Overwhelming problems damaging children’s well-being
Spotlight on the impact of debt and financial difficulties on children

“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

“We go to Aldi or Pound Stretchers, because Pound Stretchers is only, like, for food, it’s £1 per decent meal.”

- Young person

Overview: children affected by poverty and problem debt

Right now, in this country, four million children are living in poverty. The number is rising with five million children expected to be in poverty by the end of the decade. We know all too well the devastating effects poverty can have on children’s lives and future prospects. As well as struggling on low income, we are increasingly finding the negative impact that problem debt has on children. Our research tells us that children in families in problem debt are five times more likely to have low well-being than those not facing difficulties with debt

The Good Childhood Report 2017 survey indicates that 30% of 10-17 year olds - equivalent to 1,700,000 children in that age bracket in the UK - were living in households in arrears. Separately, we also found that 36% of 10-17 year olds were living in households struggling with bills. This equates to more than 2,100,000 10-17 year olds across the UK.
There is a clear link between children living in families with problem debt and those living on low income, struggling to pay bills and make ends meet. Unsurprisingly, our survey found that 88% of households with debt were also struggling with bills. As a result, parents are having to make impossible choices between buying food, heating their homes or paying off debts.

Our survey found that 22% of children aged 10-17 living in households with debt had also used a food bank in the last five years. Sixteen percent of children living in households with debt had also been homeless in the last five years.

**Why do children and families end up in poverty and debt?**

The reasons why children live in poverty vary. While some will experience poverty for a relatively short amount of time due to income shocks or changes in circumstances like parental unemployment, bereavement or family breakdown, many children live in persistent poverty over a long period of time.

Children particularly at risk of living in poverty are those in a lone parent family, in a family with three or more children, in a household where someone is disabled, and children from black and minority ethnic (BME) backgrounds. We know from the Good Childhood Report 2017 that children living in families in debt or struggling with bills were more likely to be from BME communities: for example, over two fifths (41%) of BME children were in households with debt compared to just over a quarter (28%) of white children. There is a similar pattern in the Government’s poverty statistics which show 61% of Bangladeshi and 47% of Pakistani children are living in poverty, compared to 25% of white children.

Parental disability is also associated with the likelihood of household debt and low income. The Good Childhood Report 2017 found that just under a quarter (22%) of children who are in households in debt also have caring responsibilities. This is equivalent to 340,000 10-17 year olds could be experiencing these two disadvantages together.

A review that we commissioned in 2014 highlighted that families with children are ‘more vulnerable to income and expenditure shocks which subsequently create debt problems’ than those without children. 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, childcare responsibilities mean that parents are limited by the kind of employment they can undertake. Parents often turn to credit to respond to the income or expenditure shock, which leads to further interest and charges leading to a ‘debt trap’ where finances spiral out of control. In one study, we found that 46% of families we surveyed did not believe they could afford to pay an unexpected expense of £500 like a boiler breaking down.
Rebecca's story

Rebecca became more aware of her family’s debt problems as she became older, 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.

Case study from The Damage of Debt 2016

Impact on children’s outcomes and well-being

Living on a low income has significant negative consequences for children’s outcomes. Research overwhelmingly shows that money matters for children’s outcomes such as education and health, independent of other factors, and that children growing up in households with low relative incomes will find it harder to thrive, both in absolute terms and relative to their peers.

Our recent research on debt 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. Higher numbers of debts indicated 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 experiencing mental health problems. However, for families on a high income, children's mental health seems to be protected, even where the number of debts increase. Our analysis highlights that, regardless of whether the family had debts, children in low income families are more likely to suffer worse mental health than their more affluent peers. From The Good Childhood Report 2017 we know that children that were
living in households with debt were almost seven times more likely to have low well-being (20%) than children with no disadvantages (3%).

Our research suggests that having to juggle different numbers of creditors could be an additional stressor for financially stressed households, particularly those already living on a low income, and that these factors had a negative impact on children’s mental health.

It is important to note that families living on a low income and in debt are also likely to experience other types of problems which could also be associated with poor mental health and low well-being – such as stress related to poor physical health or family breakdown, and depression related to past experiences of trauma, and physical and emotional violence. For example, the Good Childhood Report 2017 reveals that children living in households with debt were more likely to experience domestic violence. Over a quarter (26%) of children living in households with debt were also living in households with domestic violence. This is almost twice the average rate. If this proportion is applied to the UK population, more than 400,000 10-17 year olds could be experiencing debt and domestic violence.

**How do social services help?**

Social services for families are vital to help children in these circumstances, whether it is protecting thousands of children from domestic violence or helping relieve the caring responsibilities for children whose parents are unwell. They are vital in providing support to struggling families by providing practical help as well as financial support or temporary accommodation where necessary. Family support workers are important for families to help them through crises and to link them up to a range of local services.

The emerging evidence suggests that due to budgetary pressures, fewer children and families are getting the help they need. A recent survey of over 1,600 social workers in England found that thresholds for a range of interventions have risen over the last three years, meaning children have to reach a higher level of need before qualifying for help, with many saying financial pressures are to blame.

Local authorities are also tasked with providing a final safety net of Local Welfare Assistance for families facing destitution. In recent years, there has been a significant decline in the provision of local welfare assistance - including many areas ending their schemes altogether. As a result, many thousands of children and families have found it harder to access to support in a crisis.

**Recommendations**

- In the Autumn Budget, the Government should address the expected financial shortfall in children’s services in England.
- The Government should use local variations in the well-being of children experiencing multiple disadvantage to determine how this additional funding will be allocated. Particular emphasis should be placed on the provision of early help services to help prevent needs from escalating.