

Research Summary: Women Living with Debt

There is a growing problem of unmanageable debt and there are concerns that the problem could be worse in Northern Ireland due to existing vulnerabilities within the population. Vulnerability to debt is higher for low income households who are more at risk of income shocks and have a greater likelihood of having difficulty repaying their debts. Women are also particularly vulnerable to debt as their incomes are generally lower as a result of reduced working hours, greater likelihood of claiming benefits and the impact of caring responsibilities. This reduced income can leave women more likely to have to borrow often for essential items. For some groups of women, such as single parents, the likelihood of being in debt is even greater.



Introduction

Debt is a fact of life for many people and arguably never more so than now. There was already a debt crisis before the Covid pandemic struck. The resulting job losses, reductions in income and insecure employment will mean that many people will have little or nothing to fall back on.

Added to this increases in the cost of living particularly for essentials such as food and energy and changes to social security benefits have put substantial pressure on already stretched household budgets. Many people particularly those on low incomes with little or no savings will have no other option than to borrow money often for essential items.

Increasing levels of debt give cause for concern not only in terms of the ability of people to manage these debts but also for the negative impacts on their health and wellbeing and the impact on local economies.

Social Security & Debt

The safety net provided by the social security system has been weakened by a decade of welfare reform changes meaning that many people are unable to meet the costs of essential items such as food, heat and clothing and are unable to cope with unexpected life events such as a washing machine breaking down. This often means they are forced into debt as a result.

There is substantial evidence that Universal Credit, and in particular problems with the five-week wait at the start of a claim, are causing widespread financial hardship, debt and increased reliance on food banks. The introduction of Discretionary Support has weakened the safety net for the most vulnerable borrowers and deductions from social security benefits to repay Government debts are leaving people unable to afford the basics and driving them further into debt.

Impact of Covid-19

The onset of the Covid pandemic with job losses, reductions in income due to reduced working hours and increases in household bills has meant that many people had no option other than to borrow.

Research shows increases in financial vulnerability and increases in borrowing levels for day to day costs with many households on the lowest incomes behind with bills as a result of the pandemic.

The economic impact of the pandemic has not been equally distributed and women have been more impacted as they were concentrated in the sectors most affected. Research has shown that the economic shocks caused by the pandemic have affected people unevenly with single mothers and the lowest paid being hardest hit by the loss of income.

Cost of Living Crisis

Inflation has risen to its highest level in 40 years. Households on the lowest incomes use a higher proportion of their weekly spending on the essentials such as energy and food. They will therefore feel the impacts of cost of living increases more keenly and lead many to face financial hardship, increased borrowing and debt.

High-Cost Credit

The use of high cost credit can have negative impacts on the financial wellbeing of households particularly

those on low incomes. Repeated use of high-cost credit, particularly when it is used to meet essential expenditure, puts borrowers at greater risk of falling into financial difficulties and debt. It can lead to spiralling debt problems from which many borrowers find it difficult or impossible to escape.

Illegal lending is prevalent in Northern Ireland however it remains a hidden issue due to the underlying fear and secrecy surrounding this type of credit. Many people who access illegal lending are vulnerable and for most lack of access to credit, low income or benefit dependency caused them to turn to expensive illegal lending.

Debt and Mental Health

Money problems and poor health are often linked and have a two-way relationship. Debt problems can lead to a deterioration in physical and mental health and health problems can be a trigger for increasing debt. Research shows that one in two adults with debts has a mental health problem.

Research has revealed that people with mental health problems faced a much higher risk of financial hardship compared to the wider population during the pandemic. People with mental health problems were three times more likely to have fallen in to problem debt than the wider population. Worryingly, research also found that people with mental health problems are at a high risk of considering suicide when behind on payments.

Findings

This research shows that for significant numbers of women their debts have arisen simply in order to make ends meet or to fund essential items. This includes white goods, furniture, clothes and shoes, the costs of Christmas and for many even more basic items such as groceries, fuel and energy bills. Most evident from the research was the impact of rising costs of living on women's household budgets. The squeeze on their budgets particularly for basic items such as food and energy was widely reported and impacted on their ability to put food on the table and heat their homes as well as their ability to service their debt repayments.

Key Points

- ♀ 51% of the women had used high-cost credit with 6% borrowing through loan sharks including paramilitaries.
- ♀ 32% reported borrowing from friends/family.
- ♀ 19% had borrowed through Discretionary Support with many reporting issues with the application process/eligibility.
- ♀ 51% chose the lender because they knew they would get the money with only 2% choosing the lender because of the total cost of the credit.
- ♀ 60% of the women had difficulty meeting and/or missed debt repayments.
- ♀ 35% had to use a foodbank as a result of debts/making ends meet.
- ♀ 44% said they had got into debt/worse in debt as a result of Covid.
- ♀ 60% of the women reported their debts had been impacted by rising energy and rising food prices, 75% reported their debts had been impacted by changes to social security.
- ♀ 72% said they were negatively impacted by being in debt mainly around mental health/wellbeing, 47% said their children had been negatively impacted by their debts.
- ♀ It was clear that living on benefits or in low paid work often did not provide enough income for women to afford the essentials/meet household bills without resorting to debt.
- ♀ Issues with Universal Credit particularly the five-week wait and the repayment of Advance Payments causes financial hardship and encouraged debt.
- ♀ The rising cost of living is putting increasing pressure on women's budgets leaving them more vulnerable to debt as they struggle to make ends meet.
- ♀ Women often went without food, clothes and heat themselves to make sure their children were provided for.

What women said:

"I struggle with buying clothes. I use a credit card to get clothes for the kids. Then a few months later you have to get more because they grow so fast."

"Discretionary Support should be there to support you, there is no compassion, you are made to feel like you are begging, you are made to feel lower. The process is so degrading."

"I had to take the heating off the timer and just put it on for shorter periods as I can't afford to have it on an hour at a time. The rest of the time I'm just putting layers on to try and keep warm."

"We're having to choose between paying for gas or paying for food."

"I'm always behind on benefits I never get on top of things. I'm always robbing Peter to pay Paul. Debt never goes away I never seem to shift it."

"I have debts of over £2,000 on credit cards. I needed to borrow to pay for a washing machine, furniture and to help with the ordinary household bills. I am struggling to make the repayments. I always try and pay above the minimum for my own sanity so I'm not just paying the interest but it's hard."

Recommendations

- ♀ There is a need for greater access to affordable credit for low-income families as a way of reducing reliance on high-cost lending and avoiding problem debt.
- ♀ Greater investment is needed in the social security system to allow claimants to meet their basic needs and live decent, healthy lives without resorting to debt to pay for the essentials. Government should assess the impact of social security reform on women and work to mitigate any negative impacts.
- ♀ Government should reinstate the £20/week UC uplift, end the UC 5-week wait, remove the 2-child limit and write off historic benefit debt or reclaim it at a lower rate.
- ♀ Locally, Government should consider a new mitigation payment for the UC 5-week wait and the 2-child limit.
- ♀ Urgent implementation of the recommendations from the Discretionary Support and Welfare Mitigations Reviews in NI.
- ♀ The FCA should extend the rules that cover payday loans to the doorstep lending market by extending its definition of high-cost short-term credit to include doorstep loans.
- ♀ Cross-departmental working is required to tackle paramilitary lending which recognises the drivers behind this borrowing.
- ♀ Adequate funding should be provided to debt advice agencies to continue and expand their free debt advice services in order to meet increasing demand as a result of Covid/rising cost of living.
- ♀ Government, health services and essential service providers must do more to identify where people with mental health issues are struggling with their debts and ensure they are provided with the help and support they need to give them a better chance of recovering from both.
- ♀ Government should acknowledge and support the role of community-based women-only provision in addressing women's poverty and financial vulnerability in disadvantaged and rural areas.

The full report **Women Living with Debt** produced by the Women's Regional Consortium is available from the Women's Regional Consortium website at:

[Women-Living-with-Debt.pdf](https://www.womensregionalconsortiumni.org.uk/Women-Living-with-Debt.pdf)
([womensregionalconsortiumni.org.uk](https://www.womensregionalconsortiumni.org.uk))

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What women said:

"As a mother you'd go without to make sure the kids have what they need. I've made dinner sometimes and there hasn't been enough for everyone so I've lied and said it's alright I've eaten so that I can try and make it stretch."

"I worry when I go to bed at night thinking about my debts. There isn't a week goes by without worrying about paying for something. It's horrible to be always worrying about money."

"I can't save. With the kids something always comes up. My daughter needed new shoes. I am already in debt with doorstep lenders, for every £100 I borrow there's £50 on top."

"I work full time but still have difficulty making ends meet on a low income. I have a debt to a paramilitary lender, on every £100 I pay £30. If you ask can I borrow £1,000 today they will leave it round to you that night."

"The 5-week wait was awful. I didn't take the Advance Payment I couldn't afford to repay it. I just about managed with help from my family/friends."



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