

Written evidence submitted by the Money and Mental Health Policy Institute [CTC 016]

Introduction

The Money and Mental Health Policy Institute is a research charity established by Martin Lewis to break the vicious cycle of money and mental health problems. We aim to be a world-class centre of expertise developing practical policy solutions, working in partnership with those providing services, those who shape them, and those using them, to find out what really works. Everything we do is rooted in the lived experience of our Research Community, a group of thousands of people with personal experience of mental health problems.

This written submission is informed by the experiences of our Research Community as well as our wider body of research. In particular, it draws on research from April 2021 with 204 members of the Money and Mental Health Research Community about their experiences of keeping up with council tax payments, their awareness of discounts and the accessibility of council tax communications. We recommend the Committee also review our policy note [Lifting the tax burden](#) as part of our submission. Our response addresses the first four questions of the call for evidence, and unless otherwise specified, all quotes in this response are drawn directly from our Research Community.

Summary

- Polling we conducted in Summer 2021 suggests 2.8 million people with mental health problems fell into council tax debt during the pandemic.¹ People with mental health problems were three times more likely to have fallen behind on council tax payments in a 12 month period during the pandemic than people without mental health problems (18% vs 6%).²
- Despite one in six (18%) people with mental health problems falling behind on council tax payments during the pandemic, only one in twenty (5%) reported they had used a council tax holiday.³
- More than a third (37%) of people who disclosed a mental health problem to their council were not offered any additional services or support, such as more time to repay any debts or the opportunity to speak to a specialist e.g. a debt advisor.⁴

Background

- One in four people will experience a mental health problem that can affect their cognitive and psychological functioning in any given year.⁵ Over a lifetime, this proportion rises to nearly half

¹ Online survey of 5,001 people with experience of mental health problems and 1,000 people without mental health problems. Conducted by Opinium, 25 June - 22 July 2021. The figure of 2.8 million people is based on an analysis of recent surveys for Money and Mental Health by Opinium, which found that on average 38.5% of respondents reported they had ever experienced a mental health problem. Applying that proportion to the population aged 18-65 - the age range of respondents to the survey of 5,001 people - from ONS, Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2020.

² Online survey of 5,001 people with experience of mental health problems and 1,000 people without mental health problems. Conducted by Opinium, 25 June - 22 July 2021.

³ Online survey of 5,001 people with experience of mental health problems and 1,000 people without mental health problems. Conducted by Opinium, 25 June - 22 July 2021.

⁴ Online survey of 5,001 people with experience of mental health problems and 1,000 people without mental health problems. Conducted by Opinium, 25 June - 22 July 2021.

⁵ McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

the population.⁶ However, we do not always know when we are unwell or receive treatment. Over a third (36%) of people with a common mental disorder have never received a diagnosis, and 62% are not currently receiving treatment.⁷

- Common symptoms of mental health problems, like low motivation, unreliable memory, limited concentration and reduced planning and problem-solving abilities, can make managing money significantly harder.⁸ As a result, it is estimated that people with mental health problems pay up to £1,550 more per year for essential services than people without mental health problems.⁹
- People with mental health problems are three and a half times more likely to be in problem debt than those without, and half (46%) of adults in problem debt also have a mental health problem.¹⁰
- Mental health and financial problems can form a devastating, self-reinforcing cycle. Over 420,000 people in problem debt consider taking their own life in England each year, and more than 100,000 people in debt attempt suicide.¹¹

1. Do there need to be changes in the practice employed by local authorities to collect council tax arrears?

Council tax collection practices vary hugely across the country, with some excellent pockets of best practice as evidenced in our response to **question two**. However, our research with people who have experienced mental health problems finds that there need to be significant changes in how local authorities collect council tax arrears. This is because collection practices are often ill-suited to the needs of people with mental health problems and consequently leave them at risk of accruing disproportionately higher rates of council tax debt, as well as causing psychological distress.¹²

Make communications about arrears accessible

In a recent survey of our Research Community, six in ten (61%) participants said that their mental health problems impacted on their ability to understand communications about council tax.¹³ The cognitive and psychological effects of mental health problems, such as reduced memory, difficulties with clarity of thought or low motivation, can impact people's ability to communicate with their creditors and manage their finances.

Our previous research found that four in ten people with mental health problems have difficulties communicating through at least one channel, such as the phone, letter or email.¹⁴ If people's mental health problems mean they struggle to open post, and the only means of communication about sums owed and debts accruing is via letters, then arrears can quickly mount. When vital communication isn't received or understood because someone is unwell, the person in question can accrue debts. Most councils contact residents by letter as standard. While this was the preferred channel for almost two-thirds (63%) of people surveyed, other respondents said they preferred methods like text or email.¹⁵

⁶ Mental Health Foundation. Fundamental facts about mental health. 2016.

⁷ McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

⁸ Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

⁹ Rogers C, Poll H and Isaksen M. The mental health premium. Citizens Advice. 2019.

¹⁰ Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

¹¹ Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.

¹² Preece G. Lifting the tax burden: Supporting people with mental health problems with council tax. Money and Mental Health Policy Institute. 2021.

¹³ Money and Mental Health Survey of 204 people. Base for this question: 188.

¹⁴ Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

Comment []: Could number the qs to make this clearer

Therefore, for Local Authorities to effectively engage and support people with mental health problems, their communication with residents must be accessible and in line with people's specific needs. Collecting information about people's communication needs and preferences, and then communicating with them via these channels, improves accessibility and is an excellent way to increase engagement.

Councils should ensure that communications about arrears are accessible by:

- Routinely collecting information about residents' preferred communication channel and communicating via this channel by default
- Using clear and concise language in all correspondence and information.

Make discounts easy to understand and apply for

Council tax discount schemes are a crucial part of Local Authorities' collection practices. Universal discount schemes, such as the "single person occupancy" or the "severely mentally impaired" discounts, are intended to ensure that those who are eligible based on their circumstances have reduced rates of council tax payments. Ensuring appropriate discounts are applied to those who need them is a crucial tool available to Local Authorities in ensuring council tax payment rates are affordable and collection practices tailored to individuals' needs.

However, council tax discounts are not always adequately promoted, and this is not always in a manner that is accessible to people. A third (34%) of survey respondents were not aware of the discounts available to them.¹⁶ Eight out of ten participants (82%) reported their local council did not provide information on available discounts in their standard communications.

These factors combine to mean that people with mental health problems can often miss out on discounts for which they're eligible. Specifically, in the instance of the "severely mentally impaired" discount, available to people experiencing severe mental health problems, the language used to describe the scheme is outdated and alienating, meaning people do not always recognise that this discount may be available to them.

Application processes for discounts can also present an accessibility barrier to people. Applications for discounts are almost entirely online and can be too complicated for many people. Over a third (35%) of survey participants said that they found applying for a discount difficult.¹⁷

"[The] application form was very long and complicated. Could not do it in one sitting. I felt it was more complicated than it needed to be. I could see why people would struggle filling in the forms."
Expert by Experience.

Councils should make discounts easy to understand and apply for by:

- Simplifying the process of applying for discounts and deductions to make them more accessible, including through signposting in letters and online.
- Revising the language used to explain the criteria for discounts related to severe mental illness, to ensure the requirements for eligibility are transparent, easy to understand and non-stigmatising.

¹⁵ Money and Mental Health Survey of 204 people. Base for this question: 199.

¹⁶ Money and Mental Health survey of 204 people. Base for this question: 184.

¹⁷ Money and Mental Health survey of 204 people. Base for this question: 92.

Ensure opportunities to offer additional support are not missed

Local Authority collection practices are often not tailored to a resident's specific needs. Our recent national polling found that just 14% of people with mental health problems had ever told their local council about their mental health problem.¹⁸ Of those who did disclose their mental health problems to their local council, still over one in three (37%) people were not offered any additional support, such as being given longer to pay or signposted to organisations that can help, such as StepChange or Citizens Advice.¹⁹ This oversight in adapting collection practices to people's specific needs misses a vital opportunity to appropriately and effectively support people.

However, given that over a third (36%) of people with a common mental disorder have never received a mental health diagnosis,²⁰ we cannot solely rely on individuals to proactively disclose information about their mental health to collections departments in order to access additional levels of support.

Local Authorities should:

- create environments that encourage and facilitate people to share information about needs and difficulties, including their mental health problems - by ensuring that communications with residents are supportive and suitably curious about their difficulties keeping up with repayments.
- routinely proactively ask residents if they are experiencing any additional difficulties that impact their ability to keep up with payments.

Prioritise offers of support before the escalation of debt collection practices

Research Community members told us how council tax debt collection practices often escalate quickly, from missed payments to threats of court summons.

"[I] was initially told I'd be taken to court. Then a summons letter arrived (including further charges onto my bill), finally they agreed on a repayment plan which I had to lie about my income to get, just so that no further action was taken. I borrowed money from whoever and wherever I could just to make the payments." Expert by experience.

This swift escalation, particularly given the criminalisation of non-payment of council tax debts, can be experienced as frightening and punitive, and the stress and anxiety caused can exacerbate people's mental health problems.

"I just find it very stressful as a bill to pay because if you don't pay the implications. This does add to anxiety with bills etc." Expert by experience.

To prioritise offers of support before escalating debt collection practices, councils should:

- Offer affordable repayment plans as standard
- Commit to not using bailiffs to enforce the collection of debts where a resident is known or suspected to be experiencing a mental health problem

¹⁸ Online survey of 5,001 people with experience of mental health problems and 1,000 people without mental health problems. Conducted by Opinium, 25 June - 22 July 2021.

¹⁹ Online survey of 5,001 people with experience of mental health problems and 1,000 people without mental health problems. Conducted by Opinium, 25 June - 22 July 2021.

²⁰ McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

The experiences identified above detail how Local Authority collection practices are failing to meet the needs of people with mental health problems. In turn, exacerbating difficulties and risk people with mental health problems disengaging with collection practices at an early point. In order to protect people with mental health problems, collection practices need to change. In addition to these measures by local councils to improve the standard of debt collection practices, Central and devolved governments should:

- increase funding to Local Authorities to provide improved financial support to residents struggling with council tax payments
- create a central eligibility checker for core council tax reductions available universally and in each nation.

2. What examples are there of local authority best practice in respect of council tax arrears collection – and what has the impact of this practice been?

Several councils have excelled in providing a more tailored service to their residents that can help everyone, but the following have specifically introduced provisions that we believe can help people with mental health problems:

- Hammersmith and Fulham directly implement an “ethical debt collection approach” by working with families before they build debt.²¹ This has benefitted both residents and the councils: it aimed to stop families falling into unmanageable debt and has allowed the council to recoup a higher rate of council tax collections, amounting to £798,000 in two years.²²
- Salford allows people to check online if they are eligible for any support with council tax payments. It also puts in writing any steps that people need to take to get support and offers an option for people to change their payment dates.²³
- In Liverpool, if a bailiff employed by the council notices anything that indicates someone in debt might be vulnerable, the case must be closed and referred back to the council.²⁴
- North Lincolnshire and North East Lincolnshire councils have enabled debt advisors to shadow the council's revenue and benefits team so that they can get a broader picture of someone's financial position when considering how to approach them about council tax debt.²⁵

3. What is your assessment of the August 2021 government guidance on best practice for council tax collection?

The government guidance on best practice for council tax collection provides a good resource to local councils looking to reform their collection practices.²⁶ We were particularly encouraged by the focus on promoting the availability of discounts and exemptions, which are crucial to providing appropriate support to residents with mental health problems, and the focus on the effective use of existing data that authorities hold to make more suitable choices on debt recovery action.

²¹ Hammersmith and Fulham Council. Efficiency Through Fairness. 2019

²² Hammersmith and Fulham Council. Ethical debt collection. 2017.

²³ Department for Levelling Up, Housing and Opportunities, Council tax collection: best practice guidance for local authorities. August 2021.

²⁴ Department for Levelling Up, Housing and Opportunities, Council tax collection: best practice guidance for local authorities. August 2021.

²⁵ Department for Levelling Up, Housing and Opportunities, Council tax collection: best practice guidance for local authorities. August 2021.

²⁶ Department for Levelling Up, Housing and Opportunities, Council tax collection: best practice guidance for local authorities. August 2021.

However, at present, the government guidance misses a pivotal opportunity to protect people with mental health problems. Vulnerable groups are mentioned throughout the guidance, however, there is little consideration of what these vulnerabilities may be, and their impact on collections staff. Mentions of mental health problems specifically are minimal.

- The mental health crisis breathing space mechanism is referenced, but support for people with common mental health problems does not extend beyond this statutory instrument.
- The guidance continues to use the alienating and exclusionary language of “severe mental impairment” to identify residents for eligibility to additional support or exemptions, and to support collections staff making choices on how to engage with residents and what recovery methods to use. We recognise that Local Authorities may be using this language, but accurate and clear language would still ensure that all colleagues recognise the aim of the discount. It is disappointing that the Department has not used this opportunity of updating guidance to challenge outdated language and tackle the stigma surrounding mental health problems.

4. Do there need to be changes to the legislation on the recovery of council tax arrears?

Council tax legislation dates back to 1992. For council tax legislation to promote fair treatment of all vulnerable groups, including people with mental health problems, it must also be updated in line with broader debt collection advice, like the Consumer Credit Act 2006 (which includes legislation on appeals, tribunals and the Ombudsman)²⁷ and FCA’s vulnerability guidance.²⁸

Legislation still criminalises non-payment of debt

“Part VI. 47. On such application being made the court shall (in the debtor’s presence) inquire as to his means and inquire whether the failure to pay which has led to the application is due to his wilful refusal or culpable neglect”²⁹

Criminalisation of debt is outdated and fails to consider the factors that lead to non-payment. For people with mental health problems, the term “neglect” could refer to not reading communication due to being unwell or being unable to cope with financial admin tasks such as opening letters, paying bills and negotiating service charges. While people with a severe mental illness will likely not be assumed to have committed “culpable neglect”, we don’t always know when we are ill. With this in mind, many people are at risk of being assumed responsible for “culpable neglect” by courts when feeling unwell.

“Every letter I receive from them has the ability to shut me down, I panic and fret over it for days and weeks” Expert by Experience.

Losing the right to pay in instalments makes it harder to keep up with a payment at all

“Part V. 23. Where the demand notice is issued between 1st January and 31st March in the relevant year, the aggregate amount is to be payable in a single instalment on such day as is specified in the notice.”³⁰

²⁷ Consumer Credit Act 2006.

²⁸ FCA. Finalised guidance FG21/1 Guidance for firms on the fair treatment of vulnerable customers. 2021.

²⁹ Council tax regulations 1992.

³⁰ Council tax Regulations 1992.

Instalments can provide a lifeline for many people, but council tax legislation removes the opportunity to pay by instalment if a person misses a payment. This can harm people with mental health problems. Our recent national poll found that 15% of people with mental health problems had missed at least three payments on one bill, compared to 4% of people without a mental health problem.³¹ Legislation needs to begin to take into account the needs of people with mental health problems in order to provide more flexibility. This would ultimately help to protect people with mental health problems before they are threatened with prison time or bailiffs.

These changes to legislation would make a start in removing the barriers that people with mental health problems face when accessing essential services provided by local authorities. Without this, they face an injustice that can have severe long-term consequences.

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³¹ Bond, N and D'Arcy, C. *The State We're in: Money and Mental Health at a Time of Crisis*. Money and Mental Health Policy Institute, 2021.