

## 1.3 million households have fallen behind on council tax due to coronavirus

### Summary

Councils have reported an increase of £500 million in council tax arrears in the last three months, suggesting at least 1.3 million households have fallen behind on the bill during that time.

Without further intervention from central government, key workers, those who are shielding, and people who have had their livelihoods disrupted by coronavirus risk being pushed deeper into debt due to the high add-on costs of council tax debt collection.

**People who are more likely to have been directly affected by coronavirus are more likely to be behind on their council tax.** Of people who have fallen behind on council tax due to coronavirus:

- 79% have seen their income fall by 20% or more, compared to 18% of those who haven't
- 63% are key workers, compared to 26% of those who haven't
- 65% are shielding or at increased risk of coronavirus compared to 32% of those who haven't

**When people fall behind on council tax, they often face escalating debts and harsh collection practices.** In 2018-19:

- Councils used court action 2.3 million times and bailiffs 1.4 million times to collect council tax debt
- Bailiff fees added £200 million on top of people's debts<sup>1</sup>

**Government needs to change regulations to help councils recover debt flexibly**

Despite additional funding for local authorities to support people to pay their council tax, millions of households have fallen behind on their bills due to coronavirus. ***The government needs to update the Council Tax (Administration and Enforcement) Regulations to give councils more flexibility to recover arrears outside of the court process and to ensure that all councils take steps to help people make affordable repayments of arrears.***

This would bring councils up to speed with debt collection practices used in the County Court as well as in financial service and utility markets.

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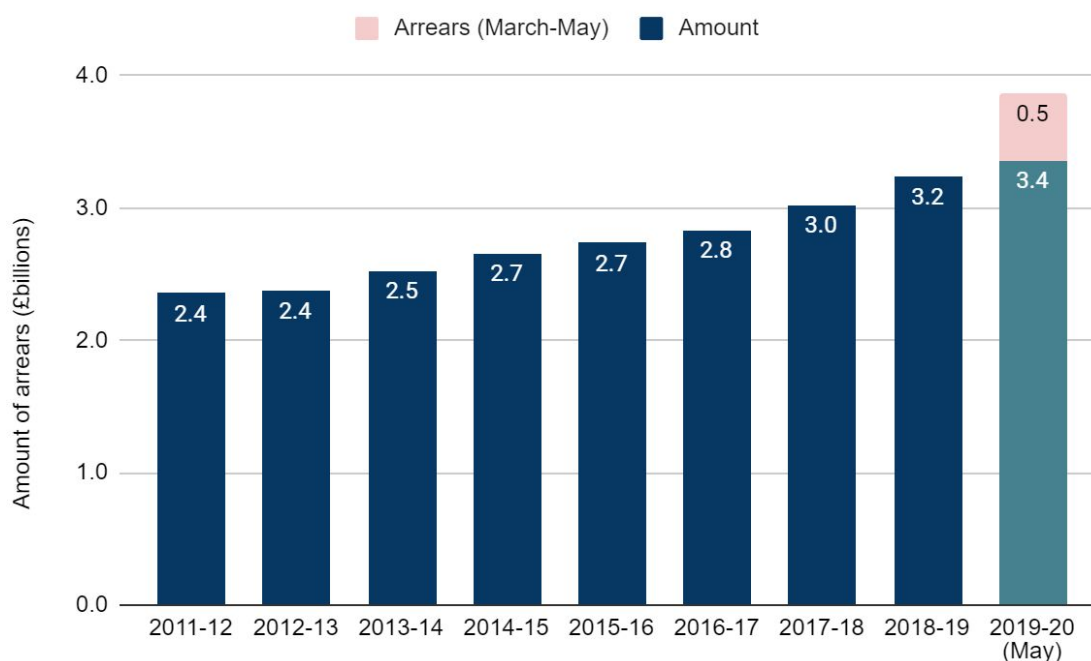
<sup>1</sup> Citizens Advice, 2019, [Council tax debt collection isn't efficient or effective](#)

## The financial impact of coronavirus has made a big problem worse

Council tax debt is the most common debt seen by Citizens Advice advisers. Last year we helped 90,000 people with council tax debts. The most recent data on council tax arrears, from 2018/19, shows councils reported £3.2 billion in council tax arrears. Taking into account yearly average increases in arrears, we estimate that even before coronavirus, councils would have reported £3.4 billion in council tax arrears in 2019/20.<sup>2</sup>

With councils now reporting a loss of at least £500 million<sup>3</sup> of council tax income in the three months to May, that figure is now likely to be significantly higher. Taking into account that figure on top of an average annual increase suggests that there is likely to have been £3.9 billion of outstanding council tax in May.

**Figure 1: Estimated amount of council tax debt in May 2020**



## How many people have fallen behind due to coronavirus?

The increase in the amount of council tax debt is concerning for local authorities who rely on council tax revenue to provide essential services. It also means a large number of households face harsh debt collection practices and being pushed further into debt by court costs and bailiff fees.

There is no centrally collected data on how many people or households are behind on council tax. Using Citizens Advice data on the average amount of arrears of the people we

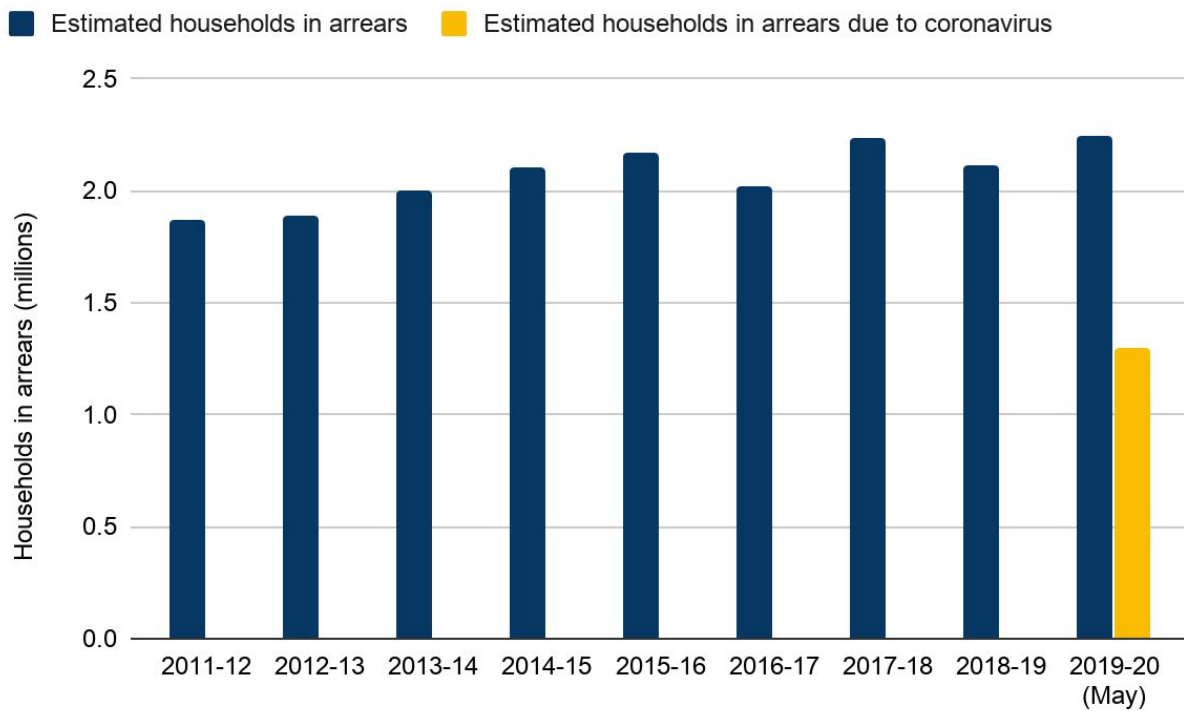
<sup>2</sup> This is based on data returns to MHCLG and an estimated increase in 2019-20 of £125 million - the average increase for the last 7 years.

<sup>3</sup> LGA, May 2020, '[Coronavirus: certainty needed over ongoing COVID-19 funding for vital local services](#)'

help, we estimated that last year there were 2.1 million households in council tax debt. Before the financial impact of coronavirus, we estimate that would have risen to 2.3 million last year.<sup>4</sup>

Due to the financial impact of coronavirus, that number is likely to be significantly higher. If all the £500 million of unpaid council tax was made up of people who have been unable to pay any council tax between March and May, and they all paid the average level of council tax (around £130 a month), that would equate to 1.3 million households in arrears between March and May. The true figure is likely to be higher as some households will be partially in arrears.

**Figure 1: Estimated number of households behind on council tax**



Not all of those households will be newly behind on council tax, but the fall in council tax receipts means there is a significant group of people who have fallen behind with their council tax during the lockdown period.

<sup>4</sup> This is based on an average council tax debt for Citizens Advice clients of £1,500 last year. That is likely to be higher than the national average due to the financial position of Citizens Advice clients and so our calculation is likely to underestimate the number of households behind on council tax.

## Who has fallen behind on their council tax due to coronavirus?

Our national research tells a similar story to the estimates above. In a nationally representative survey, 6% of adults - the equivalent of around 2.9 million people - said they were behind on their council tax due to coronavirus. At a household level, 1.85 million households have fallen behind on council tax.<sup>5</sup>

Concerningly, the people who have fallen behind are far more likely to be vulnerable and to have been directly affected by coronavirus. In particular, people who have fallen behind are very likely to have seen their income fall during the pandemic. More than half (56%) of people who have fallen behind on council tax due to coronavirus have seen their income fall by 40% or more - compared to 10% of those who haven't fallen behind.

That is despite a large proportion being key workers. Nearly two thirds (63%) of people who have fallen behind on their council tax due to coronavirus are key workers, compared to 26% of those who haven't fallen behind and 29% of everyone.

People who have fallen behind on council tax are also more likely to have been at greater risk of being affected directly by coronavirus. Of those behind on council tax due to coronavirus:

- 65% are shielding or at increased risk of coronavirus compared to 32% of those not behind
- 46% are caring for someone older compared to 10% of those not behind
- 55% are disabled compared to 33% of those not behind

One client who was shielding said his employer wouldn't furlough him despite other employees being furloughed. The client can't work from home and his job requires travel and entering premises. The client has now not worked for their employer for 4 months and is in arrears on his rent and council tax. The additional stress does not help his condition and he is vulnerable to redundancy due to being unable to work.

## What is the impact of falling behind on council tax?

When people fall behind on their council tax it can be a catalyst for further debt problems. Due to the way council tax is recovered, people are often pushed further into debt and face poor treatment by bailiffs.

This happens for a range of reasons. Where people fall behind on council tax they are often made fully liable for their annual bill. When court fees and bailiff charges are added on top of that, it means an average missed payment for a Band D council tax payer can escalate from £167 to over £2,000 within 9 weeks.<sup>6</sup>

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<sup>5</sup> All survey data is based on nationally representative polling of 2,009 UK adults. It was conducted by Opinium between 13th and 19th May 2020.

<sup>6</sup> Citizens Advice, 2019, [Council tax debt collection isn't efficient or effective](#)

Our Freedom of Information Request to local authorities last year found that in 2018-19 bailiffs were used 1.4 million times and added around £200 million of fees on top of people's debts. Court based enforcement is often used even when debts are small and has continued during the lockdown.

One client who is 76 was contacted by their local authority about rent arrears of £13. The client said she had been threatened with a liability order and being 'taken to court'. She hasn't been able to leave home and usually pays her council tax by card. She was upset about being threatened with court when she is scared to leave her home because of the pandemic.

## **What can the government do to help people out of debt?**

Currently people who have fallen behind on their council tax are protected from the worst impact of that debt. Magistrates courts are not making liability orders so people are not being taken to court, incurring court fees, or having debts referred to bailiffs. Government has passed regulations stopping face-to-face enforcement until 23 August.

However, people who have fallen into debt now face a cliff-edge. Without further intervention by central government key workers, those who are shielding and people who have had their livelihoods disrupted by coronavirus, risk being pushed deeper into debt due to the high add-on costs of council tax debt collection.

To support people who have fallen behind on council tax due to coronavirus, central government needs to amend regulations to support local authorities to collect debts flexibly. Five changes would help:

1. Creating a pre-action protocol for council tax debt that ensures local authorities only use expensive courts and bailiffs as a last resort
2. Changing collection targets to encourage councils to collect debts over more than a year
3. Stopping people becoming automatically liable for their entire bill when they fall behind
4. Consulting on changing the liability order process with a more effective and cheaper consumer safeguard, which allows councils to have a more flexible approach to collections
5. Topping up hardship funding to councils to help reduce Council Tax arrears that have built up due to coronavirus