



MAPS call for evidence on access to debt advice during the Covid-19 pandemic: London Citizens Advice Response

We welcome the opportunity to respond to this call for evidence by the Money Advice and Pension Service (MaPS) concerning the impact of the Covid-19 pandemic on access to debt advice. We are responding as London Citizens Advice (28 local charities delivering services in all London Boroughs). Over 2020 across the national Citizens Advice network the service helped 258,000 people to get the debt advice they need. Despite all the challenges of Covid-19 changing how we work, we have continued to support people in a way that works for them, and that must always be the priority in designing and commissioning debt advice service models. 86% of people said we helped them find a way forward and we helped 1 35,000 clients gain £840 million of extra income.

We warn against taking a complacent approach on the evidence need for debt advice or drawing assumptions from existing trends about the digital capabilities of different cohorts of debt clients. Whilst official statistics show that total household debt has remained mostly unchanged overall over the period of the pandemic, largely due to a fall in consumer spending, this masks significant disparities in personal debt, with households in higher income brackets have financially benefited from the consequences of Covid-19, whilst those on lower incomes or struggling prior to the pandemic have been pushed into considerable financial distress. ONS and the financial sector's macro data sets about households' financial resilience may be missing some of the critical areas of demand as there is plenty of evidence that the impact of Covid on personal finances has been significant, so it is important that MaPS look at a wider data sets when looking at the demand side of debt advice, for example

- National polling conducted by YouGov for the Money Advice Trust with a total sample of 2,023 adults showed that that a third of adults in Britain (31%) report being financially worse off as a direct result of the pandemic, rising to 58% for those who are unemployed
- According to research by StepChange since the pandemic began 14 million GB adults have experienced a fall in income that affected their ability to meet day to day costs¹

¹ https://moneyadvicetrust.org/media/documents/The_cost_of_covid.pdf

- Citizens Advice estimated that 6 million UK adults have fallen behind on at least one household bill during the pandemic²

Low income households are now facing further challenges in light of the end of the furlough scheme, the cut to Universal Credit, rising living and energy costs, as well as the increase in National Insurance contributions. We hope MaPS will recognise that way that debt matters were handled during the pandemic may not be applicable as learning points for the post pandemic situation. Our experience was that demand for debt advice was lower than we had originally expected, due to in part to the various Covid mitigation measures and policy interventions such as the stay on eviction proceedings, mortgage payment holidays, suspension of bailiff visits, the FCA guidance on debt recovery, and local authorities forbearance on council tax arrears. arrears etc. Combined with the furlough scheme, extension of universal credit and suspension of benefit sanctions, reassessments, direct deductions from benefits, these factors hugely impacted on the demand for debt advice and the profile of debt clients during the pandemic. The experience of delivering debt advice during the pandemic therefore has only limited relevance to how debt and money advice should be delivered from April 2022 when the new contracts come into effect.

It is also important that MAPS appreciate that debt does not exist in a vacuum, as all debt advisers know unmanageable debt is closely related to wider problems in people's lives involving financial exclusion, employment problems, welfare benefits, family breakdown and poor physical and mental health. The strength of the Citizens Advice model is to enable debt advice to work alongside (or be integrated with) other advice and support services within local communities and for advice to be delivered in trusted settings.

In this context we are concerned about the impact of the potential closure of face-to-face debt advice services that may result from the current MAPs procurement process which is structured on the basis of national service models and large regional footprints. It is important that this approach does not displace the link between debt advice and local communities. The benefits of a local approach to debt advice delivery is that it enables debt advice agencies to work constructively with local authorities who are often clients' creditors. The necessary move to digital and phone-based provision during the pandemic should in no way be taken as an indication that these channels are suitable for all client groups, and many agencies have reported losing their more digitally excluded clients over the period of the pandemic. Whilst the primary focus of our response concerns the needs of clients and unmet demand, the impact of new channel strategies on the dedicated debt advice workforce should also be considered – debt advisers work in a wide variety of communities, settings and organisations, their expertise and ability to contextualise should be built on.

Both the MAPS UK Strategy for Financial Wellbeing 2020–2030, and the Wyman review³ recognised that capacity in the debt advice sector needs to be grown and

² <https://www.stepchange.org/Portals/0/assets/pdf/Coronavirus-impact-dashboard-January-2021-StepChange.pdf>

³ <https://maps.org.uk/wp-content/uploads/2021/03/peter-wyman-review-of-debt-advice-funding-2018.pdf>

underpinned by a funding model that is “is adequate, fair, sustainable and transparent.”⁴ Citizens Advice supports a multi-channel strategy for advice provision to ensure that debt advice services are accessibility and can reach the people who need them, this means that all channels – digital, phone, and face to face - should be optimised.

What are your reflections on the impact of the closure of face-to-face debt advice services, particularly for those customers more likely to have been struggling financially prior to the pandemic?

As above, we are concerned that those with digitally literacy issues who are struggling with debt and personal finance will be lost to advice services, and it will be much harder to help them in the future without local access to face-to-face debt advice services. Those who have the worse debt problems are often vulnerable having perhaps experienced bereavement, loss of employment, loss of health, domestic abuse, so the importance of a safe and supportive environment cannot be overstated. It can be especially hard for those experiencing domestic abuse of difficult family issues to able to access advice remotely from home, and those learning disabilities and mental health difficulties may not be able to manage telephone or digital services at all.

Whilst debt advisers have adapted well to remote working during the pandemic, there are concerns that in making remote access the normative delivery channel advisers can miss being able to access and assemble all of their clients’ paperwork or manage some processes that are still very paper based (for example dealing with enforcement action.)

What changes, if any, did you see in the socio-economic and/or demographic profile (e.g. age, gender, ethnicity, disability status) of your client base during the pandemic?

We have not had time to do a full breakdown of changes in client demographics over covid (regrettably only a month has been given to this consultation rather than the usual three months) but we will share this data with MAPS in the coming weeks. Local Citizens Advice in London have though been seeing more self-employed people unable to meet their living expenses due to having been excluded from the government financial help schemes. Those with irregular or precarious work not on regular payrolls or working through their own taxable self-owned businesses have often not benefited from the Coronavirus Job Retention Scheme (CJRS) or Self-Employment Income Support Scheme (SEISS). For example

Tony lost his job as a waiter in March and was unable to pay his rent. Although Tony negotiated a rent reduction, benefit payments could not cover all his living costs and his rent arrears increased. A local Citizens Advice advised Tony to apply for the Council’s DHP scheme.

⁴ <https://moneyandpensionservice.org.uk/wp-content/uploads/2020/01/UK-Strategy-for-Financial-Wellbeing-2020-2030-Money-and-Pensions-Service.pdf>

Local Citizens Advice have also saw a demographic of clients who had not been in debt before and who had not claimed benefits before, but at the same time there has been concern across different advice agencies the more vulnerable clients that advice services have experience of helping have disengaged.

Reflecting on any changes you made to your service delivery model during the pandemic, what impact did these have on the type of the cases you were seeing during that time, either in terms of complexity or urgency/priority?

When the pandemic began, local Citizens Advice rapidly transitioned our debt service so people could continue getting the help they needed. Managers, staff and volunteers adapted swiftly to expand Citizens Advice phone, email and webchat advice channels and there was an increase in people seeking online debt and money advice through our website, and contacted us by phone and email since the first lockdown. We also saw an increase in people seeking advice on tax issues (as many workers were furloughed during the pandemic), stopping credit card payments, and people using the social security system for the first time. But at the same time, it has been harder to engage clients with more complex problems, and our data also suggests that some people have simply putting off their debt problem. Transitioning rapidly to remote services had not been without its challenges with practical difficulties faced by clients and advisers trying to provide advice remotely during the pandemic (eg., clients struggling to explain the contents of letters to advisers over the phone.)

How has the pandemic affected the way you deliver debt advice?

Citizens Advice moved quickly to pivot to remote delivery of advice and has been able to share experience of managing this transition across the network. Nevertheless, the COVID restrictions caused difficulties in maintaining the quality of service needed by vulnerable.

In 2020 Citizens Advice successfully secured funding to test a regional 'locum adviser pilot' to provide contingency support to cover staff absence and meet the changing needs of our debt advice delivery model following Covid-19 restrictions. This was the first of its kind in the debt advice sector

How did the closure of in-person services affect how you engage with your community networks as sources of client referrals for debt advice, and how did you adapt your approach?

As above, debt cannot be treated in a vacuum, for example indications suggest that foodbank use doubled in 2020. So last year Citizens Advice partnered with the Trussell Trust to launch a new phone line to support people with emergency food and advice support. Our free helpline offers personalised support to people struggling to afford the basics, providing the tools, advice and connections needed to help them towards a future where they have enough money for essentials. 80% of our helpline callers said that they had been affected by the pandemic, in some way.

1 in 3 people had a debt problem, with 96% saying their problem had worsened in the last year.

What were the challenges and opportunities, and how can MaPS capitalise on these opportunities in the design and delivery of future debt advice services?

We would like to see MaPS adopt a more co-productive approach towards the design and delivery of future debt advice services working collaboratively with the debt advice sector, including the feedback from this consultation (whilst this is a useful consultation exercise, it should perhaps have been issued before commencing the new tender process).

We support the expansion of digital channels and would like to see this continue, but not at the expense of face-to-face services which are still needed. As a trusted source of support in communities across London we're well placed to work with MaPS on how debt advice can be extended to support more people from a range of diverse communities.