

## Committee Inquiry into COVID-19 Citizens Advice Cymru submission to the ELGC

### Summary

1. Citizens Advice Cymru has helped more than 20,000 people in Wales since the lockdown began. Our network of 19 Local Citizens Advice offices across Wales is delivering advice by phone and online during the lockdown. We're continuing to monitor data from our website and local advice services to understand people's concerns during this crisis.
2. No one knows yet what the full impact of the outbreak will be. However, we estimate that 4 in 10 households (42%) in Wales have already lost income as a result of the Coronavirus crisis.<sup>1</sup> The consequences of the outbreak have been extensive and are likely to be ongoing.
3. Whilst national and local government has taken significant steps to protect people from the impact, our advisers continue to help clients through a time of considerable financial hardship and uncertainty.
4. It is vital that the Welsh Government uses its powers through the devolved settlement to take timely and effective action. Our research has identified three key areas within the portfolio of the committee where we believe more must be done to ensure people do not fall into greater hardship.
  - 4.1. **Council tax debt:** where people fall behind on council tax as a result of the pandemic, they still face escalation of debts and strict enforcement. Local authorities, with the support of the Welsh Government, must use their powers to protect those struggling with payments in order to prevent longer-term hardship.
  - 4.2. **Housing and rent arrears:** current protection from evictions comes to an end on 25th June, leaving households vulnerable if they have fallen behind on rent during the lockdown period. Welsh Government must extend current pauses on evictions to prevent a cliff-edge for tenants who have fallen behind.
  - 4.3. **Tackling poverty:** The extent of poverty in Wales has left many households vulnerable in the face of the financial shock posed by the Coronavirus outbreak. Welsh Government should act swiftly to ensure people living in or at risk of falling into poverty are aware of support available to them.

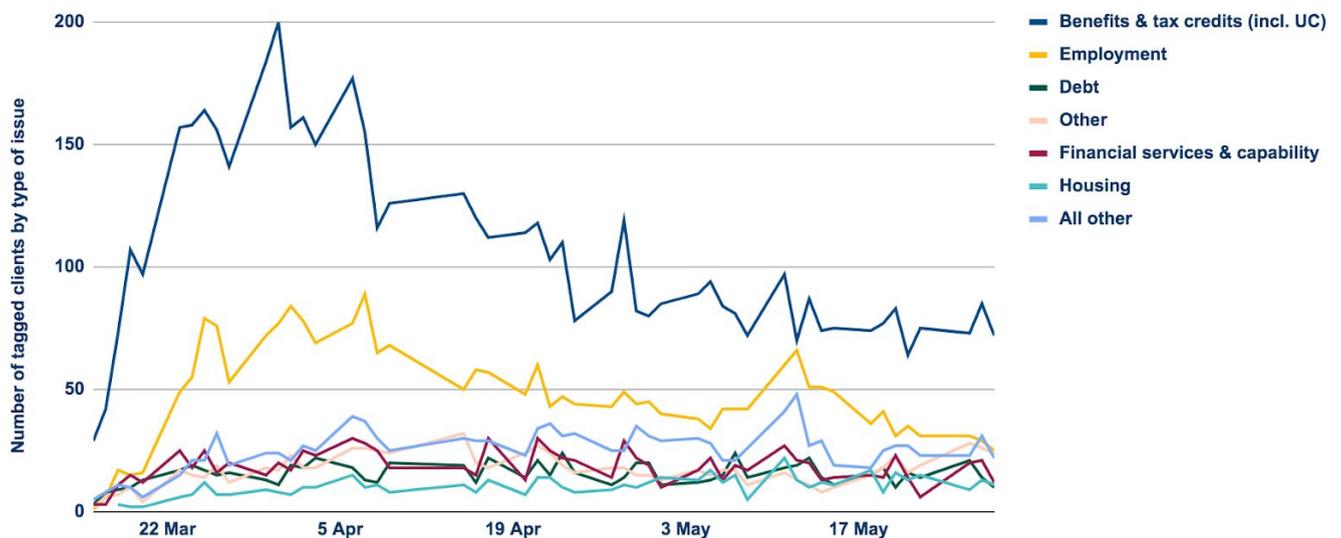
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<sup>1</sup> Citizens Advice Cymru, [Facing the cliff edge: Protecting people in Wales from the financial consequences of Covid-19](#), May 2020

## Impact on households in Wales

5. We estimate that around 250,000 people across Wales have already seen their hours cut, been laid off, or made redundant as a result of the outbreak.<sup>2</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. As businesses navigate the easing of lockdown measures, it is likely that more jobs will be lost.
6. Our services across Wales have helped 6,400 clients with issues related directly to the Coronavirus outbreak since the lockdown began. Our data from this period shows significant numbers in cases of benefits entitlement and employment advice, demonstrating the levels of uncertainty and concern people are facing during this time.

Figure 1: Clients with issues relating directly to Coronavirus since the start of the lockdown period.



7. Despite interventions from both the UK and Welsh Governments, 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 by the middle of April:
  - 7.1. Nearly 300,000 people had fallen behind on one or more household bills - such as gas and electric, broadband, or council tax - as a result of the outbreak.
  - 7.2. A third (34%) of renters had fallen behind or expected to fall behind on their rent.

<sup>2</sup> Citizens Advice Cymru, [Facing the cliff edge: Protecting people in Wales from the financial consequences of Covid-19](#), May 2020

7.3. People in shielded groups, young people, and people in insecure work are likely to be worst affected.<sup>3</sup>

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

8. The income support schemes and wider benefits system are providing much needed financial support for those who have lost income during the crisis. However, Citizens Advice Cymru continues 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:
- 8.1. **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.
  - 8.2. **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. 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.
  - 8.3. **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>4</sup> As this group is currently very unlikely to be able to find other employment or to change their living situations during this period, they are being left without long-term monetary support which is needed to avoid financial difficulty.
  - 8.4. **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.
9. People who fall into these categories are likely to be left on a lower income, and may experience longer term impacts of the outbreak. It is important, therefore, to consider measures that will mitigate the risk this poses.

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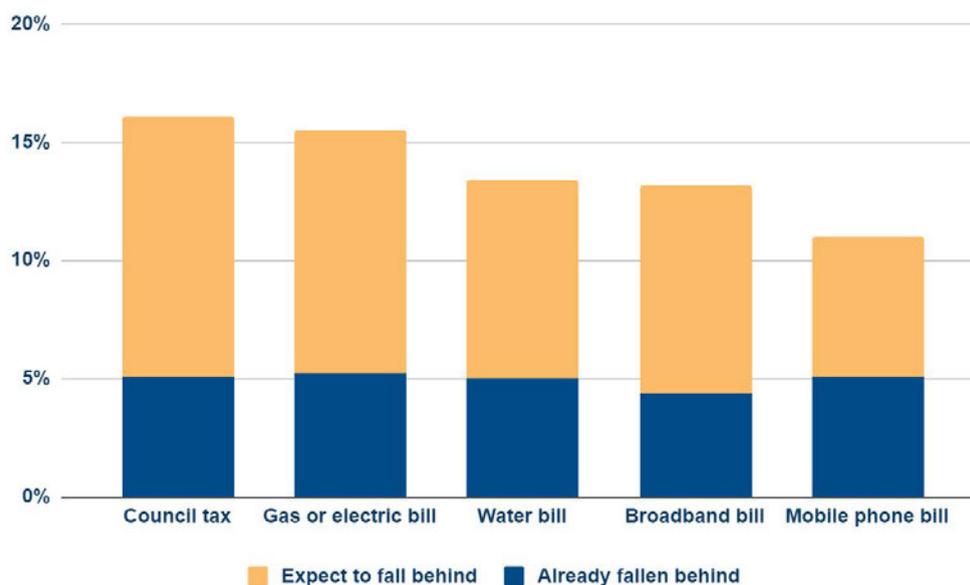
<sup>3</sup> Citizens Advice Cymru, [Near the cliff-edge: how to protect households facing debt during COVID-19](#) May 2020

<sup>4</sup> Citizens Advice, [Lockdown Lifeline: Ensuring adequate support across the benefits system during the Covid-19 pandemic](#), May 2020

## Local government and council tax arrears

10. Council tax debt is the biggest debt problem we see at Citizens Advice Cymru. Last year we helped 5300 people with issues relating to council tax arrears. As we continue to see the economic impact of the pandemic, it is likely that many more will struggle to keep up with payments.
11. Our polling in April found that around 1 in 7 (16%) adults in Wales have fallen behind or expect to fall behind on their council tax bill as a result of the Coronavirus crisis.<sup>5</sup> These figures are also comparable to other research looking at the financial impact of Coronavirus.<sup>6</sup>

Figure 2: Proportion of those fallen or likely to fall behind on household bills



12. People in Wales received their 2020/21 council tax bill at the onset of the crisis in April. Under current regulations, a typical council tax payer - paying around £1,600 a year council tax - faces becoming liable for the full amount if they are unable to meet instalments at the start of the financial year.
13. Our research shows that people who fall behind on council tax payments are generally unable to pay, rather than unwilling.<sup>7</sup> Falling behind on council tax payments this early in the year leaves people vulnerable to escalating debts from fees added during the enforcement process (including the cost of the liability order and bailiff fees). This risks pushing people further into debt.<sup>8</sup>

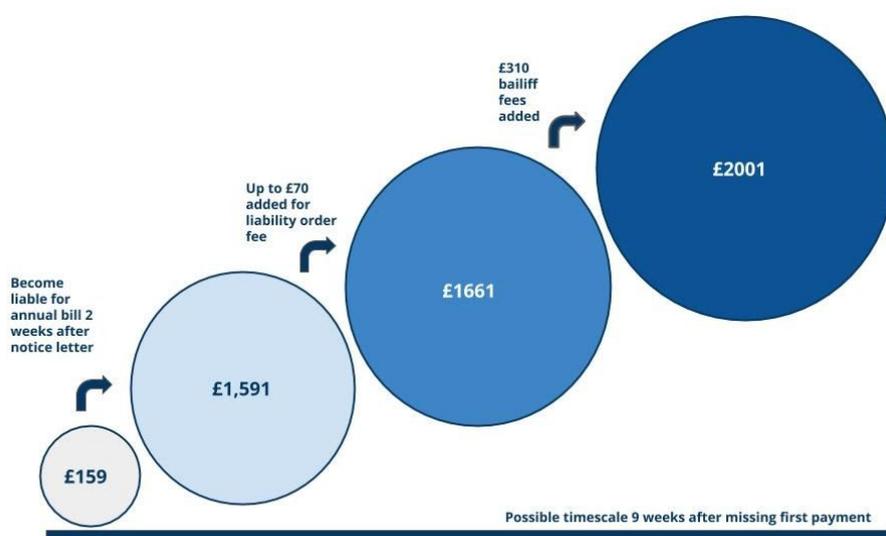
<sup>5</sup> Citizens Advice Cymru, [Facing the cliff edge: Protecting people in Wales from the financial consequences of Covid-19](#), May 2020

<sup>6</sup> [Data published by the ONS](#) suggests that 16% of adults in Great Britain are struggling to pay bills. [Research commissioned by the Standard Life Foundation](#) found that 17% of households in the UK were in arrears, with 12% saying they found it a constant struggle to pay bills.

<sup>7</sup> Citizens Advice Cymru, [The Potential Impact of Coronavirus on Council Tax Arrears](#), April 2020

<sup>8</sup> Citizens Advice, [Wrong Side of the Tax: Council tax debt collection needs to change](#)

Figure 3: Diagram to show how debts could escalate after missing one bill



14. Whilst many low-income households will be able to claim a Council Tax Reduction this support does not protect all those who struggle with payments. Knowledge of the Council Tax Reduction Scheme amongst adults in Wales is also relatively low. Only half (48%) of adults in Wales think that someone claiming Universal Credit would be entitled to a reduction on their Council Tax.
15. In March, we highlighted the need for Welsh Government and local authorities to take steps to protect people from the impact of falling behind on council tax bills. The UK Government and local authorities have put some measures in place to protect people from council tax debt and enforcement:
  - 15.1. At a national level, there is currently an informal pause on enforcement of new council tax debts due to magistrates courts not hearing liability cases.
  - 15.2. Some local authorities have advertised the Council Tax Reduction Scheme (CTRS) on their website homepage and have encouraged people to contact them if they are struggling to pay. Some have suggested that people may defer payments to move the first two months of payments to the end of the year to delay current payments, whilst others have highlighted the existing option of paying the bill over 12 instead of 10 months.
  - 15.3. Some local authorities have announced an explicit pause to enforcement and advertised this on their websites (e.g. Gwynedd Council).<sup>9</sup>
16. However, these measures are temporary. Without further action, we are likely to see more people falling into arrears and being subject to enforcement action. They also vary from local authority to local authority, risking a 'postcode lottery' of access to support.
17. There's a risk that more people falling into arrears will lead to a significant loss of council tax revenue for local authorities. At a time when budgets are under pressure,

<sup>9</sup> Gwynedd Council website, [Council tax](#) (accessed 2 June 2020)

it is vital that councils are given the resources to ensure that the cost of the crisis is not pushed onto individuals in financial difficulty. Collecting arrears fairly and agreeing on manageable repayments is crucial to avoid pushing people into deeper debt after the crisis and to ensure the wellbeing of citizens during this time.

### **What is still needed to safeguard people in Wales?**

- 18. *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. Importantly, this measure would also protect people who cannot access CTRS or other benefits, due to their immigration status. People who have NRPF (no recourse to public funds), some EU migrants and other irregular migrants, (such as visa overstayers, refused asylum seekers), are not able to access this support.
- 19. *Local authorities could also consider extending the backdating period for Council Tax Reduction beyond the 3 month minimum.*** Whilst the Council Tax Reduction Scheme (CTRS) is an important form of protection for people on a low income, our research shows that it does not protect everyone who needs support with paying council tax. Our research found that a quarter (26%) of people in Wales have delayed or decided not to claim a benefit, despite thinking they could be eligible.<sup>10</sup> These figures indicate that many who are eligible will not be accessing the necessary support and may find themselves falling behind. This measure would ensure that people have sufficient time to explore their entitlements and access the scheme.

#### **Case study: Client received letter from the council demanding full bill**

A client in ██████████ sought advice about his council tax overpayment debt. He had been making repayments to the council through weekly £10 installments made in a local council service centre. Due to the closure of this centre during the covid outbreak, the client sought to contact the council to arrange alternative methods of payment to ensure these payments would be made on time. The client received no response, despite writing to the council and multiple attempts to call on the phone.

The client then received a letter from the local authority, demanding the full £1750 debt to be paid in full as a result of the missed payments, causing him great concern. After further contact via email, the council resolved the issue and the client was able to get up-to-date on their repayments, however the situation had left the client concerned that enforcement action could be taken against them.

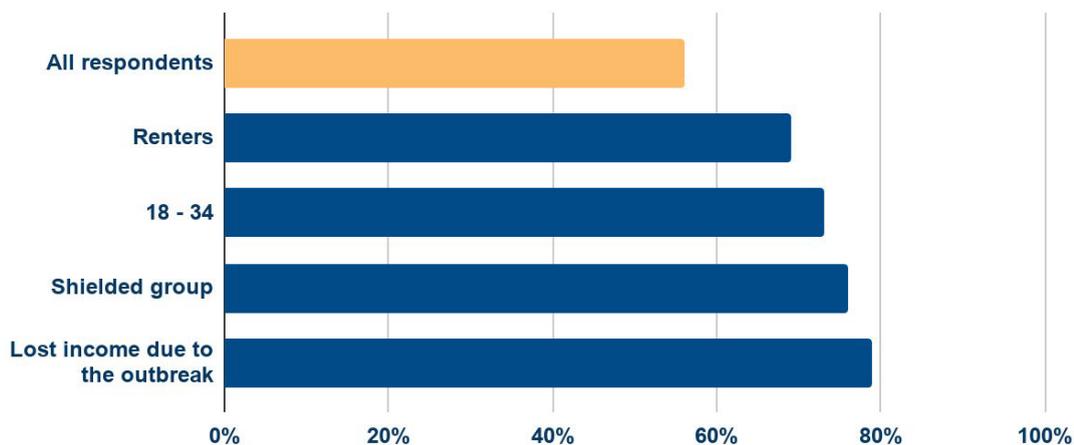
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<sup>10</sup> Figures are taken from polling conducted by YouGov Plc on behalf of Citizens Advice. Total sample size was 1002 adults and fieldwork was undertaken between 27th February - 2nd March 2020. The survey was carried out online. The figures have been weighted and are representative of all Welsh adults (aged 18+).

## Housing and rent arrears

20. Approximately 1 in 4 households live in social or rented private rented accommodation in Wales. Although the Coronavirus outbreak is affecting everyone, its financial impacts are not 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, including renters.<sup>11</sup>

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 Opinion survey carried out between 2 and 7 April 2020

21. Around a third (34%) of those in the private rented sector reported that they had fallen behind or expected to fall behind on rent payments as a result of the Coronavirus outbreak.
22. The UK and Welsh Governments have taken steps to protect those who are renting their homes from eviction during this time, including:
- 22.1. Temporary measures require that landlords give a 3 month eviction notice to tenants, protecting tenants from facing eviction during the peak of the crisis.
  - 22.2. Guidance for private sector landlords on how best to support tenants and keep them safe during the crisis.<sup>12</sup>
  - 22.3. An increase to the local housing allowance to 30% of the lower local area rent rates.
  - 22.4. A new digital information campaign to support people struggling with housing issues during the crisis.

<sup>11</sup> Citizens Advice Cymru, [Facing the cliff edge: Protecting people in Wales from the financial consequences of Covid-19](#), May 2020

<sup>12</sup> Welsh Government, [Coronavirus \(COVID-19\): guidance for landlords and managing agents in the private rented sector \(version 3\)](#)

## What is still needed to safeguard people in Wales?

23. On the 25th June, current measures preventing evictions during the pandemic by increasing the eviction notice period to 3 months will come to an end and many renters who have fallen behind on rent payments may face eviction. It is important that Welsh Government acts to prevent further disruption to the lives of people in rented accommodation.
- 24. *In the short-term, the Welsh Government must provide reassurance to renters in Wales by using its existing powers to extend the notice period to 6 months as soon as possible.*** The recent extension to mortgage holidays for homeowners recognises that people will continue to struggle to meet essential costs beyond the end of the lockdown period. This protection must also be given to renters for at least 3 further months.
- 25. *Additionally, the government 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.*** The Renting Homes (Wales) Act, should be brought forward to provide protections from 'no-fault' evictions and to extend the notice period to ensure that renters have sufficient time to pay rent arrears or to find alternative accommodation if needed.

### Evictions as a result of rent arrears accrued during the Covid-19 crisis

██████████ has been furloughed from his employment and has struggled to cover essential costs during the Coronavirus outbreak. His wages through the furlough scheme are not enough to live on and he should be entitled to Universal Credit. However, an administrative mistake by the DWP miscalculated his entitlement and has left Adam struggling to pay his rent.

██████████ landlord has issued him with a 3 month eviction notice for the end of August as a result of the rent arrears that he has accrued. Whilst the landlord has given the legal notice, ██████████ is concerned that he will not find another property to rent and feels that when he receives the correct financial support, he will be able to pay his landlord the arrears and would ask to be allowed to remain in the property.

## Tackling Poverty

26. Whilst the outbreak of Coronavirus has impacted heavily on households across Wales, there has been a disproportionate impact on those who were already living in poverty.<sup>13</sup> Our evidence suggests that many people who have lost income as a result of the crisis are not able to access timely and adequate financial support. There is therefore a risk that these groups will face increased hardship as time goes on.
27. Whilst it is difficult to predict the trajectory of the outbreak, current evidence suggests that those at greatest risk of poverty are being disproportionately affected. Households that earned the least before the crisis are being hit the hardest.<sup>14</sup> 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>15</sup> People in insecure work appear to be facing worse financial impacts as a result of the crisis, whilst also being less likely to have savings to fall back on.<sup>16</sup>
28. People whose incomes have been disrupted by the outbreak need to be able to rely on the benefits system as a safety net. However, we are seeing many cases where people are not getting the support they need:
  - 28.1. **Our data shows that many clients are still unaware of what support they are entitled to.** The number of clients our advisers have helped with 'reducing income and maximising income' is four times the number that came in the same period last year, demonstrating the high need for advice on benefit entitlements.<sup>17</sup>
  - 28.2. **Some clients have experienced delays in accessing financial support,** for example, whilst waiting for payments from Universal Credit, the Job Retention Scheme and the Income Support Scheme. This delay has left many people struggling to make ends meet and some of our clients have reported falling behind on household bills as a result. Our data also shows an increase on the demand for food bank vouchers during this period compared to the same period last year.<sup>18</sup>
  - 28.3. **People claiming benefits may still not have enough to cover their costs.** Even those who have access to benefit support may find that they do not have enough to meet their costs. 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>19</sup> Our research earlier this year showed that across the UK, 40% of people we

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<sup>13</sup> Resolution Foundation, [The effects of the coronavirus crisis on workers • Resolution Foundation](#)

<sup>14</sup> Ibid.

<sup>15</sup> Resolution Foundation, [Doing what it takes](#) March 2020

<sup>16</sup> Citizens Advice, [Near the cliff-edge: How to protect households facing debt during COVID-19](#), May 2020

<sup>17</sup> Analysis of internal client data collected by our local offices.

<sup>18</sup> Analysis of internal client data collected by our local offices.

<sup>19</sup> Citizens Advice, [Achieving income security for all](#), September 2019

helped with debt who claim income-related benefits had a negative budget.

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- 28.4. **Some people may find it more difficult to get support whilst social distancing measures are in place.** Our network of 19 Local Citizens Advice offices in Wales are currently delivering advice via telephone, email, webchat and other online routes. As people continue to socially distance and avoid face to face interactions, it is likely that this trend will continue. In particular, people within shielded or vulnerable groups will not be able to use face to face channels for some time. Whilst our offices have adapted to ensure everyone can still access crucial advice, we're concerned that older people, people with language barriers and those who are digitally excluded may be less likely to be receiving up-to-date information and accessing all the support they are entitled to.
29. In March we recommended some actions that would protect the most vulnerable during this period.<sup>21</sup> The Welsh Government has already recognised the need for further financial support. It recently announced that an extra £11 million would be given through the Discretionary Assistance Fund, a vital emergency route for payments that meets the urgent needs of those in financial difficulty.<sup>22</sup> However, this support only offers short-term relief and more must be done to ensure people are accessing all available support during this time.

### **What is still needed to safeguard people in Wales?**

30. As the crisis continues, the Welsh Government has a crucial role to play in crafting a policy response which protects 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>23 24</sup>
31. 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>25</sup> More must be done within the current devolution settlement to protect people's finances during this crisis.
32. **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

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<sup>20</sup> Citizens Advice, February 2020 , [Making Ends Meet: The impact of the benefits freeze on people in debt](#)

<sup>21</sup> Citizens Advice Cymru, [Helping Wales through the Covid-19 pandemic](#)

<sup>22</sup> Welsh Government, [Discretionary Assistance Fund receives £11 Million Boost, Discretionary Assistance Fund receives £11m boost in Wales](#)

<sup>23</sup> Social Metrics Commission, [Measuring Poverty 2019](#), July 2019

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

<sup>25</sup> Welsh Government, [Discretionary Assistance Fund receives £11m boost in Wales](#), May 2020

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.

33. 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.

#### **Case Study: lack of digital literacy and uncertainty over entitlements**

A self employed taxi driver in [REDACTED] was unable to work during the lockdown period. As he does not have digital literacy or access to IT at home, he contacted our adviser to find out what type of financial support he may be entitled to.

Our adviser was able to explore his entitlement to the Self-Employed Income Support Scheme and found that as he had not completed his tax returns for HMRC, having not earned over the threshold, he would not be eligible for the scheme.

Our adviser informed the client of his options and supported the client to apply for Universal Credit and Council Tax Reduction. They then explained that he could talk to his landlord regarding rent payments if needed. He was then referred to other local support to help with immediate needs.

As he was not able to explore his options himself, this caused delay to him accessing the support he needed.