

## Briefing Paper

### **The child welfare implications of problem debt**

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The Centre for Responsible Credit was recently commissioned by the Children's Society to review the literature concerning the impact of debt problems on child welfare. This briefing paper sets out our main findings.

Families with children generally take on higher levels of credit commitments relative to income than is the case for other household types because of the additional costs associated with meeting the needs of their children and the constraint that bringing up children places on the ability of some parents to undertake paid employment. They are therefore more vulnerable to income and expenditure shocks which subsequently create debt problems.

It is important to recognise that the specific impacts of debt on children in any individual household will vary according to the severity of financial difficulties within the household; the duration of these; and the coping strategies employed by parents and children themselves. Nevertheless, the review identifies that the child welfare implications of debt problems fall into three broad types: negative financial effects; disruption effects, and

emotional or psychological effects. In some cases, these will contribute to poor long-term outcomes and incur significant costs for society.

### **Negative financial effects**

The debt burdens of low income families often result in them cutting back on essential expenditure, including in respect of food and fuel. The extent of spending reductions can be significant and cause some families, who would otherwise not be considered to be in poverty on the basis of income measures alone, to experience poverty-level living standards.

The extent to which living standards are reduced for children in any individual household will depend on the specific coping strategies employed by parents. However, the literature provides some insight into the types of welfare effects experienced by children. These include:

- Going to school hungry, causing them to lack concentration during lessons;
- Living in overcrowded conditions, (which affects the ability of children to find quiet space to undertake homework);
- Missing out on holidays, school trips, and other social events; and
- Having fewer new material possessions, including clothing, than other children.

### **Disruption effects**

Household debt problems are also likely to increase the risk that children's lives will be disrupted. This is particularly so following a housing repossession, which can disrupt education as well as family and friendship networks. With the recent increase in landlord

evictions and the use of bed and breakfast accommodation for homeless families, the number of children affected in these ways is likely to be considerable.

Families which attempt to maintain their children in their existing schools following a move to temporary accommodation also face considerable challenges, especially if the accommodation provided is outside the local area, with the time spent travelling longer distances to school and cost of transport often resulting in late attendance or absenteeism.

Disruption to children's lives also occurs where debt problems contribute to relationship breakdown and there is a reduction in contact with the non-resident parent. Even where contact is not completely lost the child may have to cope with frequent moves between parental homes.

### **Emotional/psychological effects**

The lower living standards and disruption to children's lives caused by debt problems can affect their emotional and psychological well-being. The degree to which this occurs and how to best mitigate against it requires further research. Much appears to depend on the specific attitude of children themselves, and the way that financial problems are managed, or not, within the household. The financial skills and confidence of parents to talk about money problems and engage practically with their children in managing the budget has been found to be important in shaping their future behaviours.

However, it is clear that many parents struggle to deal effectively with their financial problems. Whilst the link between debt and mental health problems in adults has been the subject of a great deal of recent research, the way in which children are affected by the deterioration in the mental health of their parents has been largely overlooked. Similarly

there is a need to consider how children are affected by parental conflict over money and debt issues.

Debt problems can also have a direct emotional impact on children, which is sometimes hidden from their parents. Although children in debtor households often feel upset at missing out on things that their peers may enjoy, some try to help reduce stress for their parents by limiting what they request from parents.

The disruption effects noted above are also likely to have significant secondary psychological impacts on some children. For example, moving home and the loss of important friendships can affect confidence and educational performance, and being a new child in school has also been associated with an increased likelihood of becoming a victim of bullying.

Finally, more needs to be understood about the potential emotional impacts on children of the use of bailiff action by creditors.

### **Recommendations**

The long-term impacts of debt problems for children include lower levels of educational achievement, greater social exclusion, and limited aspirations. These present a significant cost to society, although the extent to which long-term damage results is dependent on the specific 'secondary effects' of debt problems that children experience and the duration of these. Future research to quantify the number of children affected by the rise in household financial difficulties and the social costs that are resulting would therefore be extremely valuable. However, it is also possible to make some initial recommendations based on the current evidence base.

Specifically, these are:

- For county courts to be required to consider child welfare issues when dealing with housing repossession;
- For the credit industry to ensure that debt management plans provide families with children with a reasonable standard of living and develop protocols to ensure that the impacts of enforcement action (including the use of bailiffs) on children have been properly considered prior to their use.
- For local agencies to consider debt problems and their impact on children within their Safeguarding Children strategies.

A copy of the Children Society/Stepchange (2014) report on *The debt trap: Exposing the impact of problem debt* on children is available here:

[http://www.childrensociety.org.uk/sites/default/files/debt\\_trap\\_report\\_may\\_2014.pdf](http://www.childrensociety.org.uk/sites/default/files/debt_trap_report_may_2014.pdf)

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