

## **Appendix 2 - Acorn submission with Council comments *in italics***

### **Why Manchester City Council Should End Bailiff Use**

Please see testimonies at the end of this document from people living in Manchester who have experienced the harsh realities of bailiffs being sent to their homes. This report acknowledges the new guidelines for Council Tax recovery as part of its Anti-Poverty work adopted by the Executive on 28th June, following the report from the Head of Corporate Revenues, Charles Metcalfe. We welcome these positive measures and hope that they dramatically reduce the number of bailiff referrals made by the council and show a department willing to put the welfare of the city's residents at the core of policy making. We particularly welcome the acknowledgement that pushing residents into debt and poverty is a false economy for local authorities. ACORN are also working together with the council to review the wording/layout of letters.

#### **1. Background**

£5.5 billion of Council Tax arrears have built up in England alone. The latest cost of living crisis hitting households at the same time as rising Council Tax (4.99% in Manchester) now risks a dramatic increase in the use of bailiffs to collect growing arrears. We understand that Manchester City Council are under severe financial pressure after more than a decade of central government cuts and rising demand for services. We also recognise that local authorities have limited options when it comes to Council Tax collection. **However, there is no evidence that stricter enforcement measures, including bailiff use, lead to increased collection rates.**

*The basis for this is a report by Paul Howarth published in Policy Practice, however, the only mention of Bailiffs in this article just notes that enforcement action after a Liability Order is obtained can include action by Bailiffs. The key findings are that collection rates are affected by relative deprivation and the generosity of a Council's CTS scheme.*

Bailiff action is a distressing experience that exacerbates the debt and poverty affecting people struggling to keep up with Council Tax payments. Pushing residents into debt and poverty is also a false economy for local authorities. As a result of bailiff enforcement, residents can become unable to make Council Tax contributions as well as seeking discretionary and housing support for years into the future.

Council Tax income makes up a smaller proportion of Manchester City Council's overall revenue compared to other local authorities. On average, local authorities receive half of their funding through Council Tax collection, for Manchester City Council that figure is around 30%. This means that the local authority is less exposed to fluctuations in Council Tax collection rates.

In year collection rates for Manchester City Council were around 90% in 21-22, down from the pre-pandemic level of around 93% in 17-18 and 18-19. Collection rates

were higher in 20-21 than in 21-22, despite a pause in cases being referred to enforcement agencies.

*This is correct, but arrears collection, where most EA activity is concentrated, was £6.4 million in 2020/21 and increased to £9.1 million in 2021/22.*

### **Bailiffs make Manchester poorer.**

The fees incurred by a Manchester resident that has gone through the whole of the enforcement process could be more than £644.50. Half of Citizens Advice clients currently seeking debt advice have a negative budget, meaning their necessary expenditure on essentials outweighs their income. The average person they help with debt advice used to have £19 left over each month after paying for their essentials. Now, they have an average shortfall of £28 per month. It is therefore impossible for the average highly indebted person to pay back any Council Tax arrears safely, with court action just pushing them further into destitution and despair.

*Fees of £644.50 are only added if a resident goes through all the recovery stages and has goods removed, which is very rare. Around 50% of debt recovered is done so at the compliance or pre-compliance stage incurring £75 or zero fees. Residents who are struggling to pay their Council Tax and contact the Council are offered a range of solutions that can prevent cases escalating to EAs, including writing off the most recent set of summons costs.*

In Manchester, people of working age with no 'excess income' are still required to pay 17.5% towards their Council Tax bill. This is simply impossible and creates a conveyor belt of people being pushed into arrears. Whilst residents in receipt of maximum Council Tax Support are exempt from bailiff action in Manchester, those on less than the maximum are not. Residents may also not be receiving the maximum support they are entitled to. Paying back Council Tax arrears debts often leads to agonising choices for people in debt about whether to prioritise repayments over heating or food, or whether to borrow from high-cost lenders or illegal loan sharks to survive. The Trussell Trust recently reported that Council Tax debt pushes many people into destitution, leading them to food banks.

*The Trussell Trust report quoted concentrates on Central Government debt and Council Tax debt is only mentioned in passing. Their recommendations all relate the Social Security system other than saying that the principles of clarity, flexibility and respect should be at the core of debt collection policies.*

## **2. A false economy**

Over-indebtedness incurs considerable social and economic costs, many of which fall on local authorities. These severe financial pressures contribute to relationship breakdown, poor health, including mental health<sup>1</sup> and loss of housing<sup>2</sup>. They can also harm debtors' employability<sup>3</sup>, reduce their productivity at work<sup>4</sup>, and affect the welfare of their children<sup>5</sup>. At its most severe, over-indebtedness can also be a contributory factor in suicide<sup>6</sup>. In 2018 the National Audit Office estimated that 7:

- Roughly one in every twelve over-indebted individuals will experience mental health problems such as anxiety or depression, with each of these creating a direct additional cost for health services of around £300 per year.
- When factoring in additional costs arising from mental health problems caused by over-indebtedness, such as costs for social care services and knock-on impacts on employment, the amount rose to £11,100 per person per year.
- A further three percent of over-indebted individuals will also be more likely to move into, or remain in, state-subsidised housing, creating additional costs of £9,739 per year.

Using these costings and applying them to the 22,933 cases that were sent to enforcement agencies in 2021/2022 in Manchester we calculate the impact of Council Tax debt could have been £6.9 million in additional public service costs, this far outweighs the £3.7 million collected from residents who had not engaged with the Council between September 2018 and September 2019 (below).

	% of residents impacted	Number of residents impacted	Cost	Total costs
Additional Mental Health Crisis Support	0.08%	19	£300	£5,710
Additional Social Care/Employment Support	0.08%	19	£11,100	£211,282
Additional Housing Support	3%	688	£9,739	£6,700,335
Totals				£6,917,327
Enforcement Case Referrals 2021/2022	22,933			

*The figure of 22,933 used by ACORN refers to the number of annual debts referred to EAs. However, these related to 8,459 actual households, meaning the figure of £6,917,327 is nearly three times higher than if the correct figure is used. There is no doubt that over-indebtedness can have a major impact on a resident's mental health. However, the report identifies around £18 billion owed to Central and Local Government and utility providers of which around £3 billion is Council Tax arrears, much of which is not passed to EAs. To argue that passing cases to EAs is the only factor that impacts a resident's mental health and results in up to £6.9 million in additional public service costs is tenuous.*

### **3. On the “issue” of non-payment when people can afford to pay.**

During this campaign, we have heard members sitting on the council executive as well as members of the governance and scrutiny committee make the claim that

bailiffs make sure that people pay the debts. We have also heard arguments amounting to “if we do not have the threat of bailiffs in our back pockets, people will stop paying their Council Tax entirely”. We do not know where these claims come from as we have never seen any evidence to this effect. In fact, from speaking to members of the public as a part of our campaign, we found that over 50% of people did not know that the council passes on accounts to Enforcement Agents. If the above claim were true, the council would expect most people to not pay their Council Tax. The general public understands, as we at Debt Justice and ACORN do, the importance of Council Tax to provide local services.

*Most Manchester residents pay their Council Tax without question and never have to think about what happens when they do not pay. By the time a resident has their account passed to EAs they will have ignored a reminder, a summons and two letters warning of a visit by an EA. Once the case is with an EA company and they start to make contact warning of the real possibility of an EA visit they recover between 41% and 47% of the total that they collect.*

We have also spoken to debt advisors, who echo this.

Tim Nelson, a member of Greater Manchester Money Advice Group said:

“I have been a debt adviser for about 22 years and I cannot recall any client who had the ability to pay but refused to do so. They do not pay because they are not given the opportunity to, a payment arrangement that means you cannot afford to eat is not an opportunity to pay.”

*With due respect to Mr Nelson, people who are able to pay their Council Tax but actively try to avoid their responsibility do not seek debt advice. Work with HMRC data recently identified 90 clients earning over £40,000 and up to £200,000 pa who owed £490,000, none of which EAs had been able to collect.*

From the council's own data however, we have seen that Enforcement Agents are only able to recuperate 14% of debts passed on in 2021/22 and 16% 2022/23, showing that they are not an effective method of collecting debt in the first place.

#### **4. New guidelines for Council Tax recovery**

The council set out new guidelines for Council Tax recovery in June 2023 to mitigate the impact of the cost-of-living crisis. This includes:

- Increasing support through the Discretionary Council Tax Payment scheme until at least March 2024.
- Giving residents in Council Tax arrears the ability to spread re-payments over two years, rather than one.
- Implementing a less formal local ‘breathing space’ scheme to give residents in arrears the ability to pause collection activity whilst they seek debt advice and local authority support to stabilise their finances.
- Reviewing the Council Tax Support scheme before 2024/5, which will consult on increasing the maximum amount of support available to residents from

82.5% of the bill. Best practice in preventing poverty and arrears is for local authorities to offer up to a 100% reduction.

We welcome these positive measures and hope that they dramatically reduce the number of bailiff referrals made by the council. We particularly welcome the acknowledgement that pushing residents into debt and poverty is a false economy for local authorities. The council's analysis of new guidelines states "in some cases the payment plans may actually support a higher ultimate collection rate as well as providing support to residents."

Despite this acknowledgment, the council continues to use bailiffs to collect Council Tax. Every referral to bailiffs is a social policy failure and we would encourage Manchester City Council to be bolder.

Bailiffs are financially incentivised to recover debts and are therefore badly placed to assess the vulnerability of residents. The code of practice does not give sufficient protection to residents because poor enforcement practice is widespread. An estimated one in three bailiffs break the rules - bailiffs enter people's homes (sometimes with children inside) before six am or after nine pm, seize possessions from the wrong people, use force to enter and intimidate, often causing trauma in the process.

The council has an opportunity to show ethical leadership and set an example to local authorities around the country by working with residents to find alternatives to using bailiffs to collect Council Tax arrears.

### **Recommendations**

We encourage members of the committee to support the following recommendations at the meeting on 7th September:

- This committee acknowledges the difficulties faced by people with lived experience of debt across Manchester
- This committee acknowledges the work of Debt Justice and ACORN in supporting people from across Greater Manchester with lived experience of debt
- This committee recommends that the Council's Executive initiates a review into the best way to ethically support people experiencing Council Tax debt with methods that are financially inclusive and no longer include bailiffs as a way to recover debt to be presented within 6 months

For more information contact Richard Dunbar, [richard@debtjustice.org.uk](mailto:richard@debtjustice.org.uk) or 07712476128. About Debt Justice (Formerly Jubilee Debt Campaign):

1 Richardson, T, Elliott, P. Roberts, R. (2013). 'The Relationship Between Personal Unsecured Debt and Mental and Physical Health: A Systematic Review and Meta-analysis'; Gathergood, J. (2012). 'Debt and Depression: Causal Links and Social Norm Effects'.

2 Providing help to people debt problems is a common element of homelessness prevention strategies in many countries. See, for example, Gaetz, S. & DeJ, E. (2017), 'A New Direction: A Framework for Homelessness Prevention'. Canadian Observatory on Homelessness, Toronto..

3 Gibbons, D. (2010). 'Out of Work and Out of Money: A study of financial inclusion and worklessness in Manchester: how to improve support for people with money problems to obtain and sustain employment'. Manchester City Council.

4 Joo, S. & Garman, E.T. (1998), 'The potential effects of workplace financial education based on the relationship between personal financial wellness and worker job productivity'.

5 The Children's Society & StepChange (2014), 'The Debt Trap: exposing the impact of problem debt on children'.

6 See Financial Times: Problem Debt and Suicide - Money and Mental Health

1. See above

## **Testimonies from residents**

### **Resident 1**

"When I was in my early 20s I had a car, now I'm going to sound like my wife, I can't remember what make it was, just that it was red, and I needed to top up the radiator every time I used it just to get from A to B. I was living on my own after dropping out of uni, I didn't have a job and was trying to figure out what and who I wanted to be. I found myself getting into some debt with a few bills, and I was unable to pay my Council Tax. I felt I didn't have anyone to turn to, I didn't know who could help me. I couldn't speak to my parents. I'm from a small town in South Yorkshire, and they weren't in a position to help me, and if I'm honest...I was embarrassed. I wanted them to be proud and see that I could go it alone, so instead I did what any other 20 something in my position would do, I ignored it! I grew up in Thatcher's Britain, I was 7 when she came to power and 18 when she left, what followed was more of the same. I remember the miners strike, privatisation, poll tax and cuts to public services across the board. Things were hard, I'm sure those who are old enough out there will remember, jobs were hard to find; I was no different. So, when I came home to find a handwritten note on my car saying bailiffs were coming to take the car, and things from my house unless I called them... I had no idea what my rights were. When 2 blokes came round and started sizing up my furniture, I had no idea that I could refuse to let them in, that I had rights, and people I could go to for help. They asked me to prove I lived alone, as they went upstairs and started opening draws and wardrobes in my bedroom. This encounter that happened 30 years ago with bailiffs impacted the way I handled... handle money now, I have severe anxiety when dealing with bills, and for a long time found it impossible to face."

### **Resident 2**

"A few years ago I was visited by a bailiff. I asked "why are you here". He said that I needed to pay £600. I asked what for and he said it was because I was late on my Council Tax payment by two days. He said the £600 was the payment for the rest of the year. At the time I was operating a childminding business. I was not happy because the visit happened when other people's children were on my premises. He had his camera on and I asked for it to be turned off because of the children. I then said this is not fair because I usually never miss a payment. I asked what will happen if I refuse to pay? The options were: they collect items from my house to sell or I would be arrested. I said neither of those make sense. I said if you take things like my laptop and TV I will not be able to look after the children because these are resources to teach the children. Secondly if you arrest me I will get a criminal record and will be unable to work with children or get certain jobs so I wouldn't be able to pay my Council Tax then. He then rang the office to set up installment payments but they refused. I didn't know what to do. I then rang my brother and he loaned me the

money. I paid and he left. At the end of the month I had to pay my brother back therefore I had to live on £600 less.”

### **Resident 3**

“Two years ago, I found myself being unable to pay my Council Tax bill on time and missed a payment. I got a letter and paid for it when I could. The reality was, I just didn't have the money for it. I'm not eligible for any benefits, don't qualify for any support but the reality is that I am living month to month. On this specific month, I had got an electricity bill that was surprisingly high and the kids were going back to school. I needed to make the hard decision on what to prioritise and decided that the kids needed their uniforms. I contacted the council and restructured my payments and had them go from paying over 10 months to a 12 month payment option. A few months later, I was unable to pay my Council Tax on time again. I didn't plan to not pay it, I just didn't have the money available. I thought I would be able to catch it up later when I did have the money. The council took my case to court and I wasn't informed. I only found out when the next yearly bill came in informing me that my account had been passed on. This is when the bailiffs came out. It was really frightening. They put chains around the car and added on charges on top of what I owed. It's made things more difficult. They told me I couldn't set up a payment plan and had to pay straight away. I didn't have the money so had to put it on my credit card. I had to pay off my debt by taking on more debt. When I was dealing with it and reaching out it felt like what I was told over the phone wasn't what was actually happening. I only got one letter reminder the first time. It was very shocking, I needed a bit of space, some better support and more understanding. I'd like to see the council treating people with more kindness. I would have paid it the next month. If my electric company were able to support me, why can't the council?”

### **Resident 4**

“6 years ago, I was in a houseshare with two other people. I set up a direct debit and paid my part of the bill, I was also getting Council Tax Support to pay the bill because I was claiming PIP. I didn't know this but the other two were not paying their share. The council had been trying to find them for years but couldn't so now I've been made liable for the whole bill. Because I'm the only one they can get in contact with, I'm having to pay. Whilst I was trying to speak to the council and argue against being charged this bill as I had paid my portion, my case was sent over to the bailiffs. The bill went from £273 initially and I'm now being charged over £600. My account has been passed on to debt collectors to make it bigger and now it's being taken out of my earnings. I'm in temporary accommodation at the moment, with someone else's bill being taken out of my Universal Credit. I've been using food banks. I really tried my best to deal with this, a bill that I had tried to keep on top of. I just feel that the council should be taking into consideration people who are trying. The bailiffs were absolutely useless and I can't believe how much they added on. At the end they had to pass my case back to the council because I was in temporary accommodation with other people who are vulnerable, but the extra charges haven't been taken off and I'm still paying them.”

### **Resident 5**

“I fell into arrears with my Council Tax at my previous address years ago when I was diagnosed with cancer and we had a family crisis. I got in contact with the council after I moved, a few years later, trying to make a repayment plan and get back on top of my finances. Instead of agreeing to a payment plan that I can afford, the money is being taken out of my salary every month. I’ve been using foodbanks because the payments are so high, they also aren’t consistent month to month and I’m never able to budget for the month. I don’t know what I’ll be left with once the Council Tax payments are taken from my wage. I’ve never been given a breakdown of the full amount I owe and every time I’ve tried to get a payment plan that I can afford, I’ve been told that isn’t possible. It’s all got so much that I find it hard to open letters about bills, find it hard to talk to someone over the phone about this because it causes me so much stress and anxiety but have been told that I can’t resolve this over email. I’ve tried to explain how hard I find it to speak to someone over the phone but keep getting told this means I’m not engaging with the council. The stress from this has got so much that I have considered ending it all before. I’ve had to take leave from work and the payments are still coming out of my statutory sick pay. It’s been really difficult to live with and I’ve been having to rely on the “Bread and Butter Thing” to get food and it’s meant that I’ve had to set up a payment plan to pay back my supported accommodation, because I’m now in arrears with my housing.”