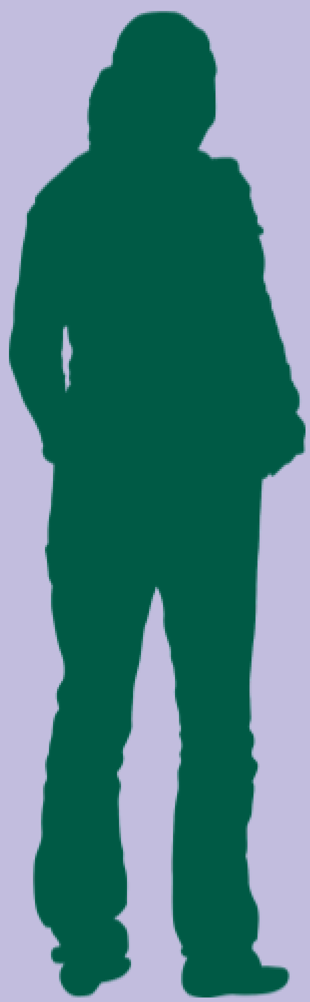
Priced out of debt relief

How upfront insolvency fees keep people stuck in debt purgatory



citizens advice

Matt Vaughan Wilson
Meri Åhlberg
Aiden Greenall
Julia Hamilton
Emer Sheehy

Introduction

Last year, at Citizens Advice we helped more than 320,000 people with debt problems, 14% more than the year before. In England and Wales, 1 in 4 adults are in debt[1] and, across the UK, 4.2 million are in financial difficulty.[2] With the cost of living continuing to put severe pressure on household budgets, the risk of spiralling from being behind on a few bills to falling into problem debt is high.

There are several ways to bring problem debt back under control.[3] Repaying debts more slowly over a longer period of time can be an option, but not for everyone. People with very little spare income or large debts may not be able to repay their debts in a realistic period of time, especially if their situation isn't likely to improve. Often, for people in this position, the best way to get a much-needed fresh start is by legally writing off their debts, through bankruptcy or a debt relief order (DRO). But, there's an in-built barrier that is leaving people priced out. **Applying for a DRO costs £90, while declaring bankruptcy costs £680.**

9 in 10 people (89%) in a DRO or bankruptcy **struggle to pay the fee**

[1] Citizens Advice cost of living survey, see methodology for further details.
[2] Financial Conduct Authority, Financial Lives 2022 survey, 2022.
[3] For an overview of debt solutions available in England and Wales, see Debt solutions - Citizens Advice. Scotland has a separate legal framework and a different set of debt remedies.

Fees of £90 or £680 simply aren't affordable for people in deep debt distress, who by definition don't have spare cash to pay fees upfront. As cost of living pressures mount, the price of debt relief is becoming an ever more urgent problem.

Leaving people trapped in debt isn't in anyone's interests. On top of the serious impact for people living with unmanageable debt, creditors end up chasing money that can never be recovered and the economy suffers as people are unable to spend - while debt advice organisations continue to grapple with demand.

Government must take action now to stop charging for debt relief, so no-one is priced out of a fresh start.

Recommendations

Upfront fees should be abolished for both debt relief orders and bankruptcy, to ensure no one is priced out of a fresh start. How this works in practice, to ensure administrative costs are still met, will look different for each solution:

- **Debt relief orders (DROs) -** the administrative costs of DROs are relatively low - less than £3m per year at current levels. Instead of charging applicants, costs should be met through central government funding.
- **Bankruptcy -** universal application fees contribute to the costs of bankruptcy, but don't cover them in full. To meet those full costs, additional fees are applied to bankruptcy cases where there are valuable assets or surplus income to recover. This approach should be extended so that all the costs of administering bankruptcy are recovered from assets and surplus income, instead of from upfront fees.

1. Why debt relief matters

The shape of problem debt

In recent years the shape of problem debt has changed. Household bills and debts owed to the government, like council tax or benefit overpayments, have overtaken credit debts such as credit cards, loans and overdrafts as the most commonly reported types of problem debt.[4] Last year, Citizens Advice helped 175,000 people with household bills or debts owed to government, compared to 94,000 people with consumer credit issues.

Although borrowing still plays a role, the root cause of debt is often as simple as being on a persistently low income. The average net income for a DRO applicant supported by Citizens Advice in 2022 was just £16,467 a year.[5] When we polled people who had been in a DRO, 80% reported receiving benefits or Universal Credit as part of their income.[6] Similarly, over the last ten years, fewer than 1 in 5 bankruptcy applicants has had enough spare income to make monthly

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[4] Citizens Advice, Hidden debts: The growing problem of being behind on bills and in debt to the government, 2018.
[5] Case data from Citizens Advice DRO Hub.
[6] Based on polling by Yonder Data Solutions in 2023 of 330 people who had been in a DRO and 129 people who had been in bankruptcy in the past 5 years. See Methodology for more details.

payment contributions (known as an Income Payments Agreement or Income Payments Order).[7] Polling indicates 64% of people who had been in bankruptcy receive benefits or Universal Credit income.

Low income is often compounded by other factors such as poor health, disability, or caring responsibilities. Out of the 5,426 people supported to do a DRO application through the Citizens Advice DRO Hub last year, 3 in 10 (29.5%) were unable to work due to sickness or disability, while 7% were carers.

Living on a tight budget can mean people face difficult choices between falling behind on bills, going without essentials or borrowing to keep up. Between July 2022 and January 2023, one in five people (20%) reported having to use credit to help pay for essentials, and 13% sought other types of help such as borrowing from friends or family.[8] Around 11.5m people across the UK have less than £100 in savings to fall back on, meaning even a relatively minor setback like an unexpected bill or the costs of replacing household items can trigger a spiral into debt.[9] Those who slip into debt can find it difficult or impossible to escape the debt trap without the aid of a debt write-off option such as a DRO or bankruptcy.

94% of debt advisers see fees as one of the **top barriers to bankruptcy**

40% of Citizens Advice advisers have helped someone **priced out of a DRO** in the past 3 months

People Citizens Advice help with debt now have on average **£0 left after bills and essential payments**

[7] Insolvency Service, Quarterly Insolvency Statistics, Oct-Dec 2022 (data table 5a). The proportion of cases with an Income Payments Order or Agreement was 21% in 2012 and has fallen gradually since to 14% in 2021.
[8] Citizens Advice cost of living survey, see methodology for further details.
[9] Money and Pensions Service, Building the financial capability of UK adults, 2019.

Sliding into debt: Shaun's story*

Shaun used to earn a good income as a self-employed tradesperson, but when his relationship with his partner broke down, he experienced depression and wasn't able to keep working. Since then, his industry has been badly affected by the coronavirus pandemic, so work has been hard to find.

Shaun's debts include rent arrears, court fines, council tax arrears, benefits overpayments and credit debts, which add up to £40,000. His Universal Credit is reduced by 25% - the maximum deduction allowed - to repay some of these debts. He relies heavily on his sister to make up the shortfall between his income and his essential costs, and sometimes uses food banks or fuel vouchers for support.

Shaun wants to return to work, but his previous trade is now too physically demanding and he doesn't have other skills or experience. His limited earning potential means he's very unlikely to be able to repay his debts. He has no assets or spare income, but the size of his debts means he doesn't qualify for a DRO. He simply can't afford the £680 he needs to apply for bankruptcy.

*Name has been changed to protect the client's identity

DROs and bankruptcy compared

Bankruptcy and DROs have essentially the same effects. Both remedies stop creditors demanding payment, adding further interest and charges, taking action through the courts, or sending bailiffs to remove goods. Both result in unsecured debts being written off in full, but there are some key differences.[10] Sometimes known as 'bankruptcy lite', DROs are specifically for people with low incomes, little or no assets, and low debts. There are strict qualifying criteria and they're only available to people with less than £75 spare income left per month. It's only possible to enter a DRO with help from an approved debt adviser ('authorised intermediary') to prepare the application.[11] Bankruptcy doesn't have

[10] A small number of debts aren't covered by either a DRO or bankruptcy. These are magistrates court fines and confiscation orders relating to criminal activity, child support and maintenance, student loans, social fund loans, damages, and compensation for death and injury. For DROs, debts must be listed on the application in order to be included.

[11] House of Commons Debt Relief Orders - House of Commons Library, 2022.

any specific qualifying criteria, and individuals have to apply directly online, instead of via a debt adviser.

Although DROs are usually the preferred option for people on low incomes, a significant number of people are excluded by the qualifying criteria. This includes homeowners, people with debts over £30,000, and those with vehicles worth more £2,000. You also can't enter a DRO if you've been in one in the previous six years. Anyone excluded by these rules would instead need to consider the more expensive route of bankruptcy.

The £680 upfront costs of bankruptcy are split between a £130 'adjudicator fee' for granting the application, and a £550 payment usually termed a 'bankruptcy deposit'. In cases where people have valuable assets or surplus income, an additional set of fees are applied to cover the overall costs of administering bankruptcy. People with surplus income typically have to make contributions through an Income Payments Agreement or Order for a period of three years. These post-application fees and contributions don't represent a barrier to access, so aren't dealt with in detail in this report.

Table 1. Features of DROs and bankruptcy

	DRO[12]	Bankruptcy[13]
Qualifying criteria	Debts not more than £30,000 Assets worth less than £2,000 Domestic motor vehicle worth less than £2,000 OR adapted for disability Surplus income not more than £75/month	N/A (but must be 'insolvent')
Duration	1 year	1 year (income payments for up to 3 years if applicable)
Upfront costs	£90 upfront application fee	£680 made up of a £130 adjudicator fee and a £550 'deposit' (refunded if assets are valuable enough to cover the post-application fees set out below)
Post-application fees and costs	Nil	If sufficient assets or income can be recovered, the Official Receiver charges fees including an administration fee of £1,990 and a £6,000 general fee[14]
Application process	Applications must be prepared and submitted by an approved FCA-regulated money adviser	Individuals must apply online via gov.uk
Repeat applications	Following a DRO, it is not possible to re-apply for six years (except where that DRO was revoked)	No legal bar to reapplying after a previous bankruptcy

[12] Citizens Advice, Debt relief orders. Accessed: 27 March 2023.
[13] Citizens Advice, Bankruptcy. Accessed: 27 March 2023.
[14] The Insolvency Proceedings (Fees) Order 2016.

2. Sizing up the fee barrier

Saving up for fees is difficult or impossible for most

If most people don't have the money upfront, how feasible is it to save up for fees over time? The reality is that people who need debt relief typically have little or no spare income to put aside. Between October and December 2022 half the people Citizens Advice helped with debt problems had a negative budget - meaning their income doesn't even cover essential bills and spending. This rises to nearly 6 in 10 (59%) for people who fit the main qualifying criteria for a DRO.[15] DRO applicants supported through the Citizens Advice DRO Hub last year had an average monthly *deficit* of £95.

There is more variation in incomes for bankruptcy, since it isn't targeted specifically at low-income groups, but the overall picture is similar. Based on Citizens Advice data, 46% of potential bankruptcy applicants are in a negative budget, with an average deficit of £185 a month.

Even when people have a small amount of spare income, saving up is still an uphill battle. Looking *only* at debt clients with a surplus income:

- Those who qualify for a DRO have just £16 a month. It would take them nearly six months to save the £90 needed for a DRO application.
- Those who would miss out on a DRO because their debts are over the £30,000 limit have on average £30 a month. Saving £680 to apply for bankruptcy would take them 1 year and 10 months.

The struggle to save puts people under pressure

The reality of living on a very tight budget means saving up for fees is even more difficult than if first appears. Unexpected expenses such as household repairs, fluctuating earnings from employment, or increases in the prices of goods and services can easily wipe out a small surplus and modest savings. Worse still, the pressure to save up for fees can leave people facing impossible choices between falling further into debt and going without essentials.

[15] Analysis of Budget Planner data, covering income, spending, debt and housing tenure, for clients helped between January 2019 and April 2022. See methodology for more details.

89%
of people in a DRO or bankruptcy struggle to pay the fee[16]

35%
of people cut back on essentials like food[17]

1 in 4
People fall behind on rent and bills[17]

Help with fees is increasingly hard to find

Since saving up is often difficult or impossible, many people turn to family and friends for help with fees. There are also a number of charities that award grants to pay DRO and bankruptcy fees as a way of helping people back on their feet.[18] Advisers tell us this kind of help is critical but increasingly hard to find. Family and friends are often under financial pressure themselves, so can't afford to help out. In the midst of a cost of living crisis, charities face a surge in requests for immediate help with basic needs such as food, fuel and furniture, which means their resources are stretched and they have less money available to make grants towards DRO or bankruptcy fees.

Impacts on debt advice

Trapping people in debt purgatory has an impact on the debt advice sector as well. When people are stuck in debt, they are likely to need on-going, long-term support, which creates work for advisers that would not have existed if a DRO or bankruptcy had gone through. Creditors have to be dealt with individually for an indefinite period of time. Court claims, bailiff action and other emergency situations can all arise, creating further need for support and advice. Because people can't get the fresh start they need, they are forced to keep relying on debt advice providers and other services. This is costly in terms of resources - and it means advisers aren't able to support as many people as they would like to. As the extracts on the next page demonstrate, **DRO and bankruptcy fees are a very significant concern for debt advisers**.

[16] Based on polling by Yonder Data Solutions in 2023. See methodology for more details.
[17] Based on polling by Yonder Data Solutions in 2022. See methodology for more details.
[18] This includes utility trust funds and charities set up to support people based on occupation, health conditions, nationality or other personal characteristics. The Turn2us Grants Search can be used to identify potential sources of help. Advisers tell us that local councils, employability schemes and housing associations may sometimes agree to help with DRO fees.

Evidence from our advisers

Our client is a 54 year old single lady who is at the point of **hiding in her own home** due to a genuine error in her circumstances. If the DRO fee can't be raised there is very little that we can do to support the client in dealing with her accounts.

The client will need to find the fee for an insolvency when he is already struggling financially and has a deficit budget. This means that an insolvency may not be an option for the client or he will need to **cut back on essential expenditures just to be able to afford the fee.**

The client cannot raise the bankruptcy fee and could remain **in debt forever**.

The client does not have sufficient available income to reasonably consider repayment options for their debts and meets DRO eligibility criteria. Unfortunately they cannot afford the £90 application fee.

The client **can now not apply for a DRO**, as he does not have the disposable income to bring his debt level under £30,000. Client needs to consider bankruptcy but it may not be possible due to affordability since the fee is £680 and the client has no disposable income to save for this.

A DRO is the only available option to deal with the client's debt but they have zero surplus and **can't afford to pay the £90 fee**. Family and friends are also struggling financially due to the cost of living crisis and can't help the client.

The client has gotten to a point where bankruptcy is her only option and she has worked very hard to get to that decision. However trying to find any assistance to help with the fee is seemingly impossible. If she cannot find assistance with the fees she will likely remain in debt and suffer from bailiff visits, more debt letters and calls. **This will impact her mental health and daily life.** She will likely go without essentials to try and keep up with the debt payments and demands. She could lose her goods from her home and potentially become homeless.

The client cannot afford to become bankrupt. They will remain in debt long-term. They are at risk of enforcement agents and **continued health issues made worse by long-term debt.**

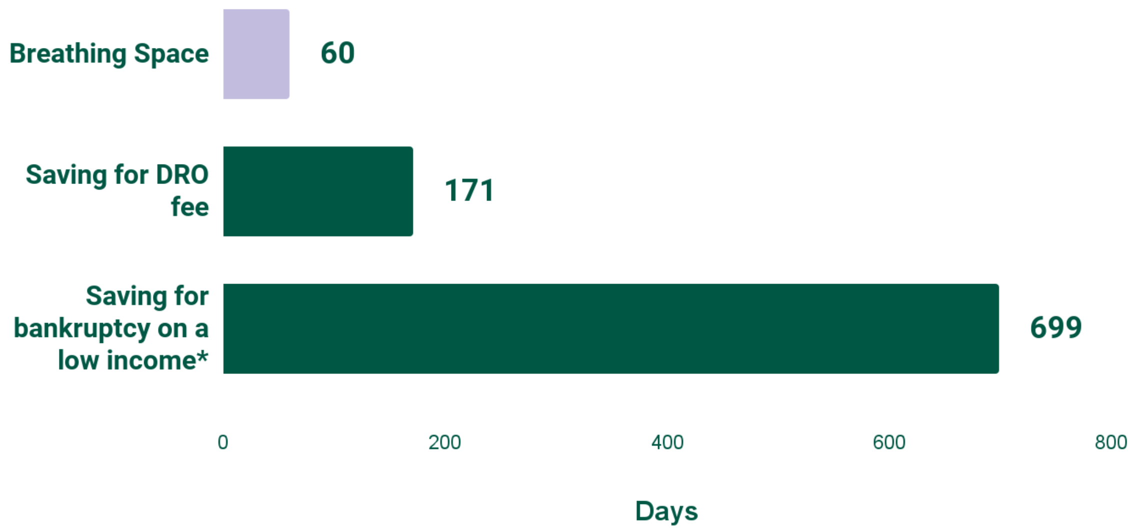
The client is a young single mother with three children under 8. She has relatively low debts of £3,200 but cannot afford to pay them back. We are assisting with a Debt Relief Order. She is paying the DRO fee in instalments but **can only afford £20 per month.**

Taken from evidence forms submitted by our frontline advisers between May to September 2022

3. Impacts of DRO and bankruptcy fees

The problem facing people who are priced out of a DRO or bankruptcy isn't just that debts aren't written off, but that they have no legal way of stopping creditors from taking further action against them. The government's Breathing Space scheme, introduced in 2021, makes it possible for people seeking debt advice to put their debts on hold for a period of 60 days. But there's no further protection for those who need longer to save for fees, so there's often a lengthy and dangerous protection gap after Breathing Space ends.

Protection gap facing Citizens Advice clients saving up for DRO or bankruptcy fees[19]



Given the serious negative effects of problem debt, leaving people stuck without an effective solution is extremely harmful. On top of the direct financial strain it puts on households, there are proven links between debt and financial exclusion, family breakdown and poor physical and mental health.[20] Shalini's story highlights the day-to-day reality of being trapped in unmanageable debt.

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[19] Analysis of Citizens Advice Budget Planner data. 'Saving for bankruptcy on a low income' refers to clients whose surplus income is below the £75 threshold for DROs but who have debts over £30,000, which rules out a DRO as an option.
[20] Citizens Advice, A debt effect?, 2016.

Life in debt purgatory - Shalini's story

Shalini is 37 and lives by herself in a housing association property. Following a bereavement, she fell behind with household bills and existing credit commitments, totalling £9,000. Shalini needs a DRO to help her back on her feet, but she can't afford the £90 fee.

Poor health and wellbeing
The stress of dealing with creditors and living with problem debt means Shalini isn't sleeping well and her mental health is affected.

Debts continuing to snowball
Some of Shalini's creditors are still adding interest and charges to her debts. If her debts go over £30,000, she won't qualify for a DRO and will have to save an extra £590 for bankruptcy.

Creditors still chasing for payment
Shalini gets phone calls, text messages, emails and letters on a daily basis. These frequent contacts leave her feeling anxious and bombarded.

Reduced life chances
Shalini was recently accepted onto a training course which would give her new skills and increase her chances of finding a job - but due to travel costs and the stress of dealing with debt she hasn't been able to accept this opportunity.

Goods and possessions at risk
Shalini let bailiffs into her home when they visited to collect her council tax debt. If she doesn't make agreed payments, the bailiffs can legally take and sell her goods.

Less money to live on
Shalini should be getting £335* a month in Universal Credit, but because she's repaying rent arrears and other debts through direct deductions she only gets £251, leaving her short by nearly £84. As a result, she is skipping meals and struggling to keep up with bills.

*based on 2022/23 UC rates

4. Fixing fees

The rationale for charging fees is to cover costs incurred by the Insolvency Service, a government agency responsible for administering personal and corporate insolvency. Recovering these costs through an upfront fee doesn't work, because it prices people out of getting problem debt under control. But since administrative costs still need to be met, what are the alternative options? Different approaches will be needed for DROs and bankruptcy.

Debt Relief Orders: central funding

No fees should be charged for DRO applications. DROs are very specifically targeted at people with little or no ability to pay. This is ensured by the qualifying criteria and the requirement to apply through an intermediary. Funding DRO costs directly, rather than putting the burden on people with the lowest incomes, would help many get a fresh start more quickly and effectively, and avoid the significant personal and social costs of problem debt.

Instead of charging fees to applicants, costs incurred by the Insolvency Service should be recovered from other sources, with the most likely option being central government funding. Alternatives to this could include a small additional levy on financial services (or an increase in the existing debt advice levy collected by the FCA and administered by the Money and Pensions Service).

The overall costs of administering DROs is very low. Covering the costs of the 27,497 DROs approved in 2019 would have cost less than £2.5m, and the lower annual numbers registered since would bring the cost closer to £2m.

A potential alternative approach, which we have considered but don't recommend, would be to introduce targeted fee reductions or waivers. This approach would alleviate problems for some applicants, but it would also introduce more complexity into the system, since there would need to be new rules and processes set up to determine who is eligible for a reduction or remission. Given that all DRO applicants have a monthly surplus income of no more than £75, it's likely that a very high proportion of DRO applicants would qualify for help, so further means-testing would be disproportionate and largely unnecessary. Similarly, doing away with upfront fees but requiring people to make payments over the lifetime of a DRO would be expensive to administer, and disproportionate given the low surplus income amounts available.

Bankruptcy: revised fee structure

Bankruptcy is more complex than DROs. It doesn't have standardised qualifying criteria, so cases need to be reviewed individually. Some bankruptcy cases are time-consuming and costly to administer, for example because they involve significant assets that need to be sold. But there is also more scope to recover costs from bankruptcy cases, since some of them involve significant assets and spare income. The funding structure for bankruptcy already recognises this, with the proceeds from high-value bankruptcies used to subsidise bankruptcies where there is nothing of value to recover.

At present, all applicants pay a 'deposit' of £550, which is intended as a partial contribution to the costs of administering their bankruptcy. This, along with an adjudicators' fee of £130, makes up the £680 upfront cost of applying for bankruptcy. But if a person has valuable assets or surplus income, additional fees are applied. A fee of £1,990 is charged as a case administration fee, and a general fee of £6,000 is applied to estates above that value.[21]

Bearing this in mind, there are two ways to ensure the Insolvency Service's costs are covered without locking people out of bankruptcy through upfront fees.

1. Adjust the schedule of bankruptcy fees, removing the £680 fee and deposit charged at the application stage, and increasing the fees charged to valuable bankruptcy estates by a corresponding amount. In this scenario, no-one would pay an upfront fee, but those with the means to pay would make a proportionate contribution towards the administrative costs of all bankruptcies, as well as repaying their own creditors.
2. Expand the eligibility criteria for DROs, raising the debt or asset limit, so that more people meet the qualifying criteria to access DROs rather than bankruptcy. The Insolvency Service should approach this on the principle that bankruptcy should be reserved for cases involving significant income or assets. Transferring simple cases from bankruptcy into DROs would have a significant additional benefit in cost savings for the Insolvency

[21] The full schedule of fees is contained in The Insolvency Proceedings (Fees) Order 2016.

Service. Based on a 2021 estimate, transferring just 650 cases from bankruptcy to a DRO would produce a saving of £1.6m.[22]

There may be concerns that removing upfront fees will lead to a dramatic increase in the number of DROs and bankruptcies, or encourage abuse, but there is no evidence that this is likely. DRO criteria have been widened several times, most recently in 2021, when asset, debt and surplus income limits were all increased to make more people eligible. Yet the number of DROs has remained relatively flat. The Insolvency Service's projection of 13,200 additional DROs has not been borne out. Following a drop during the pandemic-affected period of 2020-21, DRO numbers are still slightly below 2019 levels. Bankruptcy, meanwhile, is on long-term decline. In 2011, 34,105 people petitioned for bankruptcy - but just 5,540 people did so in 2022.[23]

This is partly due to broader trends in personal insolvency outside the scope of this report, notably the rapid rise of Individual Voluntary Arrangements (IVAs) provided by profit-seeking firms.[24] But with total personal insolvencies below 120,000 a year there is little reason to anticipate a sudden surge in either DRO or bankruptcy numbers if fees were removed.

As for the risk of abuse, the Insolvency Service considered this when DROs were introduced and when updating eligibility criteria, but found no evidence to link reckless borrowing with the availability of debt relief.[25] The Insolvency Service has an enforcement function, which can lead to people found to have acted dishonestly or irresponsibly facing DRO or bankruptcy restrictions for up to 15 years. The data from this indicates low levels of abuse.[26]

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[22] Insolvency Service, Changes to debt relief order criteria: impact assessment, 2021.
[23] Insolvency Service, Individual Insolvency Statistics, 2023. These figures are specifically for 'debtor petition' bankruptcies, in contrast to creditor petition bankruptcies, which are cases where bankruptcy is used by creditors as a form of enforcement.
[24] For more on Individual Voluntary Arrangements and the IVA market, see Citizens Advice, Set up to fail: How the broken IVA market is failing people in debt distress, 2023.
[25] Insolvency Service, Changes to debt relief order criteria: impact assessment, 2021.
[26] Insolvency Service, Enforcement Outcomes 2021/22, 2021. Accessed: 27 March 2023.

Conclusion

DROs and bankruptcy are perhaps the most powerful tools we have available as a society for tackling serious problem debt. There are no other options capable of giving people the complete fresh start they need and relieving them from the burden of debts they simply can't afford to repay. When we look at the debt and income profiles of people who need to use DROs or bankruptcy, it's clear that upfront fees are a huge barrier to access, resulting in people being priced out of debt relief - with significant negative impacts for individuals, and wider society.

Amidst acute cost-of-living pressures and with demand for debt advice on the increase, it's more important than ever that we have an effective suite of debt remedies. This must include affordable access to debt relief for those who need it - which can only be achieved by removing upfront fees.

Recommendations

Upfront fees should be abolished for both debt relief orders and bankruptcy, to ensure no one is priced out of a fresh start. How this works in practice, to ensure administrative costs are still met, will look different for each solution:

- **Debt relief orders (DROs) -** the administrative costs of DROs are relatively low - less than £3m per annum at current levels. Instead of charging applicants, costs should be met through central government funding.
- **Bankruptcy -** universal application fees contribute to the costs of bankruptcy, but don't cover them in full. To meet those full costs, additional fees are applied to bankruptcy cases where there are valuable assets or surplus income to recover. This approach should be extended so that all the costs of administering bankruptcy are recovered from assets and surplus income, instead of from upfront fees.

Methodology

This report pulls together data from several different sources:

1. **Citizens Advice Evidence Forms**

Analysis of 117 evidence forms on the topic of Debt Relief Orders and bankruptcy fees submitted by local Citizens Advice advisers between 1 April 2022 and 31 January 2023.

2. **Polling of people in insolvency remedies**

Online polling conducted by Yonder Data Solutions with people who were or had been in one or more of the following debt solutions in the last 5 years: an IVA; a DRO; and/or bankruptcy. The survey was first run between 28 September 2022 and 12 October 2022 and reached 439 respondents (IVA: 283; DRO: 150; bankruptcy: 43). It was repeated between 18 January 2023 and 31 January 2023 to increase the sample size and reached 1,058 respondents (IVA: 727; DRO: 330; bankruptcy: 129). Some questions were not included in the second round of polling. We have indicated in the text where we have used figures from the first survey. The data was weighted by age, gender and region to be representative of people in personal insolvency solutions based on demographic data from the Insolvency Service.

3. **Joint Money Adviser Survey**

A survey of 565 money advisers conducted jointly by Citizens Advice, Money Advice Trust, Stepchange Debt Charity, Christians Against Poverty, Institute for Money Advisers, AdviceUK and Community Money Advice. The survey was conducted online between 11 July 2022 and 31 August 2022. Of the 565 responses, 195 were from advisers working within the Citizens Advice network.

4. **Budget Planner data**

Analysis of income, spending and debt data recorded by Citizens Advice advisers supporting debt clients between 1 January 2019 and 30 April 2022. This dataset includes income and expenditure, surplus/deficit monthly income, debts owed by type and amount owing, and total amount of debt owned. It also includes non-budget information such as housing tenure. Starting with a full dataset of 174,487 clients, we filtered the data to remove owner occupiers, who do not qualify for DROs and risk losing their homes in bankruptcy. We also removed clients capable of repaying their debts over a reasonable period of time (for the purposes of this analysis we took this to be 7 years or less, aligning with the proposed criteria for the Statutory Debt Repayment Plan). This left a group of 102,914 clients who might realistically be expected to opt for an insolvency option. We filtered this dataset further to distinguish between clients who fit the debt and surplus income criteria for a DRO (taking into account the changes to eligibility criteria pre- and post- 29 June 2021). This left 86,606 clients presumed to be DRO candidates and 16,308 clients presumed to be suitable for bankruptcy.

5. Cost of living survey

Citizens Advice cost of living survey refers to an online survey of 6,000 UK adults conducted by Walnut Unlimited on behalf of Citizens Advice. Fieldwork was undertaken between 9 January 2023 and 8 February 2023. The figures have been weighted and are representative of all UK adults (18+).

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Published March 2023

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux

Registered charity number 279057