

MONEY  
ADVICE TRUST

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# COLLISION COURSE

A snapshot of the challenges facing  
households on the cost of living

March 2022

# HOUSEHOLDS ARE ALL ALREADY UNDER HUGE PRESSURE

## About the research

Through our National Debtline and Business Debtline services, we see the sharp end of the current challenges facing households on income, costs and bills.

However, the impact of rising inflation, energy costs and out-of-paise incomes are far-reaching. To complement our own data, we commissioned Opinium to conduct a nationally representative poll of 2,001 UK adults. The fieldwork took place between 1 – 4 March 2022 and all figures have been weighted to be nationally representative of UK adults.

Where we extrapolate national figures from this data, these are calculated by the Money Advice Trust using population estimates from the Office of National Statistics which indicate that there are 52,890,000 adults in the UK.

We plan to repeat elements of the research in three to four months' time, in order to track the impact of the current crisis and the effectiveness of support measures.

Worryingly, our research reveals people are already struggling, even before we see the worst of the challenges from April, with further rises to bills – most notably energy – and the impact of tax rises on people's incomes.



**Just 20%** of UK adults said they feel prepared to deal with rising costs.



Over 1 in 5 UK adults (22%) – equivalent to 11.6 million people – say they **worry about money every day**. This rises to 34% for people receiving welfare benefits.



Over 1 in 10 (12%) – 6.2 million people – say they **regularly lose sleep** worrying about rising costs.



**Over a third (34%) of UK adults say they have already cut down on all non-essential spending**, to deal with the rising cost of living.

This raises significant concerns about how people will cope with further price rises and pressure on incomes after April 2022, and reveals how little flex many people have in their budgets.

This is something we see starkly among people we help. Nearly 4 in 10 (37%) callers to National Debtline have a 'deficit budget', meaning they already do not have enough money coming in to cover essential outgoings – let alone cope with any household bill or price increases.

*"I just can't afford to pay it out of my Universal Credit. What do you do? I know council tax and your mortgage are the priority debts, but if all the money you're getting in is less than even your mortgage, what do you do?"*

*- Des, National Debtline client*

# DRASTIC STEPS ARE ALREADY BEING TAKEN BY MILLIONS

There are worrying signs that people are already having to take drastic steps to try to deal with the financial pressure caused by rising bills. We are concerned that, without additional targeted support, these numbers could rise further – having a significant impact on people’s physical and mental health.

## In the last three months, as a result of the rising cost of living....



12% of UK adults have sold personal or household items.



12% - 6.2 million – have gone without heating, water or electricity



8% - 4.1 million – have gone without food.



10% have borrowed from family and friends.

Without further action, there is a high risk that we will see many people facing impossible decisions in the coming months. Decisions around whether to go without essentials like heating and food; to fall behind on bills – with all the consequences this can bring; or to take out more credit. In reality, many households will end up having to do all three.



In the past three months, a **quarter (25%) of UK adults had to use credit to pay for bills or essentials**, such as food, because they did not have any other way to pay for them. This is equivalent to **13.2 million people**.



Worryingly, **over 2.6 million people (5%)** said they had to use **high-cost credit specifically to pay for food** in the past three months, because this was the only way they could pay.

## In the next three months:



**1 in 5 UK adults (19%)** expect to have to borrow money to pay for essentials.



**17%** expect to seek help from their energy provider, local authority or other creditors.



**More than 7.8 million adults** in the UK (15%) think they will need to seek out advice about debt issues as a result of the rising cost of living.

Certain groups are more at risk of both current and future difficulties. **Young people aged 18-34, people from an ethnic minority background and people receiving welfare benefits** were all more likely to say they expected to need debt advice, or to have to use credit for essentials. As we explore on the following page, these groups were all more likely to be behind on bills currently too – suggesting a need for urgent, targeted support.

# A RISK OF GROWING DEBT PROBLEMS

Among the people we help, we are already seeing the impact that rising costs and out-paced incomes are having on people's ability to pay their bills.

The proportion of callers to National Debtline with energy debt is significantly higher so far this year compared to 2021 (32% in 2022, up from 23% in 2021). Council tax arrears have been rising again as we emerge from the Covid-19 pandemic, with 27% of National Debtline clients having council tax arrears in February 2022, compared to 19% in February 2021.

Among Business Debtline clients, 20% had energy arrears as of February 2022. 24% owed money on their council tax and 26% had income tax debts.

Evidence shows this financial pressure is being felt across the wider population too.



**7.9 million adults (15% of the population) are currently behind on one or more household bill.**

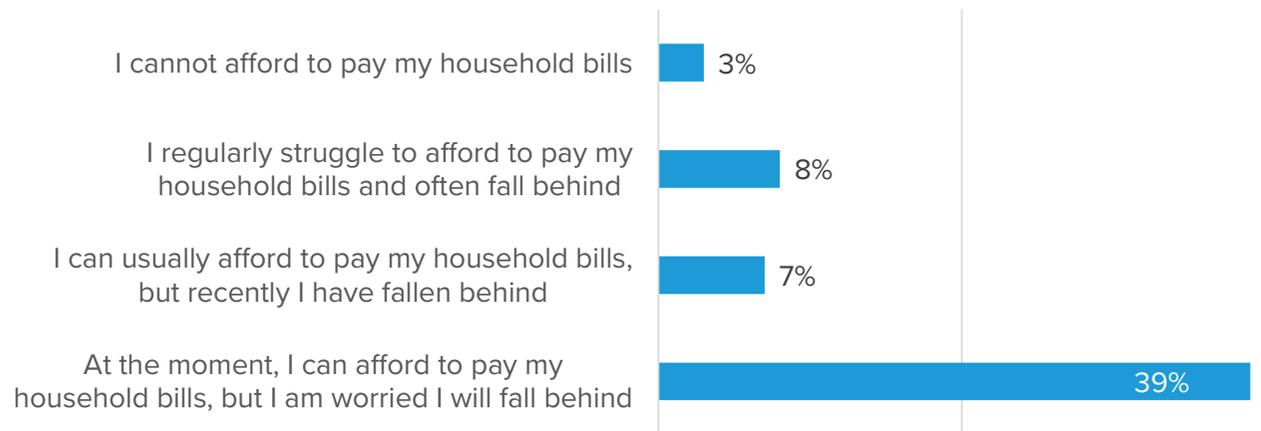


Among people receiving welfare benefits, the figure is more than double, with 35% currently behind on one or more household bill.

The most common bill for people to be behind on was energy (7%), followed by council tax (5%) and water (5%).

Worrying, **nearly 2 in 5 adults (39%) said that, while they could currently afford their bills, they were worried they would fall behind** – reflecting the sheer scale of the challenge facing households .

## Current financial situation - proportion of UK adults



# FURTHER ACTION NEEDED TO SUPPORT HOUSEHOLDS

Our evidence, and the experiences we are hearing from people already struggling, presents real cause for concern about how some households will cope in the coming months. However, the Government can help households to weather this storm. The £150 council tax rebate and repayable £200 energy bill rebate are welcome and will help some households to a small degree. However, these will not be enough on their own. This support is also not well-targeted at low income households, for whom energy – and other - bills make up a higher proportion of their spending. We need to see more action to help ensure incomes keep pace with the rising cost of essentials, and to provide dedicated support to people struggling with specific household bills.

## The Government must respond to the scale of the challenge by:

### 1. Uprating benefits and pausing deductions

Increasing benefits is the most effective way to support people on lower incomes, who are hit the hardest by rising prices and inflation. Government must significantly uprate benefits to avoid a real-terms cut to people's income.

To ensure that people receive the maximum possible support from the welfare system during this challenging time, the Government should also temporarily pause deductions from benefits to repay government debt, such as benefit overpayments.

### 2. Providing a package of targeted support for people struggling with household bills.

Given the scale of price rises for energy, fuel and other bills, further targeted support will be needed too, and the Government should aim to get money directly to low-income households through non-repayable grants. The easiest route for households is likely to be through the benefits system. With the new infrastructure set up by councils to provide the £150 council tax rebate in April, repeating this exercise with more generous support for low income households could also be an effective route.

With energy bills making up a significant proportion of rising costs, the Government should also expand access to, and increase the support available through, the Warm Home Discount (beyond the promised £10 increase for winter 2022-23).

### 3. Working with regulators and creditors to ensure people in debt are treated fairly

Government, regulators – such as Ofgem – and creditors, including central and local government must also work together to ensure that anyone who does fall behind is treated fairly, including providing additional forbearance and pausing collection activity to help people cannot afford to pay.

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