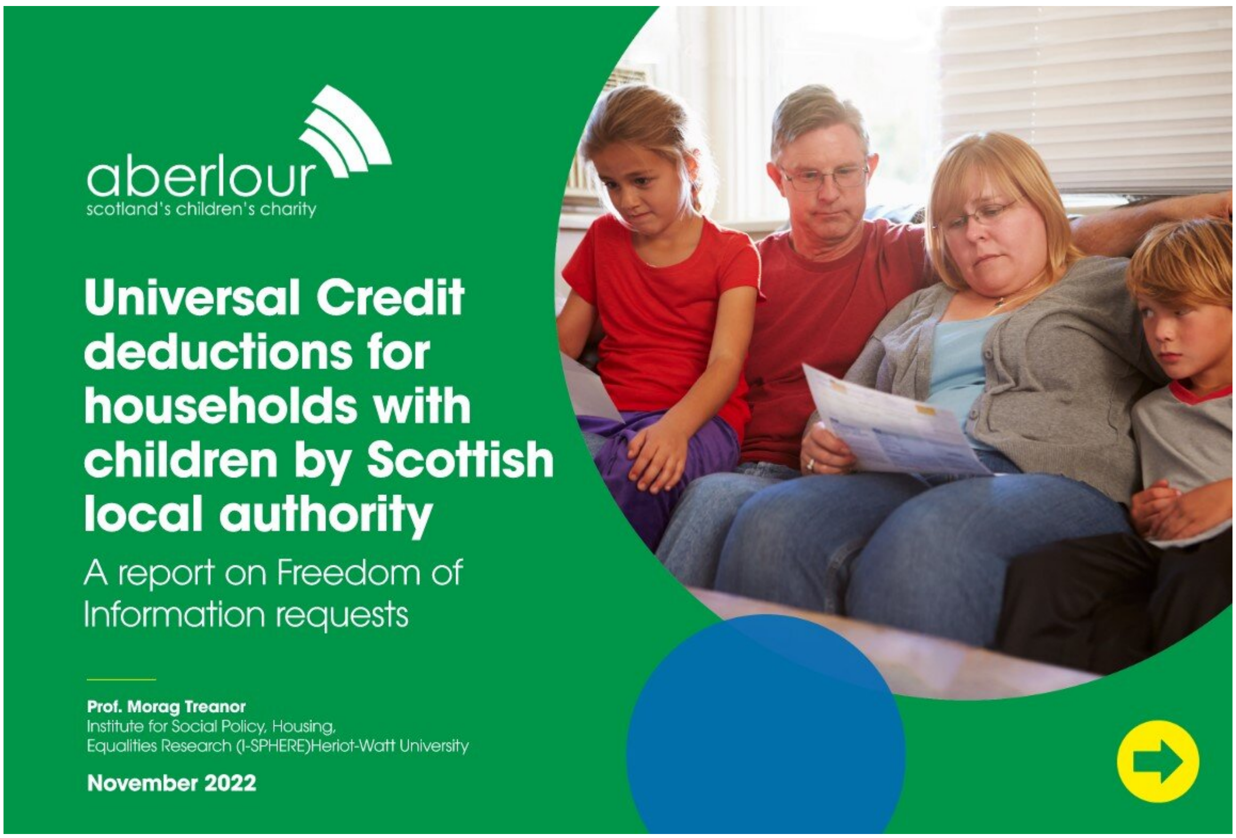
Low-income families in Scotland are facing soaring debt to public bodies

November 30 2022



Credit: Heriot-Watt University

A new report written by Heriot-Watt University for Aberlour Children's Charity reveals that low-income families are facing high levels of debt to public bodies. The report shows that more than half of families (55%)

with children in Scotland receiving Universal Credit are having their incomes reduced by the Department of Work and Pensions (DWP) to pay off these debts.

More than a quarter (27%) of low-income families in Scotland in receipt of Universal Credit have multiple deductions by the DWP from their monthly income to cover debts to public bodies. This includes paying back Universal Credit advance payments, as well as "third party deductions" on behalf of local authorities and other public bodies for rent arrears, service charges and council tax payments.

The research also found that:

- Low-income families in Scotland in receipt of Universal Credit with debts to public bodies are seeing their monthly income reduced on average by £80 to cover those debts
- Scotland has a higher proportion of families with multiple deductions from their monthly income by the DWP to cover debts to public bodies compared to England and Wales.
- Low-income families in Scotland in receipt of Universal Credit with debts to public bodies are seeing their monthly income reduced on average by 10% to cover those debts

The report does not show deductions by the DWP for those in receipt of legacy benefits (e.g. Child Tax Credits or Job Seekers Allowance) and therefore the findings are conservative figures and it is likely the true figures are much higher.

The charity is worried that families eligible for the Scottish Child Payment are not feeling the benefit of the increase in their income this should provide, as the majority of the payment for one child is being swallowed up by deductions taken by the DWP.

The charity says that the poorest families' household incomes are simply inadequate, and more and more families are relying on foodbanks and charities, like Aberlour, to help them feed and clothe their children.

Aberlour is now urging government departments to act to help families burdened with debt to public bodies that is keeping so many locked in poverty. The charity wants the U.K. and Scottish Governments and local authorities to prevent struggling families being plunged into crisis and financial distress by responding differently—with empathy, compassion and support—to low-income families with debts to public bodies.

The charity is calling for a moratorium on all public debt recovery for at least six months for those in receipt of Universal Credit and legacy benefits to provide some relief to households during the worst of the cost-of-living crisis this winter. It wants to see legislation introduced in Scotland that would ensure public debt recovery practice is consistent, rights-based and does not push families into poverty and destitution. The charity is also continuing to call for school meal debt for low-income families to be written off.

Professor Morag Treanor from Heriot-Watt University and author of the report said, "In June, we worked with Aberlour to reveal the horrifying number of families in Scotland struggling to pay for school meals, highlighting the damaging impact this is having on the health and well-being of our country's young people. Nearly six months later, seven councils have written this debt off, providing much relief to some of Scotland's families. However, the majority have not.

"This new report demonstrates that over half of families with children in Scotland are trapped in a damaging cycle of poverty because of Universal Credit deductions. With families seeing their monthly income reduced on average by £80 to cover those debts, while fuel and food prices rapidly increase is, in real times, significantly worsening their financial circumstances. These findings are a crucial reminder that the Government needs to act now to support low-income families as we head into winter."

Aberlour's Chief Executive SallyAnn Kelly said, "Aberlour campaigned for the introduction and increase of the Scottish Child Payment as a vital boost to the incomes of families in Scotland who have the least. Our research shows that tens of thousands of families eligible for the payment are not feeling the full benefit of that financial help, as the majority of the increase in income it provides is being canceled out by deductions to cover the costs of debt to public bodies. Quite simply, Scotland's poorest families are receiving help with one hand that is being taken away by the other."

Provided by Heriot-Watt University

Citation: Low-income families in Scotland are facing soaring debt to public bodies (2022, November 30) retrieved 2 May 2024 from https://phys.org/news/2022-11-low-income-families-scotland-soaring-debt.html