-march-2022/tribunal-statistics-quarterly-january-to-march-2022>

<sup>23</sup> CAP UK, Client report (2022) available at: [capuk.org/clientreport](https://capuk.org/clientreport)

One of our CAP clients who is now debt free has explained what his life was like before he started working with CAP:

*'My wife had a breakdown and moved out. I'd been working to pay off the mortgage, but now I couldn't afford childcare. It was impossible: the cost was so high it wouldn't have been worth paying for it to go to work, and no family members could help because they were all working, so I gave up my job after 20 years in work.*

*Life was horrible, there were debt collectors and phone calls. At first the calls were every day, then later they were every hour. I tried changing my phone number but the calls kept coming. It was very stressful. I was in a lot of trouble. The children and I used to hide in the kitchen to avoid people. One time, we forgot ourselves though, and some people from the debt agency came round to the house around Christmas time, and they pushed their way into the house. When my children saw them in our front room, my heart just sank.*

*We lived on benefits and food banks. We were living in this shell of a house, with no heating, no carpet, no wallpaper, nothing. We used to sleep on bin bags. It was terrible. I was cynical – in the space of a year I'd lost my wife, my mother had passed away, I'd nearly lost my kids, I had to give up my job after 20 years, and had to start from scratch. I was cynical of people, always waiting for the next disaster to come along. I was scared to go out.'*

CAP also see the impacts that financial abuse as a form of domestic abuse can also have. 9% of CAP clients borrowed due to pressures from a friend or family member, which could include financial and /or domestic abuse<sup>24</sup>. The consequences of financial abuse can be economic and emotional, impacting people's immediate state and their future situation.

Laura is a single parent from Edinburgh, who ended up in problem debt after her son was born prematurely. Due to the stress of this situation she wasn't able to manage bills or work to earn money. At the time Laura was in an abusive relationship and her partner wouldn't let her get debt help.

<sup>24</sup> CAP UK, Client report (2022) available at: [capuk.org/clientreport](https://capuk.org/clientreport)

Over time, Laura's debt grew and had a massive impact on her mental health. She lived in fear of debt collectors coming to the door and hid the letters in a drawer as she didn't know how she would be able to pay them. She felt ashamed and embarrassed and didn't know where to turn. Problem debt had such an impact on Laura's mental health that she tried to take her own life twice.

Last year, Laura managed to escape from domestic abuse and was in a position to get debt help. She heard about CAP through her local food bank. Laura felt like CAP was her safe place and her CAP Befriender became like a mother to her. She was able to go debt free through sequestration in December 2021. Once Laura met her Debt Coach she felt like a weight had been lifted and she was able to laugh again.

However, Laura is still struggling on a low income. She already has to travel quite far around Edinburgh on the bus to shop around and find the cheapest items. She is worried about how she will be able to keep going with rising costs.

As a society, we need to support all those who are disproportionately affected by poverty. Due to factors outside of someone's control, people's family stability may be challenged. Situations such as bereavement or stepping away from abusive relationships can put people in difficult circumstances financially and affect any children involved. Below are two policy recommendations:

- 1) Additional financial, emotional and logistical support needs to be offered to ensure people have good life chances no matter the family circumstances they are in. This applies to both providing support to the parents/guardians in addition to any children involved.
- 2) Child maintenance can be complex when parents separate, and this can then become even more challenging when the parents are in financially insecure positions. In these circumstances, policies and custody rulings can compound each other. A review needs to be made into how people may be adversely affected when policies interact around situations of family separation.

## Extent of social networks and community

CAP has identified the benefits of social spaces and the value that community can bring. In addition to providing practical support and training, the over 2,000 UK churches that CAP partners with, also provide vital social, emotional and peer-support spaces. Despite the value that is seen in the provision of social networking and community spaces, there have been financial cuts made which have resulted in buildings having to shorten opening hours and reduce the support staff available. Here are two policy recommendations:

- 1) Funding needs to be maintained and increased for social spaces such as libraries to enable people to access valuable community spaces in addition to having a safe and warm place to go during this cost of living crisis.
- 2) In addition to government-supported social and community spaces, people on low income or receiving income from social security need to be enabled to not only buy essentials but also to afford to engage with social opportunities and participate in community life and society.

## Education, skills and qualifications

Having the opportunity to develop skills should not be limited to schools. Instead, people should be empowered and enabled to continue lifelong learning. Policy changes should include the below:

- 1) There should be increased availability of financial education for all ages. Within the UK, 45% of the adult population (24 million people) don't feel confident managing their money.<sup>25</sup> As the Centre for Social Justice (CSJ) has highlighted in its recent report, there should be lifelong financial learning available to support increased financial literacy and to equip everyone to navigate the complex financial environment.<sup>26</sup> This financial education should situate money management skills within a broader life context, providing training on complementary skills needed to attain good financial wellbeing. This could be delivered through a course such as CAP Life Skills, which provides support in areas such as relationship management, eating well on a budget, and organisational skills. These complimentary skills help

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<sup>25</sup> Money and Pension Service, *Financial capability survey* (2018), and Money and Pension Service, *24 million UK adults don't feel confident managing their money* (Nov 2021)

<sup>26</sup> Centre for Social Justice, *On the money: A roadmap for lifelong financial learning* (2022) available at: [centreforsocialjustice.org.uk/library/on-the-money](https://centreforsocialjustice.org.uk/library/on-the-money)

individuals to apply money management practically within their real-life contexts; for example, through equipping people with the skills to manage financial expectations within households.

- 2) Funding for further education and adult learning opportunities needs to be explored through a cost analysis to enable a consideration of restarting and further funding these initiatives as a practical method to help people to enter the labour market and increase social mobility.

Beyond increasing the provision of adult education and skill development opportunities, there is also a need for a review of current issues in this area, this should include the following:

- 1) There is a cost of accreditation that is needed to access some jobs, for example security, however the bill often needs to be paid upfront. This can be a barrier if people are unable to afford to pay the upfront cost of this accreditation. The DWP can support this cost, but this is only an option if a job offer is already made and is not a method of support for people not entitled to DWP support.
- 2) Another challenge that needs to be addressed is the use of complex language and numerical information that organisations use. Half the adult population in the UK have the everyday maths skills that we expect of a primary school child.<sup>27</sup> Less complex language needs to be used to enable information to be accessible. [Plain Numbers](#) has suggested ways that this could be rolled out across communication sent out both publicly and specifically to individuals.
- 3) Furthermore, there is a need for the Government to change narratives and attitudes around talking openly about money management. While the CAP Money Course receives excellent feedback from delegates, it is sometimes hard to encourage delegates to join the course initially due to the perceptions that it is shameful to admit a lack of financial knowledge or skills, or that it is normal to be bad with money. There is a need, therefore, to shift public perceptions toward an openness to talking and learning about money management and to encourage continuous learning across all ages.

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<sup>27</sup> Department for Business Innovation and Skills, 2011 *skills for life survey: a survey of literacy, numeracy and ICT levels in England* (2012)

## Financial resilience and debt

Factors such as people's low income results in a limit to the financial resilience that people are able to have. This leaves them vulnerable when factors outside their control put an additional burden on their budget. Due to a lack of alternative options, people often use credit as a lifeline. This is an unsustainable solution as it can cause more financial insecurity and lead to increasing debt in the long term. Credit can never be the way out of financial difficulty when long-term poverty exists.

Factors such as insufficient income via social security can push and keep households in problem debt as people have to borrow to cover the costs of everyday essentials such as food and fuel.<sup>28</sup> Consequently, some debt support is providing a plaster on an endlessly open wound as households can quickly fall back into problem debt after going through a debt solution.

Recommendations include:

1. Alternative methods to credit need to be available to ensure that people are not pulled further into poverty as a result of being forced down this path by unexpected costs hitting tight-budget households. This should include cash-based provision from local welfare assistance schemes that provides easily accessible and quick provision.
2. CAP would urge the Poverty Strategy Commission to use the fullness of all of its powers to look at this intersection between social security and problem debt and feed this insight into decision-makers at every level.

When people are faced with debt, barriers can exist at every stage of the journey for getting money advice and support for problem debt. Seeking help for problem debt remains a hard first step for many. Polling carried out by CAP found that 52% of clients delayed seeking debt help as they 'didn't know where to get help'.<sup>29</sup> This issue is further exacerbated by a lack of access to good quality and reliable information about sources of advice and the support they are entitled to, including on GOV.UK and paid advertising by fee-charging debt management companies and IVA providers.

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<sup>28</sup> CAP UK, *Client report* (2022) available at: [capuk.org/clientreport](https://capuk.org/clientreport)

<sup>29</sup> CAP UK, *Client report* (2022) available at: [capuk.org/clientreport](https://capuk.org/clientreport)

Uncertainty, fear and shame keep people trapped in debt. Poverty-related stigma is prevalent for people living on a low income. Problem debt has a particular stigma and shame attached to it that leaves people feeling trapped, isolated, unable to sleep at night and considering suicide.<sup>30</sup> This double stigma surrounding problem debt then holds people back from seeking debt help, meaning people are often waiting until they hit crisis point before seeking support.<sup>31</sup> Over half of CAP clients wait more than a year before seeking help and one in four wait for over three years.<sup>32</sup> Past negative experiences of 'officials' can also act as a barrier to accessing money advice from those associated with the sector due to a lack of understanding of the support that is available and fear of repercussions. People can have misconceptions and thus concerns around the impact announcing a debt issue or claiming bankruptcy will have on their credit files, which can result in not seeking support or not disclosing the extent of their situation. Paid advertising for debt help by corporate companies has been known to mimic free advice services and further spread misinformation and detract from sources of free independent advice. Those who are not familiar with digital searching and those who experience mental ill-health are particularly vulnerable to misinformation and mistrust around money advice.

Debt often comes hand-in-hand with mental ill-health, acting as both a symptom and a cause.<sup>33</sup> Even if people are aware of the support available, mental health and wellbeing can become a barrier to whether they feel able to access this. Living in financial insecurity and experiencing debt can deeply affect emotional wellbeing, and has the potential to exacerbate already existing mental health issues someone may experience.<sup>34</sup> Therefore, mental health and wellbeing plays a role in whether someone is able to process, acknowledge and seek support for their financial issues.

Unfortunately, debt collection activity can also play into these negative assumptions as a result of some enforcement agents acting with too much speed and lack of forbearance. Similarly, Council Tax collection legislation underpins a court-based approach which

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<sup>30</sup> CAP UK, *Inquiry on poverty and stigma in Scotland* (2022) available at [capuk.org/files/2022/06/policy\\_and\\_government/Inquiry\\_on\\_poverty\\_and\\_stigma\\_in\\_Scotland.pdf](https://capuk.org/files/2022/06/policy_and_government/Inquiry_on_poverty_and_stigma_in_Scotland.pdf)

<sup>31</sup> CAP UK, *Inquiry on poverty and stigma in Scotland* (2022) available at [capuk.org/files/2022/06/policy\\_and\\_government/Inquiry\\_on\\_poverty\\_and\\_stigma\\_in\\_Scotland.pdf](https://capuk.org/files/2022/06/policy_and_government/Inquiry_on_poverty_and_stigma_in_Scotland.pdf)

<sup>32</sup> CAP UK, *Client report* (2022) available at: [capuk.org/clientreport](https://capuk.org/clientreport)

<sup>33</sup> Money and Mental Health Policy Institute, *Money on your mind* (2016) available at [moneyandmentalhealth.org/wp-content/uploads/2016/06/Money-on-your-mind-full-report.pdf](https://moneyandmentalhealth.org/wp-content/uploads/2016/06/Money-on-your-mind-full-report.pdf)

<sup>34</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at [capuk.org/shipshape](https://capuk.org/shipshape)

means the majority of local authorities are quick to obtain Liability Orders and make it difficult for individuals to negotiate their payment plans to be in line with their financial needs. Debt from essential services such as water arrears can also be escalated to High Court enforcement which puts people into positions that can negatively affect their mental wellbeing. In addition to affecting people's mental wellbeing, escalating debts to High Court rather than dealing with them within the Civil Court adds additional costs to the debtor which can further pull people into poverty.

CAP provides free community-based and person-centred debt advice. CAP Debt Advisors and local community Debt Coaches are trained to understand the challenges people may face to enable them to support clients to overcome barriers and journey with them through the process. CAP knows the importance of ensuring that the support provided is non-judgemental and instead based on understanding and compassion. Susan, a CAP client from Midlothian, spoke of her experience after having CAP home visits: *'You'd be surprised at how comforting it is to have people there who will not judge you for ending up in your situation'*. The relationships CAP staff create with clients help to break down feelings of isolation and empower people to become debt free. Our debt service celebrates this strength by bringing hope and advice to individuals from within their own community.

People's journey to becoming debt free does not end with short-term fixes for people on low incomes. CAP has a desire to equip people as much as possible for life when they are debt free, with the hope that, where incomes allow and with the right support, people will remain debt free going forward.

However, there are underlying issues that CAP and other debt support organisations are unable to address alone. For some CAP clients on low incomes, there is an imbalance between income and the basic costs of living. If people do not have sufficient incomes to match the rise in living costs then they are very likely to end up back in debt, even with the best efforts of the debt advice sector and good budgeting. People cannot out-budget insufficient income. Low income and systemic challenges will continue to pull people into debt and lead to mental health challenges unless addressed.

CAP has been encouraged by the increased debt limit and the disposable income rate amongst other changes as part of DRO reform. CAP welcomes the current Personal Insolvency reform that is being carried out. It is positive that issues are being explored and

alterations are being considered as these have the potential to be powerful anti-poverty routes.

While some of the reforms have made the process easier for those on low incomes to access debt solutions and go debt free, the issue remains that a growing number of people will be pushed back into problem debt due to insufficient income and may need to access another debt solution in the not too distant future. This can come with the fear of judgement and the belief that help will not be provided a second time. Recent reforms have not put in place any measures to prevent those on low incomes from repeatedly experiencing problem debt.

Additional policy reforms linked to the debt support sector are needed:

3. Financial barriers to accessing debt relief need to be addressed. This includes removing the insolvency fees or ensuring there is sufficient support available for those who are currently prevented from accessing this pathway due to this fee.
4. Regulations should be tightened on the paid advertising for debt help by corporate companies. These organisations should be obliged to provide information about the full range of debt solutions that someone might benefit from, full and clear information about the cost of their service and the availability of free alternatives.
5. When people are facing debt, more information needs to be available about the free, non-judgmental and supportive debt support. Barriers to accessing money advice can include: lack of awareness of the support available; emotions attached to seeking support and societal stigma; accessibility challenges, in addition to digital exclusion. In addition, people need to be signposted in a sensitive way through different areas in society where discussions of debt may arise, for example in GPs and childcare settings.
6. For debts owed to central and local government, there needs to be a single customer view of debt applied where each case is linked to the person it applies to, enabling a holistic understanding of their situation to be built. Data relating to government debts needs to be more rapidly updated and shared with formal debt collectors to ensure that people are not wrongly accused or misinformed.

7. A formal review of the definition of an 'essential service' is needed to enable laws and policies to acknowledge the scope of needs that people face. Factors such as digital and broadband access need to be considered to enable people to thrive. Transport is another example of a service that is essential for people. Alongside these factors, childcare and social care costs also need to be considered within an essential service review as considerable burdens in household budgets which limit people's opportunities to escape poverty.

### Health (mental and physical)

Mental and physical health are important factors to consider for the individuals involved in addition to for society as a whole. There is a growing understanding of how financial and mental wellbeing come hand-in-hand<sup>35</sup>.

In CAP's 2021 report, *Shipshape or sinking ship?*, CAP identified the impact of problem debt on financial and mental wellbeing, with 30% of CAP clients interviewed rarely or never feel relaxed<sup>36</sup>. Unsurprisingly, people in problem debt have lower wellbeing scores on average than the UK population<sup>37</sup>. Using the Warwick-Edinburgh Mental Well-Being Scale which focuses on seven elements for mental wellbeing (optimism, useful, relaxed, dealing with problems well, thinking clearly, feeling close to people, and being able to make up your mind) there was a very strong positive relationship between clients in debt and lower mental wellbeing scores in comparison to the rest of the population in the UK.<sup>38</sup>

Low mental wellbeing and financial wellbeing are prevalent, and the evidence showed low income was a significant driver of this<sup>39</sup>. Some groups typically fare worse than others, with

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<sup>35</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at <https://capuk.org/shipshape>

<sup>36</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at <https://capuk.org/shipshape>

<sup>37</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at [capuk.org/shipshape](https://capuk.org/shipshape)

<sup>38</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at [capuk.org/shipshape](https://capuk.org/shipshape)

<sup>39</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at [capuk.org/shipshape](https://capuk.org/shipshape)

much lower financial and mental wellbeing scores: insolvency clients, those on the lowest incomes, younger people and those subject to particular welfare policies.<sup>40</sup>

Despite pressures on people in debt, debt advice has a positive effect on financial and mental wellbeing.<sup>41</sup> Debt advice helps people attain financial security in the present and feel able to achieve their goals in the future. To make the journey itself more positive, the process must be supportive and personalised.

In addition to reducing the relationship between mental and physical health issues and financial difficulty, there should also be increased emphasis on creating a society that supports people with all of their additional needs.

Regarding policy changes that could be achieved to help support this area, CAP would like the lack of support for employees when they are unwell to be addressed:

- 1) Using a similar framework that was established in the Covid response, there needs to be a strategic review of sick pay entitlement and practice. People should be financially supported when they are unwell in a quick and guaranteed manner. In this way, people will be able to take off the time they need to fully recover without financial uncertainty affecting their mental wellbeing during this recovery process.

## Labour market opportunities

With the current macroeconomic focus on the UK population being in the labour market, alterations need to be made to adapt it to enable all to engage with employment. The labour market can currently be challenging for people to enter and remain in. This is a particular concern for people with mental, physical and learning disabilities in addition to those who start from a position of financial difficulty.

Participation in the labour market not only affects people's financial income, but also has an impact on other factors. Barriers such as the long waiting time for people not in

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<sup>40</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at [capuk.org/shipshape](http://capuk.org/shipshape)

<sup>41</sup> CAP UK, *Shipshape or sinking ship? Problem debt's impact on financial and mental wellbeing* (2021) available at [capuk.org/shipshape](http://capuk.org/shipshape)

employment to get mortgage support creates challenges for people already facing exclusions.

Below are CAP's key policy recommendations in this area:

- 1) The accessibility, cost and availability of transport options can be a barrier for people to enter the labour market. This needs to be a policy consideration.
- 2) The process for claiming universal credit needs to be more streamlined for those who are unable to be in the labour market in the short or long term. This concern is also relevant for people who return to the labour market for a short term, and those who have fluctuating incomes, who are then required to restart the claimant process to access benefit support if they are unable to continue in work.
  - a) The New Economic Foundation has proposed an auto-enrolment process for Universal Credit which uses a similar structural suggestion as Universal Income. As the New Economic Foundation have suggested:
 

*'Auto-enrolling everyone onto a reformed model of universal credit would mean that people receive additional financial assistance to top up their income to a minimum level whenever it drops below this, without them having to proactively apply for support.'*<sup>42</sup>
- 3) There need to be adaptations made to structures and processes in society to open up the support available to people who are unable to currently be involved in the labour market. As highlighted by the [Joesph Rowntree Foundation \(JRF\) Labour Markets analysis](#) there are policy changes that could be taken to make employment more accessible, such as:
  - a) *'introducing new rights to more secure work so people can plan their family life and finances,*
  - b) *making flexible working the default from day one of employment and reconsidering the business exemptions for refusing a request, so that jobs work around caring responsibilities and health needs,*
  - c) *doubling the number of labour market enforcement inspectors to make sure the new single enforcement body (SEB) fulfils its potential to prevent bad employers from getting an unjust advantage by undercutting good ones'*<sup>43</sup>.

<sup>42</sup> New Economic Foundation, Social Security for All (2022) available at: <https://neweconomics.org/2022/01/social-security-for-all>

<sup>43</sup> JRF, Jobs that work: Paving the way for good jobs through participatory co-design (2021) available at: <https://www.jrf.org.uk/report/jobs-work-paving-way-good-jobs-through-participatory-co-design>

- 4) As highlighted, entering and remaining in the labour market is currently not an accessible option for everyone. Therefore, policy changes need to be made to enable accessible and flexible jobs to be available to help people to access work that's right for them, or alternatively a redirection needs to be made to systems and structures to reduce the assumption on people being in the labour market.

## Other

Overarching all of these individual drivers of poverty, there needs to be an appreciation that as a sector, and as a society as a whole, we cannot simply take an analytical approach. There needs to be a continuous awareness of the lives that are being affected and ruined by the grip of poverty. Each of these individuals need to be treated with dignity and respect and, wherever possible, be offered agency and power.

The policy changes made have mainly focused on cash and service provision. However, CAP would like to highlight that breaking down societal stereotypes and stigma are also important steps to tackling the cages of poverty in the UK.

## About Christians Against Poverty (CAP)

Christians Against Poverty (CAP) is a Christian charity tackling poverty in communities across the UK through free debt help and local community groups. CAP provides award-winning free debt help through local churches. Each church's CAP Debt Centre offers emotional and practical support, while our head office team in Bradford provides bespoke debt advice and a plan to help people get out of debt.

CAP also offers community groups dedicated to tackling poverty at the root. These are run through local churches, and cover topics to help people overcome unemployment and provide financial education, all with community and holistic support at their core. CAP's services are completely free and available to all regardless of age, gender, sexual orientation, faith or background.

## Requests for further information

This response has been written by Juliette Flach, Policy and Public Affairs Officer for Christians Against Poverty (CAP), with contributions from:

Gareth McNab, Director of External Affairs  
Jonathan Shaw, Creditor Relationship Manager  
Mark Anchen, Priority Court Action Advisor  
Rachel Gregory, Senior External Affairs Manager

Please send requests for further information to:

External Affairs  
Jubilee Mill  
North Street  
Bradford  
BD1 4EW  
[externalaffairs@capuk.org](mailto:externalaffairs@capuk.org)



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