

# Left destitute by debt



In a society that believes in compassion and justice, it can't be right that many people are held back by destitution and locked out of opportunities to improve their lives. We share a moral responsibility to make sure everyone in our country has a decent standard of living. Yet in the UK, one in five (22%) of the total population lives in poverty – that's 14.2 million people.<sup>1</sup>

## 32%

of CAP clients surveyed experienced destitution when in financial difficulty

This means they went without two or more essentials:

Essentials	Destitution marker
 Shelter	Slept rough at least once
 Food	Went without meals on a daily, weekly or fortnightly basis
 Heating	Went without heating their home on a daily or weekly basis
 Lighting	Could not afford to light their home on a daily or weekly basis
 Clothing and footwear	Regularly could not afford appropriate clothing for the weather
 Basic toiletries	Regularly could not afford soap, shampoo, toothpaste or toothbrush

These figures do little to depict accurately the reality of living in poverty day in, day out. Within this number, there are many who have been pulled into poverty so extreme that they lack the means of basic subsistence – an unacceptable situation. And while we may see a glimpse in the numbers of people sleeping rough in our city centres, we do not see the true extent of deprivation faced by millions of people behind closed doors.

This paper highlights the problems being faced by people experiencing destitution and struggling to keep their heads above water, and offers recommendations that can help them stay afloat.

To be destitute is to be unable to afford to buy the absolute essentials needed for basic physiological functioning. This means being unable to eat, stay warm and dry, and keep clean. The Joseph Rowntree Foundation (JRF) estimates that there are 1.5 million people in the UK who are destitute and have accessed a support service in the past year.<sup>2</sup> They identified servicing debts as one of the key drivers pushing people into destitution.

Left destitute by debt uses a survey of 1,259 CAP Debt Help clients to show the links between problem debt and destitution in more detail. For this new research, respondents were asked if they had gone without any of these six essentials on a regular basis or to a severe extent due to debt: shelter, food, heating, lighting, clothing and basic toiletries. Experiencing destitution has been defined as having gone without two or more of these six essentials. The list on the right defines what has been taken as a destitution marker for each of the six essentials.<sup>3</sup>

## Conclusions

On average, the people CAP helps struggle for one to two years before seeking help with their debts. During this time, around a third (32%) experience destitution, going without at least two of the six essentials on a regular basis. Many also experience deprivation on many fronts at the same time. One in five (20%) of CAP clients went without at least three essentials and one in ten (10%) even lacked four.

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1 | Social Metrics Commission (Sept 2018) *A new measure of poverty for the UK*

2 | Joseph Rowntree Foundation (June 2018) *Destitution in the UK 2018*

3 | These markers have been based on the regularity set out for each of the essentials within JRF's destitution methodology which asked respondents if they had lacked the item a specified number of times in the past month

Most commonly, those experiencing destitution are left without heat and food. Half of destitute households are in rent or mortgage arrears and face the risk of homelessness, with a higher proportion of younger households having slept rough. It is not only people lacking daily essentials, but for many their financial pressures are strained further by being unable to afford household appliances, such as a cooker or fridge.

Destitution is most widespread amongst Universal Credit, Jobseeker's Allowance (JSA) and Employment Support Allowance (ESA) claimants – a sign that the social security system needs to be redesigned to offer the right support when people need it. Debt repayments also contribute to destitution, with many households at risk of court fines and enforcement action for debts they cannot repay. Experiencing destitution is linked to high levels of social isolation and impacts both physical and mental health. All these factors pull people further into poverty and make it harder for them to turn back the tide.

### Recommendations

We need to look again at UK poverty and prioritise solutions to ensure no one is left destitute. There is no single cause of destitution and as such all the drivers of poverty need to be brought into focus and tackled. Action is needed to tackle high living costs, including housing, low income and pressures for unaffordable debt repayments. The issues highlighted within this report show the particular need for:

- Repayments for debts owed to local and central government to be set based on affordability.
- Housing Benefit and the Housing Element of Universal Credit to cover claimants' full rental cost and for under 25s to be entitled to the same rate of benefits as over 25s in the same circumstances.
- The Government to commit to increase benefit rates annually from 2020 in line with inflation, and for the price index used to take into account the cost pressures on low income households who spend a greater proportion of their household's budget on essential items such as food, public transport and housing costs.
- An increase in the availability of no and low-cost credit for low income households that is quick and easy to access, including ring fencing funding for local welfare assistance schemes to provide monetary assistance and not just in-kind support.

## Real lives

### Olly, CAP Debt Help client



**Olly is a dad of five and was unable to find work for several years because of his health. He talks about how his circumstances pulled him into destitution, and how CAP has helped him to start turning things around.**

*'I was in a hard money situation and living on benefits. You feel bad as you can't get a job. You don't know when your next bit of money is coming in. You're in a spiral that you think you will never get out of.'*

*It started because I couldn't find someone who would employ me. My haemophilia was a big barrier. I went for loads of job interviews and even worked in a place for three or four months but I couldn't find anything long term.*

*I have five kids so you know you have to put them first whatever happens. But it was really tight. There was never any money to pay the bills. Sometimes I'd have to juggle the money round if there wasn't enough, and decide between whether to spend the money on electricity or food that week – that's how bad it got! I was very depressed because of my debts. That's what really got me down. I thought I would never get out of it. I pushed family away. Sometimes I wouldn't even answer the phone or open the door. I kept it bottled up and kept drinking. It helped a little bit but then it's like a vicious circle. I almost took my life twice. It was like a black hole. I couldn't face going out, it didn't seem worth it.*

*It was devastating. I felt personally responsible, as if I was worthless. It felt like I wasn't good enough, like I should have been doing more to provide for my family. It made me more depressed. I had to rely on my mum and ask her for money. It feels degrading. Then our bed broke and we couldn't afford to fix it or buy a new one.'*

## Experience of destitution

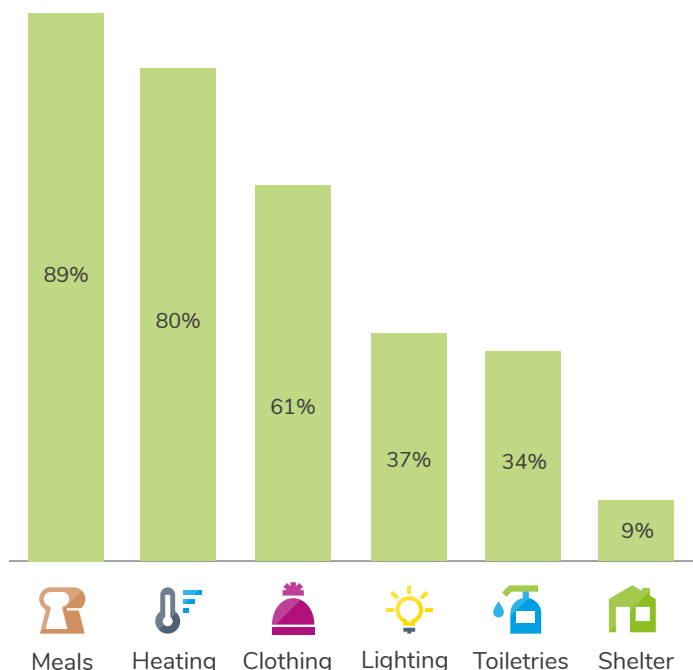
Food and heat are most frequently compromised by families in financial difficulty. The vast majority of destitute households identified these destitution markers, with nine in ten (89%) having skipped meals due to debt on at least a fortnightly basis and four fifths (80%) unable to afford to heat their home on at least a weekly basis. As these resources cannot be easily stretched to last for long periods, families' resources quickly run out when finances are strained, and their options are severely restricted.

For instance, previous research has shown how often households on a prepayment meter go without heat and instead put on layers or go to bed early to avoid the cold.<sup>4</sup> Gas and electricity are also essential for other important household activities using power, light and hot water. More than a third (37%) of households who experienced destitution had also lived without lighting at least once a week, which meant facing many hours of darkness over winter.

Lacking appropriate clothing for the weather was also commonplace amongst those experiencing destitution, experienced by three in five (61%) destitute households. A third (34%) also lacked basic toiletries such as soap, shampoo and toothpaste, as well as sanitary products and toilet paper in some cases. These experiences in particular can create an acute sense of shame, compounding social isolation or impeding job searches.

### Destitution markers

Proportion of destitute households that went without each destitution marker



### Household items

On top of lacking daily essentials, more than a quarter (27%) of households experiencing destitution also lacked one or more essential household items/appliances, such as a bed or mattress, washing machine or cooker.<sup>5</sup> This can add extra expenses for households least able to afford them, such as visiting a launderette or being unable to save money by buying in bulk and refrigerating or freezing food. One in four (26%) also did not have carpets in their home and one in five (19%) lacked curtains.

### Social isolation

Almost all (95%) clients experiencing destitution described feeling lonely or socially isolated when in debt.<sup>6</sup> This was driven by issues of cost and lacking the material means for maintaining a social network, as well as the shame and anxiety caused by living in destitution and debt. More than half (55%) of people experiencing destitution had not seen friends and family because of the cost. Many also showed more severe signs of social isolation; two fifths (40%) said they had not left the house at all for a week or more and just under a third (32%) had spent Christmas Day alone.

### Eviction and homelessness

The least common experience was lacking shelter, at just one in ten (9%) of destitute households. However, housing security was of major concern to a much larger proportion. Half (50%) of all households experiencing destitution had incurred rent or mortgage arrears and one in five (21%) had been threatened with eviction. One in ten destitute households were ultimately evicted or had their home repossessed.

### Health

Almost all CAP clients experiencing destitution said being in debt had made their health worse.<sup>7</sup> Whether this was due to the practical consequences of going without, which caused a new physical health problem for a quarter (24%) of destitute clients, or the stress and pressure placed on households, more than half (57%) visited their GP as a result. Four in five (79%) who had experienced destitution said debt made their mental health worse, with half (50%) reporting their mental health condition worsening and seven in ten (69%) people experiencing destitution saying being in debt caused a new mental health problem.

*'We were on a key meter and constantly running out. We were in the dark. It was really hard on the children. They would normally watch TV – but then they couldn't. You don't realise how much you depend on it until you've lost the electric.'*

*At times we had no food in the house. We couldn't even afford a loaf of bread. Once we ran out of milk and I ended up early in the morning waiting around for the milkman and taking a bottle from someone's house. I felt so guilty. I couldn't see another way.'*

Oilly, CAP Debt Help client

4 | CAP (2017) The poor pay more: prepayment meters and self-disconnection (winter 2016/17 update), capuk.org/poorpaymore

5 | This included a bed or mattress, washing machine, cooker, sofa and/or fridge/freezer.

6 | This included feeling alone, not seeing friends and family because of the cost, not leaving their home for a week or more and/or spending Christmas Day alone.

7 | 96% of households experiencing destitution said debt made their physical or mental health worse. 81% said debt had made their physical health worse and 79% said their mental health had deteriorated.



## Who is destitute?

### Income source

Most households were swept into destitution by low income. For many this was despite being in work, and often the social security system had failed to provide a sufficient anchor during hard times. More than a third (35%) of households who experienced destitution received less than £11,000 a year.<sup>8</sup>

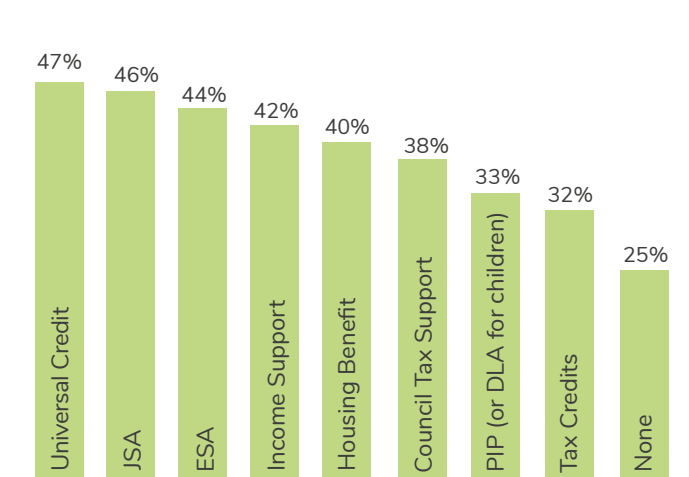
Most commonly, destitute households were in receipt of Employment and Support Allowance (ESA) and Personal Independence Payment (PIP) due to health or disability. This was followed by Tax Credits and Jobseeker's Allowance (JSA).<sup>9</sup> Nearly half of clients receiving ESA, JSA and Universal Credit experienced destitution, whereas only a third of those who receive Tax Credits or PIP have experienced destitution. This demonstrates how being in work and/or receiving a premium for health costs can be a protective factor, but our social security system does not provide sufficient income to meet the financial strains faced by all households.

### Age

Households had experienced destitution across all age brackets, with older age groups representing a slightly higher proportion of destitute households than across the whole of CAP's client base.<sup>10</sup> However, it is the differing priorities displayed by the different age groups that is most interesting although it needs to be noted that the sample size is too limited to draw definitive conclusions.<sup>11</sup>

### Benefit receipt

Proportion of recipients who had experienced destitution by benefit



Meals were consistently sacrificed by the greatest proportion of destitute households in each age group, but it appears that a higher proportion of younger age groups may be affected compared to older clients.<sup>12</sup> Similarly, the data suggests a greater proportion of those in the younger age groups may lack shelter, whereas clothing, toiletries and heat are more consistently lacked by all households who experience destitution.<sup>13</sup> These differences may be explained by variation in entitlements to financial support, for instance lower benefit rates for those aged under 25 or 30.

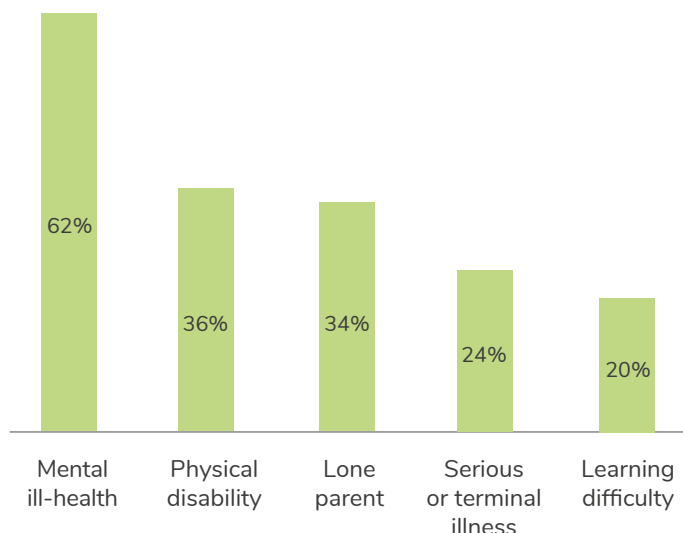
### Vulnerability

Many of the CAP clients who had experienced destitution had other challenging circumstances on top of their financial struggles. A third (34%) of households who had experienced destitution were lone parent families. Nearly two in three (62%) reported having mental ill health, as well as more than a third having a physical disability. A quarter (24%) had a serious or terminal illness and one in five (20%) had a learning difficulty.

On average, CAP clients have three additional difficulties on top of their financial problems.<sup>14</sup> As such, many households experiencing destitution will be contending with several difficult situations at the same time. The compounding relationship between financial struggles and vulnerability is demonstrated in a higher proportion of households in these categories going without each of the six essentials in almost all cases.<sup>15</sup> For instance, 86% of destitute households with a physical disability went without heat compared to 80% of all households who experienced destitution.

### Vulnerability

Proportion of destitute households who reported having/being:



8 | Self-reported annual household income, after taxes, including all benefits.

9 | Proportion of destitute households who are in receipt of the following benefits: PIP or Disability Living Allowance (DLA) 25%, ESA 25%, Tax Credits 20%, Universal Credit 19%, Income Support 7%, JSA 5%.

10 | 61% of destitute households were aged 41-60 years, compared to 52% of all CAP clients. A greater proportion of destitute households were also aged over 60 (10% of destitute households compared to 6% of all CAP clients), whereas a smaller proportion of destitute households were 18-25 or 26-40 than across CAP's client base (2% compared to 5% and 27% compared to 37% respectively).

11 | Note: the sample size for some age groups is small. There were only six respondents aged 18-25 and 39 aged over 61.

12 | Proportion of destitute households that went without food on a daily, weekly or fortnightly basis for each age group was: 18-25=100%, 26-40=90%, 41-60=90%, 61+=82%.

13 | Proportion of destitute households that slept rough for each age group was: 18-25=17%, 26-40=14%, 41-60=7%, 61+=8%. Proportion of destitute households that regularly lacked clothing for each age group was: 18-25=67%, 26-40=75%, 41-60=57%, 61+=55%. Proportion of destitute households that regularly lacked toiletries for each age group was: 18-25=0%, 26-40=50%, 41-60=28%, 61+=34%. Proportion of destitute households that went without lighting on a daily or weekly basis for each age group was: 18-25=33%, 26-40=29%, 41-60=42%, 61+=32%.

14 | CAP (2019) Stacked against, capuk.org/stackedagainst

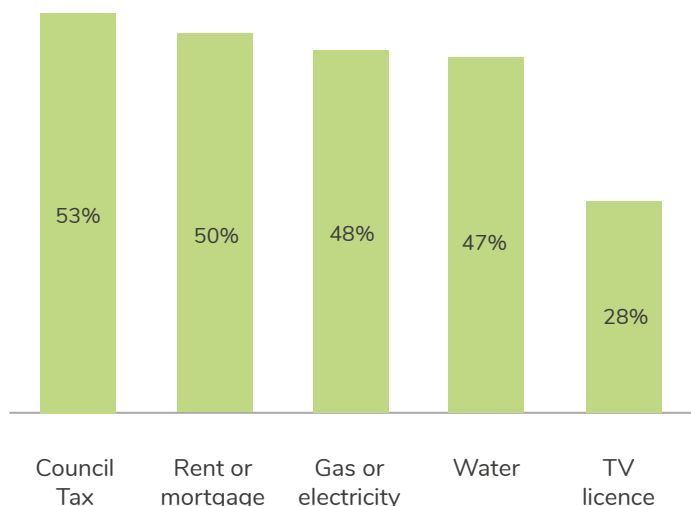
15 | With the exception of lone parents lacking shelter, in each category a greater proportion of households who had experienced destitution and reported having a physical disability, learning difficulty, mental ill-health, serious or terminal illness or being a lone parent went without meals, heat, light, clothing, toiletries, shelter than the proportion of all destitute households.

## **Debt and destitution**

### **Arrears on household bills**

In the process of juggling finances to try to get by, destitute households not only sacrifice the essentials but also often fall behind with household bills. More than three in four (78%) fell behind with at least one household bill, putting themselves at risk of court action, enforcement agent fees of up to £305 or in some cases a criminal fine. Council Tax and rent or mortgage arrears were most common and around half of households experiencing destitution also had each type of utility arrears.

### **Arrears on household bills** Proportion of destitute households who fell behind with household bills



*'Finally I realised I just couldn't do it myself. I phoned CAP and they arranged an appointment at the house – a wonderful man called Mark came round to see me. It felt nice that someone understood where I was coming from. They didn't judge me. I thought, "I can actually get some help".*

*CAP helped me in so many different ways. Money is still tight but it's lifted this massive weight off my shoulders and now things are so much better. I've been sober eight months. I'm not able to save but I try to live on what I have, and sometimes I can treat my kids.'*

Olly, CAP Debt Help client

### **Benefit overpayments**

On top of this, a third (33%) of destitute households had received a demand to repay a benefit or Tax Credit overpayment.<sup>16</sup> As previous research has shown, these debts can be for many thousands of pounds and come out of the blue. Deductions from benefits for debts such as these can drastically push households already experiencing destitution into further hardship.

### **Taking out credit**

More than half (53%) of destitute households had taken out credit to pay a bill or another debt and a third (34%) borrowed money from friends or family to cope. A small number had also turned to other sources of informal lending. Most worryingly, 4% used a loan shark or in Northern Ireland a paramilitary lender. The most common credit products used by destitute households were credit cards and personal loans.<sup>17</sup> Interestingly, despite many households that experienced destitution, lacking household items, and rent-to-own lenders offering low weekly repayments, very few had bought a rent-to-own item. This demonstrates how, for a household experiencing destitution, even as little as £5 a week can be difficult to spare.

While in financial difficulty, the borrowers of some credit products experienced destitution to a greater degree than others. Destitute households were represented in the customer base of typically more expensive forms of lending. For instance, just over half (52%) of those purchasing rent-to-own household items had experienced destitution, compared to just over a quarter (28%) of those who used a credit card.

Of particular concern is that almost half of those who borrowed from a loan shark or paramilitary lender (46%) had experienced destitution, as well as three fifths (60%) of those who borrowed money from someone in their neighbourhood. Similarly, over half (53%) of those using a budgeting or Social Fund loan had also experienced destitution, yet relatively few destitute households had accessed these compared to more traditional credit products.<sup>18</sup>

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16 | CAP (2019) *Powerless people: indebted and afraid*, [capuk.org/powerlesspeople](http://capuk.org/powerlesspeople)

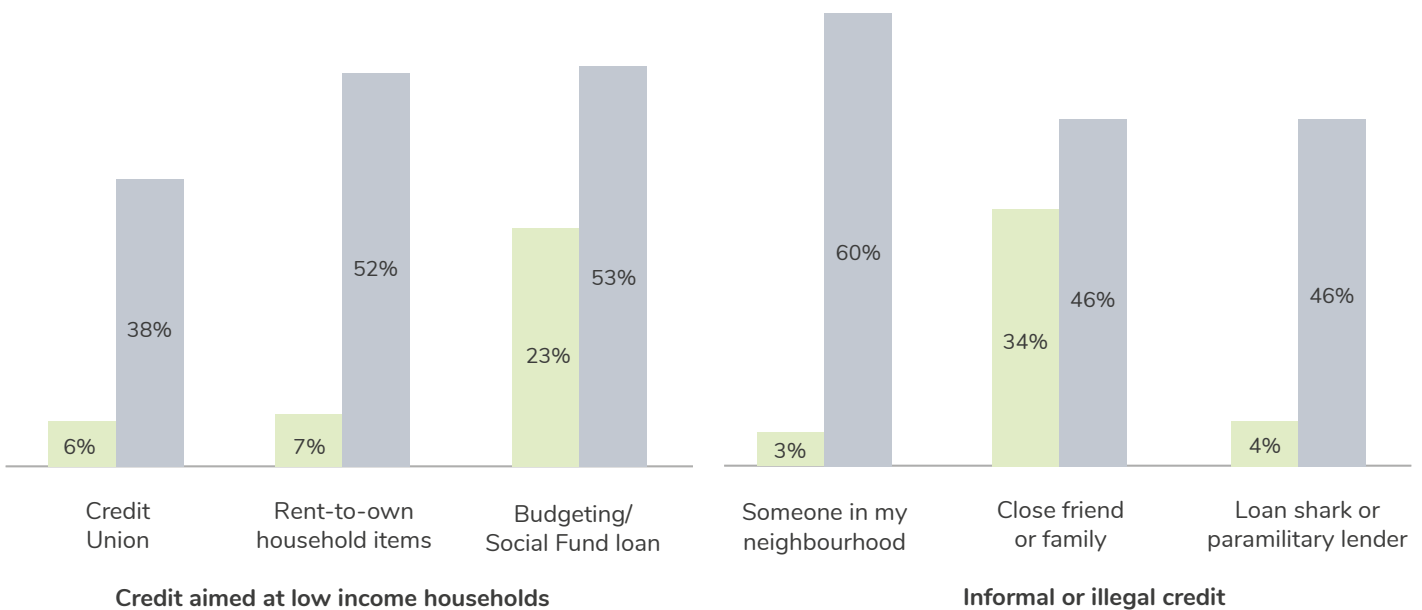
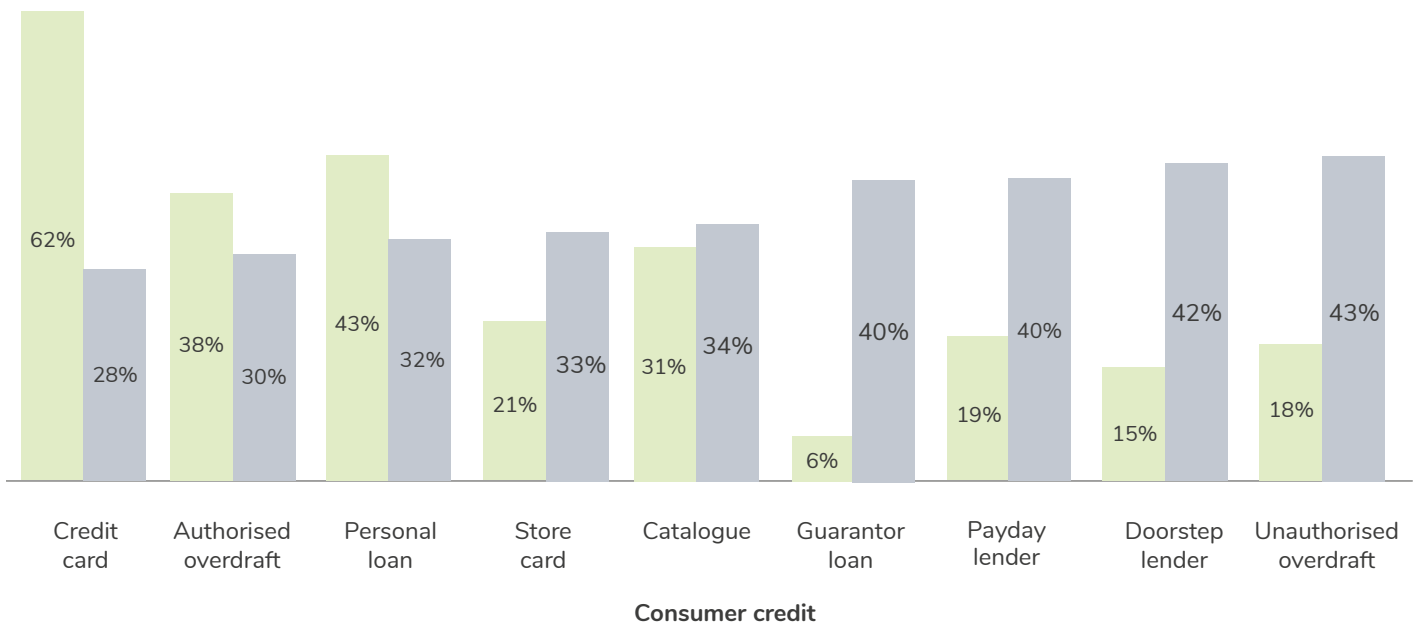
17 | 62% of households experiencing destitution borrowed on a credit card and 43% had taken out a personal loan.

18 | Only 23% of households experiencing destitution had taken out a budgeting or Social Fund loan.



## Credit sources

■ Proportion of destitute households who used each credit source  
 ■ Proportion of all borrowers who experienced destitution<sup>19</sup>



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<sup>19</sup> | Note: the sample size for some credit sources is small. Credit card n=892, authorised overdraft n=515, personal loan n=543, store card n=264, catalogue n=373, payday lender n=197, guarantor loan n=58, doorstep lender n=147, unauthorised overdraft n=169, Credit Union n=60, rent-to-own household items n=54, budgeting/ Social Fund loan n=172, close friend or family n=299, loan shark or paramilitary lender n=37, someone in my neighbourhood n=20.