



Scraping the Barrel

The Cost of Living for
Social Housing Residents

Executive Summary

MONEY SAVING MOVEMENT

In association with
our partners:

Voluntas™
inspiring clarity

Solve

Background

For those living in lower income households, life today is the hardest it's been for a generation. While jobs offering decent pay are scarce, families and individuals are struggling to afford even the basics to get by - payday loans are being used for rent¹, unpaid bills are stacking up behind the sofa and ringing phones are being left unanswered in case it's debt collectors on the other end.

This is the reality of living on a low income in modern Britain today.

Already worse off, those on a low income are subject to the "Poverty Premium", where goods and services cost more to those who can least afford it. With limited financial provision to those in poverty, low income households are frequently forced to make dire decisions between getting ripped off or living in deprivation.

With such a huge gap between prices and wages, a whole industry of high-cost lenders has reared up since the recession, trapping people in damaging debt spirals. Rent arrears are on the rise, whilst the worst of the benefit cuts loom in the distance like a black cloud on the horizon.

People's lack of options are forcing them into destructive financial positions.

¹ Inside Housing, "78% of People Who Took Payday Loan Wanted Money For Food, Says Charity", October 2013

"Payday Loans Funding Rent and Mortgages, Shelter Says", January 2014

“ I’m struggling to feed the kids and I’m scraping the barrel really

Social Housing resident

13 million people are living below the poverty line in Britain - Oxfam

“ If you don’t have the money then you don’t have a choice

Low income household member

17% of people in the UK have no access to mainstream financial services - Bankruptcy Advice Service

“ I really have been struggling and I do not know where to go

Housing Association resident

Advice sought on problem debt has risen tenfold since 2009 - Citizens Advice Bureau



Our Approach

As part of the Cabinet Office backed [Public Service Launchpad](#), Money Saving Movement (MSM) embarked on a 6-month research process to explore how the cost of living affects those with low incomes.

Part of the research included partnering with leading market research agency Voluntas. Together we surveyed over 1,200 social housing residents across 10 forward-thinking and progressive Housing Associations across the country.

Two questions were asked within the resident surveys:

1. In the last six months, have you:
 - a. Been unable keep up with household essentials such as food, clothing, rent, heating and electricity?
 - b. Missed paying any household bills?
 - c. Borrowed money from either a payday or doorstep lenders?
 - d. Been unable to keep up repayments for money that you have borrowed?
 - e. Asked for support on keeping up with living costs?
2. If you needed financial help or you were struggling to pay your bills, where would you go?

This Executive Summary delivers the top-level findings of this market research.

We hope the summary will stimulate debate with and between housing professionals, service providers and communities over how to effectively prevent problem debt amongst low income households.

Key Findings

The vast majority of residents have experienced some form of hardship



94% have had financial difficulties in the last six months

Housing Associations are not seen as a primary source of support

Twice as many people would go to their bank for help (10%) than their Housing Association (5%)



Even the basics are a struggle for many



More than **2 in 5** struggle to keep up with household essentials (43%)

Friends and Family are where people go first for help

Of those who knew where they would turn,

48% said family & friends





Case Study: Jane Smith*

Single mum in her mid-30s, North London

“ When I was a student I took on a lot of debt to pay for my fees and living expenses. I was working as much as I could, but needed extra to support my daughter while I was studying.

I ended up taking out payday loans with Oakham, totalling around £1,100, though the total to repay was over £2000 after their interest was added.

By June last year I was still paying this off – I've got a 14 year old daughter, but was still made to pay £182 pcm. After all these years I'd rather give up my house than go to court to pay off this huge amount of debt.

I then signed off Job Seekers Allowance in November when a recruitment agency offered me a zero-hours contract. They provided me with hardly any hours, but because I was 'employed' my housing benefit got cut at the same time as my JSA.

Very quickly I racked up more than £2200 in rent arrears, but when my Housing Association financial support officer assessed my case, they said they couldn't help because of the size of the debt.

I felt so stressed and didn't know how to deal with things. Payday loans were so easy to get and they were building up so that my debt from my time as a student built up.

By last year, I'd racked up over £25,000 of debt, mainly with Oakham.

I got to the point where I couldn't get out of it. I was lucky – my dad ended up paying off the lot. I've learned my lesson and won't go there again, but I do have a new job starting and I'm worried about how that will affect my income this time...

”

*Name has been changed

The Time To Act Is Now

Since the financial crisis, the cost of living has risen by 25%.¹ In addition, in 2010 the cost of living was calculated as being on average £1,280 a year more expensive for those on a low income.²

But in 2015, further welfare cuts are looming that will cost those in poverty on average an extra £2,744 a year.³

This is highly likely to dramatically increase financial strain on those living on a low income. Social landlords share this view, as 84% of them expect rent arrears to rise in the next 12 months.⁴

For organisations that rely on revenue from low income households, failing to act could mean financial ruin. For those actually living on the edge, struggling to make ends meet and to keep their heads above water, the consequences may be rather more dire.

The next 12 months will be a critical time for those living in low income households. If ever there was a time to act on the cost of living, that time is now.

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To support this we invite you to attend our first innovation event on the 9th October at the Impact Hub Westminster. Details available at www.moneysavingmovement.com

¹ Joseph Rowntree Foundation, A Minimum Income Standard for the UK in 2013, June 2013

² Save the Children UK, The UK Poverty Rip-Off: The Poverty Premium 2010, 2011

³ The Centre for Welfare Reform, Counting the Costs of the Cuts, February 2014

⁴ Ipsos Mori/National Housing Association, Impact of Welfare Reform on Housing Associations: 2012 Baseline Report, January 2013

