Mapping the groups most financially impacted by the economic fallout of the Coronavirus pandemic

May 2020

fair4all finance

Background

The mission of Fair4All Finance is to increase the financial resilience of people in vulnerable circumstances by increasing access to fair, affordable and appropriate financial products and services. The current pandemic is adding strain to groups already experiencing vulnerability factors and putting many more people into vulnerable circumstances. It presents an immediate challenge to increase the financial resilience of these groups. This is through ensuring they are better served by the wider financial system, so they are able emerge from the crisis without a debt mountain or harm to their longer-term financial wellbeing.

Executive Summary

The coronavirus pandemic is having a significant impact on people's health and wellbeing, as well as their ability to earn income. In the wake of the pandemic, despite comprehensive government response schemes, unemployment rates are rising sharply, and households are liquidating their savings to cover the costs of basic living. The ability to draw from a savings account is a luxury only a few can afford, as almost 11.5 million people in the UK hold less than £100 in savings. Economic strain is perhaps even more acute for the 7.4 million people in the UK with significant debt burdens, as they may be unable to meet their credit commitments during this period and subsequently find themselves in more severe debt.

Using secondary sources, we conducted research to better understand how people in vulnerable circumstances are economically impacted by the coronavirus pandemic, and where the policy and social sector responses could be extended to bridge existing gaps in the support available to them. Social sector organisations, including affordable credit providers, can have a key role to play in mitigating the financial hardship experienced by people during this period. In particular, community finance organisations will be vital in bridging the gap in income or temporary increases in expenditure.

Headlines

More than 6.5 million jobs could be temporarily lost in the UK, with low earners, women, and young people among the most severely impacted.

- Despite the breadth of government response schemes, it is still difficult for many people in vulnerable circumstances to access necessary safeguards and benefits during this period.
- Roughly 1.4 million women and 775,000 young workers (aged 16 to 24) may be ineligible for current government provisions, as they are in low-paid and insecure employment.
- Of those financially impacted by the pandemic, it is important to note that some will suffer short-term liquidity issues while others will experience longer-term financial impacts. For example, the 3 million people in the UK eligible for the Self-Employment Income Support Scheme are due to receive funds in June, however up to 25 per cent may suffer issues with short-term liquidity in the 4 months prior. On the other hand, the 2 million employees of small businesses, who may lose their job due to business closure, are more likely to suffer longer-term financial impacts.

People struggling prior to the lockdown are at greater financial risk, as income reduction, costly utility bills, and foodbank closures are putting a strain on household budgets.

- One in four of the lowest 10 per cent of all UK earners work in sectors where activity has stopped as a result of coronavirus restrictions (less than one in 20 of the highest 10 per cent of all UK earners work in sectors where activity has stopped).
- Weekly median earnings for those able to work from home are 1.5 times higher than weekly earnings for key workers (eg shop owners, medics, doctors) and two times higher than weekly earners for workers employed in shut down sectors.
- Unless further mitigating actions are put in place, the pandemic (and the response to it) risks widening existing inequalities in the UK by disproportionately reducing incomes and increasing health risks for people in vulnerable circumstances.

The financial service sector can supplement incomes losses, allowing households to maintain (or increase if necessary) expenditure and manage the pandemic's short-term effects on income

- Many financial service providers have seen more people seeking funds for fuel, food, and entertainment purposes. In addition, several credit unions estimate that at least £4 in every £10 borrowed during this period is supporting members who are coping with the pandemic.
- Consumers of the affordable credit sector disproportionately experience one or more vulnerability factors (eg are more likely to be social housing tenants or private renters), further highlighting their need for support during this period.
- However, for people in the most vulnerable circumstances, credit may not be appropriate, and additional social sector responses or a more comprehensive welfare package may be needed to support them during this period.

Introduction

Half of all adults in the UK show characteristics of potential vulnerability. These characteristics can be grouped by: (1) financial capability, (2) financial resilience, (3) health, and (4) life events (Figure 1).[i] Roughly 4-6 million working age people experience a life event every year (eg illness or divorce) that leads to a fall in income.[ii] The coronavirus pandemic has created a unique situation where the whole of the UK population is experiencing an event that could put them at severe financial risk. However, the crisis has a disproportionate impact on certain groups with less social and financial resilience.

Figure 1: The characteristics of potential vulnerability

12.5mil	11.5mil	1.5mil	4-6mil
Of UK adults have little or no confidence in their ability to manage money	People have less than £100 in savings	People are experiencing both problem debt and mental health problems	Working age people experience a life event annually which may cause an income shock
Financial capability	Financial resilience	Health	Life Event

Source: Financial Conduct Authority (2017), MaPS, (2019), Financial Resilience Task Force (2019)

Fair4All Finance is conducting research to better understand how the financial wellbeing of people in vulnerable circumstances[1] is impacted by the coronavirus pandemic, and where the policy and social sector responses could be extended to bridge existing gaps in the support available to them. The first phase of this research has been to review and summarise existing publications in order to understand where further research may be needed. This work is intended to enable the government and the social and financial service sector to better design interventions to address the identified issues and support people further. We think that there is a particular role for the financial inclusion sector to ensure that the financial system is designed to account for and mitigate these challenging circumstances.

Economic impact of the coronavirus pandemic

There are 14 million low-income people in the UK (ie living on less than £17,640)[2]— nearly a quarter of the total population. Low-income households are some of the hardest hit by the current pandemic as workers in shutdown sectors (6.3 million people) are the lowest paid across the workforce.[iii] In addition, workers on low incomes are less able to work from home, as those earning less than £20,000 reported only 30 per cent of work-related tasks can be completed from home, compared to 55 per cent for those earning more than £40,000 (see Figure 3).[iv]

The Office for National Statistics (ONS) finds that, of the 33 per cent of households reporting an effect on household finances due to coronavirus, 23 per cent have had to use their savings to cover living costs and 68 per cent have seen a reduction in their income (see Figure 2).[v]

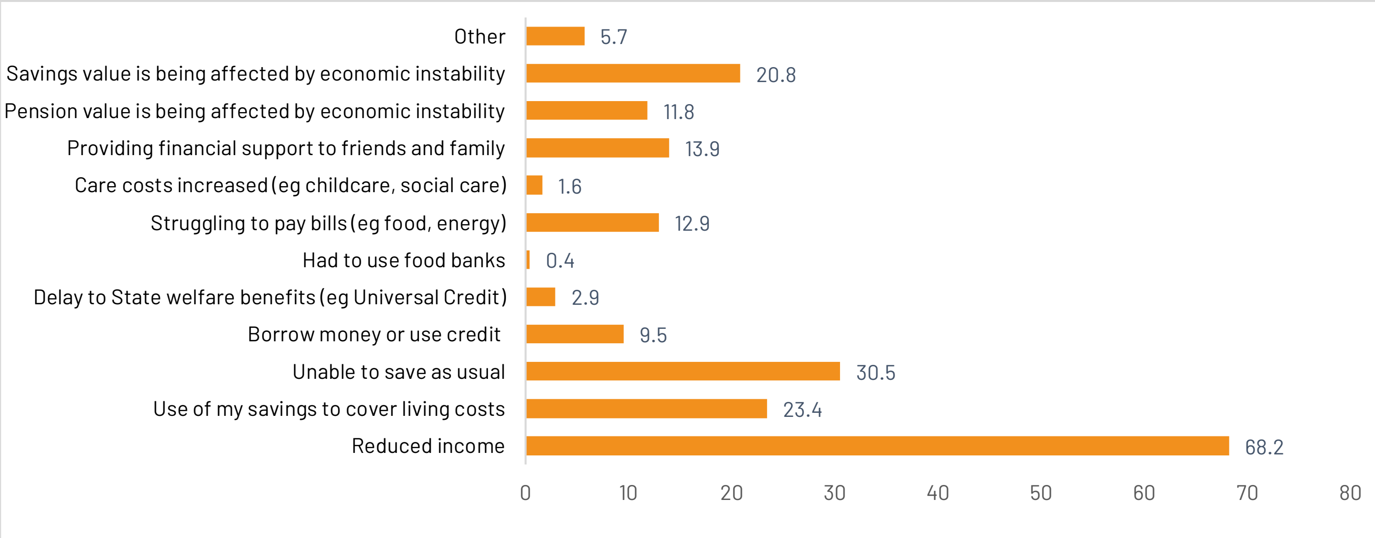
This poses a severe problem for the 11.5 million people in the UK who have less than £100 in their savings, and the 3.7 million households that could not cover living expenses for under a week if members lost their main source of income.[vi] Households with children are even more at risk, as five million people living with children have experienced food insecurity since the start of the lockdown.[vii] Citizens Advice has found that, following an initial increase in enquiries about sick pay and redundancy, there has been a surge in

[1] Consistent with the Joseph Rowntree Foundation (JRF), those who are particularly vulnerable to financial exclusion include: housing association tenants, asylum migrants, ethnic minorities, people experiencing homelessness, older people, women, the unbanked or post office card holders, low earners, universal credit claimants, people with disabilities, domestic and economic abuse survivors, people with mental health and addiction problems, etc.[1]

2 Living on less than 60 per cent of the UK's median income (£29,400 estimates for 2019)

people seeking advice on paying bills and accessing benefits in the UK (39 per cent increase from last year).[viii]

Figure 2: Percentage of people with concerns about household finances



Source: Office for National Statistics—Opinions and Lifestyle Survey

The Institute for Social and Economic Research (ISER) estimates that the pandemic temporarily threatens 6.5 million jobs in the UK— roughly a fifth of the national total. The wholesale and retail sector, and the hospitality sector (ie hotels, pubs, restaurants, and cafes) are estimated to take 3.2 million jobs out of the economy, around 48 and 75 per cent respectively, of total jobs within each sector.[ix]

Summary of government schemes (as of 5 May 2020)

The coronavirus pandemic is having a significant impact on people's health and wellbeing as well as their ability to earn income. The reduced ability to earn income comes alongside other financial implications of the crisis, including an increase in utility bills due to more time spent at home; foodbank closures and foodbanks running low on food; school closures for children reliant on school meals; childcare costs; and panic-buying, resulting in problems for people with stretched budgets. This financial impact is likely more severe for the 7.4 million people in the UK with significant debt burdens, as they are unable to meet their credit commitments during this period and may find themselves in more severe and debilitating debt.[3]

To combat this, the government has offered a series of stimulus packages to support people whose incomes have been affected by the pandemic. A summary of these schemes can be found in Appendix I.

The current government schemes include:

The Coronavirus Job Retention Scheme (JRS)

During the lockdown, the UK's 7 million public sector employees will continue to be paid their full salary. For the remaining 21 million private sector employees, the government will pay employers 80 per cent of their wages, capped at £2,500 per month to avoid redundancies (ie to furlough workers). This scheme is available only to those on the PAYE payroll, who were hired on or before 19 March 2020, and who are no longer able to work for their employers. This is a temporary scheme in place for four months, beginning 1 March 2020; it may be extended if necessary.

[3] The FCA is proposing a range of temporary measures to support users of certain consumer credit products who are facing a financial impact because of the coronavirus.

The Coronavirus Self-Employment Income Support Scheme (SEISS)

Self-employed individuals who report losing trading profits as a result of the coronavirus (however marginal), or who have stopped work completely, can claim a taxable grant worth 80 per cent of their trading profits (capped at £2,500 per month). The scheme is available to anybody with trading profits of up to £50,000 (varies from JRS, as it is dependent on profit rather than earnings), whose income largely comes from self-employment, and who started their business before April 2019. The funds from this scheme will not be distributed until end of June.

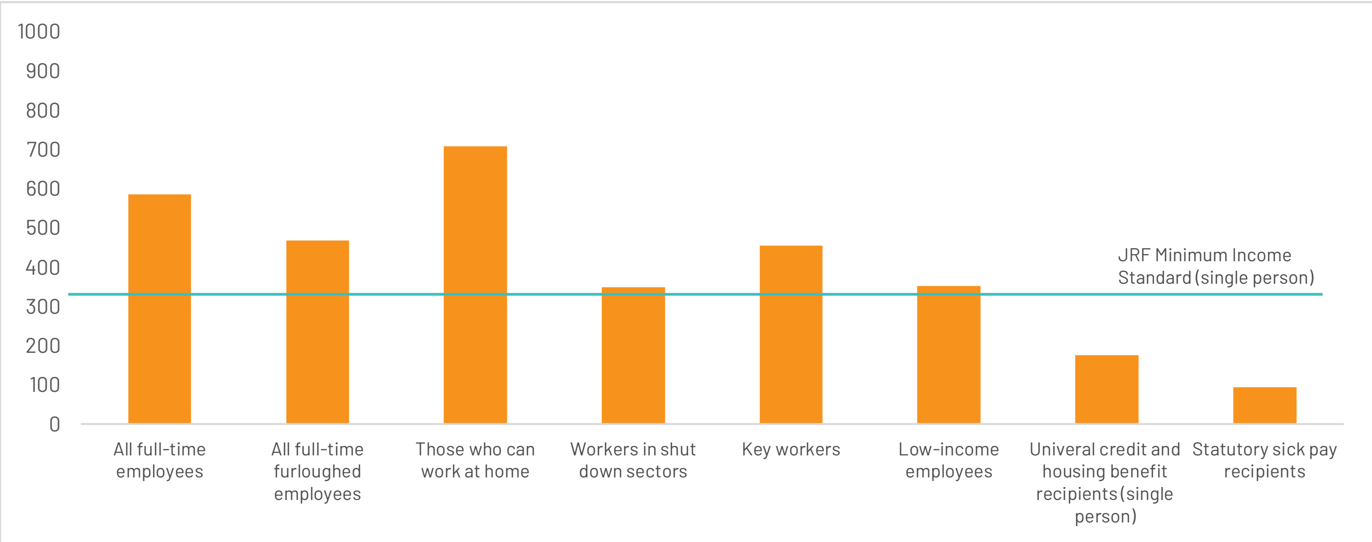
Statutory Sick Pay (SSP) and Employment and Support Allowance (ESA)

People who are off-sick or in self-isolation for other reasons due to the coronavirus (eg to care for sick loved ones) and who earn an average of £118 per week can get £94.25 per week paid by their employer for up to 28 weeks. If workers are not eligible for SSP, they can claim ESA which has been increased to the same weekly amount.

Universal Credit and Housing Benefit

The standard allowance of Universal Credit and Working Tax credits has been increased by £1,000 per year, upping payments by around £20 per week. Additionally, in the next year, £1 billion pounds will be allocated to ensure those in privately rented accommodation receive a tax credit worth 30 per cent of their area's average rent. This scheme will be extended to all areas of the UK.[4] Eligibility requirements stipulate that there is a reduction in benefits for those with more than £6,000 in their savings accounts and that households cannot hold more than £16,000 in savings between them and their partner (excluding many middle-income households). In addition, individuals do not need to attend Jobcentre Plus appointments or health assessments in person during this period but may be required to do so over the phone.

Figure 3: Weekly median earnings for impacted groups (£)



Source: Resolution Foundation, Risky Business, 2020; ONS Employment and Labour Market, 2019; DWP, Housing Benefit Caseload Statistics, 2018; Turn2Us, 2020; JRF Minimum Income Standard, 2020

These government schemes will benefit millions of people across the UK; however, it is important to note that there are groups in need of additional financial support.

[4] Important to note that this does not make up for the £12 billion in welfare cuts announced in 2015.

Excluded from the Coronavirus Job Retention Scheme (JRS)

People excluded from the JRS include those who have been made redundant, those who have reduced working hours or rely on overtime pay, and those who were hired after 19 March 2020. According to Citizens Advice, this is approximately 6 million people in the UK, or about 18 per cent of the total workforce.[x] For those still in work, the expected probability of job loss within the next four months is roughly 33 per cent.[xi] The Institute for Fiscal Studies (IFS) also finds that low-earners are seven times more likely than high earners to have worked in a sector that is now shut down, and that 30 per cent of employees in the bottom 10 per cent of the income distribution are employed in a closed sector (compared to just 5 per cent of those in the top 10 per cent).[5] [xii]

The ONS additionally finds that only 60 per cent of low-income households are able to cope with a 25 per cent reduction in household income for three months, revealing the need for further support alongside the JRS.[xiii]

Excluded from the Coronavirus Self-Employment Income Support Scheme (SEISS)

People excluded from the SEISS include those who became self-employed in the last fiscal year (650,000 people), those whose self-employment income makes up less than half their total taxable income (1.3 million people), and those whose profits exceed £50,000 per annum (225,000 people). The IFS estimates that roughly 2 million people will be ineligible for the SEISS. In addition, the delay in distributing the funds poses a serious problem for some self-employed individuals, as a quarter of those earning less than £50,000 a year do not have enough liquid assets to cover three months' lost earnings, and 15 per cent do not have enough to cover a single month.[xiv]

Prior to coronavirus, self-employed individuals earned approximately half the amount of those formally employed, and roughly 2 million made less than minimum wage.[xv] This means that coronavirus will not only leave many self-employed individuals unemployed but will also widen the pre-existing earnings gap.

Income drop for accessing Statutory Sick Pay (SSP) and Employment and Support Allowance (EAS)

Both the SSP and ESA amount to one-sixth the median pay of a full-time employee, meaning many workers will be left significantly worse off.[xvi] In addition, 2 million people are in insecure work or earn less than £118 per week, and are therefore not eligible. This includes 225,000 zero-hour contract workers.[xvii]

Delays in payments of Universal Credit and Housing Benefit

There are several problems in accessing universal credit benefits. For those applying, there are long queues and delays for completing an application and receiving a response, as well as a 5-week wait period before benefits are granted. If households are not able to wait for the first payment, they can apply for a benefit advance. Repayments are then deducted from future benefits. However, evidence shows that the high levels of deductions to pay debts are not always affordable for households, increasing the unpredictability of their finances over a longer period of time. [xviii]

Families that may not gain from a temporary increase in benefits are those bound by the benefit cap.[6] According to the IFS, there were 76,000 working-age families subject to the benefit cap on the eve of the crisis. These families, alongside many people who have moved out of paid work during the crisis (specifically, those who were not continuously employed for the 12 months prior), will be negatively impacted by the cap.

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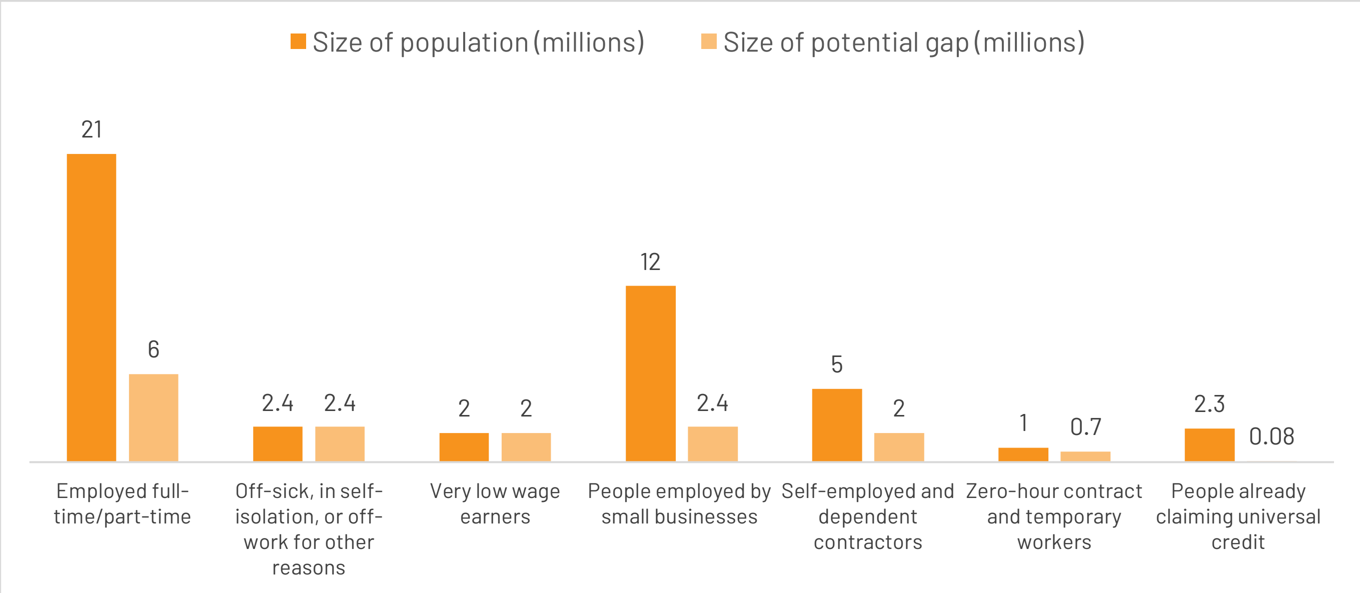
[5] IFS notes that only 16 per cent of total household earnings come from these sectors as more than half of the lowest earners who work in a shut-down sector have partner or other household member who works in an industry not impacted by the lockdown.

[6] The overall benefit income for a working-age family is capped at a level that differs by family-type and location. This cap was established to provide a financial incentive for families to move into paid work or to move to cheaper housing; however, this is less important and desirable during this period.

An analysis from the Institute for Employment Studies (IES) finds that monthly new claims for unemployment benefits have increased by 412 per cent (5 times higher than the previous record in 1994). There have been roughly 1.5 million new claims since the start of the lockdown.[xix] According to Citizens Advice, nearly 20 per cent of UK adults are applying for benefits due to pandemic; this number increases to 68 per cent for zero-hour contract workers.[xx] As a result, research finds that 43 per cent of people on zero-hour contracts have fallen behind on a bill, compared to 16 per cent of everyone in the workforce.[xxi]

Figure 4: Groups in need of additional financial support (millions)[7]



Source: See Appendix I

Therefore, despite the generosity and breadth of government response schemes, gaps in service provision still exist. For the excluded groups, it's also important to distinguish between short-term liquidity issues and long-term financial impacts. For example, those eligible for the SEISS will receive government funds starting in June, however, many households will struggle with short-term cash-flow in the four months prior. On the other hand, employees of small and medium businesses, who may lose their job as a result of business closure, are more likely to suffer long-term financial impacts. According to a YouGov poll, 34 per cent of Britons believe coronavirus will harm their household finances in the long-term, while 44 per cent say it will only do short-term damage.[xxii]

People in vulnerable circumstances

The coronavirus pandemic (and the response to it) has the potential to widen existing inequalities by disproportionately reducing incomes and increasing risks for some groups. People struggling financially prior to the disruption are at greater risk during this period, as income reduction, costly utility bills, and foodbank closures are likely to put a higher strain on household budgets.

The UK government has pledged £1.6 billion of additional funding to help local authorities support people in vulnerable circumstances. This analysis focuses on some of the issues this group is facing during this period, particularly those whose livelihoods have been put on hold as a result of social distancing and lockdown measures. A summary of this work can be found in Appendix II.

7 In cases where "size of potential gap" is equal to "size of population", there are either no government provisions outside of benefits to serve the population, or they are only eligible for SSP which is well-below the minimum income standard.

It is important to note, that for those experiencing multiple vulnerability factors, the sustained impact of the pandemic is even more severe. The groups we have identified as some of those most financially impacted by the coronavirus are:[8]

Young people

- According the IFS, young people are some of the hardest hit financially by the lockdown. There are roughly 6.9 million people aged 16-24 in the UK, of which 57 per cent are employed.[xxiii] [xxiv] On the eve of the crisis, people under 25 comprised nearly one third (25 per cent men and 36 per cent women) of the workforce in sectors that were shut down.[xxv] In addition, roughly one fifth of young workers may not be eligible for current government schemes as they are in low-paid and insecure employment. Universal Credit entitlement is also lower for this age group. [xxvi]

- The Nuffield Foundation finds that the crisis risks pushing an additional 600,000 18-24-year-olds into unemployment in the coming year and causing long-term damage to their pay and job prospects.[xxvii] However, one mitigating factor is that, for the many younger workers living with parents who can financially support them during this period, living standards are less likely to be impacted. Nevertheless, there are still 4.2 million young people not living with their parents, many of which are vulnerable during this period. [xxviii]

Women

- There are 15 million working women in the UK, 5.3 million of which are not earning a living wage.[xxix] In addition, there are 2.3 million women working in jobs that are at "high risk" of exposure to the coronavirus (ie care workers, nurses, home carers, etc.). Roughly 9 in 10 nurses, and 8 in 10 care workers, home carers, and nursing auxiliaries or assistants are women (BAME women are overrepresented in many of these occupations as well). Not only are women at risk of exposure to the virus, the economic impact of the shutdown disproportionately impacts women's earnings, as they are 30 per cent more likely to work in a sector that was shut down than men.[xxx] Further, of the two million people not eligible for SSP, nearly 1.4 million (69 per cent) are women, as they are more likely to work in low-paid or insecure work.[xxxi]

Renters and social housing tenants

- In the UK, there are 4.5 million people in homes let by private landlords, 2.4 million in homes let by housing associations, and 1.6 million in homes let by local authority.[xxxii] [xxxiii] Low-income renters (35 per cent) spend a higher proportion of their income on rent than high-income renters (19 per cent), even after accounting for the help they get through housing benefit.[xxxiv]

- Within the private rented sector, roughly 70 per cent of people are employed, compared to 45 per cent in social housing. Moreover, within the social rented sector, 54 per cent of households' report having at least one member with long-term illness or disability, 22 per cent were lone parent families, and 72 per cent were in the two lowest income quintiles.[xxxv]

- Research illustrates that over 70 per cent of rented households have no savings to fall back on and are particularly vulnerable to income loss during this period.[xxxvi] According to Shelter, 1.7 million private renters are expected to lose their job in the next 3-months and 1 in 4 have already seen a reduction in their income. Moreover, renters are 40 per cent more likely to work in shutdown sectors than homeowners.[xxxvii] The UK Government has issued emergency legislation to impede landlords from evicting tenants for at least 3 months; however, landlords appear to be evicting tenants at high rates, despite these government provisions.[9] [xxxviii]

[8] This is not an exhaustive list, and as new research is brought to light this information will be updated.

[9] It is important to note that 94 per cent of private landlords rent property out as individuals and 39 per cent reported a gross income of less than £20,000, many depend on the extra rental income for their livelihood.

People with mental health and addiction problems

- Roughly 13 million adults experience mental illness at some point each year, and 1.5 million people face both problem-debt and mental health problems. According to Public Health England, there is a 43 per cent employment rate for people who report mental health problems, and almost 1 in 6 people of working-age have a diagnosable mental health condition (twice as likely for women than men).[xxxix] According to a survey by the Money and Mental Health Policy Institute (MMPI), over 75 per cent of people with mental health problems were concerned about struggling to access mental health services during the pandemic and over 50 per cent of people reported concerns for losing access to the benefit system, losing their job, or having creditors chase them for money.[xl]

- MMPI also maintains that many people with mental health problems struggle to participate in telephone interviews or complete paper-based forms, both of which are required to access benefits during this period. Consequently, people in this group are at a high risk of missing out on the benefit payments they are entitled to.

- Moreover, amid lockdown restrictions, one of the UK's biggest gambling websites, 888 Holdings, has seen an increase in participation in risky games, such as online casino and slot games. This temptation can be particularly strong for people who have seen a reduced income or experienced job loss due to the coronavirus. Various banks (including Lloyds, Barclays, HSBC, Monzo, and Starling) are offering 'gambling blocks' to inhibit spending on gambling on their debit cards, and the Gambling Commission has issued warnings for operators that take advantage of people during this period.[xli]

Migrants and asylum migrants

- There are roughly 6.2 million people with non-British nationality living in the UK, 374,000 of which reported asylum as their main reason for migrating.[xlii] This number excludes undocumented migrants who are ineligible for any safeguards, including state benefits and health services.

- Prior to the coronavirus, research illustrated that employed asylum migrants were already in financially precarious positions, as they earned 55 per cent less per week than UK-born workers, and 21 per cent were self-employed (compared to 14 per cent of UK-Born workers).[xliii] In addition, most migrants from outside the European Economic Area (with temporary permission to remain in the UK) have no recourse to public funds. This is due to visa conditions that block them from accessing state-funded benefits. Those excluded include sponsored skilled workers, family members of British citizens, self-employed individuals, investors, entrepreneurs, and asylum seekers.[xliv] The implications of job-loss for this group are even more expansive when considering remittance, as families of migrant workers from developing countries rely on these transfers for their basic needs.

Ethnic minorities

- Roughly 14 per cent of the population in England and Wales is from ethnic minorities.[xlv] Research shows that there have been disproportionately high numbers of BAME (black and minority ethnic) deaths from coronavirus, demonstrating inequalities in the social determinants of health. The IFS finds that per capita deaths for people in England who had black Caribbean heritage was three times higher than for British citizens who are white. Given that most minority groups are much younger on average than the British population, per capita death rates across all ethnic minority groups looks disproportionately high. This may, in part, be explained by the fact that ethnic minorities are more likely to live in London or other cities severely hit by the virus, and that they are more likely to be employed in key worker roles, putting them at greater risk.[xlvi]

- The IFS also finds that ethnic minorities are more likely to be hit financially by the lockdown. Regarding employment, this group is more likely to work in insecure, low-paid work, or to be unemployed.[xlvii] An analysis of the 3.1 million BAME workers in the UK showed that nearly a quarter million were in temporary jobs or on zero-hours contracts.[xlviii] In addition, Black African and

Bangladeshi households have 10 times less wealth than White British households, and BAME households have much lower levels of savings or assets.[xlix]

Care-experienced young people

- In the UK, there are roughly 10,000 young people leaving residential or foster care every year. One third of these care-leavers become homeless within the first two years of leaving care.[l] In addition, care-leavers are four times more likely to have a mental health problem, which in many cases is attributed to isolation and loneliness.[li] For care-leavers aged 17, 18, and 19, roughly 15, 18, and 25 per cent (respectively) are employed, with the remaining in education or unemployed.[lii] This group is three times as likely to not be in employment, education or training (NEET) than other young people.[liii]

- There are no government policies protecting care-experienced young people during the pandemic, leaving this group particularly isolated. Compounding this is the Coronavirus Act, which stipulates that local authorities no longer need to perform their required duties for this group, including safety checks, assessments, and arranging visits from key support workers.

People with long-term conditions

- People low long-term health conditions are at a heightened risk of death or severe complications due to the coronavirus. There are 26 million people with long-term illnesses in the UK, 59 per cent of which are employed. Research has also demonstrated a link between poverty and long-term illness, as people in the poorest communities have a 60 per cent higher prevalence of long-term conditions than those in the richest communities.[liv]

- Employees from low-paid occupations (52 per cent) experience long-term conditions more than those from professional occupations (33 per cent).[lv] This adds strain to this community during this period, as people with long-term health conditions are being asked to isolate in response to the coronavirus. However, this is not possible for those in low-paid and insecure employment, putting them at greater risk of both contracting the disease and experiencing financial hardship. Research finds that people with health conditions are four times as likely to have fallen behind on a bill due to the coronavirus than those without.[lvi]

People experiencing homelessness

- An estimated 320,000 people in the UK are homeless.[lvii] People experiencing homelessness have a higher risk of infection and complication due to the coronavirus as they are more likely to have multiple chronic conditions and live in cramped accommodation. According to homeless serving agencies, the proportion of homeless people in employment varies, with 7 per cent of St Mungo's Broadway's clients in full-time work, and 5 per cent of Crisis' clients in full-time work.[lviii]

- The government announced £3.2 million in emergency support for rough sleepers during the outbreak, and relaxed lockdown regulation for hotels, hostels, and B&Bs offering accommodation to key workers and vulnerable people, including those experiencing homelessness.[lix]

Domestic/economic abuse survivors

- In 2019, there were roughly 786,000 men and 1.6 million women who experienced domestic violence[10]. Refuge, the UK's largest domestic abuse charity, announced that they have seen a 25 per cent increase in the number of calls since the start of the lockdown as the self-isolation requirements (ie remaining indoors) can aggravate pre-existing abusive behaviours.[lx]

- In addition, Universal Credit is issued in a single payment per household, meaning someone experiencing domestic abuse may be impeded from collecting benefits for themselves if their

[10] 95 per cent of which also experienced economic abuse

partner is deemed ineligible, and have restrictions on access to finances deposited into a shared bank account. People can apply for a "split payment" exception, but this is only on a case-by-case basis, and abuse must be evidenced. The relationship between poverty and domestic violence is complex, however, for half of domestic violence survivors living with their abuser, financial abuse prevents them from leaving the relationship.[lxi] This is exacerbated by domestic abuse cases rising during coronavirus shutdown.

- Following the recent surge of domestic abuse cases, the government has announced £76 million extra funding to support survivors of domestic and sexual abuse, vulnerable children and their families, and victims of modern slavery. In addition, those fleeing domestic abuse and facing homelessness as a result will be automatically considered as priority by their council for housing, ensuring more domestic abuse survivors have access to a safe home.[lxii]

People with disabilities

- There are 14.1 million people living with disabilities in the UK, 50 per cent of which are employed (43 per cent employees and 7 per cent self-employed). Unlike Universal Credit benefits, disability benefits were not increased to meet the changes in household finances during this period.

- As many people with disabilities must be in frequent contact with care workers, social distancing measures are difficult in practice. However, similar to care-experienced young people, the Coronavirus Act suspends the legal requirements for local authorities to arrange necessary services for this group. The ONS Opinions and Lifestyle Survey finds that disabled adults were more likely to report spending too much time alone during this period than non-disabled adults.[lxiii] Families with disabled children also have increased pressures to care for their loved ones without respite.

Older people (65+)

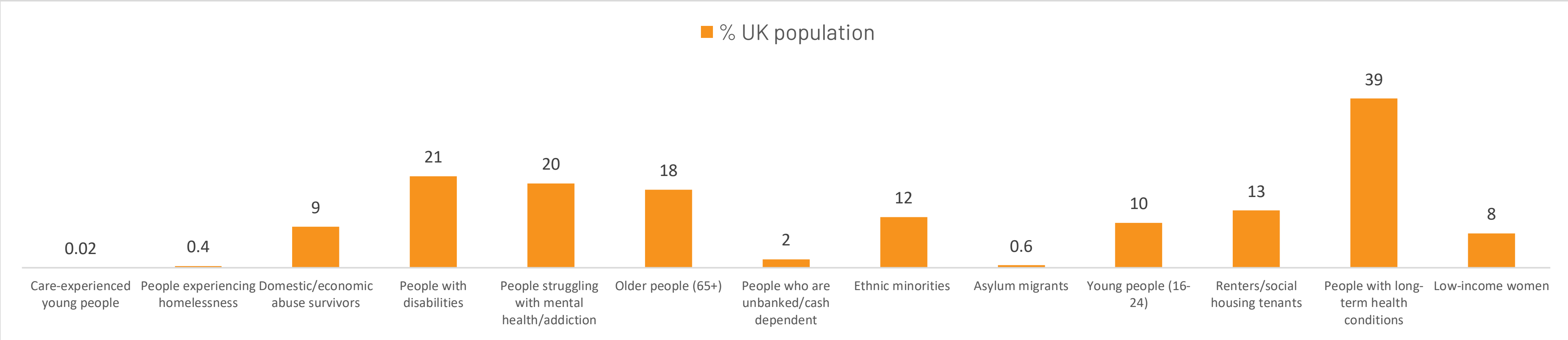
- There are 12 million people aged 65 and above in the UK.[lxiv] Similar to people with long-term health condition, people within this age group are at higher risk of death or severe complications due to coronavirus and are therefore advised to remain isolated during this period. Because of the reduced support from home care workers, there is increased pressure to ensure this group is financially stable and able to access necessary services during this period. Within this group there are 2 million people employed, with the highest proportion of workers in agricultural occupations. In addition, prior to coronavirus, 15.2 per cent of people in this age group were living below the minimum income standard.[lxv]

People who are unbanked and/or cash dependent

- Roughly 1.3 million adults are unbanked in the UK.[lxvi] According to the FCA Financial Lives Survey, there are higher-than-average levels of unbanked individuals in London and core cities, and the groups more likely to be unbanked include those aged 18-24 and those that are unemployed.

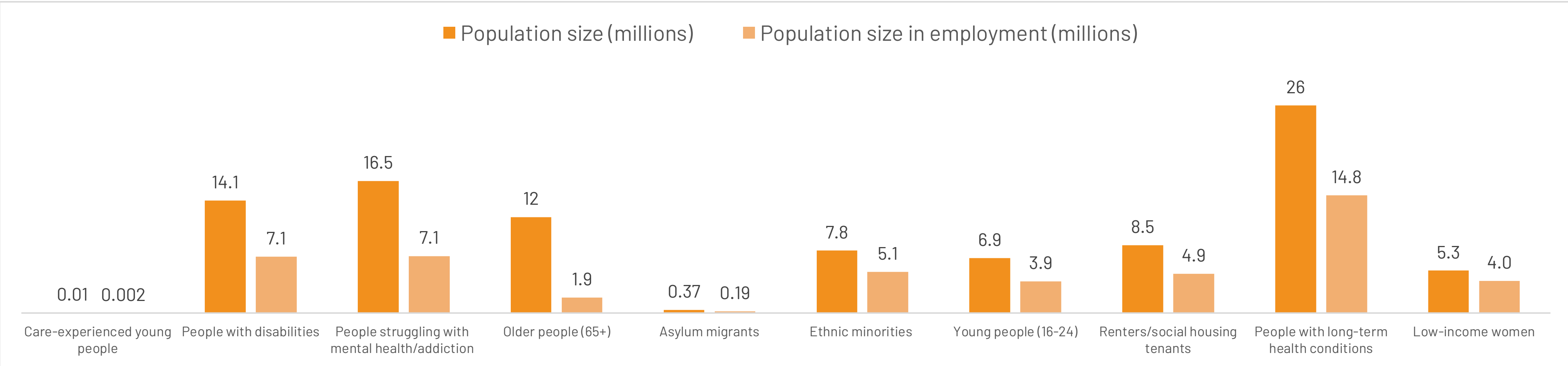
- As many shops and restaurants have shut down during this period, there is a higher reliance on online purchasing, which can preclude this group. In addition, out of concern for viral transmission via cash, various shops and restaurants are becoming cashless and contactless card limits are increasing (previously £30 and now £45). Cash use is also down 70 per cent from this time last year, further marginalising cash dependent groups. Workers paid in cash who have not filed their income taxes are also excluded from accessing the necessary state-benefits provided during this period. The government has not announced new measures to bring people into the banking system, although this may aid in dispersing financial support.

Figure 5: Groups of people in vulnerable circumstances as a percent of the UK population



Source: See Appendix II

Figure 6: Groups of people in vulnerable circumstances in employment (millions)



Source: See Appendix II

Financial service providers

Financial service providers in the UK are active in supporting communities experiencing income shortfalls, either through offering forbearance or waiving interest in times of crisis. The need for ethical forms of credit, alongside grants and government benefits, is likely to be greater than ever in the coming months, as individuals who are vulnerable need a sustainable source of credit to manage the pandemic's short-term effects on their income.

The financial service sector has already seen changes to consumer behaviour due to the coronavirus. The key areas where people are seeking additional credit are for fuel, food, and entertainment and certain credit unions are reporting increased savings withdrawals (though this is patchy as yet). In addition, several credit unions estimate that at least £4 in every £10 borrowed during this period is supporting members to cope with the pandemic either through loans for housing improvements (6 per cent increase) or household equipment (17 per cent increase).[lxvii] However, consumers are finding it harder to access credit at this time as various lenders (including those in the high-cost credit market) are no longer lending to new customers.

We will continue our work to better understand the role of affordable credit providers and the wider financial service sector in responding to the crisis and will publish any further findings.

Conclusion

The social and economic impact of the coronavirus pandemic will be more severe for groups experiencing existing vulnerability factors. This work integrates evidence from various stakeholders and service providers to further understand the impact of coronavirus on the lives of people in vulnerable circumstances.

We highlight that those who were in socially and/or economically unstable positions prior to the crisis are at higher risk of destitution. As a result, coronavirus measures will exacerbate social and economic inequalities in the UK unless further mitigating actions are put in place.

As circumstances continually evolve, it is important for governments and social sector organisations to ensure their responses are as adaptable as they are effective. To support these families, social sector organisations and affordable and mainstream credit providers should come together to address gaps in services for those in need of additional financial support and ensure that households are able to manage the financial impacts of the crisis. The aim is to ensure individuals do not emerge from the crisis with a debt mountain or harm to their longer-term financial wellbeing.

In response to the pandemic, Fair4All Finance is working to ensure:

- The affordable credit sector remains intact and potentially stronger coming out of the crisis period. We plan to achieve this through the implementation of our Covid-19 Resilience Fund and the Affordable Credit Scale-Up Programme Launch
- That individuals emerge without a debt mountain or harm to their longer-term financial wellbeing
- Accelerated change in the wider financial services system so that people in vulnerable circumstances are better served by the system overall

We plan to continue this research and complement the existing evidence with further analysis. This summary will be updated as new information is brought to light. Future reports that may be beneficial to our work include the Groundswell research on homelessness impact and the Local Trust's research on the impact of the virus on 25 communities. We value collaboration and partnership and welcome any feedback and/or information to help evaluate this impact. If you have comments or new research that you would like to be included in this roundup, please contact hanadi@fair4allfinance.org.uk.

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