

Written evidence submitted by Surviving Economic Abuse (SEA)

Introduction

Surviving Economic Abuse (SEA) is the only charity in the UK dedicated to raising awareness of economic abuse and transforming responses to it. All our work is informed by Experts by Experience – a group of women who speak about what they have gone through so that they can be a force for change. Our response to this call for evidence focuses specifically on our area of expertise, economic abuse as a form of controlling or coercive behaviour within intimate partner relationships.

Economic abuse as a form of domestic abuse is characterised when perpetrators seek to reinforce or create economic dependency and/or instability. This, in turn, limits women's choices and their ability to build or access safety. The term 'economic abuse' recognises that it is not just money and finances that can be controlled by an abuser (known as 'financial abuse') but also the things that money can buy, like food, clothing, transportation and housing.¹

One in five women in the UK report having experienced economic abuse from a current or former intimate partner.² 95% of domestic abuse victims experience economic abuse,³ and 60% of domestic abuse survivors are in debt as a result of economic abuse.⁴

Research shows that the Covid-19 pandemic has increased pre-existing economic inequalities between men and women. This is exacerbated for women experiencing economic abuse. Research by the Women's Budget Group found that nearly twice as many mothers than fathers report that they believe they would have to take time off work with no pay due to school closures or a self-isolating/sick child.⁵ One in five mothers were made redundant or lost hours because of caring responsibilities compared to 13% of fathers.⁶ These inequalities are echoed in women's access, eligibility and support received from government schemes to protect workers' earnings and jobs⁷. Overall data shows that women are more likely than men to have been furloughed, with 52% of women having been furloughed despite women only making up 47% of the overall UK workforce.⁸

When this general data on the unequal impact on women is overlaid with the evidence on economic abuse during the pandemic it becomes clear how the factors of gender and abuse compound women's economic vulnerability. SEA's report *The Cost of Covid-19* looks at women's experience of economic abuse during the pandemic, through surveys and interviews with 560 victim-survivors and front-line professionals. It covers several thematic areas including employment, welfare benefits and access to finances.⁹

The research showed that 38% of women living with the perpetrator were working from home when previously they were not, increasing the risk of abuse. 45% of women reported that their employment or education situation had worsened due to the perpetrator's actions since the start of the pandemic. 11% of women had been furloughed, 13% were working fewer hours and 3% had been made redundant.

This submission will respond to those elements of the call for evidence which are linked to economic abuse: the economic impact of the pandemic on gender inequality; distribution of income within households; and housing and housing finance.

Summary

In line with findings in SEA's *Cost of Covid-19* report (above) and other work as referenced in this submission, SEA makes the following recommendations:

- The government ensures that essential services accept cash as payment.
- Consumer law is reformed so that coerced debt is recognised and there are mechanisms for victims to obtain redress.
- The government introduces a duty of care on banks and financial institutions to act in the best interests of their customers with a special focus on those who may be vulnerable to economic abuse.
- Banks and building societies receive training in economic abuse in line with FCA guidance and UK Finance Code of Practice on financial abuse.
- The government allocates funding to local authorities so that they can provide local hardship funds and emergency grant schemes for victims of domestic abuse.
- Separate payments are made in joint claims for welfare benefits, including Universal Credit, as a default.
- Advance payments of Universal Credit in the case of financial hardship are converted into grants.
- Fiscal policies are reviewed to ensure that the taxation system is designed to protect those that are most at risk of insecure housing and homelessness.
- The government puts in place national measures for women experiencing economic abuse who are in rent arrears and facing eviction so that they do not lose their home.
- Support for mortgage interest (SMI) loans are reviewed to ensure they are meeting the needs of homeowners and not causing an increase in repossessions.

Economic impacts of the crisis on gender inequality

The impact of the pandemic on women needs to be viewed in the wider economic context. Research by the Institute of Fiscal Studies points out that Covid-19 happened when households were already dealing with a long period of austerity, with their situation compounded by historic inequalities.¹⁰ The reduction or loss to income through pandemic-related measures such as furloughing and redundancies is combined with increased costs such as heating and food due to spending more time at home. Thus victims of economic abuse, many of whom who were already in precarious financial positions, are further disadvantaged.

SEA's *Cost of Covid-19* report shows the serious impact the crisis has had on women experiencing economic abuse, with 72% saying that their financial situation had worsened because of the perpetrator's actions. Eight out of ten women (79%) said that the perpetrator had attempted to control their finances during the pandemic. 17% reported that they had needed to take out new loans or credit during the pandemic.

A particular issue highlighted through our research was the problems to survivors associated with the shift towards contactless payments. Using cash is often preferred by those experiencing economic abuse for safety and/or budgeting reasons. Just over one in five (21%) of women reported that the move towards contactless payments during the pandemic had negatively impacted them. One survivor who had previously been given an allowance by the perpetrator mentioned how the shift to using cards had been problematic as it gave the

perpetrator greater oversight of their spending. For women who are separated from the abuser there are other specific concerns, as the use of cards can help the perpetrator trace their location, and permit the perpetrator to track their spending through access to bank statements.

The pandemic has also made it easier for perpetrators to build up coerced debt in the victim's name. 41% of the professionals responding the SEA survey said that survivors had raised concerns about perpetrators taking out credit or loans during the pandemic without their knowledge, and 38% said that survivors had mentioned being pressured into taking out loans or credit: "Perpetrators commonly keep their partner 'financially blind' leaving them unsure as to whether debt is being built up in their name and what the consequence of this may be if they have. The impact of such debt on women's finances can be hugely damaging; it can destroy their credit ratings and, in turn, limit their choices and ability to access credit and build economic safety."¹¹

Other ways in which financial pressure built up for victims over the pandemic as found in the research include:

- Having all utility bills in the victim's name while the perpetrator controls the bank accounts through which these are paid
- Perpetrator stopping payment of or unreliably paying bills for joint liabilities such as mortgages and utilities
- Joint liabilities being put into a sole bank account under perpetrator's name only, so that the victim is unaware whether these have been met including whether the mortgage has been paid

The report also highlights the severe consequences for women due to perpetrators' actions in relation to finances, being pushed into poverty, with no money for food and all savings going towards avoiding homelessness.

Survivors were also disadvantaged by restrictions in the ways in which they could contact banks or creditors, through reduced banking services, fear of being overheard when using telephone options or preferring to discuss banking needs in person. At the same time banks reported to SEA that disclosures of domestic/ economic abuse were increasing, which meant that customer vulnerability teams in banks provided an alternative route to support which might arouse less suspicion from an abuser than if victims tried to use the usual pathways.

There were also interesting findings around victims accessing time-limited measures relating to financial services introduced due to the pandemic. 15% of survivors had sought a payment holiday for non-mortgage debt, with 2% being unsuccessful in seeking this. 15% of professionals reported that survivors had raised concerns about being refused payment holidays, and 25% that survivors were concerned about paying off debt when payment holidays ended. As one survivor put it: "I've got payment holidays for basically everything I've got with the bank, my mortgage, my credit cards... so yeah, in some ways I am a bit of a crisis waiting to happen." One survivor explained how the perpetrator had tried to sabotage their attempt to obtain a mortgage payment, but the bank, which knew about the domestic abuse, persisted with its agreement to grant the holiday.

Emergency funds or hardship grants are significant ways of preventing victims of economic abuse from falling into further poverty and of ensuring their access to basic needs. 14% of survivors responding to the SEA survey had applied for grants, while 5% of all women had done

so unsuccessfully. The majority of professionals had supported survivors to access schemes: 41% had been successful in accessing funds from a local authority and 57% from a charity or trust.

In line with the above SEA recommends that:

- The government ensures that essential services accept cash as payment.
- Consumer law is reformed so that coerced debt is recognised and there are mechanisms for victims to obtain redress.
- The government introduces a duty of care on banks and financial institutions to act in the best interests of their customers with a special focus on those who may be vulnerable to economic abuse.
- Banks and building societies receive training in economic abuse from charities such as SEA in line with the recently published FCA guidance and UK Finance Code of Practice on financial abuse.
- The government allocates funding to local authorities so that they can provide local hardship funds and emergency grant schemes for victims of domestic abuse.

Distribution of income within households and impact assessments - welfare benefits

The distribution of income within households is not taken into account sufficiently in assessing the impact of economic policies, and in understanding the differential impact of these on men and women. SEA will focus on its area of expertise in this regard, which is social security policy and its relationship to economic abuse within the household. The problems arising from failure to take a gendered approach to social security, are clearly evident in the policy of making a single payment in the case of joint claims for Universal Credit (UC).

UC is currently based on the assumption that couples make financial decisions together and that resources (and debts) are shared, but this does not reflect the complex realities of many families. The Work and Pensions Committee questions this assumption, pointing out that, when taken in the broader context of the 2008 study from which it is sourced, couples have a broad spectrum of budgeting arrangements depending on a variety of factors such as household income.¹² A Women's Budget Group report points out that "this 'unitary household' assumption underlying household income statistics and means-tested benefit mechanisms is problematic" because "it ignores the importance of receipt of income in one's own right, which is more likely to lead to control over that income as well as the potentially unequal sharing of resources".¹³

Denying an independent income to both parties through the single payment is regressive in that it encourages financial dependence, implicitly reinforcing the traditional 'male breadwinner' model and overlooking women's right to an independent income. From the economic abuse perspective, as the above research points out, "Any arrangement for payment of benefits which makes it easier for one partner to control the family income could make financial abuse more likely." Even in situations where there was no existing economic abuse, the single payment can exacerbate gender inequalities and create the potential for abuse. Research shows that women are three and a half times more likely to be subject to domestic abuse if they find it impossible to find £100 at short notice.¹⁴

The pandemic has brought out the difficulties with this policy more starkly. Research by the Women's Budget Group finds that many of the thousands of couples new to means-tested benefits and claiming UC for the first time, found the joint nature of the claim and the fact that their partner's income and any savings were taken into account, resulted in unfairness. The research goes on to note that while the government did make some temporary changes to UC these have now mostly ended.¹⁵

With regards to women experiencing economic abuse, 17% of women who were accessing welfare benefits at the time of responding to the SEA survey reported that their welfare benefit situation had worsened as a result of the perpetrator's actions since the pandemic began. Several professionals reported concerns from victim-survivors in relation to having to make joint claims for Universal Credit.

UC was meant to be a simpler system, designed to encourage people on benefits to start or increase paid work, in a way which also reflected the wider world of work. However the policy of making a single payment in the case of joint claims for UC by a couple does not mirror the wider world of work. As the House of Commons Work and Pensions Committee points out no employee, female or male, is obliged to have their wages paid into the bank account of their partner.¹⁶ The report highlighted that at the last assessment, only 17% of payments were made into joint bank accounts, raising concerns that this single payment for the benefit of all members of the household may not be distributed fairly.

The policy of making a single monthly payment into one nominated account in the case of joint claims for UC, denies women a much-needed source of independent income and facilitates economic abuse. When UC is paid into one account, whether sole or joint, this increases the possibilities for an abusive partner to control how the money is spent, and to expend it on himself so that the needs of the rest of the household go unmet. A report cites media coverage that UC is 'enabling' some financial abuse, with one woman's husband using UC as a chance to 'take the reins' of her finances and taking out loans in her name, and another woman who was 'allocated' a minimal amount each month where the UC single payment was made to the abuser's account.¹⁷ Misusing the payments can have far-reaching consequences for women, for instance rent not being paid, leaving the victim in debt when there is joint liability and creating economic instability and barriers to accessing safe housing going forward. This is exacerbated by the design of UC where, unlike with legacy benefits, direct payment of the housing element to the landlord is made the exception rather than the norm.

The House of Lords Economic Affairs Committee's inquiry into the economics of UC recommended, while citing evidence to it by SEA:

"The current practice of paying Universal Credit into one account does not reflect reality for many families today, who are used to both partners having their own income. This is important both for reducing the risks of financial coercion and domestic abuse more widely and for encouraging more balanced and equal relationships. The Department should review the option of separate payments by default, drawing on the current review in Scotland."¹⁸

Not having access to or control over this money due to its payment method could also be an obstacle to women leaving an abusive partner. Research shows that lack of access to economic resources can result in women staying with an abusive partner for longer than they would otherwise and experiencing more harm as a result.¹⁹ Furthermore, having to set up a new claim

in their own/individual name delays their access to much-needed economic support, especially when they starting to rebuild their lives following separation from the abuser.

The payment of Universal Credit into one bank account undermines efforts to build financial capability. It does not encourage all individuals to have their own bank account or manage their own money. To this extent it does not meet what should be an overarching aim of the social security system, which is to encourage individuals to take responsibility for managing their own finances.

UC permits the possibility of requesting split payments in the case of domestic or financial abuse. This is not a realistic or safe solution for victims, as challenging the abuser's control by making such a request could make the abuse worse. Research shows that, when women experience economic abuse within a context of coercive control, they are at increased risk of domestic homicide.²⁰ The work-around suggested by the Department for Work and Pensions, that UC be paid into the account of the main carer, is also not suitable as it perpetuates gendered roles within families and is inconsistent with government policies which promote shared parenting.

The requirement to pay back advances of UC resulting in reduced UC payments until the loan or 'budgeting advance' has been paid off, can put victims of economic abuse in further financial difficulty including debt. Advance payments in the case of financial hardship should therefore be converted to grants, which the Joint Committee which scrutinized the draft Domestic Abuse Bill recommended for ministers to consider.²¹

SEA recommends that the government

- provides separate payments in joint claims for welfare benefits, including Universal Credit, as a default, and
- converts advance payments of Universal Credit in the case of financial hardship into grants.

Intergenerational inequality and housing - problems in the UK housing market, particularly in relation to housing finance

Research has found that it now takes 24 years on average to save for a deposit on property, compared with three years in 1997.²² The Women's Budget Group report *Housing, Gender and Covid-19* points out that in general the housing situation is worse for women than for men in terms of a number of criteria including ownership and affordability. It highlights that:

- The median home in England costs over 12 times women's median wages compared with eight times for men.
- Average rents use up 43% of a woman's median earnings and only 28% of men's.
- Female single parent households have consistently been the largest category at risk of homelessness at 28% of all households and make up 17% of all homeless households (compared to 3% and 2% for male single parent households respectively).²³

The report goes on to recognise that "Women have distinct tenure circumstances and housing needs, because on average they have lower wages, greater caring roles, and greater risk of

intimate partner violence.” This is in a context where the pandemic has “exposed deep structural failings and inequalities within the housing sector.” The report suggests that a more gender-sensitive housing policy would need to be complemented by better fiscal policies, which revisit the treatment of housing assets and rental incomes in the taxation system.

Economic abuse in relation to housing is generally characterised by increasing the costs to the survivor to destabilise their economic wellbeing and thereby their ability to maintain secure housing. This may be through refusal to contribute to a joint mortgage or rent leading to arrears to the point of repossession/eviction and homelessness. Perpetrators may also refuse to take their name off, or permit survivors to take theirs off, a joint mortgage or lease agreement so that the survivor cannot delink from them financially. Of the survivors responding to the SEA survey 43% had privately owned housing, 30% privately rented and 13% housing association. One in five survivors were in mortgage or rent arrears since the start of the pandemic, compared to 14% before. Very concerning, 43% of professionals said that survivors had expressed concern about losing their homes.

SEA had previously pointed to problems caused to homeowners by the move from support for mortgage interest (SMI) benefit to SMI loans, and there is all the more reason to revisit this with the increased risks to homeowners due to the economic impacts of the pandemic. Research by DWP prior to this change demonstrated that homeowners were concerned about this, with most claimants saying they would not switch to a loan secured against the property.²⁴ Research has conservatively estimated that 10% of all repossessions are a result of domestic abuse, making this a specific concern for survivors.²⁵ The waiting period for SMI claims was of further concern and the increase from 13 to 39 weeks coincided with a 10% increase of mortgage possession claims compared to the same quarter the previous year.²⁶ Survivors of economic abuse with joint mortgages also face an additional hurdle of obtaining the consent of the perpetrator to switch, and we know that this is routinely withheld to deliberately sabotage payments. This means that SMI loans may be ineffective for this group.

SEA recommends that:

- Fiscal policies are reviewed to ensure that the taxation system is designed to protect those that are most at risk of insecure housing and homelessness.

- The government puts in place national measures for women experiencing economic abuse who are in rent arrears and facing eviction so that they do not lose their home.

- SMI loans are reviewed to ensure they are meeting the needs of homeowners and not causing an increase in repossessions.

¹ Sharp-Jeffs, N. (2015), *Money Matters: Research into the extent and nature of financial abuse within intimate relationships in the UK*. London: The Co-operative Banks/Refuge

² Ibid

³ <https://survivingeconomicabuse.org/report-finds-that-6-in-10-domestic-abuse-survivors-are-struggling-with-coerced-debt/>

⁴ <https://survivingeconomicabuse.org/report-finds-that-6-in-10-domestic-abuse-survivors-are-struggling-with-coerced-debt/>

⁵ Women's Budget Group (2021), *Pushed to More Precarity: The uneven impact of lockdowns on mothers and lower income parents*

⁶ Ibid

⁷ Women's Budget Group (2021a), *Gender Differences in Access to Coronavirus Government Support*

⁸ Ibid

⁹ Surviving Economic Abuse (2021), *The Cost of Covid-19: economic abuse throughout the pandemic*

¹⁰ Institute of Fiscal Studies, (2020), *COVID-19 and inequalities*

¹¹ Surviving Economic Abuse (2021)

¹² House of Commons Work and Pension Committee, *Universal Credit and Domestic Abuse*, 17th report of session 2017-2019

¹³ Women's Budget Group (2021b), *Distribution of money within the household and current social security issues for couples in the UK*

¹⁴ Walby, S. and Allen, J (2004) *Domestic Violence, Sexual Assault and Stalking: Findings from the British Crime Survey*. London: Home Office Research Study 276.

¹⁵ Women's Budget Group (2021b),

¹⁶ House of Commons Work and Pension Committee, *Universal Credit and Domestic Abuse*, 17th report of session 2017-2019

¹⁷ Women's Budget Group, End Violence Against Women coalition and Surviving Economic Abuse (2018), *Universal Credit and Financial Abuse: exploring the links*

¹⁸ House of Lords Economic Affairs Committee (2020), *Universal Credit isn't working: proposals for reform*

¹⁹ Earlywhite, M. and Stohl, I. (2005) *In Our Shoes: The Next Steps*, Washington State Coalition Against Domestic Violence

²⁰ Websdale, N. (1999) *Understanding Domestic Homicide*, California: Northeastern University Press.

²¹ Parliamentary Joint Committee report on the draft Domestic Abuse Bill:

<https://publications.parliament.uk/pa/jt201719/jtselect/jtddab/2075/207502.htm>

²² Chartered Institute of Insurers (2019), *Securing the financial future of the next generation: The Moments that Matter in the lives of young British women today*

²³ Women's Budget Group (2020), *Housing, Gender and Covid-19*

²⁴ DWP, Conversion of Support for Mortgage Interest from a Benefit into a Loan, 23rd March 2018.

²⁵ Walby, S. and Allen, J (2004)

²⁶ Office for National Statistics, Mortgage and landlord possession statistics: October to December 2016.

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