



When Times Are Tough:

Four families' stories

Living with disability, coping financially: the story of Nick's family (Newcastle)

Balancing the budget as a lone parent: the story of Karen's family (London)

Coping with redundancy: the story of Anna's family (Glasgow)

Paying a premium for poverty: the story of Sophie's family (Nottingham)

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The Institute for Public Policy Research (ippr) is the UK's leading progressive think tank, producing cutting-edge research and innovative policy ideas for a just, democratic and sustainable world.

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Background: the consumer spending and debt case studies

ippr has examined how 58 low-income families manage their day-to-day finances. The innovative research, which took place in London, Newcastle, Nottingham and Glasgow in 2008–2009, has provided insight into the pressures that many low-income families face as they struggle to balance their income and expenditure.

We are publishing four case studies from the research to illustrate the impact of broad social and economic trends at household level and share knowledge and data. Each case study has been chosen to provide an individual family narrative around poverty and the economic crisis. They focus on:

- **Living with a disability** – how one family in Newcastle is coping after an accident left the main breadwinner disabled and unable to work. (p3)
- **Lone parents and low pay** – why employment has not been a route out of poverty for one lone-parent family in London. (p6)
- **Redundancy** – how redundancy has dramatically changed the financial circumstances of one household in Glasgow and its impact on daily family life. (p9)
- **The poverty premium** – perceptions of the current financial crisis through the eyes of one family in Nottingham and how this affects the premium low-income families pay on essential goods and services. (p13)

All names in this report have been changed.

Living with disability, coping financially: the story of Nick's family

Families that include an adult with a disability are more likely to be living in poverty than families with no disabled adult. This case study examines the impact of disability on one family, from Newcastle.

The family's story

Nick is 42 and lives in Newcastle with his wife Alison and their two children, Jack (12) and Grace (6). In 2007, Nick had a bad fall at work that injured his back to the extent that he is in constant pain and can no longer work. Despite many operations, there has been no improvement to his condition and he has been told by the doctors that there is nothing more they can do. Nick takes morphine daily and attends a pain clinic. He recently began a course of acupuncture which he hopes will help to alleviate his pain. Nick has very limited mobility.

Nick's accident has had a huge impact on his family and they are now struggling to pay their mortgage. Nick also feels he has not been given all the information about the benefits he is entitled to. He would like support to help him find work that is suitable for his needs.

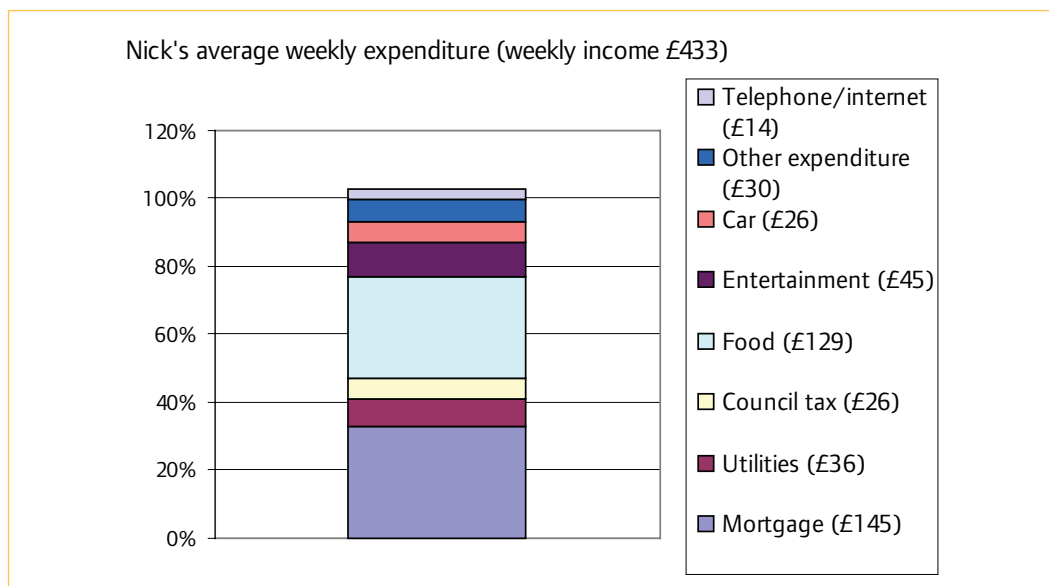
Nick's wife Alison works part time at a department store. She is unable to increase her hours because she needs to collect the children from school, and Nick had been unable to drive since his accident. Despite some redundancies at the store, Nick feels that his wife's job is secure. She has, however, recently had her hours cut back and she can no longer work any overtime or unsocial hours. This has impacted on the family's income and they have had to tighten their belts.

Managing the family finances

Nick is in charge of the household's finances and makes the spending decisions. Together with his wife, they try to plan for events such as school holidays and birthdays.

Nick's limited mobility has led him to choose a current account that he can access through his local Post Office. He uses direct debits to pay for his bills and mortgage, but for everything else he uses cash. He does this because he finds it easier to keep track of his spending. Nick avoids using debit and credit cards and does not have an overdraft as he considers them a 'waste of time'.

Nick budgets very carefully and keeps a strict record of his expenditure. He likes to account for every penny. Because he is in receipt of benefits, the family's income is fairly steady. However, these benefits have not increased with the cost of living, making it more difficult



for Nick. His utility bills, food shopping and council tax have gone up, leaving the family with less money leftover at the end of the month than before.

The family have an average income of £433 a week. As the graph demonstrates, the biggest expense is the mortgage which costs £145 a week, a third of their income. Paying the mortgage is the family's biggest priority and a constant struggle. They are currently in arrears.

Nick's family spend just under a third of their weekly income on food. Nick has found coping with the rising food bill a struggle and the family has changed their shopping habits. They no longer do a big shop at the supermarket, but buy fresh food daily at the local shop and make meals for the children from scratch, to avoid wasting food. Nick tries to take advantage of special offers but also is wary of buying items that they do not actually need. He has been trying to plan meals in advance to keep the costs of food down.

Savings in a jar

The family are currently spending more than their income, have spent all their long-term savings and do not feel that they are able to save except for specific occasions such as Christmas. They deposit their small change in jars over the year to save for Christmas. However, Nick finds saving for Christmas quite depressing as it's just a continuous cycle year on year:

You've saved up so you had that little bit of money but then you're just flat, you have got nothing... you've got to start again.

They have been lucky this year because Alison received a bonus in gift vouchers as a reward for working at the same company for 25 years. They used the vouchers to help with the cost of Christmas. Nick has also managed to spend less on Christmas than in previous years, by taking advantage of buying items in the sales. But they are already worrying about Christmas next year.

The family feel they are never really able to put significant amounts of money aside, as something always seems to come up. Before Nick's accident, Nick and Alison saved for years, but all their savings have since been spent paying their mortgage. Nick tries to put aside £25 each month in case things go wrong, such as the computer breaking, or in case Nick needs to get a taxi to the hospital. He would really like to have some savings so they could go on holiday and have something set aside in case of an emergency. They are planning to save regularly each month by setting up a direct debit into a savings account.

Nick does not use credit. He relies on his family when he needs to borrow money. He did use credit in the past, but as he is no longer working has lost access to his credit facility. Nick owes some money on his credit card, but he has negotiated an agreement with the credit card company and he is currently paying back what he can afford. The high rates of interest have left Nick disillusioned with using credit and the recession has sharpened his cynicism towards the banking industry:

I've had them before, you're bleeding, knackered... they kill you, don't they ... swines. That's how I don't understand these banks and... Northern Rock and stuff like that, being bailed out and they get paid, they get bonuses, how can you get bonuses when it's their fault?

This distrust with banking institutions was a common theme from the research. The current economic climate has bred suspicion and a feeling of injustice, heightened by the disparity between bankers' bonuses and government bailouts. This has led people to question the rationale for such high rates of interest and many families were feeling increasingly distanced from mainstream financial institutions.

The impact of disability on the family

Nick feels the family have not received the support they should have since his accident, and is still not sure whether he is receiving all the benefits he is entitled to:

You get no help... You don't find out about anything, you've got to find out for yourself, like filling in forms or what you're actually entitled to... Two years went past and I didn't claim or anything.

This feeling has been compounded by Nick's negative experiences with the Jobcentre. A year and a half ago, Nick was taken off incapacity benefit and had to attend meetings at the Jobcentre, which he found difficult:

I had to go the Jobcentre. [I said to them:] 'I've got a six months sick note from my Doctor, how can I sign on? I can't be actively seeking work.' They said if I didn't sign it I didn't get any money. I didn't agree with that because I didn't want to lie. I thought it was ridiculous... I'm not actively looking for work, am I? I'm taking 200mg of morphine a day, I can't work.

Nick contacted his local MP who was able to resolve the issue, and he is no longer considered to be 'actively seeking work' by the Jobcentre. Nick found this experience frustrating, particularly as he would like to find employment, but feels he has not received adequate support in finding work that was appropriate for his needs:

They're complaining about the number of people on incapacity [benefit] and all that, there must be something that they can do ... simple jobs or whatever or re-train them or something. I don't know what there is out there.

Nick is concerned that unless he is able to find work, the family will be unable to survive financially:

I'm very pessimistic about the future... [we're] just completely kaput... unless I do something about it.

This has increased his desire to retrain or find a job that enables him to work from home.

With Nick being unable to work, the family have had to adapt to a different lifestyle. The family cannot afford to spend much on Christmas or day trips and holidays are completely out of the question. Nick finds this really hard and hates that the children do not get as much as their friends do. He feels guilty that he can only afford to buy the children presents when they are in the sales and thinks that advertising puts pressure on parents and children to spend more than they can afford, particularly around Christmas.

Although the children understand that they cannot afford to go on holiday, Nick finds it very upsetting:

We used to go to Centreparks ... for his birthday and her birthday but we can't go [now]. My daughter can't even watch the adverts because she gets upset. Breaks your heart.

Nick feels that a holiday would benefit all the family: he finds constantly keeping check on how much they are spending depressing and would like to have a break from worrying about their finances. This feeling was shared by many of the families in the project, who found worrying about their finances stressful.

Looking forward

Nick feels pessimistic about the future; he finds it hard to believe that their situation can improve. He has had to turn to his extended family when he needs to borrow money. However, Nick would really like to be able to work again and is concerned that the family will be unable to survive financially on Alison's salary alone.

Balancing the budget as a lone parent: the story of Karen's family

Being in a lone-parent family increases the likelihood of living in poverty. Over a third of the families in ippr's research project were lone-parent families. This case study examines how Karen, a lone parent from London, manages her finances.

The family's story

Karen is 33 and lives in London with her three daughters, aged 17, 14 and 6. She works as a merchandiser, replenishing vending machines in hospitals and offices. When her youngest daughter started school, she moved from part-time to full-time work. She is really happy to be working full time:

I'm happier that I'm working full time... because people look down on you when you are on benefits, that's the good side. When I was part time I had more of my rent paid which was much easier, so yeah, it's a little bit harder... Plus it's teaching the kids. [If] you want something in life you have got to go out and work for it basically, it doesn't come easy.

Working full-time presents Karen with different financial difficulties. She has found managing her finances harder since she is now responsible for paying more of her rent and has lost some of her tax credits. She says that working gives her 'more self respect'. The sense of achievement it gives her outweighs the drawbacks.

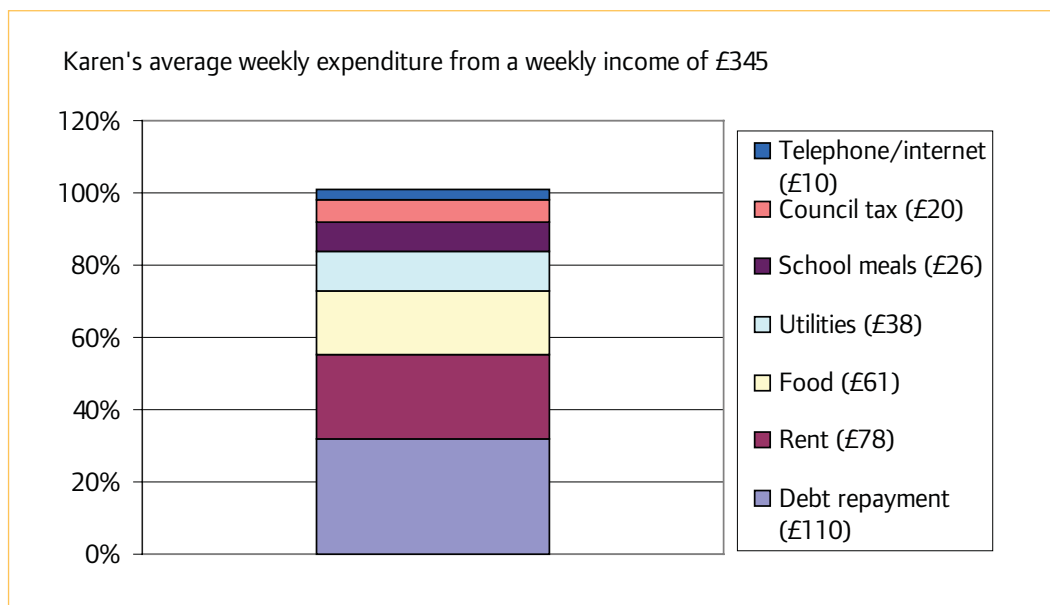
A constant struggle

Karen has always budgeted carefully, but despite being in paid employment, managing her finances is a constant struggle. She is focused on clearing her previous debt so that she can begin to save for her and her children's futures.

The closure of many well known high street shops has left her concerned for her own job security. She has to be more careful with her money and this has had an impact on her spending habits:

You can't go spending loads of money... just in case you haven't got a job.

As the graph below indicates, Karen budgets carefully to make sure that she spends only what she has. Her weekly income is £345. A large proportion of Karen's expenditure is on food. The rise in food prices has meant that she is spending significantly more than she used to on food, currently £61 a week – 18 per cent of her income.



Finding the money for school dinners for all three of her children is a particular challenge for Karen. She spends about £3 a day on school meals for her 14-year-old daughter and £2.20 a day on her 6-year-old daughter, totalling £26 for a week's worth of school meals (8 per cent of her weekly income). When she cannot afford to give the children money for school meals, she makes them packed lunches instead, which is a lot cheaper. However, she prefers not to have to do this as she feels that it is important that they get a hot lunch, especially in winter.

Karen is used to saving and budgeting. Living on a low income, she finds catalogues useful for spreading the cost of expensive household appliances.

If you're on a low budget and you need a new washing machine, you need a new tumble dryer, you need a new sofa, they are handy but... some of them have got a high APR.

Saving, borrowing and consumer pressure

Karen does not have any long-term savings but wishes that she did as she feels this might have prevented her from building up so much debt on her credit card. Karen feels she is unable to save other than in the short term because of her low income. She does, however, save for birthdays and other occasions like Christmas. When Karen struggles to make ends meet, she telephones her father who lends her money and she pays him back a little each week.

Karen tries to spread the cost of Christmas by buying presents throughout the year. She also gives her father £10 to £20 to help her save for Christmas, which she knows she would otherwise end up spending on the children. Despite this planning, the post-Christmas period is particularly difficult. Karen gets paid earlier around Christmas, so afterwards there isn't much money left over.

School holidays are also difficult for Karen. She is only able to afford day trips if there are special offers available. Karen also tries to find cheap ways of entertaining the children such as going for picnics.

Karen cannot always afford the things that her children need. Her youngest child seems to constantly need new shoes and frequently requests things she has seen advertised on television. Buying for her teenagers is even more expensive because they want branded clothing to keep up with their friends. Karen's oldest daughter understands that money is tight, but the 14-year-old cannot understand why she cannot have the same things as her friends. Karen often ends up going without herself so that the children can have the things that they want.

It's definitely TV and peer pressure. If their friends go to school and they've got something, they're on the latest new trainers and stuff, they're going to want them, aren't they?... My 17-year-old understands you can't have everything you want but my 14-year-old can't understand why she can't have a brand new pair of trainers every month like her mate does. It is difficult sometimes, awfully expensive and you go without yourself, you definitely go without yourself once you have children.

Coping with debt

Karen regrets ever having a credit card, because the APR is very high and she has been unable to clear this debt.

I wish I'd never got that one [her credit card]. We all make mistakes, well some people do. I won't be doing it again; the APR is just so high on it... It's my own fault for getting myself into debt in the first place, I could kick myself really, but sometimes when times are hard, like when I had my part-time job, before I went full-time... I ran up a few debts then.

Karen also gets vouchers from a lender that can be used in many high street shops. Although these vouchers are cheaper than a standard cash loan from a doorstep lender, they still have

high rates of interest. As demonstrated in the graph, Karen is spending 32 per cent of her weekly income on debt repayments, a huge £110. She is hoping that if she can pay off her credit card in huge chunks like this, she will be debt free in a few months' time. Before deciding to pay off her credit card in large chunks, Karen had been paying back £100 a month, with £40 going on charges; she felt her debt was never going to be cleared. She is frustrated as she has been paying off her credit card for a year, but she is still nowhere near clearing it. She is angry with herself for getting into debt in the first place, but feels that running up some of that debt was inevitable.

Karen is angry that she has to pay more for her credit because she has had a few late payments; she tried to get a bank loan to clear her debt but was refused. She is frustrated that the bank will not give her a loan with a lower APR of 7.9 per cent but will happily give her a credit card with an APR of 26.9 per cent.

Because I have had a few late payments I can't get a bank loan but I can get a Provident [loan], I can get a catalogue, I can get a credit card and I can get everything else but the bank won't give me a loan, and that really grates me.

The late payments were made because the date she is paid her wages changed when she went from part-time to full-time work, stretching her finances at the end of the month. Karen told her bank this and asked to change the dates on which her direct debits left her account, but this was refused. Karen hates the inflexibility of the banks who charge her for being late with her payments, even after she explains her circumstances to them. She is especially angered by the fact that each late payment results in a charge, pushing her further into debt.

It gets you in more debt because you're getting a £12 a month charge as well on top of it. I know it doesn't sound much but if you add that up over the year that's quite a lot of money and it's not fair.

This was a common theme among other families in the project. Many found banks inflexible and unhelpful which has bred mistrust and an unwillingness to use banking services, particularly because unauthorised and late payments automatically result in charges.

Karen received financial advice but found that it did not meet her needs. She contacted an independent company, who she hoped could help her to better manage her debt. She was hoping that she would be able to get a consolidation loan to pay off her debt in one lump sum, and then pay off the loan through monthly repayments at a lower APR rate. However, she decided against the consolidation loan, as it would have meant losing her credit rating; Karen decided that was impractical as she would be unable to order from catalogues which is the only way she can afford large appliances.

If your washing machine breaks down you're screwed, basically, because where are you going to get one from? To help you out of debt they want you to go bankrupt.

Concerns for the future

Karen desperately wants to be free from debt. She hopes that once she is, she will be able to put some money aside for some long-term savings. When her daughter turned 17, the family lost some of their entitlement to child benefit and tax credits. Karen is also concerned that her 17-year-old will not be able to find a job, despite her willingness to work. Her daughter has contacted the Jobcentre but so far has not found a job. She particularly wants one so that she can contribute to the household, to make up for the loss of benefits, and to give her more financial independence, to be able to buy her own things. She does not want to be completely reliant on her mother.

Karen is very keen to support her family, and has actively sought to get back to work. Despite the pressures, she is proud of this achievement and of the financial independence it has brought her.

Coping with redundancy: the story of Anna's family

The economic crisis has disproportionately affected low-income families. A quarter of the families in ippr's project on consumer spending and debt had experienced a change in their working patterns: either being made redundant or having the number of hours they worked cut. This case study examines the impact of redundancy on one low-income family, from Glasgow.

The family's story

Thirty-eight-year-old Anna lives with her husband David and their three children aged 12, 11 and 4. Anna has not worked since she had cancer several years ago and she still suffers from poor health. In the last year, the family's finances have been badly affected by David being made redundant from his job as a rough caster in a local building company.

The redundancy has had a significant impact on the family – financially and emotionally. Anna told us about the difficulties she faces in managing the household income following her husband's redundancy. Meeting their mortgage repayments on a severely reduced income is causing the greatest strain. Anna is worried about losing their home and the long-term impact this could have on the family's future, particularly on her children.

Since being made redundant, David has been looking for a new job but has been unsuccessful. David has spoken to all of his contacts in the building industry, but everyone he knows is in a similar position. Anna is concerned that employers will favour younger men over David, because they have fewer commitments and are prepared to work for less money.

We're trying to find him another job, obviously you need a job that covers the outgoings ... which is hard to come by... for tradesmen. The jobs that are out there are minimum wage and if that was the case then we would need to sell the house because we would not have enough to cover our mortgage.

Even before David's redundancy, the family did not consider themselves to be 'well off'. The family struggled and David worked hard so they could afford to enjoy themselves. The family would enjoy holidays, days out and trips to McDonalds and the cinema. The children were able to go on school trips, attend pantomimes and have new bikes. The last year has seen significant changes.

Impact of redundancy on the family

Although the family were aware that in the economic climate David's redundancy was a possibility, they were unprepared for how dramatically it would change their lives. Anna and David may have to sell their house. Anna and David have insurance policies for both their mortgage and their car. This has given them some security and breathing space although Anna says she never dreamt that they would end up in a situation where they were reliant on their insurance.

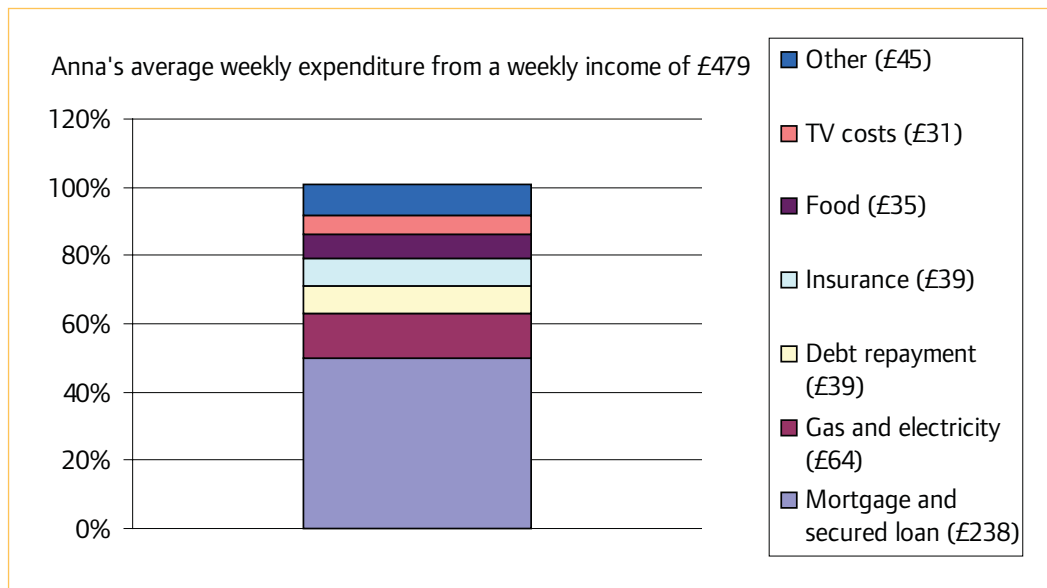
Despite these safety nets, the family are in a precarious position. Although the insurance covers a significant proportion of their mortgage and car for a 12-month period, there is still enormous pressure on the family. If David is unable to get a job in the next few months, the family will have no other choice but to sell their home.

David's redundancy is also having a significant impact on the emotional wellbeing of the family. When David was first made redundant, he kept himself occupied with DIY around the house but now that is finished he is growing increasingly despondent. He also used to love keeping fit, but has stopped going out. Anna has recently started taking anti-depressants; she reached her lowest in January when she 'couldn't see the light at the end of the tunnel'. Anna hopes that in the future she will be able to get a job because she is tired of being in the house. She would also like to be able to save some money, but at the moment, that is not possible.

Managing the family finances

The family have had to manage their money carefully since David was made redundant. The initial transition period where the family were waiting for the insurance payments and Jobseeker's Allowance to be processed was particularly difficult. Since then, the family has struggled to cover the outgoings of a large family on a very limited income.

Their average weekly income is £479, £225 of which is from the insurance company to cover the cost of their mortgage and loan. The remainder is made up from tax credits (£72) and state benefits (£182) a week. Their biggest expense is their mortgage and secured loan on the car which make up half of their expenditure at £238 a week, more than the insurance company is paying out.



Finding the money for any additional purchases is difficult. Anna uses her credit cards to purchase bigger items. At the moment she is unable to clear the balance on her credit cards, but pays off some of the debt monthly so she can continue to use the cards regularly. The bank has told the couple they are no longer eligible for an overdraft as David is now unemployed. The family are also paying off their overdraft, which will cost them £15 a week for a year. Eight per cent of their income is spent on debt repayments, at £39 a week. This is more than the family spend on their weekly food shop. This has left the family increasingly reliant on their credit cards to make up the shortfall in their income.

Even before David's redundancy the family budget was being squeezed, primarily driven by increases in food prices and utility costs. Anna is currently paying an average of £64 a week on gas and electricity, 13 per cent of their income, and more than they are spending on food. Families are considered to be in 'fuel poverty' when they spend more than 10 per cent of their income on fuel; Anna's family thus fall into this category.

Anna is frustrated that gas and oil prices have gone down yet their electricity and gas bills have remained consistently high. She is angry at the oil companies and believes that they are among those responsible for causing the current economic turmoil.

I think it's the fat cats, the bankers, the oil companies, because at the end of the day they are the ones putting the prices [up]. They can see how hard it is for people and they can still walk away with a billion dollar bonus. [They should] put that money back in to the company and raise confidence instead... I really blame the fat cats, whoever [you] may be, I blame you!

Anna is similarly frustrated with the banks. She is angry that the lower interest rates have not been passed onto consumers. She challenged her mortgage company about it, but was told that they do not have to pass on the interest rate cut to their customers. Anna says she is infuriated that although the Bank of England recognises the hardships consumers are facing, the companies do not. She believes the mortgage companies should be legally obliged to lower interest rates and that the current system allows the companies to increase their profit margin.

The family cannot switch to a different mortgage because of David's redundancy and so they are stuck with the company that will not negotiate a lower interest rate with them. They are trapped in a vicious circle and feel that the companies are profiting from their difficulty. She believes that this is the reason why so many people are having their houses repossessed, because families in a similar situation to them cannot afford their mortgage repayments.

If there is an interest rate cut, it should be law that it is passed on, it should not be just up to the banks' discretion. I'm with a company and kind of got stung with my mortgage there, but I come out of my deal in March and I was hoping to get a better rate. We're not going to get a mortgage because he's not got a job so we are going to have to stick with the company we're with who are killing us, they are breaking our backs.

Anna often delays paying bills so the family can cover the costs of more pressing payments. She feels that because she manages the finances, she solely carries the burden. She has been stung by bank charges in the past and is up early every morning checking their bank account to make sure that they are not overdrawn:

It's always in your mind, you always check your bank to make sure you're not overdrawn... it takes a wee while for Jobseeker's [Allowance] to come [through] ... and then it's for a fortnight... obviously you still have to eat, you've still got to pay your gas and electricity, you've still got your other wee things to pay... and your catalogues and things like that so, it is paranoia with me now... every morning I'm up, I'm checking the bank to make sure I'm not overdrawn because they charge £35.00... It's a lot of money.

Anna has coped with their new situation in a number of ways. She has cut back on what the family spends on socialising and shopping. Last year, she had to decrease their expenditure at Christmas and told the extended family that she could not afford to buy presents for them all. When food shopping she tries to make her money go further by buying the supermarkets' own brands.

Like many families, Anna finds it easier to save for specific events. In the past Anna was able to save £50 every month, which they used to pay for holidays, Christmas and birthdays. The family also used to be part of a Christmas savings club, but the company went bust a few years ago and since then Anna has given her father £5 a week to put away for Christmas. But Anna and David are not able to save anything at the moment. Anna would like to save again in the future, to enable the family to go on holidays and have a cushion for when things go wrong, such as a crucial appliance like the fridge breaking down. Ideally, Anna would love to save £100 a month as a buffer. She is very worried about the long-term effects of accumulating more debt.

Concerns for the family's future

David's redundancy has had a devastating impact on the whole family's wellbeing. Anna feels that the children are suffering more than the adults because it is easier for her and David to go without. The older children have reached the stage when they want to go out and have a little more independence, but they cannot afford to. Anna finds it especially hard at weekends when her son wants to go ice skating with his friends and she cannot afford to give him the £15 he needs. Her daughter is not yet at the stage where she wants to go out

with her friends, but when she asks for luxuries, Anna feels bad that she cannot give them to her.

Anna hates the children feeling the burden, especially around Christmas time. Her son changed his choice of Christmas present because he knew his parents could not afford to buy it for him.

My kids are not spoilt by any matter of means ... All year long he's been saying 'I'd love a laptop for Christmas' and now he's saying 'I'm not wanting a laptop any more'... He does boxing – 'Can I just get some boxing clothes and a track suit?' And you know he's thinking: 'They can't afford that', and I think that's when it kills me, because, sorry...they're worried, you know, even your kids are worried how you are going to get by. [Anna starts to cry]

More debt?

Although insurance payments are keeping the family's head above water, their mortgage is consuming a large proportion of their income, while the family's benefits are not adequately cushioning them from the rise in the cost of living. The family are in danger of getting into more debt to make ends meet as they are increasingly reliant on credit cards to make up for the loss of their income. The hardest part for Anna is feeling that her children are missing out on their childhood and that they are unable to take part in the same activities as their friends. Looking ahead, she is concerned that her daughter will want to go to university and she won't be able to afford to send her. Anna is worried about her children's futures.

Paying a premium for poverty: the story of Sophie's family

Low-income families spend a larger proportion of their household budgets than higher-income households on items such as food, fuel and public transport, all of which have increased in price in recent times. In addition, many low-income families pay a 'poverty premium' for many essential and non-essential goods and services such as utility bills and financial products. This case study from Nottingham considers the impact of the 'poverty premium' on low-income families.

The family's story

Sophie is 46, she lives in Nottingham with her husband and their three children, her son who is 13 and two daughters aged 11 and 7. Sophie has not worked since her first child was born.

Sophie's husband has just started a new job as a security officer, having previously worked as a sheet metal worker. He was unhappy in his last job; the factory would announce redundancies every year around Christmas which left the family with little security. Sophie hopes that his new job will offer the family more stability and it has given them the confidence to buy their house. This is a significant financial and emotional undertaking as 14 years ago their home was repossessed.

I was just about to give birth to my son... my due date was the repossession date when I had to go to court.

Sophie, her husband and their new baby had to move into council accommodation following the repossession. There was not much support available then, but Sophie thinks that there are better systems in place now to prevent people from losing their homes. However, the thought that the family could go through it again is constantly in the back of her mind.

Juggling finances

Sophie is in charge of the household finances and manages her budget on a weekly basis. She works out a monthly budget based on their income and known expenditure. The last few months have been difficult. The family's income has remained fairly steady. Her husband's wages have gone up which has caused their tax credits to decrease but Sophie's spending has also increased, largely as the result of food and fuel prices increasing. Sophie is spending more when she puts petrol in the car and her food shopping bill has increased. Similar to other families, she is shopping differently, trying to take advantage of special offers. However, Sophie cannot do much more in terms of changing her shopping habits, as she already opts for the cheaper brands.

[I'm] having to think of shopping somewhere else, I can't afford to go to that place anymore, or [to put] on the heating... I'm shopping more wisely.

Sophie is constantly juggling the family's money. Recently, she has taken extra care to ensure they have enough in their bank account for when direct debits come out. If there is not enough money to pay the bills, she cancels her direct debits and waits until her husband gets paid, then telephones to make the payment. She does not like doing this, but it is the only way she is able to keep on top of all their payments and avoid getting charged by the bank.

On Friday there wasn't enough money to [pay] a certain bill [so] I cancelled my direct debit. It should have gone out on the 30th but I know my husband gets paid on the 10th... I'll go and pay manually and just send them my apologies. They're probably getting fed up of me by now.

As with many other families, Christmas, birthdays and summer holidays put an additional strain on the household budget. When buying birthday presents for the children, Sophie tries to limit the amount she spends on each child to around £50 each, as they will usually want

to have a birthday party as well. In the summer holidays, Sophie tries to find ways of entertaining the children on a low budget.

But the pressures do not only come seasonally. Buying school uniforms for three children is another major expense. Sophie can buy the uniform for her youngest child from the cheaper stores but for the older two, the school expects them to have a specific uniform. They have been lucky this year as her daughter could wear the uniform her son had grown out of but normally, finding the money for new uniform is a challenge.

When household items break down the family find it really difficult to find the money to replace them. Over Christmas last year the freezer broke and her husband had to work overtime over the holiday period to pay for a new one. In situations like that, the family have to delay some bills and juggle other payments.

The struggle to replace household appliances was a common theme among other families in our research. Most had to borrow money from a family member or purchase the item through a catalogue on credit, which is often more expensive than the high street and can come with high rates of interest.

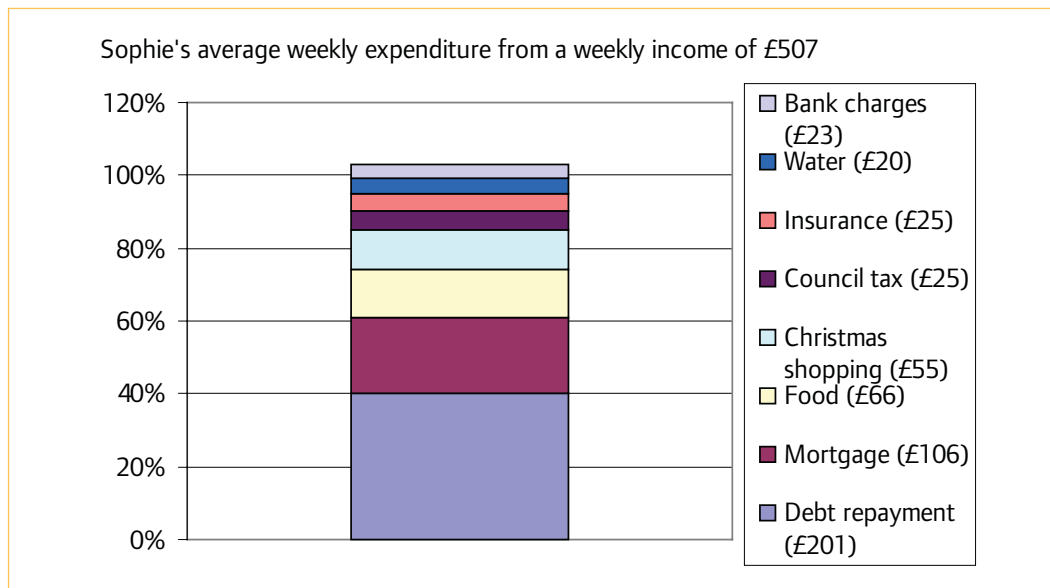
Sophie’s family do not have any savings. In the past when they have saved it has been for specific reasons such as birthdays and Christmas. But something always comes up that prevents Sophie from putting money away such as things needing fixing around the house or the children needing something.

The last time Sophie was able to save a large amount of money was when she and her husband saved for their wedding 17 years ago. Sophie feels that they have never been able to save because of their limited earnings and demanding outgoings.

The poverty premium

Sophie and her family rely on expensive forms of credit and are heavily in debt, which they are struggling to repay. They are at the maximum on their credit card, on which they owe around £4,000. They are in arrears with their catalogue company and are paying back loans from two separate doorstep lenders.

Out of their weekly income of £507, the family are currently paying back an average of £201 in unsecured debt repayments, an enormous 40 per cent of their income. This is almost twice as much as what they are paying for their mortgage. In total, therefore, 61 per cent of their income is spent repaying both secured and unsecured debts. This pressure means that they often miss payments, which exposes them to additional bank charges.



The family do not have access to bank loans and frequently turn to doorstep lenders when they need to borrow money. Sophie describes them as her 'backbone'. She likes the convenience of the doorstep lenders; they usually can give her a loan very quickly and come to her home to collect repayments. When she does not have the £10 she owes then, they usually accept a smaller payment. The most Sophie can borrow from each doorstep lender is around £300, which means she usually has loans with more than one provider. She is aware that she pays a high rate of interest, and would prefer to borrow from the bank at a lower rate but at the moment that option is not available to her.

Not having access to cheaper forms of credit was common among many families throughout this research, who used credit cards, door-step lenders and catalogues because the bank would not lend to them. These families were aware that they were paying back more, but often had no alternative.

I know you pay three times as much to pay it back but if you've got a problem they normally help you out.

Sophie has used doorstep lenders for six years. This keeps the family in a constant cycle of debt, as she consolidates her old loans when she takes out new ones.

Sophie went to Citizen's Advice for help with her catalogue debt as the situation had become out of control. The family was late with their repayments and the catalogue company added extra charges on top of the interest they were already paying. To make matters worse, the family did not have enough money in the bank to make these extra payments and so they received additional bank charges.

We've had a lot of bank charges these last few months so I'm trying to sort that out, trying to make sure there's money in [the] bank so there's no charges. It's... extra money going out where it should be coming in the house, being for us, not the banks.

With this huge amount of financial pressure on the family, Sophie would like to seek some help about their finances, but is unsure who she can turn to. This is particularly important as they are going to have to change mortgage companies next year and she is concerned that she won't have the information needed to make an informed decision:

It fills me with dread because we've got to move onto another mortgage next year and that's something where I don't know where to start. I know nobody is going to jump and help you, but I'd like somebody to say, 'Yes we'll help you with advice' or, 'we'll give you advice'.

Sophie has picked up some financial tips informally. After seeing Martin Lewis on television, Sophie discovered that she was paying around 20 to 30 per cent more for her gas and electricity than those paying their bills monthly or quarterly. As a result, she switched from using pre-payment meters to paying quarterly for their gas and electricity bill. Sophie hopes that this will reduce the amount they are spending on utilities.

Feeling suffocated

The Christmas period is particularly difficult for Sophie and her family. She tries to budget for each of the children, but can't bring herself to tell the children they have a limit on what they can have:

At the moment it's been hard because obviously Christmas is coming I will say in my head you've got £150 each, but I will say to them 'write your list and if Santa can afford that he'll get it for you.'

Sophie finds it especially difficult after Christmas when she has to try to cut back to make up for her spending over the Christmas period. The family have to go without any new clothes and toys and they cannot go for day trips or meals out together.

Sophie says the children have not noticed that things are difficult around the house and they still ask for money for school dinners. Sophie finds it difficult to refuse them, so depending on how much money she has in her purse that day, the children will get school meals. If she does not have enough she will make them sandwiches.

Sophie is feeling very insecure as a result of the current economic crisis. She cannot bear to watch television as it leaves her feeling frightened for the future for her and her family:

If I watch too much it makes me feel very suffocated. It makes me feel worried for the future of us as a house and the family... We've been [repossessed]... we've been there once and I don't want to go there ever again... Not with three children now.

The family had been saving for a holiday, but were not able to put enough money away for it and so have postponed it until next year, when they hope they will be more financially stable and able to save the money they need. This is a great disappointment as the family have not been on a holiday for years.

Looking ahead

Sophie is considering going back to work as a way to increase the family's income but is not sure what options may be available. She used to work as a catering assistant, but would like to retrain so she can find a job that will be flexible around her childcare needs. Hopeful that their situation will improve, all Sophie wants is to be able to provide her children with a warm and loving home.