

The single parent debt trap



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About Gingerbread

Gingerbread is the leading national charity working with single parent families. Our mission is to champion and enable single parent families to live secure, happy and fulfilling lives. Since 1918, we've been supporting, advising and campaigning with single parents to help them meet the needs of their families and achieve their goals. We want to create a world in which diverse families can thrive. We won't stop working until we achieve this vision. Whatever success means for a single parent – a healthy family, a flexible job, stable finances or a chance to study – we work with them to make it happen.

About StepChange

StepChange Debt Charity is the largest specialist debt advice charity operating across the UK. In 2019, over 630,000 people contacted StepChange for advice and information on problem debt.

StepChange campaigns for a society free of problem debt.

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Executive Summary

Single parents disproportionately experience problem debt: prior to the COVID-19 outbreak, 13% of single parents were in severe problem debt. This compares to 5% of couple parents and 4% of single adults¹. In 2019, 24% of StepChange Debt Charity advice clients were single parents, compared to 6% of UK households. (StepChange Debt Charity, 2020).

This paper seeks to better understand the causes of problem debt among single parents and, by extension, what can be done to prevent problem debt and support those affected. The report is based on national polling of both single and couple parents conducted by Savanta ComRes, an online survey completed by single parents as well as case study interviews. Unless stated otherwise, the data used throughout the report - including in the graphs - is from the online survey of single parents.

Causes of problem debt for single parents

We found that single parents are exposed to a high number of risk factors and potential triggers for problem debt. The majority (85%) of single parents struggling with problem debt cite more than one cause. We have grouped these causes into four primary pathways:

1. A challenging combination of poverty, income insecurity and 'lumpy' expenses (expenses that are irregular and/or unpredictable) which cause over-indebtedness and debt spirals.

82% of single parents in problem debt cited 'not enough income to meet living costs' as a reason for using credit – they were almost twice as likely to cite this than any other reason. Due to a combination of factors, single parents were also unable to work their way out of poverty and debt. In fact, working more hours actually increased the likelihood of single parents experiencing problem debt.

Single parents often experience phases in which essential costs exceed their available income. Sustained financial difficulty creates budgeting challenges as parents seek to manage a combination of unavoidable expenses and arrears. In turn, weaknesses in credit affordability assessments and characteristics of products such as credit cards increase risks of over-indebtedness and debt spirals.



¹ Large national poll conducted by YouGov Plc. Total sample size was 3,796 adults. Fieldwork was undertaken between 15 and 19 May 2020. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

These budgeting challenges are often exacerbated by fluctuations in income driven by factors such as month to month changes in Universal Credit (UC) payments and child maintenance payments.

2. Financial problems following relationship transitions.

Just under half (44%) of single parents said relationship breakdown or divorce was a reason for being in problem debt. Financial difficulty can contribute to (or is present during) relationship breakdown, and single parents often inherit arrears and debt. The costs associated with separating, such as legal fees, disentangling finances and moving home, are also significant and can lead to substantial borrowing. These factors together increase vulnerability to over-indebtedness and problem debt.

3. Debt problems caused by economic abuse perpetrated by a former partner.

Just under half (48%) of single parents in our survey sample had experienced some form of economic abuse by a former partner, including controlling the acquisition of money and resources, limiting how money and economic resources are used, and undermining the ability to maintain economic resources.

Experience of economic abuse drives a range of financial problems, including arrears and debt, and has dramatic negative effects on financial resilience both during an abusive relationship and as a separated parent. There are limited options for survivors of economic abuse left with coerced debt from an abusive relationship; one legacy of abuse for many single parents is serious problem debt.

Abuse can, and often does, continue after separation, with perpetrators, for example, using child maintenance payments to control or manipulate their ex-partners. We found that those who had experienced economic abuse were less likely to receive their due maintenance payments: 24% of those who had experienced economic abuse received full maintenance on a regular basis compared to 38% of those who had not.

4. Life shocks such as unemployment and illness.

Low financial resilience—the ability to cope financially when faced with a sudden fall in income or unavoidable rise in expenditure — means that single parents are particularly exposed to problem debt following unexpected life shocks. Like any other household, single parents are exposed to a range of such risks but tend to have fewer resources such as savings, access to affordable credit and social networks to cope without experiencing financial difficulty.

Life events feature prominently in the reasons single parents cite for being in problem debt, including illness or disability (28%), moving home (17%) and unemployment (15%), while 12% cited ‘another life event’. Those who had used credit to pay for ‘an unexpected expense’ were more likely to be in

problem debt, more likely to have difficulty in repaying debts and have arrears over £1,000 than those who had used credit for other reasons.

UC is a further driver of income and expenditure shocks. Over half (58%) of single parents affected by the five-week wait had to go without or cut back on food, while over a fifth (21%) said their children had to do the same. 57% indicated that UC had made it harder for them to budget, while just 14% said it had made it easier.

COVID-19 and single parents' household finances

COVID-19 has had a negative impact on single parent's household finances, and more so compared to couple parents:

- Half (49%) of single parents reported taking on more debt since COVID-19, while 13% had less debt. For couple parents, 44% had taken on more debt and 16% had taken on less debt.
- The average amount of debt held by single parents increased by around 15% during the pandemic (compared to around 8% for couple parents).
- 22% of single parents reported that temporary increases in the cost of living had negatively impacted their household finances, compared to 15% of couple parents.

Some of the hardships caused by COVID-19 have been offset by the £20 per week uplift to UC, credit and mortgage payment holidays and reduced travel costs due to working from home and home-schooling. The £20 uplift was particularly impactful for single parents:

- Over a quarter (27%) of single parents reported the £20 increase to UC had had a positive impact on their finances, compared to a fifth (19%) of couple parents.

However, on the whole, single parents were more likely to experience reductions in their monthly budgets than couple parents:

- 37% of single parents reported having less leftover in their monthly budget since the beginning of the COVID-19 outbreak, while 34% reported having more left over. Contrastingly, 35% of couple parents reporting having less left over and 42% reported having more.

Impact of problem debt on single parent families

We found that the negative impacts of problem debt on single parents are serious and wide-reaching.

Over-indebtedness reduces financial resources that were already scarce and exacerbates poverty. Single parents typically seek to protect their children as far as possible from the negative impacts of poverty but, as a result, often experience greater hardship themselves:

- 66% of single parents had to cut back on food for themselves as a result of making debt repayments.
- 20% of single parents had to cut back on food for their children as a result of making debt repayments.
- 19% of single parents in problem debt had recently used a food bank, compared to 12% of those not in problem debt.

Stress and anxiety about debt unsurprisingly contributes to mental health problems. Single parents struggling with debt often feel trapped and experience feelings of exhaustion, despair and a sense of personal failure:

- 69% of those in problem debt suffered from a mental health issue of some sort, compared to 53% for those not in problem debt.
- 68% of those in problem debt suffered with depression, compared to 50% of those not in problem debt.
- 72% of those who had sought debt advice say they delayed getting debt advice because of feeling stigmatised, ashamed, embarrassed or feeling a sense of personal failure.

Preventing and reducing problem debt among single parent households

Problem debt is not an inevitable part of the experience of being a single parent. Debt of this sort is driven primarily by linked issues of poverty and low financial resilience. Action in these areas will disproportionately benefit single parents. Here we set out priorities for government and others to better support single parents, and by extension financially vulnerable families that are affected by problem debt:

1. Ensure single parents have sufficient income to make ends meet

Social security

In the short-term, the government should prioritise protecting incomes during the downturn driven by COVID-19 by maintaining the £20 per week uplift to UC and extending it to legacy benefits, and considering a targeted increase to the child element of UC and tax credits.

The government should target reducing deep and persistent poverty among single parent families by removing the Benefit Cap.

Childcare

One of the key factors for single parents in enabling them to work is the availability of low cost, reliable, childcare. The government should support working parents receiving UC by increasing the caps on the childcare element of UC and introducing a mechanism through interest free budgeting advances to meet up-front childcare costs.

Child Maintenance Service

Many single parents rely on child maintenance payments in order to provide for the basic needs of their children. However, children are often forced to go without essentials as a result of their parent not receiving the child maintenance payments they are entitled to. This situation is exacerbated by the Child Maintenance Service (CMS) not enforcing payment effectively. The Department for Work and Pensions should reform the CMS by:

- using best practice standards in responsible debt collection to increase the amount of child maintenance payments collected from parents who attempt to avoid or minimise payments;
- removing charges for receiving parents, including the initial £20 enrolment charge and 4% surcharge for the Collect and Pay service; and
- working with expert stakeholders to make improvements to the service for survivors of domestic abuse who experience ongoing attempts to control their finances.

Minimum income commission

In the long-term, the government must seek to link state support for families to real living costs. We support the call for a Minimum Income Commission, similar in design to the Minimum Wage Commission, to be established with a statutory remit to advise the government on relinking the value of social security payments to living costs.

2. Support single parents to be financially resilient and have access to safe and affordable credit options

One of the key factors that affects the financial resilience of single parents is the uneven or unpredictable nature of UC payments. As UC is developed in the future, the government should seek to improve the stability of payments and better support those experiencing financial difficulty through a reformed system of deductions to meet priority debts.

To support single parents to build savings, the government should seek to link Help to Save more closely with UC and use learning from the roll out of the scheme to explore how the scheme can be developed to overcome savings barriers for households with low incomes that need to build and maintain access to an emergency savings fund.

As part of its financial inclusion programme, the government should work with stakeholders to develop an affordable credit strategy addressing gaps in need for financially vulnerable households including low-cost affordable credit, a national no-interest loan scheme and grants to meet essential costs for those for whom credit is inappropriate.



3. Preventing economic abuse and supporting survivors

Many single parents have suffered or continue to suffer economic abuse, which can push them into problem debt. Regulated firms and advice providers should use new Financial Conduct Authority (FCA) vulnerability guidance to scrutinise and improve how effectively their products and services work to prevent, identify and end economic abuse, and support those who are struggling with financial difficulty and/or coerced debt as a result of an abusive relationship.

We also recommend that as part of a future work programme, the new Domestic Abuse Commissioner consider working with stakeholders to gather evidence and explore and clarify the changes necessary to ensure survivors of economic abuse are released from liability for coerced debt where the liability arose from economic and/or physical abuse.



The single parent debt trap

Methodology

StepChange client data was used to better understand the characteristics of single parents struggling with debt and differences between single parents and other household types.

A survey was then designed to gather information about single parents' financial circumstances, income and expenditure, credit use and the impact of debt repayments on them and their families. The survey included a question designed to identify indicators of problem debt, based on metrics developed by the Personal Finance Centre at the University of Bristol (UoB, 2012):

- Used credit to make it through to pay day (including credit cards, an overdraft and loans)
- Made just the minimum repayments on your debts for three or more months
- Got hit by late payment or overdraft charges on a regular basis
- Fell behind on your essential household bills (e.g. rent, mortgage, energy bills, council tax etc.)
- Used credit to keep up with existing credit commitments
- Used credit to pay essential household bills (e.g. rent, mortgage, energy bills, council tax etc).

The survey was sent to a sample of StepChange clients and Gingerbread members, and was shared through social media channels. A £50 prize draw was made available for all respondents. In total, 1676 single parents responded to the survey between 21 November 2019 and 20 January 2020. To supplement the survey findings, Gingerbread interviewed three single parents who had experienced problem debt. These interviews were used to explore themes and issues raised in the survey.

We also used an external polling agency, Savanta ComRes, to run a poll of 500 single parents and 500 couple parents in order to get the broader national picture that was representative of the single/couple parent population in the UK. This data was also used to draw comparisons between single parents and couple parents in order to drill down on what specifically made single parents more vulnerable to debt problems and financial hardship.

During this project, the COVID-19 pandemic in the UK began. To assess the impact, Gingerbread and StepChange once again commissioned Savanta ComRes to run a national poll of single and couple parents on their experience with debt and their household finances, which was conducted in November 2020.



COVID-19 and problem debt among single parents

COVID-19 has added to the financial pressures facing single parent families. Prior to the pandemic, around half of single parent households were in poverty (JRF, 2019), and these families have been hit the hardest by the economic fallout caused by the pandemic. For example, research by Gingerbread has found that single parents are more likely than couple parents and single adults to have lost their job, and to have been placed on the Job-Retention-Scheme (Gingerbread and Learning and Work Institute, 2020). This is due to single parents being more likely to work in ‘lockdown sectors’ such as hospitality and retail, and because, as sole carers, they have experienced greater disruption as a result of the closure of childcare centres and schools throughout the crisis. Moreover, our own research has found that single parents are more likely to suffer financially as a result of the increased cost of living associated with children not attending school or nursery.



We found that, on the whole, COVID-19 has had a negative impact on single parents’ household finances, and that single parents were more likely to lose out as a result of COVID-19 than couple parents².

- The average amount of debt held by single parents increased by around 15% during the pandemic (average of more than £600 more debt per household). This was also the case for couple parents, though with an increase of around 8% (average of around £400 more debt per household) this was less pronounced.
- Similarly, as shown in Figure 1, single parents were more likely to say they had more debt than at the beginning of the COVID-19 pandemic than couple parents (49% compared to 44%) and were also less likely to say they had less debt since COVID-19 (13% compared to 16%).

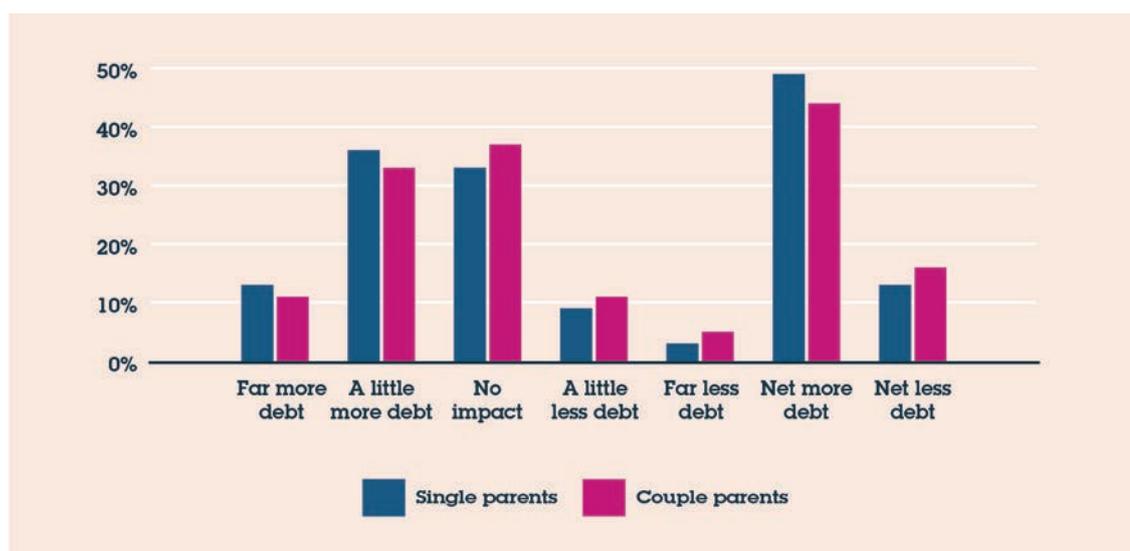


Figure 1: How, if at all, has COVID-19 impacted the amount of debt your household has?³

² Savanta ComRes interviewed 1,050 single and coupled parents, of which 531 were single parents and 519 were coupled parents in England and Wales online from the 16th November to 26th November. Data is weighted to be representative of single and couple parents by gender. Savanta ComRes is a member of the British Polling Council and abides by its rules. Full tables at www.comresglobal.com. All the data in this chapter, unless otherwise states is from this survey.

³ Savanta ComRes survey of 1,050 single and couple parent households between 16th and 26th November 2020.

The increased vulnerability to debt for single parents compared to couple parents during COVID-19 is indicative of the broader trends seen in their respective household budgets. For example, over a third (37%) single parents reported having less money leftover in their monthly household budget since COVID-19, compared to 35% of couple parents. Contrastingly, 34% of single parents said they had more left over, compared to 42% of couple parents.

One of the main reasons for this is related to both household's underlying financial resilience. Single parents were considerably more likely to be on low income before the pandemic compared to couples (see Figure 2). Consequently, they are less likely to have the required financial buffer to tide them over for periods with reduced income and/or increased expenses, both of which have impacted single parents during the COVID-19 pandemic.

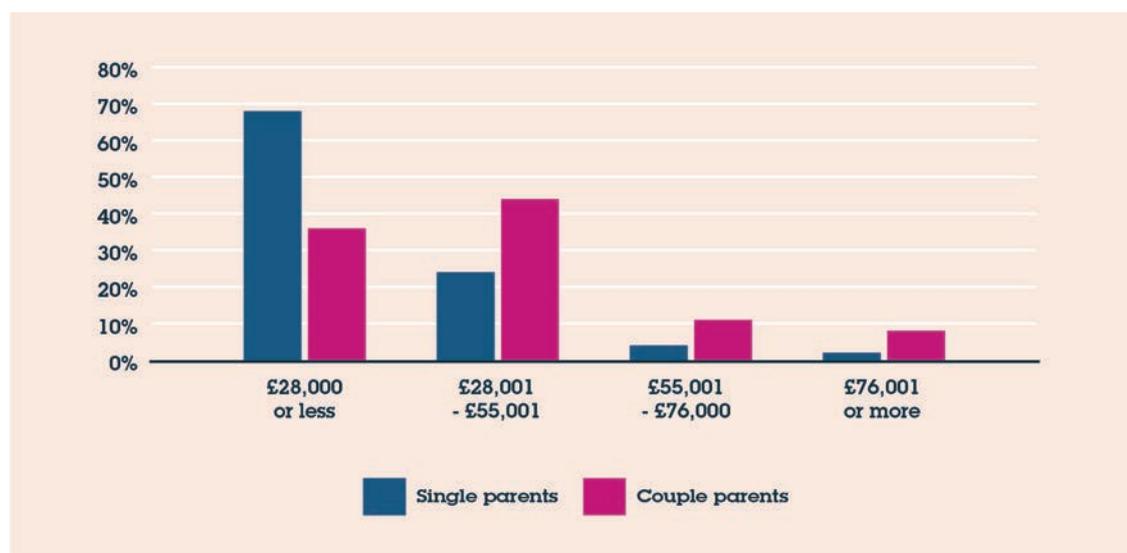


Figure 2:
Annual income by family type, before COVID-19⁴

This was borne out in the data. For single parents, the likelihood of having to take on more debt since COVID-19 hit was highest for those on low income (£28,000 or less). There was a similar trend among couple parents (see Figures 3a and 3b). Such findings are consistent with previous research into debt during the pandemic, with research from both Child Poverty Action Group and the Joseph Roundtree Foundation finding that debt had increased for the majority of families during the pandemic, but more so for low income households (CPAG, 2020; JRF, 2020).

⁴ Savanta ComRes survey of 1,050 single and couple parent households between 16th and 26th November 2020.



Figure 3a: Debt levels for single parents since COVID-19 by income tier⁵



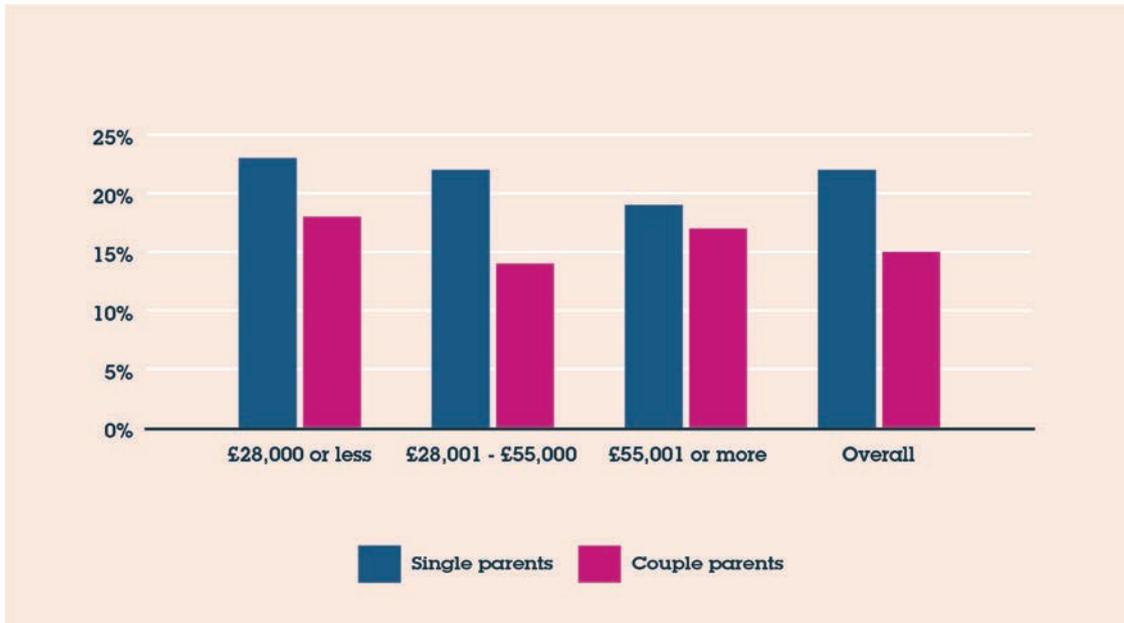
Figure 3b: Debt levels for couple parents since COVID-19 by income tier⁶

Data from the survey suggests the other key driver of debt during the pandemic has been the increased cost of living pressures placed on single parent families compared to couples. For example, single parents were more likely to report a temporary increase in the cost of living during the COVID-19 period (for example, increased costs associated with children being at home rather than school), with 22% saying this had had a negative impact on their finances, compared to 15% of couple parents. As shown in Figure 4, this also impacted low-to-medium income single parents more, but this was not the case for couple parents. Therefore, not only are single parents more likely to report cost of living increases compared to couple parents, but also, for single parents, those experiencing cost of living increases are more heavily concentrated in the low income tier, while for couple parents, it is more evenly spread among respective income brackets.

5 Savanta ComRes survey of 1,050 single and couple parent households between 16th and 26th November 2020.

6 Savanta ComRes survey of 1,050 single and couple parent households between 16th and 26th November 2020.

Figure 4:
Those who experienced a temporary increase in the cost of living during COVID-19⁷



For both single and couple parents, COVID-19 presented not just increased cost of living, but also increased cost of learning. On the one hand, parents were dealing with the additional costs of children not being at school (such as increased food and utility costs), while also having to pay for homeschooling equipment (arts and crafts, stationery, ICT equipment etc). Previous research has found that single parents are twice as likely as couple parents to report difficulties in supporting their child/children learning from home (CPAG, 2020), so it is not surprising that this has proven to be a more significant cost factor for this group throughout the pandemic.

While identifying the particular cost factors which make home-learning more expensive for single parents goes beyond the scope of this project, there are some key standout indicators that go a long way in explaining this. Firstly, national level data shows that as much as 30% of single parents have at least one child on free school meals, compared to 16% for couple parents⁸.

Secondly, single parents were less likely to have had the necessary educational resources for their children to use in order to do school work at home, and will have therefore have had to buy new equipment on a wider scale. For example, before COVID-19, as many as 10% of single parents did not have any ICT equipment in the house (such as a laptop, desk computer or tablet etc), while 4% didn't have access to the internet. For couple parents, just 4% had no form of ICT equipment and less than 1% did not have access to the internet. Almost a third (30%) of single parents did not own a laptop, twice the amount of couple parents (15%). Given the reliance on online classrooms, many of those single parents without ICT/internet access would have had to purchase these to ensure their children can conduct schoolwork while at home (CPAG, 2020).

⁷ Savanta ComRes survey of 1,050 single and couple parent households between 16th and 26th November 2020

⁸ Understanding Society (2020) Household Data, Wave 9. Gingerbread Analysis.

While COVID-19 put significant pressure on household finances, millions of low income households were handed a lifeline through the £20 increase to the UC standard allowance. Data from the survey suggested this is one of the few areas where single parents have disproportionately benefitted. Over a quarter (27%) of single parents reported the uplift having a positive impact on their finances, compared to a fifth (19%) of couple parents. It is not surprising that single parents were more likely to benefit from this – more than 60% of single parents are on UC, compared to around 10% of couple parents⁹. The uplift also tended to benefit those that were most in need – 31% of those who earned less than £28,000 reported this having a positive impact on their finances, compared to 19% of those who earned more than £28,000.

The potential removal of the £20 uplift in April 2021 is causing anxiety for single parents. They were more than twice as likely to say they are concerned about the impact the removal of the £20 uplift to their household finances – 23% of single parents in the survey said this was a concern, compared to 11% of couple parents.

⁹ DWP Stat-Xplore (2020) Households on Universal Credit. Gingerbread Analysis.

Impact of problem debt on single parent households

Problem debt is having a catastrophic impact on single parent families. As part of the survey of Gingerbread/StepChange clients, we asked single parents what measures they took to meet repayment commitments (see Figure 5).

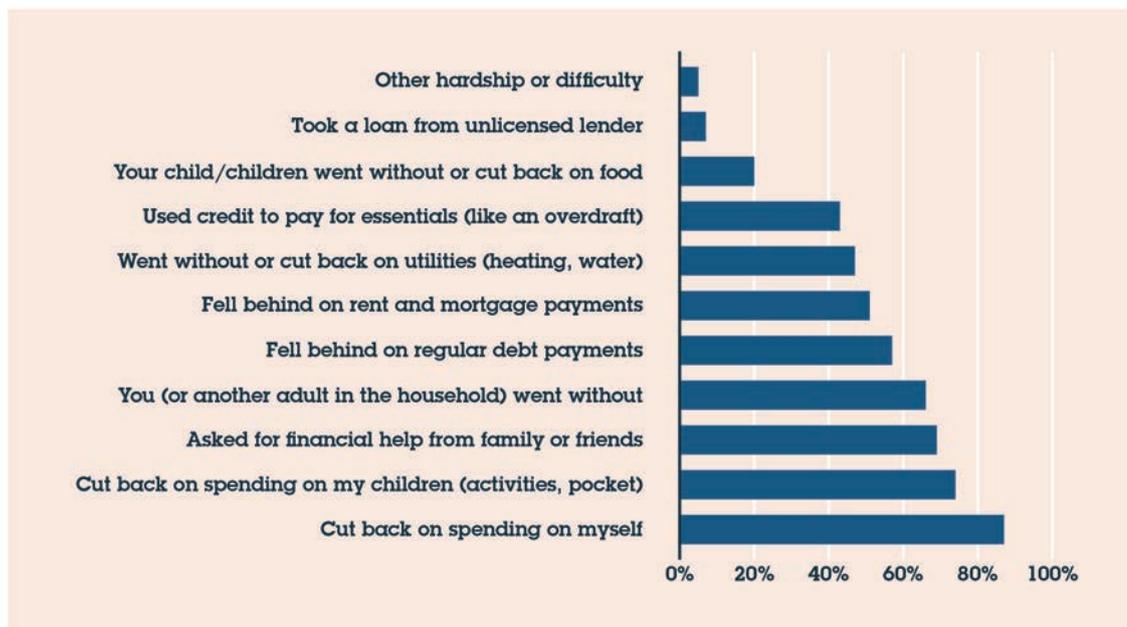


Figure 5: Did making debt repayments cause any of the following?

A major worry is the extent to which debt repayments have caused single parents to go without essentials. It is particularly concerning that going without food is such a common impact of repaying debt, with two thirds (66%) of indebted single parents reporting that they had restricted their food intake in order to repay debts, and 20% that have had to do the same for their children. The data showed cutting back on food for children to be a last resort when it comes to the steps single parents will take to pay off debts – just one place above going to a loan shark. With that in mind, it is shocking that a fifth of indebted single parents have been pushed to such limits.

It is also noteworthy that over half of single parents fell behind on credit obligations and/or regular bills - 57% had fallen behind making debt repayments, and 43% had used credit to pay off existing debts. Falling behind on debt repayments and using credit to pay off existing debts are two of the key indicators of manageable debt becoming problem debt. It is easy to see how debt can spiral and eventually erode single parents' ability to meet essential costs.

Coping strategies

Single parents who are struggling with debt can often feel that they have limited support options available to them. This was reflected in the survey results. For example, despite two thirds of respondents admitting to restricting their own food consumption to pay off debts, just 19% of those

in problem debt had used foodbanks. There are multiple factors which may explain this; local foodbank availability, foodbanks being over-burdened in their local area, being “time poor” and not being able to wait in long queues, and a feeling of embarrassment about having to use foodbanks. Single parents were even less likely to use other support mechanisms. Just 8% had received a discretionary housing payment from a local authority, 6% received financial support from a local authority, and the same (6%) had received some support from a voluntary organisation like a church or a charity.

Mental health

Poverty increases the risk of experiencing issues with physical and mental health. The relationship between poverty and poor health is bi-directional – poor mental health increases the likelihood of being in poverty, and being in poverty increases the likelihood of suffering poor mental health (Mental Health Foundation and JRF, 2016). In the survey, 62% of single parents reported suffering with some sort of mental health issue, which is considerably higher than the national average of 15% (McManus et al, 2016). This was even more pronounced for those in problem debt, with 69% of those in problem debt suffering from a mental health issue of some sort, compared to 53% for those not in problem debt. This would strongly suggest that debt plays a role in the heightened levels of mental health issues seen amongst single parents.

There is a particularly strong link between being in problem debt and suffering with depression. 68% of those in problem debt suffered with depression, compared to 50% of those not in problem debt. Struggling with debt is known to increase the feeling of personal failure and decrease one’s self esteem, both of which are symptoms of depression (Mental Health-UK, 2020).

Respondents in the survey often reported a feeling of failure as a result of suffering with debt issues. For instance, an overwhelming majority (72%) of respondents reported that they delayed getting debt advice because of feeling stigmatised, ashamed, embarrassed or feeling a sense of personal failure. The feeling of personal failure also came up strongly when single parents were asked about the impact problem debt had on them:

“Low self-worth, although I work I feel like I am constantly failing with very little hope for future financial security. When things have been at their worst I have often looked back and regretted leaving my kids’ father who was domestically abusive, purely because of financial security.”

“Had no money to replace my child’s broken bed or provide food or heating. Made me feel like a failure for having to rely on grants for things I, as a parent, should be able to provide.”

“My anxiety and depression has worsened I worry constantly, I can’t sleep at night I have panic attacks thinking about my situation, I have no presents for the kids for Christmas, everyone I work around is talking about all the holidays and days out they have planned and I can’t afford to pay bills and food, usually it’s a choice of either feeding the children or paying a bill. I feel

“I still had 5 days to go until first UC payment when we ran out of food - made me feel like I had failed my children that I had to choose between buying food or buying nappies.”

like a failure my kids deserve better.”

Another key theme to emerge from the interviews was that single parents felt exhausted by their experience with debt. For those in problem debt, it was a constant struggle to meet debt obligations from month-to-month – including cutting back on essentials, constantly moving money around and negotiating with creditors to meet debt obligations – all while holding down a job and raising a child alone. Repeating this each month left them too drained to proactively seek out debt advice.

For instance, one parent told us that:

“I just kind of keep on each month. One thing I have found with my credit though is I had two 0% credit cards. I’ve been bouncing my debt between the two of them, albeit I’ve been paying ridiculous overdraft charges as well and that just spirals and that is like the killer. Just the thought of ringing people up and talking about this, having to gather all the information, I know the support is there but sometimes it’s easier to keep ticking along and not have to add all the numbers up.”

Alison, 48, mother of 4 year old.

Another parent told us that:

“So because of debt obligations, I can only afford nursery two days a week and that’s nearly £400 a month. I have to do full-time hours in four days instead of five days, so I’m doing between 8 and 12-hour days every week to try and manage. It’s the days where I leave at 6 in the morning, I don’t get back until 8 o’clock at night. My little boy is still asleep when I go to work and he’s asleep when I get home and then I don’t see him again until Thursday night. I don’t really see my friends because I’m working all the time and I’m with my little boy at the weekend, and obviously when they are out, I’m at home looking after my little boy when he’s asleep, so my relationships, my friends have suffered, and I find it really dreadful making all those decisions for my child on my own, am I making the right decision, should he go to this nursery, should I give him this much fruit and little things like. It is quite exhausting. It isn’t helped by the fact I still suffer from insomnia just from the stress of how am I going to get anywhere.

Lisa, 32, mother of a 1 year old.

Both examples illustrate how the daily struggles of being a single parent in problem debt can be exhausting.

On a more positive note one interviewee that did seek out debt advice found it to be a positive experience, noting that:

“I became at risk of losing my house, which fortunately didn’t happen, my mental health suffered terribly, I really didn’t know where to turn and I did actually make quite a serious attempt on my life. But that before I was aware that I could go to [advice provider], things like that, and once I did those things it became more manageable. Because obviously while you are on

“Just the thought of ringing people up and talking about this, having to gather all the information, I know the support is there but sometimes it’s easier to keep ticking along and not have to add all the numbers up.”

“It is quite exhausting. It isn’t helped by the fact I still suffer from insomnia just from the stress of how am I going to get anywhere.”

credit card debt you are being charged astronomical interest rates, etc., and then once I got involved with [advice provider] and then contacted creditors, all that stopped and then a payment plan was worked out. It did feel like the weight was lifted, absolutely.”

– Natalie, 50, mother of two children aged 14 and 12.

In summary, the findings outlined above have shone a light on both the scale of problem debt among single parent households and the suffering these households have endured as a result. Going without essentials, falling behind on rent/mortgage payments and using credit to meet repayments are all common consequences of being in debt for single parents. This places a huge financial and psychological burden on single parents, with those in problem debt significantly more likely to suffer with their mental health.

“I became at risk of losing my house, which fortunately didn't happen, my mental health suffered terribly, I really didn't know where to turn and I did actually make quite a serious attempt on my life.”

What causes problem debt among single parents?

Our data indicates that the causes of debt problems are rarely straightforward. As shown in Figure 6a, there are a large number of factors that can trigger single parents falling into problem debt. The majority of respondents cited multiple factors when selecting the reason for being in debt, with 85% selecting two or more and 63% three or more. Moreover, the majority of respondents cite a combination of 'living costs' factors (such as low income or insecure income) and 'life event' factors (such as relationship breakdown, redundancy or another change in circumstances), suggesting it is the combination of the two which proves most significant when it comes to single parent's finances.

The most common reason single parents cite for debt problems is not having enough income to meet living costs, followed by relationship breakdown. Respondents also cite a variety of events and experiences linked to vulnerabilities and life shocks, such as being made redundant, illness and disability, and costs linked to moving home. Among causes cited by respondents who selected 'Other', examples included setting up a business that was unsuccessful, a lack of budgeting skills and issues linked to social security payments – we discuss some of these wider issues later in this report.

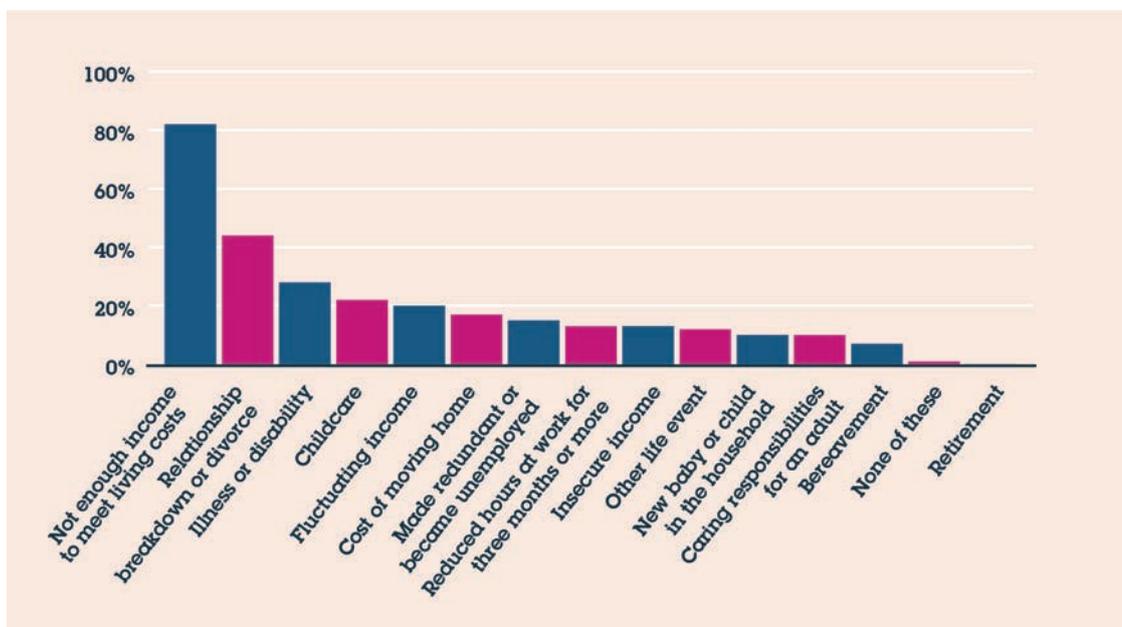


Figure 6a: Did any of the following cause or contribute to the problems you have experienced with debt?

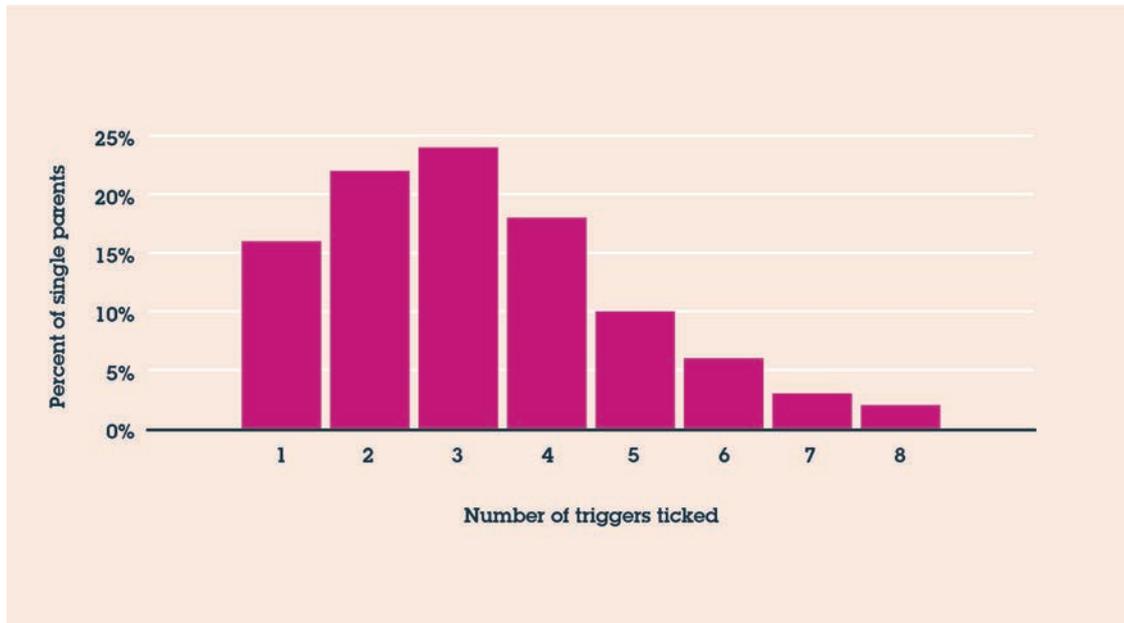


Figure 6b: Did any of the following [triggers] cause or contribute to the problems you have experienced with debt? (Triggers outlined in Figure 6a)

The data suggests we should apply caution in over-simplifying causes of problem debt among single parents. To organise the evidence we collected, we describe the experiences of single parents struggling with debt problems through four common pathways:

- Difficulty making ends meet: single parents typically manage a budget with very little flexibility to meet fluctuations in expenses and income; difficulty meeting essential expenses prompts credit use, leading in many cases to over-indebtedness and debt problems.
- Relationship transitions: for many single parents, the end of a relationship is a period of financial difficulty. There are specific costs associated with establishing a new household and there may be legal fees linked to separation.
- Surviving domestic abuse: many single parents are those who have left abusive relationships. Abuse is commonly perpetrated in a way that leaves the victim with the obligation to repay joint debts. Many survivors are coping with ongoing abuse and attempts to exert financial control at a distance.
- Life events and low financial resilience: a number of events and vulnerabilities could trigger or compound financial difficulty and problem debt.

The subsequent section of the report sets out in more detail how these pathways lead to financial difficulty and debt problems.

Poverty and problem debt: single parents and the 'high cost, low income' cycle



The most common cause of debt problems cited by respondents to our survey was not having enough income to meet living costs. Using our evidence to explore this issue further suggests that it is the interaction between poverty and the necessity for credit use to cover essential costs that significantly increases the risk of problem debt among single parents.

In this section we address in turn the long-term economic context for single parents, what this means for financial resilience, and how low income and a lack of financial resilience interreact with credit use to lead to problem debt.

Single parents and low income - is work working for single parents?

For a number of reasons – including only having one income, working fewer hours and greater reliance on both social security and paid childcare – single parents tend to have less disposable income than other households (Klett-Davies, 2016). Between 1997 and 2011, the single parent poverty rate was reduced by over 20% (from 62% to 41%). However, single parents have been the hardest hit of all households in the UK by the last ten years of wage stagnation, rising costs and social security cuts (Agostini et al, 2014), contributing to a reversal in this trend. Over this period, the single parent poverty rate has increased steadily, reaching a decade high of 49% in 2017/18, which is twice as high as the figure for couple parents (JRF, 2018).

This is despite the fact that, prior to COVID-19, 69% of single parents were in work – just 8% lower than couple mothers (ONS, 2020). However, data from the Savanta ComRes poll shows that single parents are more likely to be on low income than couple parents. Prior to the pandemic, over two thirds (68%) of single parents have an annual salary of less than £28,000 (including 34% with an income lower than £14,000), while 24% had an income between £28,001 - £55,000 and just 5% have an income of £55,001 or more. This compares with 36% of couple parents earning £28,000 or less, 44% earning £28,001 - £55,000 and 19% earning £55,001 or more.

The biggest factor for single parents in relation to work is childcare. Unless single parents have access to free and/or informal childcare (and most do not), they face significant costs just to be able to work in the first place, especially if working full time. Support for childcare costs is available, but these are not designed to cover the costs of childcare for those working full time – leaving many single parents with no choice but to work part-time. The childcare offering is also subject to a complex system of subsidies consisting principally of:

- free early education for pre-school children: of 15 free hours for two-year-

olds whose parents have a low income, and 15 or 30 hours for all three and four-year-olds depending on whether all parents in a household meet minimum work requirements (this entitlement extends to 38 weeks per year but may be 'stretched' over additional weeks); and

- support with costs through the childcare element of UC: which provides a subsidy of 85% of the cost of childcare, subject to the UC taper rate and a maximum cap, (which was set back in 2003 and has not risen in line with inflation, meaning the amount you actually receive through the childcare subsidy may not cover 85% of actual childcare costs); or
- the 'tax-free' childcare scheme: which provides a 20% subsidy up to £2,000 each year per child for registered childcare for parents who earn up to £100,000 (but cannot be claimed at the same time as UC).

While these schemes provide helpful support for many parents, they still leave a significant financial burden for single parents. Those who work full-time, live in high cost areas such as London or the South East, have children of different ages in different settings, or have more than two children, are particularly likely to face affordability problems (Coram Family Childcare, 2020). Beyond the statutory entitlement to free early education, there is no entitlement to a full daycare place and parents continue to face access and flexibility barriers to work, and for these reasons, many single parents feel that they have no choice but to work part time.

The challenge of managing childcare is particularly acute for those with preschool aged children. Most single parents in low-to-medium earning jobs tend to balance work, childcare costs and parenting responsibilities through a combination of part-time work and formal childcare. According to the most recent Department for Education's Childcare and Early Years survey, working single parents with pre-school age children are the most likely family type to send their children to formal childcare, with 76% of these children spending some time in formal childcare (DFE, 2019). This is higher than, for example, couple parents' families in which one partner works (48%).

Childcare in the UK is expensive. For a single parent on minimum wage with two children, full-time childcare would take as much as a third of their income, whereas for a couple parent, this would take up less than a quarter. On average, childcare in the UK is the second most expensive among all OECD countries (World Economic Forum, 2019). With this in mind, it is easy to see why lone parents are the most likely of all family types to experience difficulties in meeting childcare costs – 40% compared to 25% of couple households (DFE, 2019).

Reliance on formal childcare by single parents is likely to increase as the rollout of UC, which will reach 90% of single parents, is completed. UC requires parents to either be working, or actively looking for a job, for at least 16 hours a week once their youngest child turns three. While UC provides more support towards childcare costs than the benefits it replaced (up to 85% of costs compared to 70% under tax credits), it also requires working parents to pay costs 'up front' and then claim back support in arrears on a monthly basis and for many single parents this is unmanageable. Research by the Resolution Foundation and Save the Children has shown

that of all families with dependent children, single parents receiving UC are left with the lowest amount of remaining income after upfront childcare costs have been accounted for, and that this is the case irrespective of working patterns (Resolution Foundation and Save the Children, 2020). This finding appears to be reflected in our survey data; for example, those on UC were more likely than those on non-UC benefits to:

- cite childcare costs as a reason for being in problem debt (19% vs 10%); and
- see access to affordable childcare as a barrier to working more hours (27% vs 15%)

Issues with childcare costs and work-family preferences mean that single parents are much more likely than other parents to work part-time (Dewar and Clery, 2020). These patterns were reflected in our survey data (shown in Figure 7), which showed that working single parents were most likely to work part time hours: 33% worked 16-24 hours, 24% worked between 24-35 hours and 29% worked 35 hours or more.

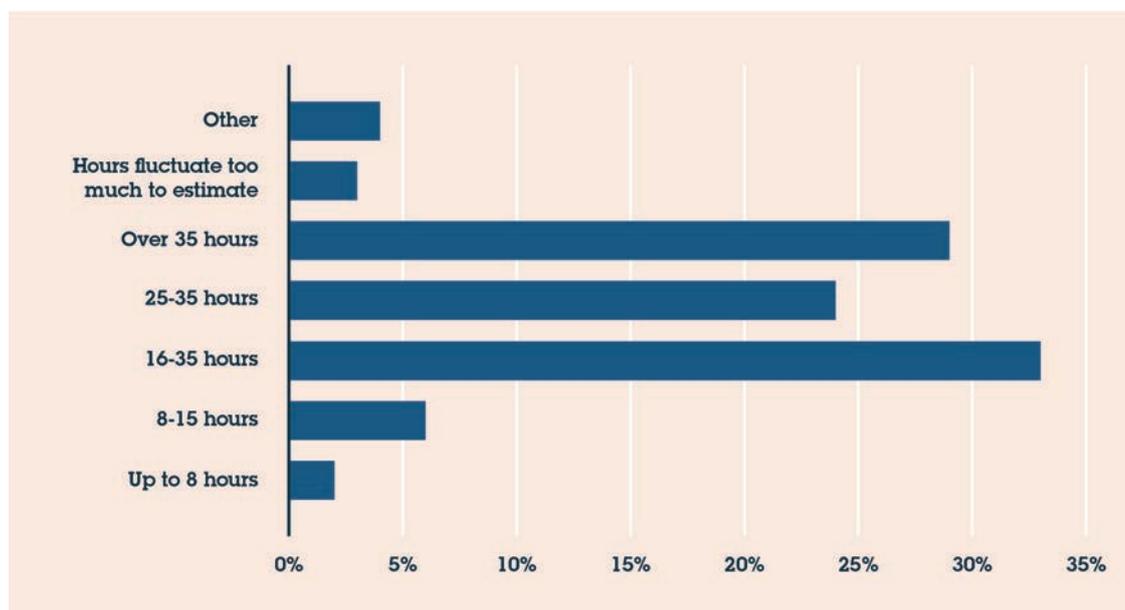


Figure 7:
Amount of hours single parents worked per week

Evidence from our survey suggested working part time was, on the whole, the better economic option for single parents when it came to avoiding debt. Working more hours actually increased the likelihood of single parents experiencing problem debt. This is despite working more hours usually resulting in increased income. The key issue here is not that working more hours doesn't increase income, but rather that any increase in income is more than offset by increased costs, such as childcare or transport costs. Notably, the likelihood that survey respondents would have to use credit to pay for childcare steadily increased with more hours worked: 25% among those working 35 or more hours compared to 17% among those working 16 to 24 hours and 19% among those working 25 to 35 hours.

Working more hours is therefore something of a poisoned chalice for many single parents. While most households will find that their disposable income increases as they work more hours, the opposite is true for single parents,

and this financial paradox is among the key drivers of problem debt for this group. The relationship between working hours, social security and childcare costs presents single parents with a no-win economic choice: working part-time and being on low income with low-to-moderate costs, or working full-time and earning more but having higher costs.

Essential outgoings:

As we have seen, single parents face immense difficulty in building up comfortable levels of disposable income, with increasing their working hours making them more, not less reliant on credit. Single parents also face high essential costs (in addition to childcare), such as feeding/clothing children and school fees (uniform, equipment, school trips etc). These costs have risen as a proportion of income in recent years. The Minimum Income Standard (MIS) data can be used to track basic living costs for households and helps us to understand the cost pressures on single parent families¹⁰.

Research using the MIS data found that the full costs of bringing up a single child from birth to age 18 is £194,607.40 for a single parent family, averaging out at around £11,000 a year (Hirsch, 2020). This is over £50,000 more expensive than for couple parents over 18 years, which is due to the additional costs experienced by single parents (such as higher childcare costs, the poverty premium - which means that they have to pay more for essential goods and services, and the fact that they have a higher number of short-term transactional costs). Those with more than one child face greater essential costs, albeit these children tend to be slightly less 'expensive' than the first child due to things like hand-be-downs and bulk buying offers. Thus, the average annual cost of raising two children for a single parent is around £20,000, and just under £30,000 for those with three. The conclusions of this report help to explain why so many single parents are pushed into problem debt:

- 21% of single parents have an income lower than the amount required to raise one child;
- 63% of single parents have an income lower than the amount required to raise two children; and
- 83% of single parents have an income lower than the amount required to raise three children.

As well as having a high number of essential costs, the potential fluctuation in those costs from week to week and month to month also has an impact on single parents' finances. The number of items with an irregular or sporadic frequency (such as replacing shoes and clothes, white goods and furniture) means that a typical household budget will fluctuate significantly, with both modest month to month changes and irregular spikes as more expensive items arise. For example, there are a total of 648 items in the MIS budget for a family with two children, with 70% of items occurring with a frequency of more than one month, and 40% items occurring with a frequency of more than

¹⁰ The MIS data is produced using a 'budget standard' methodology in which a representative group of adults, which includes members of the household type of the budget under consideration, agrees what is the minimum needs of a particular household. This list of expenses is then costed to produce a weekly budget. The MIS data tells us what most people in society consider to be a minimum standard of living and is used to calculate the real living wage.

one year. StepChange analysis finds an average estimated deviation in spending to meet the MIS standard from month-to-month of £241, with a largest potential month on month change of up to £812. This fluctuation is particularly challenging for those with low disposable income and limited savings and helps explain the variations on disposable income and the extent of credit use among single parents.

Unexpected expenses were cited by 46% of all single parents in the survey as a reason for using credit. This was considerably higher for those already in problem debt than it was for those who were not (55% compared with 28%), which again helps to explain how manageable debts can spiral into problem debt. Those who used credit for unexpected expenses were more likely to find it difficult to meet credit repayments: 78% found it 'somewhat' or 'very difficult' compared to 66% of those who had not used credit for an unexpected expense.

Finally, it is worth noting particularly the influence of housing costs, where changes in patterns of tenure and rising costs as a proportion of income have squeezed budgets for households with low incomes, including single parents. The proportion of households with children living in the private rented sector has increased from 8% to 22% over the last twenty years (1999-2019) (Resolution Foundation, 2021). Over the same period, the average proportion of income spent on housing costs by private rented sector tenants has increased from 26% to 31% (with a similar rise in average social rented sector costs to 18%).

The trend has therefore been of more families living in more expensive private sector accommodation, while costs are increasing for renters of all types. Our polling suggests this to be a significant issue for single parent households, with 31% of the single parents in our sample renting from private landlords and 33% renting from a local authority or housing association. Renting was also shown to put single parents at a significantly higher risk of problem debt. For example, more than half (52%) of the single parents in the survey that were renting were in problem debt, compared to 37% of those who had a mortgage.

The single parent debt trap in action:

"No matter how much I try to improve my finances I can't seem to get ahead. There's always something [like] car problems. I'm getting further and further into debt and often have to borrow money off my 70-year-old mum for essentials like food."

"Without child maintenance it was too easy to get into debt just to pay the important things. I was given credit cards too easily and my limits were raised regularly because I always paid [the] card bills."

"Although I have a reasonably paid job, the money does not stretch as far as it needs to in order to keep myself and my daughter in everyday essentials some months. The cost of fuel is ridiculous [and] even the cost of food is absolutely crippling. With a growing child in the house who always seems to be hungry, my monthly food shop is astronomical for a two-person household. I am having to live off things like toast or noodles

because they are cheap and that keeps as much money as possible to make sure my daughter gets a decent balanced diet.”

Given single parents' reliance on credit is driven by difficulty in meeting essential costs, it is unsurprising that they are considerably more likely to use credit for essentials like food, utilities and clothes than for “luxury” items like holidays or social activities (see Figure 8). Amongst those that had used credit, the most common purchases were groceries and household supplies (69%), followed by utilities (52%), clothes (50%), unexpected expense (49%) and transport costs (47%). In contrast, single parents were less inclined to use credit to pay for items like social activities (26%) and holidays/trips (18%).

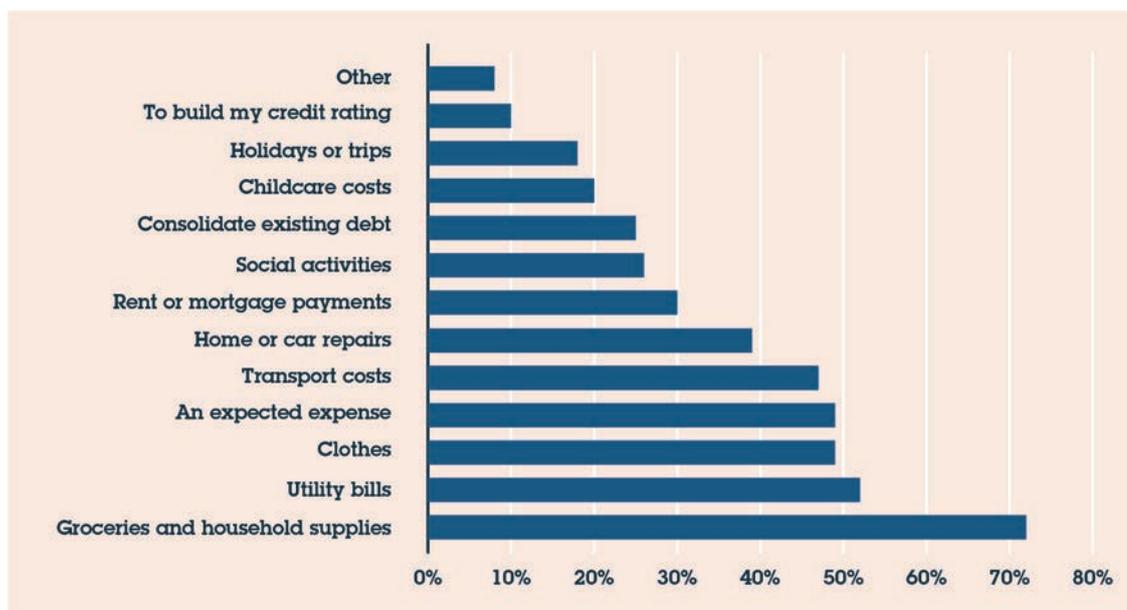


Figure 8:
What have you used credit for in the last two years?

Financial management and debt income ratios:

There is next to no evidence that single parents are affected by problem debt because they do not manage money proficiently. Comparative data reveals greater levels of awareness of and engagement with their financial situations than the wider adult population. Gingerbread's *Scraping and Saving* report found that over half (53%) of single parents knew how much was in their account to the nearest £10 – with 27% knowing to “within a pound or two”. In total, 71% of single parents knew how much money they have to within £50; this figure compares with 59% of UK adults of working age (Money Advice Service, 2015; Gingerbread, 2019).

The need to manage finances proactively was reflected in the qualitative interviews, with single parents often using whatever means are available to them to pay off their credit balance to full extent. In contrast to the idea that single parents used credit badly, credit was integrated into the hands-on financial management required on a day-to-day basis. One single parent noted that:

“I’ve got a really stressful job (Deputy Head Teacher at a School) and I’m really good at managing hugely stressful situations. I’m obsessed with checking my credit rating and it’s gone up this month. It was like Christmas Day I

was so excited, I'd gone from 'very poor' to 'poor'. I'm still angry to be left in this situation and I'm let-down by somebody who morally can do that to somebody else and their own child."

Lisa, 32, Mother to one son aged 1.

Research by the Financial Conduct Authority (FCA) has shown that the ratio of total outstanding consumer credit debts relative to individual income ('DTI ratio') is a strong predictor of future financial distress (Gatherhood and Guttman-Kenney, 2016). According to the FCA analysis, the likelihood of experiencing financial distress increases as the DTI ratio rises. Below is a graph summarising the DTI ratios of those who responded to our survey¹¹. This analysis suggests that over a third of single parents have higher DTI ratios than the national average of 14%.

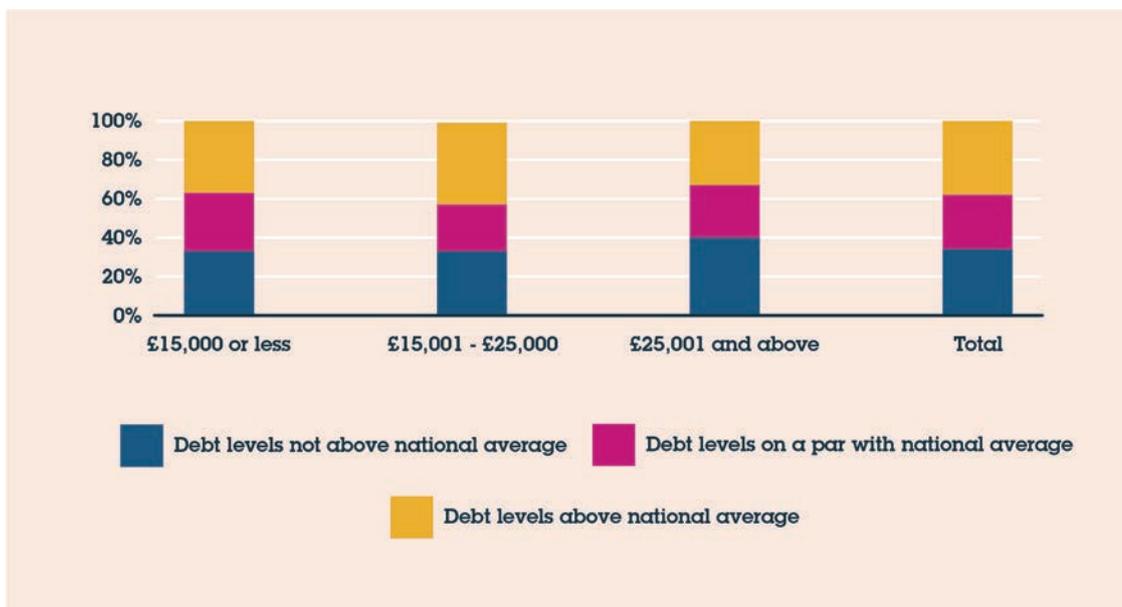


Figure 9: Single parents debt to income ratios compared to national average

Credit and income fluctuations:

We have set out the underlying context of low income and low financial resilience among single parents. These factors interact with credit use to create the circumstances in which debt problems emerge. Credit can be a useful tool to manage living costs: it allows households to defer or spread the cost of planned expenses and meet unexpected (or unpredictable) expenses. Credit becomes problematic when it is unaffordable and repayments reduce a household's ability to meet essential costs and/or prompts further borrowing, leading to a potentially self-reinforcing debt spiral.

StepChange client data reflects debt among single parents who have reached a point at which they can no longer make contractual debt repayments (Figures 10a and 10b). Single parents hold an average of £10,304 of unsecured debt across 5.7 credit products, compared to an average outstanding debt of £13,544 across 5.9 products for all clients.

¹¹ DTIs were estimated by measuring the debt levels single parents reported having, relative to their income. As income and debt data was reported in 'brackets', calculating 14% of debt and income in precise terms was not always possible. Instead, the calculation was done by computing 14% of the very top of each salary bracket within the survey (salaries bracketed into 12 different categories). This was measured against the debt levels to see how many respondents had debt-to-income ratios above the 14% average. Percentages may not always add up to 100% due to rounding.

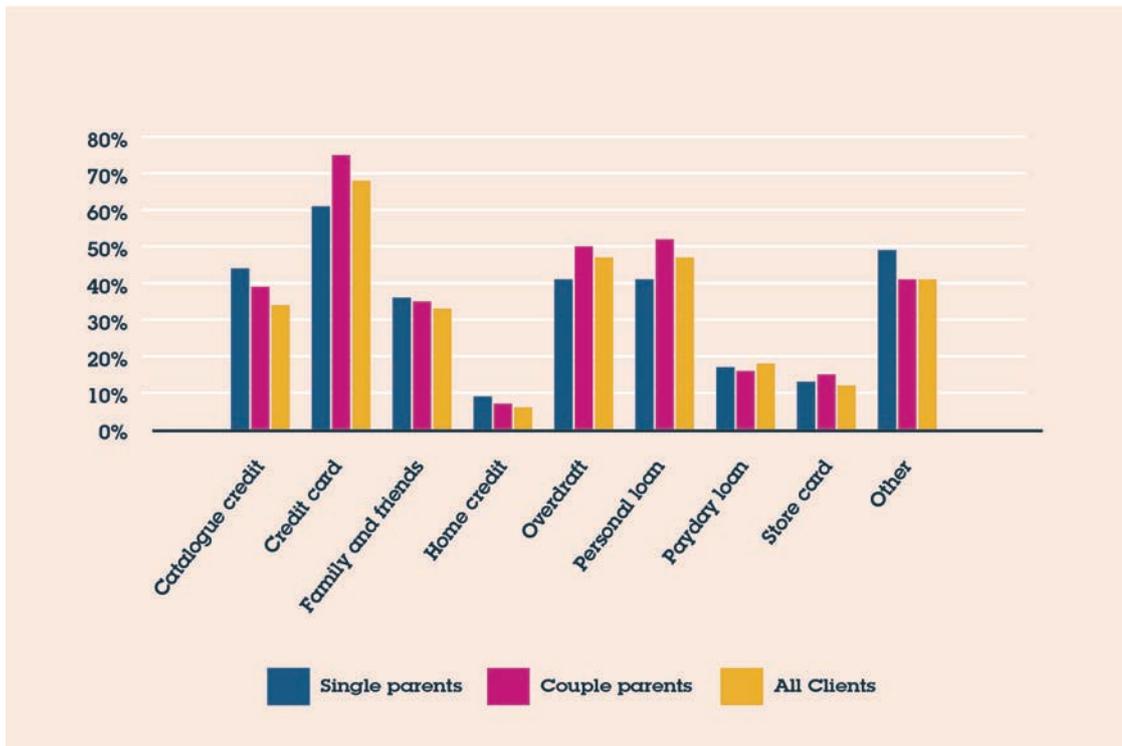


Figure 10a: Unsecured debt held by StepChange single parent clients¹²

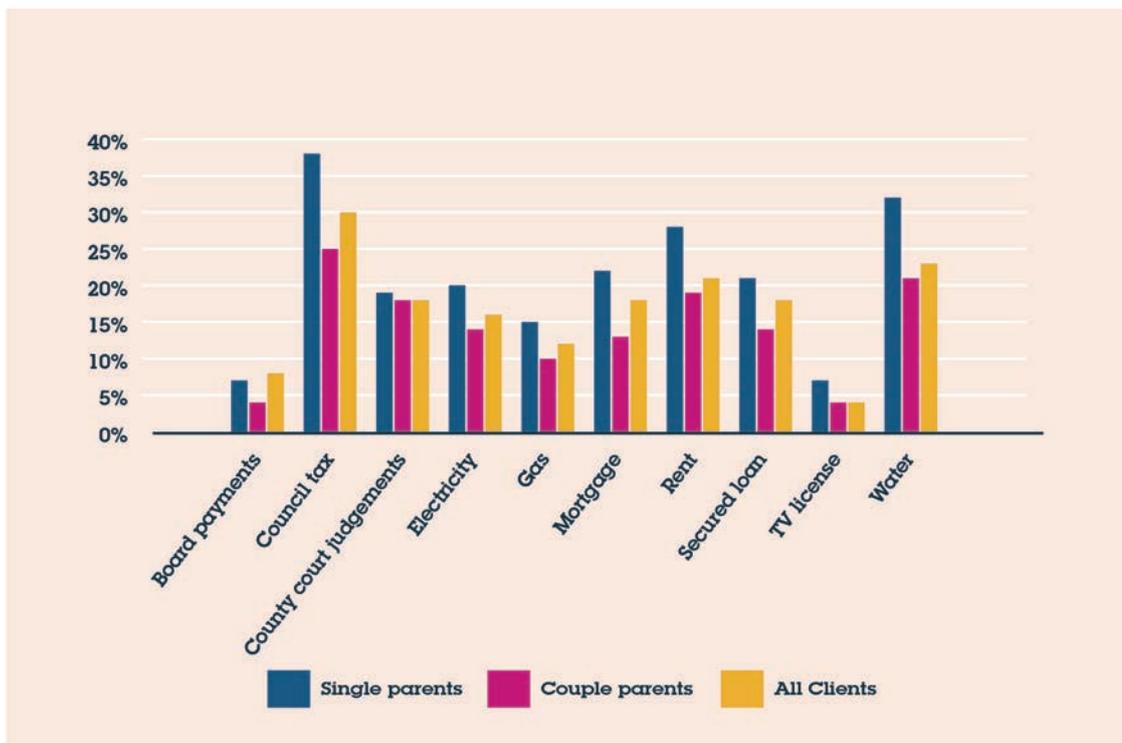


Figure 10b: Types of arrears for StepChange single parent clients¹³

Single parent clients tend to be differentiated from other client groups by a higher likelihood that they will have catalogue credit, home credit or debts categorised as ‘other’ and a (relative) lower likelihood of credit card, overdraft or personal loan debt. Single parents are also more likely to be in arrears, notably on council tax and utility (electricity, gas or water) bills.

When we look at debt products held by a wider sample of single parents (i.e., not a specific sample of debt advice clients), it is notable that more than

¹² StepChange client data.

¹³ StepChange client data.

90% of single parents are using some form of credit (Figure 11).

The wider group is less likely to hold some products such as credit cards, catalogue credit and personal loans, and more likely to hold debt owed to family or friends.

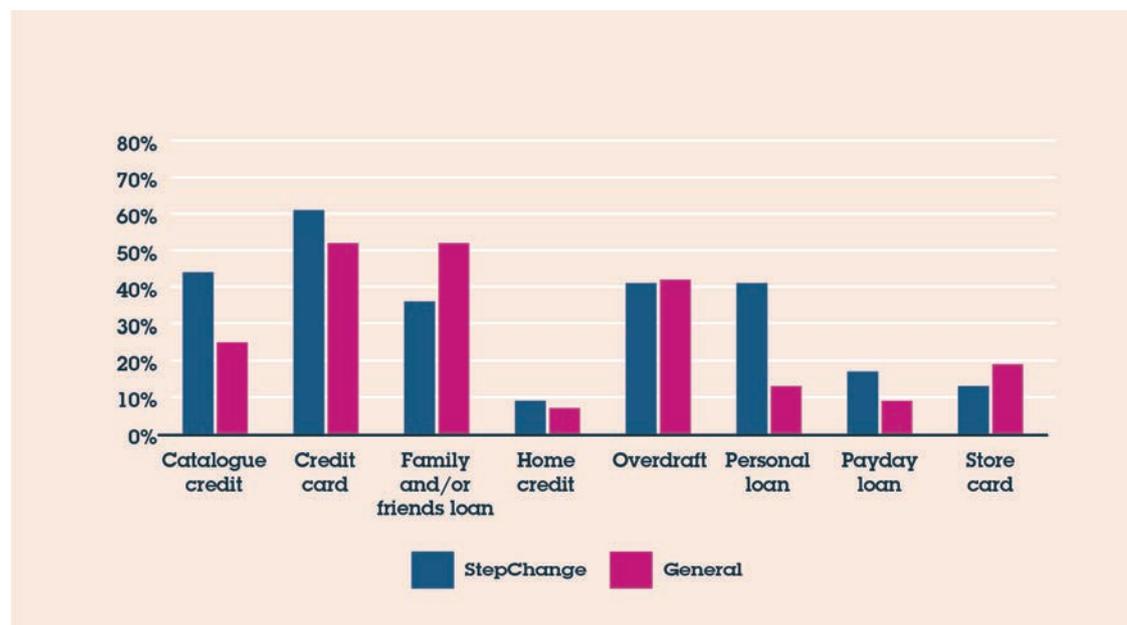


Figure 11:
Credit products held by single parent clients compared to general survey sample

There is no single pathway from manageable credit use to problem debt. High indebtedness in relation to someone's ability to meet repayments increases risk of repayment difficulty. The subsequent trigger for difficulty may then be a change in circumstances, additional credit use, or a combination of both. The dynamics of debt spirals can, however, be exacerbated by characteristics of credit products often used by single parents:

- Credit cards and store cards provide ease of access to credit and low minimum payments (typically around 3% of the outstanding balance and interest) are attractive to those under budgeting pressure. However, flexible credit limits, ineffective affordability checks and high costs—potentially in excess of 100% of the amount borrowed—often draw those who are struggling into further borrowing and compound financial difficulty (StepChange, 2019).
- Overdrafts provide a budgeting buffer but can also form a debt trap as interest charges add to a negative account balance, making it more difficult to avoid using the overdraft in future. Recent changes mandated by the FCA have effectively banned unauthorised overdraft fees and implemented a requirement for banks to support repeat overdraft users to wind down overdraft use safely – it is too early to assess the full impact of these measures.
- Catalogue credit and home credit have fixed repayments (so differ from flexible credit or store card repayments) but relatively long borrowing terms and low repayments that are realistic for households with low disposable income. Like credit cards, this flexibility is doubled-edged with higher risks of unaffordable borrowing and high cumulative costs. Both products were subject to FCA interventions to address concerns about lending practices in its recent high cost credit review (FCA, 2018).

Credit meets an unavoidable need among single parent households but is often not well-suited to their circumstances. Given the close link between single parent credit use and difficulties meeting their cost of living, this dynamic poses two clear policy needs: support single parents to make ends meet without needing to resort to credit, and provide better alternatives to support single parent households to manage unavoidable fluctuations in expenses safely.

For the majority of single parents, the experience of problem debt culminates with a period of delay during which debt problems often become worse before they seek advice: 62% of clients report that they were in difficulty for a year or more before they sought debt advice, and 82% six months or more. There may be a number of reasons for these delays, including lack of early intervention by creditors and low awareness among those affected that free, independent debt advice is available and that creditors are obliged to offer forbearance. Stigma and anxiety are also important factors: 73% of clients agreed that they had delayed seeking advice due to feeling a sense of stigma, shame or embarrassment about financial difficulty. Single parents seeking advice from StepChange are more likely to do so in January and October (and less likely to do so in December), likely reflecting patterns of financial pressure linked to the school year and Christmas.

Relationship transitions

There is one particular risk factor that separated single parents are much more exposed to than other households – the lumpy costs of divorce/separation. Just under half (44%) of single parents said this was a reason for them being in problem debt –and this was far and away the most common factor that was not related to income. This is not surprising – according to Aviva’s Family Finances Report, the average cost of divorce in the UK is £7,281 for each partner. Furthermore, if a parent has to move home as a result of the divorce, there is an additional average annual cost of £7,519 for those that become renters (which most single parents do), while the average mortgage for divorced partners is £144,600. (Aviva, 2018). The potential requirement to move homes after separation therefore adds a significant debt burden onto recently separated single parent households, many of whom will have already had existing credit obligations.

In addition to the direct costs of separation, most couples are financially joined in some way through housing costs, utility bills and consumer debts. Disentangling these can prove costly and time consuming and can prompt financial difficulty for single parents, even if relationships break down amicably, which of course not all do. Furthermore, single parents who have become single parents through separation will be required to pay for the full costs of rent/mortgage payments and household utility bills, having previously shared costs with their partner. These costs were reflected heavily in the StepChange client data. Single parents on average, were the most likely of all household types to be renting (90%), whilst also having the second highest rental costs. Additionally, single parents tended to have slightly higher arrears than the average for StepChange clients for both utilities and rent (StepChange data, 2018).

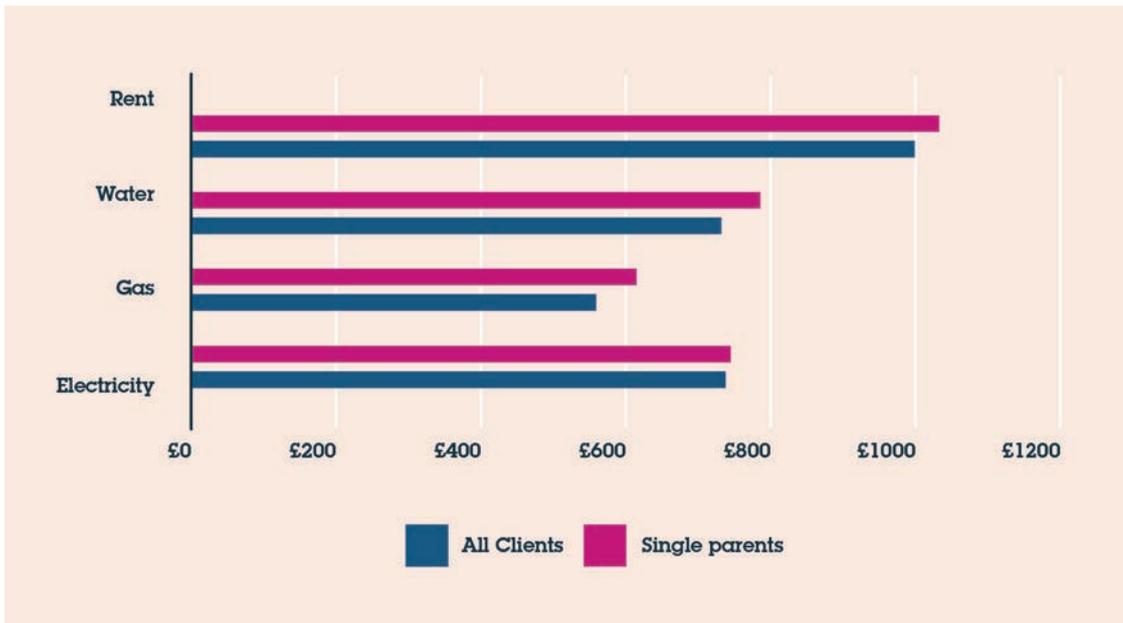


Figure 12:
Average arrears of single parents compared to other StepChange clients¹⁴

This was also reflected in the survey data, with utilities and rent being two of the expenses single parents used credit to pay for most frequently. Over half had done so to pay for utilities (52%) and just under a third to cover rent or mortgage costs (28%). In addition to this, 39% had fallen behind on their rent or utility costs in the past two years. Furthermore, there was evidence from the survey that parents who had separated faced greater financial hardships. For instance, on average, separated single were more likely to have arrears over £1000 than those who had always been single parents (67% compared to 58%), and were at a slightly higher risk of problem debt (69% compared to 65% respectively).

Separated single parents are considerably more likely to have larger families – 65% had more than one child, while the same was true for just 28% of those who had always been single parents. Those with larger families are likely to have considerably higher costs, and are also subjected to the two child limit which also contributes to the higher average arrears and greater likelihood of being in problem debt among this group.

Economic abuse

It is not uncommon for single parents to have become single parents after leaving or escaping an abusive relationship, including those that involved economic abuse. The charity Surviving Economic Abuse (SEA) describes economic abuse as situations in which a partner:

“repeatedly dictates their partner’s choices and controls their everyday actions, becoming violent or threatening to become violent if their demands are refused. An abuser may restrict how their partner acquires, uses and maintains money and economic resources, such as accommodation, food, clothing and transportation.” (SEA, 2019).

¹⁴ StepChange client data.

The financial impact of economic abuse on single parents' finances is both significant and two-tiered. Firstly, those affected are often saddled with debt and/or left without any income or financial reserves due to the control their ex-partner had over their finances. Secondly, many single parents remain financially dependent on a formerly abusive ex-partner for child maintenance payments or other financial support. These financial impacts exist in the context of wider effects on survivors' mental and physical health.

In the survey, we asked single parents if any of the following had affected their current financial situation:

- Former partner undermining your ability to maintain economic resources (36%)
- Former partner limiting how you use money and economic resources (31%)
- Former partner controlling how you acquire money and resources (25%)
- Former partner exhibiting other behaviours that negatively affected your financial situation (23%)

When taking the results as a whole, it was found that just under half (48%) of single parents had experienced some form of economic abuse (those that ticked 'other behaviours that negatively affected financial situation' not included). 97% of those who had experienced economic abuse were women, and separated single parents are considerably more likely to experience economic abuse than those who have always been single parents – 60% compared to 39%.

These figures may seem high; however, they are not out of sync with national level data on domestic abuse. For example, 57% of applicants to the Child Maintenance Service (CMS) have their application fee waived due to being the victims of domestic abuse, according to the most recent data (CMS, 2020). Additional research has found that domestic abuse comes up in around 50% of all family court cases (Harding & Newnham, 2015; HMICA, 2005; Hunt & Macleod, 2008; Perry & Rainey, 2007).

Economic abuse has a damaging impact on a single parent's financial situation – often leaving them in a barely salvageable situation at the point of separation. Data from the survey showed that economic abuse made single parents more likely to suffer financial hardship, for example, they were more likely than those who had not experienced economic abuse to:

- Have gone without meals (52% - 46%)
- Their children gone without meals (19% - 10%)
- Have arrears over £5000 (38% - 32%)

The role that economic abuse played in single parent's financial security came through in the qualitative interviews:

“So when I was with my ex-husband, I was always the higher earner but he would not leave our home. We had a joint loan that we were paying and that

was fine. He increased the amount and then made me pay and through being too scared I suppose I still made payments so that he got that money for free and even now we are, I don't know, eight years down the line, I've only within the last two months had to go to court because he will not pay the amount of child maintenance that he should I did think, and I don't like to label people and obviously I'm glad I'm out of that relationship, but it was economic abuse."

Natalie, 50, mother of 2 children aged 14 and 12.

"We were together for just over three years and when we first got together he had a job but then he got made redundant and he told me he was setting up his own business so I gave him some of my savings to set up a business and then I started to pay all the bills, all the rest. Then 12 months later he was still waiting for money from the business and then I found out I was pregnant. Throughout my pregnancy things started to deteriorate. When I first got pregnant I started bleeding and had to go into hospital and found out I should have had twins but one didn't make it and I really suffered to come to terms with that with my mental health and so he then decided he would take over paying our rent, paying our bills, so I just gave him my card. I knew there were some issues with money, but he promised it would be sorted. He made up fake invoices, he made up fake payslips to say he was getting paid and then literally when my little boy was three hours old I was in hospital, I found out I was being evicted from our house where we rented and this process was going on for months before but my ex-partner had told our landlord that our little boy was born months early, not to contact me because our little boy was at risk of dying and he had lots of problems, but it was all completely made up, none of it was true, and she (the landlord) had found me through Facebook to tell me she was really worried about my mental health and I was in a toxic relationship and I found all this out in shock and that's why we were being evicted, we owed them thousands in rent. He had a huge gambling problem and then I found out he had stolen money off my dad, he borrowed money off friends and never repaid it and then when I started to look into my own finances he used all my savings, not paid any bills, I was being taken to court for council tax, I was being taken to court for not paying the TV licence and he also started taking out payday loans in my name. When I started going through my bank statements he had been sneaking out in the middle of the night at 3 o'clock in the morning taking out cash so then I wouldn't have ever seen it on the front page of your online banking, the debts it racked up to about £45,000 and that's when he finally admitted what he was doing and by that point my little boy was about seven weeks old and then I left and I've never seen him since."

Lisa, 32, mother of one child aged 2.

Data from the survey also suggested that this group were more likely to experience mental health problems than those who hadn't suffered economic abuse – 56% of those who had suffered economic abuse had a mental health condition, compared to 51% of those who had not. The figures for anxiety specifically were more pronounced: 65% compared to 53%.

One of the main factors which distinguishes single parents from other victims of economic abuse is that they may have a child with the former abuser, which, in many cases, allows forms of economic abuse to continue long after separation. A common way that this can occur is via child maintenance payments. Maintenance payments are often facilitated through the Child Maintenance Service (CMS). Prior to the COVID-19 pandemic¹⁵, the CMS reported that around a third (32%) of cases on the Collect and Pay system on the CMS involved non-paying parents – which left over 100,000 children without any maintenance. Further, the actual compliance rate is likely to be considerably lower with many more parents not receiving the full amount of maintenance due to them, as the CMS considers that a paying parent is compliant if the ‘paying parent has paid something towards their child maintenance arrangements over the past three months’ (CMS, 2020) – meaning that a paying parent can be contributing 1% of what is actually owed and will still be presented as ‘compliant’.

In fact our survey demonstrated that, just 29% of single parents are receiving the full amount of the maintenance due to them on a regular basis, significantly lower than the compliance figure presented by CMS (68%) (CMS, 2019). This would suggest the majority of parents in so-called ‘compliant’ arrangements do not receive the actual amount owed. Additionally, there was also evidence to show that in most cases payments were sporadic and unreliable. Around two thirds (65%) of single parents in the survey either received irregular payments, or no payment at all. Fluctuating child maintenance payments creates yet more budgeting challenges for single parent households, increasing their vulnerability to having to use credit to meet essential costs.

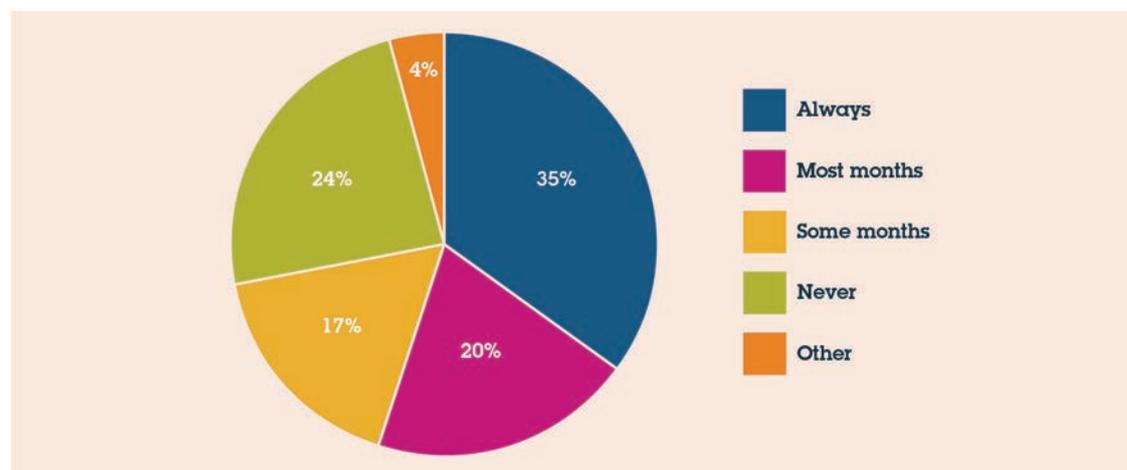


Figure 13a:
How often are child maintenance payments paid to you?

¹⁵ The COVID-19 outbreak saw an increase on compliance on CMS Collect and Pay, with significantly more paying parents enrolling onto Universal Credit and having CMS payments deducted automatically, but this is a temporary blip and it remains to be seen whether it will maintain as paying parents return to work.

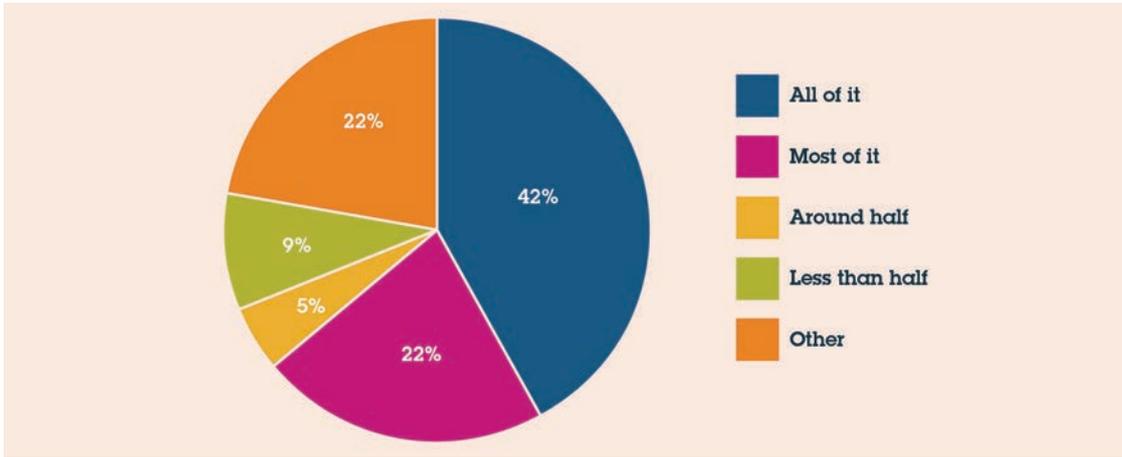


Figure 13b:
When payments are made, how much of what is owed is usually paid to you?

Furthermore, it was also clear that those who had experienced economic abuse while they were in a relationship with their child's other parent were less likely to receive maintenance payments following the end of the relationship – just 24% of those who had experienced economic abuse received maintenance payments in full on a regular basis regularly, compared to 38% of those who had not. As shown in Figures 14a and 14b it's also the case that those that had been the victim of economic abuse also reported greater inconsistency in the payments they received, and were less likely to receive the full amount when payments were actually made.

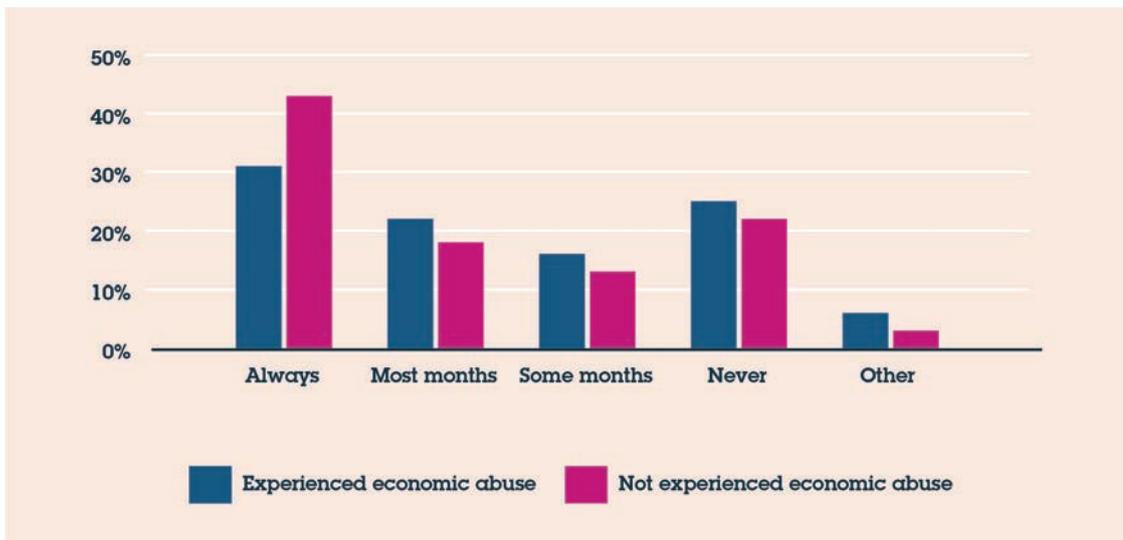


Figure 14a:
How regularly are child maintenance payments made?

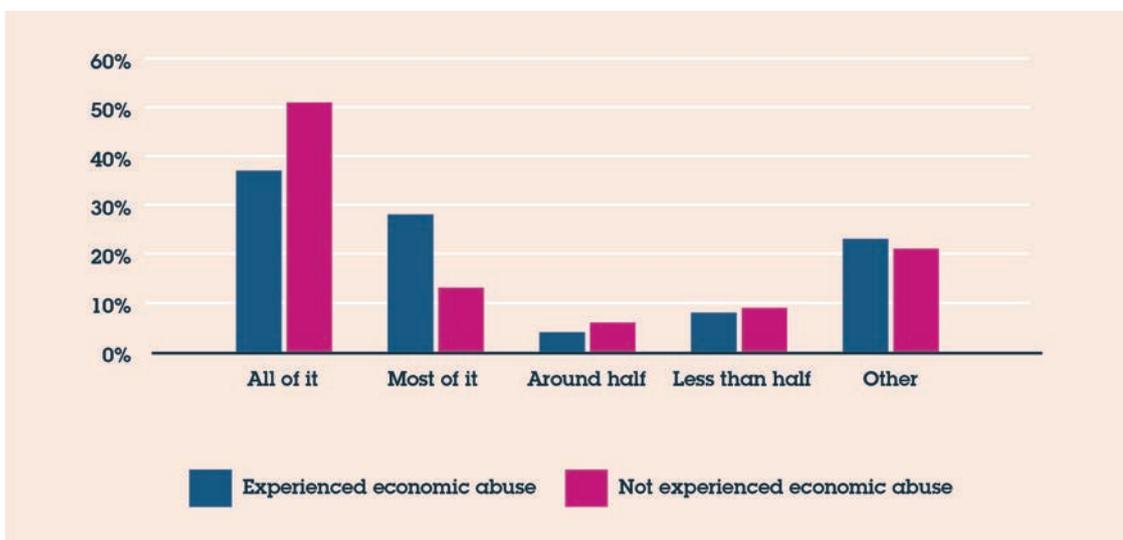


Figure 14b:
When child maintenance payments are made, how much of what is owed is actually paid?

Being unreliable or untrustworthy in child maintenance payments is among the most predictable ways former abusers can continue to exert control over their ex-partners. It is therefore not unexpected to see that those who had experienced financial abuse when in relationships were more likely to face problems in receiving these payments post-separation. That said, it is not just the withholding of maintenance payments which allows perpetrators to control victims. Sometimes, even parents who pay with a degree of regularity can use it as a means of control, and will often “dangle the carrot” in front of them before making the payment to demonstrate their continued control over both the situation, and their ex-partner. For example, one parent commented that:

“In terms of maintenance and regular reminders that the money is being paid at this point in time but is not guaranteed for the future and he would not have to pay it if I had established myself better and was able to pay for everything for our son myself. Some months the money is late and I have to ask for it, the payments are also split into two, it's never been explained why this is and the second part doesn't always come on time which makes it hard to manage my money and I always feel insecure about it stopping. I also had to fight to ever get this money in the first place and that came with a lot of emotional abuse and insults - it feels as if there was a price that had to be paid if he was going to provide this support.”

Alison, 32, mother of one child aged 1.

In summary, prevalence of experiences of economic abuse is high among single parents, and a significant factor in debt problems for many. Debt accrued as a result of economic abuse is also more likely to be larger and more severe, with this group having higher arrears, having to make greater sacrifices for repayments and being at a greater risk of struggling with their mental health. Abuse of this nature can and often does spill over into post-separation economic abuse, with child maintenance payments proving an oft-used vehicle for perpetrators to exert control over victims.

Coping with life shocks

Life events feature prominently in the reasons single parents cite for being in problem debt. As already noted, while the cost of relationship breakdown plays a significant role in single parents' vulnerability to problem debt, respondents cited a number of other life events as having an impact:

- 28% cited illness or disability
- 17% cited the cost of moving home
- 15% cited being made redundant or unemployed
- 13% cited reduced hours at work
- 12% cited 'another life event'
- 10% cited new baby or child in the household
- 7% cited bereavement.

It is unsurprising that such events are a strong precursor to problem debt. Many of these events are not only difficult with regard to the immediate cost – such as separation/divorce and the costs of moving home – but also carry significant long-term financial consequences. These factors tend not to occur in isolation: 84% of single parents experiencing problem debt cite two or more factors, while 62% cite three or more and 39% four or more individual factors. Life events that prompt income and expenditure shocks are particularly impactful for single parents because of their low levels of financial resilience.

Social security and income and expenditure shocks:

Single parents' additional reliance on social security payments adds another layer to their vulnerability to income and expenditure shocks. Both the administration and design of social security contribute to financial difficulty and problem debt.

Single parents are more likely than not to experience administrative errors with social security: 55% had experienced an error, while 45% had not. For example, in the last two years:

- 31% experienced benefit overpayment
- 25% experienced benefit errors
- 23% experienced delays in benefit payment (excluding the five week wait)

UC proved to be an issue in and of itself. We know from national figures that single parents are over-represented among UC claimants. There are over one million single parents receiving UC, almost twice the amount of couple parents (DWP, 2020). They account for around a quarter (24%) of all UC claimants, despite making up 6% of UK households. It is worth noting that prior to the COVID-19 pandemic, single parents accounted for an even larger percentage of UC claimants (33%) and the only reason their share has reduced is because of the huge influx of new claimants onto UC from other household types during the initial outbreak of the pandemic – the number of single parents claiming UC has not decreased, but rather has increased by more than 200,000 since March 2020. It is unclear as to whether this accelerated influx will maintain, and this will ultimately depend on the state of the labour market through and beyond COVID-19. What is certain, however, is that around 90% of all single parents will be in receipt of UC by the time the full roll out is complete, irrespective of the outcome of COVID-19 (Gingerbread, 2018). Therefore, the systematic flaws within UC have a disproportionate impact on single parent households, and this will increase in the years ahead.

Income fluctuation is a major problem for those on UC, particularly for those who work on different schedules in certain weeks and months – those on UC were more likely to cite fluctuating income as a reason for being in problem debt – 19% compared to 11% for those on non-UC benefits.

The principal reason for fluctuating income on UC is that, if claimants are working, the monthly UC payments are calculated based on the wages recorded in the previous assessment period – basically the last wage received. Therefore, if the number of hours worked varies from month to month,

the amount received changes accordingly. However, the way UC interacts with wages is problematic, and can sometimes mean that UC payments go down at the same time as hours are reduced at work.

For single parents in particular, there is an additional tier of complication as a result of the 'Benefit Cap'. Over 60% of those impacted by the Benefit Cap are single parents (DWP, 2020), and this kicks in for single parents if their due benefits amount exceeds £1658 a month outside London, or £1,916 a month inside London. Crucially, this means that during the months where wages are low, and thus the UC payment is higher, single parents lose out if their payment is calculated over the Cap's threshold. Further to this, the £20 uplift to UC payment – while a lifeline for many – has meant the amount of single parents impacted by the Benefit Cap has almost doubled.

Overall, single parents were more likely to report UC having a negative impact on their finances than a positive impact. More than half of those on UC said they were worse off financially, and a similar portion said being on UC made it harder for them to budget (see Figures 15a and 15b).

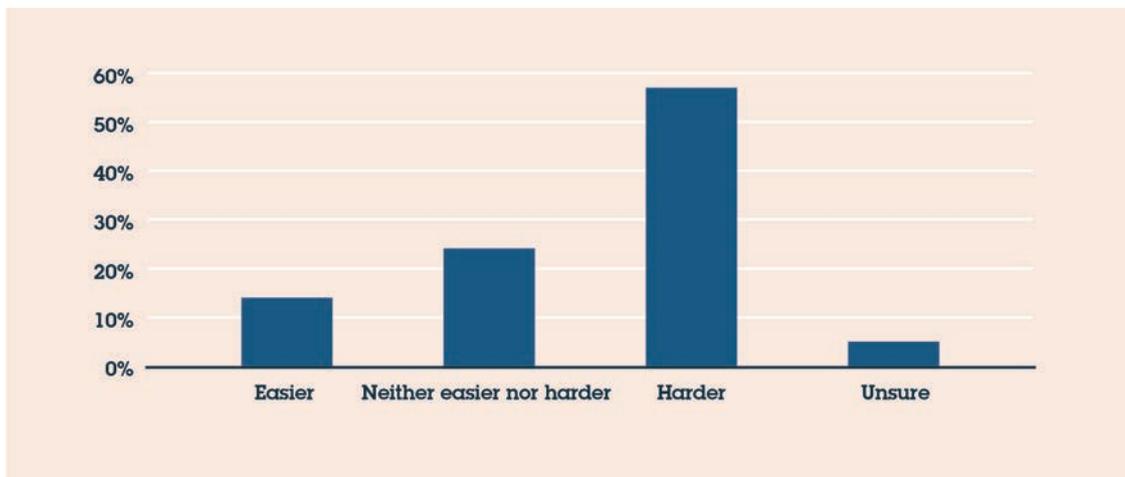


Figure 15a:
Has receiving Universal Credit made it easier or harder for you to budget?

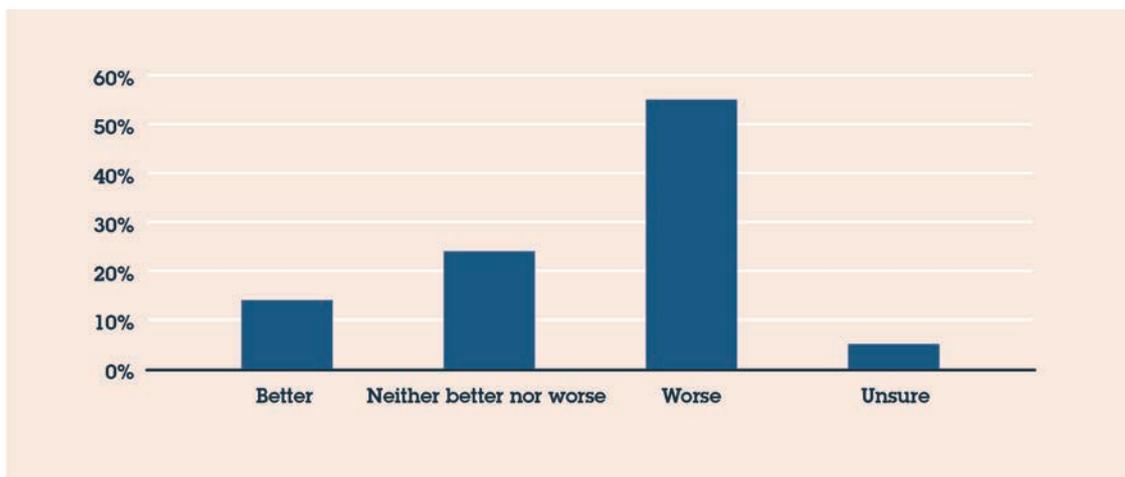


Figure 15b:
Since you started receiving Universal Credit, are you better or worse off financially?

Being on UC had a serious impact on household finances, with almost half (42%) of UC claimants falling behind on rent or mortgage payments since they began receiving UC (Figure 16). Clearly, the consequences of missing rent or mortgage payments are serious, particularly for families with young children, and this is a frighteningly high amount.

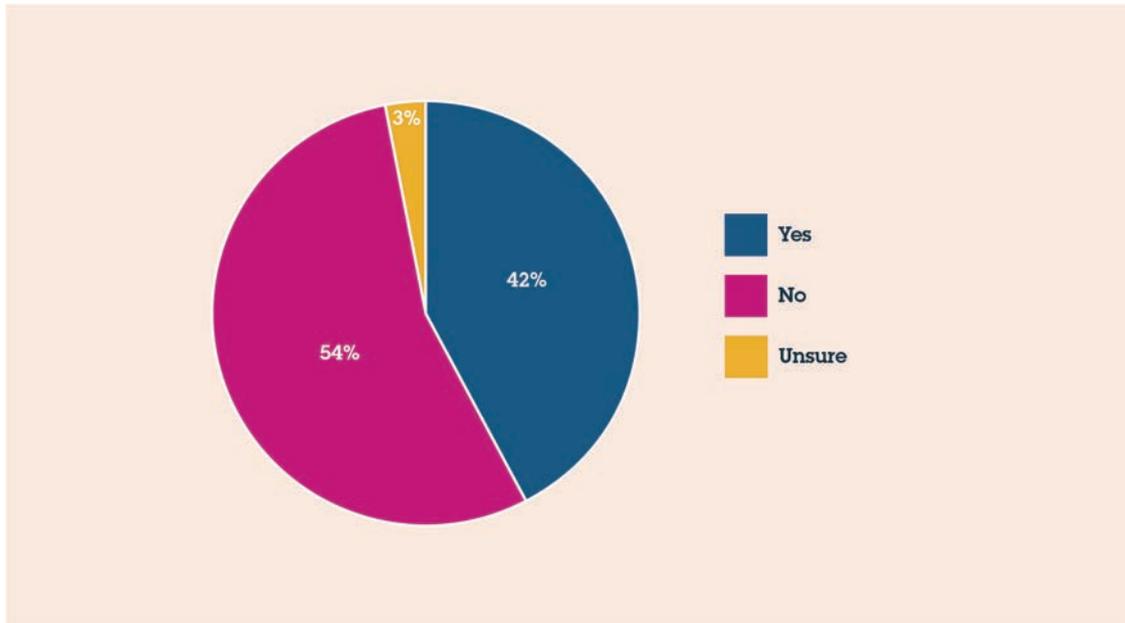


Figure 16:
Have you fallen back on rent or mortgage payments since you began receiving Universal Credit?

Another well-known issue with UC is the five week wait for the first payment. This stipulates recipients will wait five weeks before receiving their first instalment of UC, leaving families (most of whom will be low-income already), without proper income for over a month. Clearly very few single parent families will have sufficient income or savings to provide a buffer for that period. This helps to explain why the majority (63%) of single parents in the survey did take the Advance Payment Loan option when enrolling onto UC – which provides claimants with a loan to tide them over for the initial five week wait that is deducted from their forthcoming UC payments.

It is disappointing that the five week wait for UC was maintained even during the height of COVID-19 outbreak. Most single parent new claimants, would have already been in financial difficulty as a result of COVID-19, and the maintenance of the five week wait will have meant they were reliant on the Advance Payment Loan. While this provides some relief, it effectively means that families on UC are saddled with debt from the outset. While the announcement that claimants will be able to pay the loan off over a period of 24 months rather than 12 is welcome, this will not kick in until October 2021, and thus will be of no benefit to those accessing the system during the COVID-19 pandemic.

Research from Citizens Advice has found that those who take out advances are more, not less, likely to have to borrow in other ways. Their research found that 70% of the people on UC who took out advances also got into arrears on bills, compared to half of those (53%) who had not. (Citizens Advice, 2018). More recent evidence has found that as much as half of all foodbank users in the UK are repaying the Advance Payment Loans back to DWP (Trussell Trust, 2020). This was also reflected in the survey data, 82% of those who took out an advance payment were in problem debt, compared to 63% of those who did not.

That is not to say Advance Payment Loans are not helpful – they are one of the few interest free credit options single parents have access to. However, it is clear that the financial problems single parents face when using UC are not solved by the loan itself. Rather, the loan merely delays hardship rather than

relieves it.

The five week wait is having significant impacts on single parents and their children. Over half (58%) of those affected by the five week wait had to go without or cut back on food, while over a fifth (21%) said their children had to do the same.

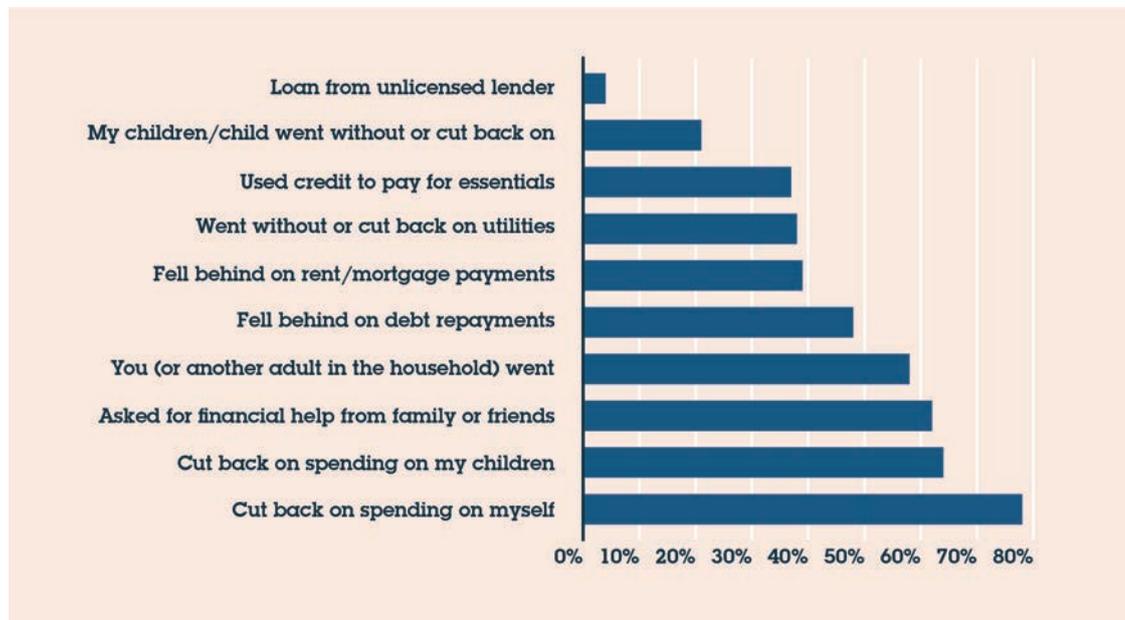


Figure 17: Did the five week wait for the first UC payment cause you to do any of the following?

This section has shown that single parents face income and expenditure shocks which increase their vulnerability to problem debt. Most households (particularly those with children), face financial shocks similar to single parents, however, single parents are considerably less likely to have the underlying financial resilience to manage without turning to credit. Furthermore, their increased reliance on social security means temporary drops in income (as is common on UC) occur much more frequently for single parents.

Conclusion and recommendations

This report was prompted by evidence of widespread debt problems among single parents. Our findings show that single parent families have increased exposure to problem debt as a result of one or more factors:

- Insufficient income to meet essential costs is the most common factor that increases single parents' exposure to problem debt, compounded by high essential costs such as housing and childcare, and obstacles to 'making work pay'. A combination of poverty, 'lumpy' costs associated with raising children and dependence on credit products not well suited to those with low incomes exposes single parents to over-indebtedness and debt traps.
- Many single parents begin life as a single parent dealing with a difficult financial legacy at the end of a relationship, including existing debts and arrears, the expense of setting up a new home and legal costs. These difficulties and costs increase risks of financial difficulty and problem debt.
- Many single parents have experienced economic abuse in a former relationship. Those affected are dealing with the personal and financial impacts of abuse, which may both cause problem debt and increase risks of future financial problems. For many there are limited safe ways out of debt acquired in an abusive relationship, even if coerced.
- A lack of financial resilience means that a wide range of life events, such as unemployment or a fall in income due to illness or disability, can precipitate or compound debt problems among single parents.

None of these factors exists in isolation and severe problem debt is usually the result of more than one factor; for example, it is not unusual for a single parent to begin life as a single parent managing financial difficulty, face a challenging battle to budget to meet essential costs without exacerbating debt, and experience one or more life events associated with ill-health or insecure work. Such pathways are not necessarily linear, with many single parents experiencing cycles of acute financial difficulty.

While some problems, such as persistent low income, are particularly acute for single parents, others, such as difficulty dealing with sudden income shocks, are common to other groups that experience problems with debt. This final section of the report describes what can be done to prevent problem debt among single parents and better support those affected.



Ensuring single parents have sufficient income to make ends meet

The extent of income poverty among single parents means that there is a substantial gap to bridge so that single parents have a realistic opportunity of managing their finances without significant risk of over-indebtedness. This is a challenge that could be met by the social security system, child maintenance arrangements and childcare provision.

Social security

- Insufficient income to meet essential costs is the most common reason for single parents being in problem debt. The government should prioritise protecting incomes during the downturn driven by COVID-19 by maintaining the £20 per week uplift to UC beyond April 2021 and extending it to legacy benefits, while also considering a targeted increase to the child element of UC and tax credits.

The government should target reducing deep and persistent poverty among families with children by removing the Benefit Cap. 62% of those impacted by the Benefit Cap are single parents – and those affected have been locked out of the £20 uplift to UC. The removal of the Benefit Cap is crucial in ensuring those most in need are not prevented from accessing financial support others have had access to through and beyond COVID-19.

- The Institute for Public Policy Research recently proposed a ‘Minimum Income Commission’ to provide the type of institutional guidance provided for the minimum wage by the Low Pay Commission and advise on a sustainable pathway for social security support linked to the Minimum Income Standard (McNeil et al, 2019). We support the call for a Minimum Income Commission with a statutory remit to advise the government on relinking the value of social security payments to living costs. Any such commission should consider particularly the interaction of multiple income sources such as work, social security payments and child support.

Childcare

It is clear that wider policy intervention is required to address gaps in the availability and flexibility of early education and childcare provision. It is now over 15 years since the last comprehensive national childcare strategy and a new long-term strategy is needed. Two pragmatic steps the government can take to support working single parents to meet childcare costs is firstly to increase the caps on the childcare element of UC (including removing the ‘two child’ limit to the childcare element as well as the wider two child cap that each create work incentive cliff edges) and secondly to introduce a mechanism through interest free budgeting advances to enable single parents to meet the up-front costs of childcare. Gingerbread has developed the blueprint for how this might look through the Childcare Deposit Loan Scheme, which offers interest free loans with no set cap to pay for upfront childcare costs, which are paid back through deduction from wages.

This has been adopted by the Greater London Authority, and could be adopted at national level.

Child Maintenance Service

Child maintenance payments are an important source of income for many single parents. The CMS records a compliance rate of around 68% (pre-COVID-19), but this is with an extremely low bar for “compliance”. According to our research, only 29% regularly receive the full amount of support to which they are entitled.

The present system of enforcement is ineffective, penalises (through the imposition of a charge) single parents for the unwillingness of the second parent to meet their responsibility to support their child/children, and can become a mechanism through which a victim of domestic abuse is subject to further control and threats. The CMS is in need of urgent reform:

- Charges should be removed for receiving parents, including the initial £20 enrolment charge and 4% surcharge for the Collect and Pay service.
- Best practice standards in responsible debt collection practices should be applied to increase the amount of child support payments that are collected, and enforcement mechanisms utilised effectively where appropriate to tackle parents who attempt to avoid or minimise agreed child support payments.
- The Department for Work and Pensions should make improvements to improve the operation of the service for survivors of domestic abuse who account for 57% of applicants onto CMS - and are at a high-risk of experiencing post-separation economic abuse via ongoing attempts to control their finances.

Support single parents to be financially resilient and have access to safe and affordable credit options

Reducing poverty increases financial resilience: those with greater disposable income enjoy a larger buffer to cope with fluctuations in expenses and are more likely to be able to save regularly. This noted, financial resilience is not solely a matter of income. Here we set out three further priorities to better support single parents to be financially resilient.

The first is to make improvements to the design and administration of UC, which will ultimately affect nine in ten single parents, to ensure that social security support supports rather than undermines financial resilience. This report highlights how UC contributes to budgeting instability through fluctuating payments, errors and unaffordable deductions to repay advance payments. As UC is developed in the future, the government should seek to improve the stability of payments and better support those experiencing financial difficulty through a reformed system of deductions to meet priority debts.

The ability to save and to access safe, affordable credit are central to the

ability to cope with fluctuating expenses from week to week and month to month. While increasing income and reducing expenses are the clearest way to improve the ability to save, the Help to Save scheme could also be used. This scheme aims to provide households receiving UC (or Working Tax Credit) with assistance to save. It provides matched payments of 50% of the amount saved with a maximum deposit of £50; payments are made after two and four years with a maximum total matching payment of £1,200.

The Help to Save scheme was rolled out in 2019. The scheme could be adapted to better support single parents and accommodate the difficulty households with low incomes have with setting aside money to save; this is particularly important for those struggling with arrears and over-indebtedness who otherwise have little opportunity to save. This could be achieved by integrating the scheme more closely with UC alongside a reformed deductions framework, prioritising voluntary savings contributions above the recovery of non-priority government debt such as benefit errors, overpayments and sanctions.

We therefore recommend that the government links Help to Save more closely with UC and uses learning from the roll out of Help to Save to explore how the scheme can be developed to overcome savings barriers for households with low incomes that need to both build and maintain access to an emergency savings fund.

A second way of improving financial resilience is by increasing access to affordable credit. This report notes that households with children, including those with middle-to-higher-incomes, often rely on credit as a budgeting tool. This reflects the challenge of meeting larger irregular or unpredictable expenses with limited disposable income at any given time.

Providing safe credit options for families with low incomes presents a significant policy challenge. If families do not have enough income to make ends meet, credit will tend to change the pattern of hardship rather than relieve it ('hardship now or hardship later') and can easily make the situation worse. There is ample evidence that UC advances, which are effectively a form of no-interest credit, lead to additional hardship for those accessing support because they are repaid through a reduction of standard UC payments (StepChange and Trussell Trust, 2019).

Policy makers must therefore meet the challenge of supporting households like single parents to meet lumpy expenses while having a realistic understanding of the limitations of affordable credit for single parents. The range of factors involved suggest that policy makers should take a segmented approach depending on the circumstances of the single parent involved:

- **Those unable to make affordable credit repayments, even for no-interest loans**

This group requires first and foremost action to address poverty but policy makers should also consider how standard UC payments can be supplemented with flexible grants to support those with low incomes

during the pandemic and the COVID-19 Winter Grant have prompted local authorities to extend more flexible support along these lines. The government should now draw on learning from this support to help those facing hardship to meet essential costs.

- **Those who can afford to repay a no-interest loan**

For those single parents who can afford to repay no-interest loans, there are two ways the government can quickly extend provision: the first is by improve the way that UC budgeting advances are provided through more flexible eligibility criteria and borrowing and repayment terms. This improvement would also include removing restrictive eligibility criteria unrelated to affordability and allowing multiple loans (up to an appropriate maximum amount).

The long-term impact of the COVID-19 pandemic on financial resilience means that it is now more urgent to scale up affordable credit alternatives and the government should now act quickly to establish a pilot scheme for a national no interest loan scheme based on its recent scoping study.

- **Those who can afford to repay interest-bearing credit**

Finally, there is a group who can afford to repay interest-bearing credit. The government has allocated dormant assets funding to support a new organisation, Fair4All Finance, to increase access to fair, affordable and appropriate financial products. We recommend that Fair4All Finance consider as part of its remit going forward how it can support and scale up affordable credit provision that is designed to meet the budgeting needs of single parents (alongside families with low incomes) particularly.

Preventing economic abuse and supporting survivors:

Financial services and advice providers have a responsibility to support survivors of economic abuse. The FCA recently consulted on new vulnerability guidance for regulated financial services (FCA, 2019). The guidance, which has yet to be finalised, sets out what regulated firms and services should be doing to improve outcomes for vulnerable customers. It broadly requires that firms understand the needs of vulnerable customers, ensure staff are able to address the needs identified, and translate this understanding into practical action. The guidance does not specifically cite economic abuse but draws attention to related vulnerabilities such as poor mental health and causes of vulnerability, including relationship breakdown.

A voluntary economic abuse code of practice has been developed by UK Finance; implementation of the code has been subject to evaluation and has the potential to support a more consistent and informed response by firms as they respond to the FCA's new vulnerability guidance (UK Finance, 2018; Surviving Economic Abuse, 2020a). An Economic Abuse Evidence Form (EAEF) has also been developed by Surviving Economic Abuse and Money Advice Plus, drawing on learning from the Debt and Mental

Health Evidence Form. The form is designed to provide evidence needed by financial services to support those affected by economic abuse and prevent victims experiencing repeated requests for the same information. The Money and Pensions Service has committed to support a pilot of the form in 2021 (Money and Pensions Service, 2020).

These steps are welcome but must be seen against continued difficult experiences of survivors; it is crucial firms and services continue make progress in better supporting those affected by domestic and economic abuse.

Regulated firms and advice providers should now use new Financial Conduct Authority vulnerability guidance to scrutinise and improve how effectively their products and services work to prevent, identify and end economic abuse, and support those who are struggling with financial difficulty and/or coerced debt as a result of an abusive relationship.

As part of its future work programme, the FCA should also seek to understand the role of financial services in preventing and responding to economic abuse and what further action can be taken through rules, guidance and good practice resources to improve the effectiveness of the regulatory framework in meeting these aims, particularly in light of its statutory consumer protection objective.

It remains the case that those who have experienced economic abuse are most often expected (and contractually obligated) to repay coerced debt build up in their name by an abusive (ex)partner. Regulatory requirements of creditors require that forbearance is applied in some circumstances, such as when someone is unable to afford contractual repayments. This form of forbearance most often takes the form of rescheduling of repayments through a long-term repayment plan. Where creditors are aware of economic abuse (or other factors such as a customer's vulnerability), lenders may also apply additional forbearance such as forgiving interest charges or writing off outstanding debt. Recent research suggests such discretionary debt forbearance or write-off for those who have experienced economic abuse occurs in one in four cases (Surviving Economic Abuse, 2020).

Other options for most survivors of economic abuse struggling with coerced debt are limited. Debts may be challenged through consumer credit regulation and formal complaints procedures (initially to a firm and subsequently to the Financial Services Ombudsman) in specific circumstances. It is possible, for example, to pursue a complaint against a creditor where they have not applied appropriate affordability checks. There are also narrow circumstances in which a debt may be challenged through consumer credit law; however, this is likely to relate to issues such as a failure to provide required information in a credit agreement rather than the context of abuse.

There are circumstances in which a debt may be challenged on legal grounds such as 'undue influence' or 'economic duress'. There is a high legal bar to prove debt was coerced, complicated by family law, and such debts can only

be challenged where it is also possible to prove that a creditor was aware of and ignored signs of coercion. It is also possible to challenge debts that were taken out fraudulently, for example without someone's knowledge or consent.

The reality for most survivors of economic abuse remains that they have little choice but to deal as best as possible with unaffordable debt alongside other challenges of rebuilding their lives. This is undoubtedly a significant factor in the harm caused by abuse and ongoing hardship and vulnerability. Economic hardship is also a primary reason a victim may stay with, or return to, an abusive partner.

A clear and accessible pathway is needed to allow survivors of domestic abuse to access release from liability for unsecured debt where the liability arose from economic abuse. Achieving this is not simple and touches on regulation, practice and wider consumer credit and family law frameworks.

The Domestic Abuse Bill is proceeding through Parliament at the time of writing. The Bill as introduced will create a new definition of domestic abuse, including economic abuse, and provide a power for the Home Secretary to issue relevant guidance¹⁶. The Bill is not designed to change the treatment of joint debts acquired because of an abusive (ex) partner, but other provisions the bill includes, such as the creation of a Domestic Abuse Commissioner for England, will create opportunities to better support those affected by economic abuse.

We recommend that as part of a future work programme, the new Domestic Abuse Commissioner consider working with stakeholders to gather evidence and explore and clarify the changes necessary to ensure survivors of economic abuse are released from liability for coerced debt where the liability arose from economic and/or physical abuse.



16 Other provisions of the bill include:

- establishing a Domestic Abuse Commissioner to 'provide strategic oversight of the national response to domestic abuse and hold public authorities to account';
- reforming civil protection orders against perpetrators of domestic abuse;
- creating a new statutory duty for local authorities to convene a Local Partnership Board responsible for an area-wide domestic abuse strategy to assess and meet the needs of those affected by domestic abuse;
- extending support for victims of abuse in courts;
- putting the Domestic Violence Disclosure Scheme on a statutory footing; and
- ensuring victims of domestic abuse in social housing can access secure tenancies.

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