

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Wednesday 1 April 2020

Dear Chancellor,

We, the undersigned leaders of civil society organisations, trade unions and community groups, academics, and policy experts call on you to take urgent and immediate action to prevent the COVID-19 pandemic deepening the debt trap faced by millions of low income households, and pushing millions more into problem debt.

The UK already faced a profound and growing crisis of poverty, destitution and problem indebtedness prior to Covid-19. Over 14 million British citizens, nearly 20% of our entire population, were already in poverty: struggling to afford even basic living essentials like food, water, electricity and rent. Growing numbers have been forced to borrow from high-cost lenders just to put food on the table, and faced spiralling indebtedness as a result. Personal debt was at its highest ever level just prior to the Covid-19 outbreak, with over 9 million people in problem debt.

We strongly commend the action you have taken within the last week to protect incomes and prevent the pandemic leading to employers laying off workers. We particularly applaud the moves to guarantee wages through the job retention scheme and to uplift Universal Credit and Local Housing Allowance.

However, many thousands of layoffs have already happened despite the measures announced, with many more expected in the coming weeks. Even with the actions you have announced so far, our social safety net will be severely inadequate to support those who lose their work and incomes because of this crisis, as well as those already out of work or unable to work for health or other reasons, all of whom now face increased living costs because of Covid-19.

Statutory Sick Pay is at an unliveable rate of £12.50 per day. A decade of real cuts means that other unemployment and social security benefits are similarly not enough to live on, worth less today in real terms than they were in the 1990s. Across the board, from Universal Credit to Carers' Allowance, our social security provisions are insufficient to meet basic living costs, pushing those who rely on them into poverty, or debt, or both.

This crisis highlights the wholesale inadequacy of our social safety net and its inability to provide for the welfare of citizens and the nation as a whole at a time of national crisis. It is incumbent on the government to urgently move to provide a liveable income guarantee for all, including the homeless and people with no previous recourse to public funds, removing all punitive sanctions and payment delays. Self-isolation from Covid-19 simply cannot be a privilege only some can afford.

However, even with further action, these delays and gaps in the Government's support package mean millions are already facing a dramatic drop in their incomes. Given the existing debt overhang, a more comprehensive household debt write-off will be needed in the post-Covid

period, to give families and the economy a fresh start. In the meantime, to prevent the further build-up of unfair and unsustainable household debt, we call on the government to:

1. Freeze repayments on all unsecured debt (including loans, credit cards, and rent-to-own finance), with no accrual of interest during the repayment holiday

Those facing redundancy, loss of wages or other payment difficulties because of Covid-19 must be entitled to an immediate freeze on unsecured debt payments, similar to the mortgage holiday extended to homeowners, with no interest accumulated during the repayment holiday and no impairment of credit records.

2. Freeze utility, rent and council tax payments, with no build-up of arrears

More help must also be made available to impacted households in respect of council tax, rent and utility bills for those who need it, to ensure there is no build-up of arrears on these accounts. Central government should:

- Fund local authorities to provide 100% Council Tax Support to impacted households;
- Require landlords accessing mortgage holidays to pass that holiday onto tenants;
- Fund local authorities to make additional discretionary housing payments where rents are still required and cannot be paid;
- Provide help with gas and electricity costs by, for example, by broadening the scope and assistance provided through the Warm Home Discount Scheme.

3. Write-off council tax and social security debts

We welcome your move in the Budget to ease the burden on households of unfair council tax debt. In the face of Covid-19, it is essential to go further and provide breathing space to households under pressure by writing off the council tax debt and debt for overpayments of child benefit, working tax credit and Universal Credit: debts which, in a vast majority of cases, households have not intended to incur and which thousands are struggling to repay. Again, there should be full reimbursement to local councils by the government for resulting revenue losses.

4. Suspend all debt collection and enforcement activity with immediate effect

Broadening the Government's pledge to protect renters by suspending all evictions, we call on the Government to suspend all collection activity on household debts and all enforcement activity by bailiffs, enforcement agents, and others.

Without this package of measures, the economic recovery from Covid-19 will be severely suppressed and millions more households will be pushed into the poverty, destitution and indignity of the growing household debt trap.

We call on you urgently to act.

Yours Sincerely,

Dr. Alexander Guschanski - Lecturer in Economics, University of Greenwich

Dr Andreas Antoniadou - Senior Lecturer in Global Political Economy, University of Sussex

Andrew Jackson - Research Fellow, Centre for the Understanding of Sustainable Prosperity, University of Surrey

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Asad Rehman - Executive Director, War on Want

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Dr Bruno Bonizzi - Senior Lecturer in Finance, University of Hertfordshire

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Dan Wilson Craw - Director, Generation Rent

Dr David Harvie - Associate Professor of Finance and Political Economy, University of Leicester

Damon Gibbons - Director, Centre for Responsible Credit

Dr Daniel Ozarow, Chair - Jubilee Debt Campaign Academic Advisory Network

Debbie Webster - Manager, St Anns Advice Group and the Chase Neighbourhood Centre, Nottingham

Professor Deborah James - Department of Anthropology, University of Bristol

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Diana Skelton - National Coordination Team, ATD Fourth World

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Fanny Malinen - Director, Research for Action

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Dr Hilary Powell – Co-Director, Bank Job / Optimistic Foundation CIC

Professor Hulya Dagdeviren - Professor of Economic Development, University of Hertfordshire

Ian Hodson - National President, Bakers', Food & Allied Workers Union

Imogen Richmond-Bishop - Coordinator, Right to Food project

Irene Audain MBE - Chief Executive Scottish Out of School Care Network

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Dr Wanda Wyporska - Executive Director, The Equality Trust

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