Written evidence from StepChange Debt Charity

Summary

The increases to Court and Tribunal fees announced in Cm. 9123, "Court and Tribunal Fees", published on 22 July 2015, and the further proposals for introducing or increasing fees included for consultation in Cm. 9123 will:

- Reduce access to justice for individuals in problem debt seeking to vary or set-aside a County Court Judgment (CCJ), suspend enforcement or suspend a warrant of possession.
- Force individuals in problem debt to take out further credit, such as a payday loan, to suspend enforcement or suspend a warrant of possession. Six in ten of our clients that do not get the help they needed from their creditors (such as reduction of enforcement action) on to take out more credit to try to cope with their debt problems\(^1\).
- Increase the number of Court actions by mortgage lenders and landlords that could result in increased mortgage repossessions and landlord possessions across the UK. In the first half of 2015 there were 10,492 mortgage possession claims issued, of which 3,401 were suspended (32.4%). We can see therefore the Court has an important role in keeping people in their home. If people cannot apply to Court for protection in these circumstances the number of repossessions may rise.
- See possession costs passed directly to the borrower.

Key figures

- With the fee for an application without notice or by consent increased from £50 to £100, only 20.1% of StepChange Debt Charity clients (families struggling with problem debt) with a CCJ, will be able to find the money to vary a judgment, suspend enforcement or suspend a warrant of possession.
- With the fee for an application on a notice which is contested increasing from £155 to £255, only 8.5% of our clients will be able to find the money to apply to set-aside a CCJ.
- On the basis of income, analysis of our clients estimates that between 36.4% and 55.5% may not be eligible for full or partial fee remission.
- Our clients with a CCJ:
  - Have an average unsecured debt of £15,949.
  - 21% are single parents.
  - 21.5% have electricity arrears.
  - 21% have gas arrears.
- Problem debt already results in an £8.3bn social cost to the UK. We are concerned that the effect of Court fee increases will mean this existing £8.3bn cost could significantly increase\(^{\text{ii}}\).
StepChange Debt Charity

1. StepChange Debt Charity is the largest specialist provider of free, independent debt advice operating across the UK. In 2014 over 23,000 people who were advised by the Charity had at least one County Court Judgment (CCJ).

Response

2. At the end of 2014 we were helping 175,000 clients repay over £350 million in debt. Our clients have taken a tough decision to seek advice on tackling their debts. With our help many people can arrange sustainable and an affordable debt repayment, which helps them avoid enforcement action.

3. However, some creditors will not work with customers to agree an affordable repayment plan and proceed with unnecessary enforcement, making it more difficult for families to repay their debt sustainably. A third (32%) of our clients with credit debts said none of their creditors helped by freezing interest, charges or enforcement action. Some creditors will seek to circumvent other organisations in order to recover money more quickly, even if this leads to families being pushed into deeper financial difficulty or losing their home.

4. The increase in Court fees will prevent indebted families across the UK seeking to vary or set-aside a CCJ, suspend enforcement or suspend a warrant of possession after creditors defecting from an agreed repayment plan take legal action. This has severe consequences for families. A survey of the charity’s clients found that 47% of respondents said they had visited their GP as a result of mental or physical health problems caused by their debts. A further 6% said they had visited hospital and 5% had visited Accident and Emergency.

5. Our clients already have great difficulty in finding the money to vary or set aside CCJs. For these clients the increases in Court fees proposed (the increase from £50 to £100 for an application without notice or by consent and from £155 to £255 for an application on a notice which is contested) will make it even more difficult for them to access justice.

6. In the short term, we are concerned it will either mean people in problem debt will not be able to apply for the protection of the court or take out short-term, high-cost credit, such as a payday loan, to suspend enforcement or suspend a warrant of possession. Six in ten of our clients that do not get the help they needed from their creditors went on to take out more credit to try to cope with their debt problems.
7. In the longer term it may lead to increased mortgage repossessions and landlord possessions across the UK and then possession costs passed directly onto struggling families.

8. Based on analysis of our client base we can estimate the effect of the fees changes, before taking into account fee remission (on the basis of income, analysis of our clients estimates that between 36.4% and 55.5% may not be eligible for full or partial fee remission):

   a. Prior to the increase in Court fees only 28.8% of our clients with a CCJ would have been able to find the money to vary a judgment, suspend enforcement or suspend a warrant of possession (£50). With the fee increased from £50 to £100, this has reduced so that only 20.1% of these clients will be able to find the money to vary a judgment, suspend enforcement or suspend a warrant of possession.

   b. Furthermore, prior to the increase in Court fees only 14.3% of our clients with a CCJ would be able to find the money to apply to set-aside a CCJ or suspend a possession order (£155). With the fees increasing from £155 to £255, only 8.5% of these clients would be able to find the money to apply to set-aside a CCJ.

9. Problem debt already results in an £8.3bn social cost to the UK. In 2014, there were 700,000 consumer CCJs in the UK worth £1.6bn. In the same year, there were 21,000 repossessions of mortgage property and in 2013 there were 170,453 landlord possession claims. If these Court fee increases go ahead, the number of people facing these actions who may not be able to avoid facing the eventual loss of home or income may increase, resulting in a high long-term cost to the UK government. The existing £8.3bn cost could significantly increase. Of our clients, 60% said that their financial situation had stabilised once all of their creditors agreed to freeze further interest, charges and enforcement action. But no one said their financial situation had stabilised in cases where none of their creditors had agreed to give them this help.

10. We have further analysed the financial position of our clients who have a CCJ to illustrate this problem. These clients:

   a. Have an average unsecured debt of £15,949.
   b. 21% are single parents.
   c. 21.5% have electricity arrears.
   d. 21% have gas arrears.

11. We are disappointed that the Ministry of Justice has failed to respond to these concerns and would urge the Justice Committee to re-examine how these
increases will affect families in or on the edge of problem debt and do more to mitigate the effect.

30 September 2015

i StepChange Debt Charity (2015), Safe Harbours
ii StepChange Debt Charity (2014), The £8.3bn challenge
iii StepChange Debt Charity (2015), Safe Harbours
iv StepChange Debt Charity (2015), Statistics Yearbook 2014
v StepChange Debt Charity (2015), Safe Harbours
vi Ibid