

**MONEY**  
ADVICE TRUST

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**NATIONAL  
DEBTLINE**

# COUNTING THE COSTS

A spotlight briefing on the impact of the  
cost of living on callers to National Debtline

May 2023

# SUMMARY

The rising cost of living has placed a heavy burden on peoples' finances<sup>1</sup>. High prices across the board are pushing many household budgets to breaking point. According to findings from the Joseph Rowntree Foundation, by the end of last year 7.2 million UK households were going without essentials due to high costs<sup>2</sup>.

Our advisers at National Debtline see first-hand the serious difficulties many people are facing as increasing council tax, energy, and food bills are competing with other rising costs.

This briefing provides a snapshot into the key challenges faced by callers to National Debtline as a result of the cost of living crisis, and their worries for the future. Our National Debtline clients are often caught at the sharp end of challenging financial periods. A significant proportion (53%) are from low-income households of below £20,000 per year, with little financial buffer to fall back on. Many went into this period of high and rising costs with existing debts that have grown during this time.

We continue to hear from people cutting back on essentials as their budgets can no longer stretch to cover their basic needs.



**One in five (18%) callers who contact our advisers for help, say that their income being too low to cover their basic needs** is the main reason their financial difficulty. This is closely followed by mental illness or disability (11%) and an unexpected bill or debt (10%).

And there is little respite in sight. The majority of our callers (72%) live in rented accommodation and are therefore at risk of rent hikes as interest rates rise. All of this lays the foundations for a perfect storm when external factors and financial shocks, like the ones we have seen in recent years, add pressure to continuing financial challenges. For many, this manifests in further difficulties in managing existing debts and falling behind on other bills.

## Methodology

In this spotlight briefing we draw upon findings from our cost of living client survey. The results are based on a total of 587 National Debtline clients. Base sizes vary across questions depending on whether respondents were eligible to answer.

Survey fieldwork was carried out between 24th November 2022 – 2nd January 2023, with questionnaires sent to all clients whose most recent contact with National Debtline was during 2021 and for whom we had an email address and their consent to take part in a survey. The “self-selecting” nature of this exercise should be considered when interpreting results.

The client demographic data is based on all clients contacting the service by phone over the course of 2022, and where numbers are available.

# FALLING BEHIND ON ESSENTIALS

As the effects of sustained high prices continues to be felt, we are hearing from more people struggling with day-to-day household bills, such as energy, food and council tax.



**One in four (39%) National Debtline clients surveyed said they had fallen behind, or further behind, on one or more household bill in the last 12 months.**

The most common bills clients surveyed have fallen behind on are energy (25%), closely followed by council tax (17%), and food and groceries (15%) (see table 1).

In each case, a higher proportion of National Debtline clients have fallen behind on these three priority debts compared to when we carried out the same survey last year.

Falling behind on any of these essential costs often has serious consequences.

The proportion of clients behind on their council tax is particularly concerning, owing to how quickly this debt can escalate, due to current rules meaning people can become liable for their annual bill after one missed payment. This often leads to disproportionate collection activity when repayment is not affordable.

This is similar to what we are seeing at National Debtline more broadly - the three most common priority debt types amongst our clients are council tax (28%), energy (25%) and benefit overpayments (21%).

It is not just the proportion of our clients who are behind on these debts that is concerning, it is also the level of debt.

Since 2018 the average priority debt level amongst callers has increased by 54%, from £2,642 to £4,080.

**Table 1: Common bills clients surveyed have fallen behind on in 2022**  
(compared to 2021)



Energy

**25%** (21%)



Council Tax

**17%** (14%)



Food & Groceries

**15%** (13%)

# HOUSEHOLDS UNDER INCREASING PRESSURE

**The impact of rising costs has already taken a toll on many households.** And for people who went into this period already in financial difficulty, the situation has only got harder.

Many people continue to face impossible choices, including whether to heat their homes, pay their council tax, or buy essentials like food, clothing and toiletries.

## Helen's\* experience, National Debtline client

I have resorted to food banks for food for my children, and I freeze everything as I am scared to waste food. It's been a struggle, but I try not to let my children see. I make sacrifices so they don't go without, but there is only so much you can sacrifice and scale back on.

\*Name changed to protect anonymity

## Joe's\* experience, National Debtline client

My gas and electric is on a pre-pay meter so it is a choice between paying for food or putting money on the gas or electric, because if there is no money it gets cut off straight away.

\*Name changed to protect anonymity



Our findings show that **the majority of National Debtline clients (66%) surveyed had gone without essential items like food toiletries or clothing in the last 6 months because they could not afford them.**

Many clients also talked about relying on credit to cover gaps in their finances. A third (32%) of the National Debtline clients we surveyed said they had used credit in the past 12 months to pay for essential costs such as energy or council tax.

When you consider our client base more broadly, with 'income too low to cover essential costs' consistently cited as the most common reason for financial difficulty, this is not surprising.

As interest rates continue to rise, and the cost of repaying credit related debt likely to increase, this could add more pressure to already stretched household budgets further down the line.

The people who contact us are also more often than not dealing with competing debts - more than half (57%) have between 1 and 5 debts and 14% have more than 10 debts. Taken together these pressures are making it difficult for many of our clients to manage day-to-day.

# FINANCIAL PRESSURES TO CONTINUE

Despite projections for a more optimistic economic outlook later in 2023, with the Bank England predicting that inflation will fall sharply by the end of the year,<sup>3</sup> the pressure on households, especially for those already struggling, seems unlikely to retreat any time soon.



Worries for the future was a common theme raised by our clients. The vast majority reported feeling additional pressure on their finances due to the rising cost of living – most (89%) of National Debtline clients surveyed said that this was the case.

This is understandably creating a great deal of concern.



More than **three quarters (79%)** said they were worried about being able to pay for essentials due to rising costs.

Much of this worry is centred on energy costs – two thirds (62%) expressed worry about being able to afford their energy bills by the middle of this year.

Other essential costs also featured highly – nearly half (47%) of National Debtline clients surveyed were worried about being able to afford food, and nearly a third (31%) were concerned they would not be able to afford their council tax in the next six months.

## John's\* experience, National Debtline client

I've been 3 months without heating or hot water, which means a cold shower, damp clothes and I have osteoporosis. I now have enough oil for four weeks. I don't think I'm capable mentally or physically to go through it again at 68 years old.

\*Name changed to protect anonymity

## Penny's\* experience, National Debtline client

I get the same rate of money each month, but everything else continues to rise steeply, so often it's a balancing act, buying the very basics, and often going without other things. My medical needs often take priority.

\*Name changed to protect anonymity

# INCREASINGLY COMPLEX CASES

As a free debt advice service the majority of people we help are often caught at the sharp end of financially tough periods. As costs have increased, so has the pressure on our clients. And while debt advice continues to play a vital role in supporting people during times like this, our clients' situations are increasingly complex and challenging to resolve.

As higher costs reduce the margins of spare income in our clients' budgets, it follows that there is less income left to pay towards outstanding debts.

Our latest impact survey shows that, while we are now seeing fewer clients whose debts increase after seeking advice (10%) compared to last year (15%), we are seeing a fall in the people who have seen their debts decrease (62%) compared to last year (72%).

In large part, this is due to clients having less coming in than is needed to cover essential costs, meaning debts can build up again.

When you take into account that one in three (32%) of National Debtline clients surveyed used credit in the past year to pay for essential costs, it is likely that the impact of the cost of living will continue for some time as repayments increase for people who are already having a hard time keeping up with basic living costs.



Two in five (41%) National Debtline clients have a deficit budget, where their income is not enough to cover essential costs. The average monthly shortfall has grown from £308 in 2022 to £393 in 2023.

This has implications for how we help people who come to us for debt advice. As household budgets are stretched to the max, and costs continue to add more pressure, balancing essential needs with debt repayments is ever more challenging.

It seems likely that we will see, not only an increase in the number of people needing debt advice, but more people needing to return to our services as their circumstances become harder.

For our advisers, this can mean supporting clients in much more complex debt situations. For those who have any surplus left in their budget they are likely to have less to use to repay debts.

## Marsha's\* experience, National Debtline client

I would like to thank the people that helped with my situation as I was so stressed and didn't know who to turn to. I was so relieved to know that I could get help from someone as life at the time was unbearable. I feel that if I had not got help, I would not be here writing this today. I will always be so, so thankful to all the people that helped me.

\*Name changed to protect anonymity

Our National Debtline and Business Debtline services continue to play a crucial role in supporting people in financial difficulty. We will also continue to assess what changes are needed to existing debt solutions to ensure there are a range of accessible and safe routes out of debt.

Find out more about National Debtline at  
[www.nationaldebtline.org](http://www.nationaldebtline.org)

## References

1. *The **Joseph Rowntree Foundation**, Over three million low-income households said they have not been able to keep their home warm because they aren't able to afford it as dangerously cold weather sets in, 8 December 2022*
2. *The **Joseph Rowntree Foundation**, Going under: JRF's cost of living tracker, December 2022.*
3. ***Bank of England**, Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 22 March 2023, 23 March 2023*

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## Money Advice Trust

The Money Advice Trust is a charity formed in 1991 to help people across the UK tackle their debts and manage their money with confidence.

For more information about this report:

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