



There are around  
**2.4 million** children  
living in families with problem  
debt in England and Wales.

Children living in families with  
problem debt are **5 times**  
more likely to be at risk of having  
low well-being than those not  
facing difficulties with debt.

An estimated  
**half a million** children  
living in families with problem  
debt have low well-being.

<b>Contents</b>	<b>3</b>
<b>Executive Summary</b>	<b>4</b>
<b>Introduction</b>	<b>5</b>
<b>Methodology</b>	<b>6</b>
<b>Chapter 1</b> Existing evidence on the links between debt, poverty and children's well-being and mental health	<b>8</b>
<b>Chapter 2</b> Analysis of the quantitative data	<b>12</b>
<b>Chapter 3</b> What young people and parents told us about the impact of debt and low income on their well-being	<b>18</b>
<b>Conclusions and Recommendations</b>	<b>26</b>

### **Acknowledgements**

We are very grateful to all the children, young people and parents who took part in this research, for sharing your experiences and stories with us. We would like to thank London Family Voice, Lancashire Children's Rights, Norfolk Young Carers Forum, Great Yarmouth and Gorleston Young Carers, Carers Trust Cambridgeshire and MyBnk for helping to organise focus groups and interview participants. A special thanks also goes to members of our advisory group for their expertise and advice – Joseph Surtees, Paula Lavis, Polly Mackenzie and Dr Thomas Richardson. Finally a big thanks to all those at The Children's Society who worked on this report – particularly Anastasia French, Sorcha Mahony, Larissa Pople, Phil Raws, Jim Davis, Cath Morris, Jo Petty, Angi Lewis, Sarah Wayman, Lucy Capron, Sam Royston and Emilie Smeaton from Paradigm Research.

## Executive summary

Building on The Children's Society's previous research, the aim of this study was to provide fresh insights on how low well-being and poor mental health in children are linked to household poverty and problem debt; and to explore the views of children and parents who live in low income households with debt problems on how their family's financial situation affects their well-being and mental health. Based on our findings, we provide a series of policy recommendations to address these issues and ultimately to improve the lives of children and young people.

### Key findings from the research:

- According to our original analysis of quantitative data, debt and poverty are associated with separate effects on children's mental health. Children living in low income households are at greater risk of having poor mental health. Separately, the number of debt types – rather than the overall amount of debt a family has – is associated with poorer mental health in children. Children in families with multiple debt types are at greater risk of experiencing mental health problems than children in families with fewer debt types.
- However, this relationship is mediated by financial difficulties and income. Thus, children in families on a high income without financial difficulties appear to be protected from the potential negative impact of number of debt types on their mental health.

- Around 5% of children in households who have no difficulties with debt are predicted to have low well-being, compared to 23% of children in households who have debt with arrears – this means that children in households who have debt with arrears are five times more likely to have low well-being than those with no difficulties with debt.

- Both parents and children said experiences of debt left them feeling stressed, anxious and depressed – some parents reported specific symptoms like migraines, sleeplessness or losing weight, or had received specific treatment like being on anti-depressants.

- There was an overwhelming sense of shame and embarrassment felt by both parents and children – parents felt ashamed of not being able to manage money effectively; children felt embarrassed by being unable to afford normal things like their peers, and being unable to socialise.

- Children felt guilty, anxious and felt like failures about not being able to help their parents deal with debt – it had an impact on their confidence and feelings of self-worth.

- Debt led to arguments within families between parents, parents and children, and between siblings, and left parents feeling like they were not in control of their lives and could not protect their children.

- Debt meant not being able to go on outings, take part in activities like sports or school trips, missing out on things like birthdays, extended family gatherings or family holidays – it left parents and children feeling isolated and excluded; debt meant not being able to spend quality time with family members.

- It is difficult to disentangle debt from other money problems as well as from other problems faced by family members, like physical health and domestic violence and existing mental health issues, all of which can further affect children's well-being and mental health. Nevertheless, it was clear from what parents and young people told us that debt had an important impact on their lives.

### Headline recommendations:

- Introduce a statutory 'breathing space' scheme to protect families and young people from charges, mounting interest rates and enforcement action until they can put in place an affordable repayment plan.

- Make sure that all families and young people can access adequate financial support if needed to prevent them from falling into problem debt.

- Make sure parents and young people in poverty and problem debt can access appropriate counselling and mental health support.

A full list of detailed recommendations is available at the end of the report.

## Introduction

In recent years the issue of personal debt and its impact on families, particularly those living on low income, has become salient. While there is already a considerable body of evidence on how debt affects adults, much less is known about the impact on children. Yet according to our research, there are around 2.4 million children living in families with problem debt<sup>1</sup> in England and Wales.

A review commissioned by The Children's Society in 2014 found that families with children are 'more vulnerable to income and expenditure shocks which subsequently create debt problems'.<sup>2</sup> Families may take on higher levels of credit commitments than other household types to meet the additional welfare and developmental needs of children. At the same time, their childcare responsibilities mean that parents are limited by the kind of employment they can undertake. Parents often turn to credit to fill the income or expenditure shock, which leads to further interest and charges leading to a 'debt trap' where finances spiral out of control. For example in our previous research we found that 46% of families we surveyed did not believe they could afford to pay an unexpected expense of £500.

Our research for the Debt Trap<sup>3</sup> report (2014) – and three subsequent reports (Payday not Playday<sup>4</sup>, Show Some Warmth<sup>5</sup> and Wolf at the Door<sup>6</sup>) – exposed

the range of ways in which debt is impacting on children.

As highlighted in the Debt Trap, the reduced living standards experienced by families in debt, coupled with the 'shocks' and disruption to children's lives caused by these events within the family environment, can affect children's well-being and mental health. While some of this may be mitigated by children's individual attitudes and personalities, the degree to which parents are able to manage financial problems effectively and shield their children from these effects is also an important factor.

'My husband got hit on the recession with the building trade so we lost everything... I had a four bedroomed house over there which we mortgaged; we lost it...We did get hit hard.'

**Mum**

Our research has shown that the impact of debt on children can be both direct and indirect. The strain placed on family relationships by financial difficulties associated with debt – whether this leads to arguments between parents, or between children and parents – is an important consideration which demonstrates an indirect impact

of debt on children's well-being. On the other hand, experiencing first-hand the emotional distress and fear of having bailiffs coming to the house or being evicted from your home can have a direct and lasting impact on a child. Importantly, there are other factors which may be linked to economic shocks affecting a family – such as families having to move house and children losing touch with their friends – that will have additional implications for children's well-being. As such it can be difficult to disentangle the specific impact of debt on children's well-being from other related life events.

Based on our present and past research, it is clear that this is an under-researched area and there is limited evidence on the precise nature of the relationship between problem debt and children's mental health and well-being. While more is known about the links between adult mental health and debt, very few studies look specifically at the links between family debt and children's mental health, and particularly whether there are any causal links.

Given the lack of available research in this area, this report seeks to explore the links between problem debt and children's well-being and mental ill-health in greater detail, and to provide a series of policy recommendations to address these issues and ultimately to improve the lives of children.

## Methodology

The aim of this study was to provide fresh insights on how low well-being and poor mental health in children are linked to household poverty and problem debt. The study also explores the views of children and parents who live in low income households with debt problems on how the financial situation of their family affects their well-being and their mental health. We did not aim to explore the causal relationship between debt and poverty on children's mental health or well-being, however some of these issues were touched on by the parents and young people through our qualitative interviews.

For the purpose of this study, 'problem debt' refers to households who are currently or have in the past been in arrears on a household bill or credit commitment<sup>7</sup>; 'well-being' refers to how a person feels about themselves and their life<sup>8</sup>; and 'mental health' refers to specific symptoms that a person may be experiencing such as stress, anxiety and depression, or to formally-diagnosed and treated conditions.<sup>9</sup>

The study utilised a multi-method approach including:

- a review of existing academic and grey literature
- a quantitative analysis of the Millennium Cohort Study (MCS) to explore the links between debt indicators and the Strength and Difficulties Questionnaire (SDQ)

which provides a proxy measure for some mental health issues

- an analysis of data from The Children's Society's well-being survey, exploring the effect that debt and income had on children's self-reported subjective well-being and how they feel about their life
- a series of interviews and focus groups with young people and parents.

We conducted individual semi-structured interviews with 13 parents and six children as well as three focus groups with 15 young people.<sup>10</sup> Two focus groups involved young people leaving care ('care leavers') while one group involved young people with caring responsibilities within their family ('young carers').

We interviewed families who had personal experiences of living on low income and debt at some point. Although the financial circumstances and experiences of families were explored with parents and children – for example by talking about the level of debt, numbers of creditors that families had, and their experience over time – each individual's interpretations of what these concepts mean will differ. Through the interviews we wanted to better understand some of the reasons why debt may be having an impact on children's well-being and mental health issues. As part of the interviews we asked about parents' and children's emotional well-being, and the thoughts

and feelings they associated with their experiences of living in debt. We tried to find out how debt problems were linked to stress, anxiety and depression – particularly by children and young people – and whether there were any differences between different children within the family. We also conducted focus groups with care leavers and young carers to understand the particular challenges and pressures faced by young people who either have caring responsibilities for family members or who are on their own and unable to rely on the support of families. The project also sought advice from an external advisory group made up of experts from the field of adult and young people's mental health, debt and poverty.



ber 2016

OFFICE

## Chapter 1: Existing evidence on the links between debt, poverty and children's well-being and mental health

Previous research by The Children's Society<sup>11</sup> has suggested that financial difficulties experienced by families have a detrimental effect on the well-being and mental health of parents as well as children and young people. Our Debt Trap research (2014) showed that of those who responded to our survey, half of parents in arrears (47%) said that their financial situation caused their children emotional distress. A quarter said that it had resulted in their children feeling stressed or anxious and 19% said that it contributed to them having mood swings.<sup>12</sup> When we asked the children in families in problem debt<sup>13</sup> for their perspective, 58% reported feeling worried about their family's financial situation – this compares to 31% of those not in arrears.<sup>14</sup> However, our previous research did not look in detail at how these feelings may come about, or how these may be linked to mental ill-health in children.

To explore what evidence already exists on the impact of problem debt on children's mental health and well-being we conducted a review of academic and grey literature including research from the UK and abroad.<sup>15</sup>

'A credit card isn't your money...You're spending money that you don't have and you've got to pay it back. So you're living in debt for, like all your life, practically... I'd rather just not have it because once you have it you're stuck with it.'

Young person, 17

### Studies with children and young people

Although this area of research is still largely underexplored, researchers have begun to shed light on the links between problem debt and children's mental health and well-being. For example a recent study in the US<sup>16</sup> estimated associations between the total amount of parental debt and four types of debt (home mortgage, student loan, automobile and unsecured debt) with children's socioemotional well-being which is measured using an index based on behaviour problems in children.<sup>17</sup> Using population-based longitudinal data for over 9,000 children and their mothers observed annually or biennially from 1986 to 2008, the study showed that greater total debt was associated with poorer

child socioemotional well-being. However, this association varied by type of debt. Specifically, higher levels of home mortgage and education debt were associated with greater socioemotional well-being for children – whereas higher levels of, and increases in, unsecured debt were associated with lower levels of, and declines in, child socioemotional well-being. The researchers suggest that debt may not be universally harmful for children's well-being, particularly if used to invest in a home or in education. However, unsecured debt is negatively associated with socioemotional development. This may reflect limited financial resources to invest in children and/or parental financial stress.

Other evidence focuses on the broader impact of financial difficulties experienced by families on children's mental health and well-being. For example one study published in 2004 considered the influences of economic hardship on children's mental health during a nationwide economic recession in Finland, based on data from over 500 families including 12 year old children and their mothers and fathers, from a population sample. The findings suggested that (in that context), economic hardship<sup>18</sup> could lead to deterioration in children's mental health, concluding that a reduction in disposable family income constitutes 'a risk for child mental health through increased economic pressure and negative changes in parental mental health,

marital interaction, and parenting quality'.<sup>19</sup> It is important to note though that this study did not focus solely on debt, but rather a broader spectrum of economic hardship.

Due to the way in which data collection is conducted, some studies on debt and mental health of adults do capture data about children (for example see reference to the meta-review by Jenkins et al below, which includes data on 16 and 17 year olds). In addition, some research focuses on young adults living independently. For example, findings from Action for Children's<sup>20</sup> research in 2014 showed that 67% of households across the UK headed by 18–25 year olds have unsecured debt.<sup>21</sup> The research argues that young people who experience financial problems are more likely to take risks, be unsafe or become homeless. This can affect their mental health and employment prospects.

What is clear is that there is currently a lack of evidence pertaining explicitly to the impact of problem debt and children's mental health and well-being. While studies show links between debt and adult or parental mental ill-health, very little is available where children's mental health is concerned. Therefore, some of our literature review relies on learning from adult-based studies about the emotional impact of debt on a household to gain a better insight. The lack of existing evidence makes original research in this area a priority.

## Studies with adults

We know from national datasets that adults with mental health problems in Britain are more likely to report debt problems than those who don't have mental health problems.<sup>22</sup> For example, research from Leicester University (2005), which analysed the British Household Panel Survey (BHPS), found that adults in charge of household finances who have outstanding credit, excluding mortgage debt, and who have higher amounts of such debt, are less likely than average to report high levels of psychological well-being.<sup>23</sup> More recently, research by Citizens Advice (2014) found that nearly three in four people (73%) seeking debt help from the charity said their money worries were making them feel stressed, depressed or anxious.<sup>24</sup>

## Types of mental health issues

In our qualitative interviews we explored a range of symptoms linked to mental ill-health and low well-being including stress, depression and anxiety. Although we did not ask children or parents specifically about diagnosed mental health conditions, in some cases this information emerged naturally. Some of the available literature explores whether debt is linked to specific mental health symptoms. For example, research published in the *European Journal of Public Health*<sup>25</sup> in 2012 has shown that adults in debt are three times more likely than those who are not in debt to have common mental disorders including depression and anxiety. The research showed that the prevalence of mental health

issues existed irrespective of the source of the debt. A systematic review and meta-analysis of the links between unsecured debt and mental and physical health found that depression and debt were linked, and that those with depression are more than twice as likely to be in debt. The study also found that debt was associated with more severe symptoms of depression.<sup>26</sup>

Furthermore, a study<sup>27</sup> from the United States – which looked at the associations of multiple indices of financial debt with psychological and general health outcomes among 8,400 young adult respondents from the National Longitudinal Study of Adolescent Health – found that reporting high financial debt relative to available assets is associated with higher perceived stress and depression, as well as worse self-reported general health outcomes. This study is particularly significant as it controlled for prior socioeconomic status, psychological and physical health. The researchers argue that 'debt is an important socioeconomic determinant of health' and needs further attention.

'If you don't pay it back, it accumulates and gets bigger... my credit card was £800. So when I went to the hospital, by the time I came back and everything...after a couple of months, it has got into like almost £3,000... So you have to try and prevent that one from increasing because you'll pay that all your life.'

Single mum with young child

### Characteristics of debt

As part of this research, we sought to better understand what specific characteristics of debt – such as the overall amount of debt and the number of creditors that families had – were linked to poor well-being and mental health in children. Our previous research has indicated that having multiple debts can have detrimental effects on children – we looked in detail at certain types of debt such as energy and council tax debt. However, less is known about how feelings of stress, depression and anxiety among children are linked to the number of different debt types that a family has or the overall level of debt. Existing research on debt experienced by adults suggests that the number of debts is significant. For example, Jenkins et al (2008) found that the more debts people<sup>28</sup> had, the more likely they were to have some form of mental disorder<sup>29</sup>, even after adjustment for income

and other sociodemographic variables. The study showed that people with six or more separate debts had a 'six-fold increase in mental disorder' after adjustment for income.<sup>30</sup> A later study (2012) found that adults in debt from multiple sources, and who had to obtain money from pawnbrokers and moneylenders, had high rates of common mental disorder.<sup>31</sup> As mentioned earlier, there is some evidence that not all debt may negatively impact on children's well-being – with some debts (such as mortgages) potentially associated with positive outcomes.

### Differentiating problem debt from low income and other financial difficulties

One issue we sought to explore in this research – through both our quantitative and qualitative analysis – was whether debt had a separate and independent impact on children's mental health and well-being to living

#### Case study – Lydia, mum

Lydia's family has experienced money problems for a long time and has built up significant debt with a number of creditors, including loans, overdrafts, store cards and credit cards. Lydia has found it very difficult to manage this and often does not open bills, subsequently accruing late payment charges.

She feels that her family's choices are significantly restricted due to her debt. The family has to keep to a very tight budget with no room for extra outgoings. They have just enough to buy basic food and she only purchases clothes from charity shops. They cannot go on any family trips or outings, and the debt puts a strain on relationships within her family. Lydia worries about the effect that being in debt has on her children and their anxiety and stress levels.

Being in debt significantly affects her mood, causing her stress and anxiety. She often feels exhausted and depleted by her debt problems, particularly in trying to deal with creditors. As a result of the stress of being in debt Lydia gets frequent migraines.

Despite trying to reduce payments with individual creditors numerous times, Lydia was unable to do this herself and this caused her great distress. Eventually she sought debt consolidation help and now pays a fixed monthly amount to one company that handles the payments to her creditors.

in low income or other financial difficulties. As Berger and Houle (2016) point out, there is an abundance of research showing that 'low income, poverty, and economic hardship are associated with children's well-being'<sup>32</sup> and that these associations may be causal. A recent systematic review published in the UK on the impact of income on children's outcomes, including their mental health, also supports the argument that income poverty does matter when it comes to children's outcomes.<sup>33</sup> However, the evidence on the independent effects of problem debt on children's well-being – beyond debt's association with having a low income within the family – is limited. Our analysis of the Millennium Cohort Study in the next chapter suggests that there are independent effects of household debt, low income and financial difficulties (as reported by parents) on children's mental health.

### Considering causal links between debt and mental health

One question which invariably arises from this area of study is the directional relationship between debt and mental health – do experiences of problem debt in families cause mental ill-health in parents and children or does mental ill-health (either parental or children's) lead to families falling into debt? Or does something else cause parents and children to experience both mental ill-health and debt?

Our report does not seek to answer these questions. From the limited evidence we have considered, this relationship seems complex, particularly as it relates to children. One systematic review of research on the links between indebtedness and health considers some of these causal links. For example, whilst the presence of debts may result in

emotional strain, there is also evidence to suggest that having mental health issues can lead to adults, including parents with dependent children, to experience problem debt.<sup>34</sup> In fact, we know from our work with young carers that parents struggling with mental health issues, for example, are less able to provide for their families and may find themselves being forced to borrow money as a result. Similarly, we know that children's mental and physical health problems can have an effect on their parents' ability to maintain their level or types of employment and can lead to income shocks pushing families into debt.

Whatever the direction of causality, the link between debt and children's well-being and mental ill-health is significantly underexplored. The aim of our report therefore is to add further insight to this area of study.



## Chapter 2: Analysis of the quantitative data

Our recent review of the available evidence has shown that poverty and other financial difficulties are associated with greater risks of mental ill-health in children and young people.<sup>35</sup> However, the impact of household debt on children's mental health and the separate effects that debt and poverty have on children remain underexplored. To understand these issues better, we analysed two national data sets: the Millennium Cohort Study and data from The Children's Society's well-being survey. Each survey includes different indicators of problem debt and household income, and children's mental ill-health and subjective well-being – so we have presented the analysis in two separate sections.

### 2.1 Analysis of the Millennium Cohort Study

Using the fifth wave of the Millennium Cohort Study – a national longitudinal birth cohort study of children born in 2000–01 – our analysis explored the associations between different variables: household debt, household income and the self-reported financial difficulties expressed by parents, and an indicator of the mental health of children in the household.\*

The variables used in our analysis were: household income<sup>36</sup>, amount of debt<sup>37</sup>, number of debt types<sup>38</sup> and self-reported financial difficulties experienced by the

household.<sup>39</sup> The mental health of the child was measured by parents' responses to the Strength and Difficulties Questionnaire within the MCS<sup>40</sup>. The SDQ is widely used as a measure of children's mental health problems, with many validation studies suggesting that the SDQ is consistent across developed populations. Children who score highly on the SDQ are more likely to have psychiatric disorders such as anxiety and conduct problems<sup>41</sup>, and studies suggest that the SDQ is a good predictor of children's mental ill-health.<sup>42</sup>

The SDQ measures the five 'domains' of hyperactivity, emotional symptoms, conduct problems, peer problems and pro-sociality. The 'total difficulties' (TD) score used in this analysis is based on the first four of these domains (ie excluding pro-sociality) in order to capture children's social and emotional difficulties. In this wave of the MCS, the questionnaire was completed by the child's main parent (usually the mother). The parent was asked to rate 'how true' various statements were relating to the child's behaviour. For instance, parents were given statements such as the child 'often has temper tantrums,' and were asked to rate whether these statements were not true, somewhat true or certainly true.<sup>43\*\*</sup>

### The impact of multiple debts, low income and financial difficulties on children's mental health

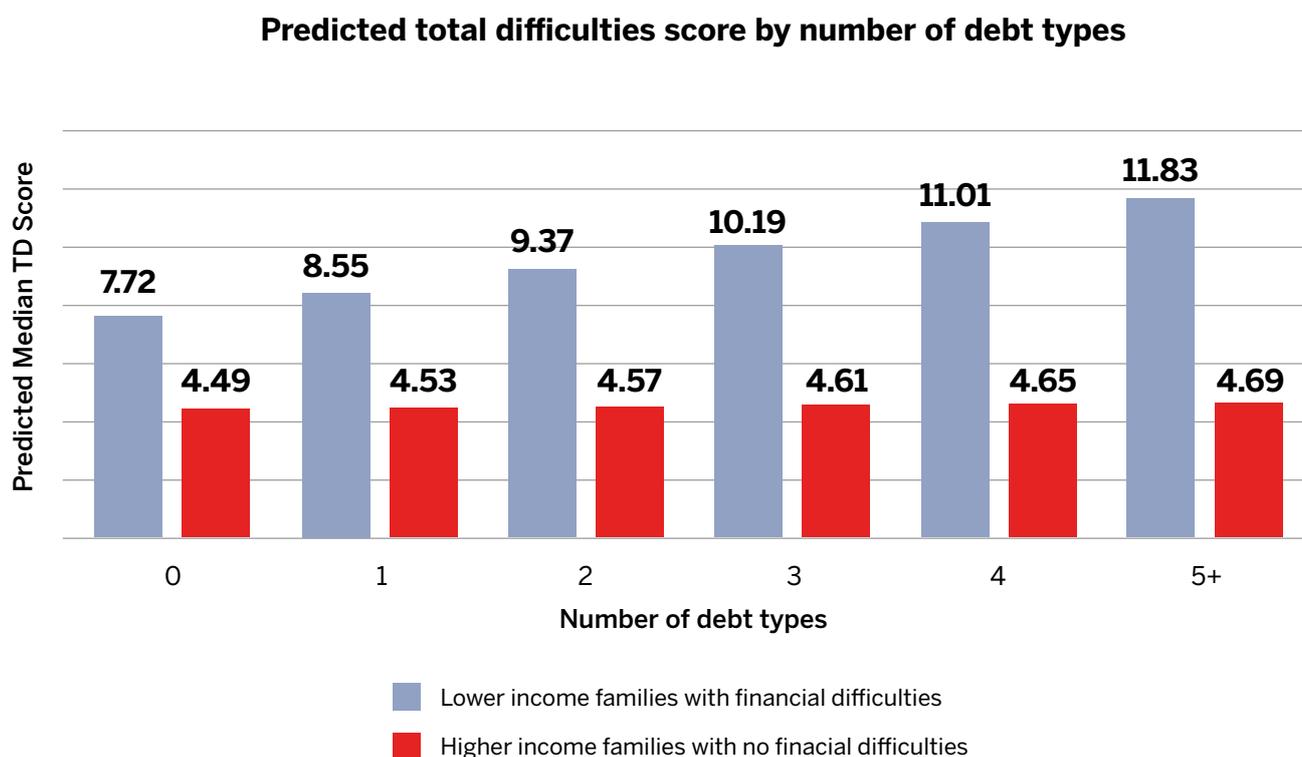
Our analysis of the MCS data suggests that when families on low income are struggling financially, the number of debts they owe has a significant negative impact on children's mental health.

Our analysis found that higher numbers of debts were associated with higher total difficulties scores – indicating worse mental health in children. In particular, we found that for families on low income who report having financial difficulties, as the number of debts increases so too does the likelihood of children's mental health problems. However, for families on a high income who do not report financial difficulties, there are no associations between the number of debts they have and the total difficulties scores in children. So even where the number of debts increase, children's mental health is predicted to stay relatively constant. This relationship is demonstrated in Figure 1 on the next page.

\*The children in the cohort were aged around 11 years at the time of this survey.

\*\* We conducted a series of quantile regressions to explore the associations between household financial situations and children's total difficulties scores.

**Figure 1: The graph below displays the predicted median total difficulties scores for children in the Millennium Cohort Study by different household financial situations.\***



### Case study – Julia, mum

Julia lives with her partner and two young children. Although she is currently on maternity leave and receiving statutory maternity pay, she normally works, as does her partner. Due to child care costs they have decided that the only way to make things work financially is for her partner to stop working and take care of the children when Julia returns to work.

When Julia reflects on how hard things have been she gets very distressed. Her partner suffers from depression and Julia feels that the debt situation has aggravated his condition. Their debts owed to several different creditors have accumulated over several years to tens of thousands. Their creditors include banks, loan companies and store cards. The main problem appears to be their low income. Despite both parents working, they are not able to afford the things that they feel a working family should be entitled to, such as having a nice home for their family and going on a family holiday once a year.

They were making minimum payments so were 'managing' until things stopped feeling sustainable – when the statutory maternity pay kicked in. They went to Citizens' Advice and StepChange for support.

\* 'Lower income' is the bottom 25% of the OECD weekly income (monetary value = £178.30 a week), while 'higher income' is the top 25% of the OECD weekly income (monetary value = £454.50).

## The Damage of Debt

The impact of money worries on children's mental health and well-being

### The impact of the amount of debt families have on children's mental health

Our analysis of the MCS found that the amount of debt in a family has almost no association with total difficulties scores. However, children in households with very large amounts of debt have lower total difficulty scores, at a statistically significant level – implying that children in these families have better mental health. This may be because large debt reflects the ability of a household to borrow large amounts of money (such as for mortgages), which could reflect a good financial background. We also found that a higher weekly income within a household is associated with lower total difficulties scores – again implying better mental health in children.

As highlighted earlier in our literature review, there is some evidence to suggest that some types of debts – particularly those which allow for investment in homes like mortgages and parental education like student loans – may be associated with greater socioemotional well-being for children, whereas other debts are negatively associated with socioemotional development.

### Low income and financial difficulties and children's mental ill-health

Our analysis of the MCS also highlighted that, regardless of whether the family had debts, children in low income families are more likely to have higher total difficulties scores than those in high income families. This means

that children in poorer households are more likely to suffer worse mental health than their more affluent peers. This is also true – though to a lesser extent – for children in families who reported financial difficulties within the household; reporting financial difficulties was associated with higher total difficulties scores in children indicating worse mental health in children.

### Conclusions from the MCS analysis

From our analysis of the MCS we found that the monetary amount of debt is a poor predictor of children's mental health at age 11. However, the more debts a family has, the worse the child's mental health is likely to be. This is mediated by income and financial difficulties so that in high income families with no reported financial difficulties, there are no associations between numbers of debt types and children's mental

ill-health. However, in low income families experiencing financial difficulties, the more types of debt a household has, the worse children's mental health is likely to be. The analysis also showed that, regardless of how many debts their parents had, children in poorer families were more likely to suffer worse mental health than their more affluent counterparts.

These findings suggest that having to juggle different numbers of creditors could be an additional stressor for financially stressed households, particularly those already living on low income, and that these factors had a negative impact on children's mental health. A larger number of creditors could also imply that families had reached their credit limits and were taking out multiple credit cards, or more generally were more heavily reliant on consumer credit.

#### Case study – Nick, teenager

Ever since Nick can remember, his family have struggled with their finances. Growing up he has always been conscious of the household budget. His family has just enough money to cover the basics but they have to keep to a strict budget to do so. They have to make compromises on what they purchase, and Nick describes this as a time-consuming, shared family task which they are all involved in.

When Nick thinks about money problems and debts he thinks of household bills and other family outgoings. He often doesn't have enough money to buy himself new shoes or clothes and doesn't get to socialise with his friends much as he cannot afford the activities they do. He feels he is losing his connection with his friendship group as he doesn't get to hang out with them. Nick constantly feels anxious about his family's financial situation.

## 2.2 Analysis of The Children's Society's well-being survey data

To further explore the links between debt and children's well-being, we analysed data from The Children's Society's well-being survey of children and parents in households across the UK, conducted in 2013. As part of this analysis we considered the associations between the household debt, as reported by parents within the household, and subjective well-being as reported by children themselves. The final sample involved 2,163 households with children aged 10 to 17 across the UK.

One adult in each household was asked to report on the extent of the family's difficulties with 15 types of debt<sup>44</sup> where responses

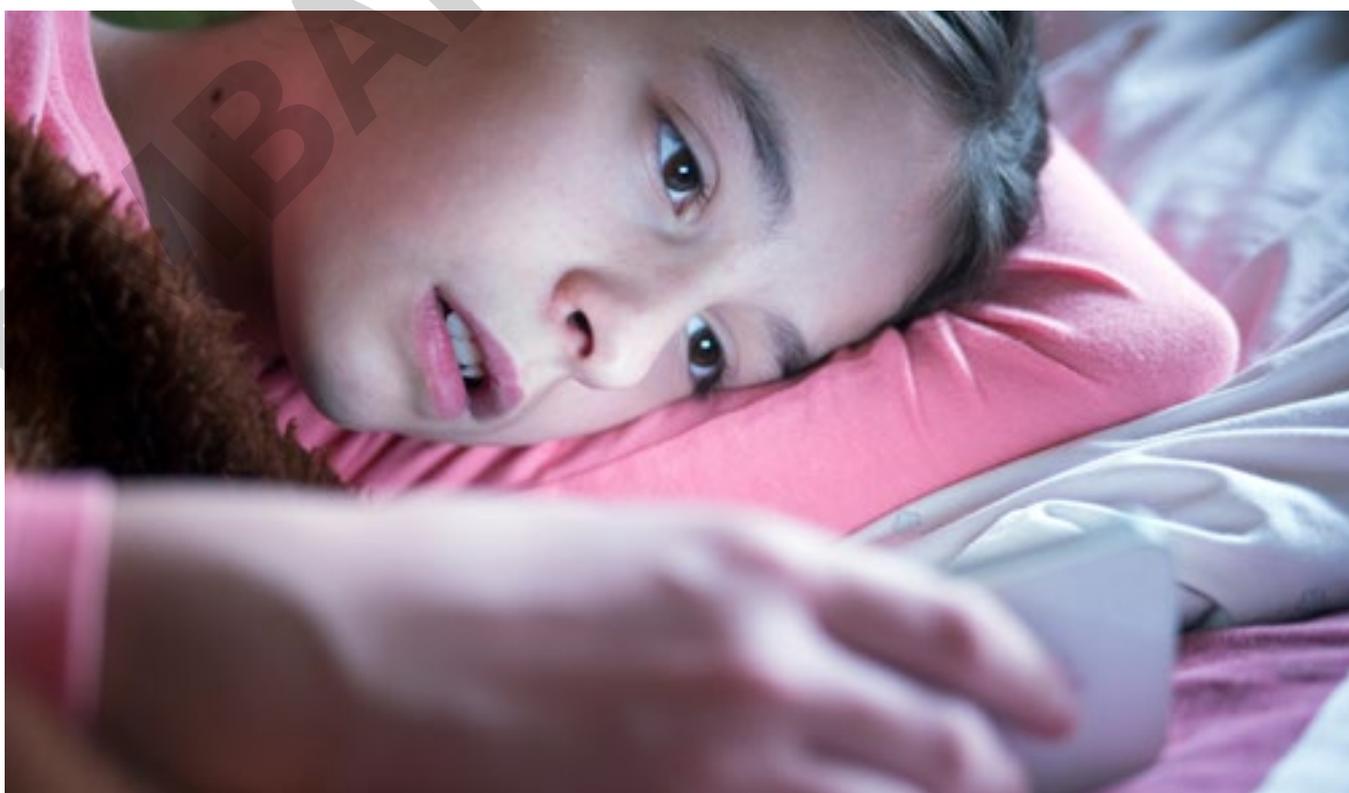
ranged from having no debt to having been in arrears for over 12 months.<sup>45</sup> One child in each household was also asked about how they feel about their life through a series of five questions<sup>46</sup> in order to capture their subjective well-being.\*

### Findings from the analysis of children's subjective well-being

Children living in households where parents reported debt with financial difficulties or debt with arrears were both more likely to have low well-being than those living in households without debt.<sup>47</sup> According to our analysis, 23% of children – almost a quarter – are predicted to have low well-being in households with problem debt (ie households with arrears). But in households

experiencing difficulties with debt (ie without arrears) only 14% of children are predicted to have low well-being, while even fewer – 5% of children – are predicted to have low well-being in households that aren't experiencing difficulties with debt.

These results show that household debt is associated with children's subjective well-being, and that children in families experiencing difficulties with debt and being in arrears are at a greater risk of having low well-being. In particular, our analysis shows that children living in families with problem debt – those with arrears – are five times more likely to be at risk of low well-being than children in families who don't have difficulties with debt.



\* We carried out logistical regression models to explore the odds of having high well-being or low well-being depending on different household financial characteristics.

Debt  
Anxious  
Council tax  
Struggle  
Food  
Systemic  
Creditors  
Relief  
Food  
Control  
Emotional  
Guilt  
Mental health  
Creditors  
Worried  
Fighting  
Homes  
Dad  
Hopping  
Talking  
Pain  
Poverty  
Anxious  
Fees  
Trade  
More  
Helpless  
Scared  
Somnolence  
Bailiffs  
Creditors  
Infinite  
Insomnia  
Panic  
Hunger  
More  
Change  
Mum  
Creditors  
Eviction  
Money  
Shame  
Chaotic  
Destitute  
Aggressive  
Mental health  
Unreliable  
Right  
Borrowable  
Struggled  
Overwhelmed  
Mum  
Sins  
Mental health  
Guilt  
Exhausted  
Struggle  
Clothes  
Aggressive  
Helpless

00.01 hrs  
Thu 22 September 2016

BARGOED



## Chapter 3: What young people and parents told us about the impact of debt and low income on their well-being

To find out more about how problem debt and low income might be affecting young people's emotional well-being, we interviewed 13 parents and six children individually, using a semi-structured interview format to talk about their experiences. We also spoke to 15 young people through three focus groups; two involved young people who were 'care leavers' and one involved children and young people who had caring responsibilities within their families (referred to as 'young carers'). The young people we spoke to – either through individual interviews or focus groups – were aged between 11 and 21.

The findings from the qualitative part of our research are set out in this chapter under a number of key themes and through a series of anonymised case studies. All the names in case studies have been changed and key identifying information has been excluded to protect participants' anonymity.

### **Families' financial situations**

The families we interviewed had varying levels of debt – either currently or in the past. These ranged from several thousand pounds of debt to around £40,000. Most families we spoke to reported having a range of creditors including utility companies, council tax debt, student loans, store and bank cards, among others. Families

also told us about owing money to friends and family members, including in some cases their adult children, while some families owed money to acquaintances or members of their community. In addition to borrowing money, families spoke about doing odd jobs and helping out others in their community – for example elderly residents at their local church – to earn extra money.

### **Reasons for families getting into debt**

There were many different reasons and circumstances which contributed to families getting into debt. Echoing findings from our 2014 Debt Trap report, in many cases debt was caused by an income or expenditure shock, or a significant life event. Two of the families fell into debt due to serious parental physical ill-health. One family we spoke to had lived on low income for many years, even though the mother had been a senior manager working full time. However, due to a serious illness she could only work part time and her income reduced significantly leaving her family, including two children, in debt. Another family's experience of domestic violence led them into debt. The mum – who had previously held a professional post – had to flee with her three children. She had taken a loan out on behalf of her abusive ex-husband but his unwillingness to repay the loan left her with considerable debt.

Pregnancy and maternity leave were also cited by parents as either instigating a spiral of debt or exacerbating the family's financial hardship. This was due to pregnancy-related health issues or a change in family income levels. In one case the mother fell pregnant and, due to poor physical health, was hospitalised and eventually lost her job, at which point her debts began to accrue. Another family's financial situation worsened during the mum's maternity leave due to the low level of maternity pay, despite both parents being in work prior to the maternity leave.

Most of the families we spoke to had at least one parent in work while some were also receiving benefits to top up work or due to unemployment. For two of the families a contributing factor to them ending up in debt was that they had 'no recourse to public funds' as a result of the condition on their leave to remain in the UK. This meant that while they were allowed to work, for a number of years they could not access any mainstream benefits such as child benefit or tax credits so had to survive on extremely low income.

'What makes me stressed about debt is when I don't have money to do stuff, no money to pay this off. When I've got to the point I've got no money, I feel anxiety. I feel shook up.'

Care leaver, 21

### Feelings of stress, anxiety and depression

Most of the parents and children we spoke to said they felt stressed, anxious or depressed as a result of their experiences of living in debt. Some parents spoke about specific symptoms which they had experienced, such as migraines, teeth grinding, being unable to sleep at night, and feeling depressed.

Parents found it very difficult and distressing not being able to afford to buy their children even basic things and continuously having to say no. As one parent explained: 'this year [for my son's first] birthday I was in a hostel...I couldn't even afford just one drink [for her son]. I couldn't do nothing. You know it hurts, you know when you see your baby, when you go out and he wants something. You can't afford it. He starts crying... it's just difficult...You know the basic things your child needs, you can't afford it. It's very horrible.'

Parents and children also found it very distressing when bailiffs came to the house to remove items or to force them to leave the

house, and children witnessed this first hand. One mother described the harrowing experience of being evicted from her accommodation with her infant son. They were forced to leave their home and she could not carry his toys with them: 'They just came that morning. I

could only take the things that I could carry. He was crying because...his bed, his things, they were taking it out, they took us out, he just started crying and screaming and he didn't want to go out of the house...Anything [her son] pointed at I carried it out...

### Case study – Angela, mum

**Angela had been working long hours, juggling repaying her debt and trying to provide for her children:** 'My priority was for my children to be warm during the winter and have something to eat, have some clothes to own and make them happy. I know [the debt] was owed but my priority was on my children, so yes it was a worry.'

**Her situation was complicated by her immigration status. She has lived in the UK for many years and has permission to live and work here but not to claim any mainstream benefits. Like thousands of other families, she has a condition on her permission to stay in the UK called 'no recourse to public funds'.<sup>48</sup> This means not being able to get tax credits or child benefit or access passported benefits like free school meals or free childcare for disadvantaged children. Although this is not the reason why she got into debt in the first place, living on low income and not being able to access top-up benefits has exacerbated her debt situation and put additional pressures on her and her children.**

'I couldn't sleep because I panicked that my children will not eat...my wage went to pay my rent and then childcare, if I didn't pay childcare I couldn't work to even pay for the rent...I was just working like 70 hours a week, and it still wasn't enough...In the night I would be just crying. I don't even want to get up from bed, I didn't want to even draw the curtains. I was on that medication, still I was panicking, I was worried every day.'

**She described a time when council tax collection had taken money out of her wages. After paying her rent, she was left with just over £1 per day per person to feed herself and her children for the month. And she still needed to pay for child care in order to be able to work. When she sought help from the council they wrongly advised her to apply for benefits that she was not entitled to:** 'I said I'm not entitled for it and I will break the law if I go and take it. And they're like, you have children so you have to take it...And they didn't want to know... So council tax was the one that really made my life really, really hell.'

## The Damage of Debt

The impact of money worries on children's mental health and well-being

I had to carry things on my head, put things on the buggy.'

It's important to acknowledge that a number of families experienced other types of problems which could also be associated with these feelings – such as stress related to poor physical health or family breakdown, and depression related to past experiences of trauma, and physical and psychology violence. For example, one parent was taking anti-depressants. It's not possible to know whether this was the result of her experience of debt or a combination of issues including domestic violence. However, when she described the symptoms it was within response to being asked about the impact of debt on her well-being.

Nevertheless, in our interviews parents and young people were clear that their money situation and specifically the debt they had or were experiencing made them stressed, anxious and depressed. Further research is needed to further explore the causal links between debt and children's mental health.

'I feel like I can't do anything, I feel really useless when I can't do anything.'

Care leaver, 21

### Lack of control and choice

Both young people and parents spoke about how being in debt made them feel like they didn't have control over their lives and that they lacked choices. For

parents it was often about making impossible decisions on whether they could provide for and take care of their children or pay off their debts. One parent described being in debt like 'imprisonment'. She said: 'If I had a choice I would want to [pay] even it's like £5 each [to] everybody for now...or to hold on for some time until I get my feet back you know...But I don't have a choice in the matter. They just told me this is the amount they will take because they've calculated the income I'm getting in a month. So this is the amount they will take.'

One care leaver in our focus group described how falling into debt led to a spiral of other things going wrong in his life: 'things can just rapidly come out of control and one effect can be drastic.'

Another care leaver described how he gambled to try and keep some control over the stress and anxiety of being in debt: 'When I was really down, I was really stressed about money and then I gambled it... We've all got things that we use to get out the stress. Some of us are in this situation and you don't know what else to do when you're stressed. We've all done it, some of us smoke or drink. We've all got different methods to control it. Sometimes that's why I gambled, I didn't know what to do. It didn't make things better.' This echoes previous research highlighted earlier, which suggested that for some young people, particularly those who are on their own, being in financial difficulties including debt can lead to risk-taking behaviour.

### Case study – Adam, child

**Adam, his mum and two younger siblings had been living on low income and been in debt for a number of years previously. He said that having money problems makes people feel stressed and sad. He said his mum gets stressed a lot. He worried that he was taking a bit too much money from his mum and using it for lunch, knowing she was trying to save. He thought other young people his age don't have to worry about these things.**

'You can't have everything you want, but like the little things we couldn't get because of the money situation and my mum having to pay the bills and paying off her debt.'

**During the time when his mum worked long hours to provide for the family and pay off the debt, he and his siblings were with childminders. This meant that he missed out on activities like football, which he loved.**

'I wouldn't go down that route again after what I have [seen] with my mum...Mum was saying this to me the other day: "Everything I have been through I don't want you to go through this. I want you to be donating to the charity and helping the people that need it and not people having to donate to you."'

'I've had emotional problems, I didn't always think I could talk to someone, I just wanted to sling myself in the gutter. When you feel that low, you don't feel like talking to anyone. You feel worthless.'

Care leaver, 21

### **Shame, embarrassment, failure and self-blame**

One of the key themes to emerge from this research was the extent to which both parents and children felt ashamed or embarrassed about their situation, and felt they were to blame or that they had failed in some way. For example several parents blamed themselves and felt embarrassed for not being able to manage their money well. One mum said she felt deeply ashamed to have got herself into the predicament she faced.

Children we spoke to also talked about the embarrassment they felt, particularly around being in poverty and not being able to afford normal things like their friends. One boy said he was laughed at by his peers at school for having to use his mum's phone. One young person said he was very anxious about his family's money problems and wanted to help, but was ashamed because he could not find work, despite sending out lots of applications. He felt that he needed to provide for the family and worried whether

he was doing enough, or whether he was being lazy. He described this as a constant state of worry and discussed feelings of failure.

For some of the young people we spoke to who were living independently, the embarrassment of being in debt often led to their situation getting worse as they tried to ignore the debt in the hope that it would go away.

'I remember about my council tax, I didn't want to tell anyone, I was embarrassed, I thought my key worker would give me grief. I just thought to myself "if I don't tell anyone, it'll go away". When it did come time to get help I realised if I were to have sorted it out a few months ago, it would have been fine. I would have been put on a pay plan, it would have been fine. The same thing would have happened, but I wouldn't have been sent to court, I

wouldn't have got an £80 fine. The woman [in court] even said that she said "why didn't you come talk to us?" but I thought it would be easier to ignore it.'

Care leaver, 19

### **Pressure on family relationships**

Previous research from The Children's Society has highlighted that families trapped in problem debt are more than twice as likely to argue about money problems, leading to stress on family relationships, and causing emotional distress for children.<sup>49</sup> In our interviews for this research, parents and children spoke about how pressures from having debt caused relationship tensions, including arguments between parents and children because they could not afford certain items. One young person said that seeing her mum stressed and upset caused her and her brother to argue because they had different ways of dealing with it.

Many of the young people and parents also spoke about not being able to socialise with friends or extended family, and not being able to go on outings. This left them feeling excluded and isolated, not having others to share their concerns with and feeling confined within the family environment. One parent reflected that having debt takes you away from having quality time to spend with your children.

## The Damage of Debt

The impact of money worries on children's mental health and well-being

On the positive side, one young person felt that the experience of facing problem debt – as well as causing arguments within the family – had also brought her family together in some ways. She said it taught them the value of money, and made them appreciate what they have. She described how they looked after each other and gave their mum moral support. Since their financial situation has improved, this young person also said that her mum is a lot happier now as she doesn't have the strain of so many debts and having to worry about keeping a roof over their head. Nevertheless, overwhelmingly it was clear that problem debt generally had a damaging impact on family relationships.

**'When you are at minus your money.'**

**Child, 11 – when asked what debt meant to him**

### **Difference between living in low income and being in problem debt**

Parents and young people were asked about how living in debt differed, if at all, from living on low income; was one better or worse and if so why? According to the families we spoke to who had experienced both at some stage, a number of parents articulated that living with debt was worse than just living on low income. One parent explained that if you don't have money to spend, you just don't have it and then you can probably work towards getting it. But if you are in debt, you have to work first to get the money to pay somebody else. But then you

don't have any money to spend on the things you need for you and your children. One parent said that being in debt feels like 'you take two steps forward and it brings you back, ten steps back'. This highlights the often demoralising nature of living in debt – a sense of 'working for nothing'.

However, for others, living on low income could also be worse. Not having enough money meant not being able to feed their children, while repaying a debt could be put off. One parent reflected that if you were just in debt, you could 'buy some time' and pay the bills later, while not having enough money had a more immediate impact on children's welfare because it meant not being able to put food on the table. Other parents felt

that both – low income and debt – were just as difficult as each other, as both positions relate to not having enough money, which caused them immense stress. The difficult tension which exists between making sure children have a decent standard of living and dealing with debt repayments may lead to families being pulled into a spiral of increasing debts.

These findings chime with the findings from the quantitative analysis of children's mental health which highlighted the links between the number of debts that families had, their level of income and their self-reported financial difficulties. Specifically, children living in low income families experiencing financial difficulties had poorer mental

### **Case study – Katharine, mum**

**Katharine lives with her husband and her children. Both she and her husband are in low paid jobs – one works full-time. They receive some top-up benefits to support one of their children who has a disability, however money is very tight and monitored closely.**

**The family is working with a debt advice charity who have supported them in repaying debts after they became unmanageable. This worked well until recently when one of their debts was sold on to a debt collection company who have since been harassing the family for immediate repayment. Katharine says they call constantly and have no regard for her children, including her youngest child who is agitated by the frequent phone calls. This has increased the parents' stress and anxiety. Katharine says she has been depressed at times and anxious about people coming and taking away their belongings.**

**They have tried to shield their children from the stress and worry the debts have caused and are keen to make sure the children do not fall into a similar situation, particularly as the oldest child has started receiving offers for easy credit.**

**Katharine is determined that she will not lose their home and will repay the debts. She will continue to put her children first when it comes to food and warmth.**

health. This problem appears to be compounded by the presence of multiple debts. For children in families on higher income who do not face financial difficulties, their mental health stayed relatively constant regardless of the number of debt types in the household.

### Difficulties caused by having multiple creditors

The interviews with families helped to shine a light on why – as our quantitative analysis suggests – having a higher number of creditors may be associated with greater levels of mental ill-health and lower well-being in children. For families, having multiple creditors had both a direct and an indirect impact on children. For example a number of parents spoke about being harassed and hassled by different creditors – whom their children would be exposed to directly in the form of receiving regular letters and phone calls, and having bailiffs come to the house – and the anxiety and fear this had caused them and their children. One mother said that for a period of time she received phone calls virtually every two or three hours from one creditor and emails every two or three days from others.

'You know with debt, constantly they are calling you, they are harassing, they are sending you letters. Some of them do turn up on your door.'

**Mum with three children**

In addition, children were also affected indirectly by witnessing the pressures that debt had on their parents:

'It's weighing me down. It's frustrating...They ring, it's a heavy burden, it's very, very tiring. It drains all the strength in you...it's too much a heavy load for me to carry.'

**Mum with one young child**

### The need for a 'rest period'

When asked about what would help them to better deal with their debts, some parents and young people spoke about needing a break between when they got into debt and when interest and charges accumulated to get their finances into order. One parent suggested a 'rest period': 'to help you out or reduce your payment or something like that. Because if that was there I would've took that and that might've actually helped out...you're kind of playing catch up from that month...before you know it you've got six, seven months and you can't catch up and all the charges as well.'

Another parent said that a break would be very helpful in managing the levels of stress for her family: 'If I could get like a break until I start working...I can balance both of them [repaying debts and taking care of needs]...the stress wouldn't be much on my family.'

A statutory 'breathing space' would allow young people and families the time to seek debt advice and repay debts at a rate they can afford, free of growing interest rates and enforcement action. When we proposed the idea to some of the young people and parents we interviewed, they supported it. As one care leaver (aged 19) said:

'[Breathing space] is stability. It sounds absolutely perfect. It's a lot of pressure to have on your shoulders. It would be good so they can look for work, rather than thinking if they can't get a job they're absolutely screwed... it should be used as a platform to help them out of debt.'

**Care leaver, 19**

### Help with managing multiple debts

A number of families had used services which allowed their multiple debts to be managed in one payment. They said that having to deal only with one organisation made things easier and less stressful and it meant only having to make one payment. One parent said that the organisation managing her payment had been able to negotiate a lower repayment

## The Damage of Debt

The impact of money worries on children's mental health and well-being

which she had tried to do herself but had been unsuccessful. On the other hand, a number of parents we spoke to were wary of accumulating additional charges and legal fees for consolidation services which they felt were adding to the family's overall debt.

### Support through specialist services

Some parents also spoke about having local support groups or other adults to talk to about their issues – including counselling, for example. This was particularly important for single parents who felt very isolated and did not have partners to share the emotional burden with.

'That would be great. If at least someone, that you can offload on...someone to at least talk to. Someone that will guide you, someone that can help you see ways that you could ease the stress and the pain, would be great.'

Mum

00:01 hrs  
Thu 22 September 2016

### Case study – Rebecca, teenager

Rebecca seemed to be aware of the debt that her family was in, including the types of debt that her mum was struggling with. She said that her mum had arrears with rent, gas and electricity, and there were times when it was a struggle to put £5 on the meter.

Rebecca said that she supported her mum practically and emotionally. Practically, she said her mum would ask her advice about how to handle her debts and where to put her money, and they would work things out together. Emotionally, Rebecca said that she would know when her mum was upset, and wanted her mum to talk to her about it rather than keep her worries to herself.

Rebecca said that the low point of being in debt was feeling fearful that they would lose their house and everything they owned. She described never being able to go out and being stuck in at home with nothing to do but to watch TV. She couldn't even afford the cost of a bus fare to go out with her friends from school. In comparison, it seemed to Rebecca that these school friends could do whatever they wanted, including taking driving lessons and going on nice holidays.

The family's financial situation has negatively affected her relationships with friends, family members and with staff at school. Rebecca said that the debt and money problems meant that they couldn't see their extended family. It meant they missed out on weddings and family holidays.



## Conclusion and recommendations

Our research has highlighted that there are clear links between family debt and children's mental health and well-being. Our quantitative analysis of the Millennium Cohort Study showed that, rather than their total amount of debt, **in low income families experiencing financial difficulties, the more debt types a family has, the greater the risk of mental health problems in children.**

However, the research also showed that the potential impact of multiple debt can be mitigated by income and financial security, so that in high income families with no reported financial difficulties, there are no associations between numbers of debt and children's mental ill-health.

The analysis also found that, regardless of how many debts their parents had, children in poorer families were more likely to suffer worse mental health than their more affluent counterparts. We may conclude that both family income and multiple debts have an impact on children's mental health. **Children appear to be protected from the negative impacts of multiple debts on their mental health if they are in higher income households and are not experiencing financial difficulties.**

Our analysis of data from our survey of children's subjective well-being found that around 5% of children and young people are predicted to have low well-

being in households who have no difficulties with debt. In comparison, in households facing arrears 23% – almost a quarter – of children and young people are predicted to have low well-being. This means that children in households who have debt with arrears are **five times more likely to have low well-being than those with no difficulties with debt.**

Our interviews and focus groups with children, young people and families highlighted why this may be happening in some cases. Participants spoke about the stress, anxiety and unhappiness they felt about their debt situation; of being **constantly harassed by multiple creditors** by telephone, email, letters and in person. Debt led to arguments within families, and it meant that families felt isolated and trapped. Both parents and young people talked about feeling **ashamed and embarrassed by their debt situation; they blamed themselves and felt they had failed.**

In addition, some families faced additional challenges and pressures on their well-being and family life – such as having faced family breakdown, domestic violence or being ineligible for basic benefits. Living on low income was a key factor in making life difficult for families, leaving some feeling they had no other choice but to get into even greater debt. Families felt they faced impossible choices between

keeping their children fed, warm and clothed or paying off their debts to prevent them from spiralling out of control.

Based on the evidence gathered in this research, we have developed the following policy recommendations which, if implemented, could have significant improvements for children's well-being and mental health outcomes:

### 'Breathing space'

**The Government should introduce a statutory 'breathing space' scheme to protect families with children under 18 and young people living alone for the first time from default charges, mounting interest rates, collections and enforcement action.**

The Government should work with creditors, the free debt advice sector and others to develop a statutory scheme which would:

- Provide a year-long 'breathing space' scheme of protection from mounting debt.
- Support families to put in place a longer-term debt repayment plan which is affordable for the family or young person.
- Prevent additional fees and charges from being levied for the period that the plan is in place.
- Place a hold on enforcement action so that children and young people aren't left intimidated and

scared by visits from bailiffs and the debts don't continue to accumulate.

- Ensure that easy access routes are provided for the most vulnerable families and for young people living independently.

**This 'breathing space' protection period should last for one year.** The initial year-long period would help families adjust and recover from income shocks and is likely to help families with particular difficulties such as those with young children, those fleeing domestic violence and lone parents.

If, following the year's breathing space period, families would be in a position to repay their debts over time, then it should be ensured that they are able to enter a longer-term affordable repayment plan after the breathing space period ends. Where families are concerned about having to manage repayments across a number of different creditors, this could be arranged by a free and independent debt advice charity.

'Sometimes you have no option, apart from going and getting into that kind of debt...My children have never had bikes...because I can't afford it. I can't take them anywhere. They can't enjoy what they want...

My daughter is very good in basketball and swimming and the teachers were recommending me to take her to that and I couldn't do it.'

Mum living on low income with three children

### Access to adequate income

**Government must make sure that children's benefits and tax credits are accessible to families who need them and are sufficient to meet the costs of children in a family – whether families are in or out of work. This would ensure that children's welfare is protected and that families are not forced to take on debt in the first place.**

Our research shows that while problem debt has an impact on children's and parent's well-being, independent of income, we also know that living with low income also has a negative impact on a range of children's outcomes including their mental health. Living on low income means that parents are not able to provide their children with the basics such as food, clothing and support to participate fully in education and other activities to fulfil their potential. It also means that in some cases, families have no choice but to borrow money to make ends meet and so fall into debt, exacerbating their situation and putting further pressure on parents and children.

Last year the UK Government announced that most key children's benefits and tax credits will be frozen for four years – including support for children within Tax Credits and Universal Credit. The Children's Society calculated that more than 7 million children will be affected by this, with 5 million (around two thirds) living in working families. This change will make it increasingly hard for families to afford a decent standard of living, and will make it more likely that families take on debts in order to maintain living standards. Forecasts predict that costs of living will have risen by around 12% by the end of the decade<sup>50</sup> and this decision will have a significant impact on the number of families, both in and out of work, living in poverty. **The Government should reverse the decision to freeze children's benefits and tax credits for four years.**

**The Government should remove the 'no recourse to public funds' condition on families with children who have leave to remain in the UK** so that families are not forced to rely on local authority support and are not forced into debt or destitution.

### Better joined up and informed local services

**Every local authority should have a debt collection strategy that protects children by making sure families in receipt of council tax reduction are not referred to bailiffs, and that families are offered a local breathing space period when they first fall into debt on their council tax bill.**

Local authorities need to make sure council tax debt and its collection processes do not undermine other functions like **social care and family support and local welfare assistance schemes**, which need to step in when families are struggling to repay debts and are dealing with significant mental health and emotional well-being issues. This is important to make sure that where families are already receiving local authority support – such as family support interventions, domestic violence services, and support for those with ‘no recourse to public funds’ – council tax enforcement services are not adding additional pressure on children and families to repay, but are instead working constructively with families to repay debts in a manageable way. Not referring families in debt on their council tax to bailiffs (and in particular low income families in receipt of council tax reduction), and offering their own ‘local’ breathing space scheme to those struggling with repayments, are both ways that local authorities can make sure that they are supporting families in debt as best they can.

Councils should make sure that council tax debt collection services can refer families struggling with debt to their **local welfare assistance schemes** where they need emergency support, to ensure they are supported in a holistic way by different council services.

‘Instead of just taking it out of her bank without telling her or asking, they should like make an agreement where she pays them a certain amount every month but so she can still afford things at the same time.’

Young person – talking about how her mum could be helped to repay their debts

### **Escalation processes**

**Creditors and debt collectors should not engage bailiffs for collecting debt for families with children under 18, especially for the most vulnerable families or for young people who are living independently such as care leavers.**

Our research has shown that using bailiffs has a particularly damaging impact on the emotional well-being of children. Additionally, using bailiffs incurs an additional cost for families who are already struggling. The most vulnerable residents and those living on a low income could be protected by adopting a policy of not engaging bailiffs where families are in receipt of council tax support or making deductions from benefits and salaries for families already struggling to make ends meet.

We recommend that local authorities and other creditors prevent escalation of debt collection by **ensuring that they always signpost families in difficulty to independent debt advice, and that they work with families to put in place affordable repayment plans for them, to make sure children's welfare is protected.**

### **Counselling and mental health support services**

**Debt advice providers should review their approaches to make sure they ask about the mental health and well-being needs of children in the household and are aware of – and able to refer to – appropriate local services where they have concerns about any child. In addition, greater awareness is needed among health and mental health providers of the impact that debt and poverty can have on children's and parent's mental health and well-being.**

Across a range of services, levels of Government and decision-makers, greater recognition is needed that debt and poverty are associated with significant stress, anxiety and feelings of depression in children and parents. Clinical Commissioning Groups and providers of mental health services should regard **living in financial hardship, including problem debt, a complexity factor** that is likely to impact on children's and parent's well-being and mental health and/or exacerbate pre-existing mental health conditions. Where

living in problem debt has been identified as a **contributing factor to a child's mental ill-health**, professionals – including GPs and teachers – should signpost children and their families to local counselling services, including through schools to enable universal access for children and young people.

Within its remit to reduce health inequalities both locally and nationally, Public Health England should consider the impact that debt has particularly on children in low income families and work to establish effective prevention initiatives.

EMBARGOED

Interest  
Tired  
Budget  
Bills  
Store card  
Balance  
Mortgage  
Fees  
Knock knock  
Suffocated  
Overwhelmed  
Confused  
Pressure  
Deadlines  
Overdue  
Frightened  
Money  
Council tax  
Destitute  
Worried  
Intimidated  
Creditors  
Scared  
Bankrupt  
Anxious  
Ignore  
Bank  
Me  
Chaotic  
Bleak  
Pain  
Poverty  
Rent  
Loan  
Trouble  
Bailiffs  
Poor  
Dad  
Debt  
Shame  
Fines  
Gas  
Anger  
Eviction  
Food  
Electricity  
Stressed  
Unpaid  
Relentless  
Panic  
Shopping  
Fighting  
Burden  
Depleted  
Calling  
Overdue  
Insomnia  
Harassed  
Liability  
Final demands  
Mum  
Water  
Guilt  
Finance  
Helpless  
Broke  
Mental health  
Ring ring  
Exhausted  
Aggressive  
Struggle  
Control  
Clothes

## The Damage of Debt

The impact of money worries on children's mental health and well-being

## References

- <sup>1</sup>For this report, the phrase 'problem debt' is used to describe households currently in arrears on a household bill or credit commitment as set out in our original Debt Trap report (2014). The list of household bills and credit commitments families were asked about included mortgage/rent; Council tax [Rates in Northern Ireland]; electricity, gas, fuel bills; water and sewerage bills; telephone bills (including mobile phone, broadband); income tax or VAT payments; hire purchase instalments or similar (mail order catalogues, car finance, interest free credit etc.); payday loans; loans from banks, building societies or credit unions; credit card payments; loans from friends or family; TV licence; private education or health bills; child support or maintenance; and other loans/bills.
- <sup>2</sup>Gibbons, D. (2014:1) 'The child welfare implications of problem debt'. The Centre for Responsible Credit. Review commissioned by The Children's Society. Accessed 12th August 2016: <http://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/CHASM/briefing-papers/2014/child-welfare-implications-of-problem-debt.pdf>
- <sup>3</sup>Pople, L., Royston, S. & Surtees, J. (2014) 'The Debt Trap - Exposing the impact of problem debt on children'. The Children's Society & StepChange. Accessed 12th August 2016: [http://www.childrensociety.org.uk/sites/default/files/debt\\_trap\\_report\\_may\\_2014.pdf](http://www.childrensociety.org.uk/sites/default/files/debt_trap_report_may_2014.pdf)
- <sup>4</sup>McLeod, J. (2014) 'Playday not payday: Protecting children from irresponsible payday loan advertising': [http://www.childrensociety.org.uk/sites/default/files/Playday-not-payday\\_Debt-Trap-Report.pdf](http://www.childrensociety.org.uk/sites/default/files/Playday-not-payday_Debt-Trap-Report.pdf)
- <sup>5</sup>Williams, N., Royston, S., Ayre, D. & Royston, S. (2015) 'Show Some Warmth – Exposing the damaging impact of energy debt on children': [http://www.childrensociety.org.uk/sites/default/files/Show\\_some\\_warmth\\_full\\_report\\_1.pdf](http://www.childrensociety.org.uk/sites/default/files/Show_some_warmth_full_report_1.pdf)
- <sup>6</sup>Capron, L. & Ayre, D. (2015) 'The Wolf at the Door: How council tax debt collection is harming children': [http://www.childrensociety.org.uk/sites/default/files/wolf-at-the-door\\_council-tax-debt-collection-is-harming-children\\_PCR027a\\_WolfAtTheDoor\\_Web.pdf](http://www.childrensociety.org.uk/sites/default/files/wolf-at-the-door_council-tax-debt-collection-is-harming-children_PCR027a_WolfAtTheDoor_Web.pdf)
- <sup>7</sup>For the purposes of this report we have used the same definition as set out in our report 'Debt Trap' (2014).
- <sup>8</sup>This might include how satisfied they are generally with life, how well they get on with people around them, and whether they feel optimistic about the future.
- <sup>9</sup>We understand differing definitions of problem debt, mental health and emotional well-being are used in other contexts and where possible, we have highlighted these differences.
- <sup>10</sup>The quality and ethics of the qualitative part of our study was taken through our internal Research and Engagement Ethical Framework process.
- <sup>11</sup>Pople, L., Royston, S. & Surtees, J. (2014) 'The Debt Trap - Exposing the impact of problem debt on children'. The Children's Society & StepChange. Accessed 12th August 2016: [http://www.childrensociety.org.uk/sites/default/files/debt\\_trap\\_report\\_may\\_2014.pdf](http://www.childrensociety.org.uk/sites/default/files/debt_trap_report_may_2014.pdf)
- <sup>12</sup>See Table 9, pg 22 - Debt Trap (2014)
- <sup>13</sup>For the Debt Trap report, the phrase 'problem debt' is used to describe households currently in arrears on a household bill or credit commitment. The list of household bills and credit commitments families were asked about is included in Appendix 1 of the report.
- <sup>14</sup>Pg 22 - The Debt Trap (2014)
- <sup>15</sup>Where possible, we have highlighted the different definitions of concepts and variables used in the research. For further details, see the original research.
- <sup>16</sup>Berger, L.M. & Houle, J. N. (2016) 'Parental Debt and Children's Socioemotional Well-being'. *Pediatrics*, 137(2):e20153059.
- <sup>17</sup>The research used the Behavioural Problems Index based on an assessment of mother's responses to 28 questions on their child's problem behaviour to measure their socioemotional well-being. See Zill, N. & Peterson, J.L. (1986) 'Behavior Problems Index'. Washington, DC: Child Trends for original index methodology.
- <sup>18</sup>The Family Stress Model used in this research proposes that economic hardship or economic disparity leads to economic pressure, which is defined as the perceived inability to pay for basic needs, the inability to make ends meet, and having to cut back on necessary expenses. The model predicts that when economic pressure is high, parents are at an increased risk for emotional distress, such as anxiety and/or depression which, in turn, leads to disrupted family relationships. That is, parental emotional distress leads to an increase in marital conflict, which leads to an increase in harsh or inconsistent parenting. These harsh parenting practices result in increases in child internalising and externalising behaviours. Therefore, the consequences of economic problems threaten the well-being of children.
- <sup>19</sup>Solantaus, T., Leinonen, J. & Punamäki, R-L. (2004) 'Children's Mental Health in Times of Economic Recession: Replication and Extension of the Family Economic Stress Model in Finland'. *Developmental Psychology*, Vol 40(3), May 2004, 412-429.
- <sup>20</sup>Action for Children (2014) 'Paying the Price: can we help the most vulnerable young people avoid unmanageable debt?' Accessed 12th August 2016: <https://www.actionforchildren.org.uk/media/3224/paying-the-price-can-we-help-the-most-vulnerable-young-people-avoid-unmanageable-debt.pdf>
- <sup>21</sup>For example from a credit card, personal loan, an overdraft or store card
- <sup>22</sup>For example, an ONS study from 2002 showed that respondents within the dataset with a mental disorder were at least three times as likely to have had their telephone, gas, electricity or water disconnected compared with those in the 'no disorder' group. The dataset consisted of a survey of psychiatric morbidity among children and adults aged 16 to 74 living in private households in Great Britain. See Office for National Statistics (2002) 'The Social and Economic Circumstances of Adults with Mental Disorders'. Stationary Office, London: <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/psychiatric-morbidity/the-social-and-economic-circumstances-of-adults-with-mental-disorders/index.html>
- <sup>23</sup>Brown, S., Taylor, K., Wheatley Price, S. (2005) 'Debt and distress: Evaluating the psychological cost of credit'. *Journal of Economic Psychology*, Volume 26(5), Pgs 642-663.
- <sup>24</sup>Citizens Advice (2014) 'Six in ten people in debt affected by mental health problems': <https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/six-in-ten-people-in-debt-affected-by-mental-health-problems/>
- <sup>25</sup>The relationship between personal debt and specific common mental disorders. Howard Meltzer, Paul Bebbington, Traolach Brugha, Michael Farrell, Rachel Jenkins, *European journal of Public Health*, pp 108-113, First published online: 20 March 2012 <http://eurpub.oxfordjournals.org/content/23/1/108>

- <sup>26</sup>Richardson, T., Elliott, P. & Roberts, R. (2013) 'The relationship between personal unsecured debt and mental and physical health: A systematic review and meta-analysis'. *Clinical Psychology Review*, Volume 33, Issue 8, Pages 1148–1162.
- <sup>27</sup>Sweet, E., Nandi, A., Adam, E.K. & McDade, T.W. (2013) 'The high price of debt: Household financial debt and its impact on mental and physical health'. *Social Science & Medicine*, Volume 91, August 2013, Pgs 94-100.
- <sup>28</sup>The study analysed a cross-sectional nationally representative survey of private households in England, Scotland and Wales, which assessed 8,580 participants aged 16-74 years living in general households
- <sup>29</sup>All diagnostic categories of mental disorder included in the research were based on the International Classification of Diseases (ICD) and included disorders such as psychosis, neurosis, alcohol abuse and drug abuse, and other common mental disorders such as depressive episode, obsessive-compulsive disorder, panic disorder, phobic disorder, generalized anxiety disorder and mixed anxiety/depressive disorder.
- <sup>30</sup>Jenkins, R. et al (2008) 'Debt, income and mental disorder in the general population'. *Psychological Medicine*, 38, 10: 1458-1493.
- <sup>31</sup>The relationship between personal debt and specific common mental disorders, Howard Meltzer, Paul Bebbington, Traolach Brugha, Michael Farrell, Rachel Jenkins, *European Journal of Public Health*, pp 108-113, First published online: 20 March 2012 <http://eurpub.oxfordjournals.org/content/23/1/108>
- <sup>32</sup>Pg 1, see references 5-12 in Berger, L.M. & Houle, J. N. (2016) 'Parental Debt and Children's Socioemotional Well-being'. *Pediatrics*, 137(2):e20153059. Accessed 12th August 2016: <http://pediatrics.aappublications.org/content/early/2016/01/20/peds.2015-3059>
- <sup>33</sup>Cooper, K. & Stewart, K. (2013) 'Does Money Affect Children's Outcomes? A Systematic Review'. Joseph Rowntree Foundation. Access 12th August 2016: <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/money-children-outcomes-full.pdf>
- <sup>34</sup>Jenkins, R., Fitch, C., Hurlston, M. & Walker, F. (2009) 'Recession, debt and mental health: challenges and solutions'. *Mental Health in Family Medicine*; 6:85–90. <http://www.mhfmjournal.com/mental-health/recession-debt-and-mental-health-challenges-and-solutions.pdf>
- <sup>35</sup>Ayre, D. (2016) 'Poor Mental Health - The links between child poverty and mental health problems'. The Children's Society: [https://www.childrenssociety.org.uk/sites/default/files/poor\\_mental\\_health\\_report.pdf](https://www.childrenssociety.org.uk/sites/default/files/poor_mental_health_report.pdf)
- <sup>36</sup>The relates to the OECD Equivalised Household Weekly Income - adjusting for household size and composition (i.e., number of adults and number of children). Further information can be found: <http://www.oecd.org/statistics/OECD-ICW-Framework-Chapter8.pdf>
- <sup>37</sup>Measured in GBP excluding mortgage. Those without debt were recorded as 0.
- <sup>38</sup>This relates to the number of debt types by asking the main parent if they had debt with the following: credit card, store card, hire purchase agreement, personal loan/s, catalogue/mail order purchase, DWP Social Fund Loan, any other loan from a private individual, student loan, and other debt not listed. Responses for each debt type were added to calculate the total number of debt type. Mortgages were explicitly excluded.
- <sup>39</sup>Self-Reported Household Financial Difficulties: the main respondent parent was asked 'How well would you say you and your husband/wife/partner are managing financially these days? Would you say you are... living comfortably, doing alright, just about getting by, finding it quite difficult, or, finding it very difficult?' This 5-item response was recoded into a binary variable, where finding it quite difficult/finding it very difficult was coded as 1 (financial difficulty – yes) and living comfortably/doing alright/just about getting by was coded as 0 (financial difficulty – no).
- <sup>40</sup>The Strengths and Difficulties Questionnaire (SDQ) is widely used as an international standardised instrument measuring child behaviour. Goodman R (1997) 'The Strengths and Difficulties Questionnaire: A Research Note'. *Journal of Child Psychology and Psychiatry*, 38, 581-586.
- <sup>41</sup>Goodman, R. et al (2000) 'Using the Strengths and Difficulties Questionnaire (SDQ) to screen for child psychiatric disorders in a community sample'. *The British Journal of Psychiatry*, 177(6), 534-539.
- <sup>42</sup>Goodman, A. & Goodman, R. (2009) 'Strengths and Difficulties Questionnaire as a Dimensional Measure of Child Mental Health'. *Journal of the American Academy of Child & Adolescent Psychiatry*, 48(4), 400 – 403.
- <sup>43</sup>Children were scored higher on behavioural difficulties if mothers answered 'true' to a problematic behaviour. Each child can score a maximum of 40 points.
- <sup>44</sup>The 15 types of debt were: mortgage/rent, council tax, electricity/gas/fuel, water/sewerage, telephone/mobile/broadband, income tax/VAT, hire purchase agreements, payday loans, bank loans, credit card, loans from friends/family, TV licence, private education/health, child support/maintenance, and other
- <sup>45</sup>For each type of debt, each adult could answer: (a) They had no difficulties with the debt; (b) They have kept up with payments over the last 12 months but finding it difficult; (c) They have been in arrears over the last 12 months; or (d) They do not have this type of debt. Households were coded as 'debt with financial difficulties' if they reported difficulties with one or more of the 15 types of debt, but did not report any arrears. They were coded as 'debt with arrears' if they reported arrears on one or more of the 15 types of debt. The third category was 'debt with no difficulties' as all households reported some kind of debt or payment.
- <sup>46</sup>These were: My life is going well/my life is just right/I wish I had a different kind of life/I have what I want in my life. The answers to these questions were used to create a subjective well-being score (Huebner Score) out of 10 where those scoring below 5 were categorised as having low well-being.
- <sup>47</sup>In the analysis we considered the predicted probability of the scores which can be thought of as the percentage of children and young people who are predicted to have low well-being with each 'debt status.'
- <sup>48</sup>To find out more about this, please see The Children's Society report (2016) 'Making Life Impossible - How the needs of destitute migrant children are going unmet': <http://www.childrenssociety.org.uk/sites/default/files/making-life-impossible.pdf>
- <sup>49</sup>Pg 5 – Dept Trap (2014)
- <sup>50</sup>Royston, S. (2016) 'The Future of Family Incomes – How key tax and welfare charges will affect families to 2020' The Children's Society: <http://www.childrenssociety.org.uk/sites/default/files/the-future-of-familyincomes-embargo-23-2-16.pdf>

**It is a painful fact that many children and young people in Britain today are still suffering extreme hardship, abuse and neglect. Too often their problems are ignored and their voices unheard. Now it is time to listen and to act.**

The Children's Society is a national charity that runs local services, helping children and young people when they are at their most vulnerable, and have nowhere left to turn.

We also campaign for changes to laws affecting children and young people, to stop the mistakes of the past being repeated in the future.

Our supporters around the country fund our services and join our campaigns to show children and young people they are on their side.

**The  
Children's  
Society**

For more information on this report please contact:

Ilona Pinter  
Policy Advisor  
The Children's Society  
e: [policy@childrenssociety.org.uk](mailto:policy@childrenssociety.org.uk)  
t: 020 7841 4400

**[childrenssociety.org.uk](http://childrenssociety.org.uk)**  
**@ChildSocPol**

© The Children's Society 2016. The copyright of all material appearing in this publication belongs to The Children's Society. It may not be reproduced, duplicated or copied by any means without our prior written consent. The names of case study participants have been changed. All images posed by models. Photo page 25 © Laura McClusky

Charity Registration No. 221124

PCR094/0916

**The Debt Trap**  
End the damage to children