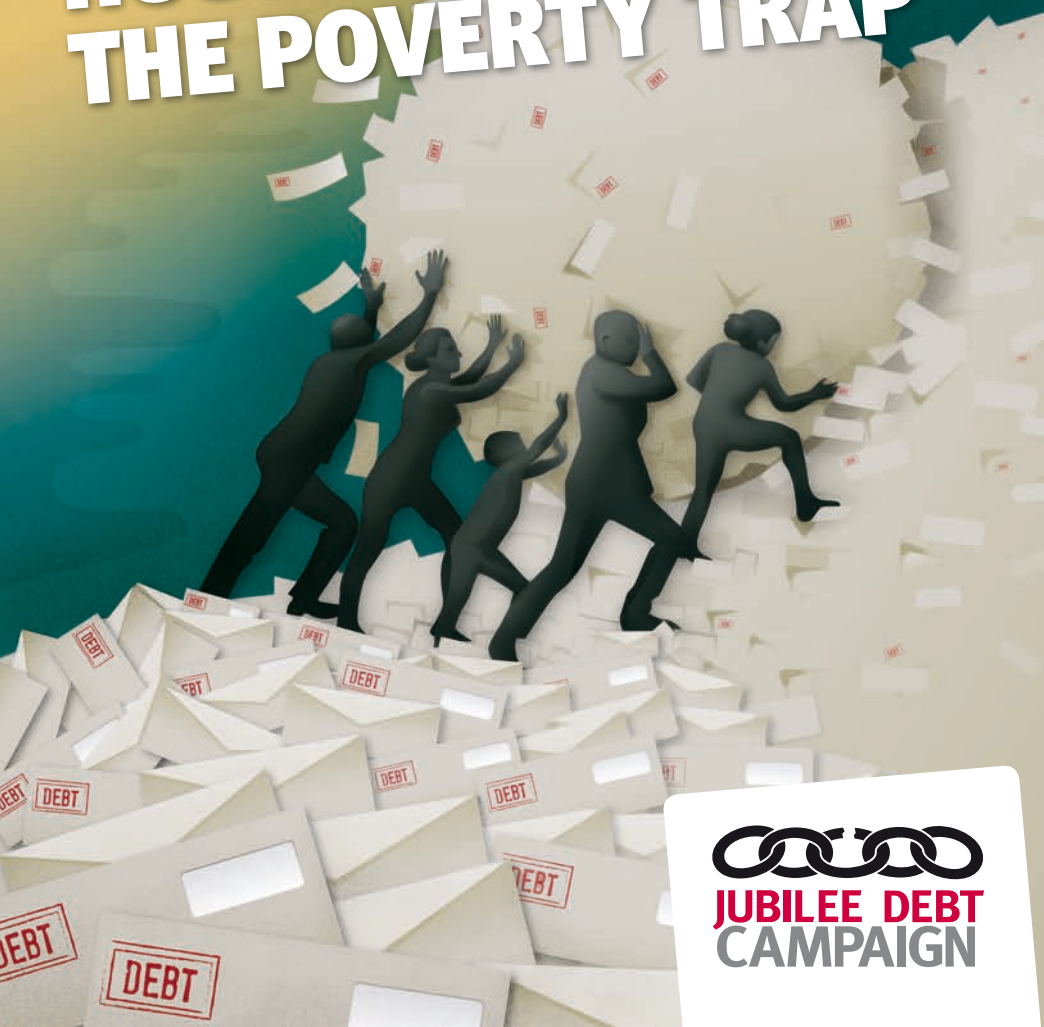


DROP iT!

Summer 2018



HOUSEHOLD DEBT: THE POVERTY TRAP




JUBILEE DEBT
CAMPAIGN

BRITAIN'S HOUSEHOLD DEBT CRISIS

Britain is in the midst of **a severe and prolonged household debt crisis.**

Household debt, not including mortgages, has increased by nearly 20% in the past 2 years, and is now at **£239 billion, higher than just before the crash in 2008.**

3 million households are now stuck in a debt trap, paying more than a quarter of their income on debt repayments. And the poorest families are being hit the hardest. Low wages, insecure work and social security cuts mean that **growing numbers of households simply don't have enough money to cover their basic needs**, and are being taken advantage of by rip-off, predatory lenders charging exorbitant interest rates.

No-one should have to get into debt just to put food on the table and heat their homes. That's why we're launching a new campaign on household debt.

We need your help to call for government action to end exploitative lending and tackle the growing burden of unjust debt on the poorest households. **Together we can help give families a fresh start.**



HOUSEHOLD DEBT IS ON THE RISE AGAIN

It is now a decade since the onset of the global financial crisis and the 'Great Recession'. The growth in household debt in the run up to 2008 has been identified by the Bank of England as a key factor in the cause of the crisis, and the Bank has also said that the legacy of high household indebtedness has held back economic recovery. Yet very little has been done to tackle the household debt burden over the last 10 years. In fact, a series of government policies and policy failures have contributed to a new rise in household indebtedness.

THE DEBT – POVERTY TRAP

This rising household debt burden is not distributed equally across society. Rising household debts are hitting the poorest families the hardest, and leading to a debt-poverty trap. People are having to take on debt just to cover basic needs and then facing spiraling debt servicing costs which further eat into their available income and push them into further debt.

According to recent analysis by the Centre for Responsible Credit, 3 million households (containing just under 7 million people) are now severely indebted – paying more than a quarter of their income to their lenders.

Almost half (45%) of the severely-indebted population are concentrated in the very poorest households. On average, these very poorest indebted households are paying out 35% of their incomes on debt repayments. This is over three times the level paid out by borrowers with the highest incomes.

HOW DID WE GET HERE?

The central issue underlying the household debt crisis is that growing numbers of people simply do not have enough money to survive, making them vulnerable to exploitation by rip-off

WHAT IS UNJUST HOUSEHOLD DEBT?

Unjust household debt is debt which causes harm to households by:

- **Creating a Debt Trap:** where debtors are unable to get free from debt within a reasonable period; and/or
- **Causing Material Deprivation:** where debtors are unable to pay for essentials (food, heating, housing) due to the cost of debt servicing; and/or
- **Exploiting Borrowers:** where debtors are expected to pay an unreasonably high total cost for credit, for example more than double the amount borrowed in interest, fees, and charges.

predatory lenders. Key factors behind the crisis include:

- 1. Low wages and precarious work:** Since 2008 we have seen the longest period of wage stagnation in two centuries. The number of people on zero-hours contracts has increased by 400% since 2002, and there are now nearly 1 million people in part-time work who want a full-time job.
- 2. Cuts to the social safety net:** Austerity measures introduced since 2008 have severely weakened the social safety net. According to the Resolution Foundation, the roll out of £14bn of welfare cuts has negatively impacted 8 million low and middle-income households, and the introduction of Universal Credit looks set to make things even worse.
- 3. Weak regulation of lending:** Margaret Thatcher's 'Big Bang' reforms weakened controls on lending by banks and other companies, increasing the scope for exploitative and predatory practices such as the charging of credit card interest rates of up to 80%.

BRITAIN'S DEBT-POVERTY TRAP IS SPIRALLING OUT OF CONTROL



3m households (around 7 million people) are now severely indebted, paying **at least 25%** of their income towards their debts.



In the space of 2 years, the amount of money the poorest households pay towards their debts, compared to how much they are getting in, has **doubled**.



On average, the very poorest households are paying **35% of their incomes** on debt repayments.

Almost half of severely-indebted households are amongst the very poorest households in Britain.



Falling real wages and welfare cuts, for those in and out of work, have forced many to borrow to cover the basic costs of living like food and heating.



This impacts on **stress and mental health, child wellbeing, community cohesion and drives homelessness**. It puts pressure on public services and local economies as wealth is extracted for debt repayments.

JOIN US IN CALLING FOR:

A cap on the cost of credit to rein in rip-off lenders.



A targeted debt write-off to give poor households a fresh start.



PLEASE SIGN THE POSTCARD ON THE BACK PAGE →

TIME FOR A HOUSEHOLD DEBT JUBILEE

Our background as the Jubilee Debt Campaign is in campaigning where the impacts of debt and poverty have been historically the most profound: on the public debts of countries in the global south. With a new global south debt crisis on the horizon, this continues to be a top priority for us and will be as long as public debt crises are causing poverty and inequality in impoverished countries.

But the 2008 financial crisis and the government policy response has brought the issue of unjust debt much closer to home. The household debt crisis is driving poverty, misery, mental health problems, and homelessness. It's having particularly negative impacts on women, and completely unacceptable impacts on child wellbeing. And with the economic insecurity posed by Brexit and further planned cuts to public spending, the problem is set to get worse.

"For millions of people, our economy isn't working, and many on low incomes are turning to debt to keep the show on the road. Far too many are seeing their lives spiral out of control. Let's start tackling our debt crisis now, before it's too late."



Miatta Fahnbulleh, Chief Executive of the New Economics Foundation, March 2018

We believe it's time to act, and that's why we're joining forces with a new group of partners, including the Centre for Responsible Credit and the New Economics Foundation to call for government action on unjust household debt.

We're pushing for a write-off to tackle the burden of unjust debt on the poorest households, and for a cap on the cost of credit to tackle rip-off lending.

COUNTING THE COSTS: SOCIAL & ECONOMIC IMPACTS

The household debt crisis has profound impacts for families, communities and our society as a whole. Key areas of concern include:

- **Mental health:** There is evidence of a strong correlation between unsecured personal debts and various mental health issues, including depression, alcoholism and drug dependence. According to the Money and Mental Health Policy Institute, a quarter of the 23,000 people admitted to hospital each year with mental illness are grappling with financial problems.
- **Gender:** Women on low incomes have borne the brunt of the impacts of austerity measures. According to debt advice provider StepChange, 61% of those getting into debt to purchase everyday necessities are women.
- **Children:** According to the Children's Society, children in households who are in arrears on their debt are five times more likely to have low well-being than those with no difficulties with debt.
- **Local economic impacts:** £9bn is extracted annually from low to middle income households as debt repayments, and this is concentrated geographically, depressing local economic activity and growth in poorer communities.
- **Broader social costs:** Taken together these impacts contribute to considerable pressure on public services and spending, with StepChange estimating the wider social costs of problem debt to be around £8bn per year in 2014.

To kick things off, in March we launched a joint briefing with the Centre for Responsible Credit exploring the possibility of a Household Debt Jubilee at an event in Parliament, attended by MPs, Peers and actor Michael Sheen. And that was just the beginning, see the postcard overleaf to find out how you can support this crucial campaign.

“People have told me ‘in order to travel to a job interview, I had to get a bit of credit’ or ‘my child has a disability, in order to cover just basic needs I have to go into debt.’ More and more this is about people needing to pay for basic needs.”



Actor Michael Sheen speaking to the Guardian, March 2018



To order more copies of this magazine, or other campaigning materials, go to jubileedebt.org.uk/order or phone us on 020 7324 4722.

**PLEDGE TO
TACKLE UNJUST
HOUSEHOLD DEBT**




**JUBILEE DEBT
CAMPAIGN**

We are pushing for government action to end rip-off lending and tackle the growing burden of unjust debt on poor households.

Together we have won big changes in the past by working together in our communities, building awareness, support and pressure from the grassroots. We want to **build this campaign with you**, which is why we're asking you to step forward now and pledge to actively support the campaign and let us know the ways in which you're willing to take action.

Whether you're new to campaigning or very experienced, from small tasks to bigger roles, **your energy and skills are needed.**



BE A HOUSEHOLD DEBT CHAMPION: Please fill in the attached pledge and let us know how you can support the household debt campaign.

I pledge to take action to tackle unjust household debt and the growing debt poverty trap.

I can (tick all boxes that apply)

- ☐ Share articles and videos on social media
- ☐ Organise a stall in my community
- ☐ Organise a local event, such as a talk, training or film showing
- ☐ Attend training to build my knowledge and campaign skills on the issue
- ☐ Give a talk in my place of worship / trade union branch / other
- ☐ Write a letter to the local newspaper
- ☐ Meet with my MP
- ☐ Join a conference call to brainstorm campaign plans
- ☐ Other (please give details) _____

Please contact me by post ☐ by email ☐ both ☐

Full name _____

Address _____

Postcode _____

Email address _____

We will contact you about Jubilee Debt Campaign's work.
See our privacy policy at: www.jubileedebt.org.uk/privacy

Affix stamp
here
(if needed)

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CARIBBEAN LEADERS CALL FOR DEBT RELIEF IN RESPONSE TO DISASTERS

Last year was one of the most devastating hurricane seasons in Caribbean history. Damage in Dominica from Hurricane Maria has been estimated at \$2bn, the equivalent of 330% of GDP. This makes Maria's impact on Dominica the most economically damaging disaster for one country ever recorded.

Representatives of churches from across the eastern Caribbean, under the grouping Jubilee Caribbean, have called for the creation of a rapid debt relief mechanism in response to disasters in the region, particularly hurricanes.

A statement from Jubilee Caribbean says: "All research points to the fact that the growing severity of hurricanes in the Caribbean is related to man-made climate change. This means that we in the Caribbean, like some other nations elsewhere in the global south, are least responsible for but most affected by climate change."

The prime ministers of Grenada plus Antigua and Barbuda have also called

for debt justice in the face of increasingly frequent and devastating disasters.

Many impoverished countries have contributed the least to climate change yet they are the first to suffer from climate-related disasters. In times of crisis the international community should support those countries to rebuild their essential public services, and resist pressures upon them to repay reckless lenders, or channel their limited funds into debt insurance schemes.

IMPOVERISHED COUNTRY DEBT PAYMENTS AT HIGHEST LEVEL SINCE 2004

Debt payments by impoverished countries have increased by 60% in the last three years. The figures calculated by the Jubilee Debt Campaign were covered by the Guardian and Financial Times, and show that developing country debt payments are now at the highest level since 2004.

According to Tim Jones, who leads our policy and research work: "Debt payments for many countries have risen rapidly

BELOW: MORNING AFTER
HURRICANE MARIA, DOMINICA.





ABOVE: A WOMAN FROM THE DABORIN SINGLE MOTHERS ASSOCIATION WINNOWS RICE AT A SMALL PROCESSING PLANT BOLGATANGA, NORTHERN GHANA

as a result of a lending boom and fall in commodity prices. The situation may worsen further as global interest rates rise. Debt payments are reducing government budgets when more spending is needed to meet the Sustainable Development Goals.”

Countries with the highest debt payments in 2017 include:

- Commodity producers which have been hit by price falls, including Ghana, Mozambique, Angola, Chad and Laos
- Countries which are paying debts contracted by previous dictators, including Gambia and Tunisia
- Countries which have had high debts for many years but have never been allowed into debt relief schemes, including Lebanon, Jamaica, Grenada and Sri Lanka

In a report released in March, the International Monetary Fund also warned about rising debt in low income countries.

MOZAMBIQUE DEBT SCANDAL CONTINUES

Mozambique is ranked amongst the countries with the highest debt payments in 2017 despite the fact it has

stopped making payments on the secret loans which campaigners in the country say are illegitimate.

The loans were given in secret by two London-based banks in 2013, but only came to light in 2016. They were not approved by the Mozambique parliament and therefore violated the country’s constitution. Over \$700m of the \$2bn of lending has not been accounted for, with much of the rest spent on shipping equipment which is largely useless.

Mozambique campaigners have called for the debts to be declared illegal, the officials responsible to be prosecuted, and the debts not to be paid by the Mozambican people.

In February the Mozambique Attorney General announced that legal action will be taken against the government officials who contracted the secret loans, though it is not clear when this will happen or how effective it will be.

Separately, the Mozambique government proposed to lenders at a recent meeting in London that it would start repaying the debt, but only in 10 years’ time. Lenders have rejected the offer because they think they can extract more money from Mozambique.

100 UK MPS CRITICISE LENDERS AND CALL FOR TRANSPARENCY

Thanks to the efforts of Jubilee Debt Campaign supporters, 100 UK MPs have signed a parliamentary motion criticising the role of the London banks in the Mozambique loan scandal, and calling for new UK regulations to ensure loans to governments are made public.

In March the governing body of the IMF accepted that more transparency was needed from lenders and borrowers. The UK government have said that transparency of lending to governments will be a key theme of the G20 meetings of leaders of the largest global economies this year.

We are working to build support for proposals that all loans given to governments using UK law must be publicly disclosed at the time they are given, so that parliamentarians, media and civil society in the recipient country can hold lenders and governments to account.

UPCOMING EVENTS

20th anniversary event – 29 September 2018, Birmingham

2018 marks two significant dates for the debt justice movement: 20 years since the 'human chain' around the G8 which saw more than 70,000 on the streets of Birmingham calling for debt cancellation, and 10 years since the start of the financial crisis which brought home the

debt and austerity politics that countries in the global south have long been subjected to.

As the Jubilee Debt Campaign, we want to mark this important year by bringing together campaigners from across the UK to spend a day together talking debt justice campaigning past and future.

On Saturday 29th September, we're hosting a free day-long event in Birmingham. There will be a workshop about debt issues in 2018, rousing speeches, a city-centre stunt, catching up with old friends or making new ones, plus food, refreshments and films.

We are inviting supporters to join us for an hour or for the whole day. You can find out the programme for the day as it's updated here: www.jubileedebt.org.uk/anniversary or by emailing Clare.clare@jubileedebt.org.uk to be registered for the day (and for the free lunch!).

Monday 2 July 8pm – Methodist Conference, at Nottingham University

We're hosting a workshop alongside Methodist development organisation All We Can, looking at the relationship between climate change and debt.

Friday 20 – Sunday 22 July – Tolpuddle Martyrs Festival, Dorset

Come and find our stall at this festival!

Saturday 22 – Wednesday 26 September – The World Transformed, Liverpool

We'll be hosting workshops at this huge grassroots Labour Conference event.

ABOUT US

The Jubilee Debt Campaign is a UK charity working to end poverty caused by unjust debt through education, research and campaigning.



Jubilee Debt Campaign

[dropthe debt](https://www.dropthe debt.org)

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