



Government
Debt Management
Function

Public sector debt management in the era of Covid-19

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1. Debt challenges created by Covid-19

1. **Income shocks will likely increase over-indebtedness**
 - a. **44% of firms are intending to furlough at least half of their workforce (British Chambers of Commerce)**
 - b. **30% of businesses are reducing staffing levels in the short term (ONS)**
 - c. **On average, workers expect there is a 49% chance of them having problems paying their bills (Adams-Prassl et al)**

1. **Some groups will face greater hardship than others**
 - a. **79% of people living in social housing are 'at risk' due to C19 (Resolution Foundation)**
 - b. **Workers who earned less than £20,000 last year expect to earn just 58% of their usual income between April and August 2020 (Adams-Prassl et al)**
 - c. **Sectors that are shut down as result of social distancing measures employed nearly a third (30%) of all employees under the age of 25 (Institute for Fiscal Studies)**



2. Government responses to Covid-19

Measure

- £500m local authority hardship fund to bolster existing Council Tax Support schemes

Scope

- Expectation is that billing authorities will provide all recipients of working age local council tax support with a further reduction in their annual council tax bill of £150
- Should be no need for any recipient of LCTS to make a separate claim for a reduction. Eligibility should be checked and rebates provided automatically



2. Government response measures

Measure

Deductions for the recovery of Universal Credit and legacy benefit overpayments, Social Fund loans and Tax Credit debts paused

Scope

- DWP overdue benefit debt 2018-19 - £850m



2. Government response measures

Measure

- Standard rate in Universal credit and Tax Credits increased by £20 a week
- Universal Credit Minimum income floor disapplied

Scope

- 2.3m households on Universal Credit (November 2019)
- 33% single parents
- 950,000 successful new applications in two weeks to 01/04/2020 (average 100,000)
- 3.8m households claiming child and/or working tax credits



2. Government responses to Covid-19

Measure

- Three months notice for renters before repossession
- All ongoing housing possession action suspended - including ongoing - for 90 days

Scope

- Average possession claims per quarter England and Wales 27,727 (2019 figures)
- Average repossessions by County Court bailiffs per quarter England and Wales 7,701 (2019 figures)
- 60% social landlords



2. Government responses to Covid-19

Measure

- Three month freeze on mortgage repossessions
- Three month mortgage payment holidays

Scope

- 70,880 homeowner mortgages in arrears of 2.5% (2019 figures)
- 1,330 homeowner mortgaged properties were taken into possession in the fourth quarter of 2019
- 1.2m mortgage holidays granted by 14/04/2020
- Average mortgage holder saving £775 in suspended capital and interest payments each month



2. Government responses to Covid-19

The response measures to Covid-19, both by government and other creditor sectors has had a positive impact on reducing immediate over-indebteness.

- Before the response measures, on average, employees would have lost 53% of their net family income if they lost their job. The reforms have reduced this to 13%.
- The number of employees who would have lost more than 60% of their family income if they lost their job has fallen from 9.5 million (36% of employees) to just 300,000 (1%).

But..



3. Returning to the new normal

What does the world of public sector debt collection look like on the other side of Covid-19?

Can we just return to “Business As Usual”?

Or do we need to go further with embedding fairness into our debt management approach?

THE CASE FOR FAIRNESS IN UK DEBT COLLECTION





3. Returning to the new normal

- **Bringing forward Breathing Space and Statutory Debt Repayment Plans**
- **Engaging with the Debt Advice Sector through the Fairness Group**
- **Facilitating debt information sharing pilots using the Digital Economy Act**



3. Returning to the new normal

Fairness Group

Purpose

- Facilitate an open dialogue between government and debt advice agencies
- Support the development of a Cross Government Debt Management Strategy
- Enable departments to update advice providers on changes to collection practices



4. Discussion points

Questions

- Which groups may become more vulnerable as a result of Covid-19?
 - Any we're not expecting?
- How to provide holistic support - debt recovery plus?
- Capacity - funding and channel.