

# Facing the cliff edge

Protecting people in Wales from the financial consequences of Covid-19



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## Summary

The Coronavirus pandemic is having an unprecedented impact on household finances. In Wales, we estimate that around 250,000 people have already seen their hours cut, been laid off, or made redundant as a result of the outbreak.<sup>1</sup> More than 4 in 10 (42%) people have seen their household income drop because of the crisis, with nearly 1 in 14 (7%) losing 80% or more.

Interventions from both UK and Welsh Governments have gone a long way to protect people's incomes and give them options to reduce their costs during the pandemic. Despite this, Citizens Advice Cymru is already seeing people affected by the crisis who are struggling to make ends meet.

Based on a nationally representative survey of adults in Wales, we estimate that:

- Nearly 300,000 people have fallen behind on one or more household bills - such as gas and electric, broadband, or council tax - as a result of the outbreak.
- A third (34%) of renters report that they have fallen behind or expect to fall behind on their rent.
- People in shielded groups, young people, and people in insecure work are likely to be worst affected.<sup>2</sup>

Whilst it is difficult to predict the course this crisis will take, it is clear that public health measures will be in place for some time. The extension of the Coronavirus Job Retention Scheme means that many who might have been at risk of job losses will see their income protected for the months ahead. But our advisers continue to see people who are either not entitled to employment protection schemes or are struggling to access them.

Continued restrictions will make it hard for families who have suffered a major loss of income to take steps to reduce their spending or find new or different employment to increase their earnings. Many will therefore find it impossible to avoid building up debts.

**Policy-makers in Wales need to take steps to prevent people falling into crisis as we move into the next phase of the Coronavirus crisis.** Currently, those in financial difficulty are protected from the worst impacts of debt by emergency measures such as the pause on evictions, and the temporary halt to some forms of debt enforcement (e.g. bailiff visits, issuing of liability orders). But people in Wales face a cliff-edge when these protections come to an end.

As the crisis continues, the Welsh Government has a crucial role to play in crafting a policy response which will protect people on low incomes and those who face the worst

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<sup>1</sup> All figures unless otherwise stated are based on Citizens Advice analysis of an Opinium survey conducted 2 - 7 April. See methodology for more information.

<sup>2</sup> Citizens Advice, [Near the cliff-edge: how to protect households facing debt during COVID-19](#), May 2020

financial consequences of the outbreak. Wales already has higher rates of poverty than the UK average, and there is evidence to suggest that some coastal and rural communities would be particularly vulnerable to job losses if and when protections are lifted.<sup>3 4</sup> Whilst many of the policy levers which directly affect household finances sit with Westminster, the Welsh Government has already shown that it can act to fill some of the gaps in support where it deems the response from Westminster to be insufficient.<sup>5</sup> It must do more within the current devolution settlement to protect people's finances during this crisis.

### **Recommendations:**

- 1. The Welsh Government must be proactive in encouraging people to check what benefits or support they are entitled to.** It should consider a universal intervention such as writing to all households in Wales to ask people to check what benefits they might be entitled to if their income has been or will be affected by the Coronavirus outbreak. This should include benefits and support schemes administered in Wales, such as the Council Tax Reduction Scheme and the Discretionary Assistance Fund.

At a minimum, it should ensure targeted information is available to those most at risk of financial difficulties during the crisis, particularly renters, people in the shielded group, and people with no recourse to public funds or irregular migration status.

- 2. The Welsh Government should prioritise fulfilling its commitment to provide greater security for tenants in the private sector.** In the short-term, it must provide reassurance to renters in Wales by using its existing powers to extend the notice period to 6 months as soon as possible. Following this, it should accelerate plans to implement the Renting Homes (Wales) Act, and to pass the amending bill to permanently extend the minimum notice period required under a section 173 notice from 2 to 6 months and restrict the issue of such a notice until 6 months after the date of issue of a contract.
- 3. The Welsh Government should ask Local Authorities to pause enforcement of council tax bills missed during the crisis for 6-12 months,** and offer a 3 month council tax holiday for those who cannot afford to make payments. It must be prepared to offer additional funding to cover the losses that councils may face as a result. Local Authorities could also consider extending the backdating period for Council Tax Reduction beyond the 3 month minimum.

<sup>3</sup> Social Metrics Commission, [Measuring Poverty 2019](#), July 2019

<sup>4</sup> Centre for Towns, [The effect of the COVID-19 pandemic on our towns and cities](#), April 2020

<sup>5</sup> Welsh Government, [Discretionary Assistance Fund receives £11m boost in Wales](#), May 2020

## The crisis is causing unprecedented disruption to people's incomes

The Coronavirus outbreak is bringing about an unprecedented economic crisis for people in Wales. As individuals, public services, and businesses continue to modify their behaviour to help moderate the impact of coronavirus, the way that people live, work and spend money is changing dramatically.

For households across Wales, the crisis has had an immediate impact on their work and income. Whilst many are relying on employment protection schemes or turning to the benefits system for help, some groups are unable to access the financial support they need.



### Many have already lost work or been laid off

Whilst the scale of the economic impact in Wales is still unclear, there has been an immediate impact on people's working lives. As businesses and employers have taken steps to comply with social distancing and subsequent lockdown measures, many employees have been asked to change the way they work, reduced their hours, or lost their employment.

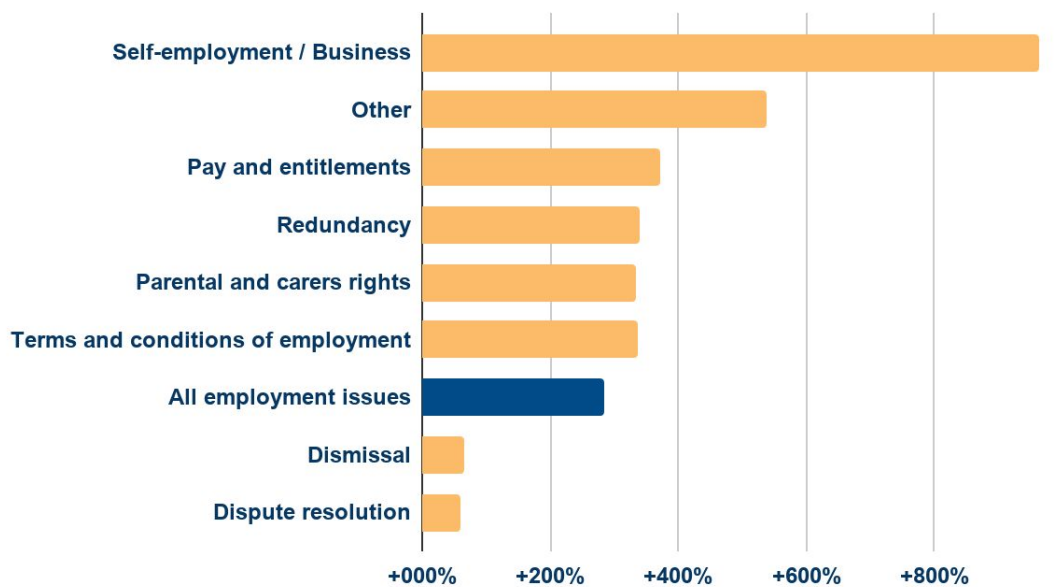
The UK government responded by introducing a number of schemes to protect people's employment, including:

- **The Coronavirus Job Retention Scheme** - which allows employers to furlough employees and apply for a grant that covers 80% of their usual monthly wage costs. This scheme will continue in its current form until 31 July, and will be in place until October 2020.

- **The Self-Employment Income Support Scheme** - which allows self-employed people to claim a taxable grant of 80% of average monthly trading profits, paid in a single instalment.

During this period, the number of people contacting Citizens Advice Cymru for advice about employment problems was nearly four times higher than the same period last year. As shown in Figure 1, the biggest increases were in enquiries relating to self-employment and 'Other' issues, primarily relating to the Coronavirus Job Retention Scheme.

**Figure 1:** Percentage increase in clients advised on employment issues between 16 March and 15 April 2020, compared with the same period in 2019.



Source: Citizens Advice Cymru case management data

By the middle of April, nearly three-quarters (72%) of working adults in Wales reported that the lockdown had significantly changed their work situation. This includes a third (33%) who reported that they were working from home full time.

Despite the steps taken to protect people's jobs, we estimate that around 250,000 people in Wales (17% of the total workforce) had already seen their hours cut, been laid off, or made redundant as a result of the Coronavirus outbreak by the middle of April.

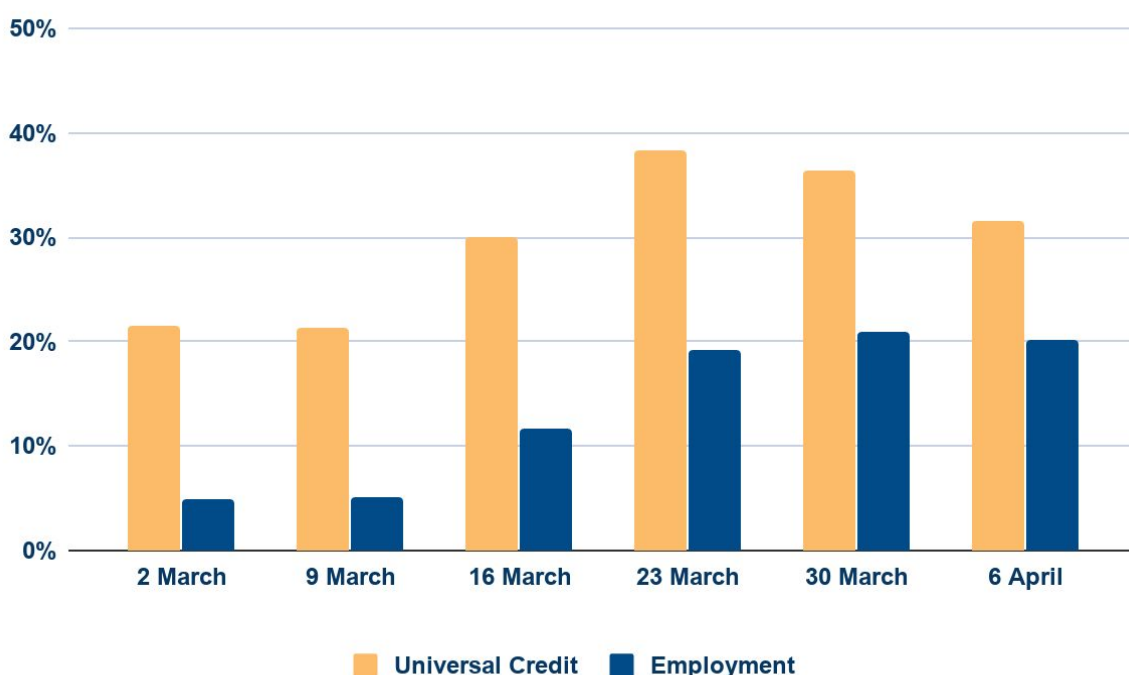
### Large numbers are relying on the benefits system for financial support

The scale of the changes in people's working lives has meant that many people have seen their incomes drop since the outbreak began. Even those whose jobs have been protected through the Job Retention Scheme have seen a cut in their earnings, whilst self-employed people whose businesses are affected have had to wait up to two months to access payments through the Self Employment Income Support Scheme.

We estimate that around 4 in 10 (42%) households in Wales have already lost income because of this crisis, with nearly 1 in 14 (7%) losing 80% or more of their household income.

As a result, many households have had to turn to the benefits system for support. In the first four weeks of lockdown, Citizens Advice Cymru saw an 47% increase in people coming to us for help with Universal Credit compared to the same period 6 months ago. This includes people who we have supported through our Help to Claim service.<sup>6</sup>

**Figure 2:** Weekly proportion of clients advised by Citizens Advice Cymru on issues relating to Universal Credit or employment (2 March - 12 April 2020)



Source: Citizens Advice Cymru case management data

Nationally, 1 in 4 (25%) adults in Wales reported in the middle of April that they had applied or expected to apply for benefits as a result of the outbreak.

The UK government has taken steps to improve the processing of benefit claims and increase support in parts of the system - though further measures are needed to fill ongoing gaps and help shore up people's incomes.<sup>7</sup> However, whilst benefits are acting as a vital safety net for many during this crisis, we continue to see problems which mean that not everyone is getting the financial support they need.

The issues we are seeing in Wales primarily fall into two categories:

- **Difficulty accessing benefits or uncertainty about entitlements.** Our advisers have highlighted cases where people have struggled to apply for Universal Credit because they find it difficult to get online and have been unable

<sup>6</sup> Help to Claim is a service that supports people to make a claim for Universal Credit

<sup>7</sup> Citizens Advice, [Lockdown Lifeline: Ensuring adequate support across the benefits system during the Covid-19 pandemic](#), May 2020

to get through on the phone lines. In some cases, people didn't have the evidence necessary to support their application, have faced delays in verifying their identity, or are unsure about whether they are eligible. Others have faced problems accessing disability benefits and legacy benefits.

- **Difficulty making ends meet because of delays or where benefits do not cover the cost of living.** Our advisers have helped several people to access food banks or emergency funds because delays in accessing benefits have pushed them into hardship. Others are struggling to cover their costs, particularly where they are subject to the benefit cap or are still seeing deductions from their Universal Credit payments.

The Welsh Government has recognised the additional financial pressures faced by those who may struggle to access benefits quickly, or who fall outside existing protections entirely. It has allocated an additional £11 million to its Discretionary Assistance Fund (DAF) and introduced additional flexibilities into the fund to assist those who are facing hardship as a result of the pandemic.<sup>8</sup> Emergency Assistance Payments provided through DAF will be a vital lifeline for those who are unable to cover their costs. However, it is unable to provide the longer-term financial support which may be needed by those who face severe economic detriment as a result of the outbreak.

### **Case study - Coping during the wait for a first Universal Credit payment**

Dylan got in touch with Citizens Advice because he didn't have enough money to get by. He normally works on a zero-hours contract but his work has dried up and he has been told he will not be furloughed during the Covid-19 outbreak.

Although Dylan had already completed a claim for Universal Credit, he was not due to receive his first payment for some weeks. Though he had asked for an Advance Payment to tide him over, most of this went towards covering his rent - leaving him without money for food, fuel or the council tax arrears he is paying off each week. Dylan was extremely concerned that he would fall behind on his bills and be disconnected from his energy supply. Our adviser helped him to get a foodbank voucher and supported him to apply for other financial support.

### **Some groups are not able to access protections or financial support**

Through the income protection schemes and the benefits system, many households in Wales are being provided with much-needed security during the lockdown. However, Citizens Advice Cymru is also continuing to give advice to those who have seen huge losses of income but do not qualify for different forms of financial support. These groups include:

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<sup>8</sup> Welsh Government, [Discretionary Assistance Fund receives £11m boost in Wales](#), May 2020



- **Workers who do not meet the eligibility criteria for the schemes** - This includes people who have been self-employed for less than a year, or who were not employed or on the payroll of their current employer by the 19th March.
- **People whose employer has chosen not to furlough them** - Some people who are required to self-isolate because they or someone they live with are in the shielded groups have had their requests to be furloughed refused. Most are having to get by on sick pay or by taking annual leave. Our advisers have also highlighted cases where people who would have been eligible for the Job Retention Scheme have instead been laid off or made redundant.
- **People with 'No Recourse to Public Funds'** - We have seen several cases where migrants who have lost employment and have no recourse to public funds are being pushed into hardship.<sup>9</sup> As this group are currently very unlikely to be able to find other employment or to change their living situations, they are being left without long-term monetary support which is needed to avoid financial difficulty.
- **Employees struggling to access sick pay** - Those who have been through periods of ill-health, or who are at increased risk of Coronavirus, are entitled to sick pay if they are ill or shielding. However our advisers have highlighted cases where people were unsure of their rights or were having difficulty applying for sick pay.

People who fall into these categories are likely to be left on a lower income, and may struggle to cover their costs over a longer period. Those who are not entitled to any financial support may be pushed into debt or be reliant on support from their Local Authority, local welfare assistance schemes or charities.

### **Case study - Accessing support with No Recourse to Public Funds (NRPF)**

Abid contacted Citizens Advice to find out whether he was entitled to any financial support during the Coronavirus outbreak. He had been working for an agency but his work had reduced dramatically and his employer is not willing to furlough him. His immigration status means that he and his family currently have no recourse to public funds.

Abid and his partner have two children. As they are not eligible for most benefits, they are worried about how they will manage over the coming months. Abid is looking for another job but is finding it difficult to do so during the lockdown. Our adviser referred him to his local food bank and signposted him to local sources of support.

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<sup>9</sup> Citizens Advice, [Lockdown Lifeline: Ensuring adequate support across the benefits system during the Covid-19 pandemic](#), May 2020

## The outbreak will push more people into financial difficulty

People across Wales are already feeling the financial impact of Coronavirus. The disruption to incomes caused by the outbreak and the necessary public health response has meant that many more people are struggling to balance their budgets. Citizens Advice Cymru is already seeing people falling behind on bills like rent or council tax.

In ordinary times, people would typically look to increase their income or reduce their costs to cope with this fall in income - by moving to cheaper accommodation or finding a new job for example. However, ongoing social distancing measures and uncertainty about the trajectory of the outbreak make this much more difficult. Many will therefore find it impossible to avoid building up debts.



### People are already falling behind on household bills

Around 11% of adults in Wales report that they have already fallen behind on one or more household bills as a result of the Coronavirus crisis. This is equivalent to nearly 300,000 people. Many more say they expect they will fall behind on one of these bills.

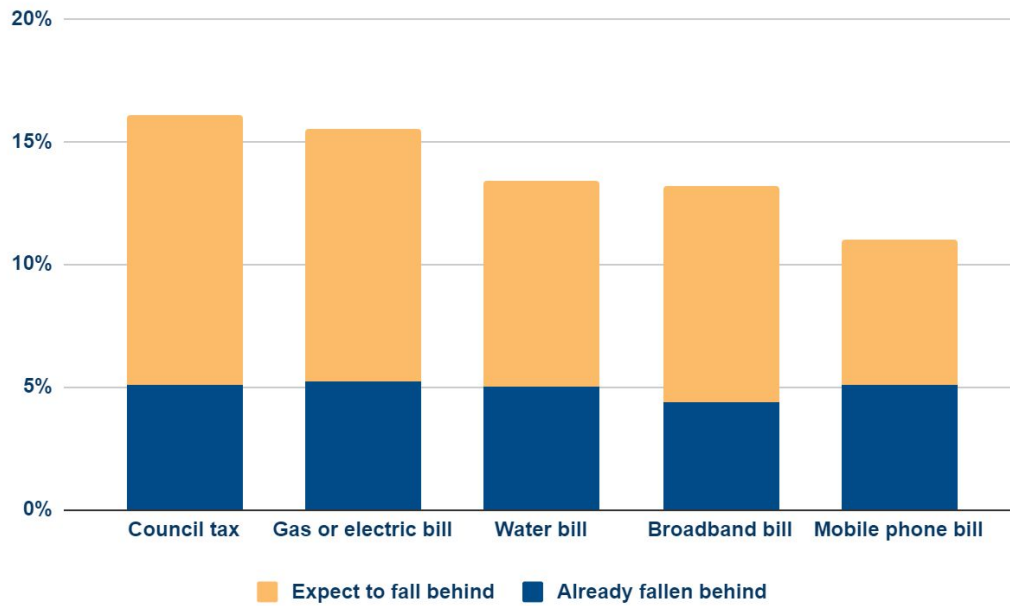
In addition, around a third (34%) of renters in Wales reported that they had fallen behind or expected to fall behind on their rent payments.

These figures are comparable to other research looking at the financial impact of Coronavirus. Data published by the ONS suggests that around 16% of adults in Great Britain are struggling to pay bills.<sup>10</sup> Research commissioned by the Standard Life Foundation found that 17% of households in the UK were in some kind of arrears, with 12% saying they found it a constant struggle to pay bills.<sup>11</sup>

<sup>10</sup> ONS, [Coronavirus and the social impacts on Great Britain](#), 7 May 2020

<sup>11</sup> Standard Life Foundation, [Coronavirus Financial Impact Tracker](#), April 2020

**Figure 3:** Percentage of adults in Wales who have fallen behind or expect to fall behind on household bills

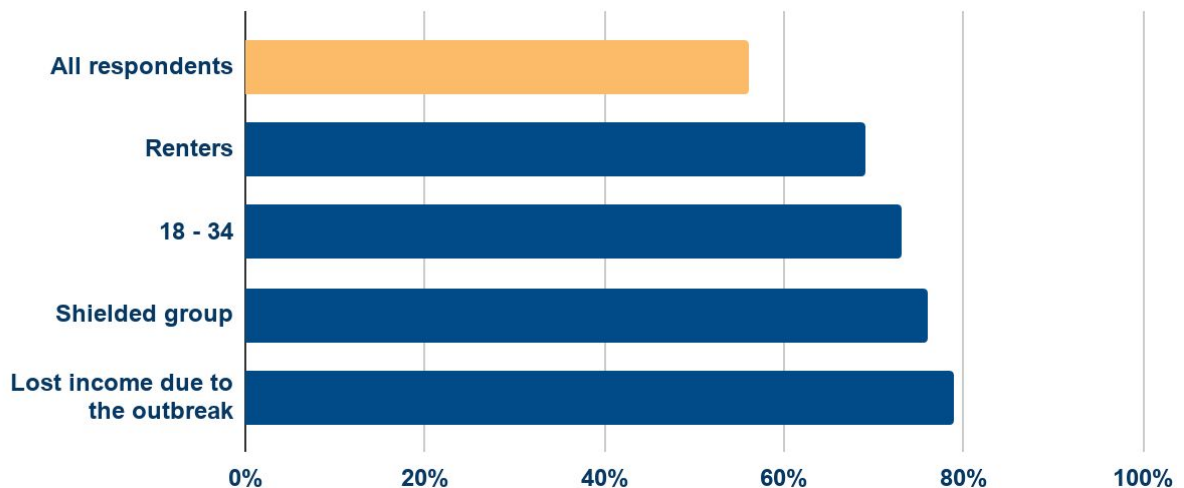


Source: Citizens Advice analysis of an Opinium survey carried out between 2 and 7 April 2020

### Young people, renters, and at-risk groups are most affected

Although the Coronavirus outbreak is affecting everyone, its financial impacts are far from being evenly distributed. While around half (56%) of adults in Wales said they were worried about their ability to cope financially during the crisis, this figure was much higher for some groups. Young people, renters, people categorised as being in the 'shielded group', and those who had lost income as a result of the outbreak are particularly affected in Wales.

**Figure 4:** Percentage of adults in Wales who are worried about their ability to cope financially during the crisis



Source: Citizens Advice analysis of an Opinium survey carried out between 2 and 7 April 2020

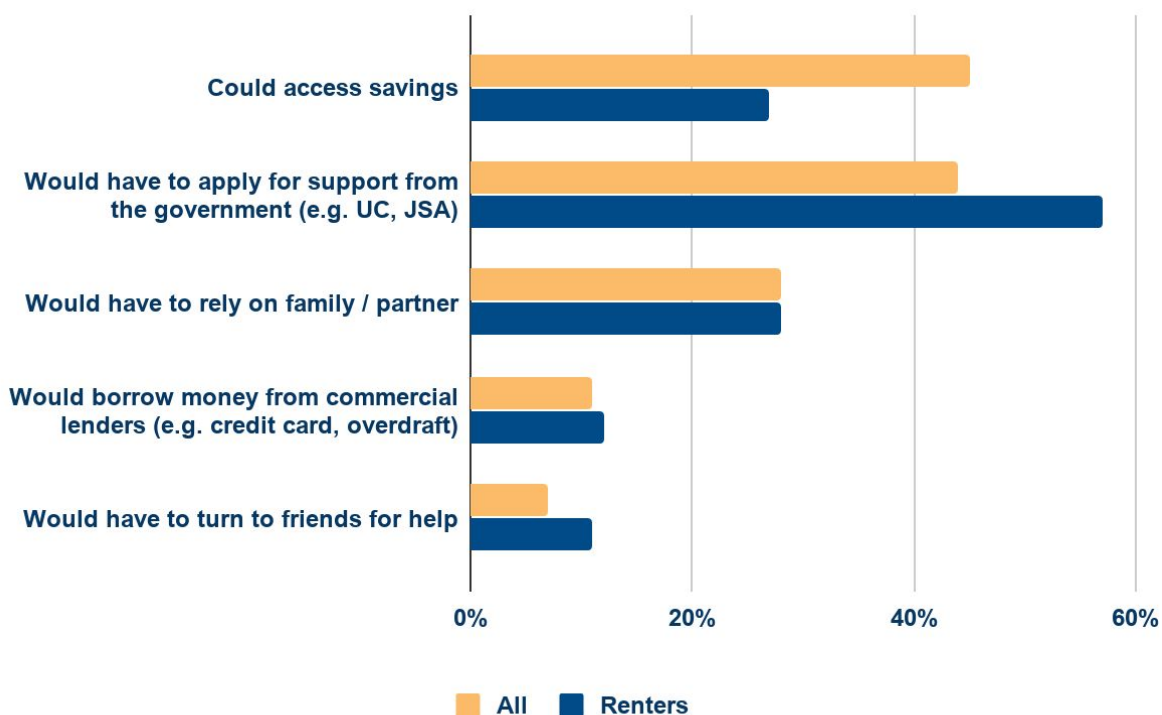
Citizens Advice analysis of a survey of adults across the UK suggests that these groups are also more likely to have already fallen behind on bills as a result of the crisis.<sup>12</sup> It found that those aged under 40 are 4 times as likely to have fallen behind on a bill due to Coronavirus, compared with those aged 40 or over. People in insecure work - such as those employed by an agency or on zero hours contracts - are around 3 times as likely to have fallen behind on a bill due to coronavirus.

### Some households are particularly at risk of falling into serious debt

The majority of people who come to Citizens Advice because of financial difficulties have been through major changes in their lives. 9 in 10 of the people we help with debts have had a recent change of circumstances such as ill health or relationship breakdown.<sup>13</sup>

The Coronavirus outbreak means that hundreds of thousands of people in Wales will be navigating substantial changes in their financial situation in the coming months. But some households would be particularly poorly placed to cope with an income shock resulting from the crisis.

**Figure 5:** How respondents report they would get by financially if they were to lose their main source of income



Source: Citizens Advice analysis of an Opinion survey carried out between 2 and 7 April 2020

A large number of people in Wales do not have a savings buffer to help them get by during this period. Whilst nearly half (45%) of respondents to our survey said they had savings to fall back on in the event of a loss of income, a similar proportion (44%) would

<sup>12</sup> Citizens Advice, [Near the cliff-edge: How to protect households facing debt during COVID-19](#), May 2020

<sup>13</sup> Citizens Advice, [Walking on Thin Ice](#), February 2018

need to rely on financial support through the benefits system. Only a quarter (27%) of people in rented accommodation reported having any savings they could access.

Whilst it is difficult to foresee what the economic impact of the outbreak will be over time, there is evidence to suggest that income shocks will be concentrated amongst people with lower earnings and a lower likelihood of having savings to fall back on.<sup>14</sup> People in insecure work are also less likely to be able to put money aside as savings, and appear to be facing worse financial impacts as a result of the crisis.<sup>15</sup>

People who are at increased risk of Coronavirus are also likely to be more vulnerable to financial difficulties during this period. Around 121,000 people in Wales have been identified as high risk and advised to shield for a period of 12 weeks.<sup>16</sup> This group may find it more difficult to access support during this time, and those in employment are more likely to see disruption to their income if they are unable to work from home or are denied a request to be furloughed.<sup>17</sup>

Finally, many households have large fixed costs which they will continue accruing throughout the crisis (e.g. rent or mortgage payments, council tax bills, credit commitments). In ordinary times, people would typically look to reduce their costs to cope with this fall in income - for example, by moving to cheaper accommodation. However, ongoing social distancing measures and uncertainty about the trajectory of the outbreak make this much more difficult.

#### **Case study - Request to be furloughed denied for someone in an at-risk group**

Rhian contacted Citizens Advice because she was unsure about her rights at work. As she has a respiratory condition, she has been advised that she is at increased risk for Coronavirus and needs to self-isolate. She discussed this with her employer at the beginning of March, where she was informed that she could be furloughed and would be entitled to full pay.

However, Rhian was later told by her employer that she would either need to return to work to continue receiving full pay, take annual leave or claim Statutory Sick Pay. She is extremely worried as she only has two weeks of leave remaining and the amount of Statutory Sick Pay she would receive will not be enough to cover her day to day costs.

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<sup>14</sup> Resolution Foundation, [Doing what it takes](#), March 2020

<sup>15</sup> Citizens Advice, [Near the cliff-edge: How to protect households facing debt during COVID-19](#), May 2020

<sup>16</sup> Welsh Government, [Written Statement: Coronavirus \(COVID-19\) – Shielding Update](#), May 2020

<sup>17</sup> Citizens Advice, [When the protection schemes end: a transition package to help households recover from the coronavirus shock](#), May 2020

## Policy makers in Wales need to take steps to shore up people's finances

Whilst it is impossible at this stage to predict the trajectory of the outbreak and the public health response, it is clear that Coronavirus will have a long-lasting economic impact in Wales. Currently, most people who have fallen into debt are protected against the worst impacts by a series of emergency measures introduced in response to the pandemic. However, this also means that people who have deferred payments will be hit with higher costs when protections are lifted.

As the crisis continues, the Welsh Government has a crucial role to play in crafting a policy response which will protect people on low incomes and those who face the worst financial consequences of the outbreak. Wales already has higher rates of poverty than the UK average, and there is evidence to suggest that some coastal and rural communities would be particularly vulnerable to job losses if and when protections are lifted.<sup>18 19</sup> Whilst many of the policy levers which directly affect household finances sit with Westminster, the Welsh Government has already shown that it can act to fill some of the gaps in support where it deems the response from Westminster to be insufficient.<sup>20</sup> It must do more within the current devolution settlement to protect people's finances during this crisis.

### People face a cliff-edge when support comes to an end

Interventions from both the UK and Welsh governments have gone a long way to protect people's incomes and give them options to reduce their costs during the pandemic. These include:

- **The Coronavirus Job Retention Scheme**, which subsidises 80% of wage costs up to £2,500 a month for eligible workers if employers furlough them. This scheme will continue in its current form until 31 July, and will be in place until October 2020.
- **The Self Employed Income Support Scheme**. This scheme subsidises 80% of eligible self-employed people's profits up to £2,500 per month. Payments initially cover a 3 month period.
- **A pause on housing possession action**, staying all repossession claims until 25 June.
- **Mortgage holidays**, announced 17th March, giving customers a qualified right to a three month mortgage holiday due to coronavirus.

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<sup>18</sup> Social Metrics Commission, [Measuring Poverty 2019](#), July 2019

<sup>19</sup> Centre for Towns, [The effect of the COVID-19 pandemic on our towns and cities](#), April 2020

<sup>20</sup> Welsh Government, [Discretionary Assistance Fund receives £11m boost in Wales](#), May 2020

- **Debt holidays**, given effect by FCA rule changes on 14th April, allowing customers to make no payment on existing debts for 3 months.

These measures are temporary, however. As the lockdown begins to ease, we are likely to see emergency protections coming to an end. When this happens, many more people in Wales will be exposed to financial shocks.

Firstly, the recent extension of the Coronavirus Job Retention Scheme to October 2020 means that many who might have been at risk of job losses will see their income protected for the months ahead. But our advisers continue to see people who are either not entitled to employment protection schemes or are not able to access them. In particular, those who are at higher risk of Coronavirus and have been advised to self-isolate are more likely to see disruption to their income if they are unable to work from home or are denied a request to be furloughed.<sup>21</sup>

In the longer-term, employment protection schemes will need to be changed or lifted. It is likely that more people will lose jobs or see their working hours reduced at that point. Employment levels in Wales already lag behind most other nations and regions in the UK.<sup>22</sup> One forecast from the Office for Budget Responsibility has suggested that unemployment could reach 10% - which would be the equivalent of an additional 90,000 people out of work in Wales.<sup>23</sup> There is also evidence to suggest that some coastal and rural communities in Wales would be particularly vulnerable to job losses if and when protections are lifted.<sup>24</sup>

Secondly, many households who have fallen behind on bills during the lockdown will accrue significant debts during this time. Around 16% of people in Wales were over-indebted before this crisis hit.<sup>25</sup> If social distancing measures remain in place, this will make it hard for families who have suffered a major loss of income to take steps to reduce their spending or find new or different employment to increase their earnings. Many will therefore find it impossible to avoid building up debts.

Currently, they are protected against the worst impacts of debt enforcement through measures like a pause on evictions, mortgage payment holidays, and the suspension of some deductions for arrears from benefit payments.<sup>26</sup> However, this also means that people who have deferred payments will be hit with higher costs when protections are lifted. This risks a situation where people in Wales are asked to pay back large debts at the same time as their jobs and income are coming under greater pressure.

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<sup>21</sup> Citizens Advice, [When the protection schemes end: a transition package to help households recover from the coronavirus shock](#), May 2020

<sup>22</sup> ONS, [Labour market in the regions of the UK](#), April 2020

<sup>23</sup> OBR, [Commentary on the OBR coronavirus reference scenario](#), April 2020

<sup>24</sup> Centre for Towns, [The effect of the COVID-19 pandemic on our towns and cities](#), April 2020

<sup>25</sup> Money Advice Service, [Levels of Over-Indebtedness in the UK](#), 2018

<sup>26</sup> Citizens Advice, [Near the cliff-edge: how to protect households facing debt during COVID-19](#), May 2020

## **More households will struggle to make ends meet**

The scale of the disruption to incomes caused by the Coronavirus outbreak means that more people will be relying on the benefits system over the coming months to be able to cover their costs. Some may claim benefits over a shorter period to see them through a temporary income shock, whilst others will need longer-term financial support.

However, we know that many people on benefits were already in a difficult financial position before this crisis. Citizens Advice research published last year found that almost half (49%) of those receiving working-age benefits had struggled to meet essential costs over the 12 months prior.<sup>27</sup> The situation for these individuals is likely to be made worse where they have seen a drop in their hours or been made redundant. Financial difficulties can also be exacerbated by delays or difficulty in making a claim.

The Welsh Government currently funds several schemes which provide financial support and emergency grants for low-income households, provided either directly or through Local Authorities. It has also allocated an additional £11 million to its Discretionary Assistance Fund and introduced additional flexibilities into the fund to assist those who are facing hardship as a result of the pandemic.<sup>28</sup>

However, there is a risk that low awareness of benefits and inconsistencies in information and process of application across different local authorities will undermine its aims of providing additional support to those facing hardship.

***The Welsh Government must be proactive in encouraging people to check what benefits they are entitled to.*** It should stage a universal intervention - for example writing to all households in Wales - to ask people to check what benefits they might be entitled to if their income has been or will be affected by the Coronavirus outbreak, and give them information on how to do this. This should include benefits administered in Wales (e.g. Council Tax Reduction Scheme, Discretionary Assistance Fund).

At a minimum, it should ensure targeted information is available to those most at risk of financial difficulties during the crisis, particularly renters, people in the shielded group, and migrants / people with no recourse to public funds.

## **Many will need extra protection against the worst impacts of debt**

Governments, regulators, and businesses have taken rapid action to protect people from the immediate impacts of falling behind on their bills during the crisis. But policy-makers in Wales will soon have to address the problem of how to prevent those who have fallen into financial difficulty as a result of the crisis being pushed into unmanageable debt.

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<sup>27</sup> Citizens Advice, [Achieving income security for all](#), September 2019

<sup>28</sup> Welsh Government, [Discretionary Assistance Fund receives £11m boost in Wales](#), May 2020



There are two issues which we expect to become more urgent for people who come to Citizens Advice Cymru for help, and for which policy-makers in Wales have primary responsibility:

## 1. Rent arrears

In the private rented sector, possession action is currently paused for 90 days from 27 March.<sup>29</sup> Most tenants will also be entitled to a minimum of 3 months notice before their landlord can begin possession proceedings against them.<sup>30</sup> The Welsh Government has the power to extend this to a minimum of 6 months notice if it chooses to do so.

When these measures come to an end, households that have fallen behind on rent payments may face eviction. Many will have accrued rent arrears during this period which they will struggle to repay over the short to medium term. Eviction proceedings are likely to exacerbate financial difficulties where tenants would need to pay up-front costs (e.g. deposit, household goods), or where they may be evicted into homelessness.

***The Welsh Government should prioritise fulfilling its commitment to provide greater security for tenants in the private sector.*** Ahead of the implementation of the Renting Homes (Wales) Act, it should accelerate plans to extend the minimum notice period required under a section 173 notice from 2 to 6 months, and restrict the issue of such a notice until 6 months after the date of issue of a contract. It must also provide reassurance to renters in Wales by using its powers to extend the notice period to 6 months as soon as possible.

## 2. Council Tax arrears

There is currently an informal pause on enforcement of new council tax debts due to magistrates courts not hearing liability order cases. However, it is not clear how long this protection will be in place. Once the pause is lifted, those who have fallen behind on payments as a result of the Coronavirus crisis could face enforcement action, including receiving a court summons and facing bailiff action.

There is therefore a risk that people in financial difficulty will be pushed further into debt as a result of enforcement action. In Wales, a person can be made liable for the rest of the year's council tax bill in full if they are subject to a final notice for a missed payment. In practice, this could mean that a missed payment of £167 one month could suddenly turn into a debt of £1,671. Debtors can also accrue additional fees and charges during the enforcement process which increases the total amount owed.<sup>31</sup>

Most Local Authorities in Wales have taken steps to provide support and reassurance to people in their area who are struggling to pay their council tax. For example, Gwynedd

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<sup>29</sup> Courts and Tribunals Judiciary, [117th Practice Direction Update to the Civil Procedure Rules – Coronavirus Pandemic related](#) (accessed 12 May 2020)

<sup>30</sup> [Coronavirus Act 2020, Schedule 29](#)

<sup>31</sup> Fees for liability orders are capped at £70 in Wales (see [The Council Tax and Non-Domestic Rating \(Amendment\) \(Wales\) Regulations 2011](#)), though fees charged by bailiffs can add a further £420 depending on what stage of enforcement is reached.

Council has notified residents that they have suspended all enforcement action until the end of June, with the possibility that this could be extended.<sup>32</sup> Several other councils are promoting the Council Tax Reduction Scheme, or signposting residents to help them defer payments until June or spread the cost over 12 months instead of 10.

However, Local Authority budgets have come under increased pressure as they seek to respond to the Coronavirus outbreak. It may prove difficult for many to prioritise showing forbearance and ensuring repayment plans are affordable for residents who are struggling to pay down arrears.

***Policy makers in Wales must ensure debts built up due to Coronavirus aren't enforced in a way that exacerbates financial difficulties.*** To do this, the Welsh Government should ask Local Authorities to pause enforcement of council tax bills missed during the crisis for 6-12 months, and to offer a 3 month council tax holiday for those who cannot afford to make payments. It must be prepared to offer additional funding to cover the losses that councils may face as a result. Local Authorities should also consider extending the backdating period for Council Tax Reduction beyond the 3 month minimum.

#### **Case study - Escalation of Council Tax arrears**

Richard came to Citizens Advice to get help with a Council Tax arrears. He had been making weekly direct payments of £10 at a local council service centre. When the centre closed because of the Coronavirus outbreak, he tried to contact his Local Authority to arrange an alternative payment method to make sure he didn't fall behind. However, he didn't receive a response despite writing to them and calling on multiple occasions.

Richard then received a letter from his Local Authority demanding that his debt of £1750 be repaid in full because of the missed payments, causing him a lot of unnecessary worry.

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<sup>32</sup> <https://www.gwynedd.llyw.cymru/en/Residents/Coronavirus-Covid-19-Council-Tax.aspx> (accessed 11 May 2020)

## Recommendations

- 1. The Welsh Government must be proactive in encouraging people to check what benefits or support they are entitled to.** It should consider a universal intervention such as writing to all households in Wales to ask people to check what benefits they might be entitled to if their income has been or will be affected by the Coronavirus outbreak. This should include benefits and support schemes administered in Wales, such as the Council Tax Reduction Scheme and the Discretionary Assistance Fund.

At a minimum, it should ensure targeted information is available to those most at risk of financial difficulties during the crisis, particularly renters, people in the shielded group, and people with no recourse to public funds or irregular migration status.

- 2. The Welsh Government should prioritise fulfilling its commitment to provide greater security for tenants in the private sector.** In the short-term, it must provide reassurance to renters in Wales by using its existing powers to extend the notice period to 6 months as soon as possible. Following this, it should accelerate plans to implement the Renting Homes (Wales) Act, and to pass the amending bill to permanently extend the minimum notice period required under a section 173 notice from 2 to 6 months and restrict the issue of such a notice until 6 months after the date of issue of a contract.
- 3. The Welsh Government should ask Local Authorities to pause enforcement of council tax bills missed during the crisis for 6-12 months,** and offer a 3 month council tax holiday for those who cannot afford to make payments. It must be prepared to offer additional funding to cover the losses that councils may face as a result. Local Authorities could also consider extending the backdating period for Council Tax Reduction beyond the 3 month minimum.

## **Appendix - Data and methodology**

The data used in the report are derived from an online survey carried out by Opinium, and quantitative and qualitative client data collected through Citizens Advice's case management system.

### *Online survey*

Citizens Advice commissioned Opinium to carry out an online survey of 501 adults in Wales. Fieldwork was conducted between 2 - 9 April 2020. Data was weighted by age and gender to be representative of the adult population in Wales.

### *Citizens Advice case management data*

Citizens Advice records extensive information of advice provided to clients. This includes demographic information and advice trend data.

Citizens Advice advisers are also able to submit case notes for study where they believe a case demonstrates a particular policy issue worthy of consideration by our researchers. All the case studies in this document derive from data collected by local Citizens Advice offices in Wales between March - May 2020.