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Managing the Unmanageable: Debt and Economic Resilience in Newham

CASereport 123

Laura Lane and Anne Power

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About LSE Housing and Communities

LSE Housing and Communities is a research unit within the Centre for Analysis of Social Exclusion (CASE) at the London School of Economics led by Professor Anne Power. LSE Housing and Communities explores the effects of poverty and social disadvantage, particularly from a neighbourhood and community perspective. We explore the impact of public policy on poor areas over time. We aim to understand social realities and social change within communities - housing and neighbourhood problems and needs; ways to support tenants and improve landlord services; experiments in resident and community self-help action. Our work informs government policy both centrally and locally.

We investigate the impact of poor neighbourhood and area conditions on families, children and older residents; we document the roles that front-line staff and local residents play in regenerating and improving their communities, and explore why efforts to tackle severe problems sometimes fail.



About Trust for London

Trust for London is an independent charitable foundation. We aim to tackle poverty and inequality in London and we do this by: funding voluntary and charity groups – currently we make grants totalling around £9 million a year and at any one time we are supporting up to 300 organisations; funding independent research; and providing knowledge and expertise on London’s social issues to policymakers and journalists.

Executive Summary

This research aims to understand the links between work, low pay, benefits, credit, debt, and savings among low-income households in East London.

Our work around debt and financial resilience in Newham goes back a number of years to 2011 when Newham Council first approached LSE Housing and Communities in order to carry out qualitative research into financial resilience in the borough. Our final report (*Facing Debt*) in 2014 produced some key headlines and recommendations around 4 main areas:

- financial management,
- debt,
- welfare reform and
- overall impact of financial pressures on people's lives.

We wanted to follow up with Newham residents in 2017 to talk about their money management and financial pressures to see how the picture had changed. Welfare reform was only just beginning when we first interviewed residents in the borough about debt and was much more established when we conducted the fieldwork for this study, in the summer of 2017.

According to Money Advice Service research in 2017, residents in Newham were the most likely in the country to be overburdened with debt. It was estimated that approximately 60,000 people, almost 1 in 4 people living in the borough, have problem debts (Partington, 2018; Money Advice Service, 2017). Newham has experienced huge changes in recent years with lots of people moving into the borough. The cost of living is on the increase – particularly housing costs – at a time when low pay and benefits have not kept pace in an area where many jobs are low skilled and low paid.

Findings

We conducted 55 interviews with Newham residents in locations across the borough but with the majority happening in locations in Stratford, Canning Town and East Ham. First we set out how interviewees said they were managing:

- **Most of our sample were finding it difficult to balance their budgets.** Around two thirds of our interviewees felt they were finding things difficult or were just about getting by; 18 people felt they were doing ok.
- Work did provide something of a buffer, although incomes were often unpredictable due to insecure work.
- Interviewees discussed how they were doing financially compared with 2 years earlier:
 - 22 people felt their financial situation was worse
 - 22 people felt their financial situation was better
 - 11 felt it was about the same.
- The role of **work** had a major influence on people's situation improving or declining – as did health. Welfare reform and rising costs played a significant part for those who felt they were worse off now than 2 years ago.
- **Debt is an issue in one form or another for almost three quarters of our respondents.**
- **40 people out of 55 held debt of some kind.** This varied widely both in the amount and type of debt held but was most commonly in the form of loans from friends and family, banks, credit unions or higher cost lenders; credit cards came next and then arrears for priority bills.
- **Hidden debt** in the form of overdue bills for heating, light and water, and council tax and rent arrears affected over half of the people we spoke to. This issue is increasingly important as it can lead to devastating impacts such as eviction.
- We asked people where they would go to borrow £50, £200 and £1000 – most people in all cases would prefer to borrow from friends and family but the overwhelming majority said they would not consider borrowing £1000.
- 24 people had received help in the **form of cash or in kind** from friends and family and 26 people had themselves given that support to others – both at home but also abroad.

- For **8 people we interviewed their debt had become so problematic** that they were taken to court. At least 3 had experienced eviction from their homes and many others had moved before things got to that stage.
- **Housing is a key factor for Newham residents.** We heard stories of people being on waiting lists for many years, living in temporary accommodation, moving out of the borough because of costs or losing a home. **Housing is seriously problematic** due to the cost of private renting, the lack of access to affordable housing, and poor quality. Most of our sample (39) were renting.

Conclusions

The scale of need and hardship remains startling. Although Newham has become less deprived, according to the last Index of Multiple Deprivation in 2015, few of our respondents were living comfortably.

There have been a number of interventions in the borough since we last interviewed. For example Moneyworks which is a Newham run money advice service and the London Community Credit Union have both opened. **They play a crucial role in offering low cost credit and responsible loans but there remains a gap for those who need access to credit but have a poor credit history; have too low incomes or are currently in arrears of some kind.** However, a number of our interviewees had struggled to benefit from this help due to extreme poverty or poor credit history.

Ways forward

Our suggestions for how policy and practice can move forward are centred around four main areas:

- Financial inclusion and improving financial capabilities
- Provision of good quality and accessible debt advice
- Credit regulation
- Addressing wider inequalities linked to insecure housing, insecure work and welfare reform



1 Introduction and outline of research

Welfare reform is now strongly embedded across the country, imposing serious restrictions on Housing Benefit affecting both social and private renting. The removal of the Spare Room Subsidy - “bedroom tax”, the benefit cap, reductions in Child Tax Credits, restrictions on Working Tax Credits, cuts to Council Tax support, all increase the pressures on the lowest income households as welfare cuts are combined with job insecurity and low pay. At the same time, drastic cuts in local government budgets have forced wide ranging service reductions and a further loss of face-to-face help – a key to reducing debt. As others have evidenced, the impact of these changes is far greater on the poorest households and in the poorest areas (Beatty and Fothergill, 2016).

The rapid rise in private renting has greatly compounded the problems of debt in Newham. Newham Council has made huge strides in improving the quality of its privately rented stock through its borough-wide licensing scheme; however we know that evictions from privately rented accommodation are rising. Furthermore,



the termination of assured short-hold tenancies in the private rented sector is now one of the key causes of homelessness. According to recent government figures in the first quarter of 2017, the termination of assured short-hold tenancies in the PRS was the reason behind 34% of all statutory homeless acceptances in London (Wilson and Barton 2017). We also know that the churn of population in Newham is extremely high with most of the transient population moving around in the private rented stock.

Nationwide efforts to limit borrowing and therefore debt are undermined by the inability of councils to control the spread of 'debt shops' on high streets, including gambling shops. Every high street in Newham has a cluster of pawn shops, loan shops, betting and gambling shops – all offering tempting "give-aways" to entice people in. Other poorer London boroughs have similar problems.

This research aims to understand how low-income households manage the links between work, low pay, benefits, credit, debt, and savings in East London.

Newham, London.





Wiki Commons (Kleon3)

2 Debt and financial management in Newham

I Debt and financial resilience

A Facing debt

Our work on debt and financial resilience in Newham dates back to 2011 when Newham Council first approached LSE Housing and Communities in order to carry out qualitative research to provide evidence on the barriers to financial resilience in the borough.

Newham Council want to understand what makes residents economically resilient and what undermines their ability to cope. There is a relationship between work, skills, benefit dependence, credit, debt and saving patterns among low-income households across the borough. Economic resilience is critical in a borough with a high proportion of residents with low skills, not working and dependent on the welfare system and the Council for support. (LSE Housing and Communities, 2014, p1).

It is often difficult to get people to open up about their financial circumstances and there is a general reluctance to talk openly about debt but with assurances of total confidentiality and anonymity, people shared their experiences. Our final report in 2014 produced some key headlines and recommendations around 4 main areas: financial management, debt, welfare reform and the overall impact of financial pressures on people's lives.

Financial management

Our interviewees did not fit the traditional stereotype of people who were long-term unemployed and welfare dependent. Over half were working or have worked in the past. Those who weren't in work were in most cases keen to work.

It was clear that many people (70%) felt that they managed their money well and were adept and resourceful at budgeting. Everyone had a bank account but fewer than half of people actively saved money – 27 out of 62. People felt pride in their own money management and in principle were not keen to take on debt of any kind, aiming to prioritise payments for housing costs and cutting back where necessary on food and heating costs. However, more than two thirds of respondents had not received any help or advice on budgeting and financial management and did not know where to look for help. A large proportion of households were either in debt, at risk of debt, or had previously been in debt.

Debt

Around half of the respondents (29) said they were paying back debts on top of their regular bills. 28 people said that they had missed payments on bills. Many were experiencing hidden debt by falling behind with household payments even though this was not seen as traditional debt.

Over half of all respondents (36) relied on informal lending, borrowing money from family and friends to cover cash shortages.

There were identifiable triggers for debt including loss of employment or a significant loss of income. This affected two thirds of our interviewees as fluctuating and unpredictable incomes make financial planning far more difficult. The private rented sector is costly and insecure, and over a third of our interviewees lived in privately rented accommodation. Energy bills and other costs have risen while at the same time benefit cuts and real wages have not kept up. As a result households who are just about managing their budgets find that they can no longer meet their living costs.

Welfare reform

Our study in 2014 found that the cuts and amendments to many types of benefits were having a strong cumulative impact on household budgets that were already severely stretched. More than two thirds of interviewees were in receipt of benefits and people had heard about the changes to the welfare system but there was uncertainty about what would happen and an undermining of confidence in the role of welfare as a safety net.

Overall impact of financial pressures on people's lives

There is now clear evidence that people are struggling as costs are rising and incomes are limited. There is insecurity in terms of employment, housing, welfare reform leaving many feeling worried about their future.

Figure 1: Headline findings, 2014

Financial management

Almost everyone said they manage money well – resourceful in budgeting

People attribute financial difficulties to:

- insufficient jobs,
- high and rising living costs,
- the costs of bringing up children,
- poor health and low incomes.

People anxious to work – those who work generally enjoy doing so and those out of work would mostly prefer to work

People take pride in managing and hate idea of acquiring debt but many in hidden debt – e.g. behind with bills

All interviewees have bank accounts – but small proportion actively save

People prioritise paying rent / mortgage

People are cutting back and reducing food costs and energy use

Respondents don't fit the stereotype of long-term unemployed welfare dependents. Almost all have worked or are working.

People generally haven't had any help with managing finances – and don't know where to go for help

Debt	<p>People often reluctant to share their financial difficulties</p> <hr/> <p>People feel responsible about money and desperately try to avoid debt e.g. using prepayment meters to keep track of spending and only using what you have.</p> <hr/> <p>Four main drivers to debt:</p> <ul style="list-style-type: none"> – Temporary, part-time and casual jobs without formal contracts – lead to fluctuating income. – The Private Rented Sector is costly and insecure – Energy bills have risen steeply and other new costs e.g. Council Tax contributions – Benefit cuts and falling real wages in combination with rising costs <hr/> <p>Bad luck or unforeseen circumstances can lead to unmanageable financial problems</p> <hr/> <p>Most debts accrued through essential living costs – some use credit as a buffer – the credit safety net.</p>
Welfare reform	<p>Cuts in many kinds of benefits are having a strong cumulative impact on already low incomes. Uncertainty around benefits due to sanctioning etc has undermined confidence in welfare as a safety net</p> <hr/> <p>Changes to welfare system create anxiety and often actual barriers to progress</p>
Overall impact of financial pressures on people's lives	<p>People struggling under multiple pressures of financial planning, debt and welfare reform</p> <hr/> <p>Life in general and rising costs (e.g. rent, energy costs, food costs) make survival increasingly difficult for the people we interviewed and reduce even the best 'money managers' to a sense of powerlessness</p> <hr/> <p>Many people have experienced decline in job security, income and prospects. They feel worse off and generally worried and insecure.</p> <hr/> <p>People generally think their children face better prospects, in spite of bigger barriers to work.</p> <hr/> <p>People feel ambiguous about claiming benefits – people hate failing to pay bills and most still regard benefits as some kind of cushion to help cover basic costs they otherwise couldn't meet.</p> <hr/> <p>Childcare costs are a barrier to women working.</p>

We were keen to follow up with Newham residents in 2017 to uncover how the picture may have changed since 2014 and what financial pressures now exist. The biggest change was welfare reform which was only just beginning when we last interviewed in the borough and was much more established when we conducted the fieldwork for this study, in the summer of 2017.

B Financial health of England

Debt

There is widespread concern about debt both at a micro household level and also the macro level of government and national debt. Debt is not always problematic and over 60% of unsecured debt is held by households with above average incomes; over 50% of households with unsecured debt can afford their repayments and have more than enough financial assets to pay them off (Hood, Joyce and Sturrock, 2018).

While debts can be a sign that a household is struggling to manage its finances, they can also be an appropriate and manageable response to negative shocks or an anticipated income rise, or to manage the ebbs and flows of income and expenditure (Hartfree and Collard, 2014). It is important for policy makers to distinguish between manageable, appropriate debt accumulation and problem debt caused by insufficient financial security (Hood, Joyce and Sturrock, 2018, p15).

While it is higher income households who have driven recent credit growth, the burden of debt continues to weigh heaviest on lower income groups. (Whittaker, 2018) For lower income households debt can become problematic very quickly. About 1 in 6 of the lowest income 10% of households are in arrears on repayments or bills – what we consider hidden debt – and an additional 10% are spending more than a quarter of their income on repaying unsecured debts. In sum, around 25% of the lowest income households appear to be struggling with debt repayments or arrears. (Hood, Joyce and Sturrock, 2018)

It is perhaps unsurprising that poorer households will be at an increased risk of over indebtedness. Therefore tackling debt is included within the Government's Child Poverty Strategy. In 2014 Hartfree and Collard produced a review of poverty, debt and credit and identified several measures that show the link between problem debt and household income, for example: the unsecured debt repayment to income ratio, that is the amount of money that households spend repaying unsecured credit commitments as a proportion of their income; and the proportion of households that are in arrears on household bills or credit commitments. This matches our experience in Newham, as the vast majority of our interview respondents were debt averse and stated that they would not or did not want to borrow money. However, a large number of our





interviewees were struggling to keep up with their household bills and other necessary expenditure. In short, people were becoming indebted just by living their lives and trying to get by, not because of expenditure on consumer goods and lifestyle choices.

Citizens Advice released a report in 2018 titled *Hidden Debts: The growing problem of being behind on bills and in debt to the government*. The report demonstrates the serious problem of household debts on priority bills.

The scale of that debt should concern policy makers. Unlike unsecured consumer credit debt, household bill debt is almost always problematic. People falling behind on household bills is an indicator of severe financial distress - they're the last things people stop paying. In addition, the majority of household bill debts are priority debts meaning people face strong collection practices - such as losing their home - that can have costly knock-on effects. (Lane, McCay and Thorne, 2018)

High cost credit

According to Step Change in 2016, over 4 million people are turning to credit regularly as a safety net to meet everyday living costs, emergency costs and relatively small specific purchases (Step Change, 2016). It is clear that many people have no buffer at all financially when unexpected costs arise. Using credit as a 'safety net' in this way can cause problem debt as many of the most commonly used credit products add to costs and increase the risk of people falling into further financial difficulties, for example through high penalty costs for missing payments on credit cards or unauthorised overdrafts.

Many people in financial difficulties end up relying on high cost credit options as they are unable to access other sources of money and credit. For some this is because of lack of awareness of other lenders but for others it is the inability to access more responsible lenders due to a poor credit history or very low income.

Anna, one of the people we interviewed, had direct experience of this scenario. Anna and her family turned to a high cost lender as their incomes and outgoings were not deemed reliable enough to be able to access a loan through Moneyworks and the London Community Credit Union.

Anna's story

Anna lives with her husband and her adult children in social housing. The family have moved recently due to their home being part of a regeneration scheme but the new accommodation is not suitable for Anna's health needs. In their previous home she had a stair lift and an accessible shower. She understood, from speaking to her landlord, that if this needs to be installed in the new property then the family will be liable for meeting these costs.

Anna previously worked in retail but had to give up work when she fell ill with a serious back problem, she has other health issues too and as a result had received Disability Living Allowance which was recently changed to Personal Independence Payment at a lower rate. She also lost her Employment Support Allowance and Mobility Fund which means she no longer has access to a car which makes leaving the house very difficult. The loss of this extra income has made things very tight financially for Anna. The other members of the household all work and they pool their money together to cover all of the costs, though they still struggle to get by.

One of her children has taken out a loan in order to buy Anna a car to ensure she has some independence and mobility. However, he was refused a loan through Moneyworks / LCCU as his income wasn't considered viable for repayments. As a result he went to a payday lender to pay for the car and also other things like food and he is now struggling to pay it off. The family were aware of the high interest and knew that it wasn't a great way to borrow the money but felt that they had no other options for borrowing.

You have no other choice, you know about the interest rate, 1000% or whatever, but what choice do we have? It's better to take a pay day [loan] borrow with high interest than to steal or deal drugs.

Despite knowing the downsides to high cost money lenders, Anna says that if she needed to borrow £200, she would go to the same lender her son has used:

You know about the interest of 1000% but all you want is to eat, to have food on the table.

Anna feels very guilty about the financial burden that her son is now under. The family also have some rent arrears due to reduced work following injury.

I wish I could work, because I love working. I don't want to rely on benefits and be a burden to my family

She has friends and family in the local area who she sees regularly and feels part of the community. She has received face to face advice from Community Links and found it really helpful.

FCA Regulation

In 2014 the Financial Conduct Authority (FCA) took on responsibility for regulating consumer credit including credit cards, retail finance, catalogue credit, payday loans, hire purchase, rent-to-own, pawn broking and more. The FCA 2017 Survey on the Financial Lives of UK Adults showed that people with characteristics of potential vulnerability were twice as likely to have used high cost credit than other UK adults. The circumstances that may lead to these vulnerabilities include: low financial resilience (those adults who recently have already missed paying bills or meeting credit commitments) and therefore a need to rely on very short-term financial management, life events such as loss of employment, bereavement, relationship breakdown, as well as health related issues. The FCA report shows that there are:

- 3.1 million adults in the UK who have had one or more high cost loan in the last 12 months, including payday loans and home collected / doorstep loans
- 4.1 million people defined as being in financial difficulty because they have failed to pay domestic bills or meet credit commitments in three or more of the last six months

The survey also shows that high-cost credit is being used by some of the most vulnerable in society – desperate people who are simply not able to carry the costs. There is an urgent need to ensure adequate protection for these people (FCA, 2017).

Debt becomes problem debt when keeping up with repayments on these debts places significant financial and psychological burdens on households. (Hood, Joyce and Sturrock, 2018). Problem debt often arises when people are struggling to adjust to significant changes in their circumstances (StepChange, 2016). The debt relief charity Christians Against Poverty has this useful definition of problem debt:

The term 'problem debt' is not necessarily an indication of the amount of debt someone has, nor is it about the length of time expected to repay. Problem debt occurs when the stress of debt becomes too much to handle, when income does not meet outgoings and repayments are missed. For those struggling with problem debt, getting by day to day can seem an impossible task. There seems to be no way forward and no hope. (CAP, 2018, p10)

We learnt first-hand about how struggling to keep up with repayments places serious strains on households and the relationships within them.

C Newham: poverty profile

Newham remains a seriously deprived and unequal borough. According to the latest Index of Multiple Deprivation in 2015 Newham is less deprived than in 2010 relative to the rest of the country.

Figure 2: Newham IMD 2010-2015

Newham IMD	2010	2015
Average rank – average level of deprivation across the borough	2*	8

Source: <http://newhamdata.wpengine.com/wp-content/uploads/2017/06/Demography-Bulletin-October-2015-IMD.pdf>

*where 1 is the most deprived

Newham moved from being ranked the 2nd to the 8th most deprived local authority in average level of borough deprivation in the country from 2010 to 2015. However, many residents of the borough are on low incomes and child poverty is extraordinarily high. Newham residents face high housing costs alongside more recent rising prices for other essential items and services. According to the latest findings of the Newham Household Panel (NHPS) Survey Wave 9 (Ipsos MORI, 2018) conducted every two years:

- **60% of residents are either employed or self-employed** – although only a third (34%) of residents in low income households (after housing costs) are in paid employment.
- **Underemployment is an issue in Newham** - one in five residents (19%) would like to work more hours.
- **Newham residents are low paid.** Pay and wages have risen slightly in the borough since 2015 but remain well below the UK average: median pay is £369 a week in Newham compared to £449 in the UK.
- **Underpayment of both the minimum wage and the London Living wage is an increasing problem in Newham** (55% of residents paid less than the London Living Wage), this is in contrast to the underpayment of the London Living Wage stabilising across London as a whole.
- **28% of residents in the borough have no formal qualifications,** helping in some way to explain the low wages.

- **39% of Newham households have incomes below the relative poverty threshold** - compared to 16% nationally. This figure is even more striking when housing costs are accounted for, with 49% of Newham households being in poverty after housing costs compared to 22% nationally.
- **Children in Newham are especially affected by poverty.** Two-thirds of Newham's children live in households in poverty after housing costs (67%).
- **Childcare use overall is lower in Newham than in London as a whole and the UK** with only 20% of Newham residents using childcare compared with 42% in London and 45% nationally.
- **More than half of Newham residents do not save** a regular amount of money each month (55%), a very similar level to that recorded in 2015 (54%).
- **More than one in ten households (14%) say they have fallen behind in paying bills in the last twelve months**, with residents from black ethnic minority backgrounds twice as likely to say their household has fallen behind with bills (27%) compared with 13% of Asian residents and 10% of residents from a white ethnic background.
- **One in ten households in Newham (9%) say that the repayment of debts places a heavy financial burden on them**, while a further 16% view the repayment of debts as somewhat of a burden. Residents from white ethnic backgrounds are less likely to view the repayment of debt as a heavy burden (5% say this, compared with 11% of residents from Asian backgrounds and 15% from black ethnic backgrounds).
- The proportion of residents who have asked for help, and their distribution across demographic groups, largely echoes the proportion who see debt as a heavy burden.
- **Two thirds of Newham residents (65%) believe they are living comfortably or doing alright**, a big increase from 49% who said the same in 2015. However 11% of Newham residents are finding it difficult and a quarter describe themselves as just about getting by.

The findings of the NHPS in 2018 are also evidenced by Trust for London in its London Poverty Profile of 2017 which states that:

- 36% of employees in Newham are low-paid, the highest percentage in London.
- The poverty rate in Newham is 37% – ten percentage points higher than the London average and, among London boroughs, lower only than the poverty rate in Tower Hamlets. (Tinson et al, 2017)



According to Money Advice Service research in 2017, residents in Newham were the most likely in the country to be overburdened with debt. It was estimated in this research that approximately 60,000 people, almost 1 in 4 people living in the borough, have problem debts (Partington, 2018; Money Advice Service, 2017). The Money Advice Service define over-indebted individuals as ***those who find meeting monthly bills/commitments a heavy burden or have missed bill payments in three or more months out of the last six months.*** (Money Advice Service, 2017, p5)

Newham has experienced major population turnover in recent years with lots of people moving into the borough. The cost of living is on the increase – particularly housing costs – at a time when wages and benefits have been frozen or stagnating, and in an area where many jobs are low skilled and low paid.

Housing

Housing is a crucial issue in Newham. In 2016 the tenure breakdown in Newham was split fairly evenly, with slightly less owner occupation at 35% than private renting at 39%, with social housing (rented from the council or housing association) at 26.5% (ONS, 2018). The median monthly private rent recorded for a 2 bedroom property in Newham is £1400, only slightly below the London average rate of £1450 and well above the England median monthly rent of £650 (Valuation Office Agency, 2018).

The borough has experienced a long period of change with the development of the Olympic park for 2012 and its subsequent impact on the local area. Many new housing units have been provided, many of which are privately rented.

Newham has the highest number of households in temporary accommodation of any local authority in the country, around 5000 households and costing around £61 million in 2016/17.

According to the latest available census data (2011) around a quarter of homes in Newham were defined as overcrowded.



Figure 3: Housing tenure of households - Newham**Housing tenure of households: Numbers**

Newham	Own Outright	Buying with mortgage	Rented from Local Authority or Housing Association	Rented from Private landlord	Total
2008	10,600	22,600	33,700	25,200	92,100
2012	12,900	19,000	37,500	37,800	107,200
2016	13,600	25,400	29,800	43,400	112,200

Housing tenure of households: Percentages %

Newham	Own Outright	Buying with mortgage	Renting from Local Authority or Housing Association	Renting from Private landlord
2008	11	24	37	27
2012	12	18	35	35
2016	12	23	26	39

Source: ONS, 2018

NB. figures rounded to the nearest round number

As can be seen from the tables above, the private rented sector in Newham has grown significantly over the last decade, almost doubling in numbers and now housing nearly four in ten households in the borough.

II The impact of welfare reform in Newham

The impacts of welfare reform have unsurprisingly been most significant in areas where there are high levels of deprivation and a concentration of welfare claimants (Beatty and Fothergill, 2016). These impacts will be felt strongly in London where housing costs are much higher than elsewhere in the country and there is a much higher than average proportion of private tenants, social housing tenants and Housing Benefit claimants. Community Links carried out research in Newham to study the cumulative impact of welfare reform. Their final report, *Just about Surviving*, reports that the changes to the welfare system have made Newham residents feel insecure and vulnerable to even small changes to their income or circumstances (Roberts, Price and Crosby, 2014). Furthermore, people have had their resilience eroded as they focus on day to day survival in difficult times and cannot make longer term plans. According to the evidence from this study:

- Some Newham residents have been able to muddle through with help from friends and family (as official support has waned), and with careful balancing of budgets.
- However, others are stuck facing insurmountable challenges.
- Respondents were aware of the poorly paid and precarious nature of the labour market and those in work were often still dependent on some financial assistance from the state
- Most people interviewed did not feel secure in their current properties – largely because of the cost of renting, which often had increased due to reductions in Housing Benefit and Local Housing Allowance.
- Those respondents who had received direct support to manage the welfare reform changes, e.g. from their social landlord, seemed better prepared to adapt to changes and find ways to move forward.
- Respondents did not want to access credit or take out a loan – people mostly had a negative attitude to taking on debt based on their experiences or those of others. For the small number who had taken on debt, this was in order to cover shortfalls in income and to meet unexpected costs e.g. moving house, replacing white goods. Others had found themselves in arrears with utility companies or for housing costs when they were unable to make the necessary payments.

- While people had a reluctance to taking on formal debts, over half of the respondents said they had recently borrowed money from family and friends generally to cover a temporary shortfall.

Welfare reform is now fully embedded in the London Borough of Newham with the whole borough now experiencing the roll out of Universal Credit from July 2018 onwards. There is widespread evidence of the difficulties involved in the roll out of Universal Credit and LSE Housing and Communities own research through the Housing Plus Academy has highlighted some key findings for those moving on to Universal Credit:

- Avoiding debt and building up savings are two vital ways to secure a better outcome for clients in difficulty.
- Face to face, hand-holding advice makes a big difference to people's ability to cope.

The London Borough of Newham, through Moneyworks, appear to be addressing some of these challenges through a specific structure and service helping clients to understand the process and manage the change. More information on this is available from:

<https://www.newhammoneyworks.co.uk/UniversalCredit-0>

III Help available in Newham

As Newham remains a deprived borough with many residents struggling to make ends meet and finding themselves in debt, it is essential that there should be good quality advice and services to provide an alternative offer to high interest, irresponsible money lenders. There is, therefore, unsurprisingly a number of services in the borough designed to help residents manage their money and improve their financial resilience.

As mentioned above, **Moneyworks** was launched by the London Borough of Newham in January 2016. The service is designed to provide residents of Newham with affordable loans and access to money management advice. Moneyworks partners with the London Community Credit Union to offer a range of products.

Initial research suggests that Moneyworks is helping those who would otherwise be excluded from affordable credit and for those who receive advice and help from the service, there are positive changes in their behaviour and finances. However, there are many residents who will not be eligible for a Moneyworks loan due to debt, low income or rent/council tax arrears. There remain many residents who will be excluded from accessing affordable credit and for whom there is need and therefore require an alternative offer.

WorkPlace is also a Council run service, launched in 2007, which provides a 'one stop shop' for Newham residents to receive advice about employment options, training and guidance on starting a business, and where employers can advertise to recruit staff. The service also offers support to Newham residents in the form of housing benefit and debt advice, and specialist teams to assist both young people and candidates with disabilities. The latest figures from Workplace suggest that the service is playing a significant role in the borough:

- 30,393 residents helped into jobs between 2007 and March 2016
- 16,837 residents helped into training between 2007 and March 2016
- More than 900 businesses have been helped to fill vacancies

Newham Council also has a number of hubs based in libraries where residents can access help or advice with many issues. We secured a number of interviews in both Stratford and West Ham libraries where residents were accessing a number of services.

Citizens Advice East End which operates across Newham, Hackney and Tower Hamlets offering free and impartial advice. In Newham they offer both a face to face and a telephone based service in addition to online resources. The face to face appointments are busy and there seems to be significant demand for the service.

The London Community Credit Union (LCCU), has a branch in Stratford and offers a number of financial products to its members including current accounts, affordable credit and savings accounts. LCCU is a mutually owned cooperative and operates across a number of boroughs in the North and East of London including Hackney, Haringey, Islington, Newham, Tower Hamlets, Waltham Forest and the City of London. According to the latest Annual Report for LCCU published in 2018 the business is doing well:

The business posted a profit of just over £70,000 for the year. This is up from around £20,000 in 2015/16 and reflects the fact we have issued more loans to more customers as well as reaping the benefits from an investment in controls. (AGM Papers 2018)

Community Links is a community based charity in East London, with its operations centred in Newham. The charity provides support and opportunities to residents to help overcome barriers, build purpose and make the most of the place they live. They offer specific debt and money advice services alongside more general welfare advice from their base on Barking Road in Canning Town, and these services are often heavily oversubscribed due to the levels of local demand.

Toynbee Hall offer free advice and support to some of the most deprived communities in the country. Toynbee Hall provides specific services for young and older people, general advice services and financial inclusion. Toynbee Hall is also the lead partner in Capitalise – a London-wide partnership of organisations funded by the Money Advice Service to provide free debt advice to Londoners who are experiencing or at risk of financial exclusion and debt.

These services: Moneyworks, Workplace, Newham libraries, LCCU, Community Links, Citizens Advice and Toynbee Hall; among others represent the sources of available help and advice in Newham.



3 Our research

I Methods

From our previous experience in Newham interviewing people about their financial situation we knew that people often resist disclosing too much about their own difficulties and challenges. As before, qualitative research methods were used to try and overcome some of these barriers.

We adapted the questionnaire used in 2013 and 2014 and updated it to reflect current conditions. This original questionnaire was itself based on large scale national surveys and LSE Housing and Communities own ten year families' study, enabling free flowing answers and observations.

An up to date evidence base was compiled on Newham's demographic, economic and social conditions and how they are changing, using the census and other publicly available surveys including Newham's own research outputs.

Agreement was secured from the council and voluntary centres to recruit interviewees in locations open to the public and in most cases to carry out interviews in those locations. As in our earlier study in Newham we wanted to recruit households on below average incomes and those facing financial difficulty. We relied on places offering advice and information as these were the places where people in difficulty would go:

Figure 4: Location of interviews

Location	Number of interviews
Moneyworks	6
LCCU	14
Advice Arcade, Stratford	2
Citizens Advice	14
Community Links	3
Libraries	11
Follow on interviews from 2014	3
Other	2
TOTAL	55

We were keen to interview as many people as possible from the previous rounds of research in Newham and managed to secure interviews with 3 people also interviewed in 2013 and 2014. It was difficult to trace and access others as many people had moved on, changed phone numbers or were not interested in participating.

In almost all cases people agreed to the interviews being recorded and we made verbatim transcripts, question by question, documenting all relevant answers. A coding system was devised for the questionnaires in order to process the information and carry out analysis.

We guaranteed anonymity and confidentiality and anonymised all evidence we collected. We established a secure recording system at LSE for storing confidential information.

II About the people we spoke to

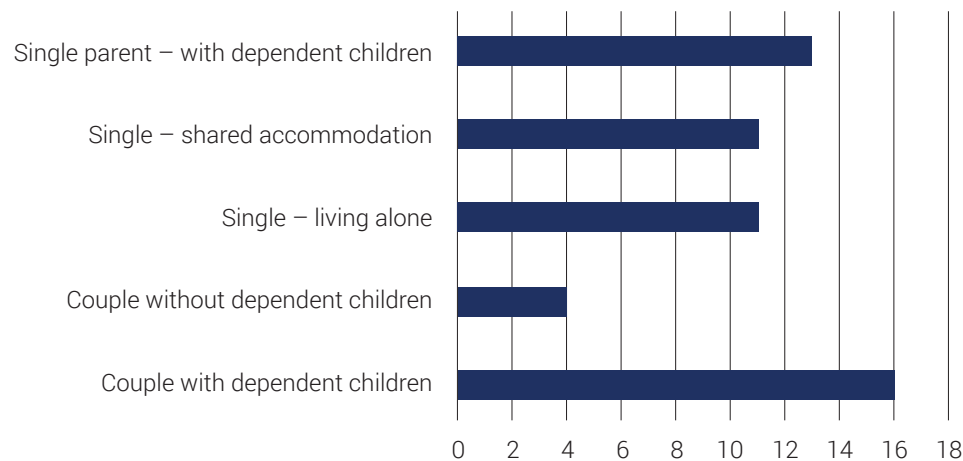
We conducted 55 interviews with Newham residents in locations across the borough but with the majority happening in locations in Stratford, Canning Town and East Ham.

Most people we spoke to were single – 13 of whom had dependent children living with them at home. 22 were either living alone or in shared accommodation with other adults. We interviewed 20 couples, including 16 with dependent children.

Figure 5: Household composition of interviewees

	Number	Percentage
Couple with dependent children	16	29
Couple without dependent children	4	7
Single - living alone	11	20
Single - shared accommodation	11	20
Single parent - with dependent children	13	24

Household composition



We interviewed 28 men and 28 women (including one couple so total is 56 rather than 55). Almost exactly half of the people we interviewed were aged 41-60 with 20 aged 19-40 and 8 over 60s.

Figure 6: Ethnic group

	Number	%	Newham %
White British	4	7	13
White Other	4	7	14
Mixed	2	4	5
Black British / African / Caribbean	25	45	18
Asian / Asian British	18	33	46
Arab	1	2	1
Other including Latin American	2	-	3

Source: GLA, 2018

Our respondents were mostly non-white and mostly from a Black British, Black African or Asian (includes Indian, Pakistani, Bangladeshi, Chinese and other Asian) background.

Ethnic group

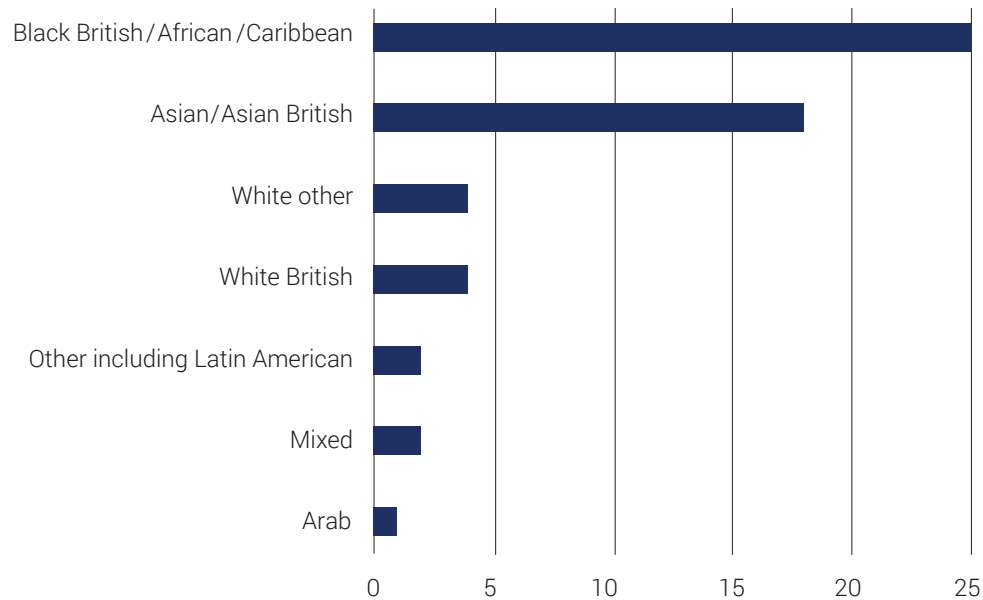


Figure 7: Tenure

	Number	Percentage
Social renting – council	15	27
Social renting - HA	10	18
Private renting	14	25
Owner occupation	7	13
Temporary	5	9
Other – including homeless	4	7

The vast majority of people we spoke to were renting, 25 in the social rented sector and 14 in privately rented accommodation. A small proportion of people were living in owner occupied property. A further 5 were in temporary accommodation, often provided through the PRS and 4 respondents were homeless and therefore moving around staying with different friends and family, one homeless respondent was so desperate that they had resorted to sleeping in their car.

Tenure

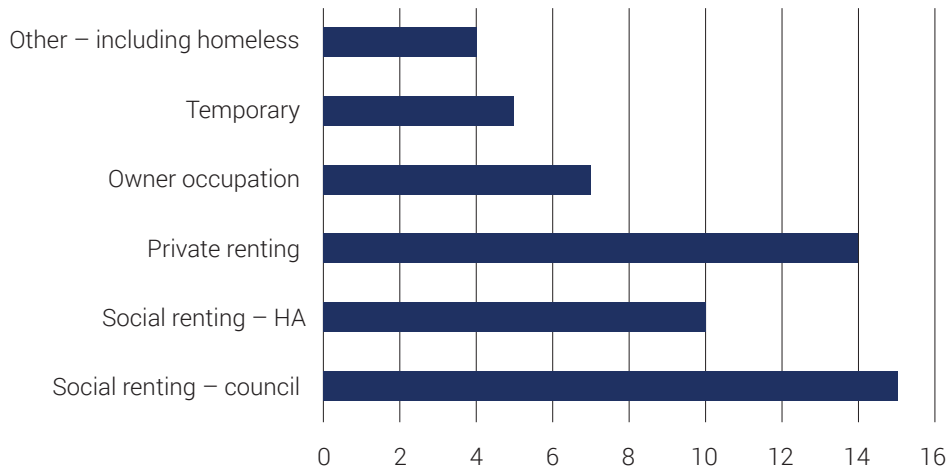
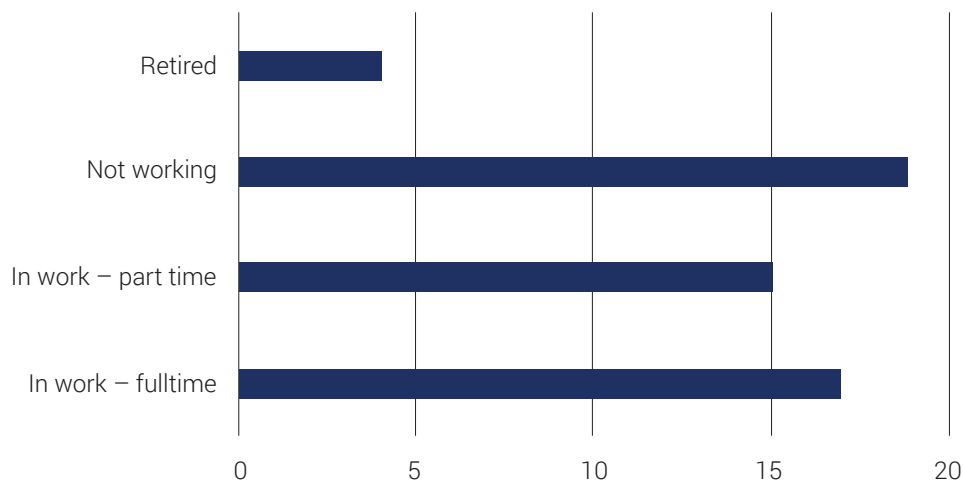


Figure 8: Employment status

	Number	Percentage
In work – full time	17	31
In work – part time	15	27
Not working	19	35
Retired	4	7

Employment status



Of the 32 people in work 4 identified themselves as being on zero hours contracts 1 full time and 3 part time, although many others described their working arrangements as insecure or flexible and others mentioned that their partners or other members of the household were working on zero hour contracts.

Of those not working, many were actively seeking work plus:

- 9 of those not in work identified as having ill health or disabilities which prevented them from working
- 1 was studying
- 1 was volunteering
- 1 caring for family

Just over half - 58% - of our sample were employed either full time or part time. This is slightly below the wider figures for the borough accessed from the Annual Population Survey of 68%. We were interviewing in centres which provide employment, welfare and money management services and were interviewing during working hours in almost all cases. It is therefore not surprising that our sample is skewed towards those not in work and who may be more financially vulnerable.

What we asked Newham residents about

As can be seen from the evidence presented above both from our own earlier findings but also from other studies, there are serious issues around financial resilience among poorer households. Many of the families and individuals we spoke to in Newham in 2017/18 face the unenviable task of managing very limited budgets at a time when the cost of living is increasing significantly.

We talked to people about managing their income and about various money management practices such as how to prioritise payments, use of direct debits, sharing of money within the household, if and how money was saved, where to borrow money, the role of work and the impact of welfare reform. When we interviewed (summer 2017) people were aware of / awaiting the introduction of Universal Credit.

We also talked to people about how they felt about their homes and neighbourhoods more generally.



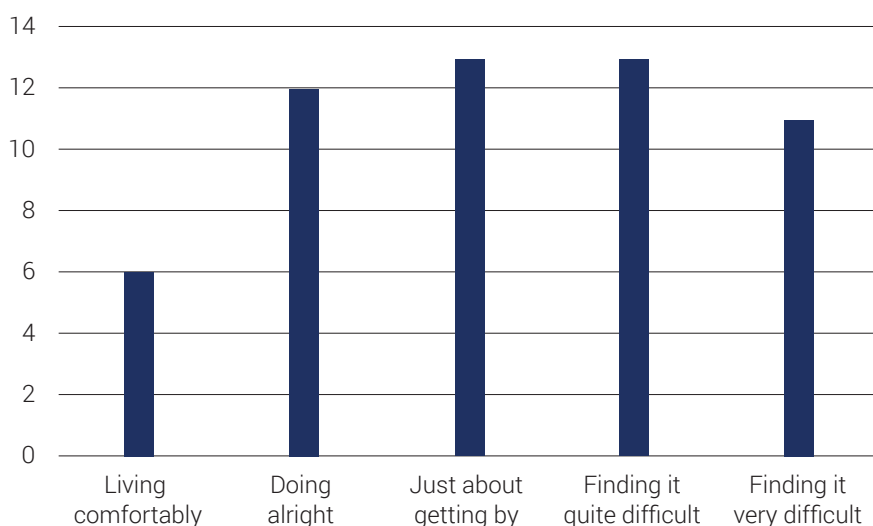
III Managing the unmanageable findings

Financial management

We asked respondents to describe how they thought they were managing financially at the moment:

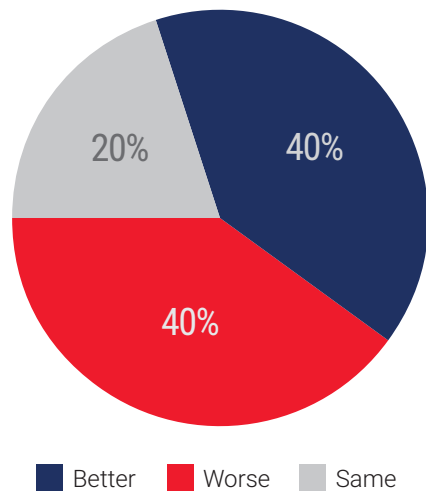
- 24 people said that they were finding it either quite difficult or very difficult to manage their money.
- 12 felt they were doing alright.
- 6 appeared to be living comfortably.
- For 13 people day to day money management was really just about getting by.

Figure 9: How well would you say you are managing financially these days?



We asked people to describe how they were doing financially compared with 2 years earlier:

- 22 people (40%) felt their financial situation was better than 2 years ago,
- 22 people (40%) felt worse and
- 11 people (20%) felt they were doing about the same.

Figure 10: Financial situation compared with 2 years ago

Reasons given for deteriorating financial circumstances were most commonly:

- Rising costs – looking after children was expensive
- Losing employment – losing jobs or reductions in hours
- Welfare reform changes – reduction in tax credits and housing benefit

Because I was made redundant and became self-employed so I had a drop in income.

[Then] Was actually getting my benefit (ESA) and I was handling my money – I was able to eat and I had a telephone, I had quality of life, now I have no life.

Because of the baby, so he's growing so quickly and always needs something.

...the price of things has increased but I am still being paid the same.

Reasons for improving financial circumstances were:

- Gaining employment or improving job / increasing hours
- Taking out loans / credit card
- Improving health – which in many cases had enabled more work

[2 years ago] My health was bad so I could only work a few hours and I was in such a bad state mentally and physically

I am more in control, and I don't feel so bad about it anymore. I have accepted my situation and think about what I can do to improve it.

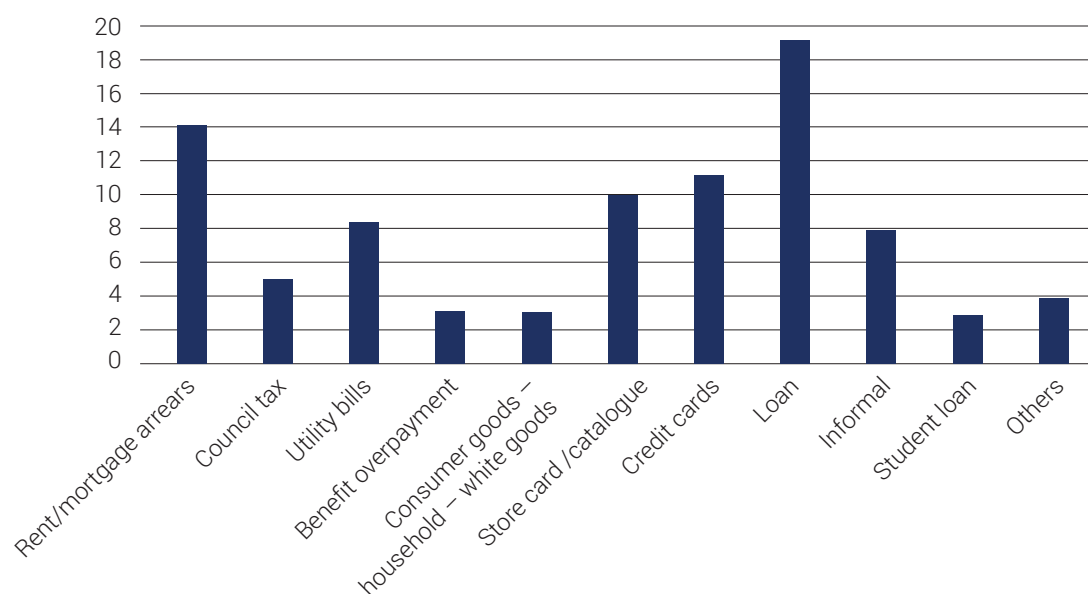
A little bit better. Psychologically two years ago I did not feel well, but now it's better.

It is interesting to note that our interviewees back in 2014 felt quite differently about their changing financial circumstances with around two thirds (66%) feeling their current situation was worse than it had been 2 years earlier.

Experiences of debt

Of the 55 people we spoke to, 40 held debt of some kind. This varied widely both in the amount and type of debt held.

Figure 11: Type of debt



The most common type was a loan – this included from banks, credit unions and higher interest lenders although there was widespread disdain and criticism of higher interest lenders. 35 people said they knew of Wonga and other payday lenders but very few said they had used them.

It's just very bad, don't really know what else to say about it. People are screwed if they take out these loans. I don't know anyone who has. But they never read the small-print about how much they have to pay back. And then they're in for a shock.

I wouldn't ever touch that, I had a friend who did that and he had to pay double the amount back, so no I've been told about that. Tempted but that's only cause you don't know who to run to for help, I think that's maybe something government should do to help people more so people understand.

It's like pulling a knot round your neck.

If you can meet the deadline it's not a problem but if you can't you shouldn't take one.

You would have to be desperate- if it's too good to be true it normally is.

One respondent who had used payday lenders in the past saw a direct link between people borrowing money and using higher interest lenders and government cuts and welfare changes:

You know why this is happening? Because the Government cut back on the...they used to give hardship loans, crisis loans and if you want to move they give you money if you need things in the house and can't buy it from your benefit they give you money, but the Government cut off that. So that's why all this is happening.

The second most common debt was linked to housing costs in the form of rent or mortgage arrears. For a few people this had resulted in being evicted from accommodation.

I don't know what to say. Because even when I was in the accommodation I applied for a bigger house and I've been for ten years waiting and they never give to me. And after they evict me.

I have been there for 10 years. I was in arrears, but I have solved that so I think it's ok.

There was a distinction made by respondents in general who didn't view being in arrears as debt or borrowing money, so many were debt averse while at the same time being in arrears to both landlords / mortgage providers and often utility companies too.

I'm not in debt! It's not debt. I've just got my bills that's all it is...

Joanna manages her family's budget very carefully, avoids going into debt if at all possible and prioritises to ensure the essential bills are paid each month. However, she has no reserves to fall back on and therefore sometimes finds that they are in arrears and have to cut back further.

Joanna's story

Joanna is in her late 30s and works part time. She is a single parent living with her two teenage children. She feels that their area is very difficult and dislikes the deprivation and poverty she sees around her and the levels of crime and disorder.

The area I live in now is extremely deprived. I am lucky because I live on the 10th floor, so I am not in the thick of it, but the fact that it is still there. So I am in the sky, I am not directly on it, and I'm on the edge but it is still police sirens all day

She feels that there are problems within the local community, particularly around drugs and gangs but feels that the authorities have dismissed the community and forgotten about them.

Oh god...The level of crime and drugs and I think they've kind of written off the community, in the sense that they are not encouraging them to go to work, to study.

I think the council just has forgotten about them – about "us" because I am in it. I am definitely trying to get out, I don't want to stay there, especially for my son. There's a serious drug problem in the area, rounding up young ones, and I don't want my son to get involved. There's a good community spirit, but the underlying stuff... Yes, I think we have just been forgotten about, the police can't be bothered.

In addition to working part time Joanna also receives Housing Benefit, Working Tax Credits, Child Tax Credits and Child Benefit. She feels that tax credits have been a good thing for her, helping her work but also managing to spend time with her family and run her home.

Time-wise I'm better off because if I was working full-time I would be getting the same money but have less time – my child would barely see me, I think emotionally I would be quite irritated, I think my diet would be out of the window, I wouldn't be able to catch the bargains, like at 5pm when they put out the veg; time to sleep. I value my time

Joanna manages her money by doing a lot of budgeting and trying to find bargains wherever possible.

I would say that I am budgeting, it's hard work. It's monotonous too. But I understand: in order for me to get by, not to be worrying and not have my son ask me if he can have something I can't afford, I feel like I need to keep on top on things. I would like not to be so worried, I would like not to check my account all the time, but I understand it is something that I need to do for now.

She prioritises bills each month so that important things are covered through direct debits.

When I get paid, there's a part of my money (about £500) which goes through my direct debit straight away, and that deals with my car, my insurance, my council tax, phone bill, TV license, washing machine insurance, dishwasher insurance, fridge insurance.

Joanna tries to avoid debt.

If I am honest, I wouldn't [borrow]. I probably would make sure that I wouldn't turn on the lights, I'd use candles. I would find a way to stop something, to cut something, to make more. I would stop using my car, I'd walk. Literally, these are things that I need day to day, so if I'm telling you that I'd be burning candles, literally this is what I would do. But it has not happened to me so far.

However, she understands that emergencies crop up and has made the difficult decision that that when this happens she will use her rent money to cover, rather than get into formal debt, on the basis that her landlord will take some time and be more understanding before taking action against her.

I pay my rent myself, because I need that leeway if something goes wrong like the washing machine I have got my £500 odds...I try to do all these bills monthly, and everything else is rent and shopping. All the hard bills – the ones people can come from me for – I sign them off monthly

If anything happens, the money for the rent is what I am going to use because I know that they will give me about three weeks grace before they will say that I'm in arrears.

Joanna describes her financial situation as just about managing but in the past two years she has fallen into arrears with her rent, cut back on food costs and used a food bank for assistance. She is conscious that there are health implications for being on a tight budget and restricting expenditure on food for example.

I think for wellbeing, it's a daily struggle. You kind of need to use the internet to dream – where you are just isn't anything to do with wellbeing. The chicken shop on the corner does a chicken and chips for £1 but kale, and broccoli, and quinoa is like £10: so what do you do? Grease or quinoa?!

She is very aware that there is widespread poverty and need in the area.

What I would say is that a lot of people who live in my area are on the breadline. So it's literally hands to mouth. So saying that you are going

to put up a club to paint your face. Is that going to teach them how to say no to people who are trying to tout them to sell drugs? I mean I am just being real about this. They can't eat, they need foodbanks. They need foodbanks that are going to give them food daily, not on a Thursday between 6-8pm. These people need to eat every day because they haven't got it.

Joanna has sought and received help for managing her money but feels that this will only work once people are really serious about changing, and have few options left

I have surfed the net for it. The council also had something about budgeting at the place I worked for. But you know you have to be ready to budget. People can tell you all day long about budgeting and you can go to all the classes, but I think unless you've been in literally on your face and you're desperate, I don't think you understand the budget game. You really have to hit rock-bottom before you're serious about your life and that you've got to change. These classes weren't working until it really got serious and then I realized that I can't live like this month to month. So I started lessening what we eat, budgeting – the rice from the Indian shop rather than Sainsburys etc. – so in that sense I had to do a bit more because I wanted a better life.

Joanna worries about the future for her children believing that there are now fewer options for them and that life will be more difficult.

Much worse. Education is available, but the level of debt you incur is crazy. I think also with the influx of people coming in with migration, there is less opportunity, but it is ok because it brings out the best in people to strive and be the best you can be to get what you want to get.

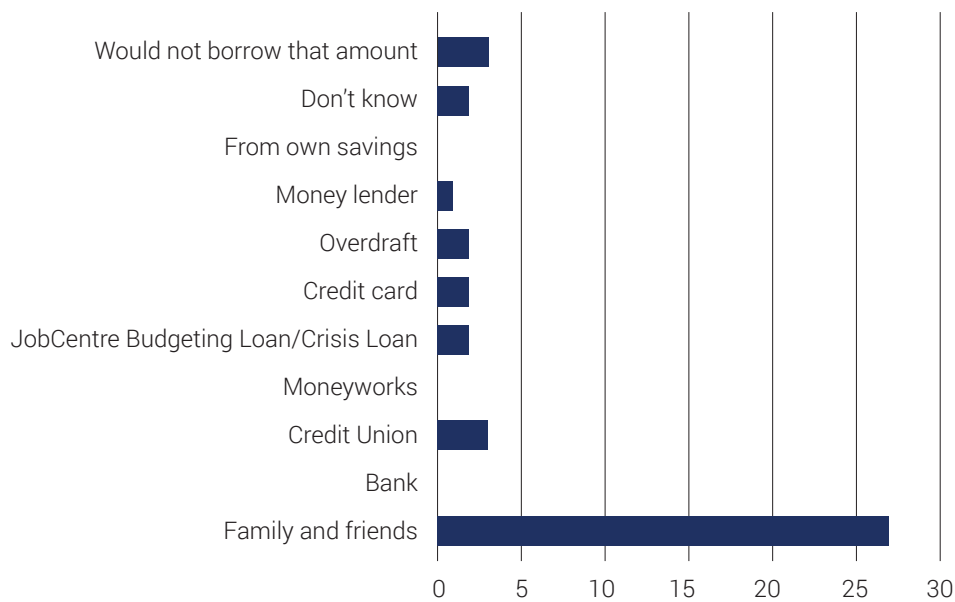
For 8 respondents, their debt situation had become so serious at some stage that they had been taken to court. For these Newham residents the outcomes varied from eviction, becoming bankrupt, bailiffs and in occasional cases having the issue resolved and not having to pay.

We were interested in where people would look to when they needed to borrow money. When asked where they would borrow money from, 6 respondents said that they would not borrow any amount of money at all.

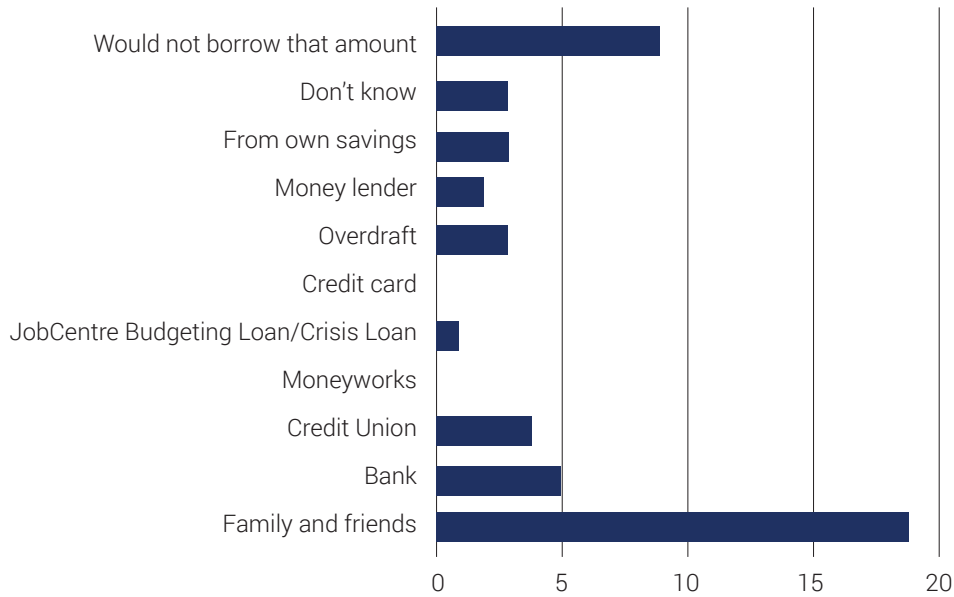
Figure 12: Where would you go to borrow

Where would you go to borrow:	£50	£200	£1000
Family and friends	27	19	9
Bank		5	4
Credit Union	3	4	7
Moneyworks			1
JobCentre Budgeting Loan / Crisis Loan	2	1	1
Credit card	2		1
Overdraft	2	3	
Money lender	1	2	
From own savings		3	
Don't know	2	3	4
Would not borrow that amount	3	9	14

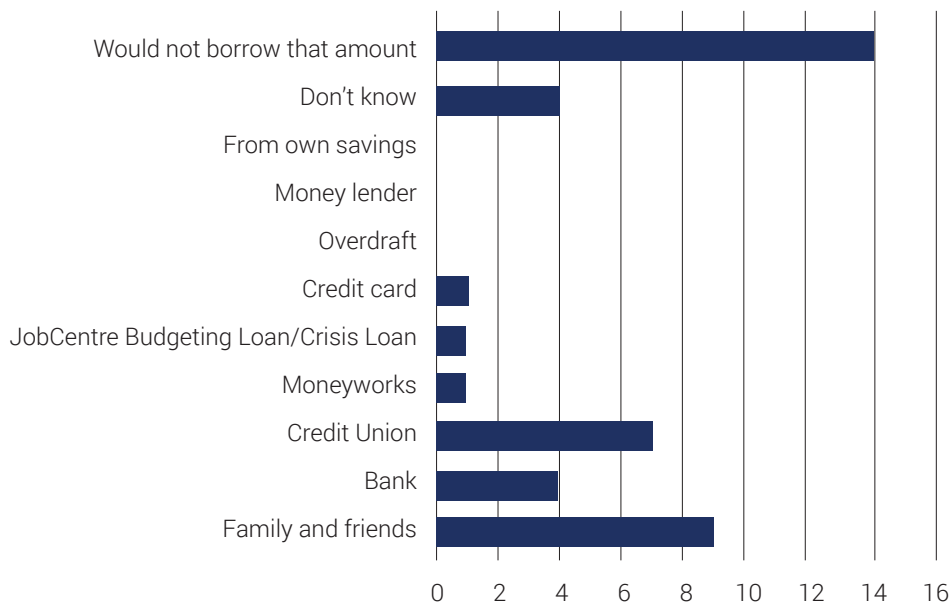
Where would you go to borrow £50



Where would you go to borrow £200



Where would you go to borrow £1000



It is evident here that the role of informal lending is significant. By far the most common answer for all three amounts of money (excluding those who would not borrow as much as £1000) was family and friends.

24 respondents said they had received help from friends and family and 26 said that they themselves helped out friends and family, both financially and in kind.

Living beyond my means. Spending more than I've got coming in, that's why I'm in debt to my friends. Luckily I've got a good array of friends that lend me money, but obviously you've got to pay them back.

My best friend I owe him a lot of money, but he's quite well-off and my other friend. But I've known them a long long time and they know if I had a windfall, if I get money then they'll get their money eventually – not in one go but in dribs and drabs.

We help family a lot especially my husbands family cause his parents are old and he has a lot of siblings and his mum had an operation which we had to help with.

21 people had heard of the LCCU, although 4 felt they didn't know much about it. Some had personal experience of the credit union (14 of our interviews took place there) whereas for others it was somewhere to go in an emergency.

Helped me a lot when other banks wouldn't have because I have a past of being wild with money.

Good for an emergency but the best solution is to earn more money.

The triggers for debt seem fairly consistent with the picture a few years ago, although the impacts of welfare reform, rising living costs and stagnating wages seem to be hitting harder. For some people who had just about been managing, albeit on tight budgets before, the changes in some cases tipped people over into debt.

I actually went to my bank in April, I didn't know I was using my overdraft and have £700 in arrears, so I've spoken to them about when I get my benefits so they can take some of the money back. When I went to my bank they were impressed with how I managed my account up until this point, I had no debts, no payday loans.

I went to the jobcentre cos I was told to sign on, had to wait until the following week, wasn't given any emergency money because there is no community care grant in Newham, they've replaced this with Money Works which gives a no interest loan but doesn't really help because you can't use the service unless you're receiving jobseekers' allowance or ESA and housing benefit. So it was just stopped for me – I couldn't use their service until I had officially signed on...I showed my bank statement at the jobcentre to show I had no money and I was given nothing except a foodbank token...

34 people said that they had taken out a loan at some stage, with the most common reasons for borrowing money being: home improvements, sending money back to families in different counties, transportation and holidays.

Figure 13: Reason for borrowing

Car/transport (often to get to work)	3
Career development loan	1
Crisis loan (waiting for benefits)	1
Rent / mortgage	2
Home improvement (including moving, decorating)	5
Education	1
Send money home	5
For children (clothes etc.)	2
Gave to partner following breakdown of relationship	1
Holiday	3
Home appliances – white goods	2
Moving to England	2
Student loan	2
Other	3

Saving

We also asked people directly about whether they had savings of any kind and if they were able to save money.

- 8 people said they were currently saving, and
- 17 said they had some savings.
- 12 people said they saved on a regular basis, often monthly but sometimes weekly while
- 6 people said they saved from time to time or when they could on a more ad-hoc basis.

The reasons why people saved varied from special activities like holidays for some to others wanting to make sure they could provide for their children, things for the house or to make sure they could get by in an emergency.

I don't save with something in mind, just in case anything happens.

I find it very hard to save. I should be able to but something always creeps up for which I have to pay. But I told the LCCU recently that I would like them to split my money – some money for the loan, some money for the rent, and some money for Christmas and some money towards my savings.

Sources of help and advice in Newham

As noted above there are a number of resources in Newham which offer help and advice to residents with financial management, debt, welfare, employment and other issues. However, only 16 people we spoke to had ever received any help with their financial management. Of those who had accessed help, the majority had received free help from the council or charities and 4 had relied on their own support network of friends and family. Most advice was given face to face but 3 people had experience of sourcing help by phone (2 of the 3 had both telephone and face to face help).

For 10 people the advice was helpful and aided them in addressing budgeting and debt problems they had.

A couple of years ago I went to the Citizen's Advice Bureau because I am a pensioner now I cannot afford to pay this much money now and actually the Citizens Advice Bureau made it so I just had to pay £1 a month, if that is what I can afford to pay...

Katherine is in a difficult situation but found that she was able to access help and advice through Community Links.

Katherine's story

Katherine is a white British female who has lived in Newham her whole life. She worries that crime in the area is getting worse and is particularly concerned for her young son growing up there.

Just what's going on really the acid attacks, the shootings. It's worrying especially as I have got a boy. Over the last 10 years it's got worse

Katherine and her young son currently don't have their own accommodation and have been staying with a family member for a few years who lives in accommodation which is unsuitable for young children. Katherine is desperate to move into her own place but has been waiting for social housing for almost 10 years. She feels stuck in her housing situation.

Last few years there's been nothing on the bidding system I've been every Thursday for 6 weeks.

She has considered private renting but feels that it's too expensive and that landlords discriminate against those on benefits, particularly as a result of Universal Credit and the removal of direct payment of Housing Benefit.



I try to go private but it's too expensive your rent won't cover it...Can't get anywhere with a private landlord, it's too expensive or a lot of them now don't take DSS so where they didn't pay the rent straight to the landlord but to the people they get into arrears. So where it's gone on for so long and people just take the money instead of paying rent people don't wanna take DSS anymore.

Katherine previously used to work as an administrator but had to leave because she was suffering from depression following some difficult personal circumstances. She would like to go back to work as a receptionist when she is able.

She is currently in debt and pays small amounts each month to cover outstanding debts for a Provident loan and to catalogue companies. She had previously taken out a payday loan which she has paid off completely and now has quite a negative view on payday lenders such as Wonga.

More recently Katherine had sought and received face to face advice about her debt from Community Links and found this helpful. The low level debt that she has doesn't worry her too much as she is in the process of paying it off and feels comfortable as long as she can afford to feed her child and provide what they need.

Yeah I jiggle around when I pay it in the month depending on when I get my money it's alright as long as you pay it in the month they don't mind.

She feels that she is organised with money and can balance things out but struggles more when she is feeling low. She is however a regular saver and puts money aside each month into a savings account for her son to help him have a better future.

Impact of insecure work

Slightly more than half (32) of our respondents were currently in paid work and a further 22 had worked in the past. Two thirds of our sample in work were in low paid employment, identifying their income as being under £10,000 per annum.

A further 16 individuals lived at home with a household member in work. Other household income mentioned also included money from friends and family abroad, benefit payments and ad-hoc work.

11 people were also receiving tax credits alongside their employment.

Nathan is working but is frustrated that he isn't able to find work that is reflective of his qualifications, he is just about managing to get by on his low income.

Nathan's story

Nathan is a single man in his late 20s. He lives at home with his mum and his siblings. He is currently working part time but cannot find work related to his degree in art. He feels frustrated that he hasn't managed to find work that he enjoys and that his life is not moving forward as he would like.

No, I'm at a stand-still. I'm not going anywhere. I'm still in the same job, still live in mum's house. You get the idea that once you get your studying and get your degree, so many doors open. But I am still in the same place, not going anywhere.

He has lived in Newham all of his life and has seen the rapid change in the borough and feels that things have improved.

A lot better than what it used to be. Since the Olympics came, it started changing quite a lot, knocking everything down and putting flats up.

Nevertheless, the changes have had an impact on the sense of community and stability of the area.

Everyone just looks out for themselves. No one really cares about what other people do. When I was young there used to be streets parties, but I haven't seen those in a long time. And my neighbours, they change all the time. There's only two/three families on the street which I know, all the others are in and out. Also because of the new flats they built and also there are a lot of students flats, and they're not there for a long time.

Through his work and his own personal experiences he has seen the problems that exist locally for young people.

Lack of jobs, not many community centre and youth centre around, they knocked them down. A lot of crime, especially amongst young people.

Nathan isn't earning a lot of money but tries to manage his finances well although he says he is finding it quite difficult. Nathan has some outstanding debt from his student loan but he is debt averse. He shares the household bills with the other members of the family.

As soon as I get paid, I will take the money out so that I am sure that I don't spend it. It's become more difficult to control spending now that I have a contactless card.

If he did need to borrow money Nathan would look first to friends and family rather than more formal lending arrangements.

I don't like borrowing money. If it came to a point where I really needed it, I would go to my friends or my cousins.

Only 7 people described their work as secure or reliable and as noted above, 4 said specifically they were working on zero hour contracts and talked about the unpredictability of work and making it very difficult to plan ahead and pay necessary bills.

I did go on jobseekers allowance when I was on a zero hour contract for being a teaching assistant. The agency could just call you at anytime of the day and tell you a school to go to all over London. It was really hard with regular bills to pay because you never knew how much work you would get and I did that for about three years.

For those in work, there were still challenges involved in making ends meet and getting by financially.

I'm a bit stressed because of the financial things. With my new job I get paid at the end of the month instead of the middle like I'm used to. I think I'm gonna have to ask my employer for a cash advance which is kinda embarrassing but otherwise I don't think I can afford to get to work especially with the price of travel going up.

The rising cost of living combined with stagnating wages meant that some people we spoke to felt frustrated and that their lives were not moving forward as they would like, as was the case for David.

David's story

David is in his 30s and lives with his family – his partner and two children. Both parents work so he thinks they are just about getting by financially. He feels that housing costs are high and would prefer to live somewhere cheaper.

Both of us are working so in the greater scheme of things it is affordable, but it doesn't leave us with much. I would prefer anything cheaper. We used to live in a private rent, it was one room. And we were paying the same amount... But it's a decision you make when you want to live in the city. So it's just about manageable.

He feels quite negatively about the area he lives in and feels that it hasn't received enough care and attention from authorities in recent times.

Well, a couple of things. There's not much that happens here around here. Forest Gate probably 30 years ago is probably the same Forest Gate today. And then it's generally a place they would say is neglected. Full of poor people... which in a way doesn't make sense because I see everyone get up and do stuff. It's a forgotten place. I wish they'd be changing that. Other places seem to be better off than us. I haven't seen much change, I wish it would change. I've never been to the new shopping mall or the Olympics area. Where I live, there's no reason for me to go there.

He also feels that there isn't really a strong sense of community and that people keep themselves to themselves without mixing with others from different backgrounds.

Not at all. Because where I live – not sure if that's politically correct to say – I live all amongst my neighbours that are from Asian background. They don't seem to try to interact with us, they keep themselves to themselves. I need to go out of my own area to meet people. I see different things, cultural backgrounds and all that are all different – makes it hard for people to connect. If something happens at my house, no one would know about it, the person above me or next door.

David is proud of his children but acknowledges that balancing family life and working is difficult, he also worries about his children growing up

I think for any parent in modern Britain today when you have both parents working on different hours or same hours, the role is really hard. You always need someone to look after the kids. One takes care of the kids and the other one is at work. There's always those pressures and I don't think it makes it easy for us, living in this city... What makes it hard for us is that we haven't got extended family here in London so we got to manage on our own.

The most worrying bit is when you are teenager: you might fall into bad company. So as far as I am concerned, on primary level they've done so good, they've made me so happy.

David has been in employment for a long time and worked for the same company for over 10 years. However he is frustrated that life is not moving forwards for him as he would like and also that he has qualifications from his home country that haven't been recognised in the UK.

I had a good education, but it makes nearly no difference to me in this country because if you want anything from here, you need to go back 3-4 years to school... I tried to do a bit of carpentry here, IT. But it is the old same question: do you have GCSE? I told them that I have done the O-level and the A-level, but they want to see my English GCSEs... it doesn't make sense.

Although he is working, David doesn't feel that he has made any progress and that his wages have remained stagnant while the costs of everything else have been rising:

No, my life is in limbo. It is not moving backwards or forward. 15 years ago I was earning the same money, but it used to make a difference 15 years ago. But now the same amount of money, when I go shopping the money is gone in seconds. It's not like I see anything moving forward for me. Hard to do savings, hard to do anything. It's just like survive, that's all.

My wages haven't increased in the past 10 years because we've been in this freeze from our company, saying that they can't raise our pay or something like that. Financially then, I haven't moved an inch. I'm still in this limbo, I'm just like I am stuck right in the middle. I can't complain because there's people out there who haven't got much of living or surviving, but nothing much has changed. We're still the same.

The family manage their money and prioritise monthly expenditure for essentials, leaving little for much else, although the family manages to stay out of debt.

It changes from time to time. But there's always going to be rent, otherwise we will be kicked out. There's always going to be insurance, like car insurance, and then there will be other bills which come in, quarterly, monthly... The bills come first, our living comes second, and leisure comes at the bottom of the list.

I know we can provide for the kids, they never go hungry or never without toys. Ourselves, maybe we have to sacrifice one thing to get another thing, to treat ourselves. That's how you manage situations like this but other than that, it's just basic, it's flat.

Amina's story

Amina grew up in Africa but now lives in a 2 bedroom council property with her family – her husband and 4 children. The family would like to move out to a bigger place as the living conditions make life difficult and Amina has issues with the provision of services locally too.

The flat is so small and the overcrowding makes things difficult. In Newham the play areas aren't that good and are not nearby. In the summer holidays there isn't much for the children to do, even in the library there isn't much.

There are also problems with the management and maintenance of her block, with concerns about safety coming to the fore:

To be honest with you this block is getting bad there are rough sleepers that come at night, they get into the flats. They go into the refuse room and sleep there, I see them when I go and put the rubbish away, it makes me kind of scared and one even asked to use my toilet..... because of this they close it at 11 but sometimes they don't come until 8 to open it and you just see all rubbish piled up next to the room spilling everywhere. It's a health and safety hazard because if a fire started or if anything happened people would trip over it and it's bad for health.



However she feels there is a sense of community, with people knowing about each others lives and she feels a part of this community.

The family are struggling financially. Amina's husband works full time doing night shifts and Amina has recently moved into work for the first time since she had the children. She works part time in a school but sadly feels that moving into work has actually left them worse off financially so was planning to give up.

We are not finding it very easy because in May I started this job, my husband was full time but his payments weren't very good so they were helping us with like half of the rent and then when I started that job I told them that I had part time job 7 hours a week. They asked me to provide my payslip and as soon as we provided those they cut everything and they said we couldn't get it anymore, they cut the housing benefit and the child tax credit so we actually have less money even though I'm working so I'm thinking of leaving that job.

In addition to all of their own costs, Amina's husband also sends money to his parents and siblings so there isn't very much to go around. Amina hasn't taken out any formal kind of loans as this goes against her religious beliefs but the family are in arrears with a number of bills including gas and electricity, and also owe money back for overpayment of housing benefit, as well as for credit commitments to catalogue companies for household goods.

Yes we are in debt in the gas and electricity so we have a meter now that we put money on. Every time we put money on it takes a bit. They agreed to take £3 a week but they take more than that so that makes me frustrated, it's hard especially in winter.

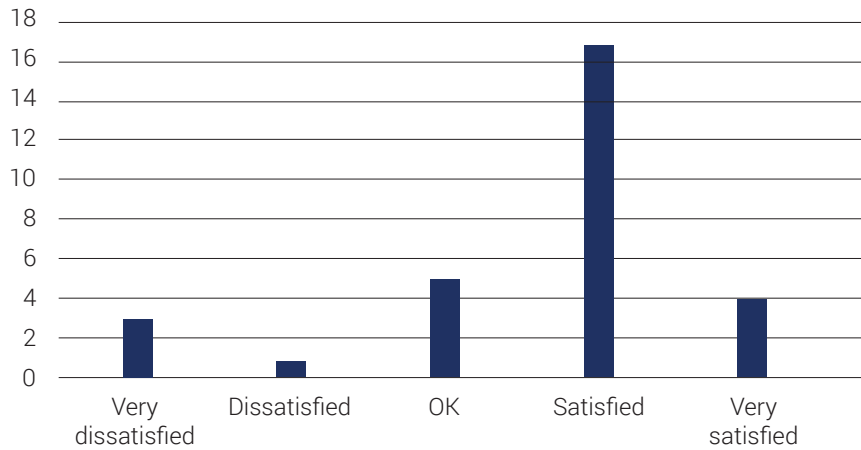
Amina wants a better life for her children and talks about her eldest child going on to university but worries about the costs involved.

Amina feels that the welfare system is an important safety net but that it isn't fair and doesn't help people stay out of poverty.

It's unfair because I know experience of my friends they were signing on and very upset about it and it will take time for them to find work but even though they were trying they got their benefits sanctioned.

Most people say that they enjoy their work and gain satisfaction from it, with 21 people saying they were satisfied or very satisfied with their present job. 9 people talked about the potential of training through their work and the potential to progress.

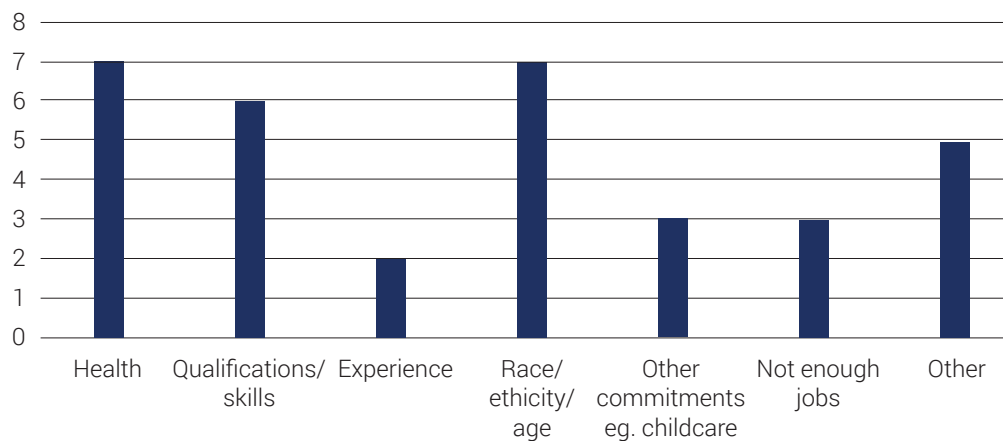
Figure 14: Do you enjoy your present job?



People enjoyed the social aspects of work, meeting new people and having colleagues, as well as the challenges involved and feeling like they were making a difference. The main things people didn't like about their work related to conditions, pay and holidays, and then the pressures of work.

We also talked to people about the barriers that they had encountered in finding work, or what barriers they thought existed for others trying to move into employment. The most commonly cited issues were health and discrimination based on race / ethnicity / age, and then lack of skills and qualifications including language problems.

Figure 15: What barriers are there to finding work?



Joseph's story

Joseph is a single man in his 40s who lives in a house share in Newham. He has lived there for many years and feels that the rent is affordable. He works in a number of different part time jobs and also works as a self-employed artist.

He likes the area where he lives and has established many connections, although he also travels to different areas of London to meet friends and family.

I like the energy and the diversity... also just the sense of movement, in the sense that things are changing. You see new buildings going up. The sense that people are growing and changing. It's quite dynamic. But I think the main reason I still live here is because I'm really used to it, and there's a lot of relationships here. Not only friendships but also like young people I've known for a while through...work.

He feels that he is doing alright financially and that he can manage to juggle money around so that he can live comfortably and deliver the artistic projects that he wants to do, for example he sometimes voluntarily reduces how much he spends on food to save money for a specific purpose. He has an overdraft facility for which he pays monthly fees and interest and is not currently saving any money for his future – any money he manages to save each month is used to complete creative projects.

He does have outstanding debt from his student loan but he isn't earning enough to pay it back yet. Otherwise he is debt averse although is contacted by banks and others offering loans. He is cautious about payday or high interest lenders and feels that people would only use them if desperate.

I get stuff through the post all the time about bank loans, start-up loans and that kind of thing, but I haven't really looked at them. I think it's a combination of not wanting to sit down and think about what it would entail, and kind of knowing as well that it's not really a great deal because you're always paying interest and stuff. Maybe it's also some fairly old-fashioned principle about, 'well, you buy something when you've got the money for it. Save up in advance and be patient.' I don't know.

I suppose I feel like they're probably really helpful for some people but only in the short term, and I guess they're quite exploitative. I don't think most people who are comfortable would need one... so I guess most people who make use of them are people are really struggling.

Joseph doesn't claim tax credits as was worried that the process is very complicated and heard negative experiences of others.

I've only heard about it very briefly, didn't really look into it, and was advised by my housemate, 'don't bother, it can get complicated' and

that was based on the experience of one of her friends. So I didn't really pursue it any further.

He hasn't directly been affected by welfare reform but has heard anecdotally from others in the area that the situation is getting worse for lots of people.

And then some of the people I know through church – there's one elderly nun who helps out at the foodbank, and just hearing her talk about how the problem's got worse; I would see that as probably connected with welfare reform, but it's maybe part of a bigger situation as well.

Demi's story

Demi is a woman in her 40s who lives with her family – 3 children and her partner. The family had been evicted shortly before we interviewed and were living in temporary accommodation provided by the council while their situation was being assessed. Demi is unhappy in the new area as she misses her old community links and thinks it is unsafe. She has wider concerns about the safety of young people and really worries about her kids growing up today.

It is so difficult, really difficult, because growing up in today's times, it's not safe anymore. As a mum and my partner, we both worry about our children so much. It might sound awful but why did I bring them into the world. It is a horrible, horrible time we are going through. Where we were my son lost a friend who got shot. Dealing with that has been hard, that has had a huge impact on us as a family. I just think times are really tough. All the youth are out there, they are not doing enough for the youth. All the youth clubs are shutting because they can't run them.

I look back and I think, yes there were issues when we were growing up. There was the insecurity but not as it is today, there were fights, there were gangs. Nothing in the way of acid attacks, shootings, trafficking, drugs, knives. Everyday there is something and it has got worse because it is a trend or a phase but I don't want my children outside. I don't let them play out, especially not out on the streets.

The family has had a difficult few years in a number of ways and have experienced a drop in income, fallen into arrears with rent payments, lost a home, cut back on food bills and have used a food bank for assistance.

It has been tough, especially since with what happened and trying to get back with things. We have been evicted from the home we were renting and that was because of a huge confusion between the agent, the landlord and us. We fought for it for 18 months before we decided to just go with it.

I've been to the foodbank myself, 1 ½ - 2 years ago, twice, so I know what it is like. I felt terrible going there and coming back with bags of food. I felt so guilty!

Demi and her partner are now both in work, although their incomes remain low. Demi has received tax credits and believes this to have been a big help:

It has helped, because trying to survive on a retail job isn't really taking you anywhere. Until recently, it was only me working for the past 3 ½ years, sustaining rent and everything. It was difficult. So I would say that it has been a help, a big help.

The family are struggling financially and Demi describes them as just about getting by.

Financially it has been hard. The kids don't have all the gadgets, we don't wear brands, we never had holidays together. We've never celebrated birthdays, like big celebrations with their friends. We're not living grand, we're living by our means, as we can.

She also sees the struggles that people are facing on a wider level with rising costs and stagnating or reduced incomes:

I think the cuts but also the prices have risen. You're faced with the food industry and the farming and everything going up. The cuts...I work in a shop, and I see people buying cheap stuff, pots noodles, 4 for 45p. That's not how a family should be living, health wise. I do see a lot of that and you think that it's sad. I think people are counting pennies.

Demi is keen to avoid debt and does not see borrowing money as an option.

I wouldn't. If I hadn't it, I wouldn't borrow it. I would feel terrible asking. I have never done it. My partner has never done it either.

She did try to access a loan through Newham Council and the LCCU but unfortunately she didn't meet the criteria necessary.

I've applied for a loan from Newham, with like the Credit Union, but I was refused because there was a lot more outgoing than coming in.

However, Demi has experience of the informal help that friends and family provide and has helped others out, as well as accessing help herself.

We've probably helped out people where we can, little bits and pieces. I did some shopping for people.

Demi thinks that welfare support helps people stay out of poverty but that the current welfare benefit system isn't fair, isn't working and is causing problems for those using it.

It's just, the slightest change in your situation and the system picks up on it, it suspends your benefit. I think people are suffering with the stop-start-stop-start of a claim to benefits. We've had that happening to us. I think the communication side of things is a breakdown. I'm nervous to get in touch with the council tomorrow, because I am unsure what the outcome will be and how helpful people will be. They have given us 28 days, and it's coming up to that soon. I think the system needs changing, the way they speak to us and their attitudes. I think that might help, with communication.

The Newham residents we spoke to mentioned the importance of informal support, both for financial assistance but also more generally. We asked people about the communities in which they lived.

32 people felt there was a sense of community in their area and 27 felt that they were part of it and participated in groups or activities locally.

Yes in my area, I organise events for the local children, I rent a bouncy castle and a ball pit. Where else are they gonna get that, some kids have never even seen a park

I attend lots of events like international womens day and I have lots of friends. I'm not Muslim but my friends are but they still include me and invite me to events. I don't need to eat halal food but they give me food and I eat with them.

For others, who had lived in the area for a long time, the community had changed and people were much less likely to interact and help each other now.

There was community spirit in this area, but not now. Because people's backs are against the wall, and not a lot of people trust others. Years ago you could leave your front door open, but now you don't know your neighbours. Years ago people would look after each other, now if they see someone touching your car they don't care

No, everyone just looks out for themselves. No one really cares about what other people do. When I was young there used to be streets parties, but I haven't seen those in a long time. And my neighbours, they change all the time. There's only two/three families on the street which I know, all the others are in and out. Also because of the new flats they built and also there are a lot of students flats, and they're not there for a long time.

Many people talked about the physical changes in Newham and how there were now lots of new people living there in the new accommodation. A couple of residents, including Beryl, mentioned specifically how they had been impacted by regeneration in the borough by having to move home:

Beryl's story

Beryl is a Black British woman in her 60s who has bought her 3 bedroom council property through the right to buy. However, she has recently been informed that her neighbourhood will be subject to a large scale regeneration project and that she may have to move. She is proud of having been able to buy her own home and now worries that she wouldn't be able to buy another property elsewhere.

Its very likely I have to move cause they are taking our houses and knocking them down and then we have to find another place to live and I find that is so heart wrenching because we have lived through the hardships and now it is getting better we have to go... its because of regeneration or re-gentrification so they are moving us out so we can't enjoy the benefits.

She has noticed a huge amount of change in the local area over the time she has lived there and feels that things have improved although still sees that there is poverty locally. She has friends and family in the local area and feels part of the community.

I have been here a long time. Its changing now they have built lots of new buildings for new people and a hotel lots of changes, Canning Town station has changed a lot from what it was, there used to be a lot of crime

Its in the process of change, I'm hoping the new hotel and the shopping centre will employ local people to make more jobs. The station is near and it's a good connection to the airport and other places of work

Beryl is still working in the health sector and earns up to £20,000 a year and feels like she is doing alright financially. She says she can choose how much she works through the agency but doesn't have the protections of holiday and sick pay. She took out a loan a few years ago for house repairs and upgrading which she continues to pay off, alongside two credit cards and a debt accrued from housing benefit over payment many years ago.

Nevertheless, she still manages to put money aside for an emergency – a regular amount each month – and describes herself as like an accountant with her own finances. She keeps a record of all incomings and outgoings and would steer clear of payday lenders having heard of others having bad experiences. She doesn't worry about paying off her debts as long as she is working.

I don't feel anxious because I put the money there before its taken so as long as I have my salary its okay

Beryl is very involved in her church and believes that living a Christian life provides her with stability and hope. Beryl is supportive of the role of the welfare system and feels that it is a safety net for people at the times when they need to call on it and helps people stay out of poverty.

To some extent because I was able to live and feed the children it kept me out of stark poverty but I wasn't rich

I absolutely agree with that because when I had my children and couldn't work I absolutely blessed the system

29 people said they had noticed an increase in betting shops in their area and now think they are a common sight on the high streets, although few (8) said they ever used them and most were sceptical towards them.

Yes especially in Newham, this is what I think is absolutely ridiculous, how come there are so many betting shops and its so poor and the type of people that are going there don't have money the system is ruining us

Yes, there is a lot of people going in there. Working in retail...I have noticed youngsters going into betting shops as soon as they can. I've noticed an increase in number of people smoking, drinking. Because the times, people are stressed. It's becoming more and more common. Even things like scratch cards, trying to win money. Some of the older people do it because they are so desperate.

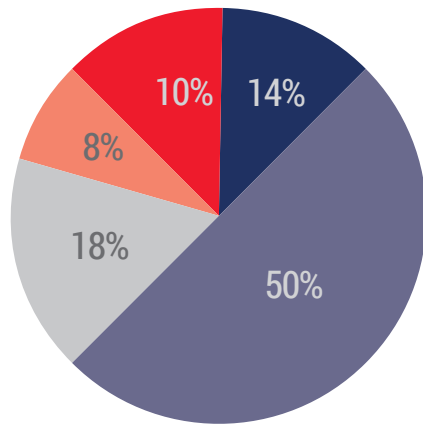
Newham Council has made clear its intention to limit problem gambling in the borough and has been influential in the campaign to reduce the odds of Fixed-Odds Betting Terminals, a move that was supported by Government in May 2018 reducing the maximum stake from £100 to £2. These steps taken by Newham to address gambling on the high street were having an impact according to one resident:

My cousin works in a betting shops and he says a lot are closing down because of the council

How people feel about the welfare system

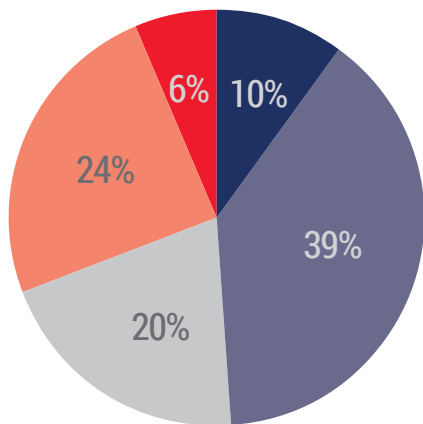
We talked to the respondents about their views on the welfare state in general. People generally had very divided views with an equal number agreeing or strongly agreeing that welfare support is fair, and disagreeing or strongly disagreeing on this point.

More than half of our respondents felt on the whole that welfare support did provide something of a safety net but people were less convinced that it helped people to stay out of poverty or that it was fair and able to redistribute money from the rich to the poor.

Figure 16: Role of welfare support**Welfare support is a safety net**

■ Strongly agree ■ Agree ■ Neither agree or disagree

■ Disagree ■ Strongly disagree

Welfare support helps people stay out of poverty

■ Strongly agree ■ Agree ■ Neither agree or disagree

■ Disagree ■ Strongly disagree

Some commented that the support provided through benefits wasn't in itself enough to keep people out of poverty, so whilst important, it wasn't enough.

Now apparently in the holidays families are struggling to feed their children. People like me or working who can't afford to feed themselves and also can't afford to feed their children now they're not in the school getting breakfast club.

It's still not going round, because you can listen to the programme, listen to the news, people are still living on the breadline. It's not reaching all of the poor so it's not the way it should be.

The welfare support isn't enough, I'm only okay cause I worked and I had savings.

We heard various examples of where people felt that the system and delivery of welfare was not fair:

It's not helping people to find work its forcing people to get work. People are going through a lot of hardship because of the changes. Sometimes a job they don't want which can be depressive. There are too many people going for the same jobs. Some people who are ill or disabled should not be forced to work. But some people who can work should work.

Welfare support is a safety net – it's not safety. If you don't get your benefit you lose your home. It's not that safe. Cos it can stop and stop for any reasons...Yes like if you have an appointment and you don't make it they stop your benefits and you end up in debt and that causes you stress. It happened to me, it happened to many people.

Depends on the person at the Job Centre sometimes they bend over backwards for you and sometimes they don't want to help.

Although Universal Credit hadn't been fully rolled out across the whole borough when we interviewed, some people had already experienced it and felt negative towards it:

Yeah Universal Credit, it's a good thing I've got out of it. It's an absolute nightmare you are basically in arrears. You are basically in arrears they nearly make you homeless then they pay the landlord. Its evil it doesn't make any sense, as soon as you work you loosed [sic] the benefit there no holding onto it.

Shazia's story

Shazia is a British Asian woman in her 60s who has lived in Newham for a couple of years. She moved to London so that she could be closer to her adult children. She enjoys the diversity of Newham and the fact that there are lots of activities and things to do but she has concerns about the cleanliness and safety of the area they now call home:

It can be very dirty in places, that's not so pleasant. Also it's not very safe. You kind of get harassed. Like safety to me is a big concern. Even I as an old woman, I am getting harassed by men.

She also feels that the area is lacking in community spirit and that people keep themselves to themselves:

People are so wrapped up in themselves nowadays. No one has really time for...I always talk to the shop keeper and you know that's how I am and that's how I get to know people. But if I randomly start speaking to someone in the park then they'll think I'm weird. I think with how the things are nowadays, you're scared to just speak to people randomly. People are a bit cautious now, because also of what you see in the media.

Shazia is now retired but has always previously been in work, she is well qualified but retired early as she was finding work exhausting.

She owns her home with a mortgage and describes herself as living comfortably, although she had cut back on spending on food recently but says this was choice and not by necessity. She is debt averse and is a strong advocate for spending only what you have. Nevertheless she acknowledges that she would need to borrow money if an emergency cropped up:

Since I stopped working my financial situation has changed... But you know, I never get into debts. If I don't have I don't spend.

I guess my approach to it is kind of "don't have – don't borrow – don't spend". But say if the boiler went and if I needed to borrow to pay for it, then obviously I would have to get a loan from the bank or use my credit card. I'm not stupid, I'd do that. But general rule of thumb, I wouldn't.

She is particularly sceptical about payday lenders and other high interest money lenders:

It's just very bad, don't really know what else to say about it. People are screwed if they take out these loans. I don't know anyone who has. But they never read the small-print about how much they have to pay back. And then they're in for a shock.

Shazia is supportive of the welfare system and feels that it plays a key role in helping people. However she is critical of the fact that incomes are so low that many working people are struggling to make ends meet and feels that it is a shameful situation in modern day Britain.

I think it is a safety net. I have seen people struggling, I have seen people misuse it. But I think that with a little extra, the children could be fed better – there are so many children who go to school without breakfast. It's shocking to hear that people go to foodbanks, and that the kind of people who go there, like nurses for example. It is so shameful in this day and age that people are not earning enough to feed themselves.

There are so many people, you can tell when people are in poverty. It is shameful to think that this is one of the Western modernized countries, and the poverty rate is so high...



4 Conclusions

Our research set out to explore the financial problems facing low income families in East London, including low paid work, benefits, credit, debt, and savings. We want to understand how the different factors interact. Our interviews with 55 residents in Newham provide valuable evidence of the lived experiences of people living on a low income in a deprived London borough at a time of great insecurity and rising living costs. The experiences we have documented support the wider evidence available around debt, the shortage of affordable housing in London, and the insecurity caused by a changing employment environment and radical reform of the welfare safety net.

- **Debt is an issue** in one form or another for almost three quarters of our respondents and a large majority of interviewees were struggling to manage their finances.
- **Work plays an important role** in helping people to manage, with the loss of employment or reduction of hours and therefore loss of income, pushing people into financial difficulty and often debt.

- **Hidden debt** and the increasing unaffordability of essential household bills including rent, utility payments and council tax is an issue affecting many households and can have serious consequences.
- **The triggers for debt** are consistent with the picture a few years ago, although the impacts of welfare reform, rising living costs and stagnating wages seem to be hitting harder.
- **Savings** can play a vital role in preventing people from falling into debt. A third of our interviewees had savings and around the same number talked about trying to save on a regular basis or in a more ad hoc manner when possible.
- **Housing** remains problematic, both in terms of the cost of private renting but also the shortage and limited accessibility of affordable housing in the borough.
- **Informal support** is a crucial survival mechanism for many households on low income, with friends and family providing support both in cash and in kind. About half of our respondents received and / or provided support to their friends and family, both locally and further afield. Friends and family were the first people interviewees called on for help when needing to borrow money.
- There is a **sense of community** in local neighbourhoods but there are concerns about safety and crime, particularly its impact on children and younger people.
- **Welfare support provides a crucial safety net** but many felt that it wasn't always fair and currently wasn't generous enough to prevent people falling into poverty.

There have been a number of new initiatives in the borough to address the problems leading to debt, since our earlier research on debt and financial resilience, for example Moneyworks which is now working in partnership with the London Community Credit Union to help people. They provide a crucial service by offering low cost credit and responsible loans but **there remains a gap for those who need access to credit but have a poor credit history, have too low an income, or are currently in arrears of some kind.**



5 Ways forward

Our suggestions for how policy and practice can move forward are centred around four main areas:

- Financial inclusion and improving financial capabilities
- Provision of good quality and accessible debt advice
- Credit regulation
- Addressing wider inequalities linked to insecure housing, insecure work and welfare reform

Financial inclusion

Financial inclusion was defined by the Government in 2017 as:

Individuals, regardless of their background or income, have access to useful and affordable financial products and services. (Edmonds, 2017)

Many people in our survey struggled to cope when circumstances changed or things went wrong, with very few savings. Our respondents were experienced in managing limited finances in most

cases, often by necessity. However when things became difficult, people were no longer clear how best to deal with these challenges. This is in line with the FCA's own findings from its 2017 Financial Lives Survey in which 24% of UK adults have little or no confidence in managing their money, and 46% of all UK adults report low knowledge about financial matters (FCA, 2017).

- **It is urgent to improve financial capabilities.** There are many statutory, private sector and voluntary agencies who can help with this including central government, schools, local authorities, social landlords, utility companies, retailers, employers and third sector organisations.
- **It is also imperative that there are places where people can go to for immediate help** and advice with managing their household finances before they end up in difficulties. These services, where they already exist, need to be better signposted, more widely accessible and with capacity to help.
- **There is demand for more products and services** that meet the need for low cost credit for people who may have a poor credit history, low income and existing arrears. There is a need to work alongside existing ethical lenders including credit unions and to extend the current offer.

Good quality and accessible debt advice

There are a number of key council run and voluntary based services operating in Newham which offer valuable money and debt advice to residents free of charge. These services are all experiencing increased demand and their role needs to be supported and extended.

- **The value of local and accessible face to face help is crucial** and must be retained alongside other sources of help via the telephone and internet from both local and national providers.

We know that many people experiencing financial difficulties will wait before seeking help as they try to manage their own problems and also may not know where to look for help. Other factors may also play a role in delaying seeking help such as embarrassment, pride and in many cases mental ill health (Christians Against Poverty, 2018).

- **Debt advice needs to be accessible to all, timely, responsive and personal.** Debt is very rarely an isolated issue and there should be provision in place to assist people to deal with debt and financial difficulties alongside other needs, holistic support in the right place at the right time.

Credit regulation

There should be **further regulation of high-cost** credit including credit card charges and bank overdraft charges. The FCA has been responsible for regulating consumer credit since 2014 and has recently announced price caps on rent-to-own household goods provided by companies such as Bright House. There are calls for much wider credit regulation and for price capping to apply across the board for all credit products. These steps would help protect people from becoming stuck in a cycle of debt whereby their ability to make choices and forward plans becomes restricted.

Addressing wider inequalities linked to insecure housing, insecure work and welfare reform

Some of the biggest issues for our Newham respondents related to insecure work and insecure housing – this insecurity erodes resilience and makes people vulnerable to small changes in income. **Services including WorkPlace and Moneyworks have a valuable role to play in helping people access work and manage their finances.**

There is continued anxiety and concern around welfare reform – most recently the full roll out of Universal Credit and the related issues around direct payment and systematic difficulties. There should be continued support for those affected and help offered to help manage this process without acquiring debt. The changes to council tax support since 2013 have also had a significant impact with people struggling to pay resulting in council tax arrears.

Social landlords and others, including statutory bodies, local authorities and third sector agencies can play a key role in this. Social landlords know their tenants, are in a position to help and must do better at helping them manage their money as well as helping those tenants who end up in rent arrears and with wider debts.

Debt is very rarely a single issue and is often linked with other difficulties and in many cases mental health issues. Our work for Christians Against Poverty in 2018 (Power et al, 2018), made clear these links and there is much evidence around that a more holistic approach to dealing with people's debt can be effective. As above, social landlords and others have a key role to play here in identifying when people may need help and ensuring that help is available and accessible.



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LSE Housing and Communities
The London School of Economics
and Political Science
Houghton Street
London WC2A 2AE

E: lsehousingandcommunities@lse.ac.uk

T: +44(0)20 7955 6330