

Rising pressure on household budgets

October 2021

In August 2020, 6 million people across the UK had fallen behind on household bills as a result of the pandemic.¹ One year later and inflation has reached 3%² - a nine year high - pushing up the cost of essentials and putting further pressure on already stretched budgets.

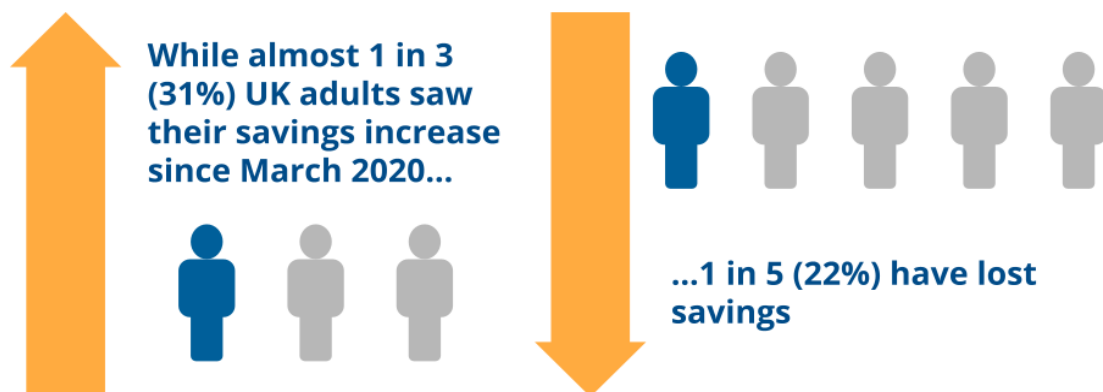
This month, the rise in the energy price cap pushed bills higher just as 5 million households lost £20 a week through the cut to Universal Credit.³ Key covid protections will provide vital support for some families in crisis this winter, but these protections are limited in reach and will end just as energy prices are set to increase even more sharply.⁴

As pressures on household budgets are increasing, our data is showing early warning signs - more people are seeking our advice on debt issues and are increasingly unable to cover their daily living costs.

Early warnings from Citizens Advice data

Since the start of the pandemic, Citizens Advice has helped 550,000 people with issues related to Universal Credit and almost 400,000 people with debt-related issues.

The pandemic has not hit households equally. Many households face a difficult winter with a diminished ability to absorb further price rises, after having their financial resilience eroded during the pandemic.⁵



¹ Citizens Advice (2020) [Six million fall behind on bills because of coronavirus](#)

² Office for National Statistics (2021), [Annual CPIH inflation time series](#)

³ In October, energy bills rose by £139 - £153 a year.

⁴ The Local Council Tax Support Grant and Household Support Fund are due to end in March 2022. In Spring 2022, annual energy bills are predicted to rise [by £383 annually](#).

⁵ Infographic: Between 15 July and 2 August, ICM Unlimited - on behalf of Citizens Advice - surveyed a representative sample of 6,012 UK adults, including 3,406 adults with complete savings information.

Our data shows that many households are already balancing their budget on a fine margin, and rising numbers are unable to cover their costs.

The number of people seeking debt advice in September 2021 increased by 11% on the month before and is now 20% higher than this time last year.⁶

Comparing the last 6 months with the same time period over the last two years, the proportion of people we help with debt who are unable to cover their essential costs and household bills⁷ has increased - from 36% in 2019, to 37% in 2020, and 40% in 2021.⁸



Without support, increases in living costs could leave people unable to repay their debts or forced to go without essentials.⁹ After the recent energy price increase is taken into account, the people we help with debt receiving Universal Credit could be left £88-a-month short, on average, of being able to cover their essential monthly costs.¹⁰

⁶ This looks at calls to our main telephone service, Adviceline.

⁷ A client is unable to cover their costs when a debt adviser assesses they cannot pay for their necessary expenditure with their income, using the Standard Financial Statement (SFS).

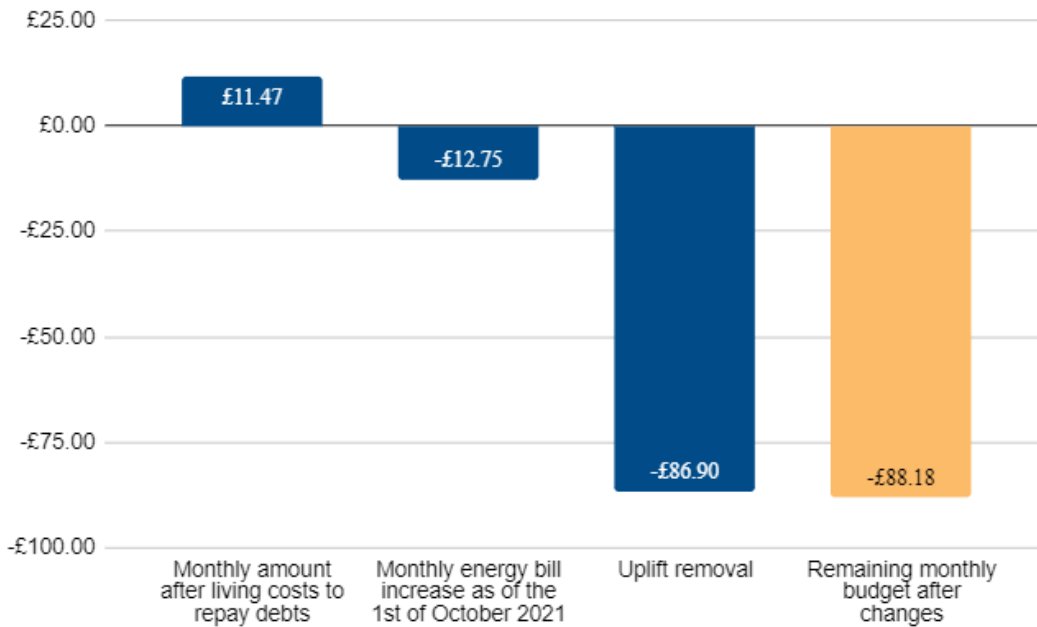
⁸ We compared the budgets of our debt clients who completed a SFS over a 6 month time period (April - September), across 3 years (2019, 2020, 2021). This includes 35,776 people in 2021, 13,237 people in 2020 and 24,269 people in 2019.

⁹ Infographic: this looks at calls to our main telephone service, Adviceline.

¹⁰ We have modelled the impact of the recent energy price cap increase (£12.75 per month) and the loss of £20 a week through the Universal Credit cut on the average budget of people who come to us for help with debt.

Figure 1. **Rising living costs could leave many of our debt clients unable to repay their debts or cover their bills**

Potential impact of rising budgetary pressure on the average amount our debt clients receiving Universal Credit have left over to repay their debt, after meeting their living costs



Source: Analysis of the budgets of 35,776 people who received debt advice and completed a Standard Financial Statement between 1st April and 30th September 2021.

In the new year, prices are set to rise as support falls away, leaving low-income households even more exposed

The thin margins in the budgets of over 35,000 people we've helped with debt over the last 6 months highlights the challenges facing those already struggling, and the impact that rising costs and falling incomes could have on levels of destitution and debt defaults.

Low-income households face significant additional budgetary pressure come Spring 2022. The energy price cap is predicted to increase by a further £383¹¹ and vital additional council tax support is due to end - with qualifying households losing additional support worth up to £150 a year.

As many households face a difficult winter, there are concerning early warning signs in our data. We are seeing higher demand for debt advice and charitable support, and a growing proportion of people we help with debt can't cover their essential costs each month. Signs that rising pressures on household budgets are making it harder for people to make ends meet and afford the essentials.

¹¹ Cornwall Insight (2022) [The gravity of the default tariff cap and the impact of the SOLR process](#)