Exploring the relationship between problem debt and risk of homelessness

Centre for Homelessness Impact

University of Bristol / PFRC

April 2026

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Acknowledgements

This research was kindly funded by the Centre for Homelessness Impact (CHI).

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About The Centre for Homelessness Impact

The Centre for Homelessness Impact champions the creation and use of better evidence for a world without homelessness. Our mission is to improve the lives of those experiencing homelessness by ensuring that policy, practice and funding decisions are underpinned by reliable evidence.

Person-first language

This report uses person-first language, putting a person before their circumstances. This is to avoid defining an individual by homelessness, which should be a temporary experience.

Findings in Brief

Problem debt is a systemic driver of homelessness. Across the evidence, a consistent picture emerges: debt is a key mechanism through which structural pressures become housing crises

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Rent arrears, Council Tax debt and utility arrears are the most significant debt types, carrying severe and often rapid enforcement consequences that push households from financial strain into acute crisis

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Once homelessness has occurred, existing debts and the accumulation of new ones can entrench housing insecurity and delay or prevent recovery

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Debt rarely occurs in isolation — low-income renters typically manage multiple overlapping arrears, often forced to deprioritise rent not through poor financial management, but because the system demands impossible choices between essentials

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The relationship between debt and homelessness is cyclical: debt damages mental and physical health, reducing people's capacity to engage with landlords and services; homelessness in turn generates further debt through higher living costs and disrupted benefits

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Some groups face acute and distinct risks — people with disabilities, single parents, young people, and survivors of domestic and economic abuse - experience debt pathways shaped by benefit inadequacy, income volatility and, in some cases, coerced or historic debts

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Targeted, downstream support alone cannot offset these structural risks in the absence of wider system reform

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Recommendations in Brief

The evidence is clear that problem debt is not a peripheral issue but a central mechanism through which structural pressures translate into homelessness. Preventing homelessness therefore requires acting not only on housing, but on the systems that generate and manage debt.

At national level: addressing the structural drivers of debt and homelessness

- Increase the adequacy and stability of incomes, particularly for low-income renters facing volatile earnings and benefit deductions
- Align housing support with real rental costs, reducing structural shortfalls that drive rent arrears
- Reform public sector debt enforcement to incorporate affordability and vulnerability, moving away from approaches characterised by rapid escalation toward more sustainable resolution

Evidence on public sector debt collection raises concerns about approaches that rely on escalation without sufficient consideration of affordability or vulnerability. There is therefore value in testing how alternative enforcement approaches, and different balances of income support and debt reduction, affect both financial recovery and homelessness outcomes.

At local level: embedding prevention across systems

- Use integrated administrative data as an early warning system for housing risk
- Align revenue collection, welfare support and homelessness prevention around shared outcomes
- Prioritise early intervention and resolution, rather than escalation through enforcement
- Develop targeted approaches for groups facing the highest and most complex risks

Testing could usefully focus on how early warning systems translate into action, including the timing, intensity and form of intervention that most effectively prevents escalation.

For service delivery: making support accessible, timely and joined-up

- Integrate debt advice, housing support and income maximisation, reducing fragmentation
- Intervene earlier and more flexibly, before problems become entrenched
- Ensure services are accessible, trauma-informed and responsive to complexity
- Enable frontline staff to resolve problems collaboratively, rather than defaulting to enforcement pathways

Further evaluation would strengthen understanding of which models of integration and tailoring are most effective in improving housing outcomes.

For research and evaluation

The evidence base is strongest on why debt drives homelessness, and weaker on which interventions work best to prevent it. Research should therefore prioritise the testing of:

- data-led early warning and prevention approaches
- alternatives to standard enforcement models
- targeted debt relief as a prevention tool
- integrated service delivery models

A system-level shift

Across all levels, the evidence supports a shift from responding to crisis toward earlier, prevention-focused and system-aligned approaches. Delivering this will require not only policy and practice change, but a sustained commitment to learning what works, for whom, and at what cost.

Executive summary

This review examines the role of problem debt in increasing the risk of homelessness among low-income renters, and the strength of evidence on interventions that may prevent or mitigate this risk. The findings point to a clear and consistent conclusion: problem debt is a systemic driver of homelessness, not a marginal or individualised issue. Debt operates as a key mechanism through which wider structural pressures – such as insufficient and unstable incomes, high housing costs, rising essential bills, and the design of the welfare system – are translated into housing insecurity and homelessness.

Across the evidence, rent arrears, Council Tax debt and utility arrears emerge as particularly significant. These priority debts carry severe consequences and are often subject to rapid, inflexible and punitive enforcement processes. For households already under financial strain, debt frequently becomes the tipping point that shifts precarious housing situations into acute crisis. Once homelessness has occurred, existing debts and the accumulation of new ones can entrench housing insecurity and delay or prevent recovery.

The review shows that debt rarely occurs in isolation. Low-income renters typically manage multiple, overlapping arrears, often owed to public bodies as well as private creditors. Inadequate income and benefit deductions force households to make impossible trade-offs between essentials, meaning rent is sometimes deprioritised - not because of poor financial capability, but because the system requires people to decide which crisis to address first. As arrears accumulate, the risks of eviction, temporary accommodation and repeat homelessness increase sharply.

Importantly, the relationship between debt and homelessness is cyclical and reinforcing. Debt undermines mental and physical health, reduces people's capacity to engage with landlords, creditors and support services, and increases stress and stigma. Homelessness, in turn, generates further debt through higher living costs, disrupted benefit claims, insecure accommodation and increased reliance on credit. This can result in prolonged housing precarity rather than a single, time-limited episode of homelessness.

The evidence also highlights that some groups face particularly acute risks. People with disabilities, single parents, young people, and survivors of domestic and economic abuse experience distinctive debt pathways shaped by benefit inadequacy, income volatility, additional costs and, in some cases, coerced or historic debts. For these groups, debt is both more likely to arise and more likely to lead to housing loss. Critically, the review finds little evidence that targeted, downstream support alone can offset these structural risks in the absence of wider system reform.

Overall, the findings underscore that preventing homelessness requires preventing debt - and that preventing debt requires action on the structural conditions that make arrears almost inevitable for many low-income renters. This is not primarily a problem of individual behaviour or financial literacy, but a predictable outcome of policy choices relating to income adequacy, housing affordability and debt enforcement.

The review therefore calls for a multi-level response:

- At national level, problem debt should be treated explicitly as a core homelessness prevention issue, with reforms to strengthen income adequacy and stability, reduce exposure to unaffordable housing costs, and align public sector debt enforcement with affordability and vulnerability principles.
- At local level, there is strong evidence for closer alignment between revenue collection, welfare and homelessness prevention functions, using debt data as an early warning system and prioritising early, affordable resolution over enforcement.
- For service delivery, the evidence supports integrated, trauma-informed approaches that combine debt advice, income maximisation and housing support, delivered early and flexibly.
- For research and evaluation, the review identifies significant gaps in the evidence base, particularly around the effectiveness of debt-focused homelessness prevention interventions and the differential impacts of debt across population groups. Addressing these gaps will be critical to strengthening future policy and practice.

Taken together, the findings position problem debt as a central, preventable driver of homelessness, and highlight the need for coordinated, evidence-informed action across policy, practice and research to reduce homelessness at scale.

Foreword

Problem debt is often treated as a private misfortune or a matter of individual responsibility. This report shows, clearly and convincingly, why that framing is wrong.

The evidence brought together here demonstrates that problem debt is a systemic driver of homelessness across the UK, operating as the mechanism through which wider structural pressures: insufficient and unstable incomes, high housing costs, rising essential bills, and the design of welfare and debt enforcement systems, translate into housing insecurity and, too often, homelessness.

At the Centre for Homelessness Impact, we work across England, Scotland, Wales and Northern Ireland to strengthen the evidence that underpins policy, practice and funding decisions. We commissioned this report because, across all nations, debt repeatedly appears as a critical but under-addressed part of the homelessness system. While housing and welfare responsibilities are devolved in different ways, the underlying dynamics linking debt and homelessness are strikingly consistent.

This review, undertaken by the University of Bristol, brings much-needed clarity. It shows how rent arrears, Council Tax debt, utility arrears and public sector debt – often enforced rapidly and punitively – can act as tipping points, pushing people from precarious housing into acute crisis. Importantly, the report highlights how these pressures play out differently across nations, reflecting variations in policy design, enforcement practices and housing systems, while still producing similar risks and harms.

The evidence also shows that problem debt rarely occurs in isolation. Low-income renters across the UK are often managing multiple, overlapping arrears, forced into impossible trade-offs between essentials – not because of poor financial capability, but because systems require people to decide which crisis to address first. For people with a disability, single parents, young people, and survivors of domestic and economic abuse, these dynamics are particularly severe, compounding existing inequalities and increasing the risk of homelessness.

Crucially, the relationship between debt and homelessness is cyclical and reinforcing. Debt undermines mental and physical health, reduces people's capacity to engage with landlords, creditors and support services, and increases stress and stigma. Homelessness, in turn, generates further debt through disrupted benefit claims, insecure accommodation and higher living costs—prolonging housing insecurity rather than resolving it.

The implications are clear across all four nations. Preventing homelessness requires preventing debt, and preventing debt requires action beyond downstream crisis responses. It requires coordinated, system-level approaches that strengthen income adequacy and stability; align public sector debt enforcement with affordability and vulnerability principles; and support earlier, integrated and more humane responses at local level.

This report does not offer simplistic solutions. Instead, it provides a robust, evidence-informed foundation for action: nationally and locally, and across devolved contexts. We hope it will support policymakers, local leaders, practitioners and funders in every nation to better understand where intervention can make the greatest difference.

Homelessness is not inevitable. Nor is the accumulation of unmanageable debt among people already struggling to make ends meet. Both are the predictable outcomes of systems we have designed, and therefore systems we can redesign, if we choose to act on the evidence.

Lígia Teixeira is Chief Executive of the Centre for Homelessness Impact

1. Introduction

This paper explores the drivers and serious effects of problem debt[1] that increase the risk of entry into homelessness, with a focus on the low-income[2] and renter households who are more susceptible to harm when debt problems occur. We also examine the evidence of interventions to alleviate and prevent debt problems.

As a systems-wide evaluation of homelessness and rough sleeping notes, while poverty is a fundamental driver of homelessness,[3] the risk of an individual or family experiencing homelessness is influenced by a range of interrelated factors that may be structural (e.g. a shortage of social housing, unaffordable private rents, rising essential costs, help through benefits) and individual.[4] Individual factors can be personal (e.g. relationship breakdown, domestic abuse), health-related (e.g. poor physical or mental health, disability, addiction) or financial (e.g. low financial resilience, problem debt).[5] Financial insecurity, which stems from both structural causes and individual factors, is both a driver and a consequence of homelessness and rough sleeping.[6]

Problem debt is a direct manifestation of individual and household financial insecurity. There is typically a two-way, cyclical relationship between other personal and health-related factors and problem debt, and problem debt is similarly linked to structural factors (e.g. welfare insufficiency, housing precarity). Problem debt – through rent arrears, Council Tax debt or other personal debts – is often the factor that precipitates or traps people in cycles of homelessness.[7] The UK government's 2025 national plan to end homelessness in England[8] identifies problem debt, particularly in the form of rent arrears, as a significant driver of housing insecurity.

The Centre for Homelessness Impact (CHI) commissioned this policy paper to understand the evidence that exists about the relationship between problem debt and risk of homelessness, with a focus on opportunities for homelessness prevention in the form of proven effective intervention or promising practice that requires evidencing.

The policy paper is based on a Rapid Evidence Assessment which had two aims:

1. To understand the relationship between problem debt and risk of homelessness for people who rent their home, with a focus on those living on a low income.

2. To review evidence about the effectiveness of interventions that are designed to prevent or alleviate problem debt.

We used three inclusion criteria to guide the Rapid Evidence Assessment:

1. Academic and grey literature including meta-analyses; systematic and narrative reviews; empirical quantitative or qualitative research; evaluations of interventions.

2. A predominant UK focus but drawing on key international evidence – particularly international evidence of effective interventions from comparator countries.

A focus on evidence published in the last 10 years but including key earlier papers if they add significant value or fill evidence gaps.

Our starting point for the Rapid Evidence Assessment was to identify relevant literature from CHI's Evidence and Gaps Maps,[9] which we supplemented with searches of online databases. In total, we reviewed 93 pieces of literature that addressed the two aims above, the key findings from which were extracted into an Excel spreadsheet and thematically analysed.

We also conducted desk research to provide context for the policy paper, in particular an overview of problem debt in the UK including regional/geographical patterns and differences; the national policy context, including differences across the devolved nations; and any evidence of promising practice that can prevent or alleviate problem debt.

This policy paper starts by setting out the evidence about the main types and drivers of problem debt in Section 2. In Section 3, we describe the evidence about the serious effects of problem debt. Section 4 considers the evidence on interventions to alleviate and prevent problem debt. Section 5 concludes with a summary of the findings and recommendations for policy, practice and research.

2. The main types and drivers of problem debt

This section sets out the evidence about the context in which problem debt occurs among low-income households; the main types of problem debt that these households experience; the drivers of problem debt and how these drivers differ for different population groups.

2.1 The context in which problem debt is occurring among low-income households

The nature of problem debt has changed in the last decade, with a steep rise in structural issues related to household bills such as energy, rent and Council Tax meaning that household incomes have failed to keep pace with the escalating cost-of-living.

By 2018, Citizens Advice was already reporting a marked shift in the types of debt issues clients were presenting with—away from consumer credit problems and towards debts and arrears on essentials.[10] In the current socioeconomic landscape, debt and arrears among low-income households almost always arise from a need to cover essential living expenses—such as food, shelter and utilities—when a household income is insufficient and/or unpredictable. This relationship between low income and debt and arrears on essentials is consistently indicated through debt advice charity data.[11]

Before we look at the main types of problem debt and drivers of these, we briefly outline the context in which problem debts are arising, focusing on income, housing and other essential costs, and levels of over-indebtedness.

Income growth has stagnated

For low and middle-income households alike, income growth has stagnated over the last two decades. After a decline in household income between 2004/05 and 2012/13, incomes began to increase steadily until the cost-of-living crisis in 2022/23. This increase was driven by a rise in employment income (of £420 per year, on average) but partially offset by tax rises (£120 per year) and falls in benefit income (£140 per year)—the latter is an important source of income for low-income households, and one that can significantly impact claimant households.[12]

Housing and other essential costs are high

At the same time, the UK housing market is characterised by high property prices, poor supply, and high levels of inequality. With home ownership unattainable for many, a smaller social housing sector (over the longer-term) and fewer affordable housing options,[13] there has been an increase in private renting (5m households in England and Wales were renting privately in 2021, up from 3.9m in 2011).[14] Younger low-income households are particularly likely to be private renters.[15] UK housing costs are regressive because they disproportionately affect poorer households, particularly those whose only option is private renting. On average, low-to-middle income renters in the private rented sector (PRS) spend 41% of their income on housing costs, compared to 30% for social renters and 18% for mortgagors.[16] Borrowing is typically higher among PRS renters than social renters.[17]

There has also been a dramatic increase in other essential costs over the last five years. Alongside housing, food and energy affordability have had a significant impact on household living standards, financial resilience, and susceptibility to problem debt. While many low-income households were already in a vulnerable position before the cost-of-living crisis took hold, these recent pressures have affected a much wider range of households.[18]

Significant numbers of people are over-indebted

In 2024, the FCA estimated that 9.5m UK adults (18%) were over-indebted.[19] This meant that they:

1. Were in financial difficulty because they had failed to pay domestic bills and/or meet credit commitments in three or more of the last six months; and/or

2. Considered keeping up with their domestic bills and/or credit commitments to be a heavy burden.

In October 2024, the Joseph Rowntree Foundation found that 44% of the poorest fifth of households were in arrears on commitments and bills, with almost half of this group in arrears on 3+ bills (owing £2.1k, on average). Three in five Universal Credit recipients were in arrears on at least one bill, while half were in arrears on 3+ bills.[20] A 2022 survey by the Department for Work & Pensions indicated that the majority of benefit recipients - 88% of Universal Credit (UC) claimants and 80% of legacy benefit claimants - were behind on bills and commitments, with UC claimants owing an average of £4,755 across all sources of debt.[21] Many lower-income households have low levels of savings[22], meaning they have lower resilience and higher susceptibility to arrears.

2.2 Types of problem debt

The main types of problem debt among low-income households are:

Public debts, comprising debts to central government (e.g. paying back Universal Credit advances, budgeting loans, and tax credit overpayments) and debts to local authorities (e.g. Council Tax arrears, fees and fines).

- **Housing debts**, primarily rent arrears but also service charges (e.g. communal heating costs in the social rented sector).
- **Utility debts**, comprising electricity, gas and water arrears.
- **Unsecured debts**, in the form of credit cards, store cards, overdrafts, loans, catalogue debt and Buy Now Pay Later (BNPL).

Public, housing and utility debts are considered 'priority debts' because they can cause people serious problems if payments are missed, such as losing their home, having their energy supply cut off, losing essential goods or going to prison.[23] In contrast, unsecured debts are considered to be non-priority debts because the consequences of non-payment are less serious.

Unsecured credit is also distinct from the other areas in which debt problems arise, because it can be used palliatively to bridge a gap between income and costs - or between bill due dates and pay days.[24] Unsecured credit may be an initial source of problem debt in its own right, but it can also become a secondary source of problem debt for people already in arrears in other areas. Despite the pandemic and cost-of-living crisis, there has been a lack of growth in unsecured debt, in part because credit is harder to access,[25] and affordable credit options are limited.[26,27] This can lead people to turn to family or friends for help; or to use illegal lenders (loan sharks), an issue estimated to affect up to 2.5% of the population.[28] Low-income households are less likely to hold unsecured debt than higher-income households, but they are more likely to be in 'net debt'.[29]

It is important to keep in mind that low-income households rarely have just one type or form of debt.[30] As money problems mount, people find themselves in increasingly complex situations, juggling essential costs and commitments with recoveries for earlier debts and arrears. Much of the evidence highlights that individual drivers of debt do not exist in isolation, with debt problems typically the result of many factors.[31,32,33] When debts multiply, people find it hard to manage multifaceted financial difficulties or to prioritise different types of arrears. At this stage, people have often used all of the coping strategies available to them—whether reducing spending, borrowing, moving, creating payment plans, or contacting lenders and landlords.[34] Those with longstanding problems often do not have access to some of the strategies that can help others (e.g. help from family or friends).[35]

2.3 The drivers of problem debt

The evidence we reviewed indicates that the main drivers of problem debt arise from financial and other circumstances, often beyond people's control, rather than from capabilities or motivation. As shown in Figure 1.1 below, these drivers are:

- Income from employment;
- Income from benefits;
- Income shocks or unexpected spend;
- Rising costs and affordability;
- Mental health.

We explore each of these drivers in more detail in the following sections. It should also be noted that, in reality, these factors are very often interlinked, bi-directional and have compounding effects. For example, there is strong evidence that problem debt is a significant source of stress and can seriously affect health[36]; at the same time, health issues may reduce people's ability to earn income and lead them to fall into arrears, as described above.

Figure 1.1 – Simplified diagram showing the main types and forms of problem debt and drivers of these

Main drivers of problem debt
Income from employment Low pay Uncertain work
Income from benefits Benefit (in)adequacy or unvertainty Benefit processes Sanctions/conditionality Public debt deductions
Income shocks or unexpected spend
Rising costs/ affordability
Mental health

Types and forms of problem debts			
Public debts	**Housing debts**	**Utility debts**	**Unsecured debts**
Council Tax arrears	Rent arrears	Electricity arrears	Credit cards
Fees/ fines owed	Other service charges e.g. communal heating costs in the social renting sector	Gas arrears	Store cards
Paying back UC advances		Water arrears	Overdrafts
Tax Credit overpayments			Loans
Child maintenance			Catalogue debt
			BNPL

Income from employment

Problem debts and arrears are particularly concentrated among low-income households.[37,38] A key driver of this is insufficient income from employment, whether through persistent low pay, or uncertain work (including jobs with fluctuating hours/pay, or insecure and non-permanent contracts).[39,40,41] While work can protect a household from falling into poverty or financial difficulty, insufficient or uncertain income can also pull people into hardship. The relative poverty rate among working households in Britain has steadily risen over time - from 13.4% in 1994–95 to 18.0% in 2023–24[42], so that now two-thirds of working-age adults in poverty live in a household where at least one person works.[43]

Insufficient pay can drive decisions to take on new debt, such as using credit or needing to apply for a Universal Credit (UC) advance when starting a new claim.[44] Or people may face hard choices about where to fall into arrears. For example, while many households initially accrue Council Tax arrears due to job loss or reduced working hours, they do so because they prioritise immediate needs (such as food and shelter) over the less tangible benefits they see from Council Tax—despite the potentially damaging consequences of non-payment.[45]

Gig economy and zero-hours jobs are typically in the lowest paying sectors.[46] In Q1 2025, 1.17 million people (3.4%) were employed on a zero hours contract, with young people aged 16-24 (11.5%), those in elementary occupations (40.9%), or in caring, leisure and service occupations (17.8%) disproportionately likely to be on zero hours contracts.[47] Work uncertainty makes it harder for people to plan and manage their employment income, as well as creating complexity and difficulties for people claiming work-related benefits (either affecting eligibility or benefit payment amounts, or giving rise to sanctions). Zero hours and gig workers tend to have little to no disposable income and lower financial resilience, because they are unable to save, leaving them more susceptible to income shocks.

Because rent is a fixed cost and often the largest outgoing, low and unstable incomes (whether through low pay and insecure work, or through benefits) are two of the most common drivers of rent arrears, which in turn increase housing insecurity and the risk of homelessness.[48]

While cited less frequently than other drivers of problem debt—such as benefits and income shocks—persistent low pay and uncertain work gradually weaken people's ability to stay afloat, diminishing their resilience over the long term.[49] These combine with existing and new debt to trap people in cycles where they are consistently in difficulty and unable to afford essentials.[50] In these circumstances, maintaining housing security becomes challenging.

Income from benefits

The literature highlights four main issues with income from benefits that are relevant to problem debt: benefit inadequacy or uncertainty; benefit processes; conditionality and sanctions; and deductions.

Benefit inadequacy or uncertainty

Benefit inadequacy, or the insufficient level of benefits received, can be influenced by many factors, including the benefit cap, two-child limit, or 'spare bedroom' tax, or simply general levels of support that fall short of needs—for example, a shortfall between housing benefit and rent costs.

Insufficient benefits can lead people further into arrears or to take on compensatory debt (e.g. credit cards or budgeting loans) to cover essentials and unexpected costs, often as a means of bridging or deferring crisis.[51] With the value of working-age benefits at a 40 year low (adjusted for inflation),[52] there is evidence that welfare reforms and cuts affecting benefit levels have pushed more people into problem debt over time.[53] The benefit cap, two child limit, and spare bedroom tax have all been identified by multiple studies as detrimental and drivers of problem debt and arrears. The two child limit is to be removed from April 2026.[54,55,56,57,58,59,60,61,62]

Similarly, multiple studies show higher levels of housing arrears among those in receipt of Housing Benefit, due to the inadequacy of Housing Benefit rates, particularly among PRS tenants.[63,64,65,66,67,68] Analysis carried out in 2022 indicated that just 8% of properties in England were affordable based on Local Housing Allowance rates.[69]

Uncertain or fluctuating benefit income can be caused by fluctuating work income, whereby monthly benefit payments vary depending on the previous month's earnings, or through deductions (discussed below). A shortfall between anticipated benefits and benefits received will inevitably create significant problems for households in terms of planning finances and covering costs. This is one of the ways in which the benefits system creates additional complexity and uncertainty for recipients—the byproduct of which is an increased likelihood of falling into debt problems.[70]

Benefit processes

The design of the benefits system can give rise to arrears problems or lead to people taking on further debt.[71,72,73] The payment of benefits monthly instead of weekly, and payment of Housing Benefit (and the housing portion of UC) direct to recipients rather than landlords, have both been shown to increase the likelihood of arrears; in the latter case, this is because claimants may prioritise other essentials over rent. The five-week wait for a first payment is also an often-cited driver of debt problems, in particular rent arrears. [74,75,76,77,78,79] This is because the wait creates an immediate income gap, leaving some people unable to cover rent for that initial period.

Because people often have low financial resilience when they first apply for benefits, they may have no choice but to apply for a UC advance to cover the five-week wait period, which leads to deductions (see below) reducing the level of benefits received in subsequent periods and trapping people in cycles of hardship.[80]

Delays and errors within the system can also lead to debt problems.[81] These might include delays to notes on UC journals, long waits for appointments for work capability, delays accessing hardship payments, or overpayments (leading to subsequent deductions).

The DWP's own research also highlights that people often struggle to access the benefits they are entitled to,[82] while qualitative research shows that the claims process can be experienced as 'complicated, difficult, demeaning, impersonal and punitive'.[83]

Conditionality and sanctions

Conditionality (the obligations people must fulfil to qualify for benefits) and sanctions (the penalties imposed for failing to meet those conditions) are cited as causes of problem debt because they can reduce income, often unexpectedly.[84,85,86,87] The threat of punitive sanctions can also cause significant distress, and heighten fears of eviction and homelessness.[88]

Deductions

Public debts have increased over the last decade and a half,[89] and comprise a large proportion of lending and arrears among low-income households,[90] with many benefit recipients subject to public debt deductions. Deductions are applied to repay a range of public debts to central and local government (e.g. UC advances, budgeting loans, repayment of tax credits—which can be triggered by a new UC claim, or Council Tax arrears). They can also be made for third-party rent or utilities arrears. Deductions have risen significantly since UC began rolling out in 2013 (with 47% of all UC households subject to deductions in February 2025[91]), meaning a high proportion of claimants do not receive their full allowance—often for prolonged periods.

Historically, the recovery of public debts through deductions has been complicated, with different debts recovered at different rates over different periods, creating further complexity and uncertainty about levels of income in a given period.[92,93] From April 2025, the overall cap on deductions from the UC standard allowance was reduced from 25% to 15%,[94] which Citizens Advice estimate will benefit 1.2m households, boosting incomes by £420 per year on average.[95]

Deductions often arise as a result of problem debt, but they can also cause debt problems and increase the risk or depth of poverty.[96] There is much evidence of the negative impact of deductions on problem debt generally among the groups discussed in this paper.[97,98] Deductions have also been identified as a driver of rent arrears specifically, and a barrier to rent arrears resolution.[99,100] They compound issues resulting from benefit inadequacy, processes and conditionality/sanctions. Crucially, there are no checks to understand if deductions are affordable, and couples share liability for deductions.[101,102,103]

Income shocks or unexpected spend

In addition to the income-related issues explored above, income shocks can include reduced pay or benefits, job loss, or a change in circumstances (e.g. relationship breakdown, illness or bereavement), while unexpected expenditure occurs when urgent one-off ‘lumpy’ costs arise (e.g. replacing essential white goods) that compete with regular essential costs. When people have low financial resilience, even small income shocks or unexpected spend can quickly tip them into arrears generally and rent arrears specifically,[104,105,106,107,108,109,110] which in more severe cases can precipitate a period of homelessness. Those who are able may take on unsecured debt or budgeting loans.

Rising costs and affordability

Increased essential costs since the cost-of-living crisis are an often-cited driver of problem debt and debt cycles.[111,112,113,114] Higher essential costs make it harder for a household to reduce spending when income or expenditure shocks occur.

Rent affordability is a key driver of problem debt, because it is often a household’s largest outgoing and a disproportionately high fixed cost for people on low and insecure incomes.[115] Consequently, it has a disproportionate impact on living standards and financial resilience.[116] Affordability of rent has been negatively affected by the increasing financialisation of housing and shifts toward ‘affordable’ (near market value) rent, rather than social rents (which are well below market rents).[117] A deficit of available social housing has also pushed more people toward private renting, which comes at a higher cost and with fewer protections. StepChange analysis of its 2023 client data showed that debt advice clients were more likely to be PRS tenants than any other tenure, and this was due to the links between unaffordable rents in the PRS and problem debt. Separate data showed that monthly rents were almost double those in the social sectors among survey respondents.[118]

Rent arrears are also a leading driver of family homelessness, because non-payment can lead to repossession actions and threatened or actual homelessness, as we discuss in section 2.2.[119] There is some evidence that broader factors, such as service charges for social renters (e.g. communal heating costs) can also impact rent affordability, and because these charges may count as 'rent', failure to pay them can also give rise to eviction proceedings.[120] Being in debt can affect access to affordable housing— including through local authority disqualification or deprioritisation policies[121]— while poor credit ratings resulting from debt can result in 'debt premiums' whereby people have to pay higher deposits or rents.[122]

Energy bills are a continuing source of significant financial pressure for low-income households. While energy prices have fallen since 2023, they are well above pre-'energy crisis' levels and likely to remain so in the short to medium term. This pressure is reflected in the issues people are increasingly presenting with when they seek advice and support. Some are still struggling with arrears accumulated when bills were at their peak[123] - an issue that the energy regulator's proposed debt relief scheme seeks to address.[124]

Mental health

There is strong evidence that poor mental health is both a driver and a consequence of problem debt; and (as noted above) these factors are very often inter-linked, bi-directional and have compounding effects. People with mental health problems are more likely to be in problem debt, and people with debt problems have poorer mental health than is seen in the general population.[125,126,127] However, much of the evidence focuses on poor mental health as a consequence of problem debt, with poorer mental health acting as a subsequent (or 'downstream') driver of further debt issues.

It can be the case that mental health problems affect people's judgement and ability to prioritise debt issues.[128] One 2023 study showed that pre-existing poor mental health was associated with failure to adhere to formal debt advice (even when other factors were controlled for), suggesting that poor mental health correlates with difficulties in getting out of debt.[129] Recent evidence indicates that for neurodivergent people in debt, feeling overwhelmed (73%) and anxious (72%) were among the main reasons why people didn't seek support from creditors.[130]

2.4 Differential drivers of problem debt among sub-groups

The relative influence of drivers varies not only by type and form of problem debt, but also by sociodemographic characteristics of different population groups, and these characteristics can intersect and compound issues.

In this section we briefly illustrate the differential impact of certain drivers for some of the groups more at risk of serious harm from problem debts: people with disabilities and health issues; single parents; young people; and people who experience domestic or economic abuse.

There was relatively little in the evidence we reviewed about levels and drivers of problem debt among people from minority ethnic backgrounds. Poverty rates are, however, very high for some minority ethnic groups. Notably, between 2020-21 and 2022-23, over half of people in Bangladeshi (56%) and around half of people in Pakistani (49%) households lived in poverty, with even higher poverty levels for children in those households (67% and 61% respectively). Four in 10 people in households headed by people from Black African backgrounds (40%) were in poverty, with around half of children in these households in poverty. These high levels of poverty help explain why 68% of Black respondents were in households in arrears with at least one household bill, as were 57% of Asian respondents, compared with 38% of white respondents.[131]

In another study that analysed rent account data, non-White British tenants and tenants whose first language was not English were among the populations at greater risk of accruing rent arrears. Larger low-income households, including some minority ethnic groups, were particularly impacted by welfare policies such as the two-child limit for means-tested benefits and the benefits cap.[132]

People with disabilities and health issues

Households with disabilities are disproportionately likely to be in poverty, and to face higher and extra costs due to their disability. They are also less likely to have an income from employment, and for those who are employed their income is often lower or uncertain.[133] Therefore, the benefits system often plays a more central and vital role in the lives of people with disabilities, meaning issues with benefits can have more pronounced effects. For example, the evidence shows that Personal Independence Payments (PIP)[134] play a crucial protective role, but this support can be hard to access or navigate.[135] Indeed, the majority (62%) of advice users who seek support with deductions are people with a disability or limiting health condition.[136]

The proportion of households with disabilities has steadily increased in recent years, and these households are more likely to be in arrears on Council Tax, utilities bills and to owe fees or fines to local authorities.[137,138,139] Households with a person who has a learning disability, cognitive disability or visual impairment are more likely to be in arrears than other disability types. The amount of arrears is also higher for people with disabilities (at £1,700) and higher still among these sub-groups.[140]

For people with significant health issues, income shocks are often the biggest driver of problem debt. An abrupt change in health—or fluctuating health—can result in unexpected, substantial and often prolonged falls in employment income.[141] People who are unable to work (or who have low-paid or uncertain work) due to a health condition are at particular risk of hardship and going without essentials and are more likely to need to use food banks.[142,143]

Young people

Unemployment, unstable work and low-income—from pay (which tends to be lower for young workers than among older groups) and benefits—are significant drivers of problem debt among young people.[144] Lower benefit rates for young people aged under 25 can contribute to arrears, and this inequality is compounded for those subject to deductions.[145,146,147] Claiming PIP can make an important difference for young people who are eligible, highlighting the inadequacy of basic UC support for young people more generally.[148]

Young people who are pushed toward financial independence at a younger age, due to a lack of parental support, are more likely to be impacted by debt. This can impact their skills, earnings and reliance on benefits—although some benefits support may be inaccessible to them. Lower-educated young adults tend to spend more of their income on debts, and to be in arrears.[149]

While young people generally are more at risk of rent arrears,[150] and hold higher rent arrears, those with no previous history of independent living and those with a background in institutional accommodation (e.g. local authority care, prison or the armed forces) are most at risk of rent arrears.[151,152] Young people also face difficulties affording housing, particularly in the PRS.[153,154]

When people leaving care first move into independent living, they can find managing their money challenging, which can result in them falling into debt and difficulty. The cost-of-living crisis has particularly impacted people leaving care, with research showing that almost two thirds (64%) were in debt or facing significantly increased costs since 2022, while almost a third (31%) said they were at risk of homelessness.[155]

Single parents

Single parents (who are mostly women[156]) disproportionately experience problem debt. Not only do they have just one income, but their income is also more likely to be lower than among couple parents. At the same time, single parents are also more likely to work fewer hours, because they need to balance work alongside childcare commitments.[157] Therefore, lower and insufficient income from work and benefits (alongside higher essential costs, primarily through childcare costs) are more significant drivers of problem debt among single parents.

Debts can accrue through childcare costs, the high cost of living, non-payment of child maintenance, servicing historic debts and insufficient benefits (the majority of those impacted by the Benefit Cap are single parents).[158,159] Fluctuating benefit income—whereby benefit assessment periods interact with fluctuating pay—can be a significant issue for single parents, and they are more likely to experience administrative errors via the benefit system (e.g. delays or overpayments). Most need to take UC advances and are therefore subject to deductions.

In England, the majority of people who live in temporary accommodation are single parent women. While temporary accommodation provides families with a place to stay, the quality, suitability and length of placements vary widely. For example, temporary accommodation may be overcrowded or located far from support networks.[160] This can increase not only costs but debts. Life on the move is precarious and can lead to uncertainty around bills and benefit eligibility and entitlements.[161]

People experiencing domestic abuse / economic abuse

Problem debt is often a consequence of domestic abuse (including economic control and coerced debt[162]), and this can have serious consequences, from making it harder for the victim-survivor (typically a woman[163]) to sustain employment[164] to precipitating a period of homelessness.[165] The perpetrator can exert a significant influence on debt and arrears—for example, by forcing victim-survivors to rely on credit, or in some cases enrolling individuals into coerced debt.[166] This influence may carry on after separation (e.g. through control of child maintenance payments), or victim-survivors may end up liable for a former partner's debts and arrears.[167,168] Both abuse and separation create income and expenditure shocks for victim-survivors, and separation can result in many of the issues and drivers affecting single parents coming to the fore. A 2024 survey found that 1 in 7 women in the UK had experienced economic abuse from a partner or ex-partner in the previous 12 months—rising to almost 1 in 4 among women with disabilities and 1 in 3 among ethnic minority women.[169]

Debt accrued through economic abuse is more likely to be large and severe.[170] One study showed that victim-survivors owed, on average, around £3.2k in debt—although a quarter had debts over £5k.[171]

One survey highlighted the prevalence of debts to the public sector (deductions, Council Tax arrears, social rent arrears),[172] while another showed households facing domestic abuse are more at risk of rent arrears.[173] The benefits system, specifically the five week wait, can push victim-survivors who are leaving an abusive partner and have to claim UC further into hardship and debt.[174] Findings from a recent academic study of coerced debt in the UK show that banks and creditors can create and intensify vulnerabilities for victim-survivors of coerced debt. However, these organisations are also well placed to safeguard individuals from economic harm (e.g. through reform to improve protections and specialist economic abuse training for staff).[175]

3. The serious effects of problem debt

In this section we look at the serious effects of problem debt, focusing on public debts and housing-related debts, which is where some of the most serious harms can occur and where, in some cases, there is significant scope for improving policy and practice.

3.1 Serious effect of public debts

Below we discuss two areas of public debts where there is the potential for serious detriment: Council Tax arrears and deductions from benefits.

Council Tax arrears

The scale of the problem

Council Tax arrears across Great Britain have increased by 79% over the last five years to over £8bn[176] (see Table 2.1 below) with recent analysis of Understanding Society data showing that the proportion of people in Council Tax arrears in 2021-23 was 8.1% (or 4.4m people)—and these figures are likely to be higher now.[177]

Debt Justice analysis indicates that a third (32%) of people in Council Tax arrears are living below the poverty line, and four in five (79%) are households in the bottom half of earners. However, this could be an underestimate, with the Centre for Social Justice finding that half (49%) of people in Council Tax arrears were in poverty once housing costs were accounted for. The vast majority of those behind on their Council Tax are renters.[178]

Table 2.1 – Council Tax arrears across Great Britain over the last five years

Year	England Council Tax Arrears (£000s)	Scotland Council Tax Arrears (£000s)	Wales Council Tax Arrears (£000s)	Total (£000s)
2019-20	3,577,000	994,882	59,344	4,631,226
2020-21	4,418,000	1,080,340	79,929	5,578,269
2021-22	4,966,000	1,164,435	102,789	6,233,224
2022-23	5,479,000	1,247,872	121,129	6,848,001
2023-24	5,982,000	1,364,684	138,843	7,485,527
2024-25	6,625,000	1,503,069	160,229	8,288,298
Increase since last year	11%	10%	15%	11%
Increase in 5 years	85%	51%	170%	79%
Sources	https://www.gov.uk/government/statistics/collection-rates-for-council-tax-and-non-domestic-rates-in-england-2023-to-2024	Debt Justice analysis of https://www.gov.scot/publications/council-tax-collection-statistics-2024-25/	https://statswales.gov.wales/Catalogue/Local-Government/Finance/Council-Tax/Collection/arrearsofcounciltax-by-billingauthority	

Source: Debt Justice

With the June 2025 Spending Review confirming that councils that provide social care can continue to increase Council Tax by 5% per year between 2025-26 and 2028-29, the trend of increasing Council Tax arrears seems set to continue—creating pressures for councils and households alike.

The serious effects of Council Tax arrears

Council Tax is a priority debt because councils have strong powers to make people pay. In Table 2.2 below we summarise the different arrears processes for Council Tax (and rates in Northern Ireland) across each of the four nations. While there are different legal enforcement structures in place across nations, the enforcement actions in Great Britain are broadly similar and fulfil similar functions. The options available to people in debt are also similar across Great Britain, but the processes and stages at which people can engage with them differ.

Table 2.2 – Council Tax arrears process, enforcement actions and options available to people in debt

	Process when payment is not made	Enforcement actions	Options available to people in debt
England and Wales	Failure to pay > reminder 2 weeks after missed payment > final notice after a further 7 days (to pay full remaining Council Tax for year within 7 days) > council application for liability order > enforcement action	Attachment of earnings; benefit deductions; charging order; court summons; debt over £5k can lead to bankruptcy proceedings; deliberate non-payment can result in imprisonment (does not apply in Wales).	Negotiate reduced/affordable payment plan; apply for CT discount/reduction if eligible; apply for Breathing Space if eligible (pauses further action, interest and charges to the debt, but does not apply to UC deductions already being taken by council)
Scotland	Failure to pay > reminder 2 weeks after missed payment > up to 2 final reminders, with a final reminder to pay full remaining Council Tax for the year + water and sewerage charges within 7 days) > council issue 'summary warrant' + 10% administration fee > enforcement action	Benefit deductions; 'charge for payment' letter to pay in a particular time + sheriff's fees. If no payment is made after 'charge for payment' letter, council instruct sheriff to take money owed from: Earning Arrestments (via employer); Bank Arrestments (direct from bank accounts); Attachment or Exceptional Attachment Orders (taking belongings); debts over £5k can lead to bankruptcy proceedings	Earlier: Negotiate reduced/affordable payment plan; apply for Council Tax discount/reduction if eligible; use a Statutory Moratorium to give breathing space. Post 'summary warrant': Contact/agree instalment plan with sheriff; Apply for Debt Arrangement Scheme Post 'charge for payment' agree a 'time to pay order'
NI (rates arears)	Failure to pay > LPS reminder for amount due > Final notice 40 days after original rate bill (lose right to instalment payment and 10 days to pay full amount) > enforcement action	LPS issue Process for Debt Proceedings > Magistrates court, where judge can issue a Decree to pay > If not paid, case goes to Enforcement of Judgements Office. If not paid in 10 days it will affect credit rating and EJO add extra costs. EJO action includes: Attachment of Earnings Order, Order Charging Land, Garnishee Orders, Seizure Orders; debt over £5k could lead to bankruptcy proceedings	Earlier: apply for discount/reduction, if eligible; Agree payment plan with LPS prior to court proceedings;

The more serious effects of Council Tax arrears include charges for arrears and debt recovery. This can be 10-20% of the value of arrears,[179] which compounds financial difficulty for those who are already financially vulnerable. Any action which further reduces income can lead to increased borrowing, from friends, or by using credit cards, high-cost loans or BNPL.

Arrestments of earnings or bank accounts (in Scotland) and attachments of earnings (in England and Wales) will also reduce the money available to people and increase their financial difficulties and debts; indirectly impact their credit ratings; and cause uncertainty and stress for people. There is little publicly available data on arrestments and attachments, or their impact. One study in Scotland used Freedom of Information data from 22 local authorities to show that there were around 30,000 bank arrestments and 32,000 earnings arrestments in 2021-22.[180] For those on benefits, deductions for Council Tax arrears are commonly used,[181] and we look at the more serious effects of deductions in the next section.

We also found no evidence related to Council Tax arrears-related bankruptcy, which is likely because the threshold for starting proceedings is high (at £5k) and this is an enforcement action of last resort.

England is the only remaining nation in the UK where non-payment of Council Tax can result in imprisonment (as a very last resort) and there have been significant calls for this measure to be removed.[182] While no individual was committed to prison for this reason between 2019-2023, there were 19 cases of suspended committal orders for non-payment of Council Tax in 2023.[183] The cost to the public purse of keeping someone in prison for three months is substantially higher than the average Council Tax arrears amount.

Not only do councils have strong powers to intervene when arrears occur, but enforcement thresholds are often low and disproportionate to the value of the debt.[184,185] There is little consideration of affordability, consumer harm or forbearance. The speed of council enforcement action in response to arrears can also mean that debt advisers often struggle to stop action from escalating.[186] The rise in Council Tax arrears indicates that affordability is an issue for many, and that more punitive approaches to council debt recovery are not working well (and are unlikely to be cost effective for councils), as the below quote illustrates.

‘There appears to be little or no human contact between Council staff and those who fall into arrears. The process appears to be focused solely on recovery of the debt, not on the circumstances of the person or the reasons why they have fallen behind with payments. This leads to a process that is perceived to be harsh and inflexible.’

(Citizens Advice Scotland, 2022)

Deductions

The scale of the problem

In February 2025, £201m was deducted from the benefits of around 2.9m (47%) UC households, with an average deduction of £68. Around 14% of UC households had their deductions capped at 25% of the UC standard allowance, while a further 2% had ‘last resort’ deductions above the cap, which is permitted in cases where the deduction helps to prevent eviction or disconnection—or to help meet child maintenance obligations.[187,188]

The serious effects of deductions

Deductions can be made to recover debts to central and local government, or to certain third parties (e.g. landlords or utilities providers). However, these debts can be created by the design of the UC system, such as UC advances to help people manage the five week wait for benefits following an initial claim.

Just one or two months of deductions can tip people into serious arrears on rent and utilities, or worsen existing arrears, in a way that accumulates over time and can have serious consequences. This can lead to people taking on unsecured debt (including BNPL) to bridge or defer crisis, doing without (including energy self-disconnection) and food bank use.[189,190,191] There is evidence that deductions perpetuate debt cycles, result in people becoming destitute, and negatively impact health.[192,193]

The risk and potential for harm is significant because there is no assessment of claimant circumstances or affordability before deductions are made,[194,195] with government practice falling short of the standards set for regulated consumer credit firms. At the same time, there is a lack of transparency around reasons and amounts deducted in each period, making it difficult or impossible for households to plan for entitlement shortfalls.[196] People also feel powerless to challenge deductions, due to prior failed attempts to engage with the DWP, not knowing what appeal rights they have, or because they need to navigate different departments and policies.[197]

3.2 Serious effects of housing debts

This section starts with an overview of the UK rental landscape and levels of rent arrears before looking in detail at the statistics on housing debt, including possession. We then explore the serious impacts of housing-related debts. Most of the literature we reviewed on housing-related debts was about rent arrears, with only a few mentions of service charge debts.

An overview of the UK rental landscape

Table 2.3 shows that between three-in-ten and four-in-ten households in the UK rent their home. The proportion of households that rent from a private landlord is slightly higher than the number that rent from a social landlord (i.e. a housing association or local authority) in most parts of the UK except Scotland, which historically has a large local authority housing stock.[198] The proportion of UK households living in private rented accommodation has remained relatively stable since 2017, standing at 19% in 2024 (and up from 11% in 2004).[199]

Table 2.3 – Household tenure across the UK

	UK	England	Scotland	Wales	Northern Ireland
Homeowners	61.7%	62.3%	62.9%	66.1%	64.4%
- Own outright	33.0%	-	33.9%	38.0%	34.7%
- Own with mortgage or loan	28.7%	-	29.0%	28.0%	29.6%
Social renters	17.5%	17.1%	22.5%	16.5%	15.3%
Private renters	19.5%	20.6%	12.9%	17.0%	17.2%
All renters	37.0%	37.7%	35.4%	33.5%	32.5%
Other	1.2%	-	1.7%	0.5%	3.1%

Source (except for England): House of Commons Library Data Dashboard, Constituency data: Home ownership and renting, 2024. For England: ONS, 2023, Household characteristics by tenure, England and Wales: Census 2021

Rent arrears in the UK rented sector

The data we identified in our review provides two perspectives on rent arrears: (1) the number of renters in arrears according to self-report consumer surveys and (2) monitoring data collected and compiled by the social housing sector.

Consumer survey data on rent arrears

An estimated 7.2% of all UK renters were in rent arrears in 2024.[200] Other data indicates that 5% of private renters and 15% of social renters in England were in arrears in 2023-24; and that within the social rented sector, those renting from a local authority were more likely to be in arrears (17%) than those renting from a housing association (14%).[201] There is no directly equivalent data for the rest of the UK.

There is some evidence that social housing renters may borrow in order to pay their rent or employ other unsustainable practices, meaning that rent arrears alone are a poor measure of whether tenants are managing their rent payments.[202]

Social housing sector data on rent arrears

Table 2.4 provides a breakdown of UK local authority housing by size and rent arrears for 2019-2024. According to that data source[203], there are 221 local authorities in the UK that own social housing, with a total 1.56 million units of housing stock recorded by the Regulator of Social Housing in 2023. Data obtained from 100 local authorities through Freedom of Information Act (FOIA) requests showed that the average value of rent arrears per local authority was £2.86m, with 40% of properties in arrears per authority on average (up from 34.7% in 2019).[204] The same source also indicates that the value of missed payments rose sharply over that time, from £494 per unit in 2019 to £669 per unit in 2025. Applying these figures across all 221 local authorities, the total value of rental arrears across local government could be as high as £655 million. Of the 100 local authorities responding to the FOIA request, local authorities in London had the highest levels of rent arrears, owing more than £6.8 million in rental payments in 2025.

The same data source shows that rising rent arrears are also an issue for housing associations. In 2024, the Regulator of Social Housing reported an 8.4% rise in housing association rent arrears – hitting a record high of £798 million in 2023.

Table 2.4 – Proportion of social housing units in arrears, 2019-2025

Year	% properties in arrears per authority on average	Average value of overall rental arrears per local authority
2019	34.7	£1,850,662
2020	34.8	£1,997,591
2021	33.8	£2,295,847
2022	34.7	£2,397,371
2023	38.5	£2,654,051
2024	38.1	£2,723,681
2025	40	£2,859,786

Source: Access Paysuite https://www.accesspaysuite.com/sectors/housing/rental-arrears-index-2025/

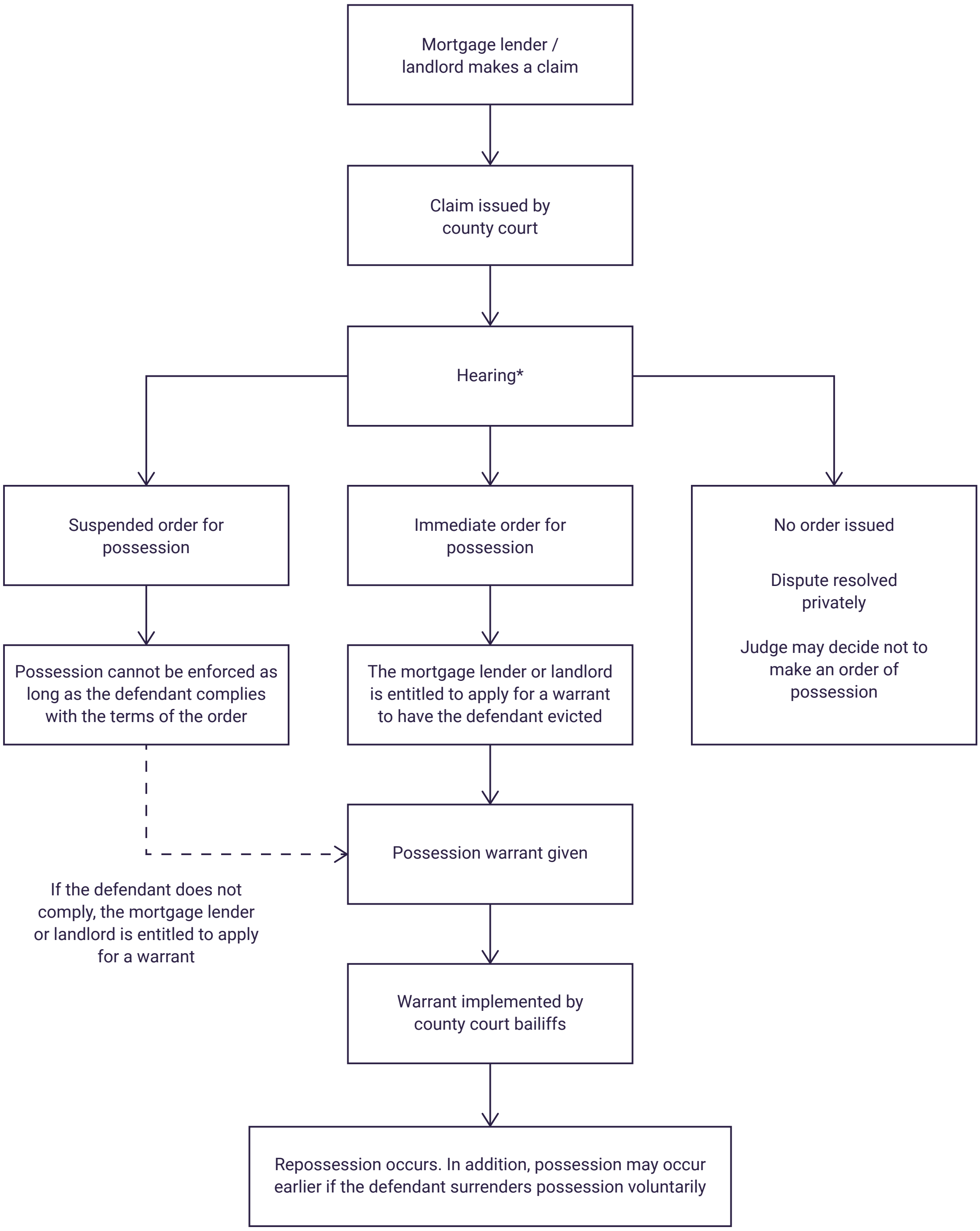
Landlord possession claims and actions

Rising rent arrears have resulted in increased landlord possession claims and actions. To give an idea of the steps that lead to landlord claims and possession action, Figure 2.1 provides a simplified description of the main court processes in England and Wales.

Government statistics show that landlord claims, orders for possession, warrants and repossessions all increased by 3%, 2%, 7% and 5% respectively in 2024 compared to the same quarter in 2023.[205] They also show that:

- In Q4 2024, 38% of all landlord possession claims were social landlord claims, compared to 30% private landlord claims and 33% accelerated claims.[206]
- London boroughs accounted for 7 of the 10 local authorities with the highest rate of private landlord claims. Waltham Forest (London) had the highest rate, with 762 per 100,000 households owned by a private landlord.
- London boroughs accounted for 4 of the 10 local authorities with the highest rate of social landlord claims. Stratford-on-Avon (West Midlands) had the highest rate with 759 per 100,000 households owned by a social landlord.

Figure 2.1 – A simplified description of the main court processes for possession actions in England and Wales



*in cases involving a fixed-term tenancy, a landlord possession may not require a hearing under the accelerated procedure

Source: Ministry of Justice (E&W only)

Service charge debt

Service charges are payments that a tenant must pay for the cost of services provided by a landlord. They can be variable service charges, which are based on the costs incurred by the landlord and defined in s.18 of the Landlord and Tenant Act 1985; or fixed service charges that are set by the tenancy and are not based on the actual cost of the service provided.[207]

As noted in Section 1, there was some evidence in the literature we reviewed that broader factors like service charges (e.g. communal heating costs charged to social renters) can impact rent affordability, and because these charges may count as 'rent', failure to pay them can also give rise to eviction proceedings.[208] In addition, benefit deductions for rent and service charges to private landlords are common, along with deductions for utilities, council tax arrears, court fines and child maintenance.[209] As we saw above, such benefit deductions are an important source of problem debt.

A 2023 Housing Ombudsman Service (HOS)[210] report on service charges highlighted cases from its formal investigations where the landlord had charged for services outside the agreement and then been heavy-handed in the complaints procedure when trying to regularise the payments. The points of learning from its caseload included (1) that landlords should be clear about whether they are able to charge or not by consulting the tenancy agreement, not assuming its content; (2) where mistakes are made, the landlord should provide redress and not seek to pressure the resident into accepting charges going forward; and (3) landlords should be open and transparent about this and consider whether redress may be appropriate for other residents.[211] The Housing Sector Ltd (which aims to bridge the gap between residents and housing providers) has also highlighted examples of UK social housing providers overcharging residents for rent and service charges.[212]

The serious effects of housing-related debts

The evidence we reviewed on the impacts of housing-related debts highlighted serious effects on many aspects of people's lives: their health, wellbeing, finances and housing insecurity – which often intersect and compound in harmful ways.

In terms of health and wellbeing the evidence shows that:

- Housing debts result in increased stress and anxiety[213,214] which coupled with stigma can make tenants reluctant to engage with landlords when arrears occur[215], meaning that early opportunities for intervention are lost.
- Stress and anxiety in turn exacerbate physical illness and chronic health conditions[216,217] and there is strong causal evidence of worse mental health and sleep disturbance.[218]

Financial impacts include:

- Increased borrowing as a result of rent arrears, though not always through mainstream lenders due to lack of access.[219]
- Unaffordable arrears repayment rates in the private rental sector, where research shows that tenants repay, on average, four times more per month than social housing tenants.[220]
- Legal proceedings resulting from arrears can damage credit scores, which can make it harder to access credit or housing in future.[221]
- Eviction might be avoided through applying for bankruptcy, but this can make it harder to obtain credit or a future tenancy, or a job in some professions. Even so, Citizens Advice Scotland data showed that 40% of bankruptcy cases had rent arrears as part of their debt profile. [222]

Housing impacts include:

- Renters being trapped in poor quality housing because of rent arrears[223], which may in turn impact their health and wellbeing, creating a reinforcing negative cycle.

- Rent arrears of differing amounts dependent on local authority can lead to disqualification or deprioritisation from social housing and prevent a transition to a permanent local authority or social housing tenancy.[224]

- Rent arrears make households less attractive to private landlords, who may be unwilling to rehouse those in receipt of benefits or with a history of arrears.[225] Pre-existing debt can also lead to subsequent failed tenancies and further evictions.[226]

- Tenants placed in temporary accommodation as a result of eviction following rent arrears[227], often for many months.[228] Placement in temporary accommodation can, in turn, have serious impacts on health and wellbeing, particularly for children.[229]

- Survivors of domestic abuse (including children) being trapped in temporary accommodation and unable to bid for social housing until housing-related arrears and other forms of debt accrued as a consequence of their abuse are cleared.[230]

- Eviction and threat of homelessness, including no-fault evictions[231], with private renters more likely to be evicted for rent arrears than those in social housing.[232] Northern Ireland has no formal alternative dispute resolution system, so people need to go to court to defend a possession order resulting from arrears, which most cannot afford to do.[233]

4. Interventions to alleviate and prevent debt

Problem debt is a complex, multi-faceted issue with structural roots, which has serious negative impacts for individuals, families and society. While we identified some evidence about effective ways to alleviate and prevent problem debt, it requires action at multiple levels to achieve positive impacts at scale.

The evidence in Section 2 shows that, for many low-income households, structural factors are the main drivers of problem debt.[234] Addressing these systemic issues – especially income inadequacy and unaffordable essentials - is therefore fundamental to alleviating and preventing problem debt and reducing the risk of homelessness. We start this section by providing examples of recent policies that aim to do this, although their impact will take time to emerge and may be difficult to isolate.

We move on to explore a wide range of other interventions that may alleviate or prevent problem debt, either directly or indirectly. The first group of interventions mainly relates to actions taken by public bodies, and includes direct financial assistance, such as help to repay arrears; specialist money advice and support within local authorities; multi-agency working to reduce the risk of eviction among council tenants by tackling debt and related issues; and ways in which social landlords have tried to prevent the escalation of rent debt as a result of the direct payment of housing support to tenants.

We then look at the small amount of evidence about people's experiences of engaging with their creditors themselves when they get into payment problems, which is tied to creditor forbearance practices. This self-negotiation may occur ahead of, or instead of, debt advice; some debt advice services also assist people to negotiate with their creditors, for example by providing template letters.[235]

We found a more substantial body of evidence related to debt advice, including its efficacy. We then examine the evidence related to the other interventions mentioned in the literature: debt relief services (such as personal insolvency), financial literacy interventions, asset-based welfare policies, and access to credit products.

Where possible, we consider the evidence about the effectiveness of interventions in preventing and/or alleviating problem debt. A specific aim of the review was to examine whether these interventions have an impact on housing stability and risk of homelessness; however, only a small number of the studies that we identified had considered this. Linked to this, in the field of homelessness prevention, research has mainly focused on the prevention of chronic homelessness, with a lack of research on upstream primary prevention strategies that would intervene before someone is at imminent risk of homelessness,[236,237] such as debt prevention.

We finish by looking at promising interventions that could be tested or adopted more widely in the UK.

4.1 Tackling the structural drivers of problem debt

As described in Section 2, debt and arrears among low-income households almost always arise from a need to cover essential living expenses when a household income is insufficient and/or unpredictable. In other words, there are powerful macro-economic drivers of problem debt among low-income households in the UK that have to be addressed if problem debt is to be alleviated and prevented at a population level.

In addition to existing policies such as the National Living Wage, examples of government policies that should help to tackle structural drivers of problem debt include the following benefit reforms intended to increase income:

- The introduction of a sustained above-inflation increase to the basic rate of Universal Credit, estimated to be worth annually in cash terms £725 for a single parent aged 25 or over or £1,135 for a couple with children by 2029-30.[238]
- The introduction in April 2025 of a new Fair Repayment Rate which reduces the overall Universal Credit deductions cap from 25% to 15% of a standard allowance. This should enable over a million of the poorest households to retain more of their Universal Credit award, on average £420 a year or £35 per month, which "will support family budgets and day to day costs, whilst continuing to address certain debts".[239]
- Plans to introduce earned income disregards into Housing Benefit for those in temporary or supported accommodation in England are intended to ensure they are financially better off when increasing their working hours.[240]
- Plans to remove the two-child limit for means-tested benefits from April 2026, which will increase the income from these benefits for larger families. The government estimates there will be 450,000 fewer children in relative low income after housing costs in the financial year ending 2030 as a result of removing the two-child limit, compared to baseline projections.[241]

There have also been calls to reinstate removed or reduced disability-related premiums to provide a financial buffer for the most at-risk groups.[242] Evidence from the field of homelessness prevention looked at the effect of incorporating employment and vocational support into homelessness prevention programmes to help participants increase their earned income, but overall the findings were inconsistent.[243]

In addition, there have been proposals for reform of the architecture of the benefits system to reduce the risk of debt and debt-related eviction[244]:

- **Universal Credit payment options:** Giving all claimants the option to have Universal Credit paid twice monthly (rather than monthly) or have the housing element paid directly to landlords, which are already available in Scotland. As of August 2020, 38% of eligible claimants opted for these Universal Credit Scottish Choices, to assist with money management and particularly to avoid rent arrears.

- **Ring-fencing the housing element of Universal Credit** to prevent administrative penalties (i.e. sanctions) from leading to rent arrears and eviction.

- **Flexible Payment Alignments:** Aligning payments with claimants' existing budgeting behaviours and removing the five-week wait to prevent the initial accumulation of debt.

4.2 Direct financial assistance

From the field of homelessness prevention, the evidence indicates that direct financial assistance is important for preventing homelessness (including as a means to prevent or alleviate debt) among those at high-risk such as domestic abuse survivors, those in temporary accommodation and others experiencing deep social exclusion. The sorts of financial assistance discussed in the literature were direct cash transfers; the payment of rent or utility arrears; housing subsidies and rent supplements; as well as providing security deposits, moving costs, and the first and last months' rent.[245,246,247,248] Financial assistance is, however, unlikely to be enough on its own and should instead be part of a holistic programme of support.

Local authorities can have a role in administering direct financial assistance, as we discuss below.

4.3 The role of local authorities and other social landlords in alleviating and preventing debt

The evidence highlights the important role that local authorities can play in alleviating and preventing debt among the communities they serve, by delivering financial assistance to prevent household crisis; providing specialist money advice and support within local authorities; and multi-agency working to reduce the risk of eviction among council tenants. There is also evidence about the ways in which local authority and other social landlords have tried to prevent the escalation of rent debt as a result of the direct payment of housing support to tenants, which could have wider application.

The obvious caveat is that local authorities and social landlords require sufficient funding to effectively meet the demand for support.

Financial assistance

From April 2026, there will be multi-year funding for councils in England to help people to (among other things) manage priority debts, such as rent, Council Tax, and utilities arrears through a new Crisis and Resilience Fund (CRF). The CRF is designed to protect households from falling into crisis. Funding will also be available to the devolved governments in Wales, Scotland and Northern Ireland, making a total UK-wide funding package of £1 billion.[249,250]

Notably, one of CRF's three objectives is at the community level: "Bolstering the local-level support landscape…This includes strengthening resilience networks within local communities, that in turn boost the financial resilience of individuals within these communities." The other two objectives are providing effective crisis support and improving individuals' financial resilience.

Specialist advice and support

An evaluation of the Housing Act 2014 (Wales) recommended that local authorities appoint Welfare Reform Officers to focus on increasing income and reducing expenditure for service users (thereby addressing key drivers of problem debt); as well as embedding specialist debt advice co-ordinators directly within local authority housing teams.[251] It is not clear the extent to which these recommendations were implemented.

Multi-agency working

The 2025 UK Government's National Plan to End Homelessness[252] highlights Newcastle City Council's Sustaining Tenancies at Risk Panel as a good example of local authority-led multi-agency working. This Panel helps prevent evictions into homelessness by supporting local authority tenants at risk of losing their home due to rent arrears by maximising their income and addressing problem debt. Panel members include housing advisors, debt advisors, financial inclusion specialists, and income collection teams. Oxford City Council also has an early intervention team to help tenants clear arrears through grants and benefit maximisation.

In addition, Calderdale Council has developed a debt support pathway for domestic abuse survivors that includes covering debt and rental payments, where it works closely with its main housing provider to share information to understand the needs of individual households and regularly monitor high-risk cases. To aid effective support, the council's Housing Options Team[253] includes a domestic abuse advisor and money advice specialists.[254] More generally, Housing Options Teams are likely to be important points of entry for people in a vulnerable situation to get help, including those in temporary accommodation who may have little in the way of support networks.

Preventing the escalation of rent arrears

As described in Section 2.3, the introduction in 2010 of the direct payment of Housing Benefit to tenants rather than landlords (now replaced by the housing element of Universal Credit) resulted in an increase in rent arrears. Evidence published in 2017 highlighted several ways in which local councils and other social landlords tried to prevent the escalation of rent debt, which may have wider applicability. These included:

- The ability to switch a tenant back to landlord payment if they fell into a certain level of arrears (usually eight weeks) or were deemed too vulnerable to manage direct payments.
- SMS (text) messaging reminders for rent payments.
- A greater role for income officers (who are responsible for managing rent accounts and arrears management) to provide direct support and advice to tenants.[255]

In a more recent example of early intervention to prevent arrears, the 2025 National Plan to End Homelessness highlights how Maidstone Borough Council uses predictive data analytics to identify residents at early risk of homelessness and target support three to six months before a crisis occurs. [256]

4.4 Creditor forbearance and self-negotiation

Regulated sectors may have rules and guidance on the treatment of consumers in financial difficulty (referred to as forbearance) that they have to comply with, to make it easier for customers in debt to get help. For example:

- **Consumer credit:** FCA-regulated consumer credit firms must "treat customers in or approaching arrears or in default with forbearance and due consideration" such as suspending or reducing interest/fees, allowing deferred or token repayments, and ensuring repayment terms are reasonable and affordable.[257] Since November 2024, firms are also required to engage early with customers in or approaching payment difficulty; offer tailored forbearance options; and ensure repayment plans are sustainable.[258]

- **Energy:** In addition to existing standards of conduct for energy suppliers, in 2024 Ofgem set out its new Debt Strategy which among other things proposed standardising how suppliers assess a customer's ability to pay and exploring ways of preventing debt from building up in the first place.[259]

- **Council Tax:** Best practice guidance on Council Tax collections in England encourages proportionate, fair and person-centred debt collection practices, especially for vulnerable residents. The guidance is not mandatory but councils in England are encouraged to follow it.[260] Similar guidance exists in Scotland.[261] The Welsh Government is consulting on Council Tax collection practices.[262]

Effective creditor forbearance could mean that problem debt is dealt with at an early stage (e.g. when first identified by a creditor or disclosed by a consumer), with potentially fewer people needing to seek debt advice as a result because they are able to negotiate a satisfactory arrangement with their creditors themselves. However, as we discuss below, there is little published evidence about the effectiveness of forbearance and people's ability to self-negotiate with creditors.

Are people able to negotiate with creditors themselves?

A UK-wide survey conducted in 2023[263] asked all households whether they had had any discussions in the last six months with their creditors about being unable to meet their payments now or in the future. A total of one-in-seven households (14%) had talked to at least one of their creditors about this, rising to a third (34%) of those who were classified as being 'in serious difficulties'. Looking only at those who had reported being behind on at least one payment (18% of all households), nearly two-thirds (63%) had been having some form of contact with their creditors about being unable to meet their payment.

Interestingly, households behind with their bills who had contacted their creditors were significantly less likely to be 'in serious difficulties' (34%) than those who had not done so (47%) – suggesting either that contact with creditors can help reduce financial difficulty or that, for whatever reason, those in greater difficulty are less likely to contact their creditors.

For households that did have discussions with their creditors, the three most common outcomes they reported were:

- Setting up an affordable payment plan (32%)
- Being expected to pay creditors the full amount owed (25%)
- Setting up a payment plan that they felt was not affordable (19%).

In addition, 17% of these self-negotiators were referred to a money adviser; 16% were changed to a pre-payment meter because they were behind with their energy payments; and 15% said that creditors had applied to make deductions from their income to repay the amounts owed[264] – which as we saw in sections 2.3 and 3.1 in relation to benefit deductions could itself be a cause of problem debt.

Other studies cite people's inability to self-negotiate satisfactory arrangements with some or all of their creditors as a reason why they ended up seeking debt advice.[265,266] This evidence shows that self-negotiation can be challenging, particularly for people with multiple and/or complex debt problems. As a result, getting help from a debt advice professional may be the best option.

4.5 Debt advice

Debt advice in the UK generally refers to professional guidance on managing debt that is regulated by the Financial Conduct Authority (FCA). It includes recommendations tailored to an individual's financial situation, covering options such as repayment plans for those who can afford to make repayments as well as debt relief orders or insolvency solutions for those who are not in a financial position to repay arrears. We look at the evidence about debt relief services for those not able to repay in Section 4.6 below.

Research in 2018 identified around 1,300 organisations that had permission from the FCA to provide debt advice in the UK. The debt advice ecosystem is complex and includes national free-to-client providers (e.g. Christians Against Poverty, National Debtline, PayPlan, StepChange); the Citizens Advice network of independent, local charities that advise on debt and other issues; other independent advice or legal centres; local authorities; housing associations; and commercial debt advice agencies.[267]

The single biggest source of debt advice funding in the UK is a levy on regulated financial services firms. In 2025-26, this totalled £120.3m, with £103.1m allocated for England and £17.18m allocated to Scotland, Wales and Northern Ireland.[268] Levy funding is channelled through the Money and Pensions Service (MaPS),[269] which commissions debt advice services across England and collaborates with devolved administrations to ensure coordinated provision in the rest of the UK.

The government's Financial Inclusion Strategy published in November 2025[270] proposes increased funding for debt advice (£100 million from 2025-26) as well as initiatives to make services more efficient and easier to access, and improved public sector debt collection practices.

Who receives debt advice and who is underreached?

According to research by the MaPS,[271] adults who have a definite need for debt advice (whether or not they go on to get it) are typically:

- Under 35 years old.
- In households with children and low incomes (73% have an annual household income of less than £30,000 before tax).
- Most (61%) rent their home from social or private landlords.
- From ethnic minority communities (31%), which make up less than 20% of the adult population as a whole.
- More likely to have experienced an income shock in the previous three years, like redundancy or a drop in earnings.[272]

Unsurprisingly, this profile of adults who need debt advice largely mirrors the profile of people who experience problem debt.

In spite of the wide-ranging negative impacts that can result from problem debt (as described in section 2), only a small proportion of over-indebted adults get help from a debt advice service. In the 12 months to May 2024, 1.7 million UK adults (3.2%) used a debt advice or debt management service, rising to 22% among adults in financial difficulty. That means there were 7.8 million over-indebted adults in May 2024 who had not used debt advice in the previous 12 months.[273] As we discussed in section 4.4 above, it may be the case that some of these people are able to negotiate with their creditors themselves (for example to set up a debt repayment arrangement) without needing advice.

Evidence on the types of people who are under-reached by debt advice was limited to two studies in the literature that we reviewed. The first, an evaluation of UK food bank advice services (offering debt advice and other types of help), indicated that people experiencing some form of homelessness were under-represented among advice service users: nearly twice as many people experiencing some form of homelessness (19%) had not used a food bank advice service compared to those who had (11%).[274]

The second was a review of the Single Advice Fund (SAF) in Wales.[275] Bearing in mind that the (SAF) does not solely deliver debt advice, the review found that people aged under 25 made up the lowest proportion of clients accessing services in each year. This could suggest that demand for social welfare information and advice (including debt advice) is genuinely lower in this age group, or that services are not reaching those under 25.[276]

Is debt advice effective at alleviating and/or preventing problem debt?

An evidence review of debt advice services in Europe (including the UK),[277] concluded that debt advice is useful because:

- It provides tools and support to improve financial literacy and decision-making, empowering individuals to make informed choices and manage their finances independently.
- It helps households to manage their debts more effectively, thereby reducing financial burden and stress and/or supporting those who are already in a situation of over-indebtedness.
- It ensures that individuals are aware of their rights and obligations under relevant legal and regulatory frameworks.
- It reduces stress-related illnesses and improves mental well-being, leading to a better overall quality of life, as well as stabilising family finances, reducing conflicts and promoting healthier family dynamics.
- It can have a positive impact on the economy by improving productivity levels, reducing absenteeism, maintaining or increasing employment levels and promoting social inclusion and community engagement, thereby reducing social isolation and its associated negative outcomes.

Other papers note the lack of (high-quality) studies on the general effectiveness of debt advice (not specifically in relation to tackling homelessness).[278,279] To improve the evidence base, the MaPS has commissioned a large, multi-year longitudinal study of debt advice in the UK to generate robust insights about its impacts, particularly over the longer-term.[280]

The evidence that does exist on the effectiveness of debt advice shows positive financial and other impacts:

- **Food bank advice services** were found to deliver positive financial impacts to people in or near destitution; and there was some evidence of benefits on wider health & wellbeing. The evaluation showed an average financial impact of around £1,000 through income maximisation; average debt managed of around £700; and average debt written off of around £188 per person accessing the services between April 2023 and March 2024.[281]

- **Welfare and benefits advice services co-located in health care settings** generated on average £27 of social, economic and environmental return per £1 invested, through improved income, support with debt relief and greater financial literacy and an awareness of welfare rights.[282]

- **Money advice service co-located in specialist child healthcare settings** found that the highest risk families received an average of £6,103 per year as a result of money advice (a return of £47 for every £1 spent by the project).[283]

- **Social Navigator Service (social prescribing)**[284] for people in financial difficulties, with complex health needs and limited access to mental health services showed one-off financial gains (average £1,237) and annual financial gains (average £1,703) for service users. Relieving financial burden and stress improved the quality of life and mental well-being of users as well.[285]

The basic principles of effective debt advice programmes were summarised by another study as: providing customised advice; being grounded in the establishment of trusted relationships with customers but also with creditors and authorities; and relying on registered, professional, trained advisors.[286]

In addition, there is some evidence from the field of homelessness prevention that looks at the effectiveness of debt advice in that specific context. A 2016 systematic review on interventions to prevent tenant evictions among single people at risk of homelessness due to deep social exclusion found that debt advice could be an effective eviction prevention method for tenants at risk of eviction.[287]

What are the barriers to seeking debt advice?

The evidence we reviewed suggests a range of reasons why people do not seek debt advice when they have problem debt, ranging from shame and embarrassment, to not knowing how debt advice might help and concerns about the potential negative impacts of getting advice.

- Among indebted consumers who did not use debt advice: In the Financial Lives Survey, 9% had not considered debt advice, 9% were too embarrassed, and 5% worried about the impact on their credit score.[288] Other research with people in need of debt advice highlights embarrassment and feeling overwhelmed as two overarching barriers; with low financial literacy and debt not being a priority as barriers amplified for people in vulnerable circumstances.[289]
- Among food bank users with access to a food bank advice service: advice barriers included a reluctance to seek advice or talk about their situation; stigma and mental health issues; marginally lower need; unsure about being eligible or worthy of support; unsure if the support would make a difference.[290]
- Among people with housing debt (who were mostly renters): lack of opportunity for face-to-face discussion of issues, difficulty getting through on the phone; and awareness that advice services were overwhelmed.[291]

Even when people do seek debt advice, significant numbers wait more than 12 months between the time they start to struggle and finally getting help, during which time their debts can mount up and a difficult situation becomes worse. In a survey of 22,519 adults in 2023, of those who had got debt advice, a quarter (26%) said they waited more than 12 months to do so.[292] Two in five (39%) of callers to National Debtline in 2022 had waited a year or more before seeking advice.[293]

Increasing the uptake of debt advice

Encouraging greater uptake of free debt advice among those who need it is predicated on there being sufficient capacity in the sector to deal with demand. As noted above, the government's Financial Inclusion Strategy published in November 2025[294] proposes increased funding for debt advice (£100 million from 2025-26) as well as initiatives to make services more efficient and easier to access, and improved public sector debt collection practices.

At an individual level, to find ways to increase the uptake of debt advice among people who could benefit from it, the MaPS has used insights from behavioural science to design and test interventions that align with the way people think, behave, and make decisions.[295]

- Firstly, it applied behavioural science insights to redesign comms and message at two UK advice services, which reduced no-shows and increased attendance rates at debt advice appointments.[296]
- Secondly, it tested a debt advice journey map[297] and money health checker[298] in a simulation experiment with 1,000 people. The participants given either solution were significantly more likely to choose 'seek debt advice' and choose it at earlier points in the simulation than people who were not shown the solution. Other recommendations from the study were reframing debt advice and the role of advisers; making the journey more flexible; and simplifying the process.[299]

We are unable to say whether these interventions have been implemented by UK debt advice services. Other research has recommended that local authorities seeking to change their residents' financial behaviours (claiming financial support; paying essential bills on time; saving) might better achieve their policy objectives by using behavioural science evidence and frameworks.[300]

4.6 Other interventions to prevent and-or alleviate problem debt

In this section we set out the evidence from the small amount of literature we found on other interventions: debt relief services (such as personal insolvency), financial literacy interventions, asset-based welfare policies, and access to credit products.

Debt relief services

We identified two studies about the effectiveness of specific debt relief services: the Debt Relief Notice in Ireland and Individual Voluntary Arrangements in the UK.

The Debt Relief Notice (DRN, Ireland) is for people who have very low disposable income or assets. It allows for the write-off of qualifying debt (which is generally unsecured debt with a few exceptions) up to €35,000 under a 3-year supervision period (Insolvency Service of Ireland, no date).[301] To evaluate its impact, eight people with a Debt Relief Notice were interviewed several times. They reported a reduction in financial distress after obtaining a DRN, which in turn enabled increased control over day-to-day finances. However, participants were not able to attain long-term financial resilience.[302]

An Individual Voluntary Arrangement (IVA) is an agreement that an individual makes with their creditors to pay all or part of their debts. They agree to make regular payments to an insolvency practitioner, who will divide this money between their creditors.[303,304] A study based on 86 participants who received advice about IVAs found poor levels of mental health overall but that non-adherent participants (who did not go on to take out an IVA) had significantly poorer mental health than those who adhered to the advice to take out an IVA.[305] This suggests that poor mental health can be a barrier to getting help with problem debt.

A study that reviewed the evidence confirms that there are few robust evaluations of debt relief services, but what evidence there is suggests they are effective.[306] The authors highlight that alternative debt solutions for people with low income and few or no assets (of which the Debt Relief Notice in Ireland and the Debt Relief Order in England and Wales are examples) are important for vulnerable households for whom "bankruptcy processes are often financially unaffordable and bureaucratically complex" (page 17).

Financial literacy interventions

The OECD defines financial literacy as “a combination of financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being”.[307]

There is a large body of international evidence that consistently shows the importance of financial literacy on financial behaviours, including those relevant to preventing or alleviating problem debt, such as budgeting and financial management, managing existing debts and developing effective repayment plans,[308] which in turn could help people sustain tenancies and reduce the risk of debt-related homelessness.

However, the overall evidence on the effectiveness of financial education on financial literacy and related behaviours is mixed; it also indicates that the effects of financial education on financial literacy are weaker for those on low income and in relation to debt in comparison to savings.[309] Developing targeted financial education programmes tailored to the needs of specific population groups and providing financial education at a ‘teachable moment’ (i.e. directly linked to decisions that are immediately relevant) are among the things that the evidence suggests can make financial education more effective.[310,311]

There is some evidence from the field of homelessness prevention on incorporating financial education into homelessness prevention programmes. Firstly, the US Homelessness Prevention and Rapid Re-Housing Program (HPRP) ran from 2009 to 2012. Financial assistance was among the services that were funded, and one US city collaborated with non-governmental organisations to provide six hours of group financial education to participants over several months, as well as providing case-management of the budgeting of participants. The HPRP served 1.15 million people in just over two years and, overall, 87.7% of program participants who received financial assistance or housing relocation or stabilisation services exited to permanent housing (the specific impact of financial education is not considered).

Secondly, based on its evaluation of the Housing Act (Wales) 2014, the Welsh Government advocated for budgeting and money management training to be a standard part of training for new tenants, in order to help prevent money problems and problem debt.[312] It is unclear the extent to which this recommendation was ever implemented; and the success of such a programme would in any case depend on tenants having sufficient income to cover essential costs in the first place.

Asset-based welfare policies

Asset-based welfare policies are described as "policies that seek to diversify households' dependence on publicly-funded welfare programmes income by promoting greater levels of asset ownership".[313] In the UK, examples may be said to include the Child Trust Fund which aimed to encourage saving for children;[314] and reforming the Right to Buy to help long-standing tenants to buy their own home.[315] The basic premise is that by increasing people's assets, they become more financially resilient and, in turn, less likely to experience problem debt.

While the strength of the evidence on these policies is found to be high, the mixed results of their impact in relation to problem debt suggest that "many don't address the fundamental problem that low-income households live financially precarious lives and simply don't have spare income to save" (McKnight and Rucci, 2020, p.54, cited in Bucelli and McKnight, 2022).[316]

Access to credit products

The evidence of links between poverty, high-cost credit use (e.g. payday loans, high-interest credit cards) and problem debt mean that access to alternative lower-cost credit options are a potential way to prevent or alleviate problem debt.[317,318] For example, if someone has access to a credit product that costs less, their borrowing costs are lower, meaning they should have more money available to cover other living costs.[319]

The evidence base to support this type of intervention is found to be weak, with evaluations of alternative products showing limited effectiveness, largely because they only reach a small portion of their target population.[320]

The interim findings from a No Interest Loan Scheme (NILS) Pilot - that delivers small-sum no interest loans to people in vulnerable circumstances across Great Britain – show positive early findings in terms of providing access to financial services for vulnerable borrowers.[321] The full evaluation may shed further light on whether this type of intervention is effective at preventing or alleviating problem debt.

As well as providing access to more affordable credit products, others have called on stronger action to tackle credit products and practices that cause or compound financial difficulty.[322]

4.7 Promising practice to prevent and/or alleviate problem debt

From the UK and international evidence, it is clear there is no single 'silver bullet' that can alleviate or prevent problem debt among households living on low incomes, thereby reducing the risk of homelessness. To be effective, interventions need to be able to disrupt harmful cycles where poverty, debt, inadequate/unstable housing and poor health and wellbeing are inter-linked. Achieving this requires central government to tackle systemic, structural issues, which should in turn increase the efficacy of other interventions.

Aside from government policy, we see four main areas of promising practice where further evidence could guide future service development:

1. Better-resourced and more co-ordinated services to make it easier for people to access the full range of help they need. The evidence highlights several different models to achieve this, including the co-location of advice services with other services that people use, such as health services and food banks; the social prescribing model where social prescribers/Social Navigators work inclusively and in a person-centred way with individuals who have complex needs; and local authority-led multi-agency working.

2. Developing and testing different support 'packages' for specific at-risk populations. This would improve our understanding of 'what works, for who' and help public bodies and other service providers combine different support (e.g. direct financial assistance, money/debt advice, health and wellbeing services) to maximise effectiveness, particularly for high-risk groups.

3. Using data analytics to guide early support. Creditor organisations - be they a local authority, housing association, utility provider, or bank - can have a much better overview of an individual's financial situation than the individual themselves from the data they have access to. There are already examples of public bodies using data to proactively identify people who would benefit from early support (rather than for punitive reasons).[323,324,325] There is an opportunity to explore the ethical use of data for this purpose on a larger scale, including the potential pitfalls and safeguards needed.

4. Listening to what people need and working with them to design and deliver it. While not a strong theme in the evidence we reviewed, there were some powerful examples of how people with lived experience of poverty can positively influence service design and delivery. The government's 2025 Child Poverty Strategy,[326] for example, describes how Salford's Poverty Truth Commission[327] collaborated with Salford City Council to help over 25,000 people on low incomes by changing the way in which the council recovers debt, providing early help for those in financial difficulty and exempting young people leaving care from paying council tax.

5. Conclusions and recommendations

This review set out to understand how problem debt increases the risk of homelessness for renters (focusing on those living on low incomes), and what evidence exists about interventions that might prevent or alleviate that risk. The findings point to a clear and consistent conclusion: problem debt is not a marginal or individualised issue, but a systemic feature of the contemporary housing and welfare landscape that both precipitates homelessness and entrenches housing insecurity once it begins.

Our main conclusion from the evidence is that problem debt is a systemic driver of homelessness risk. Across the evidence, debt emerges as the mechanism through which structural pressures are translated into housing insecurity and acute housing crises. Insufficient and unstable incomes, unaffordable housing costs, rising essential bills, and the design of the welfare system all interact to produce arrears on rent, Council Tax and utilities. These priority debts carry severe consequences. When households fall behind, enforcement processes are often rapid, inflexible and punitive, while opportunities for early resolution are limited. As a result, debt can become the tipping point that moves people from financial strain into homelessness, and the trap that prevents exit once homelessness has occurred.

The evidence also shows that debt rarely occurs in isolation. Low-income renters typically juggle multiple forms of arrears at once, with public, housing and utility debts compounding one another. As income is reduced through benefit deductions, enforcement action or income shocks, households are forced to make impossible trade-offs between essentials. In these circumstances, rent is often deprioritised, not because of poor financial capability, but because the system requires people to choose which crisis to manage first. Once rent arrears accumulate, the risk of eviction, temporary accommodation, and repeat homelessness increases sharply.

Importantly, the relationship between debt and homelessness is cyclical and reinforcing. The stress of debt damages mental and physical health, undermining people's capacity to engage with landlords, creditors or support services. Homelessness, in turn, generates new debts through higher living costs, disrupted benefits, and insecure or unsuitable accommodation. For many households, especially those already facing discrimination or disadvantage, this creates a persistent state of housing precarity rather than a one-off crisis.

Certain groups face particularly acute risks. People with disabilities, single parents, young people, and survivors of domestic and economic abuse experience distinctive debt pathways that are shaped by benefit inadequacy, income volatility, and additional costs. For these groups, debt is both more likely to occur and more likely to lead to housing loss. The evidence is clear that without structural reform, targeted support alone will be insufficient to break these cycles.

Overall, the findings highlight that preventing homelessness requires preventing debt, and preventing debt requires addressing the structural conditions that make arrears almost inevitable for low-income renters. This is not primarily a problem of individual behaviour or financial literacy; it is a predictable outcome of policy choices about income adequacy, housing affordability, and debt enforcement. Effective action therefore needs to operate at multiple levels: national policy, local authority practice, service delivery, and the evidence base itself. In the sections below, we set out our evidence-based recommendations for each of these levels.

5.1 Recommendations for national policy: addressing the structural drivers of debt and homelessness

Treat problem debt as a core homelessness prevention issue.
National homelessness strategies should explicitly recognise problem debt—particularly rent, Council Tax and benefit-related debt—as a primary upstream driver of homelessness. This should be reflected in policy objectives, funding allocations and performance frameworks.

Strengthen income adequacy and stability for low-income renters.
Evidence consistently shows that insufficient and unpredictable income is the root cause of debt. Priority actions include:

- Increasing working-age benefits and ensuring that these keep pace with housing and essential costs.
- Completing reforms to reduce benefit deductions and introducing affordability assessments before any deductions are applied.
- Reviewing remaining structural features that create debt-by-design, including the five-week wait and rigid monthly assessment periods.
- Ring-fencing the housing element of Universal Credit to protect rent payments from sanctions and deductions.

Reduce exposure to unaffordable housing costs.
Housing affordability is central to debt prevention. National action should include:

- Expanding the supply of genuinely affordable social housing at scale.
- Strengthening protections against eviction for rent arrears where the underlying cause is benefit failure or temporary income shock

Reform public sector debt enforcement.
Public debt enforcement currently exacerbates hardship and homelessness risk. Government should:

- Introduce statutory affordability and vulnerability checks before enforcement action is taken.
- Limit the use of court action, fees and charges for low-income households.
- End imprisonment as a sanction for Council Tax non-payment in England.
- Align public sector debt recovery practices with the standards required of regulated creditors.

5.2 Recommendations for local authority practice: embedding prevention across systems

Use debt data as an early warning system.
Local authorities should treat rising arrears as a signal of housing risk, not simply a revenue issue. Integrating data on rent, Council Tax and benefit deductions can enable earlier identification of households at risk of homelessness and trigger preventative support before a crisis point.

Align revenue collection with homelessness prevention duties.
There is a strong case for closer alignment between housing, revenue and welfare teams. Councils should:

- Pause enforcement action where homelessness risk is identified.
- Ensure that repayment plans are genuinely affordable and reviewed regularly.
- Embed debt and income maximisation support within Housing Options and tenancy sustainment services.

Make full use of discretionary and crisis funding.
The new Crisis and Resilience Fund provides an opportunity to prevent debt-related homelessness if used strategically. Local authorities should prioritise its use for clearing or reducing priority debts where these present a barrier to housing stability, alongside wider support.

Develop targeted pathways for high-risk groups.
Groups such as people leaving care, tenants with disabilities and domestic abuse survivors benefit from tailored approaches. Local authorities should develop dedicated debt and housing pathways for these groups, ensuring that historic or coerced debts do not block access to safe housing.

5.3 Recommendations for service delivery: making support accessible, timely and joined-up

Integrate debt advice with housing and homelessness services.
Debt advice is most effective when delivered early and alongside housing support. Services should be co-located where possible, with clear referral routes between landlords, homelessness services and advice providers.

Prioritise early intervention and flexibility.
Evidence suggests that small interventions delivered early—such as payment plans, short-term grants, or benefit corrections—can prevent escalation into homelessness. Landlords and creditors should be incentivised to intervene early and offer flexible forbearance.

Recognise and respond to the emotional burden of debt.
Debt-related stress and stigma are major barriers to engagement. Services should be trauma-informed, accessible to people with mental health conditions or neurodivergence, and designed to reduce administrative and cognitive burdens on users.

Support frontline staff to act preventatively.
Housing officers, income officers and homelessness practitioners need the skills, authority and time to resolve debt problems collaboratively. Training, shared protocols and senior leadership support are essential to shift practice away from enforcement and towards prevention.

5.4 Recommendations for further research: strengthening the evidence base for action

Evaluate debt-focused homelessness prevention interventions.
There is a significant evidence gap around whether debt interventions directly reduce homelessness. Rigorous evaluations - particularly of financial assistance, benefit reform and enforcement changes - are needed to inform future policy.

Improve data on public and housing debt pathways.
Nationally consistent data on rent arrears, Council Tax enforcement, deductions and eviction outcomes would enable better targeting of prevention efforts and more robust accountability.

Understand differential impacts across groups.
More research is needed on how debt pathways differ by ethnicity, disability, gender and household type, and how intersecting inequalities shape homelessness risk.

Test upstream prevention models.
Finally, there is a need for experimental and longitudinal studies that test whether preventing debt earlier in the life course - through income protection, affordable housing and system redesign - reduces homelessness at population level.

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ISBN 978-1-914132-58-2
CHI | Registered Charity Number: E&W1183026; SC049501.
Company Number: 11732500