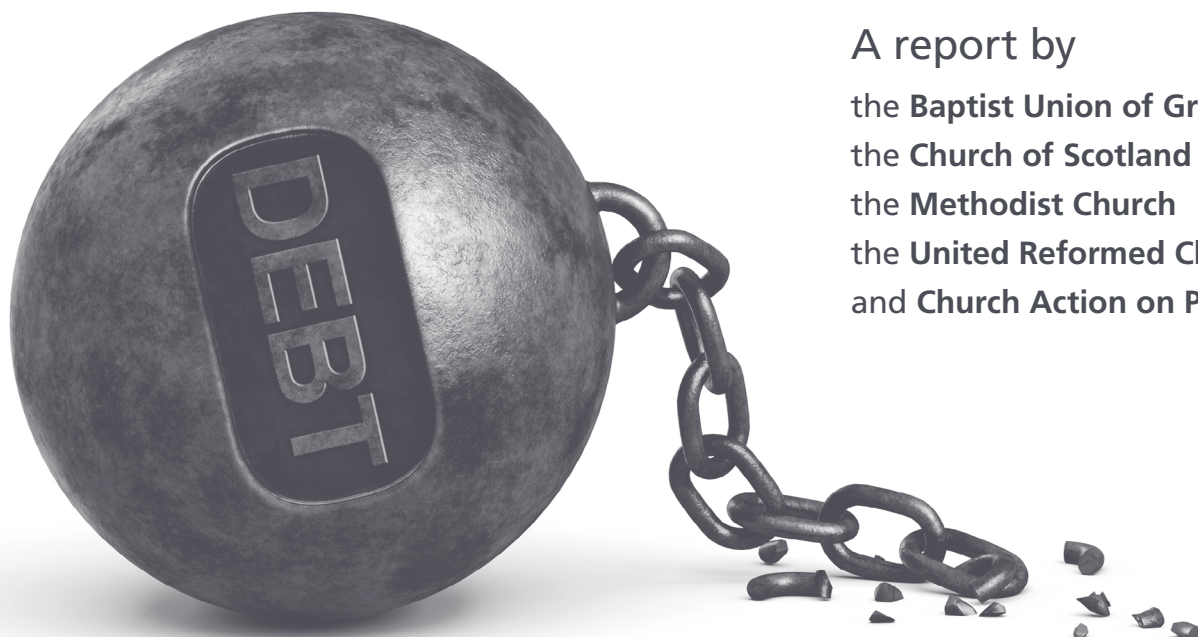


RESET THE DEBT



A fresh start for families in Britain
swept into debt by Covid-19



A report by

the Baptist Union of Great Britain
the Church of Scotland
the Methodist Church
the United Reformed Church
and Church Action on Poverty

Executive Summary

An estimated six million people in the UK have been swept into debt as a result of Covid-19, with the biggest increases in debt amongst the poorest households.

The financial impact the pandemic fell hardest on people living on low incomes and those with little or no savings. This has led to a large and growing problem of household debt.

- 19 per cent – almost one in five – of households borrowed to buy food or other essentials in July.¹
- Six million people have fallen behind on rent, council tax and other household bills because of coronavirus.²
- 174,000 tenants were threatened with eviction between March and August 2020.³
- For the poorest fifth of households, median earnings fell by 15 per cent, or £160 per month, within two months of the lockdown beginning in March 2020.⁴
- Low-income families have needed to turn to friends and family as well as to credit cards and overdrafts to make ends meet.⁵

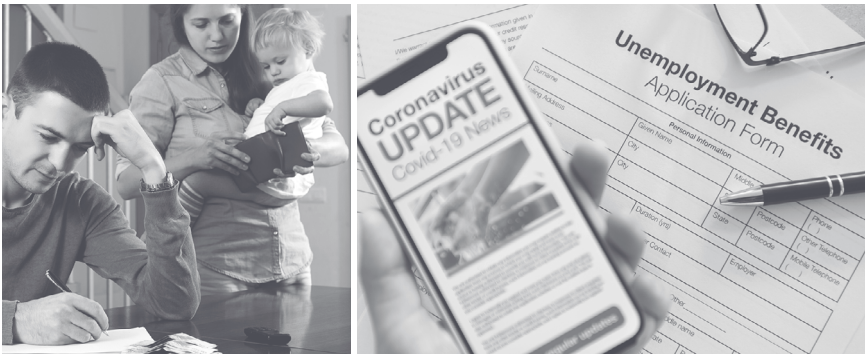
The financial impact of the pandemic has been profoundly unequal. Low-income families with children were particularly badly hit: these households saw their wages fall fastest while their cost of living increased.⁶ The inevitable result is that many have been burdened with unavoidable lockdown debt. However, lockdowns have tended to have the opposite financial effect on higher income families, who on average were able to increase their savings⁷ and reduce their credit card⁸ and other debt⁹.

Leonie had been doing shift work through an agency for several years, but her work ended in March 2020 when lockdown began. She has no recourse to public funds and is now behind on her rent, water bills and council tax. Every day, she receives letters asking for repayment.

Andrzej approached a church-based advice centre after he ended up sleeping on the streets, when his work as an Uber driver suddenly dried up and his debts became unmanageable.

Leanne is living in fear of eviction, as the part time work she was doing to make ends meet stopped during lockdown and she wasn't able to pay her rent or bills.

The financial impact of lockdown has been profoundly unequal.



These are not isolated cases. People who were previously able to keep their head above water are now in severe difficulty. Others, who had been just staying afloat, now face being overwhelmed by circumstances entirely beyond their control.

This is an urgent problem that demands a comprehensive solution. It is not right that those with the fewest resources should bear the heaviest economic burden of lockdowns and restrictions, potentially for years to come.

Whilst many vital lifelines have been created during the pandemic, measures to temporarily delay evictions and defer repayments simply postpone the problem. People weighed down with lockdown debt must not be forgotten as we seek to move forward as a society. We need compassionate Government action to offer a just future for all.

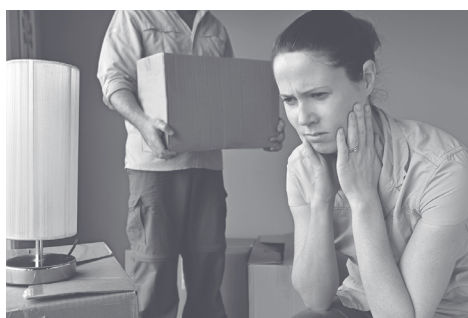
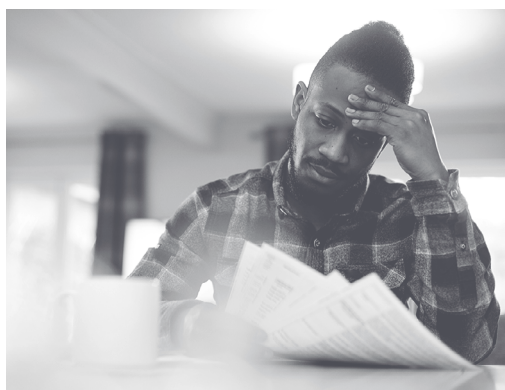
As the temporary lifelines wind down, there is a window of opportunity to put in place a comprehensive solution to the household debt crisis. But that window is closing and, as yet, no plan is emerging. Now is the time for a solution to be found, before evictions restart and the furlough scheme comes to an end. Not only would this make sense for people weighed down with debt, but for all of us – strengthening our collective ability to create a thriving economy over the coming months and years. **Tackling lockdown debt is crucial, as communities across the country seek to build back from the pandemic.**

In highlighting this problem, it is incumbent on us to offer a solution. In doing so, we have drawn from our values and theology, and our experience serving communities throughout the UK. As Churches and Christian organisations we are inspired by the biblical principle of Jubilee. In the Old Testament, Jubilee meant a resetting of debts and obligations, allowing relationships to be rebuilt, communities to be re-balanced, and people's dignity to be restored. **We believe people swept into debt by Covid-19 now need a Jubilee.**

We therefore propose that the Chancellor creates a Jubilee Fund. This would provide grants to pay off and cancel unavoidable debt accrued by households during the lockdown period, giving them a more stable platform from which to face the future.

Problem debt and poverty did not start with Covid-19, nor will a Jubilee Fund end it forever. Better jobs and real income security are needed to bring long-term change. But removing the millstone of lockdown debt would set Leonie, Andrzej, Leanne and millions of others free. Communities have come together during the pandemic, showing compassion in abundance, but now we need Government action to bring a just future for all.

We believe people swept into debt by Covid-19 now need a Jubilee.





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**A fresh start for families
in Britain swept into
debt by Covid-19**

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Contents

	Page
The impending household debt crisis	5
The unequal financial impact of lockdown	6
Who is facing Covid-19 related debt?	8
Temporary measures to support household incomes	10
What will happen without a comprehensive solution to Covid-19 household debt?	11
A problem that should not be ignored	13
Jubilee: Freedom from debt	14
How would a Jubilee Fund work?	15
Future flourishing for all	17

The impending household debt crisis

During the coronavirus lockdown in the spring of 2020, our four churches, together with Church Action on Poverty, launched a project to hear directly from local churches and charities about the impact of lockdown on their communities.¹⁰ Community leaders immediately highlighted their concern that many people who were just about managing before lockdown were being forced to take on debt to make ends meet. These debts were often in the form of increasing arrears for rent and household bills.

Citizens Advice estimates that, between March and July 2020, six million people fell behind on rent, council tax and other household bills because of coronavirus.¹¹

Shelter estimates that 174,000 households in England have already been threatened with eviction due to arrears built up during the lockdown.¹²

Councils are reporting that there are at least 1.3 million more families in council tax arrears since lockdown started.¹³ People on low incomes are turning to friends and family as well as to credit cards and overdrafts simply to make ends meet.

Churches, charities, the Government and independent researchers all agree that many low-income families are now burdened with unavoidable lockdown debt.

Both the financial and the health impacts of the pandemic have followed a strong socio-economic gradient. Cases and death rates are higher in disadvantaged communities.¹⁴ And those same communities are now set to carry a burden of problem debt and its health consequences into the future.

Leonie

Before lockdown, Leonie was working with an agency doing shift work. But when lockdown hit, the company where she had worked for several years stopped taking on agency workers. She has fallen behind with rent, council tax and water bills.

"I'm not entitled to benefits, as I have no recourse to public funds. I have had no help from the government. I feel forgotten.

"I have to buy top up cards [for gas and electricity], but I am now borrowing money from friends to pay for these and will pay them back when I am able to. I find it difficult to talk to the utility company to explain my problem, but I would be happy to if I felt it made a difference.

"I can't pay all the bills each month, so they are carried over to the next month. Every day, I get letters asking for repayment and I get more stressed. The housing agency calls me to tell me I haven't paid – I have to say 'maybe next month'. Rent is my first priority to pay off and I have to decide which bills to pay off next. But I pay back what I can.

"If the debt was taken away, it would make a huge difference. I wouldn't get depressed. I would stop feeling mentally unsettled."



The unequal financial impact of lockdown

The pandemic meant low income families were most likely to suffer loss in wages...

Around 14 million adults experienced a loss of income as a result of the initial lockdown in 2020.¹⁵ Yet these losses were not evenly distributed across the population. By May 2020, around a quarter of the lowest paid workers in the UK had been placed on furlough, while only six per cent of the top fifth of earners had been furloughed.¹⁶ The furlough scheme provided for employees to be paid eighty per cent of wages without further employer support. For those on higher wages with surplus in their budgets this was manageable – even generous. But for those on low pay and tight budgets living from week to week, this created huge financial difficulties.

The risk of immediate job loss due to the pandemic was also greater for low paid workers, with those on insecure temporary or agency contracts being at particularly high risk. Other data indicates that younger workers¹⁷, those from BAME communities¹⁸ and those with caring responsibilities¹⁹ have been disproportionately affected.

Each round of lockdowns and restrictions have followed the same pattern, hitting low income families hardest, with their impacts persisting and compounding.

...and increased costs

Those who were living on low incomes have seen their wages fall most during the pandemic. But these households have also faced increased expenses. Living costs for low-income families, especially those with children, increased. In part this was due to the added expense of having children at home full time rather than in school, with additional costs of food, energy and resources for home schoolwork, for example.²³

People also had to pay more for basics. Those on a tight budget often invest time in shopping around, visiting a number of shops to find the cheapest deals for staple items.²⁴ With travel restricted and discounts suspended, lockdown made this much harder.

Whilst some with higher incomes also faced extra costs, many also saved on discretionary spending such as holidays, social activities or meals out, which were not possible during lockdowns.²⁵

Lower-income households often had limited disposable income before the pandemic and were already living on budgets without any leeway. For these people, just the added costs of being locked down alone made their budgets unsustainable.²⁶

With reduced incomes and increased costs, families who were already financially vulnerable were swept deeper into debt through no fault of their own.

Compared to before lockdown, the poorest fifth of households' median earnings fell by 15% or £160 a month.

Andrzej

Andrzej was working full-time hours as an Uber driver before lockdown hit. Whilst Uber gave him a one-off payment of £200, the work completely dried up. He was struggling with debt before lockdown, but now he has built up more unpaid rent and utility bills from the lockdown period.

"I tried to find some work as a delivery driver, but it was only paying for food and essentials as I was trying to pay back my debts. I have borrowed money from friends to try and have enough to live on. Eventually I was sleeping on the street because I couldn't pay the rent. It was incredibly stressful and a never-ending cycle of debt. I felt no support from government.

"I couldn't live properly with the thought that a debt collector could come and take away my things at any time. I am now back to taxi driving but I have had to rent a car, because I can't afford to buy one.

"I have moved in with my girlfriend, so I have a roof over my head but I have no security and cannot plan anything in my personal life. We would someday like to start a family together, but we are stuck at the moment. I've been working with an advisor from a Money Advice Centre who has really started to help me clear my debts.

"If the debt was taken away, it would be a 180-degree transformation. I would be able to live and not just exist. I could start a family. I could look forward and not be stuck in the past and in fear."



Overall, higher income families paid off debt and increased savings

Despite unavoidable increases in borrowing for many, the Bank of England reports that total levels of consumer debt actually *fell* during the pandemic. An unprecedented £9.2 billion of credit card debts and over £5 billion of other consumer debts were repaid over the first months of lockdown.²⁷ This is because higher-income families were more likely to maintain their income and had fewer opportunities to spend.

It is also worth noting that the Bank of England's programme of electronically creating £450 billion of new money will have the effect of inflating asset prices. Whilst this may be necessary in the short term, we must recognise that those who own assets such as shares, pensions or property will directly benefit from this money creation. Those who have not had the opportunity to build up such assets – especially the young and those with low incomes – will not.

The lockdown continues to have profoundly unequal and poverty-increasing effects.



Who is facing Covid-19 related debt?

There is an unjust and unequal pattern to lockdown debts. Families that were struggling financially as they entered lockdown were more likely to have experienced both a fall in wages and an unavoidable increase in expenditure.

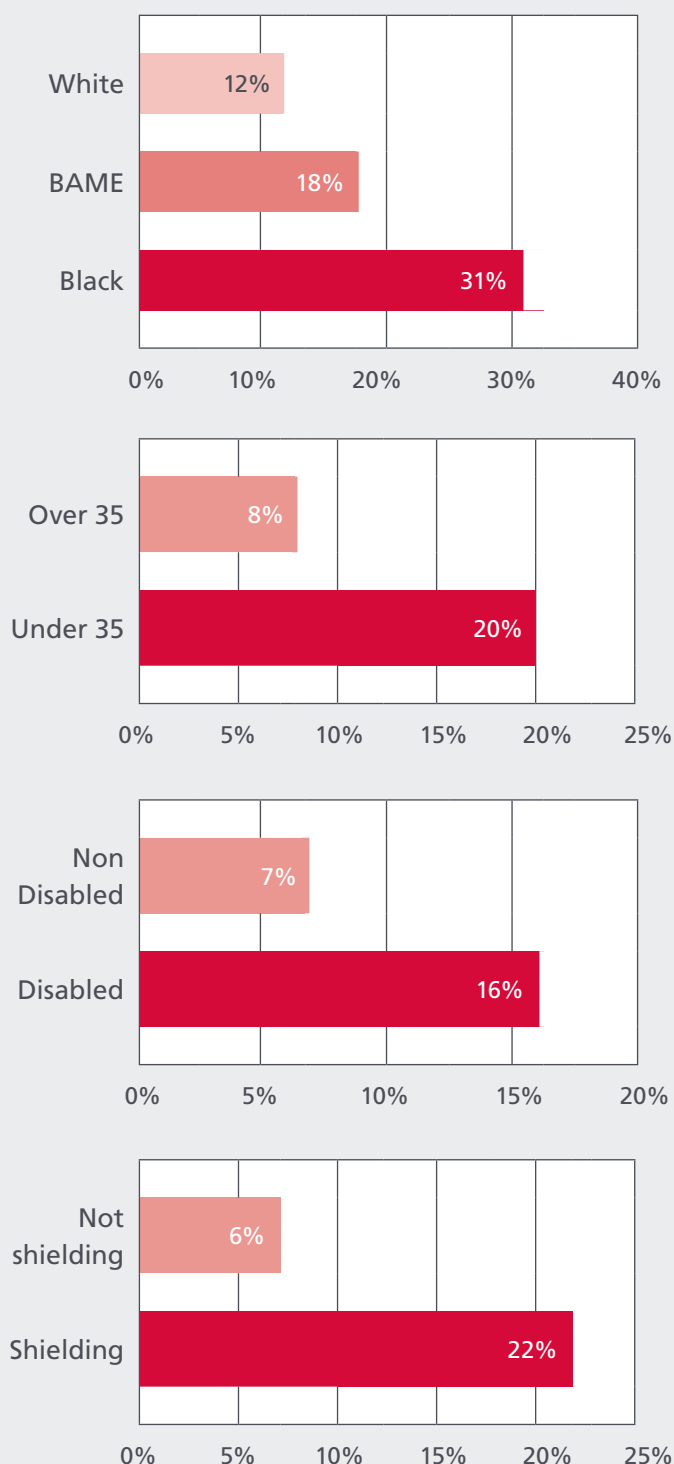
The risk factors associated with being forced to rack up debt during Covid-19 are very similar to the risk factors for those experiencing poverty in general. Additionally, those who needed to shield or care for someone shielding from Covid-19 were also likely to be at greater risk.²⁸

Young adults were most likely to experience job losses and have limited savings, and are more likely to have fallen into arrears.²⁹

Families from BAME communities, especially Black families, have needed to take on more debt.³⁰ Those with a disability are more likely to have needed to borrow, as are families with children.³¹ This pattern is consistent across many surveys over recent months.

61% of low-income families with children have borrowed as a result of Covid-19³²

Proportion of people from different population groups behind with one or more household bills

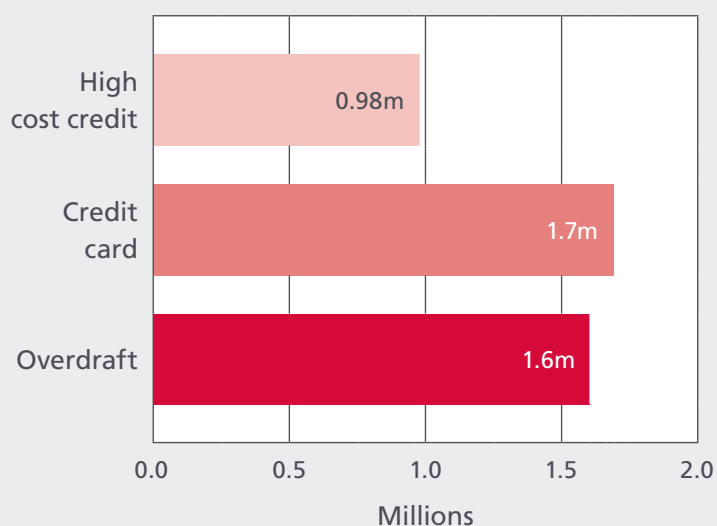
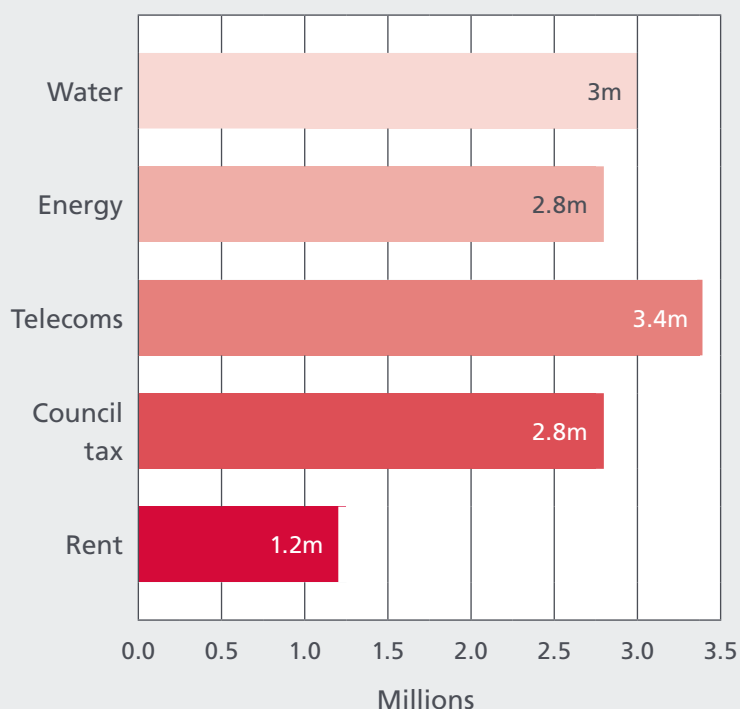


Data from survey of 6,015 people commissioned by Citizens Advice.

Data collected 9 June – 8 July, and weighted to be representative of GB adult population.¹²

Large numbers of people borrow to make ends meet or fall behind on bills

Estimated number of adults with household bills arrears due to lockdown (March to July)



Arrears data from survey of 6,015 people commissioned by Citizens Advice. Data collected 9 June – 8 July 2020.³

Borrowing data from survey of 3,972 people commissioned by Stepchange. Data collected 5 June – 19 July 2020.¹⁵

Both surveys weighted to be representative of GB adults.

“Building Back Together”

Covid-19 has affected everyone’s lives. For many of us, it has forced us to see how interdependent we are. It has made us realise how much we rely on those who provide essential services: health care workers, shop assistants, cleaners, and so many others. However, it is often these people who find themselves in work that is unreliable, and are trying to make ends meet on a low income. For some people, borrowing to make ends meet during the pandemic was the only option. Surveys indicate that the key workers who we all rely upon for the very basics of life were more likely to take on debt during the lockdown period.³³

As we begin the journey of recovery from the pandemic, we need to ensure that everyone is able to join in. If we are going to build back better, we need to do so together, recognising that those who do important but often forgotten work deserve to be able to live decent lives, free from the fear of poverty and unsustainable debt.

Temporary measures to support household incomes

The Government recognised that many people would face large drops in income during the lockdown, and that the benefits system would provide insufficient support. It increased the basic rate of Universal Credit by around 25 per cent to £96 a week and introduced a job retention scheme, which paid 80 per cent of the wages for furloughed workers, alongside a similar scheme for self-employed workers.

It is clear that without these measures, the unprecedented losses of income experienced by many would have been a great deal worse. Yet, there were big gaps in these schemes. Notably, 1.5 million self-employed workers were unable to access the income support scheme.

With the uprating of Universal Credit and the extended furlough schemes due to end in April 2021, many are facing further large falls in income.

Government and industry measures to help families cope with debts

Importantly, eviction proceedings were frozen from almost the beginning of lockdown, so problems with rent arrears did not translate into increasing homelessness. Whilst the lockdown has seen a large increase in council tax arrears, enforcement action has been delayed. Bailiffs were permitted to contact people with pre-existing debts by letter or phone, but new enforcement proceedings were halted and in-person visits banned.

Similarly, utility companies have endeavoured to ensure customers continue to be supplied – even those on pre-payment meters – irrespective of whether they are keeping up with their bills.

Indications are that reputable lenders have shown a willingness to support families facing financial difficulties during the lockdown. Banks were asked to provide time-limited £500 interest-free overdrafts. Over 1.5 million repayment holidays were given for credit cards and personal loans.³⁴ Mortgage lenders granted 1.9 million repayment holidays and suspended any repossession proceedings until at least November 2020.³⁵

Combined, these measures have created breathing space for those facing increasing debt due to Covid-19. Forbearance over families' debts has been extremely important in helping families to cope during the lockdown.

But these measures are not a solution to the underlying problem of debt, which continues to mount. As they come to an end, we have a window of opportunity to put in place a comprehensive solution to the household debt crisis. But that window is closing and, as yet, no plan is emerging.

Average values of each category of unpaid bills in May 2020

Average value of monthly payments missed	
Mortgage	£1,660
Rent	£650
Council tax	£170
Utility	£139

These are estimates gained by looking at those who paid a given bill in January, but did not pay that bill in May.³⁶

What happens without a comprehensive solution to Covid-19 household debt?

Growing economic uncertainties mean that many people in our communities are facing a particularly insecure future. For those with limited resources, or for those already carrying a burden of debt, this uncertainty weighs particularly heavily. Many people will face further drops in income. In April 2021, the furlough schemes come to an end, pushing many towards unemployment and Universal Credit. At the same time, those receiving Universal Credit face a £1000 per year cut as the temporary increase put in place in April 2020 comes to an end. Those who are seeking to find new work or restart work in the gig economy are likely to enter a challenging jobs market.

The number of people out of work and receiving benefits more than doubled between March and October 2020, rising from 1.2 million to 2.6 million with redundancies continuing at record rates. Without sufficient income on which to build a firm foundation, debt becomes a greater and greater challenge. For some this will be a manageable burden, but for others this debt will hold them back for years. Over time, many will need to discharge the debt accrued through

processes such as Debt Relief Orders, Individual Voluntary Arrangements and even bankruptcy. Whilst these offer a sometimes-necessary route towards recovery, they are deliberately designed to be difficult processes to go through. There are often large emotional and health consequences of these pathways through debt, especially for the children of those going through such experiences.³⁸

Unaddressed rent arrears can eventually lead to eviction and families losing their homes. Eviction proceedings were stopped during lockdown but restarted in England and Wales in September 2020, and could be enforced from January 2021. Despite this ban, at least 45,000 people are estimated to have lost their accommodation since April 2020.⁵⁰ Losing your home has long lasting effects on mental and physical wellbeing, especially for children. Even living under the threat of losing your home can be devastating. Whilst it is welcome that the Government has asked for forbearance by landlords, the underlying problem of rent arrears must be addressed.

Without sufficient income on which to build a firm foundation, debt becomes a greater and greater challenge.



Leanne

Leanne (34) is a full-time student, who makes ends meet by working in various temporary part-time jobs, mainly in retail, hospitality and childcare. When lockdown hit her work dried up and her earnings dropped to zero. Leanne's long term health condition is likely to qualify her for Universal Credit, but the process has so far taken 4½ months and the outcome is not certain.

In the meantime, Leanne has relied on deliveries from her local foodbank, received small gifts and loans from friends and has gained support from her university's hardship fund. Despite this she has had difficulties making ends meet, falling behind with bills and rent. Although her health condition means she is at high risk if she contracts Covid-19, her money worries mean she continues to look for work even in higher risk frontline roles.

Although her Landlord cannot legally evict her, he threatened her with eviction during lockdown and has indicated he will do so at the first opportunity.

"I don't know why I can't get Universal Credit as I have worked all the time as a student – I worked 30 or 40 hours a week, I paid tax. When I can't work why can't I get help? I have to prove how bad my joints are in order to get anything – what if they are good that day? What if I wasn't [incapacitated] – what hope would I have then?"

"I don't answer the door, or answer the phone if I don't know who it is. I know I can't pay the rent; I am scared it might be him asking for it. What can I say? I have no money, I can't earn money now and I can't get benefits.

"I don't go out much in case the locks get changed – I know he shouldn't but he could. If he did – I know I owe him, I want to pay but I can't. Even if I get some work or Universal Credit I owe 4 months [rent] – I am not going to have enough to pay that off until I graduate and get a career job.

"If the debt was taken away, I would cry. I wouldn't be scared or worried all the time. I would be able to study and hopefully get a career job, and not always be counting and thinking about money."

Since this interview Leanne has decided to move into a hostel rather than stay in her home.

Effects on creditors

Creditors, especially small landlords, are also likely to face considerable additional financial burdens as a result of Covid-19. According to the National Residential Landlords Association, 54 per cent of private landlords have experienced a loss of income due to Covid-19.³⁹ This issue is only likely to deepen, as landlords will not be able to recover all the rent owed to them.

In a letter to the Prime Minister in August, the National Residential Landlords Association argued that "the vast majority – 94 per cent – of private landlords are individuals, renting out just one or two properties. [They] are ordinary people who rely on this income to pay their living expenses. Government's failure to provide any direct financial support for the sector during the pandemic means that many landlords will be forced to seek money claims against renters building arrears".⁴⁰

The charity Shelter estimates that 227,000 adult private renters (3%) have fallen into arrears since the start of the pandemic, and are at risk of eviction.⁴¹

A problem that should not be ignored

This is an urgent problem that demands a solution. Without one, millions of individuals and families risk being pulled into poverty, with the consequences of lockdown overshadowing their lives for years.

Experience tells us those who live on low incomes and come from disadvantaged groups often go unheard. The same people are those most affected by lockdown debt. The current policies of extension and delay of debt repayments do not solve the problem, but instead drag it out, making it even easier to disregard. Ignoring the heavy burden of Covid-19 on low-income families is not acceptable. Those on low incomes should not be forgotten as our communities seek to move forward.

It is increasingly likely that the future we face as we recover from the pandemic will become harder for those on the brink of poverty. Without intervention, the economic crisis will still be felt most keenly by those least able to withstand the shock. Before emergency measures such as the ban on evictions and the furlough scheme come to an end, there is a window of opportunity to put in place a comprehensive solution. Removing the millstone of lockdown debt would enable families to find a firmer foundation from which to move forward.

In highlighting this problem, it is incumbent on us to offer a viable, just and compassionate policy solution. We believe a Jubilee for lockdown debt would help mitigate the deeply unequal financial impacts of the pandemic, offer families a fresh start to face the uncertain future, and equip everyone to play their part in creating a flourishing society.

Inspired by the Biblical principle of Jubilee, we propose that the Chancellor creates a Jubilee Fund to provide grants to pay off and cancel unavoidable debt accrued by households during the lockdown period.

Resetting the Debt

At the heart of debt is a relationship between lender and borrower. When a person's debt becomes unsustainable or unpayable, they end up in what Rowan Williams, former Archbishop of Canterbury, describes as a "spiral of asymmetry".⁴² The ever-widening gap means the person in debt is left powerless against the demands of the lender.

Jubilee is an ancient idea intended to address this imbalance. The biblical principle of periodically resetting debt means these relationships are never allowed to spiral out of control. Jubilee seeks to ensure that everyone – lender and debtor – is brought into right-relationship with one another, as is reflective of their dignity as human beings.



Jubilee: Freedom from debt

And you shall hallow the fiftieth year and you shall proclaim liberty throughout the land to all its inhabitants. It shall be a jubilee for you: you shall return, every one of you, to your property and every one of you to your family.

(Leviticus 25:10)

Jubilee is an ancient idea. The Bible sets out how it originated as a way of ensuring a just society where nobody was trapped in poverty or bondage because of the debts or obligations they accrued. According to Jubilee, on a regular basis land was to be returned to people, resources shared, slaves freed, land rested, debts forgiven. Jubilee offered a way of life for God's people, founded in liberation. As Christians, we see Jubilee as being about more than just economics. The Jubilee year allowed relationships to be reset, communities to be re-balanced, and people's dignity to be restored. It was a way of enabling the injustices and fractures in society to be repaired, so that all of God's people could flourish. The Jubilee principle embodies the fairness, well-being and freedom that God desires for all people.

Today Jubilee offers more than a technical solution to the household debt problem created by the lockdown. Covid-19 has shown us that we are all far more reliant on each other than we had previously acknowledged. Yet, without a debt Jubilee, those who are least able to bear it will continue to carry the heaviest financial burden as we move forward.

Jubilee offers a vision of what a flourishing community might look like. A community where people are not trapped in endless spirals of debt. Where children's mental health is not damaged through fear of eviction. Where everyone has a safe place to call home. Where the rich and poor do not spiral away from each other in increasing inequality. Where fairness is restored. Jubilee alone will not create such a society; however, it would be a powerful and practical start to the process. It offers a picture of a just and compassionate community that recognises the needs of the most disadvantaged in society and gives them priority.

A Jubilee for nations and for families

At the turn of the millennium, Churches called for a Jubilee to break the cycle of debt for the world's poorest countries. Millions benefitted from debt cancellation being offered as a solution to increasing spirals of poverty. Thousands of campaigners joined together, led by a distinctly Christian voice on debt cancellation. But the global debt crisis has continued. Research by Christian Aid and the Jubilee Debt Campaign in 2019 revealed that 31 countries across the world are now in debt crisis, with a further 82 at risk.⁴³

During the Covid-19 crisis, many have come together again to call for a debt Jubilee for some of the world's poorest countries.⁴⁴ Debt write off for governments held back by unmanageable debt remains urgent. As well as being an incredibly powerful and necessary tool to tackle global inequality, Jubilee is also an idea that can be applied at a household level in the UK. Debt forgiveness is a tool for building community locally. Arguably, exploring how debt Jubilees can be applied at national and international levels will strengthen the case for its use as a plausible policy action, addressing the unfairness of global inequalities in the long term.

How would a Jubilee Fund work?

A Jubilee Fund would provide grants to pay off and cancel unavoidable debt accrued by households during the lockdown period.

A Jubilee Fund would be a one-off scheme, covering only the period of the lockdown, introduced to address the unique and grossly unequal financial effects of Covid-19.

By removing the burden of unavoidable Covid-19 debt from low-income families, we would help to mitigate the deeply unequal economic impacts of the pandemic, offering people a firm foundation from which to face the future.

When the principle of a Jubilee for unpayable lockdown debt is accepted, it will be necessary to ensure there is a robust verification and payment mechanism created, drawing on the expertise of the Government, debt charities and, crucially, people with experience of being forced into debt.

We would recommend that the Fund should prioritise the payment of rents, council tax and utility arrears. These debts are easily identifiable as having been run up during the lockdown period. Removing these debts would keep families secure in their homes, and protect them from the particularly aggressive debt enforcement mechanisms associated with council tax arrears.

People who, during the lockdown period, were forced to borrow to pay for essentials (such as food, prepayment meters, home schooling or other household bills) should also have access to the Fund. These debts are more difficult to confirm, and payments would require greater

administrative effort. Organisations trusted by the Government, that have personal interactions with low-income families and routinely hold in-depth financial information, should, in the first instance, be asked to help with applications.

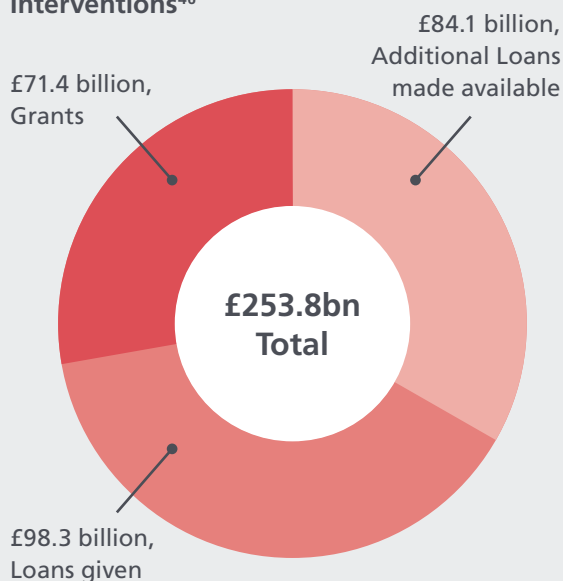
We would recommend that Work Coaches be empowered to authorise Jubilee Fund payments within Universal Credit. We also recommend that applications can be made via organisations authorised to provide debt counselling, advice or management services.

What size should the Jubilee Fund be?

To cover the unavoidable household debt accrued during lockdown, the charity Stepchange estimates that an amount in the region of £5 billion will be needed.⁴⁵ This could be funded through Government borrowing, with interest rates approaching 0 per cent, recognising that these are costs that should be shared across society. The Government may wish to be the sole contributor, or ask lenders who will benefit from the scheme indirectly to contribute appropriately.

This is a significant amount, but small in comparison to other government Covid-19 related interventions. It also offers great value, both in terms of improving the lives of families affected disproportionately by Covid-19 and in developing healthy post-lockdown communities and local economies.

Costs of UK Government Covid-19 Interventions⁴⁶



Grants includes Job Retention schemes and Business Rates Relief. Loans includes Bounce Back Loans, Business interruption loans, VAT deferrals and the corporate bond purchasing facility. "Additional Loans made available" is the additional drawing capacity of companies approved under the corporate bond buying scheme. Data correct October 2020, for full details see endnote ⁴⁶.

The benefits of a Jubilee Fund

The primary purpose of the Jubilee Fund would be to relieve low-income households from the burden of unavoidable debt that many were forced to take on during lockdown. This is both to offer people greater financial stability and to address the clear injustice that those on low incomes were disproportionately burdened with debt during the lockdown.

Removing this burden of debt would also have wider economic benefits. Economists from across the political spectrum have argued that a key aspect of economic recovery after recession is to allow individuals and businesses to plan by providing a stable economic outlook. This means creating a clear framework quickly to resolve the overhang of debt.⁴⁷

Creditors, notably small landlords, are also facing difficulties. Many have been able to benefit from a three-month mortgage repayment holiday allowing them to withstand reduced rental incomes. Yet landlords' groups are warning that unpaid rent is having the knock on effect of driving many of their members into debt. The current policy of extending timelines and asking landlords to carry the rent arrears exacerbates this problem. A Jubilee also offers creditors a clear way forward.

Those held back by debt are less able to improve their own circumstances, or take advantage of the opportunities that may arise as the economy adapts to the pressures of Covid-19. Those burdened with debt are less able to move to new employment or start their own businesses. At a very human level, unsustainable debt holds people back through stress and limited access to basic necessities. This harms personal wellbeing, putting people in a worse position to seize opportunities or compete in a hostile labour market. It also places additional demand on mental health, advice and social support services.

Government has offered loans and grants of over a quarter of a trillion pounds to businesses in the hope that they will remain healthy enough to provide much needed jobs, goods and services after the lockdown. A prerequisite of this is that they have access to consumers able to pay for their products, and workers capable of manufacturing those products. A Jubilee Fund would be an affordable way of ensuring low-income households are empowered to contribute to this.

Debt cancellation is an important first step to prevent the least well-off people in society from entering the post-pandemic world even further disadvantaged. We believe a Jubilee Fund provides the vision for the right response, offering low-income households a firm foundation upon which to build. But the primary demand remains that a solution is found, one which offers families a stable platform from which to face the future, ensures nobody is cut adrift, and equips everyone to play their part in creating a flourishing society.

Future flourishing for all

In the long-term, a Covid-19 debt Jubilee is not the only measure required to ensure that low-income families can thrive in post-pandemic Britain. Problem debt and poverty did not start with Covid-19, nor will a Jubilee Fund end it forever. For many, debt accrued during lockdown comes in addition to already increasing arrears or borrowing. Many families who have had to borrow to make ends meet during the lockdown may well have already been struggling to stay afloat before the pandemic, using debt as a lifeline.

While a Jubilee is not the complete answer, it could play an important role in enabling families to recover and flourish in the post-lockdown world. For many, removing the burden of debt accrued during the Covid-19 pandemic will allow them to find a firmer foundation from which to start their journey towards change.

It is simply not right that millions in the UK are held back by poverty. If we wish to change this over the long term, a Covid-19 Jubilee will not be enough. Before the pandemic, the majority of families trapped by poverty were in work. Better jobs and real security can change that. Our benefits system should offer people to opportunity to live in dignity, but the support it offers is too often inconsistent, unreliable and insufficient.⁴⁹

The months ahead will involve many important decisions. As Churches, we will continue to work with partners, especially those who have experienced poverty, to call for long term, structural change. Our decisions now will indicate whether our recovery is one that supports those who were economically left behind before the pandemic, or if our aim is simply to go back to business as usual.

A Jubilee would show that new thinking is happening, prioritising those who are held back by poverty and building a society where everyone can thrive.



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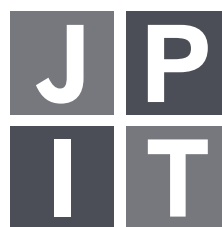
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The **Methodist** Church



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