DEMOS

THE DOUBLE WHAMMY

MAPPING THE UK'S PERSONAL DEBT

HARRY CARR
AMELIA STEWART

FEBRUARY 2022

This project was supported by Lowell

Published by Demos February 2022

15 Whitehall, London, SW1A 2DD
T: 020 3878 3955
hello@demos.co.uk
www.demos.co.uk

CONTENTS

ACKNOWLEDGEMENTS

We would like to thank Lowell for their generous support for this project.

Thanks to our colleagues at Demos for their crucial advice and support, and their comments on this report: Ben Glover, Polly Mackenzie, Maeve Thompson, Kosta Juri, Josh Tapper, Courtney Stephenson, Bibi Nubir, Heather Williams-Taplin and Andrew Phillips.

Harry Carr and Amelia Stewart

February 2022

EXECUTIVE SUMMARY

Credit - frequently free to the wealthy to spend on luxury items and holidays - is often prohibitively expensive or simply non-existent to those who most need it, seeking to keep food on the table and a roof overhead when faced with a burst water pipe or a lost job.

The double blow of financial vulnerability and lack of access to affordable credit are particularly toxic, and self-perpetuating, when experienced together. When a crisis hits, the vulnerable are left to choose between high interest loans they may not be able to pay back meaning they have to go without basic necessities, and in the worst cases, resulting in crime or homelessness. It also damages the wider economy, with public spending cut back by individuals servicing expensive debts or forced to go without essentials.

Combining Demos' Good Credit Index and Lowell's Financial Vulnerability Index, this report identifies the areas hit hardest by these interconnected difficulties. The problem is most acute in areas earmarked as priorities for Levelling Up. These places are also the likely electoral battlegrounds for the next general election across former Red Wall constituencies, focused especially in ex-industrial towns in the north east of England. Middlesbrough is the worst affected area in the country by this personal debt crisis.

Yet focusing only on towns and marginal seats would ignore the places most at risk of debt crises, as cities outside of London are also considerably more affected than anywhere else. It is vital that action to tackle this crisis - as with Levelling Up more widely - does not neglect some of the worst affected areas because they are in cities and tend to have safer seats.

In order to respond to this crisis, we must tackle three issues: dealing with underlying issues of deprivation; expanding the affordable credit market; and providing place-based approaches tailored to the particular needs and attitudes of the local area.

In particular, further research should be undertaken to explore where and whether access to a wider range of data could be feasible to bolster the credentials of those with thin or adverse credit histories, where relevant behaviours and factors around their financial situations are currently invisible to credit providers. This could include the likes of debt repayments, rental payments, and benefit payments. Particular focus is needed on supporting those receiving county court judgements for debt (CCJs), which often have long-lasting negative impacts and make credit rehabilitation very difficult.

SUMMARY OF RECOMMENDATIONS

To deal with the underlying causes of the personal debt crisis, this government should:

1. Consider what short-term reforms can be made to increase benefit generosity, and how to build public support for a more generous benefits system in the long-term.
2. Consider how to reduce the Universal Credit (UC) credit taper rate further.
3. Boost uptake of the Help To Save scheme by actively promoting it more to UC claimants.
4. Offer UC claimants one-off financial products, such as bonds or a financial resilience grant.
5. Audit all UC claimants to identify people at risk of problem debt and provide dedicated, tailored support for avoiding and getting out of debt.

To improve the County Court Judgement process with a particular view to protecting vulnerable people who cannot pay back the debts, we recommend that this government:

6. Unpause the Ministry of Justice (MoJ)'s reforms to provide County Court bailiffs with live data and digital equipment to ensure agents receive data in real-time, avoiding visits that are no

longer necessary.

7. Promote interdepartmental data sharing (e.g DWP and MoJ) so courts are better able to identify vulnerable individuals who can't pay, allowing claimants to cease claims where recovery is unlikely.

8. Speed up implementation of the Online Court, as suggested in Lord Justice Briggs' 2016 report, to increase access to information to the public.

To tackle problem debt, which is strongly associated with mental health issues, we also recommend that this government:

9. Look at raising the financial threshold criteria for individuals to enter a Debt Relief Order.

10. Maintain record levels of funding for debt advice and consider boosting funding for debt advice in high-priority areas.

To expand access to affordable credit, we recommend that the government:

11. Expand the No Interest Loan Scheme (NILS) pilot to more areas of high deprivation, targeting high-priority regions including the North East, ex-industrial towns and core cities as a part of a Levelling Up agenda.

12. Support sustainable alternatives to high-cost credit, potentially with subsidies or investment incentives for community finance providers.

Meanwhile, to enable these alternatives to high-cost credit, the Financial Conduct Authority should also:

13. Work with mainstream commercial lenders to overcome barriers to entering this market.

To facilitate credit rehabilitation by offering low-cost credit to those who most need it, further research is needed to:

14. Develop a system which automatically matches up those with satisfied CCJs to Credit Unions.

Access to affordable credit and financial vulnerability are geographic issues, therefore this government should:

15. Redouble efforts to build more affordable social housing in wealthier areas.

Finally, there is a need to:

16. Undertake further research to understand how access to a greater data set could improve the credit ratings of those with poor credit histories.

INTRODUCTION

This report overlays Demos' Good Credit Index and Lowell's Financial Vulnerability Index, allowing us to map a personal debt crisis across the UK to show the places that are most in need of affordable credit, and where it is least available.

The Good Credit Index measures the accessibility of affordable credit in different areas across three key strands:

1. **Credit need.** Are people in need of credit? It includes indicators such as the percentage of households struggling to keep up with bills, the percentage of people on low incomes and the volume of credit searches.
2. **Credit scores.** Do people have sufficiently high credit scores to access credit options with lower interest rates?
3. **Credit environment.** What type of credit does the local high street offer? This strand classes bank branches, free cash points and credit unions as positive factors and payday lenders as negative factors.

These are combined to provide an overall measure of credit availability in each Local Authority across the UK. Further details and standalone analysis of the latest Good Credit Index report can be found here.[1]

The Financial Vulnerability Index measures the financial vulnerability of different areas across six components that capture a household's ability to manage daily finances and resilience to economic shocks:

1. **Carrying defaulted debt**
2. **Using alternative financial products**
3. **Claiming social benefits**
4. **Lacking emergency savings**
5. **Holding a high-cost loan**
6. **Relying heavily on credit**

These are combined to provide an overall measure of financial vulnerability in each parliamentary constituency across the UK. Further details and standalone analysis of the Financial Vulnerability Index can be found in a report and data tool produced as a joint project by Lowell and the Urban Institute.[2] [3]

By combining these two indices, we identify the places most prone to the toxic combination of a desperate need for affordable credit, and the absence of it: the credit deserts inhabited by the most metaphorically parched.

We are in the midst of a private debt crisis - one that preceded the Covid pandemic and has only been worsened by it. We hope this analysis will help policymakers and politicians grasp and grapple with the shape and size of this issue and form a policy response, for a problem of this magnitude which will only continue to grow if ignored.

1 Williams Taplin, H., Jeyabraba, M. and Lasko-Skinner, R. The Good Credit Index. Demos, 2021. Available at The Good Credit Index 2021 - Demos [accessed 10/02/2022]
2 Braga, B. and others. Financial Vulnerability in the United Kingdom. Urban Institute and Lowell, 2021. Available at Financial Vulnerability in the United Kingdom (urban.org) [accessed 10/2/2022]
3 Braga, B. and others. Tracking Financial Vulnerability in the UK. Urban Institute and Lowell, 2021. Available at: Tracking Financial Vulnerability in the UK (urban.org) [accessed 10/2/2022]

METHODOLOGY

The key challenge in overlaying the Good Credit Index (GCI) and Financial Vulnerability Index (FVI) is the different geographies of the indices. The GCI maps credit availability by local authority, while the FVI maps financial vulnerability by parliamentary constituency. Local authorities and parliamentary constituencies in the UK are not contiguous.

Further details on the methodologies for the Good Credit Index (GCI) and Financial Vulnerability Index (FVI) can be found in their respective individual reports.[4 5]

In order to combine the two indices, we needed to find a way to map parliamentary constituencies onto local authorities. In order to do this, we used electoral wards, which form both parliamentary constituencies and local authorities.

First, we worked out a figure for the proportion of the population of each local authority (LA) which is composed of people from each parliamentary constituency - so for example, 66% of the population of Barking and Dagenham LA is in Barking constituency. FVI figures by local authority are then a function of the original FVI parliamentary constituency figures weighted to reflect the proportion of each local authority made up by each constituency. So, as the population of Barking and Dagenham local authority is 66% in Barking parliamentary constituency, and 34% in Dagenham and Rainham parliamentary constituency, this makes the FVI figures for Barking and Dagenham 0.66 x Barking's FVI + 0.34 x Dagenham and Rainham's FVI.

There are 18 sub-threshold wards which are smaller than Output Areas and therefore will not have separate OA estimates for population size attached to them. These are subsumed into other wards as follows:

TABLE 1

ASSUMING WARD	SUBTHRESHOLD WARDS
Aldersgate	Cheap
Bishopsgate	Broad Street, Candlewick, Cornhill and Lime Street
Cripplegate	Bassishaw and Coleman Street
Farringdon Within	Bread Street and Castle Baynard
Queenhithe	Cordwainer, Dowgate, Vintry and Walbrook
St. Agnes	Bryher
Tower	Aldgate, Billingsgate, Bridge and Langbourn

4 Williams Taplin, H., Jeyabraba, M. and Lasko-Skinner, R. The Good Credit Index. Demos, 2021. Available at The Good Credit Index 2021 - Demos [accessed 10/02/2022]
5 Braga, B. and others. Financial Vulnerability in the United Kingdom. Urban Institute and Lowell, 2021. Available at Financial Vulnerability in the United Kingdom (urban.org) [accessed 10/2/2022]

For local authorities which have merged into a single city authority since we began the GCI, the data for the GCI dates back to 2018 rather than 2020. These are:

TABLE 2

Bournemouth
Poole
Aylesbury Vale
Chiltern
South Bucks
Wycombe
Christchurch
East Dorset
North Dorset
Purbeck
West Dorset
Weymouth and Portland
Folkestone & Hythe
Corby
Daventry
East Northamptonshire
Kettering
Northampton
South Northamptonshire
Wellingborough
Taunton Deane
West Somerset
Forest Heath
St Edmundsbury
Suffolk Coastal
Waveney

We chose to exclude the Isles of Scilly, the Orkney and Shetland Islands, the Outer Hebrides and the City of London, for which the GCI was unreliable due to their small populations.

In Northern Ireland, population size (as per 2011 Census data) is only available for former electoral wards dating to 1992 (and not for electoral wards as they are now). Where there are wards now with the same name as former electoral wards, we have taken the population size for the former electoral wards to hold for their contemporary namesakes. For contemporary electoral wards whose names do not match any former electoral wards, we have assumed the population size of wards for which we are not able to provide an accurate population size to be the same as the average population size of the other wards that share a local authority for which we are able to find a population size.

Analysis by conurbation type uses the classification defined by the House of Commons Library, with additional analysis separating London from other core cities.[6] This classification excludes local authorities in Northern Ireland.

Analysis by the Levelling Up Fund priority category is based on the government's index. Figures are not provided for Northern Ireland, or for local authorities which have recently been combined into single city authorities.[7]

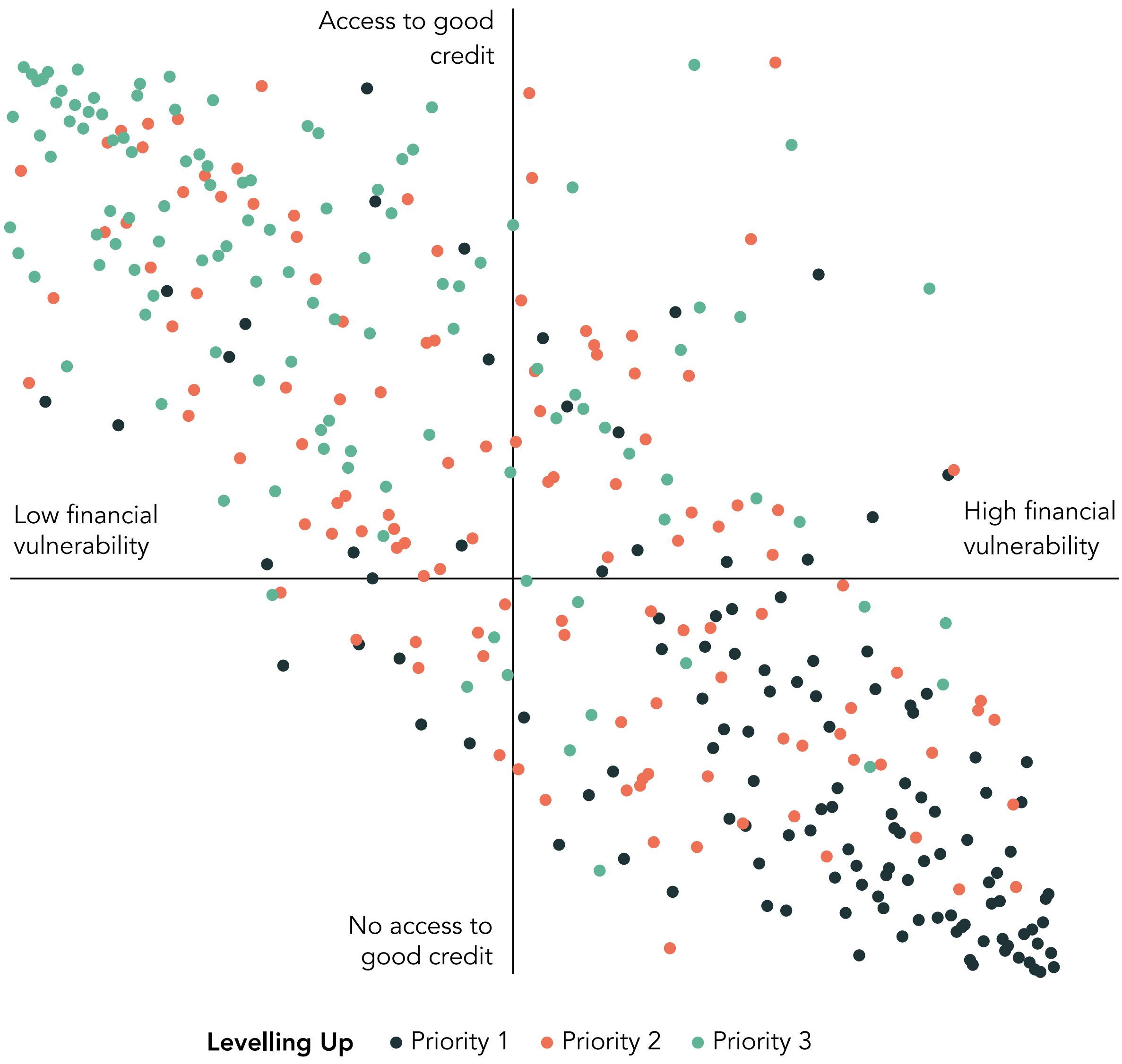
Analysis by town type is based on Demos' typology of towns. Methodology for this can be found in our Future of Towns report.[8] The typology does not cover Northern Ireland.

6 Baker, C. City and Town Classification of Constituencies and Local Authorities. House of Commons Library, 2018. Available at City & Town Classification of Constituencies & Local Authorities - House of Commons Library (parliament.uk) [accessed 10/2/2022]
7 Department for Levelling Up, Housing and Communities. Levelling Up Fund list of local authorities by priority category. DLUHC, 2021. Available at Levelling_Up_Fund_list_of_local_authorities_by_priority_category.xlsx (live.com) [accessed 10/02/2022]
8 Glover, B., Carr, H. and Smith, J. The Future of Towns. Demos, 2020. Available at The Future of Towns - Demos [accessed 10/02/2022]

ANALYSIS

We find a strong correlation (correlation coefficient of 0.77) between the two indices. It is proof of just how expensive it is to be poor that the more financially vulnerable you are, and the more you need affordable credit, the less likely it is to be available to you. As can be seen on the scatter diagram, there is a strong correlation between financial vulnerability, poor access to credit, and being a priority area in the Levelling Up agenda.

FIGURE 1



Moreover, when we look into the component figures of the FVI, we see just how self-perpetuating this cycle of poverty and poor access to credit is.

TABLE 3

	CORRELATION WITH GCI
Share of adults who are Lowell consumers in default	0.88
Share of adults claiming social benefits	0.76
Share of Lowell consumers with high-cost loans	0.54
Share of adults using alternative financial products	0.37
Share of adults without emergency savings	0.49
Average credit use among Lowell consumers	0.05

Every strand within FVI is positively correlated with a lack of affordable credit. The weaker correlation between average credit use and financial vulnerability is explained by the fact that financially vulnerable people are most likely to need credit, but also least likely to have ready access to it.

The most highly correlated strand of FVI with GCI is the number of people in default, with other high degrees of correlation with the share of adults claiming social benefits, the number of consumers with high-cost loans, and the share of adults without emergency savings - all of which in turn are highly correlated with each other.

What does this mean? A low income (often drawn partially or fully through social welfare payments) means people are more likely to lack emergency savings and are therefore more likely to require credit to access basic necessities in emergencies. Having low incomes, they are also more likely to struggle to pay back the loan and are more likely to default on their debts, which makes that struggle to access good credit yet harder, and worsens their financial situation.

The worst affected areas are shown in the table below. Note the GCI and FVI have been ranked such that the number 1 ranked area for GCI has the least access to affordable credit, and the number 1 ranked area for FVI is the most financially vulnerable.

TABLE 4

LA NAME	FVI	GCI	GCI RANK	FVI RANK	GCI-FVI RANK	REGION	LEVELLING UP PRIORITY GROUP	TOWNS TYPOLOGY	CONURBATION CATEGORY
Middlesbrough	64.4	97.2	3	1	2	North East	1	Not a town	Other City
Blackpool	61.4	95.7	1	6	3.5	North West	1	Ex-industrial towns	Large Town
Kingston upon Hull, City of	60.0	96.3	2	8	5	Yorkshire and The Humber	1	Not a town	Other City
Knowsley	63.0	98.3	9	2	5.5	North West	1	Ex-industrial towns	Core City
Wolverhampton	59.8	97.9	5	10	7.5	West Midlands	1	Hub-and-spoke towns	Other City
Liverpool	61.0	98.6	13	7	10	North West	1	Not a town	Core City
Oldham	59.0	98.0	7	14	10.5	North West	1	Hub-and-spoke towns	Large Town

LA NAME	FVI	GCI	GCI RANK	FVI RANK	GCI-FVI RANK	REGION	LEVELLING UP PRIORITY GROUP	TOWNS TYPOLOGY	CONURBATION CATEGORY
Hartlepool	61.6	99.1	22	5	13.5	North East	1	Ex-industrial towns	Large Town
Birmingham	59.9	99.0	19	9	14	West Midlands	1	Hub-and-spoke towns	Core City
Newham	58.0	98.5	10	19	14.5	London	1	Not a town	London
Manchester	59.1	98.9	17	12	14.5	North West	1	Not a town	Core City
Sandwell	58.1	98.6	12	18	15	West Midlands	1	Hub-and-spoke towns	Medium Town
Blaenau Gwent	55.8	97.8	4	31	17.5	Wales	1	Ex-industrial towns	Small Town
Rochdale	57.8	98.8	15	20	17.5	North West	1	Hub-and-spoke towns	Large Town
Sunderland	61.8	99.6	32	4	18	North East	1	Ex-industrial towns	Other City
South Tyneside	62.5	99.7	34	3	18.5	North East	1	Ex-industrial towns	Large Town
Stoke-on-Trent	55.7	97.9	6	32	19	West Midlands	1	Not a town	Other City
Bradford	56.8	98.8	14	27	20.5	Yorkshire and The Humber	1	Hub-and-spoke towns	Other City
St. Helens	57.2	99.4	31	21	26	North West	1	Ex-industrial towns	Large Town
Salford	58.9	99.8	37	15	26	North West	1	Hub-and-spoke towns	Large Town

There is remarkable consistency across the worst scoring areas for both indices - all but one of the top 10 LAs in the combined GCI-FVI are in the top 20 for each individual index. Middlesbrough is notable as the worst affected area in the country for financial vulnerability, and the third worst area for credit availability, and all of the top 5 (Middlesbrough, Blackpool, Hull, Knowsley and Wolverhampton) are in the top 10 for both scores.

Other patterns that stand out starkly in the worst hit areas do also hold out more generally. This is a problem that is present in every region of the country, but is particularly prevalent in the north of England and particularly the north east. There is a very clear overlap between the worst hit areas and the local authorities earmarked as top priorities for Levelling Up funding; ex-industrial and hub-and-spoke towns are disproportionately affected, but it is not a phenomenon restricted to towns - cities (including parts of London) are also heavily impacted.

TABLE 5
LOOKING AT THE OVERALL RESULTS BY REGION HIGHLIGHTS THE PROBLEM FACING THE NORTH OF ENGLAND

REGION	AVERAGE FVI	AVERAGE GCI	AVERAGE FVI-GCI RANK
North East	59.1	100.8	44.0
North West	50.3	102.3	122.5
Wales	49.4	102.6	123.7
Yorkshire and The Humber	46.2	103.0	163.2
Scotland	45.7	103.7	170.5
East Midlands	46.2	103.9	171.1
West Midlands	46.7	103.8	172.7
London	46.0	104.8	182.3
Northern Ireland	44.9	104.5	195.1
East of England	40.6	105.0	239.9
South West	39.3	105.3	255.6
South East	39.5	106.3	269.1

Regions in the north of England make up three of the four worst affected, together with Wales, while regions in the south of England excluding London are least affected. London is unsurprisingly a region with particular inequalities, with extremes at the most deprived end (such as Newham) and among the least deprived (Richmond upon Thames being the least affected area in the country).

The north east fares considerably worse than every other region, being the worst off region by both FVI and GCI.

These areas in the north east of England hold particular importance to the government, as they are key areas targeted by the Levelling Up agenda and they make up the former Red Wall constituencies - the traditional Labour heartlands that have "gone blue" in recent years. For example, Middlesbrough and Hartlepool are two of the top ten worst affected areas by the personal debt crisis, and are particularly prominent constituencies having voted respectively for the Conservatives in the Tees Valley mayoral election and in a parliamentary by-election in 2021.

We saw above that the very worst affected LAs are almost all also in the government's top priority group for Levelling Up funding. Again, looking across the rest of the country, we find that pattern holds throughout:

TABLE 6

LEVELLING UP PRIORITY GROUP	AVERAGE FVI	AVERAGE GCI	AVERAGE FVI-GCI RANK
1	50.7	101.5	100.8
2	44.1	104.6	200.4
3	40.0	106.8	275.2

Financial vulnerability and access to affordable credit are both clearly correlated with the priority placed on Levelling Up funding for LAs by the government's official index. As such, tackling the personal debt crisis through the lens of good credit should form a central part of the Levelling Up agenda.

The problems facing the UK's towns has become a cause celebre over the last few years, only heightened by the 2017 advent of the influential Centre for Towns and the Conservatives' success in northern towns that had once been Labour heartlands in the 2019 general election.

In 2020, Demos' report The Future of Towns looked to explore the problems facing different types of towns, and what people living in them want the future of their towns to look like. In order to enable this analysis, we created a new typology of towns.[9]

Towns were split into the following categories:

- **Affluent towns:** towns of this type are more prosperous, older, and less ethnically diverse than average, and are more likely to be found in rural areas.
- **Rural towns:** towns in rural areas that are less well off than affluent towns and do not have a coastline.
- **Hub-and-spoke towns:** comparatively urban towns that are often satellite towns of bigger cities, or are hub towns with their own satellites. These towns have higher levels of ethnic diversity.

9 Glover, B., Carr, H. and Smith, J. The Future of Towns. Demos, 2020. Available at The Future of Towns - Demos [accessed 10/02/2022]

- **Ex-Industrial towns:** towns whose traditional industries have disappeared. A greater proportion of people here work in manufacturing, but also face problems of unemployment and wider social issues.
- **Coastal towns:** towns defined by their coastal geography, they tend to be older than average.

TABLE 7
SUMMARY OF DEMOS' TYPOLOGY FOR TOWN TYPE CLASSIFICATION

TOWN TYPE	RESIDENT POPULATION	PERCENTAGE OF TOWN POPULATION	NUMBER OF TOWNS	EXAMPLES
Affluent towns	7,319,084	24%	270	Guildford, Colchester, Stockport, Newton Mearns
Rural towns	5,958,123	19%	326	Hereford, Taunton, King's Lynn, Dumfries
Hub-and-spoke towns	6,065,360	20%	152	Huddersfield, Worthing, Sutton Coldfield, Queensferry
Ex-industrial towns	9,581,880	31%	345	Doncaster, Darlington, Chatham, Kirkcaldy
Coastal towns	1,973,483	6%	89	Torquay, Newport, Scarborough

Further details and methodological notes can be found in the Future of Towns report.[10]

Our analysis revealed that, while towns are more affluent than (non-London) cities overall, some types of town - particularly ex-industrial towns - face real deprivation.

Applying this typology to the FVI and GCI, we can see that ex-industrial towns are the worst-affected by the private debt crisis. This again reflects the fact that financial vulnerability and lack of access to affordable credit is both a symptom and a cause of other types of deprivation, and highlights the need for targeted action in areas where these self-perpetuating cycles are particularly rife.

10 Glover, B., Carr, H. and Smith, J. The Future of Towns. Demos, 2020. Available at The Future of Towns - Demos [accessed 10/02/2022]

TABLE 8

TOWNS TYPOLOGY	AVERAGE FVI	AVERAGE GCI	AVERAGE FVI-GCI RANK
Ex-industrial towns	50.5	101.6	101.2
Hub-and-spoke towns	48.6	102.0	125.1
Not a town	47.1	103.5	158.7
Coastal towns	43.8	103.9	191.5
Rural towns	41.2	105.7	248.4
Affluent towns	39.2	107.2	287.8

This should be of particular note to all three major parties, as there is a great deal of overlap between the areas worst affected by the private debt crisis, and key marginal seats, particularly in ex-industrial towns in the north of England such as Blackpool and Hartlepool.

However, to focus exclusively on towns - and on electoral battlegrounds - would be to ignore the worst affected places in the country: cities.

Looking at the results by type of conurbation, it is cities other than London which are the epicentre of the personal debt crisis, with core cities and other cities both leading on financial vulnerability and lagging on credit availability compared with every other conurbation type.

TABLE 9

CONURBA-TION TYPE	AVERAGE FVI	AVERAGE GCI	AVERAGE FVI-GCI RANK
Core City	51.7	101.5	101.3
Other City	49.2	101.1	109.6
Large Town	46.3	103.1	160.6
London	46.0	104.8	182.3
Small Town	43.9	104.5	201.2
Medium Town	44.4	104.7	202.1
Village or Smaller	40.9	106.1	256.8

As with the wider Levelling Up agenda, if only towns and marginal seats are prioritised, it will be at the expense of the areas of the country where the need is greatest. Cities outside of London (though again, there are areas of London which also face real hardship) are the most financially vulnerable areas to live in the UK, have the least access to affordable credit, and are also the most deprived on a wide array of other metrics. Ignoring ex-industrial towns in the north east would be electorally toxic; ignoring the hardships in the UK's cities for reasons of political expediency would mean failing to tackle the heart of this issue.

THE IMPORTANCE OF INTEGRATION AND CONNECTION

Hints at how to tackle the dual problems of financial vulnerability and poor credit availability may be found in some of the outliers in the analysis.

Looking at areas with the biggest gaps between their FVI and GCI, where there is good access to credit despite high levels of vulnerability, there is a clear pattern: they are areas well-known for the prosperous and deprived living side by side. These include cities (primarily London) where extremes of wealth and poverty are neighbours, and idyllic rural areas populated by a mix of relatively deprived local communities and wealthier career-changers, remote workers and retirees.

TABLE 7

LA NAME	FVI	GCI	GCI RANK	FVI RANK	GCI-FVI RANK
Kensington and Chelsea	49.1	117.5	387	104	245.5
Wandsworth	49.3	108.7	352	98	225
Westminster	47.4	114.4	386	134	260
Hammersmith and Fulham	53.6	106.5	291	47	169
Trafford	50.4	106.6	297	88	192.5
Vale of Glamorgan	48.8	107.2	312	113	212.5
Camden	44.4	110.1	374	195	284.5
Cornwall	54.9	104.7	214	38	126
Northumberland	54.6	104.6	212	40	126
Solihull	48.7	106.2	279	117	198

TABLE 8

LA NAME	FVI	GCI	GCI RANK	FVI RANK	GCI-FVI RANK
Weymouth and Portland	39.2	102.0	101	280	190.5
Taunton Deane	36.8	103.3	148	324	236
Gloucester	38.9	102.6	131	286	208.5
Purbeck	36.9	103.8	166	320	243
Waveney	43.7	101.0	65	207	136

LA NAME	FVI	GCI	GCI RANK	FVI RANK	GCI-FVI RANK
St Edmundsbury	37.8	103.9	170	305	237.5
Corby	47.0	98.6	11	143	77
Forest of Dean	33.5	105.4	243	374	308.5
Poole	38.5	103.7	163	293	228
Hastings	45.1	100.7	55	184	119.5

Further research would be welcome to explain this phenomenon. Our hypothesis is that this is likely to reflect the difficulty of providing a single index number for locations which are home to communities at the extremes of wealth and deprivation. However, at a first look, it would appear that a greater degree of proximity to and connection with relatively affluent areas is beneficial to the accessibility of affordable credit - and greater degrees of isolation and disconnection from other areas is correlated with disproportionate difficulty in accessing credit. Among other benefits, creating closer connections within and across different communities appears to offer greater credit accessibility.

RECOMMENDATIONS
WHAT CAN BE DONE?

The recommendations from the latest Good Credit Index report still hold - indeed, the case for and urgency of them is strengthened by the findings of this report.

At the core of the credit issue is the need to tackle poverty and economic deprivation, the root causes of the personal debt crisis. These are large, systemic issues, and would require significant investment from the government. However, we believe that this investment would pay off as it would improve the long-term financial situation of many families and individuals.

UNIVERSAL CREDIT CLAIMANTS

It is vital that we deal with the underlying causes of the personal debt crisis. With inflation reaching 5.5% in January - the highest level since 1992 - and more families facing fuel poverty with electricity prices set to soar, people urgently need more cash to keep them afloat and protect them from getting into debt.[11] To that end, the government should:

1. **Consider what short-term reforms can be made to increase benefit generosity, and how to build public support for a more generous benefits system in the long-term**

Successive governments have long emphasised the importance of work as a way out of economic hardship. While we welcome the government's recent reduction in the UC credit taper from 63% to 55% in December 2021, the taper is still too high and prevents UC claimants from properly benefiting from their work and deters people from taking on more work.

Given this, the government should:

2. **Consider how to reduce the UC credit taper rate further.**

The Help to Save scheme offers a 50% bonus on the amount saved for UC claimants and those receiving working tax credit, up to a maximum of £1,200 over four years.[12] This encourages low-income earners to build up their savings and create a cushion that could help them avoid taking out loans or credit if they were to hit unexpected financial difficulty.

Given the scheme offers a strong incentive to building up financial resilience, the government should look to:

3. **Boost uptake of the Help To Save scheme by actively promoting it more to UC claimants.**

Additionally, a concerted effort should be made to build the financial resilience of UC claimants and reduce their need for credit. As such, the government should:

4. **Offer UC claimants one-off financial products, such as bonds or a financial resilience grant.**

Moreover, the DWP should take a more proactive approach to stopping people from falling into problem debt. As such, the DWP should:

5. **Audit all UC claimants to identify people at risk of problem debt and provide dedicated, tailored support for avoiding and getting out of debt.**

11 Office for National Statistics. Consumer Price Inflation. ONS, 2022. Available at Consumer price inflation, UK - Office for National Statistics [accessed 16/02/2022]
12 Owen, C. Help to Save: Government Scheme offers a 50% saving bonus. Money Saving Expert, 2022. Available at Help to Save: Government scheme offers a 50% savings bonus - MSE (moneysavingexpert.com) [accessed 10/02/2022]

COUNTY COURT JUDGEMENTS (CCJS)

Those who have received CCJs for debt deal with long-lasting and significant negative impacts to their credit rating. While there are many problems with the CCJ system - and this paper cannot adequately address all of them - we do urgently recommend that the government rapidly speeds up the digitalisation of the process to prevent unnecessary harm caused by delays in information sharing.

The current court system is a mixture of digital and paper based, but remains largely inefficient and this can have a negative effect on key parts of the process, such as the issuing of CCJS and Warrants of Control (bailiffs). As such, the government should:

6. **Unpause the MoJ's reforms to provide County Court bailiffs with live data and digital equipment to ensure agents receive data in real-time, avoiding visits that are no longer necessary.**
7. **Promote interdepartmental data sharing (e.g DWP and MoJ) so courts are better able to identify vulnerable individuals who can't pay, allowing claimants to cease claims where recovery is unlikely.**
8. **Speed up implementation of the Online Court, as suggested in Lord Justice Briggs' 2016 report, to increase access to information to the public.**

Debt Relief Orders (DROs) stop creditors from recovering money without the court's permission and usually discharge the person from their debts after 12 months. They only can be obtained by people who owe less than £30,000 without much spare income and who do not own their own home. As a low-cost alternative to bankruptcy and a means to alleviate problem debt, which is strongly linked to mental health issues, we would recommend that the government:

9. **Look at raising the financial threshold criteria for individuals to enter a Debt Relief Order.**

We would also support the government's efforts to tackle the personal debt crisis through the Money and Pensions Service, and recommend that the government:

10. **Maintain record levels of funding for debt advice and consider boosting funding for debt advice in high-priority areas.**

OTHER CREDIT SCHEMES

No interest loans allow people to repay emergency and essential costs in small and interest-free installments, without having to take out expensive and unaffordable credit. The use of regulated consumer credit and informal borrowing from friends and family increased over the pandemic.

Those aged 19-24 in particular depended on family and friends; informal borrowing amongst this group rose from 12% in 2017 to 19% in 2020.

Given the urgent need for greater access to affordable and formal credit, we are supportive of the Treasury giving £3.8 million to fund the No Interest Loan Scheme (NILS) pilot last year, and we recommend that the government:

11. **Expand the NILS pilot to more areas of high deprivation, targeting high-priority regions including the North East, ex-industrial towns and core cities as a part of a Levelling Up agenda.**

The FCA should also prioritise the implementation of the Woolard Review's proposals to support other sustainable alternatives to high-cost credit. This would mean that they:

12. **Support sustainable alternatives to high-cost credit, potentially with subsidies or investment incentives for community finance providers.**

The FCA should also:

13. **Work with working with mainstream commercial lenders to overcome barriers to entering this market.**

CREDIT UNIONS

Credit Unions facilitate credit rehabilitation by offering low-cost credit to those who most need it. However, many people are still unaware of the services they offer for all the valuable work they do, and they are often underutilised. Credit Unions could be a valuable way of reintroducing in particular those with satisfied CCJs to the credit market. As such, further research is needed to:

14. **Develop a system which automatically matches up those with satisfied CCJs to Credit Unions.**

HOUSING

This report has shown that access to affordable credit and financial vulnerability are geographic issues. Geographic mobility and integration are key to enabling more financially vulnerable people to benefit from better access to good credit simply by living in close proximity to wealthier people. Given this, the government should:

15. **Redouble efforts to build more affordable social housing in wealthier areas.**

FURTHER RESEARCH

Key to tackling the personal debt crisis is exploring how access to more information could bolster the credentials of those struggling to access good credit. For example, people who could prove they have turned their life around in a major way - such as fully recovering from an addiction linked to their history of debt - could use this information to improve their credit rating.

As such, there is a need to:

16. **Undertake further research to understand how access to a greater data set could improve the credit ratings of those with poor credit histories.**

Licence to publish

Demos – Licence to Publish

The work (as defined below) is provided under the terms of this licence ('licence'). The work is protected by copyright and/or other applicable law. Any use of the work other than as authorized under this licence is prohibited. By exercising any rights to the work provided here, you accept and agree to be bound by the terms of this licence. Demos grants you the rights contained here in consideration of your acceptance of such terms and conditions.

1 Definitions

a 'Collective Work' means a work, such as a periodical issue, anthology or encyclopedia, in which the Work in its entirety in unmodified form, along with a number of other contributions, constituting separate and independent works in themselves, are assembled into a collective whole. A work that constitutes a Collective Work will not be considered a Derivative Work (as defined below) for the purposes of this Licence.

b 'Derivative Work' means a work based upon the Work or upon the Work and other pre-existing works, such as a musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which the Work may be recast, transformed, or adapted, except that a work that constitutes a Collective Work or a translation from English into another language will not be considered a Derivative Work for the purpose of this Licence.

c 'Licensor' means the individual or entity that offers the Work under the terms of this Licence.

d 'Original Author' means the individual or entity who created the Work.

e 'Work' means the copyrightable work of authorship offered under the terms of this Licence.

f 'You' means an individual or entity exercising rights under this Licence who has not previously violated the terms of this Licence with respect to the Work, or who has received express permission from Demos to exercise rights under this Licence despite a previous violation.

2 Fair Use Rights

Nothing in this licence is intended to reduce, limit, or restrict any rights arising from fair use, first sale or other limitations on the exclusive rights of the copyright owner under copyright law or other applicable laws.

3 Licence Grant

Subject to the terms and conditions of this Licence, Licensor hereby grants You a worldwide, royalty-free, non-exclusive, perpetual (for the duration of the applicable copyright) licence to exercise the rights in the Work as stated below:

a to reproduce the Work, to incorporate the Work into one or more Collective Works, and to reproduce the Work as incorporated in the Collective Works;

b to distribute copies or phono-records of, display publicly, perform publicly, and perform publicly by means of a digital audio transmission the Work including as incorporated in Collective Works; The above rights may be exercised in all media and formats whether now known or hereafter devised. The above rights include the right to make such modifications as are technically necessary to exercise the rights in other media and formats. All rights not expressly granted by Licensor are hereby reserved.

4 Restrictions

The licence granted in Section 3 above is expressly made subject to and limited by the following restrictions:

a You may distribute, publicly display, publicly perform, or publicly digitally perform the Work only under the terms of this Licence, and You must include a copy of, or the Uniform Resource Identifier for, this Licence with every copy or phono-record of the Work You distribute, publicly display, publicly perform, or publicly digitally perform. You may not offer or impose any terms on the Work that alter or restrict the terms of this Licence or the recipients' exercise of the rights granted hereunder. You may not sublicence the Work. You must keep intact all notices that refer to this Licence and to the disclaimer of warranties. You may not distribute, publicly display, publicly perform, or publicly digitally perform the Work with any technological measures that control access or use of the Work in a manner inconsistent with the terms of this Licence Agreement. The above applies to the Work as incorporated in a Collective Work, but this does not require the Collective Work apart from the Work itself to be made subject to the terms of this Licence. If You create a Collective Work, upon notice from any Licensor You must, to the extent practicable, remove from the Collective Work any reference to such Licensor or the Original Author, as requested.

b You may not exercise any of the rights granted to You in Section 3 above in any manner that is primarily intended for or directed toward commercial advantage or private monetary compensation. The exchange of the Work for other copyrighted works by means of digital file sharing or otherwise shall not be considered to be intended for or directed toward commercial advantage or private monetary compensation, provided there is no payment of any monetary compensation in connection with the exchange of copyrighted works.

c If you distribute, publicly display, publicly perform, or publicly digitally perform the Work or any Collective Works, you must keep intact all copyright notices for the Work and give the Original Author credit reasonable to the medium or means You are utilizing by conveying the name (or pseudonym if applicable) of the Original Author if supplied; the title of the Work if supplied. Such credit may be implemented in any reasonable manner; provided, however, that in the case of a Collective Work, at a minimum such credit will appear where any other comparable authorship credit appears and in a manner at least as prominent as such other comparable authorship credit.

5 Representations, Warranties and Disclaimer

a By offering the Work for public release under this Licence, Licensor represents and warrants that, to the best of Licensor's knowledge after reasonable inquiry:

i Licensor has secured all rights in the Work necessary to grant the licence rights hereunder and to permit the lawful exercise of the rights granted hereunder without You having any obligation to pay any royalties, compulsory licence fees, residuals or any other payments;

ii The Work does not infringe the copyright, trademark, publicity rights, common law rights or any other right of any third party or constitute defamation, invasion of privacy or other tortious injury to any third party.

b Except as expressly stated in this licence or otherwise agreed in writing or required by applicable law, the work is licenced on an 'as is' basis, without warranties of any kind, either express or implied including, without limitation, any warranties regarding the contents or accuracy of the work.

6 Limitation on Liability

Except to the extent required by applicable law, and except for damages arising from liability to a third party resulting from breach of the warranties in section 5, in no event will licensor be liable to you on any legal theory for any special, incidental, consequential, punitive or exemplary damages arising out of this licence or the use of the work, even if licensor has been advised of the possibility of such damages.

7 Termination

a This Licence and the rights granted hereunder will terminate automatically upon any breach by You of the terms of this Licence. Individuals or entities who have received Collective Works from You under this Licence, however, will not have their licences terminated provided such individuals or entities remain in full compliance with those licences. Sections 1, 2, 5, 6, 7, and 8 will survive any termination of this Licence.

b Subject to the above terms and conditions, the licence granted here is perpetual (for the duration of the applicable copyright in the Work). Notwithstanding the above, Licensor reserves the right to release the Work under different licence terms or to stop distributing the Work at any time; provided, however that any such election will not serve to withdraw this Licence (or any other licence that has been, or is required to be, granted under the terms of this Licence), and this Licence will continue in full force and effect unless terminated as stated above.

8 Miscellaneous

a Each time You distribute or publicly digitally perform the Work or a Collective Work, Demos offers to the recipient a licence to the Work on the same terms and conditions as the licence granted to You under this Licence.

b If any provision of this Licence is invalid or unenforceable under applicable law, it shall not affect the validity or enforceability of the remainder of the terms of this Licence, and without further action by the parties to this agreement, such provision shall be reformed to the minimum extent necessary to make such provision valid and enforceable.

c No term or provision of this Licence shall be deemed waived and no breach consented to unless such waiver or consent shall be in writing and signed by the party to be charged with such waiver or consent.

d This Licence constitutes the entire agreement between the parties with respect to the Work licenced here. There are no understandings, agreements or representations with respect to the Work not specified here. Licensor shall not be bound by any additional provisions that may appear in any communication from You. This Licence may not be modified without the mutual written agreement of Demos and You.

DEMOS

Demos is a champion of people, ideas and democracy. We bring people together. We bridge divides. We listen and we understand. We are practical about the problems we face, but endlessly optimistic and ambitious about our capacity, together, to overcome them.

At a crossroads in Britain's history, we need ideas for renewal, reconnection and the restoration of hope. Challenges from populism to climate change remain unsolved, and a technological revolution dawns, but the centre of politics has been intellectually paralysed. Demos will change that. We can counter the impossible promises of the political extremes, and challenge despair – by bringing to life an aspirational narrative about the future of Britain that is rooted in the hopes and ambitions of people from across our country.

Demos is an independent, educational charity, registered in England and Wales. (Charity Registration no. 1042046)

Find out more at **www.demos.co.uk**

DEMOS

PUBLISHED BY DEMOS FEBRUARY 2022

15 WHITEHALL, LONDON, SW1A 2DD
T: 020 3878 3955
HELLO@DEMOS.CO.UK
WWW.DEMOS.CO.UK