Consultation Response

Low income and debt problems inquiry

Social Justice and Social Security Committee

March 2022

Age Scotland welcomes the opportunity to respond to the Social Justice and Social Security Committee's call for views on the challenges faced by people with low incomes and debt problems.

It is important to acknowledge that people over 50 are not a homogenous group but are individuals with a wide range of experiences, viewpoints, and personal circumstances.

Even before the coronavirus pandemic, it was estimated that almost 1 in 5 Scottish adults were struggling to keep up with their household bills and credit commitments.[1] Financial worries have become more widespread over the last two years, with recent research from Citizens Advice Scotland suggesting that 600,000 people have encountered new debt problems since March 2020.[2] Moreover, the position looks set to worsen again in the coming months given rising energy bills, surging inflation and other increases to the cost of living. Age Scotland is very concerned that many more over 50s will be pushed into poverty or be forced to take on debt to meet their essential living costs. The situation is extremely acute for those over 50s living on low or fixed incomes who are at most risk.

Although debt may be more commonly associated with younger consumers, older people can also experience money worries or debt problems at any time. Major life changes, such as retirement or leaving the workplace, ill health, taking on caring responsibilities, or bereavement can make an older person more vulnerable to debt. As people get older, they may also face higher living costs due to health problems, disability, or finding it more difficult to manage finances. Financial and debt issues can be particularly hard to cope with for over 50s on low incomes and for those who are retired, as they have limited means to increase their earnings or make repayments. Even older people who manage efficiently on a tight budget can be tipped into debt by a one-off unexpected large expense or repair. Furthermore, older people are often the targets of scams – indeed, 87% of respondents to Age Scotland's Big Survey of over 50s in Scotland carried out last year had been the target of a scam or knew someone who had – and financial abuse, which can leave them vulnerable to money problems and debt.[3]

[1] https://theferret.scot/half-million-extra-scots-struggling-finances-pandemic/
[2] https://www.cas.org.uk/news/new-debt-problems-over-600000-people-during-pandemic
[3] https://www.ageuk.org.uk/scotland/our-impact/policy-and-research/political-briefings/big-survey/

Age Scotland, Causewayside House, 160 Causewayside, Edinburgh, EH9 1PR
Tel. 0333 323 2400 Email: policycomms@agescotland.org.uk
Web: www.agescotland.org.uk Facebook: fb.me/agescotland Twitter: @agescotland
Age Scotland is a registered charity (#SC010100), and company limited by guarantee (#153343), in Scotland at the above address.

An older person's living situation can also heighten their vulnerability to debt, with owner occupiers still paying off mortgages more at risk than those who own their homes outright – perhaps exacerbated by the 2018 changes which led to Support for Mortgage Interest ending as a means-tested benefit and being replaced by a loan. It should be noted that there is housing inequality within the older age group and the number of older renters has risen over the last 20 years. This trend is likely to continue as due to affordability and supply issues, the majority of those currently aged under 50 are likely to continue to live in the private or social rented sector. We would suggest that the subject of older renters, in both these sectors, is under-researched in general and we are not aware of any data about debt and older renters.

There is not generally a culture in Scotland of talking about money matters. Older people can find it particularly difficult to admit that they need help or to discuss their financial position with their children or families, for example. Some older people may face additional financial pressure due to their own desire to help support their family, or the expectation that they will do so, even when their financial circumstances mean they will struggle with this.

Age Scotland's free 0800 12 444 222 helpline can give people over 50 and their families and carers information about agencies who can provide free, confidential advice about the options they have for managing their money. We also help older people to improve their financial capability with a holistic approach which aims to ensure they are receiving all the help they are entitled to and can maximise their incomes, for instance by claiming Pension Credit, Adult Disability Payment, or Attendance Allowance. In 2021, the Age Scotland helpline identified £564,494 of unclaimed social security support for older people who called us. Our age inclusive workplaces training team also cover the issue of future financial planning in our Planning For Your Future workshops, which enable employees over 50 to get impartial advice about a range of issues including money matters and retirement pre-planning.

Digital exclusion

1. **How does digital exclusion affect people's experience of debt and seeking money advice?**

   There are around 500,000 over 50s in Scotland who do not have access to the internet, and up to 600,000 over 50s without a smartphone. While for some people this is a choice which should be respected, for others it may be because they live in an area with connectivity issues or because they don't feel they have the confidence or skills needed. Many of those on the lowest incomes may be at risk of experiencing digital exclusion because they cannot afford the cost of equipment or a broadband connection. In the Scottish Household Survey 2019, only half of over 60s in the "most deprived" areas used the internet, compared to 83% in the "least deprived" areas.[4] In the 2020 iteration of the survey, 17% of households

[4] https://www.gov.scot/publications/scottish-household-survey-2019-key-findings/pages/9/

in the "most deprived" areas did not use the internet.[5] Sadly, many older people claiming means tested benefits will not be aware of the broadband "social tariffs" which could be available to them, or as a result of stigma and pride do not enquire about them.

The closure of public spaces such as libraries and community centres as a result of the Covid-19 pandemic has also meant that people without a personal internet enabled device or data connection have less access than ever before to digital services. The rapid scale of bank branch closures and inaccessible non-digital options also make it hard for people to discuss and better understand their financial situation and options with a trusted member of bank staff.

Digital exclusion can impact someone's familiarity with and ability to navigate "the system" in general. It can also make it more difficult for someone to apply for benefits or complete application forms. Information about financial entitlements, money management, and debt issues is readily available online but can be harder to access if you are digitally excluded. Even for those with internet access, it can be hard to know where to look or which organisations would be most suitable if you are unfamiliar with the topics, something which is felt even more severely by people without digital access, who might not know where to begin. There should be clear publicity, messaging, and proactive engagement with the public about routes for financial and debt advice. Debt and advice organisations, local authorities and public sector stakeholders should ensure there are non-digital alternatives available so people who cannot afford to be online are not further disadvantaged.

This could include telephone alternatives, with adequate staffing, so that people do not face long holding times to get through. It is worth noting that there are still some barriers faced by older people when using telephone services, such as the need to use a keypad to navigate a long list of options; prolonged periods on hold; difficulty holding a phone for long periods; not being able to write things down quickly enough or remember details; and poor hearing. As such, this option must be supplemented by face-to-face advice and hard copies of guides and information. When face-to-face services closed for public health reasons in March 2020, it is likely that the lack of support from these services will have particularly affected the most vulnerable. Although there can often be long waiting times for face-to-face advice, this option can be more effective for people who are anxious or who have not been coping well, for instance by not opening their post and bills. A face-to-face appointment with an adviser allows them to assess someone's body language and pick up on these signs which may be hidden during a telephone or online appointment.

[5] https://www.gov.scot/publications/scottish-household-survey-2020-telephone-survey-key-findings/pages/5/ NB the results of the 2020 survey are not directly comparable to results for previous years due to changes in the survey methodology as a result of the coronavirus pandemic

Being able to access advice online can also mean that someone maintains their anonymity, for example by reading advice pages, downloading guides or factsheets, and using webchats when initially looking to find information. This is not the case for someone who will need to physically pick-up an information leaflet, visit an advice organisation in person or use a phone service (though sometimes these can be anonymous).

It is also worth noting that digital contact provides evidence of what has been agreed, while agreements made on the phone may be less clear and creditors may talk people into paying more than they can afford.

More widely, being digitally excluded might make it difficult for older people to manage their money in real time and keep track of spending, for instance through online banking. However, it should be noted that many older people simply prefer to visit their bank branch in person to manage their money – though widespread bank branch closures have made this increasingly difficult.

2. **Are there examples of good practice which reduce barriers created by digital exclusion?**

Schemes such as Community Link Workers and Welfare Advice Health Partnerships can help to overcome digital exclusion. These services, which are based in GP surgeries, can provide advice, including support with income maximisation, welfare benefits, debt, housing, and signposting where appropriate. For many older people, GP practices are a familiar environment, and they may have strong relationships with healthcare workers. These programmes should be expanded so more older people in Scotland can access them.

Local charities and advice organisations are well placed to offer information and advice to people without online access. These organisations are trusted in their communities and often act as the first line of signposting. They are also able to guide service users through landscapes which might be unfamiliar to them, for instance engaging with local authorities or seeking financial advice, due to their familiarity and confidence navigating “the system”. Often these services are promoted by word of mouth and are able to build up a relationship of trust with the individual they are helping.

Social Security Scotland’s scheme to provide face-to-face support for people applying for Scottish benefits is particularly valuable for people who are not online. There should be sustained publicity about this service so everyone who would benefit from it is aware.

Accessing money advice

3. **What are the barriers to accessing money advice for people with low incomes and debt problems?**

There are numerous barriers to accessing money advice for older people with low incomes and debt problems, in addition to digital exclusion.

Older people can often find it difficult to discuss personal money matters and there is a great deal of shame and stigma attached to debt. As it is often assumed that all older people are financially well-off, even though everyone's financial circumstances vary, people can feel like they have "failed" if they are not coping on their income or experiencing debt problems.

Older people may be reluctant to seek help as they fear being judged by others, particularly if they are ashamed of debt because of financial abuse or a scam. There can also be concerns about how family, friends and peers may think less of them. Concerns about privacy and confidentiality and having their details shared with other organisations can be another barrier. Older people may also be reluctant to take up time during an appointment or be concerned about "disturbing" staff, and it's not uncommon in our experience for older people to put off seeking help because they fear that others, such as families, "have it worse".

People experiencing issues stemming from low income or debt may not know what sources of money advice and support exist or where to find this. The current cost of living crisis has underlined that many more people will find themselves experiencing poverty and that this issue could happen to anyone at any point in their life, but some people will not have the knowledge or experience to know where to find support. In order for people to be able to access good quality information about sources of advice, it is important that sources of holistic advice are able to signpost and refer to specialist debt services.

Cultural and linguistic barriers can also present a challenge to accessing money advice for older people from ethnic minorities, whose first language may not be English. They may therefore be less aware of the routes available to seek help. It can also be embarrassing for people who don't speak English to keep asking what something means or repeating that they don't understand. Some older people from ethnic minority groups may not be able to read or write in either their first language or in English, which presents a practical barrier to managing their own finances and accessing information.

The methods used by creditors to seek recovery of debt can be threatening and inflammatory language, references to possible court action and red warning text may cause people to panic so much that they simply disengage, feeling there are in over their head.

4. **Are free money advice services able to meet demand?**

We are not aware of any research into whether these services are able to meet demand, but we would note that people experiencing a debt or income crisis, or anyone who has found the courage to seek advice, needs to be able to access help quickly. For debt issues in particular, it can make a big difference if people seek help as soon as possible. Despite the best efforts of services this may not always be possible through no fault of their own and it is possible the closure of face-to-face options during the pandemic might have created a backlog. Good debt advice is person-centred and includes support with financial capability, which in itself takes time to carry out.

Debt and mental health

5. **How does having a debt problem impact on people's mental health?**

Debt problems and money worries can have a debilitating impact on someone's mental health and take a toll on all aspects of their life. Debt can equally create mental health issues and be exacerbated by pre-existing problems. The constant grind of pressure from creditors combined with struggling to afford essentials creates an environment where the factors that contribute to good mental wellbeing are difficult to achieve, for instance staying warm, eating healthy food, finding time for exercise, sleeping well, and affording to have social contact. During periods of poor mental health, people may spend more to make themselves feel better or because they have reduced judgement. Some mental health issues can lead to compulsive behaviour that can create problem debt while other conditions can create a belief that there is no hope of change.

Debt is often a very isolating experience and can make someone feel like they are unable to share what they're going through. Older adults already feel stigma surrounding mental health and can find it difficult to access information and services.[6] Combining this with the shame surrounding debt may lead to someone being even further stigmatised.

Having a mental health condition which fluctuates could also impact on someone's ability to engage with services regularly or manage their finances. However, experiencing a mental health issue does not necessarily mean that someone will be unable to manage their money or deal with debts, though it can make it more difficult. Previous research by the Royal College of Psychiatrists suggested that 50% of adults struggling with debt also experience a mental health issue. Mental health problems may also influence someone's ability to seek help or engage with their creditors. Although there is guidance and legislation about how creditors should deal with debtors experiencing mental health issues, there will always be cases of unscrupulous practices.

[6] https://www.alliance-scotland.org.uk/blog/news/older-people-and-mental-health-informing-national-policy-implementation/

Essential Services

11. What are the main types of debt that people on low incomes with debt problems are likely to have?

In our experience the most likely debts for older people include council tax debt, energy debt (including people whose debt is invisible because of self-disconnection of pre-payment meters), catalogue debt, debts incurred to pay for essential items, credit card debt, and overdrafts or bank loans.

We are concerned that the number of older people on low and fixed incomes facing utility debt because of the increases in energy prices and other costs of living will rise as these costs far outstrip the growth of their incomes. Even before the spike in energy prices since Autumn 2021, 218,000 older households were living in fuel poverty and energy bills were the most commonly cited bill of concern for older people who reported feeling financially squeezed.[7] 94% of respondents to a snap survey we carried out in January were worried about their fuel bills.[8] Many shared in their own words how the rising energy costs will impact their daily lives and shared their fears – including about relying on credit cards to pay the bills or ending up in debt (some for the first time and some compounding already existing debts).

One particular case which was brought to our attention was of a retired woman who had accrued a large amount of credit card debt over a number of years and had been using interest free balance transfer offers to move the lump sum around, only paying the minimum monthly payment, which was affordable to her budget. Only once she found that she had no more new credit cards available to her and faced between 20-30% APR on that lump sum did she reach out for help, as she could no longer afford to meet the increased monthly repayment amounts. There was no plan (or ability) to ever settle the unsecured debt, but years of deferring the financial challenges she faced created an unsustainable position.

12. Do processes to deal with rent arrears (including private sector rent arrears) and council tax arrears support people on low incomes to deal with their debt problems?

Pre-action requirements which landlords must comply with prior to taking a tenant to court for rent arrears are important, but they only apply when a notice of proceedings has been served. One of the aims of these pre-action requirements is to ensure landlords engage with tenants as soon as possible, as early intervention is key to preventing spiralling rent debt. However, by the time a notice of proceedings is served, it is already too late for early intervention. The requirement to signpost to sources of financial support is welcome but vague, and the method of communication left up to the landlord. Although the landlord

[7] https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/pages/6/ Table 37; https://www.ageuk.org.uk/scotland/our-impact/policy-and-research/political-briefings/big-survey/

[8] https://www.ageuk.org.uk/scotland/our-impact/policy-and-research/political-briefings/help-to-turn-up-the-heat/

should take into account the tenant's preferences and support needs, clearer wording would be useful to ensure tenants are pointed to appropriate, accessible advice, given in a way they can understand fully.

With regards to Council Tax debt, it is vital that people are aware they must contact their council as soon as possible if they are unable to pay. However, it is increasingly difficult to do this in person or by telephone, meaning those who are digitally excluded face much greater difficulty. If Council Tax arrears are "ignored" (whether through intent or difficulty), householders can lose the right to pay their bill in instalments and councils can issue a summary warrant and immediately increase the Council Tax bill by 10%. These measures serve only to increase the debt of someone who is already struggling to pay.

Want to find out more?

As Scotland's national charity supporting people over the age of 50, Age Scotland works to improve older people's lives and promote their rights and interests. We aim to help people love later life, whatever their circumstances. We want Scotland to be the best place in the world to grow older.

Our Policy, Communications and Campaigns team research, analyse and comment on a wide range of public policy issues affecting older people in Scotland.

Further information

Contact the Age Scotland Policy, Communications and Campaigns team:

policycomms@agescotland.org.uk

0333 323 2400

Twitter @agescotland

Facebook /agescotland

LinkedIn Age-Scotland

www.agescotland.org.uk