

## **Senedd Equality and Social Justice Committee inquiry into debt and the impact of the rising cost of living**

### **Written evidence from the Trussell Trust January 2023**

#### **Introduction**

The Trussell Trust supports a network of over 1,400 food bank centres across the UK and together we provide emergency support and advice to people facing acute financial hardship. While we are exceptionally proud of the work of our food bank network, our vision is to end the need for food banks in the UK.

During April to September 2022, food banks in the Trussell Trust network distributed parcels from 146 locations across Wales.

Our submission will focus on the following points from the inquiry's terms of reference:

- How different groups are experiencing cost of living pressures, and how this is impacting debt issues.
- How effective Welsh and UK government support has been in supporting those most in need with cost of living pressures, and in preventing and managing debt.
- The priorities that need to be reflected in the Welsh Government's Draft Budget 2023-24 relating to the rising cost of living, including preventing and relieving debt.

For further information, please contact [public.affairs@trusselltrust.org](mailto:public.affairs@trusselltrust.org).

#### **Research from the Trussell Trust shows the impact of rising energy prices and food bills on households with low incomes in Wales**

The cost of living crisis is forcing people to make impossible decisions because they simply don't have enough money to cover the essentials.

Research by the Bevan Foundation has found that low income households, renters, disabled people, 25-49 year olds, lone parents and BAME households are all at a heightened risk of being in problem debt. The research found household income to be one of the factors that has the greatest impact on the risk of being in problem debt. Households with an income of less than £40,000 were significantly more likely to be in arrears in May 2021 than higher income households.<sup>1</sup>

Our own research suggests debt continues to be a significant risk for low income households during the cost of living crisis. In August 2022, we commissioned YouGov to survey a representative sample of more than 1,800 people in receipt of Universal Credit. We received responses from 108 people in receipt of Universal Credit living in Wales.<sup>2</sup>

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<sup>1</sup> The Bevan Foundation (2021) Debt in the pandemic. Available at: <https://www.bevanfoundation.org/wp-content/uploads/2021/09/Debt-in-the-pandemic.pdf>

<sup>2</sup> The research is based on an online survey by YouGov of 1,846 adults (18+) currently claiming Universal Credit. Fieldwork was undertaken 10 – 31 August 2022. The figures have been weighted and are representative of all UK adults claiming Universal Credit. Other detailed information on question wording and results available from the Trussell Trust on request.

**Table 1.1 Experience of keeping up with bills and credit commitments for people in receipt of Universal Credit in August 2022**

	UK	Wales
	<i>Base: 1846</i>	<i>Base: 108</i>
I am keeping up with all bills and credit commitments without any difficulty	13%	13%
I am keeping up with all bills and credit commitments, but it is a struggle from time to time	30%	30%
I am keeping up with all bills and credit commitments, but it is a constant struggle	34%	40%
I am having real financial problems and have fallen behind with many bills or credit commitments	19%	14%
I don't have any bills or credit commitments	2%	-
Don't know	1%	2%
Prefer not to say	1%	1%
<b>Real financial problems or constant struggle</b>	<b>53%</b>	<b>54%</b>

One fifth (19%) of people in receipt of Universal Credit across the UK said they faced real financial problems and had fallen behind with bills and credit commitments. A further 34% said keeping up with bills and credit commitments was a constant struggle. In Wales, 14% said they faced real financial problems and had fallen behind with bills and credit commitments, 40% said keeping up with bills and credit commitments was a constant struggle.

**Table 1.2 Percentage of people receiving Universal Credit behind on household bills in August 2022**

	UK	Wales
<i>Base: All UK Adults</i>	<i>Base: 1846</i>	<i>Base: 108</i>
Council tax	12%	16%
Council tax, including water and sewage	2%	0%
Your Domestic Rates	0%	0%
Gas or electricity	19%	20%
Water and sewage	12%	15%
Telephone/mobile phone/broadband	6%	3%
TV licence	6%	6%
Rent or mortgage costs	12%	12%
School Meal Payments	-	0%
Other arrears	10%	5%
Not applicable - I am/ we are up-to-date with all payments	55%	48%
Don't know	4%	5%
Prefer not to say	3%	5%

Across the UK, 34% of people in receipt of Universal Credit said they had fallen into debt because they couldn't keep up with essential bills (e.g. rent or utilities) during the previous three months. 19% said they were currently behind on their energy bills, 12% said they were behind on paying their Council Tax, 12% on their water bills and 12% on their rent or mortgage.

The survey suggests levels of indebtedness are similarly high among people in receipt of Universal Credit in Wales. 37% said they had fallen into debt because they couldn't keep up with essential bills (e.g. rent or utilities) during the previous three months. 20% said they were currently behind on their energy bills, 16% said they were behind on paying their Council Tax, 15% on their water bills and 12% on their rent or mortgage.

The research shows the urgent situation facing millions of people relying on Universal Credit, with a high proportion already unable to cover essential living costs even before the winter months arrived. When surveyed in August last year, people in receipt of Universal Credit were asked about their experiences during the previous three months.

- 40% said they had needed to skip meals to keep up with other essential living costs. In Wales, 38% said this was the case.
- 23% said they had been unable to travel to work or essential appointments (e.g. GP, school run, dentists or hospital appointments) because they couldn't afford to use public transport or the fuel costs to get there (21% in Wales).
- 21% had been unable to cook hot food because they couldn't afford to use the oven or other utilities. (17% in Wales).
- 28% had been unable to afford to heat their home when they needed to (26% in Wales).
- 36% had been unable to pay for essential dental treatment for themselves or a member of their household when it was needed because they couldn't afford to do so (32% in Wales).

### **Food bank need has accelerated during the cost of living crisis.**

Food banks in the Trussell Trust network in Wales distributed 77,000 emergency food parcels between 1 April to 30 September 2022, including 28,000 parcels for children. This represents a 38% increase in the total number of parcels distributed compared to the same period in 2021/22 and a 96% increase since 2017/18. The level of need seen during this period is also 7% higher than the level of need seen in the first six months of the COVID-19 pandemic in 2020/21, making this the busiest April-September period on record in Wales.<sup>3</sup>

During April-September 2022, over 10,000 families turned to food banks in the Trussell Trust network for the first time.<sup>4</sup> This represents a 40% increase in the number of families using food banks in the network for the first time compared to the same period in 2021. These families include at least 23,000 individuals.

In 2022/23, food banks across Wales have had to purchase more than three times (a 228% increase) more food than they did in the equivalent period last year. Purchased food now makes up 9% of all food coming in for Welsh food banks in 2022/23 compared to 4% last year. Every day we hear food banks telling us that this is not sustainable.

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<sup>3</sup> It is important to recognise that data from food banks in the Trussell Trust network is just one part of the picture of need in Wales. There is a wide range of alternative emergency food provision that will be supporting people that is not captured in our parcel data. There are also many people who are severely food insecure who do not receive support from food banks.

<sup>4</sup> At the Trussell Trust we define any household as a family. This means that when we talk about households here they could be individuals living alone, single parents, or multi-generational households.

Overall, the network in Wales entered the winter period with the highest levels of need that we have ever seen. Food banks in our network are braced for further significant increases in need as families manage the increasing costs that winter brings amid a cost of living crisis.

**The UK Government's first Cost of Living Payment<sup>5</sup> had some positive impact on need for emergency food parcels across Wales, with July seeing a dip in need from previous months.**

In July 2022, households received the UK Government's first Cost of Living payment. This correlated with a dip in need seen at food banks. In this month, food banks across Wales distributed 10,500 parcels to people facing financial hardship – significantly lower than any other month during the April-September period (although still 8% higher than the same month in 2021). Food banks in the Trussell Trust network in Wales distributed on average 13,200 parcels in the other five months of this period.

This reduction gives some indication that, through increasing the income of people in receipt of working age benefits, the level of need for emergency food parcels was slightly reduced, with the payment providing temporary respite for some households in the face of increasing costs and inadequate benefit levels.

**Following this dip, record levels of food parcels were distributed in August and September 2022 in Wales.**

Following the dip in need seen in July 2022, food banks in the Trussell Trust network in Wales recorded their busiest ever August and September months. The number of parcels distributed across Wales in August 2022 was 45% higher than the same month in 2021/22, and 61% higher than the same month in 2020/21 during the COVID-19 pandemic. September 2022 saw even greater increases across Wales, with the number of parcels distributed in this month being 51% higher than last year and 73% higher than the same month in 2020/21.

While we are still analysing our data, we have seen a slight decrease in the total number of parcels distributed by food banks across the whole of our UK network in November compared to the previous month. Whereas in previous years, we have seen a substantive increase from October to November.

This suggests that while some interventions, such as November's Cost of Living payment and the Welsh Government's fuel support scheme may have provided some crucial respite for families struggling to afford the essentials, it has not been enough to help them manage the cost of living crisis for an extended period of time.

**The Cost of Living payment was spent quickly. Buying food and paying off debt were the most widely reported uses of the payment in Wales.**

Our August 2022 survey of people in receipt of Universal Credit across the UK revealed that most (70%) people who had received their first Cost of Living Payment had already spent all of it when surveyed in August, less than a month after receiving it. Almost two in three (64%) who said they had spent some of the payment had used it to buy food. This was the most widely reported use of the payment, followed by buying basic toiletries such as soap, shampoo, toothbrush, toothpaste or sanitary items (38%) and paying off debts or arrears on bills (36%).

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<sup>5</sup> In July 2022, the UK Government provided the first Cost of Living Payment of £326 to people in receipt of means tested benefits owing to low income. A second payment of £324 followed in November 2022.

Half (50%) of people who had received the payment said they were not very, or not at all, likely to be able to manage their household budget over the next three months without having to look for additional help (e.g. using credit/ borrowing from friends or family/ borrowing money from other sources).

In Wales, 77%<sup>6</sup> said they had already spent all of their July Cost of Living Payment when surveyed in August. Two thirds (66%<sup>7</sup>) said they had used the payment to buy food. This was the most widely reported use of the payment, followed by paying off debts or arrears on bills (44%) and buying basic toiletries such as soap, shampoo, toothbrush, toothpaste or sanitary items (38%).

Almost half (48%<sup>8</sup>) of people who had received the payment said they were not very, or not at all, likely to be able to manage their household budget over the next three months without having to look for additional help.

Previous research by the Trussell Trust has shown that insufficient income to afford the essentials (and insufficient income from social security in particular) is the most significant factor driving the need for food banks.<sup>9</sup> We also know larger families, disabled people and single parent families are particularly at risk of needing support from food banks. Therefore, these groups are also likely to be particularly impacted by cost of living pressures. Our 'State of Hunger' study found:

- 95% of people referred to food banks in the Trussell Trust's UK network in early 2020 were destitute, meaning they were unable to afford to eat or stay warm.
- 62% of working age people referred to food banks in our UK network in early 2020 were disabled - three times the rate in the general working age population.
- 18% of households referred to food banks in our UK network were single parents - twice the rate in the general working age population.<sup>10</sup>

### **Food banks are also reporting more working people needing to turn to food banks for support.**

Food banks across the UK network have reported changing opening hours to ensure people who are working can access support outside of working hours. Our research shows that one in five people referred to food banks in the Trussell Trust's UK wide network in mid-2022 were in working (20%) households.<sup>11</sup> These figures from our ongoing research project 'Hunger in the UK', conducted by Ipsos, highlight that work does not always protect people from having to use food banks. We know as well that many people who are in receipt of social security will also be working or will have recently been in work.

### **Nearly half of people at food banks are facing hardship due to government deductions from benefit payments.**

Research by the Trussell Trust has found that government deductions from people's benefit payments for the repayment of debts are causing serious hardship. Not only do debt deductions

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<sup>6</sup> The sample size for this question was 98.

<sup>7</sup> The sample size for this question was 84.

<sup>8</sup> The sample size for this question was 98.

<sup>9</sup> The Trussell Trust (2021) State of Hunger. Available at: <https://www.trusselltrust.org/state-of-hunger/>

<sup>10</sup> Ibid

<sup>11</sup> Ipsos surveyed 2,364 UK adults aged 18+ who had been referred to food banks within the Trussell Trust network between 01 April and 15 July 2022. Food banks were sampled across the UK, with questionnaires randomly distributed within food parcels. In total, 99 food banks participated in the study. Data are weighted to match the profile of UK adults referred to Trussell Trust food banks.

A working household is defined if the survey respondent describe state any of the following: that their main activity as being in work; they say they have any paid work; they say someone in their household is working.

from benefit payments make it more difficult to afford the essentials, they are also highly likely to increase debt and borrowing.

The UK Government Department for Work and Pensions makes deductions from regular benefit payments for the repayment of various debts which are owed by a claimant. Deductions can also be applied to people's wages via a Direct Earnings Attachment (DEA), however 'DEA only applies to a small proportion of people owing money to DWP'. The claimant can be in debt to Government itself or certain third parties.

New research conducted by Ipsos to be released in full by the Trussell Trust later this year has found that, in mid-2022, 47% of people referred to food banks in our UK network regularly had their benefit income reduced by debt deductions. This figure rises to more than 57% of people who have used food banks who claim Universal Credit.<sup>12</sup>

Among people referred to our UK network of food banks who were facing deductions from their benefits, or their partner's benefits, 55% were repaying an advance payment to cover a specific expense such as a broken washing machine (a budgeting advance), because benefit levels were already too low to get by.

The second most common reason for a deduction, affecting almost a third (31%) of people in the UK referred to food banks and facing deductions, was having to repay an advance payment needed to cover the five-week wait for Universal Credit.

Our August 2022 YouGov survey of people in receipt of Universal Credit shows the broader experiences of people in the UK facing deductions from their benefit payments. The majority (56%) of people claiming Universal Credit who said that their or their partner's benefits were being deducted had more than one day when they didn't eat at all, or had only one meal because they couldn't afford to buy enough food. This is significantly higher than the equivalent figure for people not facing deductions (32%) and for all people claiming Universal Credit (38%).

Of people surveyed across the UK in August 2022 claiming Universal Credit and currently experiencing deductions from their benefits:

- 58% had fallen into debt because they couldn't keep up with essential bills in the previous three months vs. 34% of all people claiming Universal Credit.
- 30% had been unable to cook hot food in the previous three months because they couldn't afford to use the oven or other utilities vs. 21% of all people claiming Universal Credit.
- 28% had been unable to afford medical prescriptions, pain relief or other over the counter medication in the previous three months vs. 18% of all people claiming Universal Credit.

Research by the Joseph Rowntree Foundation in 2022 also found 'some 85% of families with deductions from their benefits are in arrears with household bills, compared to 40% of all low-income families'.<sup>13</sup> There is clear evidence that debt deductions from benefit payments are driving people into severe hardship, creating new, or enlarging existing, debt spirals.

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<sup>12</sup> Ibid

<sup>13</sup> Katie Schmuecker and Rachelle Earwaker. *Not heating, eating or meeting bills: managing a cost of living crisis on a low income*. Joseph Rowntree Foundation. 2022. Available at: <https://www.jrf.org.uk/report/not-heating-eating-or-meeting-bills-managing-cost-living-crisis-low-income>

**Food banks are not the answer. Only a strong social security system can protect people from going without the essentials.**

The UK Government has taken welcome action to support people on the lowest incomes as the cost of living crisis continues to bite, including cash support through the Cost of Living Payments and the decision to uprate benefits and raise the benefit cap in line with inflation from April 2023.

Despite the support provided, many families are already in financial crisis and going without the essentials. Food banks are at breaking point. With November's Cost of Living Payment already distributed, families cannot wait until spring for further support.

If we are to prevent even more people facing acute financial hardship, the UK Government should:

- Take further action to close the gap between price rises and incomes this winter.
- Ensure people in receipt of Universal Credit are able to repay debts in a more affordable manner by lowering the cap on deductions from benefit payments.
- Make a permanent commitment that benefit rates will always be enough to afford the essentials.

**The Welsh Government can also do more to support people facing financial hardship.**

Over £400m is spent in Wales on a range of means tested schemes that are largely devolved, complementing the support offered by the UK system.

We welcome the steps taken by the Welsh Government to support people on low incomes during the cost of living crisis, including the fuel support scheme, the continued provision of support in lieu of free school meals for eligible families during the school holidays (including cash payments), the national benefit take up campaign and the adaptations to the Discretionary Assistance Fund (DAF) to help ensure more people receive emergency financial support when they need it.

The Welsh Government should ensure that the short-term measures put in place to help protect households from the worst impacts of the rising cost of living are established on a longer-term basis. This includes the establishment of a new Welsh Emergency Fund with clear access criteria, replacing the existing Discretionary Assistance Fund.

We are also calling on the Welsh Government to:

- Publish a national plan to reduce and prevent the need for emergency food aid.
- Reform Welsh benefits to create a single point of access and alignment of access criteria for UK and Welsh Benefits.
- Ensure solutions are developed with people with lived experience.
- Continue efforts to ensure national and local services work better together.