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IN THE PUBLIC INTEREST?

The psychological toll of local and national
government debt collection practices

Toby Murray and Francesca Smith

Contents

Executive summary	5
Introduction	8
Public sector organisations are having to do more with less	8
The urgent need for reform	9
This report	10
Part one: The scale of the problem	14
Who is falling behind on payments to public sector organisations?	14
Part two: How debt collection in the public sector escalates and drives harm	19
Stage one: How poor debt collection practices drive stress and strain from the outset	19
Stage two: How compliance and court processes that lack empathy and flexibility cause harm	28
Stage three: How enforcement activity exacerbates shame and isolation	32
Stage four: How the most severe consequences of falling behind on payments to public sector bodies cause acute harm	40
Part three: Six steps for a harm-reduction approach to public sector debt collection	48
Step one: Preventing the most aggressive debt collection practices	48
Step two: Boosting take-up, generosity and variety of support	50
Step three: Adjusting timelines and introducing more friction into the system via a comprehensive pre-action protocol	52
Step four: Rethinking the court processes that drive harm	54
Step five: Bailiffs behaving better	55
Step six: Ending imprisonment for debts	56
Conclusion: A moment of reckoning for public sector debt collection	57

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This report represents the research and views solely of the authors and of the Money and Mental Health Policy Institute. The analysis, interpretation and recommendations that originate from our use of the Debt Need Survey 2023 are those of the Money and Mental Health Policy Institute, and are not the responsibility and do not necessarily represent the Money and Pensions Service.

Alongside this research, Money and Mental Health has launched a new campaign calling on the government to end the Council Tax Trap for people with mental health problems. Find out more and sign our petition here: moneyandmentalhealth.org/council-tax-trap.

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abrdn Financial Fairness Trust has supported this project as part of its mission to contribute towards strategic change which improves financial well-being in the UK. The Trust funds research, policy work and campaigning activities to tackle financial problems and improve living standards for people on low-to-middle incomes in the UK. It is an independent charitable foundation registered in Scotland (SC040877).



Executive summary

6.2 million of us are behind on key payments owed to government, such as council tax, benefits overpayments and unpaid income tax

- This is a concern, as our research shows local and national government operate with greater powers, and with weaker protections for the person in debt than many other creditors, including the financial services sector.
- People with mental health problems are more than twice as likely to be behind on council tax payments as those without such conditions – driven by lower than average incomes, higher relative costs and difficulties managing money and accessing help.
- Heavy-handed and unsupportive debt collection practices across the public sector create a lose-lose situation, causing harm to those who are least able to pay – often as a result of their mental health. But these approaches also push people away from engaging with collections teams or repayments, ultimately impacting the creditors' ability to recover vital income.

Debt collection practices from public sector organisations pile pressure onto people who often are struggling with their mental health and cannot afford to pay

- Our research shows how unhelpful and unclear communication from public bodies drive confusion and distress. Poor communication discourages people who are struggling from getting in touch, and missing a vital opportunity for early support.
- Public sector debts typically escalate rapidly, leading to spiralling costs and swift legal action. Missed payments can lead to a demand for the full annual council tax bill (which currently average £1,668) after just three weeks. Our research shows that the majority (91%) of those behind on council tax payments are unable to afford a payment of that scale.
- Those who don't make up payments become embroiled in costly legal processes. Liability orders, an opaque court process that acts as a gateway to more aggressive collection action, come with a charge of up to £155 for the person in debt.

Enforcement action is driving serious harm, leaving people feeling small, alone and misunderstood

- The use of enforcement agents, and in particular invasive home visits, often leave people feeling terrified, powerless and alone, while current standards for the industry lack statutory underpinning and need updating. This is especially concerning given nearly three-quarters (73%) of people in council tax arrears who were referred to a bailiff have experienced a mental health problem.
- At the sharp end of public sector debt collection, substantial and unpredictable direct deductions from wages or benefits, and the threat of more severe consequences, such as involuntary bankruptcy and imprisonment, can profoundly undermine our mental wellbeing.

Key recommendations:

To transform public sector debt collection and mitigate the harms people with mental health problems and others in vulnerable circumstances face, the government should:

- Change the regulations on councils' collection practices to ensure people are given more time before they are required to pay an annual council tax bill.
- Implement an upper limit on the "reasonable costs" that councils are allowed to charge for Liability Orders. This should be implemented alongside a wider, cross-government review of all court process that people in public sector debt encounter. This should build on the commitment from the previous parliament to review the Single Justice Procedure, a process which allows people to be prosecuted without a court hearing.
- Undertake an immediate review of local government finances, with a view to reinstating adequate funding levels for local authorities.
- Abolish legislation that allows for imprisonment as a sanction for the non-payment of council tax.

The Ministry of Justice should:

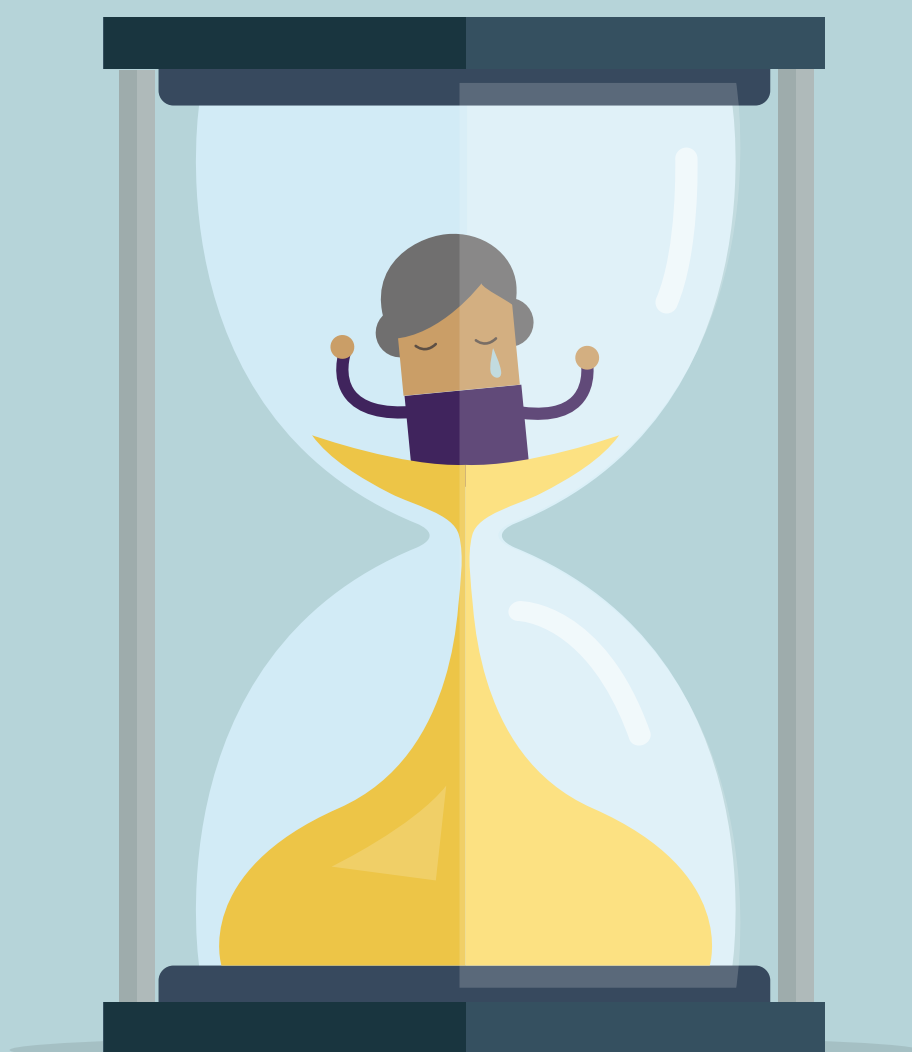
- Introduce statutory underpinning for the Enforcement Conduct Board – the body responsible for standards in the bailiff industry – to put real force behind protecting those in vulnerable circumstances from the psychological harm of enforcement action.

The Government Debt Management Function in HM Treasury should:

- Collaborate with all public sector creditors to implement the basic steps set out in our pre-action protocol to protect those in vulnerable circumstances, including people with mental health problems, from harm before escalating debt collection.
- This should include pausing debt collection activity while an individual is actively engaging with their creditor, and building on the current partnership with the Money Advice Network to offer warm referrals to debt advice.

Local authorities and public sector creditors should:

- Get ahead of the government, by implementing recommendations themselves and raising the standards for debt collection across the board. Local authorities including Bristol City Council and Manchester City Council are already leading the way on this by moving away from the use of enforcement agents to collect council tax arrears.



Introduction

"The council threatened to take me to court if I didn't pay the missing payment immediately. I was already unwell with depression, anxiety, PTSD & Borderline Personality Disorder. I couldn't pay, which made my anxiety spiral as I had no way out of the situation.

I emailed the council to explain I was unwell & had lost a lot of earnings because of this. I explained I would make the payment as soon as possible. I didn't ever receive a reply to my email. Instead, I received an aggressive & threatening letter. I didn't feel able to contact the council again.

I felt paralysed by my anxiety. I felt embarrassed to tell anyone or ask for help. I began worrying about losing my home. I felt like a failure because I couldn't manage to pay my bills. I felt like it was my fault that I was unwell & couldn't go to work. I am fed up with having to put bills before my own health."

Expert by experience

The relationship between problem debt and poor mental health is clear.¹ Half (46%) of people in problem debt also have a mental health problem. People with mental health problems are three and a half times more likely to be in problem debt than those without. Being in problem debt comes with a host of challenges: stigma, reduced financial resilience and lower wellbeing. But the impact on people's mental health can be particularly severe if creditors are aggressive or insensitive when collecting debts.

In this series of papers, we're digging deeper into the psychological harms² caused by debt collection practices across different sectors, including for those of us with existing mental health problems.

Our first paper, [Debts and Despair](#), focused on experiences of debt collection in the consumer credit sector. This second paper turns to public sector debt collection, in particular by local and national governments.³ Our final paper in this series, to be published later in the coming months, will explore the psychological harms caused by debt collection practices in the utilities sector.

Public sector organisations are having to do more with less

For those responsible for revenue collection in public sector bodies, a perfect storm of challenges puts them under growing financial pressure. Demand on public services continues to rise,⁴ while the cost of providing those services has grown in tandem.⁵ Alongside this, many public sector

1 Money and Mental Health Policy Institute. [The Facts](#). (Accessed: 07/06/24).

2 We define psychological harm as any detrimental impact on a person's mental wellbeing and sense of self. Harms might include feelings of anxiety, inability to cope, isolation, dread, fear, or hopelessness in response to debt collection action from creditors.

3 By public sector debt collection, we mean the collection of debts such as council tax arrears, penalty charge notices, benefit and tax credit overpayments, income tax underpayments, and maintenance allowance. We will also include TV licensing here, as the methods of debt collection closely resemble those used by other public sector bodies, and the revenue funds public broadcasting.

4 Goldblatt P et al. [England's Widening Health Gap: Local Places Falling Behind](#). 2024.

5 Mudie R et al. [Funding fair growth: How to transform the UK economy](#). Centre for Progressive Policy. 2023.

organisations face long-term funding restraints.⁶ Local authorities across England and Wales, for example, have experienced a 27% real terms cut in core spending power since 2010.⁷ For public sector organisations, and local authorities in particular, collecting debt is essential to keep services running.⁸

The urgent need for reform

At the very same time, paying for these essential bills has become harder than ever.⁹ Debts to public sector organisations have risen considerably over the past few years. The level of council tax arrears has jumped by 69% over the last five years, from £3.2 billion in 2018 to £5.5 billion in 2023.¹⁰ The rate of TV Licence non-payment has increased from 5.5% in 2012/13 to 10.5% in 2022/23.¹¹

This has been driven by a combination of the ongoing impact of the cost of living crisis,¹² the real-terms reductions in many benefits rates,¹³ and the longer-term roll back of support for those on the lowest incomes – such as through the devolution of council tax benefits.¹⁴

But despite the uptick in people behind on payments to public sector organisations, the regulation governing the sector often drives these organisations towards punitive action. Local and national government organisations operate with greater powers, and with weaker protections for the person in debt, than many other creditors, including the financial services sector.¹⁵

Our research suggests that these powers, combined with the pressure to fund vital services, spur public sector organisations to disproportionately use harmful collection practices. As data from Citizens Advice shows, in 2021, 38% of the clients that they supported with council tax debt needed advice about court action, debt collection practices or enforcement, compared to just 17% of clients with credit card debt.¹⁶

As this report will show, these debt collection practices – an overview of which is provided in Figure 1 below – are not just harmful, but counter-productive. Poor debt collection practices can lead people in debt to disengage from collections teams, undermine their ability to make up missed payments and make it hard for them to advocate for themselves or agree sustainable repayment plans.¹⁷

6 Smith J, Goatley T. [Cutting back on the investment and delivery of public services is not what the economy needs – or what the electorate wants](#). Resolution Foundation. 2024.

7 Local Government Association. [Save local services: Council pressures explained](#). (Accessed 07/06/24).

8 Local Government Association. [LGA response to Cit A report](#). (Accessed 07/06/24).

9 Odamtten F, Pittaway S. [In too deep? The impact of the cost of living crisis on household debt](#). Resolution Foundation. 2024.

10 Gov.uk. [Collection rates for Council Tax and non-domestic rates in England, 2022 to 2023](#). (Accessed: 07/06/24).

11 Zayed Y, Woodhouse J. [TV licence fee statistics](#). House of Commons Library. 2024.

12 Francis-Devine B et al. [Rising cost of living in the UK](#). House of Commons Library. 2024.

13 [Main out-of-work benefit sees its biggest drop in value in fifty years](#). Joseph Rowntree Foundation. April 2022.

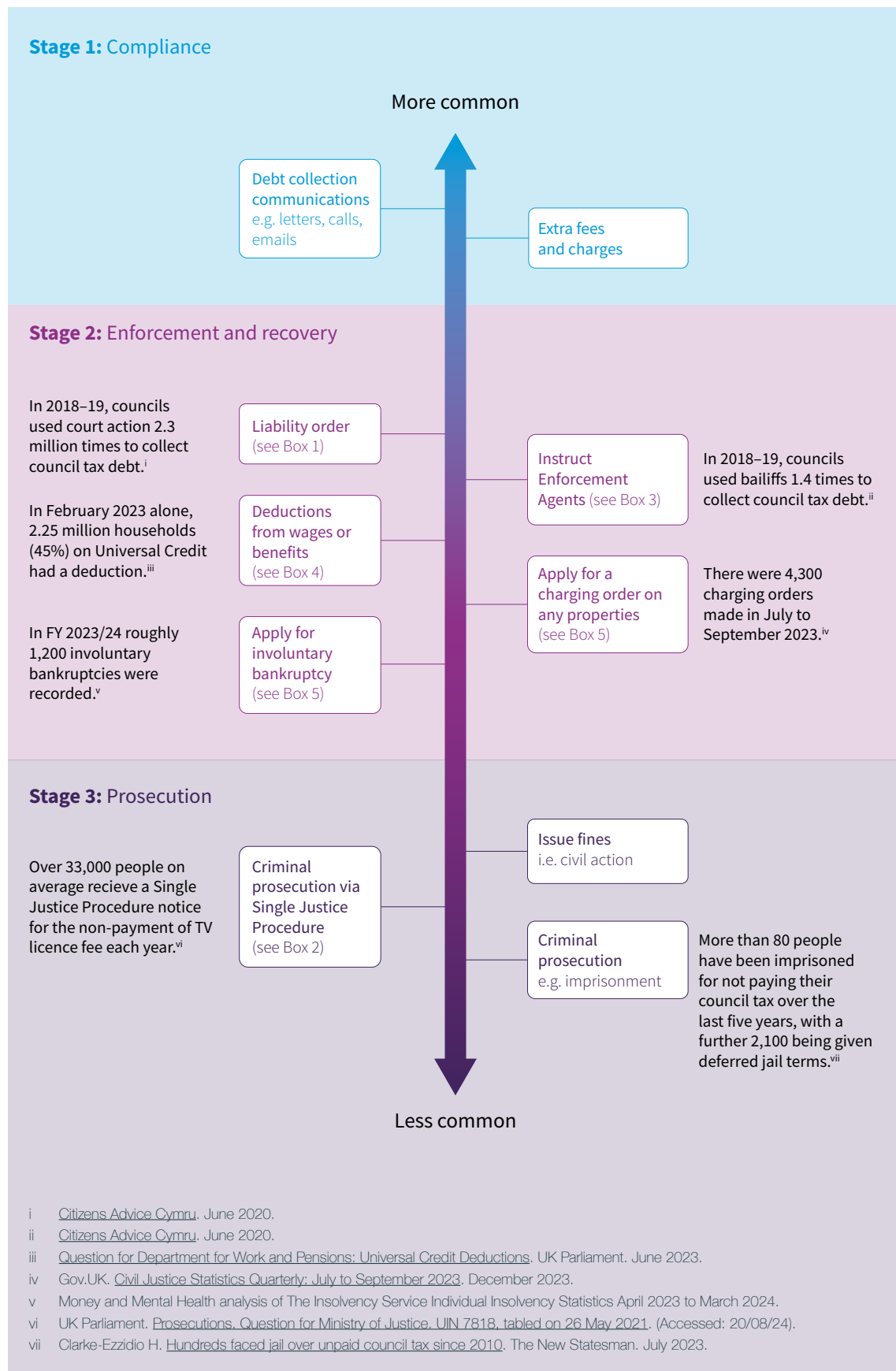
14 In April 2013, the national Council Tax Benefit scheme was abolished and in its place every council in England was required to develop a local scheme – ‘Council Tax Support’ or ‘Council Tax Reduction’ – for reducing the amount that people on low incomes or in vulnerable circumstances are liable for. A key change here was the option for councils to introduce a ‘minimum payment’, which requires everyone to pay at least some council tax regardless of income. See: [Council Tax Reduction Schemes](#).

15 Evans J et al. [Debts to public bodies: are Government debt collection practices outdated?](#) House of Commons Library. 2020.

16 Levelling Up, Housing and Communities Committee. [Written evidence to parliament submitted by Citizens Advice](#). 2021.

17 Kempson E, Poppe C. The low self-efficacy trap: why people with vulnerabilities experience prolonged periods with payment problems. *Frontiers in Behavioral Economics*. 3:1368877. 2024.

Figure 1: A guide to debt collection practices commonly used in the public sector



This report

The report begins with an overview of who is behind on payments to public sector organisations, before exploring the harm done by different debt collection practices.

This exploration will follow an approximate journey that someone behind on payments to local or national government bodies might experience as their debt escalates.¹⁸ We conclude by setting out how things can be improved, both through systemic, national change, and through better day-to-day harm-reducing practice.

To do this, we:

- carried out an online survey of the Money and Mental Health Research Community, a group of nearly 5,000 people with lived experience of mental health problems, who are at the heart of everything we do. In total, 185 people responded to the survey on people's experiences of public sector debt collection from within the last five years between 1-15 March 2024
- conducted an online focus group with eight survey respondents on 27 March 2024
- analysed national datasets, including *Wave 13 of Understanding Society: the UK Household Longitudinal Study*, and the Money and Pensions Service's *Debt Need Survey 2023*
- carried out 17 interviews with experts across local authorities, the government, academic and policy experts, trade bodies and regulators
- held a summit attended by over 65 stakeholders including local authority heads of collections and revenues, and government policymakers.

While this report explores experiences of debt collection for a wide range of debts to public sector bodies, the constraints of available data on this subject means that we are primarily using data on council tax arrears to evidence the harm that can be caused. However, the similarities between debt collection practices used to collect council tax and those of other public sector debts makes council tax a useful and illustrative proxy.

This report is structured as follows:

- Part one outlines the scale of people behind on payments to creditors in the public sector, and the groups which are at the greatest risk of facing the harm caused by public sector debt collection.
- Part two explores the different stages of debt collection and escalating harms associated:
 - » Stage one explores how the early stages of debt collection, including communications and the timelines on which debt collection typically operate in the public sector, can cause harm and prevent engagement from the outset.
 - » Stage two explores the next stages of collection, including when court processes come into play.

¹⁸ We recognise that far more people will encounter the initial phases of this process – communication about debt and requests for payment in full – than appearing in court or being imprisoned. Nonetheless, in our research we heard experiences from across this range of potential action.

- » Stage three explores the impact of enforcement activity.
- » Stage four explores some of the most severe consequences for people in debt to public sector bodies, including deductions to benefits and earnings, charging orders, and imprisonment.
- Part three makes recommendations to the government, regulators, and local authorities to better support the financial and mental health of people in debt, particularly those of us with mental health problems.
- The report concludes by underlining what a crucial moment this is for public sector debt collection.



Part one: The scale of the problem

As the cost of living crisis endures, many of us are finding it increasingly difficult to keep up with our essential and priority payments.¹⁹ Our analysis finds that 6.2 million people are behind on at least one public sector debt.²⁰ This includes payments to local or national government, such as council tax, court fines, overpaid tax credits, child maintenance payments or unpaid tax:

- 3.3 million people are behind on their council tax;
- 2 million people are behind on their TV licence fee;
- 1.1 million people are behind on the repayment of overpaid benefits or tax credits;
- 1 million people have unpaid tax (e.g. income tax, national insurance or VAT);
- 870,000 people are behind on unpaid parking ticket charges;
- 630,000 people are behind on child maintenance payments.

There's also been a deepening of the levels of debt among those who are behind on these payments. Citizens Advice data reveals that the average amount of council tax debt among those they support with debt advice has increased by 36% on pre-pandemic levels.²¹ Deeper debts can lead to people taking drastic and harmful measures in an effort to stay up to date. A third (32%) of callers to National Debtline reported using credit in the last 12 months to cover essential bills like council tax.²²

Who is falling behind on payments to public sector organisations?

The impacts of rising levels of debt to public sector organisations are not felt uniformly across the population. This section of the report uses council tax arrears as a proxy to understand who among the population is most affected.

Unlike income tax or national insurance, council tax isn't adjusted according to income. Instead, it is based on how much the property you live in was worth several decades ago.²³ For people on lower incomes, this can mean council tax takes up a disproportionate amount of their household budget. Analysis by the Institute for Fiscal Studies found that the council tax burden is up to 5 times greater for those in the lowest income decile, compared with the richest.²⁴

Income intersects with a range of other factors that impact the payment of council tax. Those who face greater barriers to a decent income and building financial resilience, including marginalised groups and people with mental health problems, are particularly likely to fall behind on council tax payments, as Figure 2 shows.²⁵

19 Murray T, Bond N. [Debts and despair](#). Money and Mental Health Policy Institute. 2024.

20 Money and Mental Health analysis of Money and Pensions Service's Debt Need survey 2023. Question: Are you *currently* behind on any of the following bills or credit commitments?

21 Citizens Advice. [Spotlight on our debt data](#). 2024.

22 National Debtline. [Cutting the cost](#). 2023.

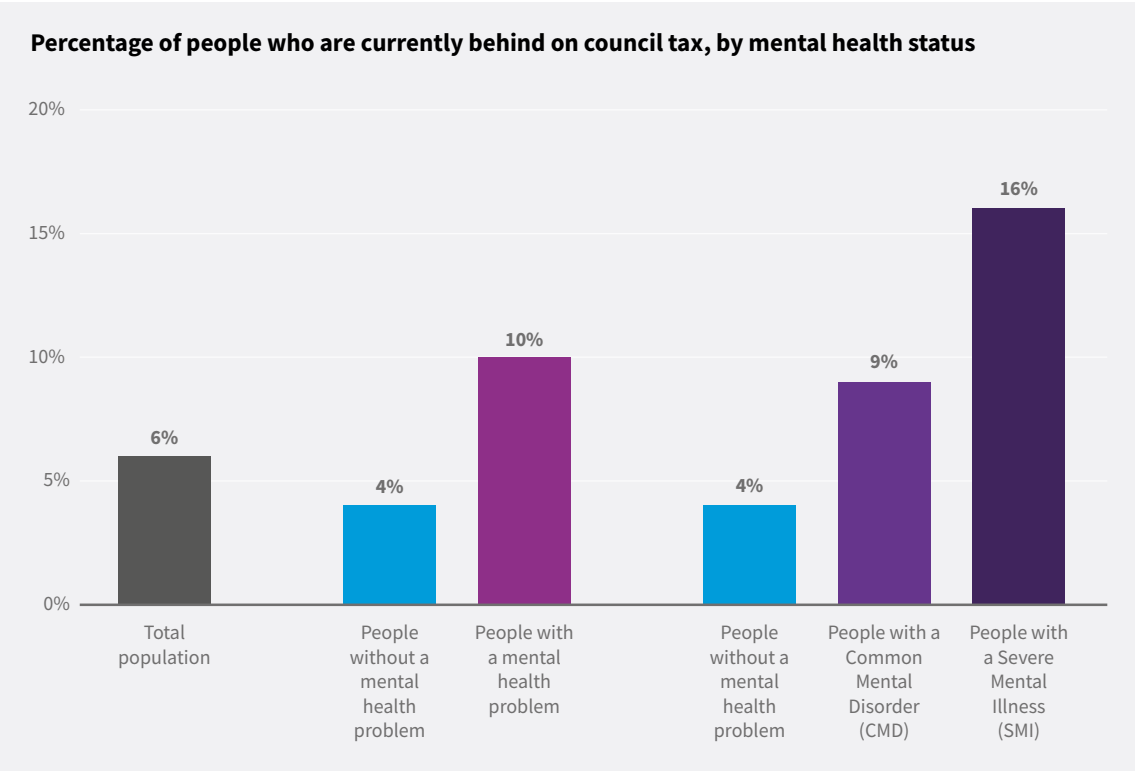
23 Adam S et al. [Revaluation and reform: bringing council tax in England into the 21st century](#). Institute for Fiscal Studies. 2020.

24 Ibid.

25 Bond N, D'Arcy C. [Mind the Income Gap](#). Money and Mental Health Policy Institute. 2020.

People with mental health problems (who experience lower than average incomes,²⁶ higher relative costs,²⁷ and difficulties both managing money and accessing help)²⁸ are more than twice as likely to have fallen behind on council tax payments in the previous twelve months than those without such conditions (10% compared to 4%). This is equivalent to 2 million people who have ever had a mental health problem behind on council tax payments.

Figure 2: People who have ever had a mental health problem are twice as likely to be behind on council tax



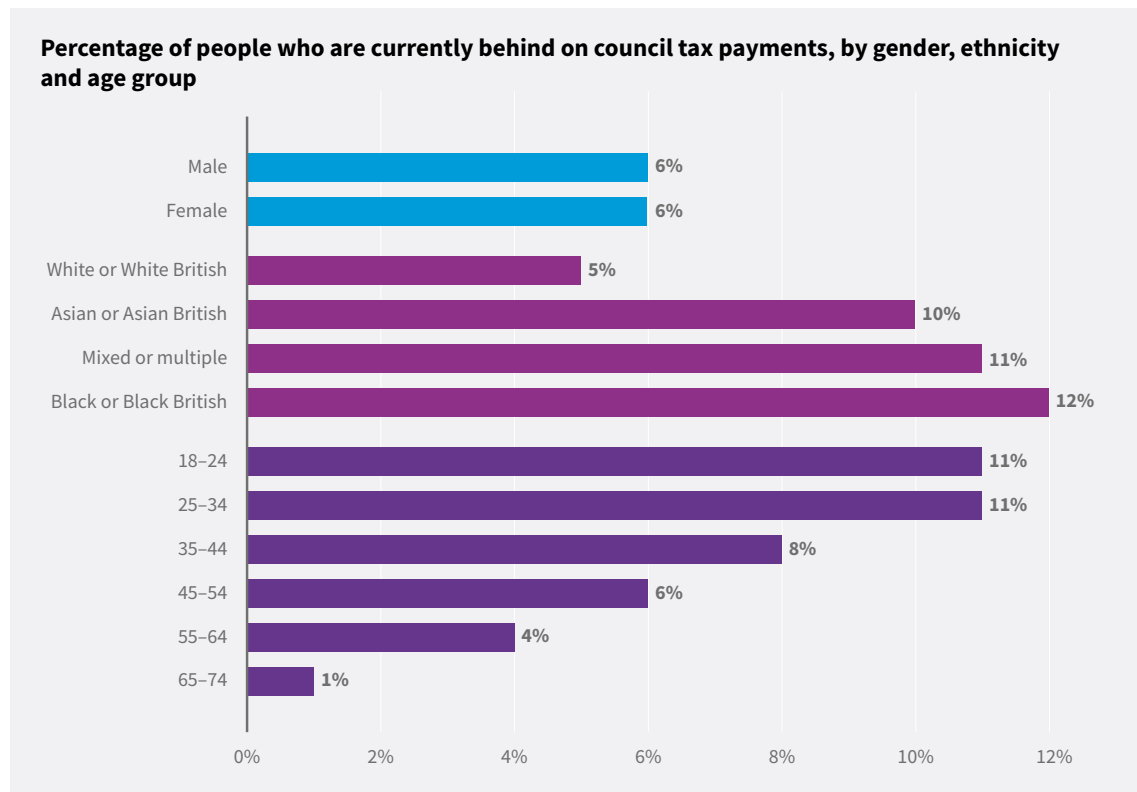
Source: Money and Mental Health analysis of the Money and Pension Service Debt Need survey 2023

Breaking this down further by mental health condition, this rises to four times as likely for people with experience of a severe mental illness (16% vs 4%), such as bipolar or a personality disorder. In the next section of this report, we explore this difference in more depth, as well as the disproportionate impact of the psychological harms caused by debt collection on people with mental health problems.

Turning next to the link between other demographic characteristics and council tax debt, Figure 3 shows that younger people and those from minoritised ethnic groups are more likely to be behind on council tax payments.

26 Ibid.
27 Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.
28 Ibid.

Figure 3: Younger people and those from minoritised ethnic groups are more likely to be behind on council tax payments



Source: Money and Mental Health analysis of the Money and Pension Service Debt Need survey 2023.

Notes: Ethnicity data excludes those in other ethnic groups as the bases were too small.

- **Younger people**, and especially those aged 18-34 years old, are more likely to be behind on council tax payments. Our data indicates the likelihood of falling behind on council tax payments decreases with age.
- Generally, **people from minoritised ethnic groups** are more likely to be struggling to keep up with their council tax payments. People from Black or Black British ethnic groups were more than twice as likely to be behind on council tax payments than those from White and White British ethnic groups (12% vs 5%).²⁹

Both younger people, and people from minoritised ethnic groups, are more likely to be on a low income,^{30 31} more likely to experience housing affordability problems,³² and face greater barriers to building financial resilience. Our previous research has shown that these experiences are only compounded for those who belong to these groups and also experience a mental health problem.^{33 34}

29 While our previous research has built our understanding of the relationship between [ethnicity, money, and mental health](#), exploring this striking finding on ethnicity and council tax arrears in the depth we would like is outside the scope of this report. However, we would welcome further research to better understand this relationship.

30 Bukata E, Murphy L. [Narrowing the youth gap: Exploring the impact of changes to the minimum wage on the incidence of low pay among young people](#). Resolution Foundation. 2023.

31 Gov.uk. Ethnicity facts and figures. [Persistent low income](#). 2023.

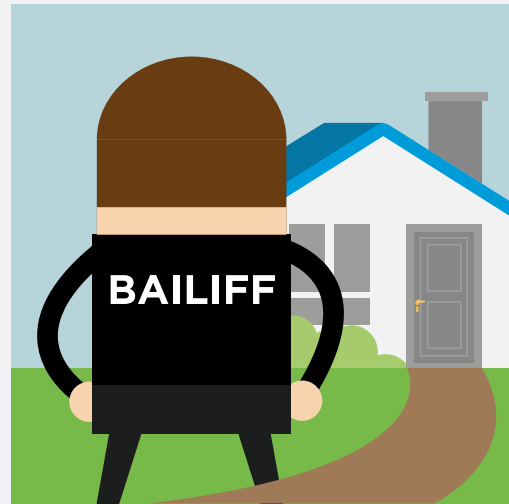
32 The Health Foundation. [Inequalities in housing affordability](#). (Accessed: 07/06/24).

33 Stacey B. [Through the lens: Age, money and mental health](#). Money and Mental Health Policy Institute. 2022.

34 Stacey B, Smith F. [Through the lens: Ethnicity, money and mental health](#). Money and Mental Health Policy Institute. 2023.

Part one summary:

- Millions of us – including many people with mental health problems – have fallen behind on key payments owed to the public sector. Our research estimates that 3.3 million people are currently behind on their council tax payments alone.
- The likelihood of being behind on payments like council tax is not evenly shared. People with mental health problems are more than twice as likely to be behind on council tax payments than those without such conditions.



Part two: How debt collection in the public sector escalates and drives harm

Stage one: How poor debt collection practices drive stress and strain from the outset

Getting debt collection right at its outset is crucial for encouraging people to access support before their debt piles up and action escalates. In this section we'll explore how practices often used in the early stages of public sector debt collection, and in particular creditor communications and the timelines on which collections operate, can drive harm and actually prevent engagement.

Unhelpful communications lead to stress and strain at an early stage

We heard from our Research Community that initial communications from public sector bodies about debts were often unclear, or contained information that was incorrect, outdated or lacked specificity about what they owed. This was clearly linked to feelings of uncertainty and distress.

"The communication was not helpful or supportive. It was just a note on my journal to say they had overpaid me and that so much would be deducted from future payments, until it had been repaid."

Expert by experience

"I have found communication in letter form over complicated and confusing so in the past I have attempted to visit the office to get clarification. Unfortunately depending on who I speak to, the answers are different. No compensation is made for mental health and I find trying to explain my situation magnifies my distress. I now feel unable to communicate directly by phone, email or face to face as the distress it causes me is overwhelming."

Expert by experience

This also applies to information provided on financial support available for those who might struggle to pay – whether that's a TV licence discount, Council Tax Support³⁵ or the poorly-named 'Severe Mental Impairment'³⁶ discount, for example. Not only is available support lacking and regionally patchy in itself,^{37 38} but key information such as eligibility criteria, purpose and level of support offered is often lacking or confusing in communications. This is a critical issue as Council Tax Support is hugely underclaimed, with 2.7 million people missing out on £2.8 billion of support per year.³⁹

35 Wilson W, Loft P. Council Tax Reduction Schemes. House of Commons Library. 2020.

36 A person medically certified as having a severe impairment of their intellectual or social functioning (however caused), that appears to be permanent, may be eligible to a Council Tax discount. This discount typically covers conditions caused by neurological disorders, accident and injury such as Alzheimer's disease, Parkinson's disease, a stroke, etc. See Turn2Us on Council Tax discounts.

37 Rose M. It's time to rethink Council Tax Support. Citizens Advice. 2023.

38 Good K et al. The Disregarded Discount. MoneySavingExpert. 2017.

39 Clegg A et al. Missing out 2024: £23 billion of support is unclaimed each year. Policy in Practice. 2024.

“Council tax and council tax benefit, are inscrutable to the point of utter impenetrability. It is impossible to make head nor tail of them.”

Expert by experience

People expressed frustration that public sector creditors frequently chose to only communicate by letter. For some, the symptoms of their mental health problem meant they found even opening letters difficult.⁴⁰

“The key is, of course, to open letters promptly and sort stuff out quickly... But by definition if you have mental illness these are the very things you struggle to do. It becomes a vicious cycle.”

Expert by experience

The longer timescales of sending letters meant that others received notification of their arrears *after* collection action (such as the addition of fees and charges or court proceedings) had already started. On top of this, timelines are often calculated from the day a letter was sent and dated, rather than received, further reducing an already tight turnaround.⁴¹ This means in practice a 14 day payment window could end up being more like 10 days, and sometimes shorter. This offers people a reduced opportunity to engage, leaving them feeling helpless.

“[My council sent] threatening letters which always arrived many days after the letter date threatening action on a date which was by then immediate or passed. And [followed by] court action cases and costs. My direct debit had failed and I hadn't noticed.”

Expert by experience

Rapidly escalating consequences become overwhelming

Beyond communications, the timelines on which debt collection activity typically operates across public sector organisations can mean that the consequences of missing even just one payment quickly stack up and become overwhelming.

If someone misses their monthly council tax bill, they generally will receive a reminder two weeks after a missed payment, asking them to pay within seven days.⁴² If not paid within this timeframe, or if it's the third time this year you've missed a payment, a 'final notice' is typically issued, which requires you to pay your *full annual council tax bill* within seven days. Failure to pay the final notice often means your council will apply for a liability order – see Box 1 – and issue you with a court summons. This process can cost anywhere between £35 and £155 depending on the local authority.⁴³

40 Holkar M et al. [Access essentials](#). Money and Mental Health Policy Institute. 2018.

41 See example of council tax debt recovery policy at Ealing Council [here](#).

42 Citizens Advice. [Dealing with Council Tax arrears](#). (Accessed 07/06/24).

43 Centre for Social Justice. [Still Collecting Dust: Ensuring fairness in council tax collection](#). 2024.

Box 1: Liability orders – A gateway to more aggressive debt collection

Liability orders, issued by Magistrates' courts for debts like council tax or child maintenance payments, provide significantly expanded powers to collect on an unpaid debt.⁴⁴ If a council tax debt remains unpaid following a final reminder, regulation states the next thing the person in debt should receive is a "court summons" for a liability order. These are issued by the local authority, and the cost is added onto the person's existing council tax arrears.

At this point, if the person in debt does not make up their payments and charges, their case will be passed to the local Magistrates' court. Liability orders are typically produced by a bulk process, with the public sector body required to pay the Magistrates' court just 50p per liability order.⁴⁵ There are a limited number of (mostly technical) defences against the award of a liability order. Not being able to afford your payments is not a consideration.

These rapid timelines are baked into regulation, which assume that people who aren't paying their debts to public bodies are *choosing* not to pay, and provide creditor bodies with significant powers to collect as a result.⁴⁶ But, for a growing number of people who fall behind on debts to public sector organisations, this assumption doesn't hold true. While there will always be a small minority who try to avoid their debts, the majority of people who are liable for tax want to make their payments.⁴⁷

"I understand that I owe them the money & I want to pay them. But I can't pay what I don't have."

Expert by experience

Such a short time frame allows little space for people to bring in extra income, such as another paycheck or a benefits payment, for example. Even then, with the average annual council tax bill standing at £1,668,⁴⁸ many people will find it simply impossible to pay this total, especially where they originally missed the smaller instalment payment because they couldn't afford it.

Our research shows that the majority of people behind on council tax payments are on lower incomes. A quarter (25%) of households behind on council tax payments have a gross income under £9,500 per year, while 82% have an income of less than £29,999 a year, which is roughly the level that a single person needs in order to achieve a minimum acceptable standard of living.^{49 50}

Crucially, most would be unable to cover their annual council tax bill in one go with such little warning. As Figure 4 shows, a third (34%) of those behind on council tax could not afford any unexpected bill at all, and the vast majority (91%) could not afford an unexpected expense over £1,000, even from money they could borrow in an affordable way. The average annual council tax bill costs significantly more than this.⁵¹

44 StepChange. [What is a liability order?](#) (Accessed 07/06/24).

45 Ministry of Justice. [EX50A: May 2024](#). (Accessed 15/07/24).

46 Legislation.gov.uk. [Liability orders](#). Local Government Finance Act 1992. (Accessed: 07/06/24)

47 Burns A, Szreter B. [Public opinion and taxation: the surprising reality](#). UK 2040 Options.

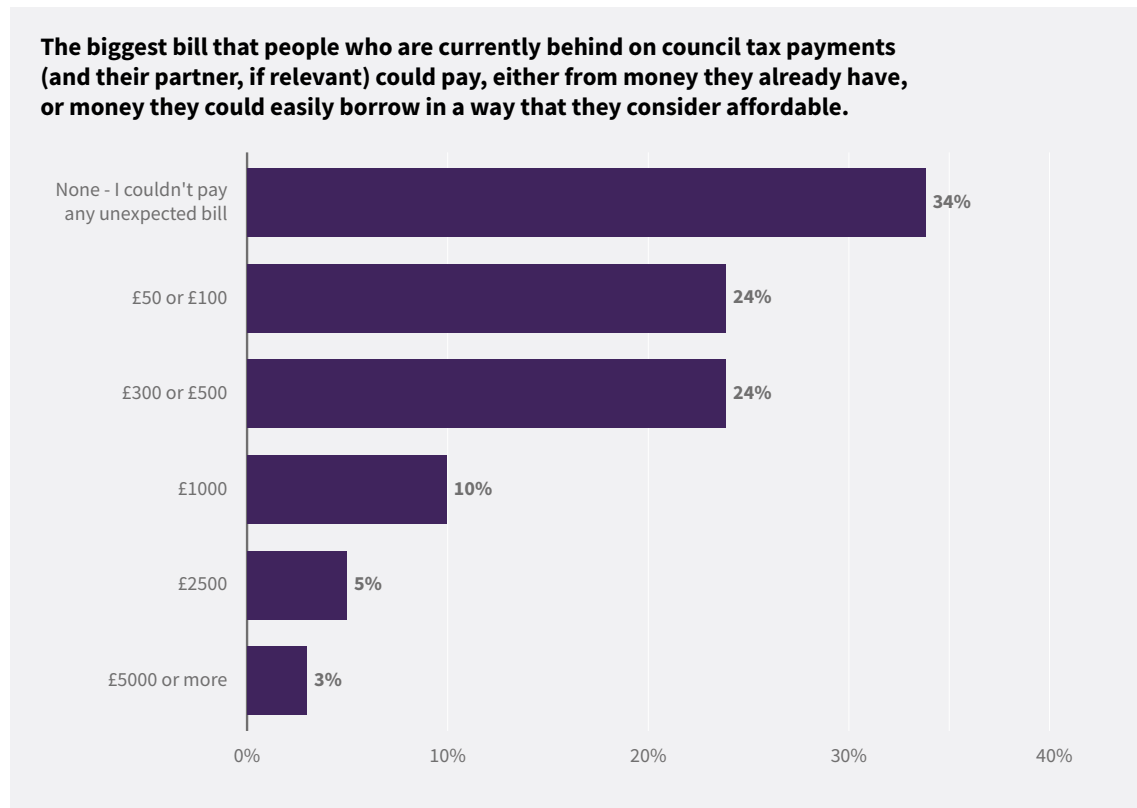
48 Gov.uk. [Council Tax levels set by local authorities in England 2024 to 2025](#). 2024.

49 Money and Mental Health analysis of Money and Pensions Service's Debt Need survey 2023.

50 Our analysis of gross income accounts for all income within a household, meaning many more may fall below the Minimum Income Standard, which adjusts upwards for different household compositions. Padley M, Stone J. A [Minimum Income Standard for the United Kingdom in 2023](#). JRF. 2023.

51 Gov.uk. [Council Tax levels set by local authorities in England 2024 to 2025](#). 2024.

Figure 4: The majority of those who are currently behind on council tax payments would be unable to afford to pay their annual council tax bill in one go.



Source: Money and Mental Health analysis of the Money and Pension Service Debt Need survey 2023.

When we turned to our Research Community to understand the reasons why they fell behind on priority payments to public sector bodies, the majority (79%) pointed to a deterioration in their mental health.⁵² But external factors were hugely important too: more than half (56%) said they had fallen behind because of the increased cost of essentials.⁵³

“They sent me a new demand for the entire outstanding council tax bill with the threatening letter. I don't understand why they would do this because if I couldn't pay the monthly amount how on earth would I be able to pay the entire remaining bill?? It sent me into a complete panic...”

Expert by experience

52 Money and Mental Health survey. Base for this question, 158 respondents with lived experience of mental health problems, who have fallen behind on one or more priority bills in the last five years.

53 Money and Mental Health survey. Base for this question, 158 respondents with lived experience of mental health problems, who have fallen behind on one or more priority bills in the last five years.

Additional hurdles in the race

There is variation in how local authorities act on this regulation in practice. However, the focus on meeting in-year collections targets⁵⁴ and the financial pressure to collect vital income means that some councils will indeed escalate debts through to the liability order stage as quickly as legislation allows.

Our review of publicly available information from the 100 largest councils who collect council tax in England and Wales found that 87% demand payment for the outstanding council tax bill within three weeks of missing a first payment. 90% give people in arrears just a further 7 days to pay their full council tax bill before applying for a liability order. Just 71 of the biggest 100 councils in England and Wales publicly share information about their debt collection processes.⁵⁵

In addition to the financial pressure imposed by these timelines, members of our Research Community frequently shared that the rapid speed at which the debt escalates can make people feel overwhelmed, distressed, and against the clock with little control. This ramping-up can continue even while someone is trying to engage with their council about an affordable repayment plan or their circumstances.⁵⁶

"I missed a payment and [...] it was roughly a couple of weeks later that I received my annual bill saying that I owed them over a thousand pounds and it had to be paid within 7 days or they would issue legal proceedings and I would have to attend court. The word 'court' absolutely terrified me especially as I have never attended a court ever. I summoned up the courage after a few truly dark days and tearfully asked them to help me. The whole thing was a truly terrifying experience."

Expert by experience

These experiences are reflected in our wider research, which finds that people who are behind on council tax payments are significantly more likely to report feelings consistent with being overwhelmed, such as feeling constantly under strain, and finding it challenging to overcome difficulties.⁵⁷ As Figure 5 illustrates, those behind on their council tax payments are nearly three times as likely as those who are not to have problems with thinking clearly (24% vs 9%), and are more than twice as likely to say they feel less able to face problems (26% vs 12%).

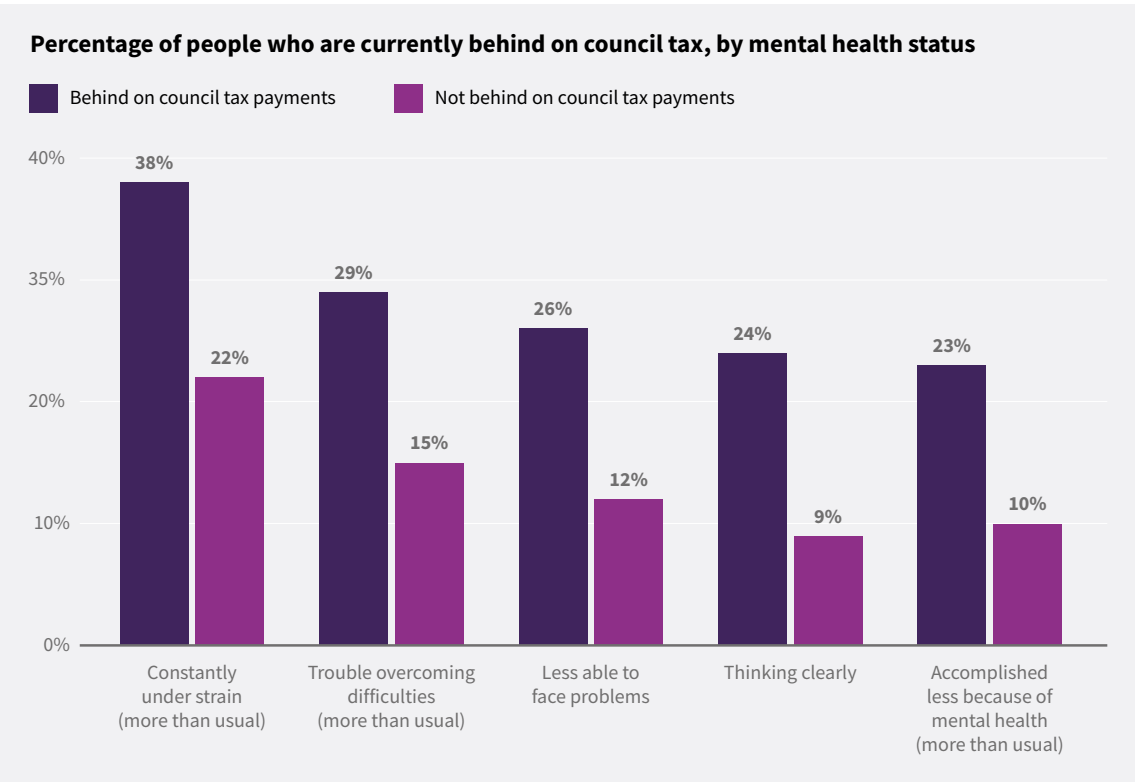
54 In-year collection targets are a key performance indicator for local authorities, which means that they can be reluctant to offer affordable debt repayment plans that span more than one financial year. This can lead to more aggressive debt collection behaviour as councils seek to meet their collection target within the financial year. See: Policy in practice: [Council tax debt collection and low-income Londoners](#).

55 Money and Mental Health analysis of 100 councils, ranked by population size, using publicly available data. See methodology for more information.

56 Evidence shows that while engaging with court processes is often the best way forward for those in debt, people are often too bewildered and frightened to access advice and navigate the institution of court. See: Whitehouse L and Vamava T. [Tackling housing debt and eviction: Enhancing Occupier Engagement Through Improved Communication and Advice](#). University of Southampton. 2024.

57 Preece G. [Lifting the tax burden: Supporting people with mental health problems with council tax](#). Money and Mental Health. 2024.

Figure 5: People who have been behind on council tax payments in the last 12 months are more likely to report feelings consistent with being overwhelmed and under strain.



Source: Money and Mental Health analysis of Understanding Society: the UK Household Longitudinal Study. Wave 13.

Notes: Throughout this paper, responses to the question “In the last twelve months, have you ever found yourself behind with paying your Council Tax?” in Understanding Society are used to determine whether someone is behind on council tax. This data is collected at a household level, while all data on psychological harms is collected at an individual level. Therefore, responses to being behind on council tax are disaggregated to all individual members of that household. See the methodological annex for more detail.

People with mental health problems are disproportionately impacted

These fast-moving timelines and accumulating charges can pile on the pressure, making it more difficult to think clearly. This is especially true for people with existing mental health problems, whose symptoms might mean that thinking clearly or problem-solving under pressure is already challenging – Table 1 summarises some of the most common symptoms.

Table 1: How the cognitive, psychological and behavioural changes associated with mental health problems can make navigating debt collection systems harder

What is the problem?	What is the impact?
Difficulties understanding and processing information	People may take longer to process information, or require additional prompts to provide the relevant facts. When it comes to quickly escalating timelines, people with mental health problems can find it difficult to engage with and process information in the time allowed. We expect this to be particularly relevant to complex legal processes like liability orders and single justice procedures (discussed further in the next section).
Memory problems	We've seen evidence that ~60% of people in some councils pay their council tax by direct debit. ⁵⁸ A significant minority of people don't pay by direct debit and instead make regular payments. Difficulties recalling information can make tasks such as remembering to apply for a council tax discount or to pay bills on time especially tricky.
Reduced planning and problem solving skills	Faced with a difficult problem, people can struggle to work out what actions they should take to resolve it. This can make getting through lengthy and complex processes difficult, especially with the additional pressure of rapid timelines.
Social anxiety and communication difficulties	Many people experiencing mental health problems struggle with some forms of communication. Previous Money and Mental Health research, focusing on essential services, found that half of people with a mental health problem struggle to use the telephone, and one in six struggle to open post. ⁵⁹ Our research also found that six in ten (58%) people behind on bills dread hearing from their creditors, compared to just one in six (15%) for those up to date. ⁶⁰ We expect that the combination of debt and mental health problems makes engaging with communication particularly difficult.
Depleted energy and motivation	Low energy can make it difficult to complete basic self care tasks such as washing and eating. Finding the motivation to complete the complicated and often-stressful task of addressing arrears and navigating debt collection systems can be exceptionally difficult for some people.

58 See example: [Hammersmith and Fulham council](#).

59 Holkar M et al. [Access essentials](#). Money and Mental Health Policy Institute. 2018.

60 Murray T, Bond N. [Debts and despair](#). Money and Mental Health Policy Institute. 2024.

Our research shows that people with existing mental health problems are disproportionately likely to feel strain and distress related to falling behind on payments. Among all people who have been behind on their council tax payments in the last 12 months, people with existing mental health problems were more than twice as likely to say they felt less able than usual to face problems than those who did not have existing mental health problems (41% vs 16%) and that they struggled with thinking clearly (39% vs 14%).⁶¹

These findings on stress and distress also persist within groups divided by being in debt or not. For example, for people with mental health problems, 39% of those behind on council tax report struggling with thinking clearly, but this is compared to just 20% for those up to date with payments.⁶²

People with mental health problems can often experience significant fluctuations in their health and capacity over time, which might mean that simple tasks such as opening a bill or remembering to pay a parking charge can be impossible. The pace at which timelines move and charges pile up for debts to public sector organisations, such as local councils, means that the financial consequences of even a short period of reduced capacity can be catastrophic for people with mental health problems.

“One of my issues is that I just can’t open my mail because of my anxiety. This of course means that by the time I work up the energy and courage to open my post things have progressed to an even more negative place.”

Expert by experience

A lose-lose for all

Debt collection practices such as these, which cause stress, strain and panic from the outset, not only exacerbate the challenges faced by those already struggling with their mental health, but also create further barriers to engagement with a creditor.

Rather than effectively urging people to get in touch, these experiences can drive people to pull away, making them feel too panicked to reach out and too strained to effectively negotiate an affordable and sustainable repayment plan. Crucially, this is undesirable for both the individual and the creditor seeking to collect on debts owed.

“I’m even too anxious to even make an offer to pay back an agreed amount as any communication with [the council] has a huge effect on my mental health.”

Expert by experience

61 Money and Mental Health analysis of Understanding Society: the UK Household Longitudinal Study. Wave 13.

62 Ibid.

Stage one summary

- Poor practices at the early stages of debt collection in the public sector cause harm and discourage people from engaging before their circumstances deteriorate.
- Unhelpful communication practices such as unclear or outdated information, and the reliance on letters as a primary channel of communication, are key to this, driving confusion, distress and disengagement.
- Timelines for debt collection escalation are often short and inflexible, leaving people feeling panicked, overwhelmed and unable to think clearly or work to solve their problems.
- Fast-moving debt collection processes disproportionately impact people with mental health problems, as symptoms of many common conditions can make understanding and responding to communications challenging.

Stage two: How compliance and court processes that lack empathy and flexibility cause harm

Court processes are intricately linked to public sector debt collection process. They are a gateway for many of the more severe debt collection tactics, such as enforcement activity. As we've already seen, debts like council tax can go from a single missed payment to a court summons within a month. We know these timescales can leave us feeling overwhelmed and under strain. In this chapter, we'll consider how collections and court processes lacking empathy and flexibility causes people to feel ashamed and powerless to intervene.

Inflexible and opaque systems deprive people of voice and autonomy

Public sector organisations often rely on highly automated systems to escalate a debt through a series of collections processes, from sending a reminder notice to issuing a court summons.⁶³

Research Community members described how these inflexible systems provide little opportunity to advocate for yourself or share your circumstances, contributing to the sense that the system is rigged against you, and that ultimately your voice is worthless.

"Definitely impacts self worth and wellbeing. If enough debts build up, especially ones I did not have an opportunity to defend and are growing exponentially, I do seriously question if life is worth living as I have enough bigger battles to fight."

Expert by experience

This sentiment also plays out in opaque court processes, such as liability orders and single justice procedure notices (SJPs) – see Box 2 below – which enable creditors to take swift legal action and to ramp up collections practices.⁶⁴ The majority of these legal mechanisms will happen 'behind closed doors', without the person in debt present, and can be processed in bulk. This means they offer limited opportunity to share mitigating circumstances, which can create a 'David and Goliath' power dynamic. Those on the receiving end can feel powerless to fight for their story to be heard, and are left shut out from justice. Finally, as legal aid is not available for support with processes like liability orders, many may find navigating the system difficult and confusing.⁶⁵

Despite how obscure these processes are, they are far from rare. In the financial year 2018-2019, councils issued nearly 2.3 million liability orders to collect council tax,⁶⁶ and 1,000 people are prosecuted via a SJP for TV licence evasion every week.⁶⁷

"[A TV Licensing officer] turned up at my home after 6pm and gave me a piece of paper, taking me to court. [...] Threats of court costs, fees and criminal convictions caused greater anxiety and suicidal thoughts."

Expert by experience

63 Gov.uk. [Pay Council Tax arrears](#). (Accessed: 07/06/24).

64 Gov.uk. [Single justice procedure notices](#). (Accessed: 07/06/24)

65 Berry A. 2013. [Help for council tax payers – Part 2: defending council tax defaulters](#). Legal Action.

66 Citizens Advice. [Council tax debt collection isn't efficient or effective](#). 2019.

67 UK Parliament. [TV Licence Non-payment: Women](#). Hansard. 2024.

Box 2: Single Justice Procedures (SJPs)

Under an SJP, a magistrate can prosecute for certain non-imprisonable, minor criminal offences, such as non-payment of the TV Licence fee, without a court hearing. In the vast majority of cases, prosecutions are carried out without input or plea from the charged individual, who has only 21 days to respond to an SJP notice letter. Around 80% of those prosecuted for TV licence 'evasion' do not respond to the notice with a plea.⁶⁸

In particular, women are disproportionately impacted by SJPs. Three-quarters (73%) of SJPs for TV licence fee evasion were against women, despite women only accounting for 49% of licence holders.⁶⁹ In fact, one third of all criminal prosecutions against women are for the non-payment of the TV licence fee.⁷⁰

Research by the TV Licensing company suggests that this disparity may, at least in part, be driven by women being more likely to be at home when enforcement officers knock on the door, and being generally both more likely to answer the door and to engage with officers than men.⁷¹ Further, single parent households were more likely to be behind on TV licence payments, which women are significantly overrepresented in.⁷²

Unempathetic and insensitive communications compound feelings of powerlessness and shame

This can be compounded by the language and tone of communications we receive from a creditor, which are often instrumental to how we feel about a debt, and ultimately how we feel about ourselves. Communications about arrears that lack empathy and understanding can damage our sense of self-worth and make us feel too embarrassed or powerless to ask for help.⁷³

Research Community members shared that communications which simply demand immediate payment and lack any acknowledgement of factors that may have prevented them from paying, such as a significant increase in the bill or the wider increased cost of living, can feel berating and insensitive. This in turn can spark a sense of shame and failure.

Research Community members also reported that some interactions with collections staff at their public sector organisation fuelled these feelings. We heard about experiences where staff seemed to lack interest or belief in someone's difficult circumstances, and were only focused on collecting the debt. This left people feeling uncared for.

"I called and spoke to someone who seemed incredulous that I didn't realise the payments weren't going out each month. I was in a lot of debt and struggling to prioritise so only looking at the balance once all fixed payments were made and then living to that. I was so stressed, anxious, scared and ashamed."

Expert by experience

68 UK Parliament. [Written questions, answers and statements](#). 2021.

69 APPEAL. [Conveyor Belt Justice: The case against the Single Justice Procedure](#). 2021.

70 TV Licensing. [Gender disparity report](#). 2017.

71 Ibid.

72 Women's Budget Group. [Economic challenges for single mothers](#). 2022.

73 Examples of communications around legal processes that we've seen emphasise the lack of options open to a person in debt around court processes, and focus on consequences and legal information over empathy and support. See example [here](#).

Our research reasserts these findings, showing that people are roughly twice as likely to report feeling both more worthless and less confident than usual if they've been behind on council tax payments in the last 12 months (23% vs 10%, and 32% vs 17% respectively).⁷⁴

These processes exacerbate existing challenges for people with mental health problems

More than three quarters (77%) of those who received a court summons for a debt, and are currently behind on council tax payments, have experienced a mental health problem.⁷⁵

But as well as being more likely to receive a court summons for debt, people with mental health problems can also find it more challenging to engage with the complex processes involved.

People with mental health problems commonly experience symptoms such as low energy and low self esteem. This means that having the confidence to engage with such complex and inflexible collection processes, or to advocate for yourself when the stakes are high, can be incredibly difficult. These factors are likely to explain some of the overrepresentation of people with mental health problems amongst those on the receiving end of court summons.

"It heightens stress levels as because you are already struggling, threatening legal action and adding charges makes things much worse."

Expert by experience

This is reflected in our analysis which shows that among those who had fallen behind on council tax payments in the last year, people with mental health problems were more than twice as likely to say they felt more worthless and less confident than usual as those without mental health problems (35% vs 15%, and 46% vs 22% respectively).⁷⁶

Again, this pattern is repeated within groups. Focusing just on people with mental health problems, just 22% of those not behind on council tax reported feeling more worthless, compared to 35% of those who had been behind.

Debt collection in this context is a lose-lose situation. These processes do not empower people in vulnerable circumstances to advocate for themselves and work to get back on track with payments – the desired outcome for both the individual and the creditor. Instead, they create additional hurdles that force people to try and navigate unempathetic, complex and inflexible systems.

74 Money and Mental Health analysis of Understanding Society: the UK Household Longitudinal Study. Wave 13.

75 Money and Mental Health analysis of Money and Pensions Service Debt Need survey 2023. 73% of people who are behind on their council tax payments and have been contacted by a bailiff in the last 6 months, have experienced a mental health problem.

76 Money and Mental Health analysis of Understanding Society: the UK Household Longitudinal Study. Wave 13.

Stage two summary

- Communications from public sector creditors can lack empathy and understanding of individual circumstances, leaving people feeling ashamed and unheard. This is echoed in interactions with collections staff who often prioritise debt collection over understanding the circumstances the person faces.
- Debt collection processes in public sector organisations are highly automated and inflexible, providing little opportunity for people in debt to share their circumstances. This furthers feelings of being powerless, ashamed and misunderstood.
- People with mental health problems are disproportionately affected by these debt collection practices, since they can find it particularly challenging to navigate these complex and inflexible systems. More than three quarters (77%) of those who received a court summons for a debt, and are currently behind on council tax payments, have experienced a mental health problem.
- These processes heighten stress and feelings of worthlessness, especially when legal actions are threatened or taken.

Stage three: How enforcement activity exacerbates shame and isolation

The involvement of enforcement agents (see Box 3), more commonly known as bailiffs, marks a notable shift in the severity of the debt collection process. Affecting 1.4m people a year,⁷⁷ council tax arrears are passed to bailiffs once a liability order is obtained, and there begins a parallel debt collection process that our research shows is fraught with harm. Local authorities are one of the primary users of enforcement agents.⁷⁸ However, many of the tactics used by enforcement agents are mirrored by other debt collectors, such as TV licence home visits or debt collection agents used for tax credit overpayment. In some cases, national government agencies may also use bailiffs for debt collection.⁷⁹

The harm done by enforcement activity was one of the clearest messages we heard from our Research Community. While the industry has undergone a radical shift in the last decade, with new guidance, a new oversight body, and a greater focus on vulnerability, our research shows there is further to go.



77 StepChange. [Briefing: bailiff fees and court charges](#). 2020.

78 House of Commons Library. [Bailiffs](#). 2023.

79 National Debtline. [Tax credit overpayments](#). (Accessed: 07/06/24).

Box 3: Enforcement agents

Public sector debt enforcement is mainly conducted by Certificated Enforcement Agents. These agents have powers, under section 12 of the Tribunals, Courts, and Enforcement Act 2007 to collect on debts like council tax arrears, penalty charge notices, unpaid child maintenance or unpaid court fines.⁸⁰ Debt collectors, like TV licensing agents, are not Enforcement Agents and do not have the same powers under the law. However, they do use similar tactics such as home visits to collect on debts.

When enforcing a debt, firms and agents must go through three stages⁸¹:

Stage	What happens	Cost added to existing debt	Percentage fee (in addition, for debts over £1500)
Compliance	Establishing contact with the person in debt, requesting payment, issuing an enforcement notice.	£75	0%
Enforcement	Visiting the person in debt's home. Payment or a payment plan may be arranged at this stage. If not, an enforcement agent can "take control of goods", including identifying, valuing and taking control of the person in debt's belongings.	£235	7.5%
Sale	Removing and selling the belongings that were taken control of in the previous stage.	£110	7.5%

Some enforcement firms offer a pre-compliance stage, at no cost to the person in debt, as an initial opportunity to engage, although this isn't standard practice.⁸² All fees for enforcement activity are paid by the person in debt, with no cost passed to public sector bodies, making them appear cost-efficient for those collecting on debts.

Where a vulnerability is identified, or if a debt is unrecoverable (e.g. if the person in debt doesn't have any assets that could be seized), debts can be passed back to the creditor for further action, as we'll discuss in the next chapter.

Since 2022, the Enforcement Conduct Board (ECB) has been responsible for standards in the bailiff industry, improving accountability and implementing an independent complaints process. However, the body has no statutory basis and currently relies on voluntary donations and industry opt in for regulation.⁸³ The ECB is currently working on updating the standards for enforcement action, which are due to launch later in 2024.⁸⁴

80 Enforcement Conduct Board. [What is enforcement?](#) (Accessed: 07/06/24).

81 Arp Enforcement Agency. [Enforcement stages and costs explained.](#) (Accessed: 07/06/24).

82 See example of local authority recovery procedure policy [here](#).

83 Enforcement Conduct Board. [Who we are.](#) (Accessed: 07/06/24).

84 Enforcement Conduct Board. [Standards.](#) (Accessed: 07/06/24).

Call from the bailiffs

Being contacted by enforcement agents during the compliance stage was identified as harmful by our Research Community. Data on those in debt held by public sector bodies can be out of date, or timescales can move faster than someone is able to engage with communication. There, we've heard that sometimes the first thing someone hears about their debt is from an enforcement agent or firm.

"I wasn't initially aware of the debt and the arrogance of the company involved was horrible. I wasn't allowed to explain anything and was bullied into making an immediate payment which not only sent my mental health spiralling but obviously had knock-on consequences to my immediate and short term finances."

Expert by experience

We heard from industry figures that public sector debt collection teams are often understaffed and under-resourced. The time required to follow up with a non-responsive resident or to find a resident's new home or contact details can be time consuming. Enforcement firms are able to offer services to identify those in debt at minimal further cost to councils, as fees are added onto the debt of the person in arrears.

While this saves the public sector money, the experience of finding out your debt has been passed to a bailiff can cause people to feel "pure fear", and a number linked it to a worsening in their mental health. We heard that this was fear of multiple factors, such as the associated stigma, the uncertainty of how they would afford the debt and fees or how they might be treated by an enforcement officer.

"I felt they were forcing me to set up a repayment plan and that they didn't believe my financial situation. They treated me like a criminal."

Expert by experience

Finally, we heard that people in debt often felt as though they were being pressured into making unaffordable payments, or agreeing unsustainable repayment plans. This was a theme throughout the public sector debt collection process, but it was clear from our research that enforcement agents in particular are using intimidation, or the threat of further action, to pressure people in arrears to accept unaffordable repayment plans.

Violating our safest spaces

Home visits from bailiffs were identified by our Research Community as a distinct source of harm. For most of us, home is a place of safety. Research Community members frequently shared that home visits and 'the knock on the door' felt like an invasion of privacy and made them feel unsafe in their own home.

"They came at 8am. Me and my husband had to complete an overview of outgoings and income. We felt they could take anything at any point even though we have very little goods in the house. It was a complete violation of privacy and humiliation of not having enough money, we were made to feel poor and harassed. There was no understanding of mental ill health."

Expert by experience

The public embarrassment which often accompanies visits from enforcement agents is another specific cause of harm. We heard enforcement officers would talk loudly about debts in public, leading to a sense of shame or humiliation. In some cases, this would lead to people in arrears adopting behaviour like leaving the house early and arriving home late in order to avoid running into bailiffs or neighbours. Others withdrew completely, not leaving the house, opening the door or answering the phone so that they wouldn't encounter a bailiff. One Research Community member described this process as a shrinking of their world.

"[The bailiff visit] was incredibly intrusive, I felt embarrassed in front of my neighbours. Privacy is incredibly important to me and having my privacy breached causes a severe decline in my mental health. I feel incredibly vulnerable and exposed knowing that someone may peep at me through my letterbox at any time. I feel embarrassed to leave my house because my neighbours now all know about my financial difficulties. I no longer make eye contact or speak with them. In short, his actions have shrunk my world."

Expert by experience

Finally, we heard from women in our Research Community that home visits exacerbated existing gender power imbalances. A number of women shared the fear they experienced when confronted on the doorstep by male enforcement agents.

"I was very scared. Two very large men called when it was dark asking me to sign a payment plan or they would remove items from the home. I am physically disabled and was a female, home alone with children."

Expert by experience

Bailiffs behaving badly

Our evidence so far shows how standard practice for bailiffs causes harm. However, we also heard about illegal or poor enforcement practice from our Research Community, such as forced entry into their homes, blocking a door from being shut or threatening to take essential items.⁸⁵ While practice has improved across the sector in the last decade,⁸⁶ there's clear evidence that illegal or poor practice is still present within the sector.⁸⁷

"They forced their way in through a tiny gap when I put the chain on to open the door. They treated me like a waste of life, a loser, scum. I can't work due to physical and mental health problems but they seized equipment supplied by the local authority for use due to disability e.g. a motorised air mattress to help with bed sores and electric wheelchair as I had nowt worth removing, except my fridge. They made me feel so small and ashamed."

Expert by experience

85 All these practices and behaviours are either covered by the Tribunals Courts and Enforcement Act 2007, or the Taking Control of Goods National Standards.

86 UK Parliament. [Bailiffs: Enforcement of debt](#). 2019.

87 BBC Radio 4. [Bailiffs behaving badly](#). File on 4. 2024.

Though complaints processes do exist for when bailiffs commit illegal practices, there is no single pathway for making a complaint and debt advice organisations have cautioned that the complexity of complaints processes can be off putting to those already dealing with the stress and strain of debt.⁸⁸ The ECB is currently reviewing the complaints process, and aims to offer an independent and streamlined approach for complaints.

Isolated and alone

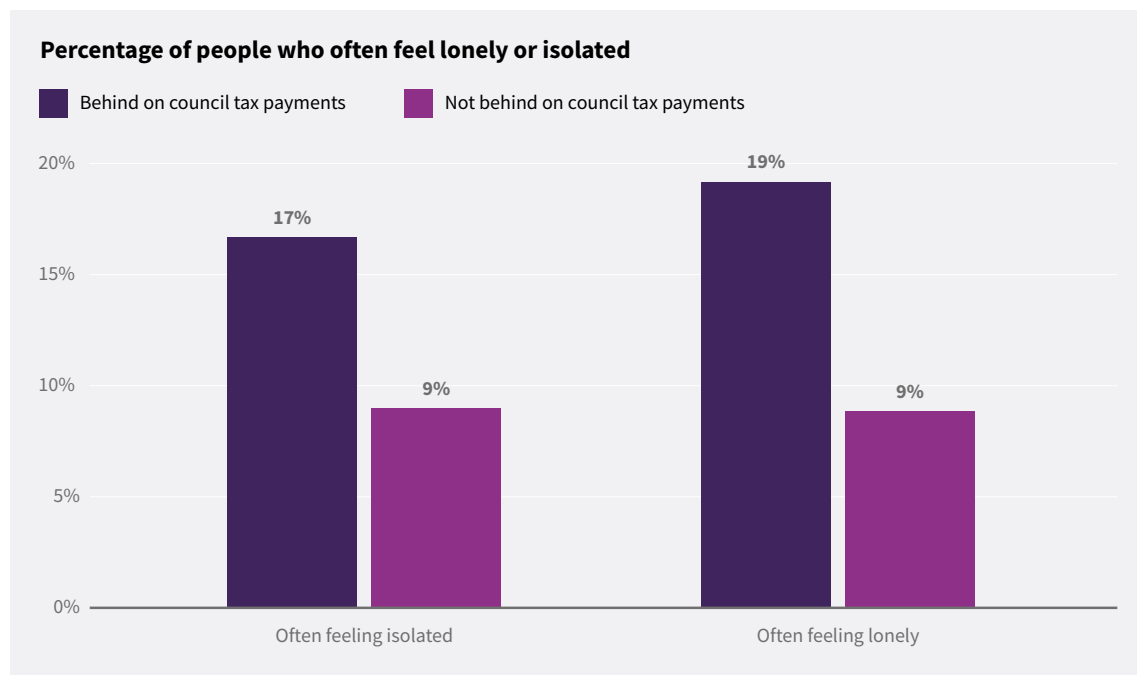
A final, clear theme we heard was the isolation that people felt following enforcement activity.

“Their manner was threatening, bordering on intimidating. They saw themselves as an extension of the police. Their body language was well within my personal space. I stopped answering my phone. I didn’t answer the door. The mail was left unopened. And all the while costs and charges were continually being applied. I was not allowed to contact the council. My debt had been passed over and that was my lot.”

Expert by experience

It shouldn’t be surprising then that those behind on council tax payments are significantly more likely to experience feelings of loneliness and isolation. As Figure 6 shows, one in six (17%) who have been behind on council tax said they often felt isolated, compared to just one in ten (9%) for those not behind. This was even more pronounced when considering loneliness, with people behind on council tax over twice as likely to say they often feel lonely.

Figure 6: People who have been behind on their council tax payments in the last 12 months were more likely to say that they often felt isolated or lonely.



Source: Money and Mental Health analysis of Understanding Society, Wave 13.

⁸⁸ Thorne M, Lane J. A law unto themselves: How bailiffs are breaking the rules. Citizens Advice. 2018.

People with mental health problems are particularly vulnerable to enforcement processes

Enforcement firms have made many steps forward in recent years, and an understanding of the importance of vulnerability is a key part of that progress. We heard from our interviews with industry that many enforcement firms now have clear vulnerability policies and specialist support teams for referrals.

However, these systems are set up anticipating support for a minority of customers. Whereas our analysis found that more than seven in ten (73%) of people in council tax arrears who have been in contact with bailiffs have experienced a mental health problem.⁸⁹

While people with mental health problems are overrepresented amongst those in debt, these figures are disproportionate even by those standards. As we've explored earlier in the report, there are many factors that mean people with mental health problems are more likely to experience escalating debt collection practices, including challenges with engaging with complex information, fast moving timescales and motivation.

"They were instructed to collect a council tax debt and they forced me to agree to an amount that was not suitable for me. They told me that because it's a priority debt I need to put that before eating and heating. This has led to a decline in my mental health."

Expert by experience

The counterproductive nature of enforcement activity

This pattern of harm is not inevitable. Two local authorities stand out for having moved away from using enforcement agents in recent years. Bristol City Council announced their 'ethical debt collection' policy in 2018 and reports it had no impact on their collections rates from this move.⁹⁰

Manchester City Council recently announced a move away from using enforcement agents to collect arrears from people in receipt of Council Tax Support. Governance reports from early 2024 reveal that enforcement agents collected, on average, just 10% of the debts that were passed to them between May 2021 and August 2022 – returning just £2m a year out of £20m issued. Nearly half of that collection is at the compliance or pre-compliance stage (the initial contact enforcement agents have with customers), meaning just 5% of Manchester's council tax debts are returned by the highly distressing enforcement (or home visit) stage.⁹¹ CIVEA estimates that just 2.5% of all cases nationwide progress to the sale of goods stage.⁹²

Finally, research for Citizens Advice found that every pound an enforcement agent collects costs 53p in fees.⁹³ For every pound that someone repays, they have to find half that amount again to pay for the method of enforcement. These are funds that could otherwise go toward paying council tax.

In these pure cash terms, the benefit of using enforcement agents for council tax debts seems marginal. But once we put it into the context of the huge harm and distress currently done by

89 Money and Mental Health analysis of Money and Pensions Service Debt Need survey 2023. 73% of people who are behind on their council tax payments and have been contacted by a bailiff in the last 6 months, have experienced a mental health problem.

90 Edwards M. [Four years on from booting out bailiffs, is Bristol's 'ethical' council tax debt collection working?](#) The Bristol Cable. 2023.

91 [Manchester City Council Report for Resolution](#). 2024.

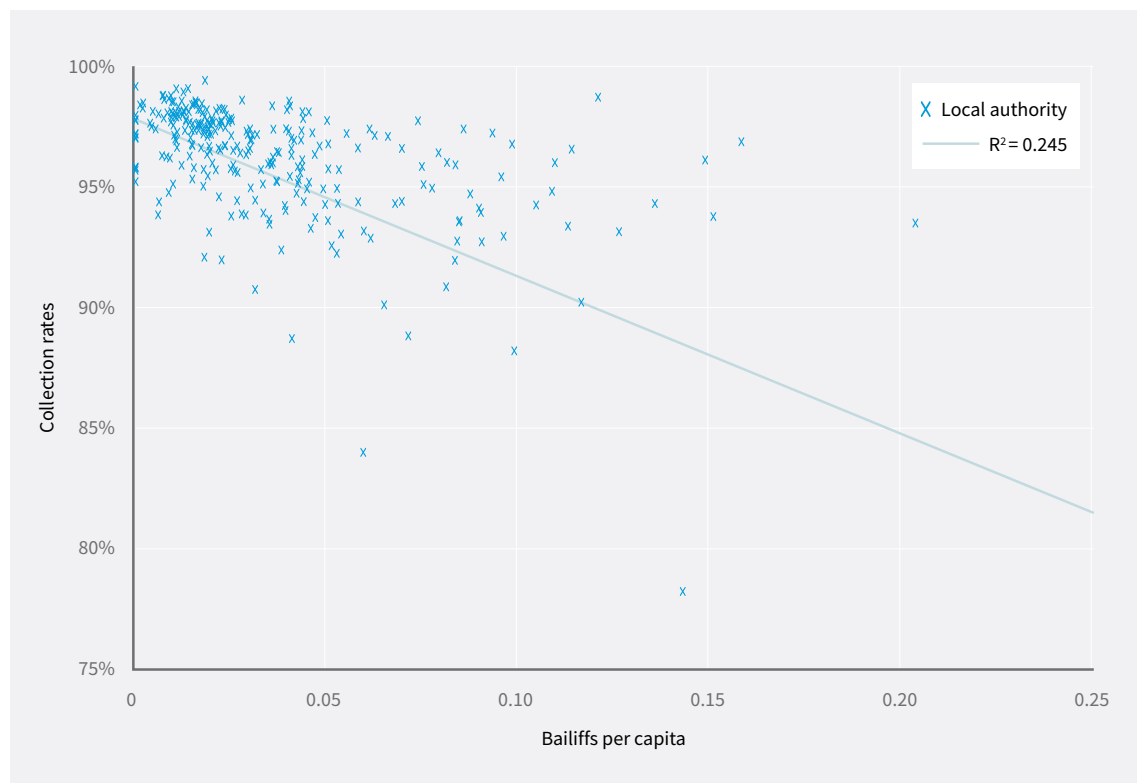
92 CIVEA. [About Us](#). (Accessed: 07/06/24).

93 Citizens Advice. [Council tax debt collection isn't efficient or effective](#). 2019.

enforcement agents, it's conceivably even net negative. Analysis from ACORN and Debt Justice, presented to Manchester City Council, suggests that enforcement activity may account for £6.9m of additional costs for public services, against £3.7m in additional council tax revenue between September 2018 and September 2019.⁹⁴ Additional research is needed to provide greater accuracy for these figures, but they provide tentative evidence of the wider cost of enforcement activity.

Figure 7 shows our own analysis of data from the Money Advice Trust's Stop the Knock campaign on bailiff use by local authorities, and Ministry of Housing, Communities & Local Government (MHCLG) on collections rates. It reveals an inverse relationship between the rate at which bailiffs are used, and the collections rates of those local authorities. There's a degree to which this should be expected – places where collections rates are lower are more likely to rely on more forceful forms of debt collection. However, it's also clear that more forceful forms of debt collection don't necessarily equate to higher collections rates.

Figure 7: Local authorities with the highest rates of bailiff use (calculated as the number of bailiff referrals per capita for the local authority population) have the lowest rates of collections.



Source: Money and Mental Health analysis of The Money Advice Trust's Stop The Knock 2019 research and MHCLG in-year collections data.

We heard repeatedly during our research, from our research community and experts in the debt advice sector, that enforcement activity is counterproductive. The fees and charges added through the enforcement process only added to the financial burden felt by those in arrears, deepening their debt. Particularly for those in arrears because they couldn't afford their council tax bill, these extra

⁹⁴ [Manchester City Council Report for Resolution](#). 2024.

fees and charges served only to push them further away from being able to stay on top of their debts.

"The added fees exacerbated my anxiety and depression and made me feel hopeless. Bailiffs' refusal to remove extortionate fees and lack of compassion had the worst impact and resulted in mental breakdown."

Expert by experience

Enforcement activity can also drive people further away from the engagement that public sector debt collectors rely on to agree repayment. As we heard from our Research Community, 'burying their head in the sand' is often a coping mechanism when they are unwell, struggling financially and have few other options available to them.

"I have a traffic fine from April 2022, which I knew nothing about. All the details went to my old address. I've paid a fine to the council of £240. I still owe £300 to the bailiff. I am on benefits for depression and anxiety, this has affected me deeply. I'm scared to open the door in case it's the bailiff. I can't go out in case the bailiff breaks in, I'm in a terrible state."

Expert by experience

Finally, we heard many stories of people being pressured to accept unaffordable repayment plans through enforcement action, which would inevitably lead to further financial vulnerability down the line.

"It was an evening visit. They put their foot in the door and refused to leave, causing duress and psychological trauma of being forced into a decision that was not affordable."

Expert by experience

Stage three summary

- Enforcement activity – the use of bailiffs – causes harm throughout the collection process, from unexpected communications to home visits. Even when done in line with existing standards, the process can still cause significant distress.
- We also heard from a number of people who experienced illegal or poor behaviour such as forced entry or threats to take essential items.
- These practices all lead to psychological harm, including feelings of loneliness and isolation. These experiences are particularly pronounced for people with pre-existing mental health problems, who make up 73% of people visited by bailiffs.
- Enforcement activity can be particularly counterproductive. Evidence shows the rates of collections delivered by enforcement activity are marginal, and the harm done to residents is significant, causing them to disengage, or be driven further into debt.

Stage four: How the most severe consequences of falling behind on payments to public sector bodies cause acute harm

We heard from our interviews with expert stakeholders that notifications of how the debt will escalate, and setting out the risk of negative outcomes, can be made in the hopes of pushing someone towards repayment. In some respects this is to be expected, and ensures that people are fully aware of the consequences of not making payments on their debts. However, for those who are unable to make those payments, these notifications can lead to fear, and can have devastating outcomes for their mental and financial health.

This section will discuss the most severe forms of debt collection, and the ways in which they cause anxiety and financial insecurity. We class the most forceful forms of debt collection as the following:

- Direct earnings deductions such as an attachment of earnings order or benefits deductions
- Charging orders and involuntary bankruptcy
- Imprisonment.

While these methods aren't as common as, for example, court summons or enforcement activity, they are marked by their potential for causing extreme harm (see Figure 1 for detail on scale of use).

Direct earnings deductions and financial insecurity

As we've already seen, the use of fees and charges can add to debts, making their repayment even more difficult and driving indebtedness and financial insecurity. Direct earnings deductions such as benefits deductions and attachment of earnings, explained in Box 4, exemplify the ways in which debt collection can also drive financial insecurity.

Box 4: What are direct earnings deductions?

A number of debts can be reclaimed through deductions to someone's pay (known as an "attachment of earnings order") or benefits payments (known as a "benefits deduction"). Most debts require a judgement before they can apply for a deduction, although HMRC and the Department for Work and Pensions do not require a court order to initiate direct earnings attachments.⁹⁵

The rate at which deductions can be taken from benefits varies by the kind of debt. Multiple deductions can be made for different arrears up to, in most cases, a maximum of 25% of someone's standard benefits allowance.⁹⁶

Attachment of earnings are determined by your rate of pay, starting at 3% for anyone earning between £300 and £550 a month after tax, up to 17% for anyone earning between £1,420 and £2,020 a month after tax. Any earnings above this £2,020 a month threshold are deducted at 50%.⁹⁷ Multiple attachment of earnings can be in place, taking a maximum of 40% of someone's post-tax pay.⁹⁸

95 Citizens Advice. *The state of debt collection: The case for fairness in government debt collection practice*. 2015.

96 NI Direct Government Services. *How much can be taken from your Universal Credit payments*. (Accessed: 07/06/24).

97 *Council Tax – attachment of earnings orders*. Brighton and Hove City Council. (Accessed: 07/06/24)

98 See example from North Northamptonshire [here](#).

It's not hard to see how these practices drive financial insecurity, as they leave very little financial headroom for those on the receiving end. The basic rate of Universal Credit, as little as £311.68 a month for a single person under 25, is already lower than essential living costs.⁹⁹ When we add benefits deductions into the mix, which affect almost half (45%) of households in receipt of benefits with an average deduction of £61,¹⁰⁰ many fall even further behind that baseline.

For those in employment, the threshold for the 17% rate of attachment of earnings (at £2,020 a month) is lower than someone working a full-time job on the real Living Wage (which is currently £12 an hour outside London, or £2,080 a month for a 40-hour week).¹⁰¹ Attachment of earnings orders can therefore cut someone's pay to just £9.96 an hour, far below the legal minimum wage of £11.44.

Our research finds that those who are behind on the repayment of overpaid benefits or tax credits are twice as likely to agree that they often can't afford to buy basic household items than those who are not behind on such payments.¹⁰² This is reflected in the experiences of our Research Community, who told us deductions meant they were often forced to cut back on essentials such as food or heating. This came with a clear knock-on effect for their mental health, often exacerbating pre-existing mental health problems, or driving symptoms of anxiety and depression.

"Having money deducted from my benefits has made it difficult for me to make ends meet and some days I have been not eating because I can't afford to which is leaving my mental health in tatters."

Expert by experience

Insecurity is also baked into the system through uncertainty. Those on the receiving end of deductions said that the variable rates at which deductions were made, which would happen depending on their earnings for that month, meant they were unable to effectively budget for the coming weeks, leaving them shorter on cash than expected.

Fundamentally, this process stands between people in arrears and their money. For cases where someone refuses to pay their bills, this can be useful as it removes the need for consent from debt collection. But for those who simply cannot afford to make ends meet, or who are struggling financially, it removes any agency from the situation, forcing people into impossible situations where they cannot choose where or how their money is spent. Agency is important in debt. People in arrears are more likely than not to be struggling with multiple payments and debts.¹⁰³ Depending on what, when and how someone's wage is divided up by deductions, or even how someone's direct debits are set up, can determine which bills get paid.

Any deduction is less money that can go towards essential expenditure. For example, an earnings deduction for council tax may stop someone being able to afford a different bill, such as rent or a penalty charge notice. This can leave people paying some lower priority bills first, and, at worst, it

99 Trussell Trust and Joseph Rowntree Foundation. [Guarantee our essentials](#). 2024.

100 Kennedy S et al. [Universal Credit Deductions](#). House of Commons Library. 2023.

101 www.livingwage.org.uk

102 Money and Mental Health analysis of Money and Pensions Service Debt Need survey 2023. Respondents are asked "to what extent would you say the following statements apply to you personally? – I often can't afford to buy basic household items", and must provide a score of 0 – 10, with 0 being the least likely to apply and 10 the most likely to apply. We calculated the mean score for those who were behind on the repayment of overpaid benefits or tax credits (mean = 5.7), and those who were not behind on these payments (mean = 2.6).

103 Murray T, Bond N. [Debts and despair](#). Money and Mental Health Policy Institute. 2024.

can force them into destitution.^{104 105} Navigating this financial landscape is tricky, and reorganising deduction rates is a complex and confusing process.

Charging orders and involuntary insolvency

While the remaining debt collection practices – charging orders, involuntary insolvency, imprisonment – are rare compared to what we've discussed so far, affecting thousands annually rather than millions, they are marked by the fear and uncertainty they can cause.^{106 107}

The threat that lies behind these tactics is a powerful tool, one that we heard debt collection professionals apply purposefully. Creditors will inform someone in debt of the action that may be taken against them, and typically this outlines the consequences of non-payment possible in their entirety, including actions like charging orders (see Box 5) or imprisonment, despite the infrequency of these methods being used.

Box 5: Charging orders and involuntary bankruptcy

In specific cases, for debts like council tax arrears or benefits overpayments, creditors can secure the outstanding amount against the person in debt's home. When that building is sold, the secured debt is then deducted from the proceeds of the sale.¹⁰⁸ For council tax, charging orders can only be applied where a debt is greater than £1,000. For comparison, in 2023, the average National Debtline client was in £1,790 of debt for council tax.¹⁰⁹

The person in debt must then either make regular payments, or pay the debt upon sale of their property. In certain cases, the creditor can apply for sale of the property to recover the debt. Charging orders have a cost of £131 which is added to the outstanding debt of the person in arrears.¹¹⁰

If the debt held is greater than £5,000, then a creditor can start bankruptcy proceedings.¹¹¹ This is known as involuntary bankruptcy, and will result in the person in debt being declared bankrupt, and an "official receiver" making payments towards the debt from any savings or assets the person in debt holds.

As we heard from our Research Community, these communications are often experienced as an explicit threat of what will happen if they do not or cannot pay. Research Community members shared that threatening letters about what *might* happen to them, whether that's being prosecuted in court or having their home taken away under a charging order, were a key driver of intense fear and worry.

104 Wright H, Tims S. [Benefits debt deductions trapping people in poverty and debt](#). New Economics Foundation. 2024.

105 The Trussell Trust. [Debt and deductions fact sheet](#). 2022.

106 Gov.uk. [Civil Justice Statistics Quarterly: July to September 2023](#). Ministry of Justice. 2023.

107 Written evidence from the Institute of Money Advisers, PayPlan and StepChange Debt Charity. [Evidence on Prison population 2022: Planning for the future](#). 2022.

108 Citizens Advice. [Charging orders](#). (Accessed: 11/06/24)

109 Money Advice Trust. [£5.5bn owed in council tax as charity calls for urgent reform of outdated collection rules](#). 2023.

110 Gov.uk. [Civil court fees](#). HM Courts and Tribunals Service. 2024.

111 Citizens Advice. [Creditor trying to make you bankrupt](#). (Accessed: 11/06/24)

"It [the possibility of a charging order] was on the warning letter from the council tax office. It has added to my suicidal thoughts and overall anxiety and depression just as I thought I was emerging from it."

Expert by experience

Research Community members are certainly not opposed to the inclusion of information on the consequences of non-payment, but this can lead to disengagement when this is the first thing they read or if they don't know what they can do to avoid this.¹¹²

Finally, our research has shown that being forced to sell your home or pushed into a financial situation beyond your control can cause immense harm through the negative impact on mental health – linked to feelings of alienation, loss, and even suicidality.¹¹³ This is reflected in the experiences we heard from our Research Community.

"Being forced to sell one's house during the pandemic has been the single most impactful experience besides bereavement."

Expert by experience

Imprisoned for being in debt

As a last resort, local authorities are able to make applications for the person in debt to be sent to prison. More than 80 people have been jailed for not paying their council tax over the last five years across England and Wales, with a further 2,100 being given deferred jail terms.¹¹⁴ Jail terms are up to a maximum of three months, and while they are supposed to only be handed down in cases where council tax has been wilfully avoided, there's clear evidence that people with no other means to pay are affected.¹¹⁵

While we didn't hear from anyone in our Research Community that has received a committal order (i.e. imprisonment or deferred prison sentence), we heard that even the threat of being imprisoned had a colossal impact on their mental health.

"Severe depression. Fear of losing my freedom, and my housing association home if imprisoned."

Expert by experience

And for those few who do encounter committal proceedings as a result of being unable to pay council tax, this can have a catastrophic impact on their life and mental health, and can lead to homelessness, the removal of children from their care and life-long trauma.¹¹⁶ Imprisonment, as well as council tax enforcement more generally, can have a disproportionate impact on women, who are more likely to have the bill in their own name, and remain liable for council tax even if they have to flee their home to escape domestic abuse, for example.¹¹⁷

112 See evidence of this also in: Lees, C. [Money and Mental Health's submission to Ofgem's call for input on affordability and debt in the domestic retail market](#). 2024.

113 Smith F. [No place like home: Supporting people with mental health problems in mortgage difficulty](#). Money and Mental Health Policy Institute. 2024.

114 Clark-Ezzidio H. [Hundreds faced jail over unpaid council tax since 2010](#). New Statesman. 2023.

115 APPEAL. [End council tax imprisonment – poverty is not a crime](#). (Accessed: 11/06/24).

116 APPEAL. [End council tax imprisonment – poverty is not a crime](#). (Accessed: 11/06/24).

117 Daw (QC), C. [Unfair, ineffective and unjustifiable: the case for ending imprisonment for Council Tax arrears in England](#). Social Market Foundation. 2019.

The impact on people with mental health problems

People with mental health problems may already experience intense worry and anxiety as a result of the symptoms of their condition. They're also already more likely to be financially insecure. The challenges presented by these more severe debt collection practices only add to this, and therefore pose a significant risk of harm to this group.

We heard that more forceful debt collection could push people with preexisting mental health problems closer to crisis. We heard testimony that the barrage of threats led people to need medical intervention, or to require emergency support.

"Just felt left in a catch-22 situation that was hopeless. It exacerbated my mental health problems so much that it leaves you permanently damaged and unable to communicate and too anxious too. It's just a relentless and pointless exercise to be understood or cared about."

Expert by experience

Given people with mental health problems already face lower incomes on average,¹¹⁸ further undermining this group's financial resilience is only likely to lead to further harm, particularly amongst those who were struggling to afford their essential bills in the first place.¹¹⁹ Respondents described how they were left feeling like they weren't really living, just surviving.

"Life is a constant struggle, every day. Having no money makes it unbearable. I would love to be able to buy some 'luxuries', some nice food, even a take away would be a treat. I'd love to go to the cinema. I haven't had a holiday in decades. There is no break from the constant stress and pressure."

Expert by experience

And for some, it led to feelings that life wasn't worth living at all – with many sharing that living in constant uncertainty and material deprivation left them feeling suicidal. Although there is rarely one single factor that causes people to consider taking their own life, these experiences echo our previous research, which shows that the debt collection practices explored in this report, and in particular visits from the bailiffs, can increase the risk of suicidality.^{120 121}

"Unpaid council tax, water and TV licence bills all eventually took court action and sent bailiffs after me. My mental health problems became so severe that I wasn't able to reach out for help and support but hid away never opening curtains in case bailiffs came back. [...] I have attempted suicide and feel the worst I ever have."

Expert by experience

Our data analysis reinforces this finding. Amongst people who have recently been behind on their council tax bills, people with mental health problems are nearly twice as likely to feel more unhappy or depressed than usual, than those without mental health problems (49% vs 27%). Amongst

118 Bond N, D'Arcy C. [Mind the Income Gap](#). Money and Mental Health Policy Institute. 2020.

119 Arcy C. [Bombarded: Reducing the psychological harm caused by the cost of living crisis](#). Money and Mental Health Policy Institute. 2022.

120 Holkar M, Bond N. [A silent killer](#). Money and Mental Health Policy Institute. 2018.

121 Braverman R. [Fear and foul play: the case for bailiff reform to limit psychological harm](#). Money and Mental Health Policy Institute. 2018.

people with mental health problems, 38% of those not behind on council tax said they felt more unhappy or depressed than usual, compared to 49% for those behind.

We also saw that those behind on council tax were over six times as likely to report feeling financially insecure as those up to date on payments (27% vs 4% – using Money and Mental Health analysis which incorporates both self-rated current and future financial security).¹²²

The counterproductive nature of fear and financial insecurity

These more severe debt collection processes can lead to behaviours we've already seen, such as feeling too overwhelmed to engage, or self-isolating as a protective measure. If debt collection drives greater financial insecurity people are, by definition, less able to pay back their existing debts. In many ways, it's obvious that this is self-defeating. If someone is already struggling to pay, adding further amounts or undermining their ability to afford the essentials of life, is only likely to reduce their ability to pay that debt.

"Bailiffs came. I couldn't afford to pay in the first place, then suddenly I owed loads more. I couldn't cope. We were made homeless and had to use food banks – and I had a newborn baby at the time"

Expert by experience

To make those payments, some may take out credit, or ask friends and family to support them. Those locked out of credit or without a support network they can rely on had to resort to cutting back on essentials like food and energy, or miss other priority bills. In the most acute cases, we heard that people were unable to make their rent payments and were made homeless. This speaks to wider costs, often absorbed by public services.^{123 124}

"Overpayment of tax credits that was not my fault meant money was taken directly from monthly tax credits to pay the debt which meant I did not have enough to manage and had to borrow to make sure the family could eat. I felt hopeless. I work but cannot afford to live."

Expert by experience

In 2018, imprisonment for non-payment of council tax was removed as a sanction in Wales. Research by Policy in Practice in 2022 found clear evidence that the removal of imprisonment, and as a result the threat of imprisonment, had no impact on collections rates.¹²⁵ This demonstrates that the threat of severe collections practices is not driving high collections rates, and may be doing more harm than good. In the next section we will explore alternatives and recommendations for reducing harm across the public sector debt collection regime.

¹²² Our analysis uses the RSA definition of economic security, analysis conducted using Understand Society data. For further information, see Webster, H., Morrison, J. [Economic security and long-term conditions](#). The RSA. 2021

¹²³ Dean P. [Council tax debt is an epidemic – but there is a way out](#). Big Issue. 2017.

¹²⁴ Butler P. [From social care to homelessness, what are the cost pressures facing English councils?](#) The Guardian. 2024.

¹²⁵ Welsh Government Social Research. [Understanding the impact of Council Tax Interventions in Wales: The Removal of the Sanction of Imprisonment for Non-Payment of Council Tax](#). 2023.

Stage four summary

- Severe debt collection practices (like direct earnings deductions, charging orders and imprisonment) may occur less frequently, but where they do happen, they have potential to cause very serious harm.
- In this section we focus primarily on how harm is done primarily through fear and greater financial insecurity; however the repercussions are much broader than that, including causing trauma, a loss of agency and even suicidality. Harm is particularly pronounced for those with pre-existing mental health problems.
- These tactics can be counterproductive, as they cause decreased financial resilience amongst people already in debt. They can also cause fear and anxiety which pushes people away from engaging with debt collection teams.



Part three: Six steps for a harm-reduction approach to public sector debt collection

Adequately addressing the harm raised in the previous sections requires both a targeted approach to addressing shortfalls for specific debt collection tactics, as well as a broad strategy for wider systemic causes that drive harm.

Some of this is a cultural shift, away from prioritising punitive measures, to a supportive approach that assumes financial vulnerability. We call this a harm-reduction approach to public sector debt collection. Our recommendations below provide a way to shift the system, through national policy, to support underfunded bodies. However, many of these recommendations can also be used by those bodies to adapt their processes and reduce harm now.

Ultimately, the best way to reduce the harm done by debt collection is to ensure that arrears don't occur in the first place. As organisations such as the Joseph Rowntree Foundation and Christians Against Poverty have highlighted, ensuring people can cover their essential outgoings while leaving enough for a good quality of life is vital for people in work, and in receipt of benefits.^{126 127}

1. Preventing the most aggressive debt collection practices

The government should undertake an immediate review of local government finances, with a view to reinstating adequate funding levels for local authorities. The financial situation of local authorities is a key factor in aggressive local government debt collection, with local authorities trying to fill a gap of 27% real-terms cuts in national government funding. It's imperative that the new government address this problem head on. Given the complexity of this area, an independent review should be commissioned, with a view to establishing adequate funding levels from national government to local authorities.

Increased central government funding to local authorities would also enable greater provision of financial support, such as Council Tax Support, to residents struggling with payments. Ultimately, it would enable local authorities to ensure that those who cannot afford to pay council tax aren't chased for money they simply don't have. Further, as councils provide support for local advice services, ensuring they have adequate funding will ensure those who continue to struggle can access support with their arrears.

Alongside this, we recommend that collections departments, which are often under-resourced, are made a political priority by local authority leaders. This would enable functions which are often currently carried out by enforcement agents – like locating and communicating with people in council tax debt – are instead completed in-house.

¹²⁶ Padley M, Stone J. *A Minimum Income Standard for the United Kingdom in 2023*. York: Joseph Rowntree Foundation. 2023.

¹²⁷ Adams K. *Life to the full: Why CAP has adopted the Minimum Income Standard approach*. Christians Against Poverty. 2024.

To minimise the psychological harm that deductions from earnings and benefits can cause to people behind on payments to public bodies, the government should:

- **lower the maximum deduction rate from 25% of the Universal Credit standard allowance to 15%** to help those in debt who are struggling with the cost of essentials – as called for by a series of anti-poverty charities, including the Child Poverty Action Group.¹²⁸
- **update the legislation around attachment of earnings orders to give greater consideration to affordability.** Rather than thresholds according to gross income, thresholds should be calculated for disposable income. This can be done using the Standard Financial Statement thresholds, or essential calculations from the Living Wage Foundation.

Both of these changes would particularly ease the pressure for people with mental health problems, who routinely face additional costs as a result of their condition that often aren't sufficiently covered by disability benefits – from help with chores around the home due to fatigue, to the cost of medication or paying for therapy because NHS services are too hard to access.¹²⁹

The government should invest in the wider and improved rollout of data sharing activity between national and local governments, using the Digital Economy Act 2017.¹³⁰ This would help to protect people in vulnerable circumstances from debt collection practices that cause particularly acute harm, such as enforcement activity. As part of this, the government should prioritise the use of data sharing to better identify those in vulnerable circumstances, and those eligible for Council Tax Support, to ensure that people in these groups are offered the support they're entitled to, and that their debts are not passed on to enforcement agents.

Box 6: Improving existing data sharing efforts

Data sharing has, in places, been successfully used to develop a fairer and more segmented approach to debt collection. For example, the local authorities, Department for Work and Pensions and HMRC Council Tax debt reduction pilot 2021¹³¹ has enabled some local authorities to gain a better understanding of who is simply unable to pay and who may be able to pay with additional support, and to move away from more intrusive methods of debt collection such as enforcement action.¹³²

Following the efforts of the 2021 pilot, **where data sharing enables local authorities to collect on debts using an attachment of earnings order rather than handing the debt to an enforcement agency, this should always be combined with an affordability assessment as standard.** This will indicate where repayment via attachment of earnings might push an individual into more vulnerable circumstances, and should not be taken forward.

128 Child Poverty Action Group. [Reducing deductions: the first step in a package of support for low-income households](#). 2022.

129 Stacey B. [The government's proposed benefits reforms are a worrying step backwards](#). Money and Mental Health Policy Institute. 2024.

130 Gov.uk. [Local authority debt recovery data share pilot 2018](#). 2023.

131 Gov.uk. [Local authorities, Department for Work and Pensions and HMRC Council Tax debt reduction pilot 2021](#). 2023.

132 UK Parliament. [Council tax collection oral evidence session](#). 2022.

2. Boosting take-up, generosity and variety of support

With 3.3 million people currently behind on their council tax payments, it's clear that a better and more generous system of support for those who are struggling is needed. In the meantime, there are changes that can be made to improve the existing system of support.

Reforming the 'Severe Mental Impairment' discount

The so-called 'Severe Mental Impairment' (SMI) discount, which reduces council tax payments for those with a permanent condition that severely impacts their intellectual and social functioning, is in serious need of reform:

- Following the MoneySavingExpert 2017 report *The Disregarded Discount*,¹³³ **the Ministry of Housing, Communities and Local Government (MHCLG) should review the application process for the SMI discount and rebates, to ensure that all councils take a standardised and accessible approach.** This would address patchy and inadequate support to access the discount, so that people with mental health problems who are eligible for SMI receive fair and easy access wherever they are. Work done by the Welsh Government has seen significant improvement in this area by standardising the application process across councils, with a nearly 30% increase in discounts awarded as a result of implementation.¹³⁴
- Any standardisation process should also require **local authorities to provide uniform and clarified guidance on eligibility for the SMI discount.** This guidance should be developed with consideration of the range of different conditions that may indicate someone is eligible for the discount, with a view to maximising uptake. This would ensure that people with mental health problems, their carers, and their medical professionals signing off on SMI, can more clearly understand whether they are eligible.
- **The government should remove the requirement for a person applying for SMI to be in receipt of certain benefits.** This would remove a significant barrier to accessing the discount, as the common symptoms of severe mental illness can mean that people with such conditions also struggle to understand their benefits entitlements, make and manage claims, or get the right support with navigating a punitive and demanding benefit system.¹³⁵
- Finally, **the language used to describe the discount should be updated to reflect an inclusive and progressive understanding of conditions that impact our mental health.** Our previous work on council tax highlights that the language used in the Severe Mental Impairment council tax discount is confusing, alienating and outdated.¹³⁶ We recommend moving away from blanket terms, prioritising easily recognisable language and conditions.

133 Good K et al. *The Disregarded Discount: MoneySavingExpert.com report into the 'Severely Mentally Impaired' (SMI) council tax discount.* MoneySavingExpert. 2017.

134 Welsh Government Social Research. *Understanding the impact of Council Tax Interventions in Wales: Standardisation of the Severe Mental Impairment exemption.* 2023.

135 Bond N. *Set up to fail: Making it easier to get help with Universal Credit.* 2021.

136 Preece G. *Lifting the tax burden: Supporting people with mental health problems with council tax.* Money and Mental Health Policy Institute. 2021.

Making Mental Health Crisis Breathing Space work for people struggling to keep up with council tax payments

People who are receiving Mental Health Crisis Breathing Space (MHCBS) should be disregarded for their ongoing council tax instalment payments while they remain in crisis. Currently, under the MHCBS, people in crisis remain liable for ongoing payments, but will not experience any debt collection or enforcement activity for those debts, which includes past council tax arrears.¹³⁷

However, this means that liability for council tax that occurs while someone is in crisis and receiving MHCBS may continue, and instalments may pile up. For example, someone who suffers a crisis in May could end up with three months of bills outstanding by the time they recover in July, and exit Breathing Space in August.¹³⁸

Easing this pressure by pausing the eligibility for council tax payments will help those people to recover faster, and to get back on top of payments once they feel better.

In the year June 2023 to May 2024, 1,393 people accessed MHCBS.¹³⁹ While we hope and expect this number to grow over time as more people become aware of the scheme,¹⁴⁰ it will always represent a small proportion of the council tax paying population. The mean duration for someone in crisis care is 92 days,¹⁴¹ and the MHCBS entitles someone to 30 days after their stay. To give an indicative sense of the consequences of this approach, using the average annual council tax bill and current usage of MHCBS, we estimate this scheme would cost less than £800,000 a year for initial implementation.^{142 143}

An automatic first right of appropriation

Under the Consumer Duty, the Financial Conduct Authority should introduce new rules requiring current account providers to offer, as standard, the first right of appropriation to priority debts.

As we've explored, a lack of agency is a key driver of harm. There is a process which allows clients to instruct their bank on how to spend the incoming funds for their account – known as “first right of appropriation”.^{144 145} However, this process is little known and complex. First right of appropriation allows a customer to tell their current account provider how to prioritise their expenditure from the income they have. This would do little in the example of deductions, but would help customers prioritise outstanding bills like council tax or rent over lower priority bills like loans or overdrafts.

137 Government guidance states that council tax liabilities that have not yet fallen due are not a qualifying debt for MHCBS. Only when all instalments for that financial year have fallen due and have not been paid, or when the individual has been served with a 'reminder notice' to pay the remaining liability for the financial year, is this a qualifying debt. See guidance [here](#).

138 Currently anyone detained under the Mental Health Act is disregarded from council tax payments, if they are the main or sole proprietor. See www.harlow.gov.uk/council-tax/council-tax-exemption-people-detained-prison-hospital for further information.

139 Money and Mental Health analysis of *The Insolvency Service Individual Insolvency Statistics May 2024*.

140 Bond N. *Bridging the gap: The untapped potential of Mental Health Crisis Breathing Space*. Money and Mental Health Policy Institute. 2024.

141 Bond N et al. *Recovery space: Minimising the financial harm caused by mental health crisis*. Money and Mental Health Policy Institute. 2018.

142 Full detail on modelling can be found in the Methodology Note.

143 Gov.uk. *Council Tax levels set by local authorities in England 2024 to 2025*. 2024.

144 Citizens Advice. *If you're struggling with your overdraft*. (Accessed: 14/06/24).

145 StepChange. *Can banks take your money to pay off debt?* (Accessed: 14/06/24).

Automating this process could either involve simplifying the process so that customers only need to opt in to a “best practice” prioritisation of outgoings, or could be done through outreach conducted by vulnerable customer teams to customers in financial difficulty. At the very least, this would ensure that bills such as council tax, which come with the most severe potential penalties for non-payment, are paid as a priority. This would, in turn, protect people from the consequences of non-payment.

3. Adjusting timelines and introducing more friction into the system via a comprehensive pre-action protocol

Building fairness into repayment timelines

We recommend that the government adjust The Council Tax (Administration and Enforcement) Regulations 1992 to end the postcode lottery which means some must pay their full annual council tax bill just three weeks after a missed installation payment.

This rapidly escalating timeline unfairly penalises people with mental health problems, who may struggle to engage with written communication in a timely way.

Instead, we recommend that regulation be updated to more closely resemble standard practice for consumer credit, where firms will often wait 3-6 months before defaulting an account, where the person in debt becomes liable for payment of the full outstanding amount of their debt. This would ensure people in council tax arrears had more of a chance to engage, for their health to improve, or even to receive another pay packet before being faced with a disproportionate bill.

This adjustment could be easily made through secondary legislation.

Introduce a Pre Action Protocol

As we've seen, the rate and scale of escalation in debt collection is a cause of serious harm.

Debt advice charities StepChange, Money Advice Trust and Citizens Advice (see Box 7)¹⁴⁶ have designed a 'pre-action protocol' for local authorities – a series of steps they should take to mitigate some of the harm caused by council tax debt collection.

In line with their recommendations, and in light of the scale of harm we have identified in this report, we support their call for the protocol to be made mandatory for local authorities. However, we also call for the protocol to go further to protect people in vulnerable circumstances from acute harm.

¹⁴⁶ StepChange, Money Advice Trust, and Citizens Advice. [Pre Action Protocol: Action needed to prevent a council tax enforcement 'cliff-edge' following coronavirus](#). 2020.

Box 7: A summary of the debt advice charities' pre-action protocol for council tax collection

Proactive contact

- Make demonstrable efforts to contact individuals who have fallen behind through a variety of communication channels.

Affordability and proportionality

- Attempt to set up an affordable repayment plan using the Standard Financial Statement (SFS) – an agreed approach to assess ability to pay.
- Provide advice on income maximisation to residents, helping them identify unclaimed benefits and other sources of income which would help them repay arrears and reduce likelihood of them falling behind again.
- Signpost residents for money and debt advice where needed.

Discretionary write-off

- Consider writing off council tax debt using Section 13a relief powers where there's no realistic prospect that the individual will be able to repay in full.

First, we recommend the government require all public sector creditors to take basic steps to protect those in vulnerable circumstances from harm before escalating debt collection to court or enforcement action. This would expand the pre-action protocol to apply to all public sector creditors, not just local authorities, and ensure that the implementation of the protocol is mandatory.

Secondly, the scope of the steps in this protocol should be broadened to include the following additional provisions that reduce harm across the board, and provide greater protection for people with mental health problems:

Contact

- Given the psychological harm done by enforcement activity, no one should hear about their debt for the first time from an enforcement agent or home visit debt collector. Therefore, making contact should be essential before further escalation of debt. This process should account for those who find it more difficult to engage with commonly used communication channels such as telephone or post. Progress in data sharing between national and local governments should support this.

Support

- Offer warm referrals, rather than signposting, to debt advice for those struggling to agree an affordable repayment plan, before debts are escalated and more forceful collections activity takes place. Our expert interviews identified that that government departments and local authorities have worked with MaPS to integrate use of the Money Adviser Network warm referral process. This is a positive step, however we would like to see the process embedded further in other departments and across local authorities.

- As well as using the Standard Financial Statement for repayment plans, it should be used to determine affordability across all debt collection practices used in the public sector, including for those repaying through benefits deductions and attachments of earnings using all available data.

Engagement

- Pause debt collection activity while an individual is actively engaging with their creditor, to ensure that fees and charges do not continue to pile up, causing further financial insecurity, while someone seeks support or asks for further information.

4. Rethinking the court processes that drive harm

Court processes like liability orders and single justice procedure notices are a key mechanism in the harm caused by debt collection processes. The timelines over which these processes occur are short, and the opportunities for costs to pile up is significant. This disproportionately affects people with mental health problems due to the difficulties they are likely to have engaging with these administrative processes.

In this section we recommend that both the timelines on which these processes happen, and the associated costs are addressed to ensure harm is minimised.

Timelines

In the previous parliament, we were pleased to see the former Justice Secretary commit to a review of the single justice procedure to ensure fairness is built into that process.¹⁴⁷ **We call on the current government to take this review forward. We also recommend that this process be expanded to a cross-government review that includes liability order processes, taking account of how liability orders are administered by local authorities.** The review should specifically consider the challenges faced by people with mental health problems in engaging with complicated and opaque justice procedures.

Ensuring reasonable costs are genuinely reasonable

The cross-government review on court processes should include the costs incurred during the issuance of a liability order in their remit, and the determination of these costs should set an upper limit on “reasonable costs” charged.

Alongside collection for the outstanding debt, significant charges are added on top to account for “reasonable costs” that are incurred by the public sector body. Particularly in the case of liability orders, there is little transparent information available on exactly what constitutes reasonable costs.¹⁴⁸

¹⁴⁷ Islington Gazette. [Justice Secretary to consider changes to single justice procedure](#). 2024.

¹⁴⁸ Winters J. [Council tax liability orders: the price of non-payment](#). Shelter. 2024.

A recent review in Wales set an upper limit of £70 on the costs that can be charged.¹⁴⁹ While significantly smaller than the fees of up to £155 that many councils across England still charge, this is still a significant addition for those already struggling to pay their essential bills. There is evidence that some local authorities are charging as little as £35 for the liability order process.¹⁵⁰

We expect this review to recommend a strict upper limit, based on what is genuinely reasonable, on the charges that can be issued as part of a liability order process, to avoid the unfairness of a postcode lottery. We would also expect this review to set new standards of ongoing transparency for the liability order determination process, so that residents remain confident in the fairness of the system.

Further, legal processes like Single Justice Procedures or applications for attachment of earnings, benefits deductions, charging orders and imprisonment all come with additional court fees. For example, an application for an attachment of earnings can cost the person in arrears an additional £119. We recommend the affordability of these fees be reviewed as a priority.

5. Bailiffs behaving better

If bailiffs are to continue playing a major role in debt collection practices across public sector organisations, it is vital that standards of practice are raised across the board. The ECB is currently producing a new set of standards for enforcement agents and agencies, which will be launched later this year, to ensure everyone is working from the same understanding of what fair enforcement means in practice. The new standards are intended to replace, update and improve the Ministry of Justice's 2014 non-binding National Standards.¹⁵¹

To protect those in vulnerable circumstances from the psychological harm of enforcement action, the ECB should go beyond the existing standards for bailiffs and enforcement firms by:

- Identifying people with mental health problems as a specific vulnerable group within the new standards;
- Introducing a requirement at the compliance stage for routine enquiry, by the enforcement firm, into whether the person in debt has a mental health problem.
- Mandating comprehensive mental health training for all enforcement officers, as our research indicates that more than seven in ten (73%) of their cases have experienced a mental health problem. Given the prevalence of people with mental health problems amongst those experiencing enforcement action, training should ensure that any vulnerabilities not identified through the pre-action protocol process are subsequently identified by enforcement agents;
- Ensuring all enforcement firms have enhanced vulnerability policies, designed in collaboration with the debt advice sector and people with lived experience;
- Requiring bailiffs to ensure that when they visit a person in debt who has been identified as experiencing a mental health problem, that person is offered a warm referral to follow up mental health support".

149 Minister for Social Justice and Local Government, Wales. [Explanatory Memorandum to The Council Tax and Non-Domestic Rating \(Amendment\) \(Wales\) Regulations 2011](#).

150 Centre for Social Justice. [Still Collecting Dust: Ensuring fairness in council tax collection](#). 2024.

151 Enforcement Conduct Board. [Standards](#). (Accessed: 14/06/24).

As well as introducing a new set of standards, the ECB is also charged with developing a robust evidence base to better understand enforcement activity. **As part of this, the ECB should research and investigate:**

- the scale of enforcement activity driven by specific industries, including local authorities and government departments across the public sector
- the harm experienced by people on the receiving end of enforcement activity, and in particular the impact on people in vulnerable circumstances, including people with mental health problems and women

Although the ECB itself has requested statutory footing, it currently operates via a voluntary accreditation system. This means the ECB currently has no legal standing and is reliant on the financial support of the enforcement industry, as well as relying on continued engagement from the industry as a whole.

That's why it's critical that the Ministry of Justice (MoJ) should grant the ECB statutory footing to raise standards across the enforcement industry. Providing the statutory framework allows the ECB to go further than stamping out bad behaviour, but to raise the standards for all agents and agencies across the enforcement industry is vital to protecting those in vulnerable circumstances from psychological harm. Statutory footing is also fundamental to safeguard the power of the ECB to determine when agents have not been acting fairly and take action, to ensure these standards are adhered to in practice. Statutory footing could be given at no cost through primary legislation.

6. Ending imprisonment for debts

Finally, the Government should abolish the legislation that allows for imprisonment as a sanction for the non-payment of council tax. As we've seen, this is a policy which is no longer primarily used to commit people to prison, but rather to threaten people into paying. Of those who do end up committed, the harm done to them is immeasurable, and a significant number are incorrectly sent to prison. Imprisonment, or the notification of the risk of imprisonment, for falling behind on council tax payments is an extreme and draconian response that simply causes harm and distress.

Following the Welsh Government, the Secretary of State for the Department of Housing, Communities and Local Government should remove or adjust Regulation 47 of the Council Tax Regulations 1992, which enables councils to send people to prison for council tax debt, to ensure that no one is ever imprisoned for council tax debt.

Conclusion: A moment of reckoning for public sector debt collection

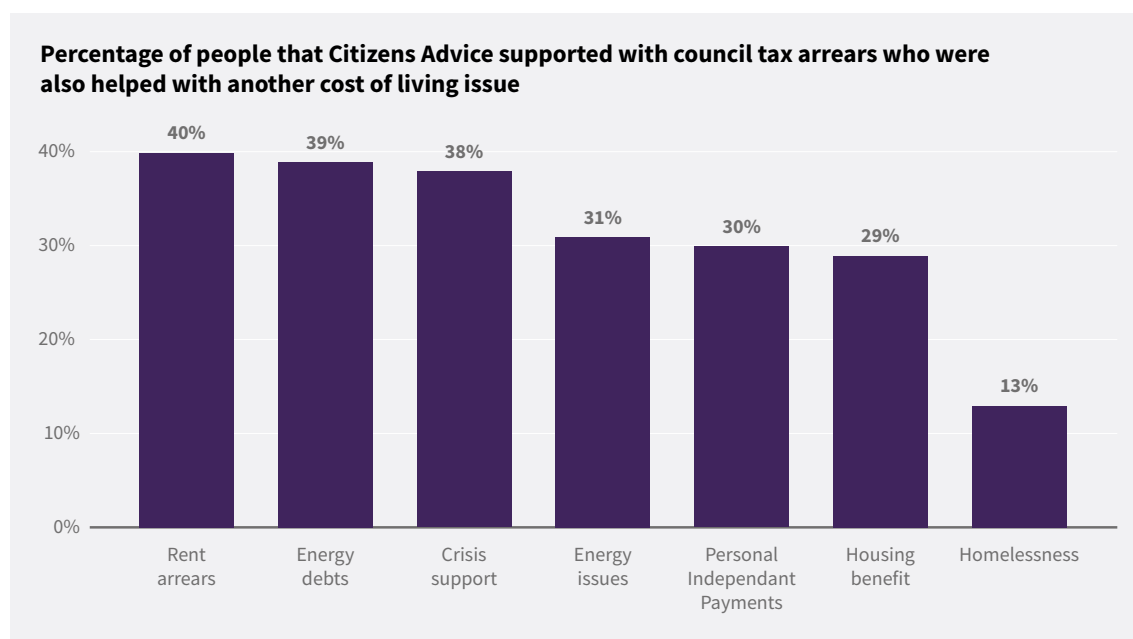
As should be evident from this report, debt collection in the public sector is currently a far cry from providing the support that people desperately need. However, these practices do not exist in isolation from a broader economic and political context. It's important to recognise the systemic factors that can cause this harm but the potential even within the existing environment to do much better.

Doing better by our citizens

The key difference between public sector organisations and other creditors is the relationship the organisation has to the person in debt. Those on the receiving end of debt collection activity may also be relying on the public sector, such as their council or a government department, for support.

Crucially, those who most rely on these services are also often the people most likely to be struggling with the cost of living.^{152 153} Data from Citizens Advice demonstrates that those who they supported with council tax arrears typically require support with a range of other issues, as shown in Figure 8.¹⁵⁴ Four in ten (40%) of those helped with council tax also needed support with rent arrears, and similar numbers (38%) needed crisis support.

Figure 8: People who are seeking help with council tax arrears also need support with a range of other issues



Source: Money and Mental Health analysis of Citizens Advice Cost of Living dashboard data.

¹⁵² Ogden K, Phillips D. *Public service spending has become significantly more progressive since the 1980s*. Institute for Fiscal Studies. 2023.

¹⁵³ Coote A. *Investment in public services is an investment in social infrastructure*. New Economics Foundation. 2019.

¹⁵⁴ Citizens Advice. *When we help people with one cost-of-living issue, they often need help with another*. Cost of Living Dashboard. 2024.

In this context, public sector debt collection has an essential role to play – not just in ensuring maximum income for the delivery of those services, but also ensuring other parts of their organisation don't have more work to do as a result of the harm done by debt collection.

This works for no one

As we've shown repeatedly throughout this paper, the psychological harm done by debt collection is lose-lose for everyone.

Aggressive debt collection is not the right route to maximising returns to public sector services. Better practices often have little impact on the rates of collections,¹⁵⁵ and therefore very little impact on overall funding.¹⁵⁶

As we've seen, the use of enforcement agents in particular may be a net negative when viewed across the whole public sector. Smarter, more compassionate debt collection in this context is a choice. It makes sense, then, that better and more supportive practices should be prioritised, so the psychological harms we've evidenced in this paper are mitigated.

Making this happen

This shift towards fairer, harm-reducing debt collection is something we've seen happen in other sectors. The financial services sector, while not perfect in many ways (as explored by our recent report *Debts and despair*¹⁵⁷), has made significant progress in recent years towards centring vulnerability and fairness in debt collection. The introduction of the Consumer Duty, and a renewed focus on fairness has not led to a collapse in revenue generated through collections.

To realise this requires a meaningful shift. Our recommendations set out an agenda for a national government that can support struggling local authorities and overstretched public services to implement better debt collection practices.

But this also requires a recognition from public sector leadership of the important role that debt collection plays in a broader sense than just revenue raising. Each contact that a public sector body has with a citizen through debt collection is an important interaction for ensuring that person is receiving the support they need, or at the very least that they aren't subjected to greater harm.

It's essential we intervene to stop this moment of crisis in the public sector becoming a wider, mental health crisis. Meeting this moment with fairness, rather than indifference, towards the plight of our citizens is essential for building a better future for all.

155 London Borough of Hammersmith and Fulham. [Efficiency through fairness: we've improved council tax collections, without using bailiffs](#). 2019.

156 Charlesworth Z. Council tax debt collection and low-income Londoners. Policy in Practice. 2020.

157 Murray T, Bond N. [Debts and despair](#). Money and Mental Health Policy Institute. 2024



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