

SW MoneyHelper Financial Wellbeing Network

Get the debt help you need

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When can debt become a problem?

- **High Levels of Debt Relative to Income** - One of the most obvious warning signs of a debt crisis is when individuals have accumulated high levels of debt relative to their income. This may manifest as a high debt-to-income ratio, where debt obligations consume a significant portion of disposable income. When debt levels become unsustainable and exceed the ability to repay, it can signal the onset of a debt crisis.
- **Difficulty Making Minimum Payments** - Struggling to make minimum payments on debt obligations, such as credit card bills, loan instalments, or utility bills, is a clear indication of financial distress. When individuals find themselves consistently unable to meet their financial obligations without borrowing more money or resorting to credit, it may signify the presence of a debt crisis. Ignoring overdue payments or resorting to short-term fixes can exacerbate the problem and lead to deeper financial trouble.
- **Persistent Use of Credit to Cover Expenses** - Relying on credit cards, lines of credit, or loans to cover everyday expenses, such as groceries, rent, or utilities, can be a warning sign of a debt crisis. When individuals consistently resort to borrowing money to maintain their standard of living, it indicates underlying financial instability. Using credit as a temporary solution to cash flow problems can quickly spiral into a debt crisis if not addressed promptly.
- **Decreased Savings and Emergency Funds** - A decline in savings and emergency funds can indicate that individuals are facing financial difficulties and may be on the brink of a debt crisis. If savings accounts are depleted or emergency funds are non-existent, there may be limited resources available to cope with unexpected expenses or income disruptions. Depleting savings to cover daily expenses or debt payments can exacerbate financial vulnerabilities and increase the risk of a debt crisis.

Is there anything which makes some individuals more vulnerable to debt issues than others?

Individuals in particular circumstances and with certain characteristics tend to be over-represented in the population who need debt advice compared to the UK population as a whole:

- Under 35 years old
- In households with children and low incomes (73% have an annual household income of less than £30,000 before tax).
- Most (61%) rent their home from social or private landlords and a further 28% own their house on a mortgage. People needing debt advice are from ethnic minority communities (31%), which make up less than 20% of the adult population as a whole.
- People needing debt advice also were more likely to have experienced an income shock in the previous three years, like redundancy or a drop in earnings.

- A recent bereavement in the family
- Mental health problems
- Long-term or terminal illness
- Dementia or brain injury
- Difficulty in communicating, like:
 - a. Reading
 - b. Speaking on the phone
- Learning disability
- Relationship breakdown
- Addiction

Why is debt so taboo?

The stigma of debt and its negative emotions can be pretty debilitating and prevent people from seeking the help they need to address their debt problem. The shame and the fear of debt often leave people feeling alone and isolated. One of the aims of Debt Awareness Week in 2025 was to break down this stigma and help people to start conversations about debt.

- **Get clear on your debt** - Before approaching your loved one, gather your thoughts and facts so that you're ready to answer any questions that they may have about your debt. Taking time to gather your thoughts and understand exactly where you currently stand will help bring you clarity and take stock of your current financial position. How much money do you owe, and to who? Have you been keeping up with repayments? Are there any debts that have progressed to debt collections? What have you done so far to tackle the debt?
- **Understand what you need** - What do you want to get from this conversation with a loved one? Is it support in coming up with a plan to tackle the debt? Is it an accountability partner? Are you in need of financial advice? Be clear on your needs so that when you initiate the conversation with your loved one, not only can you share your situation with them, but you can also tell them how they can support you on your journey.
- **Find the right time** - It's challenging to initiate a conversation about debt, and there is never really the "right time" to start the conversation. That said, while there isn't a right time to have the conversation, there's undoubtedly a wrong time. Find a private space to talk, ensure you'll have sufficient time for the conversation, and also choose a time when you're on good terms.
- **Keep it real** - When speaking to a loved one, it's natural to want to protect them from the truth; however, doing this will not help you in the long run. Be open and transparent and share the complete picture of your debt with them. This will give them a full view of where you are and equip them to support you. For example, the advice a loved one may give you if you're in £5,000 debt may be significantly different from the advice they would give you at £25,000. Don't share a partial truth.

MoneyHelper is here to help you and your families with any worries or concerns relating to problem debt

Please do not suffer in silence

What support is available for people struggling with their existing debt?

Speak to a free debt adviser - Use our Debt adviser locator tool to find free and confidential debt advice online, over the phone or near to where you live. A debt adviser will:

- treat everything you say in confidence
- never judge you or make you feel bad about your situation
- suggest ways of dealing with debts that you might not know about
- check you've applied for all the benefits and entitlements available to you.



Debt Advice Locator Tool

www.moneyhelper.org.uk/en/money-troubles/dealing-with-debt/debt-advice-locator

It's important to get free debt advice if you're worried you'll miss a priority payment, have already missed one or are facing any emergency issues.

Other organisations who can help - Citizen's Advice, StepChange, Christians Against Poverty.

Breathing Space

- Breathing space is a government scheme which is designed to give you time to receive debt advice and find a solution to sort out your debt problems. There are two kinds of breathing space.
- Standard breathing space is where most creditors will have to stop collection and enforcement of your debts. Creditors will also have to freeze interest and charges on any eligible debts. See the Which debts can be included in breathing space? section.
- Mental health crisis breathing space can provide extra protection for people who are receiving mental health crisis treatment.
- To be eligible for standard breathing space you need to meet the following criteria:
 - you need to live in England or Wales.
 - you must be unable to repay some or all your debts 'as they fall due
 - you must not be in a DRO, IVA or be an undischarged bankrupt; and
 - you must not have had breathing space in the last 12 months.

You will need to apply for standard breathing space through an approved debt adviser. Your debt adviser must agree that:

- you need time to get debt advice; and
- you are likely to enter a debt solution.

Warning - steering clear of inappropriate debt advisors

Poor debt advice is pulling some people into inappropriate IVAs. Individual Voluntary Arrangements (IVAs) are a type of fee-charging debt solution, widely marketed to people with unmanageable debts. Whilst in some circumstances an IVA will be the most appropriate debt solution for someone's situation, they are risky remedies that attach high fees, and where people are unable to keep up with repayments, they can fail leaving people in a worse position than they started.

Although they can be a welcome solution for people who want to protect their assets, like their homes, IVAs are unlikely to be suitable for people with low levels of debt, people without much disposable income, or people whose income solely comes from benefits. We're seeing worrying trends of companies making false claims about IVAs, especially on social media platforms, and even posing as charities ... these tactics can lure people into IVAs which they simply can't afford.



www.moneyhelper.org.uk 0800 011 3797

Please note that this one phone number now connects you to all our money and pensions guidance specialists

