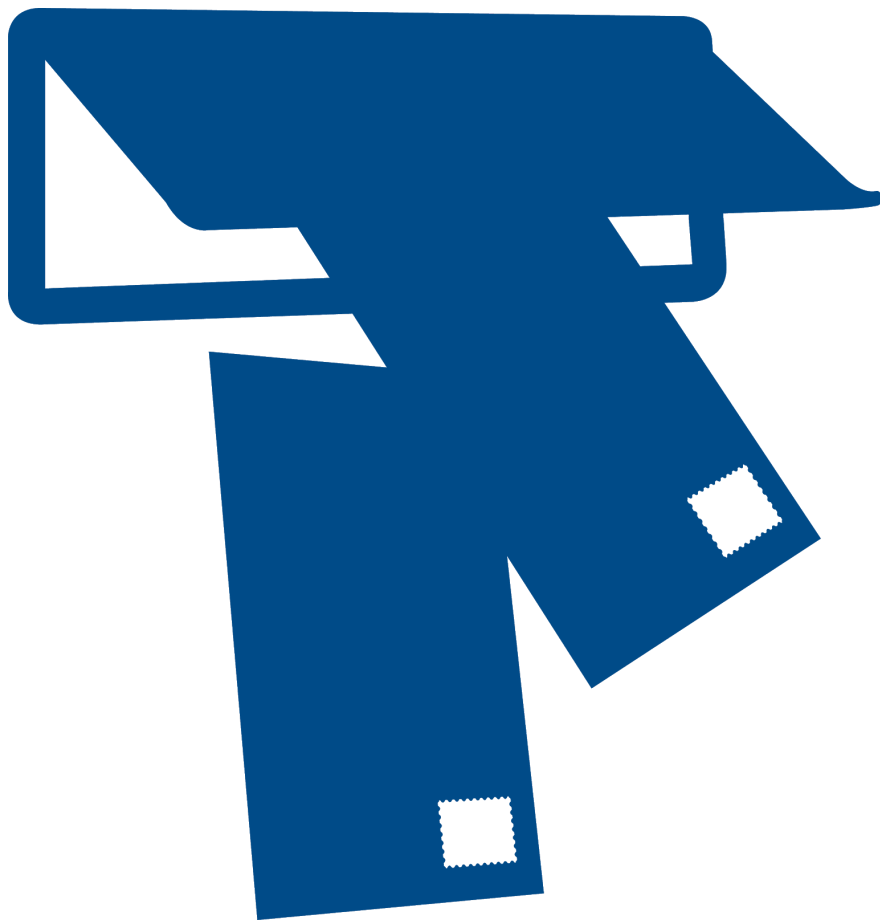


Hidden Debts

The growing problem of being behind on bills and in debt to the government



Joe Lane, Barney McCay, and Marini Thorne

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Summary

The rapid growth of unsecured household debt since 2016 has rightly attracted the attention of government and regulators.¹ However, that attention often ignores a large stock of hidden debt - money owed to government and essential service providers.

Since 2014, it has been more common for people to come to Citizens Advice for help with household bill debts - such as council tax or energy bill arrears - than with problems related to consumer credit debts. **Last year we helped people with 690,000 household bill debt problems, compared to 350,000 consumer credit issues.**

One reason so many more people struggle with household bill debts is the way they are collected. **Of the problems we helped people with last year, household bill debt problems were nearly twice as likely to be related to the way debts are collected than consumer credit debt issues** (29% compared to 15%).

Since 2011/12, the number of problems we see that are related to the way household bill debts are collected have more than doubled, while household bill debt problems that aren't related to the way those debts are collected have remained stable.

In particular, problems related to the way bailiffs collect debts have grown rapidly. The number of bailiff problems we have helped people with increased by over 6,000 in the last 12 months and by 24% since 2014/15.

Despite the scale of the problem, household bill debts are often ignored by policy makers. Partly, that is because no single organisation is responsible for measuring the level of that debt. **We estimate the total level of household bill debt - owed to essential service providers and government - to be nearly £19 billion.**

The scale of that debt should concern policy makers. Unlike unsecured consumer credit debt, household bill debt is almost always problematic. People falling behind on household bills is an indicator of severe financial distress - they're the last things people stop paying. In addition, the majority of household bill debts are priority debts meaning people face strong collection practices - such as losing their home - that can have costly knock-on effects.²

The government needs to get a clear picture of the scale of problem of household bill debt. It should **commit to measuring the level of debt on household bills and to government** - in the same way the Bank of England records levels of consumer borrowing.

The government also needs to take action to protect people from aggressive collection practices when they do fall behind on their bills. A first step would be to **introduce independent regulation for bailiffs.**

¹ 12 month growth of unsecured borrowing hit 9% in January 2016

² BBC, [Council tax: thousands threatened with prison](#)

Introduction: the growth of household debt

Levels of household debt regularly feature in national policy debate and attract the concern of politicians and regulators. Since the financial crisis, mortgage lending, which makes up the vast majority of household debt, has been growing slowly - at an average of 2.5% a year for the last 5 years. In contrast, unsecured consumer credit debt - such as on loans, credit cards, and overdrafts - has grown at an average of more than 8%, peaking at nearly 11% in 2016, and now stands at £210 billion.³

The high level of debt, and even the rapid rate of growth of unsecured borrowing, are not necessarily bad. For the economy generally, unsecured borrowing isn't a major threat to economic growth.⁴ At an individual level, the majority of that debt is held by high income households who can afford their repayments.⁵

Nevertheless, the rapid growth of unsecured borrowing has received a significant degree of attention, with regulators concerned that this growth indicates that borrowing is unaffordable. It's estimated that in an economic downturn, 40% of banks losses would be caused by unpaid consumer credit debts, despite it making up only 7% of their overall lending.⁶ The Bank of England responded to that risk by requiring banks to hold more capital to protect them against losses.

Similarly, the Financial Conduct Authority has identified risks for individuals - highlighting where lenders are incentivised to lend people money they will struggle to afford to repay. They have reacted by conducting reviews into credit card, overdraft and high-cost credit lending.⁷

That response is welcome, but only deals with one type of problematic debt. Alongside debts on credit cards, overdrafts and personal loans, large numbers of people struggle to meet their essential expenditure and get into debt on their household bills. Those debts, such as council tax or rent arrears, or unpaid gas and electricity bills have received significantly less attention from policy makers. This is despite being as common as unaffordable consumer credit for people in financial difficulty.

³ Bank of England Money and Credit statistics

⁴ Bank of England, (2017) [Financial Stability Report](#), p.16

⁵ Bank Underground, (2018) [Who's driving consumer credit growth?](#)

⁶ Bank of England, (2017) [Financial Stability Report](#)

⁷ FCA, [Credit card market study](#), [High-cost credit review](#)

Citizens Advice is the largest multi-channel provider of free debt advice. Debt is the second most common issue we help people with and accounted for 1 in 4 of the problems we helped people with last year. Providing that help gives Citizens Advice unique insight into the types of debts people struggle with.⁸

This report builds on that insight and is the first in a series which will look at the scale, causes, and consequences of household bill debt problems. In future reports we will concentrate on the reasons people fall behind on specific household bills and, in particular, look at the problems caused by the way those debts are collected by government and essential service providers. This report has 4 parts:

- Part 1 highlights how problems with household bill debts have become more common than problems with consumer credit debts for Citizens Advice debt advisers.
- Part 2 uses Citizens Advice data to examine which types of household bill debt problems have caused that increase.
- Part 3 uses a combination of administrative data, Citizens Advice data, and ONS survey data to estimate the total level of household bill debt.
- Part 4 looks at the possible impact of household bill debt on people's lives.

In the conclusion, the report makes some initial recommendations for the government.

⁸ Last year we helped over 340,000 people with over 1.5 million debt issues, and more than 8 million people visited the debt pages on our website.

Part 1: The hidden problem of household bill debt

Recent concern about levels of household debt has focussed on the growth of unsecured borrowing. Missing from that attention has been acknowledgement of the problem of debts on household bills. These include debts to essential service providers, rent arrears, and debts to government such as council tax arrears.⁹

Households get into debt on household bills either when they fall behind on payments, such as their rent or council tax payments. Or, in the case of tax credit and welfare overpayments, because they receive too much money which they then have to repay.

Box 1: What are household bill debts?

When someone gets help with their debts from Citizens Advice, advisers record what debts they needed help with. Advisers record 39 different types of debts. 18 of the debt problems we record are debts on household bills, debts to government, or fines.

Household bill debts are arrears on:

- Fuel bills
- Water bills
- Rent - to private landlords and housing associations
- Telephone and broadband, mobile phone, and other telecoms

Debts to government are:

- Council tax arrears
- Overpayments of working and child tax credits; of income support, job seekers allowance, and employed support allowance; of housing and council tax benefit; of universal credit; and of other benefits
- Rent arrears to local authorities
- Arrears on income tax, VAT and NI contributions
- Social fund debts

A third group of debts are fines and penalty notices:

- Parking penalties
- Magistrates fines

Consumer credit is debt on credit cards and store cards, overdrafts, unsecured loans, hire purchase debts, catalogue credit, and high-cost credit debts.

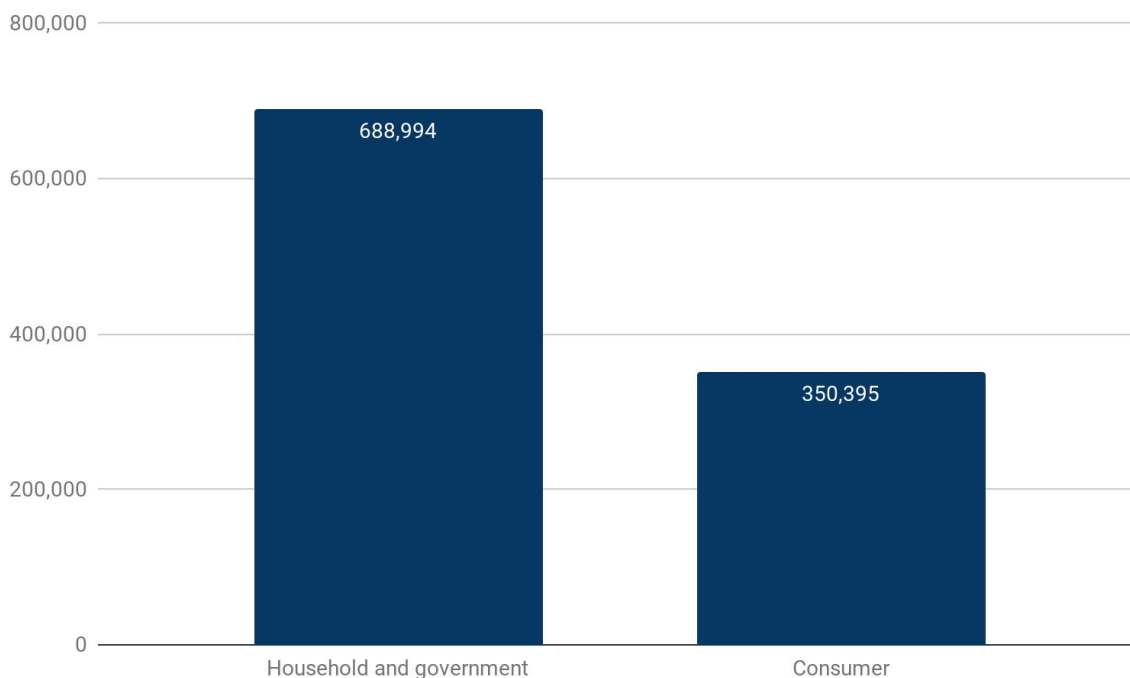
This section uses data recorded everytime someone gets help from Citizens Advice to measure the scale of the problem of household bill debts. Citizens Advice data provides a unique insight on the problem of household bill debts. Unlike consumer credit debts, there is no central source of data on the level of household bill debts.

⁹ We have excluded mortgage debts as they are secured against the value of property. The household bill debts we have included are a closer equivalent to unsecured consumer debts.

Citizens Advice helped twice as many people with household bill debt problems than consumer debt problems last year

Splitting the types of debt problems Citizens Advice helps people with between consumer and household bill and government debts highlights the scale of the problem. In 2017-18, problems related to household bill and government debts made up 46% of all the debt problems we helped people with. That compares to 24% which were related to consumer credit debt problems.¹⁰

Figure 1 - Total problems Citizens Advice helped people with by debt type (2017/18)



To a Citizens Advice debt adviser, that we help people with nearly twice as many household bill debt problems than consumer credit issues would be unsurprising. Other debt advice organisations have seen similar trends:

- Last year, 2 in 5 people who received debt advice from StepChange were in arrears on 1 or more of their essential household bills. They estimated that 3 million people fell behind on their bills over the course of a year.¹¹
- The Money Advice Trust have reported that calls to National Debtline relating to council tax arrears have increased from 14% in 2007 to 26% in the first three quarters of 2017. Calls relating to benefit overpayments increased from 10% in 2014 to 16% in the first three quarters of 2017.¹²

That insight hasn't yet fed through to national policy discussions about household finances.

¹⁰ These figures don't sum to 100% because they don't include problems where the specific issue wasn't recorded, or enquiries about debt solutions such as Debt Relief Orders.

¹¹ StepChange, (2018) [Behind on the Basics](#)

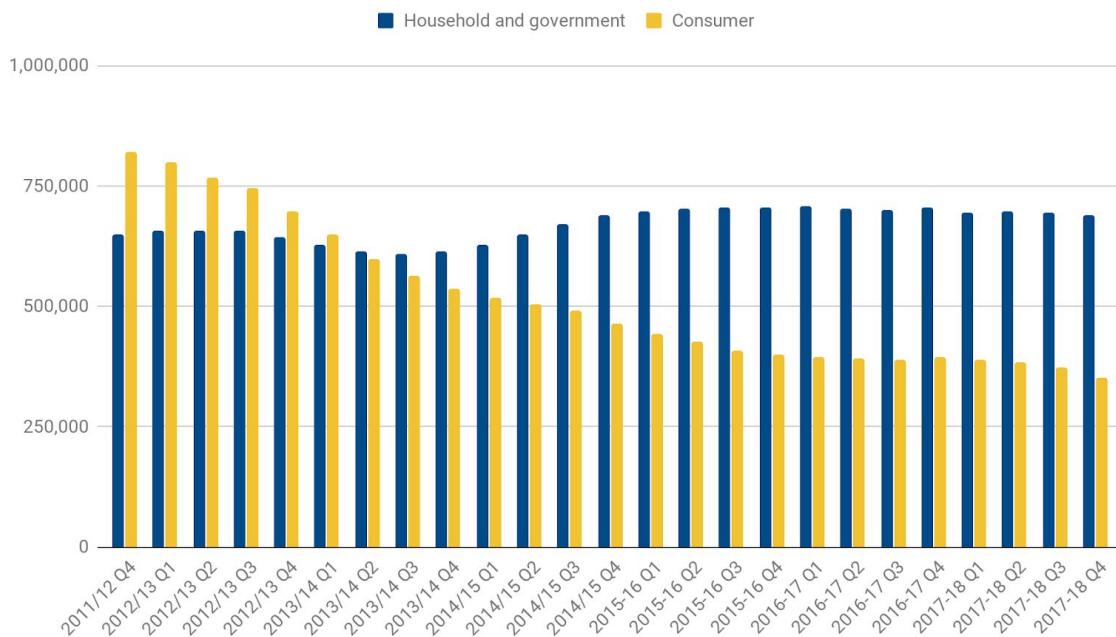
¹² Money Advice Trust, (2017) [Stop the knock](#)

People struggling with their household bills is the new normal

To some degree, the lack of attention given to debt on household bills is because it is a relatively new problem. Over the last 5 years, there has been a shift in the type of debt problems seen by Citizens Advice from consumer credit debts to problems with household bills.

- In 2011-12, 38% of debt problems we helped with were caused by problems with products such as credit cards, personal loans and overdrafts. And just 30% of issues were caused by problems with paying household bills such as council tax, rent, and energy bills.
- In 2016-17, that picture had reversed with 24% of debt issues seen by advisers related to consumer credit and 46% of problems related to paying household bills.

Figure 2 - Total number of problems Citizens Advice helped people with by debt type over time (12 month rolling average, 2011-2018)



The chart above highlights that shift. In addition, it is clear that the increase in the proportion of debt problems caused by people falling behind on their bills is the result of both an increase in the number of problems related to household bill debts and a rapid decline in problems related to consumer debts.

The number of problems we help people with caused by household bill debts has now stabilised at just under 700,000 a year. Household bill debt problems making up the majority of the debt problems has become the new normal.

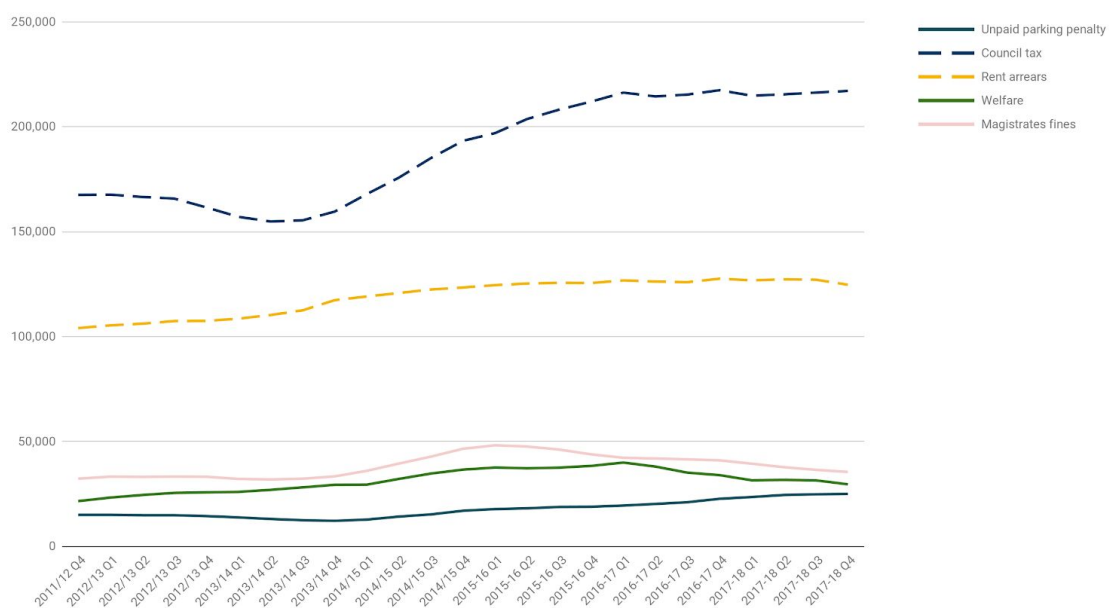
Part 2: What is behind the increase in problems with household bill debts?

Within the general trend of the growth of household bill debt issues, different types of household bill debt have become more of a problem. This section uses more detailed Citizens Advice data to highlight which types of debt problems have become more common.

Council tax, rent arrears, and benefit overpayments have become more common

Across almost every type of household bill debt, the number of problems Citizens Advice helps people with has increased as a proportion of the debt issues we see since 2011. Within that, problems with 5 types of household bill debts have grown particularly quickly.

Figure 3 - Total problems Citizens Advice has helped people with by type of debt (12 month rolling average, 2011-2018)



As shown in the chart between 2011/12 and 2017/18 the 5 types of debt in the chart above increased significantly.

- Council tax arrears problems increased from 168,000 to 217,000
- Rent arrears problems increased from 104,000 to 125,000
- Tax credit overpayment problems increased from 22,000 to 30,000
- Unpaid parking fine debt problems increased from 15,000 to 25,000
- Magistrates fines problems increased from 32,000 to 36,000

The aim of this report is to establish the scale and nature of the problem of household bill debt rather than examine the causes in detail. There are a range of likely reasons

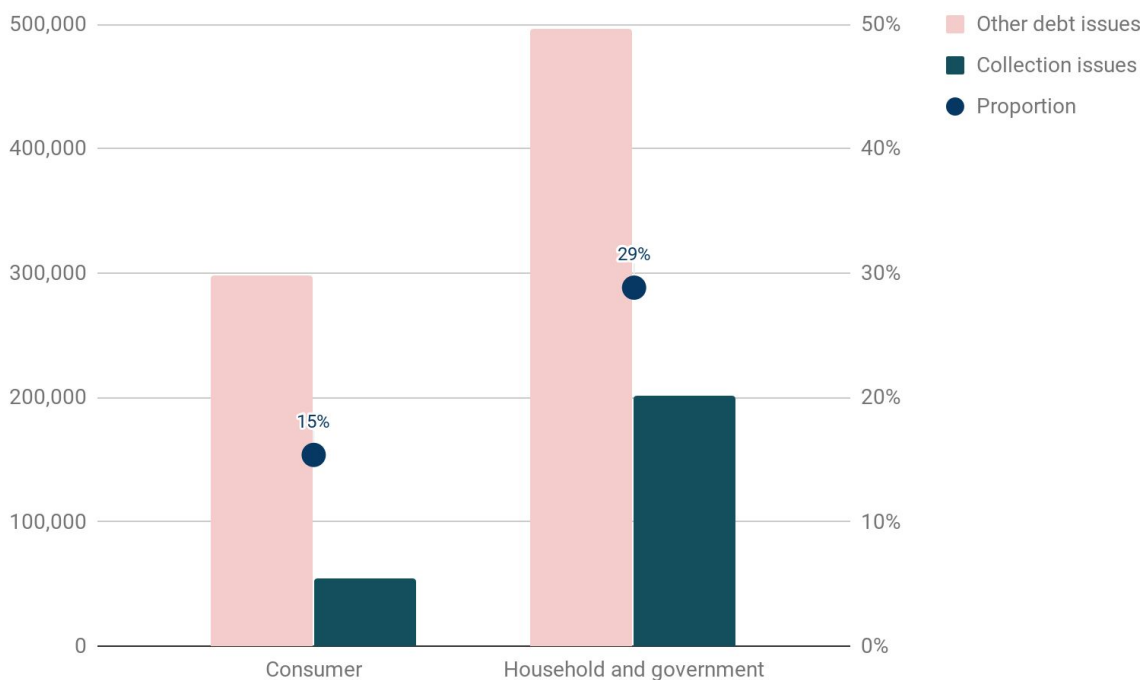
why we are seeing more people with household bill debts. For instance, changes to the way people work mean people's incomes are likely to be more volatile. Our recent research found that people with volatile incomes were twice as likely to have ignored or delayed a bill or loan repayment in order to pay for other essentials.¹³

In future research we will dig into the causes behind the growth in household bill debt problems for specific types of debts.

The way household bill debts are collected causes problems

As well as the type of debts people struggle with, Citizens Advice data lets us look at the nature of those problems. By dividing people's problems between general debt problems, such as having unaffordable debts, and issues related to the way those debts are collected by government and essential service providers, we can see that one of the reasons household bill debt issues have become more common is due to the rapid increase in problems related to collection practices.

Figure 4 - Number and proportion of debt problems related to the collection of debts by debt type (2017/18)



As shown in the chart above, household bill debt issues are more likely to be related to problems caused by collections, rather than simple affordability. In the last 12 months, more than 200,000 (29%) of the 700,000 household bill debt issues were caused by collections and enforcement. That compares to around 55,000 (15%) of the 350,000 consumer credit debt issues.

In some instances, the nature of household bill debts makes problems with collection inevitable. Debts which are the result of wrongdoing - such as magistrates fines for

¹³ Citizens Advice, (2018) [Walking on thin ice](#): the cost of financial insecurity

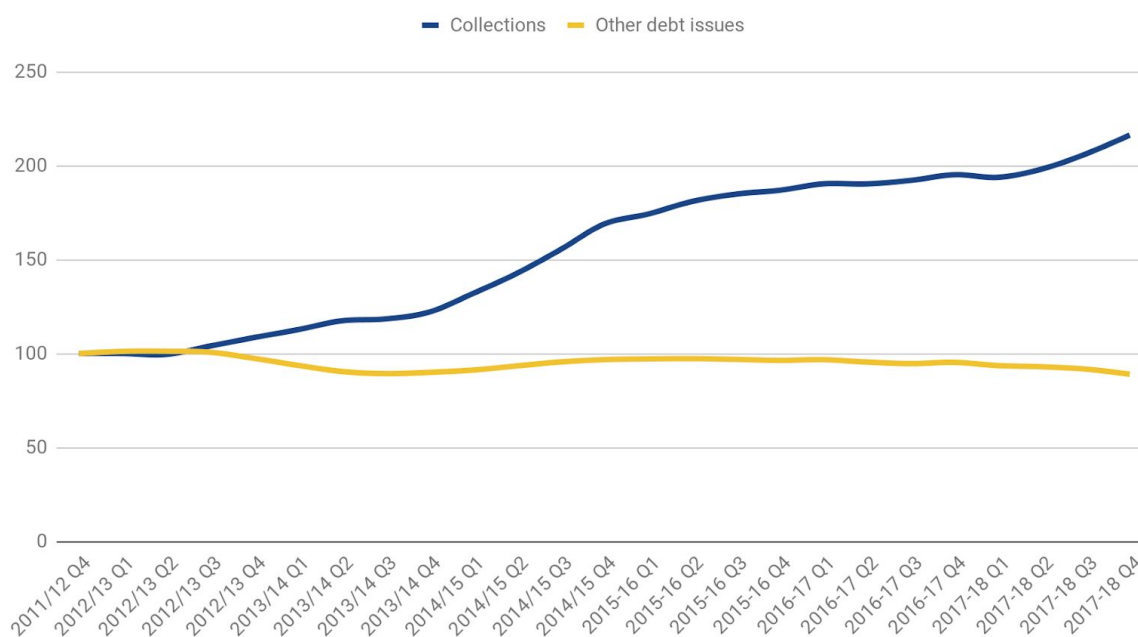
instance - are likely to be collected more aggressively than consumer credit debts. The collection of those debts is deliberately punitive. However, across all types of household bill debt, Citizens Advice has seen an increase in the number of problems related to the way those debts are collected.

Problems caused by the way household bill debts are collected have become more common

In part, we help people with more collections problems related to household bill debts because collections issues have become more common. Since 2011, collections issues have grown at a faster rate than household bill debt problems more generally.

The chart below compares the percentage changes in collection and non-collection issues related to household bill debts. While non-collection problems still make up the majority of people's difficulties, since 2011/12, problems related to the collection of household bill debts have more than doubled, while non-collection issues have remained largely stable.

Figure 5 - Percentage change in household and government debt problems by nature of problem (Index = 2011)



That growth has been seen across different types of household bill debts, but has been driven by issues related to debts to the government. Our previous research has highlighted the problems with collections of both council tax arrears¹⁴ and with government debts more generally. Debt advisors consistently rank government creditors as worse than commercial ones in terms of how they approach debt collection.¹⁵

¹⁴ Citizens Advice, (2016) [Catching up](#)

¹⁵ Citizens Advice, (2016) [The state of debt collection](#)

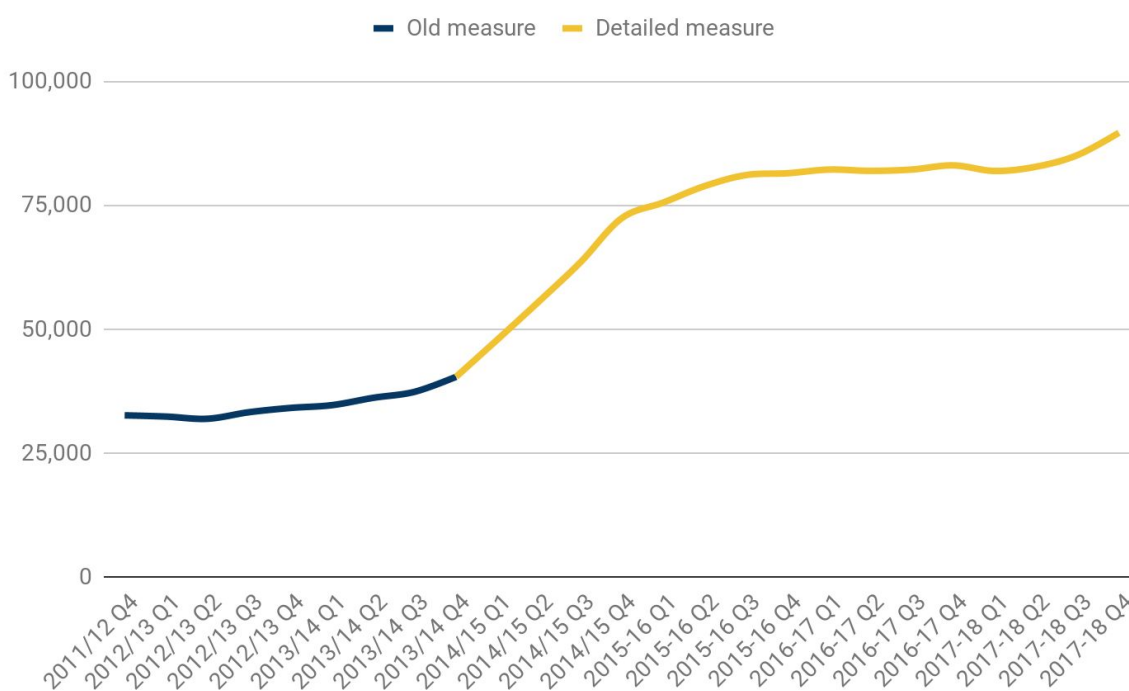
Building on that work, the Treasury Select Committee enquiry into household finances recently concluded that, ‘the public sector should be leading by example in their treatment of the most financially vulnerable; but the current approach [to collecting debt] risks driving them into further difficulty.’¹⁶

The number of problems caused by bailiffs has grown rapidly

Within the fast growth of problems caused by the way household bill debts are collected, problems related to bailiff collection stand out. Overall, 45% of collection problems we helped people with last year were related to bailiffs, up from 35% in 2011/12.

That is the result of the number of bailiff problems we help people with on a yearly basis almost trebling. Increasing from 32,000 in 2011/12 to nearly 90,000 last year.

Figure 6 - Total number of problems related to bailiff enforcement (12 month rolling average (2011-2018))



As shown by the chart that dramatic change is partly the result of a change in the way bailiff problems are recorded by advisers. Since April 2014 advisers have recorded more detailed information on the different types of bailiff problems people face.

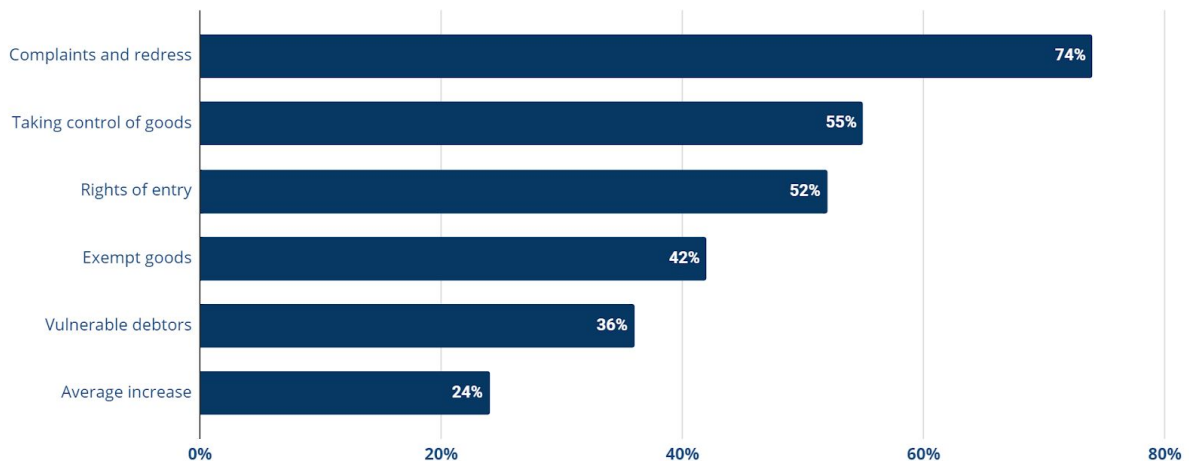
However, even assuming that change was responsible for the uptick between 2015 and 2017, there has been a more recent increase. We helped people with 6,500 more bailiff related issues last year than in 2016/17.

¹⁶ Treasury Committee, (2018) [Household finances: income, saving and debt](#)

Within that general increase, in some areas problems related to bailiff enforcement have grown much faster. Since 2014/15, the number of bailiff problems we help people with has grown by 24%. At the same time:

- Problems brought to us by people with difficulty lodging a complaint has grown by 74%
- Problems with how bailiffs are taking control of goods and rights of entry have increased by more than 50%.
- Problems relating to the treatment of vulnerable debtors have increased by 36%

Figure 7: Areas where bailiff problems have increased since 2014/15



Those increases have happened despite new rules to crackdown on poor bailiff behaviour being introduced in 2014 by the Ministry of Justice. While the content of the rules themselves, such as protecting debtors from very high fees, is welcome, the continued rise in issues is a product of a lack of enforcement of those rules when they are broken.

Currently, when someone having a debt pursued by a bailiff feels they have been mistreated, they are required to complain to the company, then the trade body, and finally to seek redress in court. Without an independent regulator and complaints process people will continue to face problems caused by rogue bailiffs.¹⁷ The new regulations are only as strong as their enforcement.

¹⁷ Citizens Advice jointly published [a report](#) with 7 charities highlighting the detriment caused by a lack of independent regulation in 2017. The government [responded](#) in April, 2018 announcing a crackdown on 'rogue bailiffs'.

Part 3: How much household bill debt are people in?

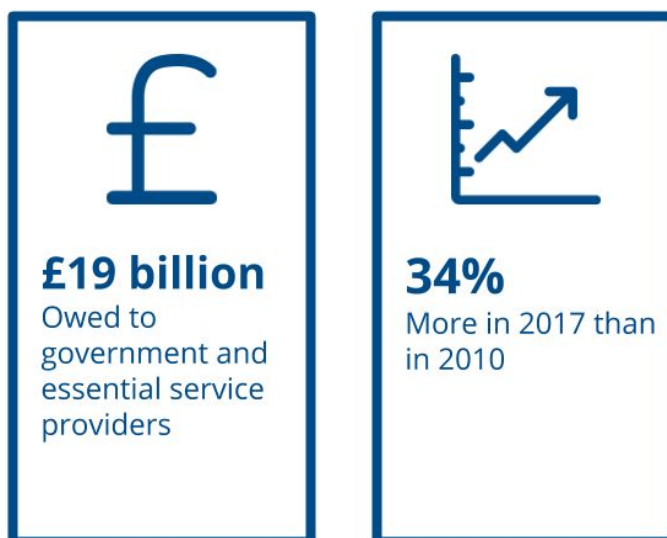
Citizens Advice data about our clients' finances provides a unique insight into the scale of household bill debt. But understanding whether this problem exists among the UK population as a whole is a far more difficult task. Unlike consumer credit debt, which is closely monitored and measured by the Bank of England, no single organisation is responsible for measuring the total amount of household bill debt in the UK. That lack of oversight is one of the reasons this debt is often overlooked in policy discussions about household finances and living standards.

What is the total amount of household bill debt?

To try to build an accurate picture of the scale of the problem of household bill debt in the UK we have looked at data sources from key sectors to estimate the total stock of household bill debt. For 2016/17, we estimate that **UK households owed nearly £19 billion to their essential service providers and government.**¹⁸

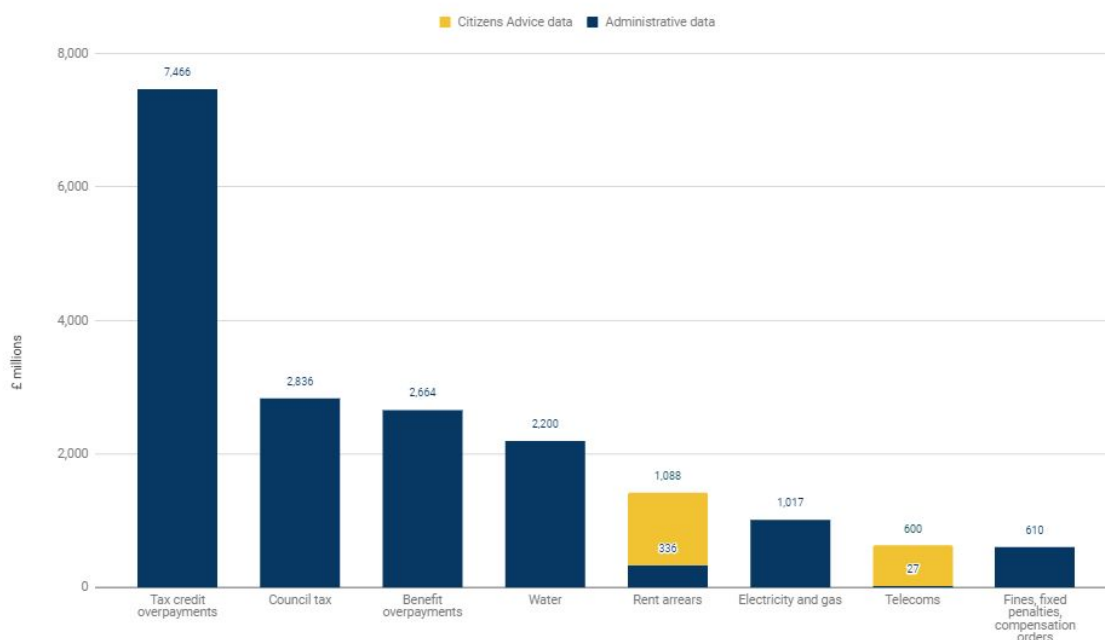
We used a range of sources to calculate that figure. Where possible, we have used 'administrative data' - that is data held by regulators, governments or providers which quantifies the total debt owed by individuals. These debts are shown in blue in Figure 8 below. The full methodology can be found in Appendix 1.

Where this data was not available, for example in telecommunications and housing, we used a combination of survey data and data from our clients' experiences. To estimate the total amount owed in rent arrears, for example, we used findings from the English Housing Survey and combined them with our own clients' average housing debts. These estimates are shown in yellow in Figure 8.



¹⁸ The total includes data for England, Wales, Scotland, and Northern Ireland. Welfare data is for England, Wales and Scotland. Council tax data is just for England. Water data is just for England and Wales. Rent arrears data is just for England. Court fines are just for England and Wales. Fuel data is for England, Wales and Scotland.

Figure 8 - total household bill debt by bill type (2016-17)



The figure we have calculated is not definitive and is likely to be a conservative estimate due to a lack of data. For instance, we have excluded some court fines because there is no data on the level of debt available.

Have debts on household bills increased over time?

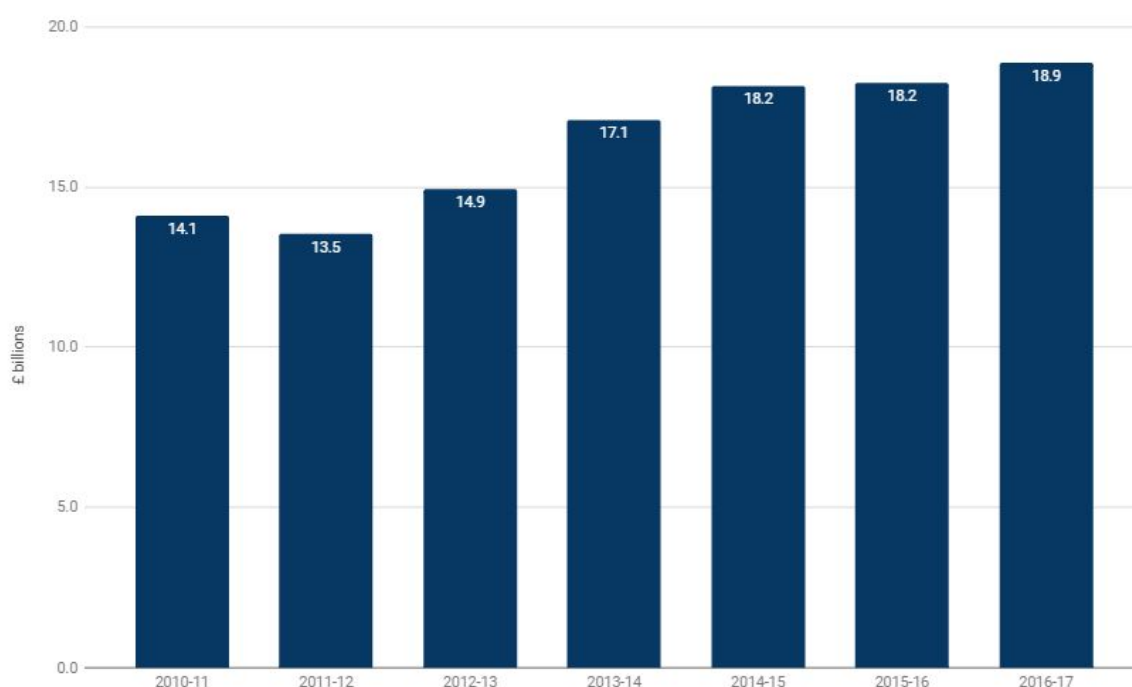
The way regulators and government monitor these debt levels not only varies by sector, it varies over time. This makes it difficult to provide an accurate assessment of whether the total amount of household bill debt is growing, in line with the trend experienced among our clients.

In some sectors, data is available. Data on council tax arrears, for instance, was collected consistently between 2011 and 2017 by the Ministry of Housing, Communities and Local Government (MHCLG). To estimate the change in the stock of household bill debt over time we have combined the available data with our own estimates.¹⁹ Where no data is available we have assumed that the level of debt in a sector has been constant from the most recent available data. For example, the last data available on water bill arrears is from 2014/15. We have assumed that has remained the same until 2016/17.

As shown by Figure 9, our estimate is that the stock of household bill debt has increased from £14 billion in 2010/11 to nearly £19 billion in 2016/17 - an increase of a third.

¹⁹ The full methodology can be found in Appendix 1

Figure 9 - Total household bill debt 2010-2017 (£ billions)



How does that compare to unaffordable consumer credit debt?

The total stock of household bill debt is significantly less than the total amount of consumer credit debt. In June 2018 the outstanding stock of consumer debt was £213 billion, more than 10 times the level of household debt.

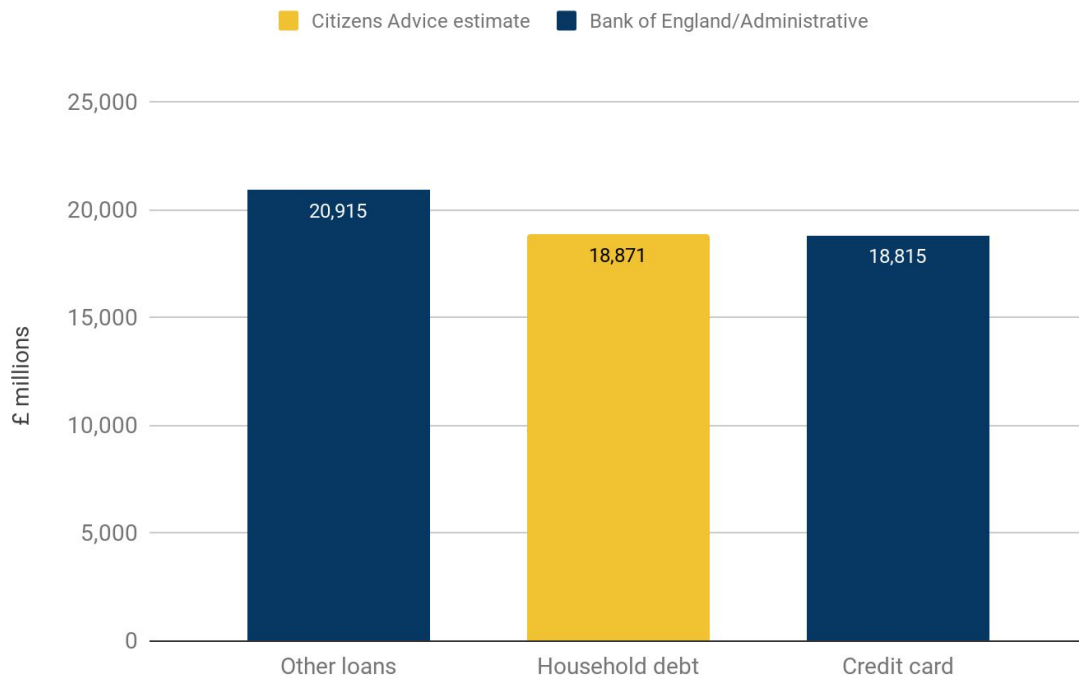
However, a straight comparison isn't particularly useful. Almost all household bill debt represents problematic debt. That is either because it is the result of falling behind on payments owed - and so is an indicator of financial difficulty. Or, in the case of tax credit and welfare overpayments, frequently unexpected and not the result of an individual's decisions.

In contrast, the vast majority of consumer credit debt isn't held by people who are in financial difficulty.²⁰ Using the Wealth and Assets Survey, we estimate that around 18% of consumer credit debt is held by people who are in financial difficulty. Looking at the stock of debt, that means there is around £39 billion of problematic consumer credit debt.²¹

²⁰ We use a definition which combines objective and subjective measures of problem debt. We counted people who were either in arrears, struggling to meet debt repayments, or find their debts to be a heavy burden.

²¹ We used the Wealth and Assets Survey to identify the proportion of people in problem debt and how much debt they held on each type of product. We then scaled up those totals so they were equivalent to the Bank of England measure to take account of the undercounting of debt in the survey.

Figure 10 - Total level of problem debt by debt type (2016/17)



As shown by the chart above, even using a very broad measure of problematic consumer debt, the stock of household bill debt is equivalent in scale to the level of problematic debts on credit cards as well as on other types of consumer lending such as personal loans and overdrafts.²²

The scale of the problem of household bill debts should concern policy makers. The next section looks at the impact of that debt.

²² These categories are reported in the Bank of England Money and Credit statistics

Part 4: The impact of household bill debts

Household bill debts should be a particular concern for policy makers. There are 2 key reasons why. First, household bill debts are more likely to be held by those in vulnerable circumstances. Second, because collection practices for household bill debts are often more severe.

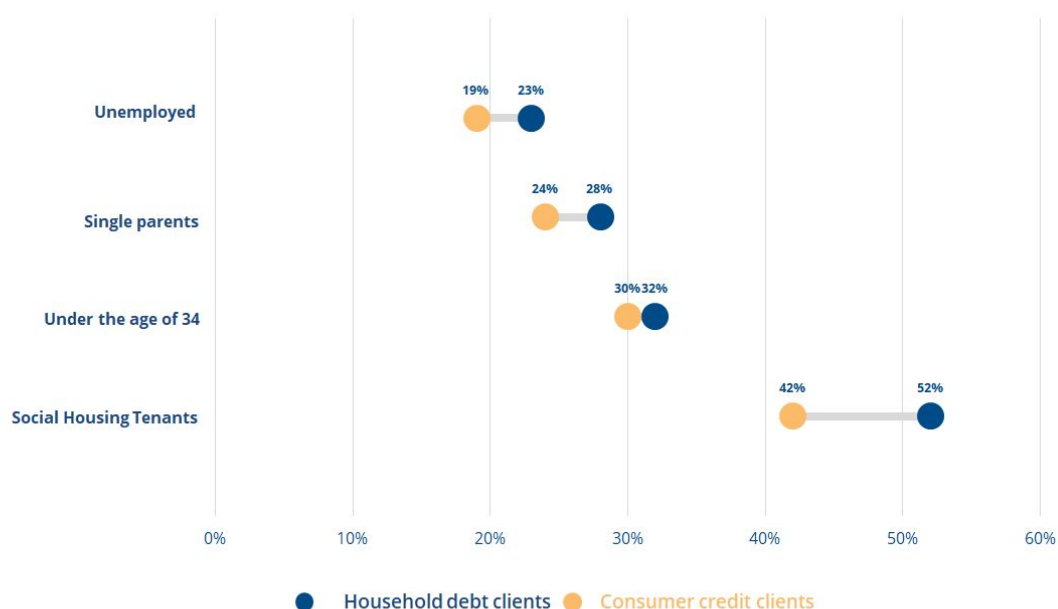
The severity of collection powers and practices means that when people get into debt on their bills, or owe money to government, they are likely to face collection techniques which have knock-on effects in other areas of their life.

People with household bill debts are more likely to be in vulnerable circumstances

Our debt clients tend to be in a more precarious position than Citizens Advice clients as a whole. They are more likely to be unemployed, to have mental health difficulties, and to live in social housing than our clients in general.

This tendency is even more pronounced amongst people with household bill debts. Comparing the circumstances of the people we help with consumer credit debts with those we help with household bills debts, shows that people with household bill debt issues are more likely to be in vulnerable circumstances - as illustrated by Figure 11.

Figure 11 - Clients with household bill arrears tend to be in a more precarious financial position than those with consumer credit debts



Household bill debts are collected more aggressively than consumer credit debts

That vulnerability is particularly concerning due to the potential impact of falling behind on household bills. Household bill debts are overwhelmingly priority debts - debts where there are severe consequences for not paying them. This can involve being evicted, having your gas and electricity cut off or receiving a court summons.

As mentioned in the introduction, household debts can broadly be split into 2 categories: government debts and essential services arrears. Both types of debt can result in severe collection practices such as enforcement through bailiffs, high levels of deductions from earnings or benefits, or having essential services cut off or restricted.

The table below illustrates how often we help people with broad types of enforcement and collection issues for household bill debts.

Table 1 - Collections issues seen by Citizens Advice 2017/18

Enforcement method	2017/18
Enforcement by bailiffs and HCEOs	89,622
Eviction, threatened eviction, or possession claim	29,688
Court claim (Liability order, summons)	22,630
Deduction from benefits	14,179
Other methods of recovery of overpayments	8,579
Harassment and other collection issues	6,823
Deductions from earnings	4,420
Threat of or self-disconnection, disconnection of supply ²³	4,602
Prepayment meter fitted	4,041
Means enquiry, threat of prison, imprisonment	2,532
Charging order and order of sale ²⁴	1,107
Other	19,012

The table also highlights the severity of the problems people with household bill debts often have. Whether that is enforcement of debts by enforcement officers (bailiffs), facing eviction, or being threatened with disconnection from a utility. Facing those collection practices can have a number of knock-on effects.

It can make it harder to pay bills. Arrears on household bills are commonly associated with rejected direct debit fees, charges for late payment and court charges, in addition to the charges levied by bailiffs. In 2015, we surveyed 1,000 clients who had fallen behind on their council tax payments - 69% said that the actions of councils had made it harder rather than easier for people to repay their arrears.

²³ Includes telecoms and energy services

²⁴ A charging order secures a debt against your home. Following that, your creditor can apply to the court for another order to force you to sell your home. This is called an order for sale.

It can force people into risky financial decisions. Our 2015 survey found that 1 in 6 people responded to aggressive enforcement of council tax by paying on their credit card. Similarly, in qualitative interviews undertaken in 2017, when threatened with bailiff action, we found a number of people taking out payday loans or using their credit card to pay the outstanding balance.²⁵ Actions such as these can leave people even deeper in debt and forced to take on the cost of interest on top of the value of their arrears.

It can exacerbate mental health difficulties. Roughly 1 in 3 people (34%) with household bill debts have a mental health problem. Enforcement activities often cause significant anxiety amongst our clients, and often push people who already struggle to manage their mental health into an increasingly distressing position. The knock-on effects of this stress and the financial hardship created by aggressive enforcement can leave people going without essentials such as food or electricity, in order to meet payments.

Case study

Tom has a mental health condition but works full time as a sales consultant. He is paid on commission so his income fluctuates from month to month. Tom fell into arrears on his council tax over a year ago but made arrangements to pay in installments of £130 per month. Recently, Tom lost his job and was unable to find an alternate position for 6 weeks. He contacted the council to reduce his monthly payments but his request was denied. He was then sent a letter that demanded that he clear the total sum of his balance within a period of 2 weeks.

Bailiffs visited Tom's house and informed him that his debts had increased by £235 due to enforcement fees, and he needed to pay this sum within a week to avoid further charges. He told the bailiffs that he would be paid in 2 weeks but they refused to flex his repayments. Tom is concerned that dealing with the bailiffs is going to affect his new job and his mental health is worsening with the stress of trying to arrange payments.

²⁵ Citizens Advice, [Walking on Thin Ice](#), February 2018

Conclusion and recommendations

Citizens Advice data gives a unique insight into the financial difficulties faced by people in the UK. Our data shows that advisers are now more likely to help people with debt problems related to household bills or owed to government than consumer credit debts.

For the first time, we estimate that people in the UK are around £19 billion in debt to essential service providers and government departments. Currently, that debt is largely hidden from national conversations about debt and living standards.

This report is the first in a series which will look at the extent, nature, causes, and impact of household bill debts in the UK. In particular, future research will look at how the way debts are collected can add to people's financial difficulties and impose wider costs on government and society.

We will use that research to make sector specific recommendations to help people stay out of debt and improve collection practices. More generally, this report highlights immediate opportunities to help reduce the impact of household bill debts.

1. The government should measure the level of household bill debt

Too little is known about the scale of non-consumer credit debt in the UK. This is because monitoring by government and regulators isn't standardised. For example, Ofgem records annual levels of debt whereas Ofcom only carries out occasional surveys to estimate the proportion of customers in debt to their telecoms providers. Similarly, the Government collects data on council tax arrears and benefit overpayments but does not monitor debts such as fixed penalty notices.

The government should collect and report annually on the level of debt to government department and to essential service providers - in a similar way to the Bank of England's monthly statistics on consumer and mortgage lending.

Two changes would enable the government to do that:

1. The Cabinet Office or Treasury should take responsibility for collating data from departments and reporting levels of debt owed across all government departments, including debts to local authorities.
2. The government should require all regulators of essential service markets to collect and publish data on the level of debt in their market.

2. The bailiff industry should be independently regulated

This report highlights that people's financial difficulties are often compounded by the way household bill debts are collected. In future reports we will make recommendations for sector specific changes that would improve the way debts are collected.

One problem that stands out from this research, however, is the recent growth in the number of people we help with problems related to the collection of debts by bailiffs. As previously shown by *Taking Control: the fundamental need for bailiff reform*, the bailiff sector needs an independent regulator that licences bailiff companies and is able to sanction companies where they break the rules or national guidance.²⁶

The Ministry of Justice should use its announced 'crackdown on rogue bailiffs' and 3 year review of the 2014 Taking Control Regulations, to bring bailiffs and bailiff companies under an independent regulator.²⁷

3. Breathing space protections should include household bill debts

A third change would help people in debt to government to repay their debts and get their finances back on track. The Government is currently consulting on how to introduce a 6 week 'breathing space' for people in problem debt and a statutory repayment plan to give protection to people who need help to repay their debts. Breathing space and the statutory repayment plan will provide people with protection from interest and enforcement action.

A significant proportion of problem debt is non-consumer credit debt. To be effective the breathing space protections and the statutory debt management plan need to include the majority of household debts and debt to government.

²⁶ *Taking control was a report published jointly by Citizens Advice and 7 other charities highlighting the detriment caused by a lack of independent regulation in 2017.*

²⁷ MOJ, (2018) [Crackdown on rogue bailiffs](#)

Appendix

1. Tax credit overpayments

The amount of tax credit overpayments is calculated at £7.47 billion. This is based on data published in HMRC's Annual Report and Accounts²⁸ and DWP's Annual Report and Accounts.²⁹

In 2016/17, HMRC and DWP reported a total overpayment debt of:

Total	£7.47 billion
DWP tax credit overpayment debt	£145 million
HMRC tax credit overpayment debt	£7.32 billion

2. Benefit overpayments

The amount of welfare payments owed to government is calculated at £2.66 billion. This is based on data published in DWP's Annual Report and Accounts.³⁰

In 2016/17, the DWP reported a total overpayment debt of:

Total	£2.66 billion
Benefit overpayment debt	£2.45 billion
Housing benefit overpayment debt	£208 million

3. Council tax arrears

The amount of council tax arrears is calculated at £2.84 billion. This is based on data from the Department for Communities and Local Government's report called 'Collection rates and receipts of council tax and non-domestic rates in England 2016-17'.³¹

²⁸[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/635587/HMRC Annual Report and Accounts 2016-17 web .pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/635587/HMRC_Annual_Report_and_Accounts_2016-17_web.pdf)

²⁹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/624319/dwp-annual-report-and-accounts-2016-2017.pdf

³⁰https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/624319/dwp-annual-report-and-accounts-2016-2017.pdf

³¹[www.gov.uk/government/uploads/system/uploads/attachment_data/file/622488/Collection Rate Statistics Release 2016-17 June 2017.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/622488/Collection_Rate_Statistics_Release_2016-17_June_2017.pdf), p.8.

4. Water arrears

The amount of water arrears is calculated at £2.20 billion. This figure is found in Ofwat's report called 'Affordability and Debt',³² and is based on company data submissions. It is the amount of revenue - relating to water and/or sewerage charges (whether metered or unmetered) at the end of the report year - that has been billed to households but which has not been collected.

Unfortunately, Ofwat have not released a subsequent report since this this 2014-15 estimate. Accordingly, we have estimated the amount of water arrears for 2016-17 by holding the 2014-15 figure constant.

5. Rent arrears

Total rent arrears are calculated by combining arrears owed to local authorities, housing associations and private landlords. We used different methodologies for each type of housing debt:

Local authority

The total local authority housing debt is calculated at £330 million. That is made up of £204 million owed by current tenants and £127 million owed by former tenants. Data is taken from MHCLG, (2017) Local Authority Housing Statistics for 2015 to 2016. Table H, columns h5a and h6a.

Housing association

Rent arrears to housing associations are not collected or published nationally. To estimate the total amount of arrears to housing associations we multiplied the number of housing association households who reported being in arrears by the average arrears held by people we helped with housing association arrears debts.

In the English Housing Survey 2015-16, 25% of respondents living in housing association housing - equivalent to 392,000 households - said they were in arrears. In the same period, we helped 33,000 people with arrears owed to housing associations. Their average arrears were £1,189. The total estimated debt is £466 million.

Private rented sector

Rent arrears to private landlords are not collected or published nationally. To estimate the total amount of arrears to private landlords we multiplied the number of privately renting households who reported being in arrears by the average arrears held by people we helped with private rental arrears debts.

In the English Housing Survey 2015-16, 9.3% of respondents living in privately rented housing - equivalent to 376,000 households - said they were in arrears. In the same

³² https://www.ofwat.gov.uk/wp-content/uploads/2015/12/prs_web20151201affordability.pdf, p.8.

period, we helped 20,000 people with arrears owed to private landlords. Their average arrears were £1,342. The total estimated debt is £508 million.

6. Fuel arrears

The amount of fuel (gas and electric) arrears is calculated at £1.09 billion. This is based on Ofgem’s social obligation reporting statistics.³³

Ofgem’s annual report gives the total number of customers in arrears for 2016.³⁴ The number of electricity customers in England was 430,151. And the number of gas customers in England was 338,594.

Ofgem’s quarterly reporting gives the average amount of debt and arrears by customer.³⁵ For Q4 2016, the average debt per customer repaying an electricity debt was £630. Multiplying this with the total number of customers in electricity debt (584,139) gives you a total debt of £368,007,570. The average debt per customer in electricity arrears was £566. Multiplying this with the total number of customers in electricity arrears (430,151) gives you a total amount of arrears of £243,465,466. Added together, the total amount of electricity debt and arrears equates to £611,473,036.

For Q4 2016, the average debt per customer repaying a gas debt was £623. Multiplying this with the total number of customers in gas debt (496,947) gives you a total debt of £309,597,981. The average debt per customer in gas arrears was £506. Multiplying this with the total number of customers in gas arrears (338,594) gives you a total amount of arrears of £171,328,564. Added together, the total amount of electricity debt and arrears equates to £480,926,545.

To work out the total debt and arrears across electricity and gas, we added £611,473,036 (electricity) and £480,926,545 (gas). This comes out as £1,092,399,581.

	Debt or arrears	No of customers (GB)	Average debt per customer	Total debt or arrears
Electricity	Debt (repaying)	584,139	£630	£368,007,570

³³

<https://www.ofgem.gov.uk/publications-and-updates/vulnerable-consumers-retail-energy-market-2017-0>

³⁴

https://www.ofgem.gov.uk/system/files/docs/2017/10/monitoring_social_obligations_-_2016_annual_data_report.pdf, p.28.

³⁵

https://www.ofgem.gov.uk/system/files/docs/2017/10/monitoring_social_obligations_-_q4_2016_data_report.pdf - pages 6 and 24

	Arrears	430,151	£566	£243,465,466
	Debt (repaying) and arrears			£611,473,036
Gas	Debt (repaying)	496,947	£623	£309,597,981
	Arrears	338,594	£506	£171,328,564
	Debt (repaying) and arrears			£480,926,545
Total gas and electricity debt				£1,092,399,581

7. Telecoms arrears

An estimate for the total amount of telecoms debt is £135,358,987. This is based on Ofcom's 'Pricing trends for communication services' (2017), which contains information about communication spending for 2015.³⁶

Firstly, we looked at the average household spend on communications services. We then looked at the number of people in debt for one month or more - scaling this up with ONS population figures to find out the total number people in the UK in telecoms debt for one month or more. We then multiplied this figure with one month's average household spend, to provide an estimate of the total telecoms debt for one month.

Given that debts can and do last for more than one month, this is a very conservative estimate of the total amount of telecoms debt for 2015. Indeed, our own data shows it could be far higher. By multiplying the percentage of people in telecoms debt (Ofcom's Affordability Survey) with the average telecoms debts of our clients, we estimate that the total amount of telecoms debt could total as much as £1,990,074,942.

Average household spend on communications services: 2015	
Television	31.3
Fixed internet	14.98
Mobile voice and data	44.27
Fixed voice	22.56
Total spend	113.1

Number of people in debt by product type (base: 2136)	
Smartphone	20
Standard mobile	1

³⁶

<https://www.ofcom.org.uk/research-and-data/multi-sector-research/general-communications/pricing>

Fixed landline	5
Fixed broadband	8
Mobile broadband	5
Tablet	3
TV service (with additional channels)	6
Total	48
Percentage in debt	2.25%

Total number of people in debt and total amount of debt	
UK population (15-90+)	53,257,957
Total UK population in telecoms debt	1196808
Total telecoms debt (1 month)	135358987

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