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scotland's children's charity

GOVAN LAW CENTRE

Child poverty won't end without a new approach to Scottish public debt collection



Aberlour Children's Charity has joined with Govan Law Centre to call upon all political parties to tackle the public debt crisis and seize the opportunity to make transformational changes to the way public debt is created and collected in Scotland to help end child poverty.

Scotland must treat public debt owed to the state in a different way. Evidence gathered from **Aberlour's Tayside Family Financial Wellbeing Pilot** shows that families' lives improve when debt is paid or written off and that it provides families with the strong foundation and financial stability to help them thrive.

Financially, this can save the state significant amounts. When families spiral into debt it threatens the fabric of family life and, in some cases, can see people lose their homes and even result in their children being taken into care.

The cost to the state from these scenarios is huge. It can cost the state hundreds of thousands of pounds per child per year to place a child in care or to accommodate a homeless family. This is compared to the relatively small sums of debt that trap families in poverty and impede families' opportunities to progress. Often these debts exacerbate additional challenges in families lives that impact on family wellbeing and children's welfare.

Both morally and economically, it is clear that the state must change how it collects debt by doing debt recovery differently, with a focus on compassion, empathy and by helping those locked in a cycle of unmanageable debt.

Aberlour and Govan Law Centre are calling on all political parties to support a transformational law reform bill which would include radical initiatives to the way public bodies in Scotland collect debt to ensure children are not trapped in or pushed into poverty as a result of public debt.

Key Issues

1. Public Debt and Child Poverty

- Low income families in Scotland are facing a debt crisis.
- Public debt, including council tax payments, rent arrears, and school meal debt, traps families in poverty.
- The current public debt recovery processes need urgent reform to provide support rather than punishment to indebted families.
- Government intervention is essential to alleviate the crushing debt burden on disadvantaged families, enabling them to thrive.
- Children have a right to grow up and live free from poverty and government has a duty to uphold that right.
- Public debt reform is vital to tackling child poverty.

2. Systemic Challenges

- Disjointed debt management among public bodies exacerbates financial instability for families.
- A unified, centralised debt collection system should be developed to streamline debt repayments and ensure deductions are manageable.
- Local government public debt recovery policies need to be streamlined and standardised to ensure no postcode lottery and that every area of the country is part of the national effort to tackle child poverty.

3. Government's Role

- The state must transition from a punitive debt collection approach to one that supports families out of financial hardship.
- Positive government interventions will not

only alleviate financial strain but also improve mental health, strengthen family well-being, and support at-risk families, including those facing homelessness or the potential loss of their children to care systems.
- Public debt reform must be a key focus of the Scottish Government's child poverty strategy.

Immediate Actions Needed

School Meal Expansion and Debt Relief

- Extend the Scottish Government's one-year school meal debt write-off permanently.
- Increase eligibility for free school meals to all families in receipt of Scottish Child Payment to prevent school meal debt and hidden school hunger among children.

Overarching Debt Amnesty Programme

- Implement a comprehensive debt amnesty programme targeting low-income families with unmanageable debt, prioritising debts owed to public bodies such as council tax, housing arrears, and school meal debt.

Public Debt Relief for Essential Services

- Treat debts related to essential services, such as council tax and water, differently by implementing debt relief measures and flexible payment options for low-income families.

Prohibition of Aggressive Debt Collection Practices

- Prohibit aggressive debt collection practices that push families deeper into poverty, promoting compassionate and supportive debt management approaches.
- Develop debt recovery policies that recognise the impact of domestic and financial abuse and prevent victims being pursued for coerced debt in their name as a result of abuse.

Longer Term Actions Needed

Unified Repayment Method

- Develop a unified, affordable single repayment method for managing multiple public sector debts.

Expansion of Financial Counselling Services

- Invest in expanding financial counselling services for low-income families to help them manage finances effectively and avoid debt traps.

Integration of Support Services

- Foster greater collaboration between public bodies and support services such as social work, housing assistance, and mental health support to address the root causes of debt accumulation.

Community Outreach and Education

- Launch campaigns to raise awareness about debt management, support services, and rights, empowering families with the knowledge to navigate financial insecurity.

Review of Benefit Systems

- Conduct a comprehensive review of benefit systems to ensure they adequately support low-income families and prevent debt accumulation.
- Align public debt recovery with the Scottish Government's Minimum Income Guarantee to avoid pushing families below the established minimum income standard.
- Expand council tax exemptions to all low income households in receipt of means tested benefits.

Data Transparency and Accountability

- Improve transparency in debt collection practices by public bodies, with regular reporting on debt levels, collection methods, and outcomes to ensure actions reduce financial hardship.

Long-Term Poverty Reduction Strategies

- Develop and implement strategies addressing the root causes of financial hardship, including inadequate income, lack of affordable housing, and barriers to education and employment.



Key Statistics

75%

of total debt owed by families supported by Aberlour's Tayside hardship Fund was debt to public bodies

55%

(approx. 80,000) of families with children receiving Universal Credit in Scotland have public debt.

£1,000

How much families on Universal Credit in Scotland on average see their income reduced annually due to deductions.

30,000+

children in Scotland and their families have school meal debt.

1 in 6

families supported through Aberlour's Urgent Assistance Fund required help with unsustainable public debt.

More than **1 in 4 children (26%)** in Scotland live in poverty, with some areas experiencing rates higher than **1 in 3.**

Voices from the Community



"I felt like I was stuck in a hole and couldn't get out."

– Anna*, Parent supported by Aberlour



"Debt puts a strain on us, we constantly argue about money."

– Josh*, Parent supported by Aberlour



"Debt is like a shadow you can't escape."

– Emily*, Parent supported by Aberlour

*names changed

Conclusion

Addressing the debt crisis facing disadvantaged families in Scotland is a moral imperative and a practical necessity for building a more equitable society. Urgent and compassionate reforms to public debt management are required to tackle child poverty, support families, uphold children's rights, and ensure every child and family has the opportunity to thrive.



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