



Housing and
Communities



CENTRE FOR ANALYSIS OF SOCIAL EXCLUSION

Facing Debt: Economic Resilience in Newham

CASE report 83

on behalf of



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This study was carried out by the LSE Housing and Communities team including: Katie Bates, Alice Belotti, Anne-Marie Brady, Emma Glassey, Ben Grubb, Eileen Herden, Laura Lane, Julia Oliveira, Anne Power, Bert Provan, Nicola Serle and Rosie Walker.

About LSE Housing and Communities

LSE Housing and Communities is a research unit within the Centre for Analysis of Social Exclusion (CASE) at the London School of Economics led by Professor Anne Power. CASE is a multi-disciplinary research centre which focuses on the exploration of different dimensions of social disadvantage, particularly from longitudinal and neighbourhood perspectives, examining the impact of public policy. We aim to understand the social dynamics of disadvantaged neighbourhoods; promote models of housing and neighbourhood management; develop ways to support community and resident self-help action, especially in social housing areas; and shape government policy.

Explanation of terms

Economic Resilience – stable, reasonable paid employment, the ability to withstand financial shocks, and the economic resources to make genuine choices

Personal Resilience – the ability to navigate relationships, respond to challenges, learn new skills and find and succeed at work

Community Resilience – networks and relationships, being part of the community

Priority debts are those with the most serious consequences if they go unpaid (loss of a home and/or essential things like heating and power, receiving a court summons).

Non-priority debts generally have less serious consequences, although creditors can sue for money owing

Workplace – a one-stop shop in Newham where residents can receive employment options advice or guidance, help about starting a business and support to overcome barriers to employment.

Citizens Advice Bureaus – voluntary advice centres in local areas, supported by local authorities

Council Tax charges – the element of Council Tax which is not eligible for Council Tax Subsidy or Benefit and therefore is paid by the benefit claimant

Department of Work and Pensions (DWP) – central government department responsible for all income support

Disability Living Allowance (DLA) – to be changed to **Personal Independence Payments (PIP)** – the higher-level benefit paid to people with disabilities

Employment and Support Allowance (ESA) – a introduced on 27 October 2008, the benefit replaced Incapacity Benefit (IB), Income Support (IS) paid because of an illness or disability and Severe Disablement Allowance (SDA)

Jam Jar Accounts – dedicated accounts set up to pay rent or utility bills, etc.

Jobcentre Plus (JCP) – the official local office of DWP where people claiming Job Seekers Allowance (JSA) report weekly

Rent caps – limits on the amount of rent eligible for Housing Benefit payments

Sanctioning / Suspension – suspension of benefits to claimants for non-compliance with Jobcentre Plus instructions, e.g. appointments

Spare room subsidy, commonly known as the **bedroom tax** – the deduction of part of the rent subsidy from social housing tenants' Housing Benefit for extra bedrooms above the allowed number

Universal Credit (UC) – combines many different benefits previously administered separately into a single monthly payment, both for eligible applicants in work and those out of work

Executive summary

“You know you can do something”

LSE Housing and Communities conducted in-depth interviews with 62 residents of Newham in Stratford, East Ham, Royal Docks, Canning Town, Forest Gate and Manor Park, between March and July 2013, and 60 households between October 2013 and January 2014, of whom 38 were from the original sample. This final report presents the findings from these 122 face-to-face, recorded interviews with households on low incomes and 12 life-stories from representative cases.

The report uncovers detailed evidence about the financial management skills of low-income residents; the causes, consequences and prevalence of debt; the impact of welfare reform on people's lives and resilience; and how people struggle to manage. This executive summary presents the emerging themes under the three main categories of investigation.

1. Financial planning

- Almost everyone says they manage their money well. Given how short of cash most interviewees are and the direct costs they face, people are strikingly resourceful in finding cheaper shops, food offers etc. Some say they got into debt through inexperience. More often it is a result of insecure housing (e.g. having to bridge a gap between tenancies), insecure employment (fixed term contracts with gaps in between and often low paid), benefit delays or unexpected bills. People generally attribute their financial difficulties to insufficient job opportunities, high and rising living costs, the cost of bringing up children, poor health work accidents and low incomes.
- People are generally anxious to work, keen on training, and anxious to progress – particularly if they have children.
- Many have a pride in managing and hate the

idea of debt, so do not disclose their real situation. Several interviewees are in hidden debt, i.e. being behind with bills and having to trade in, e.g. rent, in order to pay off another, e.g. Council Tax. Despite being in debt, several people said they wouldn't claim benefits or go to a food bank. Several others on low incomes manage to stay clear.

- All interviewees have bank accounts, and although over half have savings accounts only a small proportion (eight) of respondents actually save money (in their savings accounts or otherwise). Most say they want to try and save. Almost nobody has savings or cash reserves. This is due to a combination of rising living costs, especially rent and fuel bills, greater job insecurity, more part-time work and job losses. This includes people in the £20,000 - £30,000 income bracket. Many interviewees say they have spent their savings. Two parents save their Child Benefit in a savings account for their children. One lady had to use that saving to pay her mortgage after losing her job. Another “borrows” from it to pay bills but always pays back. One saves on her pre-paid gas meter card.
- People prioritise paying their rent (or mortgage). Several interviewees said they would not sacrifice on food – *“got to keep healthy”*, and had to keep the children warm. But more said they were reducing food costs (e.g. less meat, less fresh fruit, more frozen food) and cutting back a lot on energy.
- Some of those who are earning enough manage to work very long hours; for example one interviewee works seven days a week in a warehouse, so rarely gets to see his wife and young son; another's health is suffering because she has to work night shifts in a salad factory and never sees her friends anymore. Long hours

and poor pay affect economic and personal resilience. Many want longer hours but can't get them. Most of those working enjoy doing so, and of those not working, almost all would prefer to work.

- Most interviewees do not fit the stereotype of long-term unemployed, welfare dependents. Almost all have worked or are working. Some have strong cultural ties to their 'home' countries, are educated and skilled but most also have strong roots in Newham. Part-time workers often want to work more hours.
- Jobs that might be considered 'good' or 'graduate level' are not necessarily well paid or secure, leaving people with low levels of economic resilience. Several respondents have degrees and even postgraduate degrees but no job security, and their income only covers living costs, leaving them at risk of debt. Even a reasonable job does not guarantee that people can become homeowners or stay out of debt.

Social contact becomes difficult when someone works long, unsociable hours in a low-paid job. Some interviewees talk about how they *"just go to work and come home again – I don't have time for anything else"*.

2. Debt

Debt is defined as owing money to a creditor or having outstanding bills unpaid. Priority debt covers debts that a person is legally obliged to pay, including their housing costs, utility bills, Council Tax and other essential financial commitments. Non-priority covers all other debts. Most interviewees owe money. There is an important back-drop to debt in people's personal experiences.

- People are often reluctant to share their financial difficulties and only tend to do so when desperate. Practical, direct support, both emotional and financial, come from people's extended family, close friends and sometimes religious bodies. This help is very important

when it is nearby and frequent. Sometimes work demands and cash problems undermine people's ability to join in.

- All the interviewees feel responsible about money and desperately try to avoid debt. Most have strongly hostile attitudes to short-term, high-interest, easy-access money lenders, even though 17 have borrowed from them in the past (nine from Wonga). Interviewees who have got into debt think payday loan companies are a trap. Those who use easy-access sources for borrowing money do so as a last resort, and do it reluctantly. Cash Converters, payday loans and pawnbrokers are used out of desperation. Each person's story bears this out. On the other hand, people often favour companies offering goods on easy terms, such as BrightHouse or Argos, as this bails them out and allows them to purchase what they see as essential items, such as a washing machine.
- There is a general hostility to cold-calling from loan companies and all say they would never take up an offer, although in practice people do use this kind of loan. There is similar hostility to the proliferation of betting shops and most wouldn't go in, although seven do. But a majority know people who gamble and say it's very common.
- Most interviewees on benefits use pre-paid meters to stay out of debt and are exercised about how much money they take. However, they say it controls their spending. It is very unlikely tenants with pre-paid meters are on the best tariff, but many say they couldn't cope with quarterly bills and several are running behind with them.
- There are many different factors and events that push people into debt. Four main drivers appear to dominate:
 - Many people work in temporary, part-time and casual jobs without formal contracts. Jobs and income fluctuate.

- The private rented sector is generally costly and insecure. Several interviewees are facing or have already experienced evictions and face higher rents. The upfront deposit (usually two months' rent to secure private rental accommodation) and the urgency of covering rent to avoid eviction can lead to short-term borrowing. Having to make temporary housing arrangements is a big cost.
 - Energy bills have risen steeply and other new costs, such as Council Tax contribution, have strained budgets to breaking point.
 - Benefit cuts and falling real wages have shrunk people's incomes when they were already hard pressed financially. This coupled with rising costs is making some household budgets unviable.
- Some interviewees have had very bad luck or have found themselves caught by unforeseen events such as an accident at work, sudden redundancies, bereavement, ill health, unplanned pregnancy, or a partner disappearing. The severity of the struggles some people are having is practically unmanageable. Help is not always to hand.
 - Some indebted interviewees are so desperate that they take serious risks, usually on loans they can't afford, to meet more pressing debts.
 - Most debts are accrued through essential living costs, although several interviewees mentioned having got caught up by credit card debt when younger. Some interviewees use credit cards (several) as a buffer against running out of cash. This particularly applies to small, self-employed businesses (two).

3. Welfare reform

Welfare reform is greatly increasing and complicating people's insecurity, sometimes causing real hardship, putting pressure on both recipients and public services operating within the system,

and compounding economic problems. It is also creating greatly added demands on voluntary advice and support services.

- The cuts in many kinds of benefits – Housing, Child and Working Tax Credit, disability support, student support, emergency funds, Council Tax, etc. – have a strong cumulative impact on already low incomes.
- The uncertainty now prevailing around benefits, due to sanctioning, suspension of benefits, system errors, and over-payment reclaims has undermined confidence in welfare as a safety net.
- The changes to the welfare system create intense anxiety, uncertainty and actual barriers to progress in some cases.

4. Overall impact of financial pressures on people's lives

- People are struggling under the multiple pressures of financial planning, debt and welfare reform.
- Life in general, and rising costs in particular, make survival increasingly difficult for the people we interviewed. Rent, energy bills, the cost of childcare and food reduce even the best 'managers' to a sense of powerlessness.
- Many people we interviewed have recently experienced a decline in job security, income and prospects. They feel worse off and are generally worried and insecure. On the other hand, they think their children face better prospects, in spite of bigger barriers to work.
- People feel ambiguous about claiming benefits. Some interviewees say they "won't claim benefits", but they do receive Housing, Council Tax and Child Benefit. People also hate failing to pay bills and most still regard benefits as some kind of cushion to help them cover basic costs they otherwise couldn't meet.

- Childcare costs are a barrier to women working, even causing some to give up their jobs.

5. Conclusions

- Many people think Newham is a good place to live and think it is changing for the better. But they also see crime, litter, reduced services, overcrowding and poor quality insecure housing as problems.
- People generally think Newham is friendly and like its diversity and liveliness, but they also dislike its poverty and worry about community divisions. A few people seem extremely isolated, especially when they have ill health or suffer from depression.
- Community networks, and social and family supports foster resilience in people who are struggling.
- The overwhelming majority of interviewees are trying hard, want to be self-reliant and are motivated to make their lives work. The loss of bridging support, e.g. frontline face-to-face advice, reductions in children's and youth activities, restricted hours for GP surgeries, hostile attitudes in Job Centres etc. is inevitably affecting them. Small cuts to income from many sides are squeezing their low incomes and making it hard to meet even the most basic needs.

Newham attracts considerable voluntary, community and faith-based activity that could be harnessed to offer direct advice and support independently of the Council. In practice, it already happens through food banks, churches and organisations like Community Links. Professionals are often willing to volunteer time – lawyers, finance experts, medical workers, employers. Newham Council can facilitate these inputs, without controlling or funding them directly.

Newham provides the civic voice that underpins many disparate organisations and forms of help. This achieves two aims simultaneously:

- promote and give new shape to the overarching role of local government in the face of cuts;
- promote continuing face-to-face help which it can no longer provide directly to meet the scale of urgent need.

Section I

1. Introduction and outline of research

“I think that once you’re working you become more confident”

1.1 Aims of the study

Newham Council wants to understand the economic resilience of low income families. This research project set out to explore the financial planning and skills of residents with and without debt, discuss the relationship between credit and low income families over time and explore the impact of welfare reform changes.

The study aims to identify the relationship between debt and credit on the population of Newham and the impact of changes to welfare benefits. We focused the research on two groups – working households with incomes up to £30,000 with high levels of debt and households receiving benefit impacted by welfare reform.

This report sets out to establish what builds economic resilience in individuals, households and communities. We explore, with over 80 Newham households, what factors undermine people’s resilience and cause people to struggle in order to cope. We want to understand what triggers debt and what the knock-on consequences of debt are, in order to bring to life the realities facing a borough with low-incomes, low skills, extreme diversity, acute housing problems and the harsh impact of benefit reforms.

Newham Council want to understand what makes residents economically resilient and what undermines their ability to cope. There is a relationship between work, skills, benefit dependence, credit, debt and saving patterns among low-income households across the borough. Economic resilience is critical in a borough with a high proportion of residents with low skills, not working

and dependent on the welfare system and the Council for support. The Council wants to underpin its wider policy work and programmes with in-depth, qualitative research in order to strengthen its approach to building the economic resilience of its residents. Questions that this study by LSE Housing and Communities poses are grouped under three major categories: financial planning and skills; credit and debt; and welfare reform. The fourth section of the report then examines the impact of these three themes and why many residents are struggling.

LSE conducted interviews with 62 households in Stratford, East Ham, Royal Docks, Canning Town, Forest Gate and Manor Park between February and May 2013. LSE returned to the same households from November 2013 to January 2014 to conduct follow-up interviews for this report.

The interviews are reported using qualitative research methods to examine in-depth people’s life-stories and uncover the reasons for financial difficulty and triggering debt, and the role of welfare reform in enhancing or undermining people’s economic resilience.

1.2 Why economic resilience and debt matter in Newham

These topics are now more relevant than when we started because cuts in spending and benefit change are biting hard in households with few reserves. At the same time private rents are rising steeply and other living costs are rising, particularly energy and food. Loan companies, pawnbrokers and betting shops are expanding rapidly in Newham, putting constant pressure on

desperate households. Jobs are growing but wages at the bottom are not, with lots of part-time jobs with too few hours available. Our second round interviews produce strong evidence of people's struggles to stay on top.

The study aims to uncover the social backgrounds and life-stories of a sample of Newham residents, and their experience of living in the borough, in order to understand their financial management strategies, their skills in coping, their reasons for depending on benefits, for borrowing and for getting into debt. Welfare reforms are precisely targeted on the population groups we are researching:

- Working households in debt / at risk of debt with incomes of up to £30,000
- Households receiving benefit, affected by welfare reform changes

The Newham Household Panel Survey Wave 7 (Newham, 2014) provides us with a clear picture of financial planning and skills, debt and credit use and the impact of welfare reform across a representative sample of households in the borough. This report provides useful wider evidence to validate the findings from our qualitative research. We include the main findings from the wider survey.

1.3 Structure of the report

The report is organised into four main sections.

- Financial management skills** presents evidence of coping among households in financial difficulty, in spite of the pressure that some households are under. We explore in this section what causes failure to manage and what the key pressure points are, the factors influencing people's ability to cope, such as family history, and the factors causing failures and success.
- Debt** has affected almost all households in our study. Over half the households we interviewed are already in debt and most of the rest have either been in debt or are at risk of debt. We explore the causes and consequences of debt and the external factors influencing it, such as rising costs, falling incomes and the prevalence and growth of high street loan companies, pawnbrokers, betting shops and tempting cash offers in shop windows. We then look at the consequences of debt and ways out that people resort to.
- Welfare reform** is affecting most Newham households in some way. We explore the main targets of reform to date, such as the cap on rents, the 'bedroom tax', the changes to Council Tax Benefit, and the reassessment of disability. We also look at the much harsher approach of the Job Centre with the use of sanctioning and suspensions of benefits on a scale previously unknown (DWP, 2014).
- The overall impact of financial pressures** including financial planning, debt and welfare reform can be summed up as a **struggle** – this emerges as a unifying theme in people's lives. The biggest challenges, pressures and worries people face influence their ability to cope, their feelings about their prospects and the help they need. Their views on their children's prospects are often in sharp contrast to their own often desperate situation. We explore whether Council services help and we analyse interviewees' views on the help provided by the welfare system itself, on Job Centres, Council advice services, voluntary advice services and community centres.

Each section includes two or three life-stories, drawing on two rounds of in-depth interviews. These show how the four main themes play out in people's individual lives. We recognise that each person's life story weaves together parts of all four

themes, but often highlights a particular theme or aspect of economic resilience. The life-stories are an accurate and fine-grained reflection of current financial difficulties and how they affect individual lives. These life-stories could be multiplied across many cases.

First we present some headline facts and figures about Newham, a brief literature review and our

methods of research. We then describe the people we spoke to and summarise their views of Newham and their own situation. We use the Newham Household Panel Survey findings to provide a context for our main findings in Section III.

2. About Newham: a few facts and figures

“I like the cultural mix, I like the urban feel”

Newham has historically been one of the most disadvantaged boroughs in London. Since the steady decline of the docks since the 1960s it has suffered from high unemployment and a high turnover in population, changing from a primarily white working class area in the 1980s and 1990s to the area with the highest concentration of Black and Minority Ethnic (BME) groups in the country, making up over 73% of the population in 2014 – a significant increase from 61% in 2001 (GLA 2013, Round Ethnic Group Projections). Forty-one per cent of the population over three years-old do not have English as their main language (Census, 2011). Within the population, Indian is the largest group with a 14% share, followed by Bangladeshi (13%), Black African (12%) and Pakistani (10%) (GLA 2012, Round Ethnic Group Projections).

The overall population of London grew from the 1990s, but Newham’s grew at an even faster rate than average, rising from 216,300 in 1991 to 323,400 in 2013 (GLA 2013, Demographic Projections). This growth partially helps explain why Newham has the highest average household size in London (three in 2011, compared with just over two nationally, and two and a half in London) (Census, 2011), and the steep rise in population

density, from 69 in 2001 to 89 in 2011 people per hectare (GLA 2013, Demographic Projections). This is still far below the density of crowded inner boroughs like Islington, Camden or Kensington and Chelsea, or neighbouring boroughs such as Hackney or Tower Hamlets.

Newham has had historically high unemployment – more than double the national average in 1991 (Census, 1991). Thirty-one per cent of children lived in out-of-work families in 2012, compared with 19% in England (GLA 2013, Tax Credits), and the Income Support claimant rate was higher than in London or England in 2013 (GLA 2014, Income Support Claimants). Although official unemployment has fallen somewhat faster than the London and national average (from 13.1% in 2010-11% in 2013) rates of economic activity (i.e. engagement with the labour market) are still significantly below the London and national average. Paid employment is particularly low amongst women in Newham (at 36% compared with 50% for men), with a quarter (25%) occupied by looking after their home or family (NHPS, 2014). Official unemployment has fallen similarly to London, but is still higher than the national average (GLA 2014, London Labour Market Indicators). Nearly a quarter of working

age residents (23%) have not worked in the last 12 months (NHPS, 2014). The number of part-time jobs has rose from 23,000 in 2009 to 28,300 in 2012 (NOMIS). Since 2007 Workplace, Newham's job brokerage service, has helped over 20,300 residents into work. Half of the residents helped into work by Workplace are long-term unemployed (Newham Workplace, 2014).

Household incomes in Newham are significantly below the national average. The median net equivalised household income before housing costs in Newham is £15,704 (mean £20,165), compared with a national median of £22,204 (NHPS, 2014). This equates to a median income of £302 per week, which is only 71% of the national median income before housing costs of £42,793 (NHPS, 2014).

Housing is a dominant problem in Newham, and across London, but the level of poverty and low income in Newham make pressures on the poorest particularly acute. The share of owner occupiers has fallen (43% in 2001; 28% in 2012) along with the share of social housing tenants (37% in 2001; 34% in 2012). But there has been a steep rise in private renting, more than doubling since 2001 from 17% to 37%. In 2012 there were 16,600 more private rented properties than in 2001, and the figure is rising. Private rents have also risen and private tenants have seen incomes after housing costs fall since 2009 (NHPS, 2014). The proportion of owner occupiers (29%) is far below the London average of 50%, and less than half the national average (64%). Meanwhile house prices, remain far below the London average (£236,000 compared with £404,000).

Newham's educational gains are the most striking achievement of the last decade. London schools have improved their GCSE attainment with five A*-C grades including English and Maths at a faster rate than the national average. Newham has accelerated its improvements since 2008, overtook

England in 2011 and 2012, is rapidly catching up with London as a whole, and does well on measures of value-added (DoE, 2014).



Green Street Market



International Food Store

2.1 Deprivation in Newham

Newham is growing and its demographic make-up, its economy and its educational attainment are changing. It is the poorest London borough through a combination of:

- low-paid, low-skilled work with one-fifth earning less than the minimum wage;
- a fast growing, highly insecure and often poor quality private rented market with renters' income levels falling as a share of the national median (NHPS, 2014);
- a high level of benefit dependency, both among those in work and those not working.

Almost two thirds of all residents (63%) receive some benefits (NHPS, 2014). The rate of child poverty in Newham is more than three times the national average (55% compared with 17%). Over half of Newham's children live in poor households with incomes below 60% of median incomes (NHPS, 2014).

Two-fifths of residents (41%) are poor, and over a quarter suffer fuel poverty (28%) (NHPS, 2014). One in eight (12%) are at least two months behind with their rent or mortgage. Only one in eight residents (11%) say they are "comfortable"; a quarter of all residents (26%) are struggling to manage financially; and a third (32%) are just "getting by".

3. Literature review on poverty, financial management, debt and welfare reform

“So I’m just getting by, bumping along the bottom”

Many reports have examined how people manage on low-incomes, avoid debt and more recently the impact of welfare reforms. The following short literature review pulls out the most important and relevant for this research.

3.1 Life on low income

Several studies highlight the range and impact of social, economic and environmental factors to which low income families are exposed. Kempson (1996) in her study of life on low incomes found that most families are resourceful in making “ends meet”, but that those living on the lowest incomes face difficult choices between cutting back on essentials or falling into debt. She finds that low income households regularly fall behind with household basics such as rent, electricity and water and that these persistent financial difficulties place households under high levels of stress that are damaging to relationships and personal wellbeing. Lister’s (2008) findings support this, and she highlights that people close to the poverty line live in a “vulnerability context” which makes it very difficult to cope with income shocks despite their best efforts to make “ends meet”.

The incomes of poor households are dynamic, with households moving in and out of poverty all the time. Goulden (2012) and Hills et al. (2006) show a considerable degree of variation in family’s incomes. However, a recent study by Hurrell (2013) shows that while income variations are the norm for families hovering around the poverty line, low pay is persistent. Seventy-three per cent of working households on low incomes in 2002 remained in similar jobs by 2012. Entry into work, therefore, does not always provide a sustainable way out of poverty for many households, and Hurrell (2013)

finds that moving to higher paid jobs remains a challenge, particularly for low paid private sector work such as care work, retail and manufacturing.

A recent JRF evidence review on poverty and housing (2013) highlights the disadvantage many low income households face in relation to finding decent affordable housing. People living in poverty generally have less good, and less desirable, housing conditions than those with higher incomes, although they generally avoid bad housing conditions. In fact the housing system, with sub-market social housing, Housing Benefit and support for homeless people, acts as a ‘buffer’, and it has been suggested that the UK housing system does this more effectively than others across Europe. Nevertheless housing costs, along with related energy costs, are so high that they put immense pressure on low income budgets causing the most direct impact on poverty and material deprivation. Overall, five per cent more of the UK population, or 3.1 million more people, experienced poverty in 2010/11 when the impact of housing costs on income is taken into account. Not taking housing costs into account means a significant underestimate of the risk of poverty and material deprivation for workless households, minority ethnic groups, single people and renters. For example, 18% of private tenants are in poverty before housing costs are taken into account and 38% are in poverty after housing costs are paid.

3.2 Financial management, savings and debt

In the face of these difficulties, families on low incomes are making varied attempts to “get by” as evidenced by a recent Sheffield Hallam report (2014) which follows four neighbourhoods in

Northern Ireland over a period of time. Households mentioned the use of credit cards, saving small sums of money, budgeting on a weekly basis, or prioritising certain payments over others – such as food and heating. They also draw on family and friends for financial and in-kind support.

Lister (2006) asserts that it is widely acknowledged that assets increase a household's resilience to shocks and thereby improve the quality of life and wellbeing of people that manage to save. Similarly Dolphin (2009) argues that holding assets has psychological benefits for households who know they have funds to fall back on, and 73% of families interviewed for the same study said that they want to save more regularly in order to increase their economic resilience. However, Dolphin (2009) also shows that 76% of households interviewed were not saving regularly and 67% had no savings at all.

Kempson (2009) finds that low income families often save informally in small and varying amounts for a specific purpose over short periods of time rather than for a "rainy day". However, barriers to low-income families accumulating assets abound and have been found by various studies (Kempson, 2009; Dearden, 2010; Bridges 2004) to include:

- the inability to save due to low, unpredictable or loss of income;
- lack of experience, knowledge and understanding of financial management;
- increased spending of food and energy prices leaving less money available to save;
- physical or mental ill health;
- relationship breakdown or changes in family composition.

As a consequence of these barriers, many families on low incomes do not manage to build up any preventative savings and as a result are forced to take on debt to pay unexpected costs (Dolphin,

2009). Dearden et al. (2010) followed 60 low-income families over a year and found that they used credit to smooth income and expenditure flows but often move into more challenging debt due to persistent levels of income which were inadequate to meet their daily requirements. In 2011 one in five households who had borrowed money with an income of less than £13,500 a year spent above 30% of their weekly income on repaying debts (Mathers and Sharma, 2010).

So who is most at risk of debt? In their analysis of the Poverty and Social Exclusion Survey Rowlings and McKay (2008) identify young single people, young couples with children, lone parents, people with disabilities and unemployed households as those most vulnerable to debt. Kempson (2004) adds that many tenants do not use financial mechanisms such as current accounts, and people that make the move towards further education or training are also at risk of incurring debt.

Bridges & Disney (2004) suggest that single parents are particularly at risk of debt due to the high costs of housing, utilities and food taking up a disproportionate amount of household spending compared to other groups. The same study shows that single parents are less likely to own a home compared to couples and have less access to credit as a consequence, and that single parents tend to have lower levels of education compared to couples with children. A report published by Gingerbread (2013) based on interviews they had conducted with single parents using their services found that half of them frequently ran out of money before the end of the week and that three quarters of them said they were unable to save any money.

In a roundup of available evidence on debt and low income households, the JRF (2010) wrote that "the research on low-income families strongly suggests that living on low incomes for a sustained period is likely to lead to over indebtedness, to the extent that it becomes almost impossible to find a way out".

3.3 Welfare reform impact

Welfare reform and changes to benefits include the move from fortnightly to monthly payments under Universal Credit, and the bundling of benefits into one lump sum. These changes come in parallel with changes in the labour market to introduce more flexible contracts (including part time and zero hour contracts). Current research increasingly focuses on the risks of these changes to families reliant on benefits, particularly where there are new patterns of payment and eligibility, job seeking (and more rigorous sanctions), new penalties such as the bedroom tax, new liabilities such as to pay part of the Council Tax and continuing low wages. All of these changes contribute to disrupting previous established patterns of budgeting and “coping”.

In a recent report, POLICIS (2012) finds that the welfare reforms impose risk on low income households by requiring benefit recipients to move away from patterns of financial management developed over time to manage the difficulties of living on a low income. Strategies such as weekly cash budgeting to ensure that spending is closely controlled will be thwarted by monthly payments, and social housing tenants interviewed for the report said that doing without is viable for a day when budgeting over a week, but will be much more challenging when the timescale for going without becomes four days or more over a monthly budgeting period. Research conducted by Citizens Advice (2013) shows that 85% of their clients will need help in more than one capability area, including monthly payments, budgeting, banking and getting online.

It is yet to be seen whether increasing the level of financial risk on low income families will incentivise households to take up work or increase their hours

(LSE, 2014). Hirsh and Hartfree (2013) developed a model to test if Universal Credit will enable households to reach a minimum income standard. They find that Universal Credit can provide some low earning households with improved disposable incomes compared with the current system, particularly if they work only a few hours a week. However, for others working full time Universal Credit can mean a cut in disposable income. The authors conclude that Universal Credit may strengthen work incentives for those working zero or few hours a week, but in many cases provides little or no incentive for additional work.

Beatty & Forthergill (2013) and Wilson et al (2013) consider the likely local impact of welfare reform in different areas, and calculate that the average claimant household in London will have their incomes lowered by £1,965 per year. It is estimated that 1.71 million households or around one in ten of all working age households will be impacted by benefit reform with an average loss of £23 per week. Beatty and Forthergill (2013) calculate that Newham will be particularly hit by the household benefit cap (loss per working age adult across the whole population is £30 per annum), tax credit changes and reduction in eligibility and payment rates (loss per working age adult £129 per annum), and the one per cent up rating of working age benefits (loss per working age adult £123 per annum).

This loss of income as a result of the welfare reforms in conjunction with the pre-existing hardships faced by people on low incomes, sets the context for our interviews with 60 low-income people in Newham around debt, financial management and resilience, and welfare reform.

4. Methods of research

People generally resist disclosing details about their financial situation, the difficulties they face and the mistakes they make. Qualitative research methods can overcome these barriers to collect accurate evidence from low income households about:

- their financial circumstances;
- their ability to manage;
- the extent of their reliance on benefits and other sources of support (e.g. family);
- their personal resilience;
- their financial management skills;
- their capacity to work (qualifications, skills, health, know-how);
- their housing, childcare and other costs;
- and particularly their reliance on credit and debt to meet their bills.

We therefore adopted several techniques we have used in earlier studies:

- Drawing on large-scale national survey questionnaires and our ten-year families' study we devised and tested a semi-structured questionnaire which also allowed for 'free flowing' answers and observations. The round one questionnaire was used as the basis for round two (see Appendix 3).
- An up-to-date evidence base was compiled on Newham's demographic, economic and social conditions and how they are changing, using the census, crime survey, school performance records, and house prices.
- Tenure, work, household and demographic characteristics were identified.

- Six target low-income areas were identified along with and local recruitment centres where households with financial or benefit or work-related problems would go for advice, support and help.
- Agreement was secured from council and voluntary centres to recruit interviewees in locations open to the public and spend time in them (see Appendix 4).
- A balanced sample of 62 households was recruited to reflect Newham's working age population and household compositions as closely as possible; also the range of tenures, ethnic backgrounds, work status and income levels (up to £30,000).
- A secure recording system was set up at LSE for storing interviewees' personal and confidential information and their responses. We guaranteed complete anonymity and anonymised all evidence we collected.
- Both semi-structured questionnaires were piloted to test the potential to access detailed information from households vulnerable to or caught up in debt.
- A coding system for was devised for the questionnaires in order to process the information; we also prepared an Excel spreadsheet to hold all basic information about the interviewees.

In order to embed our study in much wider research on these issues, we prepared a literature review which gives a very strong context for what we found. In the course of interviewing, we visited a total of 84 houses, 62 in round one, 38 repeat interviews in round two and 22 attrition interviews. In all these interviews, we documented what we observed, both at street level and in people's homes, where we interviewed

in their homes. By recording the interviews, with only three exceptions, we were able to not only tabulate findings but also carry out a detailed themed analysis of the issues confronting people using SPSS. This led to a total of over 800 tables and 160 pages of quotes organised under each question, across two rounds. We then selected 12 life-stories from the 38 cases that we interviewed in both rounds. These life-stories, which we have written up and incorporated into this report, put flesh on the bones of the basic findings and illustrate our four main themes: financial management, debt, welfare reform, and struggling to survive.

Our analysis at the end of round two was in three parts: the round one findings, the round two repeat interviewee information and the attrition information. Overall, the findings match closely (see annex).

We recorded observations on the front of each interview schedule each time we visited somebody. We also took photographs of the places where we interviewed and the streets along which we walked. We recorded observations of any particularly relevant details on the area, home and family circumstances. We then drew on these recorded observations in understanding problems.

4.1 Phases of research

There were four phases to the research:

- Phase 1: Round one qualitative household interviews and analysis (March – July 2013). Report – September, 2013
- Phase 2: Round two qualitative interviews, building on experience from Phase 1 (October – January 2014)
- Phase 3: Development of life-stories and longitudinal analysis of findings from two rounds of interviews (December – February 2014)
- Phase 4: Final report including supporting evidence from NHPS (February – March 2014)

4.2 Methods of recruitment

We wanted to recruit households on below average incomes and those facing financial difficulty. We had an earning cut-off of £30,000pa. We tried out different ways of identifying the households we were looking for and in the end used 18 different venues, covering the six areas we were targeting. We relied on places offering advice and information as these were the places where people in difficulty would go. By far the most fruitful centre was the Stratford Service Centre, which seems to act as a magnet for residents from all over the borough and offers advice and a link point on many different issues and services. We also recruited a few interviewees from databases provided by the Council. Community Links and the Stratford Advice Arcade, both voluntary advice centres, were extremely busy, but were often dealing with complex and distressed cases in conditions where it was sometimes more difficult to interview people on sensitive subjects.

In round two we managed to locate and re-interview 38 households. Of the missing 22, eight could not be traced (mainly evicted), eight declined the second interview and six proved too elusive (failing to keep appointment three or four times). We made up the missing interviews with similar households (income, tenure, work and ethnic background). However, all comparison with round one and two only use the original sample, and all life-stories are based on two rounds.

We used the same recruitment centres for the attrition cases in round two. For the repeat interviews (38), we met where the interviewee requested, often in their home. This helped us understand more about housing conditions, family circumstances and children. The 38 round two interviews took place in people's homes.

Recruitment centres for research

The idea was to interview people in their homes, which we did in about one third of cases in round one, but most cases in round two. However interviews in people's homes were more time-consuming as appointments were often cancelled at short

notice or people weren't in, so had to be rescheduled. In public places where we interviewed, we secured the quietest, most private areas for the interview.

Almost everyone agreed to the interviews being recorded and we made verbatim transcripts, question by question, documenting all relevant answers.



Stratford Library



Community Links Advice Centre



Stratford Advice Arcade – Canning Town Voluntary Advice Service

4.3 Newham Household Panel Survey

Newham Council needed to know how the qualitative findings from our in-depth study fitted, not just with the wider census information that we present in the background section of this report, but also with their own detailed household panel survey which was carried out in its seventh wave in 2013.

We agreed with the research unit that the panel survey would include questions on the main issues that we were investigating around economic resilience and management capacity, debt, welfare reform and the impact of this combination on low income households, already facing financial difficulty. In this report, we include new evidence from the Newham Household Panel Survey on the three main themes covered in the study – financial management, debt and welfare reform.

The findings of the Newham Household Panel Survey broadly reflect our own findings. This is extremely useful as the panel survey itself was a statistically large sample, covering the whole population of Newham. The evidence they collect is subdivided by income quartiles and quintiles, thus giving us a chance to compare the lowest income households in the bigger panel survey with our own findings.

Angela's story illustrates how hard a local Newham resident on a low-income tries to manage, with several things working against her including ill-health, welfare reform and the benefits system "losing" her documents. She struggles and survives. Her story brings together many of the elements that our study and the Newham Household Panel Survey reveal.

Angela: financial capacity – fragile but coping

Angela is in her 50s and came from Suffolk to Newham when she was 12. She left school at 14, *“I didn’t like school. There was so much disruption – my mum was ill, we’d had to move to London, so I felt like a country bumpkin”*. She’s lived in Newham ever since, and in Plaistow for almost 30 years. But she prefers the Docks. *“There they have the traditional East End community – people are closer to each other”*.

Angela used to be a child-minder but 13 years ago, she had a breakdown and was out of work for 10 years, living on Income Support. To help her mental health, she used the time to study and volunteer, using her overdraft to get by.

Angela is divorced and lives on her own in the two bedroom Council house she’s rented for 35 years. She is a grandmother; her daughter and grandchildren live in Surrey, and her father lives in Suffolk. She would like to see them more often, but travelling is expensive.

Three years ago, Angela went back to work. Her situation improved for a while: *“When I started to get better and began working part time, they let me keep my benefits and my wages ... so I had a bit of spare money”*. The first thing she did was to clear her overdraft: *“The wages were paid into the same account that I had the overdraft, so although there was more going in, for a while I didn’t spend any. I did it like this: try to pretend it wasn’t there. Although I wouldn’t say it was perfect, it did work. It was a lovely feeling to clear that”*. Since then, she has been working part-time for a charity.

Angela’s situation became tighter again when welfare reforms were introduced. In 2012 she was reassessed by Atos. When we met in 2013, the memory of the reassessment was still upsetting: *“I expected Income Support to finish and I know that you’re meant to do more hours – but there aren’t that many hours available where I work... I don’t want to talk about Atos – they said I was superfit. So my money stopped, and I’m not allowed to keep all my wages – what I can keep is the threshold for ESA. So it’s been like that for a year. It’s quite a challenge, I can’t afford to go see my family”*.

Following advice from friends, Angela became self-employed when her benefits were cut so she would receive Working Tax Credit. *“At the time, I had two choices: one was to go onto Employment Support Allowance, and go to the Jobcentre a lot – but I have a phobia about the Jobcentre... jumping through hoops, pretending to apply for jobs that don’t exist... I can’t do it, I won’t do it. It’s absolutely soul destroying: it takes away the last bit of confidence you have got, so the only option is to go self-employed with my little part-time job. And that’s what I’ve done”*.

Angela lives very modestly, managing to *“cling on by the fingertips”*. But she’s not very well informed about benefits. She doesn’t watch the news as she *“prefers to be blinkered”*. At Easter 2013, she received a letter saying her benefits were too high: *“All of a sudden I owe them £250... but I never received Employment Support Allowance. That’s why I’ll never have a direct debit with the Council’s housing department, they take money in error. It’s happened twice now. One time it was returned, another time I never got it back... It’s stressful. At the Council, you can never find a person who will just sort things out for you and not pass it on”*.

Despite financial difficulties, Angela is saving £50 every month. *"It's an emergency nest egg for my son's family, if they need it"*. She is concerned about her daughter as she has just been made redundant. But she doesn't want to dwell on it.

At the first interview, Angela had just started paying the bedroom tax, which was going to make things harder. *"It started last week – I thought it was from April. I used to get £14 of Housing Benefit a week but they've stopped that, as of 25th March, today"*.

On our second visit, things were indeed a lot harder, and Angela was upset. *"I'm prone to depression now, it's been difficult lately"*. She's been cutting back on food and utility bills. Angela pays the bedroom tax. *"I've been looking for alternative accommodation since before it all came in, and I can't find it; there aren't enough one bedrooms, they are not there"*.

Angela tried to appeal Atos's decision classing her fit for work, *"because I do have various things which make working full time impossible. But I got a letter off them about six months later, saying they were very sorry they had lost my folder, if I could please do it all again. I put it in the bin, I couldn't face it. You have to be strong to do that. I've had these sorts of fights before, I'm not up to it"*.

Angela had also been affected by the recession. She drew part of her income from hairdressing, but the number of clients dropped. *"The people coming for hairdressing now can't afford [it], and that was the money that really made the difference"* in her budget. Also, the charity she works for lost a contract. *"It didn't affect my wages, but it certainly affected the confidence"*. Angela's benefit situation is unclear. She receives Working Tax Credits, but only because she has been adding on voluntary hours. Angela sees no other way to manage.

Angela feels *"really stuck now. And if the benefit changes and all the changes they promise carry on, I'll lose my home. The next lot of benefit changes, when they are gonna be removing Working Tax Credit and all the rest... I don't bloody know"*.

Angela has been seriously affected by welfare reforms. She is struggling and living on the minimum but she is managing to keep up with her payments without borrowing. She feels she can't reduce her expenses further. She is emotionally fragile, and doesn't feel strong enough to work more hours than now. Moving into a one bedroom flat would help.

Section II

5. About the people LSE interviewed

“We’ve had a simple not extravagant life – we’ve always been budgeting”

The 62 households in the first round reflect a broad cross-section of Newham’s population on low-incomes. The attrition cases added in the second round broadly match the cases from round one. Twenty-eight are aged under 40 and ten are in their twenties; only four are over 60 as we targeted working age households. Twenty-three are male, 39 female, reflecting a predominance of women seeking advice, and the bigger role women tend to play in household and financial management, particularly in circumstances where a mother heads the family.

Thirteen of the interviewees are White British or Irish (two). The rest are distributed across many nationalities and ethnic groups, the most dominant group being South Asian (18) (Indian, Pakistani, Bangladeshi), followed by Eastern Europeans (nine) (Polish, Lithuanian, Russian, Bulgarian), Caribbean (nine), African (six). A majority did not have English as their first language and spoke 15 different languages.

Forty of our interviewees had children, of whom over half were lone parents. The other parents were either married or divorced and separated. There were 21 lone parents, 10 single people living alone and eight widowed or divorced households.

Most of the people we interviewed had lived in Newham for at least five years – 53 out of the 62. Forty-two had been in the borough for over ten years and 17 had lived in Newham for at least 30 years. Only two had lived in the borough less than a year. Many of the younger interviewees were born in Newham.

In contrast to time in the borough, 15 residents had moved addresses in the past year, and 32 in the previous five years. There is a lot more churn in the housing market than in the population. Twenty-three of the interviewees are private tenants, including one lodger and one multi-occupied house. Eleven private tenants pay over £200 a week in rent. Eight tenants had been evicted between rounds one and two. In addition, four are in temporary accommodation and one is staying with friends. There is a sharp contrast between these insecure and generally expensive forms of accommodation, affecting 28 interviewees and the far more secure, cheaper social housing, which houses 23 of those we interviewed, who are generally much happier than the private tenants. Many of the interviewees in PRS are desperate to get into social renting. There are 11 owner occupiers, including leaseholders, among interviewees, who on the whole have lived a long time in Newham and most of whom bought their council flat. Some aspire to buy a home, but most recognise it is out of reach.

The study targets working age residents and 35 of the interviewees are in work, 21 part-time. Several are on time-limited contracts, sometimes only three months, and two are on zero hours contracts, while seven work on a casual basis and 14 do not have a work contract at all. Nine are self-employed. Only 12 work full time. A minority (26) are on indefinite contracts, covering both full-time and part-time jobs. Twenty-six interviewees are not working and three are retired (two early).

Many of those in work do not claim Working Tax Credits. In fact, Working Tax Credits do not seem to affect most people's attitudes to work significantly. Of those who are out of work, only half receive Job Seekers Allowance. This is partly because of the Job Centre sanctions and partly because the Job Centre persuades some people to become self-employed. About one in six of those in work are registered self-employed.

Two thirds of the people we interviewed received benefits of some kind, including a share of those in work. A quarter of them receive Working Tax Credit and one third of those with children receive Child Tax Credits. Only a quarter say that they receive reduced Council Tax.

Information on incomes falls into broad bands and does not reveal the detail of how the balance between earned income tax, tax credits, benefits and housing costs plays out. However it does reveal the broad levels of income of the interviewees. Most people we spoke to are living on below average incomes for Newham with 51 of the 62 receiving under £20,000 a year, of whom 32 receive under £10,000. Only 11 receive over £20,000 of whom three have husbands on incomes above £30,000. Forty interviewees receive some kind of benefit, including in-work benefits. Housing Benefit is the most common benefit.

One fifth of the interviewees left school before the age of 16 and almost two thirds had left school by the time they were 18. A quarter had no qualifications at all, while a quarter had a university degree. Of those in work, which is half of the interviewees, several had gained work since

the first interview and several had lost their jobs. A few had gone from full time to part time. On the other hand, most work contracts were for a year or more and under one fifth (18) were casual or very short term contracts. In round two, a few more contracts had become longer term.

Most people in work reported a high level of satisfaction with their jobs. Half were either satisfied or very satisfied. On the other hand, very few of those out of work think that welfare reform will help them. The main barriers to finding work are childcare, lack of qualifications, shortage of jobs and competition from people better than themselves. Three people directly said that the Job Centre was a barrier to them getting work.

Eight Job Seekers Allowance claimants told us that they took casual work if it became available while signing on. This was because they didn't believe that the job would last and in all cases it was very short term and people were worried about messing up their benefits for a few hours' work. People who had that experience had a very hard time.

Over half the people we spoke to said that they were struggling or having a very difficult time, whereas only nine said they were managing comfortably, and one fifth said that they were in between coping and struggling. By round two, 14 of the interviewees said that they were struggling so much that they would say things had become extreme. Only six said things had got better, whereas 42 said things had generally got worse over the last two years. The main reasons for things deteriorating were continuous unemployment, the high cost of living and stagnant wages.



Stratford



Stratford



Forest Gate



East Ham

Michal's story illustrates how an immigrant, hardworking and resourceful, manages to get by while facing constant risk of debt.

Michal: resilient, but precarious

Michal first came to the UK from Poland fourteen years ago when he was 20; *"My sister and my cousin were here. So I had the chance to come here. I said ok, I'll come for six months or a year. I was going to go back, but I stayed"*. He moved to Newham by 'coincidence', shortly after moving to the UK. *"My cousin was looking at flats in the newspaper and it was cheaper here"*. Now, Michal's parents, sister and sister-in-law also live in Newham.

Michal married Anya and had *"three kids! That's worth more than anything"*. His wife, also Polish, had all three children in London - *"we're very grateful to the NHS"*.

Michal is involved in the community. He teaches fitness classes nearby at the Youth Centre. But he is not very optimistic about young people's prospects. *"I see a lot of them – they're the lost generation, aren't they? There's nothing for them... They're all on the dole, these youngsters. They have no trade, no skills. I don't know whose fault it is, I'm not judging, I don't know who let that happen"*.

He also thinks the area has become too overcrowded, *"since 2005, 2006... After a few years that crowding becomes too much. It makes people depressed and frustrated. I've seen a few situations where people are just trying to get on the train, pushing, and someone says something not very nice. It's not their fault. It's nobody's fault"*.

Michal has no qualifications, but works as a repair man. *"I just picked it up, and a few other trades. But I would love to get some kind of certificate. Officially I'm not a qualified. Officially, I'm nothing"*. He has always worked. Before the recession, he had plenty of work and was earning well. *"I was ready to ask the bank for a mortgage and buy this flat, make some kind of progress"*.

However, since the recession, work has declined: *"there is no work around"*. When we met Michal, he was working for his landlord. *"It will last another two months... I don't know what I'll get after that"*. Anya works occasionally as a cleaner, but she mainly takes care of the children.

Michal receives tax credits. *"At the moment we wouldn't survive without them"*. The household also receives Child Benefit, Housing Benefit and Council tax benefit, although this has just changed. *"We've got a letter saying now we have to pay some of it. Before we didn't have to pay at all"*.

Michal and Anya struggle to keep up with expenses but there's a constant threat of arrears. When bills come all at once, Michal and Anya pay *"the ones that send a red letter first... because they'll disconnect you"*. The landlord also allows for some flexibility: *"We're lucky because with our landlord, I can say 'I've only got £500 now, can I give you the rest next week?' and he knows us, we've been here so long, it's not a problem. Especially now I work for him. At the moment I owe him a month's rent. I called him today and I'll give it to him tomorrow, and it's a week late but he knows I'm not going to run away"*.

Michal and Anya have no savings. When they need extra money, they rely on their family. *"We borrow and lend money, but it's not long term. It's just a couple of hundred pounds"*.

Michal says things are not yet too bad for his family. *"We're lucky, really, in a way - even though it's getting worse. It depends on who you compare yourself to"*. However, he is worried about the long term effects of recession, not only on him, but on his neighbourhood and his children - *"The youth centres are closing down and they're getting rid of staff. That's the last thing they should be doing. There is even less hope now, for the youngsters. So my kids' future doesn't look too bright"*.

On our second visit, Michal explained things had 'got better for a while, and then it got a lot worse'. Michal was working on and off, *"There is no stability"*. Finding work had become even harder. *There are people who would work for a lot less"*. Michal was about to start a new job, but he didn't know how long it would last.

Michal's tax credits had been suspended *"two months ago because I didn't do the tax returns. Now the accountant is trying to deal with that. If we are entitled, maybe we will get it back in few weeks"*. Finances were much tighter, and Michal and Anya were working out their money down to the last pound. *"Two or three days ago I ran out of toothpaste and I didn't have £2 or whatever it costs to go and buy it. Then I rang my wife and I asked: 'has the money been transferred into the account?'; she said: 'Yes', so it was OK. But for a few hours I thought: 'Wow! That is so bad.'"* Michal thinks they are only *"one step from poverty. Maybe it's not poverty yet, but nearly"*.

Waiting for the red letter and second reminders has become a strategy to deal with expenses. *"We got a reminder letter for gas and electricity and we waited for the next one... We haven't paid the Council tax yet. I'm waiting for them to ring me, and pretend that I forgot or something"*. Michal also owes £100 to his landlord. *"In a week's time though, I'm gonna owe maybe £1,000 to him"*. Michal will have to wait for the first payment from his new job to pay his rent.

Michal showed how financial pressures had intensified not only on his family but also on his neighbourhood *"The atmosphere has got worse, because it's financially hard for everyone and people start looking at each other like wolves"*. Even so, Michal knows his own situation is far from desperate. *"There are people in a lot worse situation than me, I know. I still keep my head above the water. I don't live a life - it's not living, it's existing - but I'm still breathing"*.

5.1 Newham Household Panel Survey findings on debt and financial management

Only half of Newham's population saves regularly (monthly). This however is above the London and national averages where only 40% do. In the poorest quarter of Newham's population over 70% do not save monthly.

- Those who can least afford to save have the strongest desire to do so.
- The pattern of savings varies with household types –
 - 37% of home owners save at least some money in the average month compared with only 18% of social renters and 22% of private renters.
 - Couples with children under 16 are significantly more likely than other households in poverty to save some money in a typical month – 30% do this, compared with 22% of all households in poverty.
 - Residents with higher academic qualifications are more likely to save some money each month. For example, 36% of those in low income households who have A-levels as their highest qualification save regularly compared with 17% of those with no formal qualifications. Owner occupiers, even on low incomes, save more than tenants; families with children save more than those without; and people with more education tend to save more.
- Households in poverty are more likely to owe money for overdue gas or electric bills (six per cent, compared with three per cent of households not in poverty), or overdue council tax or income tax (five per cent compared with two per cent of households not in poverty).

However, they are significantly less likely to owe money on credit cards (10%, compared with 18% of households not in poverty), or hire purchase agreements (less than one per cent, compared with three per cent of households not in poverty). In light of this, it is apparent that households in poverty are more likely to have priority debts relating to the late payment of bills, while households which are not in poverty are more likely to have non-priority debts related to formal credit agreements.

The NHPS shows over a quarter (29%) of Newham's population is in debt, distributed across all incomes. However, the survey showed more low income households (26%) "falling behind with their bills" (compared with 13% average). Nearly one in five lowest income households owe more than two months' rent. We class not keeping up with bills as being at serious risk of debt, if not technically in debt. Failing to pay priority bills is the most common cause of debt among poorer households, whereas better off households tend to "borrow to buy" – using credit cards. Being behind with rent or mortgages is two and a half times more common among those with low incomes. It is much harder for poorer people to access normal credit. People in poverty are far less likely to take out a loan than average and rely more on instant and informal borrowing as our findings show. Most households (71%) falling behind on bills cut back on spending to avoid further debt.

Only one in 10 Newham residents says they are financially comfortable, compared with one in four Londoners. One in five Newham residents find things "quite difficult", compared with nine per cent of Londoners and eight per cent UK-wide. The poorest households are the most likely to get help with money, food, bills and emergencies. Those who are English, in work, more educated and own their home are more positive about coping financially. Nearly two thirds of poor people feel they are well organised in managing their money,

only a little below the average of two thirds. Only two in five in poverty have savings for “a rainy day” compared with nearly two thirds (62%) of those above the poverty line. They are also less likely to want to save for a pension compared with having enough now. In spite of this Newham residents are as optimistic as the national average, although less than the London average.

The NHPS (2014) found that among those not in work at the moment, the things which do most to prevent them looking for work or getting a job are the fact they are still studying or on a training course (19%), the cost of childcare (16%) and an illness or disability that they have (16%). The cost of childcare is mentioned more often by those aged 25-44 (32% compared with 16% overall) and women (22% compared with four per cent of men).

5.2 Learning from residents about life in Newham

Most interviewees have roots in the borough and in London. Only six came straight to Newham from abroad, and 11 from other parts of the UK. Twenty-four moved to Newham from other London boroughs, particularly East London, and 21 were long-term Newham residents. The large majority (51) did not expect to move out in the next two years, but over half are dissatisfied with their housing and want to move from their current accommodation – this applies especially to private renting, but also to council and housing association tenants affected by the bedroom tax (six).

The interviewees do a wide range of mainly low skilled work, including cleaning, security, driving, restaurant, warehousing, repairs, painting and decorating, retail and hairdressing. Only five have no work record at all. Twenty-eight work casually or without a contract or on a self-employed basis. Thirteen do jobs requiring some qualifications such

as IT, nursing, skilled trades, case work and two in management. Meanwhile 20 are studying for some kind of qualifications, half of them through their work. Almost everyone wants to do better. Most of those in work say they are satisfied with their actual jobs. Most report being happy to work even where pay is extremely low and hours long.

Only 16 say they ever leave the East End, mostly to shop or visit friends. People have lots of reasons for wanting to live in Newham – its shops, markets and high streets, availability of jobs and training, transport links, lively, friendly atmosphere and cultural diversity. The single biggest dislike is housing problems, particularly overcrowding. Crime is also mentioned often.

Although most interviewees say they have good health, almost half say they suffer from anxiety, stress and depression, which is sometimes extremely disabling. The most common cause of anxiety is financial pressure. Six interviewees suffer from severe physical disabilities or serious illness and three look after disabled children or other family members.

Family and community links are very important. All but four interviewees have frequent contact with siblings, adult children and parents. Thirty have close relatives in Newham and only seven report their main family link as outside the UK. Two thirds are in at least weekly contact with family and a similar share with friends. Two thirds had received direct help from family, either cash or food, over the past year.

Community spirit matters a lot to at least 44 interviewees. Over half think it exists and 36 are positive about it, while half belong to local groups and ten actively volunteer, mainly in community centres. On the other hand, half see barriers to community in language difficulties and cultural differences.

5.3 Families

“Mummy, why don’t you smile?”

Forty-one interviewees have children and they overwhelmingly aim high for them. Twenty-two hope for a good education, and 18 are aiming for their children to go to university and another five want them to get recognised skills. Ten say they just want them to be happy.

One third of the people we talked to said that having children was their greatest life achievement. People with children have a very strong focus on what they might achieve through their children. Over two thirds of parents are optimistic that their children will succeed and a majority, two thirds, think that their children have better prospects than themselves. However, one third worry a lot about their children’s future and think they could face a worse future.

Parents say that the thing that most helps them as parents is having family close by and being able to use local community facilities. They think that having more money and more time and having secure housing and better schools would all help them. The biggest difficulties that parents name are a sense of insecurity and not feeling safe, a shortage of childcare, the schools not being good enough, poverty and poor housing.

On the whole parents are fairly optimistic their children will achieve more than they have, mainly because of education. They say local community facilities are the most useful support, along with family living locally, while crime and insecurity, bad schools and lack of nurseries make it harder for parents. They think the Council should prioritise provision for children and youth, provide more council flats and support people with genuine problems.

The overwhelming message that emerges from talking to people seeking support in Newham is that for most it is a continuous struggle to manage on low incomes with high costs. Forty-three interviewees are in debt, some much more than

others. Only eight of the 43 owe less than £500. Around ten who are struggling financially or who are on the brink of falling into debt, based on what they say, actually are in what we call ‘hidden’ debt. We discuss debt more fully in the emerging findings.

5.4 What the life-stories show

In choosing life-stories to bring hard evidence to life literally, we focus on elements of people’s lives that illustrate our three main themes: financial management abilities and resilience; the impact of welfare reform; and debt and its consequences. We quickly realised that all of the households we chose to reflect a cross section of the population, in practice, were almost all affected by all three elements, and all in different ways were struggling.

This strengthens the core findings of the report and under pins the value of the life-stories in showing the ways different elements of problems interact in people’s ordinary lives. It is also true that our life-stories reflect the particular sections of Newham’s population that are struggling most: those on the lowest incomes, in situations that most of us would struggle to cope with.

One factor that is so important to recognise is the role of community supports, in many different forms, in helping people to cope. This can be family and close friends. It can also be familiarity with local services, friendly neighbourhoods, or simply a sense of security in living in a place that’s familiar. There are many wider policy issues that spring out strongly from the life-stories and that can inform policy on a much wider front:

- Private renting and lack of security
- Housing and energy costs – actual shortages
- Job centres and their impact
- Failures in the safety net
- Sheer poverty

One key element the life-stories illustrate clearly is the importance of “community support” and social ties in sustaining economic resilience. Agnes in many ways is comfortable, compared with most others, yet her story illustrates the barrier of childcare, the feeling of being “stuck” in private renting and on the other side the value of volunteering.

Agnes: Managing on a good income but facing barriers to work

Agnes is Lithuanian and lives in the Royal Docks. She is in her early 30s, has a Masters degree from Lithuania, and has lived in Newham for eight years, the last three in the Docks. She likes all the dockside developments compared with Stratford: *“it was dirty and dangerous in Stratford”* whereas here she likes the *“space, and being surrounded by water”*. Now, she says she wouldn’t leave the area to live in another part of London.

Agnes also likes the local Community Centre, *“the ladies, workers and volunteers, at the community centre are amazing – they’re everywhere. You hear them, see them, feel them. Most people know each other and smile or talk – it’s the first time I saw this in London, because in London people change their flats or houses so often. Here I was recognised for the first time since being in London. When I didn’t come here for a month, they were asking where I had been”*.

Agnes worked in restaurants, then spent three years in an office before leaving to have her first baby. Since then, she’s volunteered in the Community Centre. Agnes would love to go back to work but childcare costs more than she would earn. That was with just one child – and now she’s got a second one. *“It would be great if social policy would change – maternity law, and the cost of nursery and childcare. I had to stop working because of childcare”*.

She feels trapped and held back. *“Because I can’t work there’s no progress for me at the moment and I have low self-esteem. I had to resign from my job. Before I was taking home a salary every month, but now I’m just staying home”*.

Her husband, who is also Lithuanian, is working full time in a well-paid IT job, and earns just over £30,000.

Agnes says she’s fairly organised with money and she sends money to her family back in Lithuania. But finances are tighter since she no longer brings in an income and prices are going up, especially the gas bill. *“It shouldn’t be like this. Saying no to things that make you happy and human – no to the cinema, no to the theatre. But especially when you have children, it’s hard to say no to children”*.

They are not in debt and Agnes refuses to borrow. They have also never received benefits, except for Child Benefit. She would rather ask relatives or negotiate with the landlord for the rent, but not borrow. She thinks there is a culture of borrowing in the UK *“The banks like to push borrowing – I think lots of people borrow in the UK. I got a phone call from the bank about whether I wanted to have a loan. The woman asked if I already have one and was surprised when I said I never had a loan!”*

Agnes no longer saves as regularly as previously. *"We don't have enough savings in case of emergency. I worry about my children's future and money – if something happens then we're unprotected"*. She is conscious that they have no pension. *"We have got a new member of the family so all the costs have gone up, and there is still only my husband's salary"*. On the other hand, they would like to save to buy a house. She now saves her Child Benefit into a savings account. Money-wise things are tighter now with two children.

Agnes knows that her salary would have to compensate for the high cost of childcare: *"I would like to look for a job but unfortunately I need to find a job which is paid well enough to cover for nursery costs. Now I have two children, it would be £2000. So me and my husband decided that I'm going to stay at home for now, because I'm not going to find a job for £2000 a month. I'm at home – he is working"*.

At least Agnes is happy she is managing to stay away from debt. But her big worry is that the Council taxes may go up and the cost of childcare move even more out of reach.

Both Agnes and her husband are qualified and he has a well-paid, full time job. But she is frustrated because it's impossible to go back to work and earn enough to cover formal childcare. She won't consider informal care and doesn't have relatives over here. So they're struggling to save to buy a house and she feels stuck – like they can't progress. Nonetheless, she manages well, gets on with her neighbours. And sees the local Community Centre where she helps as a God-send.

Section III

We present the core findings from two rounds of interviews with 62 residents of whom 38 were interviewed twice between March 2013 and January 2014. The interviews were at least six months apart, and in round two were mostly in people's homes. Eight interviewees in round two had changed circumstances – five had been evicted and two had had another child. One fifth felt they had made progress (mainly got a job, or better housing); one fifth said they were struggling, and one in six said things were bad or very bad. Half were still earning less than £10,000 a year and half reported a drop in income since round one. Over one third said they are struggling and more in round two were in real difficulty – debts hadn't gone away and incomes hadn't risen. The biggest problem is rising costs. Two thirds said things were worse than two years ago. In round one nearly half felt their lives were moving forwards but by round two people were more pessimistic. Below we examine how people manage financially.

6. Financial management skills

“It makes me worry and sometimes it gives me sleepless nights”

Thirty-three interviewees say they are struggling to manage or are in serious trouble financially. A further 17 say they are on the brink of difficulty. But 44 think that they manage their finances well, in spite of problems. Benefit cuts and tougher welfare conditions are biting alongside lower pay and less certain hours. Only ten interviewees say they are managing comfortably.

“If I'm on my own at home I don't put the heating on till my son gets in. And I'm also not buying all the biscuit things, I put the money on the gas bill”

All but one interviewee (61) have a bank account with a debit/cash card and 35 have savings accounts. Twenty-seven report saving mainly small amounts into the accounts, although some save with the local credit union (one), savings club (four) and home in a jam jar (four). Almost all want to save. Most savers say they like having a little “put by”, but usually have to draw on it before the end of the month. Twenty-four know about the credit

union and think it's a good idea, but half find it too difficult to save and only eight save regularly. Several say they used to save, but have used up all their savings during the last few years. Only 11 are contributing regularly to a pension. Most say it's more important to have cash now. In one case the employer deducts it directly under the new system and the interviewee decided not to opt out.

Six interviewees on very low incomes manage their finances and stay clear of debt, come what may. However they do have regular work or qualifications that give them some security. Three rent from private landlords, at least one in very poor, crowded conditions. There are 18 who are at risk of falling into debt, simply because they have no financial reserves, and are constantly juggling to make ends meet. Ten of these cases struggle with bills and barely cope. The striking fact in all these cases is that they do cope and seem determined to do so. A combination of factors gives these interviewees sufficient resilience to cope.

"I refused to go for ESA. I said I wanted to work. I'm now forty-something, and I cannot imagine living another 30 years on benefits! No, no: I've got to do something. So I stayed on JSA and kept looking for work. But I would have been entitled to ESA"

6.1 Why some people are more economically resilient than others?

a. Determination to stay out of debt

Interviewees who stay out of debt have an absolute commitment to do so, regardless of personal cost. Sometimes this is due to upbringing and parental influence, which they say they imbibed from an early age; sometimes it is seeing brothers, sisters or friends caught in debt spirals; sometimes it is a moral attitude that you must pay your way. That determination does not protect people from misfortune, but it makes them risk-averse, extremely suspicious of attractive, 'easy' credit and horrified by money-lenders and credit cards whose sole purpose is to land people in debt in order to collect interest. This factor makes people afraid of and hostile to the idea of debt.

b. Being cautious

People who are practical, cautious and wary of debt calculate that borrowing cash on easy terms must have a catch in it somewhere. Therefore they work hard to apply practical rules to money and spending. They prioritise clearly and they avoid taking on any responsibility they cannot meet. For them staying clear of debt is more important than repair and decoration, clothes, heating or even food. Some inner sense of control makes them want to remain free of debt.

c. Knowing the consequences

The people who stay free of debt feel a sense of pride and satisfaction, knowing that they are staying out of greater difficulty by remaining debt-free. Conversely they realise that debts

compound themselves and getting into debt to bail out one problem simply creates a bigger one.

"I pay £8.95 a week to BrightHouse for my washing machine. I'm never again gonna do it...it's a rip off. I think that machine comes to like £1,300, by the time I'll have paid for it"

d. Saving

Resilience depends on reserves of different kinds. Nearly half the interviewees try to save; only eight do so regularly and those who manage to avoid debt usually have emergency money they can call on. People often save for their children's future and try to save for a house; some just put by for a rainy day. Having a reserve of cash, of food, of money on the meter card, all under-pin people's resilience. This relates directly to resourcefulness.

"I save for setbacks and basic things...you know, if my gas goes, well, at least I have £10 to put it on"

e. Resourcefulness

Several cases show amazing ingenuity in managing. One bakes bread in the night at home to sell the next day. Another (mother) works all night so she can take her children to school and be there for them when they come home. The babysitter sleeps at her house with them. A father does repairs for his landlord and therefore gets more work from him, while also teaching his sons carpentry. This helps with rent. Linked to resourcefulness are simple resource choices, such as always biking to work, using local parks and libraries, and generally keeping fit and active.

f. Optimism

Finally it is striking that resilient people not only refuse to get into debt, but are partly reinforced in avoiding it by believing that if they strive, things will work out.

All this does not mean that everyone in debt lacks resilience – far from it. Many of the cases of debt

are explainable by unforeseen circumstances, such as benefit mistakes or a sudden job loss. The fact is that most of the people we spoke to want to work, want to be independent, and hate having to rely on others or be in financial difficulty.

"I'm going to struggle at least for the first three months, to make sure the business is running smoothly...but after that, I'm confident about this business. I did it before, so I believe I can do it again"

The Newham Household Panel Survey showed similar evidence on a wider scale. Poorer households tend to be more careful with money, avoid costs wherever possible and have a stronger commitment to saving small amounts. It also showed that the most significant driver of vulnerability to debt or being behind with a bill was that a person had lost confidence in themselves (18% of variation).

6.2 Coping

Particular factors seem to help people cope. One strong influence was parental upbringing and it being "drilled in" not to spend "beyond your means". The attitude that it's better to do without than to get into debt only goes so far, and some of our interviewees who coped well and showed resilience were simply juggling bills on too small incomes. The NHPS (2014) also shows this for those on the lowest incomes. Some are also deeply suspicious of and resistant to cash offers in shop fronts and Wonga-style ads. Sometimes people have become "immunised" against debt by earlier experiences. Several say they learnt by their mistakes. People also cope better if they get friendly advice, have family they can turn to and have supportive neighbours.

"I'm really lucky to have the family, they've helped me no end. I had a chat with my nan about it, and

she said to me that if you can't get something, you always wait. I've been brought up very old English, very old. My parents taught: 'if you haven't got the money, then you can't have it'"

6.3 Not coping

Those who cope less well tend to combine incomes that are too low, costs that are too high, and experience set-backs – a sudden illness or death, being forced to move, losing a job, some problem with benefits. Some people are far less risk-averse than others, have poor judgement and are over-optimistic. Family pressures with too little support, particularly children's needs, also cause financial problems, as parents find it hard to deprive their children. As the NHPS showed half of all Newham children live in poverty. A quarter of those paying for childcare struggle to pay their bill and four gave up work because of childcare costs.

Being attracted by easy terms to acquire more than is affordable can commit people to payments with extremely high interest if they are missed.

BrightHouse is a clear example of this. Three quarters have regular contract payments for TV or phones that they must pay. Most interviewees believe they control their finances, but nearly half admit they've missed some payments in the last year.

"There is no one there to say: 'Let's put a stop to this, we will help you. I have got no one to borrow money from. Only Cash Converters. Christmas is coming and I'm gonna have to borrow money"

Nearly half pay their energy bills by pre-paid meters and most of those favour them and even sometimes use them to save money on. The numbers cutting back on food have gone up from half in round one to over half in round two, although very few (four) resort to food banks. Over half have cut back on energy.

Selena illustrates how someone who is desperately determined to get on can land in extreme difficulty in Newham, and is shocked by her own experience of homelessness, debt and hunger. She does show how much she has learnt along the way.

Selina: Resilient in spite of debt

Selena is in her 30s. She came to the UK from East Africa 15 years ago and moved to Newham shortly after *"and then I got stuck!"*. She likes living in the borough though, with friends and family nearby. Selena thinks there is community spirit. *"There are places for children to go, I think people care about the community. And I talk to my neighbours. I cleaned the garden for one of them"*. She thinks *"most people get on quite well"*. She also goes to the local church. *"Everything I do is here"*.

Four years ago, Selena started a degree in social work at the University of East London. She worked over the summer breaks to meet her expenses, but *"it was not enough to cover my rent and get by"*. She wasn't expecting such hardship: *"I've never in my life gone without food. Three years ago was the first time I'd experienced that. Especially in England, you think it's not possible... I spent my early years in Kenya. I never starved there living with my parents. I came to England and never thought it was possible to go without food. But it is. For me, it was the worst experience ever"*.

Selena has debts from her living costs while studying. She took out a student loan, but she also used her overdraft and credit cards. *"I would use credit cards to get by... to pay rent or buy food... It got up to about £6,000"*. Being in debt was affecting Selena badly, until she received help from a charity: *"I didn't know how much I owed until I went on their course... When I found out, I cried"*. The charity offered to help. *"They negotiated on my behalf with the creditors... They knew what my rights are"*. The charity paid Selena's debts off and she is paying them back in small instalments, over 20 years. Since then, Selena has cancelled credit cards and overdraft facilities. She feels she manages her money now; *"if it means not having food to avoid debt, that's what I'll do"*.

Selena recently graduated. She now does voluntary work while looking for a job. *"I went to university for three years so I want to get the job that I'm looking for, for all that hard work"*. For the moment, Selena is living on benefits. She receives JSA, Housing Benefit and Council Tax Benefit. *"To be honest, I would rather work. It's just that I can't find the job I'm looking for... There are no jobs. If there aren't any jobs, what do they expect people to do?"* Last month, she was hit by the benefit cap; *"I can only get £120 out of £150 a week covered"*.

Selena's finances are tight. *"To pay my bills, I have to give up certain things. It's been cold lately, so I've gone down to one or two meals per day, to pay my gas"*. Her friends have been helping her with food and a bit of money, but she would be too embarrassed to go to a food bank.

Since she has been on benefits, Selena's opinion on welfare support has changed. *"People who, like me, went to university and want to work, don't want to scrounge.... Before, I used to think otherwise because I had no experience of being on benefits. But I'm on benefits because I'm looking for a job, and I know what it's like"*.

Selena has other worries; she's being evicted from the one bedroom flat she's rented for three and a half years. She was in arrears with her rent last year, but now everything is cleared. *"I think the landlord just wants me to move out so he can put the rent up and rent it to somebody else"*. Facing eviction is stressful - *"wondering where you're going to live next, and the money... It's made me very anxious"*. Selena hopes to get a flat from the Council, even though she thinks *"the worst thing about Newham is social housing – they don't have enough of it. Most of the houses, private landlords are renting out, and the Council is paying for Housing Benefit when most are not in good condition"*. She is hopeful as she has been on the waiting list for some time.

Despite struggling, Selena felt she was progressing, *"but not as fast as I would have wanted. It's quite slow. I've got the qualifications I want, and I'm doing the right voluntary work, but it's slow"*.

By 2014, Selena was going through hard times. She became homeless and stayed with friends. Newham Council couldn't help her. *"They said they would have to send me to Birmingham. I didn't have anywhere to go: I had to go and sleep in a Church building that day. They were just asking me to leave everything just like that, without thinking about it!"*. Her family helped her, *"They sent me money. Maybe up to £1,000, but not in one go"*. She's looking for a room again now. *"I don't know... I saw a room yesterday, but ... the house was just disgusting.... Sometimes I think it's very difficult to find suitable accommodation"*. Selena might try the Council again, *"but with the Council, it's just so difficult"*.

Workwise, things have improved. She is happy even though work is not steady; *"it's agency work: if it's not busy, they don't have work"*. She is still looking for a permanent job, but thinks *"there is more part-time work than long-term jobs"*. Her financial situation is better; *"At least I can buy the basic things now. Before I couldn't"*. She is still slowly paying off her debts and is trying to save to rent another room.

Now she's working, Selena no longer receives benefits and hopes never to sign on again. *"Now I'm working, I feel much better than going to the Jobcentre every two weeks"*. Selena has become sceptical about the welfare system and feels it is failing to support people in need. *"In Newham, they should try and help people, especially with social housing. You go to university and improve yourself, and you try to help the community, but then you don't get any help... I've seen a lot of people move out of the borough"*. She doesn't think welfare reform will help people into work. *"They really don't care about people... All of them, the Council, the Government, they don't care. You just have to help yourself and get a job"*.

7. Problem of debt

“I heard the Postman – I was worried it was the people to evict me”

Most of the people we interviewed have borrowed money to manage and 22 have an overdraft. Many more admit to owing money than explicitly say they are in debt (43 compared with 33). Forty-six have a regular payment contract for items they have bought, mainly essential household items, but also clothes, and in seven cases a car loan. Twenty-five use store cards that allow them to buy white goods, IT items and clothes on credit. One mentioned their Tesco credit card having led to mounting debt problems. Only three say they would borrow on a credit card, but some of the most serious debts mount because of a resort to credit cards, in some cases multiple cards.

Twenty-eight keep a record of what they spend, several have been for money advice and have carefully planned payment systems. Nearly half get money advice from family and friends. Two people have got bankruptcy advice. In all cases, advice and support are invaluable. Almost no-one feels their spending is uncontrolled and almost everyone is constantly juggling between bills. Forty-seven say they are struggling to pay a bill they owe and 28 are overdue on priority bills.

“We have got a lot of arrears with lots of companies. We have got arrangements in place in the last two weeks, ‘cause we had a company...the mortgage company put us in touch with someone who we rang and they arranged it all for us. It was a free service”

Rent and Council tax cause great anxiety and difficulty because both these bills pose a threat to people’s security in the home. Court orders and legal letters often cause people to panic-borrow. Energy bills cause a big problem because they come every two-three months as a large sum owing. Over half of those on benefits have pre-paid meters –

23 use these – often because of previous arrears in payment. One interviewee saves credit on her gas meter so she has heating stored up for when it’s cold. They find this a helpful way of managing although most complain about the cost, the cold and the constant fear of running out of money or fuel.

One of the biggest problems is paying back earlier debts or paying for items bought on credit, while meeting current bills. People who buy household goods via BrightHouse defend its charges as a means of allowing poor people to acquire goods through small, manageable, regular payments. They are aware of the cumulative interest charged, and therefore the high final cost of say a washing machine, but they know of no other way of gaining “manageable credit”.

“I also used Provident. They are good, the interest is high, but they make it easy for you to pay”

Over half the sample (36) have received help (cash and kind) from family and less often friends because of cash shortage. Twenty-nine work out their money and bills weekly or more often and 27 do it monthly. Most borrow small amounts (under £100) but 13 have borrowed over £500. Most say they would not borrow larger amounts, although a few do. Interviewees also say they lend to family and friends and 13 are owed money. At least two live rent free with parents. For small amounts (£50) far more turn to family than friends, and very few would borrow through a bank, credit and/or high street ‘cash converters’. For larger amounts, far less would call on family and friends and more on costly sources, although a majority say they wouldn’t borrow larger amounts at all.

Ibrahim and Faiza's story captures the juggling act many low-income households play between debt and managing.

Ibrahim and Faiza: in debt but personally resilient and focussed

Ibrahim is in his 30s and first came to the UK to study for a Master's degree in communications and information technology in 2005; *"I was an international student and English is not my mother tongue, but I worked hard and got a distinction. That makes me proud"*. He started working when he was still a student: *"I worked for two days a week in a minicab office...It was my first job in this country and it was a very good life"*. Ibrahim moved to Newham in 2007, when he was still single, attracted by the local Asian community: *"this area has lots of Asian restaurants"*.

Ibrahim had a *"bad period"* in 2010 when there were staff cuts at his work. *"That was the worst bit, because everywhere they were saying they were going to cut down vacancies and it took me one and a half months to find another job"*. He then worked for the Olympics, which *"was a lovely experience"*. It gave him the chance to be at the opening and closing ceremonies.

Ibrahim married Faiza in 2011 in Bangladesh. Faiza arrived in the UK in 2013, and joined Ibrahim in the house he already shared with another couple. The house is rented from a private landlord and is in poor condition. They would like to move, as they need more space.

Ibrahim knows *"lots of people in the street"* and thinks community is *"the good thing about Newham"*. Being close to the Asian community also helps Faiza: *"that's a good benefit of being in Newham. When she goes out, she won't face any problems because she will find all the stuff she used back home. Most of the shopkeepers speak her home language... they are from Pakistan, India or Bangladesh. There are seven or eight mosques in a two mile radius, which is quite good"*.

Ibrahim has a full time job as a site supervisor for a large DIY store. He is optimistic about his future. He also runs a small IT service in his spare time. This has been affected by the recession, and he has less customers than before. He considers himself lucky to be *"in the system and earning a good amount of money"* when *"there are so many people...jobless"*. But Ibrahim and Faiza don't save much money. Ibrahim enjoys travelling and eating out, and Faiza says Ibrahim is not organized with money. Their financial situation is *"on the line between struggling and managing"*.

Ibrahim sometimes misses payments on bills because there isn't enough money in his bank account. He had to borrow money to pay the taxes on his private business; *"it was my mistake. I should have saved some money for the tax bill each year. But I spent it and by the end the tax came to £3,000"*. For this, he relies on friends, to whom he also lends money in return. At the moment, he owes over £1000 to one but hopes to pay it back by collecting debts from other friends.

Ibrahim took on a credit card loan of £2,500 for their wedding and has also occasionally used payday loans - *"maybe because I asked my friends but they hadn't got money"*. He thinks payday loans are useful and

practical: *“they cost you more money when you pay them back, but they are very quick – you don’t need to spend the whole day there, like in a bank”.*

In 2014, the house Ibrahim and Faiza were sharing was being renovated by the landlord, so they were temporarily staying next door. Their finances had improved somewhat. According to Ibrahim, *“it’s manageable”.* His probation period at work was over, and he now felt more secure. Faiza was helping him with his business and he had a few more customers. But they were still not saving. After paying regular bills, *“if there is anything left, we normally spend it going out and visiting new places...we just enjoy it”.* He supports local religious centres. *“We also send money back home”.*

Ibrahim is worried about his credit card loan. He still owes £2,800 and needs financial advice *“because with my credit card loan, I’m paying a very high interest”.* He’d like to convert his debt into a bank loan with lower interest. But his application was turned down. He’s also interested in the Credit Union. Ibrahim and Faiza aim to improve their credit rating. They plan to save to buy their own home, but first they need to clear their debts. *“In the future, we might get a mortgage. The government has got a couple of very good schemes for new buyers... That’s very good”.*

Ibrahim has never claimed any benefits, but *“I pay taxes every year. It goes to people who are needy or who lose their jobs, or who are pensioners”.* He thinks many people try to abuse the welfare system, and that *“the government is fair...That’s why we say it’s a welfare state...Overall, it’s good”.*

Ibrahim shows considerable financial skill in managing his very difficult circumstances. He juggles between debts and bills and manages to keep things under control. However, their situation is not stable. Keeping up with the credit card repayments has become a problem, and they risk bigger debts if something unexpected happens. Their longer-term plan to get a mortgage and buy a house seems tenuous. On the other hand, they are managing to stand on their own feet, and they’re working longer hours to try and clear their debts.

Two thirds of interviewees (44) know about payday loans and Wonga; two thirds (30) think they are bad. Seven say they trap you in a vicious circle and have experienced mounting debt problems because of them. But nine say they’ve used them, and 23 know others who have used them, which may include family members or partners. A further eight have used Provident and a whole list of other instant “money lenders”, ‘Speedy Cash’, ‘Welcome Loans’, etc. Twenty-three know people who use pawnbrokers and several interviewees have had to hand over to pawnbrokers’ goods such as IT equipment, losing a lot of money in order to try and pay back debts, sometimes incurred by buying the equipment in the first place. Creditors strike

cash pay-back deals for people in debt that people then take out further loans to pay on the grounds that this will “clear one burden”. Twenty-five had paid off past debts.

Significant numbers of interviewees owe large and potentially unpayable amounts – 25 owe over £1000, and eight owe more than £10,000. In all 29 people had sought financial advice (nearly half), 21 of whom had gone to Newham’s free advice services. All prefer face to face help and people most commonly turn to family and friends. Thirty cut back on food bills in the past year and 31 on their energy use. Many interviews took place in cold homes. Twenty-one say they got into debt

over basic living expenses and 35 say they struggled in winter.

“Rent is the most expensive. I don’t find anything hard to pay for: the hard bit comes after you have paid it and there is not a lot left. I wouldn’t pay everything. It would be like a snowball and I wouldn’t want to go down that road”

7.1 Key triggers of debt

Debt is a source of shame and embarrassment. People are therefore reluctant to talk about it or reveal things about their decisions or financial position that might humiliate them in other’s eyes. They are also reluctant to ask for help or appear to be desperate or unable to cope. To compound this, debt itself often becomes an increasing burden due to people in difficulty not wanting to admit this, acting therefore on poor advice and incomplete information, accepting terms for payments and liabilities they do not understand. One debt can therefore end up compounding another. There is a sharp difference in outcomes for the few cases we found where people had been helped away from suffocating debts by charities or professional advice services.

Several interviewees talked about purchasing online, then finding they were liable for more than they had understood, others talked about buying from catalogues and regretting it; or being threatened with eviction and borrowing at high interest, which they couldn’t pay back, to keep their home; or using credit cards at 22% interest to pay off more pressing debts; or receiving offers from creditors to clear half what they owed, which they would then borrow from a loan shark at exorbitant rates to clear; or taking ‘crisis loans’ from Welfare

that they borrowed to manage, which then left them short on the welfare payments.

Most debts were not one-off, which is why most debt burdens tend to be larger rather than smaller. Nor was borrowing from a bank open to most people in financial difficulty. Some had tried to borrow and failed. This is in spite of all interviewees having a regular bank account and twenty three having an overdraft. The banks refused loans but allow overdrafts.

The interlocking relationship between what is classed as priority debts for core costs – housing, energy, tax – and non-priority debts that often become priority when non-payment leads to legal action pushes people into even deeper financial trouble.

“They were about to take me to court, but I had to get round and around to try to get money and pay them within a couple of days because it has to be paid within a certain time. They refused to arrange installments when asked. They said we don’t do that anymore. They said I had to pay because I had missed the previous month”

Our evidence shows how easy it is to succumb to offers of loans when multiple financial pressures, often manageable one by one and relatively small in themselves, combine to make the task of managing seem overwhelming. At the extreme, one couple with seriously compounded debts actively considered suicide, but ruled it out because of their children. Their life was massively complicated by incurring debt when they were forced to move. Eviction, coupled with other misfortunes, made their problems seem almost unbearable. Next we tell their story.

Demi: desperate and in debt

Demi is in her 40s and of Asian origin. She left school and home at 18 after her A-levels and since then had no contact with her family: *"They cut me off completely"*. She has lived with her partner ever since. They never got married *"because of finances and things"*. Demi's life has always been a struggle *"It's been a really tough 17 years. We lost a house, we lost a business, my partner was diagnosed with cancer and diabetes"*.

Demi and her partner moved to a two bedroom flat in Newham 11 years ago, when they had their first child and Demi stopped working. *"Raising the kids has been hard but I think it's the only good thing we've had. Financially, we've had one knock after another"*. Demi suffers from depression, she has been fighting it *"since I had the children, 11 years. And I guess I will carry on fighting it"*.

In 2012, Demi's family had to move out of their flat: *"the landlord wanted the property for the Olympics and he gave us ... two months' notice. We actually stood our ground and said evict us if you have to, but the rental properties were going up, up, up, all the time"*.

Demi and her family rented a two bedroom house nearby. *'It was an emergency... It was convenient, it had to do. We had no choice"*. Because of moving, Demi *"got a credit card from my bank, I don't know how. I had to pay two months upfront on this property so we had some cash and the rest I paid on the card, and now I'm struggling to pay that back, really"*.

Demi's partner is self-employed, working in sales, on a commission basis only. Business had not been going well. *"He hasn't sold anything in the last four or five months... that's really affected us. It's brought him to a really low morale, and it's affected us in the relationship"*. Demi started using her overdraft a lot more. To make things worse, Demi's benefits - Child Tax Credit, Housing Benefit and Council Tax Benefit – were suspended without explanation when they moved.

Things had *"got very hard, very, very hard... I'm finding myself buying frozen stuff a lot more... the cheap value stuff... Food prices have gone up, petrol prices have gone up big time"*. The week before the interview, Demi was so desperate she went to a food bank: *"I hated going, I really did because it makes you feel so low... I felt terrible walking back with three bags of food because I thought it was too much, but it's supposed to be food that lasts you three days. And I felt really guilty because I'm sure there's people worse out there who need it, and I'm sure I can struggle through"*. Demi now also owes the Council tax and water bill. At the time of the interview, she was *"panicking, because I know my rent is due in a couple of weeks. So I'm thinking what do I do?"* Demi's situation became so desperate she said she was ready to *"end it all"*. Only having the children stopped her.

Demi recently started working as a volunteer in two community centres, as well as being part of the Parent-Teacher Association. Before this, Demi hadn't *"worked in 11 years, so for me to go out there and look for something is really daunting at the moment. Hence the volunteering that I do"*.

Demi is on the brink. *"Mentally, I'm exhausted, I want a break. Not just a break from the kids... but I want a break that's going to make me smile again, make me laugh again".* The local church helps them remain positive, yet *"there's times when, I'm not being funny, we've actually contemplated: let's all go, set the house on fire and go. That's how far it's got with both of us, how far we've got feeling low".*

In 2014, Demi was still in the same house and wants to stay in Newham, although she doesn't like where she lives. *"You look at everybody's faces round here, and they're miserable. You don't get a smile off people... everyone is suffering".*

Demi is still volunteering while looking for a job: *"I started to do a course to start work again... but I didn't finish it".* Her partner and one of her children got ill: *"it hasn't been the right time, so I just stopped it".* Demi knows the competition for work is hard. *"There are jobs out there, but it's not one person for one job, there are hundreds".* Demi wants a job that would allow her to look after her children *"I would like to do a school job".*

At our second interview, Demi's finances have worsened: *"I juggle benefit money to do weekly shopping and stuff, petrol...".* She's scared of applying for Job Seekers Allowance, *"because I know that they are putting pressure on people in a really big way, and in my mental state, I cannot take that pressure".* Demi thinks, *"if I do JSA they'll take away something else from somewhere else... So to me, it doesn't make sense".*

Demi is in debt on all her bills. She is still paying back her credit card loan, and says she wouldn't survive without her overdraft. Altogether, she owes around £2,000. She's anxious about rent arrears, and even more about the Council Tax, on which she owes £800. *"I had the bailiffs at the door over the summer, and that's when I went to Community Links... they explained everything to me... I feel a bit at ease at the moment, but it's in the back of my mind".*

Demi revisited a food bank, but is resisting lenders: *"All these lenders out there. The interest rates are absolutely enormous you know? I just think I would be more in debt, to be honest. You just do with what you have got".* Demi turns to charities and community centres, rather than the Council.

Demi would like to manage, plans to work and support her husband as well as caring for the kids. The pressures they are both under are extreme and debt makes it almost impossible to see a way out.

The immediate triggers for debt are often the most basic:

- Losing a job or experiencing a sharp drop in income for example in repairs, restaurant work, casual work – which affected nearly half our sample; eighteen lost their job in the last year and eight have lost their home (renting).
- Changes in work contracts and rates of pay so that people were on shorter hours, paid less and weren't paid for extra hours they might have to do, for example locking up as a security guard. By round two, jobs had become more stable with more one year contracts, but still one in six workers were on casual contracts.
- Being cheated of a deposit by a lettings agent or landlord, in one case never securing the accommodation nor recovering the deposit.
- Being evicted causing disruption, anxiety and the cost of moving – tenants have to find a large (usually two months) deposit invariably for higher rent, so even if the previous deposit is returned, the additional cost plus higher rent can lead to debt.
- Benefit payments being unexpectedly cut, or papers being lost in the system, so claims can't be processed.
- Mistakes in benefit and tax credit payments so that claimants can suddenly find themselves in debt to the government, with a reduced income.
- A sudden personal misfortune, which Anne's story illustrates very well.

"Really bad actually, because I become homeless. I went to the council and they couldn't help me"

These changes in circumstances have a dramatic impact on a person's short-term ability to manage. Without significant savings it is very difficult to weather such financial storms. Anne's experience of debt illustrates the interaction of multiple factors that cause her to be one of the few cases of almost giving up.

Anne: debt – extreme and close to despair

Anne is in her 50s and has lived in the Dock area all her life. *"I was born just round the corner"*. She has lived 35 years in the same three bedroom house, with her four children and husband. Once her children were grown up she found a job at Himmerton Hospital and worked there for 15 years as a domestic cleaner.

Anne's social network is all in Newham. Anne sees the grandchildren but has difficult relations with her own children. She has *"good friends that I see every day"*. But Anne regrets never having moved out to *"a better area...to give the kids a better chance"*. In the past, she remembers much more neighbourliness. *"You could just sit out and you'd see all your neighbours that you grew up with as children. There was always something going on. It was nice. Now you don't really know who your neighbours are, except the odd one or two"*. She feels that the constant flow of foreigners coming to live in the area has undermined the community spirit: *"If you sit here, you can hear suitcases being pulled along the alleyways and you think 'oh, more new faces moving in... All the old neighbours are gone, and we've got all different nationalities"*.

Anne misses services in the area. *"There's nothing. They took everything away"*. She feels there is nothing for older people – no community centre, no shops, not even banks; *"There's just bingo, but it's not my thing"*.

Anne's troubles started when her husband passed away in 2010. In 2011, she herself was diagnosed with cancer and in 2012, she had a *"breakdown, because I wouldn't accept the cancer and everything else"*. She had to leave her job. She could have gone back to work when she got better, but depression got the better of her. She was made redundant in January 2013. *"It might have been a silly thing to leave"*. Anne doubts she would be better off working, but she worries *"I won't be able to live on benefits. It wouldn't be sufficient, would it?"*

She is now on statutory sick pay. Altogether, she gets £105 a week in benefits. She works out her money *"day by day. What comes in first gets paid first"*. Anne is in serious debt. She is in arrears with her rent and Council Tax and she can't pay back an old loan. *"The bailiffs are threatening to come"* She is not quite sure how much she owes, it could be £7,000 or £8,000. She has been *"putting it at the back of my head"*.

Anne urgently needs help in sorting out her finances but she lacks confidence and is wary of talking about her problems to strangers. *"It's just getting that little boost to get up and sort it out. But where do you get that boost from? Whether I can go to a money lender and borrow it... which I don't want to do, because you hear so much about them at the moment. But I might have to go to them"*. Anne feels very vulnerable and overwhelmed by problems.

In 2013, Anne was very worried about the bedroom tax. She knows it will affect her. But she doesn't know how to deal with her present debts and bills: *"I want to be stronger, but having the worry of everything else that's going on, this tax, it pulls you back a bit. It isn't fair, because there's nowhere to go to sort these problems out. Everything's got to be done online and I'm not an internet person"*. Keeping her house is important to Anne: *"As long as I know I'm not going to lose my home, ... as long as I have a clean home and a pair of shoes, you can always go somewhere and someone will help you"*.

In October 2013, she was evicted and made homeless. As she feared, her rent increased from £65 to £150 a week: *"things went downhill"*. The eviction made Anne's debts worse. Anne resorted to a payday loan when she had to move out, but *'couldn't afford to pay it back'*. *"It's so easy to get one, but they are forever on your back. You got to pay it back at the end of the month and if you ain't got it in full, the interest goes on..."*. She doesn't know precisely how much she owes, but it's now around £15,000 or £17,000. Anne doesn't even know which company it is.

She is now living in temporary accommodation but Anne knows she can only stay for 18 months. She still wants to stay in the Docks *"because if I get suicidal I get support from friends and all that. But whether or not I'll stay, I don't know"*. She receives counselling sessions from a local community counselling project.

Anne now receives Employment Support Allowance and £95 a week Housing Benefit. She is getting some advice on Council Tax Benefit, and hopes to get help. The Council is trying to sort it out. She hasn't started

paying the loan back yet, but she realises she will soon have to face it all again. *“Now they are catching up because I’m getting back into paying Council Tax, so they can find where I am... I can’t keep ignoring these people, that’s why I’m gonna get it all sorted”*.

Anne doesn’t feel strong enough to sort out her problems on her own. Debt-Advice said she should declare herself bankrupt. But she would have to pay £700, and she didn’t have the money. She is relieved that someone from her counselling therapy is going with her to the debt advice this time. *“I just want them to say ‘Right, you owe £10,000, you got to pay at least £5 a week off’, or whatever it is, and then I haven’t got to worry. I know it’s being paid and stop the bailiffs ever looking for me if ever I get another property”*. She still doesn’t know how she’ll manage her debts given she’s unemployed. Anne doesn’t think she will find another job now she is almost 60. *“No one is going to really employ me. I mean... there is no job for the youngsters, is there?”*

Anne feels the welfare system has failed her; *“There is not a lot of help out there if you’re a normal living person. If you were an alcoholic or on drugs, you’d get all the help there is”*. Anne feels that the Council didn’t take account of the problems she was facing before evicting her: *“I would have liked them to really listen to what I said... I was paying off the arrears before the bedroom tax went on. If they would have given me a proper council place, let me take the arrears to a one bedroom place, it wouldn’t have happened”*.

Anne is overwhelmed by the succession of misfortunes that has hit her – her husband’s death, cancer, recurrent depression, culminating in the bedroom and Council taxes crippling her ability to pay. Her case shows the importance of face-to-face welfare support. Her inability to downsize due to her arrears pushed her into homelessness and higher rent. With more direct support earlier on, things may have worked out differently.

7.2 Wider, more long-lasting causes of debt and financial difficulty

A second-level trigger arises from higher costs for basic bills coupled with reductions in income. These two compound each other.

a. Rent

Over the last three years, rents have risen – particularly steeply in the private sector, but also to a lesser extent, the social sector. Four cases were being evicted by private landlords without any explanation. They face higher rents and the challenge of possibly having to find another rent deposit. Finding somewhere within reach of schools, jobs and family or other support is also difficult. While the cost of buying a home has risen less in Newham than neighbouring boroughs, the barriers to borrowing have risen – bigger deposits, more restrictive lending and relatively lower incomes.

b. Energy costs

Energy prices have risen steeply. Most of those in debt talk in the same breath about rents and fuel bills and about the urgency of meeting those two bills – major factors in taking on loans. Food is the other basic cost people worry about. Although several say they won’t or can’t cut back on food, in fact half have already done this. People generally do not borrow money for food, nor do they to feed their payment meters, but they do use credit cards to buy groceries. People also cut back heavily on heating – we were often cold during interviews. But they do borrow “to survive”, that is have enough cash by the end of the week or month to “get by”.

“With fuel bills rising and salaries frozen – this is a bad combination”

c. Council Tax

For people on the lowest incomes, paying a Council Tax contribution is sometimes the “straw that breaks the camel’s back”. People on benefits who have never paid it before are shocked by it and struggle. One private tenant got a legal warning and panicked. She paid off the whole amount from her rent and ended up in serious arrears after clearing her Council Tax.

d. Needing ready cash

Having the money to hand, free of debt to pay bills is critical to managing financially. People under serious financial pressures, with rising basic costs they must meet from falling incomes just to survive, are bombarded with phone calls offering them ‘easy money’. Although most interviewees reject the idea of accepting these offers, it is clear that in practice they take up other offers – high street, non-bank lenders, welfare cheque traders or cash converters, credit card, store card and catalogue offers. Some of the debt people incur, by taking out multiple loans to meet the core priority bills, seem extraordinarily risky for the lenders and reckless for the borrowers. There is a clear sense that people simply do not understand what they are undertaking when they take out the loans. The money lenders (including banks that allow overdrafts but not loans) know that enough of their debtors will pay back at inflated interest to make it worth their while to gamble on risky borrowers.

In several cases, the older generation fell for the high interest loans and their adult children tried to bail them out. In one case a woman had borrowed and saved with Provident, a company that collects door-by-door and gathers new borrowers that way too. She got into such serious multiple debts that in the end her sons paid off the debt and drove away the door collector. The debt-prone interviewee said she was later stopped in the street by the collector and told she could borrow and pay ‘round the

corner’ where she would be out of sight of her sons. Luckily she resisted. Another older tenant bought her grandson a computer on the “never-never” from BrightHouse, as she couldn’t afford a Christmas present for him and only had to pay a few pounds deposit. Wonga deliberately uses cute cartoons of older couples to encourage older debtors.

e. Health

Poor health leads to people coping badly with the pressures of rising costs and falling income. Thirty interviewees experience anxiety and depression, mostly because of too much financial pressure. People affected in this way often end up extremely isolated. Anne’s story in the previous chapter showed this.

“Sometimes we are all depressed. I’ll give you one reason: we don’t have a place to live, you know? I’m looking for more work, as well”

f. Youth and inexperience

Several interviewees blame youth and inexperience for earlier reckless behaviour. Several cases had ended up in big financial trouble before they took on housing or family responsibilities, usually unbeknown to their parents. In all cases, the individuals concerned swore it taught them a lesson, although they sometimes still struggle with money management, bills and the temptations of credit cards. Having once been in serious debt and eventually climbed out of it, often with significant help, people sometimes take further risks, adopting the optimistic view of what they can manage. Having very little savings to buttress themselves against that risk is maybe the most striking aspect of debt. There are many triggers, many opportunities to run risks and very few protections, either in the law or in people’s awareness of risk.

g. Gambling

Seven of the interviewees frequently visit betting shops, and one in three know someone who does. Two thirds have noticed the increase in numbers of betting outlets and over half think gambling is very common. Certainly frequenting Newham's high streets has familiarised us with the tempting offers in gambling venue windows – one offering “£10 free” when you go in. Lenders also entice people with apparently give-away offers if you introduce a friend to their “services”.

“I went past, the door was open and it was filled with men. Along this stretch of high street, between here and there, you count 5 betting shops”

“They are shutting down services, and opening up more betting shops”

Several conspicuous Newham lenders causing most problems for interviewees are prominently located on high streets next to mainstream banks, Santander and Nationwide. It is unclear whether this is to lend themselves an aura of ‘establishment’ lending, or to catch customers who cannot get anywhere with a formal bank loan. One advertises itself as ‘bringing credit to the community’ (see photos). Kate’s story illustrates how someone can get caught up by debt, but pull themselves out again.

Kate: BrightHouse, Pawnbroker, Credit Union, Provident and still managing, just

Kate is in her 40s. She came to Newham from Scotland 14 years ago with her two children, fleeing domestic violence. Kate has no qualifications. She said *“if I had my time again, I’d bury my head in books”*. After moving to Newham, Kate started working when her daughter went to secondary school. Before that, she *“was too scared to leave her with anyone”*.

She has been living in a council flat for 11 years, with her two children. Only her teenage daughter was still with her in 2013. She is worried the area is bad for her daughter: *“There’s nothing for them to do. It’s from home to school”*. Kate thinks her daughter is bored, which is leading her to misbehave. She recently had to sign an ASBO to control her for drinking and abusing staff in a nearby council block. The school also contacted her about her daughter’s behaviour and referred her for counselling.

Kate is upset about the neighbourhood she lives in. The block is repeatedly vandalised, she has been burgled twice. She is especially concerned about her downstairs neighbours: *“They get away with everything – they can deal drugs and do whatever they want. People are scared of crime. Scared of them downstairs”*. She feels the police do not do enough about it and she is disappointed by the Council’s reaction to problems. *“Passing the buck - phone this number, speak to this person...”*.

Kate works part time as a cleaner doing two different jobs in a club and an office but she has no contract. *“Getting up and going to work”* is something she is proud of; *“I got both jobs myself. I didn’t get them from anybody, I got them for myself”*. But she can’t work more hours as she has pulmonary disease and arthritis. Kate thinks she might be entitled to disability allowance, but doesn’t want to apply.

On top of her wages, she receives Working Tax Credit, Child Tax Credit, Child Benefit, Housing Benefit and Council Tax Benefit. Her family also helps occasionally. She has always lived on a tight budget and doesn't borrow, so what she gets in benefits and tax credits do help. But the Council Tax Benefit has been reduced recently, and her rent has gone up.

In order to get by, she has to budget carefully and shop around. She sold some jewellery to a pawnbroker. Her ring had sentimental value *"but rather than go to a loan shark... It had to go, to pay the Council Tax"*. She got over £200. When Kate had to replace the washing machine, she went to BrightHouse. *"It's the only way I could get it. By the time I'd saved for one, I'd have the whole block full of washing! BrightHouse is a rip-off, but what can you do? Needs must"*. She has already been paying for two years, but has one more to go. The debt *"goes between my night's sleep. I can't wait for Mondays just so that I can pay it, so I can relax again until Sunday"*. She is also repaying £10 a week for Job Seekers overpayments, which resulted from an administrative mistake – totalling £1500. She saves her change in a water bottle at home for special occasions, such as her daughter's birthday and to have a reserve.

She has one room unoccupied, so the bedroom tax will affect her. She expects her rent to go up by £20, but she is willing to pay for it *"Some other people I know are thinking of getting lodgers. But I've got a teenage daughter here; I'm not bringing a stranger into my home. If I have to go out and sweep the road every week for £20, I'll do it"*. She still doesn't know if she will be affected by the cuts in Working Tax credits *"April [2013] will tell a tale, won't it? And it's my daughter's 16th birthday on April 1st, when everything kicks in"*.

When we met Kate the second time, things seemed to be going better in the neighbourhood, although *"lots of people are selling off and going out further"*. She's still working as a cleaner.

Money-wise however things had been *"rough"* and she was *"trying to find a way to pay things"*. She was still working part-time. But since April 2013, Kate has been paying £22 a week bedroom tax, and her Working Tax Credits have also been cut. She is still resolute not to move out and in order to get by, she has been cutting back on food and heating: *"when I'm here, I might turn the hot water off because I'm not using it all the time. And when it comes to 5pm I put the heating on until 7pm. Then after 7 pm I'll put it off, and then I might put it on from 9 to 9.30pm. And that's it"*.

Kate knows people that have been affected by the bedroom tax: *"They don't know what to do, where to go... they don't want to move out of their properties after years and years... that's not fair. They wanna send them to Birmingham, Coventry... And if you don't go there, you are refusing a property! People are committing suicide over this! But the Government doesn't care... They should put the Government on the minimum wage, and put them living around here, so they see what it is like... Let's see how they manage!"*

Kate has debts but she is paying them off regularly and on time. She budgets tightly and makes sacrifices in order to not miss any payments, as she knows that she would then have to pay interest. For the same

reason, she tries to get along without borrowing. She'd never go to BrightHouse again or Wonga. She has always managed on a small budget, but things are probably getting harder. Now she wouldn't heat her flat even if necessary. In a sense, she is resilient, but struggles.

Kate relies on her family a lot. Her son's back in Scotland but she can't see him often because of travel costs. Her brother sometimes gives her money and her mum sends birthday money for her daughter from her small pension, and does it "for all 15 grandchildren".

Our evidence on debt broadly fits the findings of the NHPS (2014) that people on low incomes struggle to avoid debt, generally incur debt to meet priority bills, and are then greatly burdened by the consequent repayments.



Newham's Credit Union



Stratford High Street



Stratford



East Ham



East Ham



Stratford High Street

8. Welfare reform and cuts in public spending

“I’ve left it too late to move out of the area”

At the time of our first interviews, welfare reform was a looming problem for many of the interviewees. By late 2013, it had caught up with most Newham residents on low incomes. Most knew about it and how it affected them. This includes suspension of one or other benefit – related to disability allowances, job seekers allowance, employment support, and Housing Benefit. In several cases, people with serious mental and physical ill health are experiencing real hardship due to payments being suspended while their case is reviewed. There are also cases of work accidents that prevent someone from working but leaving them destitute.

Several people talk about the new minimum charge for Council Tax and some are already receiving legal notices to pay it. One interesting perverse effect of the ‘rent cap’ set at higher levels in West London than Newham is that West London boroughs are housing homeless families in Newham ‘bedsits’ as it is cheaper; and Newham is in turn housing homeless families in other areas. These are two cases we picked up in our study. In one case, children’s schooling is disrupted. Several others are told they can only be offered housing in Birmingham or Hastings if they become homeless because they don’t currently have a job. One of these cases luckily got the night job that prevented eviction.

People’s views on the welfare state itself are interesting. More recent immigrants from Eastern Europe and Africa speak of it fairly favourably, but older, more established immigrants are alarmed to see the UK becoming ‘more like a

developing country’, as Selena described it, with lots of poverty. Nearly half of the interviewees believe it offers a safety net, which is important, although some see that being taken away. Twenty-four think it helps protect children in poverty, but only ten think it’s fair and encourages rich people to give more or pay more taxes to help the poor.

“It JUST keeps them out of absolute poverty”

“It’s like the rich are richer, and the poor are poorer. Rich people aren’t being taxed correctly... we’ve got homeless everywhere, that money could get them off the street. They are not redistributing it”

Many of the households we talk to seem ill-informed on their benefit entitlements. For example, Working Tax Credit only comes to under half those entitled to it. Less than half say they receive Housing Benefit, although in the case of social housing tenants on benefit, where rent is paid direct to the landlord, some may not even realise – a gap the government wants to close. A majority of those out of work do not receive Job Seekers Allowance, even when they want to work. One in seven are registered self-employed, some persuaded to do this by the Job Centre – but with far too little awareness of its mechanisms or implications, e.g. in paying tax, which can also lead to debt.

The bedroom tax crops up frequently in many people’s answers and clearly affects whole families as well as the person being charged. One in eight of the interviewees are affected, including Kate and

Anne whose stories we have already told. Anne failed to get the extra rent together and was in massive arrears, so she was evicted and down-sized. This may help her eventually but she's currently homeless and in temporary accommodation. It does severely limit the supply of one-bed flats for younger single people in need, of whom we interviewed several, such as Selena and Brian.

Meanwhile, reductions in some council services, particularly those involving face to face advice, are affecting those most needing help. Advice on benefits, debt, and financial management is labour intensive and requires a certain set of personal qualities that are hard to deliver across a needy borough under budget constraints. There is a difficult quandary for the Council in the efforts it invests to collect Council Tax levies to ensure that council services continue to operate, while

having to enforce the payment on residents who are already far below any poverty line and who therefore cannot afford it. Welfare services, Job Centre and council advice have all shifted significantly to an on-line service. There is some logic to this and, for some things, it poses only transitional problems, but for the people we interviewed, it creates a real and obvious barrier to the detailed advice they need. It may be extremely important to revisit it as an approach to reform – as apparently, the DWP are considering.

"It's like you are nothing. That's how I'm looking at it: you are like invisible"

Another benefit issue relates to childcare. The cost comes up frequently as the biggest barrier to work and few, if any, mention getting part of the cost covered by the government.

Julia's life story illustrates many different aspects of the welfare system and its reform, the immense effort a young mother can make when confronted with insecure renting, the rent cap, Council Tax, childcare costs and the threat of sanctions.

Julia: In debt, struggling and resilient

Julia came to this country from West Africa 10 years ago, aged 15, as a refugee. She has two boys and a girl, aged two to seven, and is on her own. She has lived in Newham for eight years but in her present flat for two. Before Julia got her official papers allowing her to work, she did small cleaning jobs, for around £20 per house. Otherwise, she says, *"I would end up a prostitute"*. She had to keep moving from house to house to avoid immigration catching up with her. With no money or job, she moved to a friend's in Hackney, then to Newham.

In desperation, she reported herself when she fell pregnant. A lawyer helped her *"because my story was very bad"*. On the birth of her second child, she got the news she'd been granted indefinite leave to stay. In 2013, she got her British passport. Julia has no contact with the children's father and she hears through his friends he's living with someone else. He left her each time she fell pregnant, but then came back in between – *"these are his only children"*. She doesn't get any financial support from him and the Council suggested she should use the Child Support Agency, but she doesn't know how to do this.

Julia likes the area as its quiet, but she's very worried about housing – *"out of all my friends, I'm the only one still living in private accommodation. Sometimes I don't sleep, so I'll be the first person to bid, but they*

say there are 600 people ahead of me. I've been bidding for three years now" for a home on the Olympic site. Her landlord is evicting her, with no explanation, just "he wants the property back. I think it's because he thinks I'm not working, I can't afford the rent". It costs around £240 a week. The property company has issued notices to all the tenants and Julia can't find anywhere else. She dreads losing the support of her neighbour if she has to move away "she's like my aunty". She takes her oldest boy to school. She likes chatting to other mums in the area and this helps. She thinks everyone gets along OK. All her relatives are still in Africa and she speaks to them once a fortnight.

Julia stopped going to school when she was ten "because of my parents", so she's desperate for her children "to be educated – so when they grow up, they will be somebody". She says light-heartedly she dreams that one will be a footballer, one a barrister and one a doctor. She's optimistic about their future because of the education they're receiving. The family goes to church every Sunday in East Ham.

Julia feels parents are happier if they know they have somewhere to live with their children. She's afraid of them becoming homeless.

Julia has good health but feels tired because "I've had no sleep. I came back from work this morning. My eyes are heavy. I've worked 11 hours, starting at 8pm and finishing at 7am. I don't sleep. The work's very, very hard. I have to stand for ten hours, the break is 30 minutes. But I don't have any choice". Julia makes up salad boxes all night. She pays someone to stay with the children at night - £130 a week out of her wages of £7 an hour (£280 a week, after deductions). Her child minder is unregistered, so she cannot claim childcare vouchers, and although she pays a lot less (£30 a night) it is still over half of her wages. Julia gets Housing Benefit and has just been approved for Working Tax Credit and Child Tax Credit.

Julia is determined to hang onto her job, even though it makes her legs swell and it's very cold. She works all night in a fridge – "You have to put on double, double jackets, double trousers, double socks, thick, thick clothes. They gave me one jumper". Most people who started with her left again almost immediately but it's a permanent, full-time contract. She says "There's no work. Luckily God sent me this one – my children are growing and if they keep seeing me staying at home, they're going to ask "Don't you work?"". Julia wants to learn and hopes to move into catering – "I know I will improve".

Julia owes several bills (water, gas, electricity, TV), but she feels her life is moving forward. She's better off than she was two years ago. Whenever she hears about people on benefits, she explains "my heart would be pounding because I don't want to go back to Income Support – I just want to move forward". Julia has a savings account for the children and a current account for herself. She used to have an overdraft – up to £100. Then she used her children's savings to pay it off and cancel it. She buys everything second hand and saves £50 a month into the children's account: "children first, so I buy food and whatever they need". Julia budgets monthly, but owes about £300 on her energy bills. They're chasing her for it.

Julia's worried about debt - "even if I'm sleeping, I'll wake up and my eyes will not close again. I don't know where to get the money from".

A year later, things are *“not bad, better than getting benefits”*. Her eviction was cancelled; she thinks because she’s working. Work is still exhausting: *“When I come back from work, I take [the children] to school. At 11.30am I’m going back to pick up one of them from school, and then at 3pm I go back to the school again and pick up the other one...and then it’s time for me to go back to work! Sometimes when I’m at work it’s like I feel dizzy, because I don’t sleep. My head would be banging – bum, bum, bum! My eyes would be red...all that”*.

Julia is paying bills slowly, whatever she can, sometimes £50, sometimes £100. She still owes £300 for electricity and £100 for water. She just received a *“threatening letter because I’m late again”*. She’s scared that they could send bailiffs to take away her TV or other possessions. *“It makes me worry, and sometimes it gives me sleepless nights”*. She’s also paying back £150 to the Job Centre – their mistake for not registering her job. She appealed, but still gets letters, so she’s paying it. She owes money to her friend as well and also owed her Council Tax - £70 a month: *“this one is very dangerous, because when I fell behind one month, they called me on my phone and wrote me letters... so I had to pay immediately”*. She went and paid off a large lump sum, putting her behind with her other utility bills.

Julia thinks the current welfare system helps but *“the changes are not fair – they’re going to be taking families outside London”*.

Welfare reform in 2010 offered some promising gains:

- Getting people into jobs
- Increasing self-reliance
- Improving economic resilience
- Reducing under-occupation
- Reducing poverty trap
- Raise level of ambitions

In practise, it has played out so far very differently as we have explained. It was a mistake to imagine it was possible to throw such a vast, complex, multi-stranded system up in the air and start again, hoping that the bits would fit neatly together and fall smoothly into place. In a borough like Newham, the opposite was always likely – with so many different backgrounds, a generally lower than average level of income, economic activity and

education, a high level of benefit dependency, significant health problems and so on, welfare reform was always going to be more difficult, more risky and possibly, in the end, more costly. The Newham Household Panel Survey findings on financial management bear out these concerns. The government did not foresee the difficulties welfare reform would create and therefore did not make special provision to help the transition, and support local services and local claimants who were inevitably going to be over-extended by the added pressure.

“I’m even scared of actually signing on at the moment, because I know that they are putting pressure on people in a really big way, and in my mental state I cannot take that pressure. So, I’m probably losing out on some benefits [like JSA], but I don’t want that pressure. It’s stressful days. At some point you can feel suicidal”

Poverty has become a live issue nationally and internationally as a result of the British and other government’s approach to welfare reform. The

United Nations, the International Red Cross, UNICEF, the European Union and many UK-based charities and church leaders have spoken out on the harsh problems being caused. The recently appointed Cardinal Archbishop of Westminster,

followed by 29 other inter-faith leaders, eloquently described the damage it was causing in people's lives and to our social fabric. The people we interviewed who were hardest hit spoke in similar terms.

In an unusual way, Brian's story highlights the complexity of welfare and its reform. He is a capable, thoughtful and energetic worker who, through life's battering, has learnt to paddle his own canoe with a mixture of honesty and bravado.

Brian: Debt and resilience

Brian is a Northerner in his 40s. He grew up in the North. *"My mum and dad were on the dole from when I was about nine or 10. You feel excluded from so much of society. That isn't for the likes of me was my attitude. ... I was on school dinner tickets. There was a lot of unemployment where I was growing up, so probably about 30% of us were on school dinner tickets and I didn't feel stigmatized by it".* But his parents' unemployment undermined his self-confidence until he was about 30.

Brian left home and school when he was 16. Later, he went back to Further Education college and got two A levels. He started studying humanities at University but he dropped out after a year: *'I got to know the local lads and just like them I saw no future in playing the game – trying to create a career for yourself and all that nonsense'. He started dealing cannabis: "I did that for 10 years and eventually got busted. I spent some time in jail. When I came out, my girlfriend said 'right we've got to move away from all this' so we moved to Halifax. That relationship disintegrated but in the meantime I started working".*

Having a good job and a good salary gave Brian access to credit for the first time in his life. He was able to do things he's never been able to before: *"I went to the World Cup in 2006 – I'd always wanted to go to football tournaments ... There was only one way of buying tickets in advance and that was a MasterCard, because they had a deal with MasterCard. That was the first time I'd ever used a credit card. I'd never had credit of any kind in my life until then, because my parents were of the old school. Then I got a MasterCard. Then all kinds of credit card companies threw their cards at me, gold cards, all sorts. I splurged when I was in Spain. The more in debt you get, the more they increase your limit".*

Between 2006 and 2008 Brian lived in Portugal working in a friend's business: *"Once the ex-pats stopped moving out there – I ran out of money and came back here to find the job market had changed hugely".*

Back in the UK, Brian couldn't find a job. *"When I found I couldn't get a good job I carried on splurging it. I racked up about £26k of debt. I went to a very good charity – National Debt Line. The bloke there said 'What are your assets?' I told him none. He laughed and said 'Go bankrupt, it will cost you £450!'. So I went bankrupt. Best day's work I ever did in my life. It cleared £26k of credit card debt, plus Council Tax debts and all sorts. It was fantastic".*

Bankruptcy takes its toll: *"I can only have a very basic bank account, like a kid's bank account ... I can't get a mobile phone contract, or broadband. But it's a minor inconvenience"*. Brian thinks he'll be discharged from bankruptcy soon and regain credit-worthiness. *"But I don't really want credit again"*. For a while, Brian relied on welfare. He knew he could count on his sister if he needed help.

Brian thinks *"you can't live on benefits! I tried for a while, and I was getting to the stage where I was desperate for food at the end of the week"*.

In 2012, Brian was evicted by his private landlord in Brent and could not find a new place being on a zero hours contract. Because he is type 1 diabetic, the Council helped him get housed in temporary accommodation in Newham. *"They're paying £275 a week for a bedsit that's actually worth half that as a consequence of flogging off all their social housing"*.

Brian is *"getting by. I've got very little to fall back on. I've got no safety net, which you really should have at my age ... I've learnt over the years to manage my money"*.

Brian *"is angry about the way society is"*. *"The government rattles on about making it worthwhile for people to work, but what they actually mean is they're going to make it so hard to be on benefits they're going to force you to do some crap minimum wage job that you don't want. It's very divided - people like me and a high wage economy for the people who screwed this county up in the first place with the financial crash ... It ought to be a recipe for social unrest"*. Brian is now a lorry driver, his first permanent job in four years, earning £20k plus, and saving to pay for his driver's Certificate of Professional Competence.

Brian started journalism classes at an adult community college - *"it turns out I'm actually quite good at it, or so my tutors say, and I might be able to earn a bit on the side doing that, and that would be lovely. I enjoy it, and I've got lots of stuff inside me I want to get out. I like writing social realism. I'm an angry, bitter sort of person underneath!"*

He's still living in emergency accommodation: *"it could be a long time. There's a lot of people who are having to move to smaller places because of the bedroom tax. So that means people like me, looking for a one bedroom place, are going to be the last in the queue, aren't they?"*

Brian's resentment towards councils has grown: *"they are trying to gentrify, and people like me won't be able to live here anymore. I'll end up in bloody Tilbury or somewhere like that"*.

Brian doesn't plan - *"ordinary working people like me, you think, 'Have I got a roof over my head? Have I got food in my belly? Can I afford to switch the heating on?' And yes, I can afford all those three things at the moment, and my bank balance is slowly going up, instead of down. So at the moment I'm fine; but who know. So, there is no security, really; but security has never really been my priority...I haven't got a pension...it's not worth it. If I live enough to be a pensioner... I'll be in poverty. But being a diabetic, drinking, smoking...I ain't gonna live that long passed pension, to be fair!"*

9. Overall impact of financial pressures on peoples' lives

“I moved from one place to the other, with no money and no accommodation”

Even somewhat better-off households struggle to manage because incomes have shrunk. Extra hours are hard to come by, costs have risen, particularly for energy and food, and formal childcare is often prohibitive on low incomes. Transport to work is also going up. This applies particularly to the self-employed, such as jobs depending on commission, and casual work, in building and repair. It also applies to financially more secure households wanting to buy a house but stuck in private renting with rising rents and bills making it hard to save. Families generally struggle, particularly with heating, clothes and school costs, although some schools seem to offer more help and parents value this. Newham's free school meals are praised.

People with health problems struggle with transport, for getting to hospital or to benefit assessments. Health often causes older tenants to lose jobs and income. Coupled with the bedroom tax, this can be crippling. Most struggle with on-line access for advice, Housing Benefit, applications, etc.

There is general pressure on budgets – people's responses include “juggling payments”, “waiting for a red letter”, avoiding opening the door or answering the phone, cutting back on food and energy, turning to frozen food because it's cheaper. People often calculate down to pennies to save on food and other essentials. Most hate the idea of going to a food bank but a few say they have in desperation. Some allow arrears to grow to a danger point, to pay off the most pressing bills and wait for the next one to come in. Precarious as this sounds, it amounts to a “priority debt strategy”. Several younger households appeared more resilient than the older ones, and older households, mostly white locals, are more resentful than younger ones about the “punishing” situation they are in. Younger residents also take more risks and therefore end up in more trouble.

“I think what's needed is a lot more mentoring to get them thinking about other things, not just wii-games, and football, and sport...They need to have a goal in life, think what they want to do in life”

Pavel's story illustrates what happens when a foreign (Romanian) worker hits hard times. In his case he had a work accident. In spite of this, he seems determined to round the corner, although it's far from certain he will.

Pavel: in debt and desperate

Pavel is Bulgarian, now in his 50s. He first arrived in the UK in 2000, after living and working in many different European countries. His wife and children followed in 2004, after difficulties with immigration - the youngest daughter only arrived in 2007, when she reached 18. At the time, Pavel's situation was quite good *"When they came over, I worked, there wasn't any problem about rent, money, where to live"*.

Pavel moved to Newham when his family joined him in the UK. Since then, he has been living in West Ham. *"It's a long time I live here... this is my home area, because I lived here nine years with my family... I have friends here"*.

During his first years in the UK, Pavel worked in carpentry. He didn't have any problem finding work. *"Because I'm from Eastern Europe, I'm very flexible. With Irish people, if the job is only two days they won't do it unless it's a minimum of one month. But many times I worked just for one day. Because I was very flexible, my supervisor always found jobs for me. Also between Christmas and New Year, I worked, other people wouldn't"*.

But in 2006, Pavel suffered a work injury *"I damaged my shoulder"* as his financial situation deteriorated. In 2009, he took a 'crisis loan' from money lender. He borrowed £140. He had already paid £500 back, and still owed interest. *"I would never go there again"*.

Pavel's health also deteriorated, forcing him to stop working. *"In 2010 I had an operation and after that in 2011 I had a road accident"*. Pavel's wife used to work as a cleaner, but eventually, she also had to stop because of health problems.

With only a joint Employment Support Allowance, Pavel borrowed money from his brother in Spain that he can't yet pay back. In September 2012, Pavel's eligibility to Employment Support Allowance was challenged after he was reassessed, threatening his only source of income.

Things got worse when his landlord decided to sell the house Pavel and his family were renting and in late 2013, the family were evicted. After that, *"everyone went their different ways. We all live in different places, we're separate now"*. Pavel is still married, but he and his wife can't always stay in the same place. They stay at friends, and sometimes there's no room for both of them.

Pavel went for advice to Community Links. Pavel knows *"it's important to pay the energy bill but I cannot. It's not priority - priority is food, to survive... First I need to manage the situation, for example, find work. Every month then I pay that back"*.

Pavel applied for social housing. He had tuberculosis in the past, and there's a risk of reactivating it because of his housing situation. *"I need to apply again, but I'm not sick enough. I need to die and bring a death certificate and 'now you're happy, I'm glad'! Ok, please give me three metres square, it's enough!"*

Pavel would like to go back to work. He wants to find a new job since he cannot work as a carpenter anymore. *"I look at traffic warden, security".* After his accident, he did several courses *"my brain is still young and I keep it active, otherwise it's not working"*. But it is hard to change a career *"First, because I am from Eastern Europe and I've not got experience, nobody checks if I can do something, they don't check for ability"*. Pavel feels his life is *"stopped, it's blocked. Everything is about the job. 95% is about the job"*. He adds: *"I live in this country, I lived two lives. Before the accident, I was working and very happy, I got a job, after that I go to pub, and I could travel, like to my country. And now I can't do nothing, because of the money. It's like an engine with no petrol, it's stopped"*.

Pavel is still homeless and staying with friends, separately from his wife. Pavel failed to get social housing, but he couldn't afford to pay private rent in Newham anymore. *"Prices are high... OK, everywhere is like that, not just here, but here prices are high because there is more investments in infrastructure, Olympic Games and things like that. So now housing prices are very expensive"*. He feels his health is deteriorating since he has become homeless.

Pavel lost Employment Support Allowance and went on Job Seekers Allowance. He applied for security jobs, but struggled because he wasn't fluent in English so Pavel recently enrolled in a college. *"I am now in full time education because I couldn't find any job"*.

Pavel he applied for a student maintenance loan or grant. He is not very optimistic about it, but he wouldn't borrow anywhere else. Last time he tried to borrow from the bank, his application was rejected. He would rather sacrifice himself than borrow money from payday lenders. Pavel lost JSA and his wife is now looking for job and applying for JSA.

In order to survive, Pavel had been relying on friends and relatives. He managed to clear his outstanding gas bill, but owes much more to his brother, who lent him around £4,000. Other sources of help were starting to dry up - the friends and relatives that had been helping Pavel over months were no longer so keen to help. His brother said he wouldn't lend him money anymore. *"Before, I had support from family and friends, and I had some savings. But slowly things have got worse. Maybe things will get even worse, I don't know"*. Pavel has been to a food bank, two or three times.

Pavel resents not having found official help anywhere. *"It's like a trap: when I ask an information they pass me on to other services, and they say it's not their problem"*. Pavel is upset by the distorted and stereotyped image of Eastern Europeans. *"I've worked in many countries and I've always tried to respect the rules. I want peace of mind. I don't want to see the Police and hide from them"*.

9.1 What's missing or going wrong?

There isn't a quick, simple recourse for delays or mistakes in the benefit system and emergency help, in many urgent cases, simply doesn't come into play. It is very unclear what the referral system is for 'hardship funds' and none of the people we interviewed made any reference to this. It is clear that there is too little face-to-face support for people who can't cope. Many of the people we interviewed are coping with problems, that most of us would not know how to handle. Direct, personal help, as provided by The Samaritans for example but for debt, would make a big difference. The loss of local services and the closure or amalgamation of hubs and centres has hit residents of Newham hard, especially children and young people. Our interviews show that poverty is real – people are not inventing the way they live. We collected direct evidence in people's homes.

9.2 What helps?

The people we interviewed did report sources of help. Council services are vital and do help, but often not as much as people need. Voluntary advice centres stand out as helping residents, although *'they are now much more restricted'* due to funding cuts. Several people also said how helpful and supportive they found their local church to be.

Contact and support from family and friends is a major source of help for people struggling – two

thirds of the people we interviewed have at least weekly contact with family and over half of the people interviewed have daily contact. People without family support are in much worse situations.

Employment is an important source of help. Being in work helps people feel more positive about themselves – they think it's better for their children and for society as they're contributing. In many cases, even in low level jobs, people are learning and even doing small training courses.

"If you are not working, I have to say that... you feel like you are nothing. It's better to work and take any job than go to the JSA... It gave me stress, and I felt almost depressed when I used to go there. I feel better if I work"

Work does carry penalties if it's insecure. People can suddenly land fewer hours, no hours or sell nothing. Casual work, such as building, comes and goes. However, having a job is the simplest biggest leg-up to prospects and therefore a huge source of help.

10. Conclusions

*“We all help each other – not financially
– we’re all in the same boat”*

Our evidence suggests that **those on lowest incomes, whether working or solely dependent on benefits, struggle to manage, are often in financial difficulty, and are at constant risk of falling behind with priority bills**. However most people we interviewed are resourceful in coping and survive by juggling debts, hunting for bargains, resorting to second-hand and occasionally food banks. They find finances a great struggle and often take risks, leaving no margin. Generally people show resilience, even though they are struggling.

There is no question that residents in difficulty rely heavily on local public services.

They provide a lifeline, and are not comparable to the Job Centre which is feared by all we spoke to. However, people do not always find online and telephone advice helpful. In spite of so much trouble, for some interviewees things are getting better and most parents with children are hopeful for their children’s futures, even when things are going badly.

We did not find any evidence to suggest that people on benefits are ‘scroungers’ ‘lay-about’ or ‘welfare-cheats’. Most people said they were good managers and determined to manage; they realised now that they could take nothing for granted and had lost the sense of security they had previously felt through the welfare “safety net”. People went to great lengths to cut costs, and certainly showed few signs of spending on “extras”. Interviewees condemned and resented others who they thought might be ‘scroungers’ and defined people in similar situations to themselves as

deserving. People often had their own strong code of values for what was right.

Welfare reform has definitely jolted most claimants into a much greater awareness of dependence, the need to work and their own vulnerabilities. However, their efforts to find work were often deeply disillusioning, with many barriers to actually securing a job – the level and skills and experience put many jobs out of reach. People in their fifties and early twenties found it particularly difficult, even those with a degree. In-work Housing Benefit and securing Tax Credits depend on working sufficient hours and earning enough to make it cover costs, particularly childcare. Finding hours that fit with family and caring responsibilities can be difficult.

Income is becoming more unpredictable and benefits more necessary but less dependable when someone is on short-term, casual, flexible, zero-hours, or commission-type contracts. Childcare costs are too high (even with the tax allowance) for most low paid parents, and unofficial childcare which is far cheaper receives no subsidy. Schools hours for nursery, reception and primary are too short in a lot of schools with no after-school care to allow for travel times as well as work hours.

Changes in the welfare system are causing major anxiety in lower income groups, particularly tenants, and generate harsh social conditions, too little to pay for basic needs and a sense of shame. This means that people on low incomes don’t fall into showing resilience or not. More often they are pulled between coping and

not between paying essential bills and incurring debts. Almost all just about get by. However, our evidence does raise questions about the longer term social consequences of the changes underway. Those on very low incomes are struggling to manage, in situations that are sometimes simply unmanageable.

The scale of need and hardship in Newham is startling. This puts a heavy burden on local government and local voluntary organisations to respond. Without these supports, many of the households we interviewed would struggle to survive. People who are in debt or in serious financial difficulty often end up in situations of insecurity and shortage of cash, for reasons beyond their control that most people would find almost impossible to manage.

Newham Council, in the face of severe cuts to its core budget, is structuring its scarce resources around creating more affordable housing, helping people into work through education, training and employer links, and streamlining services, including reducing the level of face-to-face contact. Several Council-led initiatives are tackling these issues –

- Workplace matching employers with potential workers
- Red Door Ventures establishing a well-run, private rental company
- Working to ban Payday Loan advertising in the borough.

Newham also attracts considerable voluntary, community and faith-based activity that could be harnessed to offer direct advice and support, independently of the Council but in partnership with it. This already happens through food banks, churches and organisations like Community Links. Professionals are often willing to volunteer time, e.g. lawyers, finance experts, medical workers and employers.

In practise Newham Council is having to cut back on face-to-face support, except for special targeted efforts to help those most in need. The lack of face-to-face, trained support can sometimes trigger more serious problems that can cost the council more. A sick older tenant, evicted for serious rent arrears, costs the Council more than intensive support to resolve her “benefit and debt crisis” would have done. Online and telephone advice are no substitute in the kinds of cases detailed in this report.

Newham Council’s core services are highly valued and possibly indispensable. It is important to protect them as far as possible in the face of severe financial and social problems.

“I hope when I finish this course I’ll have some advantages. I like to work”

Annex 1: Demographic summary – rounds one, two and attrition

Demographic		Round 1	Round 2 + Attrition	Round 1	Attrition
		Out of 62	Out of 60	Out of 38	Out of 22
Income	<£10k	32	34	20	14
	£10 < 20k	18	13	9	4
	£20 < 30k	9	11	7	4
	£30k and +	3	2	2	
Tenure	Social renting	23 (15 LA, 8 HA)	24 (13 LA, 11 HA)	17 (10 LA, 7 HA)	7 (3 LA, 4HA)
	PRS	23	17	11 (2 evicted)	6
	Owner Occupier	11	14	9	5
	Temporary	5 (1 with family)	5	1	4 (1 in shelters)
Work status	In work – part time	14	20	15	5 (1 pensioner)
	In work – full time	21	17	10	7 (2 self-employed)
	Not working	26	21	11 (1 unofficial work)	10
	Retired	3	2	2	
Ethnic origin	White British	13	13	10	3 (1 Irish)
	Mixed race	3	4	2	2
	Black British (Caribbean)	9	11	4	7
	African	6	6	4	2
	Asian	18	15	11	4
	Eastern European	9	5	4	1
	Middle Eastern	3 (1 Israeli from Romania)	3	2 (1 Israeli from Romania)	1 (Arabic)
	Other	1 (S. American)	3	1 (South American)	2 (Spanish, South American)
Age	20's	10	9	4	5 (1 is 18)
	30's	18	15	11	4
	40's	16	16	10	6
	50's	14	16	10	6
	60's	2	3	2	1
	70's	2	1	1	0
	Gender	Male	23	25	15
Female		39	35	23	12
Debt	Previous debt	2		0	
	At risk	10	6	3	3
	Struggling	8	6	3	3
	In debt	33	38	25	13
	Managing	10	10	7	3
Household	Single w. dep. children	18	17	10	7
	Single with non-dep. children	3	2	1	1
	Couple w. dep. children	15	13	7	6
	Couple w. non-dep children	5	3	3	0
	Couple (no kids)	3	3	3	0
	Widowed/divorced (no dep. children)	7	8	7	1
	Single	11	14	7	7
Yrs in Newham	Under 5	9	6	2	4
	5-10	15	12	11	1
	11-20	17	19	11	8
	21-30	8	10	5	5
	Over 30, of whom:	17	13	9	4
	- whole life	4	5	2	3
- 40 years	3	5	4	1	

Annex 2: Newham's Position on Welfare Reforms



Overall position on welfare reform

Local Government across the country has faced significant cuts to funding and has also had to administer and respond to a range of national policies.

The London Borough of Newham has publically opposed many of these reforms and made clear concerns about the impact on local people.

The council is committed to helping people who are negatively affected, but are limited by financial constraints.

Discretionary Housing Payments

Discretionary Housing Payments have been provided by central Government to temporarily alleviate the impact of welfare reforms. They aren't enough to make up the shortfall from the cuts, and the budget available will reduce significantly in the coming years, so Newham believes they don't provide a permanent solution to residents' problems.

Newham's DHP policy is conditional, requiring most residents to look for a job, a move to more affordable accommodation, or to register to downsize, in order to receive support. The Council works with residents, providing support through Workplace and other services, so that they can use the breathing space offered by DHP to find a way out of the effects of welfare reforms.

Homelessness

The benefit cap and, before it, cuts to the local housing allowance are making housing in Newham increasingly unaffordable. Newham Council currently receives 350 to 400 homeless applications a month, there was a rise of around a fifth in the

number of applications in the 12 months prior to the publication of this report.

The Council has a duty to find accommodation for homeless people that is secure and affordable. Newham has taken the decision that it wouldn't be right to put households into unaffordable accommodation where arrears would mount up. In the first instance the Council searches for local properties. But households who come under the benefit cap often won't be able to afford rents in the capital, so we have to look outside London to meet our duty to house them. The council prioritises those with social care needs, and children in exam years for affordable properties in Newham and London.

Council Tax Reduction (Localised Council Tax Benefit)

The Government devolved Council Tax Benefit to Local Authorities from April 2013 with a 10% cut, although as pensioners are protected the cut is higher for working age households. Faced with this cut, as a Council Newham chose to spread the reduction evenly, asking all residents to pay 20% of their bill. This has meant that some residents have had to pay where previously they didn't.

Newham believes increasing the taper rate to protect non working households would have dis-incentivised work. They chose not to take into account incomes from Child Benefit on the basis it is allocated by national policy for sound reasons. Newham opted not to protect households on disability benefits and Carers Allowance due to the unsustainable burden that cost would place on other households who are in an equally difficult financial situation.

Removal of the spare room subsidy

Newham has opposed the removal of the spare room subsidy (better known as the Bedroom Tax) as an unfair reform which takes no account of the mismatch between the number of households who are hit by the cut, and the much lower rate at which smaller social housing becomes available.

Where households who are hit by the removal of the spare room subsidy have at least registered to downsize into smaller social housing, Newham has used DHP to cover their shortfall, with the expectation that they'll actively bid for a move. Newham is also indefinitely supporting households

who live in adapted properties or have additional rooms in order to work as foster carers.

Social fund

Parts of the Social Fund were abolished in April 2013 and the budget was passed to Local Authorities with a real-terms cut. Newham has initially mirrored elements of DWP provision, with some changes such as provision of in-kind support and residence criteria of 12 months and 6 months for Community and Crisis Support respectively.

Newham Council PPR Team - 20/3/2014

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