

The Rt Hon Jeremy Hunt MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

15<sup>th</sup> March 2023

**Calls for action on public debt in the upcoming spring Budget Statement**

Dear Chancellor,

We are writing to you as a coalition of organisations who are deeply concerned about the debt crisis people on the lowest incomes in Scotland and across the rest of the UK face. Specifically, we are alarmed at the increasing level of debt owed to public bodies by the poorest and the role this plays in trapping people in poverty.

**That is why we urge you to use the upcoming spring Budget Statement to commit to support those locked in a cycle of debt to public bodies, including through a 6-month moratorium on collection of debt and arrears to public bodies. We know this is contributing to rising poverty and limiting the impact of other measures nationally and locally which are intended to reduce child poverty.**

Many of our organisations are seeing increasing demand on hardship funds and financial support we provide to help those burdened with unsustainable levels of public debt. These debts typically include council tax arrears, Universal Credit advance payments, water charges, local authority service charges – and even school meal debt.

With unmanageable financial pressures for households on the lowest incomes many simply cannot absorb more costs as they fall deeper into debt trying to make ends meet. Paying back debt means households cannot afford to pay the bills and families are unable to buy the most basic essentials for their children.

Recent [research published by Aberlour](#) highlighted the scale of debt to public bodies owed by Scottish families with children in receipt of Universal Credit. This evidence shows that more than half of those families have their monthly income reduced by around 10%, equating to £80 on average, as a result of deductions by DWP to recover debts. This means that tens of thousands of families eligible for the Scottish Child Payment are not feeling the full benefit of that financial help as most of the increase in income it provides is cancelled out by deductions to cover these debts.

Further [research commissioned by the Robertson Trust](#) illustrated that those in Scotland on the lowest incomes are ten times more likely to have council tax arrears than those on the highest incomes. As a result, almost three quarters of those with debts to public bodies have avoided putting the heating on to save money, and more than half have cut down on meals. Public

authorities have a vital role in tackling poverty and should be at the forefront of the fight against the cost of living crisis, but instead through debt recovery measures they can actively compound it.

In addition, recent [research at a UK level by the Joseph Rowntree Foundation](#) has shown that almost half of households in receipt of Universal Credit have seen their monthly income reduced by deductions and caps. This can result in an individual household losing as much as 25% of their standard allowance through debt recovery by DWP.

We need government to respond urgently to help those affected by this debt crisis. That is why **we are calling on you to use the spring Budget Statement to support a moratorium on public debt recovery for at least 6 months** to give households breathing space and allow for reassessment of ability to repay debt and arrears. We believe such action will alleviate the pressure on those trapped in poverty as a result of debt to public bodies.

Given the rising tide of poverty and the impact of the ever-worsening cost of living crisis, urgent action using the debt and arrears levers available to the UK Government is vital to effectively respond to the emergency facing households across the UK. During the pandemic the UK Government took steps to protect those on the lowest incomes by pausing debt recovery by DWP for those on benefits. And so, we urge you to take the same action again now – when things are demonstrably far worse for the poorest households – to help those with the least who have been hit hardest by the current crisis.

We look forward to your response.

Kind regards,

*SallyAnn Kelly OBE, CEO, Aberlour*

*Dr Jim McCormick, CEO, The Robertson Trust*

*Peter Kelly, Director, Poverty Alliance*

*Satwat Rehman, CEO, One Parent Families Scotland*

*John Dickie, Director, Child Poverty Action Group Scotland*

*Philip Whyte, Director, IPPR Scotland*

*Polly Jones, Head of Scotland, Trussell Trust*

*Morag Treanor, Professor of Child and Family Inequalities, Heriot-Watt University*

*Mary Glasgow, CEO, Children 1<sup>st</sup>*

*Claire Telfer, Head of Scotland, Save The Children Scotland*

*Martin Dorchester, CEO, Includem*

*Christine Carlin, Director Scotland, Home-Start UK*

*Claire Burns, Director, CELCIS*

*Dr Judith Turbyne, CEO, Children in Scotland*

*Cheryl Ward, CEO, Family Fund*

*Jimmy Wilson, CEO, FARE Scotland*

*Pat Rafferty, Scottish Secretary, Unite the Union*

*Sara Redmond, Chief Officer, Health and Social Care Alliance Scotland (the ALLIANCE)*

*Dr Donald Macaskill, CEO, Scottish Care*

*Louise Hunter, CEO, Who Cares? Scotland*

*Andrea Bradley, General Secretary, Educational Institute of Scotland*

*Laura Millar, Strategic Manager, Fife Gingerbread*

*Sabir Zazai OBE, CEO, Scottish Refugee Council*

*Jacqueline Cassidy, Director for Scotland & Practice, The Fostering Network*

*Professor Chik Collins, Director, The Glasgow Centre for Population Health*

*Justina Murray, CEO, Scottish Families Affected by Alcohol and Drugs*