MONEY
ADVICE TRUST

The cost of Covid

Exploring the impact of Coronavirus on household finances

March 2021

About the Money Advice Trust

The Money Advice Trust is a national charity helping people across the UK to tackle their debts and manage their money with confidence.

We run National Debtline, offering free, independent and confidential advice on personal debt over the phone and online, and Business Debtline, the UK's only free, dedicated debt advice service for the self-employed and small business owners. We are also the leading training body for UK debt advisers through our Wiseradviser service and provide training and consultancy to companies who engage with people in financial difficulty.

Beyond our frontline activity, we work closely with government, creditors and partners to improve the UK's money and debt environment.

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Foreword – A turbulent year

When the Covid-19 outbreak first began over a year ago, few of us could have imagined the impact it would have on all our lives. However, when we consider the financial effects of the crisis, it is clear that they have not been felt equally. While some households have found themselves able to save more, others have fallen into financial difficulty. Many have lost their jobs and businesses, and many more have seen their incomes reduced at a time when their costs may have also increased. This means that Covid-19 is not just a health crisis but a financial one – leading to missed bills, greater borrowing and difficulty in making ends meet.

The situation would undoubtedly have been worse were it not for the support put in place by government, regulators and creditors who have been proactive and determined in their efforts to alleviate the immediate financial pressures on households. For many, this has provided a vital lifeline and helped reduce the impact of the crisis on their finances. However, there are understandably now real concerns about the financial consequences for the hardest hit households as emergency support measures are lifted.

At National Debtline and Business Debtline we see the real-life experiences behind the headlines. Already, we are seeing the impact of the crisis as we help more people who are unemployed and for whom losing their job has been the catalyst for their debt problems. For many people across the country, worries about debt are spilling over into other areas of their lives, with people reporting losing sleep and a worsening of their mental health as a result.

Much has been made of the recovery of the economy as a whole, but we need to be thinking about helping households recover too. Our new research reveals that many who have seen their finances hit are worried about the future – with the majority not confident their finances will recover.

With so many people still facing uncertainty – wondering whether their job will still be there when furlough ends, or how quickly they might be able to find work– we are at a crucial point. For households who have been hit financially by the crisis, there is the real risk of an ever-increasing burden of debt in the longer term. Dedicated action to help these households, now, could make a big difference.

We and other debt advice charities will continue to do all we can to help those in financial difficulty through our advice services. However, we cannot do this alone. As we emerge from the crisis, there needs to be coordinated action by government, regulators and industry to help people get out of debt safely and back onto a stable financial footing.

Joanna Elson

Joanna Elson CBE
Chief Executive, Money Advice Trust

Introduction

The upheaval of the last twelve months has caused unprecedented damage to our economy and impacted the finances of many households, for better and for worse. Some are in a healthier financial position now than before the pandemic. However, despite extraordinary government support packages, many people have fallen behind – having lost their job, income or livelihood.

Our research reveals that a third of adults in Britain (31%) report being financially worse off as a direct result of the pandemic, rising to 58% for those who are unemployed[1]. Almost 5.5 million adults in Great Britain, or 11% of the population, are behind with one or more household bill or personal credit commitment due to Covid-19 impacts. Furthermore, 17% of adults have been losing sleep because of financial worries due to Covid, rising to 43% for those who are unemployed. This is the personal cost of a pandemic that changed the world.

There has been much focus on the growth in savings, and some evidence of higher-income households paying down debts, but these changes at an aggregate level mask a worrying increase in borrowing, notably among lower-income households. Over the course of 2020, nearly 9 million people had to borrow more money than usual, with the proportion borrowing more than £1,000 since June increasing from 34.7% to 45.1%.[2]

Our new research shows that 12% of adults in Great Britain (equating to more than 6.2 million people) have had to use credit to pay for essential household bills or goods since the pandemic began. Of these, 37% have used at least one type of high-cost credit to pay for essentials[3]. Amongst those who have had to use credit for essentials, the most common use was to pay for groceries (6%) - equating to more than 3.2 million people.

At National Debtline and Business Debtline we support the people at the hard edge of these statistics, and the numbers are no surprise to our advisers on the front line who help people day in, day out. We know that many households, particularly lower-income households are facing continued financial difficulty in the months ahead.

Most creditor forbearance measures that have provided a vital support to many of the people we help are due to end in July 2021. This, coupled with the end of the furlough scheme and removal of the £20 uplift to Universal Credit in September will leave many seeking our help in finding a way to resolve their unmanageable debt burden.

It was impossible to foresee the impact of Covid-19 on our everyday lives at the start of 2020. Now, as the first quarter of 2021 draws to a close and the vaccination roll-out continues at pace, we can hope for a return to some type of normality in the months ahead. While this will bring relief and joy for many, the route out is much less clear for those who have also experienced financial hardship - with 1 in 5 (20%) of adults in Britain, equivalent to around 10.2 million people, worried their finances will not recover from the impact of Covid.

Our report gives a sense of the events and impact of the past year as seen through our services, our concern for what lies ahead given what we know of household balance sheets and our recommendations for policy makers.

1. National polling conducted by YouGov for the Money Advice Trust. Total sample size was 2,023 adults. The fieldwork was undertaken between 9 – 10 March 2021. The figures have been weighted and are representative of all GB adults (aged 18+). 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 51,220,471 adults aged 18 and over in Great Britain. Unless otherwise stated, figures relating to the adult population in Great Britain, used in this report are taken from this poll. For more information, see methodology section.

2. Office for National Statistics: Personal and economic well-being in Great Britain, January 2021

3. For these purposes, high-cost credit has been defined as any one of the following: payday loan, store card, catalogue credit, home-collected credit, rent-to-own, buy-now-pay-later, unlicensed lender ('loan shark'), guarantor loan, logbook loan.

Almost a third of adults in Great Britain (31%) report being financially worse off as a direct result of Covid-19

Behind on bills

Almost 5.5 million
adults in Britain (11%) are behind with one or more household bill or credit commitment due to the impact of Covid-19

4%
of adults (equivalent to almost 2 million people) said they were currently behind on their council tax – the most common bill to be behind on, followed by credit card payments and energy bills

Using credit for essentials

Over 6.2 million
adults in Britain (12%) have had to use credit to pay for essentials since the Covid pandemic began

37%
of those using credit for essentials had to use high-cost credit products

655,000 people
had to use credit to pay for essential items for their child

Uncertainty and anxiety

Over 10 million
adults in Britain (20%) are worried their finances will not recover from the Covid impact

17%
of adults have been losing sleep because of financial worries caused by Covid

25%
said these financial worries had negatively impacted their mental health

A year of income shocks

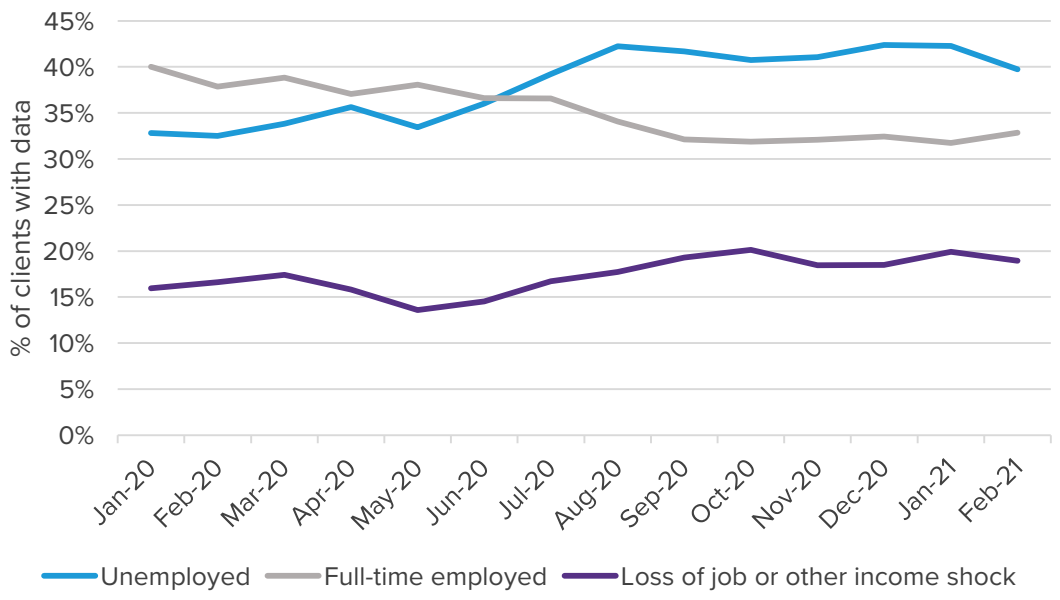
The impact of Covid-19 has meant large numbers of households in the UK are experiencing financial difficulty as a result of job loss, reduced trade, reduced hours, the cost of being ill or having to self-isolate, or due to being furloughed on less than full pay. As we continue to count the cost of the pandemic on our economy, many people are left struggling with their finances and unsure of what to expect for the future.

The unprecedented level of support provided to people through the furlough scheme, designed to protect jobs from the impact of the pandemic, has so far helped millions of people across a range of sectors. However, given the scale of the economic strain brought about by Covid-19, the unemployment rate still reached a five year high of 5.1% at the end of 2020, and is projected to reach 6.5% by end of this year.[4]

Job loss and income shocks are driving debt problems

We have seen this first hand at National Debtline, with a sharp increase in callers telling us that one of their main reasons for financial difficulty is because they have lost their job or experienced an income shock, such as reduced hours, rising from 14% in May to 20% by December. At the same time, the proportion of unemployed callers rose from 34% in March to 42% by December whilst those in full-time employment took a corresponding dip from 39% to 32%.

Fig 2 National Debtline: Increased levels of job loss and income shock[5]



4. Office for National Statistics, March 2021 and Office for Budget Responsibility, Economic and Fiscal Outlook, March 2021

5. National Debtline client data 2020-21

"I have been in and out of employment since the Covid-19 outbreak as I work for an agency."

National Debtline caller

"I have been put on reduced hours which means less pay."

National Debtline website user

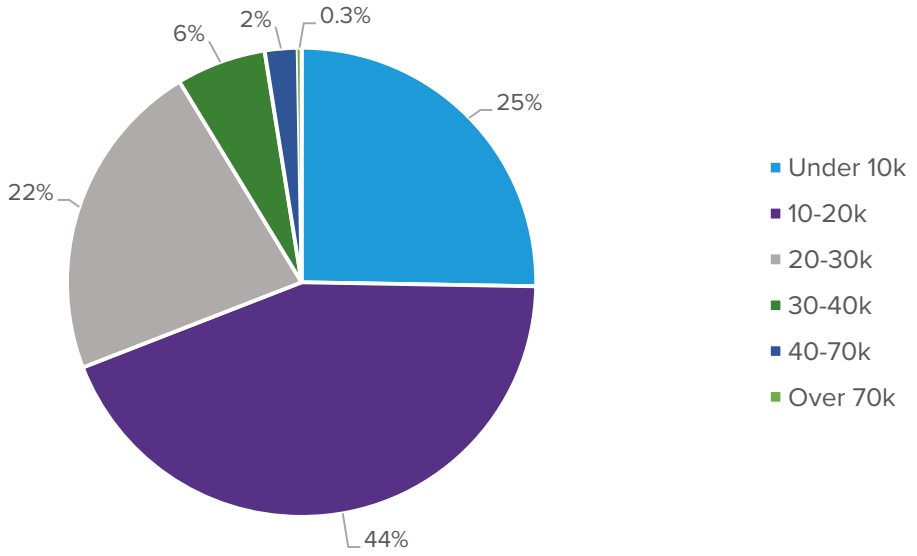
The furlough scheme, whereby the government pays 80% of employees' wages for hours not worked, has helped millions of people, and helped to postpone and potentially ease the worst of the impact on the labour market. Low earners, who make up the majority of National Debtline callers, are most likely to be furloughed – and we've heard many describe the scheme as a lifeline this year. However, it is also lower income earners who are more likely to be living on reduced incomes, without any top-up from their employers.[6] We know that for some people, this has impacted on their ability to keep up with essential bills and costs, meet credit commitments and any other debt payments.

"My son who supports with the household income has lost his job. My wife's future at the work place is not known - she's furloughed at 80% of her pay now."

"I have my adult children living with me now so this is a strain on my finances. I have to buy extra food/ utilities. One is a student. One was on a zero-hour contract and has had his business closed due to covid."

National Debtline callers

Fig 3 Income profile of National Debtine callers in 2020[7]



6. Office for National Statistics: Personal and economic well-being in Great Britain, January 2021: 'Only 28% of those furloughed in the lowest income quintile receive full pay compared to 52% of those furloughed in the top income quintile'.

7. Survey of National Debtline clients (356 clients)

A sustained impact on the self-employed

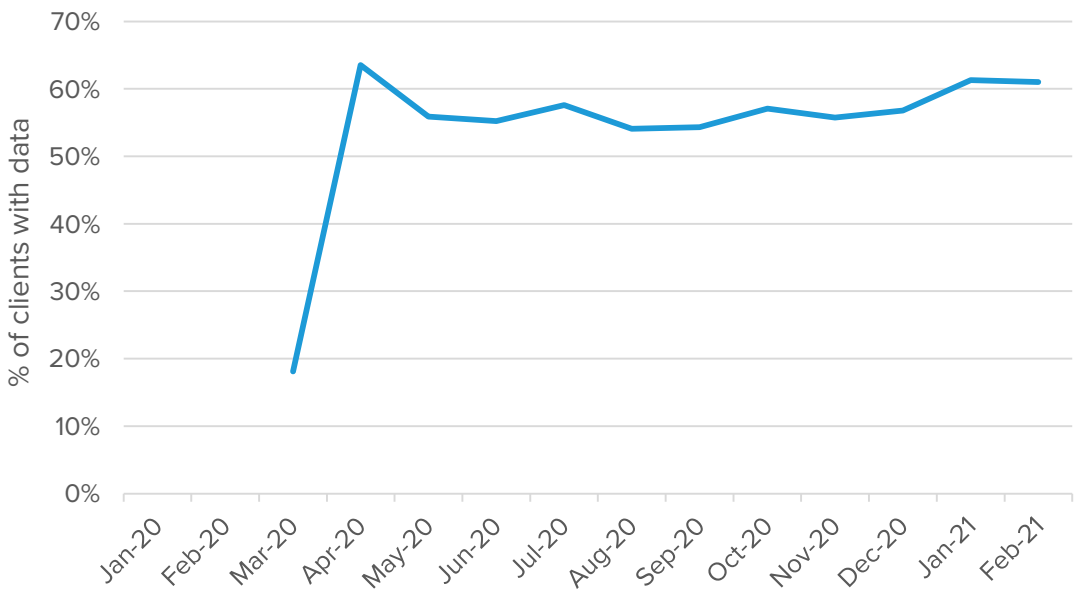
The impact on people in self-employment and running small businesses has been significant and sustained for many. The overnight drop in income that many experienced last April, has turned into ongoing volatility in trade, leaving them unsure of what to expect for the future.

Whilst daily headlines of household names disappearing from our high streets and big players in hospitality closing their doors permanently have become the norm, the impact of the pandemic on the finances of sole traders and small businesses can be hidden. We see the sharp end of this at Business Debtline. Since March 2020, Covid-19 has remained the main reason cited for financial difficulty by callers. This peaked at 64% in April and remains high a year later.

It is not surprising that the outbreak of Covid-19 has been so financially tough for the people we help through Business Debtline. The self-employed people we see typically earn less on average than their employee counterparts, their wages increase at a slower rate and they do not enjoy the same benefits and protections as the employee workforce. Many have seen their income disappear or significantly reduce due to the ongoing impact on trade, and the ability to conduct business as usual. For some, the burden is too great and we have to advise that they make the difficult decision to cease trading and seek employment.

> "I am a self-employed taxi driver whose income is adversely affected by Covid."
>
> "Business came to a standstill for much of the year."
>
> **Business Debtline callers**

Fig 4 Business Debtline: Coronavirus as a main reason for financial difficulty[8]



8. Business Debtline client data 2020-21

The complex picture of self-employment and business types has meant that the simplicity of the furlough scheme could not easily be replicated, so a varied package of measures was introduced by the UK government to try to help those whose livelihoods were impacted. One of the most frequently accessed, the Self-Employment Income Support Scheme (SEISS), was designed to close the gap of lost income by providing a grant worth 80% of average monthly trading profits, paid out in a single instalment covering three months' worth of profits, and capped at £7,500 in total. Three payments have been made to date, with two further payments due this year.

In April 2020, before this support scheme was announced, Business Debtline was hearing daily from distressed callers who'd seen their income dry up completely - and so the scheme's introduction was a relief to many. By December 2020, 1.9 million (57%) of the potentially eligible population had claimed a third SEISS grant with the value of these claims averaging £2,800[9].

However, not everyone has been eligible for the payments, which excluded owner/directors of limited companies, those who did not make the majority of their from self-employment, those with trading profits over £50,000 and - until the March budget - the newly self-employed. The government's own figures show that, in November, approximately 1.6 million self-employed people had been excluded due to the eligibility criteria, although some of these people will now be eligible due to the changes in the March 2021 budget.[10] It is also estimated that a further 2 million owner/directors - who receive the majority of their salary from dividend payments - would only have access to support through the coronavirus Job Retention Scheme that would pay minimally due to their low salary income.[11]

Even if people had received support from the SEISS payment they have been more likely to report reduced working hours and reduced income, compared to those on the employee job retention (furlough) scheme.[12] We heard from many people in this situation at Business Debtline.

> "I do not qualify for any personal or business support from the government – I have fallen through the cracks."
>
> **Business Debtline caller**

9. HMRC, Self-Employment Income Support Scheme statistics: January 2021

10. Ibid

11. Institute for Fiscal Studies, Fast choices by Government provide generous income support to most workers, but leave some with nothing and others with too much, April 2020

12. ONS Personal and economic well-being in Great Britain: January 2021

A year of uncertainty and anxiety

Covid-19 has catapulted some people into problem debt for the first time, whilst for others the pandemic is exacerbating existing problems.

At National and Business Debtline we support people at different stages and degrees of debt. Some people will be behind on one bill at the point when they reach out for support, others may have been struggling with debt issues for a long time. And increasingly we come across people for whom unsteady incomes and recurring debt problems are part of their daily life.

New debt worries

Covid-19 has pushed some people into debt for the first time and understandably many will still be processing the full extent of their problems, trying to gauge how long the situation is likely to last and whether they need help. Even without the impact of Covid-19, many people will juggle unsustainable finances for some time before they seek advice, partly as they come to terms with the fact that their situations are no longer manageable, and partly hoping things will improve. Over a quarter of National Debtline and Business Debtline clients wait two years or more before getting help.[13]

Then there have been people who were always "just about managing", and for whom Covid may have been a tipping point. And others will have already been in difficulty before the pandemic, some of whom will have sought debt advice previously. We know that for many of them the impact of the pandemic has been a set-back on their journey to regaining control of their finances, whereby they now find themselves missing debt repayments.

"Covid has had a very negative impact on me and my family because I am musician."

"My income has been adversely affected by the lockdown so it has been difficult to reduce my debt."

"I felt like I was finally getting somewhere, making large payments off credit cards, my overdraft and paying people I owe money to but now I feel like I've taken a large step backwards."

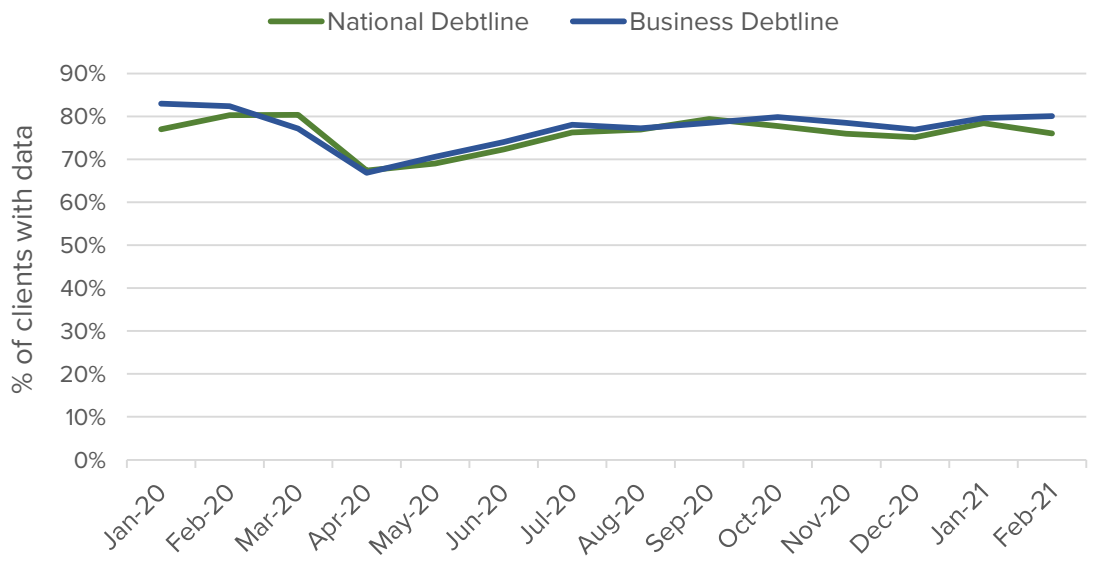
National Debtline callers

More temporary advice

We also initially saw a dip in the numbers of people who expected their financial difficulty to be long-term, as people dealt with the immediate impact of the crisis on their finances. However, a year on, many are still facing uncertainty: for example, those on furlough waiting to see if and when they will return to work; or those hoping their hours (and income) will increase again as restrictions lift. With such uncertainty over their income, committing to a formal debt solution that could have a long-term impact on their circumstances, and is reliant on their income being at a certain level longer term will require careful consideration.

13. National and Business Debtline clients 6 weeks post-contact surveys, 2019 aggregate. Sample of 364 National Debtline and 440 Business Debtline callers responding to our online surveys.

Fig 5 National Debline and Business Debtline – clients in long term financial difficulty[14]



Providing debt advice can also be challenging in these circumstances as the needs and expectations of these clients can be very different. This means that more traditional solutions-based debt options are unsuitable in the short-to-medium term. A transitional phase of advice to help deal with immediate situations is often necessary to allow people time to stabilise their finances.

As a result, we saw an increase in the numbers of people we were advising about interim measures such as asking creditors to hold any action, supported by the forbearance measures on offer, and a reduction in referrals to debt solutions such as Debt Management Plans (DMPs), Individual Voluntary Arrangements (IVAs), Debt Relief Orders (DROs) and bankruptcy. For these people, while we can offer temporary advice, it is unlikely their debt problems will be easily resolved – and we anticipate they will need further support over the next few years.

> "I have a DMP in place but I won't be able to provide the full amount as salary reduced."
>
> "I'm waiting until back to normal before doing a DRO."
>
> **National Debtline callers**

14. National Debtline and Business Debtline client data 2020-21

Anxiety as a common theme

Wherever people are in their debt journey, the stress and anxiety of money worries can be enormous. When considered against a backdrop of social isolation, health concerns, and anxieties over the wellbeing of family and friends that millions of people have experienced, we cannot underestimate the strain many people in financial difficulty are facing. Our new research reveals that 17% of British adults have been losing sleep because of financial worries due to Covid, rising to 43% for those who are unemployed[15]. The pandemic has similarly had a negative impact on people's mental health with a quarter (25%) saying it has been adversely affected, increasing to 46% amongst those who are unemployed and 40% of students.

Our advisers have heard this first hand from the people they have spoken to this year. In this context, the forbearance measures offered by creditors during this time have provided a lifeline for those in need.

"My mental health is really bad at the moment – I'm not sleeping well and had more electricity being used, with no help from suppliers during the first lockdown. We seemed to spend more on shopping by having to go to different shops because others sold out."

"I don't sleep any more. I'm lying there thinking about how do I get paid, make money. There have been times when I'm up looking for jobs all night."

National Debtline callers

15. National polling of adults in Great Britain, conducted by YouGov for the Money Advice Trust. See methodology for full details.

A year of stretched budgets for many

While some households have managed to save more, and even pay down outstanding credit over the past year due to spending less as a result of the lockdowns, many have found their budgets stretched.

At National Debtline and Business Debtline people have continued seeking support with arrears on their priority household bills including council tax, rent and energy, and also on credit debts, albeit in proportionately fewer numbers. This has corresponded with the success of the range of measures introduced since Spring 2020 to provide some respite for households unable to afford their essential outgoings. However, our new research suggests that this picture also masks households with debt as a direct result of Covid, with 11% of adults in Great Britain – equating to almost 5.5 million people – currently behind with everyday bills.

Falling behind on household bills

Council tax debt is one of the most common debts we see at National Debtline. As local authorities paused collection activities, bailiff visits were suspended and government provided council tax hardship funding to local authorities to reduce annual bills, callers with council tax debt dipped from 30% at the start of 2020 to 19% by December 2021. Yet despite this our new research shows that people are continuing to fall behind – with almost 2 million people (4% of British adults) currently behind with their council tax payments.

Similarly, the proportion of callers to National Debtline struggling with their rent fell from 18% in early 2020 to 11% in June – reflecting that some will have benefited from social and private landlords offering a degree of forbearance for those unable to keep up with payments. Halting repossessions has kept a roof over the heads of many who might have otherwise faced eviction in the midst of the pandemic. For some, this will give them the time they need to get back on their feet. However, others worry that when the ban on evictions ends, they will be unable to find the money to cover their arrears, with eviction becoming an inevitable conclusion. With our research highlighting that over 730,000 adults in Great Britain (1%) have rent arrears due to Covid, this risk will become only too real for those who are unable to find the money to pay their arrears back. Our research also found that as a result of the pandemic over 1.7 million adults in Britain (3%) have energy debt, and 1.3 million have water arrears (3%).

> "I'm in debt with rent and council tax. I feel I'll be like this forever."
>
> **National Debtline caller**

Relying on credit to plug the gaps

The anxiety over accruing debt on essential household bills can be stressful and some make the difficult decision to use credit to cover bills that they would otherwise be unable to repay. Our new research shows that 12% of adults in Great Britain– equating to 6.2 million people - have had to use credit to pay for essential household bills or goods since the pandemic began. Of these, 37% - equating to more than 2.3 million people - have used at least one type of high-cost credit to pay for essentials.[16]

Amongst those who had to use credit for essentials, the most common type used was a credit card (63%) followed by overdrafts (19%). 15% have had to borrow from family friends and over 1 in 10 (11%) have used buy-now-pay-later products.

The most common use of credit for essentials was to pay for food and groceries (6%), equating to more than 3.2 million people. Other common uses were to pay their energy bill (2%, more than a million people), a council tax bill (1.7%, equating to almost 900,000 people), and buying essential items for their child, such as school books, stationary or equipment (1%) - equating to 655,000 people.[17]

The need to put everyday items on credit is a clear indicator of a household that is financially over-burdened and this is rarely sustainable for long periods of time. This practice can help to mask the problem in the short-term but the core issue that finances are no longer manageable remains. By adopting this approach people can often delay seeking the debt advice they need to help them manage their finances in a sustainable way. Worryingly, for some, the impact of Covid on their livelihoods will make balancing their books all the harder to achieve in the future.

16. Note: For these purposes, high-cost credit has been defined as any one of the following: payday loan, store card, catalogue credit, home-collected credit, rent-to-own, buy-now-pay-later, unlicensed lender ('loan shark'), guarantor loan, logbook loan.

17. Percentage figures for each category were as follows: Food and groceries: 6% of GB adults; Energy bills: 2%; Council Tax: 1.7%; Essential items for a child: 1%.

18. FCA Financial Lives Surveys 2021 – February 2021

a) Credit debts

Although there is some evidence that people have used credit to make ends meet through the pandemic, we have also seen a decline in callers to National Debtline for advice about credit debts such as credit cards and personal loans over the past year, as banks and the FCA have stepped up with a range of options to defer payments. There is no doubt that these measures are having a hugely positive affect. The FCA's Financial Lives survey shows that a fifth (19%) of adults with any credit or loan product (excluding overdrafts) took a credit deferral, rising to half (49%) of those holding high-cost short-term credit such as payday loans or short-term instalment credit. Of those who took out a credit deferral, 63% took out a deferral on more than one loan. 32% said they would have struggled a lot more, if credit deferrals were not available.[18]

However, those taking the option up at the start of the pandemic will have come to the end of the forbearance period. The full extent to which this forbearance shown by creditors is cushioning households from the pressure of unmanageable debt will only begin to unfold when collection activity picks up in the months ahead.

Our latest polling suggests that almost 2 million adults in Great Britain (4%) are currently behind with their credit card repayments as a direct result of Covid, almost 1 million (2%) haven't been able to keep up with their personal loan repayments and the same number are struggling with their overdraft.

To avoid plunging many into impossibly high repayments in the future it is essential that existing measures are not withdrawn too swiftly, and that people are supported to deal with their debts in a fair and affordable way. It will also be vital that they are able to access free, independent debt advice if they need it.

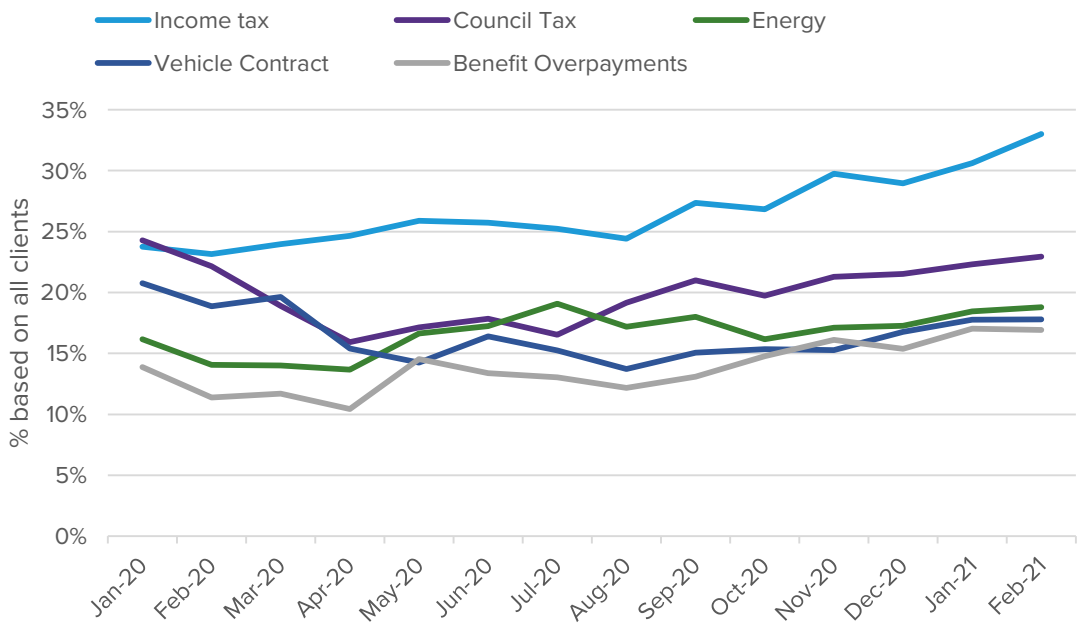
b) Debts for people in self-employment

We have not seen the same reduction in self-employed people contacting us with credit debts, which is no doubt reflective of the role of credit and loans, often personal, for small businesses. Credit can provide a lifeline to cover household bills when there is not enough money coming in. In January 2020, before the pandemic hit, two-thirds of Business Debtline callers reported problems with credit card repayments compared to one third of National Debtline callers. Similarly, there were more than double the instances of unmanageable overdraft debt and 37% of people reported they had personal loans compared to just 13% of National Debtline clients – these numbers for self-employed clients have held steady throughout the pandemic.

We have also heard from many Business Debline callers who are struggling with household bills, and we have started to hear from people who are concerned about future repayment of Bounce Back Loans, which start to fall due in May 2021. While the Government has introduced a range of helpful 'Pay as you grow' measures, which allows businesses to better stage their repayments, it is still expected that many will ultimately default on these loans.

We have also seen calls about income tax rise from just under a quarter of clients in January 2020 to almost a third by January of this year. Those finding it difficult to pay due to Covid-19 have had the option to defer their July 2020 payment on account any time up to 31 January 2021 with no interest or penalty. This is likely to have been vital to many, as is the additional forbearance put in place to allow people to repay in installments. Our research shows over a quarter (27%) of self-employed people only expect to be able to make partial repayments on priority debts owed to HMRC this year[19], suggesting ongoing flexibility is going to be needed.

Fig 6 Business Debtline callers – priority debts[20]



19. Money Advice Trust: Back to Business December 2020

20. Business Debtline client data, 2020-21

Helping people recover from the financial impact of Covid-19

The support put in place by government, regulators and industry has undoubtedly made a significant difference to many people, and has helped prevent or delay the most serious financial impacts for some. The hope is that, as restrictions lift, we can begin to look to a slow return to some normality, and people's financial situations may recover.

However, for many who have been financially impacted by the outbreak, the resulting debt burden will be with them for many years to come. We will continue to do all we can to help those in debt through our advice services. However, we cannot do this alone. As we emerge from the crisis, there needs to be coordinated action by government, regulators and industry to help people get out of debt and back on a stable financial footing.

Providing safe routes out of debt

It is vital that people who fall into debt are offered safe routes out of it. Unaffordable demands for repayment, and harsh collection and enforcement activity only serve to make people's debt problems worse. The positive steps government, regulators and creditors have taken to ensure people are offered suitable forbearance and not chased for unaffordable demands during the crisis has been hugely welcome, and will have made a significant difference to people in debt. Looking ahead, it is vital that this continues to be the case. In particular:

- **Government, firms and regulators – such as the FCA, Ofgem, Ofwat and Ofcom - should continue to work together to ensure that there is a consistent approach to supporting people facing ongoing financial difficulty and uncertainty**, including offering suitable forbearance, agreeing to affordable repayment plans and referring to debt advice where needed.
- **The Government should ensure they are taking a fair and affordable approach to collecting debts owed to government post-Covid**, by urgently reforming government debt collection practices – in response to the Cabinet Office's recent call for evidence on this issue. This should include implementing a Government Debt Management Bill to embed principles of affordability and fairness throughout all government debt collection, and taking action on the advice sector's long-running calls for bailiff reform.

- **The Ministry of Housing, Communities and Local Government should ensure that people with council tax arrears are treated fairly** by reforming outdated council tax collection rules and ensuring that local authorities have to offer people affordable repayment plans before they can escalate collection and enforcement activity.
- **HM Treasury should continue its work to bring forward the new Statutory Debt Repayment Plan scheme** as soon as possible, to ensure that those repaying their debts in full receive protection from creditor collection and enforcement activity, and from having additional interest, fees and charges added to their debts. This should be accompanied by a wider review of debt options to ensure that no one is allowed to fall through the cracks in a framework that has evolved in a piecemeal fashion over several decades.
- **The Government should help renters who have fallen into arrears due to the pandemic, by providing no-interest loans and grants to clear arrears**, continuing protections against evictions until the pandemic eases and implementing longer-term reform of Section 21 evictions.

Helping people in self-employment to recover

As our insight from Business Debtline shows, a year on from the beginning of the outbreak, people who are self-employed and running small businesses continue to face huge challenges, despite the extraordinary steps many have taken to adapt to this most unexpected of situations.

The introduction of vital support, for some people affected, from the Government, regulators and creditors has undoubtedly helped to stabilise some people's income in the short term. For others, however, the sheer scale of the impact means this support has not been enough to keep them out of financial difficulty – and millions have been excluded from support . To help self-employed people to recover from this crisis, we recommend that:

- **The Government should create a dedicated Covid-19 Self-employment Recovery Strategy to identify and deliver the longer-term measures needed to secure the financial and economic recovery of the sector as a whole**. This should include considering the role of training, and the provision of accessible business and financial advice, as well as financial support.

- **The Government should urgently introduce a discretionary grant scheme specifically to support those still excluded from the Self-employment Income Support Scheme, particularly owner-directors**. The scheme could be delivered through utilising the existing infrastructure within HMRC currently set up to deliver the SEISS, and concerns about fraud could be combatted by each applicant being required to provide evidence of their eligibility – rather than having an automatic right to access based on their tax return.
- **HM Treasury and HMRC should ensure there is a fair and affordable approach to recovering government-backed coronavirus business loans and outstanding tax debts**. While the additional flexibility offered through the 'Pay as you Grow' scheme is welcome, clarity is still needed on how people who who have taken government-backed loans they cannot afford to repay will be treated: we recommend that the Government actively explore the use of a Student Loan-style repayment scheme – with repayments linked to levels of future business income.

Supporting lost incomes

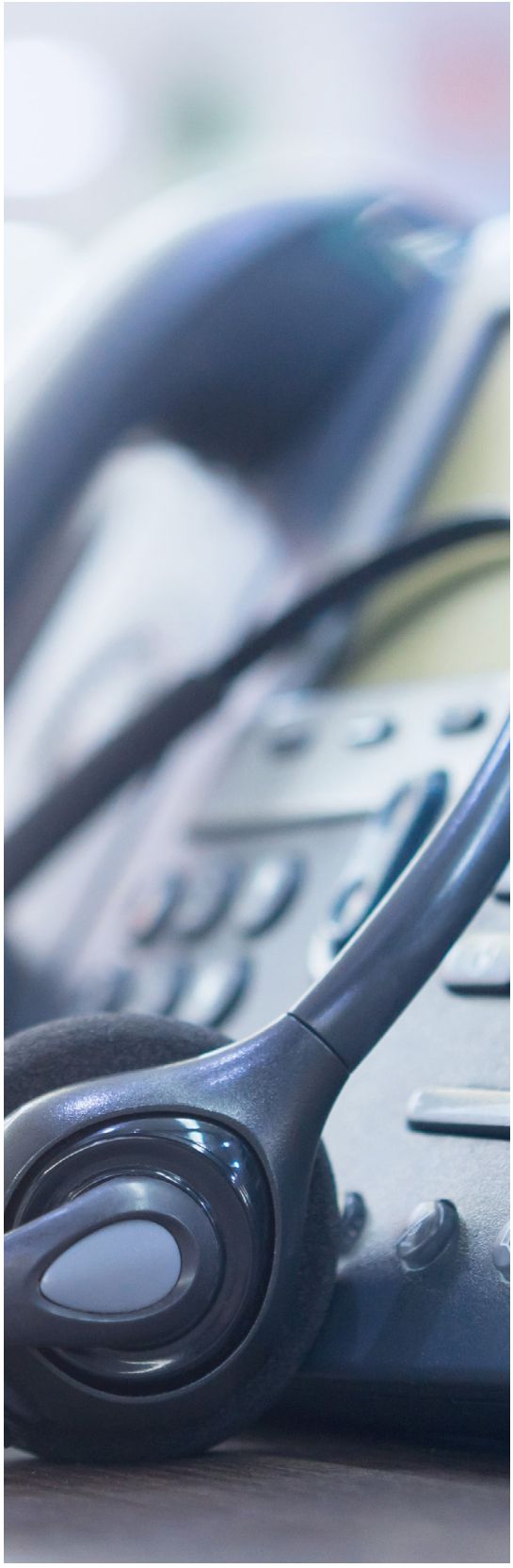
For those who have lost income due to the pandemic, recovery may take some time. While Government support – such as the Job Retention Scheme, SEISS and Universal Credit uplift - have all provided a lifeline to many people, removing support too soon could exacerbate the difficulties many households are facing. The six-month extension of support announced at the March budget is welcome. However, in the case of the Universal Credit uplift in particular, it means that vital support could be removed just as unemployment is increasing.

The Government must keep the support offered to households under close review to reduce the risk of growing financial hardship. This should include being prepared to **extend the £20 a week uplift to Universal Credit beyond September if, as is likely to be the case, the continued economic impact demands it**, as well as ensuring this applies to legacy benefits too. Importantly, the Government must recognise that households need certainty on their finances and so should take an early decision to further extend the uplift as needed. Similarly, to ensure that Universal Credit continues to provide the maximum possible support to self-employed people badly affected by the crisis, the Government should look to reform the Minimum Income Floor permanently when the temporary suspension of this ends in July 2021.

Methodology

The Money Advice Trust commissioned YouGov to conduct a national, online poll to examine the impact of the Covid-19 pandemic on household finances. Total sample size was 2,023 adults. The fieldwork was undertaken between 9-10 March 2021. The figures have been weighted and are representative of all GB adults (aged 18+). 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 51,220,471 adults in Great Britain.

Other finding presented have been based on National Debtline and Business Debtline client data, based on all clients calling from March 2020 to March 2021, and client surveys.



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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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