

## Experts by Experience

10 people with experience of debt and low income took part in 3 sessions on Zoom during May 2022. In the sessions the group heard about the Social Justice and Social Security Committee inquiry into low income and problem debt and considered what the Committee had heard. They shared their experiences and then considered their own ideas for solutions and improvements that could be made to support people in debt. Below is a summary of the experiences that they shared and a series of recommendations that they would like to make to the Committee. On Monday 6<sup>th</sup> June the group will meet with the Committee in person at the Scottish Parliament to discuss their ideas and experiences in more depth.

## Experiences of Debt and Low Income

### Types of Debt

People described the different types of debt that they had experienced. This included credit cards, fuel bills and housing arrears. Some people had used credit cards to buy food. There was also an example of someone who had accessed an alternative, ethical source of credit but had still found this to be very expensive (for a £500 loan, they were charged £100 in interest).

The following points were raised during discussion:

### Unintentional Debt

- Debt caused by the already high cost of living. People just do not have enough money to cover food, heat, and other bills. Everyone is extremely concerned about the future. People are functioning with deficit budgets, meaning that once a debt is cleared, it will immediately start to build again because incomes do not cover essential outgoings.
- Accessibility – some services are not complying with 2010 Equality Act. For example, for someone who is blind, and unable to take meter readings, debt had been triggered.
- Helping family members or taking on other people's debt which was passed to them, or they were deemed responsible for, can trigger debt.
- Rurality – 'poverty tax' – it costs a lot to keep up with the problems caused by a lack of money in the first place; having to pay travel costs to attend DWP (Department for Work and Pensions) and health appointments; no internet so having to travel to use wifi, not enough access to support in rural areas and the higher cost of fuel. Being turned away at a Job centre from using IT to support job search.
- Losing work had triggered a downward spiral into debt.
- Disability or health conditions can require heating to be on all day.

'I have credit card debt to cover bills and food. I cannot afford to eat 3 meals a day. Terrified about the situation getting worse with the cost of living rising.'

'I put my heating on 4 times a year. I am lucky I don't feel the cold.'

'a lot of disabled people face financial problems due to the lack of accessible information from companies when they deal with people from all sectors in society. (Despite the existence of the 2010 Equality Act.)'

## Experiences

People described different but similar experiences. Everyone described how they had inadvertently found themselves in debt, how quickly it had established a downward spiral with each individual and complex case, and how the situation was exacerbated by lack of compassion and consistency, incompetence, and lack of signposting on the one hand and diminishing mental health, avoidance, employability, and stigma on the other.

- Most people in the group have experienced the impact of debt on their mental health, anxiety, depression. Mental health impacted on their ability to deal with the situation.
- Some members of the group have experienced domestic abuse and described the impact of trying to deal with debt that passed to them, incurred by their partner, during a complex, traumatic and emotional situation.
- People feel that they are at breaking point. They have already experienced debt and are now facing a cost-of-living crisis. Some members of the group have just managed to get rid of their debt (but continue to be careful about how they spend money and keep their heating off) others are still living with debt. Many people are regularly missing meals.

## Bureaucratic Incompetence

People described how they got into debt and then how they faced challenges in trying to resolve this with creditors. This was not joined up, companies often have the incorrect information, poor communication and a lack of compassion. This could exacerbate or trigger debt. People described circumstances where:

- Direct debts were cancelled because of missed payments but with no communication
- Housing debt due to being liable for two properties at the same time for two years. The individual was offered an uninhabitable home without heating (single parent in temporary social housing) but was still liable for the rent.
- Local Authorities pursuing Council tax and housing debt

## Information

People feel that there is a lack of information available for people in debt to access support and advice and to prevent getting into debt in the first place.

This ranges from:

- inadequate signposting
- failing the 2010 Equality Act in providing information to all sectors of society

- digital exclusion
- provision of advice and support in rural areas
- referral to qualified Money Advisers not just a general adviser

### **Employability**

Several people in the group are single parents and described the impossibility of working. People had started working but had to stop because it was not financially viable. It cost more to work and had triggered debt. It had impacted Universal Credit, or housing benefit payments, and/or the cost of childcare was too high. For many of these parents they were already managing complex family and personal circumstances such as experience of domestic abuse, relationship breakdown, mental health, and the practicalities of bringing up a child alone. They would like to work.

Debt can contribute to physical and mental ill health, which in turn impacts on the ability to work. The person is then stuck in a cycle of fear of debt and reliance on benefits and worsening mental health.

## Solutions & Improvements

The Experts by Experience group at their third meeting on Monday 23 May decided on a series of recommendations that they would like to make to the Social Justice and Social Security Committee to consider as part of their Debt Inquiry.

The group shared some positive experiences of support and some ideas for solutions and improvements.

### A Suitable Referral System

No one size fits all. Debt advice referral and support for people in debt needs to be holistic and flexible and adapt to suit individual circumstance. For example, staff dealing with those in debt need to understand issues around mental health. More interaction between services is needed, for example with benefits advice. Some participants were supported by services which combined befriending, home visits and money advice, which people appreciated.

### Community Link Workers

People described positive experiences of Community Link Workers and thought this was a helpful model. However, we need to ensure that this a choice and is not forced on people who do not want to use it. Sometimes people prefer to be helped by trusted, known supporters, such as Personal Assistants.

### Specialist Money Advisers

Referrals should be made to a specially qualified Money Adviser not to a generic advice service giving general advice. They should also understand mental health issues.

### Raising Awareness (a campaign)

There should be a widespread awareness campaign with radio, tv and poster adverts. The campaign could use schools, doctors' surgeries, community facilities like libraries and cafes for example, to raise awareness of the issue of debt, to try and address stigma and to provide clear routes to safe support and advice. Awareness of services and support needs to be made available to people of all sectors of society

### Information

Doctors should have leaflets on debt available when they recognise that this is an issue and not just deal with the mental health issue. Leaflets should be widely distributed. For example, in libraries and with health visitors and midwives.

- Service providers should make sure information is available in different formats. All processes and communications should be compliant with the 2010 Equality Act.

Information should be easy to access early on. People should not be struggling for weeks trying to find the right information.

There must be a variety of ways to access information: online, phone and in person, and by letter. Face to face is sometimes necessary and preferable. However, members of the group were also clear that online or telephone services could be better in some circumstances, e.g. when dealing with anxiety or caring responsibilities. People should have access to online services too – with a need for greater support for people to use these where they lacked the skills or the money to do so.

There must also be different ways to contact local authorities, the DWP and energy companies. If you want to speak to someone about payments or bills it is difficult to contact them.

## Bankruptcy

People raised the issue of getting to the point of accepting they needed to address their debt and exploring bankruptcy but felt penalised as they 'did not have enough debt' to go through bankruptcy. They felt the current minimum debt threshold of £1,500 should be removed or lowered. However, participants were clear that this should only be for people applying for their own bankruptcy – it shouldn't make it easier for creditors to make people bankrupt.

## Digital Access

There must be the ability to use public services such libraries to use computers to apply for benefits for example. In public spaces this must be confidential and accessible.

There should be further consideration of how Connecting Scotland identifies priority groups for support. Current facilities can only be accessed by organisations. There was also concern about how the most isolated people, who were not in touch with any other services, could access this support. This is because the current model works with existing local groups to deliver support.

Digital access should be an option available to everyone.

## Improvements in Creditor Processes

Improve the rigidity and inflexibility of payment dates where there is no allowance for personal circumstances. This could be alleviated by:

- allowing people on benefits to pay fortnightly, weekly or 4-weekly, depending on how they received their benefits. The payment dates for social security benefits can change every month, but direct debits must be agreed in advance. For example, with Local Authorities, Housing.
- Not taking further action where someone was paying their council tax every month, albeit not by the due date at the beginning of the month.

- Bank arrestments are very shocking and unexpected and make situations worse.
- There should be monitoring of private lenders who have high interest rates.

## Council Tax

Council tax enforcement is making situations more difficult. It is a challenge to get support or to set up an account. Letters are difficult to understand – sometimes people can't even work out what their balance is and there is no telephone number to phone and ask for more information. Council Tax Reduction doesn't align with the rest of the benefits system which meant it didn't always respond to changes in income. There should be recognition of how benefits and self-directed support all tie in so that someone's circumstances are fully understood. Better and more compassionate/understanding communication is needed.

## Trauma Informed Practice

People described being harshly treated by creditors and suggested that creditors should be trained in trauma informed practice. Compassion should be part of all processes used by organisations and built into organisational processes by creditors like local authorities and companies. If the process is rigid and faceless and assumes the debtor is always 'wrong' on any issue, it makes the whole experience worse, besides the debt.

- **Staff training in trauma informed practice should be prioritised.**

## Writing off some public sector debts

There should be consideration of writing off some public sector debts. For example:

- **Relief on school meal debt.**
- **A moratorium on council tax debt.**

## Welfare fund

Grants should be available to cover the costs of fuel oil.