

Debt and the pandemic

November 2021



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Debt and the pandemic

November 2021



About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddEquality

Current Committee membership:



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Jenny Rathbone MS**
Welsh Labour



Jane Dodds MS
Welsh Liberal Democrats



Altaf Hussain MS
Welsh Conservatives



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Chair's foreword

At the outset of the COVID-19 pandemic, there were widespread fears that the measures needed to contain the health emergency could quickly lead to an economic disaster. People with jobs that cannot be done remotely had to make the most difficult choices about retaining their income whilst often being the very people who were most at risk for other reasons – including living in over-crowded households or already suffering from poor health.

A broad package of government support thankfully helped to mitigate some of the worst excesses of the economic downturn caused by the pandemic. But rising costs of living and the end of key measures of government support all point to a difficult period in the months ahead. With this in mind we set out to look at the impact of the pandemic on debt and indebtedness.

In times of economic hardship people are often forced to turn to debt to ease immediate financial problems. This short-term fix can easily create long-term problems for individuals. Although the extent of the debt problem has not been as great as was initially feared, our work has found that 18 per cent of adults in Wales – a higher proportion than in England or Scotland – have experienced economic hardship as a result of the pandemic. Debt and arrears on household bills and council tax have all increased, in some cases markedly. We expect some of these problems to get worse before they get better.

Our report suggests a number of steps that should be taken by the Welsh Government to ensure that advice and support reaches those who need it, particularly the most vulnerable. We need better data both to inform the design and delivery of services and to help tackle some of the underlying causes of debt. Rising energy costs require us to accelerate plans to retrofit social homes as a key element of the Welsh Government's strategy to tackle fuel poverty.

This work has shed light on an important aspect of the challenge to deliver a More Equal Wales. I would like to thank all those who contributed to our work and look forward to scrutinising progress in the years ahead.

Jenny Rathbone MS

Chair of the Equality and Social Justice Committee

Recommendations

Recommendation 1. The Welsh Government's equalities data unit should work with organisations in the sector to collate and publish annual data on debt in Wales starting in the next financial year 2022-23, broken down by protected characteristics. Page 19

Recommendation 2. The Welsh Government should commission expert research into the relationship between addiction and debt and report back to this Committee on progress. This research should cover addiction in all its forms including gambling, alcohol and other substance addictions and the Welsh Government should write to the Committee with an update on progress and timescales for completion and publication before the end of March 2022. Page 19

Recommendation 3. The Welsh Government should set out in its response what additional measures it will put in place to promote debt advice services to vulnerable groups who are at heightened risk of debt, so they can make informed choices about the options available to them. Page 19

Recommendation 4. The Welsh Government should publish revised plans within the next three months to tackle fuel poverty, to ensure that these are in place well ahead of the next rise to the energy price cap due to come into force from April 2022..... Page 21

Recommendation 5. The Welsh Government should provide clarity in its Draft Budget on how it will allocate sufficient funds up until 2024-25 to accelerate plans to bring all social homes up to Energy Rating A to mitigate increased fuel poverty as a result of rising energy costs..... Page 21

Recommendation 6. The Welsh Government review of the Council Tax Protocol for Wales should include an assessment of whether the Protocol should be strengthened including whether it should be placed on a statutory footing. This review should be progressed urgently and be completed by no later than June 2022..... Page 26

Recommendation 7. The Welsh Government should explore the feasibility of introducing 'debt bonfires' in relation to aspects of public sector debt, drawing on evidence from Wales and beyond, and should write to the Committee with its conclusions by the end of June 2022..... Page 26

Recommendation 8. The Welsh Government should set out in its response to this report what further action it has taken to improve awareness of Welsh housing law among frontline police officers. Page 30

Recommendation 9. The Welsh Government should set out how it will ensure that it uses the legislative or policy levers at its disposal so that tenants across all tenures do not lose their homes because of debt accrued as a result of the pandemic. Page 31

Recommendation 10. The Welsh Government should also ensure that the notice period for no-fault evictions remains at 6 months until the Renting Homes (Wales) Act 2016 comes into force..... Page 31

Recommendation 11. The Welsh Government should explore the possibility of extending the Tenancy Hardship Grant scheme to include low-income tenants in social housing who are not eligible for Discretionary Housing Payments. Page 31

Recommendation 12. The Welsh Government should set out in its response to this report how it intends to promote affordable credit sources among those at heightened risk of debt over the next six months. Page 35

Recommendation 13. The Welsh Government should make flexibilities introduced to the Discretionary Assistance Fund as a result of the pandemic a permanent feature of the fund. Page 35

Recommendation 14. To inform preparation work for the new DAF contract from April 2023 the Welsh Government should undertake a review of the current DAF to include:

- a review of eligibility criteria;
- options for streamlining the application process; and
- a review of the guidance associated with applications to ensure that it is sufficiently easy to understand and written in plain English and Welsh.

..... Page 36

Conclusions

Conclusion 1. We will keep a watching brief on the extent and sustainability of financial support for debt advice services as part of our scrutiny of the Draft Budget 2022-23, expected to be laid before the Senedd on 20 December 2021..... Page 18

Conclusion 2. We would welcome more detail from the Minister for Social Justice setting out the case for the UK Government increasing the amount of funding available to the UK nations through the debt advice levy, of which Wales would receive a proportionate share.
..... Page 18

Conclusion 3. We will also be writing to all four police forces enclosing a copy of this report and asking them to respond to our concerns regarding police involvement in evictions..... Page 30

1. Background

1. This report includes the recommendations and conclusions of the Equality and Social Justice Committee's work into the impact of the COVID-19 pandemic on debt. For information on the background to this inquiry, including the terms of reference **please go to the inquiry homepage**.

Evidence gathering

2. The Committee gathered evidence from a targeted set of stakeholders which included: money advice charities, credit unions, representatives of housing and local government and equality organisations. The Senedd's Citizen Engagement Team Committee also held four online focus groups to gather the views of debt advisers and credit union staff. A summary of those discussions is available online.

3. The Committee heard from Jane Hutt MS, Minister for Social Justice on 20 October 2021.

4. The Committee would like to thank to all those who took part in the inquiry.

If you or someone you know are affected by debt, there are a number of organisations that can provide you with free and impartial advice:

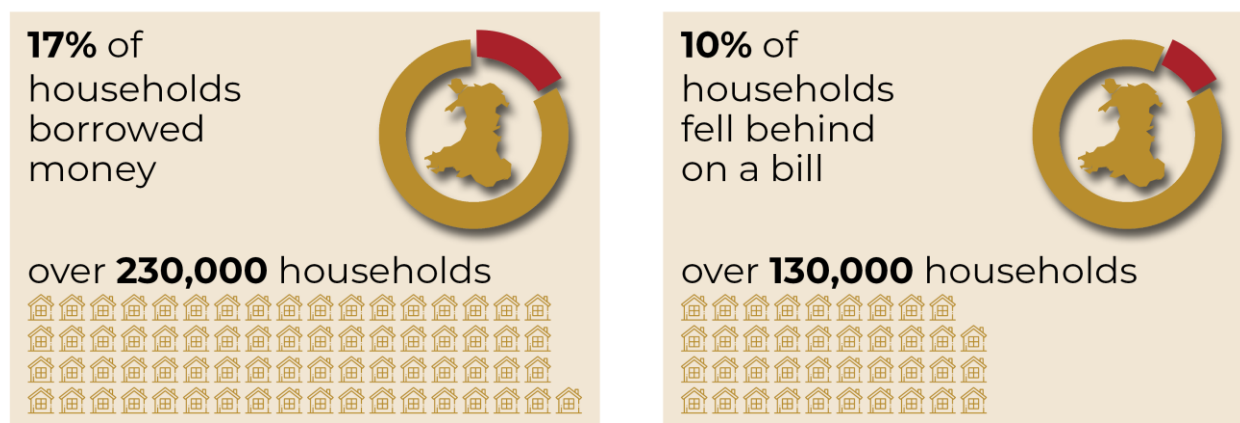
- Citizens Advice provide advice through Advicelink Cymru on **0800 702 2020** or by **talking to an adviser online**.
- Dewis Cymru can help you find **money and advice services in your area**.
- The UK Government's Money and Pensions Service has set up the **Money Helper** website which provides guidance on dealing with debt.
- StepChange provides free debt advice on **0800 138 1111** or via its **online debt advice tool**.

2. The impact of the pandemic on debt in Wales

5. In November 2020, research by Citizens Advice estimated that over 280,000 people in Wales had fallen behind on household bill payments since the start of the lockdown, accruing £73 million in arrears.¹ The pandemic exacerbated debt issues some people were already facing, while others fell into debt for the first time. They also highlighted that 34 per cent of those who had fallen into debt reported being unable to afford food or other basic necessities since the start of the pandemic.²

6. This year's report by the Bevan Foundation 'Debt and the pandemic' highlighted that problem debt had become a greater issue for those who were at heightened risk of it beforehand; but it had not impacted the whole population as seriously as was feared at the start of the pandemic.³

Figure 1: Graphic showing the percentage of households in Wales that had borrowed money or fallen behind on a bill between January and May 2021



Source: Bevan Foundation, [**A snapshot of poverty in spring 2021**](#)

7. StepChange found that 21 per cent of the population in Wales was experiencing financial difficulties, and 7 per cent had a debt problem.⁴ A higher proportion of Welsh

¹ Citizens Advice, '[Coronavirus Debts: Estimating the size of lockdown arrears in Wales](#)'

² Ibid.

³ Bevan Foundation, '[Debt and the Pandemic](#)' – September 2021

⁴ Written evidence, [StepChange](#)

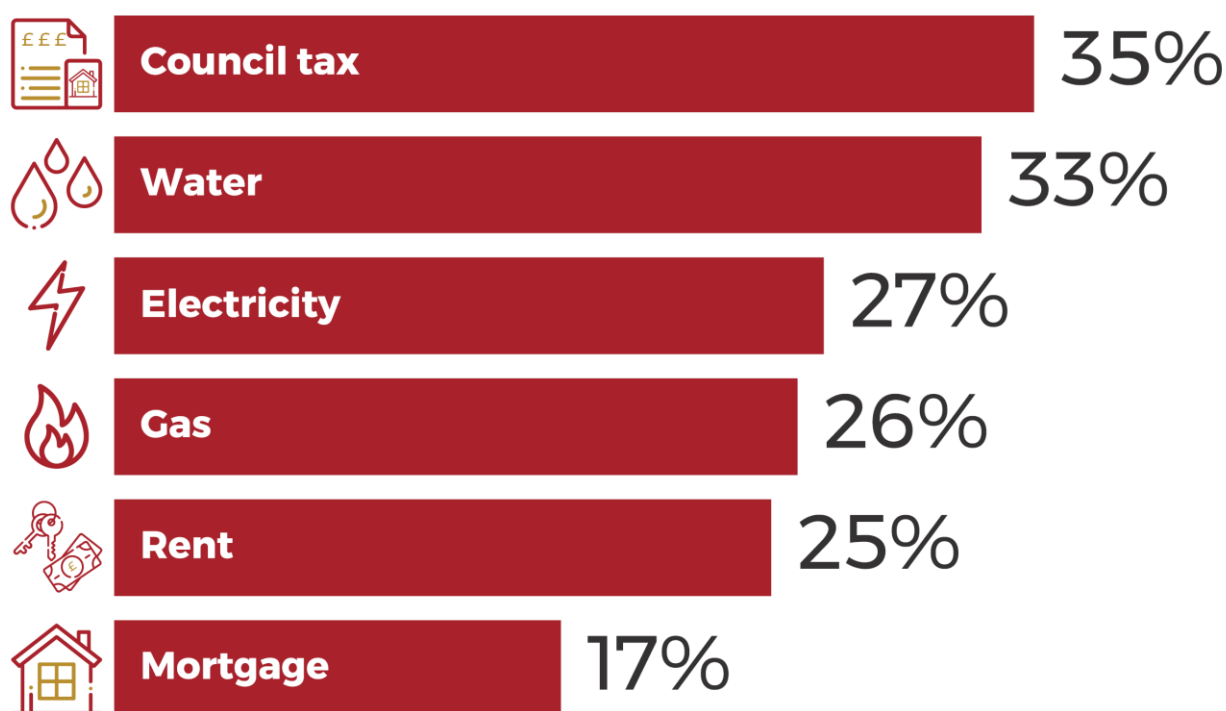
adults (18 per cent) had experienced financial hardship during the pandemic than in England or Scotland.

8. Our focus groups discussed the type of queries received from clients and fixed costs appeared to be the biggest concern during the pandemic.⁵ One participant from Aberconwy explained:

*"Pre-pandemic, it was a bit more consumer debt. In the pandemic it's a bit more fixed costs like your rent, your council tax, your fuel bills. Those fixed costs that you really can't get away from; rather than loans."*⁶

9. This chimes with statistics included in StepChange's written evidence to the Committee.⁷

Figure 2: Percentage of StepChange clients in arrears by type, January 2021



Source: StepChange, [Submission to the Equality and Social Justice Committee inquiry into the level of indebtedness during the pandemic and personal, household and consumer debt](#)

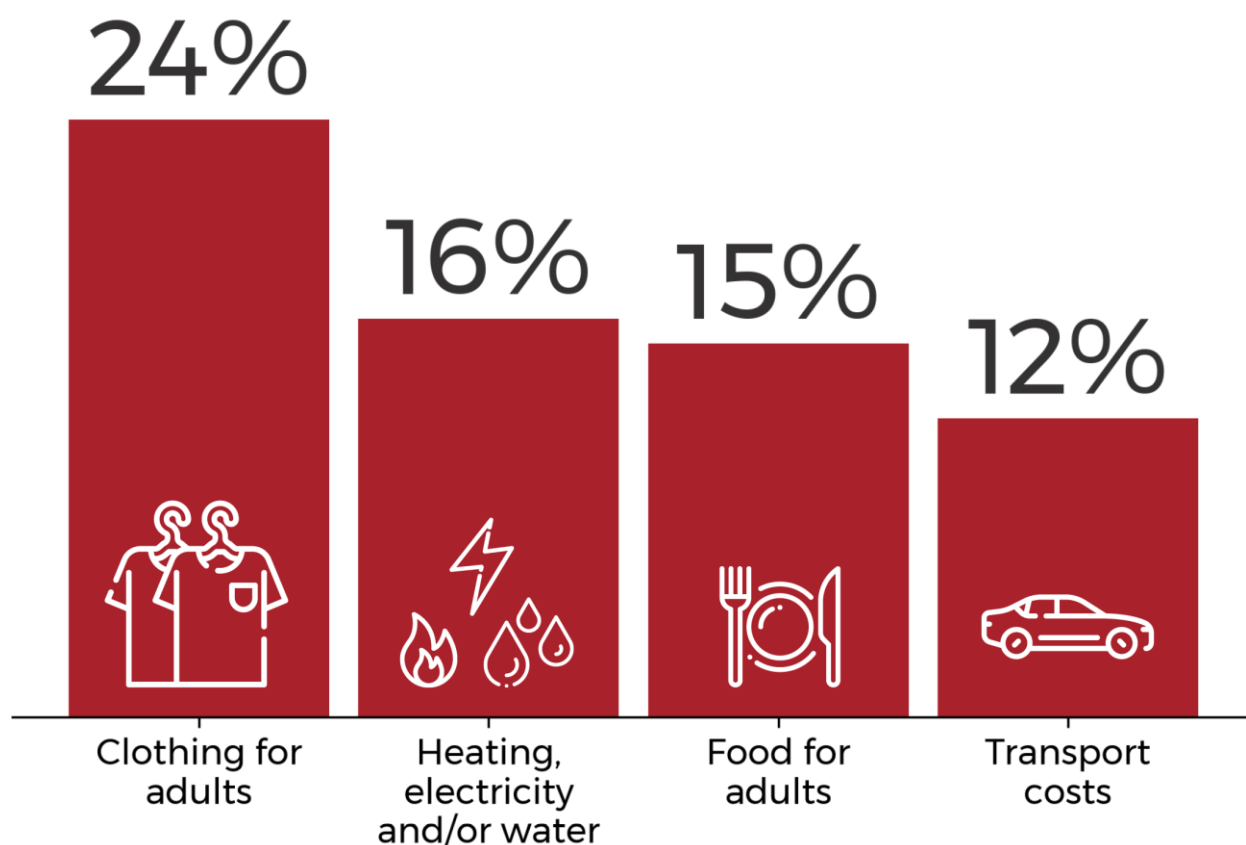
⁵ [Summary of focus groups](#)

⁶ Ibid.

⁷ Written evidence, [StepChange](#)

10. The Bevan Foundation set out how not having enough money to cover the costs of everyday needs has impacted on households during the pandemic, with households cutting back on food and clothing for adults; essentials such as heating, electricity and water; and on transport costs.⁸

Figure 3: Percentage of households that cut back on essentials, January-May 2021



Source: Bevan Foundation, [A snapshot of poverty in spring 2021](#)

11. The number of people seeking debt advice actually declined during the pandemic. The Money and Pensions Service, Citizens Advice, and StepChange all highlighted that though there was an assumption that demand for debt advice would increase dramatically at the start of the pandemic, this did not happen.⁹ The focus groups agreed that there had been an initial, marked decline in the number of individuals accessing debt advice when restrictions were first introduced in March 2020:

⁸ Bevan Foundation, [A snapshot of poverty in spring 2021](#)

⁹ Money and Pensions Service, ['The 3 D's of Covid | The Money and Pensions Service'](#); written evidence [StepChange](#); Citizens Advice, ['Debt impact report 2020/21'](#)

*"...We were quiet. Not sure why, but we were quiet. I know I keep comparing it, but the only other year I remember it being that quiet was the first year of the credit crunch, so that was the closest comparison."*¹⁰

12. The Money and Pensions Service argued that despite the initial decrease in demand, "this has deferred rather than denied the problems," and that there is likely to be greater demand for debt advice in the future as the financial impact of the pandemic continues to exacerbate debt issues.¹¹

The impact of debt on different groups

13. Organisations such as StepChange, Citizens Advice and the Bevan Foundation all found that some groups are more likely to experience debt than others.¹² These groups include people who are unemployed or in insecure work; people whose work has been affected by the pandemic; single parents; parents with young children; renters; people from some ethnic minority communities; and people with disabilities. Peter Tutton of StepChange in oral evidence stated that many of these groups have featured "disproportionately in their debt advice caseloads" since the 2008 recession.¹³

14. Citizens Advice stated that the pandemic "has had a highly unequal impact on household finances" and that whilst many had seen improvements, low-income households "have been much more likely to run down savings or see their debt levels increase as a result of the pandemic."¹⁴

15. In terms of disproportionate impacts, the Bevan Foundation highlighted that households with an annual income below £40,000 a year were significantly more likely to be in arrears than higher-income households. Furthermore, they found that people living in social rented accommodation are more likely to be in arrears on every major bill than any other group.¹⁵

16. Both Chwarae Teg and the Ethnic Minority Youth Support Team Wales (EYST Wales) called for better data on the impact of debt on people with protected characteristics.

¹⁰ **Summary of focus groups**

¹¹ Money and Pensions Service, **'The 3 D's of Covid | The Money and Pensions Service'**

¹² Written evidence, **StepChange**; Citizens Advice, **'Coronavirus Debts: Estimating the size of lockdown arrears in Wales'**; Bevan Foundation, **'Debt and the Pandemic'** – September 2021

¹³ Record of Proceedings, paragraph 170 – 20 September 2021

¹⁴ Written evidence, **Citizens Advice**

¹⁵ Bevan Foundation, **'Debt and the Pandemic'** – September 2021

Chwarae Teg noted that there is a clear need for disaggregated data on the burden of debt on women as the data that does exist assumes that household resources are pooled.¹⁶ Cerys Furlong said:

*"Of the data that's there, it's difficult to segregate it. Most measures of poverty and financial resources assume that the household resource is pooled. We know that's not the case, and that particularly affects women. So, I think evidence needs to be collected more regularly. It should be intersectional, because we know that different groups of women experience things in different ways, and it should also not just look at debt, but look at the scale and the nature of debt, what is causing that and the impact of that on the individual and the family."*¹⁷

17. Chwarae Teg highlighted the impact of debt on single parents, noting that research by StepChange found that 22 per cent of their clients were single parents compared to 6 per cent of the UK population.¹⁸ They also cited work by Women's Aid which found that 43 per cent of domestic abuse survivors had incurred debt as a result of the abuse they had experienced.¹⁹

18. Correspondence from the Federation of Small Businesses Wales (FSB Wales) pointed out that many small businesses do not have business accounts and consequently "any business debt for them is also personal debt."²⁰ Furthermore, collateral for these debts can often be personal assets such as houses, "leaving many small business owners particularly vulnerable."²¹

19. The Minister for Social Justice's paper stated that, in 2020-21, 83 per cent of those who have used advice services funded via the Single Advice Fund were from at least one "priority group": women, people under 25 or over 55, people with a disability, a mental or physical health issue or from an ethnic minority community.²² This is above the performance indicator of 80 per cent set out in the Minister's paper. In response to

¹⁶ Written evidence, **Chwarae Teg**.

¹⁷ Record of Proceedings, paragraph 148 – 4 October 2021

¹⁸ Written evidence, **Chwarae Teg**.

¹⁹ Record of Proceedings, paragraph 117 – 4 October 2021

²⁰ **Correspondence from the Federation of Small Businesses Wales regarding the Committee inquiry into debt and pandemic**

²¹ Ibid.

²² **Welsh Government evidence paper**

questions regarding the gathering of data on the impact on women in particular, the Minister said that the Welsh Government was currently developing an “equalities data unit” which would consider these issues in more detail.²³

20. In terms of funding for particular groups, the Minister’s paper told us that the Welsh Government had used COVID-19 voluntary sector funding to provide £2.5 million to organisations supporting disabled people; £1.05 million to organisations supporting people from ethnic minority communities and almost £0.5 million to organisations providing advice and advocacy.²⁴ The Minister highlighted increasing funding “to third sector specialist VAWDASV²⁵ organisations by 4 per cent, to enable them to respond to increased demand.”²⁶

Debt and addiction

21. In 2018, a report commissioned by the Money Advice Service stated that, over a year a full-time debt adviser will receive 84 client disclosures of addiction; however almost half of debt advisers had received no training on addiction and over half had not received training on gambling addiction. It is likely that this figure masks the extent of the problem, as advisers reported that clients would frequently try to hide their addiction.²⁷

22. The Minister for Social Justice and her official told the Committee that of the 25 to 30 debt advisers funded via Citizens Advice and the Single Advice Fund, each debt adviser “will encounter seven clients who disclose an addiction issue in a typical month.”²⁸

Factors that are likely to increase debt problems

23. Peter Tutton of StepChange; Cerys Furlong of Chwarae Teg; Claire Savage of Credit Unions of Wales and Jason Roberts of Speakeasy Law Centre all expressed concerns about the end of the £20 universal credit uplift and the implications this could have on levels of

²³ Record of Proceedings, paragraph 50 – 20 October 2021

²⁴ Welsh Government evidence paper

²⁵ VAWDASV stands for Violence against Women, Domestic Abuse and Sexual Violence

²⁶ Record of Proceedings, paragraph 46 – 20 October 2021

²⁷ Money Advice Service, Vulnerability: the experience of debt advisers – November 2018

²⁸ Record of Proceedings, paragraphs 19-21 – 20 October 2021

indebtedness.²⁹ Peter Tutton stated that removing the uplift will “increase the number of people with negative budgets on Universal Credit that we see by about two thirds.”³⁰

24. Another area of concern was the rise in energy prices and the impact this may have on fuel poverty. Claire Savage of Credit Unions of Wales expressed concerns about “rising arrears going forward, especially autumn into winter” and highlighted the likely increases to the cost of living particularly in terms of food and fuel prices.³¹

25. Rising food and fuel prices were mentioned as an area of concern by Community Housing Cymru (CHC). Noting the temporary nature of some of the support provided by government during the pandemic, CHC said that “the challenges to people’s financial resilience are continuing, and the need for support is ever more acute.”³²

26. Many participants across all focus groups shared concerns that the true impact of the pandemic on those experiencing debt or financial hardship had yet to be realised. References to a “perfect storm” or a “tsunami” were made in describing the likely scenario over the coming months and years. One focus group participant from Rhondda Cynon Taf said:

“What really worries me is a potential 30% increase in gas and electricity prices in 2022. That is going to push people into Victorian poverty. And we’ve got the increase in National Insurance contributions, you’ve got less suppliers because they’re collapsing, the energy price cap has been raised...I’m really worried about next year.”³³

27. In her paper, the Minister acknowledged the economic challenges that lie ahead including the end of the £20 Universal Credit uplift and stated that the Welsh Government will “continue to scan the horizon for economic and social factors that will negatively impact on the prosperity of those in greatest need, such as the impact of the UK Government’s planned rise in National Insurance contributions from 1 April 2022.”³⁴

²⁹ Record of Proceedings, paragraph 144 – 16 September 2021; ROP paragraph 172 – 4 October 2021; ROP paragraph 149 – 20 September 2021; ROP paragraph 272 – 4 October 2021

³⁰ Record of Proceedings, paragraph 176 – 20 September 2021

³¹ Record of Proceedings, paragraph 272 – 4 October 2021

³² Additional written evidence, Community Housing Cymru

³³ [Summary of focus groups](#)

³⁴ [Welsh Government evidence paper](#)

28. In oral evidence, the Minister emphasised the increased funding that had been made available for advice services through the Single Advice Fund. The Minister argued that the funding had “proved itself to be very robust in terms of a co-ordinated framework of social welfare advice services across Wales.”³⁵

29. The Minister also said that the Welsh Government had reinstated its Income Maximisation Plan, which had been “very successful” in increasing take-up of social security benefits by families on low incomes.³⁶ The final report of the Child Poverty Income Maximisation Plan highlighted that the Wales-wide benefit take-up campaign that the Welsh Government ran in March 2021 resulted in higher benefit take-up of over £650,000, while pilot projects it funded engaged with 1,440 households who were able to claim almost £2.5 million more in benefits that they were entitled to.³⁷

30. In 2020-21, the Welsh Government received £3.458 million through the UK-wide debt advice levy, which is allocated according to population share and levels of indebtedness. This comprised an initial allocation of £2.83 million via the Financial Conduct Authority³⁸, and an extra £625,000 as a result of a one-off increase to the debt advice levy announced by the UK Government in July 2020.³⁹ Additional funding was provided in 2020-21 as part of £38 million additional spending on debt advice by the UK Government.⁴⁰ During the evidence session, the Minister called for the UK Government to make available additional funding through Wales’ share of the UK financial levy to help with the “much greater need” anticipated in the months ahead.⁴¹

Our view

The broad picture and outlook

The debt impact of the COVID-19 pandemic has hit different groups of people in different ways. While there is some evidence to suggest that the health emergency has not so far

³⁵ Record of Proceedings, paragraph 10 – 20 October 2021

³⁶ Record of Proceedings, paragraph 38 – 20 October 2021

³⁷ Welsh Government, [**Child poverty: final report of the income maximisation action plan**](#)

³⁸ Financial Conduct Authority, [**FCA regulated fees and levies: Rates proposals 2020/21**](#)

³⁹ Financial Conduct Authority, [**Debt Advice levy rates for 2020/21 – Additional Funding: Consultation Paper**](#)

⁴⁰ HM Treasury, [**Almost £38 million support package for debt advice providers helping people affected by Coronavirus**](#), 9 June 2020

⁴¹ Record of Proceedings, paragraph 11 – 20 October 2021

translated into the personal debt emergency that some feared at the outset of the pandemic, there are clearly some groups who are experiencing more difficulties than others. Many of these groups were more likely to experience debt problems before the pandemic and the past year and a half has only exacerbated their difficulties. There are signs that over the coming months, the financial outlook will deteriorate for many individuals and households.

Policy interventions by both the Welsh and UK governments such as the Coronavirus Job Retention Scheme (furlough) and the moratorium on evictions helped to mitigate the most severe consequences of the pandemic and resultant economic downturn. However, these interventions have now either ended or are coming to an end, and the country could be facing a “perfect storm” of economic challenges including rising prices and costs of living.

Demand for money and debt advice services are predicted to increase in the months ahead. We note that the Welsh Government has provided additional funding for advice services of £1.1 million in 2021-22 and expect to see similar levels of additional support in the 2022-23 financial year. In terms of funding from the UK debt advice levy, we agree that the Minister needs to set out her case in more detail for the UK Government to require lenders to contribute more to the levy in order to help support the anticipated increase in demand for debt advice services over the months ahead.

Conclusion 1. We will keep a watching brief on the extent and sustainability of financial support for debt advice services as part of our scrutiny of the Draft Budget 2022-23, expected to be laid before the Senedd on 20 December 2021.

Conclusion 2. We would welcome more detail from the Minister for Social Justice setting out the case for the UK Government increasing the amount of funding available to the UK nations through the debt advice levy, of which Wales would receive a proportionate share.

Data

The shortage of comprehensive, disaggregated data on debt makes it more difficult to ascertain which groups are experiencing debt difficulties. Much of the data available is provided through research and surveys commissioned by charities and other organisations working in the sector. As Chwarae Teg noted, the assumption that household resources are pooled is likely to mask the true extent of debt issues for individuals with protected characteristics – especially women. While we acknowledge the resource and capacity

constraints that the Welsh Government and its civil servants are working under, we agree that there is merit in exploring options for developing more and better, disaggregated data on personal debt. We would like to see the Welsh Government either work with its own equalities data unit or with partners in the sector to develop better, disaggregated data on debt.

Recommendation 1. The Welsh Government's equalities data unit should work with organisations in the sector to collate and publish annual data on debt in Wales starting in the next financial year 2022-23, broken down by protected characteristics.

Debt and addiction

Offering advice and support to mitigate the impact of problem debt is not as effective as tackling the underlying causes of debt. We explored some evidence in relation to addiction as an underlying cause of debt but believe more work is needed in this area, particularly in terms of gathering data and evidence. The Welsh Government has agreed to provide us with more information on the relationship between addiction and debt, however, we would like to see them go further and commission expert research in this area.

Recommendation 2. The Welsh Government should commission expert research into the relationship between addiction and debt and report back to this Committee on progress. This research should cover addiction in all its forms including gambling, alcohol and other substance addictions and the Welsh Government should write to the Committee with an update on progress and timescales for completion and publication before the end of March 2022.

Awareness of and access to services

Access to, and awareness of, the services available to vulnerable groups to help support them is key. We welcome the fact that the Minister has made additional COVID-19 funding available to help support these groups. We also think that good promotion of these services will be crucially important in the months ahead as we emerge from the pandemic.

Recommendation 3. The Welsh Government should set out in its response what additional measures it will put in place to promote debt advice services to vulnerable groups who are at heightened risk of debt, so they can make informed choices about the options available to them.

Fuel poverty

Although not central to our considerations at the start of this inquiry, the recent rises in energy prices have heightened concerns about fuel poverty. Rising energy prices have the potential to cause economic hardship for many households and individuals – particularly those who were already at risk of indebtedness.

We note that the Minister has said that she will be using some of the £25 million Barnett consequential received as a result of the UK Government's Household Support Grant for England⁴² to try to mitigate the impact of energy price rises, however it is not clear that this one-off funding will be in any way sufficient.

Since the Committee finished taking evidence for this inquiry, the Welsh Government has published its Net Zero Wales Carbon Budget 2 for 2021-25, which includes its plans for improving energy efficiency in homes.⁴³ The Welsh Government believes that this will be "crucial to meeting Carbon Budget 2 and our net zero target". It will use the Optimised Retrofit Programme and the Welsh Housing Quality Standard to retrofit social homes; and will also develop mechanisms to improve energy efficiency in the private rented sector and owner-occupied homes.⁴⁴ The Welsh Government has also announced an additional £150 million in funding to retrofit social homes with new technologies and insulation.⁴⁵ The Minister has stated that this will comprise an additional £50 million for each year from 2022-23 to 2024-25.⁴⁶

We welcome the Welsh Government's allocation of an additional £150 million to retrofit social homes as a starting point in accelerating energy efficiency measures to mitigate the potential rise in fuel poverty and reducing carbon emissions. We note that the UK Spending Review gives the Welsh Government clarity on its funding settlement until 2024-25, which provides the opportunity to set out funding plans for the whole of the 2021-25 carbon budget period. The scale of the challenge cannot be underestimated, bearing in

⁴² Plenary of the Welsh Parliament, Record of Proceedings, **paragraphs 59-62** – 20 October 2021

⁴³ Welsh Government, **Net Zero Wales Carbon Budget 2 (2021-25)**

⁴⁴ Ibid, pages 105-107

⁴⁵ Welsh Government, **£150 million for insulation, clean energy and carbon reduction in social homes**

⁴⁶ Record of Proceedings, paragraph 165 – 2 November 2021

mind that the Future Generations Commissioner has said that £15 billion investment in retrofitting would be needed to eradicate fuel poverty by 2030.⁴⁷

Recommendation 4. The Welsh Government should publish revised plans within the next three months to tackle fuel poverty, to ensure that these are in place well ahead of the next rise to the energy price cap due to come into force from April 2022.

Recommendation 5. The Welsh Government should provide clarity in its Draft Budget on how it will allocate sufficient funds up until 2024-25 to accelerate plans to bring all social homes up to Energy Rating A to mitigate increased fuel poverty as a result of rising energy costs.

⁴⁷ Future Generations Commissioner, [We can end fuel poverty with £15bn retrofit investment plan for our homes, says Future Generations Commissioner for Wales](#)

3. Public sector debt recovery

31. In written evidence, Karen Davies of Purple Shoots and Responsible Finance noted that public sector organisations are “sometimes draconian in their approach to people in debt,” and that local authorities are one of the main bodies who seek county court judgements (CCJs) alongside water companies and mobile phone providers.⁴⁸ She also noted that people in debt respond badly to the way public organisations communicate with them and that this does not always deliver the best outcomes.⁴⁹

32. The Committee heard concerns from a number of organisations about the way that local authorities recover debt and the use of bailiffs particularly in relation to council tax.⁵⁰

33. Citizens Advice stated that its clients had experienced difficulty in agreeing affordable repayment plans, and some had been “subject to aggressive or humiliating behaviour by bailiffs, despite being unable to make repayments or displaying signs of vulnerability.”⁵¹ They called on the Welsh Government and local authorities to “consider again whether the frequent use of heavy-handed debt collection is necessary.”⁵² Rob Simkins of Shelter Cymru made similar points noting that:

“We've seen bailiffs serving virtual warrants of control because they, obviously, can't attend properties, and making people FaceTime them so they can take them around the house and show them what they're going to take over FaceTime. That's unacceptable behaviour, poor practice and beyond dehumanising. And we've also had people be charged for visits. They get a letter through the door saying they're going to be visited during some of the most stringent lockdown restrictions. We're pushing people into making repayment plans they can't afford; we're setting people up to fail and we're further exacerbating some of the societal inequalities that we're seeing in Wales already.”⁵³

⁴⁸ Written evidence, Purple Shoots and Responsible Finance

⁴⁹ Ibid.

⁵⁰ Written evidence, [Citizens Advice](#); Written evidence, Shelter Cymru

⁵¹ Written evidence, [Citizens Advice](#)

⁵² Ibid.

⁵³ Record of Proceedings, paragraph 88 – 4 October 2021

34. Lisa Hayward, giving evidence on behalf of the Welsh Local Government Association (WLGA), expressed concern regarding the evidence provided by Shelter Cymru, and said that specific complaints should be raised with the relevant local authority as they may be in breach of service-level agreements or codes of conduct.⁵⁴

35. The Bevan Foundation has called for the Welsh Government to place a debt prevention duty on all devolved public bodies, in a similar way to the homelessness prevention duty that is in force.⁵⁵ The Bevan Foundation see this as a way of ensuring that public sector organisations adopt a “progressive approach to debt management”, and prohibit them from adopting practices that deepen problem debt.⁵⁶

36. The Minister’s paper noted that all local authorities have agreed to implement the Council Tax Protocol for Wales which sets out “a good practice approach for local authorities and debt advice agencies to ensure any action taken is proportionate, fair and consistent.”⁵⁷ The Minister also stated that her officials are working with the water industry and stakeholders to scope the potential impact of introducing a single social tariff for water and to make it easier for people experiencing hardship in paying their water bill to apply for assistance.⁵⁸

37. The Bevan Foundation suggested that a ‘debt bonfire’ is something that could be considered in the current climate, given that those who were most deprived by the pandemic have been hit hardest. Dr Steffan Evans said that there are limitations to what could be done, but that writing off part of people’s council tax debts could be explored.⁵⁹

38. The WLGA said that whether to introduce a ‘debt bonfire’ is a difficult issue, as such a policy would need to consider who genuinely can’t pay arrears, and who is unwilling to pay debts.⁶⁰ The Minister highlighted that local authorities often write off arrears.⁶¹

⁵⁴ Record of Proceedings, paragraph 91-93 – 4 October 2021

⁵⁵ Bevan Foundation, ‘**Debt and the Pandemic**’ – September 2021

⁵⁶ Bevan Foundation, ‘**Debt and the Pandemic**’ – September 2021

⁵⁷ **Welsh Government evidence paper**

⁵⁸ Ibid.

⁵⁹ Record of Proceedings, paragraph 292 – 4 October 2021

⁶⁰ Record of Proceedings, paragraph 57 – 4 October 2021

⁶¹ Record of Proceedings, paragraph 96 – 20 October 2021

Council Tax debt

39. The most common debt issue raised with Citizens Advice in 2020 was council tax debt. They highlighted recent Welsh Government data showing the total amount of council tax arrears had risen to £156.6 million in 2020-21, an increase of £46.4 million compared to 2019-20.⁶² This constitutes the largest single-year increase in over 20 years.⁶³ Citizens Advice has suggested improving council tax collection practices to ensure that people who have accrued arrears are not pushed further into debt, and to support local authorities to ensure that low-income households do not bear the burden of irrecoverable council tax arrears.⁶⁴

40. During oral evidence, the WLGA stated that there were mainly two types of council tax debtor which they characterised as “can’t pay” and “won’t pay”.⁶⁵ In written evidence the WLGA highlighted that the loss of the committal process had created difficulties for local authorities as the process had “forced” debtors to address their financial affairs.⁶⁶ Responding to the Committee on this issue, the WLGA clarified that they did not wish to see a return to people being sent to prison for non-payment of council tax, but that the committal process was helpful in securing a better understanding of the financial situation of the debtor.⁶⁷

41. Dr Steffan Evans of the Bevan Foundation argued that the Welsh Government should consider adopting a similar approach to tackling council tax debt as the Tenancy Hardship Grant whereby people pay off some of their debts and the state covers the rest.⁶⁸

42. A number of witnesses called for the Council Tax Protocol for Wales – which outlines good practice in the collection of council tax – to be strengthened.⁶⁹ Karen Davies from Purple Shoots called for a national framework for local authorities to be introduced, as other organisations regulated by the Financial Conduct Authority are required to operate

⁶² Welsh Government, **Council Tax collection rates: April 2020 to March 2021** – 13 July 2021

⁶³ Welsh Government, **Council Tax collection rates: April 2020 to March 2021** – 13 July 2021

⁶⁴ Written evidence, **Citizens Advice**

⁶⁵ Record of Proceedings, paragraph 57 – 4 October 2021

⁶⁶ Written evidence, WLGA

⁶⁷ Record of Proceedings, paragraph 74 – 4 October 2021

⁶⁸ Record of Proceedings, paragraph 292 – 4 October 2021

⁶⁹ **Council Tax Protocol for Wales**; Record of Proceedings, paragraph 190 – 20 September 2021

within a framework to recover debts.⁷⁰ Citizens Advice called for the Welsh Government to evaluate the protocol, while Peter Tutton from StepChange told the Committee that:

*"In terms of one line, a couple of things there: a set of binding common standards that have got a bit of detail in about the fine detail of forbearance is really important. We've seen over the last few years how important that's been in areas like consumer credit, where having really good, firm roles that set out very clearly how creditors should respond to people in difficulty has made a lot of difference."*⁷¹

43. A number of focus group participants discussed the gradual increase in bailiff action, with some sharing concerns about the way such action is conducted.⁷² Some participants also expressed concern about the immediacy of action taken by councils over council tax arrears and queried whether the Welsh Government could encourage councils to exercise greater forbearance.⁷³

44. The Minister confirmed during oral evidence that the Welsh Government will be undertaking a review of all the actions being taken to "alleviate pressure on vulnerable people in relation to council tax" and that this would include a review of the protocol.⁷⁴

Our view

Recovery of debt and the Council Tax Protocol

Our work has shone a light on the issue of how local, devolved taxes such as Council Tax are managed and collected. We note that local authorities have seen large increases in Council Tax arrears since the beginning of the pandemic. Clearly local authorities and other public sector bodies are well within their rights to take steps to protect revenue streams on which the funding of our vital public services rely. However, the way in which these steps to protect revenue are taken – particularly in the context of a pandemic and times of economic hardship – must be proportionate and mindful of people's needs and concerns. The evidence we received suggests that while on the whole local authorities are collecting

⁷⁰ Record of Proceedings, paragraph 238 – 4 October 2021

⁷¹ Record of Proceedings, paragraph 197 – 20 September 2021

⁷² [Summary of focus groups](#)

⁷³ Ibid.

⁷⁴ Record of Proceedings, paragraph 58 – 20 October 2021

arrears in a responsible way, there were concerning reports of pockets of bad practice which we think merit further attention.

The Council Tax Protocol for Wales was regularly highlighted as one way of ensuring consistent good practice across local authorities in Wales and we welcome the review of its operation being undertaken by the Welsh Government. We think that this review should include looking at whether the Protocol needs strengthening including whether there is merit in placing the Protocol on a statutory footing.

While we acknowledge the concerns of the WLGA about people sometimes being unwilling rather than unable to pay debts to public sector organisations, we believe that the idea of 'debt bonfires' is worth exploring further to see whether it could be implemented.

Recommendation 6. The Welsh Government review of the Council Tax Protocol for Wales should include an assessment of whether the Protocol should be strengthened including whether it should be placed on a statutory footing. This review should be progressed urgently and be completed by no later than June 2022.

Recommendation 7. The Welsh Government should explore the feasibility of introducing 'debt bonfires' in relation to aspects of public sector debt, drawing on evidence from Wales and beyond, and should write to the Committee with its conclusions by the end of June 2022.

4. Housing debt

45. Another key area explored during the inquiry was the impact of the pandemic on housing, housing debt and evictions. Community Housing Cymru (CHC) said that the year following March 2020 saw a 22 per cent increase in the number of tenants owing more than 13 weeks rent to their housing association.⁷⁵

46. Figures provided by the WLGA showed that current rent arrears for local authority tenants were 3.8 per cent of the annual rent roll, compared to 3 per cent before the pandemic.⁷⁶

Evictions

47. At the start of the pandemic, social landlords made a voluntary commitment not to evict tenants suffering financial hardship caused by COVID-19.⁷⁷ A number of measures were taken to suspend evictions across the whole rental sector, and these were extended by Welsh Government regulations. The suspension lasted until the end of June 2021.

48. In addition to the suspension of evictions, a temporary requirement to give most social and private rented sector tenants an extended notice period prior to seeking possession through the courts has been in place since the beginning of the pandemic. The extended notice period is currently six months. Tenants in the private rented sector would normally only be entitled to two months' notice when faced with a 'no-fault' eviction. A number of organisations have highlighted that this group of tenants will soon be entitled to six months' notice on a permanent basis when the Renting Homes (Wales) Act 2016 (the 2016 Act) is commenced.⁷⁸ We understand that commencement should happen in 2022. During oral evidence the Minister confirmed that "increased notice periods will remain in place until the end of this year".⁷⁹ However, she clarified that these provisions had been made under the Coronavirus Act 2020 and was unable to confirm whether or not there would be a gap between the end of the current provisions and the coming into force of the 2016 Act.⁸⁰

⁷⁵ Written evidence, [Community Housing Cymru](#)

⁷⁶ Written evidence, WLGA

⁷⁷ Community Housing Cymru, [Supporting tenants through the crisis](#)

⁷⁸ Written evidence, Shelter Cymru; Citizens Advice

⁷⁹ Record of Proceedings, paragraph 84 – 20 October 2021

⁸⁰ Paragraph 84-87 – 20 October 2021

49. Both Shelter Cymru and Citizens Advice argued for steps to be taken to avoid any gap in notice periods for tenants. Shelter Cymru stated that such an approach would protect tenants and avoid confusion, while Citizens Advice said that reverting to a two-month notice period for 'no-fault' notices until the Renting Homes Act comes into force would leave more people at risk of being evicted at short notice, as well as being confusing for both tenants and landlords.⁸¹

50. Dr Steffan Evans of the Bevan Foundation told the Committee that whilst housing debt had increased, it had not increased as badly as they had feared.⁸² Dr Evans drew the Committee's attention to the role that social landlords in particular had played in taking "progressive approaches to helping people." He suggested that housing associations saw rent arrears as a "red flag" and a sign that "...there's probably something going on, rather than, this is a person choosing not to pay their rent, and therefore we're going to send threatening letters."⁸³

51. Shelter Cymru noted the number of Section 21 notices ('no fault') it was dealing with in July 2021 was higher than pre-pandemic levels.⁸⁴ Rob Simkins of Shelter Cymru also told the Committee of alleged illegal evictions taking place during the pandemic and that in some instances they had been told of the police assisting in these evictions.⁸⁵ Shelter Cymru provided the Committee with a detailed breakdown of the instances which occurred in every police force area across Wales, with anonymised summaries of the cases of clients.⁸⁶

52. In response to the issue of police involvement in illegal evictions, the Minister expressed "huge concern" and promised to raise the issues highlighted by the Committee in evidence with Dafydd Llywelyn in his role as Chair of the all-Wales policing group.⁸⁷

⁸¹ Written evidence, Shelter Cymru; Citizens Advice

⁸² Record of Proceedings, paragraph 314 – 4 October 2021

⁸³ Ibid.

⁸⁴ Record of Proceedings, paragraph 86 – 4 October 2021

⁸⁵ Written evidence, Shelter Cymru

⁸⁶ Shelter Cymru, 'Shelter Cymru Report on Police Assistance/Inaction in Illegal Eviction & Harassment' – October 2021

⁸⁷ Record of Proceedings, paragraph 90 – 20 October 2021

Tenancy hardship grant

53. As part of its package of support for tenants, the Welsh Government has introduced a new £10 million Tenancy Hardship Grant scheme.⁸⁸ Shelter Cymru welcomed the replacement of the Tenancy Saver Loan with the Tenancy Hardship Grant for tenants in the private sector "...because that immediately goes about reducing the debt issues that people face." However, they added that "it is probably too early to measure the scheme's success."⁸⁹

54. While also welcoming the grant scheme, the Bevan Foundation called for it to be extended to social housing tenants who do not qualify for Discretionary Housing Payments. Dr Steffan Evans explained:

*"In terms of the support available for those social renters who are in work, and I think they're a group that's often forgotten about. When social rents go up and above inflation, that's fine if you receive full support towards your housing costs, because your costs are covered in full. But, if you're hit by the benefit cap, or if you're in work but happen to be renting in the social sector and don't get full support with the Universal Credit, you have to find that money yourself. But also, that's a group that isn't eligible for any support at the moment. So, the Tenancy Hardship Grant is only in the private rental sector, and DHPs are only if you receive social security support. So, I think there's a case there to look again at the hardship grant to see if that can be extended into the social sector, so that that group isn't forgotten about as we look towards the recovery."*⁹⁰

55. Whilst some focus groups welcomed the aim of the Tenancy Saver Loan, now Grant, they were critical of its perceived narrow application. One participant from the Vale of Glamorgan said:

"They introduced the Tenancy Saver Loan or the Tenancy Saver Grant. I think that's far too restrictive. I hardly know anyone that's successfully applied...because of the criteria you have to meet to get it. So it's there, and again, maybe you have the statistics on it, but I don't think many

⁸⁸ Welsh Government Written Statement, **New £10 million grant scheme to help people struggling to pay their rent during the pandemic** – June 2021

⁸⁹ Written evidence, Shelter Cymru

⁹⁰ Record of Proceedings, paragraph 316 – 20 October 2021

people are actually applying for these grants ... I know when I go through the criteria with clients, and it's very rarely somebody would meet the criteria for the grant.”⁹¹

56. During oral evidence, the Minister stated that she “took on board” the point about eligibility for the Tenancy Hardship Grant for those in social housing who are in work but did not give concrete assurances regarding addressing any potential gaps in eligibility.⁹²

Our view

Evictions

We are deeply concerned by reports brought to our attention by Shelter Cymru of alleged police involvement in illegal evictions. In the evidence provided in Shelter’s submission we read about allegations of erroneous involvement by police forces with incidents in every police force area in Wales. We welcome the fact that the Minister shares these concerns and are grateful to her for agreeing to raise this issue with counterparts in the police. It is clear that more needs to be done to raise awareness among police forces of the situation in Wales and their responsibilities under Welsh law. We note the offers made by Shelter Cymru to provide advice and training to police forces.

We expect the Welsh Government to make firm representations – armed with the findings brought to light by Shelter Cymru and the work of this Committee – to police forces and Police and Crime Commissioners in Wales regarding the need for police officers to observe Welsh housing law and to avoid being involved in illegal evictions.

Recommendation 8. The Welsh Government should set out in its response to this report what further action it has taken to improve awareness of Welsh housing law among frontline police officers.

Conclusion 3. We will also be writing to all four police forces enclosing a copy of this report and asking them to respond to our concerns regarding police involvement in evictions.

⁹¹ [Summary of focus groups](#)

⁹² Record of Proceedings, paragraph 73-91 – 20 October 2021

Notice periods

Extended notice periods have been a key policy intervention since the beginning of the pandemic and have helped to prevent unnecessary homelessness and hardship. We agree that every effort should be made to avoid any gap between the end of the current temporary regulations made under the Coronavirus Act 2020 and the coming into force of the Renting Homes Act 2016. Furthermore, the Welsh Government should urgently confirm whether extended notice periods will continue beyond 31 December 2021 and if so, under which statute. Furthermore, it is important to note that while no-fault notice under the Renting Homes Act will be six months, the notice period for serious rent arrears will be only two weeks. We therefore think that the Welsh Government should bear this in mind when finalising and confirming its next steps in this area.

Recommendation 9. The Welsh Government should set out how it will ensure that it uses the legislative or policy levers at its disposal so that tenants across all tenures do not lose their homes because of debt accrued as a result of the pandemic.

Recommendation 10. The Welsh Government should also ensure that the notice period for no-fault evictions remains at 6 months until the Renting Homes (Wales) Act 2016 comes into force.

Tenancy Hardship Grant

The evidence received suggested that while the new Tenancy Hardship Grant has been welcomed by many, difficulties regarding eligibility may hamper success of these grants. In particular, we believe that more work is needed to assess whether the scheme could or should be extended to benefit low-income individuals and households in social housing who may be in rent arrears as a result of the pandemic but are not in receipt of benefits.

Recommendation 11. The Welsh Government should explore the possibility of extending the Tenancy Hardship Grant scheme to include low-income tenants in social housing who are not eligible for Discretionary Housing Payments.

Affordable credit

57. Affordable credit can be provided through credit unions, Community Development Finance Institutions (CDFIs), schemes that combine credit with essential household goods, and payroll lending schemes delivered in partnership with employers (often delivered by credit unions).

58. In its 2021-22 budget, the Welsh Government allocated an additional £1 million funding for credit unions to improve access to affordable credit. It has also set aside £500,000 to pilot a no-interest loan scheme for people who currently cannot afford to borrow from an affordable credit provider.⁹³ This pilot has been developed by Fair4All Finance, and will be delivered in collaboration with the UK Government and devolved administrations.⁹⁴ The pilot is likely to operate in two to three areas in England, and one location across each of the devolved nations. Fair4All Finance will work with credit unions, Community Development Finance Institutions and other regulated lenders, who will be able to apply to administer the loans through a formal procurement process starting in November 2021.⁹⁵

59. Credit Unions of Wales has called for this pilot to be run by a group of credit unions to provide pan-Wales coverage, and stated that it is currently in talks with the Welsh Government around developing a consortium bid to do this.

60. In her written evidence to the Committee, Karen Davies from Purple Shoots stated that, affordable credit can “make a big difference” and that credit unions are excellent, but that in her experience she didn’t come across many people who have loans from them.⁹⁶ She suggested that a key reason for this was lack of awareness of credit unions and other responsible providers. Credit Unions of Wales’ written evidence⁹⁷ highlighted work they are undertaking with the Wales Illegal Money Lending Unit to raise awareness of small loans and credit union services, including PR and advertising.

61. During oral evidence, credit providers raised concerns around people unnecessarily entering into Debt Relief Orders (DROs) and Individual Voluntary Agreements (IVAs). The Association of British Credit Unions Ltd highlighted aggressive promotion and selling of IVA arrangements, and the disproportionate costs involved. Karen Davies highlighted that bad debt advice can be worse than no debt advice. She told the Committee:

“we've seen a worrying tendency for people to go into unnecessary Individual Voluntary Agreements and Debt Relief Orders, and they're done by predatory debt management companies who are looking to make profit from people in troubles...I think people need to understand

⁹³ [Welsh Government evidence paper](#)

⁹⁴ Fair4All Finance, [Plans announced for new UK wide No Interest Loan Scheme pilot](#)

⁹⁵ Ibid.

⁹⁶ Written evidence, [Purple Shoots](#)

⁹⁷ Written evidence, [Credit Unions of Wales](#)

that going into an IVA and a DRO is not an answer, because it's presented as one. And that's one of the biggest issues that we're seeing. Sometimes the debt that people are in is so small, it could have been managed—you know, under £5,000—and it's infuriating.”⁹⁸

The Discretionary Assistance Fund (DAF)

62. A range of written and oral evidence the Committee has received stresses the key role played by the DAF during the pandemic, with the DAF seeing significantly increased applications.⁹⁹ Some witnesses including Chwarae Teg and Community Housing Cymru welcomed the adjustments to the DAF flexibilities and also called for more sustained improvements in support arrangements.¹⁰⁰ Similarly, StepChange welcomed the extended flexibilities, but noted that:

“...our experience of debt advice shows that over-indebtedness is often driven by repeat borrowing needs. Providing a viable alternative to desperation borrowing is likely to help prevent or mitigate debt problems.”¹⁰¹

63. A number of organisations called for improved accessibility to the DAF. Lee Tiratira from EYST noted the length and complexity of the DAF application process, and argued that it could be made quicker and more streamlined, especially for repeat applicants.¹⁰² Gwennan Hardy, from Citizens Advice Cymru told the committee that the DAF has:

“...had a much higher profile during the pandemic, and awareness of it is much more widespread, according to our advisers, so I think we'd be concerned that putting up more barriers might get in the way of that being very freely available and people being confident to refer people there.”¹⁰³

⁹⁸ Record of Proceedings, paragraph 231 – 4 October 2021

⁹⁹ Welsh Parliament, [WQ81384 \(e\)](#)

¹⁰⁰ Written evidence, Chwarae Teg; Additional information, [Community Housing Cymru](#)

¹⁰¹ Written evidence, StepChange

¹⁰² Record of Proceedings, paragraph 131-132 – 4 October 2021

¹⁰³ Record of Proceedings, paragraph 216 – 20 September 2021

64. Rob Simkins from Shelter Cymru set out the difficulties people experienced in proving their eligibility for the DAF, and called for the removal of barriers and a more 'rights-based, person-centred approach' to accessing support.¹⁰⁴

65. Participants in the Committee's focus groups were asked for their views on the approach taken by the Welsh Government during the pandemic. These were largely positive. In particular, the DAF was referenced by a number of individuals as an initiative which had been invaluable to many of their clients.¹⁰⁵

66. Dr Steffan Evans told the Committee that more can be done within existing powers to ensure that people receive the support they need, and there was a case for seeking to extend and mainstream the flexibilities as concerns about the UK Government clawing back money paid to applicants had not come to pass when the flexibilities had been temporarily extended.¹⁰⁶

67. The Minister has stated previously to the Committee that the flexibilities for the DAF will be extended to the end of March 2022, and that the Welsh Government needed to ensure the flexibilities are there to enable access for people in need. The Welsh Government is also undertaking a pilot under which the most vulnerable people applying to the DAF are referred for additional advice and support to tackle underlying financial problems and increase financial resilience.¹⁰⁷ The Minister's paper also highlights that support will be made available to people who use off-grid fuel over the winter.¹⁰⁸

68. Witnesses also spoke about further devolution of welfare to Wales. Dr Steffan Evans told the Committee that there is scope to look at this, and that the inquiry currently being undertaken by the Welsh Affairs Committee is looking at this as part of its work.¹⁰⁹ Similarly, Cerys Furlong from Chwarae Teg said that the devolution of welfare needs to be looked at as a way of developing a more coherent Welsh benefits system where people can access the support they need more easily.¹¹⁰

¹⁰⁴ Record of Proceedings, paragraph 65 – 4 October 2021

¹⁰⁵ Summary of focus groups

¹⁰⁶ Paragraph 335 – 4 October 2021

¹⁰⁷ [Welsh Government evidence paper](#)

¹⁰⁸ Ibid.

¹⁰⁹ Record of Proceedings, paragraph 306 – 4 October 2021

¹¹⁰ Record of Proceedings, paragraph 172 – 4 October 2021

Our view

Affordable credit

As noted earlier in the report, there are growing economic signs of a “perfect storm” this winter, which suggest that demand for credit and levels of indebtedness may rise. Affordable credit providers, particularly credit unions, offer a much safer option than illegal lenders, or high-interest credit providers. However, not everyone is aware of the services that credit unions and others provide; and how to raise awareness of these services particularly among the most vulnerable and at risk groups merits further work.

Recommendation 12. The Welsh Government should set out in its response to this report how it intends to promote affordable credit sources among those at heightened risk of debt over the next six months.

Discretionary Assistance Fund

It is clear from the evidence that many stakeholders have welcomed the flexibilities introduced within the DAF and would like to see those made permanent. In particular we note the changes that enable applicants to receive five emergency assistance payments a year rather than the usual three and the ability of applicants to apply for an additional grant seven days after they have received one rather than the usual 28 days. We agree with the views of stakeholders that the flexibilities introduced to the DAF as a result of the pandemic should be made permanent.

Recommendation 13. The Welsh Government should make flexibilities introduced to the Discretionary Assistance Fund as a result of the pandemic a permanent feature of the fund.

In terms of the longer-term future of welfare and benefits in Wales we welcome the Welsh Government’s ongoing exploration of the further devolution of welfare and look forward to the outcome of its deliberations.

Regarding the longer-term future of the DAF, we note the Welsh Government’s plans to develop a specification for a new DAF contract to operate from April 2023. In preparation for this work, we believe there is merit in undertaking a review of the current DAF to include looking at the eligibility criteria; streamlining the application process and ensuring that guidance associated with applications is written in plain English and Welsh.

Recommendation 14. To inform preparation work for the new DAF contract from April 2023 the Welsh Government should undertake a review of the current DAF to include:

- a review of eligibility criteria;
- options for streamlining the application process; and
- a review of the guidance associated with applications to ensure that it is sufficiently easy to understand and written in plain English and Welsh.