

Indebted:

Experiences of council
tax arrears in Wales

**cyngor ar
bopeth**

**citizens
advice**

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What is the problem?

Many people in Wales are worried about making ends meet this year. Welsh and UK Government support packages have eased some pressure on households but it has not solved the cost of living crisis.

In recent months we have seen record numbers of people coming to us for advice on essential bill debts as people struggle with the impact of the pandemic, soaring inflation and stagnant wages and benefits.

Council tax arrears are the most common debt issue we see at Citizens Advice in Wales. As the biggest fixed cost most households have after housing, people can risk falling behind on their council tax payments if their other essential living costs start to strain their budgets.

However, rather than help people to get back on track, current regulations governing council tax debt collection, alongside budget pressures that drive in-year collections, mean many people face recovery methods that can worsen debt problems and exacerbate financial insecurity. This can also have knock-on effects in other areas of people's lives such as their job security, physical and mental health and personal relationships.

The Welsh Government has introduced a number of interventions to improve council tax collections during the last Senedd term, but we believe that they do not go far enough. Given the financial difficulties many households continue to face this year, it is critical that steps are taken to ensure people are treated fairly when they fall behind on their council tax.

What needs to change?

There are actions the Welsh Government and local authorities can take to help people to get out of council tax debt in a fair and sustainable way.

1. **Show greater flexibility** to those who are struggling to afford debt repayments.
2. **Stop people being asked to pay their entire annual bill** if they miss 1 monthly payment.
3. **Continue to improve awareness of council tax support** and increase take-up by eligible households.
4. **Create a statutory code of practice** governing council tax debt collection, building on the Council Tax Protocol for Wales.

The current process for collecting council tax arrears is driven by outdated regulations

Collecting council tax is vital for local authorities to fund essential services such as schools and social care. However, current regulations governing council tax debt collection, and in-year collection targets, can push councils to use short-term recovery methods that can worsen debt problems rather than help people to get back on track.

These include:

- Requiring people in debt to pay their full annual bill if they miss a payment
- Requiring repayment of arrears within the same financial year
- Encouraging local authorities to initiate court action very quickly
- Putting pressure on councils to use bailiffs

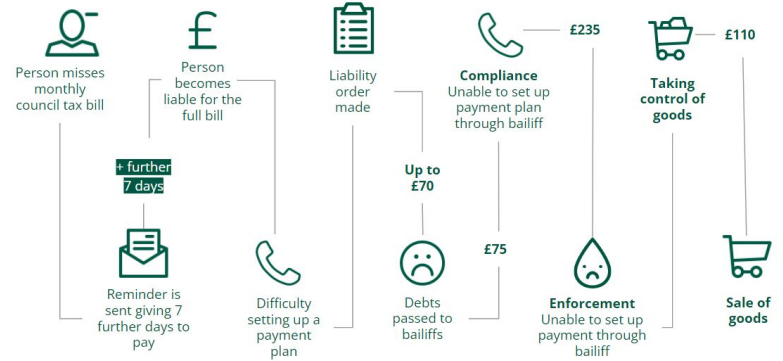


Figure 1: Diagram to show a common experience of collecting council tax arrears.¹

Collection of council tax debt often falls below standards in regulated markets for other essential services

Regulated markets, such as energy, water and financial services, require providers to adhere to strict standards to ensure debt collection processes are fair and proportionate. The same level of oversight does not apply to council tax debt collection. The introduction of the revised Council Tax Protocol for Wales in 2019² reflects a level of commitment from the Welsh Government and Welsh local authorities to encourage fairer debt collections but it does not go as far as similar protocols brought in by some English local authorities.³ Voluntary approaches such as this also risk having a patchwork of adherence and many people continuing to have poor experiences.

¹ The mapping of this process derives from a number of sources including Citizens Advice client data, the regulations which set out council tax collection processes and bailiff fees.

² [Council Tax Protocol for Wales](#), Published January 2019, Accessed June 2022

³ [Council Tax Protocol](#), Published June 2017, Accessed May 2022

Who is coming for advice?

In 2021-22, **more than 5,500 people** sought help on council tax debt from local Citizens Advice across Wales, with **record numbers in recent months**. Since January this year, the monthly average has been 23% higher than pre-pandemic levels. Nearly **1 in 3 (30%)** came to us with **bailiff issues** and 7 in 10 (70%) needed advice on dealing with debt repayments.

Compared to all Citizens Advice clients, the people we saw with council tax debt issues were:



More likely to report having a mental health condition



More likely to be in a household with children



More likely to be in work

⁴ [The Costs of Collection](#), Published April 2019, Accessed May 2022, ⁵ [Helping to ensure a fairer Council Tax system in Wales](#), Published March 2021, Accessed May 2022, ⁶ A negative budget is where a debt adviser assesses that a client cannot meet their living costs. To do that, they use a tool called the Standard Financial Statement.

Previously, our evidence has shown that people who fall behind on council tax bills are **normally unable rather than unwilling to pay**.⁴ The Council Tax Reduction Scheme (CTRS) goes some way to support households on low incomes with their bills, but the scheme is not always effective in supporting people on low incomes to meet their Council Tax liability.⁵

Many of the people who come to us for advice on council tax arrears are already struggling to make ends meet.



More than a third (38%) of council tax debt clients are living on a **negative budget**.⁶



On average council tax debt clients only had **£9 a month** left after covering essential costs.



Nearly 1 in 4 (23%) of council tax debt clients also needed advice on accessing a food bank.

People who come for advice about council tax arrears are likely to have multiple debt issues:

Of the people who came to us about council tax debts since January 2022:

- **1 in 4 (26%)** also needed advice about **fuel debts**
- **1 in 4 (27%)** also needed advice about **water and sewerage debts**
- **1 in 7 (14%)** also needed advice on **credit, store and charge card debts**

Amplifying the voices of people in debt

During February to March 2022 we conducted research to hear directly from people who had fallen behind on council tax payments about their experiences of dealing with council tax arrears. This included how their local authority managed the collections process. We also explored their views on what, if any, improvements needed to be made.

This research follows on from our briefing last year, highlighting the impact of the pandemic on people's ability to pay their council tax bills, as well as the problems linked with current collection processes.⁷

With record numbers of people currently coming to us for advice on council tax debt we wanted to gain a better understanding of what factors, if any, are getting in the way of people paying back their council tax arrears.

For this research participants were recruited through an independent research agency. We carried out interviews and focus groups with 20 people, living in 7 different local authority areas in Wales, who had fallen into council tax arrears within the last two years.

Names throughout this report have been changed to protect participants' anonymity.

⁷[Helping to ensure a fairer Council Tax system in Wales](#), Published March 2021, Accessed May 2022

We found that:

1. People can struggle to engage with their local authority meaning they are not taking steps to deal with their debts
2. People can find it unaffordable to get out of debt
3. People want to find an affordable, fair and sustainable way out of debt and it is important that they can

'You talk to other companies- I've been in arrears with my electric and gas- and they're really sympathetic, they come up with a repayment plan for you, whereas the council don't care.'

Participant who lives alone, works full time

1. People can struggle to engage with their local authority meaning they are not taking steps to deal with debts

Soon after falling behind on council tax payments people can quickly face enforcement measures which can subsequently lead to an escalation in their council tax debt. To prevent this from happening it is important that they take prompt steps to engage with their local authority at the earliest opportunity after missing a payment.

When local authorities used more sympathetic approaches, or provided advice and support with debts, we heard it could make it easier for someone experiencing financial difficulty to take those initial steps. However, many interview participants told us there are often barriers to engaging with local authorities which can make this process more difficult.

- The way councils communicate can deter rather than encourage people to get in touch with their local authority
- Even when people spoke to their council, they often still struggled to find a way forward

Maria's experience

Maria is a nursing student and has two young children. She was working alongside her studies but had to stop when she started her placement. She generally struggles to keep up with bills but prioritises food and heating. She fell behind on her council tax payments when she stopped work.

Maria received reminders on her council's phone app but hasn't called or got in contact with the council. When she missed payments previously, she felt the local authority had been unhelpful and refused to work with her to set up an affordable repayment plan. She ended up going to court and having fees added to her debt. This made her feel there was no point calling this time.

'They can be quite rude and abrupt...I find other companies can be a lot more understanding and willing to help you, whereas the council, I'm sure they read it from a script.'

Maria can't afford to pay the whole amount so pays what she has 'left over' after paying other bills but remains in arrears. She is uncertain what options she has and is anxious she will be taken to court again.

The way councils communicate can deter rather than encourage people to get in touch with their local authority

An 'all or nothing' communication style in council letters can leave people feeling hopeless about repaying their arrears and delay engagement

The 'all or nothing' style of automated reminders can seem threatening and inflexible to some people who feel that they have no or few options to repay their debt and get back on track. Some found letters very long or complicated, which made it harder for them to understand their options. When people didn't see clear and feasible actions they could take for dealing with their debts it could cause them to delay contacting their local authority or taking actions to deal with their debts.

'On the back of the letter it said you can contact Citizens Advice or StepChange or something. But that's after something so forceful and intimidating, you're not even interested in that to be honest. Because I was in such a state, like I said, I got to the point of not opening the letters because I was just worried about what was going to come next.'

Participant who is a single parent and works part time

Practical issues make it more difficult for people to respond to an initial contact from their local authority

We heard that some people found it difficult to get through to their local authority by phone, citing long waiting times, opening hours that coincided with their working day or difficulty making phone calls. Some people also experienced delays in being notified about their arrears, either as a result of administrative errors or because they had trouble receiving post.

Mike's experience

Mike lives with his partner and two children. He could just about keep up with his household bills until he had to take some time off work with poor mental health. He struggled to keep up with payments and fell three months behind on his council tax.

He received reminders but said the style of the letters was intimidating and didn't seem to provide options that would help him to get back on track. This made him worried about getting in touch with his local authority. He felt the stress of the arrears worsened his mental health and strained his relationships with his wife and children.

After bailiffs visited his home, he rang the council. He said they were initially difficult to negotiate with but after he disclosed that he had mental health problems, he found they responded more helpfully. They were willing to set up a repayment plan which he hopes to pay off within the next 6 months.

He found it frustrating that the local authority hadn't been more understanding from the start as he felt the initial communications had made it much harder for him to engage at an earlier stage.

'They could send a lot nicer letters to you... they should word it totally different and be a lot nicer over it, especially after the last two years, everyone's suffered with financial difficulty and covid and everything. I think they need to stop being aggressive because if they're a lot nicer, people would probably react better.'

When people spoke to their council, they often still struggled to find a way forward

Many participants felt that their local authority were inflexible and didn't take their circumstances into account

When people made contact with the council, some still found that their options were very limited for dealing with their debts.

People spoke of being unable to come to an affordable repayment arrangement, with staff failing to take their circumstances into account or being completely unwilling to negotiate with them.

'I can fully understand it, because it's their job but he didn't know my circumstances, that my husband had passed away...he said to me, it's got to be paid. And I'm like, you don't know my circumstances, why are you speaking like that to me?'

Participant who lives alone, works part time

Poor staff manner made it harder to engage with the council tax department and reduced future engagement

Whilst staff may be limited in the options they can offer to people in debt, the manner and approach of some frontline staff was perceived as a significant barrier for people dealing with their arrears.

People described some staff as being rude or unsympathetic to their circumstances which put them off calling the council tax department or made it harder to discuss repayment options.

*'I've been spoken to like s*** on the phone, which is probably why people don't want to phone them.'*

Participant who is a single parent, works full time

Inconsistent approaches mean people can have varied experiences

When people got in touch with their local authority after receiving a notice to pay the full bill, some were offered the option to set up a repayment plan, whilst others were told they must pay the full sum immediately or face further enforcement. This inconsistency means people can struggle to understand their rights or miss out on the same opportunities as others to repay their debts in a manageable way.

'The first person I spoke to wasn't very helpful, "you've got to pay it by such and such a date' ... but then I rang back the next day and I spoke to a lady and she was lovely. I explained everything to her... they did a Standard Financial Statement - so I did that and they wrote back saying could you afford 'so much' a month... they made sure it was something we could pay every month so we weren't getting into debt with other things.'

Participant who lives with partner and adult son, is a carer for their son

2. People can find it unaffordable to get out of council tax debt

We know that many people who fall behind on their council tax have limited disposable income or multiple debts. This means they can struggle to get back on top of their finances.

The Council Tax Protocol for Wales provides guidance on the series of steps local authorities should take to help ensure debt repayments are affordable and sustainable.⁸ At the time of writing the Protocol is undergoing a formal evaluation. The evidence we see daily through working with our debt clients consistently shows some local authorities in Wales are not following these guidelines and this latest research supports this.

Very few participants were able to arrange affordable repayment plans but when this was possible, they were glad to be able to repay their arrears whilst still covering essentials costs. However, most of the people interviewed had struggled to find a course of action to repay their debts.

- The way arrears are collected can escalate debts and prolong indebtedness
- People can often have difficulty creating affordable and sustainable repayment plans

Rachel's experience

Rachel lives on her own in South Wales but often stays at her partner's home. Last year, she experienced the loss of a young family member which meant she was off work with grief and stress and soon fell behind on her bills, including council tax.

As she was often away from home, Rachel didn't see the reminders sent by the council. By the time she saw the letters, she was already being taken to court. She rang the council to work out how to repay the arrears but struggled to negotiate an affordable repayment plan.

A budget assessment undertaken by the local authority found that Rachel had no money remaining each month after paying for her essential costs, but they still set the amount to repay at a minimum of over £100 a month.

Concerned about going to court or facing further enforcement, Rachel agreed to this plan. However, she has been unable to make a single payment towards the plan, meaning she remains in debt and is worried about the next steps the council will take.

'I said that's like a third of my income and I don't have it - they made the plan with me but they didn't give me much choice on the matter - they said if I was to make anything else [offer] then it would be rejected.'

⁸ [Council Tax Protocol for Wales](#), Published January 2019, Accessed June 2022

The way arrears are collected can escalate debts and prolong indebtedness

The demand for the full bill soon after someone falls behind escalates debt and takes away a 'right to pay in instalments.'

Two weeks after someone misses a payment they can become liable for the full remaining annual bill. For people who are already struggling to keep up with payments, that demand for the full year's bill can act as a significant barrier to them finding a way out of debt.

All of the participants we spoke to were unable to pay this sum in one go when they fell behind and felt that it shut down more manageable repayment options. Even when people approached their local authority to ask to repay in instalments, some were told that they had to pay the full amount or risk going to court.

'If I had [the total amount owed] in one go ... I wouldn't be getting help with my housing. I'd pay it to you straight away... Surely there should be some help, or they should say okay yep, you've fallen behind. You've seen what you've done wrong, let's try and help you. Why can't you pay it off? Why has it got to go to court?'

Participant who is a single parent, works part time

Fees and charges escalate debt and prolong repayments

Fees and charges added during the collections process escalate people's council tax debt and can prolong their repayment arrangements. In Wales, fees of up to £70 can be added to someone's debt to cover a liability order and more than £310 can be added to cover bailiff fees for 'compliance' and 'enforcement'. If your goods go to sale, a further £110 can be added.⁹

People generally struggled to understand the justification of adding to someone's debt when they are already in financial difficulty. Not only did it mean they were in debt for longer, it also added further worry to an already stressful situation.

*'When they send the bailiffs round, they put a stupid amount of money on top. They add like £150 on for them just coming to knock on the door and that is bl**** ridiculous. How can you justify, people are obviously falling behind on their bills and you're putting more pressure on them by sending a bailiff round.'*

Participant who lives with partner and children, self-employed

⁹ [Check what fees bailiffs can charge - Citizens Advice](#), Accessed May 2022

People can often have difficulty creating affordable and sustainable repayment plans

Use of the Standard Financial Statement (SFS) or similar assessment was inconsistent between local authorities and also within authorities

The SFS is a commonly agreed budget assessment tool designed to take account of people's income and outgoings, as well as any debts they owe. It aims to protect people in debt from unaffordable repayments and help them to get out of debt in a sustainable way.¹⁰

People told us repeatedly that no such assessment had been carried out or that despite carrying out an assessment, their local authority still asked for more than the SFS said they could afford.

'It was unrealistic. I showed them the figures, this is what I've got to live on after paying this amount, but [they said] this is the payment you have to make, end of story. And if you keep it up, we'll send thugs round to your house. That's what it translated [as] to me.'

Participant who lives alone, works 2 part-time jobs

Pressure to pay within the financial year can mean people are asked for minimum payments despite their financial situation

In-year collection targets can mean councils feel constrained in being able to offer longer repayment plans.¹¹

This pressure is often passed onto people in debt and means that councils will often set a minimum level of payment that a customer must repay, regardless of their financial circumstances.

*And I was trying to explain, look I'll go into next month, can't we add it onto next month. And they were like no, because next month's a different year....it wasn't an option, it was just like no, [you have to make] higher payments now. And I'm like, I'm struggling **now**.'*

Participant who lives with their partner and children, works full time

The threat of enforcement measures can mean that people feel a pressure to agree to unaffordable arrangements

Awareness and fear of enforcement measures, such as the use of bailiffs, means people can agree to unaffordable repayment plans in order to avoid further escalation.

This subsequently led to some falling into hardship, missing out on essentials, or borrowing from elsewhere to keep up with payments. Not only putting them at risk of defaulting on debt repayments but also increasing their financial insecurity in the longer term.

'Because I thought, I'm not having them come to my door like that. You just skint yourself. Like I said, I've not had my heating on. I'm freezing, all the time. And I have one kidney. If I get cold, or [a] water infection, or [a] bad back, I'm out of action again. Back in hospital on a drip for 10 days.'

Participant who lives alone, works part-time

¹⁰ [What is the Standard Financial Statement? | SFS](#), Accessed May 2022, ¹¹ [Written evidence submitted by the Local Government Association \[CTC 003\]](#), Accessed June 2022

3. People want to find an affordable, fair and sustainable way out of debt and it is important that they can

The people we spoke to described the current system as 'unsympathetic', 'lacking compassion', 'impersonal', and 'worse than other creditors.' We also heard how being in council tax arrears can impact on someone's wider life: employment can be affected by having a court order, mental and physical health can worsen drastically alongside extended financial difficulty, and prolonged indebtedness can put a strain on personal relationships.

What could be better?

During our focus groups and interviews, the people we spoke to believed that the collection of council tax arrears could and should be improved. Suggestions included:

- Affordable repayment plans that take someone's financial circumstances into account and give people longer to repay when needed
- A 'set procedure' for all councils to ensure people are treated fairly and know their rights
- Bailiffs used only as a last resort and only following attempts to engage with people in other, fairer ways prior to this.
- Clearer communication, including through improved digital routes, offering support and outlining options to help people to make those first steps to engage.

'I think they should have a set system, I think everyone should have the same option wherever you live, where they take your income and outgoings into consideration...they need to know what people have coming in.'

Participant who is a single parent, works part time

'I think a few more options really, you know, and being able to spread out the payments to what you can afford rather than what they're telling you you can afford. I don't think it's fair that if you've fallen behind, your arrears have got to be clear by the end of the financial year.'

Participant who is a single parent and is a full time nursing student

'I think something needs to be done, because people are getting stressed out. If they were nicer and polite and listened to customers... I think politeness goes a long way.'

Participant who lives with partner and children, self-employed



What needs to change?

Our client evidence and this research indicates that the punitive measures currently used to collect council tax debt can prevent people from finding sustainable solutions. They often escalate and prolong indebtedness, leaving people who are in arrears feeling isolated and helpless.

We believe Welsh Government's commitment to council tax reform in Wales during this Senedd term provides a specific opportunity to bring forward long overdue changes to the Council Tax (Administration and Enforcement) Regulations 1992 that support fairer and more sustainable council tax debt collection processes, which benefit both people in debt and local authorities.

As we go into a year of financial uncertainty and difficulty for many, it is more important than ever that Welsh Government and local authorities in Wales use the levers they have to improve people's financial resilience and provide them with the tools they need to get back on track when they fall behind.

Citizens Advice Cymru is calling for:

- 1. Local authorities to show greater forbearance and flexibility to those who are struggling to afford debt repayments by:**
 - Supporting people to access debt and income maximisation advice as quickly as possible when they fall behind
 - Being more willing to negotiate/accept reduced repayments as part of an affordable debt repayment plan
 - Proactively identifying vulnerability through effective data sharing
 - Use write-offs where debts are genuinely irrecoverable
 - Exploring collection targets that do not act as a barrier to offering longer repayment plans.
- 2. Welsh Government to amend the regulations to stop people being asked to pay their entire annual bill if they miss 1 monthly payment.**
- 3. Welsh Government and local authorities to continue to improve awareness of council tax support and increase take-up by eligible households.**

Citizens Advice Cymru are calling for:

4. Welsh Government to create a statutory code of practice governing council tax debt collection, building on the Council Tax Protocol for Wales.

This should include:

- Setting out the steps that should be taken by local authorities before a liability order can be made - such as attempting to establish an affordable repayment plan and assessing vulnerability.
- Ensuring that debt repayments are set at affordable and sustainable levels:
 - Consistently using a budget assessment tool such as the Standard Financial Statement when setting repayment plans.
 - Willingly offer people the flexibility to spread payments over more than one year where needed, including beyond the end of a financial year.
- Improving council tax communications to make them easier to understand and to encourage earlier engagement
 - Look to examples from regulated essential markets for how this can be done better.
 - Outline clear options for repayment and support available for people struggling with bills.
 - Use a supportive, as opposed to threatening tone in all forms of contact.
- Improving staff training on best practice for talking to people experiencing financial difficulty, including mental health first aid.

References

- [The Council Tax \(Administration and Enforcement\) Regulations 1992](#), Accessed May 2022
- [Council Tax Protocol](#), Published June 2017, Accessed May 2022
- [The Costs of Collection](#), Published April 2019, Accessed May 2022
- [Helping to ensure a fairer Council Tax system in Wales](#), Published March 2021, Accessed May 2022
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